

SC. 006/67/NJ

23 February 2024

Subject: Management Discussion and Analysis for the year ended 31 December 2023

To: Directors and Managers
The Stock Exchange of Thailand

Management Discussion and Analysis of operating results and financial position

Overview of the past results' operation

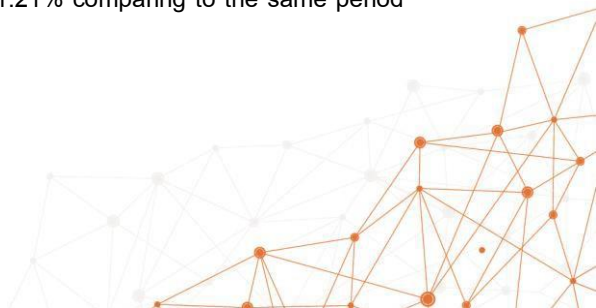
Interlink Telecom Public Company Limited (“the Company”) operates in telecommunication business by providing telecommunication services through nationwide fiber optic network and providing installation of telecommunication infrastructure. On 8 May 2012, the Company obtained telecommunication license type 3 from National Broadcasting and Telecommunication Commission (NBTC) in which, allowed the Company to own the network and rendering service through the mentioned network. The period of license is 15 years. The Company has started to construct core fiber optic network since 2012 in which the fiber optic were installed along with telegraph poles that the Company has 30 years' right of way since 19 October 2012 from The State Railway of Thailand. The Company has also constructed the main trunk routes and sub-routes along with the road through the poles as to connect to customers. The Company has launched a service under the network called “Interlink Fiber Optic Network” in June 2013.

In 2014, the Company has entered into data center business by acquiring assets from Interlink Communication Public Company Limited (“ILINK”) including building and equipment as to provide data center space services for companies and organizations according to their needs. The data center services have been operated in October 2014.

According to the policies of the government, Digital Economy and Thailand 4.0, they are to use information technology to apply to the economic and social activities, by focusing on the development of digital infrastructure and aiming to provide stability data connection in all areas with adequately supply for demand and could be access at a reasonable cost, as to lead to further development of the nation in both economic and social aspects in efficiency way. These policies are important to help promote the growth of information and communications technology industry (ICT) of Thailand and the Company as well.

In 2022, the Company acquired Blue Solutions Company limited (“the Subsidiary”), which provides IT products and services, to expand sustainable growth for business. For the year ended 31 December 2023, the Company and its subsidiary (“the Group”) has total revenue of Baht 2,759.94 million and net profit attributable to owners of the parent of Baht 272.11 million.

For the year ended 31 December 2023, the Company has total revenue of Baht 2,388.42 million, decreasing by Baht 543.85 million, 18.55% comparing to the same period of prior year. In addition, the Company has net profit of Baht 254.34 million, increasing by Baht 25.64 million, 11.21% comparing to the same period of prior year as well.



Analysis of Operating Results

1. Revenues

For the year ended 31 December 2023, the Group has total revenues of Baht 2,759.94 million in which they were decreased from the prior year by Baht 677.83 million, or 19.72%. The Company has total revenues of Baht 2,388.42 million in which they were decreased from the prior year by Baht 543.85 million, or 18.55% as presented table below.

| Types of Services | Consolidated financial information | | | | | | Separate financial information | | | | | |
|-----------------------|------------------------------------|---------------|------------------|---------------|---------------------|----------------|--------------------------------|---------------|------------------|---------------|---------------------|----------------|
| | 31 December 2023 | | 31 December 2022 | | Increase/(Decrease) | | 31 December 2023 | | 31 December 2022 | | Increase/(Decrease) | |
| | Million Baht | % | Million Baht | % | Million Baht | % | Million Baht | % | Million Baht | % | Million Baht | % |
| Service income | 2,713.58 | 98.32 | 3,392.59 | 98.69 | (679.01) | (20.01) | 2,335.87 | 97.80 | 2,886.92 | 98.45 | (551.05) | (19.09) |
| Other income | 46.36 | 1.68 | 45.18 | 1.31 | 1.18 | 2.61 | 52.55 | 2.20 | 45.35 | 1.55 | 7.20 | 15.88 |
| Total revenues | 2,759.94 | 100.00 | 3,437.77 | 100.00 | (677.83) | (19.72) | 2,388.42 | 100.00 | 2,932.27 | 100.00 | (543.85) | (18.55) |

1.1. Service incomes

| Type of Services | Consolidated financial information | | | | | | Separate financial information | | | | | |
|--------------------------------------------------|------------------------------------|---------------|------------------|---------------|-----------------|----------------|--------------------------------|---------------|------------------|---------------|-----------------|----------------|
| | 31 December 2023 | | 31 December 2022 | | Inc/(Dec) | | 31 December 2023 | | 31 December 2022 | | Inc/(Dec) | |
| | MB | % | MB | % | MB | % | MB | % | MB | % | MB | % |
| Service income from network rendering | 1,466.32 | 54.04 | 1,310.73 | 38.64 | 155.59 | 11.87 | 1,466.32 | 62.77 | 1,310.73 | 45.40 | 155.59 | 11.87 |
| Service income from network installation service | 1,154.49 | 42.54 | 1,994.52 | 58.79 | (840.03) | (42.12) | 776.78 | 33.25 | 1,488.85 | 51.57 | (712.07) | (47.83) |
| Service income from data center space service | 92.77 | 3.42 | 87.34 | 2.57 | 5.43 | 6.21 | 92.77 | 3.97 | 87.34 | 3.03 | 5.43 | 6.21 |
| Total service incomes | 2,713.58 | 100.00 | 3,392.59 | 100.00 | (679.01) | (20.01) | 2,335.87 | 100.00 | 2,886.92 | 100.00 | (551.05) | (19.09) |

Service incomes consist of 3 categories as follows;

1.1.1. Service income from network rendering

Service income from network rendering is categorized into various types such as Interlink MPLS IP-VPN, Interlink Dark Fiber, and Interlink IPLC which the Company has started the services since June 2013.

For the year ended 31 December 2023, the Company had service income from network rendering, and Course Online totally amounted to Baht 1,466.32 million or represented 54.04% and 62.77% of total service incomes per consolidated financial statements and separate financial statements, respectively.

1.1.2. Service income from network installation service

Service income from network installation is related to the construction of telecommunication hi-speed network and is categorized into 2 types as follows;

1) Service income from installation in which recognises revenue when the Company satisfies a performance obligation by transferring services to customers over time in accordance with term of each service contract with customers.

2) Service income from network connection or other service in which recognises revenue once the service from network connection has been completed or the service has been completed.

For the year ended 31 December 2023, these services generated revenue of Baht 1,154.49 million for the Group and Baht 776.78 million for the Company, or 42.54% and 33.25% of total service incomes, respectively. The service income decreased for the Group and the Company from the same period of the prior year by Baht 840.03 million, 42.12%, and Baht 712.07 million, 47.83%, respectively. Mainly projects which had recognized revenue in this period such as Service Project with Government Agency amounted to Baht 210.91 million, Maintenance project with Government Agency amounted to Baht 160.78 million, and Installation of Solar Cell project with private company amounted to Baht 140.72 million, etc.

1.1.3. Service income from data center space service

For the year ended 31 December 2023, the Company had service income from data center space of Baht 92.77 million, 3.42% and 3.97% of total service incomes per consolidated financial statements and separate financial statements, respectively. The current occupancy rate is 98%.

2. Costs and expenses

The major costs of the Group are such as costs of services, service expenses, administrative expenses and finance cost. For the year ended 31 December 2023, the costs and expenses of the Group was Baht 2,383.29 million, and the Company was Baht 2,071.95 million as follows;

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Group amounted to Baht 1,990.09 million and the Company amounted to Baht 1,749.19 million for the the year ended 31 December 2023. It was lower than the same period of 2022 by 27.82% and 25.69% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

| Service Costs | Consolidated financial information | | | | Separate financial information | | | |
|--------------------------------------|------------------------------------|---------|------------------|---------|--------------------------------|---------|------------------|---------|
| | 31 December 2023 | | 31 December 2022 | | 31 December 2023 | | 31 December 2022 | |
| | Million Baht | GPM (%) | Million Baht | GPM (%) | Million Baht | GPM (%) | Million Baht | GPM (%) |
| Cost of network rendering | 1,131.42 | 22.84 | 1,025.00 | 21.80 | 1,131.42 | 22.84 | 1,025.00 | 21.80 |
| Cost of network installation service | 796.43 | 31.01 | 1,670.94 | 16.22 | 555.53 | 28.48 | 1,267.78 | 14.85 |
| Cost of data center space service | 62.24 | 32.91 | 61.23 | 29.90 | 62.24 | 32.91 | 61.23 | 29.90 |
| Total costs of services | 1,990.09 | | 2,757.17 | | 1,749.19 | | 2,354.01 | |

2.1.1. Cost of network rendering

For the year ended 31 December 2023, the Company had cost of network rendering of Baht 1,131.42 million in which resulting to gross profit margin at 22.84% which increased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, interconnection of network expenses, rental fee for space to install the network, repair and maintenance expenses, and employee benefit expenses which represented 37.11%, 24.35%, 12.32%, 8.47%, 7.84%, and 3.40% of total cost of network rendering for the year ended 31 December 2023, respectively.

2.1.2. Cost of network installation service

For the year ended 31 December 2023, the Group and the Company had cost of network installation service of Baht 796.43 million and Baht 555.53 million in which resulting to gross profit margin at 31.01% and 28.48%, respectively. The major costs of network installation service are such as material cost and installation cost which vary according to the projects. Gross profit margin of year 2023 is more than the prior year as there are projects deriving higher gross profits than usual.

2.1.3. Cost of data center space service

For the year ended 31 December 2023, the Company had cost of data center space service of Baht 62.24 million in which resulting to gross profit margin of data center business was at 32.91% which the same as the prior year. Major costs of data center space service are such as depreciation expenses, utilities expenses, employee benefit expenses, and repair & maintenance expenses.

2.1.4. Gross profit and gross profit margin

For the year ended 31 December 2023, the Group and the Company had gross profit of Baht 723.49 million and Baht 586.68 million which the gross profit margin was at 26.66% and 25.12%, respectively. The gross profit margin was increased by comparing the same period of prior year Baht 635.42 million and Baht 532.92 million and the gross profit margin was at 18.73% and 18.46%, respectively. The increase derived from gross profit margin for each type of service as stated above.

2.2. Finance costs

For the year ended 31 December 2023, the Company had finance costs of Baht 175.19 million. The major of finance costs are interest expenses from loans. As of 31 December 2023, the Company had short-term loans from financial institutions amounted to Baht 1,796.85 million, long-term loans from financial institution amounted to Baht 997.68 million, lease liabilities amounted to Baht 204.20 million, and lease liabilities under the agreement with Trust, net, amounted to Baht 688.07 million (31 December 2022: short-term loans from financial institutions amounted to Baht 881.26 million, long-term loans from financial institution amounted to Baht 1,468.19 million, finance lease liabilities amounted to Baht 242.85 million, and lease liabilities under the agreement with Trust, net, amounted to Baht 688.31 million).

2.3. Net profit and net profit margin

The Group and The Company's net profit for the year ended 31 December 2023 was Baht 298.21 million and Baht 254.34 million and the net profit margin was at 10.80% and 10.65%, respectively, which were higher than that in the same period in 2022 which net profit was Baht 278.29 million and Baht 228.70 million and the net profit margin was at 8.10% and 7.80%, respectively. The increase was mainly due to the increase of revenue as stated above.

Financial Position

1. Assets

As at 31 December 2023, the Group had total assets of Baht 8,930.89 million. The Company had total assets of Baht 8,490.95 million, or 5.56% of increasing compared to Baht 8,043.92 million at the end of 2022. Major assets are such as trade and other receivables, short-term borrowings to a joint venture, accrued revenue from network installation service, accrued revenue from network rendering, and fixed assets and telecommunication networks, right-of-use assets which were presented as at 31 December 2023 represented at 8.98%, 1.52%, 16.23%, 10.54%, 48.93% and 2.96% of total assets, respectively. The changes are as follows;

1) Trade and other receivables increased due to the Group billing from various major project such as System development project with state agencies, Installation of Solar Cell project and Maintenance of fiber optic cable project. Moreover, during the year the Group can collected from public and private sector customer.

2) Short-term borrowings to a joint venture increased by 70.97 million because the Company providing loans to ETIX-ITEL Bangkok Company Limited (formerly known as Genesis Data Center Company Limited) to invest in the ETIX BKK#1 Day-3, which is scheduled to be completed in January 2024 (currently in the process of integrated testing).

3) Accrued revenue from service and network installation – (Current assets) decreased by Baht 138.14 million. The decrease was due to invoicing for service fees during the year more than revenue recognition.

4) Accrued revenue from service and network installation – (None current assets) increased from the reclassification of accrued income expected to be received within 1 year net with income from the providing mobile broadband and High-speed Internet service in border area and providing High-Speed Internet service in remote area and the Company recognized Expected Credit Loss on such a project.

5) Fixed assets and telecommunication networks increased by 204.95 million from additional investment in 2023.

6) Right-of-use assets decreased by 27.96 million. The decrease was due to recognize depreciation during the year.

In addition, In 2022 the Company acquired Blue Solution Company Limited, where the acquisition value exceeds the fair value of the net assets, resulting in goodwill of Baht 40.00 million in the consolidated financial statements.

2. Liabilities

As at 31 December 2023, the Group had total liabilities of Baht 4,921.86 million. The Company had total liabilities of Baht 4,633.33 million, increased by 4.85% comparing to Baht 4,418.85 million at the end of 2022. The increasing is mainly from short-term borrowings from financial institutions.

Major liabilities are such as short-term and long-term loans from financial institutions, trade and other payables, lease liabilities under the Trust and lease liabilities which are represented approximately at 60.31%, 18.39%, 14.85%, %, and 4.41% of total liabilities as at 31 December 2023, respectively.

3. Equity

As at 31 December 2023, the Group had equity attributable to owners of the parent company totaling Baht 3,853.15 million. The Company had equities of Baht 3,857.61 million increased by 6.41% comparing to Baht 3,625.07 million at the end of 2022. The shareholders' equity increased by Baht 254.34 million because of the profit for the year ended 31 December 2023 net off dividends payment amounted to Baht 88.20 million.

4. Capital Structure

The Company had debt to equity ratio at 0.90 times as at 31 December 2023 that decreased from 1.22 times in 2022. Due to the Company's performance for the year ended 31 December 2023.

In addition, the Company had to comply to 2 conditions of debt covenant as follows:

- 1) Loans from financial institution to equities and loans from related party must not be greater than 2.5 times; and
- 2) DSCR must not be less than 1.2 times.

As at 31 December 2023, the Company had complied with the conditions which had ratios at 0.78 times and 1.24 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer