



ALT Telecom Public Company Limited

Management Discussion and Analysis

For the operating results of the Quarter

ended 31 March 2019



*Moving forward
to create more opportunities*



ALT Telecom Public Company Limited

14 May 2019

The President
 The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for the quarter ended as of 31 March 2019

ALT Telecom Public Company Limited ("ALT")'s performance in 1Q/2019 in consolidated financial statements are summarized as follows:

- 1Q/2019, total revenues were Baht 134.96 million, YoY decreased by Baht 104.66 million or 43.7% from Q1/2018 at Baht 239.62 million
- Revenue from network service increased by Baht 27.98 million or 432.4%, from 1Q/2018 at Baht 6.47 million to Baht 34.45 million in 1Q/2019 and the growth still be going on steadily.
- Net result of operation was loss Baht 61.31 million
- Net cash from operating activities was Baht 11.77 million.
- Net Debt to equity ratio was 1.20 times at the end 1Q/2019
- Backlog as at the end of 1Q/2019 was Baht 1,142 million increased from Baht 832.4 million at end of the year 2018

Executive Summary

The Company's performance in Q1/2019 presented diminish revenue and profit, YoY comparing with Q1/2018. The main factors were 1) slowdown investment of mobile operators to build new base stations, and 2) the revenue of network service has still been under breakeven point. However, the network service revenue has a significant growth as well as the Company had backlogs on hand increased from Baht 832.4 million at end of the year 2018 to Baht 1,142 million at the end of 1Q/2019

Revenue & Gross Margin – 1Q/2019 YoY Comparison

Income Statement	1Q/2019		1Q/2018		YoY Incr (Decr)	
	Value	%	Value	%	Value	%
Revenue	134.96	100.0%	239.62	100.0%	(104.66)	-43.7%
Sales	9.58	7.1%	29.40	12.3%	(19.82)	-67.4%
Services - Construction	90.93	67.4%	203.75	85.0%	(112.82)	-55.4%
Services - OFC Network	34.45	25.5%	6.47	2.7%	27.98	432.4%
Cost	(136.25)	-101.0%	(235.63)	-98.3%	99.38	42.2%
Cost of goods sold	(7.90)	-82.5%	(21.13)	-71.9%	13.23	62.6%
Cost of services -Construction	(66.94)	-73.6%	(162.99)	-80.0%	96.05	58.9%
Cost of service - OFC network	(61.41)	-178.2%	(51.51)	-796.1%	(9.90)	-19.2%
Gross profit (loss)	(1.29)	-1.0%	3.99	1.7%	(5.28)	-132.4%
Sales	1.68	17.5%	8.27	28.1%	(6.60)	-79.7%
Services - Construction	23.99	26.4%	40.75	20.0%	(16.77)	-41.1%
Services - OFC Network	(26.96)	-78.2%	(45.04)	-696.1%	18.08	40.2%

Sales Business

- Total sales of telecom products such as optical fiber cable and Wi-Fi devices, etc., totally Baht 9.58 million, YoY decreased by Baht 19.82 million or 67.4% from 1Q/2018 at Baht 29.40 million.
- Gross profit was Baht 1.68 million, YoY decreased by Baht 6.60 million or 79.7% from 1Q/2018 at Baht 8.27 million.
- Gross Profit Margin was at 17.5%, decreased from 28.1% in 1Q/2018.

Construction Services Business

- Revenues from construction and installation services, such as construction of base stations, equipment and optical fiber cable installation, totally of Baht 90.93 million, YoY decreased by Baht 112.82 million or 55.4% from 1Q/2018 at Baht 203.75 million.
- Gross profit was Baht 23.99 million, YoY decreased Baht 16.77 million or 41.1% from 1Q/2018 at Baht 40.75 million.
- Gross profit margin was at 26.4%, up from 1Q/2018 at 20.0%

Network Service Business

- Recurring income in this period was Baht 34.45 million, mainly from the SRT project. The revenue increased by Baht 27.98 million or 432.4%, compared with 1Q/2018 at Baht 6.47 million. The growth still be going on steadily.
- The cost of network services was Baht 61.41 million, comprised of depreciation cost Baht 16.87 million. The others were cash costs consisted of network maintenance cost, network service cost , and area rental cost.
In addition, the such depreciation cost of Baht 16.87 million has included depreciation of Hemaraj Project amounting to Baht 5.6 million per quarter. The revenue of this project was stop to recognize, because customer has defaulted the payment. The Company filed a lawsuit against the Central Administrative Court and the Central Administrative Court announced a judgment on 30 September 2016, ordered the Counter Party to pay the indemnity to the Company. But the Counter Party appealed to the Supreme Administrative Court. Right now, the case is awaiting a decision of the Supreme Administrative Court and the Court have finished the process of exploring for the fact from the both parties.
- The Company still have taken gross loss in network service amounting to Baht 29.96 million, but the loss was YoY decreased by 40.2% from Baht 45.04 million in 1Q/2018.

Operating expense in 1Q/2019 comparison with Q1/2018 (YoY)

Million Baht

Income Statement	1Q/2019		1Q/2018		YoY Incr (Decr)	
Other income	8.53	6.3%	8.99	3.8%	(0.46)	-5.1%
Selling expense	(14.44)	-10.7%	(14.06)	-5.9%	(0.38)	-2.7%
Administrative expense	(34.24)	-25.4%	(28.94)	-12.1%	(5.31)	-18.3%
Gain (loss) from exchange rate	0.44	0.3%	1.08	0.5%	(0.64)	-59.4%
Share of loss from associate	(6.70)	-5.0%	(5.32)	-2.2%	(1.38)	-25.9%
Share of loss from joint venture	(3.46)	-2.6%	(6.18)	-2.6%	2.72	44.0%
Finance costs	(11.86)	-8.8%	(9.69)	-4.0%	(2.17)	-22.4%
Profit (loss) before income tax	(63.03)	-46.7%	(50.13)	-20.9%	(12.90)	-25.7%
income tax	1.72	1.3%	8.03	3.4%	(6.31)	-78.5%
Profit (loss) for the year	(61.31)	-45.4%	(42.10)	-17.6%	(19.20)	-45.6%

Selling & Administrative Expense

- Selling expenses had no significant change, while the administrative increased by Baht 5.31 million or 18.3 %, the major change caused by bad debt provision complied to accounting policy.

Finance Cost

- The financial cost Baht 11.86 million increased by Baht 2.17 million from 1Q/2018, as a result of higher borrowing debt and interest rate.

Net Loss for the period

- The net financial result of Company was loss amounting to Baht 61.31 million, most resulted from loss of network services, but the significant growth of revenue is still going on steadily while the cost of network services was in properly managed to be lower.

2019 MANAGEMENT OUTLOOK & STRATEGY

The 1Q/2019 operating result of the Company have still been loss, as a consequence of the delay of investment in the construction of network and base stations of mobile operators. In addition, the revenue from network services was not large enough to cover the costs of service, which were mostly fixed costs. However, the Company is quite aware of such problems and attempt to adjust the business strategies by trying to expand revenue base to new businesses in order to compensate for the shrinkage of the traditional income sources. For example, the Data Analytic, Smart Grid Construction Project in Pattaya for the Provincial Electricity Authority, expanding the telecom network service to foreign markets, and for the local market, seeking for the opportunity to provide network service to serve the other customers apart from traditional telecom customers, such as customer in power business, including adjusting the investment plans to be in line with the market situation and seeking the ways to create new business to utilize the existing network, the businesses that are in the rising trend, such as logistics or the businesses related to the vehicles. In this regard, the Company will seek for the partners with the specific expertise and new funding sources.

Upcoming Positive factors

The Bangkok Metropolitan Administration had announced the policy to bring all aerial telecom cable to underground around Bangkok completely within 2 years. so it is an opportunity for the Company to obtain this construction project because the Company has a direct experience in replacing overhead cables with underground fiber cables on three main roads: Phaholyothin Road, Phayathai Road and Sukhumvit Road. Moreover, the government sector is attempting to speed up the 5G technology of Thailand as soon as possible, which will increase the opportunity of the Company to conduct more construction services in expanding the base stations and more utilization of network services.

For your information.

Yours faithfully,



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