



ALT Telecom Public Company Limited

Management Discussion and Analysis

For the year end as of

31 December 2018



22 February 2019

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for the year end as of 31 December 2018

ALT Telecom Public Company Limited ("ALT")'s performance in 2018 in consolidated financial statements are summarized as follows:

- In 2018, total revenues were Baht 853.7 million, YoY decreased by Baht 404.4 million or 32.1% from 2017 at Baht 1,258.1 million
- Net result of operation was loss of Baht 286.3 million
- Net cash from operating activities in 2018 was Baht 114.9 million.
- Net Debt to equity ratio was 1.19 times at the end 31 DEC. 2018
- Backlog as at the end of 31 DEC. 2018 was Baht 832.4 million.

Executive Summary

Overview	2018 M.TH.B	2017 M.TH.B	YoY	
			M.TH.B	%CHG.
Revenues	853.7	1,258.1	(404.4)	-32.1%
Gross Profit	(66.2)	234.4	(300.6)	-128.2%
Gross Margin (%)	-7.8%	18.6%		
Net Profit/(Loss)	(286.3)	56.9	(343.2)	-603.4%
Net Profit Margin (%)	-33.5%	4.5%		

The Company's performance for 2018 presented diminish revenue and profit, comparing with 2017. The main factors were due to a consequence of slowdown investment of mobile and telecom operators, and cost of network service business has still been higher than revenues from network services.

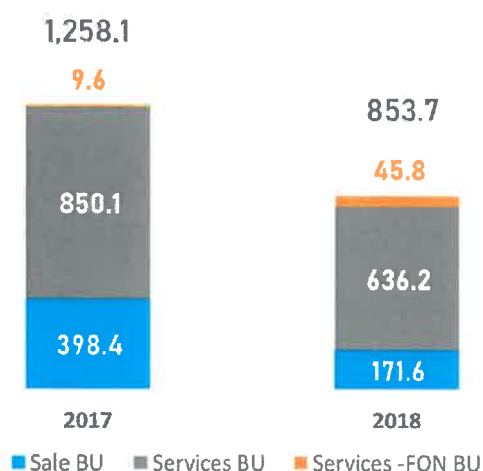
However, the network service revenue has a good sign growth as well as the Company has the other projects which are in developing status. At the ended of year 2018, the Company had backlogs on hand Baht 832.4 million.

Moreover, the Company has continuously explored more business partnerships to enhance the utilization rate of the Company's assets and expand diversity sources of income. In September 2018, The Company acquired ordinary shares of Spotwerkz (Thailand) Company Limited (SWT). That has encouraged the Company to step in new business area as BIG DATA and DATA ANALYTIC which will be a pivotal role in driving a government policy to move forward to Thailand 4.0 and Smart City in the near future.

Consolidated Performance Summary

Statement of income	2018		2017		Increase/(Decrease)	
	M. THB	%	M. THB	%	M. THB	%
Total Revenues	853.7	100%	1,258.1	100%	(404.4)	-32%
Total Cost	(919.8)	-108%	(1,023.7)	-81%	(103.9)	-10%
Gross profit	(66.2)	-8%	234.4	19%	(300.6)	-128%
Other income	37.9	4%	39.8	3%	(1.9)	-5%
Selling and admin expenses	(206.8)	-24%	(174.4)	-14%	32.4	51%
Gain/(Loss) from exchange rate	0.5	0%	2.2	0%	(1.7)	-78%
Share of Gain/(Loss) of investments in associate and	(24.9)	-3%	(1.5)	0%	(23.4)	-242%
Finance costs	(42.9)	-5%	(24.3)	-2%	18.6	76%
Profit before income tax expense	(302.4)	-35%	76.1	6%	(378.5)	-497%
Income tax (expense) revenue	16.1	2%	(19.3)	-2%	(35.4)	-184%
Profit for the period	(286.3)	-34%	56.9	5%	(343.2)	-603%

Revenue

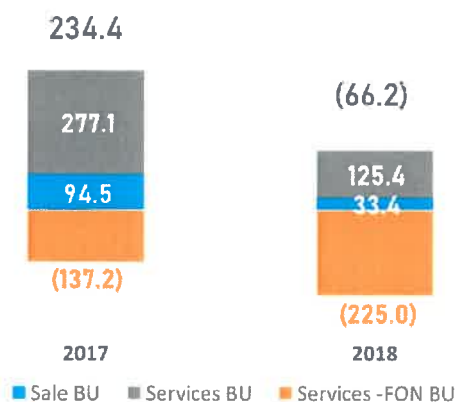


I) Sales Business – in 2018

Total sales of telecommunication products such as optical fiber cable and Wi-Fi devices, etc., totally Baht 171.6 million, compared YoY decreased of Baht 226.8 million or 56.9% from 2017 at Baht 398.4 million

- Gross profit was Baht 33.4 million, YoY decreased Baht 61.0 million or 64.6%
- Gross Profit Margin was at 19.5%, decreased from 23.7% in 2017.

Gross profit



II) Services Business – in 2018

Revenues from construction and installation services, such as construction of base stations, equipment and optical fiber cable installation, totally of Baht 636.2 million, YoY decreased by Baht 213.9 million or 25.2% from 2017 at Baht 850.1 million.

- Gross profit was Baht 125.4 million, YoY decreased Baht 151.7 million or 54.7% from 2017 at Baht 277.1 million.
- Gross profit margin was at 19.7%, down from 32.6% in 2017

III) Network Service Business – in 2018

- Recurring income in this period was Baht 45.8 million, mainly from the SRT project. The revenue increased Baht 36.3 million, comparing with year 2017. The good sign of growth still be going on.
- The cost of network services was Baht 270.9 million, comprised of depreciation cost Baht 61.6 million. The others were cash costs consisted of rental cost, network service, salary, wage and network maintenance cost.
- In addition, the such depreciation cost of Baht 61.6 million has included depreciation of Hemaraj Project amounting to Baht 22.86 million per year. 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, that the parties should pay the indemnity to the Company. But the party applied to appeal. Currently, the case is awaiting a decision of the Supreme Administrative Court.

Revenues contribution

In 2018, the revenue contribution of Sales Businesses, Services Business and Network Services Business was about 20.1%, 74.5% and 5.4% respectively.

Revenue Structure	2017	2018
Sale BU	31.7%	20.1%
Services BU	67.6%	74.5%
Services -FON BU	0.8%	5.4%

Selling & Administrative Expense

- In 2018, selling and administrative expenses were Baht 206.8 million, YoY increased by Baht 32.4 million or 51.1%, due mainly to increasing of marketing cost to explore and expand the market particularly for foreign customers.

Finance Cost

- In 2018, financial cost was Baht 42.9 million, YoY increased Baht 18.6 million due to the increasing loan outstanding balance and higher interest rate.

Net Loss

- In 2018, the Company still showed the result of operation as a loss of Baht 286.3 million. it was the consequence of cost in network service was higher than revenue contribution. Anyhow the trend of revenue growth of network service has a good sign and expected to recover soon.

2019 MANAGEMENT OUTLOOK & STRATEGY

In 2018, although the result of operation was loss due to a consequence of slowdown investment of mobile and telecom operators, and cost of network service business has still been higher than revenues from network service. However, the Company has realized these troubles and change its strategy by expanding new customer bases which come from other industries in order to minimize risk being solely depended on the telecommunication industry only. Moreover, the Company has considered exploring new investment opportunities which related ICT. At present, in order to create more competitive advantage, the Company executes the strategies as following:

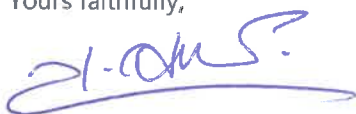
1. Rising up occupancy rate of existing network - increasing the utilization rate of company's existing network so as to reach economy of scale which will help recover the Company's performance.
2. Exploring new business opportunity to enhance our existing network - adding-on the benefit on existing network of the Company to the new adjacent businesses. Recently, the Company has launched the service of Wi-Fi at the BTS 30 stations.
3. Making synergy with business partners - creating a business alliance with strategic partner both domestic and international to enhance competitive advantage.
4. Exploring new revenue stream apart from traditional telecom business - seeking new revenue stream, cross-over industries with telecom business such as the Power Smart Grid project and Big Data Analytics.
5. Restructuring to enhance the efficiency of management. In the nearly end of the year 2018, the Company transferred the Optical Fiber Cable Network and component equipment along the railway and highway (SRT project) to a subsidiary – International Gateway Company Limited (IG) because the Company considered that management of IG has specific experiences and specialize skill in telecom network business. It will be helpful to enhance the efficiency of operation.

The Company also has the projects in hands as follows:

- o The Company still has a backlog of Baht 832.4 million as at the end of the year 2018
- o SRT Project has a higher utilization rate. In 2018, the revenue from network services grew 378.3% compared to 2017 and still tend to increase continuously
- o The Power Smart Grid Project by installing Digital Meter in Pattaya, Chonburi. The period of operation and revenue recognition in 2019-2020.
- o Other projects are under negotiation with landlords to gain the right to use, together with conducting a survey of customer demand, prior to make decision of investment accordingly.

For your information.

Yours faithfully,



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