

No. VP160808

10 August 2016

Subject: Explanation of operating result for the second quarter of 2016

To: President of the Stock Exchange of Thailand

ALT Telecom Public Company Limited (the "Company") would like to provide explanation of operating result for the 3-month period ended 30 June 2016, detail as follows;

	Million THB					
Income statement	Q2/2016		Q2/2015		Increase (Decrease)	
Revenues from sales and services	440.58	100.00%	619.23	100.00%	(178.65)	-28.85%
Cost of goods sold and services	(307.05)	-69.69%	(459.19)	-74.15%	(152.14)	-33.13%
Gross profit	133.53	30.31%	160.04	25.85%	(26.51)	-16.57%
Other income	6.39	1.45%	3.19	0.51%	3.21	100.69%
Selling & admin expenses	(66.58)	-15.11%	(74.58)	-12.04%	(7.99)	-10.72%
Reversal of assets impairment	-	-	-	-	-	-
(Loss) Gain from exchange rate	(0.01)	-0.00%	(0.09)	-0.02%	(0.08)	-88.04%
Share of loss of investments in associate and joint venture	2.44	0.55%	-	-	2.44	-
Finance cost	(11.06)	-2.51%	(8.44)	-1.36%	2.61	30.93%
Profit before income tax	64.71	14.69%	80.12	12.94%	(15.40)	-19.23%
Income tax (expense) revenue	5.41	1.23%	(14.73)	-2.38%	20.14	136.74%
Profit for the period	70.12	15.92%	65.39	10.56%	4.74	7.24%

1) Revenues and gross profit

As reference to the license re-auction of the 900 MHz has completed in May 2016, which delayed from December 2015. As a result, investment plans of telecom operators were revised and postponed accordingly. Therefore, the revenues of the Company in Q2/2016 decreased from the same period of last year by 28.85% or from 619.23 million THB in Q2/2015 to 440.58 million THB in Q2/2016. Therefore, gross margin decreased 16.57% from 160.04 million THB to 133.53 million THB and resulted in the changes of revenues contribution between Services to Sales of 64.14%: 35.86% in Q2/2015 to be 51.25%: 48.75% in Q2/2016.

However, the ratio of gross profit margin still keeping increased from 25.85% in Q2/2015 to be 30.31% in Q2/2016 due to the decreasing of cost of sales and services were greater than the decreasing rate of revenue. The detail of changes by business segmentation are as follows;

Services Business

Services revenue was comprised of construction service for base stations construction, fiber optic network installation and repair of telecom equipment.

As a result of investment suspending of telecom operators, revenues from service business in Q2/2016 decreased by 171.35 million THB or 43.14% from 397.17 million THB in Q2/2015 to 225.82 million THB in Q2/2016. As a result, gross profit margin decreased 27.86 million THB or 22.07% from 126.26 million THB in Q2/2015 to 98.39 million THB in Q2/2016. However, gross profit margin of services business increased from 31.79% in Q2/2015 to 43.57% in Q2/2016

Sales Business

Sales revenue was comprised of the sale of telecom product such as fiber optic cable, telecom shelter and Rapid Deployment Unit (RDU), antenna, and other telecom equipment. Local sales are major portion income.

For Q2/2016, had sales revenue about 214.76 million THB, it decreased by 7.30 million THB or 3.29% compared to the same period of last year at 222.06 million THB. While gross profit increased by 3.39 million THB or 8.60% from 39.45 million THB in Q2/2015 to 42.85 million THB in Q2/2016 and gross profit margin increased from 17.77% in Q2/2015 to 19.95% in Q2/2016.

The main reason of sales decreasing caused by the lower export portion of RDU. Anyhow, the Company achieved to make more sales for other telecom equipment such as Wi-Fi and other equipment which had higher gross margin.

Infrastructure Leasing Business

As at end of Q2/2016, the Companies have 5 projects of investments in telecom infrastructure, 2 projects operated and owned by ALT another 3 projected operated and owned by a joint venture company (IH), which started to realize income since Q4/2015. The Company realized gain (loss) from investment as 71% of shareholding in consolidated income statement in the line of "Share of gain (loss) of investment in joint venture" amounting to 3.26 million THB.

There are 2 projects, which operated by ALT comprised of

- Hemaraj Industrial Estate Project, which was stopped to recognized income since beginning of 2013 due to default of payment by a customer. However, the Company had claimed from an insurance company amounting to 90% of such default amount according to the risk insurance policy. The rest of damages and opportunity loss were in proceeding of prosecution.
- A New project of fiber optic cable on telegram poles along with the railway was still under construction and expected to start realize income by the beginning of next year.

2) Selling and admin expenses

Selling and admin expenses for the Q2/2015 and Q2/2016 were 74.58 million THB and 66.58 million THB or 12.04% and 15.11% on sales and services revenues respectively.

3) Finance Cost

Finance cost of Q2/2016 was 11.06 million THB, which increased from same period of last year by 2.61 million THB according to the greater outstanding balance of bank debt for financing the fiber optic infrastructure projects.

4) Net profit

According to the change factors of revenues and expenses described above, the Company had net profit for the second quarter of 2016 amounting to 70.12 million THB, increased by 4.74 million THB or 7.24% from the same period of previous year. In addition, net profit margin of the Company increased from 10.56% to 15.92%

For your information.

Respectfully Yours,

Mr. Pyut Bhuwakulwong

Vice President Corporate Administration Division