

No. VP160609

30 June 2016

Subject: Explanation of operating result for the year ended 31 December 2015

To: President of the Stock Exchange of Thailand

ALT Telecom Public Company Limited (the "Company") would like provide explanation of operating result for the year ended 31 December 2015, detail as follows;

<b>Million Baht</b>						
<b>Income statement</b>	<b>2015</b>		<b>2014</b>		<b>Increase (Decrease)</b>	
Revenues from sales and services	2,601.88	100.00%	1,973.08	100.00%	628.80	31.87%
Cost of goods sold and services	(2,037.64)	-78.31%	(1,598.04)	-80.99%	439.60	27.51%
<b>Gross profit</b>	<b>564.24</b>	<b>21.69%</b>	<b>375.04</b>	<b>19.01%</b>	<b>189.20</b>	<b>50.45%</b>
Other income	22.29	0.86%	19.30	0.98%	2.99	15.49%
Selling & admin expenses	(243.13)	-9.34%	(220.10)	-11.16%	23.03	10.46%
Revesal of assets impairment	-	0.00%	5.96	0.30%	(5.96)	-100.00%
(Loss) Gain from exchange rate	(17.30)	-0.66%	4.08	0.21%	(21.38)	-524.02%
Share of loss of investments in associate and joint venture	(25.24)	-0.97%	(2.95)	-0.15%	22.29	755.59%
Finance cost	(35.84)	-1.38%	(44.70)	-2.27%	(8.86)	-19.82%
Profit before income tax	265.02	10.19%	136.63	6.92%	128.39	93.97%
Income tax (expense) revenue	(57.01)	-2.19%	(26.84)	-1.36%	30.17	112.41%
<b>Profit for the year</b>	<b>208.01</b>	<b>7.99%</b>	<b>109.79</b>	<b>5.56%</b>	<b>98.22</b>	<b>89.46%</b>

### 1) Revenues and gross profit

For the year 2015 the Company had revenues from sales and services in the amount of 2,601.88 million Baht, which increased from 2014 by 31.87% and gross profit increased 50.45%, resulted in Gross Profit Margin increased from 19.01% in 2014 to 21.69% in 2015. The major changes in each group of business are as follows;

#### Services Business

Services revenue was comprised of construction service for base stations, fiber optic network installation and repair of telecommunication equipment. The main portion of revenues was domestic services, some portion

of oversea revenue was the installation service for shelter and Rapid Deployment Unit (RDU), which was sold by the Company.

The services revenue of the Company related to the growth and investment of telecom operators, particularly mobile operators. As a consequence of the expansion investment of telecom operators, the contribution of revenues of the Company between services business to sales business changed from ratio of 44.77%: 55.23% in 2014 to 67.14%: 32.86% in 2015. The revenue of services increased by 863.61 million Baht or 97.76% and gross profit increased by 167.74 million Baht or 65.46%

### 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 telecommunication equipment. Local sales are major portion income.

Even though sale revenues in 2015 decreased by 234.80 million Baht, but gross margin still increased by 24.47 million Baht, resulted in gross profit margin of the products sold increased from 12.99% in 2014 to 19.42% in 2015. It was the consequence of product development, which can serve requirement of the clients effectively.

### Infrastructure Leasing Business

Since 2011 the Company started to create the recurring income from providing the telecom infrastructure for leasing to the telecom operators.

The Company had no revenue from infrastructure leasing for the year 2014 and 2015, because the new projects were in the process of installation, which the Company had the long term leasing agreement with the customers. There was some cost incurred in the year 2014 and 2015 from depreciation and rental, which resulted in some negative on gross profit amounting to 22.73 million Baht and 25.74 million Baht respectively. Those projects which incurred some depreciation cost, but service income still be suspended to realize, because the Contract Party in Eastern Seaboard Hemaraj Industrial Estate and Eastern Seaboard (Rayong) ( "Hemaraj Industrial Estate Project") was on default of payment. However the Company previously had applied for risk insurance which covered the default of payment with coverage of 90% of maximum liability according to network contract. The Insurance Company reimbursed the damages in the sum equal to 198.86 million Baht while the rest of damages cost, at the same time, was in proceeding of

prosecution and negotiation for payment with the Contract Party. The independent advisor gave opinion that the Contract Party had used the network service while, on the other hand, there are many legal provisions that in support of the Company. Hence, it was likely that the Company would win the case. Therefore, the Company did not reserve any provision for this case.

## **2) Selling and admin expenses**

Selling and admin expenses of the Company in 2015 were the amount of 243.13 million Baht increase by 23.03 million Baht or 10.46% from last year, which was lower than the growth rate of sale and service revenues at 31.87%. The main increasing of expenses was caused by expenses for staff salary and benefit. However the portion of selling and admin expenses to sale and service revenues decreased from 11.16% in 2014 to 9.34% in 2015.

## **3) Gain (loss) from exchange rate**

The appreciation of USD resulted in loss in foreign exchange amounting to 17.30 million Baht.

## **4) Finance cost**

Finance cost in the number of 35.84 million Baht decreased from the last year 8.86 million Baht or 19.82%. The ratio of finance cost to revenues decreased from 2.27% in 2014 to 1.38% in 2015, as a consequence of more effectiveness of cash management.

## **5) Net profit**

According to the changes of revenues and expenses described above, the Company had net profit for the year 2015 amounting to 208.01 million Baht, increased by 98.22 million Baht or 89.46% from previous year. As a consequence, net profit margin of the Company increased from 5.56% to 7.99%

For your information.

Respectfully Yours,

Mr. Pyut Bhuwakulwong  
Vice President Corporate Administration Division