

No. VP170208

26 February 2017

Subject: Explanation of operating result for the year ended 31 December 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 year as at 31 December 2016, detail as follows;

Million THB						
Income statement	2016		2015		Increase (Decrease)	
Revenues from sales and services	1,964.67	100.00%	2,601.88	100.00%	(637.20)	-24.49%
Cost of goods sold and services	(1,423.13)	-72.44%	(2,037.64)	-78.31%	614.51	30.16%
Gross profit	541.54	27.56%	564.24	21.69%	(22.70)	-4.02%
Other income	26.20	1.33%	22.30	0.86%	3.90	17.51%
Selling & admin expenses	(255.74)	-13.02%	(243.14)	-9.34%	12.60	5.18%
Gain (loss) from exchange rate	3.22	0.16%	(17.30)	-0.66%	20.52	118.62%
Share of profit (loss) or investments in associate and joint venture	41.65	2.12%	(25.24)	-0.97%	66.89	265.04%
Finance cost	(36.38)	-1.85%	(35.83)	-1.38%	0.55	1.54%
Profit before income tax	320.49	16.31%	265.02	10.19%	55.47	20.93%
Income tax (expense) revenue	(40.96)	-2.08%	(57.01)	-2.19%	(16.05)	-28.15%
Profit for the period	279.54	14.23%	208.02	7.99%	71.52	34.38%

1) Revenues and gross profit

As a result of revised investment plans of the Company's major customers - the telecom operators,

The sale and service revenues of the Company for the year 2016 decreased from the previous year by 637.20 million THB or 24.49%. Whereas, gross profit of the Company decreased only by 4.02% or 22.70 million THB. The consequence of project cost control efficiently, the Company achieved to improve gross profit margin by reducing the actual contingency cost during construction period, lower than provisional budget, but retained the quality of goods and services as customers' specification and standard.

Revenues contribution between Services to Sales Business changed from 67.1%: 32.9% in 2015 to 63.0%: 37.0% in 2016. While gross profit contribution between Services to Sales Business changed from 71.9%: 28.1% became to 77.5%: 22.5% in 2016, detail of changes by business units 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 revised investment plans of telecom operators, revenues from service business in 2016 decreased by 509.02 million THB or 29.14% from 1,747 million THB in 2015 to 1,237.98 million THB in 2016. But gross profit still increased by 23.31 million THB or 5.50% from 423.98 million THB in 2015 to 447.29 million THB in 2016. The ratio of gross profit margin of services business increased from 24.27% in 2015 to 36.13% in 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 the year 2016, the Company had sales revenue about 726.69 million THB, it increased by 128.19 million THB or 14.99% compared to the previous year at 854.88 million THB.

Gross profit decreased by 36.22 million THB or 21.82% from 166.00 million THB in 2015 to 129.78 million THB in 2016 and gross profit margin increased from 19.42% in 2015 to 17.86% in 2016.

Recurring Income Business from Telecom Infrastructure Leasing

As at end of Q3/2016, the Companies have 5 projects of investments in telecom infrastructure, 2 projects operated and owned by ALT another 3 projects operated and owned by a joint venture company, which started to realize income since Q4/2015. The Company recognized profit (loss) from investment as 71% of shareholding in consolidated income statement in the line of "Share of profit (loss) of investment in joint venture", in the year 2016 the Company recognized to share the gain amounting to 44.67 million THB compared to the year 2015 the Company recognized to share the loss in the number of 24.43 million THB.

There are 2 projects, which operated by ALT comprised of

1) Hemaraj Industrial Estate Project

- The project 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.
- On 30 September 2016, The Administrative Court has sentenced the Contract Party to pay the Company for loss of use in FTTF asset in the rate of 13.50 million THB per month, starting from 12 February 2013 (the date following the Target Asset Return Date) until such asset will be returned back to the Company. Right now, the Contract Party has appealed to The Administrative Court. The case still has not been finalized yet, therefore, there are no material change to the financial status or operating results of the Company.

- 2) A New project of fiber optic cable on telegram poles along with the railway was still under construction. In order to fulfill the requirement of customers, both domestic and foreign, the Company required to change and/or extend the route of optical fiber cable network including installed some equipment for the more completion of network, which expected to start service by 2Q/2017.

2) Selling and admin expenses

Selling and admin expenses in the year 2016 amounting to 255.74 million THB increased from previous year 5.18% or 12.60 million THB.

3) Net profit

Although revenue of the Company was decreased, which was caused by the revised investment plans of major customers - the telecom operators. This risk factor was foreseen by the Company and the Company has already changed business model in order to mitigate this circumstance in advance. The principle strategy of the company is focusing on increasing the portion of revenue/ net profit from Recurring Income

Business by investing in telecom infrastructure for lease. They may be direct invested by the Company or invested via the associate or joint venture. The Company has set out the target of net profit portion to be contributed by Recurring Income Business about 50% of total net profit by 5 years or within the year 2020.

The investment in Recurring Income Business started to contribute the significant result. Net profit of the Company amounting to 279.54 million THB in the year 2016 increased by 34.38% or 71.52 million THB from the previous year at 208.02 million THB, which comprised of the net profit from Recurring Income Business, the emphasized business, about 57.17 million THB or 10.34% of total net profit. The other increment of net profit about 14.41 million THB was contributed from Sales & Services Business, the traditional business of the Company. While the project in court case, had no revenue recognized, but still incurred depreciation resulted in net loss about 22.72 million THB and 22.78 million THB in 2015 and 2016 respectively. This incurred loss will be ceased, once the case was finalized.

Profit Structure	Million THB					
	2016		2015		Change +/-	
Sales & Services Business	273.41	97.81%	259.00	124.51%	14.41	5.57%
Recurring Income Business	28.91	10.34%	(28.26)	-13.59%	57.17	202.29%
Project in court case	(22.78)	-8.15%	(22.72)	-10.92%	(0.06)	-0.27%
Total Net Profit	279.54	100.00%	208.02	100.00%	71.52	34.38%

For your information.

Respectfully Yours,

Pyut Bhuwakulwong

Vice President - Corporate Administration