



ALT Telecom Public Company Limited

Management Discussion and Analysis

For the operating results of the year

ended 31 December 2019



February 24, 2020

The President

The Stock Exchange of Thailand

Dear Sir/Madam,

Re: Management's Discussion and Analysis for the year ended 31 December 2019

ALT Telecom Public Company Limited ("ALT")'s performance for the year 2019 in consolidated financial statements compared to the year 2018 are summarized as follows:

- The Company had total revenues Baht 903.2 million, YoY increased by Baht 49.6 million or 5.8% from the same period of previous year at Baht 853.7 million.
- Revenue from network service increased by 237.5%, from the same period of previous year at Baht 45.8 million to be Baht 154.7 million and the growth still be going on steadily.
- Gross operating result reversed from loss in 2018 at Baht -66.2 million to gain in 2019 at Baht 69.7 million or 205.3% improved
- The overall performance has a clear recovery direction shifted from a loss of Baht 286.3 million in 2018, reduced to Baht 132.9 million in 2019, up 53.6%.
- Net Debt to equity ratio was 1.0 times at the end of the year.
- Backlog as at the end of the year was Baht 1,208 million.

Executive Summary

The Company's performance for the year 2019 compared to the same period of previous year, the loss declined 53.6%. It was the consequence of business strategy shifted, which we have put effort to widen business base to new industries and explore more opportunity for additional product sale, construction service and network service, including the Company has improved expenditure management to reduce operating and financial costs, which resulted in the better overall performance.

Even the network service business has still taken loss, but the degree of loss was declined about 35.5% and the better trend is still going on.

The backlog on hand at the end of the year was Baht 1,208 million.

| Statement of income | 2019 M.THB | YoY | | |
|---|----------------|----------------|--------------|---------------|
| | | 2018 M.THB | M.THB | %CHG. |
| Total Revenues | 903.2 | 853.7 | 49.6 | 5.8% |
| Total Cost | (833.6) | (919.8) | (86.2) | -9.4% |
| Gross profit | 69.7 | (66.2) | 135.8 | 205.3% |
| Other income | 52.3 | 37.9 | 14.4 | 38.1% |
| Selling and admin expenses | (195.0) | (206.8) | (11.8) | -9.6% |
| Gain/(Loss) from exchange rate | 0.3 | 0.5 | (0.2) | -44.6% |
| Share of Gain/(Loss) of investments in associate and joint venture | (19.1) | (24.9) | 5.8 | 43.3% |
| Finance costs | (41.2) | (42.9) | (1.7) | -4.0% |
| Profit before income tax expense | (133.1) | (302.4) | 169.4 | 56.0% |
| Income tax (expense) revenue | 0.2 | 16.1 | 16.0 | 99.0% |
| Profit for the period | (132.9) | (286.3) | 153.4 | 53.6% |

Revenue & Gross Margin – 3Q/2019 YoY Comparison

Million Baht

| Income Statement | 2019 | | 2018 | | YoY Up (Down) | |
|--------------------------------|-----------------|---------------|-----------------|----------------|----------------|---------------|
| | | | | | | |
| Revenue | 903.24 | 100.0% | 853.67 | 100.0% | 49.57 | 5.8% |
| Sales | 256.83 | 28.4% | 171.60 | 20.1% | 85.23 | 49.7% |
| Services - Construction | 491.72 | 54.4% | 636.23 | 74.5% | (144.51) | -22.7% |
| Services - OFC Network | 154.69 | 17.1% | 45.84 | 5.4% | 108.86 | 237.5% |
| Cost | (833.58) | -92.3% | (919.83) | -107.8% | (86.25) | -9.4% |
| Cost of goods sold | (200.86) | -78.2% | (138.18) | -80.5% | 62.68 | 45.4% |
| Cost of services -Construction | (332.93) | -67.7% | (510.80) | -80.3% | (177.87) | -34.8% |
| Cost of service - OFC network | (299.80) | -193.8% | (270.85) | -590.9% | 28.94 | 10.7% |
| Gross profit (loss) | 69.66 | 7.7% | (66.16) | -7.8% | 135.82 | 205.3% |
| Sales | 55.97 | 21.8% | 33.42 | 19.5% | 22.55 | 67.5% |
| Services - Construction | 158.79 | 32.3% | 125.43 | 19.7% | 33.36 | 26.6% |
| Services - OFC Network | (145.10) | -93.8% | (225.02) | -490.9% | 79.92 | 35.5% |

Sales Business

- Total sales of telecom products such as cell on wheels, optical fiber cable and network equipment, totally Baht 256.83 million, YoY increased by Baht 85.23 million or 49.7%, compared to the previous year at Baht 171.60 million.
- Gross profit was Baht 55.97 million, YoY increased by Baht 22.55 million or 67.5% from the previous year at Baht 33.42 million.
- Gross Profit Margin was at 21.8 %, increased from 19.5% in the year 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 491.72 million, YoY decreased by Baht 144.51 million or 22.7 % from the previous year at Baht 636.23 million.
- By the effectiveness of cost control process, even the revenue has declined, the company can create higher gross profit from Baht 125.43 million to Baht 158.79 million, increased by Baht 33.36 million or 26.6%.
- Gross profit margin increased from 19.7% to 32.3%.

Network Service Business

- The Company had revenue from network service Baht 154.69 million, the most of it came from SRT project. it increased from revenue in 2018 at Baht 45.8 million, increased Baht 108.9 million or 237.5%. The growth still be going on steadily.
- Gross operating result of network service business was still loss Baht 145.1 million, which decreased from 2018 at Baht 225.0 million.
- Revenue growth in this business is greater than growth of cost by a few reasons, the major cost of the project was depreciation, which was fixed cost. Another cost was maintenance, which tended to decrease by the way of management.
- In addition, the loss of the network service business has included depreciation of a lawsuit disputed project in an industrial estate, which the Company stopped to recognize income, because the

customer has defaulted the payment. But the Company has still taken its depreciation expense amounting to Baht 23 million per year. The Company filed a lawsuit to the Central Administrative Court in the end of 2013 and the Central Administrative Court announced a judgment on 30 September 2016, ordered the counter party to pay the indemnification to the Company. But the counter party appealed to the Supreme Administrative Court. Right now, on February 20, 2020 the Supreme Administrative Court has ordered the counter party to pay the indemnification to the Company by reference to the price in service contract with some portion of interest at rate 7.5% p.a. and the counter party must return the network assets back to the Company within 60 days from the finalized date. This order of the Supreme Administrative Court is considered as final conclusion. the indemnification and interest charge can be appraised around Baht 375 million. After the network has been returned to the Company, the Company has a plan to sell it to the

Million Baht

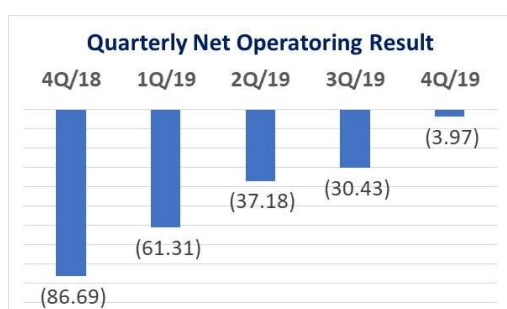
| Income Statement | 2019 | | 2018 | | YoY Up (Down) | |
|--|-----------------|---------------|-----------------|---------------|---------------|--------------|
| | Value | % | Value | % | Value | % |
| Other income | 52.34 | 5.8% | 37.90 | 4.4% | 14.44 | 38.1% |
| Selling expense | (70.05) | -7.8% | (71.43) | -8.4% | (1.39) | -1.9% |
| Administrative expense | (124.99) | -13.8% | (135.38) | -15.9% | (10.39) | -7.7% |
| Gain (loss) from exchange rate | 0.26 | 0.0% | 0.47 | 0.1% | (0.21) | -44.6% |
| Share of loss from associate | (12.64) | -1.4% | (17.10) | -2.0% | 4.46 | 26.1% |
| Share of loss from joint venture | (6.47) | -0.7% | (7.81) | -0.9% | 1.34 | 17.2% |
| Finance costs | (41.18) | -4.6% | (42.90) | -5.0% | (1.72) | -4.0% |
| Profitor (loss) before income tax | (133.06) | -14.7% | (302.41) | -35.4% | 169.35 | 56.0% |
| income tax | 0.17 | 0.0% | 16.12 | 1.9% | 15.95 | 99.0% |
| Profit (loss) for the year | (132.89) | -14.7% | (286.29) | -33.5% | 153.40 | 53.6% |

landlord, by this action the Company can stop its depreciation of Baht 23 million per year immediately. The succession of the plan will be updated accordingly.

Operating expense in 2019 comparison with 2018 (YoY)

Selling & Administrative Expense

- Selling expenses was Baht 70.05 million decreased by Baht 1.39 million or 1.9 %, while the administrative expenses was Baht 124.99 million decreased by Baht 10.39 million or 7.7% , as a result of proper management process.



Net Loss

Overall performance has a clear recovery direction shifted from net loss of Baht 286.29 million 2018, reduced to Baht 132.89 million in 2019.

Especially If considered on a quarterly basis, it can be seen that net losses continued to drop from net loss of Baht 86.69 million the 4Q/18, reduced to Baht 3.97 million in 4Q/19, reduced 95% QoQ.

DIRECTION AND STRATEGY OF BUSINESS DRIVING IN 2020

1. To increase utilization rate of the invested networks, to maximize benefits starting from the core business. Increasing the customer base of the internet and mobile operators, especially the foreign operators in neighboring countries such as Myanmar, Laos, Cambodia, including the Chinese operators. It is considered successful, at a satisfactory level. The growth rate of revenue from high-speed network services is increasing from Baht 45.84 million in 2018, up 237.5% to Baht 154.69 million in 2019, and there are still clear positive signs to increase continuously rise.
2. To increase opportunities in providing network services by offering services to customers in other industries (Cross over industry) such as the electricity industry Transport and service industry Including the online advertising industry.
 - Smart Grid project is an important foundation to connect the communication industry with the electricity industry. The Company has succeeded in being selected as an EPC contractor for Smart Grid project in Pattaya, Chonburi Province for the Provincial Electricity Authority Which still have the opportunity to expand further services to enhance its invested project extensively.
 - Transportation service industry is another industry that is important and has the opportunity to generate revenue growth by the network that the Company has invested in Bangkok and nationwide. By considering the number of vehicles on the road. if the Company is able to connect to the new service Through the Company's network, it will inevitably lead to a sustainable income base. Currently, there are many projects that are in cooperation with the government agencies that oversee the transportation service sector, both in Bangkok and other upcountry.
 - Online advertising industry Is a new business that has a lot of opportunities to grow and is another way to utilize the network that the Company has.
3. To seek opportunities to access the EPC projects for government agencies such as
 - Smart Grid project that the company has chosen from Provincial Electricity Authority as mentioned above
 - The contract for the procurement and installation of central and regional network equipment of the State Railway of Thailand, in which the company, together with partners in the name of ISI Consortium, has won the electronic bidding (e-bidding) which the contract has been signed on February 21, 2020.
4. To engage with 5G opportunity, due to government policies that focus on driving the digital economy. To promote the new services through communication technology in the 5G era is a direct growth opportunity for today's communication business sector, which will have a broad and continuous positive effect both sales of goods and services including network services and communication towers. It is considered a significant positive factor and can be clearly seen in the short-term to long-term.
5. Cooperation with partners with specific expertise, in which the Company focuses on related industries, able to use digital technology to improve the service quality of that industry. The industry that the Company places the highest priority is the electricity business, due to the nature of the business that has a close relationship and high growth opportunities
6. Finding partners with specific expertise Will help each other benefit And helps the company to make full use of the resources

Business Opportunities & Partnership

| Business of opportunity | Expert Partners |
|---|------------------------|
| Growth in the era of 5G. | CAT, edotco |
| Smart Grid and Power Trading. | ITRON, PEA and RATCH |
| Re-order the communication cable in both central and provincial areas. | RATCH, PEA |
| Development of telecommunications infrastructure and other infrastructure in industrial estate. | NNCL |
| Developing data analytic platform for advertising industry | Facebook and Spotwerkz |

The cooperation with the above partners, many projects are in process. It will be reported accordingly for keeping update, once they are in the solid progress.

Yours faithfully,



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