

Business Overview

Revenue growth in 3Q2016 continues its positive momentum resulting from the strong effort to boost sales to replace the large revenue churn last year from a temporary contract and overcome impact of slowdown economy. Revenue growth was mainly contributed by revenue from international private leased circuits segment (IPLC) due to growing demand for international connectivity especially connectivity to CLMV countries (Cambodia, Laos PDR, Myanmar and Vietnam). In addition, revenue from premium broadband service also contributed positive growing trend. Total revenue in 3Q2016 was Baht 352.95 million, increased by Baht 5.17 million or 1.5% QoQ. Comparing to same period last year, increased by Baht 22.03 million or 6.7% YoY. Total revenue for the 9M2016 was Baht 1,025.19 million, increased by Baht 28.23 million or 2.8% YoY. Cost of service and sales, the Company has implemented more stringent cost control. However, cost of service still increased mainly due to increase of non-cash cost that is depreciation resulting from the continued investment project from previous periods. While most of cash cost items have been stabilized. EBITDA in 3Q2016 was Baht 161.69 million, increased by Baht 1.91 million or 1.2% QoQ and increased by Baht 19.56 million or 13.8% YoY. In 9M2016, EBITDA was Baht 460.94 million, increased by Baht 12.75 million or 2.8% YoY. Net profit in 3Q2016 was Baht 23.49 million or the net profit margin of 6.7%. The net profit decreased Baht 2.15 million or 8.4% QoQ due to increased depreciation and exchange rate loss. But comparing to same period last year, net profit increased by Baht 2.51 million or 12.0% YoY resulting from the growing revenue and cost control.

For the Malaysia-Cambodia-Thailand (MCT) Submarine Cable System, a joint investment project of telecom operators from Malaysia, Cambodia and Thailand to build MCT submarine cable system to support continuous growing communication traffic in ASEAN. The project has significant progress and expected to be completed as scheduled within early 2017. This project marks a significant milestone for the Company as the first Thai private company to build international submarine cable network system and carries on a mission to be a telecom infrastructure service provider with high efficiency.

Our determination to develop high speed communication network capability and continual efficiency improvement to maintain competitiveness together with tendency of communication traffic growth from technology development i.e. IOT, Big Data and Cloud that surely stimulate strong demand growth for communication networks as well as concrete digital economy campaign that government promoting ICT technology infrastructure and preparing Thailand to be Hub and Gateway for the ASEAN Economic Community bring the confidence that the Company can achieve the sustainable growth.

3Q2016 Operating Performance Overview

Unit Million Baht	Amount			Change QoQ		Change YoY		Amount		Change YoY	
	Q3/15	Q2/16	Q3/16	Amount	(%)	Amount	(%)	9M15	9M16	Amount	%
Revenue											
Lease line service income	319.67	342.21	348.15	5.94	1.7%	28.48	8.9%	973.79	1,010.21	36.42	3.7%
Management and maintenance service income-network	3.88	3.86	3.86	0.00	0.0%	-0.02	-0.4%	11.61	11.58	-0.02	-0.2%
Total Service income	323.55	346.07	352.01	5.94	1.7%	28.46	8.8%	985.40	1,021.79	36.39	3.7%
Revenue from sales	0.00	0.00	0.01	0.01	331.3%	0.01	0.0%	0.03	0.02	-0.01	-33.7%
Other income	7.36	1.70	0.92	-0.78	-45.8%	-6.44	-87.5%	11.53	3.38	-8.15	-70.7%
Total Revenue	330.92	347.78	352.95	5.17	1.5%	22.03	6.7%	996.96	1,025.19	28.23	2.8%
Expense											
Cost of Services and Sales	196.44	214.02	217.43	3.41	1.6%	20.99	10.7%	569.06	632.19	63.13	11.1%
Gross Profit	127.11	132.05	134.59	2.54	1.9%	7.48	5.9%	416.37	389.62	-26.75	-6.4%
<i>Gross Profit Margin</i>	<i>39.3%</i>	<i>38.2%</i>	<i>38.2%</i>					<i>42.3%</i>	<i>38.1%</i>		
Service Expenses	19.00	17.44	17.91	0.47	2.7%	-1.09	-5.8%	50.83	52.72	1.89	3.7%
General & Administrative Expense	66.23	60.61	64.30	3.69	6.1%	-1.94	-2.9%	190.92	192.67	1.75	0.9%
SG&A	85.23	78.05	82.21	4.16	5.3%	-3.03	-3.6%	241.76	245.39	3.63	1.5%
EBIT	49.24	55.71	53.31	-2.40	-4.3%	4.07	8.3%	186.15	147.62	-38.53	-20.7%
<i>EBIT Margin</i>	<i>14.9%</i>	<i>16.0%</i>	<i>15.1%</i>					<i>18.7%</i>	<i>14.4%</i>		
Depreciation & Amortization-inc in cost of service	79.52	90.68	95.30	4.62	5.1%	15.78	19.8%	223.41	273.42	50.01	22.4%
Depreciation & Amortization-inc in SG&A	13.37	13.39	13.08	-0.31	-2.3%	-0.29	-2.2%	38.63	39.90	1.27	3.3%
Total Depreciation & Amortization	92.89	104.07	108.38	4.31	4.1%	15.49	16.7%	262.04	313.32	51.28	19.6%
EBITDA	142.13	159.78	161.69	1.91	1.2%	19.56	13.8%	448.19	460.94	12.75	2.8%
<i>EBITDA Margin</i>	<i>43.0%</i>	<i>45.9%</i>	<i>45.8%</i>					<i>45.0%</i>	<i>45.0%</i>		
Financial Cost	22.31	22.90	23.18	0.29	1.3%	0.87	3.9%	61.58	70.10	8.52	13.8%
EBT	26.93	32.81	30.13	-2.69	-8.2%	3.20	11.9%	124.57	77.52	-47.05	-37.8%
Corporate Income Tax	5.95	7.17	6.63	-0.54	-7.5%	0.69	11.5%	26.66	17.30	-9.36	-35.1%
Net Profit	20.98	25.64	23.49	-2.15	-8.4%	2.51	12.0%	97.91	60.22	-37.69	-38.5%
<i>Net Profit Margin</i>	<i>6.3%</i>	<i>7.4%</i>	<i>6.7%</i>								

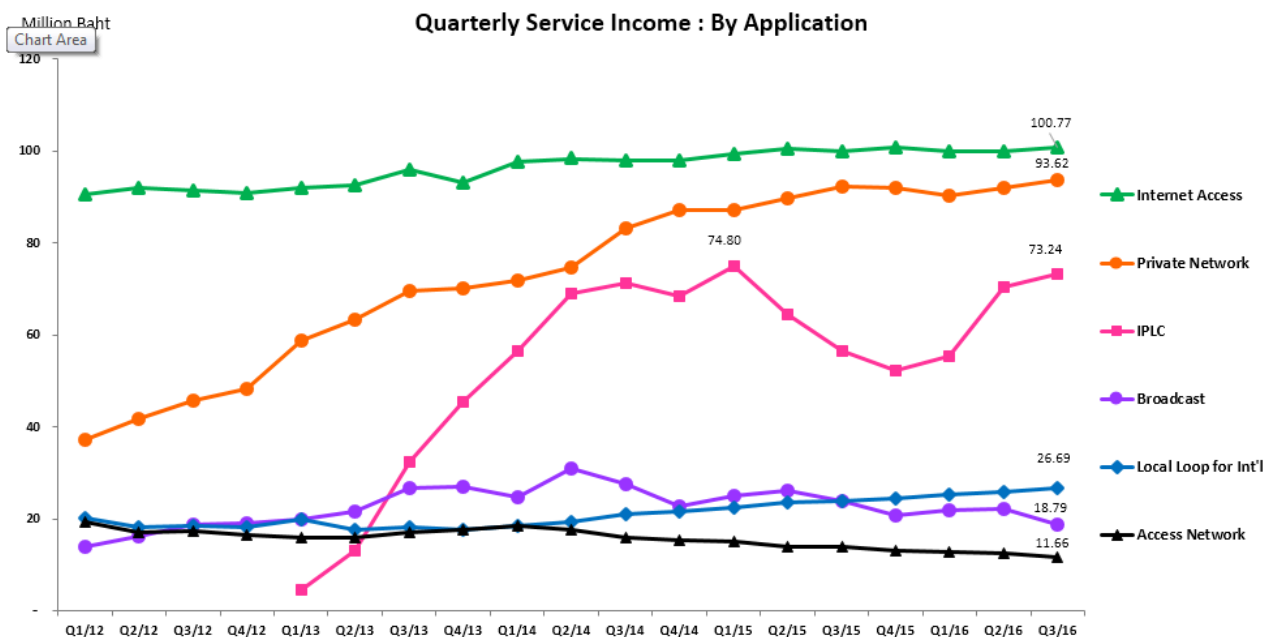
Total revenue

Total revenue of 3Q2016 was Baht 352.95 million, increased by Baht 5.17 million or 1.5% QoQ. Comparing to the same period previous year, increased by Baht 22.03 million or 6.7% YoY. Total revenue in 9M2016 was Baht 1,025.19 million, increased by Baht 28.23 million or 2.8% YoY. Revenue growth continues its positive momentum resulting from the strong effort to boost sales to replace the large revenue churn last year from a temporary contract and overcome impact of slowdown economy.

Service income; the core revenue of the company, was Baht 352.01 million in 3Q2016, increased by Baht 5.94 million or 1.7% QoQ. Comparing to previous year, increased by Baht 28.46 million or 8.8% YoY. Total service income in 9M2016 was Baht 1,021.79 million, increased by Baht 36.39 million or 3.7% YoY.

Service incomes: by application

Unit: Million Baht	Amount			Change QoQ		Change YoY		% of service income		
	Q3/15	Q2/16	Q3/16	Amount	%	Amount	%	Q3/15	Q2/16	Q3/16
Internet Access	99.72	99.99	100.77	0.78	0.8%	1.05	1.0%	30.8%	28.9%	28.6%
Private Network	92.07	91.79	93.62	1.83	2.0%	1.54	1.7%	28.5%	26.5%	26.6%
IPLC	56.59	70.46	73.24	2.78	3.9%	16.66	29.4%	17.5%	20.4%	20.8%
Broadcast	23.90	22.18	18.79	-3.38	-15.3%	-5.10	-21.3%	7.4%	6.4%	5.3%
Local Loop for Int'l	23.74	25.83	26.69	0.85	3.3%	2.94	12.4%	7.3%	7.5%	7.6%
Access Network	13.91	12.51	11.66	-0.85	-6.8%	-2.25	-16.2%	4.3%	3.6%	3.3%
Others	13.62	23.31	27.24	3.93	16.9%	13.62	100.0%	4.2%	6.7%	7.7%
Total Service Income	323.55	346.07	352.01	5.94	1.7%	28.46	8.8%	100.0%	100.0%	100.0%



Revenue from Internet Access segment was still a major contributor to total service income, accounted for 28.6% of total service income. The revenue from Internet Access in 3Q2016 was Baht 100.77 million. For 9M2016 amounted Baht 300.74 million, slightly increased by Baht 1.09 million YoY. The Company gained more customers but Internet access revenue was rather stable due to higher market competition.

The revenue from Private Network segment continually grows as a result of increasing usage of existing and new customers. In 3Q2016, it was Baht 93.62 million, increased by Baht 1.54 million or 1.7% YoY. The revenue from Private Network segment in 9M2016 was Baht 275.71 million, increased Baht 7.03 million or 2.6% YoY.

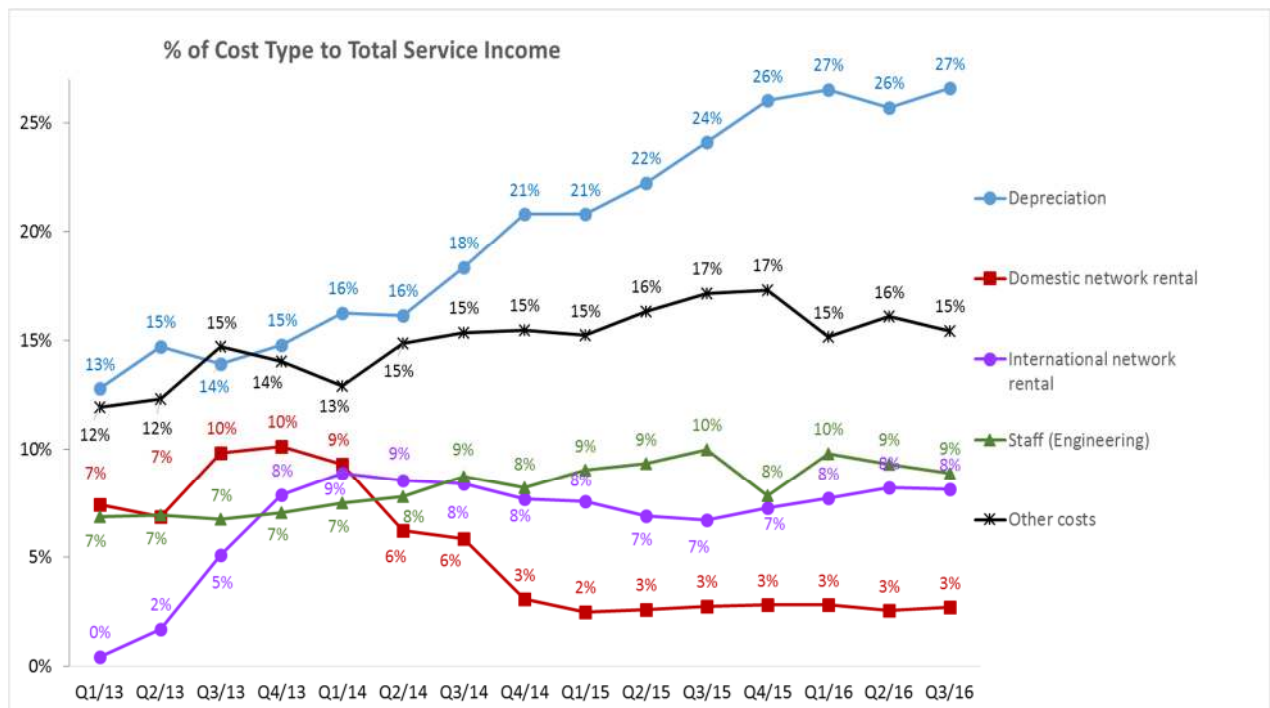
In 3Q2016, the revenue from international private leased circuits segment (IPLC) was Baht 73.24 million, increased by Baht 2.78 million or 3.9% QoQ. Comparing to the same period last year, increased by Baht 16.66 million or 29.4% YoY due to growing demand for international connectivity especially connectivity to CLMV countries (Cambodia, Laos PDR, Myanmar and Vietnam), increased usage of existing customers as well as new customers. In 9M2016 revenue from IPLC was Baht 199.03 million, increased Baht 3.15 million or 1.6% YoY. Thus, revenue in IPLC segment fully recovered to replace the large revenue churn last year from a temporary contract with positive growing trend.

The revenue from Digital Broadcast segment in 3Q2016 was Baht 18.79 million, decreased Baht 3.38 million or 15.3% QoQ and decreased Baht 5.1 million or 21.3% YoY due to sluggish broadcast market and strict control of regulator in media industry. Some of customers have been suspended their broadcast activities. However, the Company try to compensate by adding network service for live streaming broadcast.

The revenue from Local Loop for International segment in 3Q2016 was Baht 26.69 million, comparing to same quarter last year, increased by Baht 2.94 million or 12.4% from increased usage of customers. The revenue from Access Network segment in 3Q2016 was Baht 11.66 million, decreased by Baht 0.85 million YoY due to some contracts that were not renewed.

In 3Q2016, the revenue from others was Baht 27.24 million, increased by Baht 3.93 million or 16.9% QoQ and increased by Baht 13.62 million or 100.00% YoY, mainly from premium broadband internet that the Company collaborates with premium broadband internet operator especially the ones who have strong customer bases in provincial areas e.g. Simat Technologies Public Company Limited (SIMAT) by providing backbone network service. Numbers of subscribers have been increased significantly, hence revenue from premium broadband increases steadily. This not only creates additional service income but also increases more utilization of our network.

Costs of Services and Sales



Costs of services and sales in 3Q2016 were Baht 217.43 million, increased by Baht 3.41 million QoQ and Baht 20.99 million YoY. In 9M2016, it costs Baht 632.19 million, increased by Baht 63.13 million or 11.1% YoY mainly resulting from increased depreciation, international network rental and license fees. Whereas, the company was able to reduce some cash cost items. The depreciation and amortization included in costs of service in 3Q2016 were Baht 95.30 million, increased by Baht 4.62 million QoQ and Baht 15.78 million YoY. In 9M2016, it was Baht 273.42 million, increased Baht 50.01 million YoY.

The network rental was Baht 38.21 million in 3Q2016, increased by Baht 7.58 million YoY. In 9M2016, it was Baht 109.54 million, increased by Baht 14.05 million YoY, mainly international network rental that increased in line with increased revenue from IPLC.

Service Expenses

Service Expenses in 3Q2016 was Baht 17.91 million, slightly increased by Baht 0.47 million QoQ whereas it was decreased by Baht 1.09 million YoY due to expense control. In 9M2016, it was Baht 52.72 million, slightly increased by Baht 1.89 million.

Administrative expenses

Administrative Expenses in 3Q2016 was Baht 64.30 million, increased by Baht 3.69 million QoQ mainly resulting from higher Employee expenses due to the increased number of employee, training and travelling costs and exchange rate loss. Comparing to same period last year, decreased by Baht 1.94 million YoY. In 9M2016, it was Baht 192.67 million, increased by Baht 1.75 million, mainly from depreciation of office equipment.

Gross profit, EBITDA and Net profit

In 3Q2016, the Company recorded gross profit in the amount of Baht 134.59 million or gross profit margin of 38.2%. Gross profit increased by Baht 2.54 million or 1.9% QoQ. Comparing to the same period last year, increased by Baht 7.48 million or 5.9% YoY due to revenue growth. In 9M2016, gross profit was Baht 389.62 million, decreased by Baht 26.75 million or 6.4% YoY due to increased depreciation in the past periods.

EBITDA in 3Q2016 was Baht 161.69 million or EBITDA margin of 45.8%. EBITDA increased by Baht 1.91 million or 1.2% QoQ and increased by Baht 19.56 million or 13.8% YoY. In 9M2016, EBITDA was Baht 460.94 million, increased by Baht 12.75 million or 2.8% YoY.

Net profit in 3Q2016 was Baht 23.49 million or the net profit margin of 6.7%. The net profit decreased Baht 2.15 million or 8.4% QoQ due to increased depreciation and exchange rate loss. But comparing to same period last year, net profit increased by Baht 2.51 million or 12.0% YoY resulting from the growing revenue and cost control.

Statement of Financial Position

Unit : Million Baht	31-Dec-15		30-Sep-16		Change	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and cash equivalents	62.50	1.7%	73.12	1.8%	10.62	17.0%
Trade and other receivables	189.87	5.2%	213.08	5.3%	23.21	12.2%
Inventories	14.16	0.4%	13.01	0.3%	-1.14	-8.1%
Prepaid expenses	15.94	0.4%	18.74	0.5%	2.81	17.6%
Undue input VAT	38.90	1.1%	34.79	0.9%	-4.11	-10.6%
Other current assets	11.58	0.3%	18.48	0.5%	6.91	59.7%
Total current assets	332.94	9.1%	371.23	9.2%	38.29	11.5%
Non-current assets						
Network equipment	2,856.72	78.4%	3,197.35	79.3%	340.63	11.9%
Property, building and equipment	362.30	9.9%	353.28	8.8%	-9.02	-2.5%
Intangible assets	22.81	0.6%	29.84	0.7%	7.03	30.8%
Network equipment guarantees	35.65	1.0%	40.01	1.0%	4.37	12.2%
Other guarantees and deposits	18.22	0.5%	18.62	0.5%	0.40	2.2%
Deferred tax assets	6.22	0.2%	7.41	0.2%	1.19	19.1%
Other non-current assets	10.85	0.3%	12.41	0.3%	1.56	14.4%
Total non-current assets	3,312.75	90.9%	3,658.92	90.8%	346.16	10.4%
Total assets	3,645.69	100.0%	4,030.14	100.0%	384.45	10.5%
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions	413.12	11.3%	250.00	6.2%	-163.12	-39.5%
Trade and other payables	319.00	8.7%	381.53	9.5%	62.53	19.6%
Current portion of deferred income and advance received from customers	26.37	0.7%	29.50	0.7%	3.13	11.9%
Current portion of long-term loans	362.20	9.9%	92.04	2.3%	-270.17	-74.6%
Other current liabilities	20.60	0.6%	19.82	0.5%	-0.77	-3.8%
Total current liabilities	1,141.29	31.3%	772.89	19.2%	-368.40	-32.3%
Non-current liabilities						
Liabilities under hire purchase lease agreements, net of current portion	0.00	0.0%	0.00	0.0%	0.00	N/A
Deferred income and advance received from customers, net of current portion	74.61	2.0%	59.21	1.5%	-15.40	-20.6%
Long-term loans, net of current portion	1,113.25	30.5%	1,157.77	28.7%	44.52	4.0%
Debentures	0.00	0.0%	656.85	16.3%		
Provision for long-term employee benefits	20.15	0.6%	24.32	0.6%	4.17	20.7%
Total non-current liabilities	1,208.01	33.1%	1,898.15	47.1%	690.14	57.1%
Total liabilities	2,349.30	64.4%	2,671.04	66.3%	321.74	13.7%
Shareholders' equity						
Share capital						
Issued and paid up						
300,364,200 ordinary shares of Baht 1 each	300.36	8.2%	325.39	8.1%	25.03	8.3%
Share premium	555.55	15.2%	555.55	13.8%	0.00	0.0%
Capital reserve for share-based payment transactions	15.80	0.4%	21.07	0.5%	5.28	33.4%
Retained earnings						
Appropriated - statutory reserve	30.60	0.8%	33.15	0.8%	2.55	8.3%
Unappropriated	394.09	10.8%	423.95	10.5%	29.86	7.6%
Total shareholders' equity	1,296.39	35.6%	1,359.11	33.7%	62.72	4.8%
Total liabilities and shareholders' equity	3,645.69	100.0%	4,030.14	100.0%	384.45	10.5%

As of 30 September 2016, the Company recorded total assets in the amount of Baht 4,030.14 million, increased by Baht 384.45 million from 31 December 2015 mainly due to the increase of network equipment, both domestic network and Malaysia-Cambodia-Thailand (MCT) submarine cable project.

Total liabilities were Baht 2,671.04 million, increased by Baht 321.74 million from 31 December 2015, mainly from the borrowing to support network expansion and submarine cable projects. In 2Q2016, the Company has done a financial restructure by issuing debentures in the amount of Baht 660 million with 3-year tenor, unsubordinated and unsecured. The coupon rate is 4.25% per annum, payable semi-annually. Proceeds from the debentures issuance was used to refinance the expired bill of exchange and loans that carry higher interest rates. As a result, the Company has gaining more appropriate financial structure with reduced cost of funds.

Total shareholders' equity was Baht 1,359.11 million, increased by Baht 62.72 million from 31 December 2015 mainly due to newly issued ordinary shares from stock dividend payment and increasing of the retained earnings. Thus, Debt to Equity (D/E) ratio at 30 September 2016 was 1.97x.

About the Company

The Company is a domestic high-speed data communications network service provider using optical fiber cable for its core network and provides related service for example last mile network management and installation service. The Company strategically positions itself as "Neutral Premium Telecom Network Service Provider" (Network Provider Only) that not competing with its customers and focus on hi-end market and service customization to meet various requirements from customers. The Company also gives emphasis to after sale services to all customers and keeps up high quality standard of service to retain its customer base by offering high reliability service that guarantees the quality of our work with Service Level Agreement (SLA) at 99.9%.