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## I. Overview

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### *Performance overview*

Thaicom Plc (the Company)'s consolidated revenue from sales of goods and rendering of services for Q2/2017 totaled 2,286 million, a decrease of Baht 616 million or 21.2% from Baht 2,902 million for Q2/2016, mainly due to the revenue drop from satellite and related services, particularly from the decrease of the Thaicom 4 Broadband service revenue in Australia and Thailand.

The cost of sales of goods and rendering of services increased from Q2/2016 mainly from cost relating to the Thaicom 8 Satellite such as depreciation and in-orbit insurance. As a result, an operating profit (EBIT) for Q2/2017 was Baht 101 million, down by Baht 609 million or 85.8% from Baht 710 million for Q2/2016, and the Company reported a consolidated net profit of Baht 216 million for Q2/2017, a decrease of Baht 375 million or 63.5% from Baht 591 million for Q2/2016.

Compared to previous quarter, the consolidated revenue decreased by Baht 445 million or 16.3% from Baht 2,731 million. This was also mainly due to the decrease of the Thaicom 4 Broadband service revenue. However, the lower revenue was partially compensated with other income from Australia and higher share of profit of investment in joint venture in telephone business, resulted to the decrease of the Company's net profit by Baht 43 million or 16.6% from Baht 259 million.

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## II. Business Summary

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### *Satellite and related Services*

On 2 May 2017, Axiata Group Berhad (Axiata) through its wholly owned subsidiary, Axiata Business Services Sdn Bhd (Axiata Business Services), announced to sign a four-year contract for leased capacity over 1 Gbps and teleport services with IPSTAR International Pte Limited, a Company's subsidiary. According to the terms of the agreement, Axiata Business Services will use capacity of up to 7 Ku-band shaped and spot beams on the Thaicom 4 broadband satellite to provide broadband services, including broadband access direct to residential and enterprise premises, and cellular network backhaul in Indonesia.

On 6 June 2017, the Company signed a memorandum of understanding (MOU) with Huawei Technologies (Thailand) Co., Ltd. and Starcor Media Technologies Limited for the development of an OTT (Over-the-Top) platform in Thailand. This collaboration will create value-added services for the next generation OTT platform for enterprise, educational, government and telecom sectors in Thailand. The OTT platform represents a new service for the Company and it will complement the Company's existing satellite platform and carry it into the new digital era.

### *Internet and media Services*

As revenue from Media and Advertising on YellowPages business by CS Loxinfo Plc (CSL) was in declining trend due to consumer behavior and technological changes, CSL decided to change the strategy to focus and develop on media and advertising via online platform. In addition, CSL has continued to transfer the existing print customers to the online platform.

Internet Data Center (IDC) services continued in growth trend with increasing number of subscribers as at the end of Q2/2017 of 3.7% compared to the same quarter of the previous year. Furthermore, the number of subscribers of Condominium Broadband as at the end of Q2/2017 was growing to 15,752 subscribers, increased by 88.2% from Q2/2016.

### *Telephone business abroad*

As of the end of Q2/2017, Lao Telecommunications Co., Ltd. (LTC) had total phone subscribers of 2,048,300 increased from 2,045,167 as at the end of Q2/2016, and ranks No.1 with 55.7% mobile's market share, up from 53.7% as at the end Q2/2016. The data revenue especially from Internet SIM has also continued to increase.

### III. Consolidated Operating Results

#### Selected financial information on THCOM

Unit: MBt	Amount			Change		Amount		Change YoY (%)
	Q2/2017	Q1/2017	Q2/2016	QoQ (%)	YoY (%)	1H/17	1H/16	
Revenue from sales of goods and rendering of services	2,286	2,731	2,902	-16.3%	-21.2%	5,017	6,112	-17.9%
Cost of sales of goods and rendering of services	1,758	1,870	1,734	-6.0%	1.4%	3,628	3,528	2.8%
SG&A expenses	427	543	458	-21.4%	-6.8%	969	1,054	-8.1%
EBIT from continuing operations*	101	318	710	-68.2%	-85.8%	420	1,530	-72.5%
Depreciation and Amortization	763	760	684	0.4%	11.5%	1,521	1,367	11.3%
EBITDA from continuing operations**	864	1,078	1,394	-19.9%	-38.0%	1,941	2,897	-33.0%
Share of profit of investment in joint venture	67	24	62	179.2%	8.1%	91	103	-11.7%
Profit for the period	257	308	637	-16.6%	-59.7%	564	1,386	-59.3%
Profit attributable to: non-controlling interest	40	49	46	-18.4%	-13.0%	89	95	-6.3%
<b>Profit attributable to: owner of the Company</b>	<b>216</b>	<b>259</b>	<b>591</b>	<b>-16.6%</b>	<b>-63.5%</b>	<b>475</b>	<b>1,292</b>	<b>-63.2%</b>
Earnings per share (Baht)	0.20	0.24	0.54	-16.6%	-63.5%	0.43	1.18	-63.6%

\* EBIT = Sales and service income – Cost of sales and service – SG&A

\*\* EBITDA = EBIT + Depreciation and Amortization

#### Revenue from sales of goods and rendering of services

Consolidated revenue from sales of goods and rendering of services for Q2/2017 was Baht 2,286 million, a decrease of Baht 616 million or 21.2% from Baht 2,902 million for Q2/2016. Compared to Q1/2017, the revenue decreased by Baht 445 million or 16.3% from Baht 2,731 million. These were due to the decrease of revenue from both satellite services and Internet and media services.

For 1H/2017, the Consolidated revenue from sales of goods and rendering of services totaled Baht 5,017 million, decreased Baht 1,095 million or 17.9% from Baht 6,112 million for 1H/2016, mainly contributed by satellite and related services.

Revenue from sales of goods and rendering of services	Q2/17	Q1/17	Q2/16	%QoQ	%YoY	1H/17	1H/16	%YoY
Satellite and related services	1,555	1,956	2,131	-20.5%	-27.0%	3,510	4,525	-22.4%
Internet and media services*	745	807	793	-7.7%	-6.1%	1,553	1,633	-4.9%
Consolidation eliminations	(14)	(32)	(22)	-56.3%	-36.4%	(46)	(46)	0.0%
<b>Total</b>	<b>2,286</b>	<b>2,731</b>	<b>2,902</b>	<b>-16.3%</b>	<b>-21.2%</b>	<b>5,017</b>	<b>6,112</b>	<b>-17.9%</b>

\* Include revenue from sales and services generated by DTV Service Co., Ltd. (DTV), Cambodian DTV Network Ltd (CDN), and CSL

#### Satellite and related services

Revenue from satellite and related services for Q2/2017 was Baht 1,555 million, a decrease of Baht 576 million or 27.0% from Baht 2,131 million for Q2/2016. Compared to the previous quarter, the revenue from satellite related services decreased by Baht 401 million or 20.5% from Baht 1,956 million. These were mainly caused by the decrease of revenue from both conventional and broadband satellite services.

For 1H/2017, the Company generated revenue from satellite related services total of Baht 3,510 million, down by Baht 1,015 million or 22.4% from Baht 4,525 million for 1H/2016. This was also contributed by revenue drop from both conventional and broadband satellite services.

Satellite and related services	Q2/17	Q1/17	Q2/16	%QoQ	%YoY	1H/17	1H/16	%YoY
Conventional*	949	981	1,082	-3.3%	-12.3%	1,929	2,354	-18.1%
Thaicom 4 Broadband	606	975	1,049	-37.8%	-42.2%	1,581	2,171	-27.2%
Services	528	827	990	-36.2%	-46.7%	1,355	1,949	-30.5%
Sales	78	148	59	-47.3%	32.2%	226	222	1.8%
<b>Total</b>	<b>1,555</b>	<b>1,956</b>	<b>2,131</b>	<b>-20.5%</b>	<b>-27.0%</b>	<b>3,510</b>	<b>4,525</b>	<b>-22.4%</b>

\* Include the Thaicom 5 6 7 and 8 satellites

- Revenue from the Thaicom conventional satellites and related services for Q2/2017 was Baht 949 million, dropped by Baht 133 million or 12.3% from Baht 1,082 million for Q2/2016, and considering 1H/2017, the revenue from the Thaicom conventional satellites services was Baht 1,929 million, down by Baht 425 million or 18.1% from the revenue in 1H/2016. These were due mainly to:

- Overall transponder utilization rate decreased mainly because of the churn of Thai major clients, together with the decrease revenue from value-added services, offsetting with
- The increase of revenue from new clients mostly from Greater Mekong Subregion.

Compared to the previous quarter, the revenue from the Thaicom conventional satellites services slightly decreased by Baht 32 million or 3.3% from Baht 981 million, due mainly to the decrease of sales revenue from satellite equipment which incurred occasionally based on customer's demand.

- Revenue from the Thaicom 4 Broadband Satellite and related services was Baht 606 million for Q2/2017, down by Baht 443 million or 42.2% from Baht 1,049 million for Q2/2016. Compared to Q1/2017, the revenue decreased Baht 369 million or 37.8% from Baht 975 million. These were mainly contributed by the decrease of;

- Service revenue in Australia due to early termination of the service contract with NBN (National Broadband Network). However, this was compensated by the termination fee which was recognized as other income.
- Service revenue in Thailand from the ending of the service contract with TOT Plc in Q2/2017,
- Sales revenue from satellite broadband equipment which incurred based on customer's demand, offsetting with
- The increase of revenue due to the growing of retail subscribers in Australia

For 1H/2017, the revenue from the Thaicom 4 Broadband Satellite services was Baht 1,581 million, decreased by Baht 590 million or 27.2% from Baht 2,171 million for 1H/2016 due mainly from;

- The decrease of service revenue in Australia and Thailand, offsetting with
- The increase of service revenue in India.

### Internet and media services

The Company's revenue from Internet and media services for Q2/2017 was Baht 745 million, down by Baht 48 million or 6.1% compared to Baht 793 million for Q2/2016, mainly contributed by:

- Revenue decrease from CSL by Baht 25 million or 3.5% from Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses, offsetting with the increase of revenue from ICT business,
- Revenue decrease of from CDN by Baht 15 million or 21.7% from the decrease of sales revenue from satellite receiver sets,
- Revenue decrease from DTV by Baht 8 million or 53.3% from the decrease of service revenue from D Channel Platform services and sales of equipment from system installation to customers.

To compared with the previous quarter, the revenue from Internet and media services for Q2/2017 decreased by Baht 62 million or 7.7% from Baht 807 million. This was due mainly to:

- Revenue decrease from CSL by Baht 30million or 4.2%, from ICT , Media and Advertising on YellowPages, and Voice Info Services and Mobile Content businesses,
- The decrease of sales revenue from CDN by Baht 31 million or 36.5%, mainly from the decrease of sales of satellite receiver sets.

The revenue from Internet and media services for 1H/2017 was Baht 1,553 million, down by Baht 80 million or 4.9% from Baht 1,633 million, mainly contributed by:

- Revenue decrease from CSL by Baht 56 million or 3.9% from Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses, offsetting with the increase of revenue from ICT business,
- Revenue decrease from CDN by Baht 12 million or 7.7% from the decrease of sales revenue from satellite receiver sets,
- Revenue decrease from DTV by Baht 12 million or 43.8% from D Channel Platform services and sales of equipment.

### Cost of sales of goods and rendering of services

The Company reported consolidated cost of sales of goods and rendering of services for Q2/2017 of Baht 1,758 million, an increase of Baht 24 million or 1.4% compared to Baht 1,734 million for Q2/2016, due to the increase of cost from satellite and related services, offsetting with the decrease of cost from Internet and media services.

To compare with the previous quarter, the cost of sales of goods and rendering of services decreased by Baht 112 million or 6.0% from Baht 1,870 million from the decrease of cost from both satellite and Internet and media services.

For 1H/2017, the consolidated cost of sale of goods and rendering of services was Baht 3,628 million, increased by Baht 100 million or 2.8% from Baht 3,528 million for 1H/2016, contributed by the increase of cost from satellite services, offsetting with the decrease of cost from Internet and media services.

Cost of sales of goods and rendering of services	Q2/17	Q1/17	Q2/16	%QoQ	%YoY	1H/17	1H/16	%YoY
Satellite and related services	1,284	1,383	1,253	-7.2%	2.5%	2,667	2,539	5.0%
Internet and media services*	488	514	504	-5.1%	-3.2%	1,003	1,035	-3.1%
Consolidation eliminations	(14)	(27)	(23)	-48.1%	-39.1%	(42)	(46)	-8.7%
<b>Total</b>	<b>1,758</b>	<b>1,870</b>	<b>1,734</b>	<b>-6.0%</b>	<b>1.4%</b>	<b>3,628</b>	<b>3,528</b>	<b>2.8%</b>

\* Include cost from sales and services generated by DTV, CDN, and CSL

### Cost of satellite and related services

Cost relating to satellite and related services for Q2/2017 was Baht 1,284 million, an increase of Baht 31 million or 2.5% from Baht 1,253 million for Q2/2016, due to the increase in cost relating to the conventional satellites and related services, offsetting with the decrease of cost relating to the Thaicom 4 Broadband satellite services.

Compared to Baht 1,383 million for Q1/2017, cost relating to satellite and related services for Q2/2017 decreased by Baht 99 million or 7.2%, due to the decreases of cost relating to both the conventional satellites and Thaicom 4 Broadband satellite services.

The total cost for 1H/2017 increased Baht 128 million or 5.0% from 1H/2016 following the increase of cost relating to the conventional satellites and related services, offsetting with the decrease of cost relating to the Thaicom 4 Broadband satellite services.

Satellite and related services	Q2/17	Q1/17	Q2/16	%QoQ	%YoY	1H/17	1H/16	%YoY
Conventional*	663	670	599	-1.0%	10.7%	1,333	1,173	13.6%
Thaicom 4 Broadband	621	713	654	-12.9%	-5.0%	1,334	1,366	-2.3%
<b>Total</b>	<b>1,284</b>	<b>1,383</b>	<b>1,253</b>	<b>-7.2%</b>	<b>2.5%</b>	<b>2,667</b>	<b>2,539</b>	<b>5.0%</b>

\* Include the Thaicom 5 6 7 and 8 satellites

- Cost relating to the conventional satellites and related services was Baht 663 million for Q2/2017, up by Baht 64 million or 10.7% from Baht 599 million for Q2/2016, and comparing 1H/2017 with 1H/2016, cost relating to the conventional satellites services increased by Baht 160 million or 13.6% from Baht 1,173 million. These were mainly caused by:
  - Cost relating to the Thaicom 8 Satellite such as depreciation and in-orbit insurance since the satellite was in service in the beginning of Q3/2016, offsetting with
  - The decrease of other operation cost from an efficiency in cost management.

Compared to Q1/2017, the cost relating to the conventional satellites services slightly decreased by Baht 7 million or 1.0% from Baht 670 million, mainly from the decrease of cost of satellite equipment sales following such revenue drop.

- Cost relating to the Thaicom 4 Broadband Satellite and related services for Q2/2017 was Baht 621 million, decreased by Baht 33 million or 5.0% from Baht 654 million for Q2/2016, and for 1H/2017, cost relating to the Thaicom 4 Broadband Satellite business decreased by Baht 32 million or 2.3% from Baht 1,366 million. These were primarily due to:
  - Lower operating fees, the revenue sharing to the government agencies, following the decrease of overall bandwidth usage,
  - Lower depreciation cost, resulting from the increase of fully-depreciated assets, offsetting with
  - Higher cost of sales following the increase of revenue from broadband equipment sales,
  - The increase of cost relating to retail revenue in Australia following such revenue growth.

Compared with Q1/2017, cost relating to the Thaicom 4 Broadband Satellite for Q2/2017 dropped by Baht 92 million or 12.9% from Baht 713 million, mainly contributed by:

- The decrease of cost of equipment following sales revenue,
- Lower operating fees, the revenue sharing to the government agencies, following the decrease of overall bandwidth usage.

#### Cost of Internet and media services

Cost relating to the Internet and media services for Q2/2017 amounted to Baht 488 million, a decrease of Baht 16 million or 3.2% from Baht 504 million for Q2/2016, due mainly to the decrease of:

- Cost of CDN's sales of Baht 10 million or 18.2% following the decrease of sales of satellite receiver sets,
- Cost of sales and service of DTV of Baht 5 million or 38.5% following sales and service revenue drop, and
- Cost of sales and service from CSL, mainly contributed by the decrease of cost of Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses, offsetting with the increase of cost from ICT business. As a result, Cost of sales and service from CSL decreased by Baht 1 million or 0.2%.

Compared to Q1/2017, the cost relating to Internet and media services was down by Baht 26 million or 5.1% from Baht 514 million, due mainly to:

- The decrease of cost of CDN's sales of Baht 21 million or 31.8% due to the decrease of sales revenue,
- The decrease of cost of sales and service from CSL by Baht 9 million or 5.0% following a drop in sales and service revenue, offsetting with
- The increase of cost of DTV's sales and service of Baht 4 million or 100% from one-time adjustment of license cost during Q1/2017.

For 1H/2017, the cost relating to Internet and media services totaled Baht 1,003 million, down by Baht 32 million or 3.1% from Baht 1,035 million for 1H/2016, due mainly to the decrease of:

- Cost of sales and service from CSL by Baht 16 million or 1.8%, mainly from the decrease of cost from Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses following the revenue drop, offsetting with the increase of cost from ICT business,
- Sales and service cost from DTV by Baht 12 million or 49.9% following sales and service revenue drop, and

- Cost of CDN's sales of Baht 4 million or 3.5% following sales revenue.

### **Selling and administrative expenses**

SG&A expenses, including directors and management benefit expenses, totaled Baht 427 million for Q2/2017, a decrease of Baht 31 million or 6.8% from Baht 458 million for Q2/2016, due mainly to

- The decrease in marketing expenses for both satellite business and Internet and media businesses.

Compared with Q1/2017, SG&A expenses for Q2/2017 decreased by Baht 116 million or 21.4% from Baht 543 million, and for 1H/2017, SG&A expenses amounted to Baht 969 million, down by Baht 85 million or 8.1% from 1H/2016, mainly caused by:

- The decrease in marketing expenses for both satellite business and Internet and media businesses,
- The decrease in provision for doubtful debts for the satellite business due to cash received from customers in doubtful account.

### **Gain on exchange rate**

In Q2/2017, the Company reported a gain on foreign exchange of Baht 21 million. This was mainly impacted by the revaluation of borrowings for the satellite projects as a result of the appreciation of the Thai Baht against the US Dollar.

### **Finance costs**

Finance costs totaled Baht 104 million for Q2/2017, up by Baht 31 million or 42.5% from Baht 73 million for Q2/2016, due mainly to

- Interest expense of the Thaicom 8 project which has commercialized since Q3/2016, offsetting with
- The decrease of interest expense of short-term loans since the Company already had repaid all short-term loans for both the satellite business and the loan for LTC's concession extension.

### **Share of profit of investment in joint venture**

Share of profit of investment in joint venture in telephone business for Q2/2017 was Baht 67 million, up by Baht 5 million or 8.1% from Baht 62 million for Q2/2016. This was mainly contributed by:

- The increase in operating result from LTC due to data revenue growth especially from Internet SIM.

Compared to the previous quarter, the Company's share of profit increased Baht 43 million or 179.2% from Baht 24 million. This was primarily due to:

- Withholding tax for dividend received from LTC in Q1/2017,
- One-time adjustment of unearned income from revenue of prepaid service in Q1/2017,

Share of profit of investment in joint venture in telephone business for 1H/2017 totaled Baht 91 million, down by Baht 12 million or 11.7% from Baht 103 million for 1H/2016, mainly resulted from:

- Higher withholding tax in Q1/2017 following higher dividend received from LTC compared to the previous year, together with one-time adjustment of unearned income from revenue of prepaid service in Q1/2017, offsetting with
- The increase in operating result from LTC.

### **Net profit**

The Company reported a profit attributable to owner of the Company of Baht 216 million for Q2/2017, dropped of Baht 375 million or 63.5% from Baht 591 million for Q2/2016. This was mainly contributed by:

- The decrease of sales and service revenue from both satellite business and Internet and media businesses,
- Costs relating to the Thaicom 8 Satellite.

To compare with the previous quarter, the company net profit dropped by Baht 43 million or 16.6% from Baht 259 million, due mainly to:

- The decrease of revenue from the Thaicom 4 Broadband Satellite and related services mainly from Australia and Thailand, and sales revenue from satellite broadband equipment, offsetting with
- Early termination fee from NBN, which was recognized as other income,
- The increase of share of profit of investment in joint venture in telephone business.

#### IV. Financial Position

As at the end of Q2/2017, the Company reported total assets of Baht 31,476 million, a decrease of Baht 1,364 million or 4.2% from Baht 32,840 million as at the end of 2016. This was mainly due to:

- Depreciation and amortization of PP&E and intangible assets under operating agreements for 1H/2017
- The decrease of trade and other accounts receivable mainly from early termination of the service contract with NBN, offsetting with
- The increase of cash and cash equivalents, and current investments as a result of profit generated from operating activities, offsetting by long-term loan repayment and dividend payment.

#### THCOM's asset components

Assets	June 30, 2017		December 31, 2016	
	Amount (Bt mn)	% of Total assets	Amount (Bt mn)	% of Total assets
Current assets	9,281	29.5%	9,127	27.8%
Property, plant and equipment	9,029	28.7%	9,347	28.5%
Intangible assets under operating agreement	8,202	26.1%	9,205	28.0%

#### Trade and other receivables

As at the end of Q2/2017, the Company had net trade accounts receivable and accrued income (excluded other account receivable) of Baht 1,907 million (or 6.1% of total assets), comprising of receivables from other parties and related parties, representing 95% and 5% of total trade accounts receivable and accrued income, respectively.

The Company had an allowance for doubtful accounts of Baht 347 million or 21.7% of total trade accounts receivable, decreased from Baht 352 million as at the end of 2016. Trade and other receivables as at the end of Q2/2017 decreased by Baht 304 million from the end of 2016, due mainly to a decrease in trade account receivable from NBN.

#### Liquidity

As at the end of Q2/2017, the Company had a current ratio of 2.79x, up from 2.53x as at the end of 2016, due mainly to:

- The increase of cash, cash equivalents, and current investments from the profit of 1H/2017,
- The decrease of trade and other accounts payable due to repayment to suppliers, offsetting with
- The decrease of trade and other accounts receivable mainly from early termination of the service contract with NBN.

#### Property, plant and equipment

Property, Plant and Equipment (PP&E) as at the end of Q2/2017 was Baht 9,029 million, a decrease of Baht 318 million or 3.4% from Baht 9,347 million as at the end of 2016. This was due mainly to depreciation and amortization of PP&E in 1H/2017.

### Borrowings and Shareholders' equity

The Company's net borrowings as at the end of Q2/2017 were Baht 9,571 million, a decrease of Baht 654 million or 6.4% from Baht 10,225 million as at the end of 2016, mainly attributable to the long-term loans repayment and the revaluation of borrowing from the appreciation of Thai Baht against US dollar.

The Company's shareholders' equity as at the end of Q2/2017 was Baht 18,492 million, decreased by Baht 429 million or 2.3% from Baht 18,921 million as at the end of 2016, mainly reflecting from dividend payment to shareholders, offsetting with the net profit for 1H/2017.

As at the end of Q2/2017, the ratio of net borrowings to equity was 0.52x, down from 0.54x as at the end of 2016.

### Cash flows

*Net cash provided by operating activities* for 1H/2017 was Baht 2,073 million, a decrease of Baht 1,239 million or 37.4% from Baht 3,312 million for 1H/2016, due mainly to the decrease of operational profit.

*Net cash provided by investing activities* for 1H/2017 was Baht 317 million, most of which were the decrease of current investment and interest received.

*Net cash used in financing activities* for 1H/2017 was Baht 1,393 million, mainly comprising of the loans repayment of borrowings for the satellite projects and dividends payment.

The Company had ending cash and cash equivalents of Baht 3,681 million as at the end of Q2/2017.

This document contains certain forward-looking statements. They refer to future events and to the future financial performance of the Companies. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue." Although the Companies believe that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.