
I. Overview

Important matters in 2017

Changes in accounting policies

Since 1 January 2017, Thaicom Public Company Limited (the Company or THCOM) has adopted TAS 27 (Revised 2016), "Separate Financial Statements" by changing accounting policy relating to investment in subsidiaries in the separate financial statements from cost method to equity method. However, there was no impact on consolidated financial statement. The details of changes have been disclosed in note 4 to the financial statements.

Changes in the recognition of the investment in CS Loxinfo Public Company Limited (CSL)

At THCOM's Extra-Ordinary General Meeting of Shareholders (EGM) No.1/2017, held on 30 November 2017, the shareholders approved the sale of all ordinary shares that DTV Service Company Limited (DTV), a subsidiary of the Company, held in CS Loxinfo Public Company Limited (CSL) in total of 250,099,990 shares or equivalent to 42.07% of all the total issued and paid-up shares of CSL to Advanced Wireless Network Co., Ltd. (AWN), which is a subsidiary of Advanced Info Service Public Company Limited (AIS) by way of the Conditional Voluntary Tender Offer, at the offering price of 7.80 Baht per share, totaling Baht 1,951 million.

As at the end of 2017, the investment in CSL, previously recognized as THCOM's indirect subsidiary via DTV, was presented as a disposal group held for sale since the terms and conditions of the Conditional Voluntary Tender Offer of CSL, according to the Share Tender Agreement signed between DTV and AWN, were achieved on 1 December 2017 and the sales of CSL's shares was completed in January 2018

Impairment of satellites' assets and goodwill of subsidiary

In 2017, the Company recognized the impairment loss as followings:

- Impairment of intangible assets under operating agreement, which are satellite assets operating under concession, in total of Bath 3,196 million. During 2017, the significant market price erosion on satellite services from fierce competition, together with the churns of major customers both domestic and international, led to considerable decrease of revenue from satellite and related services. Furthermore, new sales were under-targeted due to the uncertainty of the license to operate follow-on satellites, resulting to customers' lack of confidence on business continuity.
- Impairment of goodwill and intangible assets of Orion Satellite System Pty Ltd (OSS), which is wholly owned by IPSTAR Australia Pty Ltd (IPA), the subsidiary of THCOM. IPA invested in OSS since 2014. Main revenue stream of OSS comes from providing VSAT services to customers mainly in mining and construction sectors in Western Australia. The recession of Australian's economic contributed to slow down of such business sectors, thus affecting the revenue of OSS. Therefore, the impairment of the goodwill and intangible assets of OSS were recognized in full amount of Baht 113 million.

The impairment is considered a non-cash item and does not affect the cash management of the Company. Although the net profit of the year was significantly dropped, going forward depreciation and amortization of the assets would decrease by approximately Baht 868 million per annum during 2018 until September 2021 (end of concession period).

Performance overview

The Company's consolidated revenue from sales of goods and rendering of services for 2017 was Baht 6,689 million, a decrease of 22.6% from Baht 8,642 million for 2016, mainly due to the revenue drop from satellite and related services, particularly from the decrease of the Thaicom 4 Broadband service revenue due to the cease of contracts from major customers, together with the decrease of service revenue from conventional satellites following Thai's broadcasting industry trend slowing down.

As a result, the operating profit (loss) for 2017, taking into account the impairment, was Baht (3,594) million, down by 330.1% from Baht 1,562 million for 2016. The Company reported a consolidated net profit (loss) of Baht (2,650) million or Baht (2.42) per share for 2017, a decrease of 264.4% from Baht 1,612 million or Baht 1.47 per share for 2016.

II. Business Summary

Satellite and related Services

During November 2017, the Company received a corporate governance rating of excellent, or 5 stars, for the fifth year in a row (2013 - 2017) from the Stock Exchange of Thailand (SET). This recognition is a milestone as the Company works toward sustainable development by adhering to corporate governance (CG) principles and raising the bar for CG practices that promote transparency and consistently create shared value for all stakeholders.

The Company has also been selected for the 2016 Thailand Sustainability Investment (THSI) list based on SET's annual sustainability assessment. This recognition, awarded to the Company for the third consecutive year, reflects a balance of outstanding performance across financial, environmental, social and governance dimensions, which are the powerful mechanisms for sustainable development.

Internet and media Services

In 2017, THCOM recognized the share of profit from CSL of Baht 137 million, increase by 14.5% from Baht 120 million for 2016. This increased profit was contributed mainly from the growth of Internet Data Center (IDC) and condominium broadband subscriber services.

The sales of CSL's shares to AWN was completed during January 2018. The Company will no longer recognized the share of profit from CSL after completion.

Telephone business abroad

As of the end of 2017, Lao Telecommunications Co., Ltd. (LTC) had total mobile subscribers (excluded fixed wireless) of 1,547,291 and ranks No.1 with 57.0% mobile's market share, up from 53.7% as at the end of 2016. LTC's revenue continued to increase mainly due to the increase of revenue from Internet SIM.

III. Consolidated Operating Results

Selected financial information of THCOM

Unit: Baht million	Amount		Change YoY (%)
	2017	2016 (restated)	
Revenue from sales of goods and rendering of services	6,689	8,642	-22.6%
Cost of sales of goods and rendering of services	5,291	5,568	-5.0%
Loss from Impairment *	3,309	-	-
Other SG&A expenses	1,684	1,511	11.4%
EBIT from continuing operations **	(3,594)	1,562	-330.1%
Depreciation and Amortization	2,896	2,759	0.0%
EBITDA from continuing operations ***	(699)	4,321	-116.2%
Share of profit of investment in joint venture	196	198	-1.2%
Profit (loss) for the period from continuing operations	(2,787)	1,492	-286.8%
Profit (loss) for the period from discontinued operation	326	291	11.9%
Profit (loss) for the period	(2,461)	1,783	-238.0%
Profit (loss) attributable to: non-controlling interest	189	171	10.0%
Profit (loss) attributable to owner of the Company	(2,650)	1,612	-264.4%
Earnings (loss) per share (Baht)	(2.42)	1.47	-264.4%
Earnings (loss) per share from continuing operations (Baht)	(2.54)	1.36	-286.7%

* The impairment of satellites operating under concession and the impairment of goodwill and intangible assets of Orion Satellite System Pty Ltd.

** EBIT = Sales and service income – Cost of sales and service – SG&A (including impairment)

*** 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 2017 was Baht 6,689 million, a decrease of 22.6% from Baht 8,642 million for 2016. These were mainly contributed by the decrease of revenue from both satellite and related services and Internet and media services.

Revenue from sales of goods and rendering of services Unit: Baht million	2017	2016 (restated)	%YoY
Satellite and related services	6,475	8,414	-23.0%
Internet and media services*	299	310	-3.5%
Consolidation eliminations	(85)	(82)	3.7%
Total	6,689	8,642	-22.6%

* Include revenue from sales and services generated by DTV, and Cambodian DTV Network Ltd (CDN)

Satellite and related services

Revenue from satellite and related services for 2017 was Baht 6,475 million, a decrease of 23.0% from Baht 8,414 million for 2016. These were contributed by revenue drop from both conventional and broadband satellite services.

Satellite and related services Unit: Baht million	2017	2016 (restated)	%YoY
Conventional*	3,726	4,414	-15.6%
Thaicom 4 Broadband	2,748	4,000	-31.3%
Services	2,480	3,731	-33.5%
Sales	269	269	-0.1%
Total	6,475	8,414	-23.0%

* Include the Thaicom 5 6 7 and 8 satellites

- Revenue from the Thaicom conventional satellites and related services for 2017 was Baht 3,726 million, dropped by 15.6% from Baht 4,414 million for 2016. The overall conventional satellites utilization increased from the ramp-up of new customers in Greater Mekong Subregion and Africa. However, the total revenue dropped since price per unit has decreased following market price dropped, together with the decrease of revenue from value-added services following Thai's broadcasting industry trend slowing down
- Revenue from the Thaicom 4 Broadband Satellite and related services was Baht 2,748 million for 2017, down by 31.3% from Baht 4,000 million for 2016. This was mainly contributed by the decrease of;
 - Service revenue in Australia, Thailand and China due to the ending of service contracts with major clients in each region, together with the decrease of service revenue in Myanmar due to reduction of bandwidth usage; offsetting with,
 - The increase of revenue from Japan due to the increase of service price, and the ramp-up of recent service contracts in Indonesia and Thailand.

Internet and media services

The Company's revenue from Internet and media services for 2017 was Baht 299 million, down by 3.5% compared to Baht 310 million for 2016, mainly because of the decrease of DTV's revenue from D Channel Platform services and sales of equipment, offsetting with the increase of CDN's revenue from sales of satellite receiver sets.

Cost of sales of goods and rendering of services

The Company reported consolidated cost of sales of goods and rendering of services for 2017 of Baht 5,291 million, a decrease of 5.0% compared to Baht 5,568 million for 2016, due to the decrease of cost from satellite services, offsetting with the increase of cost from Internet and media services.

Cost of sales of goods and rendering of services Unit: Baht million	2017	2016 (restated)	%YoY
Satellite and related services	5,129	5,419	-5.4%
Internet and media services*	243	233	4.3%
Consolidation eliminations	(81)	(84)	-3.6%
Total	5,291	5,568	-5.0%

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

Cost of satellite and related services

Cost relating to satellite and related services for 2017 was Baht 5,129 million, a decrease of 5.4% from Baht 5,419 million for 2016. This was due to the decrease of cost relating to the Thaicom 4 Broadband satellite services, offsetting with the increase of cost relating to the conventional satellites and related services

Satellite and related services Unit: Baht million	2017	2016 (restated)	%YoY
Conventional*	2,658	2,529	5.1%
Thaicom 4 Broadband	2,471	2,890	-14.5%
Total	5,129	5,419	-5.4%

* Include the Thaicom 5 6 7 and 8 satellites

- Cost relating to the conventional satellites and related services was Baht 2,658 million for 2017, increased by 5.1% compared with Baht 2,529 million for 2016, mainly from the increase of costs relating to the Thaicom 8 Satellite such as depreciation and in-orbit insurance.
- Cost relating to the Thaicom 4 Broadband Satellite and related services for 2017 was Baht 2,471 million, decreased by 14.5% from Baht 2,890 million for 2016. 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

Cost of Internet and media services

Cost relating to the Internet and media services for 2017 amounted to Baht 243 million, an increase of 4.3% from Baht 233 million for 2016, due mainly to the increase of cost relating to CDN's sales revenue, offsetting with the decrease of DTV's cost following sale decrease. The overall cost of Internet and media services increased while the revenue decreased was mainly resulted from the decrease of CDN's gross margin due to the sales promotion in 2017, together with the increase of bandwidth cost.

Selling and administrative expenses

SG&A expenses, including directors and management benefit expenses, totaled Baht 4,993 million for 2017, an increase of 230.4% from Baht 1,511 million for 2016. This was mainly contributed to the important matters in 2017 as following:

- The impairment of satellite assets operating under concession of Baht 3,196 million,
- The impairment of goodwill and intangible assets of OSS Baht of 113 million,
- The provision for doubtful debt of a broadband customer in the amount of Baht 352 million; offsetting with,
- The decrease of staff expenses and marketing expenses.

SG&A, excluding the impairment and provision for doubtful debt of a broadband customer, was Baht 1,332 million, decrease 11.8% from the same period of last year.

Gain on exchange rate

In 2017, the Company reported a gain on foreign exchange of Baht 152 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 382 million for 2017, increase by 13.3% from Baht 338 million for 2016, contributed mainly to:

- The increase of interest expenses for the Thaicom 8 Satellite; offsetting with,
- The decrease of interest from short-term loan all repaid in 2016, and
- The decrease of interest from long-term loans according to their repayment schedule, together with the prepayment of USD 40 million in Q3/2017.

Share of profit of investment in joint venture

Share of profit of investment in joint venture in telephone business for 2017 was Baht 196 million, decrease by 1.2% from Baht 198 million for 2016. This was mainly contributed by;

- Higher withholding tax in 2017 following higher dividend received from LTC compared to the previous year; offsetting with,
- The increase in operating result from LTC which was mainly from the increase of revenue from Internet SIM.

Net profit

The Company reported a profit (loss) attributable to owner of the Company of Baht (2,650) million for 2017, a decrease of 264.4% from Baht 1,612 million for 2016. The profit for the year significantly dropped due to the decrease of revenue from satellite and related services, together with the recognition of impairment of assets, and the significant provision for doubtful debts of a broadband customer, including the increase of costs from the Thaicom 8 Satellite.

IV. Financial Position

As at the end of 2017, the Company reported total assets of Baht 25,939 million, a decrease of 21.0% from Baht 32,840 million as at the end of 2016. This was mainly due to;

- The impairment of the intangible assets under operating agreements and the goodwill and intangible assets of OSS,
- The decrease of cash and cash equivalents, and current investments, as a result of long-term loan prepayment and dividend payment, offsetting by of profit generated from operating activities,
- Depreciation and amortization of PP&E and intangible assets under operating agreements for 2017,
- The decrease of trade and other accounts receivable mainly from the provision for doubtful debt of a broadband customer.

THCOM's asset components

Assets Unit: Baht million	December 31, 2017		December 31, 2016	
	Amount (Bt mn)	% of Total assets	Amount (Bt mn)	% of Total assets
Current assets	9,425	36.3%	9,127	27.8%
Property, plant and equipment	7,859	30.3%	9,437	28.5%
Intangible assets under operating agreement	3,987	15.4%	9,205	28.0%

Trade and other receivables

As at the end of 2017, the Company had net trade accounts receivable and accrued income (excluded other account receivable) of Baht 1,519 million (or 5.9% 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 754 million or 42.8% of total trade accounts receivable, increased from Baht 352 million or 19.4% of total trade accounts receivable as at the end of 2016. This was mainly to the provision for doubtful debts for a broadband customer.

Liquidity

As at the end of 2017, the Company had a current ratio of 3.22x, up from 2.53x as at the end of 2016, due mainly to;

- The non-current assets classified as the asset held for sale or the investment in CSL recognized at the end of 2017 of Baht 1,837 million,
- The decrease of the current portion of long-term loan due to the significant loan prepayment of in 2017.

Property, plant and equipment

Property, Plant and Equipment (PP&E) as at the end of 2017 was Baht 7,859 million, a decrease of 15.9% from Baht 9,347 million as at the end of 2016. This was due mainly to depreciation and amortization of PP&E during 2017.

Intangible assets under operating agreement

Intangible assets under operating agreement are mainly the assets of the satellites operating under concession agreement, which are the Thaicom 4, Thaicom 5, and Thaicom 6 Satellites. As at the end of 2017, the assets was Baht 3,987 million, a decrease of 56.7% from Baht 9,205 million as at the end of 2016. This was due mainly to:

- The impairment of the intangible assets under operating agreement of Baht 3,196 million.
- Depreciation and amortization of the intangible assets during 2017.

Borrowings and shareholders' equity

The Company's net borrowings as at the end of 2017 were Baht 7,446 million, a decrease of 27.2% from Baht 10,225 million as at the end of 2016, mainly attributable to the long-term loans prepayment of USD 40 million, together with repayments on schedule and the revaluation of borrowing from the appreciation of Thai Baht against US dollar.

The Company's shareholders' equity as at the end of 2017 was Baht 15,280 million, decreased by 19.2% from Baht 18,921 million as at the end of 2016, mainly reflecting from the significant net loss and dividend payment to shareholders in 2017

As at the end of 2017, the ratio of net borrowings to equity was 0.49x, down from 0.54x as at the end of 2016.

Cash flows

Net cash provided by operating activities for 2017 was Baht 2,980 million, a decrease of 36.7% from Baht 4,711 million for 2016, due mainly to the decrease of operating profit.

Net cash provided (used) by investing activities for 2017 was Baht (46) million, most of which were the investment of assets, offsetting with interest income received.

Net cash provided (used) in financing activities for 2017 was Baht (3,327) million, mainly comprising of the loans and interest payment, including dividend payment.

The Company had ending cash and cash equivalents of Baht 1,961 million as at the end of 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.