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## I. Overview

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### **Performance overview**

Thaicom Plc (the Company or THCOM)'s consolidated operating profit for Q2/2018 was Baht 251 million, significantly improved from the previous quarter, Q1/2018, that reported the net loss of Baht 28 million (exclude income from the sale of CS Loxinfo Public Company Limited or CSL's share), due mainly to a decrease of the selling and administration expenses. The consolidated revenue from sales of goods and rendering of services for Q2/2018 was Baht 1,495 million, a slight decrease of 0.6% from Baht 1,504 million for Q1/2018, caused by a drop of revenue from internet and media services.

The selling and administration expenses for Q2/2018 was Baht 232 million, significantly decreased by 55.5% from Baht 522 million for Q1/2018, due mainly to effective cost management, decrease of provision for doubtful debts for the satellite business, and the compensation for damage of the satellite equipment in Australia in Q1/2018.

Comparing to Q2/2017, the consolidated revenue from sales of goods and rendering of services decreased by 6.7%, caused by the churn of major customers during Q2-Q4/2017. However, due to the reduction of depreciation expense after the satellite assets impairment recognized in Q4/2017, the consolidated net profit of Q2/2018 increased by 16.2% from Baht 216 million for Q2/2017.

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## II. Business Summary

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### **Satellite and related Services**

On 3 May 2018, THCOM and We Are IT Philippines Inc. (WIT), the leading satellite broadband service provider in the Philippines, signed a multi-year capacity wholesale agreement aimed at providing connectivity for the rollout of nationwide enterprise and government broadband projects. According to the terms of the agreement, WIT will use the entire IPSTAR capacity of both spot and broadcast beams for the Philippines.

On 22 June 2018, THCOM signed an agreement with SC Group, a leading Asian provider of integrated logistics, to collaborate on the joint development of a maritime communication network service. SC Group's fleet of more than 30 offshore support vessels will be equipped with the new Nava service to enhance fleet operations and optimize operational efficiency.

### **Internet and media Services**

The revenue from Internet and media services was mainly from the sale of satellite set top box and other services operated by Cambodian DTV Network Ltd (CDN) and DTV Services Co., Ltd (DTV). The revenue in Q2/2018 was down by 29.0% compared to Q2/2017 and also declined by 22.8% compared to Q1/2018, mainly because of a decrease of CDN's revenue from sales of satellite receiver sets following the high competitiveness in Cambodia.

### **Telephone business abroad**

As of the end of Q2/2018, Lao Telecommunications Co., Ltd. (LTC) had total mobile subscribers (excluded fixed wireless) of 1.51 million subscribers, ranking No.1 with approximately 57.5% of total mobile's market share, up from 55.7% as at the end of Q2/2017. However, the net profit from LTC recognized as share of profit of investment in subsidiaries and a joint venture for Q2/2018 was Baht 52 million, decreased by 22.5% from Q2/2017, mainly due to Baht appreciation which impacted THCOM's share of profit to decline despite the greater performance from LTC.

### III. Consolidated Operating Results

#### Selected financial information of THCOM

Unit: Baht million	Amount			Changes		Amount		Change YoY (%)
	Q2/2018	Q1/2018	Q2/2017	QoQ (%)	YoY (%)	1H/18	1H/17	
Revenue from sales of goods and rendering of services	1,495	1,504	1,603	-0.6%	-6.7%	2,999	3,621	-17.2%
Cost of sales of goods and rendering of services	1,046	1,001	1,325	4.5%	-21.1%	2,047	2,752	-25.6%
Other SG&A expenses	232	522	254	-55.5%	-8.6%	755	631	19.6%
EBIT from continuing operations *	217	(20)	24	n/a	804%	197	238	-17.2%
Depreciation and Amortization	478	479	723	-0.2%	-33.9%	956	1,442	-33.7%
EBITDA from continuing operations **	694	459	747	51.3%	-7.0%	1,153	1,680	-31.3%
Share of profit of investment in joint venture	52	33	67	57.6%	-22.5%	84	91	-7.3%
Other income from the sale of CSL's share	-	1,950	-	-	-	1,950	-	n/a
Profit (loss) for the period from continuing operations	251	1,851	187	-86.4%	34.4%	2,103	410	412.7%
Profit (loss) for the period from discontinued operation	-	30	-	n/a	n/a	30	154	-80.8%
Profit (loss) for the period	251	1,881	187	-86.6%	34.4%	2,132	564	277.8%
Profit (loss) attributable to: non-controlling interest	-	17	-	n/a	n/a	17	89	-80.8%
Profit (loss) attributable to owner of the Company	251	1,864	216	-86.5%	16.2%	2,115	475	345.3%
Earnings (loss) per share (Baht)	0.23	1.70	0.20	-86.5%	16.2%	1.93	0.43	345.3%
Profit (loss) attributable to owner of the Company, excluding profit from sale of CSL's share	251	(28)	216	n/a	16.2%	223	475	-53.0%

\* 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 Q2/2018 was Baht 1,495 million, a decrease of 6.7% from Baht 1,603 million for Q2/2017, caused by the decrease of revenue from both satellite and Internet and media businesses. Compared to Q1/2018, the consolidated revenue slightly decreased by 0.6% from Baht 1,504 million, contributed by a drop of the internet and media services revenue.

For 1H/2018, the consolidated revenue from sales of goods and rendering of services totaled Baht 2,999 million decreased by 17.2% from Baht 3,621 million, contributed by the decrease of both satellite and internet and media services.

Revenue from sales of goods and rendering of services Unit: Baht million	Q2/2018	Q1/2018	Q2/2017	QoQ (%)	YoY (%)	1H/18	1H/17	%YoY
Satellite and related services	1,465	1,462	1,555	0.2%	-5.8%	2,927	3,510	-16.6%
Internet and media services*	44	57	62	-22.8%	-29.0%	101	157	-35.7%
Consolidation eliminations	(14)	(15)	(14)	-6.7%	0.0%	(29)	(46)	-37.0%
<b>Total</b>	<b>1,495</b>	<b>1,504</b>	<b>1,603</b>	<b>-0.6%</b>	<b>-6.7%</b>	<b>2,999</b>	<b>3,621</b>	<b>-17.2%</b>

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

### Satellite and related services

Revenue from satellite and related services for Q2/2018 was Baht 1,465 million, a decrease of 5.8% from Baht 1,555 million for Q2/2017, contributed by a decrease of conventional services. Compared to Q1/2018, the revenue slightly increased by 0.2% from Baht 1,462 million for Q1/2018 due to the conventional satellites.

For half year comparison, the revenue from satellite related services for 1H/2018 was Baht 2,927 million, decreased by 16.6% from Baht 3,510 million for 1H/2017. This was contributed by a drop of revenue in both conventional and broadband satellite services.

Satellite and related services Unit: Baht million	Q2/2018	Q1/2018	Q2/2017	QoQ (%)	YoY (%)	1H/18	1H/17	%YoY
Conventional*	892	886	948	0.6%	-6.0%	1,778	1,929	-7.9%
Thaicom 4 Broadband								
Services	530	535	528	-0.9%	0.4%	1,065	1,356	-21.4%
Sales	44	41	78	7.0%	-43.7%	85	220	-62.4%
<b>Total</b>	<b>1,465</b>	<b>1,462</b>	<b>1,555</b>	<b>0.2%</b>	<b>-5.8%</b>	<b>2,927</b>	<b>3,510</b>	<b>-16.6%</b>

\* Include the Thaicom 5 6 7 and 8 satellites

- Revenue from the conventional satellites and related services for Q2/2018 was Baht 892 million, decreased by 6.0% from Baht 948 million for Q2/2017. Likewise, considering 1H/2018, the revenue also declined by 7.9% from Baht 1,929 million for 1H/2017, mainly due to baht appreciation compared to last year which makes the value of revenue to decline despite the increase of utilization.

However, compared to the previous quarter, the revenue increased by 0.6% from Baht 886 million for Q1/2018 due to service up-conversion from standard definition (SD) to high definition (HD) of Thai broadcasters.

- Revenue from the Thaicom 4 Broadband Satellite and related services was Baht 530 million for Q2/2018, slightly increased by 0.4% from Baht 528 million for Q2/2017, due mainly to the increase of service revenue in Indonesia and India, offsetting with the churn of some customers. However, the revenue for 1H/2018 decreased by 21.4% from Baht 1,356 million for 1H/2017. This was mainly contributed by the churn of major customers during Q2-Q4/2017.

Compared to the previous quarter, the Broadband revenue from bandwidth increased from the ramp-up of current customers. However, the other revenue such as gateway sales decreased.

### Internet and media services

The Company's revenue from internet and media services currently comes from CDN and DTV. For Q2/2018, the revenue was Baht 44 million, down by 29.0% compared to Baht 62 million for Q2/2017 and also down by 22.8% compared to Baht 57 million for Q1/2018, mainly because of a decrease of CDN's revenue from sales of satellite receiver sets following the high competitiveness among the industry in Cambodia.

Likewise, for 1H/2018, the revenue from internet and media services was Baht 101 million, down by 16.6% from Baht 157 million for 1H/2017.

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

The Company reported consolidated cost of sales of goods and rendering of services for Q2/2018 of Baht 1,046 million, decreased by 21.1% compared to Baht 1,325 million for Q2/2017, correspondingly to the half year comparison, the cost for 1H/2018 was Baht 2,049 million which declined by 25.6% from Baht 2,752 million for 1H/2017. This was due mainly to the decrease of cost from both satellite and Internet and media from a drop in depreciation expense after the recognition of satellite assets impairment in Q4/2017.

Compared to Q1/2018, the cost of sales of goods and rendering of services increased by 4.5% from Baht 1,001 million for Q1/2018 mainly from the satellite and related services.

Cost of sales of goods and rendering of services Unit: Baht million	Q2/2018	Q1/2018	Q2/2017	QoQ (%)	YoY (%)	1H/18	1H/17	%YoY
Satellite and related services	1,022	980	1,284	4.2%	-20.4%	2,003	2,667	-24.9%
Internet and media businesses*	38	46	55	-17.4%	-30.9%	84	127	-33.9%
Consolidation eliminations	(14)	(25)	(14)	-44.0%	0.0%	(38)	(42)	-9.5%
<b>Total</b>	<b>1,046</b>	<b>1,001</b>	<b>1,325</b>	<b>4.5%</b>	<b>-21.1%</b>	<b>2,049</b>	<b>2,752</b>	<b>-25.6%</b>

\* 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 Q2/2018 was Baht 1,022 million decreased by 20.4% from Baht 1,284 million for Q2/2017. Likewise, for 1H18, the cost of relating to satellite and related services was Baht 2,003 million which decreased by 24.9% due to the decrease of both cost relating to conventional and broadband satellites.

However, an increase of 4.2% compared to Baht 980 million for Q1/2018 was from an increase of both cost from conventional and broadband services.

Satellite and related services Unit: Baht million	Q2/2018	Q1/2018	Q2/2017	QoQ (%)	YoY (%)	1H/18	1H/17	%YoY
Conventional*	604	582	663	3.7%	-9.0%	1,186	1,333	-11.1%
Thaicom 4 Broadband	418	398	621	5.1%	-32.6%	817	1,334	-38.8%
<b>Total</b>	<b>1,022</b>	<b>980</b>	<b>1,284</b>	<b>4.2%</b>	<b>-20.4%</b>	<b>2,003</b>	<b>2,667</b>	<b>-24.9%</b>

\* Include the Thaicom 5 6 7 and 8 satellites

- Cost relating to the conventional satellites and related services was Baht 604 million for Q2/2018, decreased by 9.0% compared with Baht 663 million for Q2/2017, mainly from the decrease of the revenue sharing to government following the revenue drop, together with depreciation expense decreased.

Compared to the previous quarter, the cost of Q2/2018 increased by 3.7% from Baht 582 million for Q1/2018 following the increase in revenue.

For half year comparison, the decrease of 11.1% from Baht 1,333 million in 1H/17 to Baht 1,186 million in 1H/18 was mainly due to the drop of revenue and depreciation expense.

- Cost relating to the Thaicom 4 Broadband Satellite and related services for Q2/2018 was Baht 418 million, decreased by 32.6% from Baht 621 million for Q2/2017, mainly from the decrease of depreciation expense.

Compared to the previous quarter, the cost of Q2/2018 increased by 5.1% due mainly to the increase from the cost of satellite bandwidth service, while the cost from gateway service dropped.

For half year comparison, the decrease of 38.8% from Baht 1,334 million in 1H/17 to Baht 817 million in 1H/18 was mainly due to the drop of revenue and depreciation expense.

#### Cost of Internet and media services

Cost relating to the Internet and media services for Q2/2018 amounted to Baht 38 million, a decrease of 30.9% from Baht 55 million for Q2/2017 and 17.4% from Baht 46 million for Q1/2018 with the same direction as the sales drop from CDN.

#### **Selling and administrative expenses**

SG&A expenses, including directors and management benefit expenses, were Baht 232 million for Q2/2018, a decrease of 8.6% from Baht 254 million for Q2/2017, due mainly to the decrease of marketing expenses. When compared with the previous quarter, SG&A expenses were significantly declined by 55.5%, mainly caused by the decrease of provision for doubtful debts for a broadband

customer and the compensation for damage of the satellite equipment in Australia recognized in Q1/2018.

#### **Finance costs**

Finance costs totaled Baht 86 million for Q2/2018, down by 13.0% from Baht 99 million for Q2/2017, due mainly to the decrease of interest expense 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 was mainly from LTC which amounted to Baht 52 million for Q2/2018, decreased by 22.5% from Baht 67 million for Q2/2017 mainly due to baht appreciation which impact THCOM's share of profit to decline despite the greater performance from LTC.

#### **Net profit**

The Company reported a profit attributable to owner of the Company of Baht 251 million for Q2/2018, increased by 16.2% from Baht 216 million for Q2/2017 despite a drop from revenue of 6.7%. This was due mainly to the drop in depreciation expense accordingly to the satellite assets impairment in Q4/2017.

THCOM's normal profit significantly improved when compare to the previous quarter which the company recognized the net loss of Baht 28 million. This was mainly due to effective cost management, the decrease of provision for doubtful debts for the satellite business, and the compensation for damage of the satellite equipment in Australia in Q1/2018. However, the Company's net income dropped by 86.5% from Baht 1,864 million for Q1/2018, as a result of the income from the sale of CSL's share of Baht 1,950 million recognized in Q1/2018.

### **IV. Financial Position**

As at the end of Q2/2018, the Company reported total assets of Baht 24,805 million, a decrease of 4.4% from Baht 25,939 million as at the end of 2017. This was mainly because of the decrease of:

- Non-current assets classified as held for sale which caused by the sale of CSL's share.
- Depreciation and amortization of PP&E and intangible assets under operating agreements according the assets impairment in Q4/2017, offsetting with
- The increase of cash and cash equivalents, and current investments, mostly cash received from the sales of CSL's ordinary shares.

#### THCOM's asset components

Assets Unit: Baht million	June 30, 2018		December 31, 2017	
	Amount (Bt mn)	% of Total assets	Amount (Bt mn)	% of Total assets
Current assets	9,107	36.7%	9,425	36.3%
Property, plant and equipment	7,571	30.5%	7,859	30.3%
Intangible assets under operating agreement	3,426	13.8%	3,987	15.4%

#### **Trade and other receivables**

As at the end of Q2/2018, the Company had net trade accounts receivable and accrued income (excluded other account receivable) of Baht 1,441 million (or 5.8% of total assets), comprising of receivables from other parties and related parties, representing 95.2% and 4.8% of total trade accounts receivable and accrued income, respectively.

Trade and other accounts receivable and accrued income as at the end of Q2/2018 increased by 2.8% from the end of 2017, due mainly to an increase in trade account receivable for the satellite business.

### **Liquidity**

As at the end of Q2/2018, the Company had a current ratio of 4.29x, up from 3.22x at the end of 2017 due mainly to:

- The decrease of trade and other current payables.
- The increase of cash and cash equivalents, and current investments, mostly cash received from the sales of CSL's ordinary shares offsetting with
- The decrease in non-current assets classified as held for sale.

### **Property, plant and equipment**

Property, Plant and Equipment (PP&E) as at the end of Q2/2018 was Baht 7,571 million, a decrease of 3.7% from Baht 7,859 million as at the end of 2017. This was due mainly to depreciation and amortization of PP&E.

### **Intangible assets under operating agreement**

Intangible assets under operating agreement as at the end of Q2/2018 was Baht 3,426 million, a decrease of 14.1% from Baht 3,987 million as at the end of 2017. This was due mainly due to depreciation and amortization of the intangible assets.

### **Borrowings and shareholders' equity**

The Company's net borrowings as at the end of Q2/2018 were Baht 7,295 million, a decrease of 2.0% from Baht 7,446 million as at the end of 2017, mainly attributable to long-term loans repayment of borrowings for the satellite projects.

The Company's shareholders' equity as at the end of Q2/2018 was Baht 15,102 million, decreased by 1.2% from Baht 15,280 million at the end of 2017, mainly reflecting from declaration of dividends to owners of the Company of Baht 1,491 million during 1Q/18, offsetting with the net profit for Q2/2018 of Baht 251 million.

As at the end of Q2/2018, with lower the Company's net borrowings, the ratio of net borrowings to equity was 0.48x, slightly down from 0.49x as at the end of 2017.

### **Cash flows**

*Net cash provided by operating activities* for 1H/2018 was Baht 1,298 million, a decrease of 37.4% from Baht 2,073 million 1H/2017, due mainly to the decrease of operating profit.

*Net cash provided (used) by investing activities* for 1H/2018 was Baht 1,726 million, most of which were cash received from the sales of CSL's ordinary shares, offsetting with cash outflow to current investment.

*Net cash provided (used) in financing activities* for 1H/2018 was Baht (1,839) million, mainly comprising of the loans repayment and dividend paid to shareholders.

The Company had ending cash and cash equivalents of Baht 3,146 million as at the end of Q2/2018.

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.