
I. Overview

Performance overview

Thaicom Plc ("the Company")'s consolidated revenue from sales of goods and rendering of services for 2016 were Baht 11,517 million, decreased by Baht 936 million or 7.5% from Baht 12,453 million for 2015, mainly contributed by revenue drop from both satellite business and Internet and media businesses, together with the increase of costs and expenses relating to the Thaicom 8 Satellite commercialized at the beginning of Q3/2016. As a result, an operating profit (EBIT) for 2016 was Baht 1,938 million, down by Baht 1,043 million or 35.0% from Baht 2,981 million for 2015. The Company reported a consolidated net profit of Baht 1,612 million or Baht 1.47 per share, a decrease of Baht 510 million or 24.0% from Baht 2,122 million or Baht 1.94 per share for 2015.

In the separate financial statements, the Company had revenue from sales of goods and rendering of services for 2016 of Baht 7,077 million, a decrease of Baht 577 million or 7.5%, compared to Baht 7,654 million in 2015. However, the Company had a net profit of Baht 3,028 million or Baht 2.76 per share, up by Baht 2,234 million or 281.4%, compared to Baht 794 million or Baht 0.72 per share in 2015. This was a result of the dividend received from subsidiaries total of Baht 2,144 million, indicating the efficiency in cash management within the group. Such dividend was managed partly for the repayment of the loan and also was planned for the future investments.

The Company repaid all short-term loans for both the satellite business and the loan for Lao Telecommunications Co., Ltd. (LTC)'s concession extension fee, improving the current ratio to 2.53x from 1.83x as at the end of 2015 and also reducing the net borrowings to equity ratio to 0.54x from 0.65x as at the end of 2015. This would reduce interest burden of the Company in the future.

II. Business Summary

Satellite and related business

On 11 October 2016, InfoSat-Laos, a leading Direct-to-Home (DTH) satellite TV operator in Lao has signed a multi-year transponder agreement for Ku-band capacity on the Thaicom 8 satellite to launch its new DTH platform. The deal emphasizes Thaicom's ASEAN Economic Community (AEC) strategy and commitment to provide the region with premium satellite services. The platform has more than 15 channels available in both standard definition (SD) and high definition (HD) formats.

On 7 November 2016, the Thai Institute of Directors Association (IOD), being supported by the Stock Exchange of Thailand, has ranked the Company as "Excellence" or 5-Star for its Corporate Governance for 4 years in a row (2013-2016). This survey was performed among 601 Thai listed companies for their Corporate Governance Report of Thai Listed Companies 2016 (CGR). The Company's scoring is among the Top Quartile of the group of listed companies with market capital \geq Baht 10,000 million. This success is the result of the Company's focus on sustainability development with good and transparent corporate governance to add value to all the stakeholders.

On 29 November 2016, the Company has signed a contract with iSAT Africa, the fast growing Broadcasting, Data and Internet service provider with teleports in Africa and Europe, to expand its C-band Multi Channel Per Carrier (MCPC) broadcast platform and service into Africa. The service will facilitate distribution of TV channels on the THAICOM 6 satellite.

Internet and media business

Revenue from Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses by CS Loxinfo Plc (CSL) have continuously declined due to changes of consumer behavior and technology. However, the Company has adjusted strategically to be more careful in the selection of products and services, and the development and improvement of its products, together with cost management.

For ICT business, CSL has also continued to expand Internet broadband in condominiums, resulting in the number of subscribers as the end of 2016 of 10,620 subscribers, the growth of 134.6% compared to that of 2015. Moreover, the revenue from Internet Data Center (IDC) service has also continued to grow from corporate customer base.

Telephone business abroad

On 8 December 2016, LTC received the Medal of Labour, First Class, from the government of Lao PDR. The company was honored for its outstanding business performance and the value it has created through the development and expansion of telecommunications networks throughout Lao PDR. The Ministry of Posts and Telecommunications submitted a proposal for the Lao government to honor LTC with the medal. The Prime Minister approved the nomination and appointed His Excellency Dr. Thansamay Kommasith, Minister of Posts and Telecommunications, to present the medal to LTC. Such recognition demonstrates the close relationship of cooperation between LTC and Lao government as they continue to work towards further development together.

As of the end of 2016, LTC's total mobile subscribers was 2,059,104 subscribers, continuing to increase from 1,947,996 subscribers as at the end of 2015, and still ranked No.1 with 53.7% mobile's market share, up from 52.0% as at the end 2015. The revenue also continued to increase, especially from data business from both mobile and Internet SIM.

III. Consolidated Operating Results

Selected financial information on THCOM

Unit: MBt	Amount		Change YoY(%)
	2016	2015	
Revenue from sales of goods and rendering of services	11,517	12,453	-7.5%
Cost of sales of goods and rendering of services	7,354	7,354	0.0%
SG&A expenses	2,225	2,118	5.1%
EBIT from continuing operations*	1,938	2,981	-35.0%
EBITDA from continuing operations **	4,860	5,758	-15.6%
Share of profit (loss) of investment in joint venture	198	194	2.1%
Profit for the period	1,783	2,305	-22.6%
Profit attributable to: non-controlling interest	171	183	-6.6%
Profit attributable to: owner of the Company	1,612	2,122	-24.0%
Earnings per share (Baht)	1.47	1.94	-24.2%

* 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 2016 was Baht 11,517 million, a decrease of Baht 936 million or 7.5% from Baht 12,453 million for 2015. This was mainly due to the decrease of revenue from both satellite business and Internet and media businesses.

Revenue from sales of goods and rendering of services	2016	2015	%YoY
Satellite and related services	8,414	9,258	-9.1%
Internet and media services*	3,185	3,272	-2.7%
Consolidation eliminations	(82)	(77)	6.5%
Total	11,517	12,453	-7.5%

* 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 2016 was Baht 8,414 million, a decrease of Baht 844 million or 9.1% from Baht 9,258 million for 2015. This was mainly from the decrease of both revenue from conventional satellite and the Thaicom 4 Broadband Satellite businesses.

Satellite and related services	2016	2015	%YoY
Conventional*	4,414	5,031	-12.3%
Thaicom 4 Broadband	4,000	4,227	-5.4%
Services	3,731	3,910	-4.6%
Sales	269	317	-15.1%
Total	8,414	9,258	-9.1%

* Include the Thaicom 5 6 7 and 8 Satellites

- Revenue from the Thaicom conventional satellite business for 2016 was Baht 4,414 million, dropped by Baht 617 million or 12.3% from Baht 5,031 million for 2015, due mainly to:
 - Overall transponder utilization rate decreased since one of the Thai major customers ceased to operate its business, together with revenue drop from retail customers following economic recession,
 - The decrease of transponder utilization also resulting in a drop of revenue from value-added services, e.g. teleport services such as digital signal compression.
 - The decrease of sales from satellite equipment to satellite broadcasting operators, which incurred occasionally based on customers' demand, offsetting with
 - The increase of service revenue from the Thaicom 8 Satellite.
- Revenue from the Thaicom 4 Broadband Satellite business was Baht 4,000 million for 2016, down by Baht 227 million or 5.4% from Baht 4,227 million for 2015. This was mainly contributed by:
 - Service revenue decreased in Australia following the decrease of bandwidth usage from the National Broadband Network (NBN) contract, together with service price adjustment to reflect market price for some customers according to new contracts, offsetting with the increase of service revenue from increasing bandwidth usage in India and Philippines,
 - The decrease of satellite equipment sales, which incurred occasionally based on customers' demand.

Internet and media services

The Company's revenue from Internet and media services for 2016 was Baht 3,185 million, down by Baht 87 million or 2.7% compared to Baht 3,272 million for 2015, mainly contributed by:

- Revenue decreased from CSL by Baht 44 million or 1.5% compared to that of 2015 from Media and Advertising on YellowPages and Voice Info Services and Mobile Content businesses, offsetting with higher revenue from ICT services,
- The decrease of sales revenue from CDN by Baht 46 million or 16.0% from decreasing sales of satellite receiver sets, offsetting with
- Revenue increase from DTV by Baht 3 million or 6.0% from D Channel Platform services.

Cost of sales of goods and rendering of services

The Company reported consolidated cost of sales of goods and rendering of services for 2016 of Baht 7,354 million, equal to that of the previous year.

Cost of sales of goods and rendering of services	2016	2015	%YoY
Satellite and related services	5,419	5,302	2.2%
Internet and media businesses*	2,019	2,115	-4.5%
Consolidation eliminations	(84)	(63)	33.3%
Total	7,354	7,354	0.0%

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

Cost of satellite and related services

Cost relating to satellite and related services for 2016 was Baht 5,419 million, an increase of Baht 117 million or 2.2% from Baht 5,302 million for 2015. The gross margin of the satellite business decrease from 43% in 2015 to 36% in 2016 due to the increase of cost relating to the Thaicom 8 Satellite, together with the increase of operating fee, which is the revenue sharing under Agreement for Operation of Domestic Communication Satellites (Concession Agreement) to Ministry of Digital Economy and Society (formerly known as Ministry of Information and Communication Technology) from 20.5% to 22.5% (maximum rate) since 11 September 2016 according to the terms and conditions of the Concession Agreement.

Satellite and related services	2016	2015	%YoY
Conventional*	2,529	2,557	-1.1%
Thaicom 4 Broadband	2,890	2,745	5.3%
Total	5,419	5,302	2.2%

* Include the Thaicom 5 6 7 and 8 Satellites

- Cost relating to the conventional satellite business for 2016 was Baht 2,529 million, decreased by Baht 28 million or 1.1% from Baht 2,557 million for 2015. This was mainly caused by:
 - The decrease of equipment cost following the decrease of equipment sales,
 - The decrease of operating fees, the revenue sharing, following revenue drop, offsetting with
 - The depreciation and in-orbit insurance of the Thaicom 8 Satellite.
- Cost relating to the Thaicom 4 Broadband Satellite business for 2016 was Baht 2,890 million, increased by Baht 145 million or 5.3% from Baht 2,745 million for 2015, primarily due to:
 - The recognition of the warranty expense for UT in Australia. The Company was sued and the Court gave its judgement that the Company shall compensate for the damage on UT equipment amounted to AUD 5.3 million with interest. The Company's subsidiary currently is considering to appeal the verdict.
 - The increase of operating fees, the revenue sharing, following increase of concession fee rate,
 - The decrease of cost of broadband equipment following the sales drop,

Cost of Internet and media services

Costs relating to the Internet and media services for 2016 were Baht 2,019 million, the decrease of Baht 96 million or 4.5% from Baht 2,115 million for 2015, due mainly to the decrease of:

- Cost of sales and service of CSL by Baht 27 million or 1.5%, due to the decrease of ICT and Media and Advertising on YellowPages business costs, offsetting with the increase of the content and application development cost from Voice Info Services & Mobile Content Business,
- Cost of CDN of Baht 39 million or 18.0% from lower cost of sales following sales revenue drop,
- Cost of sale from DTV by Baht 32 million or 41.6% from DTV's sales promotion in Q3/2015, contrasting with higher cost of service following the increase of revenue from D Channel Platform services.

Selling and administrative expenses

SG&A expenses, including directors and management benefit expenses, were Baht 2,225 million for 2016, an increase of Baht 107 million or 5.1% from Baht 2,118 million for 2015, due mainly to:

- The increase of provision for doubtful debts for the satellite business, mainly from a customer under rehabilitation, amounting to Baht 84 million in Q1/2016,
- The decrease of reversal of provision for obsolete inventory of satellite receiver sets sold by DTV which was recognized in 2015,
Offsetting by
- The decrease of staff and marketing expenses.

Gain on exchange rate

In 2016, the Company reported a gain on foreign exchange of Baht 152 million. This was largely impacted by the revaluation of USD borrowings for the satellite business and for Shenington Investments Pte Ltd (SHEN) to support LTC's business as a result of the appreciation of the Thai Baht against the US Dollar.

Finance costs

The total finance costs were Baht 359 million for 2016, up by Baht 53 million or 17.3% from Baht 306 million for 2015, due mainly to interest expense of the Thaicom 8 project which has commercialized since Q3/2016.

However, in 2016, the Company repaid all short-term loans for both the satellite business and the loan for LTC's concession extension fee total of Baht 3,854 million. This would reduce interest burden for the Company in the future.

Share of profit of investment in joint venture

Share of profit of investment in joint venture in telephone business for 2016 was Baht 198 million, up by Baht 4 million or 2.1% from Baht 194 million for 2015.

Net profit

The Company reported a profit attributable to the owner of the Company of Baht 1,612 million for 2016, a drop of Baht 510 million or 24.0% from Baht 2,122 million for 2015. This was mainly contributed by:

- The decrease of revenue from sales of goods and rendering of services from both satellite business and Internet and media businesses,
- The increase of costs and expenses relating to the Thaicom 8 Satellite,
- The increase of percentage of operating fee under the Concession Agreement to Ministry of Digital Economy and Society
- The increase of warranty expenses from the damage of UT equipment in Australia,
Offsetting with
- A gain on exchange rate, and
- Share of profit of investment in joint venture in telephone business.

In the separate financial statements, the Company had a net profit of Baht 3,028 million or Baht 2.76 per share, up by Baht 2,234 million or 281.4%, compared to Baht 794 million or Baht 0.72 per share in 2015. This was from the dividend received from subsidiaries total of Baht 2,144 million, offsetting with IPSTAR Australia Pty Limited (IPA) impairment amounted to Baht 92 million, which was a result of the recognition for warranty expense of UT in Australia.

IV. Financial Position

As at the end of 2016, the Company reported total assets of Baht 32,840 million, the decrease of Baht 752 million or 2.2% from Baht 33,592 million as at the end of 2015. This was mainly because of:

- The decrease of cash and cash equivalents from short-term loans repayment,
- Depreciation and amortization of PP&E and intangible assets under operating agreements for 2016, offsetting with
- The increase of current investments, mostly short-term deposits at financial institutions as a result of profit generated from operating activities,
- The increase of PP&E, mostly were the additional assets from the Thaicom 8 project.

THCOM's asset components

Assets	December 31, 2016		December 31, 2015	
	Amount (Bt mn)	% of Total assets	Amount (Bt mn)	% of Total assets
Current assets	9,127	27.8%	8,005	23.8%
Property, plant and equipment	9,347	28.4%	9,032	26.9%
Intangible assets under operating agreement	9,205	28.0%	11,227	33.4%

Trade accounts receivable and accrued income

As at the end of 2016, the Company had net trade accounts receivable and accrued income of Baht 2,103 million (or 6.4% of total assets), comprising of receivables from other parties and related parties, representing 94.7% and 5.3% of total trade accounts receivable and accrued income, respectively.

The Company had an allowance for doubtful accounts of Baht 352 million or 19.4% of total trade accounts receivable, mainly from the provision for doubtful debt for a customer under rehabilitation. As a result, the allowance for doubtful account increased from Baht 231 million or 13.4% as at the end of 2015. Trade and other accounts receivable and accrued income as at the end of 2016 increased by Baht 11 million from the end of 2015.

Liquidity

As at the end of 2016, the Company had a current ratio of 2.53x, up from 1.83x as at the end of 2015, due mainly to:

- The increase of current investments from the profit of 2016,
- The decrease of short-term loans from the total repayment of the Thaicom 8 project loan and the repayment of LTC's loan for concession extension fee, Offsetting with
- The increase of current portion of long-term loans for the satellite business,
- The decrease of cash and cash equivalents from the short-term loans repayment.

Property, plant and equipment

Property, Plant and Equipment (PP&E) as at the end of 2016 was Baht 9,347 million, the increase of Baht 315 million or 3.5% from Baht 9,032 million as at the end of 2015. This was due mainly to;

- Additions to PP&E for the assets of the Thaicom 8 project, offsetting by
- Depreciation and amortization of PP&E in 2016.

Borrowings and Shareholders' equity

The Company's net borrowings as at the end of 2016 were Baht 10,225 million, the decrease of Baht 1,525 million or 13.0% from Baht 11,750 million as at the end of 2015, mainly attributable to the short-term loan repayment for both the satellite business and the loan for LTC's concession extension fee.

The Company's shareholders' equity as at the end of 2016 was Baht 18,921 million, increased by Baht 810 million or 4.4% from Baht 18,111 million as at the end of 2015, reflecting from the net profit for 2016 of Baht 1,612 million, offsetting with dividend payment to owners of the Company and CSL of Baht 712 million and Baht 145 million, respectively (CSL declared the dividend payment amounting to Baht 250 million, payable proportionately to THCOM of Baht 105 million and others shareholders of Baht 145 million).

As at the end of 2016, the ratio of net borrowings to equity was 0.54x, down from 0.65x as at the end of 2015.

Cash flows

Net cash provided by operating activities for 2016 was Baht 4,711 million, the decrease of Baht 18 million or 0.4% from Baht 4,729 million for 2015, due mainly to the decrease of net operating profit.

Net cash used in investing activities for 2016 was Baht 2,694 million, most of which were short-term deposits at financial institutions and private funds, together with the payment for the assets of the Thaicom 8 project.

Net cash used in financing activities for 2016 was Baht 2,734 million, mainly comprising repayment of short-term loans of the Thaicom 8 and LTC for concession extension fee, and dividend payment to shareholders.

The Company had ending cash and cash equivalents of Baht 2,684 million as at the end of 2016.

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.