

Executive summary

In 2021, Thailand and private sectors have been facing challenges from Covid-19. Telecommunication, technology, and digital industry tended to be less affected than many other industries as it is considered a basic need for consumers and has unforeseen benefits as businesses and consumers increasingly went digital from Covid-19. However, an economic slowdown and weaken consumer purchasing power has affected to the growth of INTOUCH Group in 2021.

AIS was still the mobile market leader in terms of revenue and customer market share. It was also the leader in 5G providing services cover major area over 77 provinces and cover 76% of population. Fixed-broadband business continues creating a new source of revenue and leveraging its mobile services, with 1.77 million subscribers at the end of 2021. In addition, corporate client market has demonstrated a high potential of growth.

After the end of the operating agreement, THAICOM cooperate with National Telecom Public Company Limited (“NT”), which assigned by the Ministry of Digital Economy and Society (“MDES”) to manage satellites under the operating agreement, to purchase some bandwidth capacity on Thaicom 4 and 6 satellites to continue providing services to some of existing customers from 11 September 2021 afterward.

At the end of 2021, INTOUCH’s share price stood at 80.25 baht, increased 43% from 56.25 baht at year-end 2020. The total shareholder return (capital gain plus dividend yield) was 47% including capital gain and dividend yield, which was 33% higher than the SET Index return.

Overview of Consolidated Operational Results

Share of profit (loss) by business segment (in million baht)	For the year ended 31 December				
	2021		2020		%YoY
The Company	(332)	-3%	(261)	-2%	27%
AIS (Local Wireless Telecommunication Business)	10,889	101%	11,108	101%	-2%
THCOM (Satellite & International Businesses)	59	1%	212	2%	-72%
Other Businesses	132	1%	(11)	0%	1,300%
Net Profit	10,748	100%	11,048	100%	-3%
Normalized Net Profit *	10,726	100%	10,858	98%	-1%

* Excluding the net gains or losses from extra items, fair value measurement, divestments and foreign exchange.

Operational results of INTOUCH Group for 2021 showed a net profit of 10,748 million baht, 3% dropped from last year mainly due to:

- a lower contribution from AIS, which recorded a net foreign exchange loss and an increase in depreciation & amortization after the acquisition of 700MHz and 26GHz spectrum licenses.
- a lower contribution from THAICOM which had recorded a share of compensation (after a prepaid expense was written off) as other income in 2Q20. If this compensation is excluded, the contribution from the satellite & international businesses would have increased from 2020, due to a net foreign exchange gain and lower costs, although there was a loss contributed from the investment in joint ventures.

Operational results of INTOUCH for 2021 had the share of the net results 10,934 million baht, a drop of 3% from the previous year, mainly due to lower net profit of AIS and THAICOM. The operational expenses, included directors and managements benefits, were 376 million baht, a rise of 18% from 2020 due to the company restructuring. However, these 2021 expenses were under 300-400 million baht.

Dividend payout

INTOUCH has a policy of paying dividends based on the separate financial statements. These are mainly dividends passed through from associates and subsidiaries after the deduction of operating expenses, assuming there are no extraordinary circumstances or items of concern in which the payment of a dividend would have a material impact on the Company's operations.

The Board of Directors meeting held on 10 February 2022 passed a resolution to pay a dividend of 2.83 baht per share from 2021 operating results, of which was paid at 1.23 baht per share as an interim. Thus, the remaining is 1.60 baht per share.

This dividend is subject to the resolution of INTOUCH's Annual General Meeting of Shareholders for 2022.

Possible key and influential factors affecting the Company's future operations or financial position

INTOUCH conducts its business as a holding company that has investments in other companies. Therefore, the financial position or operational results of these companies could have a material impact on INTOUCH.

The performance of these investments has been disclosed in the Management Discussion & Analysis sections of the Form 56-1 One Report for the year 2021 (Annual Report) submitted by AIS (ADVANC) and THAICOM (THCOM).

Significant Events

The result of the Conditional Voluntary Tender Offer for all the Company's securities

On 5 August 2021, INTOUCH received the Report on the Result of the Tender Offer (Form 256-2) from GULF, which had made a conditional voluntary offer for all the Company's securities. This report (Ref: GED O 0821/223), dated 5 August 2021, stated that GULF had acquired another 747,874,638 of the Company's issued shares, representing 23.32% of the paid-up capital. Together with the shares purchased before the tender offer, GULF now holds a total of 1,354,752,952 issued shares, representing 42.25% of the Company's paid-up capital.

Local wireless telecommunication business

In September 2021, AIS and National Telecom Plc. ("NT") reached an agreement to settle some of their disputes. AIS paid a total of 447.87 million baht in compensation to NT. There was no impact on AIS's statement of profit or loss because a provision had already been set aside for this.

The market and competitive environment in FY21, the mobile industry has remained competitive, as diminished purchasing power has prompted operators to compete on price plan to maintain customer base and expand market share, offering unlimited data plans at low price for prepaid and postpaid customers, resulting in a lower average revenue per user (ARPU) for the industry. For 5G service, mobile operators have committed to increasing 5G customer perception and expanding network coverage in high density of demand areas. As a result, 5G adoption reached around 4 million subscribers, underpinned by the rising demand for the new technology and the introduction of new 5G handset models at more affordable prices.

The fixed-broadband market has maintained a healthy growth rate, following the work- and study-from-home requirement, while the entry plan remained stable at around 400 baht. Discounts were also offered to new customers or those who has switched the service provider, resulting in a decrease of the industry's ARPU from 2020. The customer retention strategies included providing a variety of contents, value-added services, and a 24-month service contract. AIS Fibre has concentrated on building customer satisfaction, offering multiple services such as 24-hour customer care and fast installation services within 24 hours.

In the mobile business, the subscriber base expanded to 44.1 million in 2021 with 2.7 million net additions. This was attributable to a combination of both prepaid (+1.33mn) and postpaid (+1.35mn) segments. Despite the shop closures for certain months due to coronavirus restriction measures and price competition, AIS maintained its leadership position with industry's largest subscriber and revenue market shares. Overall, blended ARPU dropped 4.6% from 2020 to 224 baht/subscriber/month.

In the fixed-broadband (FBB) business, AIS Fibre continued to ramp up its subscriber base with a net addition of 435,100, an increase of 33% from 2020 to 1,772,000 at the end of 2021. This was considerably outpacing the home broadband industry, which is growing at a pace of about 5-10% YoY. However, intense competition remained throughout the year, as operators continued to offer steep discount and low-price plans, resulted in ARPU dropping 6.8% YoY to 444 baht.

Satellite business

At the end of 2021, the conventional satellites which THAICOM provided services under telecommunication licenses were Thaicom 7 and 8. After the end of the operating agreement for domestic, THAICOM Group has entered into a memorandum of agreement to purchase some bandwidth capacities on Thaicom 4 and 6 satellites from the NT to continue providing services to some of existing customers.

On 8 June 2021, THAICOM established TC Space Connect Company Limited (TCSC), to provide services on telecommunications, satellites and related businesses. The registered capital is 100 million baht, at par value of 10 baht per share. The paid-up capital is 25 million baht, THAICOM holds 99.99%.

Telecom services in Lao PDR

At the end of 2021, LTC Group, a joint venture of THAICOM, had a total of 2.01 million mobile subscribers, an increase from 1.72 million in 2020.

Key Operational Results

Company business

The Company (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Expenses	(376)	(319)	18%
Others ¹⁾	44	58	-24%
Net Loss	(332)	(261)	27%
Normalized net loss ²⁾	(340)	(275)	24%

1) Excluding net gain (loss) from fair value measurement of investments in Venture Capital project which were presented as a part of operational result in Other Businesses.

2) Excluding net gains (losses) from fair value measurement & divestments of Venture Capital project.

INTOUCH's net loss rose 27% from 2020, mainly due to expenses related to the Company restructuring, the tender offer for all of INTOUCH's securities and CSR donations to alleviate suffering during the Covid-19 outbreak. In addition, there was a lower return on investments in other current financial assets, following a drop in bond yields.

AIS (Local wireless telecommunications)

Local wireless telecommunications (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Share of net result from investment in AIS Group using equity method	10,889	11,108	-2%
Normalized share of net result *	11,151	11,193	0%

* Excluding the share of net foreign exchange gain (loss).

The share of the net results from AIS Group in 2021 decreased from 2020, mainly due to a higher net foreign exchange loss and an increase in costs, even though the core service revenue improved YoY and SG&A declined. If net foreign exchange loss were excluded, the share of the net results from AIS would have been 11,151 million baht, a slight change from last year.

Sales and service revenue increased from 2020 due to higher fixed-broadband revenue as the subscriber base expanded, following the work- and study-from-home requirement, and the effective churn management while lower ARPU as the drop of market prices to address weak consumption. Revenue from the non-mobile enterprise business rose due to the growing demand for cloud-based, data center and enterprise solution following digitization trend. However, mobile revenue in 2021 dropped slightly from 2020 from lower ARPU even though higher subscribers, reflecting the prolonged pandemic and price competition.

Sales and service costs rose from 2020, mainly due to depreciation & amortization after the acquisition of new frequency spectrums (700MHz and 26GHz licenses) in 2021, along with the continuation of investment in 5G/4G network. In addition, the rise of other services costs related to content from Disney+ Hotstar and the Olympic Games together with higher base rental & utility as well as maintenance of 5G/4G network.

Distribution costs & administrative expenses in 2021 decreased from last year, mainly due to lower bad debt, staff-related expenses, and marketing activities in lockdown restriction period.

Satellite & international businesses

Satellite & International Businesses (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Sales and service revenue	3,302	3,557	-7%
Sales and service costs	(1,998)	(2,072)	-4%
Operating agreement fees	(351)	(506)	-31%
Distribution costs & administrative expenses	(871)	(918)	-5%
Share of profit (loss) of investments in joint ventures	(267)	4	-6,775%
Other income	203	811	-75%
Net foreign exchange gain	369	(59)	725%
Finance costs and tax	(244)	(302)	-19%
Net profit	143	515	-72%
Contribution to INTOUCH Group	59	212	-72%
Normalized contribution to INTOUCH Group *	(93)	(43)	116%

* Excluding the share of gain or loss from extra items in the satellite & international businesses, such as compensation income, written-off assets and net foreign exchange gain (loss).

THAICOM's net results in 2021 showed a gain of 143 million baht, a drop from 2020, mainly due to the share of compensation (after a prepaid expense was written off) that was recorded as other income in 2Q20.

However, if this compensation, extra items and net foreign exchange gain/loss were excluded, the normalized share of the net result from the satellite & international businesses would have been a loss of 93 million baht, increased from 43 million baht at 2020. This was mainly due to a share of loss of investment in joint ventures due to an appreciation of US dollar against Lao KIP resulting loss from mark-to-market of its accrued dividend and US dollar loan. Moreover, sales and service revenue from satellites decreased mainly due to a decline in number of broadcast domestic clients, losing some customers (when Thaicom 5 was deorbited) who incapable of migration to other satellites of THAICOM. In addition, there was a decline in broadband revenue from international customers due to Thaicom 4 satellite approaching its end of life with uncertainty of a replacement. Although, there was lower satellite depreciation and operating agreement fees after the operating agreement expired.

Other businesses

Other Businesses (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Service revenue	24	123	-80%
Service costs	(21)	(105)	-80%
Distribution costs & administrative expenses	(11)	(49)	-78%
Share of loss from investments, net gain from fair value measurement and gain (loss) on divestment of investments	124	2	6,100%
Other income	24	29	-17%
Finance cost and income tax expense	(3)	(8)	-63%
Net profit (loss)	137	(8)	1,813%
Contribution to INTOUCH Group	132	(11)	1,300%
Normalized Contributed to INTOUCH Group *	8	(17)	147%

* Excluding net gain from fair value measurement of investments in Venture Capital project and gain (loss) on divestments.

Other businesses include the former information technology business, a home shopping business (INTOUCH Group sold of all its investment in High Shopping in September 2021, prior to the divestment, INTOUCH had capital injection at 17 million baht), a human-resource development business, and investments under the Venture Capital project ("InVent"). In 2021, many companies in the InVent portfolio received additional capital injections from other investors, so the Company reassessed their value and recognized a gain of 141 million baht under the fair value method. In 2020, INTOUCH Group ceased operating information technology business and launched its human-resource development business in 3Q20.

Summary of Financial Position

Consolidated Financial Position	As at 31 December 2021		As at 31 December 2020		Change	
	million baht	%	million baht	%	million baht	%
Assets						
Cash & cash equivalents	2,235	4%	2,843	5%	(608)	-21%
Other current financial assets	6,229	12%	7,269	14%	(1,040)	-14%
Trade receivables	1,772	3%	1,525	3%	247	16%
Current portion of long-term loans to related parties	1,003	2%	853	2%	150	18%
Inventories	7	0%	55	0%	(48)	-87%
Other current assets	409	1%	473	1%	(64)	-14%
Long-term loans to related party	750	1%	898	2%	(148)	-16%
Investment in associates and joint ventures	35,021	65%	32,687	62%	2,334	7%
Investment in venture capital	1,139	2%	975	2%	164	17%
Property, plant & equipment	2,787	5%	3,108	6%	(321)	-10%
Right-of-use assets	1,461	3%	190	0%	1,271	669%
Deferred tax assets	690	1%	728	1%	(38)	-5%
Other non-current assets	481	1%	1,033	2%	(552)	-53%
Total Assets	53,984	100%	52,637	100%	1,347	3%
Liabilities and Equity						
Current portion of long-term borrowings and lease liabilities	666	1%	2,674	5%	(2,008)	-75%
Provision for unpaid operating fees and interest	2,890	5%	2,890	5%	-	0%
Other current liabilities	885	2%	880	2%	5	1%
Long-term borrowings and lease liabilities	2,079	4%	1,231	2%	848	69%
Other non-current liabilities	763	1%	821	2%	(58)	-7%
Total Liabilities	7,283	13%	8,496	16%	(1,213)	-14%
Total Equity	46,701	87%	44,141	84%	2,560	6%
Total Liabilities and Equity	53,984	100%	52,637	100%	1,347	3%

* Some items have been reclassified for comparative and analytical purposes.

Key financial position data

Total consolidated assets rose 3% from the end of 2020, mainly from an increase in investment in associates due to the 2021 operational results and right-of-use assets which was due to an agreement to purchase some bandwidth on the Thaicom 4 & 6 satellites at the end of the operating agreement. However, this was partially offset by a decrease in cash & cash equivalents and short-term investments, a part of other current financial assets, to repay a long-term debenture in 4Q21. In addition, there was a decrease in other non-current assets after intangible assets under operating agreements had been fully amortized.

Total consolidated liabilities decreased 14% from the end of 2020, due to a drop in long-term borrowings following the repayment schedules, although this was partially offset by a rise in lease liabilities after signing the abovementioned agreement to purchase bandwidth.

Total consolidated equity increased 6% from the end of 2020, due to the 2021 operational results in the group, net of dividend payments.

Liquidity and cash flow: At the end of 2021, the current ratio was 2.6, an increase from 2.0 at the end of 2020, mainly due to a decrease in long-term borrowings and the current portion of lease liabilities, following the repayment schedules. INTOUCH Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations as well as secure short-term credit facilities from various banks as financial backup.

The consolidated cash dropped by 608 million baht from the end of 2020 (excluding the impact from foreign currency fluctuations), mainly due to the repayment of debenture in 4Q21, although this was partially offset by the receipt of cash from operations.

Accounts receivable: At the end of 2021, INTOUCH Group had accounts receivable equivalent to 3% of total assets, almost unchanged from the end of 2020. The group has reserved an appropriate provision for expected credit losses.

Inventory: At the end of 2021, the value of INTOUCH Group's inventory dropped from the end of 2020, due to a sale in the satellite business. The group assesses the allowance for obsolete inventories on a regular basis to ensure that it is appropriate. Inventories are reported at cost or their net realizable value, whichever is lower. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete the sale.

Profitability ratio and return on equity: INTOUCH Group's net profit margin at the end of 2021 was 73.0%, higher than 2020, while the return on equity was 27.3%, a decrease from the previous year due to higher shareholders' equity from an increase in retained earnings.

Debt-to-equity ratio: At the end of 2021, the group had a debt-to-equity ratio of 0.2 times, the same as year-end 2020. INTOUCH Group has the ability to repay both short- and long-term loans without violating the conditions of its loan agreements with respect to maintaining stipulated financial ratios.

The group's commitments, including those off the balance sheet, have been disclosed in the notes to the financial statements, namely *Commitments, Bank Guarantees, Significant Events, and Disputes & Litigation*.

The External Auditor's Report

The external auditor's report contained the following conclusion:

"In our opinion, the consolidated and separate financial statements of INTOUCH for the year 2021 have been presented fairly in all material respects and in accordance with Thai Financial Reporting Standards."

Additional Financial Data and Key Ratios

Separated Financial Position	As at 31 December 2021		As at 31 December 2020		Change	
	million baht	%	million baht	%	million baht	%
Assets						
Cash & cash equivalents	395	1%	451	1%	(56)	-12%
Other current financial assets	1,894	5%	1,746	4%	148	8%
Investment in subsidiaries and associates	38,236	92%	35,891	92%	2,345	7%
Investments in venture capital	1,139	3%	975	2%	164	17%
Other assets	53	0%	73	0%	(20)	-27%
Total Assets	41,717	100%	39,136	100%	2,637	7%
Liabilities and Equity						
Other liabilities	171	0%	211	1%	(40)	-19%
Total Equity	41,546	100%	38,925	99%	2,621	7%
Total Liabilities and Equity	41,717	100%	39,136	100%	2,581	7%

* Some items have been reclassified for comparative and analytical purposes.

Separate Statements of Profit or Loss (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Share of net results from investments in:-			
Subsidiaries	45	191	-76%
Associates	10,889	11,108	-2%
Other income	188	69	172%
Total revenue	11,122	11,368	-2%
Administrative & other expenses	(314)	(241)	30%
Directors and management benefits	(62)	(78)	-21%
Total expenses	(376)	(319)	18%
Profit before finance costs	10,746	11,049	-3%
Finance costs	(3)	(5)	-40%
Net Profit	10,743	11,044	-3%

Consolidated Statements of Profit or Loss (in million baht)	For the year ended 31 December		
	2021	2020	%YoY
Sales and service revenue	3,323	3,668	-9%
Share of net results from investments			
in joint ventures	(267)	-	100%
Share of profit of investments in associates	10,889	11,108	-2%
Net foreign exchange gain	369	-	100%
Other income	412	904	-54%
Total revenue	14,726	15,680	-6%
Sales and service costs	(2,019)	(2,177)	-7%
Operating agreement fees	(351)	(506)	-31%
Distribution costs	(18)	(22)	-18%
Administrative expenses	(1,122)	(1,100)	2%
Net foreign exchange loss	-	(59)	-100%
Directors and management benefit expenses	(131)	(149)	-12%
Total expenses	(3,641)	(4,013)	-9%
Profit before finance costs & income tax expense	11,085	11,667	-5%
Finance costs	(157)	(191)	-18%
Profit before income tax expense	10,928	11,476	-5%
Income tax expense	(91)	(122)	-25%
Net profit	10,837	11,354	-5%
Attributable to:			
Owners of the Parent	10,748	11,048	-3%
Non-controlling interests	89	306	-71%
Net profit	10,837	11,354	-5%

Consolidated source and use of Cash Flows *
For the year ended 31 December 2021
million baht

Source of funds		Use of funds	
Receive of dividends	8,575	Payment of dividend	8,401
Operating cash flows	1,017	Repayment of loan and lease liabilities	2,763
Decrease in other current financial assets	1,018	Net Investment in venture capital & joint ventures	96
Decrease in loans and advances to related parties	216	Purchase of fixed assets	75
Cash proceed from disposal of investments & others, net	60	Payment of interest	175
Cash proceeds from disposal of equipment	16		
Decrease in cash	608		
Total	11,510		11,510

* Consolidated cash flows consisted of cash and cash equivalents before exchange rate fluctuations were taken into account.

Material financial ratios
(based on consolidated financial statements)
For the year ended 31 December

	For the year ended 31 December		
	2021	2020	Change
Net profit margin (%)	73.0	70.5	2.5
Current ratio (times)	2.6	2.0	0.6
Return on equity attributed to owners of the parent (%)	27.3	30.4	(3.1)
Return on assets (%)	20.2	21.6	(1.5)
Debt to equity attributed to owners of the parent (times)	0.2	0.2	(0.0)
Interest bearing debt to equity attributed to owners of the parent (times)	0.1	0.1	(0.0)
Basic earnings per share (baht)	3.35	3.45	(0.10)
Book value per share (baht)	12.69	11.87	0.82

Disclaimer

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to our corporate plans, strategies and beliefs, and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "intend", "estimate", "continue" "plan" or other similar words.

The statements are based on our management's assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the Company and its executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.