

MD&A



Executive Summary

In Q317, we managed to maintain EBITDA margin at 41% level for second consecutive quarters, on the back of improvement in operational efficiency and lower subsidy level. We have been digitizing the core business with an aim to improve customer experience and structurally reduce operating expenses. Our digitization effort is gaining traction, with number of “dtac” app users and “dtac One” retailer app users increasing impressively. Furthermore, we launched a fully digital mobile service, called “Line Mobile”, to disrupt the market and strengthen our value-for-money position.

We continued to lower postpaid device subsidies, which had gradually helped to improve quality of subscriber acquisition and EBITDA margin. Service revenue excluding IC in Q317, therefore, decreased 1.5%YoY, while EBITDA (before other items) increased 7.2%YoY to THB 7,744 million. The EBITDA growth was attributable to lower regulatory cost, handset subsidies, and SG&A expenses from digital transformation and business model

simplification. Net profit decreased 8.8%YoY to THB 601 million due to higher depreciation and amortization charges from network investment. In order to cope with uncertainties related to the end of concession and the auction in 2018, we put our focus on generating adequate cash flow from operation to maintain flexible financial position. As a result, our net debt to EBITDA was 0.8x, while net interest-bearing debt decreased to THB 23,989 million due to higher cash on hand.

The full year 2017 (FY17) outlook has been maintained. Growth of service revenue excluding IC for the first 9 months of 2017 was fairly stable from the same period last year, in line with the FY17 guidance of the same level as last year. 9M17 EBITDA amounted to THB 22,613 million, increasing 6.9%YoY, compared to the FY17 EBITDA guidance which was at least the same level as the previous year. 9M17 CAPEX was THB 12.1 billion, compared to the FY17 CAPEX guidance of THB 17-20 billion.

Operational Summary

In Q317, postpaid growth momentum continued, resulting in postpaid revenues surpassing prepaid. Our postpaid subscriber base grew to 5.5 million driven by prepaid-to-postpaid migration, and our postpaid subscriber mix increased to 24%, compared to 19% in Q316 and 23% in Q217. The growth in postpaid segment helped to increase Average Revenue per User excluding IC (ARPU) to THB 231 per month, an increase of 5.9%YoY and 0.5%QoQ. Nevertheless, the number of prepaid subscribers declined to 17.6 million, due to competitive environment and prepaid-to-postpaid upgrade. Therefore, the total number of subscribers stood at 23.1 million, decreasing from 23.6 million in the previous quarter.

The proportion of DTN subscribers increased to 97% of total subscriber base, up from 96% in Q217 and 94% in Q316. Amount of 2G handset users continued to decline as we increased smartphone penetration to 72%, up from 70% in Q217 and 68% in Q316. The 4G adoption also increased as our 4G user base grew to 7.2 million (or 31% of total subscriber base) while the number of 4G enable devices grew to 10.9 million (or 47% of total subscriber base).

MANAGEMENT DISCUSSION AND ANALYSIS				THIRD QUARTER 2017	
Active subscribers (in thousand)	Q316	Q217	Q317	%QoQ	%YoY
Postpaid (under concession from CAT)	456	350	325	-7.1%	-29%
Prepaid (under concession from CAT)	1,074	514	413	-20%	-62%
Postpaid (under 2.1GHz license)	4,362	5,038	5,196	3.1%	19%
Prepaid (under 2.1GHz license)	18,928	17,703	17,162	-3.1%	-9.3%
Total	24,820	23,605	23,097	-2.2%	-6.9%
Net additional subscribers (in thousand)	Q316	Q217	Q317	%QoQ	%YoY
Postpaid	195	168	134	-20%	-32%
Prepaid	-328	-873	-642	26%	-96%
Total	-132	-705	-508	28%	-285%
MOU (minutes/sub/month)	Q316	Q217	Q317	%QoQ	%YoY
Postpaid	285	262	265	1.1%	-7.0%
Prepaid	146	125	120	-3.5%	-17%
Blended	171	153	152	-0.7%	-11%
Postpaid excluding IC	201	185	187	1.6%	-6.6%
Prepaid excluding IC	114	97	93	-3.6%	-18%
Blended excluding IC	130	115	114	-0.8%	-12%
ARPU (THB/sub/month)	Q316	Q217	Q317	%QoQ	%YoY
Postpaid	556	567	564	-0.5%	1.5%
Prepaid	162	158	153	-2.8%	-5.4%
Blended	234	242	244	0.5%	4.3%
Postpaid excluding IC	524	541	538	-0.6%	2.7%
Prepaid excluding IC	151	149	145	-2.7%	-3.8%
Blended excluding IC	218	230	231	0.5%	5.9%

Financial Summary

Revenues

In Q317, total revenues amounted to THB 18,809 million, decreasing 3.7%YoY and 3.3%QoQ, due to lower service and reported handset sales revenue. Service revenue excluding IC amounted to THB 15,957 million, falling 1.5%YoY and 2.7%QoQ due to declining prepaid revenue partly offset by growing postpaid revenue. For the 9-month period, service revenue excluding IC amounted to THB 48,588 million, fairly stable YoY and in line with FY17 guidance.

Voice revenue amounted to THB 3,520 million, decreasing 36%YoY and 7.6%QoQ due to substitution of voice-to-data, including voice over IP usage.

Data revenue amounted to THB 11,147 million, increasing 19%YoY and 0.9%QoQ. Data traffic grew strongly due to popularity of streaming content and "Go No Limit" price plans. Sequentially, data revenue contribution increased to 69.9% of service revenue excluding IC, compared to 67.4% in Q217 and 57.7% in Q316.

International Roaming (IR) revenues amounted to THB 209 million, increasing 13%YoY due to the one-time adjustment of inbound revenues in Q316. QoQ, IR revenues decreased 32% due to seasonality.

Other service revenues amounted to THB 1,081 million, a decrease of 11%YoY and 13%QoQ. The decrease was partly due to lower IDD service revenue.

Handset and starter kit sales amounted to THB 1,833 million, declining 6.0%YoY due to controlled handset subsidy and the accounting adjustment since Q117. QoQ, handset and starter kit sales dropped due to seasonality and limited handset subsidy.

Cost of Services

Cost of services excluding IC amounted to THB 10,974 million, increasing 3.4%YoY, due to higher depreciation and amortization (D&A) and network OPEX. QoQ, cost of services excluding IC was stable as the higher D&A and network OPEX were offset by lower regulatory cost and other operating costs of services.

Regulatory costs amounted to THB 2,165 million, falling 14%YoY and 1.1%QoQ. The decline was driven by higher traffic on the 2.1GHz licensed network and USO rate reduction. Regulatory cost to service revenues excluding IC was 13.6%, compared to 15.6% in Q316 and 13.3% in Q217.

Network OPEX amounted to THB 1,697 million, increasing 9.0%YoY and 5.5%QoQ. The increase was driven by 4G capacity expansion and 2.1GHz network densification.

Other operating costs of services amounted to THB 624 million, declining 19%YoY and 26%QoQ mainly from lower commission and cost of international roaming and IDD.

Depreciation and Amortization (D&A) of costs of services amounted to THB 6,489 million, increasing 13%YoY and 2.7%QoQ, due to network investment.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses amounted to THB 3,666 million and decreased 11%YoY due to lower administrative and S&M expenses. QoQ, SG&A expenses increased 2.4% due to higher marketing expenses.

Selling and Marketing (S&M) expenses amounted to THB 1,189 million, falling 29%YoY from the optimization of S&M spending. We prioritized marketing activities and increased transactions through digital channels. In addition, the YoY decrease was partly due to the accounting adjustment implemented since Q117. QoQ, S&M expenses increased 16% due to the higher media spending for the launch of the new network perception campaigns and “Line Mobile” service.

General administrative expenses amounted to THB 1,855 million, decreasing 6.6%YoY and 4.1%QoQ. The decrease was mainly due to efficiency measures and digital transformation.

Provision for bad debt amounted to THB 392 million, rising 91%YoY from higher postpaid subscriber base. QoQ, the provision of bad debt decreased 0.9% as we were improving quality of subscriber acquisition.

EBITDA and Net Profit

EBITDA (before other items) amounted to THB 7,744 million, increasing 7.2%YoY due to lower regulatory cost, handset subsidy, and SG&A expenses. QoQ, EBITDA decreased 2.9% due to lower revenues and higher marketing expense. EBITDA margin remained high at 41.2%, compared to 37.0% in Q316 and 41.0% in Q217. For the 9-month period, EBITDA was THB 22,613 million, increasing 6.9%YoY.

Net profit amounted to THB 601 million, a decrease of 8.8%YoY and 19%QoQ. The decrease was a result of higher depreciation and amortization expenses, which was partly offset by a one-time income of THB 134 million related to PaySbuy transaction.

Balance Sheet and Key Financial Information

As of Q317, total asset amounted to THB 113,072 million, decreasing 2.0% from the level at end of FY16 as concessionary asset continued to decrease while cash and non-concessionary asset increased. dtac's financial position remains strong and flexible, with net debt to EBITDA of 0.8x, compared to 0.9x in Q217 and 1.1x in Q316. Net interest-bearing debt was THB 23,989 million, falling YoY and QoQ due to higher cash on hand.

In Q317, CAPEX amounted to THB 3,539 million. Furthermore, operating cash flow (defined by EBITDA-CAPEX) amounted to THB 4,205 million, increasing 125%YoY and 9.0%QoQ. For the 9-month period, operating cash flow amounted to THB 10,477 million, increasing 54%YoY, while CAPEX was THB 12,136 million, declining 15%YoY.

Statement of financial position (THB million)	Q416	Q317
Cash and cash equivalent	18,293	25,026
Other current assets	13,618	11,705
Non-current assets	83,467	76,341
Total assets	115,379	113,072
Current liabilities	38,232	36,377
Non-current liabilities	50,002	47,980
Total liabilities	88,234	84,357
Total shareholders' equity	27,145	28,714
Total liabilities and shareholders' equity	115,379	113,072

Cash flows statement (THB million)	9M16	9M17
Cash flows from operating activities	25,367	23,485
Cash paid for interest expenses and tax	(3,555)	(2,236)
Net cash flows from operating activities	21,812	21,249
Net cash flows from investing activities	(11,057)	(14,516)
Net cash receipt/(Repayment) - loan & debenture	1,000	-
Dividend paid	(2,226)	-
Other items	-	(0)
Net cash flows from financing activities	(1,226)	(0)
Net change in cash & cash equivalent	9,529	6,733
Increase/(decrease)		
Beginning cash & cash equivalent	10,121	18,293
Ending cash & cash equivalent	19,649	25,026

MANAGEMENT DISCUSSION AND ANALYSIS
THIRD QUARTER 2017

Income statement (THB million)	Q316	Q217	Q317	%QoQ	%YoY
Voice	5,463	3,810	3,520	-7.6%	-36%
Data	9,340	11,052	11,147	0.9%	19%
IR	184	308	209	-32%	13%
Others	1,208	1,237	1,081	-13%	-11%
Service revenues ex. IC	16,196	16,407	15,957	-2.7%	-1.5%
IC revenues	1,124	820	807	-1.6%	-28%
Service revenues	17,320	17,226	16,764	-2.7%	-3.2%
Handsets and starter kits sales	1,949	2,055	1,833	-11%	-6.0%
Other operating income	268	162	213	32%	-21%
Total revenues	19,537	19,443	18,809	-3.3%	-3.7%
Cost of services	(11,671)	(11,754)	(11,760)	0.0%	0.8%
<i>Regulatory</i>	<i>(2,527)</i>	<i>(2,188)</i>	<i>(2,165)</i>	<i>-1.1%</i>	<i>-14%</i>
<i>Network</i>	<i>(1,556)</i>	<i>(1,609)</i>	<i>(1,697)</i>	<i>5.5%</i>	<i>9.0%</i>
<i>IC</i>	<i>(1,055)</i>	<i>(799)</i>	<i>(785)</i>	<i>-1.7%</i>	<i>-26%</i>
<i>Others</i>	<i>(774)</i>	<i>(839)</i>	<i>(624)</i>	<i>-26%</i>	<i>-19%</i>
<i>Depreciation and Amortization</i>	<i>(5,759)</i>	<i>(6,319)</i>	<i>(6,489)</i>	<i>2.7%</i>	<i>13%</i>
Cost of handsets and starter kits	(2,579)	(2,797)	(2,455)	-12%	-4.8%
Total cost	(14,249)	(14,551)	(14,215)	-2.3%	-0.2%
Gross profit	5,288	4,892	4,595	-6.1%	-13%
SG&A	(4,114)	(3,581)	(3,666)	2.4%	-11%
<i>Selling & Marketing expenses</i>	<i>(1,680)</i>	<i>(1,028)</i>	<i>(1,189)</i>	<i>16%</i>	<i>-29%</i>
<i>General administrative expenses</i>	<i>(1,986)</i>	<i>(1,934)</i>	<i>(1,855)</i>	<i>-4.1%</i>	<i>-6.6%</i>
<i>Provision for bad debt</i>	<i>(206)</i>	<i>(396)</i>	<i>(392)</i>	<i>-0.9%</i>	<i>91%</i>
<i>Depreciation and Amortization</i>	<i>(242)</i>	<i>(223)</i>	<i>(230)</i>	<i>3.2%</i>	<i>-5.0%</i>
Gain/(Loss) on foreign exchange	7	4	(4)	-210%	-163%
Interest income	45	54	57	4.3%	27%
Other income & share of profit from investment in associated company	16	6	167	2751%	962%
EBIT	1,241	1,375	1,148	-17%	-7.6%
Finance cost	(383)	(417)	(401)	-3.8%	4.7%
Income tax expenses	(199)	(215)	(146)	-32%	-27%
Net profit attributable to equity holder	659	743	601	-19%	-8.8%

EBITDA (THB million)	Q316	Q217	Q317	%QoQ	%YoY
Net profit for the period	659	743	601	-19%	-8.8%
Finance costs	383	417	401	-3.8%	4.7%
Income tax expenses	199	215	146	-32%	-27%
Depreciation & Amortization	6,000	6,541	6,719	2.7%	12%
Other items	(16)	60	(123)	-305%	-674%
EBITDA	7,226	7,976	7,744	-2.9%	7.2%
EBITDA margin	37.0%	41.0%	41.2%		
EBITDA margin-excluding handsets and starter kits	44.7%	50.1%	49.3%		

EBITDA herein is EBITDA before other incomes and other expenses. Please see more details in the note of the financial statement.

Long-term debt repayment schedule (THB million) at end of Q317	Loan		Debenture	
	2017	2018	2017	2018
In 2017	0	0	0	0
In 2018	0	2,000	0	0
In 2019	7,875	1,500	0	0
In 2020	7,875	4,000	0	0
From 2021	1,750	24,000	0	0

Key Financial Ratio	Q316	Q217	Q317
Return on Equity (%)	11%	6%	6%
Return on Asset (%)	3%	1%	1%
Interest Coverage Ratio (times)	4x	3x	2x
Net debt to EBITDA (times)	1.1x	0.9x	0.8x
CAPEX to Total Revenue (%)	27%	21%	19%

Outlook 2017

Market competition is expected to remain intense. Attractive handset offerings continue to be employed to attract high value customers, and prepaid handset subsidies are expected to persist although at a less aggressive level. Data services remain a growth driver thanks to higher demand from the growth of streaming services and superior 4G experience.

Perception of dtac's brand and network continues to improve, and digital transformation has been continually carried out to deliver digital experience to consumers while enhancing operational efficiency. Furthermore, densification of 2.1GHz will keep on going. We aim to gain consumers' confidence with improving data network, digital products and services, and value for money position, and become no. 1 digital brand in Thailand by 2020.

We maintain the full year guidance of service revenues excluding IC at the same level as the previous year. CAPEX guidance is maintained in the range of THB 17-20 billion. EBITDA guidance is also maintained at "at least the same level as the previous year". Moreover, we focus on generating cash flow from operation and maintaining financial flexibility before end of concession.

2017 Guidance is unchanged:

- **Service revenues excluding IC:** same level as the previous year.
- **EBITDA:** at least same level as the previous year.
- **CAPEX:** THB 17-20 billion.

We maintain our dividend policy which is to pay out dividend not less than 50% of the Company's net profits, depending on financial position and future business plans, and aim to pay dividend semi-annually.

CONTACT US:

TOTAL ACCESS
COMMUNICATION PLC.

319 Chamchuri Square,
Phayathai Road, Pathumwan,
Bangkok 10330

Investor Relations

Tel: +662 202 8882

E-mail: IR@dtac.co.th

Website: www.dtac.co.th

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 executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.