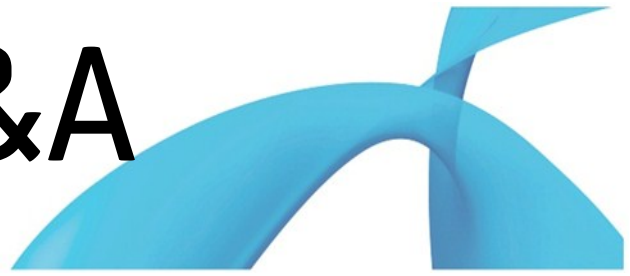


MD&A



Executive Summary

In Q316, dtac reported service revenues excluding IC of THB 16,196 million, a growth of 1.0% QoQ. The YoY trend improved to -1.2%, compared to -2.4% in Q216. Postpaid segment continued to record strong growth in revenues and subscribers, driven by device campaigns and strengthening distribution channels. Situation in prepaid segment somewhat improved from the previous quarter as we launched several campaigns to stimulate usage, promote new dtac prepaid brand and strengthen our value-for-money proposition. For the first nine months of FY16, service revenue excluding IC declined 1.9%YoY, compared to the guidance of FY16 service revenue (excluding IC) slight below the last year level.

The rollout of 4G services have been progressing well, with 19.2k 4G nodes in service, and 29% 4G handset penetration, driven by attractive handset bundling campaigns. As a result, the number of 4G users increased to 4.1 million. With the aspiration to be no. 1 digital brand in Thailand, we continued to bring digital experience to our customers. In Q316, we introduced new digital flagship stores, increased digital service channels, including vending machines and online stores, and offered our customers with individualized packages via the dtac app.

EBITDA (before other income and other expenses) was THB 7,226 million, an increase of 2.1%YoY, driven by lower regulatory and ongoing implementation of measures to improve operational efficiency. EBITDA margin improved to 37.0%, from 35.9% in Q315. QoQ, the EBITDA improved 9.4% due to higher service revenues, lower loss from handset sales and reduced SG&A expenses. Net profit amounted to THB 659 million, increasing 366%QoQ mainly due to EBITDA growth and the one-time restructuring cost of THB 394 million in Q216. Excluding the restructuring cost, net profit would have increased 23%QoQ. However, net profit decreased 46%YoY, mainly due to higher depreciation and amortization from network investments. CAPEX to sales ratio was 27% in Q316, compared to 22% in Q216 and 39% in Q315.

Guidance of service revenues excluding IC and CAPEX have been maintained at slightly below FY15 level and at about the same level as the previous year, respectively. However, we change EBITDA guidance to be amounted to at least the same level as the previous year, in line with the first 9 months EBITDA which was stable at -0.2%YoY. We will continue strengthening our brand and network perception to gain consumers' confidence by densifying the 2.1GHz network and delivering digital experience to customers as we aim to be the no. 1 digital brand in Thailand.

Operational Summary

By end of Q316, the total number of subscribers was 24.8 million, decreasing by 132k from Q216 due to challenges in prepaid segment. Although prepaid handset subsidy persisted in the market, development in prepaid subscribers improved from Q216 as we encountered the situation with campaigns stimulating usage, promoting new dtac prepaid SIM and strengthening our value-for-money proposition. Postpaid segment continued its positive momentum with 195k net addition in Q316, driven by pre-to-post device campaigns and attractive postpaid price plans. We increased distribution channels with new branded shops and renovated flagship stores to deliver customers' digital experience.

Our 2.1GHz subscribers stood at 23.3 million, or 94% of the total subscriber base, increasing from 92% in the previous quarter and 88% in Q315. Thanks to 4G network expansion and attractive smartphone bundling packages, penetration

of data users increased to 62%, up from 60% in the last quarter, while our smartphone penetration reached 68%. With about 29% of our subscribers using 4G handset, the number of 4G users was 4.1 million or 17% of total subscriber base, increasing from 3.5 million in the previous quarter.

Blended Average Revenue per User excluding IC (ARPU) was THB 218, an increase of 6.9%YoY and 3.2%QoQ, mainly due to the lower prepaid subscriber base and postpaid revenue growth. Blended Minutes of Use excluding IC (MOU) was 130 minutes per month, a decrease of 21%YoY and 5.4%QoQ, due to substitution effect from voice to data, including Voice over IP.

MANAGEMENT DISCUSSION AND ANALYSIS				THIRD QUARTER 2016	
Active subscribers (in thousand)	Q315	Q216	Q316	%QoQ	%YoY
Postpaid (<i>under concession from CAT</i>)	567	507	456	-10%	-20%
Prepaid (<i>under concession from CAT</i>)	2,430	1,420	1,074	-24%	-56%
Postpaid (<i>under 2.1GHz license</i>)	3,549	4,116	4,362	6.0%	23%
Prepaid (<i>under 2.1GHz license</i>)	18,306	18,910	18,928	0.1%	3.4%
Total	24,851	24,953	24,820	-0.5%	-0.1%
Net additional subscribers (in thousand)	Q315	Q216	Q316	%QoQ	%YoY
Postpaid	28	191	195	2.3%	610%
Prepaid	-2,119	-715	-328	54%	85%
Total	-2,092	-524	-132	75%	94%
MOU (minutes/sub/month)	Q315	Q216	Q316	%QoQ	%YoY
Postpaid	335	290	285	-1.8%	-15%
Prepaid	186	157	146	-7.0%	-22%
Blended	208	179	171	-4.8%	-18%
Postpaid excluding IC	242	205	201	-2.1%	-17%
Prepaid excluding IC	151	123	114	-7.4%	-24%
Blended excluding IC	165	138	130	-5.4%	-21%
ARPU (THB/sub/month)	Q315	Q216	Q316	%QoQ	%YoY
Postpaid	538	549	556	1.3%	3.4%
Prepaid	165	160	162	1.2%	-2.0%
Blended	220	227	234	2.9%	5.9%
Postpaid excluding IC	515	517	524	1.3%	1.7%
Prepaid excluding IC	150	148	151	1.8%	0.3%
Blended excluding IC	204	211	218	3.2%	6.9%

Financial Summary

Revenues

Total revenues amounted to THB 19,537 million, a decrease of 0.8%YoY and 1.3%QoQ. The YoY decrease was due to lower service revenues, while the QoQ decrease was due to lower handset sales. Service revenues excluding IC amounted to THB 16,196 million and decreased 1.2%YoY mainly due to a decline in voice revenue, which was partly offset by data revenue growth. However, service revenues excluding IC increased 1.0%QoQ, partly due to a one-time adjustment in lower prepaid revenues by THB 164 million in Q216. Excluding the adjustment in Q216, service revenues excluding IC in Q316 would have been stable QoQ.

Voice revenues amounted to THB 5,463 million, a decrease of 23%YoY and 6.3%QoQ, due to voice to data substitution effect after subscribers adopting smartphones. Including VoIP, overall voice traffic continued to grow.

Data revenues amounted to THB 9,340 million, an increase of 20%YoY and 7.5%QoQ. The growth was driven by higher smartphone penetration and average data usage per subscriber. As a result, data revenues increased to 57.7% of service revenues excluding IC, compared to 54.2% in Q216 and 47.5% in Q315.

International Roaming (IR) revenues amounted to THB 184 million, a decrease of 32%YoY and 43%QoQ. The decrease was mainly due to a one-time adjustment of inbound revenues.

Other service revenues amounted to THB 1,208 million and decreased 3.6%YoY due to lower IDD revenues. QoQ, other service revenues increased 0.7%.

Handset and starter kit sales amounted to THB 1,949 million and increased 2.5%YoY due to attractive handset bundling campaigns. QoQ, the handset and starter kit sales decreased 16% mainly due to lower number of iPhone units sold and seasonality. The net loss in handset and starter kits sales in this quarter was THB 629 million, decreasing from a net loss of THB 889 million in Q216, but increasing from a net loss of THB 363 million in Q315 due to market competition and growth in postpaid bundled with device offers.

Cost of Services

Cost of services excluding IC amounted to THB 10,616 million, an increase of 7.6%YoY and 4.5%QoQ. The increase was mainly due to higher depreciation & amortization, as a result of network investments.

Regulatory costs amounted to THB 2,527 million and decreased 17%YoY due to larger proportion of 2.1GHz subscribers in the total base and higher 2.1GHz handset penetration, compared to the previous year. QoQ, regulatory cost increased 2.9%. Regulatory costs to service revenues excluding IC were 15.6%, compared to 15.3% in Q216 and 18.7% in Q315.

Network OPEX amounted to THB 1,556 million, an increase of 30%YoY and 4.1%QoQ. The YoY increase was due to the reversal of THB 328 million accruals in operation & maintenance expenses in Q315 and network expansion. Excluding the reversal, network OPEX would have increased 1.8%YoY. The QoQ increase was driven by network expansion. The total number of 4G nodes reached 19.2k in Q316.

Other operating costs of services amounted to THB 774 million and decreased 29%YoY mainly due to lower IP transit costs and lower IDD costs. QoQ, other operating costs of services decreased 9% due to a one-time adjustment on international roaming cost.

Depreciation and Amortization (D&A) of costs of services amounted to THB 5,759 million, an increase of 27%YoY and 7.5%QoQ, due to network investments.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses amounted to THB 4,114 million, a decrease of 2.9%YoY and 14%QoQ. The YoY decrease was mainly due to lower general administrative expenses, while the QoQ decrease was primarily from the one-time restructuring costs of THB 394 million in Q216 and lower selling & marketing expenses.

Selling and Marketing (S&M) expenses amounted to THB 1,680 million and increased 4.5%YoY in response to competition in the market and focus more on customer relationship activities, including “Blue Member” and “dtac rewards”. However, the S&M expenses decreased 12%QoQ as we launched major events, such as the new dtac prepaid branding and “dtac Music Infinite” app in Q216. S&M expenses as a percentage of total revenues were 8.6%, compared to 9.7% in Q216 and 8.2% in Q315.

General administrative expenses amounted to THB 1,986 million, a decrease of 5.9%YoY and 19%QoQ. The YoY decrease was mainly due to lower staff cost, while the QoQ decrease was mainly came from the one-time restructuring costs of THB 394 million in Q216. Excluding the restructuring cost, general administrative expenses would have decreased 3%QoQ. General administrative expenses to service revenue excluding IC was 12.3% and decreased from 15.2% in Q216 and 12.9% in Q315, indicating improving operational efficiency.

Provision for bad debt amounted to THB 206 million and decreased 14%YoY as we made provisions following the expiration of prepaid registration last year. However, the provision for bad debt increased 3.8%QoQ.

EBITDA and Net Profit

EBITDA (before other income and other expenses) was THB 7,226 million and increased 2.1%YoY, mainly due to lower regulatory cost, other operating cost and staff cost, partly offset by lower revenue and higher device subsidy. QoQ, EBITDA increased 9.4% due to higher service revenues, lower losses from handset sales and SG&A expenses. EBITDA margin was 37.0%, improved from 35.9% in Q315 and 33.4% in Q216. Excluding the handset and starter kits, EBITDA margin was 44.7%, compared to 42.9% in Q216 and 41.8% in Q315.

Net profit was THB 659 million and increased 366%QoQ mainly due to EBITDA growth and the one-time restructuring cost of THB 394 million in Q216. Excluding the restructuring cost, net profit would have increased 23%QoQ. However, net profit decreased 46%YoY, mainly pressured by higher depreciation and amortization from network investment.

Balance Sheet and Key Financial Information

At the end of Q316, total asset amounted to THB 114,549 million, increasing from THB 111,044 million at end of FY15 mainly from higher cash and PPE. Cash and cash equivalent increased to THB 19,649 million, compared to THB 10,121 million at end of FY15. Interest bearing debt amounted to THB 49,000 million, while net debt to EBITDA was stable at 1.1x.

In Q316, Operating Cash Flow (defined as EBITDA-CAPEX) remained positive and amounted to THB 1,868 million. CAPEX in Q316 amounted to THB 5,358 million or 27% of total revenue, compared to 22% in Q216 and 39% in Q315.

Statement of financial position (THB million)	Q415	Q316
Cash and cash equivalent	10,121	19,649
Other current assets	16,153	11,809
Non-current assets	84,771	83,091
Total assets	111,044	114,549
Current liabilities	49,922	37,572
Non-current liabilities	33,899	49,923
Total liabilities	83,821	87,495
Total shareholders' equity	27,224	27,054
Total liabilities and shareholders' equity	111,044	114,549

Cash flows statement (THB million)	9M15	9M16
Cash flows from operating activities	27,182	25,367
Cash paid for interest expenses and tax	(2,856)	(3,555)
Net cash flows from operating activities	24,326	21,812
Net cash flows from investing activities	(13,484)	(11,057)
Net cash receipt/(Repayment) - loan & debenture	14,336	1,000
Dividend paid	(9,537)	(2,226)
Net cash flows from financing activities	4,798	(1,226)
Net change in cash & cash equivalent	15,641	9,529
Increase/(decrease)		
Beginning cash & cash equivalent	5,823	10,121
Ending cash & cash equivalent	21,464	19,649

MANAGEMENT DISCUSSION AND ANALYSIS
THIRD QUARTER 2016

Income statement (THB million)	Q315	Q216	Q316	%QoQ	%YoY
Voice	7,086	5,831	5,463	-6.3%	-23%
Data	7,784	8,685	9,340	7.5%	20%
IR	273	321	184	-43%	-32%
Others	1,254	1,200	1,208	0.7%	-3.6%
Service revenues ex. IC	16,396	16,038	16,196	1.0%	-1.2%
IC revenues	1,201	1,157	1,124	-2.9%	-6.4%
Service revenues	17,598	17,195	17,320	0.7%	-1.6%
Handsets and starter kits sales	1,901	2,331	1,949	-16%	2.5%
Other operating income	196	273	268	-1.6%	37%
Total revenues	19,695	19,799	19,537	-1.3%	-0.8%
Cost of services	(11,026)	(11,253)	(11,671)	3.7%	5.9%
<i>Regulatory</i>	<i>(3,061)</i>	<i>(2,456)</i>	<i>(2,527)</i>	<i>2.9%</i>	<i>-17%</i>
<i>Network</i>	<i>(1,201)</i>	<i>(1,496)</i>	<i>(1,556)</i>	<i>4.1%</i>	<i>30%</i>
<i>IC</i>	<i>(1,156)</i>	<i>(1,092)</i>	<i>(1,055)</i>	<i>-3.4%</i>	<i>-8.7%</i>
<i>Others</i>	<i>(1,086)</i>	<i>(850)</i>	<i>(774)</i>	<i>-9.0%</i>	<i>-29%</i>
<i>Depreciation and Amortization</i>	<i>(4,523)</i>	<i>(5,358)</i>	<i>(5,759)</i>	<i>7.5%</i>	<i>27%</i>
Cost of handsets and starter kits	(2,265)	(3,221)	(2,579)	-20%	14%
Total cost	(13,290)	(14,473)	(14,249)	-1.5%	7.2%
Gross profit	6,405	5,326	5,288	-0.7%	-17%
SG&A	(4,238)	(4,803)	(4,114)	-14%	-2.9%
<i>Selling & Marketing expenses</i>	<i>(1,608)</i>	<i>(1,914)</i>	<i>(1,680)</i>	<i>-12%</i>	<i>4.5%</i>
<i>General administrative expenses</i>	<i>(2,111)</i>	<i>(2,441)</i>	<i>(1,986)</i>	<i>-19%</i>	<i>-5.9%</i>
<i>Provision for bad debt</i>	<i>(238)</i>	<i>(198)</i>	<i>(206)</i>	<i>3.8%</i>	<i>-14%</i>
<i>Depreciation and Amortization</i>	<i>(281)</i>	<i>(250)</i>	<i>(242)</i>	<i>-3.2%</i>	<i>-14%</i>
Gain/(Loss) on foreign exchange	(356)	(3)	7	303%	102%
Interest income	52	38	45	16%	-14%
Other income & share of profit from investment in associated company	120	14	16	13%	-87%
EBIT	1,982	572	1,241	117%	-37%
Finance cost	(379)	(403)	(383)	-4.8%	1.1%
Income tax expenses	(377)	(28)	(199)	619%	-47%
Net profit attributable to equity holder	1,228	141	659	366%	-46%

EBITDA (THB million)	Q315	Q216	Q316	%QoQ	%YoY
Net profit for the period	1,226	141	659	366%	-46%
Finance costs	379	403	383	-4.8%	1.1%
Income tax expenses	377	28	199	619%	-47%
Depreciation & Amortization	4,804	5,608	6,000	7.0%	25%
Other items	290	426	(16)	-104%	-105%
EBITDA	7,077	6,606	7,226	9.4%	2.1%
EBITDA margin	35.9%	33.4%	37.0%		
EBITDA margin-excluding handsets and starter kits	41.8%	42.9%	44.7%		

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

Debt repayment schedule (THB million) at end of Q316	Loan	Debenture
During October 2016 — December 2016	-	-
In 2017	-	-
In 2018	-	2,000
In 2019	12,600	1,500
In 2020	12,600	4,000
In 2021-2027	3,800	12,500
Interest bearing debt at end of Q316	29,000	20,000

Key Financial Ratio	Q315	Q216	Q316
Return on Equity (%)	24%	13%	11%
Return on Asset (%)	6%	3%	3%
Interest Coverage Ratio (times)	8x	4x	4x
Net debt to EBITDA (times)	0.9x	1.1x	1.1x
CAPEX to Total Revenue (%)	39%	22%	27%



Outlook 2016

Intense market competition is expected to continue. Operators continue to use handset offering to attract customers and prepaid handset subsidies are expected to remain in the market for some time but on a less aggressive level. Data services remain a growth driver thanks to competitive handset offerings and higher Internet consumption from growth of streaming services and superior 4G experience. Data pricing has stabilized after the new 4G tariffs, which give a large monthly data allowance, were launched early this year. The declining voice revenue trend is expected to continue.

Perception of dtac's brand and network continues to strengthen further to pave the way to be the no. 1 digital brand in Thailand. We aim to gain consumers' confidence with our improving data network and digital services. We will affirm our value for money position and continue improving customers' digital experience with new digital products and services. Postpaid handset offerings will be continued to increase the number of data users, customer stickiness, and prepaid to postpaid upgrade.

We keep guidance of service revenues excluding IC to slightly decline from the previous year and CAPEX guidance at about the same level as last year, which was around THB 20 billion. For the rest of this year, we will continue to densify 2.1GHz network after expansion of our 4G service in every district and deploying full bandwidth of 20 MHz on 4G-1800MHz in Bangkok and major cities. We change EBITDA guidance from EBITDA margin of 31-33% to EBITDA reach at least the same level as the previous year. For the first nine months of FY16, EBITDA was stable at -0.2%YoY.

2016 Guidance:

- Service revenues excluding IC: expect to slightly decline from the previous year (*Maintained*)
- EBITDA: at least the same level as the previous year (*Updated*)
- CAPEX: the same level as the previous year (*Maintained*)

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 aims to pay dividend semi-annually.

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.

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