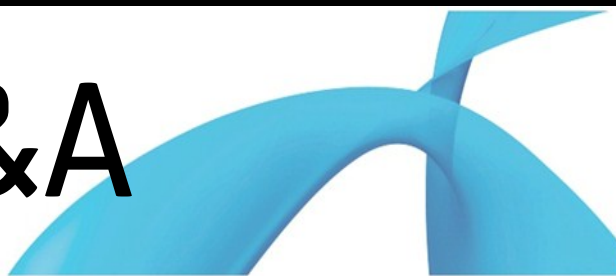


# MD&A



## Executive Summary

Transition to license regime was fully completed after end of remedy period in Q418. In FY2018, we spent CAPEX of THB 19,528 million, a high side of our FY18 CAPEX guidance, to accelerate installation of 4G-2300MHz network under partnership agreement with TOT public company limited (“TOT”) and densify our 2100MHz network to improve customer experience. Nearly 12.7k nodes of the 4G-2300MHz network and additional 7.9k node of 4G/3G-2100MHz network were installed in FY2018. In addition, our new cost structure took effect after end of concession. Please see details of the new cost structure described in our Q318 MD&A report.

Uncertainties regarding concession expiry was dissipated as we acquired spectrums from auctions and a partnership with TOT. dtac TriNet (“DTN”), a subsidiary of dtac, won the spectrum auctions and obtained a license of 2 x 5 MHz bandwidth of 1800MHz spectrum and a license of 2 x 5 MHz bandwidth of 900MHz spectrum in FY2018. Moreover, we signed the partnership agreement with TOT in order to provide the 4G-2300MHz wireless service which was launched in Q218 under “dtac-T TURBO” network. Furthermore, we secured access to infrastructure under concession partnership by entering into agreements with CAT Telecom Public Company Limited (“CAT”) and settled a number of disputes with CAT in early 2019.

Service revenues remained under pressure due to intense competition in the market while uncertainties regarding concession expiry impacted customers’ confidence during the transition period. As a result, FY2018 service revenues excluding IC decreased 2.8%YoY, in line with our guidance. EBITDA (before other items) decreased 6.7%YoY to THB 28,391 million mainly from lower service revenues, cost of 4G-2300 MHz roaming paid to TOT and cost of infrastructure and equipment services paid to CAT. FY2018 EBITDA margin stood at 37.9%, in line with our guidance. We reported net loss of THB 4,369 million for FY2018 due to the recognition of the disputes settlement with CAT.

In FY2019, we expect to spend CAPEX in range of THB 13-15 billion to improve customer experience, and have an ambition to return to growth with continued focus on operational efficiency. More details outlook will be provided in Q219.

## Significant Event

### Settlement of disputes with CAT Telecom Public Company Limited (“CAT”)

On 10 January 2019, we entered into the Disputes Settlement Agreement with CAT to settle most of the disputes which were arisen during the concession period. Under the agreement, we agree to pay to CAT for settlement of these disputes in total amount of THB 9,510 million. We have accrued the full amount of the settlement in the FY2018 income statement. The Disputes Settlement Agreement would take effect only if and when the Company has obtained the approval from the general meeting of shareholders for the year 2019. *(Please see details in notes of financial statement 2018 and the company’s disclosure to Stock Exchange of Thailand on January 10, 2019 for further information)*

## Operational Summary

At the end of FY2018, total subscriber base was 21.2 million, decreasing 1.5 million from last year due to decline in prepaid segment partly offset by growth in postpaid segment. Prepaid subscriber base was 15.1 million, decreasing 1.9 million from last year, caused by intense competition and prepaid-to-postpaid conversion. Meanwhile, postpaid subscriber base increased to 6.1 million, up 0.4 million from last year. Development of subscriber base in Q418 showed recovery QoQ, driven by handset and toppings campaigns during festive New Year season and communication to customers on dtac's commitment to never stop improving our services.

Average Revenue per User excluding IC (ARPU) in FY2018 was THB 244 per month, increasing 6.4%YoY, driven by growing postpaid subscriber base. Postpaid subscriber base represented 29% of total subscriber base, up from 25% at end of last year. Postpaid ARPU

in FY2018 was THB 541 per month and stable YoY, while prepaid ARPU in FY2018 declined 2.0%YoY to THB 142 per month, driven by lower prepaid revenues.

Traffics on TOT's 4G-2300MHz network continued to increase driven by coverage expansion and better internet experience. About 12.7k base stations of the 4G-2300MHz network under the partnership with TOT were installed at end of FY2018, increasing 114% from Q318. The number of 4G users was 9.9 million, representing 47% of total subscriber base, while the number of 4G compatible device increased to 65% of total subs base. Smartphone penetration increased to 78%.

Active subscribers (in thousand)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Postpaid <i>(under concession from CAT)</i>	297	152	-	-100%	-100%	297	-	-100%
Prepaid <i>(under concession from CAT)</i>	221	105	-	-100%	-100%	221	-	-100%
Postpaid <i>(under licenses)</i>	5,340	5,824	6,071	4.2%	14%	5,340	6,071	14%
Prepaid <i>(under licenses)</i>	16,794	15,218	15,131	-0.6%	-10%	16,794	15,131	-10%
<b>Total</b>	<b>22,652</b>	<b>21,299</b>	<b>21,202</b>	<b>-0.5%</b>	<b>-6.4%</b>	<b>22,652</b>	<b>21,202</b>	<b>-6.4%</b>
Net additional subscribers (in thousand)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Postpaid	115	92	94	2.7%	-18%	612	434	-29%
Prepaid	-560	-404	-191	53%	66%	-2,440	-1,884	23%
<b>Total</b>	<b>-445</b>	<b>-313</b>	<b>-97</b>	<b>69%</b>	<b>78%</b>	<b>-1,828</b>	<b>-1,450</b>	<b>21%</b>
MOU (minutes/sub/month)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Postpaid	260	239	238	-0.2%	-8.4%	263	243	-7.5%
Prepaid	116	101	97	-4.1%	-16%	123	104	-15%
<b>Blended</b>	<b>149</b>	<b>137</b>	<b>135</b>	<b>-1.9%</b>	<b>-9.8%</b>	<b>153</b>	<b>140</b>	<b>-8.6%</b>
Postpaid excluding IC	185	169	168	-0.7%	-9.1%	186	172	-7.2%
Prepaid excluding IC	90	78	73	-5.3%	-18%	96	80	-17%
<b>Blended excluding IC</b>	<b>112</b>	<b>102</b>	<b>99</b>	<b>-2.9%</b>	<b>-12%</b>	<b>115</b>	<b>103</b>	<b>-10%</b>
ARPU (THB/sub/month)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Postpaid	578	561	556	-0.8%	-3.7%	567	561	-1.2%
Prepaid	152	147	142	-3.3%	-6.2%	154	148	-3.8%
<b>Blended</b>	<b>250</b>	<b>256</b>	<b>253</b>	<b>-1.2%</b>	<b>1.1%</b>	<b>242</b>	<b>254</b>	<b>4.8%</b>
Postpaid excluding IC	551	541	537	-0.8%	-2.6%	541	541	0.1%
Prepaid excluding IC	144	142	137	-3.5%	-4.7%	145	142	-2.0%
<b>Blended excluding IC</b>	<b>237</b>	<b>247</b>	<b>243</b>	<b>-1.3%</b>	<b>2.5%</b>	<b>230</b>	<b>244</b>	<b>6.4%</b>

## Financial Summary

### Revenues

In FY2018, total revenue amounted to THB 74,980 million, decreasing 4.2%YoY due to lower service revenues and handset sales. Service revenues excluding IC decreased 2.8%YoY to THB 63,014 million as prepaid revenues continued to decline while international revenues were impacted by alternative services and competition. In addition, we implemented stricter activation process on external content providers aiming to improve experience of our customers, resulted in lower revenues from content. IC revenues decreased 32%YoY because of interconnection (IC) rate reduction in Q118 and lower traffic. In Q418, service revenues excluding IC amounted to THB 15,275 million, declining 5.9%YoY and 2.5%QoQ.

Core service revenues (defined by bundle of voice and data service revenues) amounted to THB 58,690 million, decreasing 0.7%YoY mainly due to declining prepaid revenues, the lower content revenues and customers concerns regarding expiry of the concession. In Q418, core service revenues amounted to THB 14,310 million, decreasing 3.8%YoY and 2.4%QoQ.

International Roaming (IR) revenues amounted to THB 1,127 million, decreasing 3.0%YoY due to market competition and alternative services. In Q418, IR revenues amounted to THB 256 million, increasing 12%QoQ due to seasonality, but decreasing 11%YoY.

Other service revenues amounted to THB 3,197 million, a decrease of 30%YoY, mainly due to declining IDD revenues. In Q418, other service revenues amounted to THB 710 million, decreasing 34%YoY and 8.3%QoQ, largely due to lower IDD revenues.

Handset and starter kit sales amounted to THB 7,769 million, decreasing 17%YoY mainly due to lower number of handset units sold. As a result, loss from handset and starter kit sales in FY2018 reduced to THB 2,056 million, decreasing 28%YoY. In Q418, handset and starter kit sales amounted to THB 2,166 million, decreasing 29%YoY mainly due to lesser number of iPhone unit sold, but increasing 63%QoQ due to new iPhone launch and device campaigns. Loss from handset and starter kit sales in Q418 amounted to THB 795 million, an increase of 48%YoY and 76%QoQ, due to year-end handset campaigns to acquire more customers.

### Cost of Services

Cost of services excluding IC amounted to THB 45,180 million, increasing 2.4%YoY largely driven by the cost of 4G-2300 MHz roaming paid to TOT and the cost of infrastructure and equipment services paid to CAT. However, in Q418, cost of services excluding IC amounted to THB 9,477 million, decreasing 15%YoY and 27%QoQ driven by lower amortization and regulatory cost.

Regulatory costs amounted to THB 6,262 million, decreasing 28%YoY, as traffic on the concession network decreased in response to the ending of the concession. The lower rates of USO and license fee in FY2017 also helped reducing the regulatory cost. As a result, regulatory costs to service revenue (excluding IC) in FY2018 decreased to 9.9%, from 13.4% in FY2017. In Q418, the regulatory cost to service revenue (excluding IC) was 8.3%. In Q418, regulatory cost also included cost of the remedy and a one-time adjustment after the end of the concession.

Network OPEX amounted to THB 8,475 million, increasing 24%YoY due to network expansion and the cost of infrastructure and equipment services, as well as the amortization of the up-front payment, to CAT. In Q418, network OPEX amounted to THB 3,014 million, increasing 55%YoY and 71%QoQ due to recognition of full quarter for the cost related to CAT, acceleration of network installation, and the one-time reversal of network OPEX in Q318.

Other operating costs of services amounted to THB 6,246 million, increasing 109%YoY, due to the 4G-2300MHz roaming cost paid to TOT. We started recognizing the cost of TOT's 4G-2300MHz roaming in Q218. In Q418, other operating costs of services amounted to THB 2,420 million, increasing 245%YoY and 32%QoQ in line with expansion of the 4G-2300MHz network. The increase was mainly driven by higher number of 2300MHz base stations being installed and was partly offset by higher 2300MHz network rental revenue received from TOT. Net increase from TOT's 2300MHz roaming cost, net of corresponding revenues, was approximately THB 25 million in Q418.

Depreciation and Amortization (D&A) of costs of services amounted to THB 24,197 million, decreasing 5.5%YoY, as concessionary asset were fully amortized after expiry of concession in September 2018, partly offset by amortization of the 900MHz and 1800MHz spectrum license costs from the auctions and continuing network expansion.

### Selling, General and Administrative Expenses (SG&A)

SG&A expenses amounted to 22,709 million, increasing 48%YoY driven by the disputes settlement with CAT. Excluding the settlement, SG&A expenses would have decreased due to lower selling expenses, administrative expenses and bad debt.

Selling and Marketing (S&M) expenses amounted to THB 4,778 million, decreasing 1.8%YoY due to lower commission partly offset by higher advertising and media spending. In Q418, S&M expenses amounted to THB 1,491 million, increasing 15%YoY and 27%QoQ due to constant communication on dtac's commitment in improving our services, lucky-draw event and marketing campaigns during festive season.

General administrative expenses amounted to THB 15,687 million, increasing 96%YoY due to the disputes settlement with CAT. Excluding the settlement, the general administrative expenses would have decreased due to efficiency measures and the one-time impact of THB 178 million of actuarial valuation of employee retirement benefit recorded in Q417.

Provision for bad debt amounted to THB 1,379 million, decreasing 9.6%YoY due to improvement of collection process and new subscriber quality enhancement.

Depreciation and Amortization (D&A) of SG&A amounted to THB 864 million, decreasing 4.5%YoY.

#### EBITDA and Net Profit

EBITDA (before other items) amounted to THB 28,391 million, decreasing 6.7%YoY mainly due to the temporary cost of remedy, the roaming cost of TOT's 4G-2300MHz, the cost for infrastructure and equipment service, as well as the amortization of up-front payment, to CAT, and lower service revenues. As a result, reported EBITDA margin declining from 38.9% in FY2017 to 37.9% in FY2018, in line with our Guidance. Please note that EBITDA herein does not include expenses related to the disputes settlement with CAT.

In FY2018, dtac reported a net loss of THB 4,369 million due to expenses related to the disputes settlement with CAT.

#### Balance Sheet and Key Financial Information

At the end of FY2018, total assets amounted to THB 150,958 million and increased from THB 114,501 million

last year mainly due to the acquisition of 1800MHz and 900MHz spectrum licenses and network investment. Cash and cash equivalent amounted to THB 14,090 million, decreasing from THB 26,048 million largely due to network CAPEX and payment for the spectrum licenses. Interest-bearing debt was reduced to THB 47,000 million from THB 49,015 million last year. Net debt to EBITDA was 1.2x, increasing from 0.8x last year due to lower cash on hand and EBITDA.

In FY2018, CAPEX amounted to THB 19,528 million, increased 18% YoY to accelerate network rollout. Operating cash flow (defined by EBITDA-CAPEX) amounted to THB 8,863 million, decreasing 36%YoY due to lower EBITDA and higher CAPEX.

#### Outlook 2019

In FY2019, our immediate focuses are improving network and customer experience, while our offers and services will be more customer-centric. Our brand will be strengthened and deliver its values to customers. We expect to spend CAPEX in range of THB 13-15 billion and have ambition to return to growth with continued focus on operational efficiency. More details outlook for FY2019 will be provided in Q219.

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.

Statement of financial position (THB million)	End of FY2017	End of FY2018
Cash and cash equivalent	26,048	14,090
Other current assets	13,167	14,427
Non-current assets	75,286	122,441
<b>Total assets</b>	<b>114,501</b>	<b>150,958</b>
Current liabilities	36,537	53,208
Non-current liabilities	48,729	75,820
<b>Total liabilities</b>	<b>85,266</b>	<b>129,028</b>
Total shareholders' equity	29,235	21,930
<b>Total liabilities and shareholders' equity</b>	<b>114,501</b>	<b>150,958</b>

Cash flows statement (THB million)	FY2017	FY2018
Cash flows from operating activities	30,306	21,084
Cash paid for interest expenses and tax	(2,977)	(2,828)
<b>Net cash flows from operating activities</b>	<b>27,330</b>	<b>18,256</b>
<b>Net cash flows from investing activities</b>	<b>(19,575)</b>	<b>(25,238)</b>
Net cash receipt/(Repayment) - loan & debenture	-	(2,015)
Dividend paid	(0)	(2,960)
<b>Net cash flows from financing activities</b>	<b>(0)</b>	<b>(4,975)</b>
<b>Net change in cash &amp; cash equivalent</b>	<b>7,754</b>	<b>(11,957)</b>
Increase/(decrease)		
Beginning cash & cash equivalent	18,293	26,048
<b>Ending cash &amp; cash equivalent</b>	<b>26,048</b>	<b>14,090</b>

#### 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.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**FY 2018**

Income statement (THB million)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Core services (Voice & Data)	14,876	14,666	14,310	-2.4%	-3.8%	59,120	58,690	-0.7%
IR	288	227	256	12%	-11%	1,162	1,127	-3.0%
Others	1,070	774	710	-8.3%	-34%	4,539	3,197	-30%
Service revenues ex. IC	16,234	15,667	15,275	-2.5%	-5.9%	64,821	63,014	-2.8%
IC revenues	788	543	550	1.3%	-30%	3,262	2,204	-32%
Service revenues	17,021	16,210	15,825	-2.4%	-7.0%	68,083	65,219	-4.2%
Handsets and starter kits sales	3,039	1,329	2,166	63%	-29%	9,374	7,769	-17%
Other operating income	214	424	1,205	184%	463%	818	1,992	143%
<b>Total revenues</b>	<b>20,274</b>	<b>17,963</b>	<b>19,196</b>	<b>6.9%</b>	<b>-5.3%</b>	<b>78,275</b>	<b>74,980</b>	<b>-4.2%</b>
Cost of services	(11,889)	(13,495)	(10,033)	-26%	-16%	(47,296)	(47,455)	0.3%
<i>Regulatory</i>	<i>(1,746)</i>	<i>(1,488)</i>	<i>(1,271)</i>	-15%	-27%	<i>(8,670)</i>	<i>(6,262)</i>	-28%
<i>Network</i>	<i>(1,945)</i>	<i>(1,765)</i>	<i>(3,014)</i>	71%	55%	<i>(6,856)</i>	<i>(8,475)</i>	24%
<i>IC</i>	<i>(800)</i>	<i>(559)</i>	<i>(555)</i>	-0.6%	-31%	<i>(3,191)</i>	<i>(2,275)</i>	-29%
<i>Others</i>	<i>(702)</i>	<i>(1,828)</i>	<i>(2,420)</i>	32%	245%	<i>(2,986)</i>	<i>(6,246)</i>	109%
<i>Depreciation and Amortization</i>	<i>(6,696)</i>	<i>(7,856)</i>	<i>(2,772)</i>	-65%	-59%	<i>(25,594)</i>	<i>(24,197)</i>	-5.5%
Cost of handsets and starter kits	(3,577)	(1,780)	(2,961)	66%	-17%	(12,233)	(9,825)	-20%
<b>Total cost</b>	<b>(15,466)</b>	<b>(15,275)</b>	<b>(12,993)</b>	<b>-15%</b>	<b>-16%</b>	<b>(59,529)</b>	<b>(57,280)</b>	<b>-3.8%</b>
<b>Gross profit</b>	<b>4,808</b>	<b>2,687</b>	<b>6,203</b>	<b>131%</b>	<b>29%</b>	<b>18,746</b>	<b>17,700</b>	<b>-5.6%</b>
SG&A	(4,172)	(3,649)	(11,827)	224%	183%	(15,308)	(22,709)	48%
<i>Selling &amp; Marketing expenses</i>	<i>(1,293)</i>	<i>(1,173)</i>	<i>(1,491)</i>	27%	15%	<i>(4,868)</i>	<i>(4,778)</i>	-1.8%
<i>General administrative expenses</i>	<i>(2,239)</i>	<i>(1,910)</i>	<i>(9,786)</i>	412%	337%	<i>(8,011)</i>	<i>(15,687)</i>	96%
<i>Provision for bad debt</i>	<i>(416)</i>	<i>(347)</i>	<i>(333)</i>	-3.9%	-20%	<i>(1,525)</i>	<i>(1,379)</i>	-9.6%
<i>Depreciation and Amortization</i>	<i>(225)</i>	<i>(219)</i>	<i>(217)</i>	-1.2%	-3.6%	<i>(905)</i>	<i>(864)</i>	-4.5%
Loss from assets impairment	(6)	6	-	100%	-100%	(6)	6	-200%
Gain/(Loss) on foreign exchange	(16)	(25)	34	233%	311%	0	7	13599%
Interest income	63	60	49	-19%	-23%	217	241	11%
Other income & share of profit from investment in associated company	57	48	41	-14%	-27%	242	306	27%
<b>EBIT</b>	<b>733</b>	<b>(873)</b>	<b>(5,500)</b>	<b>-530%</b>	<b>-850%</b>	<b>3,890</b>	<b>(4,448)</b>	<b>-214%</b>
Finance cost	(371)	(380)	(766)	102%	106%	(1,557)	(1,351)	-13%
Income tax expenses	180	331	1,326	-301%	-636%	(218)	1,431	-756%
<b>Net profit (loss) attributable to equity holder</b>	<b>542</b>	<b>(921)</b>	<b>(4,941)</b>	<b>-436%</b>	<b>-1011%</b>	<b>2,115</b>	<b>(4,369)</b>	<b>-307%</b>

EBITDA (THB million)	Q417	Q318	Q418	%QoQ	%YoY	FY2017	FY2018	%YoY
Net profit for the period	542	(921)	(4,941)	-436%	-1011%	2,115	(4,369)	-307%
Finance costs	371	380	766	102%	106%	1,557	1,351	-13%
Income tax expenses	(180)	(331)	(1,326)	-301%	-636%	218	(1,431)	-756%
Depreciation & Amortization	6,921	8,075	2,988	-63%	-57%	26,498	25,061	-5.4%
Other items	179	(11)	7,781	73568%	4252%	57	7,778	13452%
<b>EBITDA</b>	<b>7,833</b>	<b>7,192</b>	<b>5,269</b>	<b>-27%</b>	<b>-33%</b>	<b>30,446</b>	<b>28,391</b>	<b>-6.7%</b>
<b>EBITDA margin</b>	<b>38.6%</b>	<b>40.0%</b>	<b>27.4%</b>			<b>38.9%</b>	<b>37.9%</b>	

*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 FY2018	Loan		Debenture	
	In 2019	7,875	1,500	
In 2020	7,875	4,000		
In 2021	875	2,500		
From 2022	875	21,500		

Key Financial Ratio	FY2017	FY2018
Return on Equity (%)	8%	n/a
Return on Asset (%)	2%	n/a
Interest Coverage Ratio (times)	2.7x	n/a
Net debt to EBITDA (times)	0.8x	1.2x
CAPEX to Total Revenue (%)	21%	26%