

MD&A



Please note that all financial figures and analyses are based on the previous accounting policy, unless otherwise stated.

Executive Summary

After the end of the remedy period in mid-December 2019 and a massive rollout of the network in Q418, dtac spent most of Q119 fine-tuning and optimizing the network, as well as continuing the rollout of the 2300MHz network. Consequently, we started to see reduction in number of churns as customers' confidence and trust in the network consistently improve over time.

At the end of Q119, a total of 15.4k nodes of 4G-2300MHz network were installed, an additional of 2.7k during the quarter. Furthermore, an additional 663 nodes of 4G/3G-2100MHz network were installed in Q119, pushing number of 4G-2100MHz and 3G-2100MHz nodes to 24.5k and 24.4k, respectively.

Market competition in Q119 remained intense. Some of the most aggressive prepaid unlimited data products were replaced with new products with huge data allowances. Furthermore, device subsidies were still an important tool for attracting and retaining postpaid customers. Towards the end of the quarter, dtac launched 'Never Stop Caring' campaign with an aim to increase number of subscribers on 2300MHz network, which provided the best user experience.

At the end of Q119, total subscriber base stood at 20.7 million, approximately 30% of which were postpaid subscribers. Postpaid subscriber base continued to increase because of prepaid-to-postpaid conversion and attractive device campaigns, as well as increasing trust and confidence in the network, while prepaid subscriber base was on a declining trend due to the conversion of high value prepaid subscribers to postpaid plans and the replacement of prepaid unlimited data products with new ones with big data allowance. We are putting more focus on winning back and reconnecting with migrant segment with a lot of on-ground activities, and teen segment and gaming community by partnering with a game publisher. Blended ARPU was stable QoQ and YoY.

Service revenues remained under pressure during the period dtac was rebuilding customers' trust and confidence in the network and brand. As a result, service revenues excluding IC in Q119 declined 1.0% QoQ and 5.7%YoY. EBITDA (before other items) increased 16.3% QoQ but declined 26.6%YoY to THB 6,129 million mainly from the change in cost structure after end of the concession and seasonality. EBITDA margin (based on total revenues excluding revenues from CAT lease agreements and TOT network rental in the denominator) for

Q119 stood at 34.7%. Moreover, net profit for Q119 amounted to THB 1,408 million, increasing 129% QoQ and 7.1% YoY, and reflected the first full quarter of the new cost structure.

We expect to return to growth in 2019, with continued focus on operational efficiency. More detail outlook will be provided in the coming months. Furthermore, we expect CAPEX to be in a range of THB 13-15 billion.

To expand beyond mobile connectivity, in Q119 we announced an Electric Vehicle ("EV") Platform initiative for an EV ecosystem connecting sellers, buyers, battery providers, financial service providers, insurance brokers, repair and maintenance service providers, etc. The platform will be launched around mid-2019.

On 4 April 2019, the 2019 Annual General Meeting of Shareholders has approved the dispute settlement with CAT, according to the settlement Agreement dated 10 January 2019 including the implementation under such Agreement. With the approval from the shareholders, the Company and CAT jointly submitted the petition for withdrawal cases/disputes under the Disputes Settlement Agreement with the Arbitral Tribunal and Administrative Court. Currently, the withdrawal petitions are under the consideration of the Arbitral Tribunal and Administrative Court. The first payment of Baht 6,840 million (excluding VAT) is made on 4 April 2019 and payment of the balance is to be made once the relevant court cases are withdrawn from the court in accordance with the Disputes Settlement Agreement.

On 11 April 2019, the National Council of Peace and Order issued an Order No. 4/2562 ("the NCP's Order") allowing 900MHz spectrum licensees, who are unable to make payments in accordance with their respective payment plans under the auction rules, to apply for a new payment plan within 30 days from the date the NCP's Order was published in the Royal Gazette. To be granted the new payment plan, the licensee must agree to obtain a 700MHz spectrum license at a price and conditions to be determined by the NBTC.



Significant change in accounting policy

Adoption of the Thai Financial Reporting Standard No. 15 (TFRS 15)

The Company and its subsidiaries adopted TFRS 15 using the modified retrospective method of adoption of which the cumulative effect is recognized as an adjustment to the retained earnings as at 1 January 2019, and the comparative information was not restated. The Company and its subsidiaries elect to apply the practical expedients by not restate completed contracts as at 1 January 2019 for which the entity has transferred all of the goods or services identified in accordance with the previous accounting policy.

The cumulative effect of the change is shown in the table below. (Only affected items.)

	Previous accounting policy	Adjustment	TFRS 15
Income statement			
Revenue from telephone services	15,636	(229)	15,407
Revenue from sales of telephone sets and starter kits	1,895	249	2,144
Selling and services expenses	(3,741)	(19)	(3,760)
Net profit for the period	1,407	1	1,408
Assets			
Trade and other receivables	8,580	200	8,780
Other current assets	17,209	193	17,402
Deferred tax assets	6,494	(131)	6,363
Other assets	116,454	214	116,668
Liabilities			
Unearned revenue from telephone services	2,154	(50)	2,104
Shareholders' equity			
Retained earnings	23,338	526	23,864

The nature of these adjustments is described below:

- Revenue allocation of sales of goods and services – The Company and its subsidiaries consider the income component of the sale of products and services, by allocating revenues in proportion to the delivered products and the obligations to be performed in providing services that are included in the contract using the basis of standalone selling prices of different products or services as obligated in the contract.
- Commission paid to obtain a contract – The Company and its subsidiaries have determined that commission paid to obtain a customer contract should be recorded as an asset and amortized to expenses at the same time as the revenue under the contract is recognized

Operational Summary

At the end of Q119, total subscriber base stood at 20.7 million, declining 0.5 million from the end of Q418, due to decline in prepaid segment, which was partly offset by growth in postpaid segment. Prepaid subscriber base was 14.5 million, declining 599k from Q418, due mainly to prepaid-to-postpaid conversion and intense competition. During the same period, postpaid subscriber base increased by 123k to reach 6.2 million, due to prepaid-to-postpaid conversion, gradual improvement in network quality and experience, and attractive device campaigns.

Average Revenue per User excluding IC (ARPU) for Q119 was THB 242 per month, stable QoQ and YoY. At the end of Q119, postpaid subscriber base accounted for approximately 30% of

total subscriber base. Postpaid ARPU for Q119 was THB 534 per month, declining 0.6% QoQ and 1.3% YoY, while prepaid ARPU declined 4.7% QoQ and 9.8% YoY to THB 130 per month.

Traffics on TOT's 4G-2300MHz network continued to increase, driven by coverage expansion and higher number of users with 2300MHz-compatible device. No. of 4G-2300MHz base stations under the partnership with TOT reached 15.4k at end of Q119, increasing by 2.7k base stations from Q418. The number of 4G users was 10.2 million, representing 49% of total subscriber base, while the number of 4G compatible device increased to 69% of total subs base. Smartphone penetration increased to 81%.



Active subscribers (in thousand)	Q118	Q418	Q119	%QoQ	%YoY
Postpaid (<i>under concession from CAT</i>)	257	-	-	-	-100%
Prepaid (<i>under concession from CAT</i>)	214	-	-	-	-100%
Postpaid (<i>under licenses</i>)	5,730	6,071	6,194	2.0%	8.1%
Prepaid (<i>under licenses</i>)	16,081	15,131	14,532	-4.0%	-9.6%
Total active subscribers	22,282	21,202	20,726	-2.2%	-7.0%
Net additional subscribers (in thousand)	Q118	Q418	Q119	%QoQ	%YoY
Postpaid	93	94	123	31.1%	32.5%
Prepaid	-934	-191	-599	-213%	35.8%
Total net additional subscribers	-841	-97	-476	-390%	43.4%
MoU (minutes/sub/month)	Q118	Q418	Q119	%QoQ	%YoY
Postpaid	253	238	228	-4.3%	-9.9%
Prepaid	112	97	87	-10.0%	-21.7%
Blended MoU	146	135	126	-6.3%	-13.3%
Postpaid excluding IC	180	168	161	-4.5%	-10.6%
Prepaid excluding IC	86	73	66	-10.7%	-23.9%
Blended MoU excluding IC	109	99	92	-7.0%	-15.6%
ARPU (THB/sub/month)	Q118	Q418	Q119	%QoQ	%YoY
Postpaid	560	556	553	-0.6%	-1.3%
Prepaid	150	142	136	-4.7%	-9.7%
Blended ARPU	249	253	251	-0.8%	0.7%
Postpaid excluding IC	541	537	534	-0.6%	-1.3%
Prepaid excluding IC	144	137	130	-4.7%	-9.8%
Blended ARPU excluding IC	240	243	242	-0.8%	0.7%
ARPU (THB/sub/month) - TFRS 15			Q119	%QoQ	%YoY
Postpaid			540	-2.9%	-3.6%
Prepaid			135	-4.9%	-9.9%
Blended ARPU			247	-2.3%	-0.8%
Postpaid excluding IC			522	-2.8%	-3.5%
Prepaid excluding IC			130	-4.7%	-9.8%
Blended ARPU excluding IC			238	-2.1%	-0.6%

Financial Summary

Revenues

Total revenues in Q119 amounted to THB 19,640 million, increasing 2.3% QoQ and 2.0% YoY, due to higher other operating revenues from CAT and TOT. Service revenues excluding IC, however, declined 1.0% QoQ and 5.7% YoY to THB 15,123 million as prepaid revenues continued to decline while international revenues were impacted by alternative services and competition. In addition, stricter activation process for access to external content services (CPA services) continued to put a drag on service revenue development.

Core service revenues (defined by bundle of voice and data service revenues) in Q119 amounted to THB 14,198 million, declining 0.8% QoQ and 4.5% YoY, mainly due to lower subscriber base and revenue from CPA services.

International Roaming (IR) revenues in Q119 amounted to THB 278 million, increasing 8.5% QoQ but declining 10.2% YoY. The sequential improvement was mainly due to seasonality; however, the YoY decline was mainly due to market competition and increasing popularity in alternative services.

Other service revenues in Q119 amounted to THB 648 million, a decrease of 8.6% QoQ and 25.0% YoY, mainly due to declining trend in IDD revenues.

Handset and starter kit sales in Q119 amounted to THB 1,895 million, declining 12.5% QoQ and 17.7% YoY mainly due to a shift of sale mix towards lower-priced devices and lower sale of iPhones. Loss from handset and starter kit sales reduced from Q418 to THB 734 million in Q119. Device campaigns were still important to attract and retain postpaid subscribers.

Cost of Services

Cost of services excluding IC in Q119 amounted to THB 10,524 million, increasing 11.0% QoQ but declining 4.9% YoY. The movement of cost of services was largely driven by the change in cost structure after end of the concession. The QoQ increase was mainly driven by higher amortization expenses of 1800MHz and 900MHz spectrum licenses and costs related to partnership with TOT on 2300MHz wireless business, which were partly offset by lower regulatory costs. The YoY decline was mainly driven by lower regulatory and amortization expenses of assets under concession, which were partly offset by higher amortization expenses of 1800MHz and 900MHz spectrum licenses, lease expenses of assets under concession to CAT, and costs related to partnership with TOT on 2300MHz wireless business.

Regulatory costs in Q119 amounted to THB 666 million, declining 47.6% QoQ and 65.5% YoY, after end of the concession and remedy period. As a result, regulatory costs to



service revenue (excluding IC) decreased to 4.4%, from 8.3% in Q418 and 12.0% in Q118.

Network OPEX in Q119 amounted to THB 3,034 million, increasing 0.6% QoQ and 61.8% YoY. The YoY increase was due to network expansion and lease expenses to CAT. Furthermore, net CAT payment in Q119 amounted to THB 716 million, declining 4.9% QoQ.

Other operating costs of services in Q119 amounted to THB 3,311 million, increasing 36.8% QoQ and 492% YoY, due to the 2300MHz roaming cost paid to TOT. We started recognizing the cost of TOT's 4G-2300MHz roaming in Q218. The sequential 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 QoQ increase from TOT's 2300MHz roaming cost, net of corresponding revenues, was approximately THB 37 million in Q119.

Depreciation and Amortization (D&A) of costs of services in Q119 amounted to THB 3,514 million, increasing 26.8% QoQ but declining 47.6%YoY. The QoQ increase was mainly from full quarter of amortization expenses of the 900MHz and 1800MHz spectrum licenses and continuing network expansion, while the YoY decline was mainly a result of concessionary asset being fully amortized after expiry of the concession in September 2018, partly offset by amortization expenses of the 900MHz and 1800MHz spectrum licenses and continuing network expansion.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses in Q119 amounted to 3,719 million, declining 6.5% QoQ but increasing 2.1% YoY (excluding CAT settlement recorded in Q418). The sequential decline was due to lower selling and marketing expenses and provision for bad debt, partly offset by slightly higher general administrative expenses. SG&A expenses were stable YoY.

Selling and Marketing (S&M) expenses in Q119 amounted to THB 1,156 million, declining 22.4% QoQ but increasing 9.9% YoY. The sequential decline was due to high spending level in Q418, while the YoY increase was a result of higher advertising production and media spending.

General administrative expenses in Q119 amounted to THB 1,950 million, increasing 0.8% QoQ but declining 1.9% YoY

(excluding CAT settlement recorded in Q418). The general administrative expenses were quite stable both QoQ and YoY thanks to ongoing implementation of operational efficiency measures.

Provision for bad debt in Q119 amounted to THB 320 million, decreasing 4.2% QoQ and 17.2% YoY due to focus on acquiring high quality subscribers and ongoing improvement of collection process.

Depreciation and Amortization (D&A) of SG&A in Q119 amounted to THB 224 million, increasing 3.4% QoQ and 3.5% YoY.

EBITDA and Net Profit (based on TFRS 15)

Adoption of TFRS 15 had immaterial impact on EBITDA and net profit for the period.

EBITDA (before other items) in Q119 amounted to THB 6,129 million, increasing 16.3% QoQ but declining 26.6% YoY. The sequential increase was mainly due to lower regulatory costs, SG&A expenses, and handset subsidies, which were partly offset by slightly higher network OPEX and roaming cost on TOT's 2300MHz network, and lower service revenues. The YoY decline was mainly driven by lower service revenues, higher handset subsidies, network OPEX, cost for infrastructure and equipment services, as well as the amortization of up-front payment, to CAT, roaming cost on TOT's 2300MHz network, which were partly offset by lower regulatory costs. As a result, EBITDA margin (based on total revenues excluding revenues from CAT lease agreements and TOT network rental in the denominator) was 34.7% in Q119, increasing from 29.1% in Q418 but declining from 43.4% in Q118.

Net profit for Q119 amounted to THB 1,408 million, increasing 129% QoQ and 7.1% YoY. The QoQ increase was mainly from higher EBITDA, partly offset by higher D&A charges and financial costs, while the YoY increase was from sharply lower D&A charges, which was partly offset by lower EBITDA.

Balance Sheet and Key Financial Information

At the end of Q119, total assets amounted to THB 150,885 million and increased from THB 150,958 million at the end of Q418. Cash and cash equivalent amounted to THB 12,757 million, decreasing from THB 14,090 million at the end of Q418 due to network CAPEX. Interest-bearing debt was unchanged at THB 47,000 million at the end of Q119. Net

Statement of financial position (THB million)	Q119	Q418
Cash and cash equivalent	12,757	14,090
Other current assets	15,097	14,427
Non-current assets	123,031	122,441
Total assets	150,885	150,958
Current liabilities	54,458	53,208
Non-current liabilities	72,563	75,820
Total liabilities	127,021	129,028
Total shareholders' equity	23,864	21,930
Total liabilities and equity	150,885	150,958

Cash flows statement (THB million)	Q119	Q118
Cash flows from operating activities	5,642	7,039
Cash paid for interest expenses and tax	-669	-611
Net cash flows from operating activities	4,973	6,428
Net cash flows from investing activities	-6,307	-2,958
Net cash receipt/(Repayment)	-	-15
Dividend paid	-	-
Net cash flows from financing activities	-	-15
Net change in cash	-1,334	3,455



debt to EBITDA was 1.3x, increasing slightly from 1.2x at the end of Q418.

CAPEX in Q119 amounted to THB 4,390 million to continue 2300MHz network rollout. Operating cash flow (defined by EBITDA-CAPEX) amounted to THB 1,795 million.

Outlook 2019

In 2019, 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, with continued focus on innovation and operational efficiency. We expect to return to growth in 2019, with continued focus on operational efficiency. More detail outlook will be provided in the coming months. Furthermore, we expect CAPEX to be in a range of THB 13-15 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.

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.



Income statement (THB million)	Q118	Q418	Q119	%QoQ	%YoY
Voice & Data	14,867	14,310	13,969	-2.4%	-6.0%
IR	309	256	278	8.5%	-10.2%
Others	865	710	648	-8.6%	-25.0%
Service revenues ex. IC	16,040	15,275	14,894	-2.5%	-7.1%
IC revenue	564	550	513	-6.9%	-9.2%
Service revenues	16,605	15,825	15,407	-2.6%	-7.2%
Handsets and starter kits sales	2,302	2,166	2,144	-1.0%	-6.8%
Other operating income	349	1,205	2,109	75.1%	504%
Total revenues from sales and services	19,255	19,196	19,660	2.4%	2.1%
Cost of services	(11,653)	(10,033)	(11,050)	10.1%	-5.2%
<i>Regulatory</i>	<i>(1,932)</i>	<i>(1,271)</i>	<i>(666)</i>	<i>-47.6%</i>	<i>-65.5%</i>
<i>Network</i>	<i>(1,875)</i>	<i>(3,014)</i>	<i>(3,034)</i>	<i>0.6%</i>	<i>61.8%</i>
<i>IC</i>	<i>(583)</i>	<i>(555)</i>	<i>(526)</i>	<i>-5.2%</i>	<i>-9.8%</i>
<i>Others</i>	<i>(559)</i>	<i>(2,420)</i>	<i>(3,311)</i>	<i>36.8%</i>	<i>492%</i>
<i>Depreciation and Amortization</i>	<i>(6,703)</i>	<i>(2,772)</i>	<i>(3,514)</i>	<i>26.8%</i>	<i>-47.6%</i>
Cost of handsets and starter kits	(2,594)	(2,961)	(2,629)	-11.2%	1.3%
Total costs	(14,247)	(12,993)	(13,679)	5.3%	-4.0%
Gross profit	5,008	6,203	5,981	-3.6%	19.4%
SG&A (+CAT Settlement)	(3,643)	(11,827)	(3,738)	-68.4%	2.6%
<i>Selling & Marketing expenses</i>	<i>(1,052)</i>	<i>(1,491)</i>	<i>(1,175)</i>	<i>-21.1%</i>	<i>11.7%</i>
<i>General administrative expenses (+CAT Settlement)</i>	<i>(1,989)</i>	<i>(9,786)</i>	<i>(1,950)</i>	<i>-80.1%</i>	<i>-1.9%</i>
<i>Provision for bad debt</i>	<i>(386)</i>	<i>(333)</i>	<i>(320)</i>	<i>-4.2%</i>	<i>-17.2%</i>
<i>Depreciation and Amortization</i>	<i>(217)</i>	<i>(217)</i>	<i>(224)</i>	<i>3.4%</i>	<i>3.5%</i>
<i>Loss from Asset Impairment</i>	<i>-</i>	<i>-</i>	<i>(69)</i>	<i>-100%</i>	<i>-100%</i>
Gain/Loss on foreign exchange	(56)	34	(20)	-160%	-63.9%
Interest income	51	49	18	-63.0%	-64.9%
Other income & share of profit from investment in associated company	(2)	41	()	-100%	-88.8%
EBIT	1,358	(5,500)	2,241	-141%	64.9%
Financial cost	173	(766)	(611)	-20.2%	-454%
Corporate income tax	(216)	1,326	(221)	-117%	2.2%
Non-controlling interest	0	()	0	-117%	-55.2%
Net profit attributable to equity holder	1,314	(4,941)	1,408	129%	7.1%

EBITDA (THB million) - TFRS 15	Q118	Q418	Q119	%QoQ	%YoY
Net profit for the period	1,314	(4,941)	1,408	-129%	7.1%
Finance costs	(173)	766	611	-20.2%	-454%
Income tax expenses	216	(1,326)	221	-117%	2.2%
Depreciation & Amortization	6,920	2,988	3,738	25.1%	-46.0%
Other items	76	7,781	150	-98.1%	98.5%
EBITDA	8,354	5,269	6,129	16.3%	-26.6%
EBITDA margin	43.4%	27.4%	31.2%		
EBITDA margin (based on total revenues excluding revenues from CAT lease agreement and TOT network rental in the denominator)	43.4%	29.1%	34.7%		

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), as of Q119	Loan	Debenture	Key Financial Ratio - TFRS 15	Q118	Q418	Q119
In 2019	7,875	1,500	Return on Equity (%)	11%	n/a	n/a
In 2020	7,875	4,000	Return on Asset (%)	3%	n/a	n/a
In 2021	875	2,500	Net debt to EBITDA (times)	0.6x	1.2x	1.3x
From 2022	875	21,500	CAPEX to Total Revenue (%)	13%	42%	22%

Note: Figures for Q119 are based on TFRS 15.

