

MD&A



Executive Summary

The first quarter of 2014 performance has laid a strong foundation for dtac to capitalize on our quality network investment as well as to well deliver on our financial guidance and margin improvement for 2014.

In Q114, dtac total subscribers reached 28.2 million. dtac TriNet (DTN) subscribers rapidly increased to 15.9 million subscribers, representing 56% of total dtac subscriber base. Aggressive 3G 2.1GHz network expansion progressed ahead of plan with more than 8,600 sites deployed in 77 provinces, covering approximately 72% of population by end of Q114. Our ambition is to complete all 3G 2.1GHz co-located sites network rollout by mid-2014, enabling us to better deliver on “Internet for All” strategy, to capitalize our 3 smart networks with the largest bandwidth, and to achieve margin uplift from the license regime. In response to greater demand for faster internet experience, dtac also deployed a new 4G LTE network on 2.1GHz in Bangkok area and now ready for trial.

Service revenue excluding IC maintained YoY amidst challenging market competition and environment. Mobile

internet continued to be a key growth driver for service revenue, growing 48% YoY. EBITDA rose 10.4% YoY to THB 8,256 million and EBITDA margin improved significantly by 5.3pp YoY to 36.6%. Key contributors to the EBITDA growth were lower regulatory cost and operational efficiency achieved in Q114. Net income was THB 3,304 million, increasing healthily 9.1% YoY from rising EBITDA despite higher depreciation and amortization costs from the 3G 2.1GHz investment.

Given the prolonged political uncertainties, weakening macroeconomics, and intensified market competition, we are revising our total revenue guidance from 3-5% YoY growth to low-single-digit YoY growth to give the company some flexibility when responding to the market competition and not fuelling further intensity by too focusing on the top-line revenue growth. At the same time, we are also revising our EBITDA margin guidance to a slightly larger extent from 35-36% to 35-37% to focus more on margin uplift. For the CAPEX, we maintained our guidance of minimum THB 13,000 million for 2014, with a total 3-year plan maintained at 34 billion (2013-2015).

Operational Summary

In Q114, dtac **total subscribers** reached 28.2 million with **net additional subscribers** of 284K. DTN subscribers on 3G 2.1GHz network increased rapidly to 15.9 million, representing 56% of total subscriber base, supported by aggressive 3G 2.1GHz network expansion and attractive device-bundling campaigns to encourage DTN selection. Moving forward, we expect slower growth rate of net addition due to well-penetrated Thai mobile market together with weakening consumer sentiment in 2014, hence we are shifting our focus towards quality of new subscribers instead of large number of net additions.

Blended Average Revenue per User (ARPU) (excluding IC) decreased slightly 1.1% QoQ and 1.0% YoY to THB 208 mainly driven by softer prepaid segment while postpaid ARPU (excluding IC) grew slightly 1.6% QoQ to THB 600 on the back of rising data revenue but partly offset by declining voice revenue.

Blended Minutes of Use (MOU) (excluding IC) declined 4.4% QoQ and 8.9% YoY to 207 minutes following the trend of consumer’s behavioral changes from voice to data usage.

Based on our new mobile internet (data) user definition*, **data users** stood at 9.1 million in Q114, increased by 1.5 million users or 19.6% YoY. During the quarter, dtac launched many integrated campaigns built around our “Internet for All” strategy to uplift data revenue of existing users as well as to encourage first trial of new data users through relevant and affordable offerings. This has contributed to an increase in **data penetration** from 28.7% in Q113 to 32.4% by the end of Q114.

Smartphone penetration also strongly increased to 33.9% from 23.1% in Q113 supported by more affordable smartphones in the market. Higher smartphone penetration not only benefits dtac on ARPU uplift for existing subscribers but also benefits dtac in terms of better

**Refined mobile internet (data) user definition from active subscribers with data usage during the past 30 days to active subscribers with minimum data usage of 50KB during the past 30 days.*

MANAGEMENT DISCUSSION AND ANALYSIS				FIRST QUARTER 2014	
Total active subscribers (in thousand)	Q113	Q413	Q114	%QoQ	%YoY
Postpaid	3,022	3,502	3,600	2.8%	19.2%
Prepaid	23,587	24,440	24,626	0.8%	4.4%
Total	26,609	27,942	28,226	1.0%	6.1%
Net additional subscribers (in thousand)	Q113	Q413	Q114	%QoQ	%YoY
Postpaid	206	168	98	-41.6%	-52.2%
Prepaid	85	303	186	-38.6%	119.9%
Total	290	471	284	-39.7%	-2.1%
MOU (minutes/sub/month)	Q113	Q413	Q114	%QoQ	%YoY
Postpaid	464	391	372	-5.0%	-19.8%
Prepaid	251	243	233	-4.0%	-7.3%
Blended	274	260	250	-4.0%	-8.8%
Postpaid excluding IC	350	295	278	-5.7%	-20.7%
Prepaid excluding IC	213	206	197	-4.3%	-7.2%
Blended excluding IC	227	217	207	-4.4%	-8.9%
ARPU (THB/sub/month)	Q113	Q413	Q114	%QoQ	%YoY
Postpaid	727	638	640	0.3%	-12.0%
Prepaid	201	177	167	-6.0%	-17.1
Blended	258	232	224	-3.3%	-12.9%
Postpaid excluding IC	611	591	600	1.6%	-1.7%
Prepaid excluding IC	162	159	154	-3.5%	-5.1%
Blended excluding IC	210	210	208	-1.1%	-1.0%

Financial Summary

Revenues

In Q114, dtac **Service revenue excluding IC** was stable at THB 17,392 million supported by continued growth in VAS and data revenues offsetting by reduction in voice revenue. Intensified market competition and weakening demand and economy from prolonged political uncertainties had partially limited our top-line growth opportunity in Q114. **Total revenue** was at THB 22,442 million, decreasing 6.1% YoY mainly driven by the reduction of interconnection rate from THB 1/minute to THB 0.45/minute starting from 1 July 2013 but partly offset by growth from handset sales. QoQ, total revenue dropped 9.5% particularly from lower handset revenue against its record-high sales revenue in Q413.

Voice revenue was THB 9,400 million, declining QoQ and YoY for both prepaid and postpaid segments resulting from the change in consumers' behavior towards more data usage together with more competitive voice offerings since late 2013. We believed industry voice pricing had been irrational in the second half of 2013 following the sharp IC rate reduction but had been stabilized and remained rational in Q114. Contribution of voice revenue to total service revenues has become smaller from 51.4% in Q113 to 49.3% in Q114.

Value-Added Services (VAS) revenue continued its growth in Q114 at 4.7% QoQ and 31.5% YoY amounting to THB 6,576 million. VAS revenues increased to 34.5% of service revenues, up from 23.8% in Q113. The major VAS revenue contributor remained mobile Internet, continuing with its

strong growth momentum at 7.1% QoQ and 48.4% YoY on the back of improved 3G coverage, improved network quality combined with the increase in smartphone penetration to 33.9%.

International Roaming (IR) revenue improved 8.3% QoQ due to high seasonality for both inbound and outbound segments but decreased strongly 32.8% YoY from the effects of political uncertainties and weak economy. In Q114, IR revenue stood at THB 460 million, contributing 2.4% to service revenue.

Other service revenues, primarily consisting of IDD revenue and other service fees, dropped 13.6% QoQ from lower IDD terminating revenue but increased 9.5% YoY mainly driven by other service fees.

Interconnection charge (IC) revenue dropped over 50% YoY following the IC rate reduction from THB 1/minute to THB 0.45/minute since July 2013. As a result, the contribution of IC revenue to service revenues decreased from 17.4% in Q113 to 8.8% in Q114. However, dtac remained at net positive IC position for the amount of THB 133 million in Q114.

Sales of handsets and starter kits revenue continued to be driven by a combination of demand for iPhone 5s and affordable dtac TriNet phones. Sales revenue in Q114 was THB 3,288 million, increasing 13.3% YoY supported by attractive device-bundling campaigns but declining 38.8% QoQ from the record-high sales in Q413.

Cost of Service

Cost of service excluding IC was THB 9,829 million, dropped 7.3% QoQ but stable YoY mainly from lower revenue sharing and lower direct costs related to International Roaming and IDD services in line with the soft revenue.

Regulatory Costs (comprising of revenue sharing, numbering fee, and USO fee) was THB 4,455 million, decreasing 11.5% QoQ and 17.7% YoY following the larger DTN subscriber mix (56% of total dtac subscriber base) which subjects to lower for regulatory fees (from approximately 30% revenue sharing to 5.25% license and USO fees). Regulatory costs to service revenue excluding IC improved 5.6pp YoY, trending positively from 31.2% in Q113 to 25.6% in Q114.

Network OPEX was THB 1,104 million, rising 15.8% YoY mainly from increased site rental, site electricity, and service agreement and management fee following the aggressive 3G 2.1GHz network. QoQ, network OPEX dropped slightly 6.9% due to repair and maintenance contract renegotiation and some cost efficiency initiatives. In Q114, network opex was 6.3% of service revenue excluding IC, comparing to 5.5% last year.

Interconnection (IC) Cost for Q114 decreased 55.8% YoY and increased 93.6% QoQ (due to one-time IC TOT adjustment last quarter), amounting to THB 1,542 million.

Other Operating Costs of Services, consisting of prepaid card production costs and commissions, IR and IDD costs, network insurance costs and others, in Q114 decreased 13.6% QoQ and 19.9% YoY mainly from costs of IDD and IR.

Depreciation and Amortization (D&A) of Cost of Service rose 40.1% YoY to THB 3,425 million on the back of increased 3G 2.1GHz license amortization and network depreciation expenses. We expect D&A on consolidated financial statement to trend upwards following the 3G 2.1GHz network expansion, while D&A on separate financial statement to trend downwards as a result of asset impairment effect in Q413.

Cost of Handsets and Starter Kits was THB 3,314 million, increasing 18.1% YoY and decreasing 37.9% QoQ in line with the corresponding handsets and starter kits revenue. Given the current market competition to stimulate 3G handset adoption and to attract customers to new 3G networks, handset margin is now under pressure to reach 0% margin or even negative margin. In Q114, dtac's handset margin dropped from 2.1% in Q413 to 0% in Q114.

SG&A

SG&A expense was THB 3,426 million, a reduction of 12.4% QoQ and 8.5% YoY, mainly driven by general cost control and lower provision of bad debt.

Selling and Marketing (S&M) Expenses in Q114 was THB 1,272 million increasing by 63.9% YoY on the back of dtac TriNet launch and in response to increased market competition since July 2013. However, we managed to control S&M expense down 20.2% QoQ using dynamic approach by tailored marketing spending to best fit with

current market conditions and market responsiveness. In Q114, S&M represented 7.3% of service revenue excluding IC, increasing from 4.5% in Q113 but dropping from 9.0% in Q413. Comparing to total revenue, S&M stood at 5.7% in Q114, slightly up from FY2013 average at 5.0%.

General Administrative Expenses reduced 8.7% QoQ and 24.9% YoY to THB 1,573 million mainly supported by general cost control initiatives. By normalized the one-time effect from NEO (New Order Management system) write-off amounted THB 500 million in Q113, general administrative expenses would be flat YoY. Their percentage to total revenues stood at 10.0%, increasing from 8.7% in Q112.

Provision for Bad Debt in Q114 was THB 177 million, improved 18.6% QoQ and 54.9% YoY, mainly driven by tighter control on credit policy and collection management. Provision for bad debt in Q113 was significantly impacted by the one-time effects from NEO performance issue which affected the collection process and under-provisioned Jaidee SOS for prepaid amounted THB 170 million. By normalized, provision for bad debt would improve 20.3% YoY in line with the QoQ development. In Q114, provision for postpaid bad debt was 2.5% of postpaid invoice, trending positively 0.7pp down from the previous quarter.

EBITDA and Net Profit

In Q114, **EBITDA** was THB 8,256 million, a strong increase of 10.4% YoY. Key contributors to the EBITDA growth were lower regulatory cost and general cost control achieved in Q114. **EBITDA margin** improved significantly by 5.4pp from 31.2% in Q113 to 36.6% in Q114.

Net income was THB 3,304 million, increasing healthily 9.1% YoY, due to improved EBITDA despite higher depreciation and amortization costs from the 3G 2.1GHz investment. **Net profit margin** improved 2.0pp to 14.7% in Q114 from 12.7% in Q113.

Balance Sheet and Key Financial Information

Total Assets at the end of Q114 stood at THB 106,378 million, increasing from THB 105,054 million at the end of Q413 mainly from the increase in cash and cash equivalents.

Interest-Bearing Debt at the end of Q114 was THB 29,460 million decreasing from THB 31,460 million at the end of Q413 from debt repayment in Q114.

Operating Cash Flow (defined as EBITDA - CAPEX) was THB 5,286 million, dropped 16.1% YoY, from higher CAPEX in Q114 in spite of growing EBITDA. Total CAPEX, majorities related to 3G 2.1GHz investment, in Q114 stood at THB 2,970 million, increasing from THB 1,179 million in Q113.

MANAGEMENT DISCUSSION AND ANALYSIS			FIRST QUARTER 2014		
Income statement (THB million)	Q113	Q413	Q114	%QoQ	%YoY
Voice	10,777	9,849	9,400	-4.6%	-12.8%
<i>Postpaid</i>	2,958	2,671	2,584	-3.3%	-12.6%
<i>Prepaid</i>	7,819	7,178	6,816	-5.0%	-12.8%
VAS	5,000	6,283	6,576	4.7%	31.5%
IR	685	425	460	8.3%	-32.8%
Others	873	1,107	956	-13.6%	9.5%
Service revenues ex. IC	17,334	17,664	17,392	-1.5%	0.3%
IC revenue	3,642	1,684	1,674	-0.6%	-54.0%
Service revenues	20,977	19,348	19,066	-1.5%	-9.1%
Handsets and starter kits sales	2,903	5,370	3,288	-38.8%	13.3%
Other operating income	25	72	87	21.3%	241.6%
Total revenues	23,905	24,790	22,442	-9.5%	-6.1%
Cost of services	(13,353)	(11,394)	(11,371)	-0.2%	-14.8%
<i>Regulatory</i>	(5,416)	(5,035)	(4,455)	-11.5%	-17.7
<i>Network</i>	(953)	(1,186)	(1,104)	-6.9%	15.8%
<i>IC</i>	(3,485)	(796)	(1,542)	93.6%	-55.8
<i>Others</i>	(1,054)	(977)	(844)	-13.6%	-19.9%
<i>Depreciation and Amortization</i>	(2,444)	(3,400)	(3,425)	0.8%	40.1
Cost of handsets and starter kits	(2,805)	(5,339)	(3,314)	-37.9%	18.1%
Total costs	(16,158)	(16,733)	(14,685)	-12.2%	-9.1%
Gross profit	7,746	8,057	7,756	-3.7%	0.1%
SG&A	(3,744)	(3,912)	(3,426)	-12.4%	-8.5%
<i>Selling & Marketing expenses</i>	(776)	(1,593)	(1,272)	-20.2%	63.9%
<i>General administrative expenses</i>	(2,094)	(1,723)	(1,573)	-8.7%	-24.9%
<i>Provision for bad debt</i>	(391)	(217)	(177)	-18.6%	-54.9%
<i>Depreciation and Amortization</i>	(483)	(378)	(404)	6.9%	-16.3%
Gain/Loss on foreign exchange	97	(175)	36	-79.4%	-62.9%
Interest income	27	94	32	-65.7%	18.6%
Other income	39	2	88	5342.5%	126.0%
EBIT	4,170	4,074	4,490	10.2%	7.7%
Financial cost	(362)	(1,238)	(353)	-71.5%	-2.5%
Corporate income tax	(781)	(979)	(834)	-14.9%	6.7%
Net profit for the period	3,027	1,857	3,304	77.9%	9.1%
EBITDA (THB million)	Q113	Q413	Q114	%QoQ	%YoY
Net profit for the period	3,027	1,857	3,304	77.9%	9.1%
Financial costs	362	1,238	353	-71.5%	-2.5%
Corporate income tax	781	979	834	-14.9%	6.7%
Depreciation & Amortization	2,928	3,777	3,829	1.4%	30.8%
Interest income	(27)	(94)	(32)	-65.7%	18.6%
Gain/Loss on foreign exchange	(97)	175	(36)	-79.4%	-62.9%
Loss on disposal of fixed assets and write-off other tangible assets	504	18	4,103	22694.4%	714.1%
EBITDA	7,478	7,951	8,255	3.8%	10.4%
EBITDA margin	31.2%	32.1%	36.6%	14.3%	17.3%
EBITDA margin ex. handset	35.1%	40.1%	42.8%	6.8%	21.7%

Statement of financial position (THB million)	Q413	Q114
Cash and cash equivalent	5,472	9,402
Other current assets	15,632	13,204
Non-current assets	83,949	83,773
Total assets	105,054	106,378
Current liabilities	45,141	43,116
Non-current liabilities	27,193	27,238
Total liabilities	72,334	70,355
Shareholders' equity	32,720	36,024
Total liabilities and shareholders' equity	105,054	106,378

Outlook 2014

We are confident that our quality 3 combining networks comprising of existing 2G 1800MHz modernized network, nationwide 3G 850MHz and recently launched 3G 2.1GHz network, could provide our customers with superior customer experience. Moving forwards, dtac will continue to focus on enhancing our quality network and expanding 3G 2.1GHz network coverage. Total 3-year CAPEX guidance (2013-2015) remains at THB 34 billion to achieve 80% population coverage for 3G 2.1GHz.

Our 2014 guidance is as follows:

- Total revenue growth: Low single digit growth (*revised from 3-5% growth*)
- EBITDA margin: 35-37% (*revised from 35-36%*)
- CAPEX: minimum of THB 13 billion (*maintained*)

Our dividend policy remains at to pay out dividends at no less than 80% of the company's net profit depending on the company's financial position and future business plans with an aim to pay dividend quarterly.

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.

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