EXECUTIVE SUMMARY

2012 was an outstanding year for mobile data services in the Thai telecom market, thanks to a wider availability of affordable smart devices and increased social network usage. Because there was a long delay in the allocation of the 2.1GHz frequency, AIS re-farmed a portion of its limited bandwidth on 900MHz to deploy 3G in major cities and capture the data growth market. In 2012, we achieved a further 4.5 million 3G subscriptions with our coverage of 3,500 sites in 18 key strategic cities. This drove our non-voice revenue in 2012 to grow 33%, slightly above our guidance of 30%, and drove revenue contribution to 24% compared to 20% in 2011. Meanwhile, voice services continued to grow 5% from 2011, but at a slower rate as mobile penetration reached 120%, reflecting narrower voice penetration. With our "Quality DNAs" concept, AIS mobile data services grew well, despite the constraints of our 900MHz capacity. AIS outperformed industry competitors in the voice market due to our strong nationwide network coverage. Therefore, AIS total revenue increased 12%. Despite more investment to upgrade network technology and enhance capacity, AIS retained tight cost management and achieved an EBITDA growth of 8.5% and net profit growth of 57%.

A key milestone in 2012, that will bring a structural shift to AIS' business model, was the issuing of the 2.1GHz license in December 2012. Advanced Wireless Network (AWN), a wholly owned subsidiary of AIS, was granted a 15-year license to operate 2x15MHz bandwidth on 2.1GHz. This new license allows AIS to break away from over 20 years of a Thai telecom concession based business model, resulting in a reduced regulatory fee burden, a fully owned asset ownership and fairer terms and conditions for all industry players. AIS plans to invest Bt70bn from 2013 to 2015, inclusive, in the new 3G-2.1GHz network, while maintaining its existing 900MHz network. AIS expects service revenue to grow 6-8% in 2013, driven mainly by mobile data growth while voice growth tends to slowdown. Operating expenses are expected to increase due to rising marketing expense and additional revenue share incurred on roaming and rental charges from utilizing existing 900MHz network, thus our EBITDA margin is expected to be 41-42%. Our strong cash flow from operation and new debt (if needed) will be used to fund the investment and will continue to support our financial position and maintain our current dividend policy.

SIGNIFICANT EVENT

Impairment loss of investment in DPC in the separate financial statements

In 4Q12, the Company reviewed the carrying amount of investment in DPC, a subsidiary operating mobile service on GSM 1800MHz, by comparing net book value with the recoverable net present value of future cash generation, assuming that the Build-Transfer-Operate (BTO) contract of the 1800MHz will expire on 15 September 2013. As a result, the Company recorded a non-cash loss from impairment of Bt2,475mn, which impacted on the net income, but only in the separate financial statements. Based on the projected future cash flow and outstanding net cash on hand in DPC, the recoverable amount of investment in DPC remains at Bt4,479mn on the separate financial statements (Note 11 of the Financial Statement 2012).

Adjustment of employee benefit obligations

The Company adjusted actuarial assumptions for the calculation of employee benefit obligations, such as discount rate and future salary increase, to reflect the current situation. Because of the adjustment, the Company recorded actuarial losses on the comprehensive income of Bt723mn in the consolidated financial statements and Bt417mn in the separate financial statements. (Note 21 of the Financial Statement 2012).

Write-off obsolete equipment

In 4Q12, the Company wrote-off obsolete equipment with a value of Bt377mn, and recorded the write-off in administrative expenses. Equipment availability and functionality is checked regularly, and if it is found to be obsolete or not functional, it is written off.

RESULTS

Operational summary

AIS registered 35.7mn **subscribers,** which grew from 33.5mn last year and represented a 2.3mn net addition in 2012. The subscriber growth came from multiple SIMs users, in response to higher demand for mobile internet, as well as some organic growth from provincial markets. AIS continued to focus on quality subscribers, which resulted in a stable **churn rate** of 1.5% and 4.3% for the postpaid and prepaid segments, respectively. The trend of using mobile data expanded in both the prepaid and postpaid segments. Prepaid **average revenue per user (ARPU)** increased to Bt219, an increase of 7.4% YoY, while **minutes of use (MOU)** increased 2.2% YoY to 330 minutes, as prepaid subscribers continued to use voice while also starting to consume more data. However, in the postpaid segment, ARPU stayed flat at Bt682, while MOU declined 8% YoY to 538 minutes because of high mobile usage during the flood crisis at that time. Excluding the high usage in 4Q11, postpaid ARPU gradually rose for the first three quarters in 2012 with an average of Bt673 compared to Bt645 in 2011.

Revenue

In 2012, AIS generated total revenue of Bt141,568mn, an increase of 12% YoY, underpinned by both strong mobile usage and device sales. Service revenue, excluding IC, reached Bt108,355mn and increased 11% YoY, above our 2012 guidance, from continued growth momentum from both voice and data services. Device sales expanded to Bt17,695mn, an increase of 34% YoY, supported by growing demand for smart devices. Particularly in 4Q12, device sales increased sharply 85% YoY due to the arrival of iPhone 5.

Voice Revenue

In 2012, the competition in voice market remained stable. Due to our strong nationwide network coverage and segmentation strategy, **voice revenue** stood at Bt74,742mn, an increase of 5.4% YoY, supported by both postpaid and prepaid segments. **Prepaid voice revenue** recorded a decent growth of 4.6% YoY mainly from regional users. Meanwhile, **postpaid voice revenue** grew 7.6% YoY because of strong demand for postpaid subscriptions with smartphone packages. The overall voice growth somewhat decelerated from a 2011 growth of 8%, reflecting limited room for further voice penetration.

Non-voice revenue

Non-voice growth momentum continued in 2012 supported by higher demand for mobile internet, smart device adoption and social media applications. **Non-voice revenue** stood at Bt26,197mn, an increase of 33% YoY, supported by a strong mobile data revenue of 65% YoY. **Data users** increased to 12.2mn, with 4.5mn 3G-900MHz subscriptions, and represented 34% of total subscribers compared to 27% last year. During the year, smart device adoption expanded due to more affordable devices, starting at less than Bt4,000, with a total of 17% of all subscribers using smart devices. In response to increased data user and usage, AIS enhanced customer data experience through improved data capacity on 3G-900MHz coupled with a range of innovative applications, for example, AIS Guide&Go, AIS MusicStore and, AIS BookStore to match customers' digital lifestyles.

International and other revenue

Revenue from **international call** and other business was Bt4,611mn and increased 9.5% YoY because of higher usage and more subscribers using IDD services, encouraged by several marketing campaigns. **International roaming (IR)** revenue declined 7% YoY due to falling revenue from visitors roaming in Thailand (inbound), partly offset by growing revenue generated from AIS subscribers roaming internationally (outbound), particularly with data roaming. In response to the demand for mobile data, AIS launched several new roaming applications and services in 2012, focusing on international data roaming experience, for example, easy-to-activate roaming packages, bill shock prevention solutions and SMS alerts to prevent excessive and unwanted data roaming usage.

Handset sales

Sales revenue was Bt17,695mn, an increase of 34%YoY due to higher smartphone sales and increased customer demand for mobile data, particularly following the launch of iPhone5 in 4Q12. AIS offered affordable smart devices bundled with a range of customized, attractive tariffs and valued added services, such as AIS Bookstore, and targeted specific customer lifestyles and segments. However, handset pricing competition drove the **sales margin** lower to 8.3% from 11.9% last year.

Interconnection charges (IC)

Net interconnection revenue stood at Bt565mn and improved from Bt451 last year. This was underpinned by higher IC receipts as more all-networks promotions were promoted from peers while IC cost was stable.

Expenses

Cost of services excluding IC

In 2012, **total cost of service, excluding IC,** was stable at Bt25,219mn, due to **network amortization** that decreased 12%YoY to Bt14,907mn from fully amortized assets under the Build-Operate-Transfer contracts. The declined amortization was offset by rising network operating expense and other cost of service. Network operating expense increased 21%YoY to Bt5,393mn due to 3G-900MHz network expansion and an increase of voice and data capacity. Other cost of service increased 31%YoY due to the network expansion and amortization of the 2.1GHz license cost and started in December 2012 after the license was officially awarded.

Selling and general administrative expenses (SG&A)

SG&A was Bt11,958mn, an increase of 7.6%YoY, mainly from higher administrative cost as we wrote off obsolete equipment with a value of Bt377mn. To build AIS-3G awareness and customer relations activities, **marketing expense** slightly increased 2.3%YoY to Bt2,890mn. However, the marketing expense dropped to 2.0% of total revenue, compared to 2.2% in 2011. **Bad debt** decreased 11% to Bt543mn or 2.0% of postpaid revenue, compared to 2.5% in 2011. The lower bad debt indicated a quality subscriber base and an effective customer relations program.

Profit

Strong service revenue growth drove **EBITDA** to Bt61,436mn, an increase of 8.5%YoY in 2012, despite an increase of cash operating expense to serve mobile data demand. As a result of smartphone popularity, which caused the low-margin handset sales business to contribute more to the revenue mix, as well as the maintenance of 900MHz network quality, **EBITDA margin** declined to 43.4% from 44.8% in 2011. In 2012, **net income** was Bt34,883mn, increasing 57%YoY, due to a higher EBITDA, lower network amortization, lower finance cost (after repayment of Bt5.5bn interest bearing debt in 2012), reduced corporate tax (from 30% to 23%) and no special items as in 2011; namely, the DPC goodwill impairment of Bt1,542mn and the deferred tax adjustment of Bt2,840mn. **Net profit margin** increased to 24.6% from 17.6% due to lower amortization, finance cost and corporate tax, in spite of lower EBITDA margin. Excluding the special items in 2011, **normalized net income** was 34,883mn and increased 31%YoY.

Financial position and cash flow

At the end of 2012, **total assets** increased to Bt100,968mn from Bt86,672mn in 2011, due to the acquisition of the 2.1GHz spectrum license and an increase in current assets, including cash and trade receivable. The 2.1GHz license of Bt14,625mn was recorded as a non-current asset and will be fully amortized in 15 years in accordance with its license period. **Cash** was Bt23,531mn and increased from Bt21,887mn in 2011. Network under Build-Transfer-Operate (BTO) contracts continued to decrease as the contracts are approaching expiration, despite an increased CAPEX in 2012.

Interest bearing debt was Bt20,915mn and decreased from Bt22,415mn in 2011, as AIS repaid Bt5.5bn while drawing down new loans of Bt4bn in 2012**. Liquidity**, represented by current ratio, was 1.05 and was slightly lower from 1.12 in 2011. AIS still maintained a net cash position even though the Company paid Bt7,321mn for the first installment of the 2.1GHz license cost. Consolidated equities were Bt43,542mn and increased from Bt39,464mn in 2011 due to net income growth.

In 2012, AIS had a **cash flow from operation** of Bt51,133mn, an increase of 6%YoY, due to the higher EBITDA. **CAPEX** was Bt9,598mn and increased from Bt5,707mn in 2011 due to the 3G-900MHz project and network capacity expansion. The CAPEX was higher than the 2012 guidance of Bt8,000mn because investment on 3G-2.1GHz started after obtaining the license. **Free cash flow** (EBITDA-CAPEX) was Bt51,838mn and grew 1.8%YoY.

FINANCIAL RESULT

Table 1 – Revenue					(Bt million) / (% to total service revenue excluded IC)	
	2011		2012		YoY (Amount)	YoY (%)
Voice revenue	70,944	72.5%	74,742	69.0%	3,798	5.4%
Postpaid (voice)	17,374	17.7%	18,698	17.3%	1,324	7.6%
Prepaid (voice)	53,570	54.7%	56,044	51.7%	2,474	4.6%
Non-voice revenue	19,736	20.2%	26,197	24.2%	6,461	33%
International roaming	3,019	3.1%	2,805	2.6%	-214	-7.1%
Others (IDD, other fees)	4,212	4.3%	4,611	4.3%	398	9.5%
Service revenue excluding IC	**97,911**	**100.0%**	**108,355**	**100.0%**	**10,444**	**11%**

Table 2 – Sales					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Sales revenue	13,180	10.4%	17,695	12.5%	4,515	34%
Cost of sales	11,613	9.2%	16,218	11.5%	4,605	40%
Net sales	**1,567**	**1.2%**	**1,477**	**1.0%**	**-90**	**-5.8%**
Sales Margin (%)	**11.9%**		**8.3%**			

Table 3 – Interconnection (IC)					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Interconnection revenue	15,346	12.1%	15,518	11.0%	172	1.1%
Interconnection cost	14,895	11.8%	14,953	10.6%	58	0.4%
Net interconnection	**451**	**0.4%**	**565**	**0.4%**	**114**	**25%**

Table 4 – Cost of services ex IC					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Network amortization	17,017	13.5%	14,907	10.5%	-2,110	-12%
Network operating expenses	4,468	3.5%	5,393	3.8%	924	21%
Base station rental & utility	2,984	2.4%	3,575	2.5%	591	20%
Maintenance	1,484	1.2%	1,818	1.3%	333	22%
Other cost of services	3,758	3.0%	4,919	3.5%	1,161	31%
Cost of services ex. IC	**25,243**	**20.0%**	**25,219**	**17.8%**	**-25**	**-0.1%**
Revenue sharing expense	**24,469**	**19.4%**	**27,580**	**19.5%**	**3,111**	**13%**

Table 5 – SG&A					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Marketing expense	2,826	2.2%	2,890	2.0%	64	2.3%
General administrative & staff cost	7,476	5.9%	8,324	5.9%	847	11%
Bad debt provision	611	0.5%	543	0.4%	-69	-11%
Depreciation	203	0.2%	201	0.1%	-2	-1.1%
Total SG&A	**11,118**	**8.8%**	**11,958**	**8.4%**	**840**	**7.6%**
% Bad debt to postpaid revenue	**2.5%**		**2.0%**			

Table 6 – EBITDA					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Operating Profit	39,100	30.9%	45,640	32.2%	6,540	17%
Depreciation of PPE	2,511	2.0%	2,183	1.5%	-328	-13%
Amortization	15,164	12.0%	13,447	9.5%	-1,717	-11%
(Gain)/Loss on disposal of PPE	-3	0.0%	364	0.3%	367	
Management Benefit	-116	-0.1%	-153	-0.1%	-37	32%
Other financial cost	-32	0.0%	-45	0.0%	-12	38%
EBITDA	**56,623**	**44.8%**	**61,436**	**43.4%**	**4,813**	**8.5%**

Table 7 – Financial cost					(Bt million) / (% to total revenue)	
	2011		2012		YoY (Amount)	YoY (%)
Total financial cost	1,666	1.3%	1,093	0.8%	1,666	-34%

Table 8 - Consolidated (Bt million)	Where	2011	2012	YoY (Amount)	YoY (%)
Net income		**22,218**	**34,883**	**12,666**	**57%**
Add:Impairment of DPC goodwill	*Impairment loss*	1,542	0		
Add:Adjustment of deferred tax asset	*Income tax expenses*	2,840	0		
Normalized net income		**26,600**	**34,883**	**8,283**	**31%**

Table 9 – Financial Position	(Bt Million) / (% to total asset)			
	2011		2012	
Cash	21,887	25.3%	23,531	23.3%
ST investment	727	0.8%	1,340	1.3%
Trade receivable	7,037	8.1%	8,065	8.0%
Inventories	1,087	1.3%	1,427	1.4%
Others	2,440	2.8%	3,741	3.7%
Current Asset	**33,178**	**38.3%**	38,103	37.7%
License for Telecom	-	0.0%	14,577	14.4%
Networks and PPE	44,121	50.9%	40,297	39.9%
Intangible asset	2,275	2.6%	2,033	2.0%
Defer tax asset	6,422	7.4%	5,314	5.3%
Others	676	0.8%	644	0.6%
Total Assets	**86,672**	**100.0%**	100,968	100.0%
Trade accounts payable	3,520	4.1%	7,341	7.3%
CP of LT loans	5,469	6.3%	8,462	8.4%
Accrued R/S expense	4,593	5.3%	4,855	4.8%
Others	16,152	18.6%	15,630	15.5%
Current Liabilities	**29,734**	**34.3%**	36,288	35.9%
Total interest-bearing debt	22,415	25.9%	20,915	20.7%
Total Liabilities	**47,209**	**54.5%**	57,426	56.9%
Unappropriated retained earning	13,246	15.3%	17,344	17.2%
Total Equity	**39,464**	**45.5%**	43,542	43.1%

Table 10 – Key Financial Ratio	2011	2012
Debt ratio	0.54	0.57
Net debt to equity	0.01	Net cash
Net debt to EBITDA	0.01	Net cash
Total liabilities to equity	1.2	1.3
Current ratio	1.12	1.05
Interest coverage	23.9	43.5
DSCR	5.6	4.5
ROE (%)	66%	84%

Table 11 – Debt Repayment Schedule		(Bt Million)
	Debenture	Long term loan
2012	5,000	493
1Q13	-	-
2Q13	4,000	247
3Q13	4,000	-
4Q13	-	247
2014	2,500	2,939
2015	-	2,399
2016	-	3,093
2017	-	1,187
2018	-	247

Table 12 – Source and use of fund : 2012			(Bt. Million)
Source of Fund		**Use of Fund**	
Operating CF before change in working capital	62,570	Dividend payment	30,241
Proceeds of long-term borrowings	3,999	Income tax paid	11,110
Interest received	746	CAPEX & Fixed assets	9,598
Sale of property and equipment	28	Payment of license fee for telecommunication	7,321
		Debt repayment	5,486
		Cash increased	1,472
		Finance cost and finance lease paid	1,173
		Net change in current/long investments	613
		Changes in working capital	328
Total	67,343	Total	67,343

FY2013 MANAGEMENT OUTLOOK & STRATEGY

Service revenue growth	6-8% YoY
Non-voice revenue growth	25-30% YoY
EBITDA margin	41-42%
CAPEX	Bt70bn in 3 years (10% allocated for 2G maintenance)
3G-2.1GHz network coverage	• 97% population coverage, equivalent to current 900MHz network • Service launch in all 77 provinces in Thailand since the first year • Approximately 20,000 of 3G-2.1GHz sites
3G-2.1GHz subscribers	8-10 million (40% using 3G devices)

New license on 2.1GHz

The long awaited 3G licensing in Thailand was finally pushed through and the National Broadcasting and Telecommunications Commission (NBTC) granted the first 2.1GHz license in December 2012. Advanced Wireless Network (AWN), a wholly-own subsidiary of AIS, is among one of three that receives a 15-year 2.1GHz license (2x15MHz bandwidth), at the bidding cost of Bt14,625mn. The licensing of new spectrum on 2.1GHz allows AIS to unleash capacity issue and provide full scale 3G service nationwide on a different cost structure from the existing 900MHz/1800MHz BTO (Build-Transfer-Operate) contract scheme. On the license scheme, revenues are subjected to annual license fee of 5.75% and network ownership belongs to AWN. On BTO contracts, revenues are subjected to revenue share of 20-30% paid to TOT/CAT (state-owned enterprises) and network ownership is also transferred to them. The 2.1GHz license is valid for 15 years while BTO contract on 900MHz expires in 2015 and 1800MHz contract in 2013. Meanwhile, we will continue to operate 900/1800MHz (2G network) in parallel with 2.1GHz (3G network) and will optimize both networks to deliver better quality service to our subscribers. Before an expiration of BTO contract, we expect NBTC to announce direction for spectrum reallocation. We intend to operate 900/1800MHz in the long term.

Investment plan: Bt70bn in the next three years

To maintain the leader position in Thai mobile market and prepare for expiration of the 900/1800MHz contract in 2015/2013, we plan to roll-out 3G-2.1GHz network ahead of NBTC schedule requirement. We intend to build 97% population coverage in 3 years versus the license coverage requirement of 80% within 4 years. Our 2.1GHz network will cover all 77 provinces in Thailand in the first year. By 2015, we intend to have approximately 20,000 sites of 2.1GHz with coverage equivalent to the existing 900MHz network and capacity of the new network matched actual demand. To achieve this roll-out plan, we estimate the consolidated capital expenditure (CAPEX) of Bt70bn in the next three years, provided that 90% of the CAPEX is for rolling out 2.1GHz network and the remaining is for maintaining 900/1800MHz networks that AIS retains rights to operate until 2015/2013. This Bt70bn will cover investment in radio equipment, core network, partial passive infrastructure i.e. towers and transmission, and IT system/equipment.

Network sharing with 2G infrastructure

Under the Bt70bn investment budget, we intend to build a new 3G-2.1GHz network as stand-alone due to the lack of asset ownership on the existing 2G network beyond 2015. Nevertheless, we also consider the competitive advantage of fast network rollout thus some of 2.1GHz equipment will be placed on 900MHz facilities/towers and will also share parts of transmission. Some new towers are also required as 2.1GHz coverage is naturally smaller than 900/1800MHz. Tower/facility/transmission rental will be based on rental agreement between AWN, the 2.1GHz-license company, and AIS who owns operating right of existing network infrastructure until 2015. The rental revenue of AIS is subjected to revenue share to TOT according to the BTO contract. Beyond 2015, a new agreement will need to be sought out between AWN and TOT, the owner of 900MHz asset. We expect to conclude a business deal before expiration of the 900MHz BTO contract.

Roaming between 2G and 3G

For best customers' experience, 2.1GHz subscribers will seamlessly roam on nationwide 900MHz network in the areas where 2.1GHz coverage is unavailable at the beginning and when customers are not using 3G devices, hence this will incur roaming cost. Similar to the network rental above, the roaming cost is as well subjected to revenue share paid to TOT during the BTO contract period. After that, roaming charges will be subjected to negotiation with TOT. The major factors that will drive roaming cost are roaming rate and roaming traffic. Roaming rate is expected to be in-line with the NBTC's guided reference interconnection rate of Bt0.45/minute. Roaming traffic will largely depends on 3G network coverage and 3G device adoption. As 3G coverage and device adoption expands, the roaming traffic will be smaller.

Mobile growth toward data centric segment

Mobile service revenue growth is expected between 6-8% in 2013, driven mainly by mobile data growth while voice growth tends to slowdown. With the new spectrum on 2.1GHz, AIS is ready to deliver a better data experience to customers and better serve the pent-up demand for mobile internet in wider area. The 3G on 2.1GHz will essentially answers mass data connectivity for Thailand where fixed broadband infrastructure is limited and fixed line penetration is merely 10%. While overall mobile penetration today is 118%, data penetration remains low everywhere, urban or rural. We believe that nationwide 3G coverage will expand overall mobile penetration further and data penetration to be more comparable to regional peers driven by the new data-centric segment, namely smartphone and tablet. Non-voice revenue (including mobile data, messaging, contents, and other value added services) is projected to grow 25-30% in 2013.

Meanwhile, voice growth is expected to slowdown from the past few years as market is highly penetrated, and estimated around 2-3% in 2013. We believe there is some room for voice growth in low-end segment and rural penetration while their mobile data usages also increase.

Attracting customers to 3G service

To strengthen our leadership in the new market environment, "Quality DNAs" (device, network, application, and service), our commitment to excellence, continue to be our core value to customers. Leading with our network quality, we will deploy marketing campaigns to attract subscribers to the better 3G services on 2.1GHz spectrum. Through our solid nationwide distribution channels, we will push more affordable 3G devices from leading handset manufacturers bundling with segmented price plans and applications/service innovation. Moving to 3G technology, overall pricing is moving toward more bundling and data pricing is moving to volume base pricing with fair usage policy, the scheme that is more suitable to the always-on/always-connect behavior. We target to achieve around 8-10 million 3G subscribers in 2013. However, not all customers on 3G subscription will be using 3G handsets and we expect 3G device penetration to be 40% of all 3G subscription.

New cost structure

The new 2.1GHz operation will change our cost structure in many aspects as customers move from the existing 2G subscription on BTO contracts to the new 3G subscription on licensing scheme.

1. The revenue share (20-30%) on BTO contracts will gradually be replaced by annual license fee (5.75%) from increasing number of 2.1GHz subscribers with 3G devices.
2. Operating expense will increase from expansion of 2.1GHz sites while running operation on 900/1800MHz network in parallel. Marketing campaigns will be launched to achieve the 2.1GHz subscriber target and increase 3G handset penetration. Marketing spending is expected around 2.5% of total revenue.
3. As mentioned earlier, 3G service will rely on the existing 2G infrastructure in terms of network rental and roaming service. Both rental and roaming charges will be incurred on 2.1GHz company and paid to AIS, and subsequently subjected to revenue share paid to TOT during the BTO contract period. Revenue share on network rental is expected to rise as we expand 3G sites while revenue share on roaming depends on 3G handset penetration and network coverage. The larger the number of 3G handsets and network coverage, the smaller roaming charges.
4. Amortization of 2.1GHz license is based on 15-year straight line basis while 2.1GHz network equipment will depreciated according to its useful life. Asset under the 900/1800MHz Build-Transfer-Operate (BTO) contract will be fully amortized by 2015/2013.

In 2013, EBITDA margin is expected to decline to 41-42% as rising marketing expense and additional revenue share incurred on roaming and rental charges from utilizing existing 900MHz network.

Capital management: 100% dividend payout

The company aims to maintain the same dividend policy that commits 100% payout ratio and pays dividend twice a year. The dividend payout ratio is based on consolidated earnings and subjected to the availability of retain earnings on the separated financial statement. This commitment is supported by our strong cash flow from operation and the low debt level. The CAPEX and license payment will be funded by internal cash flow and additional borrowings if required. Given that the company is currently in net cash position and has strong financial credit rating (A- by S&P), the management is comfortable to raise gearing. If and when there is new business opportunities or significant changes that may impact future operation and investment and hence capital structure, the company will be prompt to discuss our new direction with the investment community.

OPERATIONAL DATA

Subscribers	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
GSM Advance	2,976,500	3,027,500	3,056,200	3,116,200	3,193,600	3,288,500	3,371,900	3,452,000	3,592,800
GSM 1800	76,100	76,100	86,500	95,700	98,000	96,400	96,700	94,300	90,500
Postpaid	3,052,600	3,103,600	3,142,700	3,211,900	3,291,600	3,384,900	3,468,600	3,546,300	3,683,300
Prepaid	28,148,100	28,847,700	29,342,300	29,552,000	30,168,300	30,752,700	31,339,800	31,777,600	32,060,400
Total subscribers	31,200,700	31,951,300	32,485,000	32,763,900	33,459,900	34,137,600	34,808,400	35,323,900	35,743,700
Net additions									
Postpaid	48,100	51,000	39,100	69,200	79,700	93,300	83,700	77,700	137,000
Prepaid	650,500	699,600	494,600	209,700	616,300	584,400	587,100	437,800	282,800
Total net additions	698,600	750,600	533,700	278,900	696,000	677,700	670,800	515,500	419,800
Churn rate (%)									
Postpaid	1.8%	1.6%	1.7%	1.6%	1.5%	1.7%	1.6%	1.6%	1.5%
Prepaid	4.4%	4.4%	4.7%	5.0%	4.3%	4.4%	4.4%	4.3%	4.3%
Blended	4.2%	4.1%	4.4%	4.7%	4.1%	4.2%	4.1%	4.1%	4.0%
Subscriber market share									
Postpaid	43%	43%	43%	45%	45%	44%	43%	42%	n/a
Prepaid	44%	44%	44%	44%	44%	44%	45%	45%	n/a
Total	44%	44%	44%	44%	44%	44%	45%	44%	n/a
ARPU excl. IC (Bt)									
GSM Advance	647	649	645	652	694	678	681	683	690
GSM 1800	585	545	497	461	454	431	417	402	402
Postpaid	645	646	641	647	687	670	673	676	682
Prepaid	197	198	196	195	204	207	203	201	219
Blended	241	242	239	239	251	253	250	248	267
ARPU incl. net IC (Bt)									
GSM Advance	611	612	606	611	651	638	643	648	657
GSM 1800	576	536	484	445	437	415	401	384	388
Postpaid	610	610	602	606	644	632	637	640	650
Prepaid	203	204	202	201	209	213	208	206	225
Blended	243	244	240	240	252	254	251	250	268
MOU (minutes: billable outgoing only)									
GSM Advance	532	527	530	529	588	573	552	547	540
GSM 1800	496	484	479	463	499	486	484	478	482
Postpaid	532	526	529	527	585	570	550	545	538
Prepaid	292	301	299	300	323	334	322	324	330
Blended	316	323	322	322	349	358	345	346	351

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ARPU DEFINITION

In accordance with international practice, we have adjusted ARPU disclosure to better reflect all revenues generated from the mobile network. We believe the new definition should provide a more transparent representation of our reported service revenues and maintain the conservative approach of recognizing revenue on a net basis. The revenue items included in the calculation of ARPU figures are based on consolidated revenue, according to the Thai accounting standard. The ARPU definition is outlined accordingly.

	ARPU exclude IC	ARPU include IC
Definition	Consolidated service revenue excludes international call revenues from AIN and interconnection revenues divided by an average of subscribers at the beginning and ending period. = Service revenue - AIN revenue - Gross IC revenue (beg.sub + end.sub) / 2	Consolidated service revenue excludes international call revenues from AIN divided by average of subscribers at the beginning and ending period. = Service revenue - AIN revenue - Gross IC revenue + Net IC revenue (beg.sub + end.sub) / 2
Revenue composition	☑ Voice ☑ Value-added service (call management, SMS, MMS, data) ☑ International roaming ☑ International call via CAT, TOT ☑ Others ☐ Net interconnection revenue ☐ International call via AIN (AIS subsidiary) All categories are net of third-party sharing and commission	☑ Voice ☑ Value-added service (call management, SMS, MMS, data) ☑ International roaming ☑ International call via CAT, TOT ☑ Others ☑ Net interconnection revenue ☐ International call via AIN (AIS subsidiary) All categories are net of third-party sharing and commission

GLOSSARY OF TERMS AND DEFINITIONS

Operational data

Subscriber	Number of registered SIM at ending period whose status is not defined as churn
Postpaid churn	Subscribers whose payment status is overdue more than 45 days from due date
Prepaid churn	Subscribers who do not make a refill within 37 days after validity expires
Net additions	Change of number of subscribers and ending period from the beginning period
ARPU excl. IC	Consolidated service revenue excludes international call revenues from AIN and interconnection revenues divided by average of subscribers at the beginning and ending period. It includes voice revenue, value-added services, international roaming, international calls and other revenues such as national roaming, broadband and transmission
ARPU incl. IC	Including net interconnection (IC revenue – IC cost)
MOU	Number of billed outgoing minutes generated from voice calls, including international call usage and SMS divided by the number of average subscribers
Churn rate	Number of subscriber disconnections in the period divided by the sum of gross new subscribers in the period and the subscribers at the beginning period
Voice	Domestic voice usage generated by postpaid, prepaid subscribers and corporate subscribers
International roaming	Both inbound and outbound international roaming usage generated by foreign roamers using AIS network and AIS subscribers who roam overseas
IDD	International call (IDD) and other telecommunication services under subsidiaries
Non-voice (data)	Includes all non-voice services e.g. SMS, MMS, Mobile Internet, ring-back tone, infotainment and data transmission; excluding call management services e.g. call forward, conference call, call divert

Financial data

EBITDA margin	Operating profit before depreciation, amortization, and allowance for impairment as a percentage to total revenue
Interest Coverage	Operating profit for the period divided by Interest expenses for the period
DSCR	Debt service coverage ratio calculated from EBITDA after tax divided by repayment of short-term and current portion of long-term borrowing and debentures and interest paid for the period
Net Debt / EBITDA	Short-term and long-term interest-bearing debts minus cash divided by annualized EBITDA
Net Debt / Equity	Short-term and long-term interest-bearing debts minus cash divided by total shareholder's equity at ending period
Interest-bearing Debt to Equity	Short-term and long-term interest-bearing debts divided by total shareholder's equity at ending period
Total Liabilities to Equity	Total liabilities at ending period divided by total shareholder's equity at ending period
Debt Ratio	Total liabilities at ending period divided by total assets at ending period
Free cash flow to EV	(EBITDA – capex – tax) / (market capitalization + book value of net debt)
Free cash flow (FCF)	FCF = EBITDA – CAPEX
Cash OPEX	Network OPEX + Other cost of service + SG&A excluding amortization & depreciation
ROE (%)	Return to Equity: Annualized normalized net income divided by average equity