1Q13 MD&A: Advanced Info Service Plc.

EXECUTIVE SUMMARY

In 1Q13, mobile service continued to grow, driven by mobile data, while voice services started to saturate and witnessed a growth slowdown as expected. Mobile data demand continued to strengthen due to increasing public awareness of the forthcoming 3G-2.1GHz and the availability of affordable and new richer feature smart devices. Meanwhile, increased mobile users began to use social applications such as Facebook and Line.

Despite capacity constraints on the 900MHz spectrum, in 1Q13, AIS service revenue grew 7% YoY, in line with the company 2013 guidance. Service revenue growth was contributed mainly by non-voice revenue, which grew 29% YoY and 6.4% QoQ, driven by both higher usage and increased users. The number of 3G-900MHz subscribers increased to 5.3mn from 4.5mn last year. Voice revenue was stable YoY but decreased 1.5% QoQ. We expect the capacity issue to be resolved after 3G-2.1GHz launch.

1Q13 EBITDA increased to Bt16,293mn, up 3.8% YoY and 5.6% QoQ due to stronger revenue growth offset by higher operating expenses, while the EBITDA margin was 43.5%, still above 2013 guidance as there has not yet been any impact from 3G-2.1GHz. With lower amortization expense on network under the Build-Transfer-Operate (BTO) agreements and lower corporate tax rate (from 23% to 20%), net profit increased 11% YoY and 17% QoQ to Bt9,923mn.

Our 2.1GHz network expansion is on schedule. We invited a limited number of customers to experience our new 3G-2.1GHz service in 1Q13, with full-scale services to be launched in 20 key cities in May 2013. We spent a CAPEX of Bt6bn in 1Q13 from a 3-year CAPEX budget of Bt70bn. All 2013 company guidance is maintained.

OPERATIONAL SUMMARY

AIS **subscriber base** expanded to 37.1mn in 1Q13, representing a strong net addition of 1.4mn, particularly from the prepaid segment. In compliance with the NBTC's prepaid validity regulation, AIS applied a temporary measure during February, which resulted in lower churn and high net addition. Prepaid **churn** decreased to 3.2% from 4.3% in 4Q12, resulting in a high net addition, while postpaid churn was stable. In March, we implemented the new measures as approved by the NBTC where any amount of prepaid refill shall receive a minimum validity of 30 days, and hence churn is likely to be lower than 2012 level going forward.

Following a surge in AIS subscriber base, prepaid **average revenue per user (ARPU)** fell to Bt202, a decrease of 2.4% YoY and 2.9% QoQ. Similarly, prepaid **minutes of use (MOU)** declined 1.5% YoY, but stayed flat QoQ at 329 minutes. Excluding the impact from the temporary measure, prepaid ARPU and MOU stayed flat YoY. We also witnessed customers moving from prepaid to postpaid, hence driving the QoQ drop in prepaid ARPU. In the postpaid segment, ARPU improved 1.6% YoY and was stable QoQ at Bt681 as more customers purchased smartphone packages. Postpaid MOU declined 6.8% YoY and 1.3% QoQ to 531 minutes, as customers became more data centric.

Table 1 – Operational figures

Subscribers	1Q12	2Q12	3Q12	4Q12	1Q13
Postpaid	3,384,900	3,468,600	3,546,300	3,683,300	3,825,800
Prepaid	30,752,700	31,339,800	31,777,600	32,060,400	33,293,100
Total subscribers	**34,137,600**	**34,808,400**	**35,323,900**	**35,743,700**	**37,118,900**
Net additions					
Postpaid	93,300	83,700	77,700	137,000	142,500
Prepaid	584,400	587,100	437,800	282,800	1,232,700
Total net additions	**677,700**	**670,800**	**515,500**	**419,800**	**1,375,200**
ARPU excl. IC (Bt/sub/month)					
Postpaid	670	673	676	682	681
Prepaid	207	203	201	208*	202
Blended	**253**	**250**	**248**	**257***	**252**
MOU (minute/sub/month)					
Postpaid	570	550	545	538	531
Prepaid	334	322	324	330	329
Blended	**358**	**345**	**346**	**351**	**350**

(*) Restated prepaid ARPU and blended ARPU in 4Q12

RESULTS

Revenue

AIS recorded a **total revenue** of Bt37,492mn, an increase of 6.6% YoY, supported by strong mobile usage and device sales. QoQ, the total revenue fell 1.8%, mainly from weaker device sales.

- **Service revenue, excluding IC**, was Bt28,466mn and increased 7% YoY, in line with our 2013 guidance, underpinned by strong data growth momentum.
- **SIM & device sales** were Bt5,152mn, an increase of 11% YoY, supported by rising demand for smart devices but softer at 15% QoQ, following successful iPhone 5 sales in 4Q12. The sales margin was lower at 7.9% in 1Q13, compared to 8.3% in 4Q12 and 8.1% in 1Q12.

Voice revenue

In 1Q13, overall voice growth started to decelerate, reflecting a saturated voice market, in line with our guidance. **Voice revenue** was Bt18,737mn and stable YoY, compared to last year's 5% voice growth. QoQ, voice revenue dropped 1.5% mainly from the prepaid segment.

- **Postpaid voice revenue** recorded a decent growth of 6.6% YoY and 1.4% QoQ due to rising subscriptions, driven by attractive postpaid smartphone packages.
- **Prepaid voice revenue** declined 1.9% YoY and 2.4% QoQ because of a highly penetrated voice market, particularly in urban areas.

Non-voice revenue

In 1Q13, non-voice revenue was Bt7,687mn, an increase of 29% YoY and 6.4% QoQ. Although AIS provided 3G-900MHz in limited areas with restricted capacity, our 3G-900 data subscribers increased to 5.3mn from 4.5mn in 4Q12. The new 3G-2.1GHz network will encourage customers to consume more data. AIS also strengthened its digital life content portfolio, by introducing AIS Movie Store in 1Q13, and more services line-up such as AIS myCloud and AIS mPay rabbit is scheduled for launch this year.

International and other revenues

- **International roaming (IR)** revenue stood at Bt659mn, a drop of 16% QoQ and 6.2% YoY, due to global price pressure, which was partly offset by growing revenue from data roaming usage.
- **International call & other business** was Bt1,383mn, an increase of 17% QoQ from the seasonal effect on IDD services and increased 14% YoY because of higher revenue from network infrastructure rental.

Interconnection charges (IC)

Net interconnection revenue was stable QoQ but increased YoY to Bt190mn. This was caused by lower IC payment because of the rising popularity of calling within AIS' network.

Expenses

Cost of services, excluding IC

Cost of services, excluding IC was Bt6,410mn, an increase of 5.7% YoY but decreased 5.4% QoQ

- **Network amortization** decreased 10% YoY and 5.1% QoQ to Bt3,482mn from fully amortized BTO assets.
- **Network operating expenses** were Bt1,436mn, an increase of 27% YoY, due to 3G-900MHz network investment and capacity expansion during 2012, but decreased 11% QoQ from a lower maintenance cost.
- **Other cost of service** was stable QoQ at Bt1,493mn, but increased 40% YoY mainly due to the amortization of the 2.1GHz license cost and other costs related to network expansion.

Selling and general administrative expenses (SG&A)

SG&A was Bt3,022mn, an increase of 18% YoY, but a decrease of 16% QoQ.

- **Marketing expense** rose 39% YoY to Bt706mn as AIS built 3G brand awareness, but fell 28% QoQ from seasonally high spending in 4Q12.
- **Administrative and staff cost** increased 10% YoY, as we continued to write off obsolete equipment valued at Bt116mn in 1Q13, but decreased 14% QoQ from lower write off amount.
- **Bad debt** increased 50% YoY and 22% QoQ to Bt193mn due to provision of international roaming revenue from foreign operators that closed down businesses.

Profit

EBITDA was Bt16,293mn, an increase of 3.8% YoY and 5.6% QoQ, from revenue growth, offset by higher cash operating expenses. **EBITDA margin** was 43.5%, which improved from 40.4% in 4Q12 because of lower SG&A and network operating expenses, but decreased from 44.6% in 1Q12 as the low-margin handset business grew YoY.

Net profit was Bt9,923mn, an increase of 11% YoY and 17% QoQ, mainly due to the higher EBITDA, lower network amortization and reduced corporate tax (from 23% to 20%). **Net profit margin** was 26.5%, compared to 25.4% in 1Q12 and 22.2% in 4Q12.

Financial position

Total asset was Bt116,169mn and grew 15% from 4Q12, mainly due to an increase in cash and fixed assets. **Cash** was Bt36,737mn and increased from Bt23,531mn in 4Q12 due to strong operation. The **fixed assets** increased from Bt40,297mn in 4Q12 to Bt42,426mn due to 2.1GHz network investment.

Interest bearing debt was Bt24,681mn and increased from Bt20,915mn in 4Q12, as AIS withdrew new bank loans of Bt3.8bn in 1Q13 while average cost of debt was 4.1%. AIS still maintained a net cash position. **Liquidity**, represented by current ratio, was 0.93. Consolidated **equities** were Bt38,604mn and decreased from Bt43,542mn in 4Q12 due to lower retained earnings after appropriated Bt14,863mn as a cash dividend.

Cash flow

Cash flow from operation was Bt15,684mn in 1Q13, a decrease of 1.3% YoY. In 1Q13, AIS spent Bt5,976mn of cash **CAPEX**, for expansion of 2.1GHz network after obtaining the 2.1GHz spectrum license, and maintenance of existing 900MHz network.

Free cash flow (EBITDA-CAPEX) was Bt10,317mn, a decrease of 26% YoY and 13% QoQ, due to the higher CAPEX, offset by the higher EBITDA.

FINANCIAL RESULT

Table 2 – Revenue	1Q12	(Bt million) /(% to total service revenue excluded IC)	4Q12		1Q13		YoY	QoQ
Voice revenue	18,702	70.3%	19,014	67.4%	18,737	65.8%	0.2%	-1.5%
Postpaid (voice)	4,582	17.2%	4,819	17.1%	4,885	17.2%	6.6%	1.4%
Prepaid (voice)	14,120	53.1%	14,195	50.3%	13,852	48.7%	-1.9%	-2.4%
Non-voice revenue	5,973	22.5%	7,225	25.6%	7,687	27.0%	29%	6.4%
International roaming	702	2.6%	782	2.8%	659	2.3%	-6.2%	-16%
Others (IDD, other fees)	1,216	4.6%	1,185	4.2%	1,383	4.9%	14%	17%
Service revenue, excluding IC	**26,593**	**100%**	**28,206**	**100%**	**28,466**	**100%**	**7.0%**	**0.9%**

Table 3 – Sales	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Sales revenue	4,636	13.2%	6,068	15.9%	5,152	13.7%	11%	-15%
Cost of sales	4,261	12.1%	5,565	14.6%	4,746	12.7%	11%	-15%
Net sales	**375**	**1.1%**	**504**	**1.3%**	**406**	**1.1%**	**8.3%**	**-19%**
% Sales margin	**8.1%**		**8.3%**		**7.9%**			

Table 4 – Interconnection	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Interconnection revenue	3,948	11.2%	3,908	10.2%	3,874	10.3%	-1.9%	-0.9%
Interconnection cost	3,841	10.9%	3,718	9.7%	3,684	9.8%	-4.1%	-0.9%
Net interconnection	**107**	**0.3%**	**190**	**0.5%**	**190**	**0.5%**	**77%**	**-0.2%**

Table 5 – Cost of services excluding IC	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Network amortization	3,867	11.0%	3,667	9.6%	3,482	9.3%	-10%	-5.1%
Network operating expenses	1,129	3.2%	1,614	4.2%	1,436	3.8%	27%	-11%
Base station rental & utility	800	2.3%	1,021	2.7%	1,055	2.8%	32%	3.3%
Maintenance	329	0.9%	593	1.5%	381	1.0%	16%	-36%
Other cost of services	1,069	3.0%	1,492	3.9%	1,493	4.0%	40%	0.1%
Cost of services excluding IC	**6,065**	**17.2%**	**6,774**	**17.7%**	**6,410**	**17.1%**	**5.7%**	**-5.4%**
Revenue sharing expense	**6,747**	**19.2%**	**7,302**	**19.1%**	**7,311**	**19.5%**	**8.4%**	**0.1%**

Table 6 – SG&A	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Marketing expense	508	1.4%	988	2.6%	706	1.9%	39%	-28%
General administrative & staff cost	1,872	5.3%	2,417	6.4%	2,068	5.6%	10%	-14%
Bad debt provision	128	0.4%	157	0.4%	193	0.5%	50%	22%
Depreciation	48	0.1%	54	0.1%	55	0.1%	13%	1.7%
Total SG&A	**2,556**	**7.3%**	**3,616**	**9.5%**	**3,022**	**8.1%**	**18%**	**-16%**
% Bad debt to postpaid revenue	**1.9%**		**2.2%**		**2.5%**			

Table 7 – EBITDA	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Operating Profit	11,707	33.3%	11,208	29.4%	12,319	32.9%	5.2%	9.9%
Depreciation of PPE	554	1.6%	556	1.5%	572	1.5%	3.3%	3.0%
Amortization	3,475	9.9%	3,346	8.8%	3,319	8.9%	-4.5%	-0.8%
(Gain)/Loss on disposal of PPE	-2	0.0%	372	1.0%	115	0.3%	6817%	-69%
Management Benefit	-29	-0.1%	-41	-0.1%	-33	-0.1%	15%	-18%
Other financial cost	-11	0.0%	-14	0.0%	2	0.0%	-116%	-112%
EBITDA	**15,694**	**44.6%**	**15,428**	**40.4%**	**16,293**	**43.5%**	**3.8%**	**5.6%**

Table 8 – Financial cost	1Q12	(Bt million)/(% to total revenue)	4Q12		1Q13		YoY	QoQ
Total financial cost	287	0.8%	258	0.7%	275	0.7%	-4.4%	6.6%

Table 9 - Consolidated (Bt million)	1Q12	4Q12	1Q13	YoY	QoQ
Net income	**8,926**	**8,458**	**9,923**	**11%**	**17%**

Table 10 – Financial Position (Bt million)/(% to total asset)	4Q12		1Q13	
Cash	23,531	23.3%	36,737	31.6%
ST investment	1,340	1.3%	1,281	1.1%
Trade receivable	8,065	8.0%	7,892	6.8%
Inventories	1,427	1.4%	1,644	1.4%
Others	3,741	3.7%	3,979	3.4%
Current Asset	**38,103**	**37.7%**	**51,533**	**44.4%**
Spectrum license	14,577	14.4%	14,336	12.3%
Networks and PPE	40,297	39.9%	42,426	36.5%
Intangible asset	2,033	2.0%	2,214	1.9%
Defer tax asset	5,314	5.3%	5,020	4.3%
Others	644	0.6%	640	0.6%
Total Assets	**100,968**	**100%**	**116,169**	**100%**
Trade accounts payable	7,341	7.3%	6,166	5.3%
CP of LT loans	8,462	8.4%	10,944	9.4%
Accrued R/S expense	4,855	4.8%	7,502	6.5%
Others	15,630	15.5%	30,515	26.3%
Current Liabilities	**36,288**	**35.9%**	**55,126**	**47.5%**
Total interest-bearing debt	20,915	20.7%	24,681	21.2%
Total Liabilities	**57,426**	**56.9%**	**77,566**	**66.8%**
Unappropriated retained earnings	17,344	17.2%	12,403	10.7%
Total Equity	**43,542**	**43.1%**	**38,604**	**33.2%**

Table 11 – Key Financial Ratio	1Q12	4Q12	1Q13
Debt to equity (D/E)	0.63	0.48	0.64
Net debt to equity	Net cash	Net cash	Net cash
Net debt to EBITDA	Net cash	Net cash	Net cash
Current ratio	1.04	1.05	0.93
Interest coverage	42	46	45
DSCR	7.4	5.0	4.3
ROE (%)	95%	85%	97%

Table 12 – Debt Repayment Schedule (Bt million)	Debenture	Loan
1Q13	-	-
2Q13	4,000	247
3Q13	4,000	-
4Q13	-	247
2014	2,500	2,939
2015	-	2,399
2016	-	3,707
2017	-	1,801
2018	-	2,799

Table 13– Source and use of fund : 1Q13			(Bt million)
Source of Fund		**Use of Fund**	
Operating CF before change in working capital	16,671	Cash increased	13,492
Proceeds of long-term borrowings	3,813	CAPEX & Fixed assets	5,976
Interest received	156	Income tax paid	509
Net change in current/long investments	59	Changes in working capital	478
Sale of property and equipment	2	Finance cost and finance lease paid	246
Total	**20,701**	**Total**	**20,701**

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 year (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 5.25% 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 (5.25%) 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.

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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 between the ending of the period and the beginning of the 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 / Equity	Short-term and long-term interest-bearing debts divided by total shareholder's equity 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