2Q13 MD&A: Advanced Info Service Plc.

Executive Summary

The new AIS 3G-2.1GHz was officially launched in May 2013 with a positive response from customers. With the new 3G-2.1GHz network now available in 56 key provinces, nearly 3.9 million or 10% of total subscribers have registered as of 2Q13. We are currently accelerating the new network roll-out and expect our 3G-2.1GHz service to be available in all urban areas nationwide within this year. Since launching the 3G-2.1GHz service, revenue from the new 3G has gradually increased and accounted for 8% of service revenue, excluding IC, by the end of 2Q13. We witnessed a lower regulatory cost of 7.2%QoQ, despite service revenue dropping only 1.3%QoQ because more customers than expected migrated to 2.1GHz and adopted 3G handsets. At the same time, roaming rate from 3G to 2G was lower than our original guidance.

In 2Q13, service revenue continued to grow YoY but decreased QoQ due to seasonality. Non-voice revenue continued to be the key growth driver, offset by softened voice revenue. Non-voice growth came from higher mobile data consumption as smartphone users increased to 8.3mn from 7mn in 1Q13, while other non-voice services, such as SMS and ring back tone, slowed down. YoY, messaging revenue started to contract, reflecting SMS-data cannibalization. In 1H13, non-voice revenue increased 27% YoY, but voice revenue was flat YoY, while service revenue, excluding IC, grew 6.2%YoY, in line with the full year guidance of 6-8%YoY.

Despite a higher OPEX from the 3G-2.1GHz launch, EBITDA in 1H13 grew 3.9%YoY and net profit increased 8.4%YoY. Despite the aggressive roll out of the new 3G-2.1GHz network, 1H13 net profit continued to grow because depreciation and amortization in 1H13 remained stable at 0.4% YoY, due to our conservative amortization policy, and the corporate tax rate is lower this year at 20%.

Guidance for 2013 has been revised up in response to the positive developments. The target for 2.1GHz subscribers in 2013 has now been increased to 10-12mn, due to a positive response from consumers and a faster network coverage rollout than targeted. EBITDA margin has also been revised up to 43% because of a lower IC rate (from Bt1/min to Bt0.45/min, effective July 1, 2013) and a lower roaming rate, despite a higher network OPEX and marketing expense. CAPEX guidance of Bt70bn is maintained to achieve 97% population coverage by 2015, while we expect to achieve service revenue growth guidance at 6-8% from improved non-voice growth, although this is likely to be offset by a softer voice growth.

Operational Summary

In 2Q13, our **subscriber** base increased to 37.7mn with a **net addition** of 548k subscribers. The majority of new subscribers came from the prepaid segment, but the postpaid showed a better growth rate at 14%YoY, compared to the prepaid at 7.5%YoY. The strong postpaid net addition was due to more attractive bundled smartphone packages. In compliance with NBTC's regulation on prepaid validity, in February, we applied a temporary measure causing a significant drop in prepaid churn in 1Q13. In March, after we implemented an approved prepaid validity measure from the NBTC, prepaid **churn** in 2Q13 increased to 3.8%, but was still lower than the churn level in 2012. Postpaid churn was 1.5% and stable both YoY and QoQ.

Blended average revenue per user (**ARPU**) in 2Q13 decreased to Bt244/month, due to seasonality. YoY, blended ARPU decreased 2.8%. Comparing our 3G (2.1GHz) and 2G (900MHz) subscribers, 2G subscriber ARPU decreased as high value customers and smartphone users moved to 3G-2.1GHz. 3G postpaid ARPU was Bt792/month, compared to a 2012 average postpaid ARPU of Bt676/month. 3G prepaid ARPU was Bt216/month, compared to a 2012 average of Bt207/month. Blended minutes of use (**MOU**) also dropped QoQ due to seasonality. YoY, blended MOU decreased 3%.

Reclassification Notes

1. On the financial statement, the Company reclassified certain roaming costs previously booked under cost of services to be deducted from service revenue. Henceforth, service revenue presentation has been changed from a gross basis to a net basis after roaming costs. In 1H12, the amount was 21mn. Please refer to note 22 of the financial statement for further details.

2. On revenue breakdown in this report, we made a reclassification by moving certain billing and collection fee previously booked under voice revenue to other service revenue. The fee is the revenue receiving from other operators for billing and collecting revenue on their behalf. This was approximately Bt40mn per quarter and has been retrospectively reclassified since 2011. Please note that total service revenues remained unchanged from this reclassification.

Subscribers	2Q12	3Q12	4Q12	1Q13	2Q13
2G-Postpaid	3,468,600	3,546,300	3,683,300	3,825,800	2,712,000
2G-Prepaid	31,339,800	31,777,600	32,060,400	33,293,100	31,008,100
3G-Postpaid	-	-	-	-	1,235,000
3G-Prepaid	-	-	-	-	2,711,300
Total subscribers	**34,808,400**	**35,323,900**	**35,743,700**	**37,118,900**	**37,666,400**
Net additions					
2G-Postpaid	83,700	77,700	137,000	142,500	-1,113,800
2G-Prepaid	587,100	437,800	282,800	1,232,700	-2,285,000
3G-Postpaid	-	-	-	-	1,235,000
3G-Prepaid	-	-	-	-	2,711,300
Total net additions	**670,800**	**515,500**	**419,800**	**1,375,200**	**547,500**
ARPU (Bt/sub/month)					
2G-Postpaid	674*	676*	683*	683*	663
2G-Prepaid	205*	202*	210*	204*	192
3G-Postpaid	-	-	-	-	792
3G-Prepaid	-	-	-	-	216
Blended	**251***	**249***	**258***	**254***	**244**
MOU (minute/sub/month)					
2G-Postpaid	504*	495*	483*	470*	450
2G-Prepaid	313*	323*	324*	323*	307
3G-Postpaid	-	-	-	-	450
3G-Prepaid	-	-	-	-	322
Blended	**332***	**340***	**340***	**339***	**322**

*(*ARPU is restated due to a change in definition and the reclassification in 2Q13; MOU is restated due to a change in definition)*
2G refers to 900 & 1800MHz operation under Build-Transfer-Operate contract; 3G refers to 2100MHz operation under license issued by NBTC

Financial Summary

Revenue

In 2Q13, AIS reported a **total revenue** of Bt36,007mn, an increase of 4.5% YoY, underpinned by a growing demand for mobile internet. QoQ, the total revenue declined 3.9%, mainly from softer device sales and reduced voice revenue. In 1H13, total revenue was Bt73,484mn, an increase of 5.5% YoY.

- **SIM & device sales** were Bt4,209mn, an increase of 6% YoY, from growing smart device popularity, but were softer 18% QoQ, as consumers continue to wait for the new iPhone. The sales margin fell to 7.2%, compared to 7.9% in 1Q13 and 7.8% in 2Q12. In 1H13, SIM & device sales rose 8.8% YoY, while the sales margin stood at 7.6%.

- **Service revenue, excluding IC**, was Bt28,084mn, an increase of 5.4% YoY, following strong mobile data growth momentum, but dropped 1.3% QoQ due to softer voice revenue. 3G-2.1GHz service was launched in May-13 and contributed 8% of service revenue, excluding IC, in 2Q13. In 1H13, service revenue, excluding IC, increased 6.2% YoY, reaching Bt56,534mn.

  - In 2Q13, **voice revenue** was Bt18,202mn, a decrease of 1.4% YoY, reflecting a saturated voice market. QoQ, voice revenue dropped 2.6% mainly from the prepaid segment. In 1H13, voice revenue was stable at Bt36,881mn, representing 65% of service revenue, compared to 70% in 1H12. **Postpaid voice revenue** in 1H13, grew 7.8% YoY due to growing smartphone package subscription, particularly from 3G-2.1GHz subscribers who generated a higher ARPU. **Prepaid voice revenue** in 1H13 decreased 3.4% YoY because of natural migration from high value prepaid users to postpaid users.

- **Non-voice revenue** stood at Bt7,921mn, an increase of 25% YoY and 3% QoQ. In May-13, AIS launched the new 3G-2.1GHz services which stimulated higher mobile internet usage. New 3G received a very positive response from customers with 3.9m subscribers in 2Q13. Due to declining smart device prices and rising popularity of social applications, smartphone penetration increased to 22% from 19% in 1Q13. In 1H13, non-voice revenue was Bt15,608mn, an increase of 27% YoY, driven by an impressive mobile data revenue growth of 59% YoY. Messaging revenue contracted YoY for two consecutive quarters, reflecting SMS-data cannibalization. In 2H13, there will be more differentiated digital life style content on offer, including exclusive English Premier League (EPL) on mobile, GMMZ on AIS, and AIS mPay Rabbit.

- **International and other revenues**
  - **International roaming (IR)** revenue continued its declining trend of 8.5% YoY and 1.2% QoQ to Bt651mn in 2Q13. In 1H13, the IR revenue fell 7.3%. This was caused by global price pressures, which was partly offset by growing users and increased usage of data roaming service.

  - **International call & other business** was Bt1,310mn, an increase of 13% YoY, but a decrease of 8.1% QoQ, due to IDD services seasonality. In 1H13, combined revenues increased 13% to Bt2,736mn due to higher infrastructure rental revenue and other services.

- **Interconnection charges (IC)**
  Net interconnection revenue slightly dropped QoQ but increased 73% YoY to Bt185mn as other operators promoted any network calls. In 1H13, AIS was a net IC recipient of Bt374mn, an increase from Bt214mn in 1H12.

Cost of services, excluding IC

As a result of 3G-2.1GHz network expansion, **cost of services, excluding IC**, in 2Q13 increased 5.5%YoY to Bt13,491mn. However, QoQ, cost of services, excluding IC, decreased 1.6% as regulatory fees dropped. In 1H13, cost of service, excluding IC, was Bt27,196mn, an increase of 6.3%YoY, due to 3G-2.1GHz network expansion.

- **Regulatory fees** in 2Q13 increased 1.2%YoY due to service revenue growth, but decreased 7.2%QoQ because service revenue dropped and revenue began shifting to new 2.1GHz license platform which carries a lower regulatory fee compared to 900MHz Build-Transfer-Operate contract. Regulatory fees, as a percentage to service revenue including net IC, were 25.1% in 2Q13, compared to 26.7% in 1Q13 and 26.2% in 2Q12. In 1H13, regulatory fees were Bt14,728mn, an increase of 5.1%YoY, due to the service revenue growth.

- **Depreciation & amortization** in 2Q13 was Bt3,987mn, an increase of 4.6%YoY and 3.9%QoQ, due to the amortization of the 2.1GHz license and depreciation of the new 2.1GHz network, offset by a lower amortization of assets under concession. In 1H13, depreciation & amortization was stable at 0.4%YoY.

- **Network OPEX** was Bt1,873mn, an increase of 27%YoY and 8.5%QoQ, due to the 3G-2.1GHz network expansion and preventive maintenance program. In 1H13, network OPEX was Bt3,599mn, an increase of 30%YoY, due to the 3G-2.1GHz network expansion. As of June 2013, we had installed around 7,500 base stations of 3G-2.1GHz in more than 60 provinces around Thailand.

- **Other cost of service** was Bt543mn, an increase of 11%YoY and 8.1%QoQ, mainly due to increasing call center capacity to support the 3G-2.1GHz launch and other cost related to network roll-out. In 1H13, other cost of service had increased 3.6%YoY.

Selling and general administrative expense (SG&A)

SG&A was Bt3,349mn, an increase of 14%YoY and 11%QoQ, due to higher marketing, staff cost and administrative expenses to support the new 3G-2.1GHz service, including new 3G launch activities and an increase of customer service channels. In 1H13, SG&A expense was Bt6,371mn, an increase of 16%YoY.

- **Marketing expense** was Bt917mn, an increase of 22%YoY and 30%QoQ, due to 3G-2.1GHz launch activities to create awareness of the new 3G-2.1GHz service. In 1H13, marketing expense was 2.2% of total revenue and is expected to rise in 2H13 toward 3-3.5% of total revenue for full year.

- **General administrative expenses** increased 8.9%YoY and 5.8%QoQ to Bt2,189mn, due to higher staff cost and channel enhancement to support 3G-2.1GHz service launch. In 1H13, general administrative expense increased 10%YoY, mainly due to the write-off of obsolete equipment valued at Bt116 in 1Q13 and channel enhancement.

- **Bad debt** was Bt189mn, an increase of 43%YoY, due to postpaid revenue growth and a higher postpaid subscriber base, but decreased 2%QoQ. In 1H13, bad debt increased 46%YoY while the percentage of bad debt to postpaid revenue was 2.5%, compared to 1.9% in 1H12.

Profit

Despite higher expenses from 3G-2.1GHz launch, **EBITDA** in 2Q13 increased 4%YoY to Bt15,753mn. QoQ, EBITDA decreased 3.3% as revenue dropped. In 1H13, EBITDA was Bt32,046mn, an increase of 3.9%YoY. **EBITDA margin** slightly improved QoQ to 43.7% from 43.5% in 1Q13 as regulatory fee shifted from revenue sharing to annual license fee basis, but decreased YoY from 44% in 2Q12 due to higher expense from 3G-2.1GHz launch. In 1H13, the EBITDA margin was 43.6%, compared to 44.3% in 1H12. **Net profit** of 2Q13 was Bt9,195mn, an increase of 5.5%YoY, due to EBITDA growth and lower corporate tax rate at 20%. QoQ, net profit decreased 7.3% because of lower EBITDA and a loss in foreign exchange of Bt155mn, compared to foreign exchange gain of Bt171mn in 1Q13. The foreign exchange loss was due to depreciation of the Thai Baht, while US dollar quoted CAPEX increased due to the 3G-2.1GHz expansion. We are working on solutions to limit this foreign currency exposure. In 1H13, net profit was Bt19,117mn, an increase of 8.4%YoY, due to revenue growth, stable depreciation and amortization due to our conservative amortization policy, and the lower corporate tax rate, offset by higher expenses from 3G-2.1GHz service launch.

Financial position

In 2Q13, as the 3G-2.1GHz network was expanding, the non-current asset increased to Bt67,252mn from Bt64,637mn in 1Q13. However, total assets were Bt108,563mn, and decreased from Bt116,169mn in 1Q13, largely because of a decrease in cash from Bt36,737mn in 1Q13 to Bt25,458mn after Bt14.8bn dividend payout.

After repayment of Bt4,000mn debenture and a loan of Bt247mn in 2Q13, AIS still maintained a net cash position while its interest bearing debt was Bt20,432mn, a decrease from Bt24,681mn in 1Q13. Liquidity, represented by current ratio, was 1.07 and improved from 0.93 in 1Q13. Consolidated equities were Bt47,788mn and increased from Bt38,604mn in 1Q13 due to higher retained earnings from 2Q13 net profit.

Cash Flow

In 1H13, operation cash flow was Bt29,406mn and stable compared to 1H12. Cash CAPEX in 1H13 was Bt11,970mn and increased from Bt3,474mn in 1H12 due to expansion of the new 3G-2.1GHz network. As a result of the higher CAPEX, free cash flow (EBITDA-CAPEX) of 1H13 was Bt20,075mn and decreased 27%YoY, despite the EBITDA growth in 1H13.

2Q13 MD&A: Advanced Info Service Plc.

*(*Restated due to the reclassification in 2Q13)*

Income statement (Bt-million)	2Q12	1Q13	2Q13	%YoY	%QoQ	1H12	1H13	%YoY
Voice revenue	18,459*	18,680*	18,202	-1.4%	-2.6%	37,112*	36,881	-0.6%
Postpaid (voice)	4,581*	4,876*	4,990	8.9%	2.3%	9,151*	9,866	7.8%
Prepaid (voice)	13,878*	13,803*	13,212	-4.8%	-4.3%	27,960*	27,015	-3.4%
Non-voice revenue	6,321	7,687	7,921	25%	3.0%	12,294	15,608	27%
International Roaming	711	659	651	-8.5%	-1.2%	1,413	1,309	-7.3%
Others (IDD, other fee)	1,165*	1,426*	1,310	13%	-8.1%	2,430*	2,736	13%
Service revenue excluding IC	**26,656**	**28,451**	**28,084**	**5.4%**	**-1.3%**	**53,248**	**56,534**	**6.2%**
IC revenue	3,840	3,874	3,715	-3.3%	-4.1%	7,789	7,588	-2.6%
Service revenue	**30,496**	**32,324**	**31,798**	**4.3%**	**-1.6%**	**61,037**	**64,123**	**5.1%**
SIM and handset sales	3,971	5,152	4,209	6.0%	-18.3%	8,607	9,361	8.8%
Total revenues	**34,466**	**37,476**	**36,007**	**4.5%**	**-3.9%**	**69,644**	**73,484**	**5.5%**
Cost of service	(16,515)	(17,390)	(17,020)	3.1%	-2.1%	(33,169)	(34,410)	3.7%
Regulatory fee	(7,004)	(7,641)	(7,088)	1.2%	-7.2%	(14,016)	(14,728)	5.1%
Depreciation & Amortization	(3,812)	(3,836)	(3,987)	4.6%	3.9%	(7,793)	(7,823)	0.4%
Network operating expense	(1,474)	(1,726)	(1,873)	27%	8.5%	(2,774)	(3,599)	30%
Other cost of services	(491)*	(503)*	(543)	11%	8.1%	(1,010)*	(1,046)	3.6%
IC cost	(3,733)	(3,684)	(3,530)	-5.4%	-4.2%	(7,574)	(7,214)	-4.8%
Cost of SIM and handset sales	(3,660)	(4,746)	(3,907)	6.8%	-18%	(7,921)	(8,653)	9.2%
Total costs	**(20,175)**	**(22,136)**	**(20,927)**	**3.7%**	**-5.5%**	**(41,090)**	**(43,063)**	**4.8%**
Gross profit	**14,291**	**15,341**	**15,080**	**5.5%**	**-1.7%**	**28,554**	**30,421**	**6.5%**
SG&A	(2,940)	(3,022)	(3,349)	14%	11%	(5,496)	(6,371)	16%
Marketing Expense	(749)	(706)	(917)	22%	30%	(1,257)	(1,623)	29%
General administrative & staff cost	(2,010)	(2,068)	(2,189)	8.9%	5.8%	(3,881)	(4,257)	9.7%
Bad debt provision	(132)	(193)	(189)	43%	-2.0%	(261)	(381)	46%
Depreciation	(49)	(55)	(55)	12%	0.1%	(97)	(110)	13%
Operating profit	**11,351**	**12,319**	**11,731**	**3.3%**	**-4.8%**	**23,058**	**24,050**	**4.3%**
Net foreign exchange gain (loss)	(12)	171	(155)	1204%	190%	2	17	584%
Other income (expense)	298	233	207	-31%	-11%	526	440	-16%
Finance cost	(292)	(275)	(258)	-12%	-6.0%	(580)	(533)	-8.0%
Income tax	(2,604)	(2,523)	(2,339)	-10%	-7.3%	(5,305)	(4,863)	-8.3%
Non-controlling interest	(28)	(3)	9	-132%	-411%	(63)	6	-110%
Net profit for the period	**8,713**	**9,923**	**9,195**	**5.5%**	**-7.3%**	**17,639**	**19,117**	**8.4%**

Service revenues (Bt-million)	2Q12	1Q13	2Q13	%YoY	%QoQ	1H12	1H13	%YoY
2G revenue *(Build-Transfer-Operate)*	25,490	27,025	24,466	-4.0%	-9.5%	50,818	51,491	1.3%
3G revenue *(License)*	-	-	2,307	-	-	-	2,307	-
Service revenues ***(voice, non-voice, Inter Roaming)***	**25,490**	**27,025**	**26,773**	**5.0%**	**-0.9%**	**50,818**	**53,799**	**5.9%**

EBITDA (Bt-million)	2Q12	1Q13	2Q13	%YoY	%QoQ	1H12	1H13	%YoY
Operating Profit	11,351	12,319	11,731	3.3%	-4.8%	23,058	24,050	4.3%
Depreciation & amortization	3,862	3,891	4,042	4.7%	3.9%	7,891	7,933	0.5%
(Gain) loss on disposals of PPE	(7)	115	32	-551%	-72%	(9)	147	-1766%
Management benefit expense	(44)	(33)	(49)	12%	48%	(73)	(83)	13%
Other financial cost	(10)	2	(3)	-67%	-284%	(20)	(1)	-93%
EBITDA	**15,152**	**16,293**	**15,753**	**4.0%**	**-3.3%**	**30,846**	**32,046**	**3.9%**

Financial Position (Bt-million)/% to total asset	1Q13		2Q13	
Cash	36,737	31.6%	25,458	23.5%
ST investment	1,281	1.1%	1,459	1.3%
Trade receivable	7,892	6.8%	8,432	7.8%
Inventories	1,644	1.4%	1,568	1.4%
Others	3,979	3.4%	4,393	4.0%
Current Asset	**51,533**	**44.4%**	**41,311**	**38.1%**
License for Telecom	14,336	12.3%	14,093	13.0%
Network and PPE	42,426	36.5%	45,684	42.1%
Intangible asset	2,214	1.9%	2,115	1.9%
Defer tax asset	5,020	4.3%	4,721	4.3%
Others	640	0.6%	640	0.6%
Total Assets	**116,169**	**100.0%**	**108,563**	**100.0%**
Trade account payable	6,166	5.3%	7,035	6.5%
CP of LT loans	10,944	9.4%	6,970	6.4%
Accrued R/S expense	7,502	6.5%	9,520	8.8%
Others	30,515	26.3%	15,011	13.8%
Current Liabilities	**55,126**	**47.5%**	**38,536**	**35.5%**
Total interest-bearing debt	24,681	21.2%	20,432	18.8%
Total Liabilities	**77,566**	**66.8%**	**60,775**	**56.0%**
Unappropriated retained earning	12,403	10.7%	21,598	19.9%
Total Equity	**38,604**	**33.2%**	**47,788**	**44.0%**

Key Financial Ratio	2Q12	1Q13	2Q13
Interest bearing debt to equity	0.53	0.64	0.43
Net debt to equity	Net cash	Net cash	Net cash
Net debt to EBITDA	Net cash	Net cash	Net cash
Current Ratio	1.26	0.93	1.07
Interest Coverage	40	45	46
DSCR	4.4	4.3	6.3
ROE	87%	97%	85%

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

Source and use of fund : 1H13			(Bt-million)
Source of Fund		**Use of Fund**	
Operating CF before change in working capital	32,640	Dividend payment	14,863
Proceeds of long-term borrowings	3,812	CAPEX & Fixed assets	11,970
Changes in working capital	1,321	Income tax paid	4,555
Interest received	322	Debt repayment	4,243
Sale of property and equipment	5	Cash increased	1,854
		Finance cost and finance lease paid	497
		Net change in current/long investments	119
Total	**38,101**	**Total**	**38,101**

FY2013 MANAGEMENT OUTLOOK & STRATEGY *(Revised)*

Service revenue growth *(maintained)*	6-8% YoY
3G-2.1GHz subscribers *(revised)*	10-12 million (revised up from 8-10mn), 40% using 3G devices
EBITDA margin *(revised)*	~43% (revised up from 41-42%)
CAPEX *(maintained)*	Bt70bn in 3 year (10% allocated for 2G maintenance)
Network amortization *(new)*	Increase by 1-2% YoY (excluding amortization of license fee)

Maintain investment plan of Bt70bn for 2013-15

Since receiving the license to operate 2.1GHz in Dec-12, we have successfully rolled out new 3G coverage in urban areas in more than 60 provinces around Thailand. We are well ahead of our target to achieve urban coverage of all 77 provinces within this year, and provide 3G coverage of 97% of the total population by 2015. To achieve this roll-out plan, we are maintaining the same estimated capital expenditure of Bt70bn from 2013 to 2015, of which around Bt12bn was already spent in 1H13.

Revise up 3G-2.1GHz subscriber target and maintain revenue prospects

Since the service launch in early April, we have registered 3.9mn subscribers on 3G-2.1GHz. This figure is supported by our fast network coverage rollout, which is better than originally planned. We have therefore revised up our guidance on subscriber targets to 10-12mn from the previous guidance of 8-10mn. Nevertheless, of this amount, we have maintained the same estimate of 3G device penetration of 40%.

Because of the strong 3G subscriber uptake and wider network coverage in 2H13, we expect a better outlook on mobile data growth, but softer voice growth as 1H13 slightly contracted following the industry trend. Hence, we will maintain expected service revenue growth between 6-8% in 2013.

Revise up EBITDA margin to approximately 43%

There are two key positive changes towards the EBITDA margin outlook; namely, lower IC and roaming rates. The new IC rate was lowered to Bt0.45/minute as of July (down from Bt1/minute). This will have an accounting impact on lower gross revenue, while net IC will remain unchanged, hence an increase in the EBITDA margin. The roaming rate between 2G and 3G networks is now set at Bt0.6/minute, lower from the original guidance of Bt1/minute. The will result in lower roaming costs for 3G subscribers and will have a positive impact on the margin. These two positive impacts will be partly offset by rising network operating expense, as we rollout the network more quickly and increase higher marketing spending to encourage wider 3G subscription. Marketing spending is expected to be in the range of 3-3.5% of total revenue against the previous guidance of 2.5%. Taking all of these factors into consideration, we expect the 2013 EBITDA margin to be around 43%, up from the previous guidance of 41-42%.

Maintain the dividend policy: 100% dividend payout

The company aims to maintain the same dividend policy that commits 100% payout ratio and pays a dividend twice a year. The dividend payout ratio is based on consolidated earnings and subject to the availability of retained earnings on the separated financial statement. This commitment is supported by our strong cash flow from operations and a 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 a net cash position and has a strong financial credit rating (A- by S&P), the management is confident to raise gearing as appropriate. If and when there are any new business opportunities or significant changes that may impact on our future operation and investment, and hence capital structure, the company will promptly discuss any new direction with the investment community.

AIS Investor Relations
http://investor.ais.co.th
investor@ais.co.th
Tel: (66) 2299 5014

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.