



## Executive Summary

**AIS successfully roll-out 16,800 base stations of 3G-2.1GHz covering 90% of population**. In 1Q14, AIS 3G-2.1GHz customers expanded to 26mn, representing 62% in term of subscribers and 59% in term of revenues. Following this, regulatory fee to service revenue, including net IC, stood at 19% compared to 26% in 1Q13. This reflected on improved service EBITDA margin to 53% from 47.6% in 1Q13 despite higher cost from 3G-2.1GHz launch. QoQ, service EBITDA margin rose from lower marketing spending with slower momentum of regulatory savings. Net profit declined 4.5% YoY but increased 7.5% QoQ to Bt9,481mn.

**In 1Q14, service revenue, excluding IC, was stable QoQ but dropped 1.8% YoY.** The escalating political tension during the quarter led to slower consumer spending, reflected by both contracted voice segment of 12% YoY and 4.9% QoQ and slowdown unit of device sold. However, **non-voice revenue** continued to expand 25% YoY and 12% QoQ due to growing demand for mobile data. In 1Q14, the competition remains reasonable, focusing on device bundling promotions and network quality. More attractive

device offerings have been launched to boost 3G device adoption and subscription, resulting in a near zero handset margin.

**2014 revenue target remains unchanged at 6-8%.** We expect the growth momentum to take up in 2H14 underpinned by decent 3G network quality and coverage. We expect service EBITDA margin to improve to 300bps but consolidated EBITDA margin to be flat given the handset adoption strategy. Revenue growth is expected to accelerate to 6-8% upon improving network and product competitiveness. In 1Q14, we spent Bt8bn capex, compared to the full year guidance of Bt40bn, to further ramp up coverage to 95% of population and accelerate investment for quality including fiber optics and small cells.

**The 4G license auction is expected to be on schedule in Aug-14.** In late Apr-14, the NBTC published the draft information memorandum on the 1800 MHz auction for public hearing which is expected in May-14. DPC, subsidiary of AIS that operate 1800MHz managed to close down GSM 1800MHz network. The spectrum is ready to be handed back to NBTC for the upcoming auction.

## Accounting and Reclassification

**1. Reclassification of prepaid commission:** On revenue report, reclassified prepaid commission from net of revenue basis to gross basis. This resulted in higher prepaid voice revenue and higher other cost of services approximately Bt1bn per quarter. Following that, prepaid and blended ARPU was restated. The reclassification was made from 1Q12 to 1Q14 on Quarterly factsheet.

**2. Accounting for service concession agreements:** From 1 January 2014, the Company has adopted TFRIC 12 – Service Concession Arrangements. The effects are recognised retrospectively in the financial statements which recorded as construction revenue and construction cost, resulting in higher total revenue and total cost. Net profit remained unchanged further details. Please see financial note no.3

## Operational Summary

In 1Q14, AIS registered **42mn subscribers** with a net addition of 1.5mn. The 3G subscribers continued to increase to 26mn representing 62% of total subscribers mainly from the increasing demand for data and attractive promotion on smartphone and price plan. Subscription on 2G-900/1800MHz continued to decline to 16mn.

In this quarter, smartphone package continued to drive further 3G-device adoption in mid-tier subscriber base. As a result **postpaid average revenue per user (ARPU)** decreased 2.9% QoQ and 6.4% YoY to Bt639, while MOU declined 4.1% QoQ and 12% YoY to 412 minutes. Prepaid subscribers continued shifting to postpaid when they subscribed data while weak consumer sentiment affected usage of lower-tier subscribers. As a result, **prepaid ARPU** decreased 6.4% QoQ and 17% YoY to Bt179 and **prepaid MOU** declined 3.6% QoQ and 12% YoY to 283 minutes.

| Subscribers                | 1Q13              | 2Q13              | 3Q13              | 4Q13              | 1Q14              |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2G <sup>1)</sup>           | 37,118,900        | 33,720,100        | 28,653,700        | 24,494,400        | 16,098,400        |
| 3G <sup>2)</sup>           | -                 | 3,946,300         | 10,471,400        | 16,366,500        | 26,264,100        |
| Postpaid                   | 3,825,800         | 3,947,000         | 4,053,700         | 4,266,900         | 4,463,800         |
| Prepaid                    | 33,293,100        | 33,719,400        | 35,071,400        | 36,594,000        | 37,898,700        |
| <b>Total subscribers</b>   | <b>37,118,900</b> | <b>37,666,400</b> | <b>39,125,100</b> | <b>40,860,900</b> | <b>42,362,500</b> |
| Net additions              |                   |                   |                   |                   |                   |
| 2G <sup>1)</sup>           | 1,375,200         | -3,398,800        | -5,066,400        | -4,159,300        | -8,396,000        |
| 3G <sup>2)</sup>           | -                 | 3,946,300         | 6,525,100         | 5,895,100         | 9,897,600         |
| Postpaid                   | 142,500           | 121,200           | 106,700           | 213,200           | 196,900           |
| Prepaid                    | 1,232,700         | 426,300           | 1,352,000         | 1,522,600         | 1,304,700         |
| <b>Total net additions</b> | <b>1,375,200</b>  | <b>547,500</b>    | <b>1,458,700</b>  | <b>1,735,800</b>  | <b>1,501,600</b>  |

<sup>1)</sup> 2G refers to 900 & 1800MHz operation under Build-Transfer-Operate contract

<sup>2)</sup> 3G refers to 2100MHz operation under license issued by the NBTC



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| ARPU* (Baht/subs/month) | 1Q13       | 2Q13       | 3Q13       | 4Q13       | 1Q14       |
|-------------------------|------------|------------|------------|------------|------------|
| 2G <sup>1)</sup>        | 263        | 245        | 217        | 203        | 191        |
| 3G <sup>2)</sup>        | -          | 402        | 368        | 297        | 256        |
| Postpaid                | 683        | 686        | 698        | 658        | 639        |
| Prepaid                 | 215        | 205        | 197        | 191        | 179        |
| <b>Blended</b>          | <b>263</b> | <b>253</b> | <b>245</b> | <b>234</b> | <b>225</b> |
| MOU (minute/sub/month)  | 1Q13       | 2Q13       | 3Q13       | 4Q13       | 1Q14       |
| 2G <sup>1)</sup>        | 339        | 320        | 305        | 291        | 255        |
| 3G <sup>2)</sup>        | -          | 362        | 366        | 342        | 336        |
| Postpaid                | 470        | 450        | 444        | 429        | 412        |
| Prepaid                 | 323        | 308        | 302        | 294        | 283        |
| <b>Blended</b>          | <b>339</b> | <b>322</b> | <b>317</b> | <b>308</b> | <b>297</b> |

\*Restated following prepaid commission reclassification

## 1Q14 Financial Summary

### Revenue

In 1Q14, AIS recorded total revenue, excluding construction, of Bt36,448mn, and softer 5.4% YoY from IC rate reduction and decrease 1% QoQ from weaker consumer sentiment.

- **SIM & device sales**, representing 15% of total revenue, stood at Bt5,646mn and increased 9.6% YoY from attractive device campaign and growing smartphone popularity but dropped 5.1% QoQ following economy slowdown. Following our zero handset margin strategy to push 3G device adoption, **sales margin** declined to 2.3% from 5.4% in 4Q13 and 7.9% in 1Q13.
- **Service revenue, excluding IC**, was stable QoQ at Bt28,967mn but declined 1.8% YoY mainly from economy slowdown. We continued to see downward trend of voice revenue which partly offset by growing demand for mobile data. Revenue from 3G-2.1GHz continued to expand and represented 59% of revenues.
  - **Voice revenue\*** was Bt17,328mn, a decrease of 12% YoY and 4.9% QoQ, due to weak economic sentiment and saturated voice market. The contraction was mainly from the prepaid segment which dropped 13% YoY following the NBTC's regulation to extend prepaid validity, resulting in lower customer top-up. Such impact will be normalized from 2Q14 onward. **Non-voice revenue** increased 25% YoY and 12% QoQ to Bt9,567mn, underpinned by healthy mobile data revenue growth of 47% YoY and 20% QoQ. In 1Q14, mobile data revenue accounted for 25% of service revenue, excluding IC, compared to 17% in 1Q13 and 21% in 4Q13. International revenues were dampened by political unrest during the quarter. **International Roaming (IR)** went down 24% YoY and 34% QoQ despite growing demand for data roaming. However, **international call & other businesses** increased 10% YoY and 6.6% QoQ from AIS Wifi.
- **Interconnection charges (IC)** Both IC revenue and cost were stable QoQ but declined more than 50% YoY from IC rate reduction. In 1Q14, AIS was the IC recipient of Bt153mn which stable QoQ but lower 19% YoY.

### Cost & Expense

**Cost of service, excluding IC**, was stable QoQ at Bt13,266m but decreased 10% YoY from higher 3G related costs offsetting by lower regulatory cost.

- **Regulatory fee** was at Bt5,588mn a decrease of 27% YoY, as revenue shifted from 2G to 3G. QoQ, the fee rose 1.6% QoQ due to retroactive booking of accrued revenue share on tower rental to TOT. Excluding this item, regulatory fee dropped 2.8% QoQ and 29% YoY. The regulatory fee to service revenue, including net IC, was stable at 19% from 4Q13 but fell from 26% in 1Q13.
- **Depreciation & Amortization (D&A)** was Bt4,224mn, an increase of 10% YoY and 1.9% QoQ from increasing 3G investment and 2.1GHz license amortization offsetting by lower amortization of 2G asset.
- **Network OPEX** fell 3.4% QoQ to Bt1,892mn. YoY, network opex rose 9.6% YoY following 3G network expansion. Our 3G-2.1GHz network coverage expanded from 80% last year to 90% with 16,800 base stations. Network opex to service revenue stood at 12% and dropped 70bps YoY and 30bps QoQ.
- **Other cost of service** was stable YoY at Bt1,562mn, a decrease of 2.8% QoQ.

**SG&A expense** was Bt4,004mn, an increase of 33% YoY from 3G related expenses but dropped 9.8% QoQ from lower marketing spending. SG&A to total revenue stood at 11% and increased from 7.8% in 1Q13 but dropped from 12% in 4Q13.

- **Marketing expense** was Bt1,185mn and increased 68% YoY following the 3G-2100 service but seasonally dropped 17% QoQ. Despite the low spending at 3.3% to total revenue, the full-year guidance is maintained at 4.5% as we expect rising marketing spending toward 2H14.
- **General admin expense** was Bt2,501mn and rose 21% YoY primarily from increased headcount and obsolete equipment write-off. QoQ, the expense dropped 9% QoQ mainly due to lower accrued bonus and write-off in obsolete equipment (Bt237mn in 1Q14 vs Bt323mn in 4Q13).
- **Depreciation** stood at Bt62mn and increased 12% YoY mainly from shop expansion but declined 2.7% QoQ.
- **Bad debt** was Bt257mn, an increase of 33% YoY and 23% QoQ underpinned by growing postpaid segment. Bad debt as a percentage to postpaid revenue was 3.1% compared to 2.6% in 1Q13 and 4Q13. The level of bad debt remains under normal business circumstance.



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**Net Foreign Exchange** gain was Bt72mn and improved from Bt215mn net loss in 4Q13. However, the net gain fell 58% YoY from Thai Baht depreciation.

## Profit

EBITDA was Bt16,454mn, flat YoY and QoQ due to lower regulatory fee offset rising 3G related expenses while marketing spending and staff costs was lower QoQ. Following this, **EBITDA margin** reached 45.1% improved from 280bps YoY and 80bps QoQ amid lower handset margin. Excluding handset business, **service EBITDA margin** rose 540bps YoY and 120bps QoQ to 53%. **Net income** declined 4.5% YoY to Bt9,481mn resulted by softer revenues and higher D&A but improved 7.5% QoQ **Net profit margin** was 25.8%, an increase of 100bps YoY and 130bps QoQ.

## Financial position

At the end of 1Q14, total asset increased to Bt115,870mn mainly from 3G network expansion. Network under BTO contract continued to decrease to Bt17,743mn from Bt20,500mn in 4Q13, as the contract is approaching expiration. Liquidity remained healthy with the current ratio of 0.63. Interest bearing debt decreased to Bt17,673mn from Bt24,169mn in 4Q13 mainly from the repayment of short-term debt and long-term debenture. Our gearing remained low with net debt to equity of 0.02 times and average cost of debt was 3.7%.

## Cash Flow

In 1Q14, AIS had cash flow from operation of Bt16,276mn, which increased 3.7% YoY. CAPEX was Bt8,017mn against the full year guidance of Bt40bn. Free cash flow (OCF-CAPEX) was Bt8,259mn.

| Income statement (Bt mn)               | 1Q13            | 4Q13            | 1Q14            | %YoY         | %QoQ         |
|--|-----------------|-----------------|-----------------|--------------|--------------|
| Voice revenue*                         | 19,728          | 18,212          | 17,328          | -12%         | -4.9%        |
| Non-voice revenue                      | 7,687           | 8,563           | 9,567           | 25%          | 12%          |
| International Roaming                  | 659             | 759             | 500             | -24%         | -34%         |
| Others (IDD, other fee)                | 1,426           | 1,476           | 1,572           | 10%          | 6.6%         |
| <b>Service revenue, ex. IC</b>         | <b>29,500</b>   | <b>29,010</b>   | <b>28,967</b>   | <b>-1.8%</b> | <b>-0.1%</b> |
| IC revenue                             | 3,874           | 1,845           | 1,836           | -53%         | -0.5%        |
| SIM and handset sales                  | 5,152           | 5,947           | 5,646           | 9.6%         | -5.1%        |
| <b>Total revenues ex. construction</b> | <b>38,525</b>   | <b>36,803</b>   | <b>36,448</b>   | <b>-5.4%</b> | <b>-1.0%</b> |
| Regulatory fee                         | (7,641)         | (5,497)         | (5,588)         | -27%         | 1.6%         |
| Depreciation & Amortization            | (3,836)         | (4,147)         | (4,224)         | 10%          | 1.9%         |
| Network operating expense              | (1,726)         | (1,959)         | (1,892)         | 9.6%         | -3.4%        |
| Other cost of services*                | (1,552)         | (1,607)         | (1,562)         | 0.6%         | -2.8%        |
| <b>Cost of service, ex. IC</b>         | <b>(14,754)</b> | <b>(13,210)</b> | <b>(13,266)</b> | <b>-10%</b>  | <b>0.4%</b>  |
| IC cost                                | (3,684)         | (1,693)         | (1,683)         | -54%         | -0.6%        |
| Cost of SIM and handset sales          | (4,746)         | (5,625)         | (5,514)         | 16%          | -2.0%        |
| <b>Total costs ex. construction</b>    | <b>(23,185)</b> | <b>(20,528)</b> | <b>(20,462)</b> | <b>-12%</b>  | <b>-0.3%</b> |
| <b>Gross profit</b>                    | <b>15,341</b>   | <b>16,275</b>   | <b>15,986</b>   | <b>4.2%</b>  | <b>-1.8%</b> |
| <b>SG&amp;A</b>                        | <b>(3,022)</b>  | <b>(4,440)</b>  | <b>(4,004)</b>  | <b>33%</b>   | <b>-9.8%</b> |
| Marketing Expense                      | (706)           | (1,420)         | (1,185)         | 68%          | -17%         |
| General administrative & staff cost    | (2,068)         | (2,748)         | (2,501)         | 21%          | -9.0%        |
| Bad debt provision                     | (193)           | (209)           | (257)           | 33%          | 23%          |
| Depreciation                           | (55)            | (63)            | (62)            | 12%          | -2.7%        |
| <b>Operating profit</b>                | <b>12,319</b>   | <b>11,835</b>   | <b>11,982</b>   | <b>-2.7%</b> | <b>1.2%</b>  |
| Net foreign exchange gain (loss)       | 171             | (215)           | 72              | -58%         | -134%        |
| Other income (expense)                 | 86              | 115             | 91              | -61%         | -21%         |
| Finance cost                           | (275)           | (228)           | (229)           | -17%         | 0.3%         |
| Income tax                             | (2,523)         | (2,707)         | (2,443)         | -3.2%        | -9.8%        |
| Non-controlling interest               | (3)             | 16              | 7               | -340%        | -57%         |
| <b>Net profit for the period</b>       | <b>9,923</b>    | <b>8,816</b>    | <b>9,481</b>    | <b>-4.5%</b> | <b>7.5%</b>  |
| <b>Revenue mix (Bt mn)</b>             | <b>1Q13</b>     | <b>4Q13</b>     | <b>1Q14</b>     | <b>%YoY</b>  | <b>%QoQ</b>  |
| 2G revenue <sup>1)</sup>               | 28,074          | 15,787          | 11,304          | -59%         | -28%         |
| 3G revenue <sup>2)</sup>               | -               | 11,747          | 16,091          | NA           | 37%          |
| <b>Total 2G and 3G revenue</b>         | <b>28,074</b>   | <b>27,534</b>   | <b>27,395</b>   | <b>-2.4%</b> | <b>-0.5%</b> |
| <b>% 3G revenue</b>                    | <b>0%</b>       | <b>43%</b>      | <b>59%</b>      |              | <b>3.7%</b>  |

<sup>1)</sup> 2G refers to 900 & 1800MHz operation under Build-Transfer-Operate contract

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# 1Q14 MD&A: Advanced Info Service Plc.



| EBITDA (Bt mn)                  | 1Q13          | 4Q13          | 1Q14          | %YoY        | %QoQ        |
|---------------------------------|---------------|---------------|---------------|-------------|-------------|
| Operating Profit                | 12,319        | 11,835        | 11,982        | -2.7%       | 1.2%        |
| Depreciation & amortization     | 3,891         | 4,211         | 4,286         | 10%         | 1.8%        |
| (Gain) loss on disposals of PPE | 115           | 323           | 240           | 109%        | -26%        |
| Management benefit expense      | (33)          | (44)          | (35)          | 4.1%        | -22%        |
| Other financial cost            | 2             | (8)           | (18)          | -1179%      | 121%        |
| <b>EBITDA</b>                   | <b>16,293</b> | <b>16,315</b> | <b>16,454</b> | <b>1.0%</b> | <b>0.8%</b> |
| Consolidated margin (%)         | 42.3%         | 44.3%         | 45.1%         |             |             |
| Service margin* (%)             | 47.6%         | 51.8%         | 53%           |             |             |

Service margin is derived from service business which excludes handset business.

Service margin = (EBITDA – Net sales)/(Total revenue – Sales revenue)

\*Restated following prepaid commission reclassification

| Revenue & cost from construction (Bt mn):IFRS12 | 1Q13    | 4Q13  | 1Q14  | %YoY | %QoQ |
|---|---------|-------|-------|------|------|
| Construction revenue                            | 1,412   | 305   | 251   | -82% | -18% |
| Construction cost                               | (1,412) | (305) | (251) | -82% | -18% |

| Financial Position<br>(Bt mn/% to total asset) | 4Q13           |               | 1Q14           |              |
|--|----------------|---------------|----------------|--------------|
| Cash   | 15,254         | 13.6%         | 16,907         | 14.6%        |
| ST investment                                  | 1,577          | 1.4%          | 1,506          | 1.3%         |
| Trade receivable                               | 10,264         | 9.2%          | 9,763          | 8.4%         |
| Inventories                                    | 2,865          | 2.6%          | 2,343          | 2.0%         |
| Others   | 5,005          | 4.5%          | 5,153          | 4.4%         |
| <b>Current Asset</b>                           | <b>34,965</b>  | <b>31.2%</b>  | <b>35,671</b>  | <b>30.8%</b> |
| Spectrum license                               | 13,601         | 12.1%         | 13,360         | 11.5%        |
| Network and PPE                                | 56,422         | 50.4%         | 60,331         | 52.1%        |
| Intangible asset                               | 2,178          | 1.9%          | 2,226          | 1.9%         |
| Defer tax asset                                | 3,557          | 3.2%          | 3,101          | 2.7%         |
| Others   | 1,303          | 1.2%          | 1,181          | 1.0%         |
| <b>Total Assets</b>                            | <b>112,026</b> | <b>100.0%</b> | <b>115,870</b> | <b>100%</b>  |
| Trade payable                                  | 11,718         | 10.5%         | 10,491         | 9.1%         |
| ST loan & CP of LT loans                       | 9,303          | 8.3%          | 2,772          | 2.4%         |
| Accrued R/S expense                            | 3,535          | 3.2%          | 4,555          | 3.9%         |
| Others   | 17,279         | 15.4%         | 35,538         | 30.7%        |
| <b>Current Liabilities</b>                     | <b>45,491</b>  | <b>40.6%</b>  | <b>57,013</b>  | <b>49.2%</b> |
| Debenture & LT loans                           | 14,866         | 13.3%         | 14,781         | 12.8%        |
| <b>Total Liabilities</b>                       | <b>66,133</b>  | <b>59.0%</b>  | <b>77,593</b>  | <b>67.0%</b> |
| Retained earning                               | 19,729         | 17.6%         | 12,115         | 10.5%        |
| <b>Total Equity</b>                            | <b>45,893</b>  | <b>41.0%</b>  | <b>38,277</b>  | <b>33.0%</b> |

| Key Financial Ratio             | 1Q13     | 4Q13 | 1Q14 |
|---------------------------------|----------|------|------|
| Interest bearing debt to equity | 0.64     | 0.53 | 0.46 |
| Net debt to equity              | Net cash | 0.19 | 0.02 |
| Net debt to EBITDA              | Net cash | 0.14 | 0.01 |
| Current Ratio                   | 0.93     | 0.77 | 0.63 |
| Interest Coverage               | 45       | 54   | 57   |
| DSCR                            | 4.3      | 5.1  | 14.6 |
| ROE                             | 97%      | 88%  | 90%  |

|             | Debt repayment schedule (Bt mn) |              |
|-------------|---------------------------------|--------------|
|             | Debenture                       | Loan         |
| <b>1Q14</b> | <b>2,500</b>                    | <b>4,000</b> |
| 2Q14        | -                               | 246.5        |
| 3Q14        | -                               | -            |
| 4Q14        | -                               | 2,746.5      |
| 2015        | -                               | 2,399        |
| 2016        | -                               | 3,707        |
| 2017        | 397                             | 1,801        |
| 2018        | -                               | 6,799        |
| 2019        | 7,789                           | -            |
| 2020        | -                               | -            |
| 2021        | 1,776                           | -            |
| 2022        | -                               | -            |
| 2023        | -                               | -            |
| 2024        | 6,638                           | -            |

Note: On Apr-14, AWN issued new debenture of Bt16.6bn at maturity of 3, 5, 7, and 10 years which Incorporated in the Debt Repayment Schedule above. Including such items, average cost of debt stood at 4%.

| Source and use of fund : 1Q14                 |               | (Bt mn)                             |               |
|---|---------------|-------------------------------------|---------------|
| Source of Fund                                |               | Use of Fund                         |               |
| Operating CF before change in working capital | 16,885        | Cash increased                      | 1,730         |
| Interest received                             | 78            | CAPEX & Fixed assets                | 8,017         |
| Sale of property and equipment                | 5             | Income tax paid                     | 656           |
| Net change in current/long investments        | 75            | Debt repayment                      | 6,500         |
| Changes in working capital                    | 47            | Finance cost and finance lease paid | 187           |
| <b>Total</b>                                  | <b>17,090</b> | <b>Total</b>                        | <b>17,090</b> |



## FY2014 MANAGEMENT OUTLOOK & STRATEGY (maintained)

|  |   |
|--|---|
| <b>Revenue growth</b>                        | <ul style="list-style-type: none"> <li>• Service revenue, excluding IC, increase 6 to 8%</li> </ul>   |
| <b>3G-2.1GHz subscribers</b>                 | <ul style="list-style-type: none"> <li>• 75% of total subscribers</li> <li>• 50% using 3G devices</li> </ul>  |
| <b>EBITDA margin</b>                         | <ul style="list-style-type: none"> <li>• <b>Service margin</b> increase 300bps</li> <li>• <b>Consolidated margin</b> maintain flat YoY</li> </ul>   |
| <b>CAPEX</b>                                 | <ul style="list-style-type: none"> <li>• Bt40bn <ul style="list-style-type: none"> <li>○ 20,000 3G BTSs with additional small cells, covering 95% population and faster fiber optic rollout</li> <li>○ AIS shop expansion and renovation</li> </ul> </li> </ul> |
| <b>Total Depreciation &amp; Amortization</b> | Increase 18% YoY (incl. network, license fee, and fixed asset in SG&A)  |

### Strengthen 3G-2.1GHz network to improve customer perception toward AIS 3G 2100

The investment plan for the year 2014 is to lift up customer experience on 3G by continued network expansion for both coverage and capacity. With 20,000 3G-2.1GHz base stations, we aim to provide similar network coverage as 2G, at 95% population coverage. We also plan to strengthen quality and expand network capacity in dense areas by adding small cells and accelerate fiber optic expansion. Our fiber transmission will support growing mobile data demand as well as new potential wired-broadband service. In addition, we plan to expand and renovate our AIS shops to increase customer touch points and brand attraction. Total estimated CAPEX is Bt40bn in 2014.

### Rising device adoption will drive revenue growth momentum

With the lack of voice growth due to gloomy economic outlook and saturated market, revenue driver depends more on rising adoption of smartphone users. We aim to stimulate 3G/smart devices adoption among medium-tier users by offering campaigns on affordable devices with zero margins. Hence we target 3G device penetration to be 50% of 2.1GHz subscribers. Following that, devices sales will increase substantially while marketing spending could reach 4.5% of total revenue. Meanwhile, the fast 3G network expansion will enable us to offer superior services at competitive prices. There will be more segmented innovative applications and content to enhance users' experience in digital lifestyles. With accelerated non-voice momentum offset subdue voice segment, service revenue is expected to grow in a range of 6-8% YoY.

### Improved cost competitiveness with the 3G subscription and device penetration

This year, 3G-2.1GHz users is expected to reach 75% of total subscribers from 40% last year. With rising 3G-2.1GHz subscription and device adoptions, regulatory cost is trending down (5.25% of revenue versus 20-30% on the original 2G-900MHz contract). In 2014, service margin is expected to improve by 300bps as regulatory savings offset higher marketing spending and other 3G related costs. However, the zero handset margin strategy and larger portion of handset sales will pressure consolidated EBITDA margin which is expected to be relatively flat compared to 2013 .

### Maintain the dividend policy: 100% dividend payout

The company aims to maintain 100% payout ratio and pays dividend twice a year. The 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 strong operating cash flow and a low debt level. The CAPEX and license payment will be funded by internal cash flow and additional borrowings if required. 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.

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### 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