



FINANCIAL RESULT 2Q14

Advanced Info Service Plc.

4 August 2014



Key Highlights

- **AIS put an emphasis on improving network quality and coverage to strengthen customers' experience on 3G network.** Base station reached 19,300 from FY14 target of 20,000, covering 97% of population. Currently, 3G subscribers grew to 34.4mn or 80% of total subscriber.
- **Better growth momentum shifts towards AIS. Service revenue ex. IC grew 1.7% YoY and 2.2% QoQ despite intense competitions and political instabilities.** Non-voice revenue expanded 32% YoY and 9.6% QoQ while smartphone penetration reached 46% of 3G-2.1GHz subscribers. This is driven by attractive marketing campaigns and package-bundled handset strategies.
- **Due to political instabilities and economic slowdown in the first half, we adjusted FY14 revenue target from 6-8% to 1-2%, but revised up EBITDA margin guidance +100bps.** However, we still expect growth in this second half to recover as we see stronger momentum of consumption and investment from eased political issues. We maintained our CAPEX at Bt40bn to invest in 3G network expansion, regardless of the delay in 4G auction. There will be more attractive device bundled campaigns to push 3G adoption and subscription toward year-end with zero handset margin strategy.



97%
pop. coverage
19,300 3G BTS



80%
3G to total subs



15.9mn
3G device on 2.1GHz



2014 Products & Services

Co brand handset



AIS Super Combo Black Series

Value our subscribers



Serenade Emerald

Exclusive services



AIS Mobile Care

2Q14 Key Financial Highlights

Bt million	2Q13 ³⁾	1Q14	2Q14	% YoY	% QoQ
Service revenue ex. IC	29,101	28,967	29,604	▲ 1.7%	▲ 2.2%
2G revenue ¹⁾	25,451	11,304	6,387	▼ 75%	▼ 44%
3G revenue ²⁾	2,340	16,091	21,545	▲ 820%	▲ 34%
Sales revenue	4,209	5,646	5,024	▲ 19%	▼ 11%
Total revenue, ex. construction	37,025	36,448	36,481	▼ 1.5%	▲ 0.1%
EBITDA	15,753	16,454	15,804	▲ 0.3%	▼ 4.0%
Consolidated EBITDA margin	42.5%	45.1%	43.3%	▲ 80bps	▼ 180bps
Service EBITDA margin	47.1%	53%	50.3%	▲ 320bps	▼ 270bps
Capex	5,994	8,017	7,444	▲ 24%	▼ 7.1%
EPS	3.09	3.19	2.85	▼ 7.8%	▼ 11%

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

²⁾ 3G refers to 2100MHz operation under license issued by NBTC

³⁾ Revised following prepaid commission reclassification

1H14 Key Financial Highlights

Financial Highlights (Bt mn)	1H13	1H14	% YoY	FY14 Guidance (Revised)
Service revenue ex. IC	58,600	58,571	▼ 0.1%	1-2%
% 3G revenue to service revenue ex.IC	4%	64%		
2G revenue*	53,525	17,691	▼ 67%	NA
3G revenue**	2,340	37,636	▲ 1508%	NA
Sales revenue	9,361	10,670	▲ 14%	NA
Total revenue, ex. Construction	75,552	72,930	▼ 3.5%	NA
EBITDA	32,046	32,258	▲ 0.7%	NA
Service EBITDA margin	43.9%	51.1%	▲ 720bps	▲ 300bps
Capex	11,970	15,461	▲ 29%	Bt40bn
Free cash flow (EBITDA-CAPEX)	20,076	16,797	▼ 16%	NA
EPS	6.43	6.04	▼ 6.1%	NA

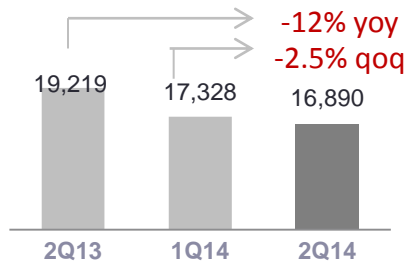
*2G refers to 900 & 1800MHz operation under Build-Transfer-Operate contract

**3G refers to 2100MHz operation under license issued by NBTC

2Q14 Revenue by segment

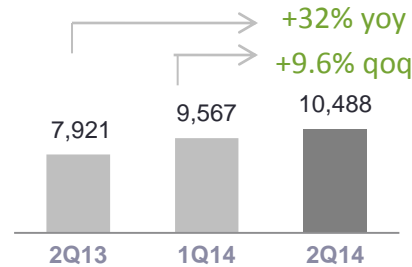
(Bt mn)

Voice revenue



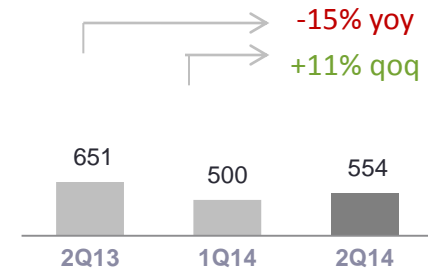
- Saturation in voice market
- Weak economics and high political tension

Non-voice revenue



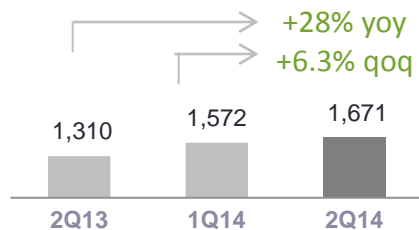
- Rising smart devices adoption and improving 3G network
- Higher mobile data demand

IR revenue



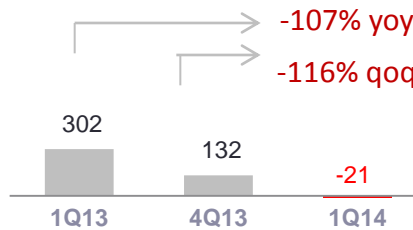
- Political unrest and global price pressure

IDD & other revenues



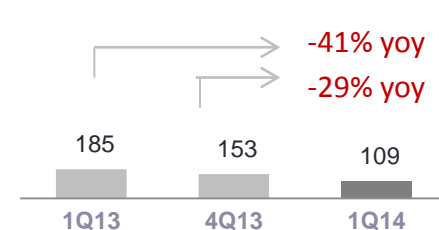
- Lower revenue from IDD offset by higher revenue from Wifi

Net sales



- Handset bundling campaigns with zero margin strategy

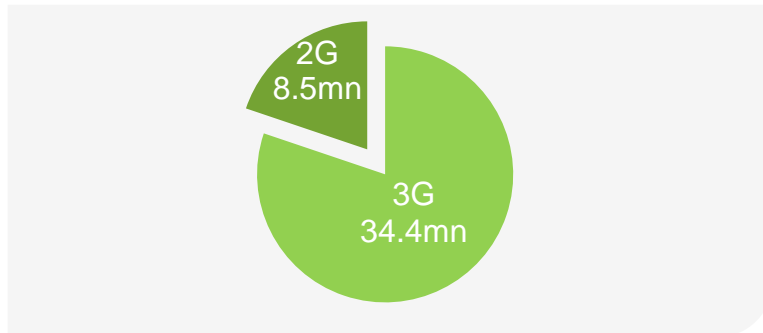
Net IC



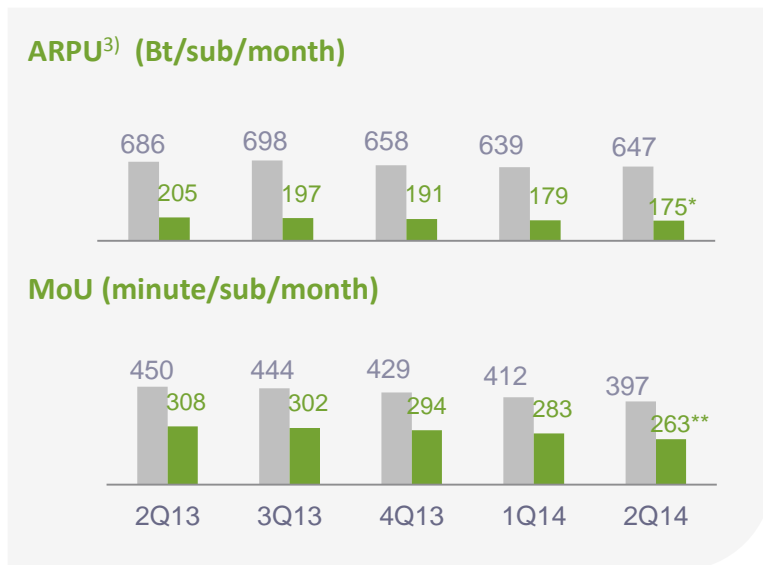
- Starting July-13, IC rate changed from Bt1/minute to Bt0.45/minute

3G-2.1GHz subs representing 80% of total users

42.9mn subscribers



■ postpaid ■ prepaid



- **3G-2.1GHz users reached 34.4mn**, representing 80% of total subscriber. If excluding the one-time validity extension effect, 3G-2.1GHz subs would be 34.7mn, up from 26mn in 1Q14.

- **Prepaid ARPU and MOU** still dropped due to higher shift from prepaid to postpaid and weak consumption sentiment.
- **Postpaid ARPU** grew +1.3% QoQ but -5.7% YoY with MoU of 397 min. There is a trend in higher mobile data consumption and lower voice call.

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

²⁾ 3G refers to 2100MHz operation under license issued by NBTC

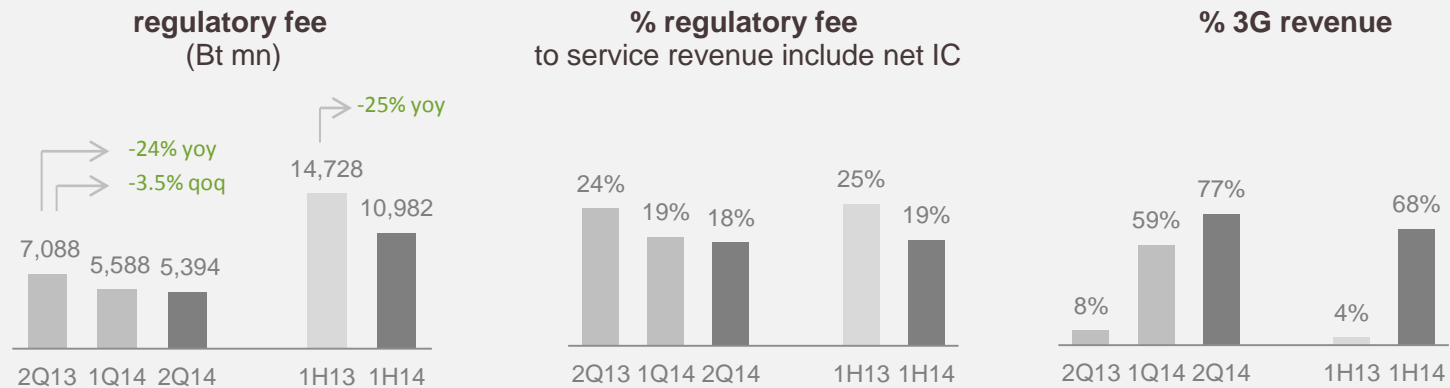
³⁾ Revised following prepaid commission reclassification

*Excluding one-time effect of validity extension, prepaid ARPU would be Bt172

**Excluding one-time effect of validity extension, prepaid MOU would be 259 min

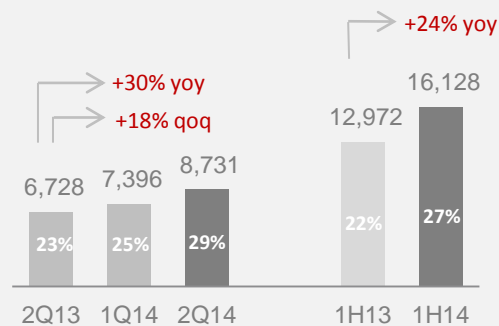
YoY, rising cash opex offset by lower regulatory fee QoQ, SG&A increased while regulatory decreased

Regulatory fee

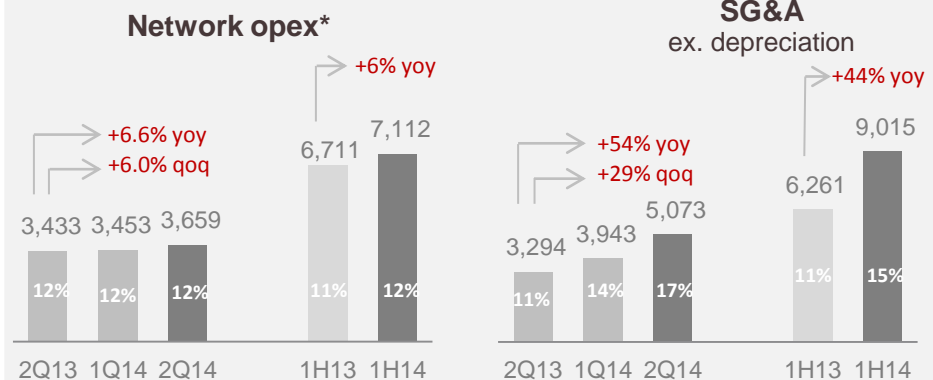


(Bt mn/ % to service revenue, incl net IC)

Cash OPEX

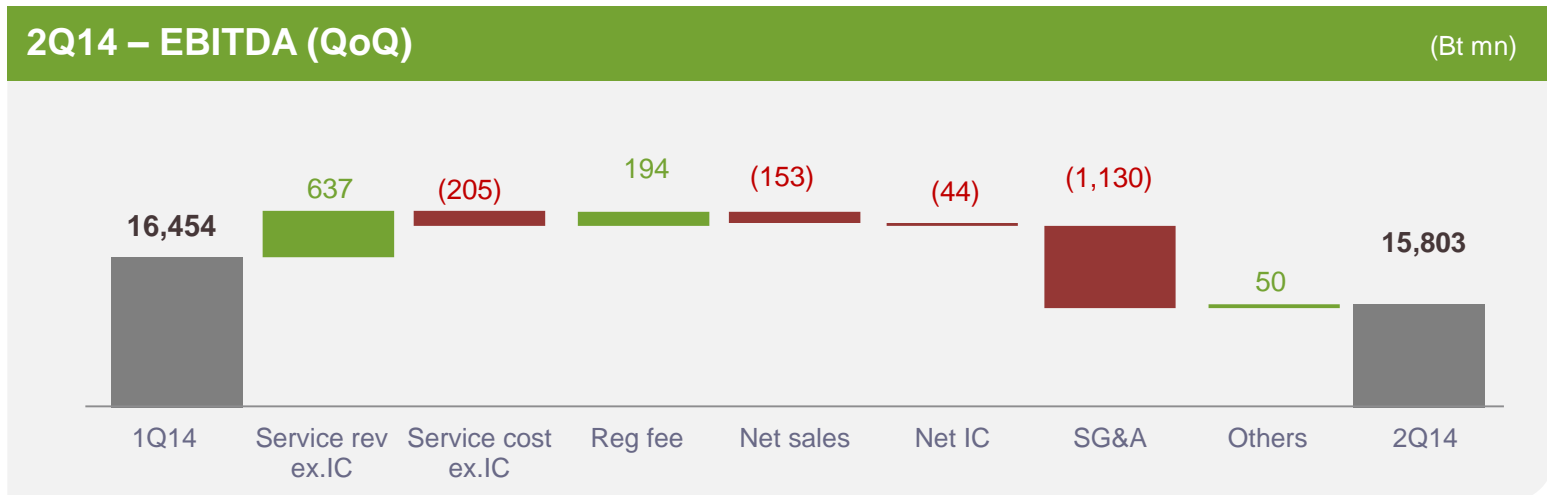
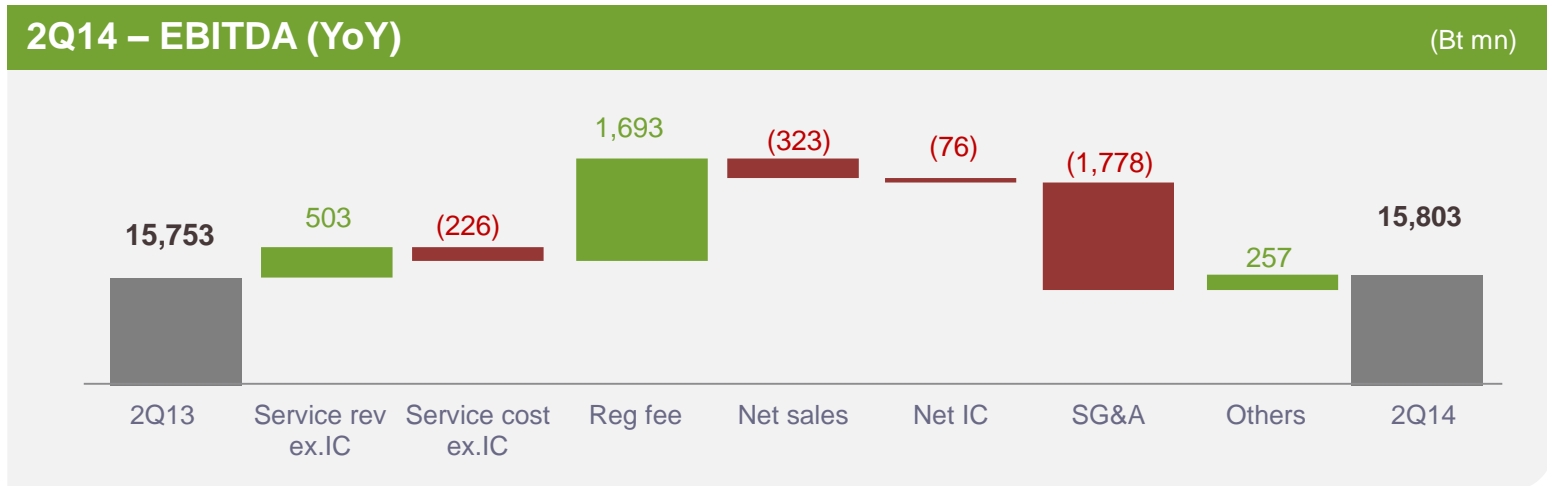


Breakdown of Cash OPEX



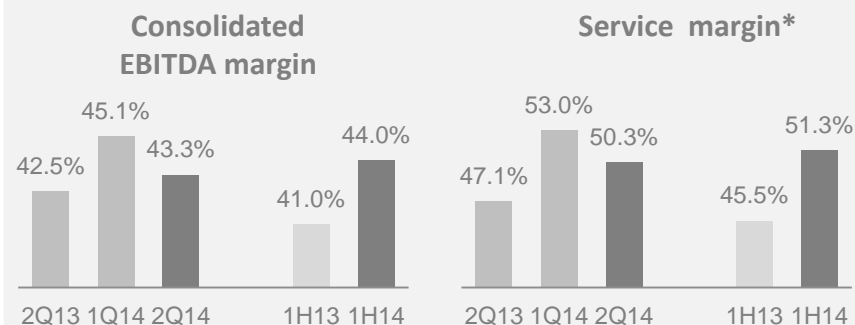
* Network OPEX = Cost of service, excluding IC, regulatory fee, D&A

EBITDA YoY improved from lower regulatory fee while QoQ decreased from higher SG&A.



EBITDA margin expanded YoY from lower regulatory cost but dropped QoQ from higher SG&A

Margin

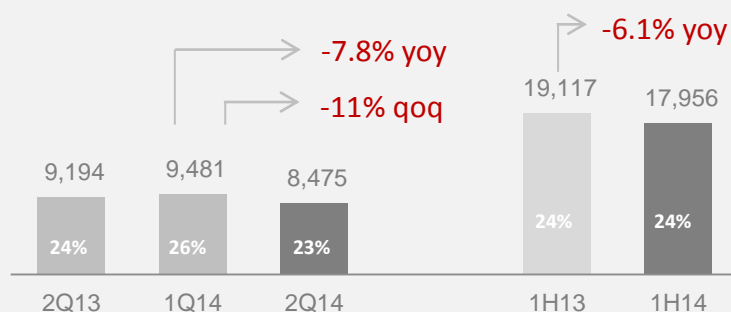


*Service margin is derived from service business which excludes handset business.
 Service margin = $(EBITDA - \text{Net sales}) / (\text{Total revenue} - \text{Sales revenue})$

- 2Q14, Consolidated EBITDA margin was 43.3% and rose YoY mainly from regulatory savings, while QoQ decreased from lower handset margin and higher SG&A. Service margin stood at 50.3% in 1Q14.
- 1H14, Consolidated EBITDA margin was 44.0% and rose YoY mainly from regulatory savings, despite higher SG&A. Excluding handset margin, Service margin increased to 51.3% in 1H14.

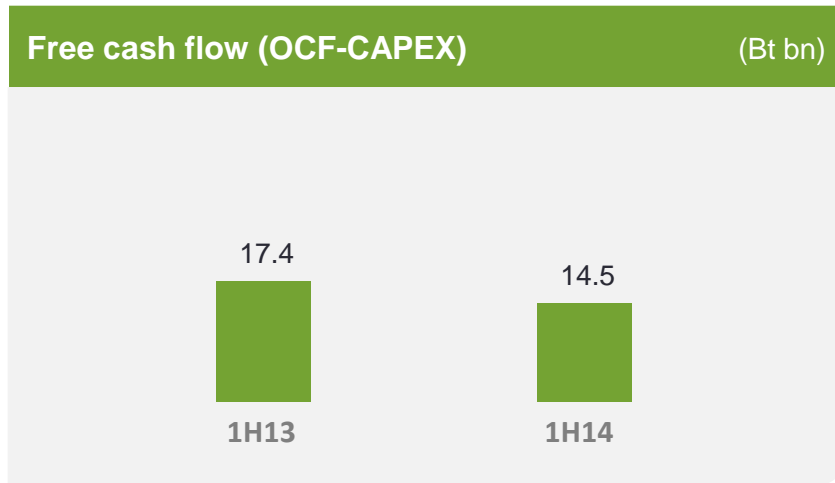
Net profit/ Net profit margin

(Bt mn)

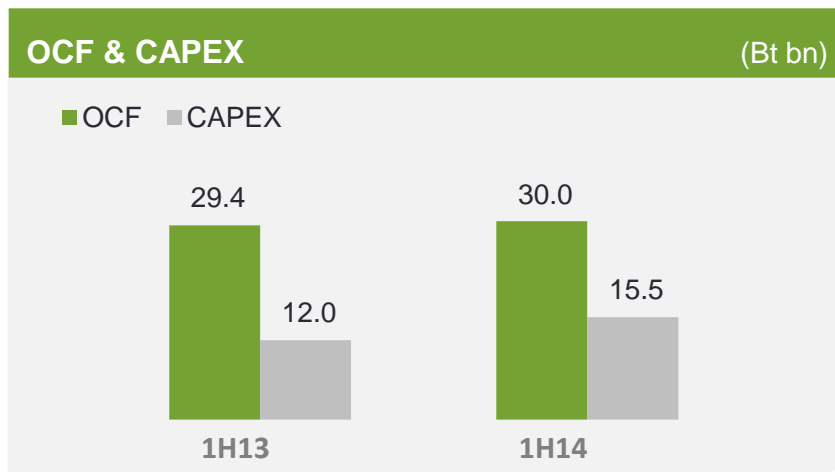


- 2Q14, net profit decreased 7.8% YoY, and 11% QoQ underpinned by higher D&A.
- 1H14 net profit decreased 6.1% YoY mainly from higher D&A.

FCF positive despite of rising capex



- In 1H14, we continue to invest on our 3G-2.1GHz network; thus, higher CAPEX of Bt15.5bn or up 29% YoY.
- Our operating cash flow increased to Bt30bn or up 3.4% YoY, despite the political uncertainties in the first half of the year.
- This still left AIS a strong free cash flow of Bt14.5bn.

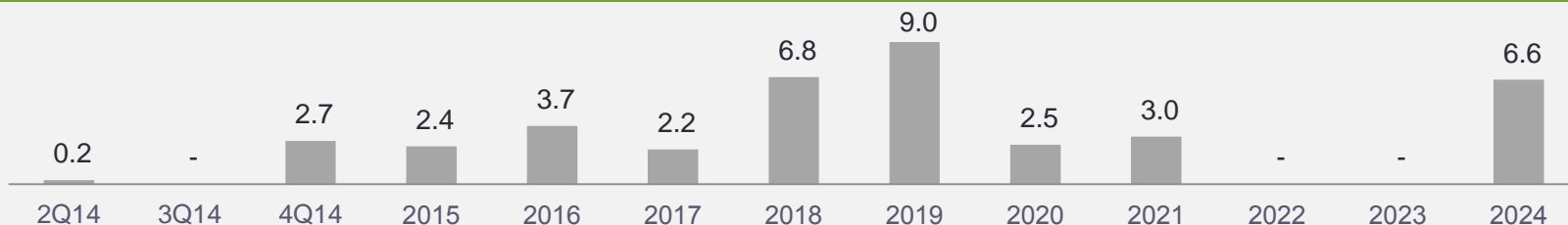


Maintain financial flexibility to support future growth & shareholder returns



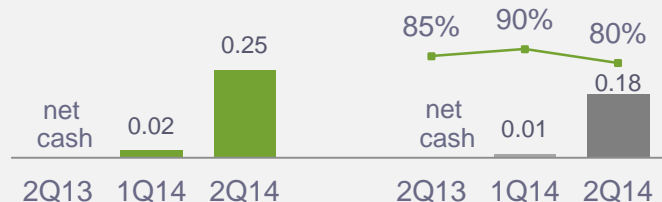
Debt repayment schedule

(Bt bn)



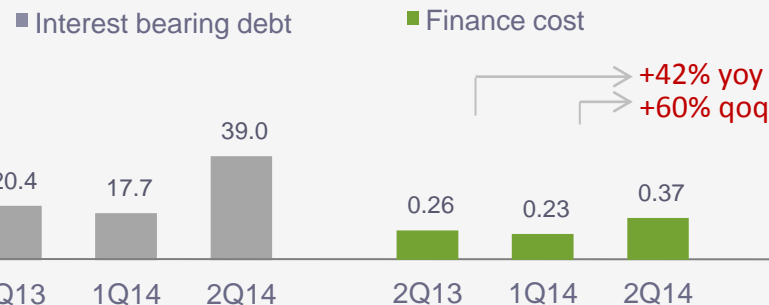
Capital structure

■ Net debt/Equity ■ Net debt/EBITDA — ROE



Interest bearing debt / Finance cost

(Bt bn)



- In 2Q14, AWN issued long-term debenture of Bt16.6bn at 3,5,7 and 10 years and long-term loan from bank of Bt5,000mn to support the investment in 3G-2.1GHz, so net debt to EBITDA increased to 0.18.
- Overall cost of debt stood at 4.1%.

2014 guidance (Revised)

Service revenue, excluding IC

- **increase 1-2%**
(revised from 6-8%)

3G-2.1GHz subscribers

- **85% of total subscribers**
(revised from 75% of total subscribers)
- **45% using 3G devices**
(revised from 50% using 3G devices)

EBITDA margin

- **service margin increase 300 bps**
- **consolidated margin increase 100bps**
(revised from consolidated margin flat YoY)

CAPEX

Bt40bn (remain)

- 95% population coverage with 20,000 3G BTS and additional small cells and faster fiber optic rollout
- AIS shop expansion and renovation

Total Depreciation & Amortization

- **increase 15% YoY** (Incl. network, license fee, and fixed asset in SG&A)
(revised from increase 18% YoY)

Disclaimers



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.



AIS INVESTOR RELATIONS
<http://investor.ais.co.th>
investor@ais.co.th
TEL. +662 2995117