



FINANCIAL RESULT 3Q14

Advanced Info Service Plc.


3 November 2014




Key Highlights

- **AIS continued to ramp up 3G-2.1GHz network to strengthen customer experience.** We now have 20,500 base stations of 3G plus 22,000 WiFi hotspots and will continue to increase small cells in dense area to cope up with surging data usage.
- **3Q14 revenue was better than normal seasonality but still less than expected.** Our service revenue slightly declined 0.7% QoQ despite weak season while increased 1.5% YoY from accelerating data growth (13% QoQ, 62% YoY) from improving smartphone penetration to 34%.
- **Market competition stayed intense with an emphasis on mid-tier segments.** AIS Super Combo 'Lava' has found a great success, driving up 3G handset penetration rate on 3G-2.1GHz to 49%. Attractive bundling package for mid- to low-tier segments were more pronounced and cheaper.
- **We are expanding our horizon further to become an integrated digital life service provider – mobile, fixed broadband, and digital content.** AIS is entering into the fixed broadband business early next year with a budget of Bt1bn to acquire 80,000 subscribers in the first year.




97%
 pop. coverage
 20,500 3G BTS


88%
 3G to total subs


19mn
 3G device on 2.1GHz

2014 Products & Services

New series of 'Lava'



**AIS Super Combo
Black Series**

Value our subscribers

SAMSUNG

 Samsung Galaxy S5 23,800.- 22,500.-	 Samsung Galaxy Grand 11,900.- 5,950.-	 iPhone 5s 16GB 24,550.- 18,900.-
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AIS SUPER DEAL

**Discount handsets with
bundling packages**

Partnered with CIMB



Beat Banking on MPay

3Q14 Key Financial Highlights

Bt million	3Q13	2Q14	3Q14	% YoY	% QoQ
Service revenue ex. IC	28,946	29,604	29,382	▲ 1.5%	▼ 0.7%
2G revenue ¹⁾	19,819	6,387	3,760	▼ 81%	▼ 41%
3G revenue ²⁾	7,817	21,545	23,875	▲ 205%	▲ 11%
Sales revenue	3,687	5,024	4,208	▲ 14%	▼ 16%
Total revenue, ex. construction	34,459	36,481	35,354	▲ 2.6%	▼ 3.1%
EBITDA	15,329	15,804	16,442	▲ 7.3%	▲ 4%
Consolidated EBITDA margin	44.5%	43.3%	46.5%	▲ 200bps	▲ 320bps
Service EBITDA margin	49.2%	50.3%	53.1%	▲ 390bps	▲ 280bps
Capex	6,975	7,444	10,235	▲ 37%	▲ 47%
EPS	2.81	2.85	3.01	▲ 7.1%	▲ 5.6%

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

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

9M14 Key Financial Highlights

Financial Highlights (Bt mn)	9M13	9M14	% YoY	FY14 Guidance
Service revenue ex. IC	87,546	87,953	▲ 0.5%	1-2%
% 3G revenue to service revenue ex.IC	12%	70%		
2G revenue*	73,344	21,451	▼ 71%	NA
3G revenue**	10,157	61,511	▲ 506%	NA
Sales revenue	13,048	14,878	▲ 14%	NA
Total revenue, ex. Construction	110,008	108,284	▼ 1.6%	NA
EBITDA	47,375	48,700	▲ 2.8%	NA
Service EBITDA margin	47.9%	52.1%	▲ 420bps	▲ 300bps
Capex	18,945	25,696	▲ 36%	Bt40bn
Free cash flow (EBITDA-CAPEX)	28,430	23,004	▼ 19%	NA
EPS	9.24	9.05	▼ 2.1%	NA

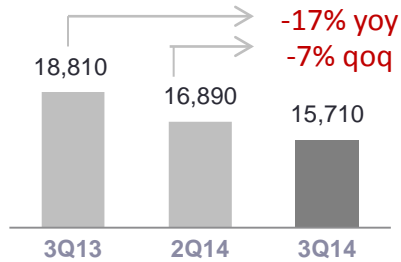
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3Q14 Revenue by segment

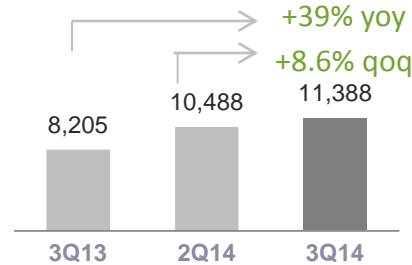
(Bt mn)

Voice revenue



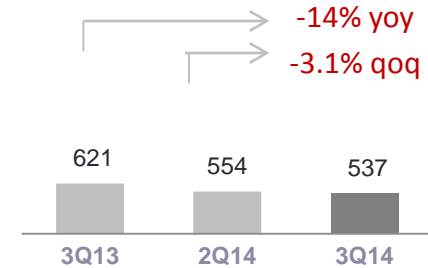
- Lower usage
- Some data cannibalization

Non-voice revenue



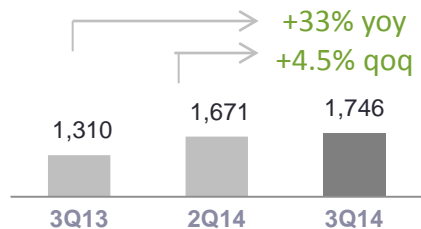
- Rising smart devices adoption
- Improving 3G network

IR revenue



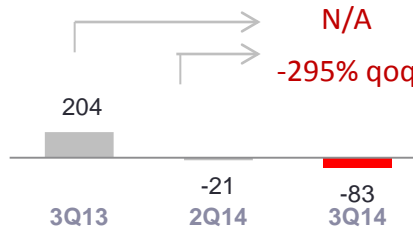
- Martial law still enforced
- Slow economic recovery

IDD & other revenues



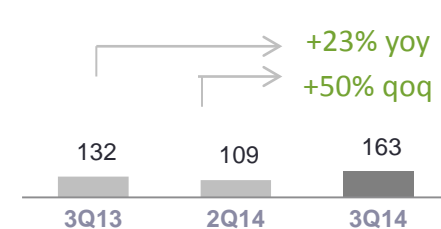
- Lower revenue from IDD offset by higher revenue from Wifi

Net sales



- Cheaper handsets
- More bundling discounts with packages

Net IC

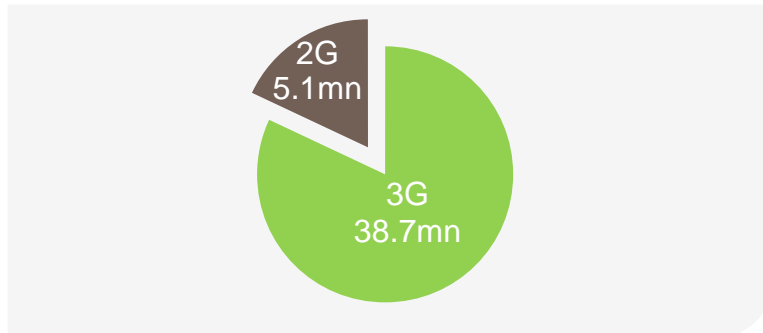


- Starting July-13, IC rate changed from Bt1/minute to Bt0.45/minute

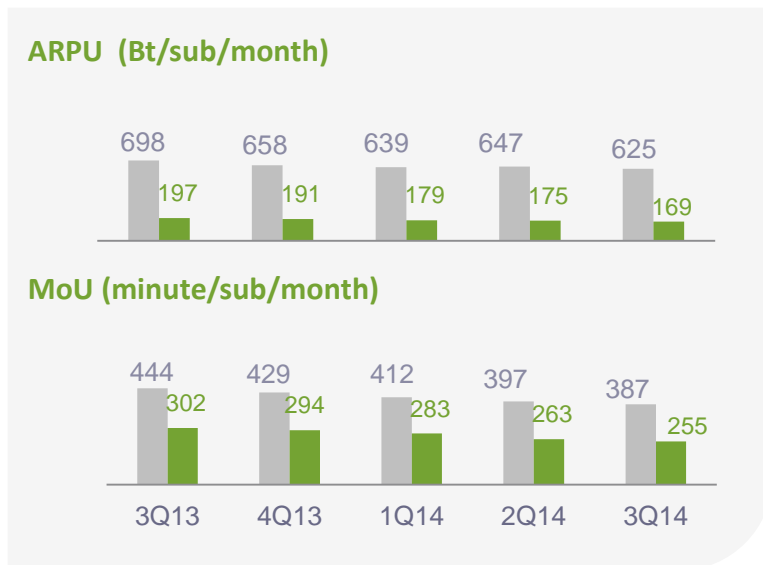


3G-2.1GHz subs representing 88% of total users

43.8mn subscribers



■ postpaid ■ prepaid



- **3G-2.1GHz subscribers reached 38.7mn** or 88% of total subs
- **3G device users reached 19mn** from 16mn last quarter. This represented 49% of the 3G-2.1GHz subscribers, largely driven by our success in “AIS Super Combo – Lava” to tap affordable smartphone segment.

- **Overall the impact of multiple SIMs** diluted ARPU and MOU.
- **Customer switching from prepaid to postpaid** when adopting smartphone. This trend should gradually continue.
- **Postpaid** plans offer lower entry-level pack to draw mid- to low-tier segment.
- **Prepaid** plans are driven largely by daily pack.

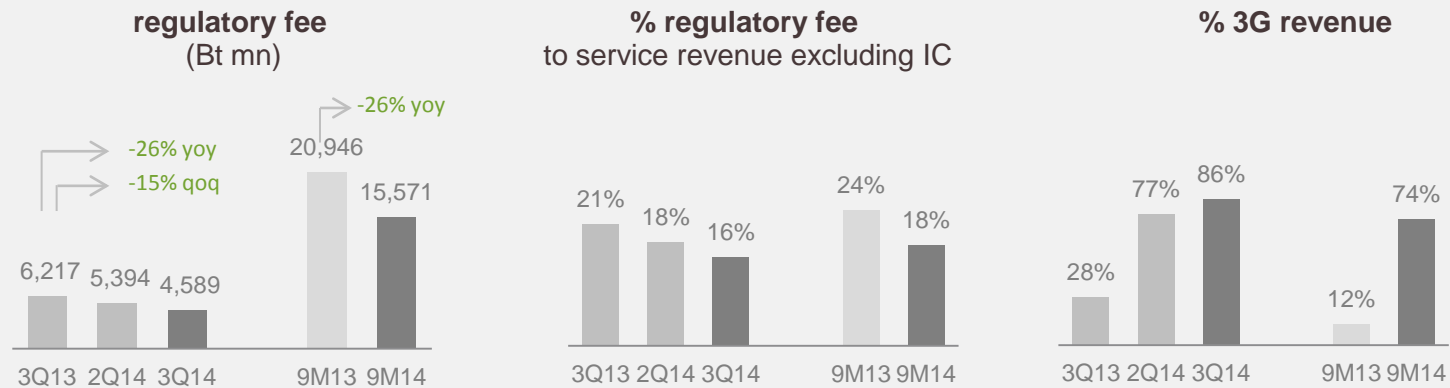
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³⁾ Revised following prepaid commission reclassification

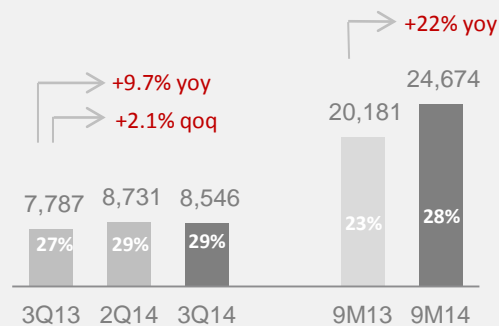
YoY, rising cash opex offset by lower regulatory fee QoQ, both regulatory fee and SG&A decreased

Regulatory fee

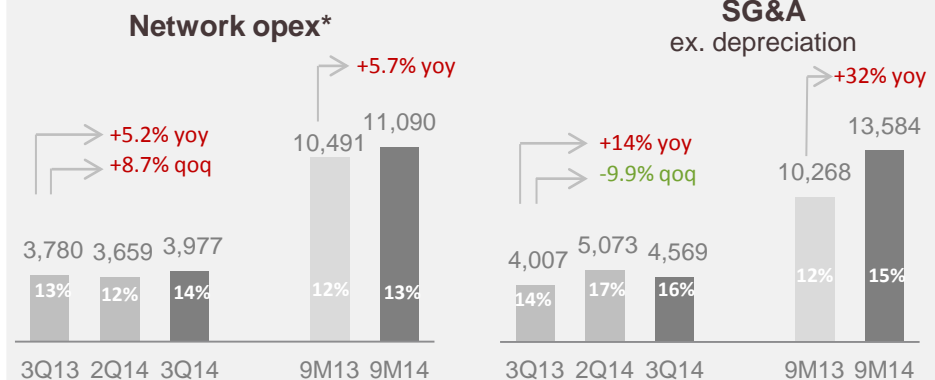


(Bt mn/ % to service revenue, ex IC)

Cash OPEX

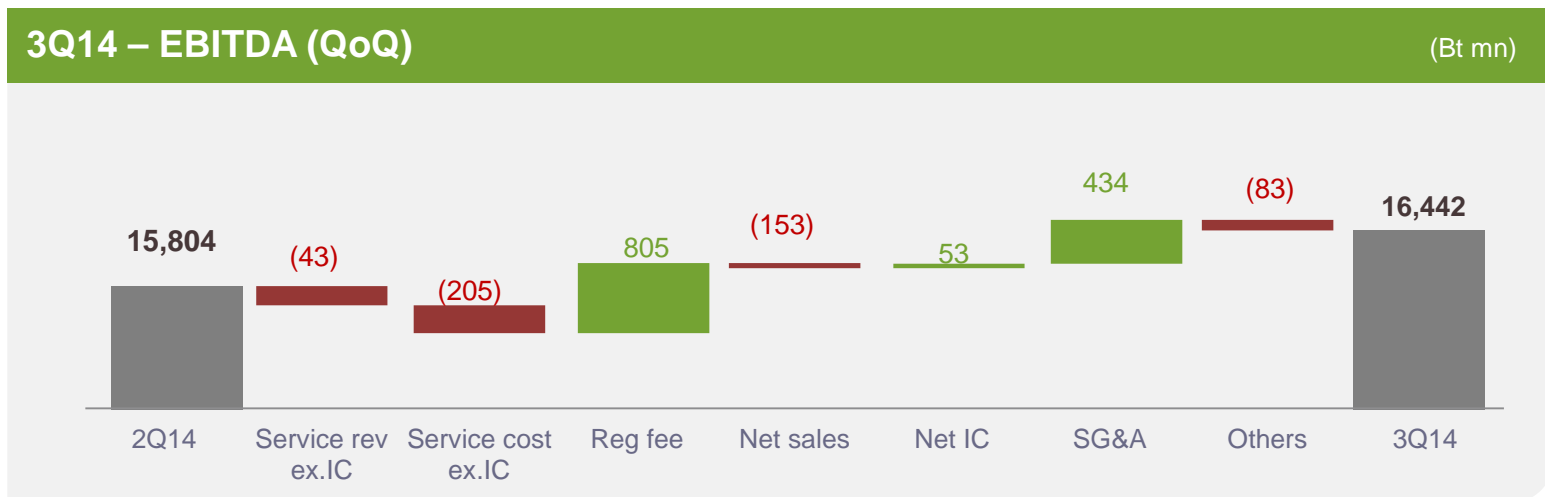
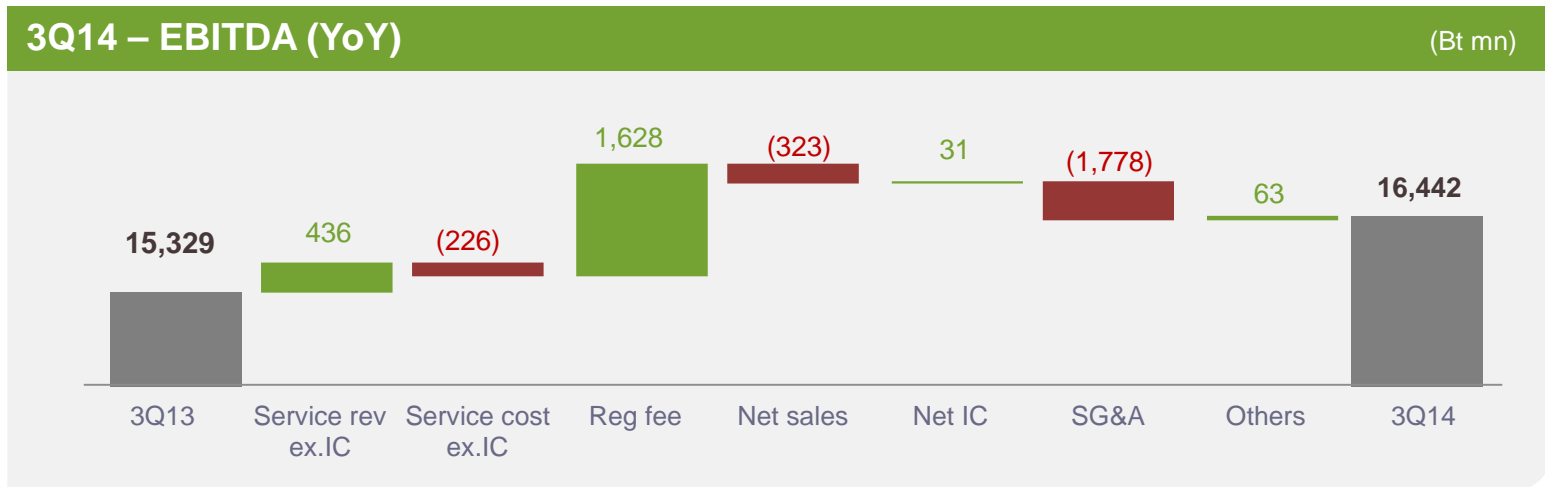


Breakdown of Cash OPEX



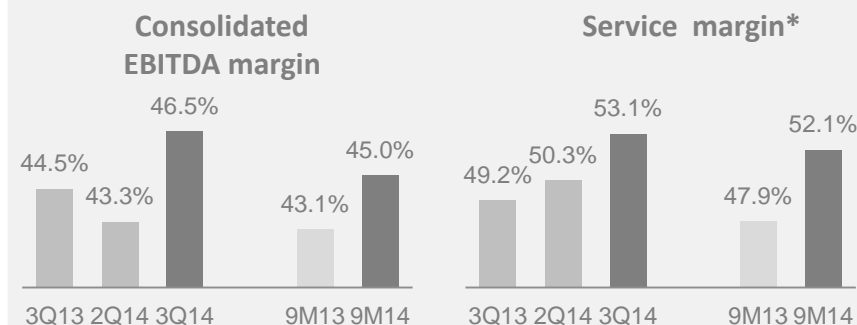
* Network OPEX = Cost of service, excluding IC, regulatory fee, D&A

EBITDA YoY improved from revenue growth and lower regulatory fee while QoQ increased from lower SG&A.



EBITDA margin expanded YoY and QoQ from lower regulatory cost

Margin

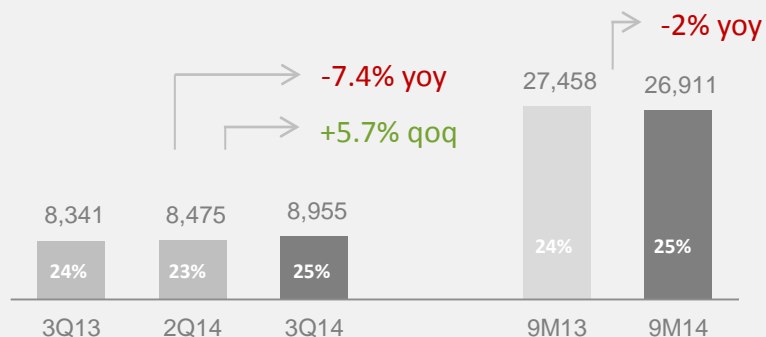


*Service margin is derived from service business which excludes handset business.
 Service margin = $(\text{EBITDA} - \text{Net sales}) / (\text{Total revenue} - \text{Sales revenue})$

- 3Q14, Consolidated EBITDA margin was 46.5% and rose YoY and QoQ mainly from regulatory savings as 3G penetration increased. Service margin stood at 53.1% in 3Q14.
- 9M14, Consolidated EBITDA margin was 45.0% and rose YoY mainly from regulatory savings, despite higher network OPEX and SG&A. Excluding handset margin, Service margin increased to 52.1% in 9M14.

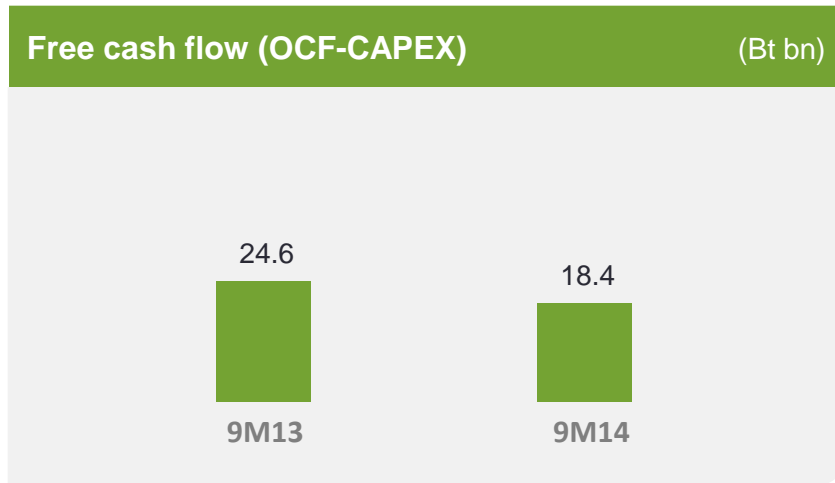
Net profit/ Net profit margin

(Bt mn)

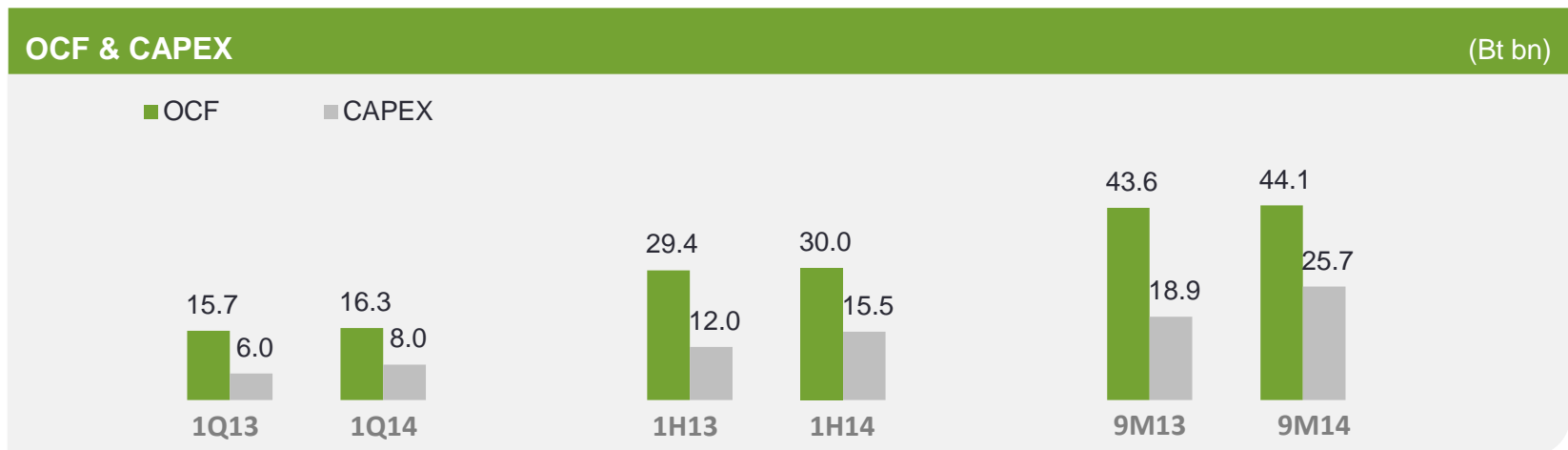


- 3Q14, net profit increased 7.4% YoY and 5.7% despite higher depreciation, amortization and interest expense.
- 9M14 net profit decreased 2% YoY mainly from higher D&A.

FCF positive despite of rising capex



- In 9M14, we continue to expand our capacity on 3G network with CAPEX of Bt25.7bn, increased by 36%.
- Our operating cash flow increased to Bt44bn and ready to support both network investment and dividend.
- This left with AIS a strong free cash flow of Bt18.4bn.

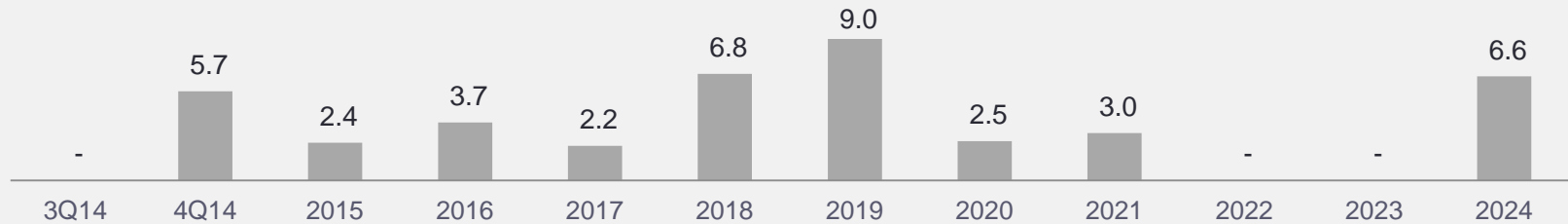


Maintain financial flexibility to support future growth & shareholder returns



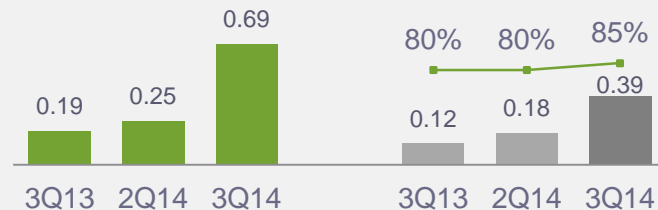
Debt repayment schedule

(Bt bn)



Capital structure

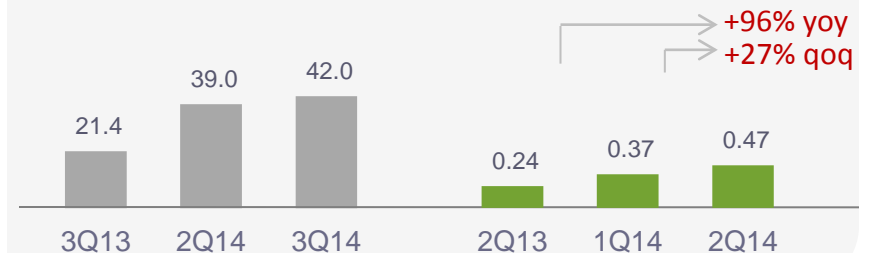
■ Net debt/Equity ■ Net debt/EBITDA — ROE



Interest bearing debt / Finance cost

(Bt bn)

■ Interest bearing debt ■ Finance cost



- In 3Q14, we had Bt3,000mn short-term loan to support the investment on 3G network, so net debt to EBITDA increased to 0.39
- Overall cost of debt stood at 4%.

2014 guidance



Service revenue, excluding IC

- increase 1-2%

3G-2.1GHz subscribers

- 85% of total subscribers (achieved)
- 45% using 3G devices

EBITDA margin

- service margin increase 300 bps
- consolidated margin increase 100bps

CAPEX

Bt40bn

- 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)

Fixed broadband (New)

- AIS announced to enter fixed broadband market in early 2015
- The budget for the first phase was Bt4.6bn, target 1.3mn home pass, 300,000 subscribers
- First year budget Bt1bn, 250,000 home pass, 80,000 subscribers

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.



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<http://investor.ais.co.th>

investor@ais.co.th

TEL. +662 2995117