

# Endless Experia

**Annual Report 2010**

Advanced Info Service Public Company Limited

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# Top of the Top Fantastique Technology of Future



Enhanced your experiences with powerful network  
and powerful devices at your choices.



# Reflecting the Marvelous Wireless Lifestyle

**+10,000** *Applications on  
AIS app store*

**>50%** *Free apps*

The more partners, the more contents  
to suit your infinite lifestyles.







# Arranging Every Single Part for Supreme Success

**+80,000** *Corporate  
and SMEs Accounts*

Enhance your personal life and reinforce strength  
to your business operation.





# Where the Unparalleled Network Meet the Ultimate Alliances

125 *Business alliances*

Segmented privileges at your needs.





# Your Exclusive Passionately Service

**+300**

*Tech Experts to assist you  
via AIS shops, Serenade shops, Call center*

Bring you experience of professional experts.





# Corporate Social Responsibility

Governance

Fair Operating

Employee

Environment

Society



## Corporate Social Responsibility

**Advanced Info Service Public Company Limited or AIS is a Thai owned company and recognized as a leading mobile phone service provider. AIS fully realizes the importance of developing Thailand's telecommunication business and places special emphasis on operations that benefit the Thai society as well as minimizing those that pose environmental impact. AIS recognizes its responsibility of all stakeholders namely shareholders, employees, partners, customers and creditors as well as the society, community and environment.**

Good governance practice is one of AIS's top management policies to help ensure operational effectiveness and sustainable development as follows:

"Being a leader in business.  
Focusing on creativity and business excellence.  
Introduction of services to maximize customer satisfaction.  
Cascading of authority and creating management flexibility.  
Business ethics and honesty.  
Teamwork and create value for its Subsidiaries and partners.  
Devotion to public Service."

AIS operates on the basis of CSR aiming to create happiness for the people in the society, higher living quality, sustainable growth of the Thai society.

## Good Governance


The Company established Good Governance practice for board members, management and staff (please see details on page 112).

In 2010 AIS reviewed its policy and development plan for Good Governance. Activities and projects to further enhance Good Governance were organized as follows:

- Protection of shareholders' rights and encourage shareholders to exercise their rights under the standard legal practice such as share in operational profit, the buying, selling and transfer of shares, access to sufficient news and information on AIS operations, attend meetings to exercise their voting rights to appoint or transfer directors, determine board remunerations, appoint account auditor, and decide payment for account auditor as well as issues that could affect the Company's operations.
- Provide important and up to date information via website.
- Give opportunity to small shareholders to raise their issues to include in shareholders' agenda prior to the meeting. This is done by sending documents to the Board via website or e-mail.
- Allow shareholders to study supporting documents prior to the meeting via website at least 30 days before the meeting date.
- Give shareholders opportunity to share their views and ideas as well as ask questions related to meeting agenda or the company.
- Selection of individual director.
- Establish whistle blower policy, investigation, and information protection programs to ensure effective handling by the management and directors.
- Disclosure of information and IR transparency.
  - Investors able to gain access to accurate understanding of company information. Organized analyst and investor briefings participated by management representatives where they are able to ask questions directly to the company executives.
  - AIS gives equal importance to every group of investors both minor and institutional within and outside Thailand. AIS joined "Opportunity Day" organized by SET every quarter and joined other securities companies at meeting between management on domestic and international Roadshow every year.
  - AIS focuses on disclosing accurate, transparent and complete information through various channels such as SET, website, AIS IR website or e-mail.
  - IR Department is responsible for providing information directly to investors, giving easy communications access such as direct phone calls, conference call in order to avoid incorrect use of information which may affect SET price index. AIS prohibits disclosing information to analysts or investors one month prior to the announcement of financial performance at each quarter during which time the management will avoid giving any financial information to the public. The Company adheres to its principle of providing equal and accurate information to the public.



- Development program for board members
  - Orientation course for newly appointed board members.
  - IT Briefing for new Board and exchange views on IT and management techniques.
- Support and promote Good Governance to the public
  - Organized briefing “Audit Planning” Annual Meeting for Metropolitan Waterworks.
  - Organized meeting “Work System and Auditing Process” to Office of the Council of the Autonomous University Presidents of Thailand.
  - Risk Management and International Audit Briefing for the Thai Health Promotion Foundation.

In 2010 AIS was evaluated by the Thai Institute of Directors (IOD) with the support from the Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) at the “Excellent” or  for two consecutive years.

## Responsibility for Environment

### Environmentally Friendly Network

Under the BTO Agreement of mobile phone operator, AIS is responsible for investigating the building of network that offers greater convenience and efficiency for customers. AIS focuses on expanding and developing quality network to cover all areas with special emphasis on developing green network in various forms as follows:

1. Set up a team to study the modification of natural clean energy or substituting energy in generating electrical current for operations of mobile phone stations in various forms appropriate to the location in order to limit energy consumption and will not affect the operations of the station.
2. Installation of solar cell applying principles of transforming solar energy into electrical current to supply electricity to communication equipment installed within the station.
3. Installation of windmill to generate electrical current from air stream energy and connect to the main electrical system from regional in Samut Songkhram and eastern seashore in Chon Buri.
4. Using biodiesel as fuel for electrical generator at the station.
5. Installation of insulated wall to save energy for controlling room temperature at network station base without having to use large airconditioning system.
6. Replacing air condition with high efficiency fan at certain areas to ventilate heat while keeping the equipment effectively functioned.





### Disposal of Mobile Phone Battery

In 2010 AIS decided to change ways in which used phone batteries are discarded. Originally AIS hired a Ministry of Industry certified company to help dispose used batteries by way of burying into the ground. Now these batteries are collected and recycled. The process is carried out by an internationally certified company.

In line with this change, AIS joined together with the Ministry of Natural Resources and Environment to create awareness of the possible danger from unused batteries that are incorrectly discarded. Therefore AIS invited the public to get rid of the unused or dead batteries regardless of brands or models at any of AIS 33 office branches nationwide for recycle. This will help ensure health safety and reduce environmental pollution.



### Service Development and Management to Reduce the Use of Paper

AIS employed IT technology for internal management to conserve the environment and reduce the use of paper. This technology is also applied for other customer service development such as

- Terminate printing of pay slip on paper and replaced by on-line pay slip for 8,000 employees.
- Reduce print out by using e-mail.
- Billing invoice for prepaid customers in the form of e-mail or GSM e-statement and encourage customers to use the service by organizing various programs to raise awareness of Global Warming.

### Managing Energy Consumption

- Shut down the lighting system where there is natural light as well as at meeting rooms during lunch time and after office hours.
- Reduce the turn on/off time of airconditioning system and control temperature at 24 degree celcius.
- Add more lighting switch at office desks so staff can turn the light on and off according to their usage.
- Organized "Pulling Plug" to reduce consumption. Each office floor has to compete every quarter to reduce the energy consumption.
- PR catchphrase every two months to encourage energy consumption among employees in every communication channels.

## Responsibility for Consumers

Throughout the Company's operations, AIS has always placed special emphasis on offering high quality network and its coverage in order to ensure effective communications and for customers. Service and innovations are continually introduced to maximize customers' daily lives while meeting their needs under the following guidelines:

### Fair Practice for Consumers

- Offer quality products and service as well as develop new services to meet their needs and lifestyle both individual and corporate customers.
- Offer complete customer care services during active membership period such as offer best promotional programs during the first six months; organize suitable and on-going programs when promotions nearly expire; arrange new mobile phone in case of lost; contact customers when usage cost is unusually high; and special privileges on customers' birthdays.
- Offer privileges that benefit their daily lives under the symbol "AIS Plus" and "Serenade" by working together with different business partners nationwide.
- Enhance convenience and simpler contact channels.
- Provide complete and accurate product and service information.
- Offer system which enables AIS to record customer information as well as information on sales promotion in case of on hand request.
- Making sure that staff who has full knowledge of products and services are available at every service center to answer customers inquiries or help provide solutions to problems related to service. AIS organizes regular training programs to ensure effective service rendered to customers.

- Arrange service contracts according to the legal requirements. The contract and conditions must be stated clearly such as service rate, payment, period of service and service cancellations.
- Customer information must not be disclosed without authorization either from the customer or authorized group companies except for information that must be disclosed per legal requirements.

### Customers' Health and Safety Protection

- Construction of signal poles must be safe and in accordance with the engineering standard.
- Evaluate the spread of electrical field from stations which must be in accordance with international standard and construction of the stations in line with the announcement by National Telecom Commission on requirements and measures for safety on human health from the use of communication radio transportation 2006.
- Signs to display information on coverage of electrical field according to the law.
- Provide public information through printed materials regarding electrical magnetic current.

### Sustainable Consumption

- Promote collecting unused or worn out batteries from consumers and the public for recycling process according to the standard accepted worldwide through project "AIS give back batteries, give back the world".

### Service Support and Prevention of Consumer Complaints and Disputes

- Offer new mobile phone in case of break down or faults causing customers inability to use their mobile phone normally within seven days of purchase.
- Customer Relations officer are readily available to take care of customers and answer to questions or inquiries they may have to bring better understanding.
- Provide public information and advertisement through different media such as television, newspaper and magazine on AIS Call Center,



manned by personnel, to provide any possible assistance customers may need.

- Center to take complaints to provide information or clarification to stop any dispute.

### Customer Information and Privacy

- AIS stores necessary personal information as required by the law and agreed by customers. Postpaid customers must apply for service by declaring name, surname and address while the prepaid customer must be present to identify themselves as customer.
- E-service is introduced to allow customers to check their personal information.
- The Company will store customers' service information going back three months where customers are able to trace.
- The Company has customers' information protection system such as specify the rights to access information using personal password.

### Access to Necessary Service

- AIS has a reminding SMS and phone system in case of pending payments.
- AIS has a mobile vehicle to provide assistance in the areas where help is needed (natural disasters).

### Provision of Information and Creating Awareness

- Provide public information through printed materials on the coverage of electrical magnetic field from the station and safety of radio communications.
- Set up of complaint center to help provide possible solutions to problems.

## Responsibility for Employees

### Employment

In 2010 AIS recruited employees for service and technical areas to prepare for future network management and accommodate new technology.

The selection process system focuses on equality and fairness (merit system) with comprehension tests, interview by highly experienced committee members, ensuring maximum transparency.

AIS has placed special emphasis on taking care of its employees like family members. Employees are well looked after in area of compensation, privileges and benefits. Employees work in a warm and friendly workplace atmosphere. They are encouraged to share views and experience, senior employees will assist the junior giving advice and support which will in turn create a friendly atmosphere and happiness at workplace.

As a Thai-owned company AIS also recognizes the ability of disabled people, especially those who are deaf or blind. Job opportunities are open for these people according to their knowledge and ability. Currently, these people are working as customer relations at AIS Call Centers.

### Managing Benefits

AIS offers benefits and privileges for staff and their families under the Flexi Benefit policy to best meet their needs. The essential ones include:

- Annual health checks
- Nursing room and permanent doctors
- Medical fees, health insurance and life insurance
- Provident Fund with seven percent top up from the company
- Scholarship for employees' children
- AIS coop
- Gift baskets for visit patients at hospitals
- Wedding gift
- Aids in case of natural disaster such as floods
- Cash support for deceased family members (husband, wife, children)
- Employees are entitled to take leave on birthday or to take care of ailing family members
- Health club for employees

Besides the usual benefits as stated above, during the widespread of H1N1, AIS took immediate action by providing information to employees on how to look after their health properly, arrange for vaccines for employees and their family members.

### Managing Salary and Compensation

AIS is committed to manage compensation fairly and suitably by pay for person, pay for performance and pay for position, all of which have been appropriately evaluated. AIS conduct research to benchmark with outside and leading companies to further improve its compensation conditions which will allow AIS to compete effectively with those in the same industry. In doing so, experienced individuals and young blood are attracted to work at AIS.

### Employee Relations

AIS organize activities among employees and between employees and management, giving them opportunity to express ideas and a chance to enjoy numerous activities that will help create unity and happiness among colleagues at workplace.

In 2010 AIS organized more of these activities to further enhance morals while encouraging greater work ethics among employees, which will in turn expand to company, social and national level.



- **“Volunteers for kids”** was organized to encourage staff to take part as volunteers to help improve skills and knowledge among Thai youth. Students from underprivileged schools were able to gain out of class experience such as those from Nong Ta-ming school in Lop Buri were taken on a visit to Sky Simulator in Bangkok where they were able to learn more about our planet earth and stars.
- **“Smile on Children’s Day”** was organized for disabled children from various homes nationwide. The event is organized every year where staff volunteer to take care of these children, giving them a full day of loving and caring atmosphere.
- **Staff party and activities** are organized annually to help enhance both personal and professional relations among employees. In 2010 “Disco on the Rock” staff party was organized with activities and performances by staff as well as by their favorite artists.
- **A get-together AIS Family Day** was organized for the management and staff and their family members with many exciting activities.
- **Friends Help Friends project** in aid of their fellow staff members in case of sickness or natural disaster where cash support can be transferred for immediate assistance.



- **Mother's Day activity** where the management and staff join in religious ceremony giving alms to 179 monks, making cash donation to Wat Phrabat Nampu and giving away free Jasmine plants. The event took place in front of Shinawatra Building 1. "Cake for Mom" was one of the activities on this day where staff members made self decoration on cakes to take home for their mom.
- **Father's Day activity** where the management and staff join in religious ceremony giving alms to 184 monks, making cash donation to Wat Phrabat Nampu and giving away free Phutaraksa plants.
- **Songkran Day activity** was organized to maintain the traditional Thai culture and enhance a close relationship between staff and management.
- **AIS Gift Fair** is usually organized twice a year at Car Park area of Shinawatra Building 1 where staff bring a range of products for sale at reasonable price and people are able to buy goods brought for sale directly from large manufacturers at special price. A range of activities including draw prize are organized to help raise fund for those affected by floods.
- **One Day Camp** for employees' children during school holiday where kids are able to enjoy numerous activities to sharpen their creativity, enhance self expression and awareness of using their time constructively.



- In 2010 AIS marked its 20<sup>th</sup> year of operations with religious ceremony and activities.
- **Staff joined photo** competition for different themes including Loi Kratong. The photos used must be those taken with their family members.

## Human Resources Development

AIS is dedicated to enhance personnel development and ability. Therefore AIS has clear policies to promote and support personnel development, create and enhance corporate culture and ethics at workplace. This is to ensure that employees work together in a pleasant environment.

In 2010 AIS focused on developing creativity and ability to bring new ideas and innovations keeping pace with today's technological development. This will differentiate AIS from other companies while enhancing its competitive edge. In respond to both external and internal changes that cause even more complex work process, AIS introduced policy to heighten knowledge on control and assessment for its management to ensure effective internal control and modern work process to achieve the company's goal.

AIS also launched projects to ensure continual development of personnel in line with occupation development plan for both occupational and management skills to enhance efficiency and customer service quality. Training programs, seminars, visits to establishments both within and outside Thailand and job rotation - all of which help gain work experience and ensure career advancement under competing-base development program and Talent management program, and succession planning program. AIS also offers staff scholarship to encourage them to further their education at Bachelor's Degree level both within Thailand and overseas.

### Knowledge Management (KM)

AIS applies Knowledge Management system to expand knowledge at individual, team and corporate levels available via website name "Nokhook". The site has been designed to work in line with its Core Business process for staff to gain fast and effective access to jobs and information. The site is important especially at this time when social media plays a leading role in our social life. Nokhook is used as a platform to exchange news and work experience among staff as well as innovation concept enabling AIS to continue to develop greater service experience.

### Hygiene and Safety at Work

A Hygiene and Safety at work committee was appointed to work in accordance with the law. The committee comprises representatives from both the management and staff. Another set of committee was separately appointed to supervise each station base at Shinawatra 1, Shinawatra 2, ESV Building, at Paholyothin Center, Paholyothin Place and Cargo.

The Committee is responsible for planning and monitoring works related to safety, hygiene and environment at work place in coordination with other units. Past highlights include:

- Audit safety policy
- Plan and monitor safety operations
- Monthly safety audit and monitor improvements on issues obtained from research
- Increase channel of AIS safety contacts and reports by staff to the Committee for further handling and improvements
- Support fire prevention and organize fire practice on an annual basis

### Safety Training

- Training for the Hygiene and Safety at work committee members.
- Training for Safety Officers as well as their Chief Supervisor.

## Social Contribution and Community Development

In addition to the company's commitment to operate professionally in respond to stakeholders, AIS is also dedicated to building strong society and bring happiness to the people in the community through a number of activities as follows:

### Sarn Rak Project

Sarn Rak Project was launched in 1999 to promote family relations. The project acts as a medium to help raise awareness of the importance of family love and support. In 2010, the activities organized under this project included:

- Once a Week advertising series to encourage activities among family members.
- The 11<sup>th</sup> AIS Walk Rally for Ananta Mahidol Foundation. The event was organized in Chon Buri under the theme "Sarn Rak Pirate's Gold".
- The 18<sup>th</sup> AIS Family Rally for Sai Jai Thai Foundation to win the trophy of HRH Princess Maha Chakri Sirindhorn.



## Opportunities and Social Contributions



### Relief

- Water Tank project  
AIS has continued its commitment of helping people who are affected by water shortage by providing water tanks. The project was established as part of the nation's Celebration of His Majesty the King's 60<sup>th</sup> Year Accession to the Throne.
- AIS Helps those affected by cold weather  
AIS gave 15,000 blankets to the people in the north and northeastern regions who were affected by cold weather.



- AIS Helps those affected by floods  
In 2010 many areas of Thailand were hit by floods and the people were badly affected as a result. During this disaster, AIS offered use of mobile phone free of charge for the people in these areas as well as giving away survival sacks. AIS also gave Baht two million cash support and more survival sacks to government and press organizations, acting as a medium to call for public assistance.

## Education

- AIS offered career guidelines to university graduates  
In 2010 AIS organized seminars to prepare graduates who were preparing for jobs or job interviews for 4<sup>th</sup> and 5<sup>th</sup> Class university graduates in Bangkok, Khon Kaen, Chiang Mai, Songkhla and Chon Buri to increase their chance of success in applying for jobs.
- Publication of “Architecture in Era of King Rama V” to mark the 100<sup>th</sup> Year of King Rama V. The book is given to libraries nationwide.



- Conservation of water sources  
AIS together with Sufficient Economy Institution organized conservation of water sources activity under the Sarn Rak, to raise awareness of water conservation for people in the community which in turn will bring sense of togetherness within the community to protect water sources in their area. In addition, AIS also provided support in terms of cash and education to the community to establish a sustainable educational center.



- Company Visit  
Students and employees from both private and public sectors are welcome to visit AIS and listen to briefings on company operations. The knowledge and information gained from the visit would be used for further development of their respective organizations and/or establishments.
- AIS gave Baht one million support to the Faculty of Engineering, Chulalongkorn University, for the construction of 100<sup>th</sup> Year Engineering Science Building which will be used for research works.



- Provide educational materials to Office of the Occupational Study Committee Phra Dabot Foundation giving 1,880 Phone One mobile phones to students for research purpose.
- Organized Business Development Plan competition for students under the “One-2-Call BrandAge Award” and offered training and scholarship.





### Opportunity Provider

- To mark the national Children's Day, AIS brought 500 disabled and underprivileged children from 12 Children Homes to experience and enjoy a range of fun activities at Shinawatra Building 1 to provide equal social opportunity.
- AIS Fund for Elderly at Ratchprachanukroh Foundation under the Royal Patronage.

### Sports

- AIS renovated six sport grounds in three areas in Bangkok to encourage youth to spend their free time constructively and to promote a healthy living.
- AIS Regional League  
AIS Regional League to promote Thai football at international level. AIS offers cash prize and free calls throughout 2011 for the winning team.



### Social Role Model

- Production of "Sarn Rak Kon Geng Huajai Grang" documentary television program helps create role model among Thai youth and commend those who do good things and help their families. The program has been broadcast for 10 consecutive years and in 2010 the airing time changed from NBT channel to channel 5 during 15.10 - 15.35 hours.



- In 2010 AIS gave Baht 2.5 million for educational scholarship.
- Production of CD Sarn Rak Kon Geng Huajai Grang as part of educational materials to enhance morals which is distributed to schools nationwide as well as Border Police Patrol School, Office of the National Buddhist and also interested public.

- AIS organized tour for those featured in the Sarn Rak Kon Geng Huajai Grang program to meet other students and share their experience. In 2010 the project was organized at Youth Training Center 5<sup>th</sup> precinct in Ubon Ratchathani, and Baan Kanjanapisek in Nakhon Pathom.
- 4<sup>th</sup> Sarn Rak Kon Geng Huajai Grang Youth Camp offers new horizons for children joining the program and out of classroom experience.

### Awareness on Social Contribution

One of AIS's policies is to support employees who contribute to the social growth and development. When disasters struck, such as flood in Hat Yai and Songkhla in November 2010, AIS employees volunteers to help distribute survival sacks to those affected and the company paid for travel expenses, food, accommodation, per diem and the day is counted as normal working day.



## Awards

- AIS was voted Best Public Company of the Year 2010 as a registered company in the SET by Money & Banking magazine.
- The Wall Street Journal newspaper gave 9<sup>th</sup> ranking to AIS for being a Thai company that maintain its image through challenging environment.
- Voted for Best CEO, Best CFO and Best IR Awards for company in the Technology Industry by the Analysts and Securities Association.
- GSM Advance and One-2-Call received 1<sup>st</sup> and 2<sup>nd</sup> ranking for being the most reliable mobile phone system in 2010, respectively. The survey was conducted by BrandAge magazine, one of Thailand's leading marketing magazine.
- Received Plaque of Appreciation from the National Telecommunications Committee in recognition of AIS's effort to promote better living quality for blind and underprivileged people.
- The Ministry of Social Development and Human Security presented certification for AIS's Sarn Rak Kon Geng Huajai Grang project in recognition of AIS's outstanding efforts to organize activities for the benefit of the poor.
- Once a week advertising series under Sarn Rak Kon Geng Huajai Grang received Outstanding Media Award, under advertising category.

## Investment Highlights



Nationwide coverage

# 97%

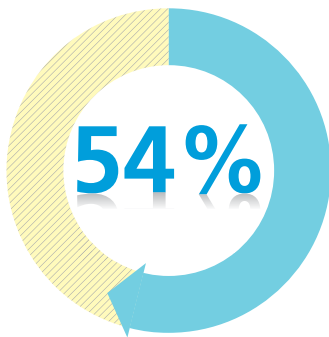
with 15,800 base station AIS is the most trusted and quality network in Thailand confirmed by 3 consecutive years of "Most Admired Brand" from BrandAge Magazine.



### EDGE Plus

AIS is committed to bring advanced technology and innovation to customers. We recently upgraded the technology on the current 2G network to "EDGE Plus" which enhanced the better customer experience on mobile internet.

No. 1: 54% revenue market share

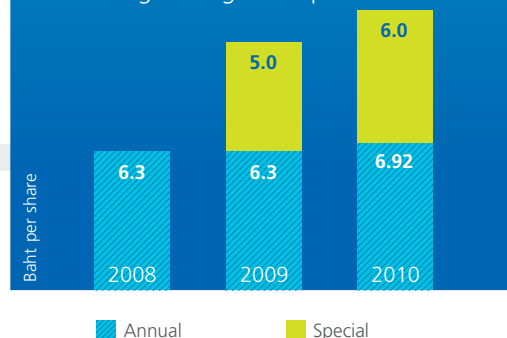


AIS continues to lead market with the largest market share in both revenue and subscriber-wise. In 2010, AIS recorded 31.2 million subscribers representing 45% of subscriber market share.

Dividend pay out

# 100%

Company aims to pay dividend at least 100% of net profit. In the meantime, the company intends to maintain flexibility to preserve long-term growth potential.

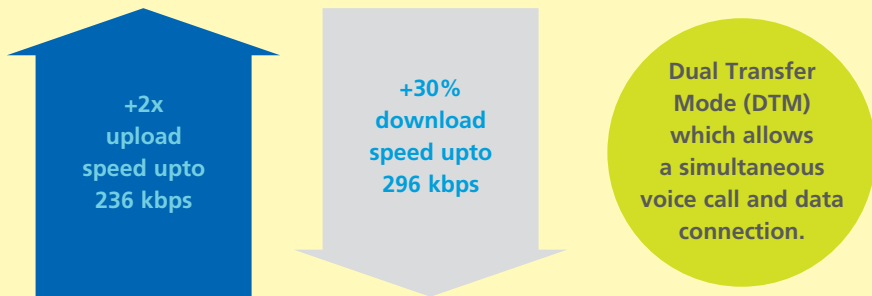


Thriving  
Net SIM users  
Smart Phone  
subscribers



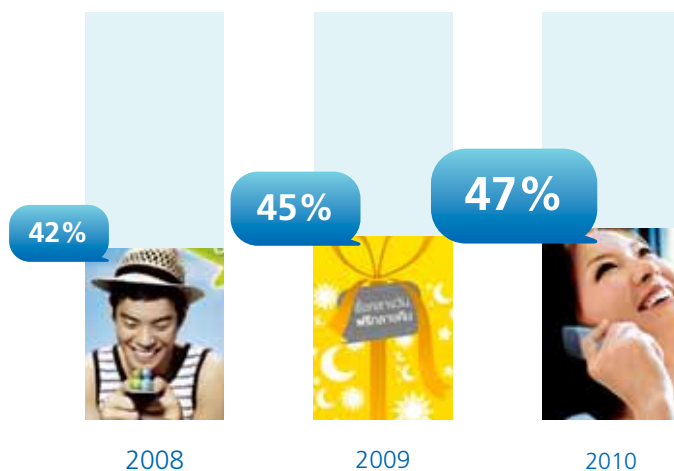
Emerging trend for mobile internet leads to growing internet SIM subscribers. BlackBerry, breaking the perception of being pure business-use, finds its mass market success with booming services like social networking and instant messaging (BBM).

GSM  
**NET SIM**

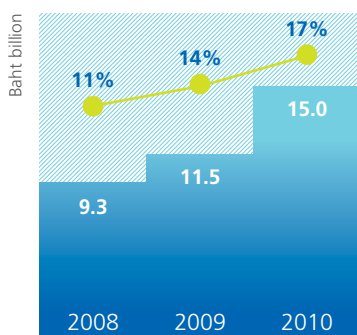


## Improved EBITDA margin

Improved EBITDA margin from well-control cost. Cost efficiency program started since 2008 before economic crisis hit. We believe AIS is operating at very lean efficiency.



## Data revenue 30% yoy

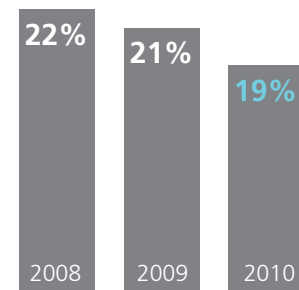


Data service becomes the key growth vehicle, contributing 17% of service revenue. The growth is pushed by rising customer demand for mobile internet, higher smartphone adoption and variety of lifestyle contents.

■ Non-voice revenue    ● % to service revenue ex.IC

## Lowest overall cost\*

The independent global cost benchmarking by AT Kearney compared AIS operational cost in 2009 against ~100 mobile operators worldwide showed that AIS achieved the lowest overall cost\* which reflected our well-managed cost efficiency program.

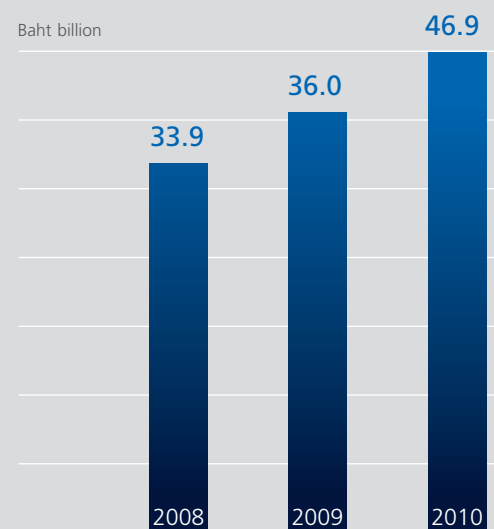


■ Cash opex (% to service revenue ex.IC)

Cash opex = SG&A + Network opex  
\* See Disclaimers on page 224

## Healthy free cash flow

Strong free cash flow generation due to stable competition and limited investment required while 3G is not yet prevalent. Current investment focuses on customer's demand for data usage.



■ FCF (EBITDA - Capex)



## Message from Chairman and CEO



### **Dear shareholders and customers,**

On behalf of Advanced Info Service Plc. (AIS), we would like to thank for placing your continued trust and support in our services and management. The year 2010 was very challenging for us all. Our revenues improved in all service segments especially for non-voice which rose 30% from 2009 and should continue to deliver its positive momentum next year. This imposing growth makes us believe that Thai people are geared up for and demand internet connectivity through wireless broadband. The recovery of macroeconomic in Thailand also supported our service growth in 2010. Internally, we made arduous effort to maintain our high efficiency in operation. An independent comparative study conducted by one of the leading international consultancy firms testifies our low overall operating cost among 100 global telecom companies.

Throughout 2010, we faced several significant events and changes in Thai telecom industry. One of the imminent issues was 2.1 GHz license issuance or publicly known as 3G licensing, which encountered legal headwind and was eventually suspended by the court injunction. However, we believe Thailand should still be having 3G - 2.1 GHz licensing in the next 2 years as the new Frequency Allocation Act was recently passed by the government. This is the law governing establishment of the National Broadcasting and Telecommunications Commission who will be responsible for future regulations including spectrum and operation licensing. The establishment of the new regulator will be a crucial step to the industry growth over the long term. Another key change in the industry was the launch of mobile number portability for Thai consumers. We believe with our superior quality of service, network reliability and outstanding customer cares, this is a good opportunity for AIS to welcome new valued customers. These challenging environments for mobile operators in Thailand prompt us to work dynamically and steer toward growing strong and solid business through any future perplexity.

In 2011, although without 3G - 2.1 GHz licensing, we are confident that the consumer demand for non-voice or data service should continue to surge. We believe in the EcoSystem to co-develop industry growth with our key business partners throughout the value chain. Based on our strength in mobile network, AIS customers will be the first to get their hands on top-rated devices from leading manufacturers, abundant and newly rich contents from key content providers, differentiated privileges from our business alliances, tailored solutions to corporate and SME customers as well as promised satisfaction from our highly experienced customer assistance. We reckon that the EcoSystem vision will bring us on top of the new wave of data service emergence.


**Dr. Paiboon Limpaphayom (Ph.D.)**

Chairman of the Board of Director


**Mr. Wichian Mektrakarn**

Chief Executive Officer

While waiting for the 2.1 GHz license, we are exploring partnership with potential business partners such as TOT who has long-term relationship with AIS. We are in discussion for a roaming agreement between AIS and TOT-3G networks as well as becoming an MVNO of TOT-3G. Also, we are studying the potential use of our existing 900 MHz band for additional 3G service. All these endeavors are made to deliver our commitment to bring better experience and technology to our customers. In the longer term, after the new regulator is formed and new 2.1 GHz licenses are issued, Thai consumers should eventually have the opportunity to experience 3G at more competitive prices and higher quality. AIS as the largest mobile service provider in Thailand can assure you that we are keen on securing a new license to operate 3G. In the meantime, it is our prime interest to prepare our business operation, resources and plan to be ready for the upcoming 3G journey.

It is inconceivable to grow business without taking society and environment into our daily practice. AIS and our staffs are taking serious commitment to engage and protect the interests of all stakeholders. We constantly review and scrutinize our corporate governance practice which is rated “excellence” by SET and SEC. We dedicate our capabilities to reach out and support the society around us in numerous occasions. In the recent countrywide flooding, we donated more than Baht 8 million and organized SMS service as a channel for Thais to help the suffered Thais. We also dispatched our team of engineers and volunteer staffs to the disaster areas to help people in need whether it is for communication, necessities, or comfort. We continue to support our long-standing well-know project “Sarn Rak Kon Keang Huai Jai Krang” which gives opportunities for children with disabilities to get higher education up to the undergraduate level. Purposely for environment, we implemented “Green Network” project continually. Years ago, we embarked upon searching ways to cut down energy consumption in our network operation. Eventually, we replaced electric air-cooling to natural air-cooling system which works more generously to our electricity consumption and hence bill. We also deployed alternative energy such as solar power and wind turbine to feed our base stations. It is our belief and our values that in an EcoSystem, one cannot live alone but must share resources surrounding them to survive and rebound from any disruptive EcoSystem, impacts for sustained mutual benefit and prosperity.

Last but not least, we feel enormous gratitude to our shareholders, customers and every stakeholder for your constant and continual support to our business. We promise to bring endless superior experience to our customers, society and all stakeholders.

Best regards,

## Audit Committee

### Report 2010

#### To the Shareholders of Advanced Info Service Public Company Limited

The Audit Committee of Advanced Info Service Public Company Limited consists of three independent directors with combined experience in finance, accounting, law, and business administration: Mr. Aviruth Wongbuddhapitak as Chairman, Mrs. Tasanee Manorot and Mr. Surasak Vajisit as Committee members, with Mrs. Suvimon Kulalert as Secretary. All members possess adequate qualifications for their posts as specified by the Audit Committee Charter and in accordance with the Stock Exchange of Thailand regulations and Best Practice guidelines.

The Committee performed its duties and responsibilities independently, as assigned by the Board of Directors, supervising and overseeing the Company's state of affairs, ensuring that the Company's business operations are carried out without any conflict of interest and with adequacy of internal control systems and that Management execute their duties with honesty, responsibility, and in accordance with Company policies.

The Committee held a total of 13 meetings in the fiscal year 2010 and the members attended as follows:

- |                                |                |
|--------------------------------|----------------|
| 1. Mr. Aviruth Wongbuddhapitak | 12 attendances |
| 2. Mrs. Tasanee Manorot        | 13 attendances |
| 3. Mr. Surasak Vajisit         | 13 attendances |

At the meetings, the Committee discussed and shared opinions with senior management, internal auditors, and the external auditor on matters related to the Company's business, and which can be summarized as follows:

1. The Audit Committee reviewed the Company's quarterly and annual financial statements as well as the consolidated financial statements for 2010, which had already been reviewed and audited by the external auditor, and submitted them to the Board of Directors for approval. The Committee invited management and the external auditor to the meetings to review the accuracy and completeness of the financial statements, adjustments made to accounting entries that significantly affect them, and the adequacy of financial disclosure. The Audit Committee reviewed the readiness of the Company for preparing financial statements in accordance with the International Financial Reporting Standards (IFRS).

In addition, the Committee considered and acknowledged the management letter and audit plan proposed by the external auditor. The Committee also held a special meeting with the external auditor for which Management was not in attendance to freely discuss important issues in the audit plan and significant information for preparing the financial statements.

The Committee concluded that the internal control systems of the financial reporting process were adequate to ensure that the financial statements accurately depicted the Company's financial status and operating results in all material respects. Furthermore, the Committee determined that the financial statements were in accordance with all legally defined accounting principles and were adequately and promptly disclosed for the benefit of shareholders, investors, and users of such statements for the purposes of making informed investment decisions. In addition, the Company is ready to comply with the IFRS.

2. The Audit Committee reviewed connected transactions, or transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws, rules and regulations prescribed by the Capital Market Supervisory Board and other regulatory bodies, and are reasonable and for the highest benefit of the Company.

The Committee concluded that the aforementioned transactions conducted by Management were fair and without conflict of interest and maximized benefit to the Company and shareholders on an arm's length basis and under normal commercial terms.

3. The Audit Committee, in conjunction with the Company's Internal Legal Counsel and Compliance Department, reviewed adherence to the Securities and Exchange Act, and to the respective regulations of The Securities and Exchange Commission, The Stock Exchange of Thailand, The Capital Market Supervisory Board, and other relevant laws as well as business commitments with third party agreements.

From a total of eight meetings with the Compliance and Legal Departments, the Committee determined that the Company was in compliance with all applicable regulatory requirements in all material respects. In the notes provided in the financial statements, the Committee and external auditor have fully disclosed all material relevant issues under dispute, which the Management believes shall turn out to be in the Company's favour.

4. The Audit Committee reviewed internal control systems and their efficacy towards ensuring that the Company's business is efficiently and effectively conducted in the pursuit of achieving performance goals. The Committee reviewed internal audit reports in 2010 and results of assessment on effectiveness of internal controls and risk management systems based on the COSO-ERM Framework (The Committee of Sponsoring Organisations of the Treadway Commission - Enterprise Risk Management), all of which were executed by internal auditors. Furthermore, the Committee visited Company operation sites to gain business process acumen and also gave useful recommendations to improve effectiveness of internal control systems. In addition, the Committee evaluated management control systems, financial control systems, and compliance control systems based on guidelines from the office of the Securities and Exchange Commission.

No major structural weaknesses or significant errors were discovered in the internal control systems, which was in line with the external auditor's independent evaluation. Consequently, the Committee concluded that internal control systems were adequate, sufficient and effective and performed as benchmarked. This included the internal environment, risk assessment, control activities, information and communication, and monitoring systems.

5. The Audit Committee conducted a review to ensure that the risk management system has been established appropriately, by receiving a report as proposed by the Chief Executive Officer, representative of the Risk Management Committee, for a total of four meetings as well as providing recommendations on a regular basis. The Company's "significant risk factors" are disclosed in this Annual Report.
6. The Audit Committee was responsible for overseeing the Internal Audit Department to ensure that all internal audit activities are performed effectively, efficiently and carried out in a manner most beneficial to the Company and its stakeholders. In doing so, the Committee reviewed its mission statement, scope of work, and those responsibilities, including annual budget and sufficiency of manpower and audit tools, which enhance quality of internal audit to conform to international standards. Furthermore, the Committee approved a revised audit plan for 2010 in line with current risks and situations of the Company and also gave useful recommendations on the development of preventive audit policy and practice. The Committee also reviewed and approved the internal audit plan for 2011, based on the Company's key risk areas, which focused on evaluating the effectiveness of control self-assessment for each process.

The Committee also reviewed internal audit reports and performance, according to key performance indicators, performance of the Chief Audit Executive and quality of internal audit functions, which allowed every department to freely evaluate and gave suggestions to the internal auditors.

The Committee concluded that the internal audit processes and systems were being performed independently, sufficiently and effectively, and that its annual audit plan was in accordance with Company's goals and key risk areas. The internal audit performance accomplished its goals. The internal audit process also demonstrated continuous improvement in respect of personal and conformity with international standards.



Furthermore, to enhance the internal audit system to conform to international standards, the Audit Committee asked the Board of Directors for approval to hire an external reviewer to conduct the Quality Assurance Review on internal audit activity for 2011.

7. The Audit Committee submitted its quarterly reports to the Board of Directors and provided useful recommendations which are useful to the work performance of Management which were subsequently adopted.
8. The Audit Committee took into consideration the nomination and appointment of the external auditor and the annual audit fee for 2011. This process entailed assessment of the current external auditor for its independence, performance from the year 2010, knowledge, competency, experience in the telecommunications industry, supporting unit of the audit firm, and also the competitiveness of the audit fee as one of the key consideration.

The Committee concluded that the external auditors from KPMG Phoomchai Audit Ltd. acted independently and demonstrated a sufficient degree of knowledge and experience required for the purposes of conducting the Company's external audit with a competitive audit fee. The Committee subsequently proposed that the same external auditor, KPMG Phoomchai Audit Ltd. be appointed as the official certified public accountant of the Company for 2011. This recommendation was made to the Board of Directors prior to being presented for approval at the general shareholders meeting.

9. The Audit Committee conducted its performance self assessment, which consisted of reviewing its composition, authority, independence, meetings, auditing performance, and duties on reviewing and expressing opinions, all of which should benefit the Company on internal control and risk management systems, financial reporting, external audit process of the external auditor, the internal audit system and compliance with applicable regulatory requirements. This self-assessment was benchmarked against Best Practice guidelines from the Stock Exchange of Thailand and the Audit Committee Charter.

The Committee came to the conclusion that its scope of work and performance was independent and consistent with Best Practice guidelines and the Audit Committee Charter, effectively aiding in the fulfilment of Good Corporate Governance.

In addition, the Audit Committee initiated an additional assessment which was undertaken by members of the Board of Directors, the external auditor, Chief Executive Officer and Chief Financial Officer, so that recommendations could be obtained to improve performance of the Audit Committee.

The Audit Committee performed its duties and responsibilities with knowledge, ability, carefulness and has sufficient independence. The Committee had full access to all pertinent information from Management, employees, and associated parties. Furthermore, the Committee gave comments and recommendations which are beneficial to all of the Company's stakeholders equally.

In summary, the Audit Committee determined that the Board of Directors, Management, and Executive Directors all performed ethically with the intent to conduct their job functions professionally in pursuit of the Company's performance goals. Furthermore, it concluded that the Company is fully committed to and sees effective Corporate Governance as vital to its business and has established concise and appropriate risk management and internal control systems.



**Mr. Aviruth Wongbuddhapitak**  
Chairman of the Audit Committee



**Mrs. Tasanee Manorot**  
Audit Committee Member



**Mr. Surasak Vajazit**  
Audit Committee Member

## Securities Information

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<b>The Company name</b>	: Advanced Info Service Public Company Limited
<b>Symbol for trading</b>	: ADVANC
<b>Registered date on the SET</b>	: 5 November 1991
<b>Market capitalization</b>	: Baht 252,456,471,815 (as of 30 December 2010)
<b>Authorized capital</b>	: Baht 4,997,459,800
<b>Paid-up capital</b>	: Baht 2,970,305,966 (as of 2 February 2011)
<b>Total shareholders</b>	: 25,934 shareholders (as of 19 November 2010)
<b>% Free float</b>	: 36.06% (as of 18 March 2010)
<b>Nature of Businesses</b>	: <ul style="list-style-type: none"> <li>• Operate cellular mobile telephone network in the 900 MHz frequency under the digital GSM technology</li> <li>• Provide cellular mobile telephone service in relation to digital GSM network in the 1800 MHz frequency</li> <li>• Import and distribute of handsets accessories</li> <li>• Provide voice and data communication service via telephone and optical fiber</li> <li>• Provide payment business via mobile phone</li> <li>• Distribute of cash card</li> <li>• Call center service</li> <li>• Service provider in connection with international telephone and gateway</li> <li>• Networks provider and telecommunication service operator</li> </ul>
<b>Head office</b>	: 414 Shinawatra Tower 1, Phaholyothin Road, Samsen Nai, Phayathai, Bangkok 10400
<b>Registered No.</b>	: Bor Mor Jor. 0107535000265 (Former Registered No. was Bor Mor Jor. 59)
<b>Home Page</b>	: <a href="http://www.ais.co.th">http://www.ais.co.th</a>
<b>Telephone</b>	: (66) 2299 6000
<b>Fax</b>	: (66) 2299 5165

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### Depository Receipt:

<b>ADR ticker symbol</b>	: AVIFY
<b>Exchange</b>	: Over The Counter (OTC)
<b>Depository</b>	: The Bank of New York Mellon
<b>ADR to ORD share ratio</b>	: 1 : 1
<b>ADR CUSIP number</b>	: 00753G103

## Investment Structure of Advanced Info Service Public Company Limited

### Advanced Info Service Public Company Limited



Service provider of Digital GSM network in the 900 MHz frequency  
Baht 4,997.46 million Registered Capital and Baht 2,970.31 million Paid-up Capital

**99.99%  
Super Broadband  
Network Co., Ltd.**

Network operator and telecom service operator i.e. internet (ISP), International & National Internet Gateway, Voice over IP, and IP television

**Baht 300 million**  
paid-up capital

**99.99%  
Wireless Device  
Supply Co., Ltd.**

Importer and distributor of handset and accessories

**Baht 50 million**  
paid-up capital

**99.99%  
Advanced Internet  
Revolution Co., Ltd.<sup>1/</sup>**

Currently not in operation

**Baht 240 million**  
paid-up capital

**10.00%  
Bridge Mobile Pte. Ltd.**

Jointly Invested, provide international roaming service (incorporated in Singapore)

**USD 23 million**  
paid-up capital

**99.99%  
MIMO Tech Co., Ltd.<sup>3/</sup>**

Operate IT, and content aggregator businesses. Currently not start the operation

**Baht 50 million**  
paid-up capital

**99.97%  
Fax Lite Co., Ltd.<sup>4/</sup>**

Operate in acquiring and/or renting land, building, and related facilities related to telecommunication business. Currently not start the operation

**Baht 1 million**  
paid-up capital

**20.00%  
Clearing House for Number  
Portability Co., Ltd.<sup>5/</sup>**

Operate the Information System and the centralized database for the mobile portability service

**Baht 2 million**  
paid-up capital

**99.99%  
Advanced Mobile  
Broadband Co., Ltd.**

Currently not start the operation

**Baht 100 million**  
paid-up capital

1/ Advanced Internet Revolution Co., Ltd. originally known as Mobile from Advance Co., Ltd.

2/ The remaining 49% of shares, holding by person who has not conflict of interest.

3/ MIMO Tech Co., Ltd. (originally known as IZONE Co., Ltd.) registered at Ministry of Commerce on 8 January 2010.

4/ Fax Lite Co., Ltd. registered at Ministry of Commerce on 8 January 2010.

5/ Clearing House for Number Portability Co., Ltd. registered at Ministry of Commerce on 29 January 2010.



## Investment Structure of Shin Group

### Shin Corporation Public Company Limited<sup>1/ 2/</sup>

**42.54%**

 Advanced Info Service Plc.<sup>1/ 2/</sup>

 98.55%  
Digital Phone Co., Ltd.

 51.00%  
Advanced Datanetwork Communications Co., Ltd.

 99.99%  
Wireless Device Supply Co., Ltd.

 99.99%  
Advanced Contact Center Co., Ltd.

 99.99%  
Advanced MPAY Co., Ltd.

 99.99%  
Advanced Magic Card Co., Ltd.

 99.99%  
AIN GlobalComm Co., Ltd.

 99.99%  
Super Broadband Network Co., Ltd.

 99.99%  
Advanced Wireless Network Co., Ltd.

 99.99%  
Mobile Broadband Business Co., Ltd.

 99.99%  
Advanced Mobile Broadband Co., Ltd.

 99.99%  
MIMO Tech Co., Ltd.

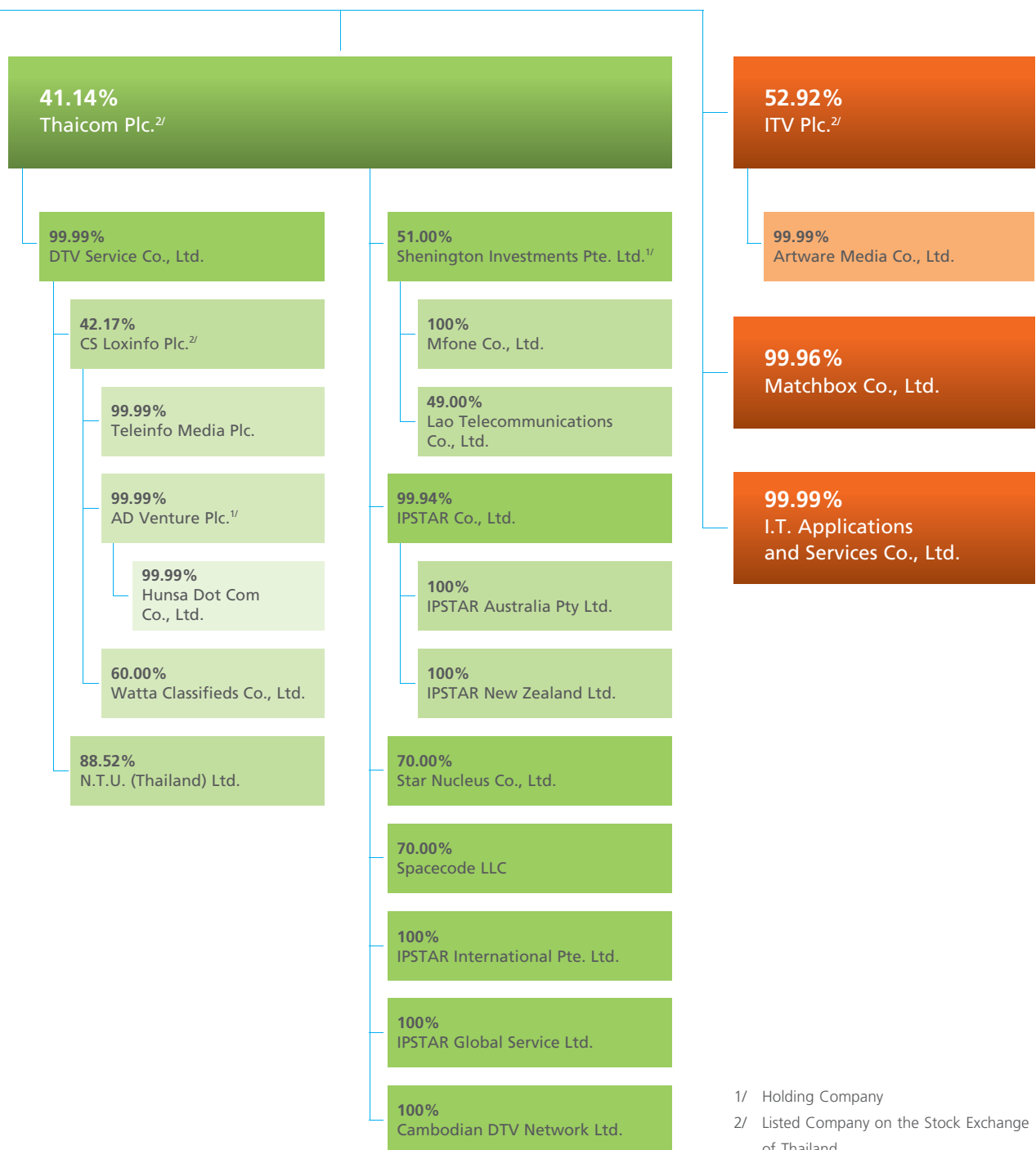
 99.97%  
Fax Lite Co., Ltd.

 99.99%  
Advanced Internet Revolution Co., Ltd.

 20.00%  
Clearing House for Number Portability Co., Ltd.

 10.00%  
Bridge Mobile Pte. Ltd.

AS of 2 November 2010

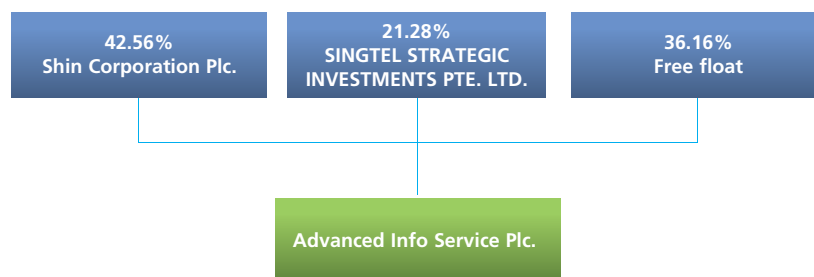


## Major Shareholders

### Top ten major shareholders of Advanced Info Service Plc.

No.	Name	No. of shares held	% of issued share capital
1	SHIN CORPORATION PLC. <sup>1/</sup>	1,263,712,000	42.56
2	SINGTEL STRATEGIC INVESTMENTS PTE. LTD. AND SINGTEL INVESTED BY THAI TRUST FUND <sup>3/</sup>	632,039,000	21.28
3	THAI NVDR CO., LTD.	83,755,384	2.82
4	MELLON NOMINEES (UK) LIMITED	79,190,900	2.67
5	HSBC (SINGAPORE) NOMINEES PTE. LTD.	69,446,098	2.34
6	LITTLEDOWN NOMINEES LIMITED	50,252,100	1.69
7	STATE STREET BANK AND TRUST COMPANY	50,069,462	1.69
8	N.C.B. TRUST LIMITED-RBS AS DEP FOR FS	35,581,400	1.20
9	STATE STREET BANK AND TRUST COMPANY FOR LONDON	32,477,354	1.09
10	SOCIAL SECURITY OFFICE (2 CASE)	27,964,880	0.94
<b>Total</b>		<b>2,324,488,578</b>	<b>78.28</b>

Source: Thailand Securities Depository Co., Ltd. as of 19 November 2010



1/ Major shareholder whose behavior can influence when determining policy or handling operation, is Shin Corporation Plc. Major shareholders of Shin Corporation Plc. are

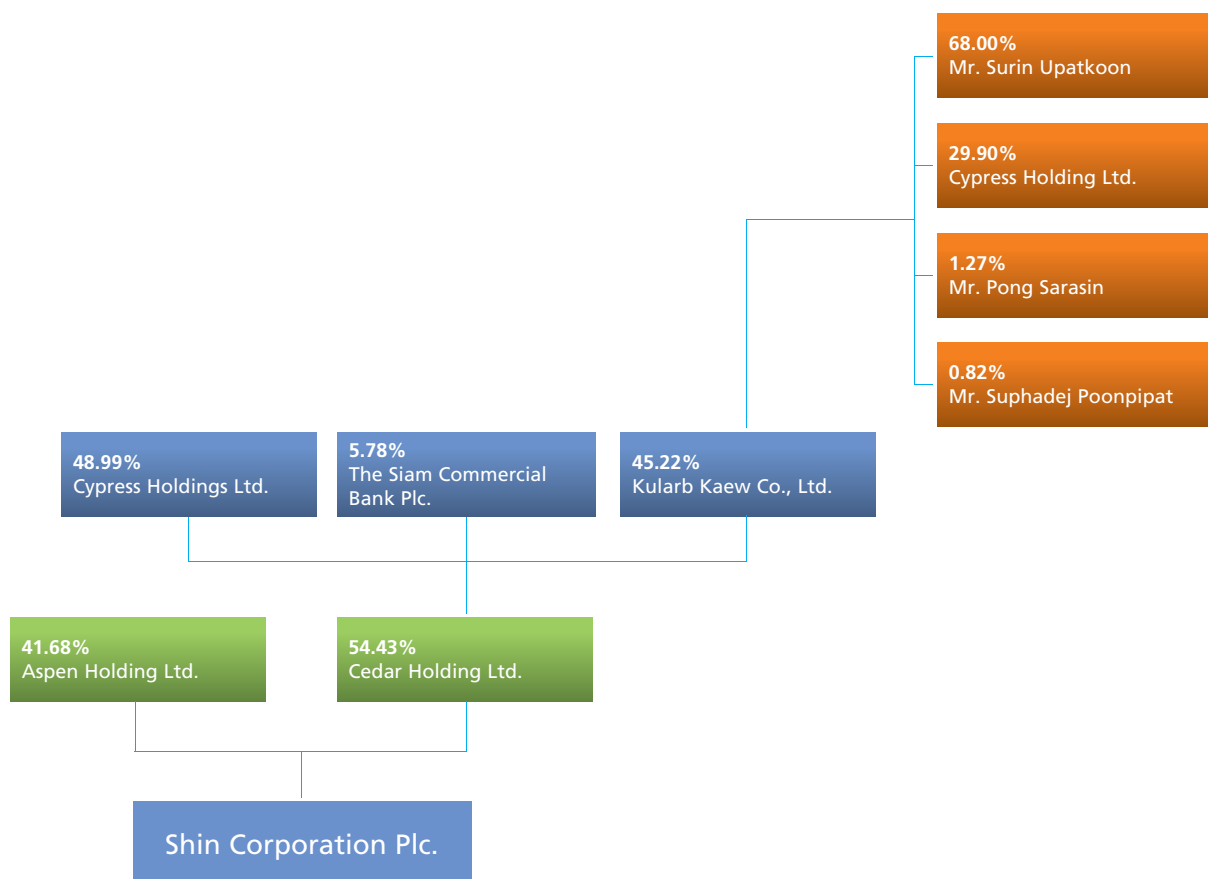
No.	Name	No. of shares held	% of issued share capital
1	Cedar Holding Co., Ltd.*	1,742,407,239	54.43
2	Aspen Holding Co., Ltd.* <sup>2/</sup>	1,334,354,825	41.69
<b>Total</b>		<b>3,076,762,064</b>	<b>96.12</b>

2/ Aspen Holding Co., Ltd. holds 9,096 shares or 0.00% of paid-up capital of the Company.

Source: Thailand Securities Depository Co., Ltd. as of 26 November 2010.

\* Aspen is a company incorporated in Thailand and an indirect subsidiary of Temasek Holdings (Pte) Ltd. ("Temasek").  
Cedar is a company incorporated in Thailand whose shareholders are comprised of The Siam Commercial Bank Public Company Limited holding 5.78%, Kularb Kaew Company Limited ("Kularb Kaew") holding 45.22% and Cypress Holdings Limited ("Cypress"), an indirect subsidiary of Temasek, holding 48.99% of the shares in Cedar.

As of 12 January 2011, SHIN shareholding structure is as follow:



3/ SingTel Strategic Investments Pte. Ltd. holds 19.13% directly and by THAI TRUST FUND 2.15% of paid-up capital of the Company.

Major shareholder of SingTel Strategic Investments Pte. Ltd. is

No.	Name	% of issued share capital
1	<b>Singapore Telecommunications Limited*</b>	100.00

Source: Singapore Telecommunications Limited I Annual Report 2009/2010 as of 30 May 2010

\* Major shareholders of Singapore Telecommunications Limited are

No.	Name	No. of shares held	% of issued share capital
1	<b>Temasek Holdings (Pte) Ltd.</b>	8,671,325,982	54.43
2	<b>Citibank Nominees Singapore Pte Ltd.</b>	1,408,043,523	8.84

Source: Singapore Telecommunications Limited I Annual Report 2009/2010 as of 30 May 2010

The investors can update the current major shareholders of the Company from the Company's website before the Annual General Meeting. Please visit <http://investor.ais.co.th>.



## General Information: The Company and its Subsidiaries

as of 31 December 2010

Subsidiaries	Business	Registered Capital (Million Share)	Par Value (Baht per share)	Paid-up Capital (Million Baht)	% of Investment
<b>Digital Phone Company Limited</b> 404 Phaholyothin Center Tower, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax : (66) 2299 5455	Service provider of digital mobile phone network in 1800 MHz frequency	1,462.19	10	14,621.86	98.55
<b>Advanced Datanetwork Communications Company Limited</b> (indirect subsidiary via DPC) 408/157, Phaholyothin Place Tower, 38 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2270 1900 Fax : (66) 2270 1860 Home Page : www.adc.co.th	Service provider of online data communication service via telephone landlines and optical fiber	95.75	10	957.52	51.00 <sup>1/</sup>
<b>Advanced Contact Center Company Limited</b> 414 Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax : (66) 2299 5959	Call center Service provider	27.2	10	272	99.99
<b>Advanced MPAY Company Limited</b> 408/60 Phaholyothin Place Tower, 15 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2687 4808 Fax : (66) 2687 4788	Service provider of payment business via mobile phone	30	10	300	99.99
<b>Advanced Magic Card Company Limited</b> 414 Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax : (66) 2615 3330	Distributor of cash card business	25	10	250	99.99
<b>AIN GlobalComm Company Limited</b> 408/127 Phaholyothin Place Tower, 29 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax : (66) 2278 7030 Home Page : www.ain.co.th	Service provider of international telephone service/gateway	2	100	100	99.99

Subsidiaries	Business	Registered Capital (Million Share)	Par Value (Baht per share)	Paid-up Capital (Million Baht)	% of Investment
<b>Super Broadband Network Company Limited</b> 408/60 Phaholyothin Place Tower, 15 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel. : (66) 2299 6000 Fax : (66) 2619 8777 Home Page : www.sbn.co.th	Network operator and a telecom service operator i.e. Service provider of internet (ISP), international & national internet gateway, a voice over IP, and an IP television	3	100	300	99.99
<b>Wireless Device Supply Company Limited</b> 404 Phaholyothin Center Tower, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel. : (66) 2299 5777 Fax : (66) 2299 5200	Importer and distributor of handsets and accessories	0.5	100	50	99.99
<b>Advanced Wireless Network Company Limited</b> 408/60 Phaholyothin Place Tower, 15 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel. : (66) 2299 6000 Fax : (66) 2687 4986	Network operator, a telecom service operator and computer system service provider. Currently, AWN received an Internet License Type I and Telecommunications Business License Type III from NTC	3.5	100	350	99.99
<b>Mobile Broadband Business Company Limited</b> (indirect subsidiary via AWN) 408/60 Phaholyothin Place Tower, 15 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok	Currently not start the operation	1.2	100	120	99.99
<b>Advanced Mobile Broadband Company Limited</b> (indirect subsidiary via MBB) 404 Phaholyothin Center Tower, Phaholyothin Road, Samsennai, Phayathai, Bangkok	Currently not start the operation	1	100	100	99.99

Subsidiaries	Business	Registered Capital (Million Share)	Par Value (Baht per share)	Paid-up Capital (Million Baht)	% of Investment
<b>Advanced Internet Revolution Company Limited<sup>2/</sup></b> 408/60 Phaholyothin Place Tower, 15 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax: (66) 2299 5200	Currently not in operation	24	10	240	99.99
<b>MIMO Tech Company Limited<sup>3/</sup></b> 1291/1 Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax: (66) 2299 5165	Operate IT, and content aggregator businesses	0.5	100	50	99.99
<b>Fax Lite Company Limited<sup>4/</sup></b> 1291/1 Phaholyothin Road, Samsennai, Phayathai, Bangkok Tel.: (66) 2299 6000 Fax: (66) 2299 5165	Operate in acquiring and/or lease building, and related facilities for Telecommunications Business	0.01	100	1	99.97

Joint Venture	Business	Registered Capital (Million Share)	Par Value (Baht per share)	Paid-up Capital (Million Baht)	% of Investment
<b>Clearing House for Number Portability Company Limited<sup>5/</sup></b> 10/97 6 <sup>th</sup> Floor, The Trendy Project, Soi Sukhumvit 13 (Sangchan), Klongtoey Nua, Wattana, Bangkok Tel.: (66) 2646 2523 Fax: (66) 2168 7744	Jointly invested, Operate the Information System and the centralized database for the mobile portability service	0.02	100	2	20.00
<b>Bridge Mobile Pte. Ltd.</b> 750 Chai Chee Road, #03-02/03, Technopark @ Chai Chee, Singapore 469000 Tel.: (65) 6424 6270 Fax: (65) 6745 9453	Jointly invested, provide international roaming service (incorporated in Singapore)	23 <sup>6/</sup>	1 USD	23 Million USD	10.00

1/ The remaining 49% of shares, holding by person who has not conflict of interest.

2/ Advanced Internet Revolution Company Limited originally known as Mobile from Advance Company Limited.

3/ MIMO Tech Company Limited (originally known as iZONE Company Limited) registered at Ministry of Commerce on 8 January 2010.

4/ Fax Lite Company Limited registered at Ministry of Commerce on 8 January 2010.

5/ Clearing House for Number Portability Company Limited registered at Ministry of Commerce on 29 January 2010.

6/ Number of shares includes number of treasury shares in the amount of 1 million shares.

## Proposed Capital Discipline

### Capital management

We aim to manage our capital structure to be stronger than industry peer and commit to be investment grade rating. This will allow us to retain superior financial flexibility in order to capture future growth prospect. Our financial flexibility means diversified source of capital, ease of funding, and appropriate cost of capital.

In an intermediate term, we view that telecommunications industry in Thailand will face another phase of technology change and hence new investment will be required. Our balance sheet is flexible to prepare the company for such investment and we aim to leverage on our gearing through debt instrument.

### Liquidity surplus

Excess liquidity (defined as any excess cash after working capital and capital expenditures) after investment in new growth areas and any debt/regulatory obligations/restructuring will be returned to shareholders.

## Dividend Policy

Company aims to pay dividend at least 100% of net profit. Historically, the company has been paying over 100% during the past four years. In the near future, the industry is going through some structural changes, which will be clearer once the 3G license and, if any, the change in status of the present contracts with TOT/CAT gain more visibility. In the meantime, the company intends to maintain flexibility to preserve long-term growth potential.

Company aims to pay dividend to shareholders twice a year. The first dividend payment shall be paid as an interim dividend, which will be distributed from the operating results of the first half period of the year, subjected to the Board of Directors resolution and shall be reported to the shareholders at the next shareholders meeting. The second dividend payment shall be paid as an annual dividend, which will be distributed from the operating results of the second half period of the year, subjected to shareholders approval.

Each subsidiary shall consider its dividend payment based upon its operating results, financial conditions, and other factors.

The annual and interim dividend payments could be subjected to change, depending on cash flow and investment plan including any other future obligations of Company and subsidiaries. Such dividend payment shall not exceed the retained earnings in the Company Financial Statement nor adversely affect the Company and subsidiaries ongoing operations.

Historical Dividend	2006	2007	2008	2009	2010
<b>Dividend (Baht : share)</b>	6.30	6.30	6.30	11.30	12.92
<b>1. Interim</b>	3.00	3.00	3.00	3.00	3.00
<b>2. Annual</b>	3.30	3.30	3.30	3.30	3.92
<b>3. Special</b>	-	-	-	5.00	6.00
<b>Payout Ratio</b>	<b>115%</b>	<b>114%</b>	<b>114%</b>	<b>196%</b>	<b>186%</b>



## The Board of Directors



**Dr. Paiboon Limpaphayom**

Chairman of the Board of Directors  
and Independent Director



**Mr. Somprasong Boonyachai**

Vice-Chairman of the Board of Directors



**Mr. Aviruth Wongbuddhapitak**

Director,  
Chairman of the Audit Committee  
and Independent Director



**Mr. Surasak Vajasit**

Director,  
Member of the Audit Committee  
and Independent Director

**Mrs. Tasanee Manorot**

Director,  
Member of the Audit Committee  
and Independent Director

**Mr. Allen Lew Yoong Keong**

Director



**Mr. Ng Ching-Wah**

Director

**Mr. Yeo Eng Choon**

Director

**Mr. Vikrom Sriprataks**

Director



## Executive Committee



**Mr. Allen Lew Yoong Keong**

Chairman of the Executive Committee



**Mr. Vikrom Sriprataks**

Vice-Chairman of the Executive Committee



**Mr. Ng Ching-Wah**

Member of Executive Committee



**Mr. Arak Chonlatanon**

Member of Executive Committee



**Mr. Kim Siritaweechai**

Member of Executive Committee

## Management

**Mr. Allen Lew Yoong Keong**  
Chairman of Executive Committee

**Mr. Wichian Mektrakarn**  
Chief Executive Officer  
and Acting Chief Marketing Officer



**Mrs. Suwimol Kaewkoon**  
Chief Customer Officer

**Mr. Mark Chong Chin Kok**  
Chief Operating Officer

**Mr. Pong-amorn Nimpoonsawat**  
Chief Finance Officer





## Summary of Profile of the Directors and Management Team



### Dr. Paiboon Limpaphayom

Age 69 years

- Chairman of the Board of Directors
- Independent Director

Share Ratio (%)\* None

Relationship with Management None

#### Highest Education

- Doctorate Degree in Electrical Engineering, Iowa State University, USA
- Certificate of Public - Private Joint Defence Curriculum, Class 3, The Notional Defence College of Thailand

#### Related Training Program held by IOD

-

#### Working Experiences

1998 - Present Chairman of the Board of Directors and Independent Director, Advanced Info Service Plc.

2000 - 2005 Director and Executive Director, Thai Military Bank Plc.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Somprasong Boonyachai

Age 55 years

- Vice-Chairman of the Board of Directors
- Authorized Director

Share Ratio (%)\* None

Relationship with Management None

#### Highest Education

- Master Degree in Engineering, Asian Institute of Technology

#### Related Training Program held by IOD

- DAP: Director Accreditation Program Class 30/2004
- DCP: Director Certification Program Class 65/2005
- RCP: Role of the Chairman Program Class 21/2552

#### Working Experiences

2010 - Present Acting-President, Shin Corporation Plc.

2009 - Present Chairman of the Executive Committee, Thaicom Plc.

2008 - Present Vice-Chairman of the Board of Directors, Advanced Info Service Plc.  
Chairman of the Group Executive Committee, Shin Corporation Plc.

2007 - Present Director, Shin Corporation Plc.

2006 - Present Director, Thaicom Plc.

2004 - Present Director, Praram 9 Hospital Co., Ltd.

1997 - Present Independent Director, Power Line Engineering Plc.

2000 - 2008 Member of the Executive Committee, Shin Satellite Plc.

1999 - 2008 Chairman of the Executive Committee, Advanced Info Service Plc.

1994 - 2008 Director, Advanced Info Service Plc.

2004 - 2007 Member of the Executive Committee, CS LoxInfo Plc.  
Director and Member of the Executive Committee, ITV Plc.

2000 - 2007 Group Vice Chairman of the Group Executive Committee, Shin Corporation Plc.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children





### Mr. Aviruth Wongbuddhapitak

Age 62 years

- Director
- Chairman of the Audit Committee
- Independent Director

Share Ratio (%)*	None
Relationship with Management	None

#### Highest Education

- Master Degree in Business Administration, New York University, USA

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 8/2001
- The Board's Role in Setting Effective Compensation Policy

#### Working Experiences

2010 - Present	Independent Director, S&P Syndicate Plc.
2009 - Present	Independent Director and Member of the Audit Committee, Thai Military Bank Plc.
2008 - Present	Advisor, Bureau of the Crown Property
2006 - Present	Chairman of the Audit Committee and Director, Advanced Info Service Plc. Advisor, Siam Cement Plc.
2003 - Present	Director and Member of the Executive Director, Thai Plastic and Chemicals Plc. Director, CPB Equity Co., Ltd. Director, CPB Property Co., Ltd.
1995 - Present	Director and Chairman of the Executive Director, Deves Insurance Plc.
2007 - 2009	Chairman of the Board Of Directors, Marble Co., Ltd.
2006 - 2009	Expert Member of the Board of Directors, Government Pension Fund Expert Member of Investment Committee, Government Pension Fund
2007 - 2008	Director, Thai Airways International Plc.
2005 - 2008	Assistance of Director, Bureau of the Crown Property
2001 - 2008	Chairman of the Board of Director, IT One Co., Ltd.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mrs. Tasanee Manorot

Age 65 years

- Director
- Member of the Audit Committee
- Independent Director

Share Ratio (%)*	None
Relationship with Management	None

#### Highest Education

- Bachelor Degree in Commerce and Accountancy, Chulalongkorn University

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 32/2003

#### Working Experiences

2006 - Present	Director and Member of the Audit Committee, Advanced Info Service Plc.
2002 - 2005	Senior Executive Vice President, TOT Corporation Plc.
2001 - 2005	Director, Advanced Info Service Plc.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Surasak Vajazit

Age 57 years

- Director
- Member of the Audit Committee
- Independent Director

Share Ratio (%)*	None
Relationship with Management	None

#### Highest Education

- Bachelor Degree at laws (Honors), London University
- Barrister-at-law, Lincoln's Inn

#### Related Training Program held by IOD

- DAP: Director Accreditation Program Class 29/2004

#### Working Experiences

2006 - Present	Director and Member of the Audit Committee, Advanced Info Service Plc.
2005 - Present	Partner, Hunton & Williams (Thailand) Limited
1997 - 2008	Director, Thai Tollow and Oil Co., Ltd.
2004 - 2006	Director and Independent Director, Shin Corporation Plc.
2004 - 2005	Director, Coudert Brothers Co., Ltd.
1981 - 1988	Judge the Buri Ram, Phetchaburi and Bangkok Province Course

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Allen Lew Yoong Keong

Age 55 years

- Director
- Chairman of the Executive Committee

Share Ratio (%)*	None
Relationship with Management	None

#### Highest Education

- Master Degree Science (Management), Massachusetts Institute of Technology, USA

#### Related Training Program held by IOD

-

#### Working Experiences

2008 - Present	Chairman of the Executive Committee, Advanced Info Service Plc.
2006 - Present	Director, Advanced Info Service Plc. Chief Executive Officer-Singapore, Singapore Telecommunications Ltd.
2006 - 2008	Member of the Executive Committee, Advanced Info Service Plc.
2005 - 2006	Managing Director - Consumer (Optus)
2001 - 2005	Managing Director - Mobile (Optus)

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Ng Ching-Wah

Age 61 years

- Director
- Member of the Executive Committee

Share Ratio (%)\*

None

Relationship with Management

None

#### Highest Education

- Bachelor Degree Art in Business Administration, Chinese University in Hong Kong

#### Related Training Program held by IOD

-

#### Working Experiences

2011 - Present	Director, China Digital TV Group Holding Ltd.
2008 - Present	Director and Member of the Executive Committee, Advanced Info Service Plc. Independent Non-executive Director, Pacific Textiles Holding Ltd.
2007 - Present	Director, ConvenientPower Hong Kong
2007 - 2010	Non-executive Director, HKC International Holdings Ltd.
2000 - 2007	CEO, CSL (Hong Kong)

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Yeo Eng Choon

Age 56 years

- Director

Share Ratio (%)\*

None

Relationship with Management

None

#### Highest Education

- Bachelor Degree in Commerce, Nanyang University

#### Related Training Program held by IOD

-

#### Working Experiences

2009 - Present	Director, Advanced Info Service Plc. Director, Pacific Bangladesh Telecom Limited VP (Regional Operations, Singapore Telecommunications Ltd.
2007 - 2009	Chief Commerce Officer (Warid Telecom), Singapore Telecommunications Ltd.
2007 - 2007	Covering VP, Singapore Telecommunications Ltd.
2006 - 2007	VP (Customer Sales), Singapore Telecommunications Ltd.
2005 - 2006	VP (Customer Marketing), Singapore Telecommunications Ltd.
2000 - 2005	VP (Corporate Business Marketing), Singapore Telecommunications Ltd.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Vikrom Sriprataks

Age 58 years

- Director
- Vice-Chairman of the Executive Committee
- Authorized Director

Share Ratio (%)\* 0.0013

Relationship with Management None

#### Highest Education

- Master Degree in Business Administration, Thammasat University

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 104/2008

#### Working Experiences

2009 - Present	Vice-Chairman of the Executive Committee, Advanced Info Service Plc.
2007 - Present	Director, Advanced Info Service Plc. Member of the Executive Committee, Shin Corporation Plc.
2007 - 2009	Member of the Executive Committee and Chief Executive Officer, Advanced Info Service Plc.
2002 - 2008	Chief Technology Officer, Advanced Info Service Plc.
2000 - 2007	President, Digital Phone Co., Ltd.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Arak Chonlatanon

Age 60 years

- Member of the Executive Committee

Share Ratio (%)\* None

Relationship with Management None

#### Highest Education

- Bachelor Degree in Electronic Engineering, Chulalongkorn University

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 106/2008

#### Working Experiences

2009 - Present	Member of the Executive Committee, Advanced Info Service Plc. Director, Member of the Executive Committee and CEO, Thaicom Plc. Director and Vice-Chairman of Executive Committee, CS LoxInfo Plc.
2007 - Present	Director and Chairman of the Executive Committee - Media & New Business, Shin Corporation Plc.
1998 - Present	Member of the Executive Committee, Shin Corporation Plc.
2000 - 2007	Chairman of the Executive Committee - E-Business and Others, Shin Corporation Plc.
2001 - 2006	Director, Shin Corporation Plc.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Kim Siritaweechai

Age 42 years

- Member of the Executive Committee

Share Ratio (%)\*

None

Relationship with Management

None

#### Highest Education

- Master Degree in Business Administration, Thammasat University

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 116/2009

#### Working Experiences

2010 - Present	Member of the Executive Committee, Advanced Info Service Plc.
2008 - Present	Vice President - Portfolio Management, Shin Corporation Plc.
2007 - 2008	Assistant Vice President - Portfolio Management, Shin Corporation Plc.
2004 - 2007	Assistant Vice President - New Business, Shin Corporation Plc.
2003 - 2004	Senior-Finance Analyst, Shin Corporation Plc.

#### Illegal Record in past 10 years

None



### Mr. Wichian Mektrakarn<sup>1/</sup>

Age 56 years

- Chief Executive Officer
- Acting Chief Marketing Officer

Share Ratio (%)\*

0.0014

Relationship with Management

None

#### Highest Education

- Bachelor Degree BS EEE - Electrical & Electronics Engineering (Honor), California Polytechnic State University

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 107/2008
- Certification of Leader Program, Class 8/2009

#### Working Experiences

2010 - Present	Acting Chief Marketing Officer, Advanced Info Service Plc.
2009 - Present	Chief Executive Officer, Advanced Info Service Plc.
2006 - 2009	President, Advanced Info Service Plc.
2003 - 2006	Executive Vice President - Operations, Advanced Info Service Plc.
2000 - 2003	Vice President - Engineering, Advanced Info Service Plc.

#### Illegal Record in past 10 years

None

<sup>1/</sup> He was appointed as Acting Chief Marketing Officer to replace Mr. Sanchai Thiewprasertkul as of 16 November 2010.

\* Includes holding by spouse and minor children

\* Includes holding by spouse and minor children





### Mrs. Suwimol Kaewkoon

Age 55 years

- Chief Customer Officer

Share Ratio (%)\* 0.0076

Relationship with Management None

#### Highest Education

- Master Degree of Business Management, Asian Institute of Management, Philippines
- Advanced Management Program, Harvard Business School, Boston, USA

#### Related Training Program held by IOD

- DCP: Director Certification Program Class 102/2008

#### Working Experiences

2007 - Present	Chief Customer Officer, Advanced Info Service Plc. Member of Executive Committee, Shin Corporation Plc.
2007 - 2008	Director, Payment Solution Co., Ltd.
2006 - 2007	Managing Director, Capital OK Co., Ltd.
2002 - 2006	Chief Customer Champion & Terminal Business Officer, Advanced Info Service Plc.

#### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children



### Mr. Mark Chong Chin Kok<sup>2/</sup>

Age 47 years

- Chief Operating Officer

Share Ratio (%)\* None

Relationship with Management None

#### Highest Education

- Master Degree of Business Administration,  
University of Southern California

#### Related Training Program held by IOD

- DAP: Director Accreditation Program Class 57/2006

#### Working Experiences

2010 - Present	Chief Operating Officer, Advanced Info Service Plc.
2008 - 2010	Executive Vice President, Networks, Singapore Telecommunications Ltd.
2003 - 2008	Director and Member of the Executive Committee, CS Loxinfo Plc.
2006 - 2007	Vice President, Global Accounts, Singapore Telecommunications Ltd.
2004 - 2006	Vice President, SingTel Global Offices/ Global Account Management, Singapore Telecommunications Ltd.

#### Illegal Record in past 10 years

None

2/ He was appointed as Chief Operating Officer to replace Mr. Hui Weng Cheong as of 1 October 2010.

\* Includes holding by spouse and minor children



### Mr. Pong-amorn Nimpoonsawat

Age 48 years

- Chief Finance Officer

Share Ratio (%)\*

None

Relationship with Management

None

### Highest Education

- Master Degree in Management, Sasin Graduate Institute of Business Administration Chulalongkorn University

### Related Training Program held by IOD

- DCP: Director Certification Program Class 109/2008
- Certification of Leader Program, Class 11/2010

### Working Experiences

2001 - Present Chief Finance Officer,  
Advanced Info Service Plc.

1998 - 2001 Financial Director,  
Dentsu Young & Rubicam Co., Ltd.

### Illegal Record in past 10 years

None

\* Includes holding by spouse and minor children

## Directors' Shareholding in the Company and its Subsidiaries of the Year 2010

Name/Position	ADVANC				MFA		ADC		DPC		ACC	
	Ordinary Share		Debenture		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
1. <b>Dr. Paiboon Limpaphayom</b> Chairman of the Board of Directors	-	-	-	-	-	-	-	-	-	-	-	-
2. <b>Mr. Somprasong Boonyachai</b> Vice-Chairman of the Board of Directors	-	-	2,000	2,000	-	-	-	-	-	-	-	-
3. <b>Mr. Aviruth Wongbuddhapitak</b> Chairman of the Audit Committee	-	-	-	-	-	-	-	-	-	-	-	-
4. <b>Mrs. Tasanee Manerot</b> Member of the Audit Committee	-	-	-	-	-	-	-	-	-	-	-	-
5. <b>Mr. Surasak Vajasit</b> Member of the Audit Committee	-	-	-	-	-	-	-	-	-	-	-	-
6. <b>Mr. Yeo Eng Choon</b> Director	-	-	-	-	-	-	-	-	-	-	-	-
7. <b>Mr. Allen Lew Yoong Keong</b> Director	-	-	-	-	-	-	-	-	-	-	-	-
8. <b>Mr. Ng Ching-Wah</b> Director	-	-	-	-	-	-	-	-	-	-	-	-
9. <b>Mr. Vikrom Sriprataks</b> Director	40,000	376,007	-	-	-	-	-	-	-	-	-	-

As of 31 December 2010, the number of ordinary share and debentures includes holding by spouse and minor child.

\* Registered of its company set-up with the MOC on 8 January 2010.

AMP		AMC		AIN		SBN		WDS		AWN		MBB		AMB		MMT*	FXL*
Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share		Ordinary Share	Ordinary Share
31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2010
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Abbreviation	Company
<b>ACC</b>	Advanced Contact Center Company Limited
<b>ADC</b>	Advanced Datanetwork Communications Company Limited
<b>ADVANC</b>	Advanced Info Service Public Company Limited
<b>AIN</b>	AIN GlobalComm Company Limited
<b>AIR</b>	Advanced Internet Revolution Company Limited
<b>AMB</b>	Advanced Mobile Broadband Company Limited
<b>AMC</b>	Advanced Magic Card Company Limited

Abbreviation	Company
<b>AMP</b>	Advanced MPAY Company Limited
<b>AWN</b>	Advanced Wireless Network Company Limited
<b>DPC</b>	Digital Phone Company Limited
<b>FXL</b>	Fax Lite Company Limited
<b>MBB</b>	Mobile Broadband Business Company Limited
<b>MMT</b>	MIMO Tech Company Limited
<b>SBN</b>	Super Broadband Network Company Limited
<b>WDS</b>	Wireless Device Supply Company Limited

## Key Events

### January

- AIS announced vision for telecommunications industry 2010 under the concept EcoSystem of Telecommunications which focuses on unity, inter-dependent and expanding together with maximum benefits for every group of Thai consumer.
- AIS together with Kasikorn Bank introduced “Mobile payWave” service using Near Field Communication technology when making payment. The system is certified by Visa International and Kasikorn Bank.
- On 8 January 2010, MIMO Tech Co., Ltd. (MMT) has registered its company with the Ministry of Commerce, with the registered capital of Baht 1 million. MMT is a subsidiary, which the Company holds 99.97% of its shares.
- On 8 January 2010, Fax Lite Co., Ltd. (FL) has registered its company with the Ministry of Commerce, with the registered capital of Baht 1 million. FL is a subsidiary, which the Company holds 99.97% of its shares.
- On 29 January 2010, Clearing House for Number Portability Co., Ltd. (CLH), a joint investment of 5 telecom operators in Thailand to provide mobile number portability service, has registered its company with the Ministry of Commerce, with the registered capital of Baht 2 million. The Company holds 20.00% of its shares.



### February

- AIS launched the latest BlackBerry Bold 9700 model.

### March

- AIS joined the National Royal Thai Police Department to employ wireless technology on mobile to help trace information for fraud and car theft via “Police Sim”. The technology is available for police nationwide.
- The Board of Directors at its Meeting No. 3/2010 approved the appointment of Mr. Kim Siritavechai as a Member of the Executive Committee, replacing Ms. Nidchanun Santhaveesuk who resigned from the position, effective from 26 March 2010 onwards.

### April

- AIS launched new BlackBerry Storm2 9520 Smart Phone.
- For the first time in Thailand, GSM Advance together with Thailand Postal Office introduced a new payment system Pay@Post to provide online and real-time information and payment service.
- At the 2010 Annual General Meeting of Shareholders, a resolution was passed approving a dividend payment for the six-month operations of 2009 at the rate of Baht 3.30 per share and approving a special dividend payment at the rate of Baht 5.00 per share, including Baht 8.30. The Company paid the dividend to shareholders on 30 April 2010.

### May

- The Board of Directors at its Meeting No. 4/2010 approved a capital increase in MIMO Tech Co., Ltd. from Baht 1 million to Baht 50 million. After the capital increase, the percentage of holding increased to 99.99%.



## June

- AIS launched innovative “Smart Secure” information back-up system where users are able to store and retrieve information including telephone number, SMS, picture, VDO clip and e-mail via GPRS/EDGE technology in case of lost. Phone lock instructions to prevent access to information and erase information use 100% information security system.
- One-2-Call! organized One-2-Call! BrandAge Award competition for Business Development plan that focuses on supporting students’ activities, educational scholarship and training programs to gain out of classroom experience to win Baht 500,000 scholarship.
- AIS together with the Ministry of Natural Resources and Environment launched “AIS Give Battery Back the World” project to encourage consumers to dispose used or run down batteries in the correct way at any of AIS’s 33 branches nationwide for further recycle process.
- AIS together with Hydro and Agro Informatics Institute launched “Monitor water information” service so that consumers are able to be up to date with near real-time water situation wherever they are around Thailand.

## July

- AIS was awarded Best Public Companies of the Year 2010 as a registered company in the Stock Exchange of Thailand with best operational performance by the Money & Banking Awards 2010.
- AIS introduced new AIS Widgets program to enhance Internet connection internet via AIS aircard, helping to review the quantity of package usage, remaining amount of money, prepaid or buy the GPRS/EDGE/3G immediately.



- AIS opened new office in Nakhon Ratchasima under the concept Experience Shop, by offering tangible and 360 degree service to ensure greater convenience and speed. This acts as a one stop service for customers in four main areas in lower northeastern region.

## August

- One-2-Call! together with Microsoft introduced new ChatSim. Customers are able to chat on mobile 24 hours without having to use the smart phone, computer or notebook.
- The Board of Directors at its Meeting No. 5/2010 approved a dividend payment for the first 6 months of operations of 2010 at the rate of Baht 3.00 per share to all shareholders from approximately 2,967.39 million shares or approximately Baht 8,902 million. The Company paid the dividend on 3 September 2010.

## September

- AIS launched new perspectives “Ecosystem for the next generation” featuring creativities through cooperation with all business partners ranging from device, content provider or even information owner and numerous benefits at 3.9G Thailand Human DNA.
- AIS launched AIS QR Code Generator, the first and brand new production house of QR Code one stop service on line, the latest customer can create in their own style.
- Introduction of AIS iPhone 4 in Thailand.

## October

- The Company appointed Mr. Mark Chong Chin Kok to be Chief Operating Officer, replacing Mr. Hui Weng Cheong, effective from 1 October 2010 onwards.
- AIS was recognized for its outstanding contribution in the category of activities that benefit those who are in need featured in the television program “Sarn Rak Kon Geng Huajai Krang”.



- AIS and Voice of America radio news channel offered news service via SMS under the name “VoA Thai on mobile” reporting movements news highlight around the world in Thai language.

## November

- AIS was the recipient of Best CEO Award in the Telecommunication Technology and Best CFO and Best Investor Relations, from Association of Securities Analysts Thailand.
- The Board of Directors at its Meeting No. 6/2010 approved a special dividend payment, at the rate of Baht 6.00 per share to all shareholders from approximately 2,969.57 million shares or approximately Baht 17,817.42 million. The Company paid the dividend on 3 December 2010.
- The Company appointed Mr. Wichian Mektrakarn to be Acting Chief Marketing Officer, replacing Mr. Sanchai Thiewprasertkul, effective from 16 November 2010 onwards.
- AIS was evaluated by the Thai Institute of Directors (IOD) with the support from the Securities Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) at the “Excellent” or  for two consecutive years.

## December

- AIS was awarded outstanding media award 2010 from Catholic Press Thailand for its advertising series “Once a week” from Sarn Rak project. “Once a week” was named for outstand advertisement aimed to encourage activities among members.

## Business Overview

Advanced Info Service (AIS) is the top Thailand mobile telecommunication company with 54% revenue market share. As of December 2010, the Company registered 31.2 million mobile subscribers, representing 45% subscribers market share. With over 20 years of operation, AIS continues to deliver excellent service to Thai community through superior network covered more than 97% nationwide. In addition to the mobile operator business, AIS also have subsidiary companies which are determined to support the core business operation.

**AIS and subsidiaries provide mobile telephone services on 900 MHz and 1800 MHz based on GSM technology.** In 1990, AIS entered into the 25-year BTO contract with TOT Public Company Limited (TOT) to operate and service of 900 MHz GSM Network. The terms of the agreement required AIS to build and raise capital for investment in the cellular network and transfer the network ownership to the TOT and also entitled to share its revenue from service to the TOT at 30% of postpaid revenue, and 20% of prepaid revenue. We also operate on another frequency at 1800 MHz using GSM network through the subsidiary, *Digital Phone Co., Ltd. (DPC)*. Under a 16-year BTO contract with CAT Telecom Public Company Limited (CAT),

started in 1997 and will end in 2013, DPC is required to pay revenue share to CAT, currently at the rate of 25% of its revenue from its mobile phone operation. DPC also has a network roaming agreement with AIS to enable nationwide service to both the GSM 1800 customers as well as the GSM 900 customers in order to provide better network service quality for both networks. To serve the customers with the boundless connectivity service, we provide an international direct dialing call or IDD service over 230 destinations by dialing prefix 005, 00500 via *AIN GlobalComm Co., Ltd. (AIN)*. Apart from the nationwide 2G network, AIS also operates the commercial 3G service on 900MHz in a limited scale including major shopping mall in Bangkok and some major rural areas namely Chiang Mai, Korat, Chon Buri, and Hua Hin.

**The growing demand of content, application, and mobile internet and wireless broadband are the crucial revenue stream of the telecom business.** As, we commit to bring advanced technology and innovation to customers. AIS recently upgraded the technology on the current 2G network to “EDGE Plus” which supports maximum data upload speed of 236 kbps and download speed of 296 kbps with Dual Transfer Mode (DTM) which allows a simultaneous voice call and data connection. In early 2010, we established



the subsidiary called *MIMO Tech Co., Ltd. (MMT)* to operate as a data content aggregator or a pool of content and application which will support various services of AIS and other subsidiaries from the growing consumer demand on mobile data. Besides, we have subsidiary companies to serve the built-up demand of internet usage. *Advanced Wireless Network Co., Ltd. (AWN)* provides telecommunication services, network and computer system services. We also offer data service on a fixed line facility which offered various services e.g. an internet (ISP), international & national internet gateway, International Private Leased Circuit (IPLC), Internet Protocol Virtual Private Network (IP VPN), a voice over IP, and an IP television through *Super Broadband Network Co., Ltd. (SBN)*. We also offer a data communication service via a telephone line network and an optical fiber service which offer varied services that include web hosting, data back up and integrated internet services through *Advanced Datanetwork Communications Co., Ltd. (ADC)*.

**We have a commitment to deliver the excellent service and reinforce the relationship with customers.** AIS call center, *Advanced Contact Center Co., Ltd. (ACC)*, is the key differentiation for AIS as its services evolved from simple after-sales and customer service maintenance to an increasingly proactive and customer-oriented approach, including promoting new marketing campaigns and suggesting new products and services to both existing and new customers. Also, we are attentive to the special needs of the disabilities customers. AIS call center developed “iSign”, a webcam service which uses sign language to communicate with hearing-impaired customers and also offer “Deaf SIM” at special SMS price. In assisting sight-impaired customers, our customer care staffs help deliver SMS to recipient number. In addition, as we anticipate the

growing importance of new technology adoption particularly when more customers move to smart phone, we specifically develop well-train technical-knowledge staffs namely “Tech experts” to educate and assist customer in resolving technical issues. Currently, we have over 300 “Tech experts” available at AIS shop, AIS Serenade shop, and call center. To expand customer choices, AIS provides “e-service”, an online service that allows the customers to manage their account including usage or balance checking, promotion changing, online payment, and online top-up. Beyond the e-services, AIS developed service for financial transactions via mobile phone. “mPAY” cover many daily-life transactions including bill payment, online shopping, recharge of prepaid phone credit, online game credit refill as well as payment for goods and services. The electronic transaction has become popular as it provides more prompt and convenient service to customers. *The Advanced MPAY Co., Ltd. (AMP)* received a license from the Bank of Thailand (BOT) to provide payment service based on the electronic cash card under the brand “mPAY”.

**As the smart phone adoption continues to grow,** handset business is a crucial complementary business to the operator growth particularly for non-voice segment. In the recent years, through the collaborative partnership with several handset players, we have a successful launch of several models of aircards, tablet PC, and smart phones e.g. BlackBerry, HTC Magic, Nokia N900, Samsung Galaxy S, iPhone 4, Galaxy Tab. This business is operated under a subsidiary, *Wireless Device Supply Co., Ltd. (WDS)*, which sells and distributes handset, SIM cards, and refill cards through over 500 authorized Telewiz shops, more than 500 general dealers nationwide, and over 400,000 electronic channels.

## Structure of the Group of Companies

As of 31 December 2010, the group of companies and percentage of shareholding can be shown as follows;

Subsidiaries	Business	% of Investment
Digital Phone Company Limited (DPC)	Service provider of digital mobile phone network in 1800 MHz frequency	98.55
Advanced Datanetwork Communications Company Limited (ADC)	Service provider of online data communication service via telephone landlines and optical fiber	51.00 <sup>1/</sup>
Advanced Contact Center Company Limited (ACC)	Call center Service provider	99.99
Advanced MPAY Company Limited (AMP)	Service provider of payment business via mobile phone	99.99
Advanced Magic Card Company Limited (AMC)	Distributor of cash card business	99.99
Super Broadband Network Company Limited (SBN)	Network operator and a telecom service operator i.e. Service provider of internet (ISP), international & national internet gateway, a voice over IP, and an IP television	99.99
AIN GlobalComm Company Limited (AIN)	Service provider of international telephone service/gateway	99.99
Wireless Device Supply Company Limited (WDS)	Importer and distributor of handsets and accessories	99.99
Advanced Wireless Network Company Limited (AWN)	Network operator, a telecom service operator and computer system service provider. Currently, AWN received an Internet License Type I and Telecommunications Business License Type III from NTC	99.99
MIMO Tech Company Limited (MMT) <sup>2/</sup>	Operate IT, and content aggregator businesses	99.99
Fax Lite Company Limited (FXL) <sup>3/</sup>	Operate in acquiring and/or lease building, and related facilities for Telecommunications Business	99.97
Advanced Internet Revolution Company Limited (AIR) <sup>4/</sup>	Currently not in operation	99.99
Mobile Broadband Business Company Limited (MBB)	Currently not start the operation	99.99
Advanced Mobile Broadband Company Limited (AMB)	Currently not start the operation	99.99



Joint Venture	Business	% of Investment
<b>Clearing House for Number Portability Company Limited (CLH)<sup>5/</sup></b>	Jointly invested, Operate the Information System and the centralized database for the mobile portability service	20.00
<b>Bridge Mobile Pte. Ltd. (BMB)</b>	Jointly invested, provide international roaming service (incorporated in Singapore)	10.00

1/ The remaining 49% of shares, holding by person who has not conflict of interest.

2/ MIMO Tech Company Limited (originally known as iZONE Company Limited) registered at Ministry of Commerce on 8 January 2010.

3/ Fax Lite Company Limited registered at Ministry of Commerce on 8 January 2010.

4/ Advanced Internet Revolution Company Limited originally known as Mobile from Advance Company Limited.

5/ Clearing House for Number Portability Company Limited registered at Ministry of Commerce on 29 January 2010.

## Revenue Structure

Revenue structure from providing services & sales income of AIS group to third parties within 3 years are as follows:

Service/Product	Operation By	% Holding of shares as at 31 Dec. 2010	2008		2009		2010	
			Million Baht	% Size	Million Baht	% Size	Million Baht	% Size
Mobile phone service structure								
• Mobile phone services & rental	Advanced Info Service Plc.		97,758.29	88.23	94,186.70	91.92	100,796.88	90.58
	Digital Phone Co., Ltd.	98.55	926.00	0.84	796.54	0.78	717.18	0.64
	Wireless Device Supply Co., Ltd.	99.99	52.71	0.05	33.06	0.03	13.63	0.01
	AIN GlobalComm Co., Ltd.	99.99	23.25	0.02	27.10	0.03	65.51	0.06
	Super Broadband Network Co., Ltd.	99.99	25.89	0.02	128.51	0.13	226.66	0.20
• Mobile phone sales	Digital Phone Co., Ltd.	98.55	173.48	0.16	9.11	0.01	0.22	-
	Wireless Device Supply Co., Ltd.	99.99	11,031.65	9.96	6,629.71	6.47	8,952.72	8.05
Sub-total			109,991.27	99.28	101,810.73	99.37	110,772.80	99.54
Data network and broadband service structure	Advanced Datanetwork Communications Co., Ltd.	51.00	794.47	0.71	633.82	0.62	498.02	0.45
Sub-total			794.47	0.71	633.82	0.62	498.02	0.45
Call center service structure	Advanced Contact Center Co., Ltd.	99.99	5.76	0.01	7.28	0.01	8.78	0.01
Sub-total			5.76	0.01	7.28	0.01	8.78	0.01
Grand Total			110,791.50	100.00	102,451.83	100.00	111,279.60	100.00

**Remark:**

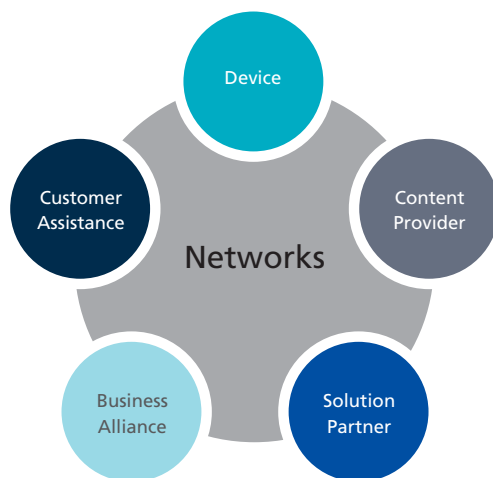
1. The Company had indirect holding in Advanced Datanetwork Communications Co., Ltd. as it sold its entire stake of 51% to Digital Phone Co., Ltd.
2. Super Broadband Network Co., Ltd. started to fully run its operation in 2008 and increased its share capital to Baht 300 million in April 2008.

## Business

### Direction in 3 - 5 Years

The mobile communication market in Thailand is highly penetrated with over 100% of population accessible to mobile connection. The consumers have greater accessibility as mobile network becomes ubiquitous and mobile services pricing provides greater affordability to all income levels, while fixed-line telephony is limited. We believe Thailand will continue to expand its mobile penetration as data services stage as new potential for mobile internet connectivity while voice services remain as a core basic function. The potential growth of non-voice services growth is evident by its revenue contribution which increased to 17% of service revenues in 2010 from 14% in 2009 and 11% in 2008.

Our key strategy to grow the non-voice service is built upon the concept of “EcoSystem”. By building up eco-system in Thailand telecom industry, we focus on the core strength of our network quality, reliability and coverage, while co-developing other five core complimentary components that create a symbiosis environment in the industry. The five core components are:



- **Device:** To create superior customer experience and educate them for the future 3G technology, AIS in cooperation with several leading device providers offers bundled products and services. It is our brand equity to bring to our customers the innovation and best-in-class mobile devices including mobile phone, tablet PC, data cards, etc.

- **Content provider:** Content is an important component to drive the growth of non-voice. AIS has extensive collaboration with various content providers such as news centers, music houses and magazine publishers to deliver varieties of contents

especially in Thai language to serve local demand. The partnership with AIS opens an opportunity for the content providers to market their products to over 30 million consumers on AIS network.

- **Solution partner:** Catering to serve the sophisticated corporate customers with specific requirement, AIS works to tailor solutions for each customer. We are committed to work close with our corporate customers to help develop the optimal solutions that help their organizations achieve their business objectives.
- **Business alliance:** To provide exceptional experience to our customers, we work with several business alliances to bring in exclusive and well-rounded privileges including special discounts or special offers whenever they use products and services from our alliances. With these special privileges, we aim to increase long-term customer satisfaction as well as customer loyalty.
- **Customer assistance:** Service is the key success factor in all business. AIS always create services and methods to help customers use in order to build good experience when use our services especially non-voice. AIS has experienced call center team with sophisticated system support. AIS launched “eService” to let users access their usage information and customize their preference by themselves. AIS also setup special team to facilitate smartphone users. The customer assistance will support growth of non-voice as well as build up long-term relationship.

The Ecosystem philosophy will support the growth of non-voice revenue and being a long-term foundation once the full 3G services come.

In 3 - 5 years ahead, the company is confident that Thailand should have complete 3G service, although 2.1 GHz license issuance is unclear for now. During waiting for the license and to maintain brand equity, the company will explore the possibility to provide better data services to maintain non-voice revenue growth. Alternatives will be carefully identified, studied and implemented if they are feasible financially and competitively. Such alternatives include 3G services on the 900 MHz in limited areas or wifi hot spot service to support mobile internet usage in congested areas. The company also explores business opportunities to work with TOT, the long-term business partner and the only state operator received 2.1 GHz spectrum license, in various forms such as roaming or MVNO.

For the current 900 MHz built-transfer-operate contract between AIS and TOT, which expires in 2015, the company intends to seek continuing business. The company will coordinate with relevant parties such as TOT to explore the way to continue the operation on 900 MHz. Before 2015, the company believes that the continuation of business on 900 MHz and 2.1 GHz license auction should become clearer.

In conclusion, the company will focus on the non-voice business which has the highest potential and maintain the voice market by growing in provincial areas. In parallel, the company intends to maintain the high efficiency operation and exploit the most of out the existing infrastructure to offer additional services to customers. In longer term, the company will prepare for 3G business by exploring alternatives both on the current 900 MHz spectrum and the new 2.1 GHz spectrum.

# Business Operations of the Company and its Subsidiaries

## Products and Services

AIS designs a variety of products and services to respond to diverse needs of both retail and corporate customers. Our main products are:



AIS "GSM advance"  
for white collar  
office workers



AIS "GSM 1800"  
for basic phone users

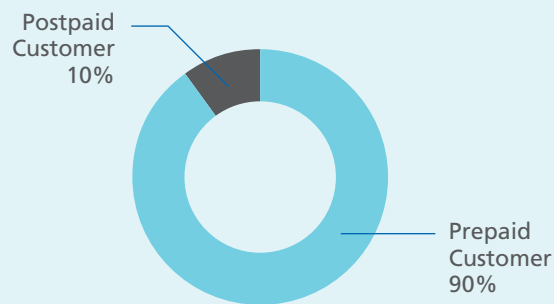


AIS "One-2-Call!"  
for teenagers



AIS "Sawasdee"  
for light users

## Subscriber breakdown as of 2010



As of FY 2010, AIS has a total of 31.2 million subscribers.

	Subscriber (million)	ARPU (Baht) incl. Net IC *
Prepaid	28.1	201
Postpaid	3.1	632
<b>Total</b>	<b>31.2</b>	<b>244</b>

\* Average revenue per user per month as of 4Q10

## 66% of revenue is from prepaid service

	Breakdown of revenues (%)
Prepaid	66.2
Postpaid	26.3
Others	7.5
<b>Total</b>	<b>100.0</b>

## Business Strategy

AIS's products and services are built around the concept of "EcoSystem", combining 5 key attributes including Devices, Contents, Solutions Partners, Business Alliance and Customer Assistant. These are essential in providing quality products and services that cover diverse requirements and life styles of the customers.



## AIS GSM advance

The key customer segment targeted under “GSM advance” focuses on trendy and technology-savvy customers including undergraduate students, white-collar office workers, businessmen, and entrepreneurs as well as expanding into younger demographic segment such as those who just started their first jobs.

### AIS GSM advance Concept

GSM advance was developed to correspond to the increasingly diverse lifestyle of customers by serving both emotional and functional needs. The evolution of brand concept began with “GSM 2 Watts” that emphasized on network quality. Later on, the focus moved to valued added services, and hence the brand was altered to “GSM advance”. As marketing moved toward segmentation, the brand was evolved again to “GSM advance Evolution”. More recently “GSM Smart Life” reflects the complete tailored service concept that allowed the customers to design their own price plans.

In 2010, as multiple SIMs behavior spurred in the market, AIS GSM advance adapted its brand concept to “GSM one-for-all”, strengthening the comprehensive benefits to customers within one single SIM card that includes variety of price plans, new services, and special privileges as follows.

## 1 GSM smart Mix&Match

GSM Smart Mix & Match: The program allows customers to customize their own price plans.

## 2 GSM smart Innovation

GSM Smart Innovation: Innovative services that simplify customers' lifestyles.

### GSM EDGE Plus

EDGE Plus: customers will never miss a call and be able to receive a call while exploring internet.

### Smart Secure



Smart Secure: Lock the phone and secure important information when the phone is lost.

### GSM Mobile payWave



Mobile pay Wave: New method of payment by using mobile phone instead of credit card at over 1,500 kiosks.

## 3 GSM smart Privilege

GSM Smart Privilege: Exclusive privileges for AIS customers such as accident insurance up to Baht 150,000 from Cigna, and discount from leading stores nationwide.



## AIS GSM advance Package

AIS GSM advance focus on maximizing customers' satisfaction by offering main package and add-on packages allowing customers to mix and match their own plan to suit the usage styles as well as the types of smartphone devices. Examples of package are as follows:



**GSM Smart Mix & Match:** The program allows customers to design a package to suit their individual lifestyles with more than 50 different options. Customers are therefore able to create the right package for themselves. Firstly, customers simply choose the Smart basic, the initial package that let customers select their calling plan with one simple flat rate of Baht 1 per minute for any networks, any time. The smallest basic plan starts with monthly charge of Baht 200 for 200 minutes call. Next step, customers choose the Smart topping which is designed to response a variety of customers demand and available for voice, non-voice and international usage. For example:

**All Networks 24 hours**  
 Calls to any networks for 100 minutes at Baht 100 per month.

**All Day All Night**  
 Unlimited calls within AIS network during 10 pm - 5 pm at Baht 249 per month.

**Day Buffet**  
 Unlimited calls within AIS network during 5 am - 5 pm for Baht 199 per month.

**Lovers Unlimited Calls**  
 Unlimited calls to 1 specific number within AIS network during 10 pm - 6 pm at Baht 150 per month.

**Night Buffet**  
 Unlimited calls within AIS network during 10 pm - 8 am for Baht 100 per month.

**Lovers Baht 0.25**  
 Unlimited call to 1 specific number within AIS network at a special rate of Baht 0.25 per minute, and a monthly charge of Baht 150.

**Gang**  
 Baht 0.50 per minute

**Gang**  
 Unlimited call to 3 specific numbers within AIS network at a special rate of Baht 0.50 per minute, and a monthly charge of Baht 100.

**Weekend Buffet**  
 Unlimited calls within AIS network for Baht 100 per month.

**Weekend Buffet**  
 Unlimited calls within AIS network for Baht 100 per month.

**SMS**

**SMS/MMS/GPRS**  
 Send 50 SMS or 12 MMS per month or GPRS 6 hours per month at a minimum monthly charge of Baht 50.

**MMS**

**GPRS**

**BlackBerry lover**

**BlackBerry Lover**  
 Use Chat, Facebook or e-mail at a minimum monthly charge of Baht 300 or choose unlimited GPRS usage at Baht 799 per month.

**Unlimited Data Roaming Package**  
 Unlimited usage of GPRS/EDGE in South Korea, Taiwan, the Philippines, Macau, Malaysia, Singapore, Australia, India, Indonesia and Hong Kong at Baht 350 for 1 day, Baht 950 for 3 days and 1,400 for a month.

**Unlimited Data Roaming Package**  
 Unlimited usage of GPRS/EDGE in South Korea, Taiwan, the Philippines, Macau, Malaysia, Singapore, Australia, India, Indonesia and Hong Kong at Baht 350 for 1 day, Baht 950 for 3 days and 1,400 for a month.

### GSM NET SIM

Promotion for data services via mobile phone and aircard with special offer of 50 hours EDGE/GPRS usage at Baht 149 and Baht 799 for unlimited usage.



### GSM Smart Phone Package

Promotion for smartphone at a minimum monthly charge of Baht 400 and a maximum of Baht 1,100. This package offers a combination of services including GPRS/EDGE, SMS, MMS and phone call.



### GSM BlackBerry Package

Promotion for BlackBerry users and social network members. The promotion starts from Baht 300 a month for chat & Facebook or chat & e-mail. Unlimited BlackBerry package is available at Baht 799 a month.



### GSM iPhone Package

Promotion for iPhone users who love online entertainment such as games, music, new application download with 150 MB GPRS/EDGE service at a minimum charge of Baht 275 a month and unlimited GPRS/EDGE usage at Baht 839 a month.





### GSM eService

AIS GSM Advance created the superior service by developing online “GSM eService” which provide a simple, user-friendly web access for customers to easily change their packages, check spending balance, track their usage and pay their bills by themselves at anytime of a day

### GSM Distrubution Channels

In 2010, AIS GSM advance focused on direct sale by launching mobile service point or GSM Van and encouraged AIS team to involve more extensively in marketing activities to increase customer accessibility. AIS also setup “GSM Smart Shop” in department stores and the areas where sub dealers are located. The shops facilitated SIM distribution and customer registration.

### AIS 3G



AIS is the first operator in Thailand that provides 3G HSPA technology on 900 MHz spectrum to get the customer accustomed to 3G technology before the National Telecommunication Commission grants 3G - 2.1 GHz license. This reflects our commitment to be the leader of 3G technology and improve experience of growing data demand. Under the concept freedom life with “AIS 3G”, customers can enjoy data speed up to 7.2 Mbps which is faster than the current EDGE speed. At the initial stage, we launched AIS 3G service in Chiang Mai, Chon Buri, Nakhon Ratchasima and Hua Hin to support the demand in tourism and industrial area.



## AIS GSM 1800

AIS GSM 1800 targets customers who use basic voice communication, with attractive price plan. Example of GSM 1800 packages are as follows:

### AIS GSM 1800 Promotion

**Get 150 Minutes  
for any networks**

24 hours  
Just 150 Baht

## GSM 1800 basis + On-top Buffet

Simple flat rate at Baht 1 per minute for any networks 24 hours with four buffet choices range from Baht 150 to Baht 800.

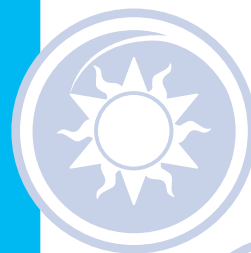
### Buffet package

**Buffet 12 hours**  
unlimited call within  
AIS network during  
**5 am - 5 pm**  
with additional  
Baht 100 charge

**Buffet 18 hours**  
unlimited call within  
AIS network during  
**11 am - 5 pm**  
with additional  
Baht 200 charge

**GSM 1800**

The Quality Network Nationwide





## AIS One-2-call!

### AIS One-2-call! targets

teens and youngsters who thrive on having individual style and expressing their creativity. Targeted segment also expands to teen group, which are secondary and upper secondary students who use mobile phone.

### AIS One-2-call! Concept

AIS focus on building the strength of One-2-call! both functional and emotional attributes. “Freedom” is the brand concepts that encourages and inspires teenagers to think, dream, and make it happen. In 2010, AIS One-2-call! explore new experience for teens who prefer to access social network through mobile phone which rapidly increases popularity. Chat 'n Share concept is designed for teens to more easily connect online world through all kind of handset both Smartphone and ordinary handset with various packages to match usage behavior. AIS One-2-call! also joins with business alliance to response continuous growing demand for music download among teens.

#### Social Network

1. High-end teenagers who use smartphone to connect with the social network. Popular smartphone brands such as BlackBerry, iPhone, Samsung Galaxy are bundled with airtime promotion tailored to each smartphone.
2. Valued teenagers who focus on price and also wants to get connected with the social network. Budget smartphone are matched with price plan to comfort the demand of social networking in this segment. Nokia Cool Pack package is designed to answer the behavior.
3. Mass users who use featured phones can chat any time by using Chat SIM bundled with package.

#### Music Download Lover

Grammy music SIM is a choice which allows customers to unlimited download music from Grammy music house with special calling rate.

## Service Development in 2010

In 2010, AIS One-2-Call! continuously developed new services, such as being the first prepaid brand in the market that offers price plan with single flat rate for outgoing call to any networks. This facilitates customers usage as well as comply with the regulation of the National Telecommunication Commission. AIS One-2-Call! collaborates with business alliances to offer Co-SIM card such as Tesco Lotus SIM, Chat SIM, Grammy Music SIM in which customers will enjoy various benefits from the alliances products and services when top-up.

AIS One-2-Call! creates superior experience by launching “eService” allowing personal web-base access for customers to check spending balance, usage date, change packages, etc. To provide special privilege for customers, AIS One-2-Call! organized a successful marketing campaign, “1-2-Call! Sport”, in which customers have a chance to win 12 Mazda cars in 12 weeks for every Baht 50 top-up.



## AIS One-2-Call! Promotion

AIS One-2-Call! provides a variety of price plans and services to serve key customer segments. Customers can easily select their package at their wish by pressing \*777 on their mobile phone. Here are examples of AIS prepaid packages:

### Love All Networks

Easy to use at the rate Baht 2 for the first minute and Baht 0.50 per minute for each additional minute for all networks.

### Wan Yen

Designed for customers who usually call during evening and night time, 10 pm - 6 pm at the rate Baht 2 for the first minute and Baht 0.25 per minute for each additional minute to all networks.

### Chao Yun Yen

Price plan for customers who usually call during day time from 5 am - 5 pm with Baht 0.75 per minute for all networks.

### Ngai Sood

Price plan that offers a single flat rate of Baht 0.97 per minute for outgoing call to all networks.







### Calls to All Networks

#### 2010

Respond to the customers whose average calls not exceeding 5 minutes per call with the rate of Baht 3 for 5 minute during 8 am - 5 pm.

#### Toh Took Wela 12 hours

The program offers the rate of Baht 2 for first minute, Baht 1 per minute thereafter to all networks from 6 am to 6 pm.

#### Toh Sabai

Single rate call to all networks at the rate of Baht 1.5 for 24 hours.

### Calls Within AIS Network

#### Mouth Phen Chua-Mohng

Low cost price plan at the rate of Baht 2 for a 1 hour call within AIS network during 8 am - 5 pm with minimum payment of Baht 29 per month.

### Weekly Buffet

Unlimited free calls during 5 am - 5 pm with a weekly payment of Baht 55.

### 20 Hours Buffet

Unlimited free call within AIS network during 10 pm to 6 pm at weekly rate of Baht 69.

### Day/Night Buffet

Unlimited calls within AIS network during 5 am - 5 pm or 10 pm - 10 am at a minimum monthly rate of Baht 199 and Baht 159 respectively.

### Value Added Service Lovers

#### SMS Lovers

Send 500 SMS at Baht 119 per month.

#### Internet Lovers

Surfing mobile internet 30 hours GPRS. at the rate of Baht 119 per month.

### Smartphone Users

#### Smartphone Promotion

Designed for customers who use variety of value added services at a special rate of Baht 199 per month for 100 MB GPRS, 100 SMS, and 50 MMS. Call price is Baht 1 for all networks.

#### BlackBerry

An option for customers who use BlackBerry as a main promotion with unlimited usage of Facebook and Chat at a special call rate of Baht 0.90 for all networks and a minimum monthly service fee of Baht 300. And on-top BlackBerry as an additional promotion at a minimum rate of Baht 30 per day and a maximum rate of Baht 650 per month with unlimited usage.

### On-top Promotion Users

#### Mao Mao

The popular on-top package that customers can customize their tariff plan. Mao Mao has 12 different plans, for example: 25 minutes of outgoing call at only Baht 20 for all networks available for 2 days for high usage behavior; 10 SMS for Baht 10 for SMS lovers; Baht 9 for unlimited calls within AIS network until midnight, etc.

## Segment Customers

### SIM Fang Khong

Our collaboration with partners in neighboring countries let customers who travel to Laos and Cambodia to call back to Thailand or make phone call within the countries at low prices. Customer can save up to 90% discount or pay only Baht 6 per minute or 1 SMS.

### Tesco Lotus SIM

Special for Tesco Lotus customers with single rate of Baht 1.1 for all networks. Customers enjoy several benefits including receive 20% complimentary call bonus, 2 times club card points, and longer usage period to 30 days (from 10 days) for Baht 100 top-up.

### Grammy Music SIM

Designed for music lover as well as normal voice call. The tariff is Baht 1 for 1 hour call within AIS network from 11 pm - 5 pm with unlimited Grammy music download. Customers receive discount up to 50%, for example, Baht 1 per 1 SMS, Baht 3 per 1 MMS, GPRS for Baht 0.50 per minute.

### Tourist SIM

Designed for inbound tourists with worldwide SMS at Baht 5 per SMS. The sim is loaded with "One-2-Call! Service" menu, which provides important information such as embassy, airport, tourism police number. A special rate is provided by AIN 005 when making international phone call.

### Nokia Cool Pack

Designed for Nokia users to use unlimited Chat, social network, e-mail with the rate of only Baht 29 per week.

### Chat SIM

Customers can chat via any mobile phone 24 hours at the rate of Baht 17 per week. Voice call is only Baht 0.50 per minute within Chat SIM group.

### Deaf SIM

Designed for customers who has listening problem with 500 SMS to all network at the rate of Baht 99 per month or 2,000 SMS within AIS network at the rate of Baht 300 per month.

### Net SIM

For customers who prefer to connect online are offered value for money with 30 hours GPRS promotion at the rate of Baht 99 per month and single call rate of Baht 1.25 for all networks.





## AIS Sawasdee

**"Sawasdee" is  
a sub brand of AIS**

designed for first time  
mobile phone users  
both children and  
adults who make  
few calls and mainly  
receive calls.

### Sawasdee Look Thung Thua Thai

Sawasdee is a spearhead for market expansion in regional area where the customers demand for low cost service. In addition to the strength of network coverage, "Sawasdee" maintains its customer base by constantly building relationship with local customers. "Sawasdee" local popularity is built by the campaign "Sawasdee Look Thung Thua Thai" which is the concert featuring various actors, MCs, and folk song artists. Entertainment, special privileges and rewards through several activities are as well provided to Sawasdee customers. The concert is held for 4 consecutive years in collaboration with channel 3 television station and broadcasted to customers countrywide.

### AIS Sawasdee Promotion

"Sawasdee" offers packages as follows:



#### Sawadee Nan Nan

The price plan for mostly receiving call users. Validity is 1 year for all types of money refill at the call rate of Baht 2.50 to all networks.



#### Sawadee Sa Bye Sa Bye

The price plan for cost control users. The customers can top-up only Baht 50 for 30 days at a special rate of Baht 2 per minute to all networks and 24 hours.



#### Moo Hao SIM

Localized tariff for customers in northeast area to keep contact with relatives in other area offers special call rate of Baht 0.50 for making a call since second minute originating from the northeast area.





## AIS Business Solutions

### Main Target Group

AIS is the leader in telecommunication solution for corporate enterprises and SMEs.

### Corporate Customers Service

AIS Business solution constantly develops new products and services to enhance business efficiency and competitiveness for our customers. AIS cooperates with business partners to develop the solution tailored to the needs of corporate customers. AIS smart solution offered the products and services as follows:



- **Push Mail** to delivers secure and real time e-mail service. The service is also compatible with various gadgets. This solution is focused to help corporate customers create business competitive advantage beyond their peers.
- **Smart Messaging** is developed from Smart Mobile Paging by adding the two-way SMS communication and broadcasting services for interactive function i.e. SMS voting, quiz or survey, CRM campaign.
- **Smart SIM** enhances effectiveness of communication within each corporate, utilize the updated information via SMS Application. Smart SIM provides menus designed according to the requirements of each organization.
- **Mobile Marketing** the marketing on mobile phone which make it possible for product and service providers to directly reach target customers and be able to instantly evaluate the result with high speed and low cost. The service types range from: sending SMS, informing mobile banking password to customers' mobile phone, to updating target customers about news and promotion via SMS/MMS (m-Ad/Location Base Service).
- **Mobile Track & Trace** to track the location of mobile phone by applying the technology "Location Base" with genius mapping program, enabling customers to precisely and timely locate the whereabouts of a mobile phone. Service is developed for business relying on speed and security of service such as logistics and insurance business.
- **M2M Service** the cost-efficient solutions that connect between Machine to Machine (M2M) with simple and small amount of data transmission by using GPRS/EDGE and allowing the customer to send and receive data with sufficient speed in wide service area coverage. There are various applications of the service such as Fleet Management, Tele-Metering, and Mobile EDC.



## Customer Relationship and Customer Experience Management

AIS introduces “EcoSystem” as our core of business concept to capture new wave of mobile data trend. One of the key commitments of EcoSystem is to serve customers with highest satisfactions, and best customers’ experiences. In order to compete with the rapid growth in the smartphone market, AIS is committed to provide our customers with best quality network, superior service, innovative and user-friendly products, reliable system, special privilege campaigns, customization to match different lifestyles and excellent social responsibility. In 2010, the development of customer relationship management involved with uplifting service level of all customer touch points to cope with rising customer demand for data service and use of smartphones.

## Complete Services for Smartphone Users

In 2010, AIS has strengthened the image of the market leader with new innovative products; AIS has launched the newest smartphones such as BlackBerry Bold 9700 and iPhone 4. Also, AIS is the sole distributors for Samsung Galaxy S and Samsung Galaxy Tab. To deliver highest satisfactions and best customers’ experience, AIS provide complete services, including but not limited to advice for phone choosing tips, packages recommendations, and device-settings walkthrough. In addition, our new service allows smartphone users to manually turn on-off GPRS via SMS (\*129#) and to receive “over-the-limit usage” reminder. Moreover, AIS also holds a monthly iPhone workshop and BlackBerry Workshop for our customers.

For the users who travel abroad, AIS also provide services such as “data roaming” notification, and “data roaming balance” notification for smartphone users convenience. Furthermore, if the users lose their SIM card, AIS will send a complimentary SIM card to your doorstep. Last but not least, AIS can recommend customers the packages that would suit their lifestyle no matter where they live.

## Service Innovation

In 2010, AIS developed several new services and experiences to respond to new lifestyles to meet the customer’s requirement, such as:

- **One-2-Call eService** an online service for customers to easily manage their bills, change of pricing package, usage balance check, money transfer, call screening service, new number SMS service, international roaming service, etc. In addition, eService users are entitled to eAIS plus privilege, able to check call detail by themselves, and able to add more credits via credit cards anytime. As a result, AIS’s eService users have grown 180% from last year. We also developed eService Application for iPhone users to download via Appstore for our customers’ convenience.



## Customer Service Enhancement via AIS Touch Points

AIS has enhance the quality of our customer service at AIS shop and Telewiz to create best customers' experiences. Doing so, AIS has upgraded both the “hardware” parts by improving the image, the ambience and the service devices and the “software” parts by equipping our shops with knowledgeable staffs with dedicated service minds.

- **AIS shop and Serenade club** has been improving its store image with trendy decoration suitable to lifestyles of our customers in the area. In 2010, AIS has renovated 5 branches of our shops and opened 3 new branches at Paradise Park (Srinakarin area), Jung Seelon Mall (Phuket), and AIS shop Kakorn Rachaseema. AIS shop and Serenade plan also aims to serve our customers in Southern North Eastern area with Experience shop where customers can tryout different products, receive advices and suggestions from our knowledgeable staffs, and seek for help at our Technology Support desks. We believe that this concept very well suit our customer's lifestyle in the upcountry market where behaviors are developing toward higher usage of data services.
- AIS shop and Serenade club has been improving the quality of our staffs by educating them necessary technical skills, knowledge of technology and communication skills. AIS trained 53 staffs in 2009 and 305 staffs in 2010 to become “Tech Experts”.
- In 2010, AIS shop and Serenade club also trained our staffs to be able to recommend packages that would suit customers' usage behavior, contributing to the package sales increase of 28.3% at AIS shops, and of 65% at AIS call center.
- **Telewiz** also has been enhancing the quality of service by improving knowledge of staffs, reducing customers' complaints, and maximizing customers' satisfaction. In addition, Telewiz also trained staffs to be able to recommend packages that would suit customers' behaviors, contributing to 4% increase in our service quality. In 2010, more than 80% of Telewiz shops has passed the AIS standard, while the sales of the shop increase by 119% year on year.

## Daily Exclusiveness for AIS Customers

Aside from highest quality network, best customer service is also what we are aiming for. AIS customers will enjoy several privileges that suit their lifestyles. We come up with “**Daily Exclusivity**” for AIS customers to ensure that our customers' everyday will fill with exclusiveness, satisfaction, and joy.





- Daily Exclusiveness for AIS Customers** AIS provides privileges that suit our customers' lifestyle covering Shopping promotion, Dining promotion, Entertainment promotion and Transportation promotion. In 2010, AIS lets its customers buy several Bangkok Airways packages at special prices. Moreover, AIS together with more than 200 retail partners, provides discounts to more than 5,000 stores across Thailand. This promotion is very well perceived witness by more than 2 million subscribers who have enjoyed the privileges last year.

In addition, AIS also have special privileges for customers in special occasions. During moon cake festival, AIS also provide our customers with S&P "Nong Aun Jai" moon cakes (Limited Edition) at a special price. During Buddhist holiday like Makhabucha, AIS offer our customers with lotus lantern packages for viantian. In December, AIS also give our customers candles packages to celebrate King Bhumiphol's birthday ceremony.

- Exclusive Privilege for Serenade Members.** With our "Always Exclusive, Always On Top" campaign, AIS offers our serenade customers who like to travel with several privileges such as VIP Check-In service and free entrance to Bangkok Airways Business lounges. In addition, AIS also provides our customers free beverages at several coffee shops in airports throughout Thailand. In 2010, AIS has provided our serenade customers with three more coffee shops (Kafaesod at Surart Thani airport, Black Canyon at Chiang Rai airport and Ubon Ratchathani airport) where they can get free beverages. Aside from free calls in AIS network, Serenade members also receive free "Beautiful Sunday" ice-cream at Swensen's and Baht 100 discount when they purchase cakes at any S&P.

AIS also offers Serenade members in upcountry area with Serenade Exclusive Party in Chiang Mai, Samui and Surat Thani; Serenade members in Bangkok are also free to join.

- AIS Device Privilege.** For highest customers' satisfaction in device choosing process, AIS offers several discount packages for different devices and complete services. For example, AIS gives our customers with up to Baht 2,400 cash back and up to 3 months of free EDGE/GPRS for smartphone users. AIS also provides our customers with a promotional "Wednesday Special" period; AIS awards the first 10 customers who contact AIS shop within the promotional period with up to Baht 3,000 discounts. In 2010, AIS customer participation rate in the program increase 114% year on year.





- AIS Reward Program.** AIS give our customers with a lucky draw ticket for every Baht 300 usage per month; the ticket entitles the holders to win several big prizes. In 2010, the prize for the lucky draw comprises of World Cup Final tickets with a 7 days 4 nights packages tour in South Africa worth more than Baht 5 million, and “Close gold shop - shop 1 million for free” worth more than Baht 7 million. Currently, more than 6.2 million customers participate in the AIS Reward Program.
- Special Privilege for Corporate Customers.** AIS realizes that corporate customers have different needs than other customers. Therefore, AIS has offered our corporate customers with privileges such as eService where they can check details about their usages via AIS website so that corporations can manage their usage accordingly. AIS also offers any corporate numbers satisfied the minimum usage requirement Serenade Gold membership. Also, AIS arranges several activities to maximize the benefits for the corporations. For example, AIS arranged “AIS Business Forum 2010” to encourage new creative ideas and synergy to tackle current economic and societal problems.

AIS strongly believes that highest customers satisfaction in our devices, services networks and special privileges will be key factors toward AIS’s sustainable growth.

### Distribution and Distribution Channels

A successful distribution strategy helps enhance the growth and provide greater accessibility to devices and services for customers. We focus on building diverse and extensive distribution channels countrywide to serve our customers and also developing a strong relationship with distributors. Our distribution strategy is developed in alignment with the company’s strategy to build “EcoSystem” among network provider (AIS), devices, content partners, and business alliances. AIS distribution channels are categorized into 3 types including 1) Distributors 2) Electronic channels and 3) Direct sales whereby approximately 80 - 90% are operated through distributors and electronic channels and the remaining are direct sale.



## 1. Distributors

AIS carefully appoints distributors by considering their locations, previous performance and achievements and financial status. These can ensure that the distributors possess capability to operate the business and being able to consistently take care of customers especially in the provincial areas. To ensure long-term quality of services and creditability, the appointed distributors must be a well-established business within the area to ensure their knowledge of the local market. Presently, AIS distributors are classified as following:

### 1.1 Exclusive Dealer “Telewiz”

AIS has a total of 100 exclusive distributors covering more than 500 Telewiz shops across the country, increased from 350 shops last year. Telewiz Express were upgraded to higher quality Telewiz shops class. These distributors are able to use the Telewiz trademark to sell AIS products and services. The distributor is entitled to 1) sell the products under the company’s trademark and 2) process registration for service subscription, and handle payment of service charges. AIS shall determine conditions, control quality and set service standard and operational guidelines for the distributor, such as, selection and development of location, advertising and sale promotion activity, and services provisioning to maintain AIS standards. The

distributor shall receive remuneration from customer subscription and financial support for marketing activity as determined by AIS.

### 1.2 General Dealers

AIS has more than 500 general dealers who have their own shops to sell AIS products, e.g. mobile phones, data cards, starter kits, cash cards, device accessories. In addition to the income from selling of products and services, the dealers also receive commission from service subscription to AIS as well as financial support for marketing activity as determined by AIS.

### 1.3 Key Account and Modern Trade

AIS distributes the products through key accounts who have their own branches or chain stores across the country, such as, Jay Mart, Blisstel, IEC, SAMART i-Mobile and TG. The modern trade shops include Ekachai Distribution System (Tesco Lotus), Power Buy, 7-Eleven, etc. These key account and modern trade are distributed across the country with more than 50 branded shops consisting of more than 8,400 branches.

### 1.4 Smart Shops

More than 200 smart shops locate in mobile phone and IT products zones in several parts of the country. These shops are designated to take postpaid subscription and to act as local distribution center to all other retail shops around such areas.

### 1.5 One-2-Call!

One-2-Call!, prepaid subscribers has been expanded to consumer groups in all parts of the country with more than 90% of total subscribers. AIS focus on enhancing efficiency in approaching the customers and increase covering sale areas together with closer relation with the both retail and wholesale dealers as classified into 2 minor groups:

- Advanced Distribution Partnership or ADP approximately 100 shops are selected among the Telewiz distributors and general dealers. The ADP must have potential to distribute the products and solid financial health to manage quick delivery of products to Advanced Retail Shops in their own area and to support marketing activity in the area. The ADP receives a special management fee from AIS.
- Advanced Retail Shop or ARS is the key customer contact point as these shops sell products directly to customers. Presently, there are more than 25,000 ARSs and increasing following the community growth. In addition to profit from selling SIM cards and cash cards, ARS also receives compensation directly from AIS upon achieving sales targets.

Additionally, AIS also distributes cash cards through non-telecom channels such as bookstores, convenient stores, gas stations, music shops, department stores, superstores, post offices, banks, etc.

### 1.6 GSM 1800

DPC, a subsidiary of AIS, distributes GSM 1800 products and services through more than 600 distributors who are the same distributors of GSM advance as mentioned above.

## 2. Electronic Channels

To increase customers accessibility, AIS develops several electronic channels to facilitate customers and, at the same time, reduce cost of operation. Electronic channels include Refill On Mobile (ROM) whose AIS representatives can top-up prepaid accounts without scratch cards. With cooperation commercial banks, AIS customers can refill or pay service fees via ATM or internet banking. Also, the customers can refill from their mobile phone by using mPAY service. We also develop various electronic channels including automatic cash top-up machine, internet. At present, AIS distributes cash top-up and others services through more than 400,000 electronic channels.

## 3. Direct Sales

To enhance the efficiency of distribution channels to offer products and services directly to the customer groups, AIS also uses a direct sale channel by appointing AIS Direct Sales team to respond to market growth in the future.

## Industry and Competition in 2010 and Outlook in 2011

“...In 2010, mobile industry grew approximately 6% driven by 20 - 30% growth in data services...”

### The economic recovery along with growing data services are the main contributions of revenue growth

In 2010, mobile service industry grew approximately 6% driven by 20 - 30% growth in data services and the economic rebound. While the growth of Gross Domestic Product (GDP) was 7.8%, mobile voice revenue merely grew in range of 3% as mobile penetration rate reached over 100% reflecting the stage of saturated voice market. This also illustrates the increasing importance of data service to mobile phone service providers as the next key growth contributor.

“...The strong growth of data services was supported by the trend of online Social Network and higher smartphone adoption...”

### The golden age of Smartphone and Social Network

The strong growth of data services was supported by the trend of online Social Network and rising smartphone adoption. Some key consumer trend in 2010 for Thai market included “BlackBerry Chat”, the long awaited launch of iPhone 4, and new tablet device such as Samsung Galaxy Tab. Device providers focused on marketing and promoting adoption of smartphones to mass consumers, driving more variety of brands running on various operating systems, and most essentially bringing down the average price. It was estimated that approximately 10% of the existing subscriber base in the market already owned smartphones while new sales of smartphone was accounted one third of the total number of new mobile phones sold over the year.

In 2010, mobile operators launched several campaigns and new services to drive data consumption, such as mobile phone devices bundled with internet usage package, mobile application store targeting smartphone users. Various new data usage price plans were offered into the market to better serve the customers’ needs such as price plan for BlackBerry and iPhone, time-base and usage-base package, and new product that enabled non-smartphone users to use basic data service such as AIS Chat SIM.

“...Mobile operators focused on maintaining market share while preserving capital for future investment in key technologies such as 3G...”

### **The benign Thai telecom market due to the postpone of 3G licensing**

In 2010, the competition level among mobile service operators was fairly benign with no significant change in market share. There were less aggressive new promotions launched in comparison to that of the years during price competition happened. Mobile operators focused on maintaining their own market shares while preserving the capital for future investment after the license for 2.1 GHz is granted. The capital expenditure (capex) level was limited with capex to sales ratio below 10%. In the second half of 2010, the National Telecommunication Commission of Thailand (NTC) attempted to allocate the license for 2.1 GHz spectrum to provide 3G technology. However, a legal complication occurred and hindered the auction process. The auction is now being postponed and it is widely expected among the industry players that the auction of new spectrum could be resumed once the new National Broadcast and Telecommunication Commission (NBTC) is formed in accordance to the new law.

## **Industry and Competition Outlook in 2011**

“...More variety and affordable smartphones are penetrating into provincial market...”

### **Data service continues to grow and represents the key growth of mobile industry**

The growth of data service continues to be the key revenue contribution for the mobile industry in 2011 driven by the rising consumer trend on smartphone, social network, and mobile internet. More variety and affordable smartphones are expected to expand beyond urban market into provincial market. Consumer adoption is expected to rise with extensive models of smartphones, declining price and more variety of contents particularly local ones.

The market for wireless broadband connectivity particularly served by aircard devices is growing fast and has large pent-up demand. The major factor is the low penetration of fixed-line infrastructure and fixed broadband in Thailand. Total figures of fixed telephony are approximately 7 million connections, compared with more than 21.7 million of households nationwide. Whereas the needs for daily use of internet are continuously growing, device prices are also trending downward; these will enhance rising consumer adoption for mobile broadband service.



"...the time remaining in concession agreement of each provider force the managements to make a prudent decision in investment and spending..."

### **The level of competition remains stable**

Although data service has a high growth potential and has a promising future as a growth generator for mobile business, it is difficult for operators to differentiate their data services based on 2G technology due to its limited capability. Also, the market is in a mature state, thus, the competition level in 2011 will not significantly alter from the year 2010. Moreover, the issues about the time remaining in concession agreement of each provider force the managements to make a prudent decision in investment and spending in order to preserve capital for 2.1 GHz license issuance or renew contract in the near future.

"...The major spending will be for capacity expansion in data service..."

### **Investment spending rises to facilitate growth in data service**

The exceptionally low capital investment in 2010 compared to the investment during the past three years resulted from the capital preserving for investment when the license to operate 3G on 2.1 GHz is granted. With the licensing process is now being postponed, mobile operators need to change strategy to maintain revenue growth particularly in data service. The investment level in 2011 hence is expected to rise. The major spending will be for capacity expansion in data service to serve consumer demand and sustain its growth. For instance, 3G technology based on the existing frequency such as 3G service on 900 MHz of AIS, 3G service on 850 MHz of DTAC and TRUE MOVE, roaming with service providers who already provide 3G services such as TOT Public Company Limited.

"...most service providers maintain high cash liquidity level...reflects more flexibility and prepare financially for 2.1 GHz license bidding in the future..."

### **Aim to generate cash flow and maintain business operation flexibility**

Due to the rapid change of technology in telecommunication industry and the phasing into license based operation, mobile operators need to maintain financial flexibility for future growth. Level of cash flow (EBITDA-CAPEX) increases 30% from last year, reflects capital preserving exercise to prepare financially for 2.1 GHz license bidding in the future. Mobile operators are expected to allocate more capital for investment in expanding network to facilitate the growth in data and wireless broadband after attaining new spectrum license.

“...We expect that it will not notably impact each service provider because 90% of customers use prepaid service, which normally have frequent change of numbers due to promotion-driven decision...”

“...we may expect the full commission of NBTC who will announce a master plan for frequency management within 1 year...”

### **Mobile number portability leads to focus on increased service quality and customer relationship**

Mobile number portability, the service to maintain the right over the existing number, will fully commence in 2011. We expect that it will not notably impact each service provider because 90% of customers use prepaid service, which SIM card is frequently changed in accordance with the desired promotion. Therefore, service providers will primarily need to maintain their postpaid customers. We expect that each service provider will not aim to enter price competition to win the customer base as the additional investment in the mature voice communication market may not be feasible. Aside from reliable network, good customer service and special privileges for customers will be the key focus in establishing a long term relationship with customers.

### **Ongoing process in establishing new regulatory body governing telecommunications**

In late 2010, the parliament has passed the legislation on establishment of the National Broadcasting and Telecommunications Commission Bill (NBTC). According to the legislation, the detailed process and time frame is 180 days for commission selection. Consequently, in 2011, we can expect the full commission of NBTC who will generate a master plan for frequency management within 1 year (due to the legislation). If the process goes according to the time frame, the long-term direction of Thai telecommunications industry particularly on licensing of new frequency such as 2.1 GHz will have a clearer path and directives.

## Risk Factors

At present, the situation is in a state of rapid change due to variety of factors. Therefore, risk management is the principle of good governance which is important to enable the company to move forward steadily. It is imperative that AIS has effective and proactive management strategies to ensure the long and short-term viability of AIS.

AIS has focused on organizational risk management by setting up the Risk Management Committee which consists of the Chairman of the Executive Committee who also acts as the Chairman of the Risk Management Committee, the Chief Executive Officers and the senior executives as the members of the committee, totalling 13 persons. In 2010, the committee held 3 meetings having discussed the classification of the risk over the whole organization, ranking the risk, providing risk management guidelines, authorizing responsible persons in order to arrange control measures and to manage risks at an acceptable level to ensure that AIS achieves set targets and the confidence of the shareholders and interested individuals.

The Risk Management Committee has closely followed the results of risk management by considering the action management plan that consistent with reliable results. In each meeting, the Risk Management Committee will have each management division report the risk management results that were identified in the former meeting, including consideration whether the level of risk has been changed thus resulted to an effective risk management.

In every quarter, the Risk Management Committee submits the results of risk management to the Audit Committee, the Board of Directors, and the Executive Committee in order to manage and closely monitoring risk to ensure its risk appetite and AIS is able to achieve its objective. The risk factors, which may affect the operation results of AIS, are summarized as follows:

### 1. Regulatory and Government Policies Risk

#### 1.1 Assignment of frequency for the operation of mobile cellular IMT 2000 or 3G

On 23 September 2010 The Supreme Administrative Court upheld an injunction order of the Central Administrative Court which has temporarily suspended the assignment of frequency for the operation of mobile cellular IMT 2.1 GHz and the process according to the Notification of the National Telecommunications Commission (NTC) on the Criteria and Procedures for the Assignment of Frequency for the operation of Mobile Cellular IMT 2.1 GHz until the case is finalized or otherwise ruled.

**Hence, it results in the assignment of the frequency for the operation of IMT 2000 or 3G by NTC being interrupted or cancelled** where there shall be no assignment of the frequency to any operator other than TOT which has already been assigned of the frequency recently. **Therefore, the result of the delay of the assignment of the 3G frequency shall result in the loss of business opportunity of the Company.**

However, **on 19 December 2010, the Act on the Organization to Assign Radio Frequency and Regulate the Broadcasting and Telecommunication Services B.E. 2553 has been launched and the Government has accelerated the formation of the National Broadcasting and Telecommunications Commission (NBTC). It is expected that NBTC shall be able to arrange the assignment of the frequency and issue a license for the operation of IMT 2000 or 3G within the year 2012.**

#### 1.2 Organization regulating telecommunication and broadcasting business

On 19 December 2010, the Act on the Organization to Assign Radio Frequency and Regulate the Broadcasting and Telecommunication Services B.E. 2553 has been launched in

substitution of the previous one of B.E. 2543 in order to be in conformity with Article 47 of the Constitution of the Kingdom of Thailand B.E. 2550, which prescribes the establishment of an independent state organization to assign the frequencies and regulate telecommunication and broadcasting business under the specified conditions, and in conjunction with Article 305 (1) of the Constitution.

However, the transitory provisions of the said Act have not only prescribed NTC to remain acting as the National Broadcasting Telecommunications Commission (NBTC) until the actual appointment of the NBTC but also prescribed that the assignee of the frequency or users of the frequency for operating telecommunication business shall be deemed being granted license by NBTC under this Act until the expiry period prescribed by NBTC, including the sub-assignment of frequency by state enterprise to other entity to operate by legitimate permission, concession or contract, such entity shall be entitled to continue operate the business for the remaining period of such permission, concession or contract only.

**The Company cannot estimate whether the exercise of power, the scope of policies and regulations of NBTC in the future shall have a significant impact on the industry and the Company's current scope of telecommunication business operation including financial status and business opportunities or not.**

### **1.3 The Jointly Undertake Work Agreement between State Enterprise and Private Sector as stated in the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise B.E. 2535.**

#### **1.3.1 The Amendment of the Jointly Undertake Work Agreement between Advanced Info Service Public Company Limited (the Company) and TOT Public Company Limited (TOT)**

As the Ministry of Information Technology and Communication sent a letter to the Council of State requesting for its opinion regarding the amendment of the Cellular Mobile Telephone Service Agreement (the "Agreement") between TOT, as formerly being Telephone Organization of Thailand, and Advanced Info Service Public Company Limited after the enforcement of the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise B.E. 2535 came into effect whether the current amendment is in line with the said Act and if such amendment is in breach of the said Act what should be done.

The Office of the Council of State has been of the opinion in a memorandum regarding the enforcement of the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprises B.E. 2535 (The case between the TOT and the Company no. 291/2550), that:

"...TOT entered into the Agreement on behalf of the State by virtue of the legal authority of the Telephone Organization of Thailand. Therefore, the said Agreement has been executed between the State and private sector for the assignment of the private sector to provide public service on behalf of the State. The State is obliged to comply with the provisions of the Agreement.

Since the amendments to the Agreement relevant to which consultation is being sought were not legitimately carried out according to the Act Permitting the Private Sector to Jointly Undertake the Work or Operate the Work of State Enterprises which was in force at the time of those amendments due to the lack of the

submission of those amendments to the Coordinating Committee for consideration according to Section 22 and to the Cabinet as an authority in charge for approval of such amendments to the Agreement pursuant to the Act as above-concluded, the amendments made to the Agreement with the TOT as the contracting party were, therefore, carried out without legal authority. However, the amendment procedures of the Agreement which represent administrative juristic acts are capable of being separated from the amendments to the Agreement and those amendments to the Agreement are still in force so long as they are not rescinded or extinguished by virtue of time clause or by other causes. If the Cabinet as a lawful authority, after having considered the causes for the rescission, the impact and the appropriateness on the basis of the State's and the public interest, is of the opinion that the illegitimate procedures have caused considerable damage, the Cabinet can rescinding such amendments to the Agreement. But if the Cabinet considers on justification and in the light of the State's or the public interest and the continuity of providing public services, the Cabinet may exercise its discretion to grant approval to re-proceed the amendment procedures, as appropriate, by the project owner and the Coordinating Committee pursuant to Clause 22 being the parties to submit the facts, justifications and opinions for the consideration of the Cabinet."

**In addition, the Company has acknowledged that the Coordinating Committee pursuant to Clause 22 has submitted the opinion with respect to the amendments of the Agreement of the Company to the Minister of the Information and Communications Technology**

**and the Cabinet for consideration. The Cabinet has passed the resolution that the working team be set up to negotiate with the Company including all mobile phone service operators and submit its opinion to the Cabinet for further consideration.**

**The Company firmly believes that the principle and the grounds of the amendments of the Agreement, the TOT's and the Company's compliance with the Act and the Agreement shall positively ease off the risk and that there shall be no material change which shall have an impact on the Company. However, if the amendments of the Company's Agreement are invalidated by the Cabinet; it may result in a shorten of the term of the Agreement and or a higher prepaid revenue share, for instance.**

### **1.3.2 The Amendment of the Jointly Undertake Work Agreement between Digital Phone Company Limited (DPC), a subsidiary company of the Company and CAT Telecom Public Company Limited (CAT)**

As the Ministry of Information Technology and Communication sent a letter to the Council of State requesting for its opinion regarding the amendment of the Digital PCN (Personal Communication Network) 1800 Service Agreement (the "Agreement") between CAT and DPC after the enforcement of the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise B.E. 2535 came into effect whether the current amendment is in line with the said Act and if such amendment is in breach of the said Act what should be done.

The Office of the Council of State has been of the opinion in a memorandum regarding the enforcement of the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise B.E. 2535 (The case between the CAT and DPC no. 294/2550), that:

“...the assignment of the rights and duties by Total Access Communication Public Company Limited to DPC and the entering into an agreement between DPC and CAT dated 19 November 1996 are considered as the permission of CAT granted to a private sector to provide cellular mobile phone service whereby DPC shall be under the supervision and regulation of CAT and pay remuneration to CAT. DPC shall, therefore, have to comply with the said Act. Since CAT has already specifically prescribed the scope of the project and the private sector to provide the service, besides, the project has already been carried out. Therefore, there is no need to invite private sector to submit any proposal according to Chapter 3. However, Chapter 3 shall be applied mutatis mutadis in so far as it is not contrary to the fact whereby CAT has to set up the Coordinating Committee in accordance with Section 13 to proceed according to Section 21 of the said Act i.e. the committee shall present the selection results including reasons, topics of negotiation related to the state benefit, the drafted contract and all relating documents to the Minister in charge in order to submit for cabinet’s consideration within ninety days as from the decision date of the committee.

Therefore, the process is under the authority and duties of the committee according to Section 13 to consider as it sees fit and DPC as the transferee of the rights and obligations from Total Access

Communication Public Company Limited under the Digital PCN (Personal Communication Network) 1800 Service Agreement between CAT and Total Access Communication Public Company Limited. DPC shall be entitled to provide telecommunication service based on the transferred rights and obligations although the current agreement between CAT and DPC has not been in compliance with the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise. However, the current agreement is still effective as long as it is not rescinded or invalid by time or other conditions. Therefore, CAT and DPC are bound to comply with the said Agreement.”

**In addition, the Company has acknowledged that the Coordinating Committee pursuant to Clause 13 has submitted the opinion with respect to the amendments of the Agreement of DPC to the Minister of the Information and Communications Technology and the Cabinet for consideration. The Cabinet has passed the resolution that the working team be set up to negotiate with DPC including all mobile phone service operators and submit its opinion to the Cabinet for further consideration.**

**DPC firmly believes that the risks shall ease off positively as CAT and DPC are still obliged to comply with the Agreement. However, should the Committee according to Section 13 submits its resolution to the Cabinet that the Agreement made between CAT and DPC after the enforcement of the Act Permitting the Private Sector to Jointly Undertake Work or to Operate the Work of State Enterprise B.E. 2535 is contrary to the**



**said Act and the Cabinet agrees with the said resolution, the Jointly Undertake Work Agreement of DPC may come to an end.**

#### **1.4 Law on use & connection of telecommunication network (Interconnection Charge)**

According to the Telecommunication Business Act B.E. 2544 and the announcement of NTC regarding the Use and Interconnect of Telecommunication Networks B.E. 2549, the Company has entered into the Interconnection Agreements with Total Access Communication Public Company Limited, True Move Company Limited, CAT Telecom Public Company Limited and with Digital Phone Company Limited, which have been approved by NTC. The Company has already provided the service based on such Interconnection Agreements but no interconnection charges have yet been collected or any record relating to the Interconnection Charge has been booked in the Company's provisional financial statement because TOT the contract grantor has issued a written notice to the Company that the Company is not a legitimate licensee of telecommunication network, therefore, is not entitled to enter into the Interconnection Agreement by virtue of the announcement of NTC regarding the Use and Interconnect of Telecommunication Networks B.E. 2549.

On 31 August 2007, TOT filed a lawsuit against NTC at the Central Administrative Court in order to withdraw the said announcement, and on 4 February 2008, TOT issued a written notice to the Company informing that the Company should wait for the court decree to be used as a guideline, and if the Company complies with the announcement of the NTC prior to the final judgment of the administrative court, TOT shall not acknowledge it, and the Company must be liable for such action.

However, after having considered the letter from TOT, the relevant laws and the comments of the legal

consultant, the management of the Company is of the opinion that non-compliance with the above Interconnection Agreement would be in conflict with the announcement of NTC regarding the Use and Interconnect of Telecommunication Network. Therefore, the Company decided to comply with the said Agreements which are in line with the legal provisions currently in force by issuing invoices to collect the interconnection charge from the contractual parties and recorded the relating particulars in the financial statement for the year ending 31 December 2007 and subsequently, the interconnection charge has been paid among the parties.

According to the Cellular Mobile Telephone Service Agreement, the Company is required to pay remuneration annually to TOT at the minimum amount as specified in the Agreement or in a percentage rate of the revenue and any other benefits received by the Company during the year before deduction of any expenses and taxes whichever is higher. However, the interconnection charge is an item which must be observed under the law, and TOT requires the final judgment of the court which the Company expects that there shall be negotiations regarding the calculation method of the annual remuneration at a later date. Therefore, in order to take a cautious approach, the Company has calculated the annual remuneration from the net revenue in the same practice as of the telecommunication industry. The amount of remuneration, which the Company has to pay to TOT, depends on the judgment of the administrative court regarding the withdrawal of the NTC announcement and ongoing negotiations between the Company and TOT after which the financial statement of the Company shall be adjusted accordingly which the management of the Company is confident that no additional expenses will be materially incurred.

On 30 December 2008, TOT has notified in writing to the Company that the result of the negotiation between TOT and the Company regarding a rate and a calculating method of the revenue sharing has not been concluded and requesting the Company to remit the revenue sharing incurred from the interconnection charge since February 2007 to June 2008 in the amount of Baht 761 million based on the rate and calculation method of the Company within 30 December 2008 and the Company has already remitted the revenue sharing to TOT on 30 December 2008 by using the calculation method proposed by the Company for the interconnection charge since July 2008 up to the present. The Company and TOT had set up the negotiation committee to seek for the conclusion but it could not be done as TOT requires the Company to pay revenue sharing calculated on gross interconnection charges received by the Company at the rate specified in the Agreement without deduction of interconnection charges which the Company has to pay to other operators. Thus, on 26 January 2010, TOT sent a letter demanding the Company to pay the revenue sharing on the interconnection charges of the concession year 17 - 20 in the amount of Baht 17,803,381,680.57 plus interest at the rate of 1.25 per month. But the Company disagreed and sent a letter opposing the said claim to TOT and the Company foresees that it shall be a dispute to be solved by arbitration as stated in the Agreement.

**In addition, on 15 September 2010, the Central Administrative Court dismissed the case which TOT has filed for revocation of NTC' Notification on the Use and Interconnect of Telecommunication Networks B.E. 2549 and TOT has already submitted an appeal to the Supreme Administrative Court.**

## 1.5 Disputes relating to the excise tax

### 1.5.1 The case between Advanced Info Service Public Company Limited (the Company) and TOT Public Company Limited (TOT)

On 22 January 2008, TOT submitted a dispute (Case no. Black 9/2551) to the Arbitration Institute, the Alternative Dispute Resolution and Office of the Judiciary demanding the Company to pay additional revenue sharing for Baht 31,463 million plus interest at the rate of 1.25% per month of the unpaid amount computing from the default date (10 January 2007) until full payment is made.

The Company has submitted an objection to such demand and there has been an appointment of 5 arbitrators and **the case is pending giving the ruling.**

**However, the management of the Company believes that the outcome of the case shall be in favour of the Company since such claimed amount is the same amount of the excise tax which the Company has delivered during 28 January 2003 to 26 February 2007, and the Company deducted such amount from revenue sharing pursuant to the resolution of the Cabinet on 11 February 2003. Therefore, the Company has correctly and completely complied with the resolution of the Cabinet as is the same standard practice of the telecommunication business industry. In addition, TOT has issued a letter ref. no. Thor.Sor.Thor. BorYor./843 dated 10 March 2003, stating that the Company had correctly complied with the resolution of the Cabinet, and the Company's burden remains at the same percentage rate as specified in**

the Agreement and the submission of the said excise tax return shall not affect the terms of the Agreement.

#### 1.5.2 The case between Digital Phone Company Limited (DPC), a subsidiary of the Company and CAT Telecom Public Company Limited (CAT)

On 9 January 2008, CAT submitted a dispute (Case no. Black 3/2551) to the Arbitration Institute, the Alternative Dispute Resolution and Office of Judiciary demanding DPC a subsidiary of the Company to pay additional payment of revenue sharing for Baht 2,449 million under the Digital PCN (Personal Communication Network Contract plus penalty at the rate of 1.25% per month of the unpaid amount of each year computing from the default date until full payment is made (total penalty, computing as at December 2007 (B.E. 2550) is Baht 1,500 million) totalling Baht 3,949 million and later, on 1 October 2008, CAT has submitted a request to amend the amount of claim by decreasing the demanded amount including the penalty to Baht 3,410 million.

DPC has submitted an objection to such demand and there has been an appointment of 5 arbitrators and **the case is pending giving the ruling.**

**However, the management of the Company believes that the outcome of the case shall be in favour of the Company since such claimed amount is the same amount of the excise tax which DPC has delivered during 16 September 2003 to 15 September 2007, and DPC had deducted such amount from revenue sharing in accordance with the resolution of the Cabinet on 11 February**

**2003 and CAT has also instructed DPC to comply with the said resolution. Therefore, DPC has correctly and completely complied with the resolution of the Cabinet and it is the same practice of the telecommunication business industry.**

#### 1.6 The case between AIN GlobalComm Company Limited (AIN), a subsidiary of the Company and CAT Telecom Public Company Limited (CAT)

On 7 March 2008, CAT Telecom Public Company Limited (“CAT”) has submitted a case against the Company as the defendant no. 1 and AIN GlobalComm Company Limited (AIN) as the defendant no. 2 ref. no. Black-1245/2551 to the Civil Court demanding the Company and AIN to jointly pay for damage plus interest at the rate of 7.5 per annum calculated up to the submission date of the case totalling Baht 130 million by claiming that the said damage has arisen from the change of the connection setting of the international direct dialling service from using the symbol “+” for the code 001 of CAT to “+” for the code 005 of the subsidiary during 1 - 27 March 2007 without prior notification to subscriber.

On 4 September 2008, CAT has submitted a request to amend the plaint by changing the damage amount to Baht 583 million (inclusive of interest) claiming that CAT has suffered damage for a continuous period up to 7 March 2008. On 26 February 2009, the Civil Court had dismissed the CAT’s request for an order of provisional remedial measure submitted on 19 November 2008, to cease the Company and AIN to transfer the Traffic 001 or symbol “+” of CAT to Traffic 005 of AIN.

On 17 December 2009, The Civil Court has dismissed the case as the facts cannot be proved that CAT has either an exclusive right to use the symbol “+” or the right to prohibit the Company and AIN to use the

symbol “+” and it cannot also be proved that the changing of the connection setting of the international direct dialling service from using the symbol “+” for the code 001 of CAT to “+” for the code 005 of AIN has caused mistaken to the subscribers who use international direct dialling service that they are using the code 001 of CAT, therefore, the acts of the Company has not infringed any right of CAT and also of AIN which CAT alleged to jointly commit the wrongdoing with the Company has not infringed the right of CAT as well.

In addition, **CAT has submitted an appeal against the judgment of the Civil Court** on 10 March 2010. At present, **the case is pending consideration of the Appeal Court.**

#### **1.7 Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company and CAT Telecom Public Company Limited (CAT)**

On 3 February 2009 CAT submitted a dispute (Case no. Black 8/2552) to the Arbitration Institute, the Alternative Dispute Resolution and Office of the Judiciary demanding DPC to deliver and transfer an ownership of 3,343 towers including 2,653 equipments of Power Supply under the Digital PCN (Personal Communication Network) Agreement. If DPC fails to do so, DPC must reimburse Baht 2,230 million to CAT. DPC considers that all disputed assets, towers and the equipments of Power Supply, are not the property as stipulated in clause 2.1 of the Agreement which DPC is obligated to deliver and transfer under the Agreement.

DPC has submitted an objection to such demand and there has been an appointment of 5 arbitrators and **the case is pending giving the ruling.**

#### **1.8 Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company and CAT Telecom Public Company Limited (CAT)**

On 15 July 2010 CAT submitted a dispute (Case no. Black 62/2553) to the Arbitration Institute, the Alternative Dispute Resolution and Office of the Judiciary demanding **DPC to pay additional remuneration for concession year 10 - 12 incurred due to DPC has reduced the roaming charge rate between DPC - the Company from Baht 2.10 to Baht 1.10 during the period of 1 April 2007 - 31 December 2008 without approval of CAT** in the amount of Baht 1,640 million plus penalty calculating up to March 2010 in the amount of Baht 365 million totaling Baht 2,000 million and also the penalty at the rate of 1.25 per month calculating from April 2010.

**At present, the case is pending the process of submission of an objection by DPC according to arbitration procedures. The trial of case may take several years. However, the management of the Company believes that the ruling of the Arbitration Panel of this case shall positively ease off as DPC has informed CAT of the application of the roaming rate of Baht 1.10 per minute since July 2006 which CAT has given a written approval of such application until March 2007 and has also given an approval during the period of January 2009 to March 2009, and during the disputed period CAT has never sent any refusal or objection to DPC, and the roaming rate at Baht 1.10 per minute is yet in conformity with the condition of the market where the rate of service charge has lowered down than previous roaming service charge rate. Besides, DPC has also entered into a roaming agreement with the Company by using the rate of Baht 1.10 per minute as approved by NTC.**

### 1.9 Risk if the Company becomes “foreigner”

The Foreign Business Act B.E. 2542 (the “FBA”) is an act to stipulate the qualification of Thai company and the level of permitted foreign shareholdings in Thai companies. A definition of “foreigner” defined in the FBA also applies in the Telecommunications Business Act B.E. 2544 (the “TBA”) as regards qualifications of applicants for licenses under type 2 and 3. There is a provision under FBA prohibiting Thais to act as nominees for foreigner carrying on businesses which require permission.

In 2006, the Ministry of Commerce investigated the shareholding on behalf of foreigners in companies including the investigation of the shareholding of a company which is a shareholder in a company, which is a major shareholder of Shin Corporation Public Company Limited. The issue is whether a major Thai shareholder of such company holds shares on behalf of foreigner where the Ministry of Commerce has summarized the case and referred to the public officer and, at present, the case is in process by prosecutor.

Therefore, if such company is found under a final adjudication to be a “foreigner,” then Shin Corporation Public Company Limited, the Company and DPC could also each be deemed to be a “foreigner”. In addition, the court has power to order those holding shares on behalf of foreigner to discontinue holding shares. However, the Company and DPC believe they have not committed any offence. As a result, the Company and DPC should be entitled to find new shareholders to replace those alleged to have held shares on behalf of foreigner. Failure to replace the shareholders might affect qualifications of the Company, DPC and other affiliates of the Company to apply for the licenses and new features of services.

**In addition, the Cellular Mobile Telephone Service Agreement (the “Agreement”) under which the Company and DPC have provided the services does not contain a clause of shareholding limitation by foreigner.**

**However, the Company cannot guarantee that the outcome of the above case will not have an impact on the current and future agreements and licenses which the Company and DPC have because those circumstances are out of the Company’s domination and the Company cannot predict if there shall be an issuance of any law, announcement or regulation to change the existing legal principles relating to the definition of “Foreigners”.**

### 1.10 Laws relating to trade competition

Pursuant to the launch of laws with respect to the commercial competition namely Trade Competition Act B.E. 2542, Telecommunication Business Act B.E. 2544, NTC Notification on Preventive Measure for an act of monopolistic or unfair competition of telecommunication business B.E. 2549, NTC Notification on the definition of market and related telecommunication market limits B.E. 2551 and NTC Notification on criteria and consideration methods for the market dominator in telecommunication business B.E. 2552 which causing the Company be considered the market dominator in mobile phone service business.

**The Company cannot estimate whether the regulating authority shall have the policy or any measure to enforce on the Company in the future which may have a significant impact on the marketing operation of the Company or not.**

### **1.11 Risk on litigation to which the Company is not a direct party**

On 20 March 2006, Mr. Sastra To-Orn submitted a complaint to the Central Administrative Court (the “CAC”) against the Ministry of Information and Communications Technology (the “ICT Ministry”), the Ministry of Transportation (the “Transport Ministry”) and the Prime Minister’s Office (the “PRIME MINISTER’S OFFICE”) as the defendants, requesting the court to (i) order the defendants to terminate the Cellular Mobile Telephone Service Agreement (the “Agreement”) entered into with the Company; and (ii) grant a temporary injunction preventing new shareholders from taking any action or receiving any benefit under such Agreement.

Mr. Sastra claimed that the defendants have wrongfully refrained from exercising their duties by not terminate the Agreement following the transfer of the Company shares to new shareholders which resulted in a material change in shareholding structure of the Company that has carried on businesses based on Thai national resources. The CAC ruled that Mr. Sastra had no rights to claim because he had not been a party under the Agreement.

However, Mr. Sastra appealed to the Supreme Administrative Court which later ruled on 12 September 2006 that Mr. Sastra as the injured person could claim on the ground that if the Company’s businesses were under control of the foreigner, it would cause damage or result in national security which unavoidably affected Mr. Sastra. Accordingly the Supreme Administrative Court ordered the CAC to accept such complaint and continue the court procedure.

On 17 November 2006, CAC ordered not to accept Mr. Sastra’s order of provisional remedial measure before delivery of judgment because CAC desire that the cause of the case is not sufficient to pursue Mr. Sastra’s request and this case concerns to examination of the Agreement which has the provision and liability to response. The order of CAC would be final. In case of such complaint is still in the procedure of CAC.

The Company would not be affected as long as there is no judgment that the shareholders of the Company are under control of the foreigners. In addition, whether the Agreement could be revoked shall be considered according to the terms and conditions of the Agreement.

### **1.12 In case of TOT Public Company Limited (“TOT”) demanding the payments of the additional revenue sharing with respect to Prepaid Card services and the roaming service.**

With reference to a letter dated 31 January 2011 of TOT Public Company Limited (“TOT”) to the Company demanding the Company to pay an additional revenue sharing for the reduction of revenue sharing rate with respect to prepaid services amounting to Baht 29,534 million, the deduction of the cost relating to the roaming amounting to Baht 7,462 million and the deduction of excise tax from the revenue sharing including value added tax (VAT), penalty and surcharge for the total amount of Baht 36,817 million plus interest at the rate of 7.5% per annum to TOT within 15 February 2011. On 4 February 2011, the Company sent a letter disputing the demand of TOT and refusing to pay the claimed amount by giving various reasons and requested TOT to cancel or revoke its said demand within 9 February 2011 including immediately stop any action which may cause further damage to the Company.



Since TOT has not cancelled or revoked such letter within the specified period. Therefore, on 11 February 2011, the Company has submitted a dispute relating to the reduction of revenue sharing rate with respect to prepaid services and the deduction of the cost relating to the roaming to the Arbitration Institute, the Alternative Dispute Resolution Office, Office of the Justice Courts, case no. black 8/2554. But for the case relating to the deduction of excise tax from the revenue sharing, TOT has submitted a dispute to the Arbitration Institute, case no. black 9/2551 since 22 January 2008 and the case is pending arbitration process at the Arbitration Institute. (The detail is as following 1.5.1)

The Company thinks that both Amendments are binding on both parties and have to be complied with and both parties have kept complying with them through out the years. The Company has correctly and completely paid the revenue sharing as specified in both Amendments, besides, TOT has never disputed or opposed that the Company had made incorrectly or incompletely payment of revenue sharing. Therefore, the Company believes that the Company has completely performed in accordance with the terms of the Agreements.

## 2. Market and Competition Risk

### Change in consumers' behaviour

Nowadays, Telecommunication technology has rapidly developed. Communication is not just a voice conversation. In addition, online community and social network play an important role in today society. Ability to flexibly access data and information anytime anywhere becomes basic need for mobile consumers. In the past few years, number of data user and data usage significantly increased, thank for the growth of smart phone market. Limitation of fixed-line internet access is also a key driver for the growth of mobile data service.

Since customers' behaviour has been changed, telecommunication market becomes more complex. More dimensions have to be concerned in order to do proper marketing to consumers. Despite of uncompromised quality of voice service, network coverage and quality of data service has become one of the major decision factors for customers to select the mobile operator. **Therefore, it is necessary to AIS to still continuously improve data service quality.** With strong financial position, **AIS is capable to upgrade the network from EDGE to EDGE Plus. The objectives are to enhance data usage efficiency nationwide as well as to support more users. AIS also introduce new technology such as HSPA (High Speed Packet Access), 3G 2100 substitution, to customer in many areas where there is high demand of hi speed data service.** It is obvious that not only network, but also content which are AIS key focus. AIS has developed AIS unique contents and selected variety of contents from quality partners to serve various needs of different customer segments. AIS also develop the "Widget" in order to improve customer experience while using wireless internet service. These attempts are aimed to deliver the best experience to AIS customer.

## 3. Operational Risk

Mobile internet and applications usage has increased rapidly due to ease of use and variety of communication devices. **Moreover it can be implemented in variety of communication devices which cause more complication in managing network system regarding to an understanding of equipments and devices, a network implementation, a system connection across engineering and various systems including a network maintenance.** Therefore, Advanced Info Service (AIS) has focused more on the

information communication and mobile internet service. So AIS has conducted research and experiment in various technology that enable customers to use the service smoothly, fast and up to date. Moreover AIS has conduct in-depth training in mobile internet, applications, and information technology with international standard from international institute to be ready to support future service potential.

#### 4. Human Resources Risk

Competition in the telecommunications industry, especially amidst recent uncertainty as to the future acquisition of a 3G licence, continues to be extremely intense. To lead AIS to future sustainable success during these challenging times, AIS fully accepts the need to retain employees of the highest calibre by recognising and supporting their crucial importance and high value. Therefore, in 2010, AIS put in place an on-going strategic human resource management and development policy designed to encourage and develop highly qualified and capable employees who can successfully respond to the challenge of working in today's demanding business environment.

##### 4.1 High potential employee retention

AIS has implemented **the on-going systematic Talent Management and Retention Program**. This program provides Company talent with appropriate compensation and benefits and opportunities to learn and develop their leadership and management skills in order to enhance their potential for career advancement as executives or specialists in the future.

##### 4.2 Executive development for succession planning program

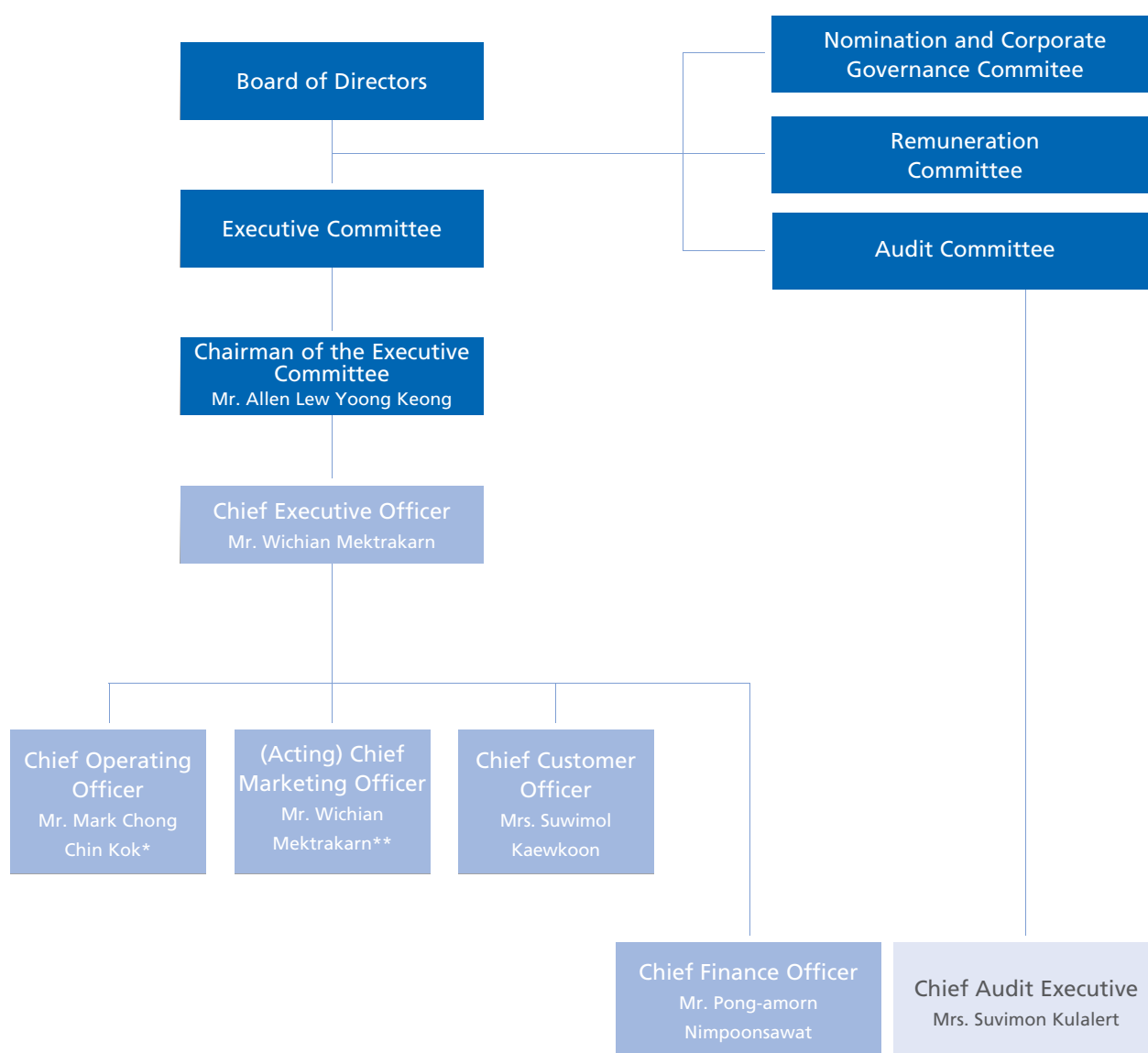
To prepare Company senior executives' capabilities for the transition to key positions, AIS continued **the Succession Planning Program**. In 2010, **the successors** had consistent opportunities to strengthen their personal coaching skills by participating in the professionally run Intensive Executive Coaching Program. Executives were also coached by Business Advisors, senior level executives within the organization. Equally, to gain essential experience and to ensure their readiness for the future, some high potential successors were provided with "Temporary Acting" opportunities in senior positions.

##### 4.3 Promoting a corporate culture for a fast changing industry

Business environmental factors rapidly change, often at relatively short notice. This is especially important considering the upcoming 3G licence auction expected sometime in 2011. To prepare personnel to deal with any sudden future changes quickly and efficiently, AIS provided a suitable development program for senior management. Executives at VP levels joined the **Assess Change Leadership Competency** and **Role Model** programs to enable them to competently and successfully manage any future changes to AIS's business strategy, and, at the same time, to promote Company culture and values by encouraging individuals and teams to be ready and responsive to the pace of change in a systematic and effective way.

## Management Structure and Corporate Governance

### Management Structure of Advanced Info Service Public Company Limited



■ The top four (4) management positions, according to the definition of the SEC.

\* Duly appointed as the Chief Operating Officer effective on 1 October 2010.

\*\* Duly appointed as the (Acting) Chief Marketing Officer effective on 16 November 2010.

## Management Structure

The Company's management structure comprises the Board of Directors and four sub-committees: the Executive Committee, the Audit Committee, Remuneration Committee, and Nomination and Corporate Governance Committee as detailed below:

### 1) Board of Directors

As of 31 December 2010, there are 11 members of the Board of Directors as follows:

- |                                     |   |
|-------------------------------------|---|
| 1. Dr. Paiboon Limpaphayom          | Chairman of the Board of Directors and Independent Director |
| 2. Mr. Somprasong Boonyachai        | Vice-Chairman of the Board of Directors                     |
| 3. Mr. Aviruth Wongbuddhapitak      | Chairman of the Audit Committee and Independent Director    |
| 4. Mrs. Tasanee Manorot             | Member of Audit Committee and Independent Director          |
| 5. Mr. Surasak Vajasit              | Member of Audit Committee and Independent Director          |
| 6. Mr. Suphadej Poonpipat           | Director  |
| 7. Dr. Arnon Tubtiang <sup>1/</sup> | Director  |
| 8. Mr. Allen Lew Yoong Keong        | Director and Chairman of the Executive Committee            |
| 9. Mr. Yeo Eng Choon                | Director  |
| 10. Mr. Ng Ching-Wah                | Director and Member of the Executive Committee              |
| 11. Mr. Vikrom Sriprataks           | Director and Vice-Chairman of the Executive Committee       |

1/ Appointed to replace Mr. Chakree Subprawong on 12 February 2010.

### The Authorized Directors are

Mr. Somprasong Boonyachai, Mr. Vikrom Sriprataks, these two directors collectively sign with the Company's seal affixed.

**The Company Secretary is** Mr. Ong-art Thongpitaksakul  
The Board of Directors will convene regular meetings every quarter. In 2010, there were 7 Board of Directors meetings.

### Scope of Authority and Duties of the Board of Directors

1. Perform its duties with honesty, integrity and prudence in accordance with the law and the Company's objectives and Articles of Association including the resolutions of shareholders' meeting, and carefully protect the Company's interests;
2. Set out the vision, policy and direction of the Company's operations and supervise the management team to act in accordance with plans which are set out efficiently and effectively, and thereby maximize the economic value and wealth of the Company and its shareholders;
3. Consider and approve major issues such as large investments, purchase of assets, etc. and any actions/transactions as prescribed by law;
4. Approve or agree major related transactions between the Company and its subsidiaries in compliance with the relevant notifications, regulations and guidelines of the Stock Exchange of Thailand;
5. Assess the performance of the Executive Chairman and the executive directors, and fix appropriate remuneration on a regular basis;
6. Be responsible for overseeing operational results and the management team's performance to ensure due attentiveness and care;
7. Arrange appropriate accounting systems, including the production of financial reports and a reliable auditing system; oversee and monitor the effectiveness and efficiency of the internal control, internal audit and risk management systems;

8. Ensure avoidance of conflict of interests amongst the Company's stakeholders;
9. Supervise business operations to enforce ethical work standards;
10. Annually review the Company's corporate governance policy and assess due compliance;
11. Report on the execution of the Board's responsibility to prepare financial reports, along with the external auditor's report in the annual report covering key issues according to the Company's policy statement and the Stock Exchange of Thailand's Code of Best Practices for Directors of a Listed Company.

In this regard, the Board of Directors has empowered the Executive Committee to perform duties as per the scope of duties and responsibilities of the Executive Committee.

Such delegation of authority shall not constitute the authority or substitution to allow the Executive Committee, or a person authorized by the Executive Committee, to approve those transactions related to a party in conflict, a party in interest or any other party with a conflict of interests (according to the Company's Articles of Association and SEC's notification) with the Company or its subsidiaries, except for the approval on any item in accordance with the policies and criteria approved by the Board of Directors.

## 2) Executive Committee

As of 31 December 2010, there are 5 members of the Executive Committee as follows:

1. Mr. Allen Lew Yoong Keong Chairman of the Executive Committee
2. Mr. Vikrom Sriprataks Vice-Chairman of the Executive Committee
3. Mr. Arak Chonlatanon Member of the Executive Committee
4. Mr. Kim Siritaweechai<sup>1/</sup> Member of the Executive Committee

5. Mr. Ng Ching-Wah Member of the Executive Committee

1/ Appointed to replace Ms. Nidchanun Santhavesuk effective on 26 March 2010.

The Executive Committee will convene the meeting every month. In 2010, the Executive Committee convened a total of 9 regular meetings and 1 extra meeting and reported to the Board of Directors monthly.

### Scope of Authority and Duties of the Executive Committee

1. Formulate the Company's strategic direction, management structure, and annual business plan and budget for the Board's approval;
2. Monitor the Company's financial and operating results, and keep the board members informed by monthly report;
3. Review and approve all transactions concerning investments and disposal of assets, human resource management, finance and treasury, general administration and any other transaction related to the Company's business within the limits of authorization granted by the Board;
4. The Committee may delegate its authority to any member of the management or staff as it deems appropriate. However, such authority does not permit the Committee or appointed persons to approve any transaction between them or related persons having mutual benefits or conflicts of interest (as prescribed in the Company's Articles of Association and Notifications of the Securities and Exchange Commission). The approval for transactions shall be in accordance with the policies and principles already determined by the Board and regulatory bodies;
5. Report to the Board on a quarterly basis regarding the material actions taken by the Committee under the Chairman of the Executive Committee Report agenda;

6. Annually review its own performance and assess the adequacy of this Charter; and
7. Take any other action that may from time to time be assigned or delegated to the Committee by the Board.

### 3) Audit Committee

As of 31 December 2010, the Audit Committee comprises of Independent Directors whose qualifications meet the criteria required by the Stock Exchange of Thailand. They are highly experienced individuals in the areas of finance, accounting, legal and management.

- |   |  |
|---|--|
| 1. Mr. Aviruth<br>Wongbuddhapitak <sup>1/</sup> | Chairman of the<br>Audit Committee and<br>Independent Director<br>(Attended a total of<br>12 meetings) |
| 2. Mrs. Tasanee Manorot <sup>1/</sup>           | Member of the<br>Audit Committee and<br>Independent Director<br>(Attended a total of<br>13 meetings)   |
| 3. Mr. Surasak Vajasit                          | Member of the<br>Audit Committee and<br>Independent Director<br>(Attended a total of<br>13 meetings)   |

1/ Have adequate expertise and experience to review credibility of the financial reports.

The Audit Committee convenes a meeting regularly once a month. In 2010, the Audit Committee convened a total of 12 meetings and 1 extra meeting and which the Audit Committee reported to the Board of Directors quarterly.

#### Scope and Duties of the Audit Committee

1. To review that the Company's financial reports are prepared in accordance with legally defined accounting principles and adequately disclosed;
2. To review the Company's internal control system and internal audit system to ensure that they are

suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer, dismissal, performance appraisal and remuneration of the chief of an internal audit unit;

3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business;
4. To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company;
6. To review that the Company has established an appropriate and effective risk management system;
7. To review and approve the Charter of Internal Audit activities, annual audit plan and activities of Internal Audit, and coordinate with the external auditor;
8. To prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the Audit Committee's Chairman and consist of at least the following information:
  - (a) an opinion on the accuracy, completeness and credibility of the Company's financial report,
  - (b) an opinion on the adequacy of the Company's internal control system,
  - (c) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
  - (d) an opinion on the suitability of an auditor,
  - (e) an opinion on the transactions that may lead to conflicts of interests,



- (f) the number of the audit committee meetings, and the attendance of such meetings by each committee member,
  - (g) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and
  - (h) other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors;
9. To continue the inspection when the external auditor informs regarding any suspicious circumstance that the director, manager or any person responsible for the operation of such juristic person commits an offence under the Security and Exchange Act and the Audit Committee shall report the result of preliminary inspection to the Office of the Securities and Exchange Commission and the external auditor within thirty days.
  10. To report the performance of the Audit Committee to the Board of Directors at least four times a year. In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the audit committee shall report it to the Board of Directors for rectification within the period of time that the audit committee thinks fit.  
If the Company's Board of Directors or management fails to make a rectification within the period of time under the first paragraph, any Audit Committee Member may report on the transaction or act under the first paragraph to the Office of the Securities and Exchange Commission or the Exchange.
  11. To have the authority to invite concerned executives, management and officers of the Company to express opinions, attend meetings or deliver documents as deemed necessary.
  12. To agree to retain a consultant or other third person to express opinions or give advice as deemed necessary.

13. To review and evaluate the scope of the performance of the Audit Committee on an annual basis.
14. To perform other duties as assigned by the Board of Directors of the Company with the consent of the Audit Committee.

#### 4) Remuneration Committee

As of 31 December 2010, there are 3 members of the Remuneration Committee as follows:

- |                                   |  |
|-----------------------------------|--|
| 1. Dr. Paiboon Limpaphayom        | Chairman (Attended<br>a total of 3 meetings) |
| 2. Mr. Aviruth<br>Wongbuddhapitak | Member (Attended<br>a total of 3 meetings)   |
| 3. Mr. Somprasong<br>Boonyachai   | Member (Attended<br>a total of 3 meetings)   |

In 2010, the Remuneration Committee convened 3 meetings to consider the remuneration policy and remuneration amounts of independent directors and other directors for the year 2010, and remunerations of the Chief Executive Officer and those executives who report to the Chief Executive Officer, as well as approve the Economic Value Plan for Employees (EV) Achievement for the year 2010, and reported to the Board of Directors.

#### The Scope of Authority and Duties of Remuneration Committee

The Remuneration Committee shall have the authority and duties as follows:

1. Fix appropriate annual remuneration in monetary and/or non-monetary form for the Board members, committee members, Chairman of Executive, Chief Executive Officer and executives reporting directly to Chief Executive Officer;
2. Consider and approve the Economic Value Plan for Employees (EV) and criteria for implementation thereof including the EV annual bonus plan for the Company executives;
3. Supervise the implementation of EV Plan and have authority to give decision in case of any discrepancy arising in connection therewith;

4. Consider and approve annual remuneration for Board members;
5. Draw up guidelines to provide appropriate remuneration for the Board members and Chairman of Executive to be proposed to and approved by the Board and/or the shareholders' meeting, as the case may be;
6. Disclose policy governing Board members' remuneration in the annual report; and
7. Perform other tasks as designated by the Board.

## 5) Nomination and Corporate Governance Committee

As of 31 December 2010, there are 3 members of the Nomination and Corporate Governance Committee as follows;

- |                              |   |
|------------------------------|---|
| 1. Dr. Paiboon Limpaphayom   | Chairman (Attended a total of 3 meetings) |
| 2. Mr. Somprasong Boonyachai | Member (Attended a total of 3 meetings)   |
| 3. Mr. Surasak Vajasit       | Member (Attended a total of 3 meetings)   |

In 2010, the Nomination and Corporate Governance Committee held 3 meetings to consider appointment of the Company's Directors and determine their authoritative power to replace the three (3) Directors who completed their terms according to the Company's Articles of Association and those resigned during the year; review corporate governance policy, and code of business ethics. The results were reported to the Board of Directors.

### The Scope of Authority and Duties of the Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee shall have the authority and duties as follows:

1. Draw up criteria and policy with respect to nomination of Board members and committees members of the Company;
2. Supervise implementation of the policy on good corporate governance of the Company, annually

review such policy including recommendation of any revision thereof for further consideration by the Board;

3. Consider and nominate appropriate persons to become Board members and/or committees members to be proposed to and approved by the Board and/or shareholders' meeting, as the case may be;
4. Consider and nominate a person to become Chairman of Executive in case of vacancy as well as criteria of succession thereof;
5. Perform of other tasks as designated by the Board.

## 6) Management Team

As of 31 December 2010, the Company's Management Team is as follows:

- |  |                                     |
|--|-------------------------------------|
| 1. Mr. Allen Lew                         | Chairman of the Executive Committee |
| 2. Mr. Wichian Mektrakarn                | Chief Executive Officer             |
| 3. Mr. Wichian Mektrakarn <sup>1/</sup>  | (Acting) Chief Marketing Officer    |
| 4. Mrs. Suwimol Kaewkoon                 | Chief Customer Officer              |
| 5. Mr. Mark Chong Chin Kok <sup>2/</sup> | Chief Operating Officer             |
| 6. Mr. Pong-amorn Nimpoonsawat           | Chief Finance Officer               |

1/ Appointed as (Acting) Chief Marketing Officer effective on 16 November 2010.

2/ Appointed as Chief Operating Officer effective on 1 October 2010.

## Selection of Directors

The Company has prescribed the following guidelines for the selection and appointment of directors:

- (1) At the annual general meeting of shareholders, one-third of the directors shall leave office. If one-third is not a round number, the number closest thereto shall be the applicable number. The vacating directors may be re-elected.
- (2) In the case of a vacancy in the position of director, for reasons other than the completion of the term, the Board of Directors shall appoint a new director with the required qualifications, and without any

characteristics that would prohibit him/her from acting as director, as per clause 68 of the Public Company Limited Act B.E. 2535, to serve as new director in the next Committee meeting, excluding such case where the remaining term is less than two months. Such appointed director shall assume the position for the remaining term of the vacating director.

Nevertheless, the Company has set up a Nomination and Corporate Governance Committee to designate principle and policy in nominating qualified person to attend the Board of Directors provided that the shareholders' meeting shall appoint the director, as per the criteria and procedures prescribed in the Company's Articles of Association.

- (1) Every shareholder shall have one vote for each share of which he/she is the holder;
- (2) Each shareholder may exercise all the votes he/she has under (1) above to elect one or several directors. In the event of electing several directors, he/she may not allot his/her votes to each unequally.
- (3) The persons receiving the most votes in the respective order of votes shall be elected as directors at the number equal to the number of directors required at that time. In the event that votes among the persons elected in order of respective votes, which number exceeds the required number of directors of the Company at that time, the chairman of the meeting shall be entitled to a second or casting vote.

Pursuant to the Agreement Permitting the Operation of Mobile Phone Services between the Company and TOT Public Company Limited (formerly the Telephone Organization of Thailand (TOT)), one representative of TOT shall be a director of the Company. In accordance with the conditions set forth in the Agreement with major shareholders, i.e. Shin Corporation Plc. (SHIN) and SingTel Strategic Investments Pte. Ltd. (STI), SHIN shall

appoint four directors and two directors appointed by STI.

## **Remuneration for Directors and Management**

The Company has specified the remuneration for directors at the rate used within the industry. The remuneration is also sufficient to maintain quality directors with the Company. The remuneration for the management is in accordance with the Company's operational performance and performance of the individuals.

The Remuneration Committee will determine necessary and appropriate remuneration, both monetary and non-monetary terms for the Company's directors, directors in the sub-committees and senior executives. The issue will be proposed at the Company's general shareholders' meeting, which is held on an annual basis.

### **1) Remuneration for the Board**

Total monetary remuneration for the Chairman of the Board, independent director, and non-executive directors (eight persons) was Baht 13,225,000 which was comprised of monthly allowance, meeting allowance and bonus payments. Executive director did not receive remuneration as directors.

Policy of remuneration as approved by general meeting of shareholders in 2010 shall not exceed Baht 13,500,000.

### Policy on Remuneration for Directors for the Year 2010

Director	Monetary Remuneration for 2010 (Baht)		
	Monthly Retainer	Meeting Allowance	Annual Remuneration
<b>Board</b>			
• Chairman	200,000	0	3
• Member	50,000	25,000	3
<b>Audit Committee</b>			
• Chairman	25,000	25,000	3
• Member	0	25,000	3
<b>Nomination and Corporate Governance Committee</b>			
• Chairman	10,000	25,000	3
• Member	0	25,000	3
<b>Remuneration Committee</b>			
• Chairman	10,000	25,000	3
• Member	0	25,000	3
<b>Executive Committee</b>			
• Chairman	10,000	25,000	3
• Member	0	25,000	3

#### Notes:

- 1) Directors who are executives/employees of the Company/shareholders shall not be entitled to receive such remuneration.
- 2) Chairman of the Board is not entitled to an additional monthly retainer or meeting allowance if he or she chairs any of the sub-committees.

The Policy above is the same as that of the year 2009.

### The Remuneration for eight (8) of the Company's Directors in 2010 is as follows:

Name of Current Directors	Position	Remuneration for 2010 (Baht)
1. Dr. Paiboon Limpaphayom	Chairman of the Board of Directors	2,850,000
2. Mr. Aviruth Wongbuddhapitak	Chairman of the Audit Committee	2,475,000
3. Mr. Surasak Vajisit	Audit Committee	1,925,000
4. Mrs. Tasanee Manerot	Audit Committee	1,850,000
5. Mr. Suphadej Poonpipat	Director	1,400,000
6. Mr. Ng Ching-Wah	Director	1,575,000
7. Mr. Chakree Subprawong <sup>1/</sup>	Director	178,000
8. Dr. Arnon Tubtiang	Director	972,000
<b>Total</b>		<b>13,225,000</b>

1/ Attended on 27 January 2010, and resigned effective 12 February 2010.

## 2) Remuneration for Management Team

The total amount of remunerations for 8 of the management team as of 31 December 2010 was calculated at Baht 98.98 million comprising of salary, bonus and provident fund and other benefits. The management team means Executive Committee and the Company's managements, according to the SEC's definition.

### 3) Other Remuneration

The Company established an Employee Stock Option Plan (ESOP) program as a way to retain, motivate and reward the Company's directors and employees to the Company's best benefit. The ESOP program is a repeat, five-year program whereby the Company shall allot the grant of warrants annually for five consecutive years. The Company has submitted an annual allocation of warrants to the annual shareholders' meeting for approval. As of 31 December 2010, the Company had issued and offered one (1) ESOP program as follows:

Description	Grant 5
Number of warrants granted (units)	10,138,500
Price	Baht 0 (zero Baht)
Expiration	Not more than five years from the date the warrants are granted.
Exercise ratio*	1 : 1.34405
Exercise price* (Baht per share)	68.052
Date warrants granted	31 May 2006
Exercise period	<p>The Company's directors and employees can exercise the rights of the warrants to purchase ordinary company shares as detailed:</p> <p><b>First Year:</b> Directors and employees of the Company are entitled to exercise one-third of their allocated warrants to purchase ordinary shares one year after the warrants are issued to them, until the warrants expire.</p> <p>In the case that the exercise of rights pursuant to the warrants creates a fraction of shares less than the board lot determined by the Stock Exchange of Thailand, such fraction will be exercisable in the next exercise of rights.</p> <p><b>Second Year:</b> Directors and employees of the Company are entitled to exercise one-third of their allocated warrants to purchase ordinary shares two years after the warrants are issued to them, and until the warrants expire.</p> <p>In the case that the exercise of rights pursuant to the warrants creates a fraction of shares less than the board lot determined by the Stock Exchange of Thailand, such fraction will be exercisable in the next exercise of rights.</p> <p><b>Third Year:</b> Directors and employees of the Company are entitled to exercise the remainder of their allocated warrants to purchase ordinary shares three years after the warrants are issued to them, until the warrants expire.</p> <p>In the case that the exercise of rights pursuant to the warrants creates a fraction of shares less than the board lot determined by the Stock Exchange of Thailand, such fraction will be exercisable at the last exercise of rights.</p>
Exercise period of warrants	Within five (5) business days prior to each exercise date except for the last exercise period where exercise notice must be submitted fifteen (15) days prior to the last exercise period.
Exercise date	By the last business day of each month.

\* Because the Company made a dividend payout of greater than 50% of net profit after tax, it was required by the documents filing to the SEC to adjust the exercise ratio and the exercise price of the ESOP warrants, which was done in 16 November 2010.

**The List of Directors (of the Company and its subsidiaries) and Management Entitled to Receive Warrants and Employees Entitled to Receive Warrants at the Rate Exceeding 5% of the Warrant to be Issued and Offered for sales.**

List of directors and management receiving the warrants	Grant 5	
	Units	%
1. Mr. Somprasong Boonyachai	538,500	5.31
2. Mrs. Suwimol Kaewkoon	591,400	5.83
3. Mr. Vikrom Sriprataks	547,600	5.40

### **Report of Interest**

The Company has arranged for all directors, executive directors and executives as defined by SEC to report of interest upon appointment, or if there is any change and review at the year end.

### **Training and Development**

The Company conducted an orientation for a director duly appointed on 12 February 2010, as well as provided seminar on technology, and sharing view on management on 25 August 2010 and 26 November 2010 respectively.



## Corporate Governance

### Corporate Governance Policy

The Company has full confidence that a good corporate governance system, which consists of competent management, qualified and accountable directors, a mechanism of checks and balances for transparent and auditable operations, respect for the rights of all shareholders, and equitable treatment for all stakeholders is the key factor in maximizing the economic value of the Company and increasing the sustainable long-term return on investment to its shareholders.

The Company introduced the following corporate governance policy since 14 November 2002 and amended and updated lastly on 26 March 2010 to align it with good practices and the guidelines recommended by the Stock Exchange of Thailand. The policy has been consistently communicated to the Board, executives and employees for practices.

The policy is presented into 5 categories as follows:

1. Board of Directors
2. Rights and Equitable Treatment of Shareholders, and the Role to Stakeholders
3. Disclosure of Information and Transparency
4. Internal Control and Risk Management Systems
5. Code of Business Ethics

(Those who are interested in this policy may download from the Company website i.e. [www.ais.co.th](http://www.ais.co.th))

### 1. Board of Directors

#### 1.1 Leadership and Vision

The Board of Directors (the “Board”) is determined that the Company and its subsidiaries (the “Company”) will lead and shape the multi-media communications market in Thailand through innovation, customer experience, technology and people & culture.

The Board must have leadership skills and clear vision, and demonstrate responsibility, accountability and

independence in decision making in order to govern the Company for the greatest benefit of all shareholders.

The Board shall have duties and responsibilities towards the shareholders in monitoring the executives’ performance. Segregation of duties between the Board and the executives shall be clearly defined.

#### 1.2 Composition of the Board, Appointment and Independence

- 1.2.1 The Board shall be composed of experts with a wide range of experience in various fields. There shall be sufficient directors to govern and supervise the Company: not less than five (5) directors (as required by law) shall sit on the Board. At least one director shall be experienced in the area of telecommunications, and at least one director shall be experienced in the area of finance and accounting.
- 1.2.2 The Board shall be representative of all shareholders, not of a particular group of shareholders.
- 1.2.3 At least one-third of the Board and not less than four (4) persons must be independent directors. More than one-half of the Board must be non-executive directors in order to ensure a good balance between executive and non-executive members.
- 1.2.4 The Board has a policy whereby the controlling shareholders of the Company are proportionally represented.
- 1.2.5 The appointment of members of the Board shall comply with the Company’s Articles of Association and all relevant laws in Thailand. Selection of directors shall be transparent, clear, and processed through the Nomination and Corporate Governance Committee. Consideration shall be given to the educational and professional background of the candidates. Sufficient information shall be provided to the Board and all shareholders for decision making.
- 1.2.6 A director’s term of office is defined in the Company’s Articles of Association. A retired

director can be re-elected. However, the Board has adopted a general policy that as regards independent directors who have completed a total of nine (9) years or three (3) consecutive terms, the Board shall review their respective independent qualification each year.<sup>1/</sup>

1/ Amended and effective on 26 March 2010.

### 1.3 Chairman of the Board and Chairman of the Executive Committee

Both the Chairman of the Board and the Chairman of the Executive Committee must be competent and possess appropriate experience and qualifications for their positions. In order to maintain a balance between the supervisory and management functions of the Company, one person cannot hold both these positions simultaneously.

The Chairman of the Board is a non-executive director, the leader of the Board, and has duties as the chairman of both Board and shareholders' meetings.

The Chairman of the Executive Committee shall be the head and leader of the Company's executives and be responsible to the Board for managing the Company in order to achieve all planned objectives.

### 1.4 Qualifications and Requirements for the Board

- 1.4.1 A director must be capable and honest, display the utmost integrity, conduct the business ethically, and devote sufficient time to the Company in order to perform his or her duties professionally.
- 1.4.2 A director shall possess necessary qualifications for his or her position, and not be disqualified in any way according to the Public Company Limited Act B.E. 2535 or other related laws.
- 1.4.3 A director can sit on the board of other companies, providing this does not interfere with the performance of his or her duties at the Company.
- 1.4.4 Independent directors shall meet the same qualifications stipulated by the Stock Exchange of Thailand and the Securities and Exchange

Commission. Independent directors have a duty to protect the interests of every shareholder in a fair and impartial manner in order to avoid any conflict of interests that may arise. They shall also attend the Board meetings and express their comments and opinions from an independent viewpoint.

### Independent directors shall possess the following qualifications:

1. holding shares not exceeding 0.5% of the total number of voting rights of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director;
2. neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest. Audit Committee Member who shall be appointed on or after 1 July 2010 shall have ended the foregoing relationship not less than two years prior to the date of appointment;
3. not having a business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, in the manner which may interfere with his independent judgment, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest. Audit Committee Member who shall be appointed on or after 1 July 2010 shall have ended the foregoing relationship not less than two years prior to the date of appointment.

The term "business relationship" aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or

receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the Company or its counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or Baht twenty million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Commission of the Stock Exchange of Thailand Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions mutatis mutandis. The consideration of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;

4. not being a person related by blood or registration under laws, such as in the manner of father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
5. not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholder;
6. neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest. Audit Committee Member who shall be appointed on or after 1 July 2010 shall have ended the foregoing relationship not less than two years prior to the date of appointment.
7. neither being nor having been any professional advisor including legal advisor or financial advisor

who receives an annual service fee exceeding Baht two million from the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor. Audit Committee Member who shall be appointed on or after 1 July 2010 shall have ended the foregoing relationship not less than two years prior to the date of appointment.

8. not being a director assigned by the Board of Directors to take part in the business decision of the Company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest;
9. not being a director of other listed companies, which are the parent company, subsidiary or same-level subsidiary.
10. being able to perform duties, or express opinions or reports as assigned by the Board of Directors without any characteristics which render him incapable of expressing independent opinions with regard to the Company's business affairs.

## **1.5 Major Responsibilities and Scope of Duties of the Board**

- 1.5.1 Perform its duties with honesty, integrity and prudence in accordance with the law and the Company's objectives and articles of association including the resolutions of shareholders' meetings, and carefully protect the Company's interests.
- 1.5.2 Set out the vision, policy and direction of the Company's operations and supervise the management team to act in accordance with plans which are set out efficiently and effectively, and thereby maximize the economic value and wealth of the Company and its shareholders.
- 1.5.3 Consider and approve major issues such as large investments, policy, management authority, and any transactions as prescribed by law.

- 1.5.4 Approve or agree to all major related transactions between the Company and its subsidiaries in compliance with the relevant notifications, regulations and guidelines of the Stock Exchange of Thailand.
- 1.5.5 Assess the performance of the Executive Chairman and the executive directors, and fix appropriate remuneration on a regular basis.
- 1.5.6 Be responsible for overseeing operational results and the management team's performance to ensure due attentiveness and care.
- 1.5.7 Arrange appropriate accounting systems, including the production of financial reports and a reliable auditing system; oversee and monitor the effectiveness and efficiency of the internal control, internal audit and risk management systems.
- 1.5.8 Ensure avoidance of conflicts of interest amongst the Company's stakeholders.
- 1.5.9 Supervise business operations to enforce ethical work standards.
- 1.5.10 Annually review the Company's corporate governance policy and assess due compliance.
- 1.5.11 Report on the execution of the Board's responsibility to prepare financial reports, along with the external auditor's report in the annual report covering key issues according to the Company's policy statement and the Stock Exchange of Thailand's Code of Best Practices for Directors of a Listed Company.

## 1.6 Board of Directors' Meeting

The Board of Directors is scheduled to convene at least 6 pre-determined meetings in a year, and when deemed necessary, the Chairman of the Board of Directors may call extraordinary meetings. The Chairman or Vice-Chairman, as delegated, shall distribute a clearly stated meeting agenda along with invitations and sufficient supplementary documentation at least seven days before every meeting in order that information pertaining to the meeting can be studied in good time.

The Chairman of the Board shall preside over the meetings, be responsible for monitoring the proceedings, and allocate sufficient time to each item

on the agenda for the directors to discuss, express their opinions independently, and represent all the shareholders and interested persons equally. The relevant members of the management team are also required to provide the necessary information for consideration of important matters.

The Company Secretary is responsible for supporting the Board of Directors, coordinating between the Board and the management, publishing and circulating of Board minutes within fourteen (14) days after each meeting. He/she is responsible for filing the minutes and directors' personal information. In addition, he/she is also responsible for assisting the Board to perform their duties as required by law, the Company's articles of association, and the resolutions of shareholders' meetings, promoting the good corporate governance and being a contact center for investor, as well as performing other tasks as stipulated by laws.

In 2010, the Board of Directors convened a total of seven regular and extraordinary meetings with attendances as detailed below:

1. Dr. Paiboon Limpaphayom	7 attendances
2. Mr. Aviruth Wongbuddhapitak	6 attendances
3. Mrs. Tasanee Manorot	7 attendances
4. Mr. Surasak Vajisit	7 attendances
5. Mr. Suphadej Poonpipat	6 attendances
6. Mr. Allen Lew Yoong Keong	0 attendance
7. Mr. Yeo Eng Choon	5 attendances
8. Mr. Vikrom Sriprataks	7 attendances
9. Mr. Somprasong Boonyachai	7 attendances
10. Mr. Ng Ching-Wah	5 attendances
11. Dr. Arnon Tubtiang <sup>1/</sup>	3 attendances
12. Mr. Chakree Subprawong <sup>2/</sup>	1 attendance

1/ Appointed to be a director replacing Mr. Chakree Subprawong on 12 February 2010.

2/ Resigned from director's position on 12 February 2010.

## 1.7 Non-executive Directors Sessions

The non-executive directors shall conduct meetings without the presence of executive directors at least once a year. This is to give an opportunity to discuss any subjects of interest related to the business operations of the Company.

The Chairman of the Board shall preside over these executive sessions. If the Chairman of the Board is unable to attend, the directors who are present shall select and appoint one of their members to chair the meeting. The Company shall provide a secretary to these executive sessions.

There was 1 non-executive director session in the year 2009.

### **1.8 Succession Plan**

A succession plan for the Chairman of the Executive Committee and senior executives shall be developed in order to maintain the confidence of shareholders and stakeholders and allow business operations to continue without interruption when these positions become vacant.

The Board has authorized the Nomination and Corporate Governance Committee to set up succession planning criteria for the Chairman of the Executive Committee whenever this position becomes vacant. The succession plan shall be reviewed annually and the Chairman of the Executive Committee shall update the Board on a regularly basis.

### **1.9 Communication with Management**

The directors shall be allowed to access and communicate directly with the management team and the Secretary to the Board. However, this access and communication should not interfere with or interrupt the Company's normal business operations.

### **1.10 Remuneration**

The remuneration for the Company's directors and executives shall be in line with their duties, responsibilities and contribution, and be comparable to industry standards in order to retain and motivate qualified people. The Remuneration Committee shall consider and propose adequate and appropriate compensation to the Board and shareholders on an annual basis for their approval.

### **1.11 Training and Development**

A newly-appointed director shall be provided with all necessary details about the Company, applicable laws and regulations, and information on the current business environment in order to facilitate his or her duties. A continual training and development programmed will also be provided to equip each new director with all the necessary skills required to discharge his or her duties and govern the Company efficiently.

### **1.12 Board Assessment**

The Board shall evaluate its own performance annually in order to improve this and ensure that it performs its duties according to the approved corporate governance policy and/or the latest good practices.

## **2. Rights and Equitable Treatment of Shareholders, and the Role of Stakeholders**

### **2.1 Shareholders' Rights and Equitable Treatment**

The Board respects the shareholders' rights and has a duty to protect the benefits of every shareholder equitably, regardless of whether they are retail, local or foreign. Every shareholder is entitled to the rights and equitable treatment detailed below:

1. The right to receive share certificates and share transfers, and to be sufficiently informed of operating results and management policies on a timely basis.
2. The right to an equitable dividend.
3. The right to participate in meetings, vote and make recommendations on decisions concerning major corporate actions such as amendments to the Articles of Association, appointments to the Board, appointment of the Company's external auditors, and issuance of new share capital.
4. The right to elect directors.

In addition to the above rights, every shareholder is entitled to the rights and equitable treatment stipulated in the Company's Articles of Association and all relevant laws.

## 2.2 Shareholders' Meetings

The Company has a policy to conduct shareholders' meetings according to the laws and guidelines prescribed by regulatory bodies.

In each shareholder's meeting, every shareholder has the right to give his or her opinion and query any of the information presented which is relevant to the agenda and the issues being discussed. The chairman of the meeting shall allocate an appropriate period of time for each item on the agenda and encourage all attendees to participate in the discussion and express their opinions.

The Company invites shareholders to propose agenda item in advance and to nominate the qualified person as the Company's director on its Annual General Meeting of Shareholders. The Company will announce the criteria for shareholder to propose agenda, channel for submitting proposals and consideration procedures to the Stock Exchange of Thailand and on the Company's website, in accordance with the principle of good corporate policy relating to the promoting of shareholders' right.

In 2010, the Company held its Annual General Meeting of Shareholders on 8 April 2010 during 10.00 - 12.00 hours at Shinawatra Tower III, 1010 Vibhavadee Rangsit Road, Chatuchak, Bangkok. In the meeting, voting was undertaken sequentially according to the agenda and each agenda was approved by the shareholders. The Company allowed shareholders to propose agenda on the 2009 Annual General Meeting of Shareholders and to nominate qualified person to be elected as the Company's director in advance, in accordance with the principle of good corporate policy relating to the promotion of shareholders' rights.

For the 2010 Annual General Meeting of Shareholders, during November 2009 to January 2010, the Company also announced to the Stock Exchange of Thailand and on the Company's website (<http://investor.ais.co.th>) inviting its shareholders to propose agenda and to nominate qualified person to be elected as the Company's director at the shareholders' meeting.

At each shareholder's meeting, the Company shall serve a notice, once completely prepared to shareholders not less than fourteen (14) days in advance, and posted visibly on the Company's website at <http://investor.ais.co.th> not less than thirty (30) days in advance. Therefore, the shareholders shall have access to information prior to the meeting. Each agenda shall contain opinion by the Board of Directors and the minutes of the meeting shall be accurately recorded for review by shareholders.

The notice contains detail informing shareholders to bring all necessary documents to each meeting so as to preserve their voting rights. On the day of the meeting, shareholders can register their right 2 hours before the meeting commences.

In each meeting, at least one independent director shall be appointed as a proxy for shareholders who cannot attend the meeting, and every party shall be informed beforehand in the notification of the meeting. Every shareholder shall have the right to vote separately for each item on the agenda. The Board shall not aggregate irrelevant matters and request approval in one resolution.

It is the duty of all directors to attend every shareholder's meeting in order to answer any queries the shareholders might have.

### Communication with Shareholders

The Company has emphasized on the direct communication with each shareholder. Shareholders can send their suggestions, opinions, or questions on the Company's operations by email to, directors, executives or the Company Secretary at [companysecretary@ais.co.th](mailto:companysecretary@ais.co.th).

The Company delegates members of the Board, especially the Chairman of the Board and Chairman of the Committee, to attend its annual meeting of shareholders and thus answer any enquires raised by shareholders. In addition, the Audit Committee comprised of independent directors shall attend every meeting. The Chairman of the meeting or any person so delegated has the responsibility of allocating adequate



time to shareholders and encouraging shareholders to express opinions, give recommendations and raise questions during the meeting. The Chairman must also facilitate equal opportunities for shareholders in order to audit the Company's operations. In addition, questions, issues or important opinions are recorded in the minutes.

### 2.3 Role to Stakeholders

The Company is aware of the rights of stakeholders and has a policy to ensure the importance of these rights by the appropriate prioritization of all stakeholders as follows: shareholders, employees, executives, customers, partners, creditors, and society. Cooperation between stakeholders shall be established according to their roles and responsibilities so that the Company can run its operations smoothly and effectively in order to benefit all groups of stakeholders fairly.

## 3. Disclosure of Information and Transparency

### Roles and Duties of the Board Regarding Information Disclosure and Transparency

1. It is the duty of the Board to disclose financial information, operating performance, and other relevant information accurately, completely, thoroughly and in a timely manner to all shareholders and stakeholders in the Company.
2. The Company has set up the Investor Relations department that regularly communicates with the shareholders, investors, and analysts. The Department maintains its regular contact through email at [investor@ais.co.th](mailto:investor@ais.co.th) or telephone at +66 2299 5116 or its website <http://investor.ais.co.th>. In addition, the Compliance department is responsible for information disclosure to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) to ensure that the Company complies with the laws and regulations. The Company arranges an annual investor day for fund managers and analysts to gain more understanding of the Company's ongoing business and insights to the Company's operations under various business units.

3. The Company has a policy to disclose the following information to the public:
  - 3.1 The Company's objectives.
  - 3.2 The Company's financial status and operating performance, shareholding structure, and voting rights.
  - 3.3 Name lists of directors and sub-committee members, Chairman of the Executive Committee, Chief Executive Officer and directors' remunerations.
  - 3.4 Risk factors and risk management policies on material and foreseeable risks, both operational and financial.
  - 3.5 Corporate governance structures and policies including the responsibility of the Board regarding financial reports, the reports of the Chairman of the Audit Committee, and all other related reports.
  - 3.6 The total attendance of each director and/or each sub-committee member at their respective meetings shall be compared with the total number of meetings of the Board and/or the sub-committees in each year and shall be disclosed in the annual report.

In addition, the Company is under obligation to disclose any information that is required by law or related regulations so that potential investors or those interested in shares of the Company may exercise discretion of their decision via all channels of the Stock Exchange of Thailand or the Company website <http://investor.ais.co.th>.

## 4. Internal Control and Risk Management Systems

### 4.1 Internal Control

The Board shall arrange and maintain the Company's internal control system in order to safeguard the shareholders' investment capital and the Company's assets.

It is the Board's duty to review the efficiency of the internal control system at least once a year and report

its performance to the shareholders. The review shall cover all matters pertaining to financial controls, operational controls, compliance controls and risk management.

#### **4.2 Internal Audit**

There shall be an internal audit unit, reporting functionally and directly to the Audit Committee, and administratively to the highest level of management. The internal audit unit's responsibilities are to cover consulting services, and to audit and evaluate the internal control system, the risk management system and the corporate governance system.

#### **4.3 Risk Management**

There shall be a policy to manage both internal and external risk factors affecting the Company at an appropriate and acceptable level. There shall be a risk management committee, consisting of all department heads and presided over by the President of the Company. The duties of the Risk Management Committee are to evaluate and review the results of risk assessment in each department, report these results to the Audit Committee, and review the risk management plan and policy for the Board's approval at least once a year.

Risk management is a part of the Company's annual business plan process and is aligned with its objectives, goals, and strategic plan of the Company. As the risk owners, management and all staff members shall be responsible for assessing the risks related to their respective departments and business processes, so as to evaluate the effectiveness of existing controls, and propose action plans for mitigating the risks as well as reporting them to the Risk Management Committee, the Audit Committee, and the Board.

For more details, please refer to Section 1 Risk Factors and Section 10 Internal Control, Risk Management and Internal Audit.

### **5. Code of Business Ethics**

The Company has issued the Code of Business Ethics which is a part of good corporate governance policy as

guidelines of practices for directors, management and all employees with integrity and honesty. The Company also appointed the Committee on Code of Business Ethics since 2006. The Code of Business Ethics covers the followings:

#### **5.1 Responsibility to Shareholders**

The Company acts as a representative to its shareholders in carrying out the business in order to maximize shareholder satisfaction with regards to sustainable growth of the Company's value in the long term future, and the disclosure of transparent and reliable information to its shareholders.

#### **5.2 Responsibility to Customers**

Customer satisfaction and consumer confidence are very important to the Company, which aims to provide high quality goods and services at reasonable prices, and maintain a good relationship with its customers. The Company has thus determined the following guidelines:

- The Company shall provide high quality products and services, and continuously strive to improve these. The Company shall also provide complete and accurate disclosure of all information pertaining to its products and services without any misrepresentation.
- Directors, management, and staff members at all levels shall not disclose any information on customers without prior permission from those customers or authorized personnel of the Company. The only exception to this is information requested by law enforcement officers acting in accordance with the law.

#### **5.3 Responsibility to Business Partners and Creditors**

The Company's dealings with any business partner shall be conducted in a manner that upholds its reputation and all relevant laws. All Company personnel must be aware of the common interests of the Company's business partners and treat them equitably. The selection of business partners shall be fair. The Company shall also consider its business partners to be the key factor in jointly creating a value chain for customers.

The Company shall keep all its promises and perform in accordance with the terms and conditions agreed with its creditors for the repayment of principal and interest, as well as safeguarding all guaranteed assets.

#### 5.4 Responsibility to Staff

All members of staff are valuable assets and a critical success factor, so the Company must place emphasis on developing and promoting a good culture and working atmosphere, teamwork, courtesy, and respect for individuality. The employment, promotion and transfer of all staff members shall be conducted in a fair manner based on ethical standards whilst maximizing human resource utilization.

The Company is responsible for implementing and maintaining a safe working environment to protect the lives and property of its employees. The Company must also adhere strictly to the labor law.

The Company respects the privacy of all its staff members and will not disclose any personal information such as salaries, medical records or family data to anyone who does not have the right to that information unless it is required to do so by law.

#### 5.5 Business Competition

The Company has a policy of free and fair competition, and will not acquire information about its competitors by any illegal or unethical methods.

#### 5.6 Responsibility to Society and the Environment

The Company is aware that it is a Thai company and has a responsibility to Thailand and Thai society. The Company is committed to making a contribution to society by supporting activities of public interest and cooperating with the communities in which those activities are located.

The Company has a policy to produce goods and render services that are environmentally friendly and comply with all related environmental laws.

The Company supports activities that protect the environment and save energy. In addition, the Company

has a policy to purchase and promote the use of products that are environmentally friendly.

#### 5.7 Conflict of Interests

Directors, management, and staff members at all levels involved in any outside interest or additional source of remuneration which may impair their independence towards performing their duties, or may affect the interests of the Company or their customers, shall adhere to the following regulations:

##### 1. Receiving money or other remuneration

Directors, management, and staff members at all levels shall not personally receive any money or benefits from the Company's customers or business partners, or from any other persons when working on behalf of the Company.

Directors, management, and staff members at all levels shall not borrow or raise funds from, or lend money to, the Company's customers or business partners, unless they are independent customers of banks or financial institutions which are connected to the Company.

##### 2. Engaging in other business outside the Company and subsidiaries

Directors, management, and staff members at all levels shall not engage in any other business that affects their performance, duties and working hours in the Company. Every member of the Company is prohibited from participating in any other business which is in competition with the Company and subsidiaries, regardless of whether the management or the staff directly or indirectly benefit from that business.

##### 3. Engaging in business with the Company and subsidiaries

Every director, manager and staff member shall disclose his or her relationship to any other business entity the Company may be dealing with, according to the Company's disclosure criteria.

No director, manager or staff member may approve a business transaction on behalf of the Company if he or she has a conflict of interests related to that transaction.

Prior to entering into any business dealings, the management of the Company has a duty to determine the relationship between business partners and the Company's directors, managers and staff members who are conducting business with those partners.

The definition of "relationship" is given in the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Act of Listed Companies Concerning Connected Transactions, 2003.

#### 4. Outside directorships

The Company has no policy to nominate members of its management team as board members of a company outside the Company and subsidiaries. In the event that a member of the management team is invited to serve on the board of a company outside the Company and subsidiaries, approval is required from the Company, unless the invitation is for a non-profit organization and does not infringe any related laws or regulations governing the Company's business. Furthermore, the person involved shall not use his or her position in the Company to promote the business of the outside company.

Title	Approved by:
<b>Manager with job grade 13 - 15</b>	The Chairman of Executive Committee
<b>Manager with job grade 15 and above</b>	The Executive Committee
<b>Executive Director</b>	The Board of Directors

#### 5. Receiving gifts and entertainment

Every director, manager and staff member should refrain from accepting monetary or non-monetary gifts from the Company's business partners, suppliers, customers, creditors or any other person they are dealing with on behalf of the Company. The only exceptions are traditional, seasonal gifts which are in accordance with normal cultural practice. The value of any gift received may not be over Baht 5,000: if the value is above this amount, the recipient must consult his or her immediate supervisor for advice.

Every director, manager and staff member can accept normal business entertainment provided by business partners, suppliers, customers, creditors or any other person they are dealing with on behalf of the Company. However, any member of the Company accepting this entertainment should exercise good judgment and due care regarding the nature of the entertainment to ascertain that it is in line with normal business relationships.

#### 6. Accepting invitations to seminars, business events and company visits

Every director, manager and staff member can accept invitations to seminars, business events and company visits where the traveling expenses are sponsored by suppliers, customers, creditors or any other person they are dealing with on behalf of the Company. However, the aforementioned activities must benefit the Company's business and be authorized by the relevant supervisor. No director, manager or staff member may accept spending money or other benefits provided for these events.

### 5.8 Giving Gifts, Entertainment and Gratuities

The Company has no policy to give money, incentives or other special benefits to its suppliers, customers, creditors or any other person in order to influence, or in exchange for, business deals, with the exception of providing normal business entertainment, trade discounts or promotional campaigns.

### 5.9 Participation in Political Activities

The Company has a policy of political neutrality and does not make donations to any political party. The Company also avoids activities that may favor any particular political party.

Directors, management, and staff members at all levels are able to participate in political activities under the terms of the Constitution of Thailand. However, no members of the Company shall claim the status of being a Company employee or use any of the Company's property or equipment for the purpose of political activities.

Any director, manager or staff member who accepts a politically related position or stands for any local or national elections in any constituency in Thailand must resign from the Company forthwith.

#### **5.10 Safeguarding the Company's Assets**

Directors, management, and staff members at all levels are responsible for looking after, maintaining and maximizing the use of property and fixed assets belonging to the Company, and shall not use any of these for their own or others' benefit.

The Company has a policy to prepare all business documents and financial reports, and record all accounting and financial data on an honest and timely basis, in compliance with generally accepted accounting standards and related laws.

No director, manager or staff member may disclose material inside information to any party that has no right to access that information. It is the duty of every member of the Company to secure and protect confidential information, data and documents.

#### **5.11 Use of Inside Information and Trading of the Company's Securities**

Directors, management, and staff members at all levels shall not use any significant inside information about the Company which has not been disclosed to the public, for their own or others' benefit.

Directors, management, and staff members at all levels shall have the right and freedom to invest and trade in the securities of the Company. However, in order to prevent conflict of interests, all directors and employees should avoid or suspend trading for a period of one month prior to the disclosure of all financial statements to the public.

#### **5.12 Distribution of Information and Interviews with the Press or Public**

The distribution of information about the Company shall be conducted in a factual, accurate and careful way.

A Company employee who is not authorized or assigned to speak to the press shall not give any interview with the media or the general public, nor disclose any information about the Company and subsidiaries which may adversely affect their reputation or business operations.

#### **5.13 Related Transactions**

In the case of related transactions amongst the Company and subsidiaries, the Company shall conform to the rules and procedures of granting approval by upholding its best interests as if the Company were dealing with outside parties on an arm's length basis.

#### **5.14 Compliance with Laws, Rules and Regulations**

Directors, management and staff members at all levels shall abide by the law and all related rules and regulations pertaining to their position. No member of the Company shall commit or support illegal acts.

#### **5.15 Supervision and Administration**

1. Every director, manager and staff member shall acknowledge, understand, and strictly adhere to the Company's Code of Business Ethics (the "Code") in the performance of his or her duties. If any unethical conduct is discovered, the Company shall consider and take reasonable actions against wrongdoer; and if such non-compliance act is against the Company's general regulations or working regulations, he/she should be punished appropriately.
2. It is the duty of every director, manager and staff member to read the Code, including all amendments that are made, and sign an agreement to abide by its conditions.
3. All executives and supervisors should behave as role models for the staff, promote the Code among their subordinates and encourage all of them to comply with its conditions.

4. A Code of Business Ethics Committee shall be established, composed of the Company's Chief Executive Officer, acting as the chairperson, and other department heads including Internal Audit, Human Resources and Legal. The roles and responsibilities of the committee are as follows:
  - Periodically review and update the Code.
  - Receive and investigate any complaints regarding non-compliance with the Code.
  - Answer any questions that may arise and provide an interpretation of the Code if a situation is unclear.
  - Annually report the committee's activities to the Executive Committee.
  - Create awareness and promote the Code within the Company and provide training for the staff in order to encourage every employee to behave in accordance with the Code.
  - Appoint other working sub-committees to perform tasks as delegated by the Committee.
5. Any waivers to the Code, for senior executives and directors must be approved by the Board.

#### **5.16 Reporting of Non-Compliance**

Every director, manager and staff member has a duty to report any activity that infringes the Code or situation where they were forced to perform a task that conflicts with the Code, to their supervisor, a senior executive, or the Business Ethics Committee, as the case may be.

The Company has a policy to protect the identity of anyone who reports non-compliance with the Code. All information received will be treated in the strictest confidence and the Company will not take any disciplinary action against the person reporting the allegation if that person acted in good faith.



## Policy on Use and Disclosure of Inside Information

The Company is strongly committed to the responsible and transparent use of internal data to glean best practices for the betterment of Company operations. In doing so, the Company is resolved to adhere to the principles of good corporate governance and business integrity while facilitating equal access to completed, reliable, and updated internal information for all investors and concerned parties. Accordingly, the company monitors and tracks all internal data usage and trading securities procedures of directors, executives, and employees to conform to the Securities and Exchange Act to ensure the business transparency. Outlined below are some of the key points of the policy:

- Directors, executives, and employees at all levels are forbidden to use internal data containing crucial information that has significant impact to the stock price and has not yet been declared to the public or the Stock Exchange of Thailand for trading to the advantage of self or others. Furthermore, the aforementioned parties are to avoid or refrain from trading the Company's stock for 1 month prior to the date of the Company's results announcement date.
- The Company is responsible for announcing to the public information regarding key Company decisions and/or actions, instantly and thoroughly, via appropriated and acceptable media to ensure that all data and information are accessible to stakeholder groups in a timely manner. Release of such information must be done through the Investor Relations Department and Public Relations Department and in a manner congruent with the rules and regulations set out by the Stock Exchange of Thailand (SET).
- Directors and executives shall report all securities ownership issued by the Company, including those that pertain to self, spouses, and/or underage children, to the Securities and Exchange Commission and to the Board of Director on quarterly basis.
- The Company maintains a strict policy regarding computer system usage and electronic information security in order to protect crucial information from unauthorized release. Misuse of internal Company data by directors, executives, or employees is considered a serious breach of Company policy and in warranted cases will be prosecuted to the fullest extent of the law. Before The Company's result announcement, internal data are restricted to related departments including Accounting, Finance, Investor Relations, and Compliance.
- Investor Relations Department avoids discussing forward-looking statement or giving any comments on information of less than 6 months in order to comply with the SET rules and international best practices, however the long-term view regarding company's strategic direction and business trend can be discussed.
- Investor Relations Department declares silence period to investor communities one month ahead of result announcement date. During the corporate silence period, the company refrains from answering any inquiries in regards to the upcoming financial results and the company guidance. Exception is made only to discussion of factual business information, clarifications of disclosed information, new events concerning share price sensitive information, and long-term business operations. Any arranged meetings with analysts and/or investors are not encouraged in this period, and shall strictly be confined to discussion only on long-term business operations.

## Internal Control, Risk Management and Internal Audit

### Internal Control and Risk Management

Internal Control and Risk Management are essential mechanisms to achieve AIS (the Company) objectives and accomplishments. In addition, the Company designs policy to create and maintain sustainable business growth, while increasing value for stakeholders; therefore, to help safeguard these key objectives, the Company places a high priority on internal control and risk management. All employees share responsibilities, which are clearly stated and defined in their job descriptions and in management or operations departmental duties. These written statements cover responsibilities and duties related to financial control, operations, management, and supervision in accordance with relevant internal and external regulations and laws. Furthermore, the Company determined that all employees must adopt the Control Self-Assessment (CSA) system. CSA strongly encourages employees to create and develop personally responsible internal control system and to assess the risk continually in order to strengthen the internal control system and risk management for responding changes and risk in the appropriate time. These are to provide reasonable assurance regarding the achievement of entity objectives as follows:

1. Strategies and objectives are clearly stated, practical and aligned with the Company's mission.
2. Outcomes are achieved to stated objectives, while resources are managed and used efficiently and economically.
3. All reports, including financial, management and operational information are accurate, reliable and timely.

4. Operational performance is in line with the Company's policies, regulations, laws, and other related rules both internal and external of company.
5. Appropriate safeguarding systems are implemented to protect physical assets, personnel and information systems data.
6. Established closely governance system with an effective quality management system.
7. Continuous high quality improvements are made to operations regarding personnel, equipment assets and operating systems.
8. Control Self-Assessment is properly implemented in all crucial processes throughout the organization.

The Company has proper and effective internal control and risk management systems, aligned with the integrated framework of the Committee of Sponsoring Organizations of the Tread Way Commission - Enterprise Risk Management (COSO-ERM) concept, which relate to business operations and management processes within the Company. The eight enterprise risk management components are as follows:

#### 1. Internal Environment

**The Company encourage and promote a good working environment by setting policy, plan, execution, control and monitor appropriately,** establishing an appropriate organizational structure accordingly to business size and processes, complying with its good Corporate Governance Policy, and adheres to business's philosophies and ethics which are written in the Code of Business Ethics. Also to appoint a selection of Business Ethics Committee by having Chief Executive Office as the Chairman and senior management as committees, in order to conducts its

business in compliance with the good corporate governance policy and are a good example for integrity and ethics. All stakeholders are treated with fairness and respect, and in such a way that adheres to good corporate governance principles. In addition, the authority and responsibility are clearly determined at each level; moreover, the Risk Management Committee is appointed in writing and defined roles and responsibilities, including the continuous and systematic assessment of risk management processes and procedures. The Company communicates to employees at all levels to understand and defines its risk appetite level which related to the strategy to ensure that the Company has well-defined internal control and a risk management systems which can effectively prevent or reduce loss and damage that may occur. Consequently, the Company will be able to achieve the defined objectives efficiently and effectively.

**The Company has also placed great emphasis on employees, which is the most crucial resource** by set a Corporate Culture, as well as fair and clearly defined evaluation and benefit standards. The Company has continually established training courses to improve employees' competence skill and knowledge and to prepare them for any change according to the Individual Development Plans in order to support and improve employees' morale and capability to achieve excellence and international standards.

## 2. Objective Setting

**The Company provides each department and staff with clearly written stated objectives and goals**, including strategies, operations, reporting, and rules and regulations compliance. These objectives and goals align with the overall Company's mission at its risk appetite level. Furthermore, the Company's updates business

plans, strategies, and objectives according to the current situation and changing risk factors.

## 3. Event Identification

**The Company properly and systematically identifies events or risk factors that may negatively influence the Company's objectives both at organization and operations level.** In addition, the Company identifies future events, which may have a positive impact on its objectives, by considering both internal and external sources of risks and routinely monitoring the results to ensure that the Company has identified risk factors according to any change in each operation level, and regularly reports to management and involved parties.

## 4. Risk Assessment

**The Company deploys systematic risk assessment tools and methods.** The Company provides the risk management manual for best practice and sets varying levels of appropriate risk assessment criteria. The Company also assesses the quality and quantity of risk factors by considering the Company's risk appetite by applying two aspects of assessment: the potential loss or damage in the event of risk occurrence (impact) and the probability of risk occurrence (likelihood). The Company uses both measures to determine risk levels as high, medium, or low.

## 5. Risk Response

**The Company has in place a continuous and systematic risk management process.** The Company plans strategic responses to risk at the individual and overall level by considering either avoiding, reducing, sharing, or accepting the risk as appropriate to the Company's interests. Equally, the Company always

considers the most cost efficient and most effective methods to manage high risk, thereby reducing the overall likelihood and impact of that particular risk. The Company also has effective internal control system which is suitable for handling the changing risks.

## 6. Control Activity

**The Company has a clearly stated policy and procedure process to define key control activities at each level of operations** that concentrate on preventive control activities. The evaluation of internal control and its results are reported regularly to ensure that the risk management method or control activity is practical and meets objectives including the equivalence of quality and speed.

The Company's executives periodically review the policies and procedures including control activities in accordance with the current situations and changing risks to ensure they still meet the Company's objectives.

## 7. Information and Communication

**The Company has an information network and data system that is connected organizationally** and is used to support business decisions and initiatives. It also has an effective information security system, including a contingency plan to protect the information system when there are serious incidents that may cause system failure. The Company has a practical contingency plan. Furthermore, the Company deploys an audit trail system that can track back and review historical data. The Company also maintains an information system to statically analyse and indicate the risk area, for which comprehensive records and reports are available.

Equally, the Company has an efficient and effective communication channel network that enables

communication throughout the organization. Important information such as corporate governance, business ethics, risk management policies, risk appetite, policies and regulations, role and responsibilities, and segregation of duties, including procedures and practices, can be transferred from management to employees rapidly. In addition, the Company also provides a direct communication channel for employees to communicate with management and provides an efficient communication channel with other stakeholders in a timely manner.

## 8. Monitoring

**The Company has tracking up and monitoring performance process by regularly comparing with targets or key performance indicators (KPI) defined at each level, analysing, and evaluating.** The well defined monitoring performance system such as having supervisory level closely monitor subordinates' performance to ensure that measurements and the internal control system are effective, and responsive to risk factors and risk change timely and appropriately, including having performance review by an independent internal audit, external auditor, and independent appraiser.

**The Company has a good monitoring of risk management result and an alerting system in place to ensure** that risk management is effective aligning with its risk appetite. The Company has regularly set up a reporting system for each management level including senior management. The Company has also set regular meetings for the Board of Directors and for senior management to determine and monitor the performance of management operations in regard to whether the objectives are achieved in a timely manner.

In the current situation that comprise with dynamically changes, risk management is evermore essential in supporting the Company achievement even though unexpected events occur. Accordingly, it is important that the Company must have management mechanism in place to build strength and prepare for upcoming future so that the Company can manage risks properly and sustain business status.

The Company has always emphasized the corporate risk management by having the Chairman of Executive Committee as the Chairman of the Risk Management Committee together with the Chief Executive Officer and senior management officers as the members of the committee, totaling 13 members. In 2010, the committees held 3 meetings to examine risks throughout the Company, rate the risks, define the risk management concept, and assign responsibilities to those in charge of managing and controlling the risks to its risk appetite levels. This enables the Company to accomplish its goals and strategies and create confidence for all shareholders and stakeholders. The Company has continuously regular revising its risks factors whether the risks has evolve or increase, and how the current economy crisis affected the Company's involved parties.

The Risk Management Committee has closely followed the results of risk management by considering the action plan of each management division responsible for any risk factor that consistent with the results of a reliable measurement. In each meeting, the Risk Management Committee will have each management division report the risk management results that were identified in the former meeting, including consideration whether the level of risk has been decrease thus resulted to an effective risk management.

In every quarter, the Risk Management Committee submits the results of risk management to the Audit Committee, the Board of Directors, and the Executive Committee in order to manage and closely monitoring risk to ensure its risk appetite and the Company is able to accomplish its goals. Please refer to the "Risk Factors" section, which summarized the risk factors affecting the Company's operation and financials.

In the Board of Director's Meeting No. 1/2011 on 21 January 2011, along with the Audit Committees, the Board of Directors has assessed the internal control system by reviewing the effectiveness of Internal Control processes and by questioning the Management. The result from the adequate evaluation found that the Company had implemented an appropriate and effective Internal Control System.

In addition, KPMG Phoomchai Audit Limited, the Company's external auditor and the auditor of the 2010's Financial Statement, have evaluated the effectiveness of the Company's internal control system as consider necessary, and concluded that there was founded no vulnerabilities of material deficiencies in the internal control processes.

## Internal Audit

The Internal Audit Office is an independent operation, which is reported directly to the Audit Committee and administratively to the Chairman of the Executive Committee. The Company has also adopted an Internal Audit Charter to define the mission, scope, objectives, accountability and responsibility of activities, including authority. The Company regularly updates the Internal Audit Manual as its primary source of reference.

The duty of the Internal Audit Office is to evaluate and improve the effectiveness of internal control, risk management, and governance processes. The Internal Audit Office creates an annual audit plan, which approved by the Audit Committee, after consideration of overall objectives, strategies, mission, and the Risk Based Audit Approach. The Internal Audit Office also consults and advises on Control Self-Assessment (CSA) to ensure that performance achieves its strategies and objectives. Furthermore, the Internal Audit Office regularly performs monitoring activities to ensure the effective and continuous improvement of internal control processes.

In 2010, the Company approved a budget for the Quality Assessment Review by external independent evaluators to increase the quality of internal audit activity. The Quality Assessment Review will take place in 2011.

**In assessing the effectiveness of risk management,** the Internal Audit Office reviews risk events identification and risk factors, which affect the Company's objectives, and then reviews the risk management approach. This is to ensure that risk identification and risk assessment are accurate and appropriate, and that a systematic risk management approach is implemented to manage at its risk appetite level, report in a timely manner, and monitor regularly.

**In assessing the effectiveness of internal control,** the Internal Audit Office has developed an adequate evaluation questionnaire for each internal control process, according to the COSO-ERM framework, which is used to review the performance of each operation. The Internal Audit Office also supports each department to perform regular Control Self-Assessments in each procedure to ensure that the Company's objectives are

achieved efficiently and effectively, rules and regulations are strictly adhered to and that financial reports are accurate and reliable.

**In assessing the effectiveness of governance,** the Internal Audit Office performs corporate governance evaluation according to good corporate governance of the Organization for Economic Co-Operation and Development (OECD) and the Stock Exchange of Thailand (SET). This ensures that the Company provides the necessary infrastructure and processes in place to support good corporate governance, that the Company is transparent, creates fairness for all and accomplishes its objectives by using resources effectively to ensure the greatest benefit for stakeholders.

**In assessing external and internal fraud risks management,** the Internal Audit Office performs fraud risk assessments and events identification and then evaluates the possibility of external and internal fraud. The Internal Audit Office also considers the most effective measures to prevent and control risk to ensure that the Company achieves the objectives.

**In assessing Self-Control Approach of employees (CSA),** the Internal Audit Office provides a comprehensive self-assessment support service for employees and departments by offering individual counseling, and group training workshops. This encourages employees to develop a well-controlled and effective operating system to manage key risks effectively and in a timely manner. In addition, this also ensures that each business process is achievable within the period specified.



Moreover, the Chief Audit Executive (CAE) acts as the secretary to the Audit Committee to support the effective achievement of its responsibility and accountability, which assigned by the Board of Directors, by arranging the monthly meeting with the Audit Committee. The CAE additionally is a member of Risk Management Committee and the Information Security Committee to counsel and provide beneficial advices to the Company.

The Internal Audit Office adheres to the International Professional Practices Framework (IPPF), the International Standards for the Professional Practice of Internal Auditing, COSO-ERM and ISO 31000. In the information systems, the Internal Audit Office also holds CobiT 4.1 IT Governance framework and ISO 17799 standard to ensure that the Company's Information Systems are secure and in a good supervision. In addition, the Internal Audit Office focuses on quality improvements of audit activity to be consistent with current international standards by performing on-going Internal Quality Self-Assessment. The internal auditors also perform their duties independently and objectively according to a Code of Ethics.

In addition, the internal auditors are continually trained in line with Individual Development Plan and encouraged to hold various professional certifications. At present, there are five Certified Internal Auditors (CIA), three Certified Information System Auditors (CISA), one Certified Information Systems Security Professional (CISSP), three Certified Public Accountants (CPA) and one Tax Auditor (TA). The rest of internal auditors are still in the process of developing in order to obtain CIA, CISA, and CCSA (The Certification in Control Self-Assessment). This is to ensure that the performance of the Internal Audit Office meets the defined objectives, supports Company's good corporate governance, and adds value to the Company efficiently and effectively.

## Related Transactions

The Company and its subsidiaries have entered into related transactions with connected persons. All of these related transactions are made in the ordinary course of business and on general trading conditions.

To be aligned with the Security and Exchange Act (No. 4) B.E. 2551, Article 89/12 (1), the Company's Board of Directors has approved in principle, on 13 August 2008, that the management shall have the authority to undertake the related transactions, whereas those transactions are transactions with general trading conditions. The approval of the above transactions shall not constitute such authority to allow the director, an executive, or a related person to approve with a conflict of interest.

For approval process, the related transactions shall be processed in the same practice as other general trading transactions with outside parties with the authorized executives designated and empowered to endorse up to a certain limit of budget according to their respective rank and position. The Audit Committee of the

Company and its subsidiaries is responsible for reviewing the related transactions every quarter to ensure that no conflict of interest will be occurred in order to maximize the overall company's benefits.

The practice and disclosure about the related transactions have been followed up strictly under the notifications or rules of the Stock Exchange of Thailand.

For the fiscal year ended 31 December 2010 and 2009, the Company and its subsidiaries had the related transactions in which the auditors had disclosed in the notes to audited financial statements and these transactions have been reviewed by the Audit Committee. The Audit Committee had an opinion that all related transactions are reasonable and based on the normal course of business. The Company charges/purchases products and services with related parties at reasonable prices and those prices are comparable to the market rate with general trading conditions. Details of related transactions are as follows;

Related parties/Relation to the Company	Detail of transactions	31 December 2010 (Million Baht)		31 December 2009 (Million Baht)		Rational and necessity
		Company	Consolidated	Company	Consolidated	
<b>1. Shin Corporation Public Company Limited (SHIN)/</b> SHIN is a major shareholder, holds 42.55%, and Mr. Somprasong Boonyachai is a joint director.	The Company pays a dividend to SHIN who is the major shareholder. 1. Service income 2. Other income 3. Interest expense 4. Dividend paid 5. Debenture* 6. Trade account receivable 7. Amount due from related parties	0.51 0.26 0.29 21,862.22 7.30 0.08 0.09	0.51 0.41 0.29 21,862.22 7.30 0.10 0.09	0.42 0.12 0.07 7,961.39 1.70 - 0.03	0.42 0.41 0.07 7,961.39 1.70 0.12 0.03	The Company pays a dividend to SHIN in proportion of shareholding percentage. The propose of dividend by the Board of Directors must be approved at the Annual General Meeting of Shareholders.  * SHIN hold long term debenture through private funds, managed by independent fund manager.
<b>2. Thaicom Public Co., Ltd. (THCOM)/</b> SHIN is a major shareholder, holds 41.14%, and Mr. Somprasong Boonyachai is a joint director.	The Company leases satellite transponder on the Thai Com 1A from THCOM and contract will effective until 21 June 2012. The Company must pay annual compensation at the rate of USD 1,700,000 per year. 1. Service income 2. Other income 3. Rental and other service expenses 4. Trade account payable 5. Trade account receivable 6. Amount due from related parties	5.52 0.25 53.72 8.85 0.36 0.15	5.89 0.26 53.72 8.85 0.48 0.15	5.82 - 58.90 9.82 0.55 0.04	6.34 0.02 58.90 9.82 0.70 0.04	THCOM is the only satellite operator in Thailand. The Company is charged at the same rate as with external customers.

Related parties/Relation to the Company	Detail of transactions	31 December 2010 (Million Baht)		31 December 2009 (Million Baht)		Rational and necessity
		Company	Consolidated	Company	Consolidated	
<b>3. Thanachart Group (NAT)/</b> Mr. Supadej Poonpipat* is a joint director.	The Company and its subsidiaries have deposit account with Thanachart group and pay insurance charge for the base stations, equipments and interest expense of the leased vehicles. 1. Service income 2. Interest income 3. Other income 4. Insurance payment 5. Interest expense	21.57 46.70 0.04 15.75 2.37	21.57 72.94 0.04 16.62 3.01	25.84 5.00 - 12.57 3.57	25.84 6.82 0.02 14.11 3.93	Thanachart Group provides good service quality with a long term relationship with the Company. The Company and its subsidiaries are charged at the comparable rate as with external customers.
<b>4. Matchbox Co., Ltd. (MB)/</b> SHIN is a major shareholder, holds 99.96%, and joint directors 1. Mr. Somprasong Boonyachai 2. Mr. Vikrom Sripratak	The Company and its subsidiaries hire MB as an agency to provide publicity for the Companies' services to customers through various media on a job-by-job basis. 1. Service income 2. Other income 3. Rental and other service expenses 4. Advertising expense - Advertising fee, net - Advertising fee, gross 5. Trade account payable 6. Amount due to related parties 7. Amount due from related parties	0.40 0.15 181.36 260.17 601.60 - 193.58 0.03	0.40 0.20 183.58 271.48 679.86 0.42 203.66 0.03	0.26 - 192.44 254.13 673.57 - 188.07 0.01	0.27 0.01 194.08 270.90 723.16 - 207.54 0.01	MB is a creative advertising agency with good understanding of the Company's products and helps maintain information as strictly confidential.  Advertising fees charged by MB are benchmarking with third parties. Details of charges are as follows; Agency Fee - MB Media 9.00% - MB Production 12.00% - Third Party Media and Production 9.00 - 17.65%
<b>5. Teleinfo Media Co., Ltd. (TMC)/</b> SHIN is an indirect major shareholder, holds 100.00%.	The Company and its subsidiaries hires TMC to furnish information for mobile phone value added service such as astrology, lotto, and comic story. The Company pays actual services fee on monthly basis. 1. Service income 2. Other income 3. Other service expenses 4. Trade account payable 5. Trade account receivable 6. Amount due from related parties	2.36 - 59.85 4.42 0.45 1.17	2.36 - 60.18 4.46 0.49 1.17	2.22 - 66.29 5.48 0.33 0.05	2.22 0.13 66.29 5.52 0.42 0.05	TMC has a specialization in providing information for mobile phone value added service.  The Company and its subsidiaries pays the service charge by the percentage based on revenue from customers depending on the type of service. Rate is charged at the same rate as with other content providers, currently at not exceeding 50%.
<b>6. I.T. Applications and Services Co., Ltd. (ITAS)/</b> SHIN is a major shareholders, holds 99.99% and Mr. Somprasong Boonyachai is a joint director.	The Company and its subsidiaries hire ITAS for solution and application development including SAP system services. 1. Service income 2. Rental and other service expenses 3. Trade account payable 4. Amount due to related parties 5. Trade account receivable 6. Amount due from related parties	0.51 87.08 24.79 8.90 0.54 0.04	0.51 102.40 26.45 10.23 0.54 0.04	0.01 61.22 - 2.92 0.01 0.01	0.01 84.85 - 2.92 0.01 0.01	ITAS provides computer program improvement and development only for the Company and subsidiaries.  ITAS charges the Company at comparable rate to other consultant companies. The service charge depends on the type of work and the level of consultant.

Related parties/Relation to the Company	Detail of transactions	31 December 2010 (Million Baht)		31 December 2009 (Million Baht)		Rational and necessity
		Company	Consolidated	Company	Consolidated	
<b>7. Group of SingTel Strategic Investments Pte. Ltd. (SingTel)/</b> SingTel is a major shareholder of the Company, holds 21.28%.	The Company and its subsidiaries enter into an agreement with companies of SingTel group for the joint international roaming operation. The Company pays the salary and remuneration to Singapore Telecom International Pte. Ltd. (STI) for sending its operational staff. The expense is charged on an actual basis. The Company also pays SingTel group a dividend in proportion of its shareholding percentage. 1. Service income 2. Other income 3. International roaming expense 4. Salary and other remuneration 5. Dividend paid 6. Trade account payable 7. Amount due to related parties 8. Trade account receivable	523.98 0.06 353.28 36.88 9,826.40 72.10 30.72 145.34	535.31 0.06 396.63 36.88 9,826.40 80.93 30.72 150.42	523.53 - 292.80 29.01 3,578.40 71.16 28.25 194.37	533.75 - 323.78 29.01 3,578.40 76.95 28.25 197.63	The International Roaming with SingTel is under the ordinary course of business since the Company provides international mobile service to foreign operators.  Both parties charge each other at the accepted price by deduct profit from their customers. STI has an agreement with the Company that STI needs to provide operational staff to help the Company for management and any technique. The Company pays the service fee to STI by the actual basis according to agreement.
<b>8. CS Loxinfo Public Company Limited (CSL)/</b> SHIN is an indirect major shareholder, holds 42.19%.	CSL provides the internet service to the Company and ADC provides datanet service to CSL. 1. Service income 2. Other income 3. Rental and other service expenses 4. Trade account payable 5. Amount due to related parties 6. Trade account receivable 7. Amount due from related parties	1.69 0.01 6.91 0.35 0.34 0.18 -	88.00 3.92 5.62 0.46 0.34 12.14 0.15	1.69 - 34.30 0.53 1.22 0.07 0.01	100.96 1.36 33.81 0.53 1.24 7.25 0.24	CSL provides internet service and charge the Company at the same rate as with external customers.
<b>9. AD Venture Public Company Limited (VC)/</b> SHIN is an indirect major shareholder, holds 100.00%.	The Company and its subsidiary hire AD Venture for their content service providing for the Company and its subsidiary's customers. 1. Service income 2. Other service fee 3. Rental and other service expenses 4. Trade account payable 5. Amount due to related parties 6. Trade account receivable	4.62 0.32 107.27 - - 0.80	5.73 1.63 321.30 60.01 - 1.66	0.24 1.47 140.29 17.36 0.12 1.21	1.36 1.51 140.29 17.37 0.12 1.35	AD Venture has a specialization in designing and creating website with variety contents which suit to the Company and its subsidiary's need.  The Company and its subsidiary pay the service charge by the percentage based on revenue from customers which depend on the type of service. Rate charge to the Company and its subsidiary are not exceed 50% and are comparable with other content providers.  * Shinee transfer its operation to AD Venture on 30 September 2010.

Related parties/Relation to the Company	Detail of transactions	31 December 2010 (Million Baht)		31 December 2009 (Million Baht)		Rational and necessity
		Company	Consolidated	Company	Consolidated	
<b>10. DTV Service Co., Ltd. (DTV)/</b> SHIN is an indirect major shareholder, holds 99.99%.	The Company hires DTV to create website. 1. Service income 2. Rental and other service expenses 3. Trade account payable 4. Trade account receivable	0.56 0.36 0.44 0.02	0.56 0.36 0.60 0.02	0.63 4.54 - 0.06	0.63 4.54 - 0.06	DTV has a specialization in an internet service and charge the Company at the comparable rate as with other content providers.
<b>11. Lao Telecommunications Co., Ltd. (LTC)/</b> SHIN is an indirect major shareholder, holds 49.00%.	The Company and its subsidiaries have cooperated with LTC to provide international roaming. 1. Service income 2. International roaming expense 3. Trade account payable 4. Trade account receivable	6.76 21.24 0.39 0.32	9.01 31.88 2.25 0.79	8.66 23.11 4.59 1.63	10.19 26.79 5.54 2.18	LTC, the telecommunications service provider in Laos, provides fixed line, mobile, internet and broadband and international roaming services.  Roaming price between the Company and LTC is based on market rate
<b>12. Mfone Co., Ltd. (Mfone)/</b> SHIN is an indirect major shareholder, holds 100.00%.	The Company and its subsidiaries have cooperated with Mfone to provide international roaming. 1. Service income 2. International roaming expense 3. Trade account payable 4. Trade account receivable	0.53 13.16 3.70 0.18	0.53 13.16 3.70 0.18	0.35 10.06 0.87 0.12	0.35 10.06 0.87 0.12	Mfone got license from The Royal Government of Cambodia, provides fixed line, mobile and international roaming services.  Roaming price between the Company and Mfone is based on market rate.
<b>13. ITV Co., Ltd./</b> SHIN is a major shareholder, holds 52.92%.	ITV hold long-term debenture through private funds, managed by independent fund manager. 1. Debenture 2. Interest expense	46.00 2.22	46.00 2.22	46.00 1.97	46.00 1.97	The Company paid the interest expense of the debenture to ITV. Pricing, condition and return of this debenture are as per approved by the SEC and are the same as offered to other investors.
* ITV ceased its operation since 7 March 2007.						
<b>14. Watta Classifieds Co., Ltd. (WTC)/</b> SHIN is a major shareholder, holds 60.00%.	The Company and its subsidiaries hire WTC to do recruitment advertising through various channels such as newspapers, magazines internet and booth activity. 1. Rental and other service expenses	-	-	0.25	0.37	WTC is a leading media publisher in Thailand, covering wide ranges of target readers such as job seekers, education and scholarship information, real estate, and car.  The Company and its subsidiary pay the service charge is based on Market rate.

## Board of Directors' Responsibility for Financial Reporting

The Board of Directors is responsible for Advanced Info Service Public Company Limited's financial statements and Advanced Info Service Public Company Limited and its subsidiaries' consolidated financial statements, including the financial information presented in this annual report. The aforementioned financial statements are prepared in accordance with generally accepted accounting principles, using careful judgment and the best estimation. Important information is adequately and transparency disclosed in the notes to financial statements for the Company shareholders and investors.

The Board of Directors has provided and maintained risk management system and appropriate and efficient internal controls to ensure that accounting records are accurate, reliable and adequate to protect its assets and uncover any weakness that may be present in order to prevent fraud or materially irregular operations.

In this regard, the Board of Directors has appointed an Audit Committee to be responsible for reviewing the accounting policy financial reports, review internal controls, internal audit and risk management system. The Audit Committee has also reviewed a disclosure of related party transactions. All their comments on these issues have included in the Audit Committee Report, which presented in this annual report.

The financial statements of the Company and the consolidated financial statements of Company and its subsidiaries have been examined by an external auditor, KPMG Phoomchai Audit Limited. To conduct the audits and express an opinion in accordance with generally accepted auditing standards, the auditor was provided with all of the Company's records and related data as requested. The auditor's opinion is presented in the auditor's report as part of this annual report.

The Board of Directors considers the Company's overall internal control system satisfactory and provides credibility and reliability to Advanced Info Service Public Company Limited's financial statements and Advanced Info Service Public Company Limited and its subsidiaries' consolidated financial statements for the year ended 31 December 2010. The Board of Directors also believes that all these financial statements have been prepared in accordance with generally accepted accounting principles and related regulations.



**Dr. Paiboon Limpaphayom (Ph.D.)**  
Chairman of the Board of Directors



**Mr. Allen Lew Yoong Keong**  
Chairman of the Executive Committee



## Audit Report of Certified Public Accountant

### To the Shareholders of Advanced Info Service Public Company Limited

I have audited the accompanying consolidated and separate balance sheets as at 31 December 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended of Advanced Info Service Public Company Limited and its subsidiaries, and of Advanced Info Service Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2010 and 2009 and the results of operations and cash flows for the years then ended of Advanced Info Service Public Company Limited and its subsidiaries and of Advanced Info Service Public Company Limited, respectively, in accordance with generally accepted accounting principles.



**(Winid Silamongkol)**

Certified Public Accountant

Registration No. 3378

KPMG Phoomchai Audit Ltd.

Bangkok, 11 February 2011

## Balance Sheets

### Advanced Info Service Public Company Limited and its Subsidiaries

As at 31 December 2010 and 2009

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in Baht)			
Assets					
Current assets					
Cash and cash equivalents	5	10,451,397,637	24,261,229,193	3,000,298,507	9,354,863,572
Specifically-used bank deposits	6	2,166,364,942	905,920,603	-	-
Current investments	7	4,219,392,053	198,005,015	2,200,000,000	-
Trade accounts receivable	4, 8	5,609,514,528	5,772,882,134	7,142,673,051	6,411,328,612
Amounts due from and loans to related parties	4	1,628,422	376,097	5,699,639,916	2,298,461,487
Inventories	9	932,209,412	629,388,083	37,838,022	43,683,975
Value added tax receivables		63,261,610	406,478,540	63,261,610	406,478,540
Other current assets	10	2,459,171,199	1,551,132,207	1,204,802,099	1,352,324,997
Total current assets		25,902,939,803	33,725,411,872	19,348,513,205	19,867,141,183
Non-current assets					
Investments in subsidiaries	11	-	-	20,274,106,435	20,223,107,035
Other long-term investments	7	106,328,860	3,105,799,774	93,160,750	2,092,760,750
Property, plant and equipment	12	7,367,843,460	8,167,485,506	3,141,772,479	5,186,258,548
Assets under the Agreements for operation	13	48,175,672,650	61,547,316,679	46,650,771,452	59,050,771,705
Swap and forward contracts receivable	31	1,221,272,496	1,464,135,564	1,221,272,496	1,464,135,564
Intangible assets	14	4,341,305,101	6,285,804,952	449,389,178	1,268,045,686
Deferred tax assets	15	9,814,071,741	10,051,552,599	8,988,653,325	9,184,970,895
Other non-current assets	16	527,985,116	678,218,292	478,452,585	634,226,189
Total non-current assets		71,554,479,424	91,300,313,366	81,297,578,700	99,104,276,372
Total assets		97,457,419,227	125,025,725,238	100,646,091,905	118,971,417,555

The accompanying notes are an integral part of these financial statements.

## Balance Sheets (Continued)

Advanced Info Service Public Company Limited and its Subsidiaries

As at 31 December 2010 and 2009

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in Baht)			
Liabilities and equity					
Current liabilities					
Trade accounts payable	4, 18	3,159,584,601	2,728,774,472	4,061,370,351	2,407,114,498
Amounts due to and loans from related parties	4	244,946,228	240,103,865	10,041,123,397	666,192,390
Current portion of long-term borrowings	17	15,882,669,151	497,439,802	15,876,644,203	493,565,753
Accrued revenue sharing expenses	1	3,327,856,055	3,069,881,359	2,785,945,107	2,622,779,276
Unearned income - mobile phone service		2,375,891,574	2,850,722,990	2,626,566,145	3,101,251,751
Advance receipts from customers		1,521,180,341	653,974,644	-	-
Income tax payable		4,123,932,547	2,631,354,190	3,035,447,122	2,300,054,420
Other current liabilities	19	4,853,042,515	3,910,831,784	3,910,331,953	3,642,138,211
Total current liabilities		35,489,103,012	16,583,083,106	42,337,428,278	15,233,096,299
Non-current liabilities					
Long-term borrowings	17	20,477,608,549	36,620,436,712	20,463,044,121	36,617,471,461
Other non-current liabilities		11,035,426	11,186,426	-	-
Total non-current liabilities		20,488,643,975	36,631,623,138	20,463,044,121	36,617,471,461
Total liabilities		55,977,746,987	53,214,706,244	62,800,472,399	51,850,567,760
Equity					
Share capital	20				
Authorised share capital		4,997,459,800	4,997,459,800	4,997,459,800	4,997,459,800
Issued and paid-up share capital		2,970,076,139	2,965,443,054	2,970,076,139	2,965,443,054
Additional paid-in capital					
Premium on ordinary shares	22	22,172,703,369	21,838,007,639	22,172,703,369	21,838,007,639
Advanced receipts for share subscription		13,847,554	-	13,847,554	-
Unrealised surpluses					
Fair value changes on dilution of investments		161,186,663	161,186,663	-	-
Fair value changes on investments		(36,615)	161,940	-	-
Retained earnings					
Appropriated					
Legal reserve	22	500,000,000	500,000,000	500,000,000	500,000,000
Unappropriated		15,358,480,919	46,146,426,494	12,188,992,444	41,817,399,102
Total equity attributable to equity holders of the Company		41,176,258,029	71,611,225,790	37,845,619,506	67,120,849,795
Minority interests		303,414,211	199,793,204	-	-
Total equity		41,479,672,240	71,811,018,994	37,845,619,506	67,120,849,795
Total liabilities and equity		97,457,419,227	125,025,725,238	100,646,091,905	118,971,417,555

The accompanying notes are an integral part of these financial statements.

# Statements of Income

Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in Baht)			
Revenues					
Revenues from rendering of services and equipment rentals	4	102,325,839,073	95,812,371,116	97,792,640,506	92,201,268,038
Revenue from sale of goods	4	8,953,766,268	6,639,454,472	-	-
Total revenues		111,279,605,341	102,451,825,588	97,792,640,506	92,201,268,038
Cost					
Cost of rendering of services and equipment rentals	25	(39,497,986,243)	(40,345,508,672)	(41,262,840,593)	(40,179,762,346)
Revenue sharing expenses	1	(21,553,115,498)	(19,860,521,262)	(20,245,090,023)	(18,731,385,176)
Cost of sale of goods		(7,651,463,956)	(6,197,217,407)	-	-
Total cost		(68,702,565,697)	(66,403,247,341)	(61,507,930,616)	(58,911,147,522)
Gross profit		42,577,039,644	36,048,578,247	36,284,709,890	33,290,120,516
Selling expenses	25	(2,324,234,859)	(2,695,160,104)	(2,148,469,600)	(2,598,784,699)
Administrative expenses	25	(7,487,840,045)	(7,351,629,623)	(7,832,961,008)	(7,774,624,931)
Profit from sales, services and equipment rentals					
		32,764,964,740	26,001,788,520	26,303,279,282	22,916,710,886
Other operating income	4, 24	679,160,598	686,954,399	735,937,865	592,664,594
Impairment losses of assets	12, 13, 14	(1,560,000,000)	(560,655,320)	-	-
Net foreign exchange gain (loss)		(2,802,494)	72,850,220	(37,098,465)	50,245,414
Management benefit expenses	4	(112,531,514)	(72,007,114)	(112,201,514)	(71,707,113)
Operating results					
		31,768,791,330	26,128,930,705	26,889,917,168	23,487,913,781
Dividend income	4, 11	-	-	4,159,376,724	4,580,492,152
Profit before finance costs and income tax expenses					
		31,768,791,330	26,128,930,705	31,049,293,892	28,068,405,933
Finance costs	4, 27	(1,734,855,871)	(1,921,234,778)	(1,744,307,376)	(1,921,993,942)
Profit before income tax expense					
		30,033,935,459	24,207,695,927	29,304,986,516	26,146,411,991
Income tax expense	28	(9,366,907,600)	(7,418,603,445)	(7,598,003,049)	(6,485,665,802)
Profit for the year					
		20,667,027,859	16,789,092,482	21,706,983,467	19,660,746,189
Profit attributable to:					
Equity holders of the Company		20,547,444,550	17,055,365,616	21,706,983,467	19,660,746,189
Minority interests		119,583,309	(266,273,134)	-	-
Profit for the year					
		20,667,027,859	16,789,092,482	21,706,983,467	19,660,746,189
Earnings per share					
29					
Basic		6.93	5.76	7.32	6.64
Diluted		6.93	5.76	7.32	6.64

The accompanying notes are an integral part of these financial statements.

# Statements of Changes in Equity

Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

	Consolidated financial statements										
	Issued and paid-up share capital	Additional paid-in capital	Advance receipts for share subscription	Unrealised surpluses		Retained earnings		Total equity attributable to equity holders of the Company	Minority interests	Total equity	
		share premium		Fair value changes on dilution of investment	Fair value changes on other investment	Legal reserve	Unappropriated				
Note	(in Baht)										
Balance at 1 January 2009	2,961,739,547	21,545,336,219	-	161,186,663	-	500,000,000	47,754,800,293	72,923,062,722	512,582,197	73,435,644,919	
Changes in equity for 2009											
Net change in fair value recognised in equity	-	-	-	-	161,940	-	-	161,940	-	161,940	
Profit for the year	-	-	-	-	-	-	17,055,365,616	17,055,365,616	(266,273,134)	16,789,092,482	
Dividends	-	-	-	-	-	-	(18,663,739,415)	(18,663,739,415)	-	(18,663,739,415)	
issued of share capital	3,703,507	292,671,420	-	-	-	-	-	296,374,927	-	296,374,927	
Increase in minority interest from the addition of shares	-	-	-	-	-	-	-	-	600	600	
liquidation of a subsidiary	-	-	-	-	-	-	-	-	(808,350)	(808,350)	
Dividend received from subsidiaries	-	-	-	-	-	-	-	-	(45,708,109)	(45,708,109)	
Balance at 31 December 2009 and 1 January 2010	2,965,443,054	21,838,007,639	-	161,186,663	161,940	500,000,000	46,146,426,494	71,611,225,790	199,793,204	71,811,018,994	
Changes in equity for 2010											
Net change in fair value recognised in equity	-	-	-	-	(198,555)	-	-	(198,555)	-	(198,555)	
Profit for the year	-	-	-	-	-	-	20,547,444,550	20,547,444,550	119,583,309	20,667,027,859	
Dividends	-	-	-	-	-	-	(51,335,390,125)	(51,335,390,125)	-	(51,335,390,125)	
issued of share capital	4,633,085	334,695,730	-	-	-	-	-	339,328,815	-	339,328,815	
Advanced receipts for share subscription	-	-	13,847,554	-	-	-	-	13,847,554	-	13,847,554	
Increase in minority interest from the addition of shares	-	-	-	-	-	-	-	-	600	600	
Dividend received from subsidiaries	-	-	-	-	-	-	-	-	(15,962,902)	(15,962,902)	
Balance at 31 December 2010	2,970,076,139	22,172,703,369	13,847,554	161,186,663	(36,615)	500,000,000	15,358,480,919	41,176,258,029	303,414,211	41,479,672,240	

The accompanying notes are an integral part of these financial statements.

# Statements of Changes in Equity (Continued)

Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

	Note	Separate financial statements						
		Issued and paid-up share capital	Additional paid-in capital		Advance receipts for share subscription	Retained earnings		Total equity attributable to equity holders of the Company
			Share premium	Legal reserve		Unappropriated		
							(in Baht)	
Balance at 1 January 2009		2,961,739,547	21,545,336,219	-	500,000,000	40,820,392,328	65,827,468,094	
Changes in equity for 2009								
Profit for the year	4, 30	-	-	-	-	19,660,746,189	19,660,746,189	
Dividends		-	-	-	-	(18,663,739,415)	(18,663,739,415)	
Issued of share capital	21, 22	3,703,507	292,671,420	-	-	-	296,374,927	
Balance at 31 December 2009 and 1 January 2010		2,965,443,054	21,838,007,639	-	500,000,000	41,817,399,102	67,120,849,795	
Changes in equity for 2010								
Profit for the year	4, 30	-	-	-	-	21,706,983,467	21,706,983,467	
Dividends		-	-	-	-	(51,335,390,125)	(51,335,390,125)	
Issued of share capital	21, 22	4,633,085	334,695,730	-	-	-	339,328,815	
Advanced receipts for share subscription		-	-	13,847,554	-	-	13,847,554	
Balance at 31 December 2010		2,970,076,139	22,172,703,369	13,847,554	500,000,000	12,188,992,444	37,845,619,506	

The accompanying notes are an integral part of these financial statements.



# Statements of Cash Flows

## Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in Baht)			
Cash flows from operating activities					
Profit for the year		20,667,027,859	16,789,092,482	21,706,983,467	19,660,746,189
Adjustments for					
Dividend income from subsidiaries		-	-	(4,159,376,724)	(4,580,492,152)
Depreciation		3,000,999,295	3,336,673,579	2,274,141,203	2,967,811,351
Amortisation		16,365,882,021	16,683,084,560	14,773,058,513	14,940,896,225
Interest income		(376,788,793)	(344,172,754)	(324,741,599)	(168,368,571)
Finance costs		1,734,855,871	1,921,234,778	1,744,307,376	1,921,993,942
Impairment losses of assets	12 , 13, 14	1,560,000,000	560,655,320	-	-
Doubtful accounts and bad debts expenses		589,118,375	784,031,330	641,198,230	826,427,171
Allowance for obsolete inventories and write-off, net		(6,690,305)	(4,290,346)	10,763,470	42,898,446
Loss on disposals and write-off of assets		90,596,782	8,453,495	90,987,945	7,027,451
Unrealised (Gain) loss on foreign currencies		3,580,142	(18,911,393)	4,531,429	(19,523,077)
Income tax expense		9,366,907,600	7,418,603,445	7,598,003,049	6,485,665,802
Cash provided by operation before changes in operating assets and liabilities		52,995,488,847	47,134,454,496	44,359,856,359	42,085,082,777
Changes in operating assets and liabilities					
Specifically-used bank deposits		(1,260,444,339)	409,342,149	-	-
Trade accounts receivable		(482,476,484)	(812,010,106)	(1,369,518,645)	2,455,990,029
Amounts due from related parties		(1,252,326)	61,332	(100,178,429)	(43,772,627)
Inventories		(296,131,023)	967,541,794	(4,917,517)	8,647,087
Value added tax receivable		343,216,930	(168,718,398)	343,216,930	(168,718,398)
Other current assets		(754,629,255)	1,385,125,660	193,313,544	259,156,144
Other non-current assets		150,215,682	53,396,880	155,773,604	35,113,452
Trade accounts payable		716,915,275	(454,610,980)	1,670,831,339	(145,071,379)
Amounts due to related parties		4,842,362	(246,232,427)	274,931,007	(261,362,581)
Accrued revenue sharing expenses		257,974,696	350,800,666	163,165,831	341,728,662
Unearned income - mobile phone service		(474,831,416)	(557,568,459)	(474,685,606)	(832,431,728)
Advance receipts from customers		867,205,697	(329,262,217)	-	-
Swap and forward contracts receivable		(4,455,820)	(3,827,817)	(4,455,820)	(3,827,817)
Other current liabilities		895,088,843	844,727,451	196,818,477	726,336,440
Other non-current liabilities		(151,000)	(196,000)	-	-
Income tax paid		(7,732,401,100)	(7,659,524,432)	(6,665,979,216)	(6,370,224,607)
Net cash provided by operating activities		45,224,175,569	40,913,499,592	38,738,171,858	38,086,645,454

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows (Continued)

Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in Baht)			
<b>Cash flows from investing activities</b>					
Interest received		378,656,344	310,107,925	301,861,765	213,179,007
Dividend received from subsidiaries		-	-	4,159,376,724	4,580,492,152
Short-term loans to subsidiaries, net		-	-	(3,301,000,000)	(1,765,000,000)
Net changes in current investments		(4,021,585,592)	(57,723,938)	(2,200,000,000)	-
Net changes in other long-term investment	7	2,999,470,914	(2,950,432,598)	1,999,600,000	(2,000,000,000)
Additional investment in subsidiary	11	-	-	(50,999,400)	-
Purchase of property, plant, equipment and computer software		(2,700,046,935)	(4,066,153,352)	(1,211,940,720)	(2,156,997,528)
Sale of property and equipment		33,254,211	20,718,503	1,696,711,154	16,009,719
Purchase of assets under the Agreements for operation		(2,489,222,966)	(5,848,899,487)	(2,364,383,527)	(5,763,456,393)
<b>Net cash used in investing activities</b>		<b>(5,799,474,024)</b>	<b>(12,592,382,947)</b>	<b>(970,774,004)</b>	<b>(6,875,773,043)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(1,678,693,144)	(1,897,173,787)	(1,698,039,009)	(1,907,954,443)
Other finance costs paid		(46,558,661)	(86,830,890)	(35,288,082)	(79,024,467)
Proceeds (Repayments) of short-term loans from subsidiaries		-	-	9,100,000,000	(5,500,000,000)
Proceeds from long-term borrowings		-	8,535,115,773	-	8,535,115,773
Repayments of long-term borrowings		(486,147,730)	(7,171,664,206)	(486,147,730)	(7,171,664,206)
Finance lease principal payments		(24,977,447)	(26,197,664)	(20,294,281)	(21,898,699)
Proceeds from issue of ordinary shares		339,329,415	296,375,527	339,328,815	296,374,927
Advanced receipts for share subscription		13,847,554	-	13,847,554	-
Dividends paid		(51,351,353,027)	(18,709,447,524)	(51,335,390,125)	(18,663,739,415)
Repayment to minority interest from liquidating of a subsidiary		-	(808,350)	-	-
<b>Net cash used in financing activities</b>		<b>(53,234,553,040)</b>	<b>(19,060,631,121)</b>	<b>(44,121,982,858)</b>	<b>(24,512,790,530)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>					
		<b>(13,809,851,495)</b>	<b>9,260,485,524</b>	<b>(6,354,585,004)</b>	<b>6,698,081,881</b>
Cash and cash equivalents at beginning of year		24,261,229,193	15,009,291,146	9,354,863,572	2,665,329,168
Effect of exchange rate changes on foreign currencies balances		19,939	(8,547,477)	19,939	(8,547,477)
<b>Cash and cash equivalents at end of year</b>		<b>10,451,397,637</b>	<b>24,261,229,193</b>	<b>3,000,298,507</b>	<b>9,354,863,572</b>
<b>Non-cash transactions</b>					
Outstanding debts arising from investment in property, plant and equipment and assets under the Agreements for operation		445,409,862	726,944,448	286,045,149	299,339,240

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

## Advanced Info Service Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009

### 1. General information

Advanced Info Service Public Company Limited “the Company”, is incorporated in Thailand and has its registered office at 414 Shinawatra Tower 1, Phaholyothin Road, Phayathai, Bangkok, Thailand.

The Company was listed on the Stock Exchange in Thailand in November 1991.

Shin Corporation Public Company Limited is a major shareholder, holding 42.55% (2009: 42.65%) of the share capital of the Company. SingTel Strategic Investments Pte. Ltd. is a shareholder holding 21.28% (2009: 21.33%) of the share capital of the Company.

The principal business operations of the Company and its subsidiaries are summarised as follows:

- 1) The operation of a 900-MHz CELLULAR TELEPHONE SYSTEM as the operator. The Company has been granted permission from TOT Public Company Limited (“TOT”), under the Agreement for operation dated 27 March 1990, to operate and service of Cellular Mobile Telephone, either analog (NMT) or Digital GSM, 900 MHz frequency nationwide, parallel operation for 25 years since 1 October 1990, being the first commercial operating date of service. The Agreement ends on 30 September 2015. The Company is obliged to comply with various conditions and pay revenue sharing in according with the Agreement.

Under the Agreement, the Company shall be entitled to immediately transfer the ownership right of its tools and equipments or assets for operating the 900-MHz Cellular System to TOT when the installation has been completed and the Company shall pay TOT annual revenue sharing in accordance with the Agreement at the percentage of annual revenues and any benefit from the mobile phone service prior to deducting any expenses and any tax or the minimum annual revenue sharing stipulated in the Agreement. The Agreement does not specify a minimum cumulative amount over the term of the Agreement. The percentages of the service revenues and minimum annual revenue sharing for each year are as follows:

Year	Percentage of revenues	Minimum annual revenue sharing (in million Baht)
1 - 5	15	13 to 147
6 - 10	20	253 to 484
11 - 15	25	677 to 965
16 - 20	30	1,236 to 1,460
21 -25	30	1,460

- 2) The operation of a DATAKIT VIRTUAL CIRCUIT SWITCH as the operator. Advanced Data Network Communications Co., Ltd. (“ADC”), an indirect subsidiary, has been granted permission from TOT, under the Agreement dated 19 September 1989, for rendering services for DATAKIT VIRTUAL CIRCUIT SWITCH in the area of the Metropolitan Telephone Exchange.

Under the Agreement, ADC shall be entitled to immediately transfer the ownership right of its tools and equipment or assets for operation of DATAKIT System to TOT when the installation has been completed and ADC shall pay TOT annual revenue sharing in accordance with the Agreement at the percentage of annual revenues

and any benefit from service of DATAKIT VIRTUAL CIRCUIT SWITCH prior to deducting any expenses and any tax or the minimum annual revenue sharing stipulated in the Agreement.

ADC and TOT have mutually agreed to amend the Agreement and signed the Supplemental Agreement on 25 September 1997 to extend the validity period from 10 years to 25 years (such validity period shall be ended on 24 September 2022) and waive the collection of annual revenue sharing under the agreements effective from 25 September 1997.

ADC issued 10.75 million ordinary shares at a par value of Baht 10 (11.23% of total shares) to TOT on 17 March 1998 in consideration of such waiver. As at 31 December 2010, TOT owns 48.12% of ADC's total share (2009: 48.12%).

- 3) The operation of a 1800-MHz CELLULAR TELEPHONE SYSTEM as the operator. Digital Phone Company Limited ("DPC"), a subsidiary, has been granted permission from CAT Telecom Public Company Limited ("CAT"), under the Agreement for operation dated 19 November 1996, to operate and service Cellular Mobile Telephone: Digital PCN (PERSONAL COMMUNICATION NETWORK) 1800, frequency between 1747.9 MHz to 1760.5 MHz and 1842.9 MHz to 1855.5 MHz, nationwide. DPC started the operation commencing from 28 May 1997, ending 15 September 2013 and DPC is obliged to comply with various conditions and pay revenue sharing in accordance with the Agreement.

Under the Agreement, DPC shall be entitled to immediately transfer the ownership right of its machineries, all equipments and tools or assets for operation to CAT upon installation completion and DPC shall pay CAT the annual revenue sharing at the percentage of annual revenues and any benefit in according with the accrual basis from the mobile phone service prior to deducting any expenses and any tax and fees which the minimum revenue sharing must accumulate, over the term of the Agreement, not less than Baht 5,400 million as follows:

Year	Percentage of revenues	Minimum annual revenue sharing (in million Baht)
1	25	9
2 - 9	20	60 to 320
10 - 14	25	350 to 650
15 - 16	30	670

As at 31 December 2010, DPC paid the revenue sharing to CAT in a total amount of Baht 8,383 million (2009: Baht 7,170 million).

- 4) The operation of PROVIDING CALL CENTER SERVICE.
- 5) The operation of PROVIDING BROADBAND SERVICE under a licence granted from the National Telecommunications Commission ("NTC").
- 6) The operation of DISTRIBUTING OF ELECTRONIC CASH CARD under a licence granted from the Ministry of Finance.
- 7) The operation of PROVIDING PAYMENT SERVICES VIA MOBILE PHONE under a licence granted from the Ministry of Finance.

- 8) The operation of PROVIDING INTERNATIONAL TELEPHONE SERVICE under a licence granted from the National Telecommunications Commission (“NTC”), dated 26 July 2006. The licence agreement of INTERNATIONAL TELEPHONE SERVICE ends 26 July 2026.
- 9) The operation of DISTRIBUTING OF CELLULAR PHONES AND COMMUNICATION EQUIPMENTS.
- 10) The operation of PROVIDING INTERNET (ISP) SERVICE, INTERNET GATEWAY and BROADBAND, VOICE OVER IP and IP TELEVISION under a licence granted from the National Telecommunications Commission (“NTC”).
- 11) The operation of OPERATING IN ACQUIRING AND/OR RENTING LAND, BUILDING AND REALTED FACILITIES related to telecommunication businesses.
- 12) The operation of OPERATING IT, AND CONTENT AGGREGATOR BUSINESS related to telecommunication businesses.

Details of the Company’s subsidiaries as at 31 December 2010 and 2009 were as follows:

Name of the entities	Type of business	Country of incorporation	Ownership interest (%)	
			2010	2009
Advanced Internet Revolution Co., Ltd. (formerly: Mobile from Advance Co., Ltd.)	Currently ceased operation	Thailand	99.99	99.99
Advanced Datanetwork Communications Co., Ltd.* (* Indirect subsidiary)	Service provider of voice/data communications via telephone line and broadband	Thailand	51.00	51.00
Advanced Contact Center Co., Ltd.	Service provider of call center	Thailand	99.99	99.99
Digital Phone Co., Ltd.	Service provider of digital mobile phone system in 1800 MHz	Thailand	98.55	98.55
Advanced Magic Card Co., Ltd.	Distributor of cash card business	Thailand	99.99	99.99
Advanced MPAY Co., Ltd.	Service provider of payment business via mobile phone	Thailand	99.99	99.99
AIN GlobalComm Co., Ltd.	Service provider of international call	Thailand	99.99	99.99
Advanced Wireless Network Co., Ltd.	Network operator, a telecom service operator and a computer system service	Thailand	99.99	99.99
Super Broadband Network Co., Ltd.	Network operator and a telecom service operator i.e. Service provider of internet (ISP), international & national internet gateway, International Private Leased Circuit (IPLC), Internet Protocol Virtual Private Network (IP VPN), a voice over IP, and an IP television service	Thailand	99.99	99.99
Wireless Device Supply Co., Ltd.	Importer and distributor of cellular phones and related accessories and cellular phone rental	Thailand	99.99	99.99

Name of the entities	Type of business	Country of incorporation	Ownership interest (%)	
			2010	2009
Mobile Broadband Business Co., Ltd. (* Indirect subsidiary)	Not start operation	Thailand	99.99	99.99
Advanced Mobile Broadband Co., Ltd. (* Indirect subsidiary)	Not start operation	Thailand	99.99	99.99
Fax Lite Co., Ltd.	Operate in acquiring and/or renting land, building, and related facilities related to telecommunication businesses	Thailand	99.97	-
MIMO Tech Co., Ltd. (formerly: i Zone Co., Ltd.)	Operate IT, and content aggregator businesses.	Thailand	99.99	-

## 2. Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”); guidelines promulgated by the Federation of Accounting Professions (“FAP”); applicable rules and regulations of the Thai Securities and Exchange Commission; and with generally accepted accounting principles in Thailand.

During 2010, the FAP announced the re-numbering of the following TFRS.

Former no.	Revised no.	Topic
TAS 11	TAS 101	Doubtful Account and Bad Debts
TAS 26	TAS 102	Income Recognition For Real Estate Business
TAS 27	TAS 103	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
TAS 34	TAS 104	Accounting for Troubled Debt Restructuring
TAS 40	TAS 105	Accounting for Investment in Debt and Equity Securities
TAS 42	TAS 106	Accounting For Investment Companies
TAS 48	TAS 107	Financial Instruments Disclosure and Presentation

The Group has adopted the revised Framework for the Preparation and Presentation of Financial Statement (revised 2009), which was issued by the FAP during 2010 and effective on 26 May 2010. The adoption of the revised framework does not have any material impact on the consolidated or separate financial statements.

The FAP has issued during 2010 a number of new and revised TFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised standards and interpretations are disclosed in note 36.

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Measurement of the recoverable amounts of cash-generating units containing investments in subsidiaries and goodwill (Note 11 and 14)
- Utilisation of taxes losses (Note 28)
- Revenues from rendering of services and equipment rentals (Note 23)
- Utilisation of plant and equipment (Note 12)
- Utilisation of assets under the Agreements for operation (Note 13)
- Utilisation of intangible assets (Note 14)
- Valuation of financial instruments (Note 31)
- Allowance for doubtful accounts (Note 8)
- Allowance for obsolete inventories (Note 9)

### 3. Significant accounting policies

#### (a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”).

##### ***Business combinations***

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Business combination of entities or business under common control is accounted for using a method similar to the pooling of interest method and in accordance with the Guideline issued in 2009 by the FAP.



**Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currencies**

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

**(c) Derivative financial instruments**

The Group uses financial instruments that manage exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which mainly comprise forward foreign currency contracts and cross currency swap agreements, are recorded in the financial statements on the contract date. The purpose of these instruments is to manage risk.

Forward foreign exchange contracts protect the Group from fluctuations in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Forward contracts are recorded as forward contracts receivable and payable on inception, and are translated at the year end exchange rate. Unrealised gains or losses on transactions are recognised in the statement of income. Premiums or discounts are amortised in the statement of income on a straight-line basis over the contract period.

Interest rate derivatives help the Group to better manage effects from fluctuations in floating interest rates. Any differential to be paid on an interest rate derivative is recognised as a component of interest expense over the period of such instrument. Gains or losses of early termination of interest rate derivatives or on repayment of the borrowing are charged to the statement of income.

**(d) Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments with original maturities of three months or less and exclude specifically-used bank deposits. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(e) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(f) Inventories**

Inventories comprise mobile phones, refill cards for 1-2-Call!, sim cards and spare parts used for repairs and services.

Inventories are stated at the lower of cost and net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using principle as follows:

Mobile phones, refill cards for 1-2-Call! and sim cards	- moving weighted average method
Spare parts (mobile phones and network)	- moving weighted average method
Datanet equipment	- first-in, first-out (FIFO) method

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, changed, obsolete and slow-moving inventories.

**(g) Investments*****Investments in subsidiaries***

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method less impairment losses.

***Investment in other debt and equity securities***

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to

initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in the statement of income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statement of income.

Equity securities which are not marketable are stated at cost less any impairment losses.

#### ***Disposal of investments***

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the statements of income.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the FIFO method applied to the carrying value of the total holding of the investment.

### **(h) Property, plant and equipment**

#### ***Owned assets***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

#### ***Leased assets***

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

#### ***Depreciation***

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and building improvements	5, 20 years
Leasehold building improvements	5, 10 years
Tools and equipment (included computer software)	3, 5, 10 years
Furniture, fixtures and office equipment	2 - 5 years
Communication equipment for rental	3 years
Communication equipment for major corporate customer rental	Over period of rental agreement
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets.

## (i) Assets under the Agreements for operation

### *The Agreements for operation assets*

Assets under the Agreements for operation represent the cost of certain equipment and other assets which have been or have to be transferred to the grantor of the Agreements of operation and are stated at cost less accumulated amortisation and impairment losses.

### *Amortisation*

Amortisation is recognised in the statement of income on a straight-line basis over period of the Agreements for operation which not exceeding the remaining period of the Agreements for operation. The estimated useful lives are as follows:

Mobile phone network digital system	10	years not exceeding the remaining period of the Agreement for operation
Datanet tools and equipments	10	years not exceeding the remaining period of the Agreement for operation
Computer system under the Agreement for operation of 1800-MHz operation	5	years not exceeding the remaining period of the Agreement for operation

No amortisation is provided on advance payment and assets under construction.

## (j) Intangible assets

### *Goodwill*

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill in a business combination represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition. The Group changed its accounting policy for goodwill with effect from 1 January 2008 as follows:

### **Acquisitions prior to 1 January 2008**

Goodwill was stated at cost from the date of initial recognition and amortised over its estimated useful life of 5 years. On 1 January 2008, the Group discontinued amortisation of goodwill. The remaining balance is subject to testing for impairment, as described in note 3 (l).

### **Acquisitions on or after 1 January 2008**

Goodwill is measured at cost. Negative goodwill is recognised immediately in the statement of income.

***The operation right***

The operation right of a subsidiary represents the acquisition cost of certain rights and obligations to operate a mobile phone system.

***Other intangible assets***

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

***Amortisation***

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

Software licences and software development costs	5, 10 years
The Right under the Agreement for operation	Over the period of the Agreement for operation

**(k) Other assets*****Deferred charges***

Deferred charges represent commitment fees for long-term loans, costs of long-term leases of space for base stations, expenditures relating to the increase of power of electricity at base stations and expenditures relating to the improvement project of mobile phone service network and are stated at cost less accumulated amortisation and impairment losses.

***Amortisation***

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of deferred charges. The estimated useful lives are as follows:

Commitment fees of long-term loans	Over the loan agreement period
Costs of long-term leases for base stations	Over the lease agreement period
Expenditures relating to the increase of power of electricity at base stations	Over the remaining period of the Agreement of operation period
Expenditures relating to the improvement project of mobile phone service network	5 years
Licence fees	10 years not exceeding the remaining period of the Agreement for operation

**(l) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income.

#### ***Calculation of recoverable amount***

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the assets' value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### ***Reversals of impairment***

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

**(n) Trade and other accounts payable**

Trade and other accounts payable are stated at cost.

**(o) Employee benefits*****Defined contribution plans***

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of income as incurred.

***Share based payments***

The employee share option programme allows certain of the Group's directors and employees to acquire shares of the Company under certain conditions. The proceeds received on exercise of the options, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

**(p) Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(q) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

***Sale of goods and services rendered***

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided. Revenue from mobile phone and call center services are recognised when services are rendered to customers. Revenue from rendering voice/data communications via telephone line network services is recognised when service is rendered.



**Rental income**

Rental income from rental equipment is recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

**Interest and dividend income**

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date of the Group's right to receive payments is established.

**(r) Expenses****Operating leases**

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Contingent rentals are charged to the statement of income for the accounting period in which they are incurred.

**Finance costs**

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognised in the statement of income using the effective interest rate method.

**Advertising cost**

Advertising cost is expense in the financial period during which they are incurred.

**(s) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4. Related party transactions and balances

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

During the year, the Group has entered into a number of transactions with related parties, the terms of which are negotiated in the ordinary course of business and according to normal trade conditions. Consulting and management service fees are charged on a mutually agreed basis as a percentage of assets.

Relationships with related parties that control or jointly control the Company or are being controlled or jointly controlled by the Company or have transactions with the Group were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Subsidiaries	Thailand	More than 50% shareholding or being controlled
Shin Corporation and its related Parties	Thailand, Lao and Cambodia	Major shareholder, 42.55% shareholding and some common directors
SingTel Strategic Investments Pte. Ltd. and its related parties	Singapore	Major shareholder, 21.28% shareholding and some common directors
Thanachart Group	Thailand	Thanachart Group has transactions with the Group in which Managing Director of Thanachart Group is the Company's director

Significant transactions for the years ended 31 December 2010 and 2009 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Service income</b>				
Subsidiaries	-	-	1,612	1,319
Shin Corporation and its related parties	114	123	24	20
Related party of SingTel Strategic Investments Pte. Ltd.	535	534	524	524
Thanachart Group	21	26	21	26
	<b>670</b>	<b>683</b>	<b>2,181</b>	<b>1,889</b>
<b>Sales of prepaid cards</b>				
Subsidiaries	-	-	11,389	17,874
<b>Sales of Refill on mobile (ROM)</b>				
Subsidiaries	-	-	20,208	21,539
<b>Sales of property and other assets</b>				
Subsidiaries	-	-	1,666	-
<b>Interest income</b>				
Subsidiaries	-	-	180	73
Thanachart Group	73	7	47	5
	<b>73</b>	<b>7</b>	<b>227</b>	<b>78</b>
<b>Other income</b>				
Subsidiaries	-	-	132	146
Shin Corporation and its related parties	7	3	1	2
	<b>7</b>	<b>3</b>	<b>133</b>	<b>148</b>
<b>Rental and other service expenses</b>				
Subsidiaries	-	-	9,949	5,154
Shin Corporation and its related parties	538	413	301	387
SingTel Strategic Investments Pte. Ltd. and its related parties	430	353	386	322
Thanachart Group	17	14	16	13
	<b>985</b>	<b>780</b>	<b>10,652</b>	<b>5,876</b>
<b>Advertising expense - net*</b>				
Related parties of Shin Corporation	<b>271</b>	<b>271</b>	<b>260</b>	<b>254</b>
<b>Advertising expense - gross**</b>				
Related parties of Shin Corporation	<b>729</b>	<b>735</b>	<b>650</b>	<b>686</b>

\* Net balance represents fees charged on advertising production and the gross margin of media work at advertising agency.

\*\* Gross balance represents total advertising expense charged to the Group and the Company. The Group records such expense on a gross basis in the statements of income.

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Sale promotion expense</b>				
Subsidiaries	-	-	94	125
Related parties of Shin Corporation	184	194	180	192
SingTel Strategic Investments Pte. Ltd. and its related parties	4	-	4	-
	<b>188</b>	<b>194</b>	<b>278</b>	<b>317</b>
<b>Commission expense</b>				
Subsidiary	-	-	<b>1,761</b>	<b>1,192</b>
<b>Management benefit expenses</b>	<b>113</b>	<b>72</b>	<b>112</b>	<b>72</b>
<b>Finance costs</b>				
Subsidiaries	-	-	22	9
Related parties of Shin Corporation	2	2	2	2
Thanachart Group	3	4	2	4
	<b>5</b>	<b>6</b>	<b>26</b>	<b>15</b>
<b>Dividend paid</b>				
Shin Corporation	21,862	7,961	21,862	7,961
SingTel Strategic Investments Pte. Ltd.	9,826	3,579	9,826	3,579
	<b>31,688</b>	<b>11,540</b>	<b>31,688</b>	<b>11,540</b>

Balances as at 31 December 2010 and 2009 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Trade accounts receivable</b>				
Subsidiaries	-	-	2,234	1,857
Shin Corporation and its related parties	17	12	3	4
Related party of SingTel Strategic Investments Pte. Ltd.	150	198	145	194
<b>Total</b>	<b>167</b>	<b>210</b>	<b>2,382</b>	<b>2,055</b>
<b>Amounts due from and loans to related parties</b>				
<b>Other receivables</b>				
Subsidiaries	-	-	167	68
Shin Corporation and its related parties	2	-	2	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>169</b>	<b>68</b>
<b>Short-term loans</b>				
Subsidiaries	-	-	5,531	2,230
<b>Total</b>	<b>2</b>	<b>-</b>	<b>5,700</b>	<b>2,298</b>

As at 31 December 2010, short-term loans to subsidiaries represent promissory notes, bearing interest at the rate of 5.02% per annum (2009: 5.03% per annum). Repayment term is at call.

Movements during the years ended 31 December 2010 and 2009 of loans to related parties of the Company were as follows:

	Separate financial statements	
	2010	2009
	(in million Baht)	

#### Short-term loans to related parties

##### Subsidiaries

At 1 January	2,230	465
Increase	7,966	1,765
Decrease	(4,665)	-
<b>At 31 December</b>	<b>5,531</b>	<b>2,230</b>

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			

#### Trade accounts payable

Subsidiaries	-	-	2,295	500
Related parties of Shin Corporation	107	40	43	39
Related party of SingTel Strategic Investments Pte. Ltd.	81	77	72	71
<b>Total</b>	<b>188</b>	<b>117</b>	<b>2,410</b>	<b>610</b>

#### Amounts due to and loans from related parties

##### Other payables

Subsidiaries	-	-	707	446
Related parties of Shin Corporation	214	212	203	192
Related party of SingTel Strategic Investments Pte. Ltd.	31	28	31	28
	245	240	941	666

##### Short-term loans

Subsidiaries	-	-	9,100	-
<b>Total</b>	<b>245</b>	<b>240</b>	<b>10,041</b>	<b>666</b>

As at 31 December 2010, short-term loans from subsidiaries represent promissory notes, bearing interest at the rate of 1.84% per annum.

Movements during the years ended 31 December 2010 and 2009 of loans from related parties of the Company were as follows:

	Separate financial statements	
	2010	2009
	(in million Baht)	
<b>Short-term loans from related parties</b>		
<b>Subsidiaries</b>		
At 1 January	-	5,500
Increase	15,920	-
Decrease	(6,820)	(5,500)
<b>At 31 December</b>	<b>9,100</b>	<b>-</b>

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Long-term debentures				
Subsidiary	-	-	1	1
Shin Corporation and its subsidiary*	53	48	53	48
Director of the Company and its related parties	1	1	1	1
Total	54	49	55	50

\* Shin Corporation and its subsidiary hold this long-term debenture through private funds, managed by independent fund manager.

### Significant agreements with related parties

The Group has entered into agreements with related parties and has commitment for payment according to a rate under the term and conditions stipulated in the agreements. The significant agreements with related parties are as follows:

- 1) The Company has entered into a consulting and management service agreement with a group of its subsidiaries. The Company will provide service in finance, legal, human resource and marketing consultancy and management and technical assistance to its subsidiaries. The agreement is valid for one year and is renewable on an annual basis. The contract parties have a right to terminate the agreement by giving advance notice to the counterparty of not less than 3 months.
- 2) The Company has entered into interconnection and national roaming agreements with Digital Phone Company Limited, a subsidiary. The suspension or termination of the agreement shall be referred to the regulations and conditions of the National Telecommunications Commission.

- 3) The Company has entered into a site share agreement with its subsidiaries to provide site area including facilities for installation of telecommunication equipment. The contract parties have a right to terminate the agreement by giving advance written notice to the counterparty of not less than 60 days.
- 4) The Company and its subsidiaries have entered into a call center service agreement with Advanced Contact Center Co., Ltd. ("ACC"), a subsidiary. ACC will provide service and required information including resolving problem requests from the Group's customers. The contract parties have a right to terminate the agreement by giving the counterparty a written notice for 30 days in advance.
- 5) The Company has entered into an agreement with Advanced Magic Card Co., Ltd. and Advanced MPAY Co., Ltd., its subsidiaries, to provide payment service for goods/service purchased through electronic cash cards and mobile phones. The contract parties have a right to terminate the agreement by giving advance written notice of not less than 30 days.
- 6) The Company and its subsidiaries have entered into an international roaming service agreement with the Group of SingTel Strategic Investments Pte. Ltd., related parties. The contract parties have a right to terminate the agreement by giving a written notice of 60 days in advance.
- 7) The Company has entered into a satellite transponder lease agreement with Thaicom Public Company Limited, a related party, for a monthly fee according to the rate and condition specified in the agreement. The agreement is valid until 21 June 2012.
- 8) The Group has entered into agreements with I.T. Applications and Services Company Limited, a related party, to receive computer system maintenance services. The agreement is renewable on an annual basis. The contract parties have a right to terminate the agreement by giving advance written notice of 3 months.

### Shin Corporation's warrants

Shin Corporation Public Company Limited ("SHIN"), a major shareholder, has granted its warrants at no cost to the Company's directors.

Certain directors of the Company are also directors of SHIN. Warrants granted to these directors (directors of both the Company and SHIN) are as follows:

Grant date	Warrants	Exercise price per unit	Exercise ratio	Adjustment to exercise price per unit and ratio (effective from 23 November 2010 onward)	
	(million units)			(Price)	(Ratio)
31 July 2006 (Grant V)	6.99	37.68	1 : 1	28.54	1 : 1.32042



Movements in the number of SHIN's warrants for the years ended 31 December are as follows:

	Separate financial statements	
	2010	2009
	(million units)	
At 1 January	1.80	2.45
Cancelled	(0.97)	(0.65)
<b>At 31 December</b>	<b>0.83</b>	<b>1.80</b>

For the year ended 31 December 2010, the Company's directors have not exercised warrants (2009: Directors exercised warrants of 0.58 million units to acquire 0.65 million ordinary shares of SHIN).

## 5. Cash and cash equivalents

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in million Baht)			
Cash on hand		31	23	5	5
Cash at bank - current accounts		419	449	26	60
Cash at bank - saving accounts		8,128	6,153	2,783	2,930
Highly liquid short-term investments		4,039	18,542	186	6,360
		12,617	25,167	3,000	9,355
Less Specifically-used bank deposits	6	(2,166)	(906)	-	-
<b>Total</b>		<b>10,451</b>	<b>24,261</b>	<b>3,000</b>	<b>9,355</b>

As at 31 December 2010, the effective interest rate on cash and cash equivalents was 0.15% - 1.98% per annum (2009: 0.19% - 2.75% per annum).

## 6. Specifically-used bank deposits

In order to comply with the Notification of the Bank of Thailand applicable to the electronic cash card business, the subsidiaries' held deposits at call with banks amounting to the subsidiaries' outstanding balance of advance from customers of Baht 2,166 million (2009: Baht 906 million). The deposits cannot be used for other purposes apart from payment made to service providers.

## 7. Other investments

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Current investments				
Promissory note at financial institutions	500	-	-	-
Bill of exchange at financial institutions	602	-	200	-
Fixed deposit at financial institutions	3,000	-	2,000	-
Debt securities available for sale	118	198	-	-
	4,220	198	2,200	-
Other long-term investments				
Fixed deposit at financial institutions - pledged	13	13	-	-
Fixed deposit at financial institutions	-	3,000	-	2,000
Other non marketable equity security	93	93	93	93
	106	3,106	93	2,093
Total	4,326	3,304	2,293	2,093

### **Current and other long-term investments**

As at 31 December 2010, debt securities available for sale, promissory note, bill of exchange and fixed deposits with a financial institutions bear interest at the effective rate of 1.75% to 3.37% per annum, respectively, (2009: 1.63% and 2.10% per annum, respectively).

### **Other long-term investments**

On 29 June and 30 October 2007, the Company invested in Bridge Mobile Pte. Ltd., a joint investment of 10 mobile phone operators in Asia-Pacific region to provide international roaming service (incorporated in Singapore), of 2.20 million ordinary shares, totaling UDS 2.70 million (Baht 92.76 million). Total shares invested represent 10.00% of its paid-up share capital.

### **Debt securities available for sale**

As at 31 December 2010 and 2009, Group had debt securities which hold through private funds, managed by independent fund manager.

## 8. Trade accounts receivable

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in million Baht)			
Related parties	4	167	210	2,382	2,055
Other parties		3,189	3,618	2,558	2,433
Accrued income		2,867	2,567	2,776	2,497
		6,223	6,395	7,716	6,985
Less allowance for doubtful accounts		(613)	(622)	(573)	(574)
<b>Total</b>		<b>5,610</b>	<b>5,773</b>	<b>7,143</b>	<b>6,411</b>

Aging analyses for trade accounts receivable are as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Related parties</b>				
Current - 3 months	165	205	2,382	1,878
Overdue 3 - 6 months	2	2	-	44
Overdue 6 - 12 months	-	3	-	98
Overdue over 12 months	-	-	-	35
	167	210	2,382	2,055
Less allowance for doubtful accounts	-	-	-	-
<b>Net</b>	<b>167</b>	<b>210</b>	<b>2,382</b>	<b>2,055</b>
<b>Other parties</b>				
Current - 3 months	5,610	5,724	4,973	4,562
Overdue 3 - 6 months	137	133	109	114
Overdue 6 - 12 months	16	163	7	147
Overdue over 12 months	293	165	245	107
	6,056	6,185	5,334	4,930
Less allowance for doubtful accounts	(613)	(622)	(573)	(574)
<b>Net</b>	<b>5,443</b>	<b>5,563</b>	<b>4,761</b>	<b>4,356</b>
<b>Total</b>	<b>5,610</b>	<b>5,773</b>	<b>7,143</b>	<b>6,411</b>

The normal credit term granted by the Group ranges from 14 days to 30 days.

## 9. Inventories

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Finished goods	878	587	-	-
Supplies and spare parts	44	34	-	-
Spare parts for mobile phone network maintenance	871	868	720	717
	1,793	1,489	720	717
Less allowance for obsolete and diminution in value of inventories	(861)	(860)	(682)	(673)
<b>Total</b>	<b>932</b>	<b>629</b>	<b>38</b>	<b>44</b>

## 10. Other current assets

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Prepaid expenses	1,009	1,133	892	1,119
Account receivables - cash card/refill on mobile	700	46	-	-
Other receivables	45	64	31	31
Others	705	308	282	202
<b>Total</b>	<b>2,459</b>	<b>1,551</b>	<b>1,205</b>	<b>1,352</b>

## 11. Investments in subsidiaries

	Separate financial statements	
	2010	2009
	(in million Baht)	
At 1 January	20,223	20,223
Acquisitions	51	-
Liquidation	-	(8)
Decrease in allowance for impairment	-	8
<b>At 31 December</b>	<b>20,274</b>	<b>20,223</b>

### *The liquidation of subsidiary*

On 22 July 2009, Data Network Solutions Company Limited (“DNS”), a subsidiary in which the Company owns 49.00% of its total shares had registered the dissolution of a company with the Business Development Department, the Ministry of Commerce, on 16 December 2008. DNS has completed the process of liquidation and as a result is dissolved as a juristic entity.

**Dividend income from subsidiaries**

At the annual general meeting and the board of directors meeting of the subsidiaries, resolutions were passed to approve the dividend payment to the shareholders as follows:

Company	Date of meeting	Dividend (Baht/share)	Amount (million Baht)
Advanced Contact Center Co., Ltd.	23 March 2010	6.25	170
Advanced Magic Card Co., Ltd.	23 March 2010	7.50	188
AIN GlobalComm Co., Ltd.	23 March 2010	430.00	860
Digital Phone Co., Ltd.	11 November 2010	0.75	1,080
Advanced Contact Center Co., Ltd.	29 November 2010	2.25	61
Advanced Magic Card Co., Ltd.	29 November 2010	4.00	100
AIN GlobalComm Co., Ltd.	29 November 2010	350.00	700
Wireless Device Supply Co., Ltd.	29 November 2010	2,000.00	1,000

**Investments by subsidiaries**

On 14 October 2009, Advanced Wireless Network Company Limited (“AWN”), a subsidiary of the Company, invested in Mobile Broadband Business Company Limited (“MBB”) of 1,199,997 shares consisted of preferred share by 51% and ordinary share by 49% of total share, par value of Baht 100 per share, totalling Baht 120 million. Total shares invested represented 99.99% ownership.

On 19 October 2009, Mobile Broadband Business Company Limited (“MBB”), an indirect subsidiary of the Company, invested in Advanced Mobile Broadband Company Limited (“AMB”) of 999,997 ordinary shares, par value of Baht 100 per share, totalling Baht 100 million. Total shares invested represented 99.99% ownership.

On 8 January 2010, the Company invested in Fax Lite Company Limited (“FXL”) of 9,997 ordinary shares with a par value of Baht 100 per share, totaling Baht 999,700. Total shares invested represent 99.97% ownership. The objective of business is to operate in acquiring and/or renting land, building, and related facilities to telecommunication business.

On 8 January 2010, the Company invested in i Zone Company Limited (“i Zone”) of 9,997 ordinary shares with a par value of Baht 100 per share, totaling Baht 999,700. Total shares invested represent 99.97% ownership. The objective of business is to operate IT, and content aggregator businesses.

On 3 June 2010, MIMO Tech Co., Ltd. (“MMT”), a subsidiary, registered the increase in the share capital from Baht 1 million (10,000 ordinary shares, Baht 100 par value) to Baht 50 million (500,000 ordinary shares, Baht 100 par value) with the Ministry of Commerce. The purpose of the capital increase is for future investment. The Company paid for the increased shares by Baht 100 per share, totalling Baht 50 million and holds 99.99% of the issued share capital.

Investments in subsidiaries and indirect subsidiary as at 31 December 2010 and 2009, and dividend income from those investments for the years then ended were as follows:

	Separate financial statements											
	Ownership interest		Paid-up capital		Cost method		Impairment		At cost - net		Dividend income	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(%)		(in million Baht)									
Subsidiaries												
Advanced Internet Revolution Co., Ltd. (formerly: Mobile from Advance Co., Ltd.)	99.99	99.99	240	240	600	600	(335)	(335)	265	265	-	-
Advanced Contact Center Co., Ltd.	99.99	99.99	272	272	811	811	-	-	811	811	231	170
Digital Phone Co., Ltd.	98.55	98.55	14,622	14,622	23,300	23,300	(5,539)	(5,539)	17,761	17,761	1,080	3,098
Advanced Magic Card Co., Ltd.	99.99	99.99	250	250	250	250	-	-	250	250	288	212
Advanced MPAY Co., Ltd.	99.99	99.99	300	300	336	336	-	-	336	336	-	-
AIN GlobalComm Co., Ltd.	99.99	99.99	100	100	100	100	-	-	100	100	1,560	1,100
Advanced Wireless Network Co., Ltd.	99.99	99.99	350	350	350	350	-	-	350	350	-	-
Super Broadband Network Co., Ltd.	99.99	99.99	300	300	300	300	-	-	300	300	-	-
Wireless Device Supply Co., Ltd.	99.99	99.99	50	50	50	50	-	-	50	50	1,000	-
Fax Lite Co., Ltd.	99.97	-	1	-	1	-	-	-	1	-	-	-
MIMO Tech Co., Ltd. (formerly: i Zone Co., Ltd.)	99.99	-	50	-	50	-	-	-	50	-	-	-
Total			26,148	26,097	(5,874)	(5,874)	(5,874)	(5,874)	20,274	20,223	4,159	4,580

## 12. Property, plant and equipment

	Consolidated financial statements								
	Land	Building and building improvement	Leasehold building improvement	Computer, tools and equipment	Furniture, fixtures and office equipment	Com- munication equipment for rental	Vehicles	Assets under construction and installation	Total
	(In million Baht)								
Cost									
At 1 January 2009	1	504	880	29,190	2,105	25	249	916	33,870
Additions	-	-	49	3,684	305	-	41	(242)	3,837
Transfers	-	(20)	34	185	(183)	(3)	-	(147)	(134)
Disposals	-	-	(43)	(941)	(244)	(4)	(26)	(2)	(1,260)
At 31 December 2009 and 1 January 2010	1	484	920	32,118	1,983	18	264	525	36,313
Additions	138	2	45	1,602	395	-	57	89	2,328
Transfers	-	-	1	46	-	-	-	(123)	(76)
Disposals	-	-	(59)	(169)	(350)	(4)	(61)	-	(643)
At 31 December 2010	139	486	907	33,597	2,028	14	260	491	37,922
Depreciation									
At 1 January 2009	-	(231)	(644)	(23,075)	(1,635)	(12)	(130)	-	(25,727)
Depreciation charge for the year	-	(41)	(106)	(2,794)	(348)	(5)	(43)	-	(3,337)
Impairment charge	-	(5)	-	(323)	(4)	(4)	-	-	(336)
Transfers	-	12	(12)	(120)	140	3	-	-	23
Disposals	-	-	40	932	238	3	18	-	1,231
At 31 December 2009 and 1 January 2010	-	(265)	(722)	(25,380)	(1,609)	(15)	(155)	-	(28,146)
Depreciation charge for the year	-	(41)	(84)	(2,462)	(372)	(2)	(40)	-	(3,001)
Transfers	-	5	(5)	(3)	-	-	-	-	(3)
Disposals	-	-	55	157	338	3	43	-	596
At 31 December 2010	-	(301)	(756)	(27,688)	(1,643)	(14)	(152)	-	(30,554)



	Consolidated financial statements							
	Land	Building and building improvement	Leasehold building improvement	Computer, tools and equipment	Furniture, fixtures and office equipment	Com-munication equipment for rental	Vehicles	Assets under construction and installation
	(in million Baht)							
<b>Net book value</b>								
Owned assets	1	219	198	6,738	374	3	50	525
Assets under finance leases	-	-	-	-	-	-	59	-
<b>Total at 31 December 2009</b>	<b>1</b>	<b>219</b>	<b>198</b>	<b>6,738</b>	<b>374</b>	<b>3</b>	<b>109</b>	<b>525</b>
Owned assets	139	185	151	5,909	385	-	27	491
Assets under finance leases	-	-	-	-	-	-	81	-
<b>Total at 31 December 2010</b>	<b>139</b>	<b>185</b>	<b>151</b>	<b>5,909</b>	<b>385</b>	<b>-</b>	<b>108</b>	<b>491</b>
								<b>7,368</b>

The gross amount of the Group's fully depreciated plant and equipment that was still in use as at 31 December 2010 amounted to Baht 23,527 million (2009: Baht 22,786 million).

During 2009, the Group reviewed the carrying amount of computer, tool and equipment, assets under the Agreement for operation and deferred expenses of service rendering data leased-line with DATAKIT VIRTUAL CIRCUIT by comparing net book value as at 31 December 2009 with the recoverable net present value of future cash generation assuming that these assets are in operation for 5 years based on value-in-use calculation. As a result of the review, the Group recorded an impairment loss of computer, tool and equipment, assets under the Agreement for operation and deferred expenses totaling Baht 561 million in the 2009 consolidated statement of income and the 2009 statement of income of a subsidiary.

	Separate financial statements						
	Building and building improvement	Leasehold building improvement	Computer, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installation	Total
	(in million Baht)						
<b>Cost</b>							
At 1 January 2009	410	852	28,022	1,561	228	204	31,277
Additions	-	45	1,410	300	39	32	1,826
Transfers	-	-	(210)	210	-	(115)	(115)
Disposals	-	(39)	(531)	(212)	(23)	(2)	(807)
<b>At 31 December 2009 and 1 January 2010</b>	<b>410</b>	<b>858</b>	<b>28,691</b>	<b>1,859</b>	<b>244</b>	<b>119</b>	<b>32,181</b>
Additions	1	40	630	393	36	12	1,112
Transfers	-	-	42	-	-	(110)	(68)
Disposals	(2)	(47)	(3,534)	(372)	(62)	-	(4,017)
<b>At 31 December 2010</b>	<b>409</b>	<b>851</b>	<b>25,829</b>	<b>1,880</b>	<b>218</b>	<b>21</b>	<b>29,208</b>
<b>Depreciation</b>							
At 1 January 2009	(213)	(639)	(22,696)	(1,161)	(120)	-	(24,829)
Depreciation charge for the year	(37)	(97)	(2,464)	(330)	(40)	-	(2,968)
Transfers	-	-	242	(225)	-	-	17
Disposals	-	39	525	204	17	-	785
<b>At 31 December 2009 and 1 January 2010</b>	<b>(250)</b>	<b>(697)</b>	<b>(24,393)</b>	<b>(1,512)</b>	<b>(143)</b>	<b>-</b>	<b>(26,995)</b>
Depreciation charge for the year	(37)	(75)	(1,765)	(361)	(36)	-	(2,274)
Disposals	1	45	2,763	351	43	-	3,203
<b>At 31 December 2010</b>	<b>(286)</b>	<b>(727)</b>	<b>(23,395)</b>	<b>(1,522)</b>	<b>(136)</b>	<b>-</b>	<b>(26,066)</b>

	Separate financial statements						
	Building and building improvement	Leasehold building improvement	Computer, tools and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction and installation	Total
	(in million Baht)						
<b>Net book value</b>							
Owned assets	160	161	4,298	347	46	119	5,131
Assets under finance leases	-	-	-	-	55	-	55
<b>Total at 31 December 2009</b>	<b>160</b>	<b>161</b>	<b>4,298</b>	<b>347</b>	<b>101</b>	<b>119</b>	<b>5,186</b>
Owned assets	123	124	2,434	358	21	21	3,081
Assets under finance leases	-	-	-	-	61	-	61
<b>Total at 31 December 2010</b>	<b>123</b>	<b>124</b>	<b>2,434</b>	<b>358</b>	<b>82</b>	<b>21</b>	<b>3,142</b>

The gross amount of the Company's fully depreciated plant and equipment that was still in use as at 31 December 2010 amounted to Baht 23,359 million (2009: Baht 22,659 million).

### 13. Assets under the Agreements for operation

	Consolidated financial statements			
	Cost of mobile phone networks	Cost of datanet tools and equipment	Advance payment and assets under construction of mobile phone networks	Total
	(in million Baht)			
<b>Cost</b>				
At 1 January 2009	181,254	1,538	1,357	184,149
Additions	5,789	-	(1,068)	4,721
<b>At 31 December 2009 and 1 January 2010</b>	<b>187,043</b>	<b>1,538</b>	<b>289</b>	<b>188,870</b>
Additions	2,262	13	142	2,417
Transfers	(3)	-	-	(3)
Disposals	(962)	-	-	(962)
<b>At 31 December 2010</b>	<b>188,340</b>	<b>1,551</b>	<b>431</b>	<b>190,322</b>
<b>Amortisation</b>				
At 1 January 2009	(109,860)	(1,244)	-	(111,104)
Amortisation charge for the year	(15,925)	(91)	-	(16,016)
Impairment charge	-	(203)	-	(203)
<b>At 31 December 2009 and 1 January 2010</b>	<b>(125,785)</b>	<b>(1,538)</b>	<b>-</b>	<b>(127,323)</b>
Amortisation charge for the year	(15,696)	(1)	-	(15,697)
Transfers	3	-	-	3
Disposals	871	-	-	871
<b>At 31 December 2010</b>	<b>(140,607)</b>	<b>(1,539)</b>	<b>-</b>	<b>(142,146)</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>61,258</b>	<b>-</b>	<b>289</b>	<b>61,547</b>
<b>At 31 December 2010</b>	<b>47,733</b>	<b>12</b>	<b>431</b>	<b>48,176</b>

The gross amount of the Group's fully amortised assets under the Agreements for operation that was still in use as at 31 December 2010 amounted to Baht 36,843 million (2009: Baht 26,322 million).

	Separate financial statements		
	Cost of mobile phone networks	Advance payment and assets under construction of mobile phone networks	Total
	(in million Baht)		
<b>Cost</b>			
At 1 January 2009	167,894	1,357	169,251
Additions	5,788	(1,068)	4,720
<b>At 31 December 2009 and 1 January 2010</b>	<b>173,682</b>	<b>289</b>	<b>173,971</b>
Additions	2,191	142	2,333
Disposals	(962)	-	(962)
<b>At 31 December 2010</b>	<b>174,911</b>	<b>431</b>	<b>175,342</b>
<b>Amortisation</b>			
At 1 January 2009	(100,166)	-	(100,166)
Amortisation charge for the year	(14,754)	-	(14,754)
<b>At 31 December 2009 and 1 January 2010</b>	<b>(114,920)</b>	<b>-</b>	<b>(114,920)</b>
Amortisation charge for the year	(14,641)	-	(14,641)
Disposals	870	-	870
<b>At 31 December 2010</b>	<b>(128,691)</b>	<b>-</b>	<b>(128,691)</b>
<b>Net book value</b>			
<b>At 31 December 2009</b>	<b>58,762</b>	<b>289</b>	<b>59,051</b>
<b>At 31 December 2010</b>	<b>46,220</b>	<b>431</b>	<b>46,651</b>

The gross amount of the Company's fully amortised assets under the Agreement for operation that was still in use as at 31 December 2010 amounted to Baht 32,499 million (2009: Baht 23,177 million).

## 14. Intangible assets

	Consolidated financial statements			
	Goodwill	Operation right	Software licences	Total
	(in million Baht)			
<b>Cost</b>				
At 1 January 2009	14,352	6,993	4,239	25,584
Additions	-	-	313	313
Transfers	-	-	126	126
Disposals	-	-	(6)	(6)
<b>At 31 December 2009 and 1 January 2010</b>	<b>14,352</b>	<b>6,993</b>	<b>4,672</b>	<b>26,017</b>
Additions	-	-	204	204
Transfers	-	-	80	80
<b>At 31 December 2010</b>	<b>14,352</b>	<b>6,993</b>	<b>4,956</b>	<b>26,301</b>
<b>Amortisation</b>				
At 1 January 2009	(11,215)	(4,852)	(2,979)	(19,046)
Amortisation charge for the year	-	(454)	(213)	(667)
Transfers	-	-	(23)	(23)
Disposals	-	-	5	5
<b>At 31 December 2009 and 1 January 2010</b>	<b>(11,215)</b>	<b>(5,306)</b>	<b>(3,210)</b>	<b>(19,731)</b>
Amortisation charge for the year	-	(455)	(214)	(669)
Impairment charge	(1,560)	-	-	(1,560)
<b>At 31 December 2010</b>	<b>(12,775)</b>	<b>(5,761)</b>	<b>(3,424)</b>	<b>(21,960)</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>3,137</b>	<b>1,687</b>	<b>1,462</b>	<b>6,286</b>
<b>At 31 December 2010</b>	<b>1,577</b>	<b>1,232</b>	<b>1,532</b>	<b>4,341</b>

The Group reviewed the carrying amount of goodwill in respect of the Digital PCN 1800 Mobile phone system operation by comparing net book value as at 31 December 2010 with the recoverable net present value of future cash generation assuming that the Agreement for operation expires on 15 September 2013 based on value-in-use calculation.

As a result of the review, the Group recorded a loss from goodwill impairment of Baht 1,560 million in the 2010 consolidated statement of income.

	Separate financial statements	
	Software licences	
	(in million Baht)	
<b>Cost</b>		
At 1 January 2009		4,000
Additions		296
Transfers		106
Disposals		(4)
<b>At 31 December 2009 and 1 January 2010</b>		<b>4,398</b>
Additions		139
Transfers		68
Disposals		(1,351)
<b>At 31 December 2010</b>		<b>3,254</b>
<b>Amortisation</b>		
At 1 January 2009		(2,931)
Amortisation charge for the year		(186)
Transfers		(16)
Disposals		3
<b>At 31 December 2009 and 1 January 2010</b>		<b>(3,130)</b>
Amortisation charge for the year		(131)
Disposals		456
<b>At 31 December 2010</b>		<b>(2,805)</b>
<b>Net book value</b>		
<b>At 31 December 2009</b>		<b>1,268</b>
<b>At 31 December 2010</b>		<b>449</b>

## 15. Deferred tax

Deferred tax assets and liabilities determined after appropriate offsetting are included in the balance sheets as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Deferred tax assets	10,033	10,328	9,176	9,417
Deferred tax liabilities	(219)	(277)	(187)	(232)
<b>Net</b>	<b>9,814</b>	<b>10,051</b>	<b>8,989</b>	<b>9,185</b>



Movements in deferred tax assets and liabilities during the year were as follows:

	Consolidated financial statements				
	At 1 January 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2010
	(in million Baht)				
<b>Deferred tax assets</b>					
Accounts receivable (doubtful accounts)	127	56	183	(4)	179
Inventories					
(provision for decline in value)	268	(10)	258	(3)	255
Assets under the Agreement for					
operation (amortisation difference)	8,764	101	8,865	(222)	8,643
Unearned income - mobile phone					
service (income recognised difference)	1,180	(250)	930	(142)	788
Others	85	7	92	76	168
<b>Total</b>	<b>10,424</b>	<b>(96)</b>	<b>10,328</b>	<b>(295)</b>	<b>10,033</b>
<b>Deferred tax liabilities</b>					
Prepaid expense under the Agreement					
for operation and excise tax					
(expense recognised difference)	(268)	58	(210)	32	(178)
Accelerated tax					
(amortisation difference)	(57)	3	(54)	22	(32)
Others	(24)	11	(13)	4	(9)
<b>Total</b>	<b>(349)</b>	<b>72</b>	<b>(277)</b>	<b>58</b>	<b>(219)</b>
<b>Net</b>	<b>10,075</b>	<b>(24)</b>	<b>10,051</b>	<b>(237)</b>	<b>9,814</b>

	Separate financial statements				
	At 1 January 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2010
	(in million Baht)				
<b>Deferred tax assets</b>					
Accounts receivable (doubtful accounts)	117	51	168	(2)	166
Inventories (provision for decline in value)	196	6	202	3	205
Assets under the Agreement for operation (amortisation difference)	7,927	103	8,030	(121)	7,909
Unearned income - mobile phone service (income recognised difference)	1,180	(250)	930	(142)	788
Others	76	11	87	21	108
<b>Total</b>	<b>9,496</b>	<b>(79)</b>	<b>9,417</b>	<b>(241)</b>	<b>9,176</b>

	Separate financial statements				
	At 1 January 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2009	Charged/ (credited) to Statement of income (note 28)	At 31 December 2010
	(in million Baht)				

**Deferred tax liabilities**

Prepaid expense under the Agreement

for operation and excise tax (expense recognised difference)	(268)	58	(210)	32	(178)
Others	(24)	2	(22)	13	(9)
<b>Total</b>	<b>(292)</b>	<b>60</b>	<b>(232)</b>	<b>45</b>	<b>(187)</b>
<b>Net</b>	<b>9,204</b>	<b>(19)</b>	<b>9,185</b>	<b>(196)</b>	<b>8,989</b>

**16. Other non-current assets**

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			

Deferred charges, net	317	400	304	385
Others	211	278	174	249
<b>Total</b>	<b>528</b>	<b>678</b>	<b>478</b>	<b>634</b>

**17. Interest-bearing borrowings**

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			

**Current**

Current portion of long-term borrowings, net	11,870	476	11,870	476
Current portion of long-term debentures, net	3,992	-	3,992	-
Current portion of finance lease liabilities	21	22	15	18
	15,883	498	15,877	494

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Non-current</b>				
Long-term borrowings, net	4,920	17,096	4,920	17,096
Long-term debentures, net	15,491	19,474	15,491	19,474
Finance lease liabilities	67	50	52	47
	20,478	36,620	20,463	36,617
<b>Total</b>	<b>36,361</b>	<b>37,118</b>	<b>36,340</b>	<b>37,111</b>

The periods to maturity of interest-bearing borrowings, excluding finance lease liabilities, as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Within one year	15,862	476	15,862	476
After one year but within five years	19,335	34,902	19,335	34,902
After five years	1,076	1,668	1,076	1,668
<b>Total</b>	<b>36,273</b>	<b>37,046</b>	<b>36,273</b>	<b>37,046</b>

### Long-term borrowings

As at 31 December 2010, the details of long-term loans under syndicate and export credit agency (ECA) agreement with credit facilities in amount of JPY 30,568.20 million and USD 210.66 million, respectively, are summarised as follows:

Credit facilities (million)	Interest rate (per annum)	Term of interest Payment	Principal payment term	31 December	
				2010	2009
				(in million Baht)	
JPY 30,568.20	JPY LIBOR plus margin	Monthly*	Entirely redeemed on 20 November 2011	11,439	11,176
USD 70.00	LIBOR plus margin	Semi-annual	Entirely redeemed on 9 November 2014	2,121	2,346
USD 140.66	LIBOR plus margin	Semi-annual	20 equal installments commencing on 30 November 2008 until 31 May 2018	3,230	4,050
<b>Total</b>				<b>16,790</b>	<b>17,572</b>

\* Term of interest payment is changed from semi-annual to monthly payment since 20 November 2009.

**Long-term debentures**

As at 31 December 2010 and 2009, long-term debentures represent unsubordinated and unsecured debentures with a par value of Baht 1,000 each and are detailed as follows:

Issue date	No. of units (million)	Amount (million Baht)	Interest rate (per annum)	Term of interest payment	Principal payment term	31 December	
						2010	2009
						(in million Baht)	
7 September 2006	4.00	4,000	5.90%	Semi-annual	Entirely redeemed on 7 September 2011	4,000	4,000
7 September 2006	4.00	4,000	6.00%	Semi-annual	Entirely redeemed on 7 September 2013	4,000	4,000
30 April 2008	4.00	4,000	4.00% for the first two year and 4.90% for the last three years	Quarterly	Entirely redeemed on 30 April 2013	4,000	4,000
23 January 2009	5.00	5,000	4.00% for the first 2.5 year and 5.00% for the last year	Quarterly	Entirely redeemed on 23 July 2012	5,000	5,000
23 January 2009	2.50	2,500	4.00% for the first two year, 5.00% for the third and fourth year and 6.00% for the last years	Quarterly	Entirely redeemed on 23 January 2014	2,500	2,500
Total debentures						19,500	19,500
Less bond issuing cost balance at 31 December						(17)	(26)
<b>Net</b>						<b>19,483</b>	<b>19,474</b>

Under the terms and conditions of the long-term borrowings and debentures, the Company has to comply with certain restrictions and maintain certain financial ratios.

As at 31 December 2010, the Group and the Company did not have unutilised credit facilities (2009: the Group and the Company had Baht 10,000 million and Baht 6,000 million, respectively).

The carrying amounts and fair values of long-term debentures (gross of issue costs) as at 31 December are as follows:

	Consolidated and separate financial statements			
	Carrying amount		Fair values*	
	2010	2009	2010	2009
	(in million Baht)			
<b>Long-term debentures</b>	<b>19,500</b>	<b>19,500</b>	<b>20,237</b>	<b>20,494</b>

\* Fair values for traded debentures have been determined based on quoted selling prices from The Thai Bond Market Association at the close of the business on the reporting date.

Movement during the years ended 31 December of borrowing was as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
At 1 January	37,118	36,812	37,111	36,800
Additions	55	8,574	36	8,573
Bond issuing cost	-	(19)	-	(19)
Repayments	(511)	(7,200)	(507)	(7,194)
Terminate cost	(14)	-	(13)	-
Unrealised gain on foreign exchange	(296)	(1,059)	(296)	(1,059)
Amortisation of bond issuing cost	9	10	9	10
<b>At 31 December</b>	<b>36,361</b>	<b>37,118</b>	<b>36,340</b>	<b>37,111</b>

The effective weighted interest rates as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(% per annum)			
Long-term borrowings	4.57	4.48	4.57	4.48
Long-term debentures	5.07	5.07	5.07	5.07
Finance lease liabilities	7.98	9.28	6.75	9.20

## 18. Trade accounts payable

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in million Baht)			
Related parties	4	188	117	2,410	610
Other parties		2,972	2,612	1,651	1,797
<b>Total</b>		<b>3,160</b>	<b>2,729</b>	<b>4,061</b>	<b>2,407</b>

## 19. Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Accrued bonus	971	754	719	659
Accrued interest expense	319	319	319	319
Accrued commission	184	136	117	123
Value added tax payable	384	114	359	413
Other payables	1,061	1,541	1,044	1,534
Withholding tax payable	1,072	274	1,000	129
Others	862	773	352	465
<b>Total</b>	<b>4,853</b>	<b>3,911</b>	<b>3,910</b>	<b>3,642</b>

## 20. Share capital

	Par value per share	2010		2009	
		Number	Baht	Number	Baht
	(in Baht)	(million share / million Baht)			

### Authorised

At 1 January

- ordinary shares	1	4,997	4,997	4,997	4,997
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### At 31 December

- ordinary shares	1	4,997	4,997	4,997	4,997
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### Issued and fully paid

At 1 January

- ordinary shares	1	2,965	2,965	2,962	2,962
Increase of new shares	1	5	5	3	3

### At 31 December

- ordinary shares	1	2,970	2,970	2,965	2,965
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During the year ended 31 December 2010, the Company registered the increase in share capital with the Ministry of Commerce for 4.60 million ordinary shares from the exercise of 3.70 million warrants. The capital increase results in an increase in paid-up share capital and share premium of Baht 4.60 million and Baht 334.70 million, respectively.

As at 31 December 2010, the total issued number of ordinary shares is 2,970 million shares (2009: 2,965 million shares) with a par value of Baht 1 per share (2009: Baht 1 per share). All issued shares are fully paid.

During the year ended 31 December 2009, the Company registered the increase in share capital with the Ministry of Commerce for 3.70 million ordinary shares from the exercise of 3.20 million warrants. The capital increase results in an increase in paid-up share capital and share premium of Baht 3.70 million and Baht 293 million, respectively.

### **Capital management**

- The Group aim to manage its capital structure to be stronger than industry peer and commit to be investment grade rating. This will allow the Group to retain superior financial flexibility in order to capture future growth prospect. The Group's financial flexibility means diversified source of capital, ease of funding, and appropriate cost of capital.
- In an intermediate term, the Group view that telecommunications industry in Thailand will face another phase of technology change and hence new investment will be required. The Group's balance sheet is flexible to prepare the Group for such investment and the Group aim to leverage on its gearing through debt instrument.

## **21. Warrants**

### **Warrants granted to directors and employees**

The Company granted warrants at no cost to directors and employees. The warrants are in registered form and non-transferable. Term of warrant is not exceeding 5 years. Details of warrants are as follows:

Grant date	31 May 2004 (Grant III)	31 May 2005 (Grant IV)	31 May 2006 (Grant V)
Twelfth adjustment to exercise price per unit and ratio (effective from 16 April 2009 onwards)			
- Price	77.20	90.85	80.41
- Ratio	1 : 1.18897	1 : 1.17405	1 : 1.13751
Thirteenth adjustment to exercise price per unit and ratio (effective from 25 August 2009 onwards)			
- Price	-	89.29	79.03
- Ratio	-	1 : 1.19454	1 : 1.15737
Fourteenth adjustment to exercise price per unit and ratio (effective from 12 April 2010 onwards)			
- Price	-	82.42	72.95
- Ratio	-	1 : 1.29417	1 : 1.25390
Fifteenth adjustment to exercise price per unit and ratio (effective from 17 August 2010 onwards)			
- Price	-	-	71.89
- Ratio	-	-	1 : 1.27228
Sixteenth adjustment to exercise price per unit and ratio (effective from 16 November 2010 onwards)			
- Price	-	-	68.05
- Ratio	-	-	1 : 1.34405



***Twelfth adjustment to exercise price and exercise ratio of warrant grant III, grant IV and grant V***

At the Board of Directors' meeting held on 8 April 2009, the shareholders passed a resolution to approve the twelfth adjustment of the exercise price of warrants grant III, grant IV and grant V from Baht 79.65 per unit to Baht 77.20 per unit, from Baht 93.73 per unit to Baht 90.85 per unit and from Baht 82.96 per unit to Baht 80.41 per unit, respectively. In addition, the exercise ratio was approved to be changed from 1 : 1.15247 to 1 : 1.18897 for grant III, from 1 : 1.13801 to 1 : 1.17405 for grant IV and from 1 : 1.10259 to 1 : 1.13751 for grant V. The new exercise price and exercise ratio were effective from 16 April 2009 onwards.

***Thirteenth adjustment to exercise price and exercise ratio of warrant grant IV and grant V***

At the Board of Directors' meeting held on 13 August 2009, the shareholders passed a resolution to approve the thirteenth adjustment of the exercise price of warrants grant IV and grant V from Baht 90.85 per unit to Baht 89.29 per unit and from Baht 80.41 per unit to Baht 79.03 per unit, respectively. In addition, the exercise ratio was approved to be changed from 1 : 1.17405 to 1 : 1.19454 for grant IV and from 1 : 1.13751 to 1 : 1.15737 for grant V. The new exercise price and exercise ratio were effective from 25 August 2009 onwards.

***Fourteenth adjustment to exercise price and exercise ratio of warrant grant IV and grant V***

At the Board of Directors' meeting held on 8 April 2010, the shareholders passed a resolution to approve the fourteenth adjustment of the exercise price of warrants grant IV and grant V from Baht 89.29 per unit to Baht 82.42 per unit and from Baht 79.03 per unit to Baht 72.95 per unit, respectively. In addition, the exercise ratio was approved to be changed from 1 : 1.19454 to 1 : 1.29417 for grant IV and from 1 : 1.15737 to 1 : 1.25390 for grant V. The new exercise price and exercise ratio were effective from 12 April 2010 onwards.

***Fifteenth adjustment to exercise price and exercise ratio of warrant grant V***

At the Board of Directors' meeting held on 6 August 2010, the shareholders passed a resolution to approve the fifteenth adjustment of the exercise price of warrants grant V from Baht 72.95 per unit to Baht 71.89 per unit. In addition, the exercise ratio was approved to be changed from 1 : 1.25390 to 1 : 1.27228 for grant V. The new exercise price and exercise ratio were effective from 17 August 2010 onwards.

***Sixteenth adjustment to exercise price and exercise ratio of warrant grant V***

At the Board of Directors' meeting held on 4 November 2010, the shareholders passed a resolution to approve the sixteenth adjustment of the exercise price of warrants grant V from Baht 71.89 per unit to Baht 68.05 per unit. In addition, the exercise ratio was approved to be changed from 1 : 1.27228 to 1 : 1.34405 for grant V. The new exercise price and exercise ratio were effective from 16 November 2010 onwards.

**Movements in the number of warrants outstanding are as follows:**

	Directors	Employees	Total
	(in million units)		
At 1 January 2009	6.14	16.83	22.97
Exercised	(0.31)	(2.90)	(3.21)
Cancelled	(0.58)	(3.46)	(4.04)
<b>At 31 December 2009 and 1 January 2010</b>	<b>5.25</b>	<b>10.47</b>	<b>15.72</b>
Exercised	(0.67)	(3.19)	(3.86)
Cancelled	(3.03)	(5.96)	(8.99)
<b>At 31 December 2010</b>	<b>1.55</b>	<b>1.32</b>	<b>2.87</b>

**Exercised warrants**

During the year ended 31 December 2010, warrant 0.67 million units and 3.19 million units were exercised by the Company's directors and employees, respectively, (2009: 0.31 million units and 2.90 million units, respectively). The exercises of 3.86 million warrants during the year ended 31 December 2010 (2009: 3.21 million warrants), increased paid-up share capital and premium on share capital by Baht 4.6 million and Baht 334.70 million, respectively (2009: Baht 3.70 million and Baht 293 million, respectively).

The exercise of warrants complied with the terms and conditions of the issuance of warrants which were approved by the Company's shareholders.

**22. Additional paid-in capital and reserves****Share premium**

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares. Share premium is not available for dividend distribution.

**Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

**23. Segment information**

Segment information is presented in respect of the Group's business and geographic segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

### Business segments

The Group comprises the following main business segments:

- Segment 1      Mobile phone and call center services
- Segment 2      Mobile phone sales
- Segment 3      Datanet and broadband services

### Geographic segments

Management considers that the Group operates in a single geographic area, namely in Thailand, and has, therefore, only one major geographic segment.

### Business segment results

	Consolidated financial statements for the years ended 31 December							
	Mobile phone and call center services		Mobile phone sales		Datanet and broadband services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(in million Baht)							
Revenues from services and equipment rentals	101,815	95,146	14	33	497	633	102,326	95,812
Revenue from sales	-	-	8,953	6,639	1	1	8,954	6,640
Other operating income	657	654	21	33	1	-	679	687
<b>Total revenues</b>	<b>102,472</b>	<b>95,800</b>	<b>8,988</b>	<b>6,705</b>	<b>499</b>	<b>634</b>	<b>111,959</b>	<b>103,139</b>
Cost of sales, services and equipment rentals	(60,917)	(59,746)	(7,674)	(6,233)	(112)	(337)	(68,703)	(66,316)
Selling and administrative expenses	(9,437)	(9,608)	(378)	(366)	(112)	(159)	(9,927)	(10,133)
Impairment losses of assets	(1,560)	-	-	-	-	(561)	(1,560)	(561)
<b>Total expenses</b>	<b>(71,914)</b>	<b>(69,354)</b>	<b>(8,052)</b>	<b>(6,599)</b>	<b>(224)</b>	<b>(1,057)</b>	<b>(80,190)</b>	<b>(77,010)</b>
<b>Profit (loss) before finance costs and income tax expenses</b>	<b>30,558</b>	<b>26,446</b>	<b>936</b>	<b>106</b>	<b>275</b>	<b>(423)</b>	<b>31,769</b>	<b>26,129</b>
Finance costs	(1,730)	(1,919)	(5)	(2)	-	-	(1,735)	(1,921)
Income tax expense	(8,961)	(7,239)	(406)	(180)	-	-	(9,367)	(7,419)
<b>Profit (loss) for the year</b>	<b>19,867</b>	<b>17,288</b>	<b>525</b>	<b>(76)</b>	<b>275</b>	<b>(423)</b>	<b>20,667</b>	<b>16,789</b>

**Business segment financial position**

	Consolidated financial statements for the years ended 31 December							
	Mobile phone and call center services		Mobile phone sales		Datanet and broadband services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(in million Baht)							
Current assets	22,491	30,527	3,245	3,035	167	163	25,903	33,725
Non-current assets	71,381	91,119	111	135	62	47	71,554	91,301
<b>Total assets</b>	<b>93,872</b>	<b>121,646</b>	<b>3,356</b>	<b>3,170</b>	<b>229</b>	<b>210</b>	<b>97,457</b>	<b>125,026</b>
Current liabilities	34,589	16,196	803	274	97	113	35,489	16,583
Non-current liabilities	20,476	36,620	2	-	11	12	20,489	36,632
<b>Total liabilities</b>	<b>55,065</b>	<b>52,816</b>	<b>805</b>	<b>274</b>	<b>108</b>	<b>125</b>	<b>55,978</b>	<b>53,215</b>
Capital expenditure	4,741	8,549	4	6	16	2	4,761	8,557
Depreciation	2,985	3,237	16	18	-	82	3,001	3,337
Amortisation	16,362	16,666	3	5	1	103	16,366	16,774
Loss on disposal of assets	90	7	1	1	-	-	91	8

## 24. Other operating income

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Interest income	377	344	325	168
Bad debt recovery	96	107	94	104
Management income	-	-	98	98
Others	206	236	219	223
<b>Total</b>	<b>679</b>	<b>687</b>	<b>736</b>	<b>593</b>

## 25. Expenses by nature

The significant expenses by nature have been charged in cost of rendering of services and equipment rentals, cost of sale of goods and selling and administrative expenses can be classified as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
Depreciation on plant and equipment (Note 12)	3,001	3,337	2,274	2,968
Amortisation of assets under				
Agreement for operation (Note 13)	15,697	16,016	14,641	14,754
Amortisation of intangible assets (Note 14)	669	667	131	186
Amortisation of other assets (Note 16)	80	91	76	76
Loss on obsolete spare parts for mobile phone				
network maintenance	8	43	8	30
Doubtful accounts and bad debts	589	784	641	826
Marketing expenses	2,324	2,695	2,148	2,599
Personnel expenses	4,953	4,396	3,223	3,176

## 26. Provident Fund

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 7% of their basic salaries and by the Group at rates ranging from 3% to 7% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

## 27. Finance costs

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in million Baht)			

Finance cost paid and payable to:

Related parties	4	3	6	24	15
Financial institutions		1,732	1,915	1,720	1,907
<b>Total</b>		<b>1,735</b>	<b>1,921</b>	<b>1,744</b>	<b>1,922</b>

## 28. Income tax expense

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
		(in million Baht)			

### Current tax expense

Current year		9,118	7,387	7,233	6,461
Adjustments for prior years		12	8	169	6
		9,130	7,395	7,402	6,467

### Deferred tax expense

Movements in temporary differences	15	237	24	196	19
		237	24	196	19
<b>Total</b>		<b>9,367</b>	<b>7,419</b>	<b>7,598</b>	<b>6,486</b>

### Reconciliation of effective tax rate

	Consolidated financial statements			
	2010		2009	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
<b>Profit before tax</b>		<b>30,034</b>		<b>24,208</b>
Income tax using the Thai corporation tax rate	30	9,010	30	7,262
Income tax reduction		(15)		(15)
Adjustment for tax purpose		1		240
Effect from elimination with subsidiaries		459		(68)
Recognition of previously unrecognised tax losses		(88)		-
<b>Total</b>	<b>31</b>	<b>9,367</b>	<b>31</b>	<b>7,419</b>

**Reconciliation of effective tax rate**

	Separate financial statements			
	2010		2009	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
<b>Profit before tax</b>		<b>29,305</b>		<b>26,146</b>
Income tax using the Thai corporation tax rate	30	8,792	30	7,844
Income tax reduction		(15)		(15)
Dividend income not subject to tax		(1,248)		(1,374)
Adjustment for tax purpose		69		31
<b>Total</b>	<b>26</b>	<b>7,598</b>	<b>25</b>	<b>6,486</b>

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment.

Royal Decree No. 475 B.E. 2551 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after 1 January 2008.

Listed companies that received income tax reduction under this Royal Decree are also eligible to continue the period of tax reduction under Royal Decree No. 475 but not beyond the 2010 accounting period ending on or after 31 December 2010.

**29. Earnings per share****Basic earnings per share**

The calculation of basic earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of shares outstanding during the years as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht / million shares)			
<b>Profit for the year attributable to equity holders of the Company (basic)</b>	<b>20,547</b>	<b>17,055</b>	<b>21,707</b>	<b>19,661</b>
Number of ordinary shares outstanding at 1 January	2,965	2,962	2,965	2,962
Effect of shares issued during January to November	2	1	2	1
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>2,967</b>	<b>2,963</b>	<b>2,967</b>	<b>2,963</b>
<b>Earnings per share (basic) (in Baht)</b>	<b>6.93</b>	<b>5.76</b>	<b>7.32</b>	<b>6.64</b>



***Diluted earnings per share***

The calculation of diluted earnings per share for the years ended 31 December 2010 and 2009 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht / million shares)			
Profit for the year attributable to equity holders of the Company (basic)	20,547	17,055	21,707	19,661
<b>Profit attributable to equity holders of the Company (diluted)</b>	<b>20,547</b>	<b>17,055</b>	<b>21,707</b>	<b>19,661</b>
Weighted average number of ordinary shares outstanding (basic)	2,967	2,963	2,967	2,963
<b>Weighted average number of ordinary shares outstanding (diluted)</b>	<b>2,967</b>	<b>2,963</b>	<b>2,967</b>	<b>2,963</b>
<b>Earnings per share (diluted) (in Baht)</b>	<b>6.93</b>	<b>5.76</b>	<b>7.32</b>	<b>6.64</b>

**30. Dividends**

At the Annual General Meeting of the Company's shareholders held on 8 April 2010, the shareholders approved a declaration of dividend for 2,966 million shares of Baht 3.30 each, totalling Baht 9,788 million. In addition, the shareholders approved an additional dividend at the rate of Baht 5.00 per share, totaling Baht 14,830 million. The dividend was paid to the shareholders on 30 April 2010.

At the board of Director's meeting held on 6 August 2010, it was approved to declare an interim dividend for 2,967 million shares of Baht 3.00 each, totaling Baht 8,901 million. The dividend was paid to the shareholders on 3 September 2010.

At the Board of Directors' meeting held on 4 November 2010, the Board approved a special interim dividend payment at the rate of Baht 6 per share. The special dividend will be paid from approximately 2,970 million shares, totaling of approximately Baht 17,817 million, and the dividend payment date will be on 3 December 2010.

At the annual general meeting of the Company's shareholders held on 8 April 2009, the shareholders approved the appropriation of dividend of Baht 3.30 per share, amounting to Baht 9,774 million. The dividend was paid to the shareholders on 4 May 2009.

At the board of directors' meeting of the Company on 13 August 2009, the board of directors approved to declare an interim dividend for 2,963 million shares of Baht 3.00 per share, amounting to Baht 8,889 million. The dividend was paid to the shareholders on 10 September 2009.

## 31. Financial instruments

### ***Financial risk management policies***

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

### ***Interest rate risk***

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because some of debt securities and loan interest rate are floating interest rate. The Group is primarily exposed to interest rate risk from its borrowings (Note 17). The Group mitigates this risk by ensuring that the majority of its debt securities and borrowings are at fixed interest rate and uses derivative financial instruments, principally interest rate swaps, to manage exposure to fluctuations in interest rates on specific debt securities and borrowings.

### ***Foreign currency risk***

The Group is exposed to foreign currency risk relating to expense and borrowings which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies and swap and forward contracts to hedge long-term borrowings denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also related to borrowings, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Assets</b>				
United States Dollars	374	384	344	364
Euro Dollars	57	246	57	246
	431	630	401	610
<b>Liabilities</b>				
United States Dollars	(5,877)	(6,823)	(5,721)	(6,645)
Japan Yen	(11,446)	(11,193)	(11,444)	(11,177)
Singapore Dollars	(8)	-	(7)	-
Euro Dollars	(2)	(10)	-	(4)
	(17,333)	(18,026)	(17,172)	(17,826)
<b>Gross balance sheet exposure</b>				
Currency swaps	14,590	15,024	14,590	15,024
Currency forwards	1,042	1,101	1,042	1,101
<b>Net exposure</b>	<b>(1,270)</b>	<b>(1,271)</b>	<b>(1,139)</b>	<b>(1,091)</b>

As at 31 December 2010 and 2009, swap and forward receivables (payables), net as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Swap contracts:</b>				
Swap contracts receivable	15,901	16,532	15,901	16,532
Swap contracts payable**	(14,590)	(15,024)	(14,590)	(15,024)
Total swap contracts receivable	1,311	1,508	1,311	1,508
Add Current portion of swap contracts payable presented under other current liabilities	55	14	55	14
<b>Total swap contracts receivable, net</b>	<b>1,366</b>	<b>1,522</b>	<b>1,366</b>	<b>1,522</b>

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<b>Forward contracts:</b>				
Forward contracts receivable	889	1,040	889	1,040
Forward contracts payable**	(1,042)	(1,101)	(1,042)	(1,101)
Total forward contracts payable	(153)	(61)	(153)	(61)
Less Current portion of forward contracts payable presented under other current liabilities	8	3	8	3
<b>Total forward contracts payable, net</b>	<b>(145)</b>	<b>(58)</b>	<b>(145)</b>	<b>(58)</b>
<b>Total swap and forward contracts receivable, net</b>	<b>1,221</b>	<b>1,464</b>	<b>1,221</b>	<b>1,464</b>

The nominal amounts and fair values of swap and forward contracts as at 31 December 2010 and 2009 are as follows:

	Consolidated and separate financial statements			
	Nominal amounts**		Fair values*	
	2010	2009	2010	2009
	(in million Baht)			
Swap contracts	14,590	15,024	15,367	15,828
Forward contracts	1,042	1,101	917	1,070
<b>Total</b>	<b>15,632</b>	<b>16,125</b>	<b>16,284</b>	<b>16,898</b>

\* The fair value of swap and forward contracts is the adjusted value of the original contracts which the Company entered with the commercial banks with the market price on the reporting date in order to reflect the current value of the contracts.

\*\* The nominal amount of swap and forward contracts is the value of the original contracts which the Company entered with the commercial banks and must be repaid at the maturity date.

### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counter party to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the reporting date. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

**Liquidity surplus**

Excess liquidity (defined as any excess cash after working capital and capital expenditures) after investment in new growth areas and any debt/regulatory obligations/restructuring will be returned to shareholders.

**Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The Group uses the following methods and assumptions in estimating the fair value of financial instruments:

- The fair value of accounts receivable and accounts payable - trade and others is taken to approximate the carrying value.
- The fair values of investments in equity and debt securities, which are held-to-maturity, are taken to approximate the carrying value.
- The fair value of loans to and loans from related is taken to approximate the carrying value because most of these financial instruments bear interest at market rates.
- The fair value of long-term borrowings is taken to approximate the carrying value because most of these financial instruments bear interest at market rate.

**32. Commitments with non-related parties**

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million)			

**Capital commitments**

Contracted but not provided for

**Assets under the Agreement for Operation**

Thai Baht	667	885	646	846
US Dollars	28	11	28	11
Japanese Yen	3	31	3	31

**Property and equipment**

Thai Baht	905	848	95	260
US Dollars	20	10	2	3
Japanese Yen	242	79	-	-

**Service maintenance agreements**

Thai Baht	1,197	934	905	867
US Dollars	8	10	5	9
Japanese Yen	13	14	13	14

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
	(in million Baht)			
<i>Non-cancellable operating lease Commitments</i>				
Within one year	1,384	1,167	1,135	1,083
After one year but within five years	1,400	1,184	949	1,128
After five years	27	2	27	2
<b>Total</b>	<b>2,811</b>	<b>2,353</b>	<b>2,111</b>	<b>2,213</b>
<i>Other commitments</i>				
Used letters of credit for goods and supplies	-	3	-	-
Forward and swap contracts	15,632	16,125	15,632	16,125
Bank guarantees:				
- The Agreements for operation	9,613	7,503	7,007	5,547
- Others	505	432	321	339
<b>Total</b>	<b>25,750</b>	<b>24,063</b>	<b>22,960</b>	<b>22,011</b>

The Group has entered into lease and related service agreements for office space, cars, computers and base station for periods ranging from 1 year to 15 years with options to renew.

### 33. Interconnection agreements

According to Telecommunication Business Operation Act 2001 (B.E. 2544) and the announcement of National Telecommunication Commission (“NTC”) regarding Telecommunication Network Access and interconnection year 2006 (B.E. 2549), the Company has entered into an interconnection (“IC”) agreement with other operators approved by NTC and the effective period of the agreement is listed below:

Operators	Effective period
1) Total Access Communication PCL.	30 November 2006 on wards
2) Truemove Company Limited	16 January 2007 on wards
3) Digital Phone Company Limited	1 June 2009 on wards
4) CAT Telecom Public Company Limited	7 April 2010 on wards

On 31 August 2007, TOT Public Company Limited (“TOT”) has filed a case against NTC to the Administrative Court to revoke the said announcement and on 4 February 2008 TOT sent a letter to the Company informing that the Company should wait for the final judgment of the Administrative Court. Should the Company undertake the IC agreements per the NTC announcement before the final judgment of the Administrative Court, TOT shall not recognise the Company’s related actions and the Company must be responsible for such actions.

Having considered the said TOT’s letter, related laws and the legal counsel’s opinion, the Company’s management is of the opinion that non-compliance by the Company with the IC agreements shall be deemed violating the said NTC announcement. Therefore, the Company has decided to comply with the IC agreements in line with the current legal provisions.

According to the Agreement to operate cellular mobile telephone service, the Company has to pay the higher of stipulated annual minimum payment or the percentage of service revenues prior to deducting expenses and taxes. However, the Company had to comply with the regulation while TOT would like to wait for the final judgment of the Administrative Court. As a result, the Company anticipated to enter into a negotiation with TOT in relation to a calculation method of the revenue sharing. The Company calculated the revenue sharing from the net IC revenue which is similar to other operators in the telecommunication industry on a conservative basis. The revenue sharing amount to be paid to TOT is subject to the final adjudication of the Administrative

Court in relation to revoking the announcement of National Telecommunication Commission and a negotiation between TOT and the Company. The Company will make adjustment in the financial statement in the period when the issue has been agreed. The Company's management is certain that it will not incur significant expense more than the revenue sharing amount which the Company has recorded.

On 30 December 2008, TOT has notified in writing to the Company that result of the negotiation between TOT and the Company regarding rate and calculating method of the revenue sharing cannot be concluded and requested the Company to remit the revenue sharing incurred from the interconnection charge since February 2007 to September 2008 for the amount of Baht 761 million based on the rate and calculation method of the Company within 30 December 2008. The Company has remitted the revenue sharing to TOT on 30 December 2008. For the interconnection charge since July 2008 up to the present, the Company and TOT shall set up the negotiation committee in order to get a conclusion for this case. During this period, while the said case is pending the final consideration, it shall use the above basis proposed by the Company.

On 15 September 2010, the Central Administrative Court has dismissed the case that TOT filed to revoke the announcement of NTC regarding Telecommunication Network Access and interconnection year 2006 (B.E. 2549), and TOT has appealed such dismissal to the Supreme Administrative Court.

### **34. Significant events**

#### ***The judgment of the Supreme Court, Criminal Division for Persons Holding Political Positions***

According to the judgment of the Supreme Court, Criminal Division for Persons Holding Political Positions rendered on 26 February 2010 concerns the Company and its subsidiary in many aspects. The Company is of the opinion that the consequence of the judgment is limited to the holding that some property of the person holding political position was improperly acquired by an abuse of power while being in a political position. The judgment does not contain any order indicating that the Company or its subsidiary shall take any actions as the Company is not involved in the case. The Company and its subsidiary have been operating to the best of its ability in accordance with the law and the agreements and in good faith. The Company and its subsidiary have every right available under the law and agreements to provide the facts to prove its innocence and good faith in any proceeding which may be initiated by the relevant government agencies in accordance with the law and justice.

***The opinion of the Council of State relating to the amendments or supplements to the Agreement for Operation***

**The Company**

Pursuant to the letter of the Ministry of Information and Communication Technology to the Council of State requesting opinion on whether the amendments or supplements to the agreement between TOT Public Company Limited who is the Telephone Organization of Thailand at that time (“TOT”) and Advanced Info Service Public Company Limited after the enforcement of the Act on Private Participation in State Undertaking, B.E. 2535 are legitimately effected and in case those amendments or supplements to the Agreement are not legitimately effected according to such Act, what guidelines TOT should implement.

The Council of State was of the opinion by its Memorandum of the Council of State no. 291/2550 on Enforcement of the Act on Private Participation in State Undertaking, B.E. 2535 (in the case of the Agreement Permitting Undertaking of Cellular Mobile Telephone Services, “the Agreement” between TOT Public Company Limited and Advanced Info Service Public Company Limited) that

\* “...since TOT being the contracting party in this case acted on behalf of the State by virtue of the authority and duty pursuant to Telephone Organization of Thailand Act, the executed Agreement thus represents the agreement between the State and the private sector in order to authorise the private sector to provide public services to the public on behalf of the State. The State therefore is obligated to perform according to those stipulated in that Agreement.

However, since the amendments to the Agreement upon which the consultation is being sought were not legitimately carried out according to the Act on Private Participation in State Undertaking, B.E. 2535 which was in force at the time of effecting those amendments because those amendments had not been proposed for the consideration of the Coordination committee according to Section 22 and not forwarded to the Cabinet, being the organ charged with the authority to approve of the amendments to the Agreement pursuant to the Act as aforesaid, the amendments made to the Agreement with TOT as the contracting party were therefore carried out without legal authority. However, the procedures to amend the Agreement represent administrative juristic acts which are capable of being separated from the amendments to the Agreement already effected and those amendments to the Agreement are still in force so long as they are not rescinded or extinguished by statute of limitation or by other causes. In case the Cabinet, vested with the authority under the law and having considered the causes for the rescission, the impact, and the propriety on the basis of the State’s and the public interest, is of the opinion that the illegitimate procedures have resulted in damage that warrants rescinding the amendments to the Agreement already effected, the Cabinet may legitimately rescind such amendments to the Agreement. However, if the Cabinet, upon having considered the same, deems it justified, with regard to the State’s or the public interest and the continuity of providing public services, the Cabinet may exercise its discretion to grant approval for the procedures to further amend the Agreement, as appropriate, with the unit owning the project and the Coordination committee pursuant to Section 22 being the parties to submit the facts, justifications, and opinion for the consideration of the Cabinet.”

Presently, the Company has been informed that the Coordination Committee under Section 22 has submitted the opinion on the amendments or supplements to the Agreement of the Company to the Information and Communications Technology (ICT) minister and the Cabinet for consideration. The Cabinet has passed the resolution to set up a committee to negotiate with the Company and all mobile phone operators whose the Agreements were changed and report back to the Cabinet for consideration further.

\* The above clauses in “...” represent some parts of the Memorandum of the Council of State no. 291/2550.  
The full text Memorandum of the Council of State is available only in Thai language.



### Digital Phone Company Limited

Pursuant to the letter of the Ministry of Information and Communication Technology to the Council of State requesting opinion on whether the amendments or supplements to the agreement between CAT Telecom Public Company Limited (“CAT”) and Digital Phone Company Limited (“DPC”) after the enforcement of the Act on Private Participation in State Undertaking, B.E. 2535 (the “Act”) are legitimately effected and in case those amendments or supplements to the Agreement are not legitimately effected according to such Act, what guidelines CAT should implement.

According to the opinion of the Council of State regarding the enforcement of the Act on Private Participation in State Undertaking, B.E. 2535 regarding the Contract permitting the provision of cellular mobile phone service between CAT and DPC on case no. 294/2550 that

\*\* “...the assignment of the rights and duties by Total Access Communication Public Company Limited (“DTAC”) to DPC and the entering into an agreement between DPC and CAT dated 19 November B.E. 2539 are considered as the permission of CAT granted to a private sector to provide cellular mobile phone service, it shall not be deemed to be part of cellular mobile phone service between CAT and DTAC, so DPC shall be the contracting party of CAT and was under the supervision and regulation of CAT and pay remuneration to CAT. DPC shall, therefore, have to comply with the said Act since CAT has already specified the scope of the project and the private sector to provide the service. Besides, the project has already been carried out. Therefore, there is no need to invite private sector to submit any proposal according to Chapter 3. However, Chapter 3 shall be applied in so far as it is not contrary to the fact whereby CAT has to set up the Coordinating Committee in accordance with Section 13 to proceed according to Section 21 of the said Act, provided that the Coordinating Committee will propose the selection result including the reason, negotiation issues, state benefits and the draft of agreement to the Minister who supervised the project in order to propose to the Cabinet within 90 days since the decision by Coordinating Committee.

Therefore, the procedures are within the power and authority of the Committee according to Section 13 to consider as appropriate and DPC has already been assigned of the rights and duties from Total Access Communication Public Company Limited according to the Contract Permitting the Provision of Cellular Mobile Phone Service between CAT and Total Access Communication Public Company Limited, DPC shall have the right to provide telecommunication service even though the Contract between CAT and DPC has not been done or performed in accordance with the Act. However, the Contract between CAT and DPC shall remain valid in so far as it is not revoked or terminated by time of ending or other cause. Thus, CAT and DPC shall remain oblige to fulfil the said agreement.”

Presently, the Company has been informed that the Coordination Committee under Section 13 has submitted the opinion on the amendments or supplements to the Agreement of the Company to the Information and Communications Technology (ICT) minister and the Cabinet for consideration. The Cabinet has passed the resolution to set up a committee to negotiate with DPC and all mobile phone operators whose the Agreements were changed and report back to the Cabinet for consideration further.

\*\* The above clauses in “...” represent some parts of the Memorandum of the Council of State no. 294/2550.  
The full text Memorandum of the Council of State is available only in Thai language.

### ***Significant commercial dispute and litigations***

#### **The Company**

##### ***The deduction of excise tax from the revenue sharing between the Company and TOT Public Company Limited (“TOT”)***

On 22 January 2008, TOT Public Company Limited (“TOT”) submitted a dispute no. black 9/2551 to the Arbitration Institute, Dispute Reconciliation Office, Justice Court Office demanding the Company to pay additional payment of revenue sharing amounting to Baht 31,463 million under the Cellular Mobile Phone Contract plus interest at the rate of 1.25% per month computing from the default date on 10 January 2007 until the full payment is made.

At present, the said dispute is pending on the Arbitration process. According to arbitration procedures and the proceedings of which shall take for several years. However, the Company’s management believes that the outcome of the said dispute shall be in favour of the Company and have no material impact to the financial statements of the Company because this amount is the same as an excise tax that the Company had submitted to Excise Department during 28 January 2003 to 26 February 2007 and deducted it from revenue sharing according to the resolution of the Cabinet dated 11 February 2003. Thus, the Company has fully complied with the Cabinet’s resolution dated 11 February 2003 and this practice is the same as other operators in mobile phone or cellular radio telecommunication industries according to the resolution of the Cabinet. Moreover, TOT had sent letter no. Tor Sor Tor. Bor Yor./843 dated 10 March 2003 stating that the Company has fully complied with the Cabinet’s resolution and the Company’s burden remains at the same percentage rate as specified in the contract and the submission of the said excise tax return shall not affect the terms of the contract.

#### **Digital Phone Company Limited (“DPC”)**

##### ***1) The deduction of excise tax from the revenue sharing between DPC and CAT Telecom Public Company Limited (“CAT”)***

On 9 January 2008, CAT Telecom Public Company Limited (“CAT”) submitted a dispute no. black 3/2551 to the Arbitration Institute and the Dispute Reconciliation Office, Justice Court Office demanding DPC, a subsidiary, to pay additional payment of revenue sharing amounting to Baht 2,449 million under the Digital Personal Communication Network Contract plus penalty at the rate of 1.25% per month of the unpaid amount of each year computing from the default date until the full payment is made which total penalty calculated up to December 2007 is Baht 1,500 million, totalling Baht 3,949 million.

On 1 October 2008, CAT has submitted the revision of petition to adjust on amount of claimed to Baht 3,410 million which penalty fee calculated from the outstanding revenue sharing up to January 2008 for Baht 790 million plus value added tax Baht 171 million.

At present, the said dispute is pending on the Arbitration process. According to arbitration procedures and the proceedings of which shall take for several years. However, the Company’s management believes that the outcome of the said dispute shall be in favour of DPC and have no material impact on the consolidated financial statements of the Company because this amount is the same as an excise tax that DPC submitted to Excise Department during 16 September 2003 to 15 September 2007 and deducted it from revenue sharing according

to the resolution of the Cabinet dated 11 February 2003. Moreover, CAT has sent a letter No. CAT 603 (Kor Tor.) 739 notifying DPC to comply with such Cabinet's resolution. Thus, DPC has correctly and fully complied with the Cabinet's resolution dated 11 February 2003 and this practice is the same as other operators in mobile phone or cellular radio telecommunication industries according to the resolution of the Cabinet.

**2) *The deduction of access charge from revenue sharing between DPC and CAT Telecom Public Company Limited ("CAT")***

Pursuant to the resolution of the meeting on 14 January 2004 between TOT Public Company Limited ("TOT"), CAT Telecom Public Company Limited ("CAT") Digital Phone Company Limited ("DPC"), a subsidiary, and True Move Company Limited ("True Move") by the Minister of the Information and Communications Technology Ministry, the Chairman, that TOT consented to reduce access charge of mobile phone from revenue sharing which TOT received from CAT in the amount of Baht 22/number/month to DPC and True Move starting from the 6<sup>th</sup> operation year as Total Access Communication Public Company Limited ("DTAC") had received from TOT.

On 12 October 2006 TOT sent a letter to CAT that TOT could not reduce access charge of mobile phone to DPC and True Move and demanding CAT to pay the access charge that DPC and True Move have deducted as a discount of access charge plus legal interest rate computing from the default date until the fully payment is made.

On 29 July 2008, CAT submitted a dispute no. black 68/2551 to the Arbitration Institute and the Dispute Reconciliation Office, Justice Court Office demanding DPC to pay access charge of mobile phone that DPC had deducted for Baht 154 million (additional consideration of the 7<sup>th</sup> - 10<sup>th</sup> operation year) plus value added tax and interest at the rate 1.25% per month of the above principal amount starting from the default date of each year since the 7<sup>th</sup> - 10<sup>th</sup> operation year until the full payment is made.

On 15 October 2009, CAT submitted a dispute no. black 96/2552 to the Arbitration Institute and the Dispute Reconciliation Office, Justice Court Office demanding DPC to pay access charge of mobile phone that DPC had deducted for Baht 22 million (additional consideration of the 11<sup>th</sup> operation year) including the penalty at the rate of 1.25% per month which calculated up to 15 October 2009, total amount of claim Baht 26 million.

At present, the said dispute is pending on the Arbitration process. According to arbitration procedures, the proceedings shall take several years. For the demanded amount, DPC has re-calculated and found that the said amount is only Baht 138 million which DPC has recorded as payable under the Agreement for operation in its financial statement but has not recorded the penalty for overdue payment, as the Company's management believes that the outcome of the said dispute shall be in favour of DPC and have no material impact on the consolidated financial statements of the Company since DPC has correctly and fully complied with the law and the relating Agreements in all respects.

**3) *To deliver and transfer ownership of towers and equipments of power supply between DPC and CAT Telecom Public Company Limited (“CAT”)***

On 3 February 2009, CAT Telecom Public Company Limited (“CAT”) has submitted a dispute under Case no. black 8/2552 to the Alternative Dispute Resolution Office, the Arbitration Institute, demanding DPC, a subsidiary, to deliver and transfer ownership of 3,343 towers including 2,653 equipments of power supply under the Digital PCN (“Personal Communication Network Agreement”). Failure to do so, DPC must reimburse Baht 2,230 million to CAT. DPC considers that all disputed assets, towers and the equipment of power supply are not the property as stipulated in the Agreement.

At present, the said dispute is pending on the Arbitration process. According to arbitration procedures, the proceedings shall take several years. However, the Company’s management believes that the outcome of this dispute shall be in favour of DPC and have no material impact on the consolidated financial statements of the Company since DPC has correctly and fully complied with the law and the relating Agreements in all respects.

**4) *The reduction of roaming fee between DPC and CAT Telecom Public Company Limited (“CAT”)***

Starting from 1 July 2006, CAT Telecom Public Company Limited (“CAT”) allowed Digital Phone Company Limited (“DPC”), a subsidiary, to reduce roaming fee per minute from Baht 2.10 to Baht 1.10 to be in line with the decrease of mobile phone service fee. The approval has been renewed for 3-month period several times thereafter until 31 March 2007. After that, CAT did not notify DPC of any changes until on 24 March 2008, CAT had sent a letter to notify DPC to charge roaming fee at Baht 2.10 per minute starting from 1 April 2007. On 8 May 2008, DPC sent a request letter to CAT to reconsider the roaming fee adjustment. The reason for such request was based on the market environment where the prevailing mobile phone service charge to consumers in the market was significantly lower than the specified roaming fee. Such high roaming fee is therefore unreasonable for DPC to provide the roaming service to any operators. In the letter, DPC informed CAT that during the period when CAT is reconsidering the request, DPC will charge roaming fee at Baht 1.10 per minute according to the previous agreed terms and conditions. On 31 March 2009, CAT has approved DPC to charge roaming fee at Baht 1.10 per minute during 1 January 2009 - 31 March 2009. Moreover, DPC has entered into the national roaming agreement with the Company to charge roaming fee at Baht 1.10 per minute approved by National Telecommunication Commission (“NTC”) on 16 June 2009.

On 15 July 2010, CAT has submitted a dispute under case no. black 62/2553 to the Alternative Dispute Resolution Office, the Arbitration Institute, demanding DPC to pay additional payment of revenue sharing of 10<sup>th</sup> - 12<sup>th</sup> operation year that DPC reduced roaming fee per minute from Baht 2.10 to Baht 1.10 during 1 April 2007 - 31 December 2008 amounting to Baht 1,636 million plus penalty computing up to March 2010 of Baht 364 million, totaling Baht 2,000 million and penalty at the rate of 1.25% per month from April 2010 until the full payment is made by alleging that CAT had approved the said roaming fee reduction up to 31 March 2007 only.

At present, the said dispute is pending on the Arbitration process. According to arbitration procedures, the proceedings shall take several years. However, the Company's management believes that the outcome of the said dispute shall have no material impact on the consolidated financial statements of the Company since DPC has correctly and fully complied with the law and the relating Agreements in all respects.

#### **AIN GlobalComm Company Limited ("AIN")**

##### ***The international direct dialling service by using the symbol "+" between AIN and CAT Telecom Public Company Limited ("CAT")***

On 7 March 2008, CAT Telecom Public Company Limited ("CAT") has submitted the black case no. 1245/2551 to the Civil Court against the Company as the defendant no. 1 and AIN GlobalComm Company Limited, a subsidiary, as the defendant no. 2 requesting the Company and the subsidiary to pay compensation with interest rate at 7.5% per annum for damage up to the date of case submission equalling to Baht 130 million. The reason in a case is to change traffic of the international direct dialling service by the Company and the subsidiary during 1 - 27 March 2007 through the Company subscriber by using the symbol "+" dialling from no. 005 of the subsidiary, instead of no. 001 of CAT without the prior notification to subscriber.

On 4 September 2008, CAT has submitted a petition revision to adjust compensation for Baht 583 million (including interest) because CAT was damaged consecutively until 7 March 2008. On 19 November 2008, CAT has submitted the order of provisional remedial measure before delivery of judgment to cease the Company and the subsidiary to transfer the traffic 001 or symbol "+" of CAT to traffic 005 of the subsidiary. On 26 February 2009, the Civil Court has dismissed the CAT's request and on 20 March 2009, CAT has appealed such dismissal.

On 17 December 2009, the Civil Court has dismissed the case as the facts cannot be proved that CAT has either an exclusive right to use the symbol "+" or the right to prohibit the Company and AIN to use the symbol "+" and it cannot also been proved that the changing of the connection setting of the international direct dialling service from using the symbol "+" for the code 001 of CAT to "+" for the code 005 of AIN has caused mistaken to the subscribers who use international direct dialling service that they are using the code 001 of CAT, therefore, the acts of the Company have not infringed any right of CAT and also of AIN which CAT alleged to jointly commit the wrongdoing with the Company have not infringed the right of CAT as well. However, CAT has appealed such dismissal on 10 March 2010. Presently, the said case is pending on the Court of Appeals process.

### **35. Events after the reporting period**

#### ***TOT's letter demanding payment of additional revenue sharing***

With reference to a letter dated 31 January 2011 of TOT Public Company Limited ("TOT") demanding the Company to pay an additional revenue sharing due to the reduction of revenue sharing rate with respect to prepaid services amounting to Baht 29,534 million, the deduction of the cost relating to the roaming activities amounting to Baht 7,462 million and due to the deduction of excise tax payment from the revenue sharing including value added tax (VAT), penalty and surcharge for the total amount of Baht 36,817 million plus interest at the rate of 7.5% per annum to TOT within 15 February 2011.

The Company has sent a letter opposing such demand to TOT on 4 February 2011, with the following reasons:

- 1) For the reduction of revenue sharing rate with respect to prepaid services and the deduction of the cost relating to the roaming activities:
  - 1.1) Pursuant to the above-mentioned TOT' letter, TOT has raised some part of the judgment of the Supreme Court's Criminal Division for Person Holding Political Positions, case no. Red OrMor. 1/2553 ("the Judgment") as the ground of its demand against the Company. In fact, the said Judgment has no binding effect to the Company at all since neither TOT nor AIS are the parties to the said case.
  - 1.2) The said Court did not give judgment to revoke the amendment no. 6 regarding prepaid services ("Amendment No. 6") and amendment no. 7 regarding the roaming activities ("Amendment No. 7") (collectively hereinafter referred to as "the Amendments") of the Agreement Permitting Undertaking of Cellular Mobile Telephone Services ("the Agreement"). Further, the Judgment did not rule that the Company has committed a breach by failure to comply with the terms and conditions of the Agreement nor that the Amendments have had no binding effect between TOT and the Company at all.
  - 1.3) The Amendments are still valid and binding upon both parties and, in the past, the Company has been completely and correctly complying with the terms and conditions of the Amendments. Thus, the Company is not obligated to make any additional payment of revenue sharing as demanded by TOT.
  - 1.4) Definite evidence concerning the intention and reason for making the Amendments, which is available to TOT and other government authorities, indicates that the Amendments were made by taking into account of the public interest, especially the mobile phone users who have been able to access into cheaper service tariff whilst TOT has gained much higher revenue sharing.
- 2) For the deduction of excise tax payment from the revenue sharing;
  - 2.1) It was the government policy which aimed to convert certain amount of revenue sharing under the Agreement into the excise tax payment in connection with the transformation of the then Telephone Organization of Thailand to a public company limited under the main principle that: (i) there shall be no damage to the State who would receive the same revenue sharing; and (ii) no additional financial burden to the private operator and the service users. Thus, after summing up the excise tax payment and the revenue sharing (after deduction of excise tax), the State (i.e. the Ministry of Finance - the Excise Department) and TOT, whose 100% of its shares are held by the Ministry of Finance, would receive the same net income without any damage.
  - 2.2) TOT is obliged to comply with the government's policy and the resolutions legitimately passed by the Cabinet, which applied to all mobile phone operators, that they were required to deduct the excise tax payment from the revenue sharing before delivering to the contractual party. It was TOT who informed the Company to pay such excise tax and deduct such payment from revenue sharing in accordance with the Cabinet's resolution with which the Company was faithfully complied.

- 2.3) The said court did not rule that the Cabinet's resolution regarding such excise tax was unlawful and did not revoke or cancel such Cabinet's resolution.
- 2.4) During B.E. 2546 to 2550 which there were the deductions of excise tax, TOT has never demanded the Company to pay any additional revenue sharing. Rather, TOT has confirmed that it has completely received the revenue sharing in accordance with the Agreement by issuing receipts and tax invoices together with returning bank guarantees which were placed as security for the payment of the revenue sharing by the Company.
- 2.5) With respect to VAT, penalty and surcharge demanded, the Company is not obliged to make such payment. Given such tax obligation actually exists; it would be TOT, as the recipient of payment, to be responsible for such tax payment under the Revenue Code. In the past, TOT has ever questioned the Revenue Department whether it actually has the authority under the law to collect such tax payment.
- 2.6) This TOT's claim is a duplication of the claimed amount with respect to excise tax which TOT has raised earlier on 22 January 2008 in the pending arbitration process at the Arbitration Institute.

Therefore, the Company's management believes that the said demand shall have no material impact to the financial statements of the Company because the Company is not obligated to make any additional payment as demanded by TOT.

#### ***Proposed dividend payment***

At the Board of Directors' Meeting held on 11 February 2011, the Board passed a resolution proposing to the 2010 annual general shareholders' meeting the payment of dividends for the year 2010, at the rate of Baht 6.92 per share, Baht 3.00 each of which was paid as an interim dividend on 3 September 2010. The proposed dividends shall be approved by the shareholders and are excluded from the special dividend payment of Baht 6.00 per share on 3 December 2010.

#### ***Warrants granted to directors and employees – exercised***

As mentioned in Note 21, during the year ended 31 December 2010, the Company's warrants of 0.15 million units was exercised at Baht 68.05 each. The Company registered the increase in the share capital with the Ministry of Commerce on 5 January 2011.

In January 2011, a total of 0.02 million units of the Company's warrants were exercised at Baht 68.05 each. The Company registered the increase in the share capital with the Ministry of Commerce on 2 February 2011.

As a result of these transactions, the total issued and paid-up share capital and premium on share capital of the Company will increase from Baht 2,970 million to Baht 2,971 million, and from Baht 22,173 million to Baht 22,188 million, respectively.

### 36. Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that has been issued as of the reporting date but are not yet effective. The new and revised TFRS are anticipated to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 1 (revised 2009)	Presentation of Financial Statements	2011
TAS 2 (revised 2009)	Inventories	2011
TAS 7 (revised 2009)	Statement of Cash Flows	2011
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	2011
TAS 10 (revised 2009)	Events after the Reporting Period	2011
TAS 11 (revised 2009)	Construction Contracts	2011
TAS 12	Income tax	2013
TAS 16 (revised 2009)	Property, Plant and Equipment	2011
TAS 17 (revised 2009)	Leases	2011
TAS 18 (revised 2009)	Revenue	2011
TAS 19	Employee Benefits	2011
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TAS 23 (revised 2009)	Borrowing Costs	2011
TAS 24 (revised 2009)	Related Party Disclosures	2011
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements	2011
TAS 28 (revised 2009)	Investments in Associates	2011
TAS 33 (revised 2009)	Earnings per Share	2011
TAS 34 (revised 2009)	Interim Financial Reporting	2011
TAS 36 (revised 2009)	Impairment of Assets	2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	2011
TAS 38 (revised 2009)	Intangible Assets	2011
TAS 40 (revised 2009)	Investment Property	2011
TFRS 2	Share-based Payment	2011
TFRS 3 (revised 2009)	Business Combinations	2011
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	2011

Management has made a preliminary assessment of the potential initial impact of adoption these new TAS and TFRS in accordance with the FAP's announcement. The adoption of these new standards shall have no material impact on the consolidated and separate financial statements in the period of initial application except TAS 19 Employee benefits as follows:

#### **TAS 19 - Employee benefits**

There is currently no Thai accounting standard covering employee benefits and the Group does not presently account for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. The new TAS 19 includes the requirements to recognise and account for such costs in the period in which the service is performed. The requirements are complex and require



actuarial assumptions to measure the obligation and expense. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. The transitional provisions of TAS 19 permit the transitional liability to be recognised and accounted for in one of four different ways: (i) retrospectively; (ii) immediately in equity (retained earnings) at the transition date; (iii) immediately in profit or loss at the transition date; (iv) as an expense on a straight-line basis over up to five years from the transition date. Management has determined that the transitional liability as at 1 January 2011 for post-employment benefits is approximately Baht 405 million for the Group and Baht 335 million for the Company, which results in increase in deferred tax assets of approximately Baht 121 million for the Group and Baht 101 million for the Company and decrease in retained earnings of approximately Baht 284 million for the Group and Baht 234 million for the Company. Management intends to adopt transitional provision to adjust retrospectively recognise and account for this liability.

### 37. Reclassification of accounts

Certain accounts in the 2009 financial statements have been reclassified to conform to the presentation in the 2010 financial statements as follows:

	2009					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
	(in million Baht)					
<b>Balance sheet</b>						
Current investments	44	154	198	-	-	-
Other long-term investments	3,260	(154)	3,106	-	-	-
Trade accounts payable	-	-	-	2,102	305	2,407
Amounts due to and loan from related parties	-	-	-	971	(305)	666
		-			-	
<b>Statement of income</b>						
Cost of rendering of services and equipment rentals	40,258	87	40,345	-	-	-
Administrative expenses	7,439	(87)	7,352	-	-	-
		-			-	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.

## Management's Discussion and Analysis

**Data services and economic recovery boosted AIS performance in 2010.** Strong momentum of mobile internet usage as well as consumer adoption to smartphone have been the key contributor to 31% data growth. Demand of mobile internet continued to rise due to limited fixed-line infrastructure and trend of social networking. AIS continued to push toward data-bundling smart gadgets with lower price and richer features that drove higher penetration to Thai consumers. Also, both domestic voice usage and international revenue reflected the solid economic recovery throughout 2010 despite of a political hiccup during 2Q10. Domestic voice revenues picked up 3.5% YoY while rising international tourist arrival supported recovery in international roaming and IDD.

**Mild competition and highly efficient operation** enlarged the operating margin through a low OPEX and CAPEX. Telecom market remained in stable contest due to saturation in voice market and mild competition. Cost efficiency programs were implemented since 2008 indicated by improved EBITDA margin three years in a row. In 2010, cash OPEX climbed down 4.9% YoY supported by lower marketing and network-related expenses. CAPEX was Baht 5.2 billion, an extraordinary low level due to expectation of 2.1 GHz license auction in 2010. As a result, AIS built up Baht 53 billion operating cash flow, a 12.4% YoY growth, and free cash flow surged to Baht 46.8 billion, a 30% YoY growth.

**Reinforcing development of “EcoSystem” into 2011.** With the long-term vision of “EcoSystem” announced in 2010, AIS will focus more on rising data market in 2011 by implementing “Quality DNAs”, quality in all dimensions of services. More smart devices will be delivered to customers in all segments with exclusive packages from AIS. Network on 900 MHz will be upgraded to support growing demand of mobile internet including 3G on 900 MHz using HSPA technology to be roll-out in selective provinces with Baht 2.5 billion CAPEX. Applications will be developed, in cooperation with strategic partners, to accommodate multi-operating systems such as iOS, BlackBerry, Android. Local contents such as news clips, live information and lifestyles, will be launched to increase data usage. Also, quality of service will be ensured by “certified smartphone expert” to help smart devices users together with 24 hours call center and service centers nationwide.

**Maximized shareholder return** with the commitment to deliver 100% dividend payout. In 2010, AIS managed capital structure by pay out excess cash as special dividends. Return on equity (ROE) was 49% higher from 23% in 2009 due to thinner retained earnings after both regular and special dividends paid. In 2011, with solid cash generation and Baht 10 billion CAPEX level, AIS is confident to maintain financial flexibility and efficient capital structure.

## Operational Highlights

<b>Subscriber</b>	Total subscribers increased to 31.2 million from 28.8 million in 2009. Net addition was 2.4 million and which was more than 1.4 million in 2009. Economic recovery and non-voice growth drew new subscribers through Net-SIM and second SIM. In 4Q10, majority of new subscriber was prepaid which grew 8.9% YoY while postpaid subscriber grew 4.7% YoY. On QoQ basis, net addition was 698,000 and increased 42% due to seasonality and better sentiment. Postpaid churn rate was down to 1.8% which improved both YoY and QoQ from gaining of quality subscribers. Prepaid churn rate increased to 4.4% from 4.3% in 3Q10 but decreased from 5.2% in 4Q09 due to economic recovery and promotion package.
<b>ARPU</b>	In 4Q10, prepaid ARPU was Baht 201 and increased 1.5% YoY and 4.7% QoQ. The YoY increment was due to non-voice growth and stable competition. The QoQ increment was due to seasonality, firm sentiment and non-voice growth. Postpaid ARPU was Baht 632 and increased 2.1% YoY and 1.6% QoQ. The postpaid ARPU increased due to the non-voice growth.
<b>MOU</b>	Prepaid MOU was 292 minutes and increased 14.5% YoY and 4.3% QoQ due to usage stimulus programs. Postpaid MOU was 532 minutes, relatively flat YoY and increased 2.7% QoQ due to seasonality. The postpaid RPM was stable on both YoY and QoQ due to stable competition while prepaid RPM was stable QoQ but decreased YoY due to buffet packages.

## Significant Events

### 1) Impairment loss from DPC goodwill of Baht 1,560 million recognized in 2010

In 2010, in the income statement for the period, AIS Group recorded a Baht 1,560 million goodwill impairment loss on DPC, a subsidiary operating mobile service on GSM 1800 MHz. Such an item is not tax deductible, is unrecoverable and is a non-cash expense. The effects on the AIS Group's consolidated financial statements ending 31 December 2010 are as follows:

- Recognized impairment loss on DPC goodwill of Baht 1,560 million on the income statement, by discounting expected future cash flow and comparing with its carrying value of Baht 3,102 million.
- Outstanding DPC goodwill booked as an intangible asset as of 31 December 2010 was Baht 1,542 million.

### 2) Interconnection agreement with HUTCH-CAT

- According to the NTC resolution between AIS and HUTCH-CAT to enter into the IC agreement negotiation in April 2010, the IC rate could not be settled. Therefore, NTC announced the interim IC rate of Baht 0.50 per minute in September 2010.
- The retroactive net receipts from HUTCH-CAT since April 2010 - June 2010 was Baht 177 million, recorded in 3Q10.

### 3) Revised dividend policy:

The Company aims to pay dividend at least 100% of net profit. The company also aims to pay dividend twice a year, an interim dividend distributed from the first half operating results, and annual dividend distributed from the second half operating results.

## Financial Result

Service Revenue	(Baht million) / (% to total service revenue excluded IC)					
	2009		2010		YoY (Amount)	YoY (%)
Voice revenue	64,019	78.6%	66,278	75.4%	2,259	3.5%
Postpaid (voice)	17,388	21.3%	17,813	20.3%	425	2.4%
Prepaid (voice)	46,632	57.3%	48,466	55.2%	1,834	3.9%
Non-voice revenue	11,528	14.2%	15,040	17.1%	3,512	30.5%
International roaming	2,341	2.9%	2,703	3.1%	361	15.4%
Others (IDD, other fees)	3,554	4.4%	3,831	4.4%	278	7.8%
<b>Total service revenue excl. IC</b>	<b>81,442</b>	<b>100.0%</b>	<b>87,852</b>	<b>100.0%</b>	<b>6,410</b>	<b>7.9%</b>

Sales	(Baht million) / (% to total revenue)					
	2009		2010		YoY (Amount)	YoY (%)
Sales revenue	6,639	6.5%	8,954	8.0%	2,315	34.9%
Cost of sales	6,197	6.0%	7,651	6.9%	1,454	23.5%
<b>Net sales</b>	<b>442</b>	<b>0.4%</b>	<b>1,302</b>	<b>1.2%</b>	<b>860</b>	<b>194.6%</b>

Interconnection	(Baht million) / (% to total revenue)					
	2009		2010		YoY (Amount)	YoY (%)
Interconnection revenue	14,370	14.0%	14,474	13.0%	104	0.7%
Interconnection cost	13,416	13.1%	13,873	12.5%	457	3.4%
<b>Net interconnection</b>	<b>954</b>	<b>0.9%</b>	<b>601</b>	<b>0.5%</b>	<b>-353</b>	<b>-37.0%</b>

Cost of services ex IC	(Baht million) / (% to total revenue)					
	2009		2010		YoY	YoY (%)
Network amortization	19,033	18.6%	18,395	16.5%	-638	-3.4%
Base station rental & utility	2,646	2.6%	2,752	2.5%	106	4.0%
Maintenance	1,388	1.4%	1,376	1.2%	-12	-0.8%
Other cost of services	3,862	3.8%	3,103	2.8%	-760	-19.7%
<b>Total cost of services ex IC</b>	<b>26,929</b>	<b>26.3%</b>	<b>25,625</b>	<b>23.0%</b>	<b>-1,304</b>	<b>-4.8%</b>
<b>Revenue sharing expense</b>	<b>19,861</b>	<b>19.4%</b>	<b>21,553</b>	<b>19.4%</b>	<b>1,693</b>	<b>8.5%</b>

SG&A	(Baht million) / (% to total revenue)					
	2009		2010		YoY (Amount)	YoY (%)
Marketing expense	2,695	2.6%	2,324	2.1%	-371	-13.8%
General administrative and staff cost	6,294	6.1%	6,685	6.0%	391	6.2%
Bad debt provision	784	0.8%	589	0.5%	-195	-24.9%
Depreciation	274	0.3%	214	0.2%	-60	-21.9%
<b>Total SG&amp;A</b>	<b>10,047</b>	<b>9.8%</b>	<b>9,812</b>	<b>8.8%</b>	<b>-235</b>	<b>-2.3%</b>
<b>% Bad debt to postpaid revenue</b>	<b>3.7%</b>		<b>2.5%</b>			

EBITDA	(Baht million) / (% to total revenue)					
	2009		2010		YoY (Amount)	YoY (%)
Operating Profit	26,002	25.4%	32,764	29.4%	6,763	26.0%
Depreciation of PPE	3,337	3.3%	3,001	2.7%	-336	-10.1%
Amortization	16,683	16.3%	16,365	14.7%	-318	-1.9%
(Gain)/Loss on disposal of PPE	8	0.0%	91	0.1%	82	974.2%
Management Benefit	-72	-0.1%	-113	-0.1%	-41	56.3%
Other financial cost	-45	0.0%	-47	0.0%	-2	4.1%
<b>EBITDA</b>	<b>45,913</b>	<b>44.8%</b>	<b>52,063</b>	<b>46.8%</b>	<b>6,149</b>	<b>13.4%</b>

Financial cost	(Baht million) / (% to total revenue)					
	2009		2010		YoY (Amount)	YoY (%)
<b>Financial cost</b>	<b>1,921</b>	<b>1.9%</b>	<b>1,735</b>	<b>1.6%</b>	<b>-186</b>	<b>-9.7%</b>

## Revenue

**Service revenue excluding IC** was Baht 87,852 million and increased 7.9% YoY due to economic recovery as well as strong non-voice growth. Especially in 4Q10, the service revenue excluding IC grew better-than-expected 9.6% YoY and 6.9% QoQ thanks to prepaid voice and non-voice services. Festive season and firm economy supported the growth.

**Voice revenue** was Baht 66,278 million and increased 3.5% YoY due to economic recovery from the bottom in 2009. Stable pricing over the year and some key successful pricing packages also contributed to solid voice recovery. Majority of voice revenue growth came from prepaid voice, which was Baht 48,466 million and increased 3.9% YoY. As a result of on-top Mao-Mao packages as well as lucky-draw campaigns, prepaid subscribers consumed higher traffic and generated more revenues. Postpaid voice was Baht 17,813 million and increased 2.4% YoY. Flexible Mix & Match package continued to acquire valued postpaid subscribers.

**Non-voice revenue** was Baht 15,040 million and surged 30% YoY. Mobile data, which grew 72% YoY, was the key contributor driven by quick adoption of smartphone and USB data card among Thai consumers. Price of mobile gadgets has been trending lower but improving in functionality. Social networking such as Facebook, Twitter or other chat applications drove a “chain reaction” among data users. BlackBerry and Net SIM subscribers grew more than double from 2009. AIS continued to push toward data-bundling smartphones with key manufacturers such as Apple, BlackBerry, Samsung, HTC and Nokia. Demand of mobile internet continued to rise due to limited fixed-line infrastructure especially in regional areas. In 2H10, AIS launched “EDGE Plus” program to enhance customer non-voice experience. AIS customers were able to experience higher data speed and simultaneous voice/data usage. Use of data among regional subscribers also started to grow as AIS maintains our key strength of wider network coverage as well as 3G network in certain areas. In 2010, the non-messaging services contributed 11% of service revenues excluding IC compared to 8% in 2009.

**International roaming revenue** was Baht 2,703 million and increased 15.4% YoY due to global economic recovery. Although, the political unrest occurred in 2Q10, situation recovered fast and confidence restored to normal level. Tourist arrival improved sharply in second half of 2010 resulted in 30% YoY growth of international roaming revenue in the same period.

**Others service revenue**, comprised of international call (IDD), was Baht 3,831 million and increased 7.8% YoY due to higher usage as well as rising tourist arrival.

**Sales revenue** was Baht 8,954 million and surged 35% YoY thanks to the booming of smartphones and USB aircards. **Sales margin** also improved to 14.5% from 6.7% in 2009 due to higher margin of data devices. The launch of iPhone 4 in late 3Q10 tremendously drove the sales revenue in 4Q10 to grow 135% YoY and 48% QoQ. USB aircards by AIS also captured majority of growing market share especially in regional areas due to strong channels and limited fixed-line internet connectivity.

**Net IC receipts** was Baht 601 million and decreased 37% YoY, despite inclusion of IC receipt from Hutch-CAT. The decline was a result of AIS “all network” promotion which encouraged overall subscriber usage. NTC also ruled operators to provide a basic single rate to all networks in 3Q10. According to NTC resolution, IC between AIS and HUTCH-CAT started in 3Q10 and the interim IC amount was retroactively recorded at a rate of Baht 0.50 per minute since April 2010. Majority of net IC receipts came from HUTCH-CAT marginally offset by net IC paid to TMV.

### Cost of Service and Sales

**Revenue sharing expense** was Baht 21,553 million, an increased of 8.5% YoY. The increasing expenses was in-line with the improved service revenues excluding IC of 7.9% YoY.

**Network amortization** was Baht 18,395 million, a decrease of 3.4% YoY. The lower network amortization was due to some fully amortized assets while new investment was minimally added during the year.

**Maintenance cost** was Baht 1,376 million and relatively flat compared to Baht 1,388 million in FY09. The well-controlled cost was the effect of several cost efficiency programs implemented since 1H09 as well as services negotiation. As a percent to service revenues, maintenance cost declined to 1.2% in 2010, compared to 1.4% in 2009.

**Base rental and utility cost** was Baht 2,752 million, a slight increase of 4% YoY from Baht 2,646 million. The cost conformed to the increased number of cell sites was 158,000 compared to 15,400 last year.

**Other cost of services** were Baht 3,463 million and declined 10.3% YoY, excluding one-time reversal item related to network of Baht 360 million. The improved cost was mainly from the successful electronic top-up channels e.g. Refill on Mobile, ATM, mPAY services. In 2010, the electronic prepaid top-up represented over 75% of total refill transaction which resulted in 70% YoY lower cost of refill cards.

### Expense

**Marketing expenses** were the key component of cost reduction in 2010 with a decline of Baht 371 billion or 13.8% YoY to Baht 2,324 million. During the year, the spending on marketing activities declined owing to the mild competition in telecom market. As a result of controlled marketing spending coupled with improved revenue, marketing spending declined to 2.1% of total revenue from 2.6% in 2009.

**General Administrative & Staff expenses** were Baht 6,685 million, compared to Baht 6,297 million in FY09, an increase of 6.2% YoY from higher staff costs which partly offset by lower general administrative expenses. The higher staff expenses at 13.8% YoY was mainly due to higher bonus and special reward paid to employee as well as improved employee benefit. Excluding staff expenses, general administrative expenses, declined 4.8% YoY as a benefit in return of various cost saving programs including rental, maintenance, and utility cost. As a percentage of total revenue, general administrative and staff expenses slightly declined to 6.0% from 6.1% last year.

**Bad debt** was Baht 589 million, an improvement of 24.9% YoY from Baht 784 million. AIS continued to enhance the quality of distribution channel which help acquiring the quality of postpaid subscribers. For 2010, as a percentage to postpaid revenue, bad debt decreased to 2.5%, compared to 3.7% last year.

**Finance cost** was Baht 1,735 million, compared to Baht 1,921 million, a decreased of 9.7% YoY due to the lower level of average interest rate in 2010.

**Goodwill impairment** was Baht 1,560 million. After impairment of DPC goodwill in 2010, the remaining DPC goodwill is Baht 1,542 million, compared to Baht 3,102 million last year. The DPC goodwill is subjected to an impairment test at the end of each reporting period. The DPC impairment was due to the shorter remaining time of the BTO contract of DPC.

## Results

**EBITDA** was Baht 52,063 million and increased 13.4% YoY. The EBITDA increment was due to strong revenue growth particularly from solid recovery of voice revenue, strong data growth, rising sales of smart phones and data devices, as well as saving from cash OPEX.

**Cash OPEX** was Baht 16,374 million and lowered 4.9% YoY, particularly from the Baht 371 million saving in marketing expense, the Baht 360 million one-time reversal item in 2Q10 and the 70% YoY saving from refill on mobile scheme, a money top-up method via online replacing conventional scratch cards. EBITDA margin was 46.8% and increased from 44.8% in 2009 due to the lower cash OPEX.

**Foreign exchange** was Baht 3 million loss from Baht 73 million gain in 2009. The company managed to reduce an exposure to foreign exchange by financial instruments such as forward contracts.

**Other operating income** was Baht 679 million and decreased 1.6% YoY. Majority of other operating income was interest income which grew 9.5% YoY due to higher fixed income investment. AIS set aside a portion of free cash for investment in fixed income assets such as B/E notes.



**Net income** was Baht 20,547 million and increased 20.5% YoY. Excluding Baht 1,560 million DPC goodwill impairment, normalized net profit was Baht 22,107 million and increased 28% YoY. The net income growth was due to 1) higher revenues particularly from non-voice service and gadget sales 2) lower expenses particularly from network OPEX and marketing expense.

Consolidated (Baht million)	Where	2009	2010	YoY (Amount)	YoY (%)
<b>Net income</b>		<b>17,055</b>	<b>20,547</b>	<b>3,492</b>	<b>20.5%</b>
Add: Impairment of DPC goodwill	Impairment loss	-	1,560		
Impairment of ADC asset	Impairment loss	222	-		
<b>Normalized net income</b>		<b>17,277</b>	<b>22,107</b>	<b>4,830</b>	<b>28.0%</b>

### Balance Sheet Structure

**Total assets** was Baht 97,457 million and decreased 22% YoY because of lower net fixed assets as the amortization of asset was greater than new CAPEX. Also, cash declined from Baht 25,167 million to Baht 12,618 million mainly because of dividend payment.

**Interest bearing debt** was Baht 35,139 million relatively the same to Baht 35,654 million as of 2009. Average cost of debt remained at 4.8%. In 2011, loans of Baht 9,978 million and debenture of Baht 4,000 million with 5.9% coupon will due. The debenture will due in 3Q11 while the Baht 247 million loan will due in 2Q11 and the Baht 9,731 million will due in 4Q11.

**Equities** was Baht 41,480 million and decreased 42% YoY due to lower retained earnings after special dividend payment in 2010. Unappropriated retained earnings was Baht 15,358 million compared to Baht 46,146 million at the end of 2009.

**Liquidity** in term of current ratio dropped to 0.73 compared to 2.02 at the end of 2009. Current asset decreased mainly due to lower cash after dividend payment while current liabilities increased due to debt repayment scheduled in 2011. The Baht 13,978 million debt, which due in 2011, was a reason of the lower current ratio.

**Working Capital** remained healthy. Inventories was Baht 932 million and increased from Baht 629 million in 2009 due to higher valued smartphones in stock. Current investment was Baht 4,219 million compared to Baht 198 million in 2009, representing the 1-year fixed-income investment. The fixed income investment with maturity over 1 year is recorded in other long-term investment. Other current asset was Baht 2,459 million, increased from Baht 1,551 million because of higher tax claims and higher receivables of growing refill on mobile top-up. Account payable increased to Baht 3,158 million from Baht 2,728 million in 2009 due to purchased network equipment and accrued maintenance expenses. Advanced receipts from customers increased to Baht 1,521 million from Baht 653 million in 2009 due to higher sales of cash card. Other current liabilities increased to Baht 4,853 million from Baht 3,901 million because of accrued withholding tax from dividend payment.

**Capital structure** remained strong as indicated by net debt to equity at 0.53 and net debt to EBITDA at 0.42. Return on equity (ROE) was 49.5% higher from 23.8% in 2009 due to thinner retained earnings after capital management, both regular and special dividends paid.

Balance Sheet	(Baht Million) / (% to total asset)			
	2009		2010	
Cash	25,167	20.1%	12,618	12.9%
ST investment	198	0.2%	4,219	4.3%
Trade receivable	5,773	4.6%	5,610	5.8%
Inventories	629	0.5%	932	1.0%
Others	1,958	1.6%	2,524	2.6%
<b>Current Asset</b>	<b>33,725</b>	<b>27.0%</b>	<b>25,903</b>	<b>26.6%</b>
Networks and PPE	69,715	55.8%	55,544	57.0%
Intangible asset	6,286	5.0%	4,341	4.5%
Defer tax asset	10,052	8.0%	9,814	10.1%
Others	5,248	4.2%	1,856	1.9%
<b>Total Assets</b>	<b>125,026</b>	<b>100.0%</b>	<b>97,457</b>	<b>100.0%</b>
Trade accounts payable	2,729	2.2%	3,160	3.2%
CP of LT loans	497	0.4%	15,883	16.3%
Accrued R/S expense	3,070	2.5%	3,328	3.4%
Others	10,287	8.2%	13,119	13.5%
<b>Current Liabilities</b>	<b>16,583</b>	<b>13.3%</b>	<b>35,489</b>	<b>36.4%</b>
Total interest-bearing debt	35,654	28.5%	35,139	36.1%
<b>Total Liabilities</b>	<b>53,214</b>	<b>42.6%</b>	<b>55,978</b>	<b>57.4%</b>
Unappropriated retained earning	46,146	36.9%	15,358	15.8%
<b>Total Equity</b>	<b>71,811</b>	<b>57.4%</b>	<b>41,480</b>	<b>42.6%</b>

Key Financial Ratio	2009	2010
Debt ratio	0.43	0.57
Net debt to equity	0.15	0.54
Net debt to EBITDA	0.23	0.43
Total liabilities to equity	0.74	1.35
Current ratio	2.02	0.73
Interest coverage	13.86	19.41
DSCR	13.54	2.07
ROE (%)	23.8	49.5

Debt Repayment Schedule	(Baht Million)	
	Debenture	Long term loan
<b>2010</b>	-	493
1Q11	-	-
2Q11	-	247
3Q11	4,000	-
4Q11	-	9,731
<b>2012</b>	5,000	493
<b>2013</b>	8,000	493
<b>2014</b>	2,500	2,939
<b>2015</b>	-	493
<b>2016</b>	-	493
<b>2017</b>	-	493
<b>2018</b>	-	247

### Cash Flow

**Free cash flow (EBITDA-CAPEX)** of 2010 was Baht 46.8 billion and increased 30% YoY, achieved higher than the guidance of 18 %YoY. The growth was supported by strong operating revenue, cost efficiency and lower CAPEX. Throughout 2010, as the company planned to reserve capital for future investment in 2.1 GHz license, CAPEX was managed to an exceptional low level of Baht 5.2 billion and focused only on necessary expansion of data capacity. The company generated operating cash flow of Baht 53 billion which increased from Baht 47.1 billion in 2009 or 12% YoY.

Source and use of fund: 2010 (Baht Million)			
Source of Fund		Use of Fund	
Operating CF before change in working capital	52,995	CAPEX & Fixed assets	5,189
Interest received	379	Dividend payments	51,351
Sale of property and equipment	33	Finance costs paid	1,725
Share capital and share premium	353	Repayment of LT borrowing	486
Cash decreased	13,810	Changes in working capital	7,771
		Payment of finance leases	25
		Investment related	1,022
<b>Total</b>	<b>67,570</b>	<b>Total</b>	<b>67,570</b>

## FY2011 Management Outlook & Startegy

### FY2011 Guidance

<b>Service revenue excluding IC</b>	+4% YoY
<b>EBITDA margin</b>	45%
<b>CAPEX</b>	Baht 10 billion cash capex

**With a slower pace of economic growth in 2011, telecom industry is expected to grow 4%** compared to GDP forecast of 3.5% - 4.5%. Voice revenue growth is expected to be flat as competition remains benign whilst data services continue to be the growth engine and is expected to rise 25 - 30%. Mobile penetration already reached over 100% and continues to move upwards with approximately 2 - 3 millions net adds for the industry. Drivers to increasing subscribers are from surging multiple-device and data-SIM users, growing machine-to-machine enterprise market, and some organic growth from rural segment. Handset business is a key to support data services, with double digit growth but lower margin. Sales of handset in 2011 is expected to expand toward data devices and more affordable smartphones. We estimate the market for smartphones to expand by 2 million units in 2011 while price is expected to decline.

**Data continues to be the key growth engine at 25 - 30% growth.** With limited availability of landline internet access, mobile data momentum will be encouraged through new and more affordable data-gadgets line-up, expansion of lower-end smartphones, and continued proliferation of mobile social networking. AIS will focus more on rising data market in 2011 by implementing “Quality DNAs”, quality in all dimensions of services including device, network, application, and services. More smart devices will be delivered to customers in all segments with exclusive packages from AIS. Network on 900 MHz will be upgraded to support growing demand of mobile internet including 3G on 900 MHz using HSPA technology to be roll-out in selective provinces with Baht 2.5 billion CAPEX. Applications will be developed, in cooperation with strategic partners, to accommodate multi-operating systems such as iOS, BlackBerry, Android. Local contents such as news clips, live information and lifestyles, will be launched to increase data usage. Also, quality of service will be ensured by “certified smartphone expert” to help smart devices users together with 24 hours call center and service centers nationwide.

**To capture the strong momentum of data growth, AIS will spend Baht 10 billion capex on network expansion in both 2G and 3G.** In 2010, while competition was fairly mild and the upgrade of new technology has been pending due to regulatory issues, capex was exceptionally low at Baht 5.2 billion. Moving into 2011, as we see the continual strong growth momentum of data usage, capex needs to be at a level of Baht 10 billion. The amount of Baht 7.5 billion will use for upgrade and expanding 2G data capacity while Baht 2.5 billion will be spent on extending 3G on 900 MHz which we currently have 131 base stations. Within 3Q11, we plan to settle 1,884 base stations of 3G 900 MHz located in Bangkok and other major provinces. These investment will help unlock the limited data capacity the current 2G network is facing. However, such investment remains as an interim solution to the rising competition of data market and to meet the growing customer needs on mobile internet while the unclear timeline of the 2.1 GHz auction prevails. Network amortization is likely to be lowered by 2 - 3% in 2011 due to some fully-amortized assets and new investment stays relatively small.

**AIS targets to achieve 45% EBITDA margin.** The EBITDA margin is likely to slightly decline to 45% from 46.8% last year caused by higher OPEX, lower net IC revenue, and growing handset business. Despite very lean operating efficiency, the network opex would increase consistent with rising capex in 2011. Also, marketing spending tends to rise in a range of 2.5% to 3% of total revenue as a result of the introducing 3G technology coupled with various handset campaigns. Net interconnection revenue is revised down in a range of Baht 300 - 400 million, lower than the 2010 level. However, the company does not expect the net IC gain to be sustainable. Moreover, an increasing smartphone adoption resulted in higher proportion of revenue from handset business. This will cause lower consolidated EBITDA margin as handset business normally posts lower margin than mobile service.

**Company aims to pay dividend at least 100% of net profit.** Historically, the company has been paying over 100% during the past four years. The company also aims to pay dividend twice a year, an interim dividend distributed from the first half operating results, and annual dividend distributed from the second half operating results. Such dividend payment may not exceed the retained earnings in the Company Financial Statement. The special dividend paid during 2010 was due to the excess level of cash which preserved for 3G licenses on 2.1 GHz auction that wait to be at no avail. For 2011, the company continued to maintain flexibility to preserve long-term growth potential.

## Impact from the Change of Accounting Policy due to IFRS

Management has made a preliminary assessment of the potential initial impact of adoption these new TAS and TFRS in accordance with the FAP's announcement. The adoption of these new standards shall have no material impact on the consolidated and separate financial statements in the period of initial application except TAS 19 Employee benefits as follows:

**TAS 19 - Employee benefits**

There is currently no Thai accounting standard covering employee benefits and the Group does not presently account for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. The new TAS 19 includes the requirements to recognise and account for such costs in the period in which the service is performed. The requirements are complex and require actuarial assumptions to measure the obligation and expense. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. The transitional provisions of TAS 19 permit the transitional liability to be recognised and accounted for in one of four different ways:

- (i) retrospectively;
- (ii) immediately in equity (retained earnings) at the transition date;
- (iii) immediately in profit or loss at the transition date;
- (iv) as an expense on a straight-line basis over up to five years from the transition date.

Management has determined that the transitional liability as at 1 January 2011 for post-employment benefits is approximately Baht 405 million for the Group and Baht 335 million for the Company, deferred tax assets is approximately Baht 121 million for the Group and Baht 101 million for the Company and retained earnings is approximately Baht 284 million for the Group and Baht 234 million for the Company. Management intends to adopt transitional provision to adjust retrospectively recognise and account for this liability.

TAS = Thai Accounting Standard

TFRS = Thai Financial Reporting Standard

FAP = Federation of Accounting Professions

**Disclaimers**

Some statements made in this presentation are forward-looking statements, 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.

## Operational Data

	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
<b>Subscribers</b>								
GSM Advance	2,586,300	2,672,200	2,755,600	2,835,800	2,878,500	2,898,800	2,928,100	2,976,500
GSM 1800	76,900	78,300	79,000	78,900	78,300	78,400	76,400	76,100
Postpaid	2,663,200	2,750,500	2,834,600	2,914,700	2,956,800	2,977,200	3,004,500	3,052,600
Prepaid	24,918,600	25,151,500	25,447,700	25,858,200	26,552,400	27,030,500	27,497,600	28,148,100
<b>Total subscribers</b>	<b>27,581,800</b>	<b>27,902,000</b>	<b>28,282,300</b>	<b>28,772,900</b>	<b>29,509,200</b>	<b>30,007,700</b>	<b>30,502,100</b>	<b>31,200,700</b>
<b>Net additions</b>								
Postpaid	51,200	87,300	84,100	80,100	42,100	20,400	27,300	48,100
Prepaid	220,400	232,900	296,200	410,500	694,200	478,100	467,100	650,500
<b>Total net additions</b>	<b>271,600</b>	<b>320,200</b>	<b>380,300</b>	<b>490,600</b>	<b>736,300</b>	<b>498,500</b>	<b>494,400</b>	<b>698,600</b>
<b>Churn rate (%)</b>								
Postpaid	2.0%	2.0%	2.2%	2.2%	2.3%	2.2%	2.1%	1.8%
Prepaid	4.8%	4.9%	5.0%	5.2%	4.7%	4.7%	4.3%	4.4%
Blended	4.6%	4.7%	4.8%	4.9%	4.4%	4.5%	4.1%	4.2%
<b>Subscriber market share</b>								
Postpaid	41%	41%	42%	42%	43%	43%	43%	N/A
Prepaid	44%	44%	44%	44%	44%	44%	44%	N/A
<b>Total</b>	<b>44%</b>	<b>44%</b>	<b>44%</b>	<b>44%</b>	<b>44%</b>	<b>44%</b>	<b>44%</b>	<b>N/A</b>
<b>ARPU excl. IC (Baht)</b>								
GSM Advance	678	645	641	660	657	654	655	669
GSM 1800	636	631	622	623	610	596	594	584
Postpaid	677	645	640	659	655	652	654	667
Prepaid	195	188	184	192	193	185	185	195
Blended	241	232	229	239	240	232	231	242
<b>ARPU incl. net IC (Baht)</b>								
GSM Advance	634	605	600	619	617	614	623	633
GSM 1800	620	615	605	604	593	578	576	574
Postpaid	634	605	600	619	617	613	622	632
Prepaid	203	196	191	198	198	190	192	201
Blended	244	236	232	240	240	232	235	244
<b>MOU (minutes: billable outgoing only)</b>								
GSM Advance	533	529	522	535	524	509	522	532
GSM 1800	480	470	469	492	483	476	387	496
Postpaid	531	527	521	534	523	508	518	532
Prepaid	243	239	240	255	263	273	280	292
Blended	271	267	268	283	289	297	304	316
<b>Traffic</b>								
% outgoing to total minute	48%	48%	48%	49%	48%	47%	49%	49%
% on-net to total outgoing minute	77%	78%	79%	79%	80%	80%	82%	82%

## Relationship with Investors

We commit to deliver high standard of disclosure with accuracy, completeness, fairness, transparency, quality, and timeliness in our communication with the shareholders and the investment communities.

AIS Investor Relations Department reports directly to the Chief Finance Officer. We provide the company information including financial and operational performance as well as business direction from management perspective. Quarterly Management Discussion and Analysis (MD&A) contains qualitative of quarterly operating results, significant events affected financial results, guidance and other crucial information for investors. The guidance is revisited during the year in accordance with the ongoing results.

AIS Investor Relations Website (<http://investor.ais.co.th>) contains essential sources for investor including historical performance, financial statements, conference call replays, annual report, Form 56-1, SET disclosure, Investor Calendar, shareholders meeting announcement, AIS's share information, dividend, corporate governance, corporate social responsibility, etc. Moreover, AIS regularly delivers IR News Release to inform investors about important issues including company's news, earning releases, updated promotions.

AIS also established the Compliance Department which is responsible for information disclosure to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) to ensure that the Company complies with applicable laws and regulations.

In addition, the Company has regularly organized activities for investors which have been attended by various Company executives as per the summary shown on the next page.



## Activities Related to Quarterly Result Announcement

Activity	2010	Objective	Attendees	Executive
<b>Result conference call &amp; webcast</b>	Quarterly (4 times)	Quarterly result announcement and Q&A	Local and foreign analysts and institutional investors	Chief Operating Officer/ Chief Finance Officer/ Other members of management team
<b>Analyst briefing</b>	semi-annual and annual (2 times)	Presentation of the Company's semi-annual and annual performance and strategy, plus Q&A	Analysts and local institutional investors	Chief Executive Officer/ Chief Finance Officer/ Other members of management team
<b>Opportunity day</b>	Quarterly (3 times*)	Quarterly result announcement and Q&A	Retail investors, private equity, analysts	Vice President of Marketing Analysis and Planning Department/ Investor Relations Department

\* The 2Q10 Opportunity Day was cancelled due to political unrest.

## Investor Activities

Activity	2010	Objective	Attendees	Executive
<b>Roadshow/ conference (international and domestic)</b>	10 times	Communicate business direction, performance and strategy	Local and foreign institutional investors	Chief Executive Officer/ Chief Finance Officer/ Other members of management team
<b>Company visit (1-on-1 meeting/ group meeting/ conference call)</b>	72 times	Provide access to management to discuss Company's performance, direction, and strategy	Local and foreign analysts and institutional investors	Chief Executive Officer/ Chief Finance Officer/ Other members of management team

Shareholders and investors can reach the Investor Relations Officer directly via telephone (66) 2615 3112, (66) 2299 5014, fax (66) 2299 5165, and E-mail (investor@ais.co.th).

## Other References

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	<p>Thailand Securities Depository Company Limited  The Stock Exchange Thailand Building,  62, Ratchadapisek Road,  Klongtoey, Klongtoey, Bangkok 10110  Tel. : (66) 2229 2800  Fax : (66) 2359 1259</p>
Auditor	<p>Mr. Winid Silamongkol  Certified Public Accountant Registration Number 3387  KPMG Phoomchai Audit Limited  195 Empire Tower 48<sup>th</sup>-51<sup>st</sup> Floor,  South Sathorn Road, Sathorn, Bangkok 10120  Tel. : (66) 2677 2000  Fax : (66) 2677 2222</p>
Debenture Registrar	<p>TMB Bank Public Company Limited  3000 Phahon Yothin Road, Chatuchak, Bangkok 10900  Tel. : (66) 2299 1111, (66) 2617 9111</p>

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### Disclaimers

This statement is not intended as an offer or solicitation for the purchase or sale of any financial instruments. The recipient of this statement must make its own independent decisions regarding any securities or financial instruments, and neither AT Kearney nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences of any reliance thereon usage thereof of the statement.





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