

Financial Highlights

Financial Statement

1. Auditor's report

Auditor's Reports were stated that the consolidated and company financial statements presented fairly, in all material respects, the consolidated and company financial position as at 31 December 2018, 2017, and 2016, and the consolidated and company 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 Thai Financial Reporting Standards.

2. The Consolidated Financial Position

Advanced Info Service Public Company Limited Consolidated – Financial Position As at 31 December

Unit : Thousand Baht

	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets						
Cash and cash equivalents	11,226,141	4.07	10,650,407	3.75	9,066,888	3.12
Specifically-designed bank deposits	2,963,183	1.08	2,642,634	0.93	2,220,542	0.76
Current investments	-	-	-	-	-	-
Trade and other current receivables	14,116,309	5.12	17,071,012	6.01	19,241,654	6.62
Inventories	3,085,252	1.12	3,950,535	1.39	3,822,985	1.32
Current tax assets	366,770	0.13	197,610	0.07	116,987	0.04
Other current financial assets	236,418	0.09	82,917	0.03	5,772	0.00
Other current assets	272,036	0.10	245,744	0.09	429,844	0.15
Total Current Assets	32,266,109	11.71	34,840,859	12.27	34,904,673	12.02
Non-Current Assets						
Investments in an associate	24,235	0.01	30,729	0.01	17,794	0.01
Investments in a joint venture	14,662	0.01	58,536	0.02	735,996	0.25
Other long-term investments	59,399	0.02	59,399	0.02	59,976	0.02
Property, plant and equipment	118,271,443	42.90	132,579,259	46.67	130,211,974	44.82
Assets under the Agreements for operations	-	-	-	-	-	-
Goodwill	34,931	0.01	34,931	0.01	2,881,700	0.99
Spectrum license	115,378,418	41.85	107,523,564	37.85	111,749,059	38.47
Other intangible assets	4,099,208	1.49	4,499,186	1.59	5,091,829	1.75
Deferred tax assets	2,617,832	0.95	2,562,436	0.90	3,210,340	1.11
Other non-current financial assets	577,660	0.21	-	-	-	-
Other non-current assets	2,326,454	0.84	1,878,455	0.66	1,641,645	0.57
Total Non-Current Assets	243,404,242	88.29	249,226,495	87.73	255,600,312	87.98
Total Assets	275,670,351	100.00	284,067,354	100.00	290,504,985	100.00

Advanced Info Service Public Company Limited
Consolidated – Financial Position (continued)
As at 31 December

Unit : Thousand Baht

	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Short-term borrowings from financial institution	9,200,000	3.34	6,500,000	2.29	5,900,000	2.03
Trade and other current payables	34,292,055	12.44	32,140,894	11.31	37,679,695	12.97
Accrued revenue sharing expenses	5,360,787	1.94	5,361,819	1.89	5,361,819	1.85
Unearned income - mobile phone service	3,208,043	1.16	3,409,682	1.20	3,963,531	1.36
Advance received from customers	2,963,183	1.08	2,642,633	0.93	2,220,542	0.76
Current portion of long-term liabilities	2,484,704	0.90	3,075,569	1.08	11,203,599	3.86
Current portion of spectrum licenses payable	10,017,157	3.63	13,988,911	4.93	3,971,753	1.37
Current Income tax payable	1,756,301	0.64	2,456,516	0.86	2,412,565	0.83
Other current liabilities	45,799	0.02	24,751	0.01	50,953	0.02
Total Current Liabilities	69,328,029	25.15	69,600,775	24.50	72,764,456	25.05
Non-Current Liabilities						
Long-term liabilities	87,273,400	31.66	100,101,850	35.24	92,029,626	31.68
Provision for Employee benefit	2,554,403	0.93	1,855,646	0.65	2,253,764	0.78
Spectrum licenses payable	72,180,038	26.18	59,960,851	21.11	63,516,141	21.86
Other non-current financial liabilities	-	-	117,673	0.04	-	-
Other non-current liabilities	1,626,147	0.59	2,003,771	0.71	2,272,418	0.78
Total Non-Current Liabilities	163,633,988	59.36	164,039,791	57.75	160,071,949	55.10
Total Liabilities	232,962,017	84.51	233,640,566	82.25	232,836,405	80.15
Shareholders' Equity						
Issued and fully paid-up share capital	2,973,095	1.08	2,973,095	1.05	2,973,095	1.02
Premium on ordinary shares	22,388,093	8.12	22,372,276	7.87	22,372,276	7.70
Deficit arising from change in ownership interest in a subsidiary	-	-	-	-	(668,455)	(0.23)
Retained earnings :						
Appropriated - Legal reserve	500,000	0.18	500,000	0.18	500,000	0.17
Unappropriated	16,471,015	5.97	24,264,075	8.54	32,005,108	11.02
Other components of equity	236,680	0.09	210,909	0.07	339,016	0.12
Equity attributable to owners of the Company	42,568,883	15.44	50,320,355	17.71	57,521,040	19.80
Non-controlling interests	139,451	0.05	106,433	0.04	147,541	0.05
Total Equity	42,708,334	15.49	50,426,788	17.75	57,668,581	19.85
Total Liabilities and Equity	275,670,351	100.00	284,067,354	100.00	290,504,985	100.00

Advanced Info Service Public Company Limited
Consolidated - Statement of Profit or Loss
For the years ended 31 December

Unit : Thousand Baht

	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Revenues						
Revenues from rendering services & equipment rentals	128,226,137	84.28	132,946,615	84.29	144,004,928	84.78
Revenues from sale of goods	23,923,730	15.72	24,775,185	15.71	25,850,920	15.22
Total revenues	152,149,867	100.00	157,721,800	100.00	169,855,847	100.00
Cost						
Cost of services & equipment rentals	58,069,918	38.17	66,603,293	42.23	76,700,067	45.16
Revenue sharing expense	3,989	-	1,033	-	-	-
Cost of sale of goods	24,917,977	16.38	25,654,313	16.27	26,755,622	15.75
Construction cost from the Agreements for operation	-	-	-	-	-	-
Total costs	82,991,884	54.55	92,258,639	58.50	103,455,689	60.91
Gross profit	69,157,983	45.45	65,463,161	41.50	66,400,158	39.09
Distribution costs	16,012,373	10.52	9,990,160	6.33	9,549,510	5.62
Administrative expenses	13,763,455	9.05	15,087,573	9.57	16,745,333	9.86
Total selling & administrative expenses	29,775,828	19.57	25,077,733	15.90	26,294,843	15.48
Profit from sales, services and equipment rentals	39,382,155	25.88	40,385,428	25.60	40,105,315	23.61
Interest and dividend income	203,951	0.13	174,795	0.11	164,949	0.10
Other income	364,176	0.24	575,202	0.37	695,878	0.41
Share of profit of an associate and a joint venture	23,897	0.02	5,368	-	(122,974)	(0.07)
Net foreign exchange gain	277,161	0.18	224,917	0.14	118,631	0.07
Management benefit expenses	(150,257)	(0.10)	(142,727)	(0.09)	(177,470)	(0.10)
Finance costs	(4,236,139)	(2.78)	(5,301,632)	(3.36)	(5,147,685)	(3.03)
Profit before income tax	35,864,944	23.57	35,921,351	22.77	35,636,644	20.98
Income tax expense	(5,175,300)	(3.40)	(5,843,428)	(3.70)	(5,922,539)	(3.49)
Profit for the year	30,689,644	20.17	30,077,923	19.07	29,714,105	17.49
Attributable to :						
Owners of the Company	30,666,538	20.15	30,077,312	19.07	29,682,178	17.47
Non-controlling interests	23,106	0.02	611	-	31,927	0.02
Profit for the year	30,689,644	20.17	30,077,923	19.07	29,714,105	17.49
Basic earnings per share (Bath)	10.31		10.12		9.98	
Diluted earnings per share (Bath)	10.31		10.12		9.98	

Advanced Info Service Public Company Limited
Consolidated - Statement of Cash Flows
For the years ended 31 December

Unit : Thousand Baht

Consolidated - Cash flow	2016	2017	2018
Cash flows from operating activities:			
Net profit	30,689,644	30,077,923	29,714,105
Adjusted by:			
Depreciation	15,464,345	21,487,351	24,821,824
Amortization of intangible assets	6,202,968	8,663,344	9,057,267
Interest and dividend income	(203,951)	(174,795)	(164,949)
Finance costs	4,236,139	5,301,632	5,147,685
Doubtful accounts and bad debts expenses	1,537,700	2,198,933	2,174,515
Share-based payment transaction	34,741	47,744	38,776
(Reversal of) Allowance for obsolete, decline in value and write-off inventories	301,549	(392,008)	(151,790)
Loss on disposals and write-off of assets	23,070	7,117	2,255
Allowance for unused equipment	135,773	722,517	635,294
Unrealised (gain) loss on foreign exchange rate	(29,634)	(247,518)	201,914
Share of profit loss of an associate and a joint venture	(23,897)	(5,368)	122,974
Employee benefit expense	213,606	261,759	188,449
Income tax expense	5,175,300	5,843,428	5,922,539
Cash provided by operation before changes in operating assets & liabilities	63,757,353	73,792,059	77,710,858
Changes in operating assets and liabilities			
Specifically-designed bank deposits	1,484,097	320,549	422,091
Trade and other receivables	731,904	(5,153,675)	(3,889,749)
Inventories	1,672,451	(473,275)	307,111
Other current assets	1,022,641	69,938	7,246
Other non-current assets	2,601	814,768	260,385
Trade and other payables	3,289,463	1,504,332	1,344,423
Accrued revenue sharing expenses	(3,298)	1,032	-
Unearned income-mobile phone service	876,280	201,640	553,849
Advance received from customers	(1,484,097)	(320,549)	(422,091)
Other current liabilities	23,006	(21,047)	3,450
Swap and forward contracts receivable (payable)	102,802	324,994	(401,038)
Other non-current liabilities	94,722	29,822	23,411
Cash generated from operating activities	71,569,925	71,090,588	75,919,946
Employee benefit paid	(32,221)	(29,082)	(25,552)
Income tax paid	(9,902,247)	(5,532,987)	(6,762,700)
Net cash provided by operating activities	61,635,457	65,528,519	69,131,694

Advanced Info Service Public Company Limited
Consolidated - Statement of Cash Flows (Continued)
For the years ended 31 December

Unit : Thousand Baht

Consolidated - Cash flow	2016	2017	2018
Cash flows from investing activities:			
Purchase of property, plant, equipment and other intangible assets	(47,554,102)	(41,107,895)	(20,197,788)
Sales of equipment	17,398	121,136	847,167
Payment of spectrum license	(8,069,267)	(10,246,500)	(20,535,811)
Additional investment in an associate, a joint venture	(15,000)	(45,000)	(787,499)
Net cash paid for acquisition of business	-	-	(3,375,340)
Net (increase) decrease in other investments	303,674	-	(577)
Interest received	215,750	169,264	173,094
Net cash (used in) investing activities	(55,101,547)	(51,108,995)	(43,876,754)
Cash flows from financing activities:			
Interest paid	(2,568,103)	(3,055,219)	(3,290,108)
Other finance costs paid	(201,233)	(71,905)	(17,105)
Financial lease principal payment	(47,304)	(56,363)	(55,686)
Net increase (decrease) in short-term loans from financial institutions	700,000	(2,700,000)	(850,000)
Proceed of long-term liabilities	41,153,737	16,307,475	3,000,000
Repayment of long-term liabilities	(7,699,136)	(2,190,461)	(2,887,954)
Cash paid for purchase of a subsidiary from non-controlling interest	-	-	(879,085)
Cash returned paid to non-controlling interests from share reduction of a subsidiary	-	(33,428)	-
Dividend paid	(36,508,870)	(23,190,302)	(21,852,479)
Net cash (used in) financing activities	(5,170,909)	(14,990,203)	(26,832,417)
Effect of exchange rate changes on balances held in foreign currencies	(1,773)	(5,055)	(6,042)
Net increase (decrease) in cash and cash equivalents	1,361,228	(575,734)	(1,583,519)
Cash and cash equivalents at 1 January	9,864,913	11,226,141	10,650,407
Cash and cash equivalents at 31 December	11,226,141	10,650,407	9,066,888

Supplemental disclosures of cash flow information

Non-cash transactions

Outstanding debts arising from investments in capital expenditures

and spectrum license

94,784,549

82,929,856

80,209,168

3. Financial Ratio Formulas

Advanced Info Service Public Company Limited

Consolidated - Financial ratio

For the years ended 31 December

Consolidated financial statements	2016	2017	2018
Liquidity Ratio			
Current Ratio (time)	0.47	0.50	0.48
Quick Ratio (time)	0.33	0.36	0.35
Operating cash flow to current liability (time)	0.89	0.94	0.95
A/R turnover (time)	12	11	10
Collection period (day)	29	32	35
Inventory turnover (time)	6	7	7
Day sales period (day)	59	49	52
A/P turnover (time)	5	6	6
Payment period (day)	70	63	58
Cash Cycle (day)	19	19	30
Profitability Ratio			
Gross profit margin ratio (%)	45%	42%	39%
Operation income ratio (%)	26%	26%	24%
Other operating income ratio (%)	0.4%	0.5%	0.5%
Free cash flow to EBIT (%)	17%	36%	63%
Net profit margin (%)	20 %	19%	18%
Return to Equity (%) Average	67%	65%	55%
Return to Equity (%) As at end	72%	60%	51%
Efficiency Ratio			
Return on total assets (%)	13%	11%	10%
Return on fixed assets (%) ¹	29%	23%	22%
Total assets turnover (time)	0.67	0.56	0.59
Financial Policy Ratio			
Debt to equity ratio (time)	5.45	4.63	4.04
Interest coverage ratio (time)	13.90	12.45	11.94
Debt service ratio (IR Basis) (time)	3.35	4.40	2.88
Dividend payout ratio (%)	98%	70%	71%
Data on per Share Capital			
Net book value per share (Baht)	14.36	16.96	19.40
Net Profit per share (Baht)	10.31	10.12	9.98
Dividend per share (Baht)	10.08	7.08	7.08
Percentage Growth on			
Total Assets (%)	52%	3%	2%
Total Liabilities (%)	75%	0.29%	-0.34%
Revenue from services & sales (%)	-2%	4%	8%
Selling & admin. expenses (%)	48%	-16%	5%
Net Profit (%)	-22%	-2%	-1%

13.1.4 Financial Ratio Formulas

Liquidity Ratio	
Current ratio (time)	total current assets / total current liabilities
Quick ratio (time)	(cash & cash equivalent + current investment + trade A/R) / Total current liabilities
Operating cash flow to current liability (time)	cash flow from operating (after tax) / total current liabilities
A/R turnover (time)	total revenue / average of trade A/R
Collection period (day)	360 / A/R turnover
Inventory turnover (time)	cost of sale of goods / average of inventory
Day sales period (day)	360 / inventory turnover
A/P turnover (day)	(total cost – revenue sharing expense) / average of trade A/P
Payment period (day)	360 / A/P turnover
Cash cycle (day)	collection period + day sales period – payment period
Profitability Ratio	
Gross profit margin (%)	gross profit / total revenues
Operation income (%)	profit from sales, services & equipment rentals / total revenues
Other operating income (%)	(investment income + other operating income) / total revenues
Free cash flow to EBIT (%)	(net cash from operating activities +/- net cash from investing activities) / profit from sales, services and equipment rentals
Net profit margin (%)	net profit / total revenue
Return to equity (%) average	net profit / average of total equity
Return to equity (%) as at end	net profit / total equity as at
Efficiency Ratio	
Return on total assets (%)	net profit / average of total assets
Return on fixed assets (%) / 1	net profit / average of (PPE + intangible asset + assets under agreement for operations)
Total assets turnover (time)	total revenues / average of total assets
Financial Policy Ratio	
Debt to equity ratio (time)	total liabilities / total equity
Interest coverage ratio (time)	profit from sales, services & equipment rentals / interest expense
Debt service ratio (time)	EBITDA after tax / (interest expense + debt repayment in 1 year)
Dividend payout ratio (%)	dividend paid / EPS
Data on per Share Capital	
Net book value per share (Baht)	total equity / no. of shares
Net profit per share (Baht)	net income / no. of shares
Dividend paid	-
Percentage Growth	
Total assets (%)	(total asset Y - total asset Y-1) / total asset Y-1
Total liabilities (%)	(total liabilities Y - total liabilities Y-1) / total liabilities Y-1
Revenue from services and sales (%)	(total revenue Y - total revenue Y-1) / total revenue Y-1
Selling & admin. expenses (%)	(total SGA Y - total SGA Y-1) / total SGA Y-1
(Net income Y - Net income Y-1) / Net income Y-1	(net income Y - net income Y-1) / net income Y-1

Management discussion and analysis

Executive Summary

Maintained leadership in mobile business

In FY18 competition in mobile industry remained elevated particularly on data pricing with fixed speed unlimited price plan while handset subsidies were more locally-focused compared to last year. With accumulation of fixed-speed unlimited subscribers, revenue and ARPU have been pressured. However, from 3Q18 onward AIS along with other operators have rebalanced pricing structure to ease impact on ARPU. As a result, AIS's mobile revenue for FY18 was Bt124,601mn, softly growing 1.3% YoY. While 4G demand continues to rise, AIS aiming to strengthen our leadership position in delivering the best mobile data network decided to bid for an additional 1800MHz spectrum, resulting in AIS having the largest bandwidth of 2x60MHz in the industry. Consequently, we have evidently seen an improvement of network quality against peers while brand perception enhanced. That said, we have well added 1mn mobile customers in 2H18.

Expanded fixed broadband and strengthened digital services

AIS Fibre continued to grow healthily, despite intense competition, with revenue reaching Bt4,436mn, a 42% increase YoY. The growth was driven by added subscribers of 209,300 or around (estimated) 20% share of industry which totaled year-end subscribers at 730,500. On other digital services, AIS continued to scale up several platforms to serve both consumers and enterprises. Our VDO platform called AIS PLAY received higher awareness and was listed among the top five of video-viewing applications with current active subscribers climbing to 1.7mn. The mobile money platform under a joint venture, Rabbit LINE Pay,

expanded its payment coverage to the sky train mass transit and grew monthly active users to 850,000. The enterprise business strengthened by CSL acquisition helped enhance AIS's capability to serve enterprise segment in areas such as enterprise data service and cloud which grew double digit while both AIS and CSL continued to have presence as strong brands in the market.

Implemented company-wide cost optimization

With low growth market, AIS has been focusing on optimizing and digitizing the core operation including network and service. This resulted in overall network OPEX (excluding cost of TOT partnership) to stay flat YoY or remained at 8% of core service revenue. The focus on effective spending amidst intense competition also translated into a 4% reduction in total marketing expenses YoY. FY18 CAPEX was lowered as 4G coverage was mostly completed and investment of Bt20bn was to mainly support added capacity and FBB network.

Expect mid-single digit growth in FY19

In summary, AIS delivered Bt133,429mn of core service revenue for FY18, a growth of 3.8% YoY. EBITDA increased 4.7% YoY to stand at Bt73,792mn or a margin (excluding equipment rental) of 45.2%, up from 44.7% in FY17. With continued network investment, net profit was reported at Bt29,682mn, slightly declining 1.3% YoY. For FY19, AIS expects to grow mid-single digit driven by all business segments. EBITDA margin is expected to be stable while budgeted for CAPEX of Bt20-25bn (see guidance on page 8).

Significant Events for FY19

Since 1 January 2019, AIS has adopted Thai Financial Reporting Standards (TFRS) 15, Revenue from Contracts with Customers. The standard affects the accounting of handset campaigns which are contracted with price plans. Prior to 2019, AIS fully expensed handset subsidy as either handset loss or marketing expense. With the effect of TFRS 15, key financial changes, compared to prior to 2019, will be as follows:

- a) Device subsidy previously recognized as handset loss will be reallocated between device sales and service revenue weighted by fair market values of the handset price and full-contract price plan. As a result, device sales would increase and service revenue would decrease. Also, device subsidy recognized as marketing expense will be capitalized as contract assets and amortized against the service revenue over the customer contract term.
- b) On balance sheet, there will be a new item namely "Contract assets", representing the difference between the revenue recognized and the upfront cash received from customers as well as capitalized device subsidies.

Considering the entire contract term, profitability of the contract remains the same. Please note that our guidance for FY19 provided on page 8 does not take into account TFRS 15 and is based on the same accounting principle as in FY18. Please see note 2 for more detail on TFRS 15.

Market and Competitive Environment

Following the softened mobile growth last quarter, operators have gradually stopped providing fixed-speed unlimited price plans and expect the impact of suppressed ARPU to slowly be unwind. Handset subsidies remained elevated in 4Q18 due to seasonality while aggressive campaigns remained in targeted areas. After completing spectrum auctions in 3Q18, overall 4G networks have improved following the deployment of the additional bandwidth, which is expected to help control operator's investment plans in the following year.

Competition in fixed broadband in 4Q18 was stable from the last quarter without prominent price cut. However, throughout the year the standard speed of the market has shifted from 30Mbps in 2017 to 50Mbps in 2018 with a similar price range of around Bt600. Overall, pure broadband operators mainly used pricing strategy while integrated operators increasingly emphasized convergence offerings highlighting on higher package value. This has resulted in the narrowing price gap between pure and convergence price plans.

4Q18 Financial and Operational Summary

In 4Q18, core service revenue was Bt33,683mn, increasing 3.3% YoY and 1.7% QoQ, driven by both mobile and fixed broadband business. Mobile subscribers continued the improving trend with total net addition of 522,200, 66% of which was from prepaid. Price-plan rebalancing focusing on offering full 4G speed and increasing 4G adoption to 59% resulted in mobile revenue of Bt31,364mn, growing 1.1% YoY and 1.6% QoQ while ARPU declined 0.7% YoY but improved 0.2% QoQ. Growth in postpaid segment continued to expand to 20% of total subscribers, compared to 18% last year. AIS Fibre maintained the focus on quality acquisition in 57 key cities gaining a net addition of 53,800 subscribers, similar pace to that of 3Q18. However, with price competition, ARPU declined to Bt574 from Bt635 in 4Q17 but stabilized from 3Q18.

Regulatory fee was Bt1,420mn and accounted for 4.2% of core service revenue, steady from last quarter. Network OPEX was Bt7,366mn, increasing 47% YoY and 2% QoQ as we concluded the

partnership contract with TOT. Excluding the accounting impact from recording cost of partnership with TOT, network OPEX would increase 6.5% YoY and 2.1% QoQ following ongoing cost optimization. To support brand awareness and seasonal handset campaigns, marketing expenses and handset loss were Bt3,045mn in total, increasing 27% YoY and 11% QoQ. Total SG&A hence increased 9.9% YoY and 2.6% QoQ to stand at Bt6,968mn.

EBITDA stood at Bt18,071mn, decreasing 2.1% YoY but increasing 1.4% QoQ, a 42.6% EBITDA margin (excluding equipment rental). Depreciation and amortization were Bt8,767mn, increasing 9% YoY and 4.4% QoQ from the new 1800MHz spectrum license as well as investment in 4G and fixed broadband. As a result, net profit was Bt6,839mn, decreasing 11% YoY but increasing 0.6% QoQ.

Mobile Business	4Q17	1Q18	2Q18	3Q18	4Q18
Subscribers					
Postpaid	7,390,100	7,617,100	7,822,600	8,014,700	8,189,900
Prepaid	32,665,400	32,432,900	32,272,100	32,632,300	32,979,300
Total subscribers	40,055,500	40,050,000	40,094,700	40,647,000	41,169,200
Net additions					
Postpaid	163,300	227,000	205,500	192,100	175,200
Prepaid	-294,100	-232,500	-160,800	360,200	347,000
Total net additions	-130,800	-5,500	44,700	552,300	522,200
ARPU (Baht/sub month)					
Postpaid	581	578	574	562	571
Prepaid	183	184	183	178	176
Blended	256	257	258	253	254
MOU (minute/sub month)					
Postpaid	257	251	242	241	244
Prepaid	151	148	136	124	121
Blended	170	168	156	147	145
VOU (GB data sub/month)					
Postpaid	8.3	9.2	10.9	12.7	14.0
Prepaid	6.2	7.0	8.2	9.2	9.8
Blended	6.7	7.6	8.9	10.1	10.9
Device Penetration					
4G-handset penetration	46%	50%	54%	57%	59%
Fixed Broadband Business					
FBB subscribers	521,200	571,800	623,400	676,700	730,500
FBB net addition	39,700	50,600	51,600	53,300	53,800
FBB ARPU (Baht/user/month)	635	618	610	573	574

FY18 Financial Summary

Revenue

In 2018, **total revenue** was Bt169,856mn increasing 7.7% YoY attributed by growth in service revenue, consolidation of CSL, and equipment rental from partnership with TOT.

Service revenue was Bt144,005mn, increasing 8.3% YoY. Excluding IC & equipment rental, **core service revenue** was Bt133,429mn increasing 3.8% YoY, in line with our guidance, driven by higher mobile data usage and increasing fixed broadband subscribers.

- **Mobile revenue** was Bt124,601mn increasing 1.3% YoY due to higher data consumption reaching 11 GB/data sub/month amidst pricing competition. Improving network quality and brand awareness has resulted in a net subscriber addition of 1.1mn, 72% of which was from postpaid.
- **Fixed broadband revenue** was Bt4,436mn increasing 42% YoY. In 2018, AIS Fibre has gained 209,300 of net subscriber addition and now has 730,500 total subscribers. ARPU in

4Q18 was Bt574, a decline from Bt635 in 4Q17, reflecting pricing competition and discounts to re-contract customers

- **Other service revenues**, which included revenues from CSL, enterprise data services and others, were Bt4,391mn, increasing 77% YoY mainly due to a full-year recognition of CSL revenue in 2018.
- **Interconnection charge (IC) and equipment rental** were Bt10,576mn, increasing 142% YoY due to full-year recognition of equipment rental incurred from the change in accounting on partnership with TOT since Mar-18, partially offset by lower IC from a decline in IC rate.

SIM & device sales were Bt25,851mn increasing 4.3% YoY. SIM and device margin in 2018 was – 3.5%, same level as in 2017, following continued handset campaigns.

Cost & Expense

In 2018, **cost of service** was Bt76,700mn increasing 15% YoY due to higher D&A and cost of the partnership with TOT, offset by lower regulatory fee.

- **Regulatory fee** was Bt5,723mn declining 8.7% YoY mainly from the lower license fee rate. Currently, regulatory fee to core service revenue represented 4.3%, compared to 4.9% in 2017.
- **Depreciation and amortization** was Bt33,282mn, increasing 12% YoY due to network expansion of both mobile and fixed broadband as well as the newly acquired 1800MHz license amortization.
- **Network OPEX** was Bt26,929mn increasing 34% YoY due mainly to the change in accounting on partnership with TOT. Excluding the TOT cost, network OPEX slightly increased 1.6% YoY following the cost optimization program.
- **Other costs of service**, which included cost of content, prepaid commission, and IC cost, were Bt10,766mn increasing 1.9% YoY due to higher cost of content offset by lower prepaid commission.

SG&A expenses were Bt26,295mn increasing 4.9% YoY mainly due to higher admin expenses offset by lower marketing expense.

- **Marketing expenses** were Bt9,550mn declining 4.4 % YoY due to more targeted handset campaigns. This has resulted in a reduction of %marketing expenses to total revenue from 6.3% in 2017 to 5.6% in 2018.
- **Admin and other expenses** were Bt16,745mn increasing 11% YoY mainly from higher staff cost, shop expansion & renovation, and the one-time expense of Bt134mn regarding withholding tax in 3Q18. In 2018, %bad debt to postpaid revenue declined to 3.8%, compared to 4.3% in 2017 following a focus on quality acquisition in both mobile and fixed broadband.

Net FX gain was Bt119mn decreasing from Bt225mn in 2017. FX gain/loss was incurred from CAPEX payables due to currency fluctuation whereas foreign debts were all fully hedged.

Finance cost was Bt5,148mn decreasing 2.9% YoY due to lower deferred interest from spectrum licenses. Average cost of borrowing was maintained at 3.1% per year.

Profit

In 2018, **EBITDA** was Bt73,792mn, increasing 4.7% YoY due to the improved operational results from both service revenue growth and cost optimization. Reported EBITDA margin was 43.4%. However, **excluding equipment rental, EBITDA margin** would be 45.2%, in line with the guidance of 45-47% and improved from 44.7% in 2017. In summary, AIS reported a **net profit** of Bt29,682mn, a slight decline of 1.3% YoY, following a pressure in D&A.

Financial position

As at December 2018, AIS had total assets of Bt290,505mn increasing 2.3% YoY mainly from the new 1800MHz spectrum license. Total current assets were Bt34,905mn stable from 2017 as higher account receivables, following a larger base of postpaid customers, was offset by lower cash. Total non-current assets were Bt255,600mn increasing 2.6% YoY from spectrum license, goodwill and investment in Rabbit LINE Pay (RLP).

Total liabilities were Bt232,836mn, stable from 2017 as payments for existing spectrum licenses were offset by the 1800MHz license acquisition.

Total equity was Bt57,669mn increasing 14% YoY from higher retained earnings. As a result, AIS's financial position remained strong with a current ratio and an interest coverage ratio of 0.5x and 12x, respectively. At the end of 2018, AIS had interest-bearing debt of Bt109,100mn with a net debt to EBITDA of 1.3x, stable from 2017, while maintained an investment grade credit rating at BBB+ for S&P.

Also, AIS has paid license installments totaling Bt20,536mn to the NBTC. As a result, free cash flow was Bt28,398mn (OCF less CAPEX less license fee), improving from Bt14,174mn in 2017. AIS paid Bt5,042mn for the acquisition of CSL and the investment in RLP as well as dividend of Bt21,852mn. With net repayments of Bt738mn, cash outstanding was Bt9,067mn.

Income statement (Bt mn)	4Q17	3Q18	4Q18	%YoY	%QoQ	FY17	FY18	%YoY
Mobile revenue	31,016	30,862	31,364	1.1%	1.6%	122,979	124,601	1.3%
Fixed broadband revenue	956	1,117	1,212	27%	8.6%	3,128	4,436	42%
Other service revenues	639	1,155	1,107	73%	-4.1%	2,476	4,391	77%
Core service revenue	32,611	33,134	33,683	3.3%	1.7%	128,583	133,429	3.8%
IC and equipment rental	1,107	3,111	3,202	189%	2.9%	4,364	10,576	142%
Service revenue	33,717	36,245	36,885	9.4%	1.8%	132,947	144,005	8.3%
SIM and device sales	7,488	5,865	7,699	2.8%	31%	24,775	25,851	4.3%
Total revenues	41,205	42,110	44,584	8.2%	5.9%	157,722	169,856	7.7%
Regulatory fee	(1,301)	(1,429)	(1,420)	9.2%	-0.6%	(6,272)	(5,723)	-8.7%
Depreciation & Amortization	(8,044)	(8,401)	(8,767)	9.0%	4.4%	(29,686)	(33,282)	12%
Network operating expense	(5,012)	(7,223)	(7,366)	47%	2.0%	(20,080)	(26,929)	34%
Other costs of services	(2,661)	(2,781)	(2,830)	6.3%	1.7%	(10,566)	(10,766)	1.9%
Cost of service	(17,018)	(19,835)	(20,383)	20%	2.8%	(66,604)	(76,700)	15%
Cost of SIM and device sales	(7,534)	(6,189)	(8,032)	6.6%	30%	(25,654)	(26,756)	4.3%
Total costs of service and sale	(24,552)	(26,023)	(28,414)	16%	9.2%	(92,259)	(103,456)	12%
Gross profit	16,653	16,087	16,170	-2.9%	0.5%	65,463	66,400	1.4%
SG&A	(6,338)	(6,794)	(6,968)	9.9%	2.6%	(25,078)	(26,295)	4.9%
Marketing Expense	(2,357)	(2,426)	(2,713)	15%	12%	(9,990)	(9,550)	-4.4%
Admin and others	(3,982)	(4,368)	(4,255)	6.9%	-2.6%	(15,088)	(16,745)	11%
Operating profit	10,315	9,293	9,202	-11%	-1.0%	40,385	40,105	-0.7%
Net foreign exchange gain (loss)	21	12	129	502%	939%	225	119	-47%
Other income (expense)	223	119	118	-47%	-0.8%	613	560	-8.5%
Finance cost	(1,346)	(1,277)	(1,288)	-4.3%	0.9%	(5,302)	(5,148)	-2.9%
Income tax	(1,512)	(1,345)	(1,320)	-13%	-1.8%	(5,843)	(5,923)	1.4%
Non-controlling interest	(1.4)	(1)	(1)	-7.7%	39%	(0.6)	(32)	5125%
Net profit for the period	7,701	6,800	6,839	-11%	0.6%	30,077	29,682	-1.3%
EBITDA (Bt mn)	4Q17	3Q18	4Q18	%YoY	%QoQ	FY17	FY18	%YoY
Operating Profit	10,315	9,293	9,202	-11%	-1.0%	40,385	40,105	-0.7%
Depreciation & amortization	8,164	8,556	8,919	9%	4.2%	30,151	33,879	12%
(Gain) loss on disposals of PPE	7	12	(20)	-377%	-270%	164	2	-99%
Management benefit expense	(24)	(41)	(32)	35%	-22%	(143)	(177)	24%
Other financial cost	(8)	(2)	2	-123%	-230%	(60)	(18)	-71%
EBITDA	18,454	17,817	18,071	-2.1%	1.4%	70,498	73,792	4.7%
Reported EBITDA margin (%)	44.8%	42.3%	40.5%			44.7%	43.4%	

Cash Flow

In 2018, AIS generated Bt69,132mn of operating cash flow (after tax) increasing 5.5% YoY following the improved EBITDA. Cash CAPEX was Bt20,198mn, largely declining from Bt41,108mn in 2017 following controlled investment and the negotiation with suppliers for longer payment term.

Financial Position (Bt mn.% to total asset)	4Q17		4Q18	
Cash	10,650	3.7%	9,067	3.1%
ST investment	2,643	0.9%	2,221	0.8%
Trade receivable	14,179	5.0%	16,361	5.6%
Inventories	3,951	1.4%	3,823	1.3%
Others	3,418	1.2%	3,433	1.2%
Current Assets	34,841	12%	34,905	12%
Spectrum license	107,524	38%	111,749	38%
Network and PPE	132,579	47%	130,212	45%
Intangible asset	4,499	1.6%	5,092	1.8%
Defer tax asset	2,562	0.9%	3,210	1.1%
Others	2,062	0.7%	5,337	1.8%
Total Assets	284,067	100%	290,505	100%
Trade payable	14,686	5.2%	18,422	6.3%
ST loan & CP of LT loans	9,575	3.4%	17,104	5.9%
Accrued R/S expense	5,362	1.9%	5,362	1.8%
Others	39,977	14%	31,877	11%
Current Liabilities	69,601	25%	72,764	25%
Debenture & LT loans	100,102	35%	92,030	32%
Others	63,938	23%	68,042	23%
Total Liabilities	233,641	82%	232,836	80%
Retained earnings	24,675	8.7%	32,505	11%
Others	25,752	9.1%	25,163	8.7%
Total Equity	50,427	18%	57,669	20%

Key Financial Ratio	4Q17	3Q18	4Q18
Interest-bearing debt to equity (times)	2.2	2.2	1.9
Net debt to equity (times)	1.9	2.0	1.7
Net debt to EBITDA (times)	1.4	1.4	1.3
Current Ratio (times)	0.5	0.4	0.5
Interest Coverage (times)	14	13	12
Debt Service Coverage Ratio (times)	3.4	4.4	2.9
Return on Equity	65%	66%	55%

Figures from P&L are annualized YTD.

Debt Repayment Schedule			License payment schedule	
Bt mn	Debenture	Loan	1800MHz	900MHz
2019	7,789	9,264	-	4,020
2020	-	24,829	3,128	59,574
2021	1,776	12,079	3,128	-
2022	-	13,440	-	-
2023	7,820	6,550	-	-
2024	6,638	150	-	-
2025	-	300	-	-
2026	7,180	750	-	-
2027	9,000	750	-	-
2028	-	750	-	-

Credit Rating	
Fitch	National rating: AA+ (THA), Outlook: Stable
S&P	BBB+, Outlook: Stable

Source and Use of Fund: FY18				(Bt mn)
Source of fund		Use of fund		
Operating cash flow	75,895	CAPEX & Fixed assets		20,198
Sale of equipment	847	Payment of spectrum license		20,536
Interest received	173	Dividend paid		21,852
Proceed from ST borrowings	3,000	Income tax paid		6,763
Cash decrease	1,577	Finance cost and financial lease paid		3,363
		Repayment of ST borrowings		850
		Repayment of LT borrowings		2,888
		Investment in joint venture and others		788
		Cash paid for business acquisition		4,254
Total	81,492	Total		81,492

2019 MANAGEMENT OUTLOOK & STRATEGY

Core service revenue

Consolidated EBITDA margin

Budget CAPEX

Dividend policy

- Mid-single digit growth (Pre TFRS 15)
- Stable from last year
- Bt20-25bn
- Minimum 70% of net profit

Core service revenue is expected to grow mid-single digit

In 2019, AIS strives to continue strengthening core mobile business while putting more focus on growing fixed broadband and enterprise as well as continue the building blocks of new digital services. We target to achieve core service revenue growth of mid-single digit YoY with the focus on being competitive to gain fair market share and hence retain or expand our scale in respective businesses.

For mobile business, 4G adoption and demand is expected to continue rising following improved customer perception of our 4G network supported by the competitive spectrum portfolio. As a leading operator, AIS aims to be competitive in maintaining our mobile business scale as well as enhancing our product and brand proposition to better penetrate and serve certain growing segments.

Having been in the market for four years, AIS Fibre continues to grow with subscriber market share reaching 8%. Our focus on quality acquisition has brought in healthy revenue stream and provided us vital customer access at home. In 2019, deployment of FMC (Fixed-Mobile Convergence) strategy will be more pronounced as we aim to increase ARPU per household (ARPH) leveraging the high-value mobile customer base and deeper household personalization. That said, we aim to achieve 1mn fibre customers milestone this year, implying an estimated market share of 10%.

Post the acquisition of CSL in 2018, strategic alignment has been actively executed. In 2019, we aim to continue our growth in Enterprise Data Service (EDS) while the integrated capability of AIS and CSL shall strongly support our provision of Cloud, Data Centers, ICT managed services as well as other enterprise verticals. Overall, the enterprise revenue, currently representing 10% of core service revenue including revenue from mobile airtime, should continue delivering high-single digit growth in 2019.

EBITDA expands with a margin stable from last year and CAPEX planned at Bt20-25bn

As we have executed the company-wide cost management, our cost structure has been continually optimized amidst the competitive landscape. To support our aspiration in 2019, we ensure to allocate sufficient capital to marking our core mobile leadership and expanding other businesses. As process digitization continues, operating expense is expected to be controlled, offset by the cost to support network growth in all businesses. As a result, we expect EBITDA margin (EBITDA over total revenue) to be stable from last year (43.4% in 2018). With the full range of spectrum portfolio in 900/1800/2100MHz to support more 4G and continued 3G, we plan to invest at a similar range to the previous year with Bt20-25bn in total, of which Bt4-5bn allocated for fixed broadband. This budgeted CAPEX is mainly for 4G capacity expansion incorporating our plan to ensure 5G-compatible architecture and our focus to carefully balancing investment with return.

Dividend policy at minimum 70% of net profit

AIS is committed to driving long-term growth while delivering return to shareholders. We place importance in maintaining strong financial health and flexibility to pursue future growth. Our dividend policy is to pay a minimum 70% of net profit. By preserving cash flow, we ensure that we have the financial flexibility to lead, compete, and pursue growth prospect in any changing circumstances.

The dividend payment shall still be made twice a year and is based on consolidated earnings and subjected to the availability of retained earnings on the separate financial statements. In all cases, dividend payment shall depend on cash flow, investment plan including any other future obligations of the Company and/or subsidiaries. Such dividend shall not adversely affect the Company and subsidiaries ongoing operations.

Disclaimer

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to our corporate plans, strategies and beliefs and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “anticipate”, “intend”, “estimate”, “continue”, “plan” or other similar words. The statements are based on our management’s assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the company and executives staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.

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