

## Part 3

# **Financial position and operating performance**

### 13. Financial Highlights

#### Financial Statement

#### 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 2019, 2018, and 2017, 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.

#### The Consolidated Financial Position

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

Unit : Thousand Baht

	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	10,650,407	3.75	9,066,888	3.12	19,636,627	6.78
Specifically-designed bank deposits	2,642,634	0.93	2,220,542	0.76	1,989,089	0.69
Current investments	-	-	-	-	-	-
Trade and other current receivables	17,071,012	6.01	19,241,654	6.62	18,297,896	6.32
Contract assets	-	-	-	-	1,868,738	0.64
Inventories	3,950,535	1.39	3,822,985	1.32	4,828,456	1.66
Current tax assets	197,610	0.07	116,987	0.04	317,087	0.11
Other current financial assets	82,917	0.03	5,772	0.00	-	-
Other current assets	245,744	0.09	429,844	0.15	204,259	0.07
<b>Total Current Assets</b>	<b>34,840,859</b>	<b>12.27</b>	<b>34,904,673</b>	<b>12.02</b>	<b>47,142,152</b>	<b>16.27</b>
<b>Non-Current Assets</b>						
Investments in an associate	30,729	0.01	17,794	0.01	24,613	0.01
Investments in a joint venture	58,536	0.02	735,996	0.25	635,509	0.22
Other long-term investments	59,399	0.02	59,976	0.02	67,032	0.02
Property, plant and equipment	132,579,259	46.67	130,211,974	44.82	125,510,307	43.33
Goodwill	34,931	0.01	2,881,700	0.99	2,881,700	0.99
Spectrum license	107,523,564	37.85	111,749,059	38.47	103,074,017	35.58
Other intangible assets	4,499,186	1.59	5,091,829	1.75	5,468,376	1.89
Deferred tax assets	2,562,436	0.90	3,210,340	1.11	3,490,522	1.21
Other non-current assets	1,878,455	0.66	1,641,645	0.57	1,374,894	0.48
<b>Total Non-Current Assets</b>	<b>249,226,495</b>	<b>87.73</b>	<b>255,600,312</b>	<b>87.98</b>	<b>242,526,970</b>	<b>83.73</b>
<b>Total Assets</b>	<b>284,067,354</b>	<b>100.00</b>	<b>290,504,985</b>	<b>100.00</b>	<b>289,669,122</b>	<b>100.00</b>

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

Unit : Thousand Baht

	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Short-term borrowings from financial institution	6,500,000	2.29	5,900,000	2.03	-	-
Trade and other current payables	32,140,894	11.31	37,679,695	12.97	41,376,820	14.28
Accrued revenue sharing expenses	5,361,819	1.89	5,361,819	1.85	5,248,417	1.81
Unearned income - mobile phone service	3,409,682	1.20	3,963,531	1.36	4,189,025	1.44
Advance received from customers	2,642,633	0.93	2,220,542	0.76	1,989,089	0.69
Current portion of long-term liabilities	3,075,569	1.08	11,203,599	3.86	24,871,789	8.59
Current portion of spectrum licenses payable	13,988,911	4.93	3,971,753	1.37	24,490,135	8.45
Current Income tax payable	2,456,516	0.86	2,412,565	0.83	2,892,324	1.00
Other current liabilities	24,751	0.01	50,953	0.02	140,659	0.05
<b>Total Current Liabilities</b>	<b>69,600,775</b>	<b>24.50</b>	<b>72,764,456</b>	<b>25.05</b>	<b>57,042</b>	<b>0.02</b>
<b>Non-Current Liabilities</b>						
Long-term liabilities	100,101,850	35.24	92,029,626	31.68	69,171,920	23.88
Provision for Employee benefit	1,855,646	0.65	2,253,764	0.78	2,859,529	0.99
Spectrum licenses payable	59,960,851	21.11	63,516,141	21.86	37,298,912	12.88
Other non-current financial liabilities	117,673	0.04	-	-	-	-
Unrealized adjustment value of spectrum license	-	-	-	-	3,283,533	1.13
Other non-current liabilities	2,003,771	0.71	2,272,418	0.78	2,405,758	0.83
<b>Total Non-Current Liabilities</b>	<b>164,039,791</b>	<b>57.75</b>	<b>160,071,949</b>	<b>55.10</b>	<b>115,019,652</b>	<b>39.71</b>
<b>Total Liabilities</b>	<b>233,640,566</b>	<b>82.25</b>	<b>232,836,405</b>	<b>80.15</b>	<b>220,274,952</b>	<b>76.04</b>
<b>Shareholders' Equity</b>						
Issued and fully paid-up share capital	2,973,095	1.05	2,973,095	1.02	2,973,179	1.03
Premium on ordinary shares	22,372,276	7.87	22,372,276	7.70	22,386,070	7.73
Deficit arising from change in ownership interest in a subsidiary	-	-	(668,455)	(0.23)	(669,657)	(0.23)
Retained earnings :						
Appropriated - Legal reserve	500,000	0.18	500,000	0.17	500,000	0.17
Unappropriated	24,264,075	8.54	32,005,108	11.02	43,725,576	15.10
Other components of equity	210,909	0.07	339,016	0.12	350,931	0.12
<b>Equity attributable to owners of the Company</b>	<b>50,320,355</b>	<b>17.71</b>	<b>57,521,040</b>	<b>19.80</b>	<b>69,266,099</b>	<b>23.92</b>
Non-controlling interests	106,433	0.04	147,541	0.05	128,071	0.04
<b>Total Equity</b>	<b>50,426,788</b>	<b>17.75</b>	<b>57,668,581</b>	<b>19.85</b>	<b>69,394,170</b>	<b>23.96</b>
<b>Total Liabilities and Equity</b>	<b>284,067,354</b>	<b>100.00</b>	<b>290,504,985</b>	<b>100.00</b>	<b>289,669,122</b>	<b>100.00</b>

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

Unit : Thousand Baht

	2017		2018		2019	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Revenues from rendering services & equipment rentals	132,946,615	84.29	144,004,928	84.78	150,128,820	82.99
Revenues from sale of goods	24,775,185	15.71	25,850,920	15.22	30,764,865	17.01
<b>Total revenues</b>	<b>157,721,800</b>	<b>100.00</b>	<b>169,855,847</b>	<b>100.00</b>	<b>180,893,685</b>	<b>100.00</b>
<b>Cost</b>						
Cost of services & equipment rentals	66,603,293	42.23	76,700,067	45.16	(81,487,210)	(45.05)
Revenue sharing expense	1,033	-	-	-	-	-
Cost of sale of goods	25,654,313	16.27	26,755,622	15.75	(30,412,235)	(16.81)
<b>Total costs</b>	<b>92,258,639</b>	<b>58.50</b>	<b>103,455,689</b>	<b>60.91</b>	<b>(111,899,445)</b>	<b>(61.86)</b>
<b>Gross profit</b>	<b>65,463,161</b>	<b>41.50</b>	<b>66,400,158</b>	<b>39.09</b>	<b>68,994,240</b>	<b>38.14</b>
Distribution costs	9,990,160	6.33	9,549,510	5.62	(7,861,312)	(4.34)
Administrative expenses	15,087,573	9.57	16,745,333	9.86	(19,877,303)	(10.99)
<b>Total selling &amp; administrative expenses</b>	<b>25,077,733</b>	<b>15.90</b>	<b>26,294,843</b>	<b>15.48</b>	<b>(27,738,615)</b>	<b>(15.33)</b>
<b>Profit from sales, services and equipment rentals</b>	<b>40,385,428</b>	<b>25.60</b>	<b>40,105,315</b>	<b>23.61</b>	<b>41,255,625</b>	<b>22.81</b>
Interest and dividend income	174,795	0.11	164,949	0.10	197,603	0.11
Other income	575,202	0.37	695,878	0.41	648,897	0.36
Share of profit of an associate and a joint venture	5,368	-	(122,974)	(0.07)	(85,868)	(0.05)
Net foreign exchange gain	224,917	0.14	118,631	0.07	308,410	0.17
Management benefit expenses	(142,727)	(0.09)	(177,470)	(0.10)	(146,300)	(0.08)
Finance costs	(5,301,632)	(3.36)	(5,147,685)	(3.03)	(4,776,605)	(2.64)
<b>Profit before income tax</b>	<b>35,921,351</b>	<b>22.77</b>	<b>35,636,644</b>	<b>20.98</b>	<b>37,401,762</b>	<b>20.68</b>
Income tax expense	(5,843,428)	(3.70)	(5,922,539)	(3.49)	(6,209,242)	(3.44)
<b>Profit for the year</b>	<b>30,077,923</b>	<b>19.07</b>	<b>29,714,105</b>	<b>17.49</b>	<b>31,192,520</b>	<b>17.24</b>
Attributable to :						
Owners of the Company	30,077,312	19.07	29,682,178	17.47	31,189,571	17.24
Non-controlling interests	611	-	31,927	0.02	2,949	-
<b>Profit for the year</b>	<b>30,077,923</b>	<b>19.07</b>	<b>29,714,105</b>	<b>17.49</b>	<b>31,192,520</b>	<b>17.24</b>
Basic earnings per share (Bath)	<b>10.12</b>		<b>9.98</b>		<b>10.49</b>	
Diluted earnings per share (Bath)	<b>10.12</b>		<b>9.98</b>		<b>10.49</b>	

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

Unit : Thousand Baht

Consolidated - Cash flow	2017	2018	2019
<b>Cash flows from operating activities:</b>			
Net profit	30,077,923	29,714,105	31,192,520
Adjusted by:			
Depreciation	21,487,351	24,821,824	27,342,647
Amortization of intangible assets	8,663,344	9,057,267	9,886,173
Interest and dividend income	(174,795)	(164,949)	(197,603)
Finance costs	5,301,632	5,147,685	4,776,605
Doubtful accounts and bad debts expenses	2,198,933	2,174,515	2,520,819
Share-based payment transaction	47,744	38,776	25,793
(Reversal of) Allowance for obsolete, decline in value and write-off inventories	(392,008)	(151,790)	(15,611)
Loss on disposals and write-off of assets	7,117	2,255	467,909
Allowance for unused equipment	722,517	635,294	662,434
Unrealized (gain) loss on foreign exchange rate	(247,518)	201,914	746,805
Share of profit loss of an associate and a joint venture	(5,368)	122,974	1,000
Employee benefit expense	261,759	188,449	(416,415)
Income tax expense	5,843,428	5,922,539	85,868
<b>Cash provided by operation before changes in operating assets &amp; liabilities</b>	<b>73,792,059</b>	<b>77,710,858</b>	<b>84,132,199</b>
<b>Changes in operating assets and liabilities</b>			
Specifically-designed bank deposits	320,549	422,091	231,453
Trade and other receivables	(5,153,675)	(3,889,749)	(1,602,313)
Contract assets	-	-	(920,605)
Inventories	(473,275)	307,111	(989,859)
Other current assets	69,938	7,246	342,465
Other non-current assets	814,768	260,385	266,751
Trade and other payables	1,504,332	1,344,423	1,904,590
Accrued revenue sharing expenses	1,032	-	(113,402)
Unearned income-mobile phone service	201,640	553,849	225,494
Advance received from customers	(320,549)	(422,091)	(231,453)
Other current liabilities	(21,047)	3,450	6,089
Swap and forward contracts receivable (payable)	324,994	(401,038)	146,431
Other non-current liabilities	29,822	23,411	(3,588)
Cash generated from operating activities	71,090,588	75,919,946	83,394,252
Employee benefit paid	(29,082)	(25,552)	(45,601)
Income tax paid	(5,532,987)	(6,762,700)	(6,721,409)
<b>Net cash provided by operating activities</b>	<b>65,528,519</b>	<b>69,131,694</b>	<b>76,627,242</b>

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

Unit : Thousand Baht

Consolidated - Cash flow	2017	2018	2019
<b>Cash flows from investing activities:</b>			
Purchase of property, plant, equipment and other intangible assets	(41,107,895)	(20,197,788)	(23,029,007)
Sales of equipment	121,136	847,167	76,691
Payment of spectrum license	(10,246,500)	(20,535,811)	(4,020,000)
Additional investment in an associate, a joint venture	(45,000)	(787,499)	-
Net cash paid for acquisition of business	-	(3,375,340)	-
Net (increase) decrease in other investments	-	(577)	(8,056)
Dividend received	-	-	7,800
Interest received	169,264	173,094	188,219
<b>Net cash (used in) investing activities</b>	<b>(51,108,995)</b>	<b>(43,876,754)</b>	<b>(26,784,353)</b>
<b>Cash flows from financing activities:</b>			
Interest paid	(3,055,219)	(3,290,108)	(3,106,140)
Other finance costs paid	(71,905)	(17,105)	-
Financial lease principal payment	(56,363)	(55,686)	(56,226)
Net increase (decrease) in short-term loans from financial institutions	(2,700,000)	(850,000)	(5,900,000)
Proceed of long-term liabilities	16,307,475	3,000,000	2,000,000
Repayment of long-term liabilities	(2,190,461)	(2,887,954)	(11,153,580)
Cash paid for purchase of a subsidiary from non-controlling interest	-	(879,085)	(22,301)
Cash returned paid to non-controlling interests from share reduction of a subsidiary	(33,428)	-	-
Dividend paid	(23,190,302)	(21,852,479)	(21,050,238)
<b>Net cash (used in) financing activities</b>	<b>(14,990,203)</b>	<b>(26,832,417)</b>	<b>(39,288,485)</b>
Effect of exchange rate changes on balances held in foreign currencies	(5,055)	(6,042)	15,335
Net increase (decrease) in cash and cash equivalents	(575,734)	(1,583,519)	10,569,739
Cash and cash equivalents at 1 January	11,226,141	10,650,407	9,066,888
<b>Cash and cash equivalents at 31 December</b>	<b>10,650,407</b>	<b>9,066,888</b>	<b>19,636,627</b>

**Supplemental disclosures of cash flow information**
**Non-cash transactions**

Outstanding debts arising from investments in capital expenditures and spectrum license	82,929,856	80,209,168	76,777,034
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## Financial Ratio Formulas

### Advanced Info Service Public Company Limited Consolidated - Financial ratio

For the years ended 31 December

Consolidated financial statements	2017	2018	2019
<b>Liquidity Ratio</b>			
Current Ratio (time)	0.50	0.48	0.45
Quick Ratio (time)	0.36	0.35	0.34
Operating cash flow to current liability (time)	0.94	0.95	0.73
A/R turnover (time)	11	10	10
Collection period (day)	32	35	36
Inventory turnover (time)	7	7	7
Day sales period (day)	49	52	51
A/P turnover (time)	6	6	6
Payment period (day)	63	58	65
Cash Cycle (day)	19	30	22
<b>Profitability Ratio</b>			
Gross profit margin ratio (%)	42%	39%	38%
Operation income ratio (%)	26%	24%	23%
Other operating income ratio (%)	0.5%	0.5%	0.5%
Free cash flow to EBIT (%)	36%	63%	121%
Net profit margin (%)	19%	18%	17%
Return to Equity (%) Average	65%	55%	49%
Return to Equity (%) As at end	60%	51%	45%
<b>Efficiency Ratio</b>			
Return on total assets (%)	11%	10%	11%
Return on fixed assets (%) <sup>/1</sup>	23%	22%	23%
Total assets turnover (time)	0.56	0.59	0.62
<b>Financial Policy Ratio</b>			
Debt to equity ratio (time)	4.63	4.04	3.17
Interest coverage ratio (time)	12.45	11.94	13.00
Debt service ratio (IR Basis) (time)	4.40	2.88	2.25
Dividend payout ratio (%)	70%	71%	70%
<b>Data on per Share Capital</b>			
Net book value per share (Baht)	16.96	19.40	23.34
Net Profit per share (Baht)	10.12	9.98	10.49
Dividend per share (Baht)	7.08	7.08	7.34
<b>Percentage Growth on</b>			
Total Assets (%)	3%	2%	-0.3%
Total Liabilities (%)	0.29%	-0.34%	-5.39%
Revenue from services & sales (%)	4%	8%	7%
Selling & admin. expenses (%)	-16%	5%	5%
Net Profit (%)	-2%	-1%	5%

## 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 (%) <sup>1</sup>	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 for 2019

### Mobile business grew amid competition

In FY19, despite slow economic growth and continued competition, AIS mobile service revenue was Bt130,062mn, grew 4.2% YoY based on subscriber growth of 2% and ARPU growth of 2%. Overall, price competition improved from FY18 when unlimited data plans were offered on broad base. In 2H19, unlimited data pricing re-emerged in prepaid segment and continued into early 2020. As a result of unlimited data plans as well as continued shift of customers from prepaid to postpaid, 4G data consumption rose 17% YoY to an average of 12.7 GB/user/month while 4G penetration has increased to 71% of total subscriber base.

### AIS Fibre achieved 1 million subscribers

AIS Fibre, our fixed broadband business (FBB), grew strongly achieving the target of 1 million subscribers in FY19 and increased subscriber market share to 10% from 8% in FY18. The solid growth was driven by a competitive offering of fiber-to-home and the focus on cross selling to the existing mobile subscriber. FBB revenue in FY19 was Bt5,722mn, increased 29% YoY and accounted for 4% of AIS core service revenue. FBB started its positive contribution to NPAT.

### Continued growth in digital services

AIS digital services continued to scale in size focusing on growing user base both in consumer segment and enterprise customers. AIS Play, the video platform, steadily grew in consumer awareness and views, reaching more than 2mn monthly active users in FY19. Enterprise business (i.e. enterprise data service (EDS), cloud & data center, mobile services for enterprise customers, etc.) accounted for 10% of service revenue. With the growing market demand as well as AIS and CSL strong positioning, the business grew along with the guidance.

### FY19 performance & FY20 outlook

FY19 performance tracked in-line with all guidance. Service revenue of Bt140,454mn grew 5.3% YoY vs guidance of mid-single digit growth. EBITDA reported Bt78,463mn grew 6.3% supported by cost management, with margin 42.8% vs guidance of to maintain EBITDA margin. Net profit was Bt31,051mn, increased 4.6% YoY and invested CAPEX was Bt20mn versus the guidance budget of 20-25bn.

For FY20, AIS will focus on maintaining its mobile business leadership with superior network quality, competitive pricing and enhanced retention program. Fixed broadband business is targeted to grow in scale leveraging subscriber base of mobile segment. Enterprise and digital services will continue to drive user base momentum and expand partnership. Operational and financial target of FY20 is subjected to the result from the spectrum auction that will be held on 16 February 2020. Official financial guidance will be released after the auction.

### Significant Event in FY19

1. Since 1 Jan 2019, AIS adopted Thai Financial Reporting Standards (TFRS) 15 regarding revenue from contracts with customers. The standard affects accounting of handset campaigns with price plan contract. This resulted in reallocation between sales and service revenue as well as marketing expenses while device subsidy is capitalized as contract assets and amortized against the service revenue over the customer contract term. In this MDA material, we present financial income statement based on pre-TFRS for comparison with FY18.
2. In 2Q19, AIS received an allocation of 700MHz spectrum (2x10MHz bandwidth). The license is expected to commence around 4Q20.

3. In 3Q19, AIS entered into two settlements with TOT on tower dispute and equipment rental. Effectively, net cost of tower rental was reduced by Bt100mn per month while equipment rent was discontinued from 3Q19 and incurred a one-time expense of Bt121mn in the same quarter.

**New accounting standard effective in FY20:** From 1 Jan 2020, AIS will adopt TFRS 9 and 16.

#### **TFRS 9: Financial Instrument**

The standard governs marking financial instruments to fair value or marking impairment (provision) in reserve for the expected loss from the financial instruments.

#### **TFRS 16: Lease (replacing IAS17: Operating lease and Finance lease)**

Based on TFRS 16, operating lease expense is to be reclassified as 'Lease Liabilities' and 'Right of Use'. This applies to the long term contracts including tower lease agreement, site rental, office & shop building rental, and roaming on TOT's 2100MHz spectrum. Key changes are as follows:

- a. Lease liability is a present value of the remaining lease payments and is subjected to an interest rate and decreases as lease payments are made throughout the periods.
- b. Right of Use (ROU) is recorded under assets (property, plant and equipment) at the same amount as the lease liability and is depreciated over the contract life on a straight line basis.

### **Market and Competitive Environment**

Overall, mobile market competition improved from previous year with price adjustment seen in 1H19 in both postpaid and prepaid segments. However, prepaid unlimited data plans has re-emerged in 2H19. Bundling attractive discounts on mobile handset with data plan have remained a key strategy for operators in drawing customers looking to purchase handsets in conjunction with postpaid packages.

In fixed broadband market, competition remained intense both on pricing and aggressive customer acquisition. Operators continued to offer steep half-price discounts to prevent churn of customers, as well as to attract new customers. In addition to the attractive pricing, operators are offering package with higher speed at the same price as another marketing tools. Therefore, standard monthly plan speed was doubled to 200Mbps while tariff remained around Bt600.

### **FY19 Operational summary**

At the end of 2019, total mobile subscribers grew to 42mn, increasing 2.1% YoY. Postpaid segment continued to grow strongly, adding 918k, driven by promotional handset discounts and prepaid-to-postpaid migration, while prepaid subscribers remained about the same. This has resulted in a larger proportion of postpaid subscribers from 20% of total subscribers in FY18 to 22% in FY19. Postpaid ARPU gradually improved to Bt572 or +0.1% YoY while prepaid ARPU declined 1.7% YoY to Bt173 as a result of aggressive prepaid price plans putting pressure on ARPU. However, blended APRU improved 2.0% YoY to Bt260 at the end of FY19.

For fixed broadband, AIS Fibre had total subscribers of 1mn, growing 42% YoY or a net addition of 307k. However, amidst pricing competition, ARPU declined 7.2% YoY to Bt533.

Mobile Business Subscribers	4Q18	3Q19	4Q19	% YoY	% QoQ
Postpaid	8,189,900	9,001,700	9,107,400	11%	1.2%
Prepaid	32,979,300	32,556,400	32,906,400	-0.2%	1.1%
<b>Total subscribers</b>	<b>41,169,200</b>	<b>41,558,100</b>	<b>42,013,800</b>	<b>2.1%</b>	<b>1.1%</b>
Net additions					
Postpaid	175,200	208,200	105,700	-40%	-49%
Prepaid	347,000	-114,500	350,000	0.9%	406%
<b>Total net additions</b>	<b>522,200</b>	<b>93,700</b>	<b>455,700</b>	<b>-13%</b>	<b>386%</b>
ARPU (Baht/sub/month)					
Postpaid	571	569	572	0.1%	0.4%
Prepaid	176	179	173	-1.7%	-3.2%
<b>Blended</b>	<b>255</b>	<b>263</b>	<b>260</b>	<b>2.0%</b>	<b>-1.1%</b>
Postpaid (TFRS 15)	-	531	537	-	1.1%
Postpaid (TFRS 15)	-	179	173	-	-3.2%
<b>Blended (TFRS 15)</b>	<b>-</b>	<b>254</b>	<b>252</b>	<b>-</b>	<b>-0.9%</b>
MOU (minute/sub/month)					
Postpaid	244	225	212	-13%	-5.8%
Prepaid	121	82	92	-24%	12%
<b>Blended</b>	<b>145</b>	<b>113</b>	<b>118</b>	<b>-19%</b>	<b>4.4%</b>
VOU (GB/data sub/month)					
Postpaid	14.0	16.2	16.6	19%	2.5%
Prepaid	9.8	10.5	11.1	13%	5.7%
<b>Blended</b>	<b>10.9</b>	<b>12.1</b>	<b>12.7</b>	<b>17%</b>	<b>5.0%</b>
Device Penetration					
4G-handset penetration	59%	69%	71%	-	-
Fixed Broadband Business					
FBB subscribers	730,500	937,000	1,037,600	42%	11%
FBB net addition	53,800	81,600	100,600	87%	23%
FBB ARPU (Baht/user/month)	574	549	533	-7.2%	-2.8%

### 4Q19 Snapshot

In 4Q19, total revenue was Bt49,464mn, increasing 11% YoY and 8.8% QoQ, mainly driven by device sales. SIM & device sales were Bt10,449mn, rising 36% YoY and 85% QoQ due to newly-launched iPhone in 4Q19. Core service revenue was Bt35,571mn, increasing 5.6% YoY from both mobile and fixed broadband. However, QoQ core service revenue was flat underpinned by prepaid ARPU pressure due to fixed-speed unlimited plans offset by a net addition of 456k.

With continued expansion of 4G capacity and FBB network, cost of service was Bt20,752mn, slightly increased 1.8% YoY and flat QoQ. This was partly supported by rent saving after settling disputes with TOT. Total SG&A increased 26% YoY and 22% QoQ to stand at Bt8,807mn as there were increased brand perception, handset subsidies and seasonal activities.

In summary, EBITDA stood at Bt19,305mn, increasing 6.8% YoY but decreasing 8.7% QoQ, with 39% EBITDA margin. Net profit was Bt7,032mn, increasing 2.8% YoY but decreasing 19% QoQ due to the gain recognized in 3Q19 on lower tower rent.

## FY19 Financial Summary (Pre-TFRS 15)

### Revenue

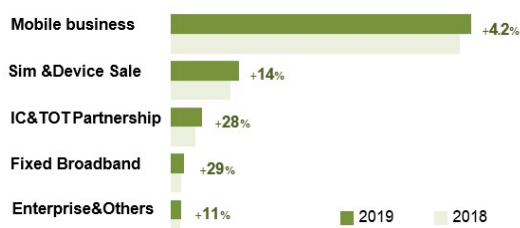
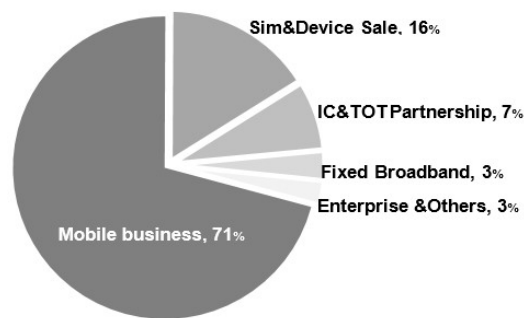
In 2019, total revenue was Bt183,432mn, increasing 8.0% YoY, continued its growing trend with improvement in core service revenue. Mobile business still be the biggest contribution among core service revenue followed by double digit growth in fixed broadband business. Enterprise services and solutions, recorded in other revenue, also growing in number of partners and its subscribers led to double digit growth at the end of 2019.

**Core service revenue** (excluding IC and TOT partnership) recorded Bt140,454mn, increasing 5.3% YoY, in line with the guidance. The main driver for strong growth came from an increased subscriber in both postpaid segment and fixed broadband.

- **Mobile revenue** reported Bt130,062mn, increasing 4.2%YoY, driven by postpaid subscriber growth and ARPU improvement from price uplift in 1H19. Although competition in prepaid pricing escalated in 2H19, there was a slight increase in blended ARPU from Bt254 to Bt259 for the year.
- **Fixed broadband revenue** was Bt5,722mn, increasing 29% YoY. In 2019, AIS Fibre achieved its target of 1mn subscribers with 307k net add. The focus was to deliver promising network quality & after-sell service while offering competitive price. Acquisition strategy targeted to cross-sell to the existing mobile subscribers with bundled offerings of broadband, mobile and content.
- **Other service revenues** which included revenues from enterprise data service and others, were Bt4,670mn, increasing 11% YoY, mainly driven from Enterprise Data Service (EDS) as well as cloud & data center.

**Revenue from interconnection charge (IC) and TOT partnership** reported at Bt13,557mn, grew 28% YoY, resulted from the new tower agreement with TOT, which recognized revenue from space rental and maintenance. Such revenue is to offset against the cost paid to TOT for tower rental recorded under cost of service.

**SIM & Device sales** reported Bt29,422mn, increasing 14% YoY following continued handset campaign and the newly launched iPhone 11.



### Cost & Expense

In 2019, **Cost of service** was Bt81,487mn, increasing 6.2% YoY, due to network expansion.

- **Regulatory fee** was Bt5,792mn, increased 1.2% YoY along with increase in core service revenue. Regulatory fee represented 4.1% of core service revenue, compared to 4.3% in 2018.
- **Depreciation & amortization** was Bt36,598mn, increasing 10% YoY, due to continued investment in 4G network, fixed broadband, and 1800MHz spectrum license acquired in Sep-18.
- **Network OPEX & TOT partnership cost (net of revenue)** was Bt19,073mn, decreasing 5.5% YoY from lower rent after settling disputes with TOT
- **Other costs of service**, which included cost of content, prepaid commission, and IC cost, were Bt9,699mn, decreasing 9.9% YoY, mainly due to lower IC cost.

**SG&A expenses** were Bt30,526mn, increasing 16% YoY, mainly driven by marketing activities and staff cost.

- **Marketing expenses** were Bt11,320mn, increasing 19% YoY from continued investment in brand perception and handset subsidies.
- **Admin & other expenses** were Bt19,205mn, increasing 15% YoY, driven by one-time expense of legal severance pay<sup>1</sup> provision in 2Q19 and employee remuneration in 4Q19.

**Net FX gain** was Bt308mn, increasing from Bt119mn in FY18, which was mostly unrealized gain from fluctuated currency whereas foreign debts were fully hedged.

**Finance cost** was Bt4,777mn, decreased 7.2% YoY, due to the repayment of interest bearing debt approximately Bt15,000mn. At the end of FY19, the total amount of interest bearing debt was of Bt94,128mn, decreasing from Bt109,128mn at the end of FY18. The average cost of debt remained approximately 3.0% per year.

### Profit

In 2019, **EBITDA** was Bt78,463mn, increasing 6.3% YoY, due to the improved operational results from both service revenue growth and cost saving from TOT dispute settlement. Reported EBITDA margin was 42.8% in line with the guidance. In summary, AIS reported a **net profit** of Bt31,051mn, increasing 4.6% YoY.

### Financial position (Post TFRS-15)

As of 30 December 2019, total assets were Bt289,669mn, slightly decreasing 0.3% YoY due to amortization of spectrum licenses. However, some of the effect was offset by an increase in cash from Bt9,067mn to Bt19,637mn at the end of FY19, which mainly contributed from operating activities. Inventories at the end of FY19 was Bt4,828.5mn, increasing 26% YoY, due to an increase in mobile phone inventory in preparation for the growing handset sale. Inventory turnover day stood at 51 days, same level as last year. Net trade receivable amounted to Bt16,277mn, was flat YoY and the collection period slightly increasing from 35 days to 36 days in 2019. However, allowance for doubtful debt was Bt1,765mn, increasing 23% YoY following the growth in fixed broadband and postpaid segment.

Total liabilities of Bt220,275mn, decreasing 5.4% YoY, was mainly driven by 25% decrease in long-term borrowing at the end of 2019. However, trade payable was Bt22,037mn, increasing 20% YoY from vendor financing on network expansion. As a result, account payable day slightly increased from 58 days to 65 days.

<sup>1</sup>The Labor Protection Act (No. 7) B.E. 2562, effective from 5-May-19, stipulates additional legal severance pay rates for employees who have worked for a period of 20 years or more to be entitled to receive not less than 400 days' compensation, compared to 300 days previously

A Total equity was Bt69,394mn, increasing 20% YoY from higher retained earnings. As a result, AIS financial position remained strong with a current ratio and an interest coverage (EBIT over interest expense) ratio of 0.4x and 13x, respectively. At the end of FY19, interest-bearing debt amounted to Bt94,128mn with a net debt to EBITDA of 1.0x, decreasing from 1.3x at the end of FY18.

#### Cash flow

In FY19, AIS generated significant operating cash flow (after tax) of Bt76,627mn, increasing 11% YoY following the improved EBITDA. For investing activities, CAPEX was Bt23,029mn, up from Bt20,198mn in FY18, and represented 16% of service revenue. Besides, AIS paid spectrum license installment totaling Bt4,020mn. As a result, AIS generated free cash flow of Bt33,062mn (OCF less CAPEX & license payment), improved from Bt28,398mn in FY18. For financing activities, net repayments were Bt15,054mn and total dividend paid was Bt21,050mn. In summary, net cash increase in FY19 was Bt10,570mn, resulting in an outstanding cash of Bt19,637mn.

Income statement (Bt mn)	Pre-TFRS 15							
	4Q18	3Q19	4Q19	% YoY	% QoQ	FY18	FY19	% YoY
Mobile revenue	31,426	32,880	32,716	4.1%	-0.5%	124,784	130,062	4.2%
Fixed broadband revenues	1,212	1,475	1,579	30%	7.0%	4,436	5,722	29%
Other service revenues	1,045	1,172	1,276	22%	8.9%	4,208	4,670	11%
<b>Core service revenue</b>	<b>33,683</b>	<b>35,527</b>	<b>35,571</b>	<b>5.6%</b>	<b>0.1%</b>	<b>133,429</b>	<b>140,454</b>	<b>5.3%</b>
IC and TOT partnership	3,202	4,278	3,443	7.5%	-20%	10,576	13,557	28%
<b>Service revenue</b>	<b>36,885</b>	<b>39,804</b>	<b>39,014</b>	<b>5.8%</b>	<b>-2.0%</b>	<b>144,005</b>	<b>154,010</b>	<b>6.9%</b>
SIM and device sales	7,699	5,652	10,449	36%	85%	25,851	29,422	14%
<b>Total revenues</b>	<b>44,584</b>	<b>45,457</b>	<b>49,464</b>	<b>11%</b>	<b>8.8%</b>	<b>169,856</b>	<b>183,432</b>	<b>8.0%</b>
Regulatory fee	(1,420)	(1,467)	(1,459)	2.7%	-0.6%	(5,723)	(5,792)	1.2%
Depreciation & Amortization	(8,767)	(9,410)	(9,600)	9.5%	2.0%	(33,282)	(36,598)	10%
Network OPEX and TOT partnership	(7,366)	(7,416)	(7,293)	-1.0%	-1.7%	(26,929)	(29,399)	9.2%
Other costs of services	(2,830)	(2,455)	(2,401)	-15%	-2.2%	(10,766)	(9,699)	-9.9%
<b>Cost of service</b>	<b>(20,383)</b>	<b>(20,748)</b>	<b>(20,752)</b>	<b>1.8%</b>	<b>0.0%</b>	<b>(76,700)</b>	<b>(81,487)</b>	<b>6.2%</b>
Cost of SIM and device sales	(8,032)	(5,889)	(10,656)	33%	81%	(26,756)	(30,412)	14%
<b>Total costs of service and sale</b>	<b>(28,414)</b>	<b>(26,637)</b>	<b>(31,408)</b>	<b>11%</b>	<b>18%</b>	<b>(103,456)</b>	<b>(111,899)</b>	<b>8.2%</b>
<b>Gross profit</b>	<b>16,170</b>	<b>18,820</b>	<b>18,056</b>	<b>12%</b>	<b>-4.1%</b>	<b>66,400</b>	<b>71,533</b>	<b>7.7%</b>
<b>SG&amp;A</b>	<b>(6,968)</b>	<b>(7,227)</b>	<b>(8,807)</b>	<b>26%</b>	<b>22%</b>	<b>(26,295)</b>	<b>(30,526)</b>	<b>16%</b>
Marketing Expense	(2,713)	(2,570)	(3,447)	27%	34%	(9,550)	(11,320)	19%
Admin and others	(4,255)	(4,656)	(5,360)	26%	15%	(16,745)	(19,205)	15%
<b>Operating profit</b>	<b>9,202</b>	<b>11,594</b>	<b>9,248</b>	<b>0.5%</b>	<b>-20%</b>	<b>40,105</b>	<b>41,009</b>	<b>2.2%</b>
Net foreign exchange gain (loss)	129	(44)	16	-88%	-136%	119	308	160%
Other income (expense)	118	127	234	99%	84%	560	687	23%
Finance cost	(1,288)	(1,195)	(1,171)	-9.1%	-2.0%	(5,148)	(4,777)	-7.2%
Income tax	(1,320)	(1,803)	(1,295)	-2.0%	-28%	(5,923)	(6,174)	4.3%
Non-controlling interest	(1.3)	(0.8)	(1)	-35%	0%	(32)	(3)	-91%
<b>Net profit for the period</b>	<b>6,839</b>	<b>8,679</b>	<b>7,032</b>	<b>2.8%</b>	<b>-19%</b>	<b>29,682</b>	<b>31,051</b>	<b>4.6%</b>
<b>Network OPEX &amp; TOT partnership cost (net of revenue)</b>	<b>5,185</b>	<b>3,953</b>	<b>4,730</b>	<b>-8.8%</b>	<b>-20%</b>	<b>20,192</b>	<b>19,073</b>	<b>-5.5%</b>

EBITDA (Bt mn)	Pre-TFRS 15							
	4Q18	3Q19	4Q19	% YoY	% QoQ	FY18	FY19	% YoY
Operating Profit	9,202	11,594	9,248	0.5%	-20%	40,105	41,007	2.3%
Depreciation & amortization	8,919	9,572	9,758	9.4%	1.9%	33,879	37,229	9.9%
(Gain) loss on disposals of PPE	(20)	(3)	331	-1777%	-10487%	2	371	15443%
Management benefit expense	(33)	(30)	(33)	5.7%	15%	(177)	(144)	-18%
Other financial cost	2	3	(0)	-113%	-110%	(18)	(0)	-100%
<b>EBITDA</b>	<b>18,071</b>	<b>21,135</b>	<b>19,305</b>	<b>6.8%</b>	<b>-8.7%</b>	<b>73,792</b>	<b>78,463</b>	<b>6.3%</b>
<b>EBITDA margin (%)</b>	<b>40.5%</b>	<b>46.5%</b>	<b>39.0%</b>			<b>43.4%</b>	<b>42.8%</b>	

Normalized profitability (Bt mn)	Pre-TFRS 15							
	4Q18	3Q19	4Q19	% YoY	% QoQ	FY18	FY19	% YoY
<b>EBITDA</b>	<b>18,071</b>	<b>21,135</b>	<b>19,305</b>	<b>6.8%</b>	<b>-8.7%</b>	<b>73,792</b>	<b>78,463</b>	<b>6.3%</b>
Withholding tax	-	-	-	NA	NA	134	-	NA
Legal severance provision (before tax)	-	-	-	NA	NA	-	636	NA
TOT Partnership (before tax)	-	-479	-	NA	NA	-	-479	NA
<b>Normalized EBITDA</b>	<b>18,071</b>	<b>20,656</b>	<b>19,305</b>	<b>6.8%</b>	<b>-6.5%</b>	<b>73,926</b>	<b>78,620</b>	<b>6.4%</b>
<b>Normalized EBITDA margin (%)</b>	<b>40.5%</b>	<b>45.4%</b>	<b>39.0%</b>			<b>43.5%</b>	<b>42.9%</b>	
<b>Net Profit</b>	<b>6,839</b>	<b>8,679</b>	<b>7,032</b>	<b>2.8%</b>	<b>-19%</b>	<b>29,682</b>	<b>31,051</b>	<b>4.6%</b>
Withholding tax	-	-	-	NA	NA	134	-	NA
Legal severance provision (after tax)	-	-	-	NA	NA	-	509	NA
TOT Partnership (after tax)	-	-383	-	NA	NA	-	-383	NA
<b>Normalized net profit</b>	<b>6,839</b>	<b>8,296</b>	<b>7,032</b>	<b>2.8%</b>	<b>-15%</b>	<b>29,789</b>	<b>31,176</b>	<b>4.7%</b>

Financial Position (Bt mn/% to total asset)			Post-TFRS 15 4Q19	
	4Q18			
Cash	9,067	3.1%	19,637	6.8%
ST investment	2,221	0.8%	1,989	0.7%
Trade receivable	16,361	5.6%	16,277	5.6%
Inventories	3,823	1.3%	4,828	1.7%
Others	3,433	1.2%	4,411	1.5%
<b>Current Assets</b>	<b>34,905</b>	<b>12%</b>	<b>47,142</b>	<b>16%</b>
Spectrum license	111,749	38%	103,074	36%
Network and PPE	130,212	45%	125,510	43%
Intangible asset	5,092	1.8%	5,468	1.9%
Defer tax asset	3,210	1.1%	3,491	1.2%
Others	5,337	1.8%	4,984	1.7%
<b>Total Assets</b>	<b>290,505</b>	<b>100%</b>	<b>289,669</b>	<b>100%</b>
Trade payable	18,422	6.3%	22,037	7.6%
ST loan & CP of LT loans	17,104	5.9%	24,872	8.6%
Accrued R/S expense	5,362	1.8%	5,248	1.8%
Others	31,877	11%	53,097	18%
<b>Current Liabilities</b>	<b>72,764</b>	<b>25%</b>	<b>105,255</b>	<b>36%</b>
Debenture & LT loans	92,030	32%	69,172	24%
Others	68,042	23%	45,848	16%
<b>Total Liabilities</b>	<b>232,836</b>	<b>80%</b>	<b>220,275</b>	<b>76%</b>
Retained earnings	32,505	11%	44,226	15%
Others	25,163	8.7%	25,169	8.7%
<b>Total Equity</b>	<b>57,669</b>	<b>20%</b>	<b>69,394</b>	<b>24%</b>

Key Financial Ratio		Post-TFRS 15	
	4Q18	3Q19	4Q19
Interest-bearing debt to equity (times)	1.9	1.6	1.4
Net debt to equity (times)	1.7	1.4	1.0
Net debt to EBITDA (times)	1.3	1.0	1.0
Current Ratio (times)	0.5	0.4	0.4
Interest Coverage (times)	11	15	13
Debt Service Coverage Ratio (times)	2.9	4.1	2.2
Return on Equity	50%	55%	43%

Figures from P&L are annualized YTD.

Debt Repayment Schedule			License payment schedule	
Bt mn	Debenture	Loan	1800MHz	900MHz
2020	-	14,829	3,128	21,747
2021	1,776	12,079	3,128	7,565
2022	-	13,440	-	7,565
2023	7,820	6,883	-	7,565
2024	6,638	5,817	-	7,565
2025	-	5,967	-	7,565
2026	7,180	1,083	-	-
2027	9,000	750	-	-
2028	-	750	-	-

\*700MHz license has not yet officially allocated Hence the first payment for the spectrum will begin around Oct - 2020

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

## Appendix

Income statement (Bt mn)	Post TFRS 15					
	1Q19	2Q19	3Q19	4Q19	% QoQ	FY19
Mobile revenue	30,678	32,042	31,851	31,770	-0.3%	126,341
Fixed broadband revenue	1,288	1,380	1,475	1,579	7.0%	5,722
Other service revenues	1,078	1,083	1,136	1,213	6.8%	4,509
<b>Core service revenue</b>	<b>33,044</b>	<b>34,505</b>	<b>34,461</b>	<b>34,562</b>	<b>0.3%</b>	<b>136,572</b>
IC and TOT partnership	2,995	2,841	4,278	3,443	-20%	13,557
<b>Service revenue</b>	<b>36,039</b>	<b>37,346</b>	<b>38,739</b>	<b>38,005</b>	<b>-1.9%</b>	<b>150,129</b>
SIM and device sales	7,222	6,736	5,994	10,813	80%	30,765
<b>Total revenues</b>	<b>43,262</b>	<b>44,081</b>	<b>44,733</b>	<b>48,818</b>	<b>9.1%</b>	<b>180,894</b>
Regulatory fee	(1,403)	(1,462)	(1,467)	(1,459)	-0.6%	(5,792)
Depreciation & Amortization	(8,691)	(8,896)	(9,410)	(9,600)	2.0%	(36,598)
Network OPEX and TOT partnership	(7,371)	(7,320)	(7,416)	(7,293)	-1.7%	(29,399)
Other costs of services	(2,352)	(2,492)	(2,455)	(2,401)	-2.2%	(9,699)
<b>Cost of service</b>	<b>(19,817)</b>	<b>(20,170)</b>	<b>(20,748)</b>	<b>(20,752)</b>	<b>0.0%</b>	<b>(81,487)</b>
Cost of SIM and device sales	(7,159)	(6,709)	(5,889)	(10,656)	81%	(30,412)
<b>Total costs of service and sale</b>	<b>(26,976)</b>	<b>(26,879)</b>	<b>(26,637)</b>	<b>(31,408)</b>	<b>18%</b>	<b>(111,899)</b>
<b>Gross profit</b>	<b>16,286</b>	<b>17,202</b>	<b>18,096</b>	<b>17,410</b>	<b>-3.8%</b>	<b>68,994</b>
<b>SG&amp;A</b>	<b>(6,262)</b>	<b>(7,047)</b>	<b>(6,331)</b>	<b>(8,100)</b>	<b>28%</b>	<b>(27,740)</b>
Marketing Expense	(1,934)	(1,906)	(1,499)	(2,523)	68%	(7,861)
Admin and others	(4,328)	(5,141)	(4,833)	(5,577)	15%	(19,879)
<b>Operating profit</b>	<b>10,024</b>	<b>10,155</b>	<b>11,765</b>	<b>9,310</b>	<b>-21%</b>	<b>41,254</b>
Net foreign exchange gain (loss)	84	252	(44)	16	-136%	308
Other income (expense)	203	91	108	214	99%	616
Finance cost	(1,217)	(1,194)	(1,195)	(1,171)	-2.0%	(4,777)
Income tax	(1,523)	(1,550)	(1,833)	(1,303)	-29%	(6,209)
Non-controlling interest	(1.0)	(0.3)	(0.8)	(0.8)	0%	(3)
<b>Net profit for the period</b>	<b>7,570</b>	<b>7,754</b>	<b>8,800</b>	<b>7,065</b>	<b>-20%</b>	<b>31,190</b>
<b>EBITDA</b>	<b>18,868</b>	<b>19,169</b>	<b>21,307</b>	<b>19,366</b>	<b>-9.1%</b>	<b>78,710</b>

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