

Executive Summary

Competition in mobile saw an improvement

In 2Q19 the price competition in mobile industry had improved with fixed speed unlimited data pricing discontinued while overall data price gradually uplifted. As a result, AIS's mobile revenue had a strong improvement, growing 5.3% YoY and 4.3% QoQ driven by ARPU increase. The average data usage, currently at 11.5 GB/subscriber, also rose more reasonably following the discontinued unlimited data offerings. CAPEX was well under plan with 1H19 investment of Bt13,265mn tracking with the full year guidance of Bt20,000-25,000mn, to continue enhancing the quality of 4G network, which continues to grow and is serving 66% of total customer base.

Fixed broadband business grew healthily

AIS Fibre reported a sequential revenue growth of 26% YoY, outpacing the industry growth. This was driven by healthy net subscriber addition of 60,400 in the quarter despite aggressive price competition; and marked a total subscriber of 855,400, against the year-end target of 1mn. In 2H19, AIS Fibre will continue acquiring subscribers in the 57 key cities by focusing on offering AIS's mobile customers with FMC (Fixed-Mobile Convergence) plans. AIS shops, Telewiz, and AIS Call Center will be more pronounced in the second half of the year as important channels to ensure quality acquisition.

Maintained FY19 guidance (Pre TFRS 15)

In summary, AIS reported a core service revenue of Bt35,394mn for 2Q19, growing 5.8% YoY and 4.2% QoQ. In this quarter, there was a one-time expense¹ on legal severance compensation amounting to Bt636mn. Excluding the one-time expense, normalized EBITDA in 2Q19 was Bt19,753mn, increasing 4% YoY and 4.5% QoQ, while normalized net profit was Bt8,234mn, increasing 2.9% YoY and 8.1% QoQ. In conclusion for 1H19, AIS delivered a 4.1% core service revenue growth with 43.7% normalized EBITDA margin and has announced an interim dividend of Bt3.78/share, following minimum 70% payout ratio. The guidance for the full-year is maintained.

Acquired 700MHz spectrum to strengthen network leadership in both short and long term

In June-19, NBTC held an allocation of 700MHz, of which AIS has won 2x10MHz bandwidth. The license and first payment for the spectrum will begin around Oct-20. The low-band frequency such as 700MHz inherits a wide-coverage as strong characteristic which will support 5G coverage. In the short term, the 700MHz can also be deployed on the existing 4G network for more efficient investment. Consequent to the 700MHz allocation, the term payments of the 900MHz have been extended until 2025, as shown in the table on page 6.

Market and Competitive Environment

In 2Q19, the competition in mobile market showed a sign of improvement. Overall, the industry focused on reducing unlimited data offerings to better monetize 4G network. Operators had gradually discontinued fixed-speed unlimited data plans for new subscriptions as well as gradually uplifting price for existing subscribers. However, with majority of fixed-speed subscriptions took place in 2H18, a migration from unlimited data plans to volume-base plans for majority of customers is expected to occur in 2H19. However, the intensity of prepaid pricing remained highly dynamic, where price plans with large data volume were offered at low ARPU, pressuring the effort to increase ARPU.

The price competition in fixed broadband market was mainly triggered by a pure broadband player. As a result, a standard package of Bt600 would currently give a speed of 100Mbps compared to 50Mbps a year ago. Half-price discount remained to be an enticement for customers to switch an operator, pressuring industry's ARPU. Convergence players continued their focus on cross-selling to increase revenue per household. Moreover, with development in game industry, low latency and speed boost in both upload and download were also advertised to target eSports segment.

2Q19 Operational Summary

In 2Q19, total mobile subscribers stood at 41.5mn, flat QoQ, with data consumption rising to 11.5 GB/month. Postpaid segment continued to grow robustly underpinned by customer demand to convert from prepaid to postpaid and attractive handset campaigns. As a result, postpaid subscribers grew 2.9% QoQ and currently represented 21% of total subscriber base. Following the discontinuation of fixed-speed unlimited subscriptions, postpaid ARPU improved to Bt571, increasing 1.2% QoQ. Prepaid segment saw a net loss of 276k mainly from seasonal churns of one-time segmented SIMs. However, prepaid ARPU improved 4.6% QoQ to stand at Bt182 due to the price adjustment.

Despite heightened price competition, fixed broadband subscribers stood at 855,400, adding 60,400 in the quarter. AIS Fibre continued its pace to focus on offering convergence packages, especially cross-selling to our existing mobile customers. Currently, 29% of fixed broadband users are subscribing to a fixed-mobile-content convergence package (FMC) and having ARPU of around 20% higher than the blended ARPU. However, following the competition, the blended ARPU still declined to Bt558 or -1% QoQ.

¹The 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

| Mobile Business | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Subscribers | | | | | |
| Postpaid | 7,822,600 | 8,014,700 | 8,189,900 | 8,543,800 | 8,793,500 |
| Prepaid | 32,272,100 | 32,632,300 | 32,979,300 | 32,946,900 | 32,670,900 |
| Total subscribers | 40,094,700 | 40,647,000 | 41,169,200 | 41,490,700 | 41,464,400 |
| Net additions | | | | | |
| Postpaid | 205,500 | 192,100 | 175,200 | 353,900 | 249,700 |
| Prepaid | -160,800 | 360,200 | 347,000 | -32,400 | -276,000 |
| Total net additions | 44,700 | 552,300 | 522,200 | 321,500 | -26,300 |
| ARPU (Baht/sub/month) | | | | | |
| Postpaid | 573 | 561 | 571 | 564 | 571 |
| Prepaid | 183 | 179 | 176 | 174 | 182 |
| Blended | 259 | 254 | 255 | 253 | 263 |
| Postpaid (TFRS 15) | - | - | - | 529 | 537 |
| Postpaid (TFRS 15) | - | - | - | 174 | 182 |
| Blended (TFRS 15) | - | - | - | 246 | 256 |
| MOU (minute/sub/month) | | | | | |
| Postpaid | 242 | 241 | 244 | 237 | 227 |
| Prepaid | 136 | 124 | 121 | 113 | 94 |
| Blended | 156 | 147 | 145 | 138 | 122 |
| VOU (GB/data sub/month) | | | | | |
| Postpaid | 10.9 | 12.7 | 14.0 | 14.4 | 15.1 |
| Prepaid | 8.2 | 9.2 | 9.8 | 10.3 | 10.1 |
| Blended | 8.9 | 10.1 | 10.9 | 11.4 | 11.5 |
| Device Penetration | | | | | |
| 4G-handset penetration | 54% | 57% | 59% | 63% | 66% |
| Fixed Broadband Business | | | | | |
| FBB subscribers | 623,400 | 676,700 | 730,500 | 795,000 | 855,400 |
| FBB net addition | 51,600 | 53,300 | 53,800 | 64,500 | 60,400 |
| FBB ARPU (Baht/user/month) | 610 | 573 | 574 | 563 | 558 |

1H19 Snapshot

For 1H19, AIS has delivered **core service revenue growth** of 4.1% YoY, against the full-year 2019 guidance of mid-single digit growth. Mobile business, which still contributed 93% of the core service revenue, grew 3.2% YoY following improved ARPU in both postpaid and prepaid as fixed-speed unlimited data plans have gradually been discontinued. Fixed broadband continued outperforming the industry with revenue growth of 27% YoY as a result of a total net gain of 124,900 homes and a focus on implementing FMC. Other service revenues comprised of enterprise business, grew 8.8% YoY driven by improving sales in both telecom and ICT services as well as CSL's revenue consolidated since Feb-18.

Network OPEX excluding cost of TOT partnership rose 8.8% YoY mainly from higher utilities on expanded 4G network whereas marketing expense including handset subsidy represented 6.6% of total revenue, up from 5.6% last year, to continue enhancing customer awareness on both network and brand. Admin and other expenses rose 13% YoY, inclusive of the legal severance compensation amounting to Bt602mn.

As a result, **reported EBITDA** stood at Bt38,023mn flat YoY with a margin of 43%. **Normalized EBITDA** was Bt38,659mn increasing 2% YoY, with a margin of 43.7% in line with the full-year guidance of stable YoY. With the 1800MHz spectrum license acquired in Sep-18 and continued investments in network, D&A rose 9.1% YoY. In conclusion, **reported net profit** was Bt15,340mn decreasing 4.4% YoY whereas **normalized net profit** was Bt15,848mn, a decline of 1.2% YoY. AIS announced an interim dividend of Bt3.78/share.

2Q19 Financial Summary (Pre-TFRS 15)

Revenue

In 2Q19, AIS reported a **total revenue** of Bt44,688mn increasing 5.8% YoY and 2% QoQ, comprising of service revenue and device sale as follows.

Service revenue was Bt38,235mn increasing 5.3% YoY and 3.5% QoQ. Excluding IC and equipment rental, **core service revenue** in 2Q19 was Bt35,394mn increasing 5.8% YoY and 4.2% QoQ, driven by improving price competition in mobile as well as continuing momentum in fixed broadband.

- **Mobile revenue** was Bt32,911mn increasing 5.3% YoY and 4.3% QoQ from improved ARPU as unlimited data plans were removed and subscription was geared toward volume-based plans. As a result, blended ARPU had a strong recovery, rising 1.8% YoY and 4.1% QoQ.
- **Fixed broadband revenue** was Bt1,380mn increasing 26% YoY and 7.1% QoQ driven by a healthy net subscriber gain of 60,400 as brand awareness and the focus on uplifting existing mobile subscribers to FMC (Fixed- Mobile Convergence) continued. Fixed broadband ARPU was at Bt558 dropping 8.6% YoY and 1% QoQ, mainly from FMC package which allocates part of revenue to mobile segment. However, overall FMC package has 20% higher ARPU.
- **Other service revenues** were Bt1,103mn decreasing 1.1% YoY and 1.4% QoQ.

Interconnection charge (IC) and equipment rental were Bt2,841mn, flat YoY. QoQ, the revenues decreased 5.2% QoQ from lower equipment rental.

SIM & device sales were Bt6,453mn increasing 9% YoY but decreasing 6% QoQ. SIM & device margin stood at -4.0%, compared to -3.0% in 2Q18 and -4.2% in 1Q19, following continuation in handset-bundled campaigns.

Cost & Expense

In 2Q19, **cost of service** was Bt20,170mn increasing 5% YoY and 1.8% QoQ following 4G network investment.

- **Regulatory fee** was Bt1,462mn, increasing 4.5% YoY and 4.2% QoQ following higher service revenue. % regulatory fee to core service revenue stood at 4.1%, stable both YoY and QoQ.
- **Depreciation & amortization** was Bt8,896mn increasing 8.8% YoY and 2.4% QoQ from 4G network and fixed broadband investments as well as the amortization of 1800MHz spectrum license acquired in Sep-18.
- **Network OPEX** was Bt7,320mn increasing 6.4% YoY but decreasing 0.7% QoQ. Excluding cost of TOT partnership, network OPEX would increase 7.6% YoY and 4% QoQ due mainly to utility and maintenance costs from 4G network expansion.
- **Other costs of service** were Bt2,492mn decreasing 9.4% YoY from lower IC cost but increasing 5.9% QoQ mainly from cost of content and the one-time cost of legal severance payment for call center staff amounting to Bt34mn¹.

SG&A expenses were Bt7,706mn, increasing 24% YoY and 14% QoQ from brand and handset campaigns as well as one-time cost of Bt602mn for legal severance payment¹.

- **Marketing expenses** were Bt2,715mn, increasing 26% YoY and 4.9% QoQ mainly from brand advertisement and handset campaigns as well as the low-base spending last year. % marketing expense to total revenue stood at 6.1% compared to 5.1% in 2Q18 and 5.9% in 1Q19.
- **Admin & other expenses** were Bt4,991mn increasing 24% YoY and 19% QoQ mainly from the one-time cost for legal severance payment amounting to Bt602mn. Excluding the one-time cost, admin & other expenses would increase 8.7% YoY and 4.5% QoQ mainly from higher staff cost and expansion in fixed broadband.

Net FX gain was Bt252mn compared to a gain of Bt106mn in 2Q18 and Bt84mn in 1Q19. The FX gain was mostly unrealized and incurred from the appreciation in the Baht currency in the quarter.

Finance cost was Bt1,194mn decreasing 7.5% YoY and 1.9% QoQ following lower interest-bearing debt. Average cost of debt was stable at 3.1% per year.

Profit

In 2Q19, **EBITDA** was Bt19,117mn increasing 0.6% YoY and 1.1% QoQ following growth in core service revenue offset by higher network OPEX and SG&A. Excluding the one-time legal severance pay, **normalized EBITDA** was Bt19,753mn, increasing 4% YoY and 4.5% QoQ, with a margin standing at 44.2% compared to 45.0% in 2Q18 and 43.1% in 1Q19. Reported **net profit** was Bt7,725mn decreasing 3.5% YoY but increasing 1.5% QoQ. **Normalized net profit** was Bt8,234mn increasing 2.9% YoY and 8.1% QoQ, as a result of EBITDA expansion partially offset by higher D&A.

Financial position

Compared to end-18, total assets as of 30-Jun-19 stood at Bt287,607mn decreasing 1%, mainly from amortization of spectrum licenses offset by an increase in cash and contract assets. Total liabilities were Bt223,078mn decreasing 4.2% from lower interest-bearing debt, which currently stood at Bt97,700mn, down from Bt109,100mn. Total equity was Bt64,529mn increasing 12% from retained earnings. Net debt to EBITDA was 1.1x while interest coverage ratio stood at 13x.

Cash flow

In 1H19, operating cash flow was Bt38,000mn increasing 10% YoY from EBITDA expansion and a settlement in international roaming charges. The operating cash flow fully covered uses of fund in 1H19 including the net repayment of borrowing amounting to Bt11,689mn, cash CAPEX of Bt9,443mn, and dividend payment for 2H18 performance of Bt9,812mn. As a result, outstanding cash was Bt11,198mn.

¹The 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

2Q19 MD&A

Advanced Info Service Plc.



| Income statement (Bt mn) | Pre-TFRS 15 | | | | | | | |
|--|-----------------|-----------------|-----------------|--------------|--------------|-----------------|-----------------|--------------|
| | 2Q18 | 1Q19 | 2Q19 | %YoY | %QoQ | 1H18 | 1H19 | %YoY |
| Mobile revenue | 31,256 | 31,555 | 32,911 | 5.3% | 4.3% | 62,464 | 64,466 | 3.2% |
| Fixed broadband revenue | 1,094 | 1,288 | 1,380 | 26% | 7.1% | 2,107 | 2,669 | 27% |
| Other service revenues | 1,115 | 1,119 | 1,103 | -1.1% | -1.4% | 2,041 | 2,221 | 8.8% |
| Core service revenue | 33,464 | 33,962 | 35,394 | 5.8% | 4.2% | 66,612 | 69,356 | 4.1% |
| IC and equipment rental | 2,845 | 2,995 | 2,841 | -0.2% | -5.2% | 4,263 | 5,836 | 37% |
| Service revenue | 36,309 | 36,957 | 38,235 | 5.3% | 3.5% | 70,875 | 75,192 | 6.1% |
| SIM and device sales | 5,919 | 6,867 | 6,453 | 9.0% | -6.0% | 12,287 | 13,320 | 8.4% |
| Total revenues | 42,228 | 43,824 | 44,688 | 5.8% | 2.0% | 83,161 | 88,512 | 6.4% |
| Regulatory fee | (1,398) | (1,403) | (1,462) | 4.5% | 4.2% | (2,874) | (2,865) | -0.3% |
| Depreciation & Amortization | (8,173) | (8,691) | (8,896) | 8.8% | 2.4% | (16,114) | (17,587) | 9.1% |
| Network operating expense | (6,879) | (7,371) | (7,320) | 6.4% | -0.7% | (12,341) | (14,691) | 19% |
| Other costs of services | (2,751) | (2,352) | (2,492) | -9.4% | 5.9% | (5,155) | (4,844) | -6.0% |
| Cost of service | (19,202) | (19,817) | (20,170) | 5.0% | 1.8% | (36,483) | (39,987) | 9.6% |
| Cost of SIM and device sales | (6,098) | (7,159) | (6,709) | 10% | -6.3% | (12,535) | (13,868) | 11% |
| Total costs of service and sale | (25,299) | (26,976) | (26,879) | 6.2% | -0.4% | (49,018) | (53,855) | 9.9% |
| Gross profit | 16,929 | 16,848 | 17,809 | 5.2% | 5.7% | 34,144 | 34,657 | 1.5% |
| SG&A | (6,197) | (6,786) | (7,706) | 24% | 14% | (12,533) | (14,492) | 16% |
| Marketing Expense | (2,160) | (2,587) | (2,715) | 26% | 4.9% | (4,410) | (5,303) | 20% |
| Admin and others | (4,037) | (4,198) | (4,991) | 24% | 19% | (8,123) | (9,189) | 13% |
| Operating profit | 10,731 | 10,063 | 10,103 | -5.9% | 0.4% | 21,610 | 20,165 | -6.7% |
| Net foreign exchange gain (loss) | 106 | 84 | 252 | 137% | 200% | (23) | 336 | -1569% |
| Other income (expense) | 76 | 221 | 107 | 41% | -51% | 324 | 328 | 1.2% |
| Finance cost | (1,290) | (1,217) | (1,194) | -7.5% | -1.9% | (2,582) | (2,411) | -6.6% |
| Income tax | (1,599) | (1,535) | (1,542) | -3.6% | 0.5% | (3,257) | (3,077) | -5.5% |
| Non-controlling interest | (19) | (1) | (0) | -98% | -70% | (30) | (1) | -96% |
| Net profit for the period | 8,005 | 7,615 | 7,725 | -3.5% | 1.5% | 16,042 | 15,340 | -4.4% |

| EBITDA (Bt mn) | Pre-TFRS 15 | | | | | | | |
|---------------------------------|---------------|---------------|---------------|-------------|-------------|---------------|---------------|-------------|
| | 2Q18 | 1Q19 | 2Q19 | %YoY | %QoQ | 1H18 | 1H19 | %YoY |
| Operating Profit | 10,731 | 10,063 | 10,103 | -5.9% | 0.4% | 21,610 | 20,165 | -6.7% |
| Depreciation & amortization | 8,325 | 8,847 | 9,052 | 8.7% | 2.3% | 16,404 | 17,899 | 9.1% |
| (Gain) loss on disposals of PPE | 10 | 29 | 15 | 43% | -48% | 10 | 43 | 318% |
| Management benefit expense | (56) | (35) | (47) | -16% | 34% | (104) | (82) | -21% |
| Other financial cost | (12) | 3 | (5) | -56% | -276% | (18) | (2) | -87% |
| EBITDA | 18,998 | 18,906 | 19,117 | 0.6% | 1.1% | 37,904 | 38,023 | 0.3% |
| EBITDA margin (%) | 45.0% | 43.1% | 42.8% | | | 45.6% | 43.0% | |

| Normalized profitability (Bt mn) | Pre-TFRS 15 | | | | | | | |
|---|---------------|---------------|---------------|--------------|-------------|---------------|---------------|--------------|
| | 2Q18 | 1Q19 | 2Q19 | %YoY | %QoQ | 1H18 | 1H19 | %YoY |
| EBITDA | 18,998 | 18,906 | 19,117 | 0.6% | 1.1% | 37,904 | 38,023 | 0.3% |
| Legal severance compensation (before tax) | - | - | 636 | NA | NA | - | 636 | NA |
| Normalized EBITDA | 18,998 | 18,906 | 19,753 | 4.0% | 4.5% | 37,904 | 38,659 | 2.0% |
| Normalized EBITDA margin (%) | 45.0% | 43.1% | 44.2% | - | - | 45.6% | 43.7% | - |
| Net Profit | 8,005 | 7,615 | 7,725 | -3.5% | 1.5% | 16,042 | 15,340 | -4.4% |
| Legal severance compensation (after tax) | - | - | 509 | NA | NA | - | 509 | NA |
| Normalized net profit | 8,005 | 7,615 | 8,234 | 2.9% | 8.1% | 16,042 | 15,848 | -1.2% |

| Financial Position (Bt mn/% to total asset) | 4Q18 | | Post-TFRS 15 2Q19 | |
|--|----------------|-------------|----------------------|-------------|
| | Cash | 9,067 | 3.1% | 11,198 |
| ST investment | 2,221 | 0.8% | 1,983 | 0.7% |
| Trade receivable | 16,361 | 5.6% | 15,818 | 5.5% |
| Inventories | 3,823 | 1.3% | 4,204 | 1.5% |
| Others | 3,433 | 1.2% | 4,421 | 1.5% |
| Current Assets | 34,905 | 12% | 37,623 | 13% |
| Spectrum license | 111,749 | 38% | 107,447 | 37% |
| Network and PPE | 130,212 | 45% | 129,253 | 45% |
| Intangible asset | 5,092 | 1.8% | 5,180 | 1.8% |
| Defer tax asset | 3,210 | 1.1% | 2,991 | 1.0% |
| Others | 5,337 | 1.8% | 5,113 | 1.8% |
| Total Assets | 290,505 | 100% | 287,607 | 100% |
| Trade payable | 18,422 | 6.3% | 21,336 | 7.4% |
| ST loan & CP of LT loans | 17,104 | 5.9% | 11,529 | 4.0% |
| Accrued R/S expense | 5,362 | 1.8% | 5,248 | 1.8% |
| Others | 31,877 | 11% | 29,476 | 10% |
| Current Liabilities | 72,764 | 25% | 67,589 | 24% |
| Debenture & LT loans | 92,030 | 32% | 85,895 | 30% |
| Others | 68,042 | 23% | 69,593 | 24% |
| Total Liabilities | 232,836 | 80% | 223,078 | 78% |
| Retained earnings | 32,505 | 11% | 39,374 | 14% |
| Others | 25,163 | 8.7% | 25,155 | 8.7% |
| Total Equity | 57,669 | 20% | 64,529 | 22% |

| Key Financial Ratio | 2Q18 | Post-TFRS 15 | |
|---|------|--------------|------|
| | | 1Q19 | 2Q19 |
| Interest-bearing debt to equity (times) | 1.8 | 1.8 | 1.5 |
| Net debt to equity (times) | 1.7 | 1.4 | 1.3 |
| Net debt to EBITDA (times) | 1.2 | 1.1 | 1.1 |
| Current Ratio (times) | 0.5 | 0.6 | 0.6 |
| Interest Coverage (times) | 13 | 13 | 13 |
| Debt Service Coverage Ratio (times) | 4.5 | 4.2 | 4.2 |
| Return on Equity | 62% | 53% | 51% |

Figures from P&L are annualized YTD.

| Bt mn | Debt Repayment Schedule | | License payment schedule | | |
|-------|-------------------------|--------|--------------------------|--------|--------|
| | Debenture | Loan | 1800MHz | 900MHz | 700MHz |
| 2H19 | - | 3,364 | - | 4,020 | - |
| 2020 | - | 14,829 | 3,128 | 21,747 | 1,758 |
| 2021 | 1,776 | 12,079 | 3,128 | 7,565 | 1,758 |
| 2022 | - | 13,440 | - | 7,565 | 1,758 |
| 2023 | 7,820 | 6,883 | - | 7,565 | 1,758 |
| 2024 | 6,638 | 5,817 | - | 7,565 | 1,758 |
| 2025 | - | 5,967 | - | 7,565 | 1,758 |
| 2026 | 7,180 | 1,083 | - | - | 1,758 |
| 2027 | 9,000 | 750 | - | - | 1,758 |
| 2028 | - | 750 | - | - | 1,758 |
| 2029 | - | - | - | - | 1,758 |

Credit Rating

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

Source and Use of Fund: 1H19

(Bt mn)

| Source of fund | | Use of fund | |
|----------------------------|---------------|--|---------------|
| Operating cash flow | 38,000 | CAPEX & Fixed assets | 9,443 |
| Sale of equipment | 36 | Income tax paid | 3,389 |
| Proceed from LT borrowings | 2,000 | Dividend Paid | 9,812 |
| Interest received | 83 | Finance cost and financial lease paid | 1,619 |
| Dividend received | 8 | Repayment of ST borrowings | 5,900 |
| | | Repayment of LT borrowings | 7,789 |
| | | Cash paid for acquire net asset from business acquisition | 22 |
| | | Cash increase | 2,153 |
| Total | 40,127 | Total | 40,127 |

2019 MANAGEMENT OUTLOOK & STRATEGY (maintained)

All guidance is based on Pre-TFRS 15

| | |
|-----------------------------------|--|
| Core service revenue | <input type="checkbox"/> Mid-single digit growth |
| Consolidated EBITDA margin | <input type="checkbox"/> Stable from last year |
| Budgeted CAPEX | <input type="checkbox"/> Bt20-25bn |
| Dividend policy | <input type="checkbox"/> 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% at end-18. 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.

Appendix

| Income statement (Bt mn) | Post TFRS 15 | | | |
|--|-----------------|-----------------|--------------|-----------------|
| | 1Q19 | 2Q19 | %QoQ | 1H19 |
| Mobile revenue | 30,678 | 32,042 | 4.4% | 62,720 |
| Fixed broadband revenue | 1,288 | 1,380 | 7.1% | 2,669 |
| Other service revenues | 1,078 | 1,083 | 0.4% | 2,161 |
| Core service revenue | 33,044 | 34,505 | 4.4% | 67,549 |
| IC and equipment rental | 2,995 | 2,841 | -5.2% | 5,836 |
| Service revenue | 36,039 | 37,346 | 3.6% | 73,385 |
| SIM and device sales | 7,222 | 6,736 | -6.7% | 13,958 |
| Total revenues | 43,262 | 44,081 | 1.9% | 87,343 |
| Regulatory fee | (1,403) | (1,462) | 4.2% | (2,865) |
| Depreciation & Amortization | (8,691) | (8,896) | 2.4% | (17,587) |
| Network operating expense | (7,371) | (7,320) | -0.7% | (14,691) |
| Other costs of services | (2,352) | (2,492) | 5.9% | (4,844) |
| Cost of service | (19,817) | (20,170) | 1.8% | (39,987) |
| Cost of SIM and device sales | (7,159) | (6,709) | -6.3% | (13,868) |
| Total costs of service and sale | (26,976) | (26,879) | -0.4% | (53,855) |
| Gross profit | 16,286 | 17,202 | 5.6% | 33,488 |
| SG&A | (6,262) | (7,047) | 13% | (13,309) |
| Marketing Expense | (1,934) | (1,906) | -1.4% | (3,840) |
| Admin and others | (4,328) | (5,141) | 19% | (9,469) |
| Operating profit | 10,024 | 10,155 | 1.3% | 20,179 |
| Net foreign exchange gain (loss) | 84 | 252 | 200% | 336 |
| Other income (expense) | 203 | 91 | -55% | 294 |
| Finance cost | (1,217) | (1,194) | -1.9% | (2,411) |
| Income tax | (1,523) | (1,550) | 1.7% | (3,073) |
| Non-controlling interest | (1) | (0) | -70% | (1) |
| Net profit for the period | 7,570 | 7,754 | 2.4% | 15,324 |
| EBITDA | 18,868 | 19,169 | 1.6% | 38,037 |

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