

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS OF OPERATIONS

Overview

We are a holding company and conduct our business mainly in telecommunications and media and advertising businesses. Our discrete business segments are mainly local wireless telecommunication which manage through Advanced Info Service PLC "AIS"; satellite and international businesses which manage through Thaicom Public Company Limited "THCOM" (Formerly Shin Satellite Public Company Limited) and its joint venture who operates telecommunications in Cambodia and Laos; media and advertising businesses which manage through ITV Public Company Limited "ITV" and Matchbox Company Limited "Matchbox" and other which primarily through CS Loxinfo Public Company Limited "CSL"

Prior to March 7, 2007, our subsidiary ITV operated a free-to-air television broadcasting station in Thailand. On March 7, 2007, the Prime Minister's Office "PMO" revoked ITV's concession to operate and ITV ceased its television broadcasting operations. As a result from the revocation, the revenue of media and advertising businesses for the nine months period ended September 30, 2008 decreased when compared to the same periods last year. ITV is awaiting to hear the arbitral award ruling regarding this matter, which cannot be predicted. For the purposes of a discussion on our historical financial statements, we have included a discussion of ITV in the following discussion.

Prior to June 21, 2007, Asia Aviasion Co., Ltd. "AA" had a joint venture called Thai AirAsia which provided low-cost airline services from Bangkok to various domestic and international destinations. We sold our interests in AA on June 21, 2007. As a result, the revenue of low-cost airline for the nine months period ended September 30, 2008 decreased when compared to the same period last year. In addition, prior to December 7, 2007, our subsidiary Capital OK provided consumer credit services, including personal loans, credit cards and motorcycle hire-purchases. We sold our interests in Capital OK on December 7, 2007. Thus, consumer finance has been excluded from the consolidated financial statements for the three months and nine months ended September 30, 2008.

Our consolidated profit attributable to equity of the Company for the nine months ended September 30, 2008 was Baht 5,991.1 million based upon total consolidated revenue of Baht 13,414.5 million while the profit attributable to equity for the three months ended September 30, 2008 was Baht 1,503.7 million based upon total revenue of Baht 4,021.5 million. Our consolidated net profit depends primarily on the results of operations of AIS Group, our associated company and the primary focus of our wireless communications business. We account for AIS Group using the equity method. Our share of the net profits of AIS Group, for the three months ended September 30, 2008, was Baht 1,722.4 million, contributed 42.8% of our total consolidated revenue and contributed 114.5% of our consolidated net profit. For the nine months ended September 30, 2008, our share of the net profits of AIS Group was Baht 6,704.0 million, contributed 50.0% of our total consolidated revenue and contributed 111.9% of our consolidated net profit. For a discussion and analysis of the results of operations of AIS Group, see "MD&A of AIS" below.

Company Operations (Cost Method)

The following table provides the Company's statements of income for the period indicated. This table should be read together with the Company's financial statements.

	Three Months Ended						Nine Months Ended			
	September 30, 2008		June 30, 2008		September 30, 2007		September 30, 2008		September 30, 2007	
	(in millions of Baht)						(in millions of Baht)			
Dividends income	3,791.1	99.6%	4,212.3	99.7%	3,808.1	99.7%	8,003.4	99.4%	8,078.3	96.4%
Gain from sale investment	-	-	-	-	-	-	-	-	271.0	3.2%
Other income	15.1	0.4%	14.7	0.3%	12.9	0.3%	48.0	0.6%	28.5	0.3%
Total revenues	3,806.2	100.0%	4,227.0	100.0%	3,821.0	100.0%	8,051.4	100.0%	8,377.8	100.0%
Selling and administrative expenses	75.9	2.0%	61.2	1.4%	53.4	1.4%	186.8	2.3%	275.0	3.3%
Impairment loss on investments in a subsidiary and a joint venture....	-	-	-	-	2,010.0	52.6%	86.9	1.1%	4,946.1	59.0%
Directors' remuneration.....	3.4	0.1%	3.4	0.1%	4.2	0.1%	11.2	0.1%	11.2	0.1%
Total expenses	79.3	2.1%	64.6	1.5%	2,067.6	54.1%	284.9	3.5%	5,232.3	62.5%
Profit (loss) before interest	3,726.9	97.9%	4,162.4	98.5%	1,753.4	45.9%	7,766.5	96.5%	3,145.5	37.5%
Interest expenses	-	-	-	-	-	-	-	-	(2.1)	0.0%
Net Profit for the period	3,726.9	97.9%	4,162.4	98.5%	1,753.4	45.9%	7,766.5	96.5%	3,143.4	37.5%

The Company's Net Result

Three months ended September 30, 2008 (3Q08) Compared to three months ended June 30, 2008 (2Q08) and September 30, 2007 (3Q07)

The Company's net profit decreased 10.5% from Baht 4,162.4 million in 2Q08 to Baht 3,726.9 million in 3Q08 as a result from dividend received, contributed from AIS. In 3Q08, dividend received from AIS was Baht 3 per share compared to Baht 3.3 per share in 2Q08. When compared to 3Q07, the net profit increased 112.6% from Baht 1,753.4 million. This was because of an impairment loss on Capital OK in the amount of Baht 2,010.0 million, in 3Q07.

Nine months ended September 30, 2008 (9M08) Compared to nine months ended September 30, 2007 (9M07)

The Company's net profit increased 147.1% from Baht 3,143.4 million in 9M07 to Baht 7,766.5 million in the same period this year. This was mainly due to the impairment loss on Capital OK of Baht 4,946.1 million in 9M07 but, in 9M08, it was only Baht 86.9 million on our investment in Payment Solution Co., Ltd., "PSC".

The following table provides the Company's balance sheets for the period indicated. This table should be read together with the Company's financial statements.

	As at			
	September 30, 2008		December 31, 2007	
	(in millions of Baht)		(in millions of Baht)	
Cash & cash equivalents.....	1,684.3	11.7%	2,575.3	16.9%
Other current assets.....	114.0	0.8%	45.2	0.3%
Investments in subsidiaries, associates and joint ventures.....	12,502.4	86.9%	12,514.4	82.3%
Other assets.....	86.1	0.6%	67.6	0.5%
Total assets.....	14,386.8	100.0%	15,202.5	100.0%
Total liabilities.....	67.9	0.5%	59.0	0.4%
Shareholders' equity				
Share capital.....	3,201.1	22.3%	3,196.8	21.0%
Premium on share capital.....	10,197.3	70.9%	10,149.9	66.8%
Legal reserved.....	500.0	3.5%	500.0	3.3%
Retained earnings.....	420.5	2.9%	1,296.8	8.5%
Total shareholders' equity.....	14,318.9	99.5%	15,143.5	99.6%
Total liabilities and shareholders' equity.....	14,386.8	100.0%	15,202.5	100.0%

The Company's Balance Sheets

Total assets as at September 30, 2008 decreased 5.4% when compared to the total assets as at December 31, 2007, particularly from cash and cash equivalents. Cash decreased due to the payment of dividend. As at September 30, 2008, the shareholders' equity was Baht 14,318.9 million decreased from Baht 15,143.5 million as at December 31, 2007. This was due to a drop of Baht 876.3 million in retained earnings from our dividend paid. According to the Annual General Meeting on April 22, 2008, the shareholders approved the annual dividend for the operation of year 2007 at Baht 0.30 per share, the interim dividend for the period January 1 – April 10, 2008 at Baht 1.25 per share. Also, the board of director meeting held on August 14, 2008 approved to pay the interim dividend for the period April 11 – August 13, 2008, at Baht 1.15 per share. The dividend paid in total was Baht 8,642.8 million.

Group Operation (Consolidation Method)

The following tables provide a breakdown of our total consolidated revenues by showing each item as a percentage of total revenues, and a breakdown of our consolidated expenses by showing each item as a percentage of our total consolidated revenues, for the periods indicated. This table should be read together with our interim consolidated financial statements.

	Three Months Ended						Nine Months Ended			
	September 30, 2008		June 30, 2008		September 30, 2007		September 30, 2008		September 30, 2007	
	(in millions of Baht)									
Revenue:										
Revenues from sales and services:										
- Telephone network in foreign entities (other than AIS).....	484.6	12.1%	455.4	8.9%	469.5	5.1%	1,363.1	10.2%	1,808.9	9.3%
- Satellite	1,163.6	28.9%	1,066.4	21.0%	879.0	9.6%	3,600.0	26.8%	3,040.1	15.7%
- Media and advertising	412.0	10.2%	388.7	7.6%	393.6	4.3%	1,125.8	8.4%	1,538.4	7.9%
- Consumer finance.....	-	-	-	-	277.3	3.0%	-	-	1,107.8	5.7%
- Low-cost airline.....	-	-	-	-	-	-	-	-	502.1	2.6%
- Others*	170.1	4.2%	160.2	3.1%	93.3	1.0%	410.9	3.1%	20.5	0.1%
Total revenues from sales and services.....	2,230.3	55.5%	2,070.7	40.7%	2,112.7	23.1%	6,499.8	48.5%	8,017.8	41.3%
Gain on sale of investments in a subsidiary and a joint venture.....	-	-	-	-	5,126.3	56.0%	-	-	5,533.1	28.5%
Gain on foreign exchange.....	-	-	-	-	332.2	3.6%	-	-	957.0	4.9%
Other incomes.....	35.7	0.9%	42.6	0.8%	60.0	0.7%	130.4	1.0%	165.9	0.9%
Share of profits from investments - equity method:										
- AIS (local wireless telecommunication).....	1,722.4	42.8%	2,955.2	58.1%	1,476.7	16.1%	6,704.0	50.0%	4,629.0	23.9%
- Other	33.1	0.8%	20.5	0.4%	46.3	0.5%	80.3	0.6%	104.4	0.5%
Total share of net results from investments—equity method.....	1,755.5	43.7%	2,975.7	58.5%	1,523.0	16.6%	6,784.3	50.6%	4,733.4	24.4%
Total revenue	4,021.5	100.0%	5,089.0	100.0%	9,154.2	100.0%	13,414.5	100.0%	19,407.2	100.0%
Expenses:										
Costs of sales and services.....	1,773.5	44.1%	1,503.8	29.6%	1,618.0	17.7%	5,077.4	37.9%	5,776.5	29.8%
Concession fees	125.2	3.1%	120.1	2.4%	112.3	1.2%	355.8	2.7%	388.8	2.0%
Loss on provision for unpaid concession fee and interest	108.9	2.7%	107.7	2.1%	108.7	1.2%	324.5	2.4%	428.8	2.2%
Selling and administrative expenses.....	448.8	11.2%	400.6	7.9%	2,285.1	25.0%	1,402.5	10.5%	5,162.9	26.6%
Loss on foreign exchange rate	146.1	3.6%	436.9	8.6%	-	-	92.3	0.7%	-	-
Impairment loss on goodwill and investment in a subsidiary and a joint venture.....	-	-	-	-	-	-	60.1	0.4%	447.0	2.3%
Impairment loss on concession assets.....	-	-	-	-	-	-	-	-	1,970.1	10.2%
Directors' remuneration.....	6.6	0.2%	6.1	0.1%	7.0	0.1%	20.1	0.1%	19.2	0.1%
Total expenses	2,609.1	64.9%	2,575.2	50.6%	4,131.1	45.1%	7,332.7	54.7%	14,193.3	73.1%
Profit before interest and tax	1,412.4	35.1%	2,513.8	49.4%	5,023.1	54.9%	6,081.8	45.3%	5,123.9	26.9%
Interest expenses.....	(104.4)	(2.6)%	(107.4)	(2.1)%	(247.5)	(2.7)%	(347.4)	(2.6)%	(955.4)	(4.9)%
Income tax	127.2	3.2%	113.4	2.2%	(2,176.8)	(23.8)%	170.2	1.3%	(2,413.3)	(12.4)%
Profit before minority interests.....	1,435.2	35.7%	2,519.8	49.5%	2,598.8	28.4%	5,904.6	44.0%	1,845.2	9.5%
Attributable to:										
Equity holders of the Company	1,503.7	37.4%	2,683.7	52.7%	753.7	8.2%	5,991.1	44.7%	229.6	1.2%
Minority interests	(68.5)	(1.7)%	(163.9)	(3.2)%	1,845.1	20.2%	(86.5)	(0.6)%	1,615.6	8.3%
Net profit for the period.....	1,435.2	35.7%	2,519.8	49.5%	2,598.8	28.4%	5,904.6	44.0%	1,845.2	9.5%

Remark * Includes Internet, direct satellite television, information technology businesses and consolidation eliminations

Three months ended September 30, 2008 (3Q08) Compared to three months ended June 30, 2008 (2Q08) and September 30, 2007 (3Q07)

Revenues

Total revenues for three months ended September 30, 2008 decreased by 21.0% from Baht 5,089.0 million in 2Q08 to Baht 4,021.5 million in 3Q08 and decreased from Baht 9,154.2 million in 3Q07.

Revenues from Sales and Services. Revenues from sales and services increased 7.7% from Baht 2,070.7 million in 2Q08 to Baht 2,230.3 million in 3Q08, mainly, as a result from the increase in revenue of our satellite business. When compared y-o-y, the revenue increased 5.6% from Baht 2,112.7 million in 3Q07. This was because the revenue from our satellite business increased while there was a decrease from consumer finance following the sale of our investments in December 2007.

Telephone network in foreign entities (other than AIS). Revenue from our telephone network in foreign entities, in Cambodia and Laos for 3Q08 increased 6.4% from Baht 455.4 million in 2Q08 to Baht 484.6 million in 3Q08 and slightly increased y-o-y from Baht 469.5 million, as a result from the growth of prepaid mobile telephone subscribers in each market.

However, we sold partial of our investment in SHEN, a holding company who invest in telephone network businesses in Laos and Cambodia in July 25, 2007. As a result, the investment in SHEN changed from a subsidiary to a joint venture. Previously, we recognized 100.0% of revenue using the fully consolidated basis in Cambodia and 49% using the proportionate consolidation basis in Laos, but after July 25, 2007, we recognized only 51.0% of the revenues, instead of 100%, from Cambodia and 25.0%, instead of 49%, from Laos.

In Laos, total telephone subscribers, including mobile and fixed line, increased 4.5% from 855,371 in 2Q08 to 894,259 in 3Q08 and increased 22.1% from 732,137 in the same period last year, primarily due to market expansion in mobile GSM prepaid which increased 5% q-o-q and 24.7% y-o-y to 798,672 in 3Q08, and CDMA subscribers increased by 3.8% q-o-q and 22.6% y-o-y to 28,695 in 3Q08. Prepaid mobile ARPU decreased 8.6% q-o-q and decreased 2.9% y-o-y because of the decrease in revenue per minute from 2Q08 as LTC launched the promotion package in 3Q08, PSTN ARPU increased 3.4% q-o-q and 13% y-o-y.

In Cambodia, mobile telephone subscribers significantly increased 25.4% from 573,735 in 2Q08 to 719,573 in 3Q08 and sharply increased 61.7% from 444,899 in the same period last year, primarily due to market expansion following increased marketing activities targeted at low-usage subscribers, mobile ARPU decreased 6.9% q-o-q and decreased 8.5% y-o-y, mainly from a drop in minute usage as well as revenue per minute.

Satellite. Revenue from our satellite segment increased by 9.1% from Baht 1,066.4 million in 2Q08 to Baht 1,163.6 million in 3Q08 and increased 32.4% from 3Q07, mainly from the UT sale of IPSTAR that increased 30.8% from 2Q08 and increased 87.7% from the same period last year. Moreover, the revenue from transponder lease on IPSTAR also increased by 12.8% q-o-q and 39.1% y-o-y. Thaicom conventional satellite business increased 2.3% q-o-q and 12.9% y-o-y due to the growth of transponder lease.

Media and advertising. Revenues from our media and advertising segment increased by 6.0% from Baht 388.7 million in 2Q08 to Baht 412.0 million in 3Q08 and increased 4.7% from Baht 393.6 million in 3Q07 as the revenue from Matchbox increased due to the higher marketing spending of its customer.

Consumer finance. In 3Q08 and 2Q08, revenue from consumer finance business is no longer included in our consolidated financial statement, following the sale of our interests in Capital OK in December 2007, while in 3Q07; we had revenue from this business in the amount of Baht 277.3 million.

Gain on sale of investments in a subsidiary and a joint venture. In 3Q07, THCOM sold 49% of its holding in Shenington Investments PTE Ltd "SHEN", a holding company who invests in telephone network businesses in Laos and Cambodia, to Asia Mobile Holdings PTE Ltd for USD 200 million (approximately Baht 6,709 million). This sale generated a gain of Baht 5,126.3 million. Previously, SHEN was a subsidiary wholly owned by THCOM but, after the sale, its status has been changed to a joint venture.

Loss/Gain on foreign exchange rate. The foreign exchange rate of 3Q08 and 2Q08 were loss at Baht 146.1 million and Baht 436.9 million, respectively, as the Baht depreciated against the U.S. dollar,

while, in 3Q07, there was gain from foreign exchange rate at Baht 332.2 million as the appreciation of the Baht against the U.S. dollar. (Mainly, this was from the translation of exchange rate related to off-shore loans)

Share of Profits from Investment—Equity Method. Our share of profits from investments, using the equity method decreased 41.0% from Baht 2,975.7 million in 2Q08 to Baht 1,755.5 million in 3Q08 but increased 15.3% from Baht 1,523.0 million in 3Q07, of which was mainly contributed from AIS Group.

For the standalone financial statement of AIS Group, the profit was Baht 4,532.5 million, decreased 28.4% q-o-q but increased 29.1% y-o-y. In 2Q08, there was one time gain from debt haircut after the dispute settlement between Digital Phone Company Limited “DPC”, a subsidiary of AIS, and Total Access Communication Public Company Limited “DTAC” in the amount of Baht 1,217 million (after tax). Stripping out such non-recurring item, net profit still decreased 11.4% due to seasonality drop in service revenue. When compared to 3Q07, net profit of AIS Group increased 19.1% as the improvement in revenue and lower bad debt expenses as well as the cease of goodwill amortization. However, the mentioned net profit of AIS Group was not included derivative adjustment that we had adjusted to our share of profits from investment in AIS. For a discussion and analysis of the results of operations of AIS, see “MD&A of AIS” below.

Expenses

Total expenses slightly increased from Baht 2,575.2 million in 2Q08 to Baht 2,609.1 million in 3Q08 from the increase in cost of sales and services and selling and administrative expenses, offset with the decrease in loss on foreign exchange rate. However, when compare to 3Q07, total expenses decreased 36.8% from Baht 4,131.1 million, mainly from the decrease in selling and administrative expenses.

Cost of Sales and Services. Cost of sales and services increased 17.9% from Baht 1,503.8 million in 2Q08 to Baht 1,773.5 million in 3Q08 and increased 7.9% from Baht 1,618.0 million in 3Q07. This was primarily due to the increase in cost related to satellite business resulting from higher cost of UT sales following the growth of sale from IPSTAR both q-o-q and y-o-y. Even though, in 3Q07, there was a cost related to consumer finance business before the sale of our interest in Capital OK in December 2007.

Concession Fees. Concession fees, solely from satellite and international businesses, increased from Baht 120.1 million in 2Q08 and Baht 112.3 million in 3Q07 to Baht 125.2 million in 3Q08 following the revenue growth from both conventional satellite and IPSTAR.

Loss on provision for Unpaid Concession fee and Interest. The loss on provision for unpaid concession fee and interest remained stable.

Selling and Administrative Expenses. Our selling and administrative expenses increased by 12.0% q-o-q from Baht 400.6 million in 2Q08 to Baht 448.8 million in 3Q08, primarily due to the increase of selling and administrative expenses from our satellite business due to the increase in doubtful debt, legal consulting fees related to the termination of the Definitive Agreement to ETT Limited, the National Service Operator of IPSTAR service in Australia and marketing expenses of telephone business in Lao PDR and DTV business. In addition, such expenses of 3Q08 decreased 80.4% from 3Q07, mainly from a decrease in the provision for loan losses at Capital OK following the sale of our interest in Capital OK in December 2007.

Profit before Interest and Tax

As a result of the foregoing, the profit before interest and tax dropped 43.8% q-o-q and 71.9% y-o-y from Baht 2,513.8 million in 2Q08 and from Baht 5,023.1 million in 3Q07 to Baht 1,412.4 million in 3Q08.

Interest Expense

Our interest expense slightly decreased from Baht 107.4 million in 2Q08 to Baht 104.4 million in 3Q08 and decreased 57.8% from Baht 247.5 million in 3Q07 primarily due to the repayment of partial loans in relation to project of IPSTAR and Thaicom 5 that was paid in 3Q07 and, following the sale of our interest in Capital OK in December 2007, we have excluded Capital OK's interest expenses from our consolidated interest expenses.

Income Tax

In 3Q08 and 2Q08, we had income tax surplus at Baht 127.2 million and Baht 113.4 million. But when compared to 3Q07, there was a tax expense at Baht 2,176.8 million. This was because, in this quarter last year, our satellite business had a gain from the sale of investment in SHEN as mentioned above.

Net Results Attributable to Minority Interests, mainly the minority interests in THCOM

We recorded the loss from our subsidiaries shared to minority in the amount of Baht 68.5 million in 3Q08 and Baht 163.9 million in 2Q08. However, in 3Q07, we recorded the gain shared to minority in the amount of Baht 1,845.1 million as a result from the gain on sale of investment in SHEN.

Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company decreased 44.0% q-o-q from Baht 2,683.7 million to Baht 1,503.7 million, mainly from the decrease in share of profits from investments, using the equity method. But the profit increased 99.5% y-o-y from Baht 753.7 million as the selling and administrative expenses mainly, contributed from Capital OK, dropped, the net result attributed to minority interests, especially from THCOM, dropped because there was a gain from sale investments in 3Q07.

Nine months ended September 30, 2008 (9M08) Compared to nine months ended September 30, 2007 (9M07)

Revenues

Total revenues for nine months ended September 30, 2008 decreased by 30.9% from Baht 19,407.2 million in 9M07 to Baht 13,414.5 million in 9M08.

Revenues from Sales and Services. Revenues from sales and services decreased 18.9% from Baht 8,017.8 million in 9M07 to Baht 6,499.8 million in 9M08, mainly as a result from the decrease in revenue from consumer finance and low-cost airline businesses which were sold during 2007. In addition, there were decreases in media and advertising businesses and telephone network in foreign entities, offset with the increase in satellite business.

Telephone network in foreign entities (other than AIS). Revenue from our telephone network in foreign entities, in Cambodia and Laos for 9M08 decreased 24.6% from Baht 1,808.9 million to Baht 1,363.1 million. This was primarily because the decrease of investment in SHEN, a holding company who invest in telephone network businesses in Laos and Cambodia. After the sale, THCOM has recognized only 51.0% of the revenues from Cambodia and 25.0% from Laos, started from July 25, 2007 using the proportionate consolidation basis instead of 100.0% using the fully consolidated basis in Cambodia and 49% using the proportionate consolidation basis in Laos. Had THCOM accounted for its telephone network in Cambodia and Laos following the fully consolidated basis in SHEN before the sale, our international telephone revenues in 9M08 would have been Baht 2,673 million compared to Baht 2,045 million in 9M07.

In Laos, total telephone subscribers, including mobile and fixed line, increased 22.11% to 894,259 in 9M08 from 732,137 in 9M07, primarily due to market expansion in mobile GSM prepaid which increased by 24.2% to 798,672 in 9M08, and CDMA subscribers increased by 22.6% to 28,695 in 9M08. Prepaid mobile ARPU increased 7.1%, mainly because the change in customer behavior led to the increase in mobile minute usage increase in mobile minute usage, while PSTN ARPU increased 8.7%.

In Cambodia, mobile telephone subscribers increased 62.5% to 719,573 in 9M08 from 444,899 in 9M07, primarily due to market expansion following the increase in marketing activities targeted at low-usage subscribers, even though ARPU decreased 17.3%.

Satellite. Revenue from our satellite business increased by 18.4% from Baht 3,040.1 million in 9M07 to Baht 3,600.0 million in 9M08, primarily because of the increase in revenue from transponder lease of both IPSTAR and conventional satellite and higher sale of UT of IPSTAR.

Media and advertising. Revenues from our media and advertising segment decreased by 26.8% from Baht 1,538.4 million in 9M07 to Baht 1,125.8 million in 9M08, primarily due to the cessation of ITV's television broadcasting concession following the revocation of its concession agreement on March 7, 2007. The revenue from Matchbox decreased as a result from less spending in marketing expenses of its customers.

Consumer finance and Airline. Following the sale of our interests in AA in June 2007 and Capital OK in December 2007, our revenues from low-cost airline and consumer finance businesses are no longer included in our consolidated financial statement.

Others. Our other revenues increased from the sale of direct satellite television, which is operated by DTV Co. Ltd "DTV", a subsidiary of THCOM. This was mainly due to an increase of the sale in Cambodia and Laos which was first incurred in 1Q08.

Gain from sale on a subsidiary and a joint venture. Gain from sale on a subsidiary and a joint venture totaled Baht 5,533.1 million was from the sale of SHEN, as mentioned above, Baht 5,126.3 million and the sale of our investment in AA that was sold in June 2007, Baht 406.8 million.

Loss/Gain on foreign exchange rate. In 9M08, we had loss on foreign exchange rate in the amount of Baht 92.3 million, while, in 9M07, we had gain of Baht 957.0 million. This can be attributed to the continuance of depreciation of the Baht against the U.S. dollar compared with the appreciation of the Baht against the U.S. dollar in this period last year.

Share of Profits from Investment—Equity Method. Our share of profits from investments, using the equity method increased 43.3% from Baht 4,733.4 million in 9M07 to Baht 6,784.3 million in 9M08. The share of profits from investment was mainly contributed from AIS Group.

In 9M08, the profit of standalone AIS Group was Baht 15,988.8 million compared to Baht 11,159.0 million in 9M07. Apart from a gain from debt haircut after the dispute settlement between DPC and DTAC in 2Q08, as mentioned above and the discontinuance of amortizing goodwill, net profit increased 11.7%. There was the increase in service revenue (excluded IC) as a result of strong growth in prepaid voice revenue and non-voice revenues, international call and international roaming. In addition, in 9M08, the selling and administrative expenses were lower as less marketing expenses, lower bad debt provision. However, the mentioned net profit of AIS Group was not included derivative adjustment that we had adjusted to our share of profits from investment in AIS. For a discussion and analysis of the results of operations of AIS, see "MD&A of AIS" below.

Expenses

Total expenses decreased by 48.3% from Baht 14,193.3 million in 9M07 to Baht 7,332.7 million in 9M08, primarily from the divestment of consumer finance and low-cost airline businesses, the cessation of ITV's television broadcasting business and the impairment loss on concession assets in 9M07 from our media and advertising business.

Cost of Sales and Services. Cost of sales and services decreased by 12.1% from Baht 5,776.5 million in 9M07 to Baht 5,077.4 million in 9M08, primarily due to the sale of our interests in AA and Capital OK, and the cessation of ITV's television broadcasting business. Moreover, cost of sales and services from telephone network in foreign entities decreased as the sale partial of our interest in SHEN, as mentioned above but offset with an increase in cost of sales and services from satellite business.

Concession Fees. Concession fees slightly dropped from Baht 388.8 million in 9M07 to Baht 355.8 million in 9M08 as the cessation of ITV's television broadcasting business in March 2007.

Loss on provision for Unpaid Concession fee and Interest. The loss on provision for unpaid concession fee and interest decreased by 24.3% from Baht 428.8 million in 9M07 to Baht 324.5 million

in 9M08. This was primarily because, in 9M07, ITV had the unpaid concession recorded before the revocation in March 7, 2007 in the amount of Baht 180.9 million.

Selling and Administrative Expenses. Our selling and administrative expenses decreased by 72.8% from Baht 5,162.9 million in 9M07 to Baht 1,402.5 million in 9M08, primarily due to a decrease in the provision for loan losses at Capital OK following the sale of our interest in Capital OK in December 2007 and the decrease in selling and administrative expenses at ITV following the cessation of its business in March 2007.

Impairment loss on goodwill and investment in a subsidiary and a joint venture. In 9M07, we recorded an impairment loss on goodwill in full amount of Baht 447.0 million in Capital OK while, in 9M08, we recorded an impairment loss of Baht 60.1 million on our investment in PSC.

Impairment loss on concession assets. In 9M07, we recorded an impairment loss on concession assets of Baht 1,970.1 million due to the expropriation of ITV's assets following the revocation of its concession agreement by the PMO in March 2007 which was an indicator of impairment loss of concession assets.

Profit before Interest and Tax

As a result of the foregoing, the profit before interest and tax improved 16.6% from Baht 5,213.9 million in 9M07 to Baht 6,081.8 million in 9M08.

Interest Expense

Our interest expense decreased by 63.6% from Baht 955.4 million in 9M07 to Baht 347.4 million in 9M08 primarily due to the repayment of partial loans in relation to project of IPSTAR and Thaicom 5 and the sale of our interest in Capital OK in December 2007. We have excluded Capital OK's interest expenses from our consolidated interest expenses.

Income Tax

In 9M08, we had income tax surplus at Baht 170.2 million compare to a tax expense at Baht 2,413.3 million in 9M07. This was because our satellite business had a loss from operation in 9M08, while in 9M07, we had gain on sale of investment in SHEN.

Net Results Attributable to Minority Interests, mainly the minority interests in THCOM

We recorded the loss from our subsidiaries shared to minority in the amount of Baht 86.5 million in 9M08. But we recorded the gain shared to minority in the amount of Baht 1,615.6 million as a result from the gain on sale of investment in SHEN.

Profit attributable to equity holders of the Company

As a result of the foregoing, our net results improved significantly from Baht 229.6 million in 9M07 to Baht 5,991.1 million as a result from the increase in share of profits from investments, using the equity method. In 9M08 and onwards, there was no loss contributed from consumer finance business and no impairment loss on concession assets of ITV.

Consolidated Balance Sheet

The following table provides the consolidated balance sheets for the period indicated. This table should be read together with the consolidated financial statements.

	As at			
	September 30, 2008		December 31, 2007	
	(in millions of Baht)		(in millions of Baht)	
Cash & cash equivalents.....	4,567.5	7.2%	6,446.7	9.6%
Other current assets	2,461.4	3.9%	2,629.0	3.9%
Investments in associates.....	31,304.6	49.5%	32,690.7	48.6%
Property and equipment under concession agreements, net	17,499.1	27.7%	18,776.4	27.9%
Other assets.....	7,364.7	11.7%	6,724.0	10.0%
Total assets	63,197.3	100.0%	67,266.8	100.0%
Total current liabilities	6,975.0	11.0%	8,631.9	12.8%
Long-term borrows	7,952.9	12.6%	8,453.6	12.6%
Other liabilities	1,044.2	1.7%	459.9	0.7%
Total liabilities.....	15,972.1	25.3%	17,545.4	26.1%
Total shareholders' equity.....	47,225.2	74.7%	49,721.4	73.9%
Total liabilities and shareholders' equity.....	63,197.3	100.0%	67,266.8	100.0%

Assets

The cash & cash equivalents dropped 29.1% from December 31, 2007 to Baht 4,567.5 million in September 30, 2008, mainly due to our payment of dividend and the repayment of loans in satellite business. The investment in associates decreased 4.2%, mainly from the investment in AIS, as a result of dividend received from investments in the amount of Baht 8,068.9 million but offset with share of profits from investment in 9M08. Consolidated property and equipment under concession agreements dropped 6.8% as the depreciation and amortization related to our satellite business.

Liabilities

As at September 30, 2008, the consolidated liabilities dropped 9.0% mainly due to the repayment of outstanding loans and income tax payable in satellite business.

Shareholders' equity

The consolidated shareholders' equity decreased from December 31, 2007, due to the net profit of Baht 5,991.1 million but offset with our dividend paid Baht 8,642.8 million.

Cash Flow

The following table summarizes our consolidated cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2008	2007
	(in millions of Baht)	
Net cash provided by operating activities	1,418.2	4,278.2
Net cash provided by investing activities	6,330.2	12,917.0
Net cash used in financing activities	(9,625.5)	(15,588.2)
Net increase (decrease) in cash and cash equivalents	(1,877.1)	1,607.0
Cash and cash equivalents at beginning of period	6,446.7	5,571.8
Effects of exchange rate changes on balance held in foreign currencies	(2.1)	(0.5)
Cash and cash equivalents at end of period.....	4,567.5	7,178.3

In 9M08, consolidated cash and cash equivalents decreased Baht 1,877.1 million to Baht 4,567.5 million while in 9M07, the cash and cash equivalents increased Baht 1,607.0 million from the end of the year 2006.

Net cash flows provided by operating activities

The consolidated cash flow provided by operating activities was Baht 1,418.2 million decreased from cash provided at Baht 4,278.2 million in 9M07 mainly due to the decrease of cash received from the loans and interest receivables contributed from Capital OK, following the sale of our interest in Capital OK in December 2007.

Net cash flows provided by investing activities

In 9M08, the consolidated cash flow provided by investing activities was Baht 6,330.2 million decreased from Baht 12,917.0 million in 9M07. This was because, in 9M07, there was cash proceeding from the sale of our partial investment in SHEN in the amount of Baht 6,929.2 million, while, in 9M08, there was less cash purchase property and equipment by Baht 749.1 million and less investment in current investments by Baht 793.3 million but offset with income tax paid from gain on sale of investment in subsidiary Baht 1,353.5 million.

Net cash flows used in financing activities

The consolidated cash flows used in financing activities was Baht 9,625.5 million decreased from Baht 15,588.2 million in 9M07, mainly, from the decrease in repayment of loans Baht 11,767.1 million as a result from the disposal of our investment in Capital OK in 2007 but offset with dividend paid in 9M08 that rose Baht 5,446.4 million.

■ OPERATIONAL HIGHLIGHTS ■

- Subscribers reached 26.8m with continued penetration in upcountry
- ARPU and MOU declined q-o-q on seasonality impact

<< Details of operational data are presented in page 10 >>

Subscribers as of 3Q08 grew 15.4% y-o-y and 3.1% q-o-q to 26.8m with net additions of 810k. The growth was driven by upcountry penetration. For 9M08, AIS added in total 2.7m subscribers.

Prepaid was impacted by seasonality and the flood, which reflected in lower net additions during the quarter, as well as slow down usage and ARPU. Net additions were 661k for the quarter, lower from 862k in the previous quarter. The majority of net add was from higher penetration in upcountry area. ARPU excl. IC fell 7.2% y-o-y due to dilution from multiple-SIM users and lower-than-average ARPU from rural

penetration. Higher usage on off-peak buffet package had pushed up 3Q08 MOU by 17% y-o-y. On quarterly basis, ARPU excl. IC declined by 5.5% q-o-q as MOU dropped 1.5% due to the slow usage from seasonality and the flood in several lower-north provinces.

Postpaid net additions were 149k improved from 16k in the previous quarter due to stronger push after the clean-up of the low-quality subscribers. Postpaid ARPU excl. IC increased 1.6% y-o-y to Bt709 as MOU increased 8.1%. However, on quarterly comparison, ARPU excl. IC declined 4.4% q-o-q as MOU dropped 3.9% q-o-q from seasonality impact.

■ FINANCIAL RESULTS ■

- 9M08 service revenue ex-IC grew 8.6% y-o-y, backed by 8.3% growth in 3Q08, from prepaid, non-voice, and IDD growth
- Impact from seasonality and the flooding reflected in 1.9% q-o-q drop in service revenues
- Reported net profit of Bt4.53bn, grew 29% y-o-y

<< Details of financial statement are presented in page 7-9 >>

Service revenue

(Bt million)	3Q08		3Q07		2Q08		y-o-y	q-o-q
Service revenue excluding IC								
Voice revenue	15,832	76.6%	15,380	80.6%	16,288	77.3%	2.9%	-2.8%
Postpaid (voice)	3,728	18.0%	4,111	21.5%	3,845	18.3%	-9.3%	-3.0%
Prepaid (voice)	12,104	58.6%	11,269	59.1%	12,443	59.1%	7.4%	-2.7%
Non-voice revenue	2,784	13.5%	2,109	11.1%	2,665	12.7%	32.0%	4.5%
International roaming	919	4.4%	837	4.4%	952	4.5%	9.9%	-3.4%
Others (IDD, other fees)	1,130	5.5%	753	3.9%	1,155	5.5%	50.0%	-2.2%
	20,665	100.0%	19,079	100.0%	21,060	100.0%	8.3%	-1.9%

Service revenues excl. IC for 3Q08 increased 8.3% y-o-y, fuelled by strong growth from prepaid voice revenues, non-voice, and international calls. Comparing q-o-q, service revenues slightly declined by 1.9% mainly from soft seasonality, as well as the impact of the flood in the Northern area. However, the strong data revenue helped mitigate the seasonality effect.

For 9M08, service revenue excl. IC rose 8.6% y-o-y, to Bt63,151m, from Bt58,168m, due to strong growth in prepaid voice revenues, non-voice revenues, international call and international roaming.

Voice revenue in 3Q08 increased 2.9% y-o-y, from 7.4% growth in voice revenue from prepaid but was dragged by 9.3% drop from postpaid voice revenue. Postpaid revenues were abnormally high last year due to the aggressive postpaid

subscriber acquisition. On q-o-q basis, voice revenue decreased by 2.8% reflected softer usage from seasonality, as voice revenue from both postpaid and prepaid dropped by 3% and 2.7% respectively. During 3Q08, AIS had increased tariffs on certain groups of existing prepaid subscribers.

Non-voice revenue for 3Q08 continued its strong growth momentum of 32% y-o-y and 4.5% q-o-q. It contributed 13.5% of service revenue (excl. IC) in 3Q08, increased from 11.1% in 3Q07. The y-o-y growth was mainly from higher GPRS consumption, as well as higher GPRS subscribers which grew 50% y-o-y and 12.5% q-o-q, to 4.5m. Despite seasonality effect, non-voice revenues still grew 4.5% q-o-q from GPRS and SMS. 9M08 non-voice revenue increased 29.3% y-o-y, mainly driven by GPRS/EDGE usage.

International roaming & international call in 3Q08 seasonally declined q-o-q by 3.4% but grew 9.9% y-o-y. IDD

revenue surged 50% y-o-y from the full service launch on AIN international telephone gateway. For 9M08, international roaming grew 12.9% y-o-y to Bt3,018m from

Bt2,674m and IDD revenue rose 49.9% y-o-y to Bt3,553m, from Bt2,371m.

Interconnection revenue/cost

Interconnection (Bt million)	3Q08	3Q07	2Q08	y-o-y	q-o-q
Revenue	3,958	4,357	4,144	-9.2%	-4.5%
Cost	3,749	3,842	4,080	-2.4%	-8.1%
Net interconnection	209	515	64	-59%	225%

* Recognition of IC in 2007 was fully realized only in 4Q07

Net interconnection (IC) for 3Q08 increased to Bt209m from Bt64m in 2Q08. Both incoming and outgoing traffic were lower q-o-q as reflected in higher on-net traffic to 75% from 73% in 2Q08. The outgoing off-net minutes declined due to tariff increase, while incoming off-net minutes from the IC corresponding parties (DTAC and True Move) were also lower but at a slower rate, hence net IC increased q-o-q. For 9M08 net IC was Bt390m.

Sales revenues dropped by 12.7% y-o-y and 7.5% q-o-q due to lower unit sales of handset, which dropped 8.9% y-o-y and 11.8% q-o-q to 895k in 3Q08. 9M08 sales revenues decreased 13.5%, from Bt10,416m to Bt9,012m.

Cost of service

Cost of service excl. IC (Bt million)	3Q08	3Q07	2Q08	y-o-y	q-o-q
Amortization	4,523	4,288	4,426	5.5%	2.2%
Base station rental & utility	622	580	628	7.3%	-1.0%
Maintenance	500	488	427	2.6%	17.1%
Others	954	884	929	7.9%	2.6%
	6,599	6,239	6,411	5.8%	2.9%

Cost of service excluding IC cost for 3Q08 was Bt6,599m, up 5.8% y-o-y and 2.9% q-o-q mainly from higher amortization which increased 5.5% y-o-y and 2.2% q-o-q as the amortization period becomes shorter according to the remaining concession life. Base station rental & utility increased 7.3% y-o-y from cell sites expansion from 12,400 in 3Q07 to 14,000 in 3Q08. Maintenance may fluctuate from quarter to quarter which caused the 17% q-o-q increase, however 9M08 maintenance dropped 3% y-o-y. For 9M08, costs of service excluding IC expense increased 7.3% y-o-y, due mainly to 8.3% rise in amortization.

Cost of sales in 3Q08 decreased 12.4% y-o-y and 4.7% q-o-q, followed 12.7% y-o-y and 7.5% q-o-q drop in sales revenues. Sales margin, normally varies from quarter to quarter, were 6% in 3Q08, compared to 8.8% in 2Q08 and 6.3% in 3Q07. 9M08 cost of sales dropped 13.7% y-o-y, at the same pace to 13.5% y-o-y drop in sales revenue.

Concession fee

(Bt million)	3Q08	3Q07	2Q08	y-o-y	q-o-q
Concession fee	4,990	4,627	5,051	7.9%	-1.2%
% of service revenue excl. IC	24.1%	24.2%	24.0%		

Concession fee was 24.1% of service revenue excluding IC, remained flat from 24% in 2Q08 and 24.2% in 3Q07.

SG&A

(Bt million)	3Q08	3Q07	2Q08
% marketing expense to total revenue (excl. IC)	3.3%	3.3%	2.4%
% bad debt to postpaid revenue	2.2%	7.0%	2.2%
% SG&A to total revenue (excl. IC)	11.6%	13.2%	10.8%

SG&A to total revenues excluding IC was 11.6%, increased from 10.8% in 2Q08 from higher marketing expenses, but declined from 13.2% in 3Q07 due to no amortization of goodwill, and lower bad debt provision. Marketing spending for 3Q08 was 3.3% of total

revenue excluding IC, compared to 2.4% in 2Q08 as there was a prepaid brand refreshing campaign, “Freedom Enjoy” during the quarter. Bad debt to postpaid revenue remained flat at 2.2%, but significantly improved from 7.0% in 3Q07 as a result of the better quality of postpaid subscribers. For 9M08, SG&A to total revenues ex-IC went down from 13.2% in 3Q07 to 11.6% in 3Q08, due to lower bad debt provision and lower marketing expenses. For the full year, AIS maintains the marketing budget at 4% of total revenue hence, marketing expense in 4Q08 should accelerate.

EBITDA margin was 41.7%, dropped from 45.5% in 3Q07 due to the impact of IC recognition. Excluding IC, EBITDA margin improved y-o-y to 47.9% due to revenue improvement and low bad debt expense. On quarterly basis, EBITDA margin excl. IC dropped from 49.2% as a result of lower revenues as well as a higher marketing expense. For 9M08, EBITDA margin excl. IC was 49%, increased from 45.2% in 9M07, mainly from solid revenue growth and lower provision for bad debt.

EBITDA (Bt million)	3Q08	3Q07	2Q08	9M08	9M07
Operating profit	6,725	5,463	7,323	21,709	17,187
Depreciation PPE	763	711	752	2,269	2,216
Amortization of computer software	92	108	94	280	340
Amortization of asset under concession	3,794	3,510	3,708	11,140	10,020
Amortization of concession right	114	114	113	341	341
Amortization of goodwill	0	292	0	-	875
Impairment loss on goodwill	0	-	0	15	-
EBITDA	11,491	10,199	11,994	35,765	30,986
EBITDA margin	41.7%	45.5%	42.3%	42.3%	45.2%
EBITDA excl. IC	11,301	10,199	11,915	35,380	30,986
EBITDA margin excl. IC	47.9%	45.5%	49.2%	49.0%	45.2%

Interest expense for the period declined 2.6% y-o-y but rose 5.7% q-o-q as a result of additional debt drawn down during the quarter.

Other income dropped q-o-q to Bt184m, from Bt1,944m in the previous quarter when there was the settlement between DPC, AIS’s subsidiary, and DTAC.

Net profit for 3Q08 was Bt4,533m, rose 29.1% y-o-y but dropped 28.4% q-o-q as there was the one-time gain from DPC settlement in 2Q08. Stripping out non-recurring items, 3Q08 normalized net income increased 19.2% y-o-y from improving revenue and lower bad debt expenses. On q-o-q basis, normalized net profit declined by 11.4% due to seasonality drop in service revenues as well as higher network amortization and marketing expense. For 9M08, after adjusting for goodwill amortization, impairment of goodwill and DPC gain, normalized net profit was Bt14,788m, increased 22.9% y-o-y from Bt12,034m in 9M07. For comparison, the below table was developed to show the comparable net profit by quarter.

■ Comparative net profit ■

Consolidated (Bt million)	Tax deductible	3Q08	3Q07	2Q08	y-o-y	q-o-q	9M08	9M07	y-o-y
Net income		4,533	3,512	6,333	29.1%	-28.4%	15,990	11,159	43.3%
Add: Goodwill amortization	No		292					876	
Impairment of goodwill	No						15		
Deduct: Gain on DPC after tax	Yes			(1,217)			(1,217)		
Normalized net income		4,533	3,804	5,116	19.2%	-11.4%	14,788	12,034	22.9%
Add: Actual net IC	Yes		294					1,205	
Comparative net income		4,533	4,098	5,116	10.6%	-11.4%	14,788	13,239	11.7%

■ Balance sheet structure ■

Total asset in 3Q08 was Bt127,227m, decreased from Bt128,942m in 4Q07 despite 14% increase in current assets. This was mainly due to the decreased in networks under concession, which caused by lower additional capex than the accelerated depreciation rate as a result of shorten concession lives.

Total asset (Bt million)	3Q08	% of total asset	4Q07	% of total asset
Current Assets	23,534	18.5%	20,586	16.0%
Property and Equipment	8,018	6.3%	8,561	6.6%
Networks under Concession	74,101	58.2%	78,527	60.9%
Intangible asset	10,148	8.0%	10,593	8.2%
Defer tax asset	10,016	7.9%	10,031	7.8%
Others	1,410	1.1%	644	0.5%
Total Assets	127,227	100.0%	128,942	100.0%

Liquidity further improved from higher outstanding cash as well as lower concession right payable from the DPC settlement. As such, the current ratio was 84%, compared to 73% as of year end 2007. The company has high level of liquidity as more than half of current assets are in cash.

Current asset (Bt million)	3Q08	% of total asset	4Q07	% of total asset
Cash	13,209	10.4%	8,317	6.5%
ST investment	124	0.1%	123	0.1%
Trade receivable	5,306	4.2%	8,054	6.2%
Inventories	2,206	1.7%	1,236	1.0%
Other current assets	2,688	2.1%	2,718	2.1%
Current Assets	23,534	18.5%	20,586	16.0%

Current liabilities (Bt million)	3Q08	% of total asset	4Q07	% of total asset
Short-term loan	0	0.0%	3,492	2.7%
Trade accounts payable	4,739	3.7%	4,218	3.3%
Current portion of long-term borrowings	6,907	5.4%	1,545	1.2%
Accrued concession fee	7,483	5.9%	3,634	2.8%
Concession right payable	0	0.0%	4,739	3.7%
Others	8,926	7.0%	10,528	8.2%
Current Liabilities	28,055	22.1%	28,157	21.8%

Capital structure remained strong from the healthy balance sheet with low financial leverage. Total liability to equity increased to 74% from 67% in 2Q08 due to the loan drawn down during the quarter. Net debt to equity was 26% increased from 23% as of 2Q08 due to lower retained earnings after the dividend payment of Bt3 per share in Sep-08.

(Bt million)	3Q07	4Q07	1Q08	2Q08	3Q08
Total interest-bearing debt	33,600	30,349	26,105	30,104	32,500
Total liabilities	56,173	53,481	51,937	51,593	54,199
Total equity	70,308	75,461	80,743	77,359	73,029
Net debt to equity	37%	29%	14%	23%	26%
Total liabilities to equity	80%	71%	64%	67%	74%

Debentures and Loans as of 3Q08 increased to Bt32,500m, from Bt30,104m as of 2Q08 due mainly to the additional long term borrowing amounted USD91.9m to finance capex. This loan is under the swap process as AIS maintains fully currency-hedged policy. Of the total outstanding debt, 9% remained exposed to floating interest rate, the rest was either fixed rate or engaged into fixed interest swap contract. Effective interest rate was 5.1% per annum down from 5.3% in the previous quarter as a result of lower effective interest rate from the additional loans.

(Bt million)	Balance	Balance	Repayment ⁽¹⁾					
	2Q08	3Q08	2008	2009	2010	2011	2012	2013
Long term loan ⁽²⁾	10,680	13,829	134	268	268	9,753	268	268
Debenture	19,357	18,608	1,500	6,627	-	4,000	-	8,000
Financial lease	67	63	23	17	12	8	4	-
Total debt	30,104	32,500	1,657	6,912	280	13,761	272	8,268

(1) includes bond issuing cost; (2) includes swap and forward contract

■ Cash Flow ■

Cash flow position remained strong to support capex and debt repayment. For 9M08, the group generated Bt31,251m of cash flow from operation (after working capital), spent Bt8,859m on network investment while repaid debt, short-term and long-term, amounted Bt5,024m as well as paid dividend amounted Bt18,653m. Total raised debt amounted to Bt7,058m, of which Bt4,000m was issued as debenture in 2Q08 and additional long term debt amounted USD91.9m in this quarter. The net cash increase was Bt5,078m reserved as cash and short-term B/E.

Source and use of fund: 9M08

Source of Fund	Bt million	Use of Fund	Bt million
Operating CF before change in working capital	38,343	CAPEX & Fixed assets	8,859
Share capital and share premium	283	Repayment of ST borrowing	3,500
Interest received	250	Repayment of LT borrowing	1,524
Disposal of property and equipment	130	Changes in working capital	7,092
Proceed from L-T borrowing	7,058	Dividend Payment	18,653
		Short-term investments & subsidiary	127
		Interest paid	1,230
		Cash increase	5,078
Total	46,063	Total	46,063

■ **FY2008 Management outlook & strategy** ■

Market subscriber forecast	8-10m net additions for the market
Market share	50% revenue market share
Service revenue	7-8% service revenue growth excluding IC
Marketing expense	4% of total revenue excluding IC
Network amortization	10% rise
EBITDA margin	46-47% of total revenue excluding IC
Capex	Bt14bn cash capex (no 3G)
Net IC revenue	Bt400-600m

For FY08, AIS expect industry subscriber growth of 15-20% y-o-y or a total net addition of 8-10 millions. SIM penetration is expected to reach 93-96% while human penetration will be approximately 65-70% as multi-SIM phenomena remains a significant part in the industry. Pricing environment will continue to be stable or have slight improvement given each operator tends to set tariff to reflect the cost of interconnection as well as to better utilize the network between peak and off-peak hours.

Due to strong revenue momentum in the past several quarters with 8.6% y-o-y growth for 9M08, service revenue guidance for 2008 is maintained at 7-8% despite economic slowdown. Although 9M08 EBITDA margin reached 49%, the guideline is also remained at 46-47%, as many cost items particularly on marketing spending is normally higher in 2H08 and particularly in 4Q. The key growth drivers to the revenue and EBITDA are (1) higher penetration in upcountry areas (2) continued improving voice revenue from stable pricing environment (3) non-voice growth which grew 29% for 9M08 and (4) higher contribution from IDD business. In 2007, the launch of IDD business contributed additional 1.3% of service revenue, and is expected to grow 40-50% y-o-y in FY08.

AIS targets its network expansion to reach 14,500 base stations by year end from 14,000 base at the end of 9M08 with the 2G capex budget of Bt14bn focusing on (1) continued expansion into rural area to differentiate coverage gap with competitors (2) transportation route such as new roads, expressway, Bangkok transit system, (3) new residential areas, business and industrial areas, and tourist attractions. Amortization in 2008 is expected to rise at 10% y-o-y as the network asset is amortized over the shorter remaining period of concession life which expired in 2015.

As a largest-subscriber base operator with premium pricing, the traffic position is highly likely to be net IC receiver. Meanwhile, as the company's strategy targets on stabilizing revenue market share, the focus has been on maximizing revenue from the outgoing minutes rather than the incoming minutes. Although 9M08 net interconnection revenue reached Bt390m, the net IC for FY08 is expected at Bt400-600m.

■ FINANCIAL SUMMARY ■

Consolidated income statement

Unit: Bt. Million	3Q08		3Q07		2Q08		y-o-y	q-o-q
Service revenue excl. IC	20,665	75.1%	19,079	85.1%	21,060	74.3%	8.3	-1.9
IC revenue	3,958	14.4%	n/a	0.0%	4,144	14.6%	n/a	-4.5
Service revenue	24,623	89.4%	19,079	85.1%	25,204	88.9%	29.1	-2.3
Sales revenue	2,905	10.6%	3,328	14.9%	3,141	11.1%	-12.7	-7.5
Total revenue	27,528	100.0%	22,407	100.0%	28,345	100.0%	22.9	-2.9
Cost of service excl. IC	(6,599)	-24.0%	(6,239)	-27.8%	(6,411)	-22.6%	5.8	2.9
IC cost	(3,749)	-13.6%	0	0.0%	(4,080)	-14.4%	n/a	-8.1
Cost of service	(10,348)	-37.6%	(6,239)	-27.8%	(10,491)	-37.0%	65.9	-1.4
Concession & excise tax	(4,990)	-18.1%	(4,627)	-20.6%	(5,051)	-17.8%	7.8	-1.2
Cost of sales	(2,730)	-9.9%	(3,118)	-13.9%	(2,865)	-10.1%	-12.4	-4.7
Total cost	(18,068)	-65.6%	(13,984)	-62.4%	(18,406)	-64.9%	29.2	-1.8
Gross profit	9,461	34.4%	8,423	37.6%	9,939	35.1%	12.3	-4.8
SG&A	(2,732)	-9.9%	(2,959)	-13.2%	(2,613)	-9.2%	-7.7	4.6
Directors' remuneration	(4)	0.0%	(2)	0.0%	(3)	0.0%	95.7	15.5
Operating profit	6,725	24.4%	5,463	24.4%	7,323	25.8%	23.1	-8.2
Interest expense	(417)	-1.5%	(428)	-1.9%	(394)	-1.4%	-2.6	5.7
Other income	184	0.7%	142	0.6%	1,944	6.9%	29.0	-90.6
Exchange gain/(Loss)	(23)	-0.1%	(12)	-0.1%	42	0.1%	105.6	-158.4
EBT	6,469	23.5%	5,165	23.0%	8,915	31.5%	25.2	-27.5
Minority interest	6	0.0%	8	0.0%	(25)	-0.1%	-25.3	-125.0
Corporate tax	(1,942)	-7.1%	(1,661)	-7.4%	(2,557)	-9.0%	16.9	-24.1
Net income	4,533	16.5%	3,512	15.7%	6,333	22.3%	29.1	-28.4

Bt. million	9M08		9M07		y-o-y
Service revenue excl. IC	63,151	74.7%	58,168	84.8%	8.6
IC revenue	12,359	14.6%	n/a	n/a	n/a
Service revenue	75,509	89.3%	58,168	84.8%	29.8
Sales revenue	9,012	10.7%	10,416	15.2%	-13.5
Total revenue	84,521	100.0%	68,584	100.0%	23.2
Cost of Service excl. IC	(19,371)	-22.9%	(18,061)	-26.3%	7.3
IC cost	(11,968)	-14.2%	0	0.0%	n/a
Cost of service	(31,339)	-37.1%	(18,061)	-26.3%	73.5
Concession & excise tax	(15,197)	-18.0%	(14,279)	-20.8%	6.4
Cost of Sales	(8,336)	-9.9%	(9,664)	-14.1%	-13.7
Total cost	(54,873)	-64.9%	(42,004)	-61.2%	30.6
Gross Profit	29,649	35.1%	26,580	38.8%	11.5
SG&A	(7,930)	-9.4%	(9,386)	-13.7%	-15.5
Directors' remuneration	(10)	0.0%	(6)	0.0%	52.2
Operating profit	21,709	25.7%	17,187	25.1%	26.3
Interest Expense	(1,186)	-1.4%	(1,293)	-1.9%	-8.3
Other Income	2,319	2.7%	498	0.7%	365.5
Exchange Gain/(Loss)	(115)	-0.1%	(28)	0.0%	310.5
EBT	22,728	26.9%	16,364	23.9%	38.9
Minority interest	(40)	0.0%	27	0.0%	-250.5
Corporate Tax	(6,698)	-7.9%	(5,232)	-7.6%	28.0
Net Income	15,989	18.9%	11,159	16.3%	43.3

Revenue and cost breakdown

Service revenue excl. IC	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Basic voice							
GSM Advance	22.5%	22.5%	20.6%	18.5%	17.0%	17.5%	17.3%
GSM 1800	1.0%	1.0%	0.9%	0.8%	0.7%	0.8%	0.7%
Postpaid	23.5%	23.5%	21.5%	19.3%	17.7%	18.3%	18.0%
Prepaid	56.3%	57.6%	59.1%	59.5%	58.5%	59.1%	58.6%
Non-voice							
Postpaid	4.6%	4.3%	4.5%	4.8%	5.2%	4.9%	5.4%
Prepaid	6.3%	6.2%	6.6%	6.9%	7.3%	7.7%	8.1%
International roaming	5.2%	4.2%	4.4%	5.1%	5.4%	4.5%	4.4%
Others (IDD, other fees)	4.1%	4.2%	3.9%	4.4%	5.9%	5.5%	5.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Sales revenue	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Handset	93.7%	93.4%	94.7%	95.2%	95.0%	95.8%	95.9%
SIM	6.3%	6.6%	5.3%	4.8%	5.0%	4.2%	4.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cost of service excl. IC	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Amortisation	67.3%	68.4%	68.7%	69.2%	68.8%	69.0%	68.5%
Base station	9.6%	9.8%	9.3%	9.2%	9.6%	9.8%	9.4%
Maintenance	8.0%	7.3%	7.8%	7.6%	6.7%	6.7%	7.6%
Others	15.1%	14.5%	14.2%	14.0%	14.9%	14.5%	14.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Cost of sales	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Handsets	98.2%	97.1%	96.9%	97.6%	97.6%	97.2%	97.5%
SIM	1.8%	2.9%	3.1%	2.4%	2.4%	2.8%	2.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Consolidated balance sheet

Bt. million	3Q08	% of total asset	4Q07	% of total asset
Current Assets	23,534	18.5%	20,586	16.0%
Property and Equipment	8,018	6.3%	8,561	6.6%
Networks under Concession	74,101	58.2%	78,527	60.9%
Intangible asset	10,148	8.0%	10,593	8.2%
Defer tax asset	10,016	7.9%	10,031	7.8%
Others	1,410	1.1%	644	0.5%
Total Assets	127,227	100.0%	128,942	100.0%
ST loan from financial institution	0	0.0%	3,492	2.7%
Account Payable-trade	4,739	3.7%	4,218	3.3%
Current Portion of LT Debt	6,907	5.4%	1,545	1.2%
Current Portion of Concession	7,483	5.9%	8,373	6.5%
Long-term Debt	26,135	20.5%	25,312	19.6%
Other Liabilities	8,935	7.0%	10,541	8.2%
Total Liabilities	54,199	42.6%	53,481	41.5%
Total Equity	73,029	57.4%	75,461	58.5%

Key ratios

	3Q08	2Q08	3Q07
EBITDA (Bt. million)	11,491	11,994	10,199
EBITDA margin	41.7%	42.3%	45.5%
Interest coverage (x)	16.1	18.6	12.8
DSCR (x)	3.8	6.0	2.6
Net debt / EBITDA (x)	0.42	0.37	0.64
Net debt / Equity (x)	26%	23%	37%
Interest-bearing debt to Equity (x)	0.45	0.39	0.48
Total liabilities to Equity (x)	0.74	0.67	0.80
Free cash flow to EV (%)	8.3%	9.5%	6.6%
ROE (%)	24.1%	32.0%	19.3%

■ OPERATIONAL DATA ■

Subscribers	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
NMT							
GSM Advance	2,534,700	2,566,300	2,349,300	2,203,500	2,243,100	2,260,300	2,410,400
GSM 1800	92,000	86,800	82,600	82,400	81,400	79,800	78,600
Postpaid	2,626,700	2,653,100	2,431,900	2,285,900	2,324,500	2,340,100	2,489,000
Prepaid	18,462,600	20,038,300	20,772,500	21,819,500	22,762,800	23,624,700	24,285,600
Total subscribers	21,089,300	22,691,400	23,204,400	24,105,400	25,087,300	25,964,700	26,774,600
Net additions	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Postpaid	384,300	26,400	-221,200	-146,000	38,600	15,600	149,000
Prepaid	1,183,500	1,575,700	734,200	1,047,000	943,300	861,900	661,000
Total net additions	1,567,800	1,602,100	513,000	901,000	981,900	877,400	810,000
Churn rate (%)	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Postpaid	2.5%	3.9%	4.8%	4.7%	1.9%	1.9%	1.7%
Prepaid	2.9%	2.7%	3.9%	3.9%	4.4%	4.5%	5.1%
Blended	2.9%	2.9%	4.0%	4.0%	4.2%	4.3%	4.8%
Subscriber market share	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
Postpaid	44%	44%	42%	41%	41%	41%	n/a
Prepaid	50%	49%	47%	46%	46%	46%	n/a
Total	49%	48%	46%	46%	46%	45%	n/a
new ARPU excl. IC (Bt: net all-in)	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
GSM Advance	811	741	696	744	757	743	711
GSM 1800	781	773	760	739	729	713	676
Postpaid	809	742	698	743	756	742	709
Prepaid	249	234	222	227	231	*218	206
Blended	317	295	274	279	280	*266	252
new ARPU incl. net IC (Bt: net all-in)	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
GSM Advance	788	708	665	696	707	688	661
GSM 1800	781	773	760	739	729	692	657
Postpaid	787	710	668	698	708	688	661
Prepaid (One-2-Call!)	263	258	233	238	237	*224	214
Blended	326	312	282	283	282	*267	255
MOU (minutes: billable outgoing only)	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
GSM Advance	587	504	511	573	594	574	550
GSM 1800	412	416	422	426	476	472	473
Postpaid	580	501	507	568	589	570	548
Prepaid	228	218	224	239	260	266	262
Blended	270	252	256	271	290	294	288
Traffic	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08
% outgoing to total minute	46%	47%	48%	48%	48%	49%	49%
% on-net to total outgoing minute	56%	63%	68%	70%	71%	73%	75%

* 2Q08 Prepaid ARPU was restated

■ QUARTERLY REVIEW OF TARIFF PLANS ■

Prepaid plans for new subscription

One-2-Call! SIM Bt 0.75/minute	<ul style="list-style-type: none"> ▪ Bt0.75/minute to all networks ▪ SIM price: Bt110, Bt245 validity: 30 days ▪ SIM price: Bt300, validity: 180 days
FIFTY & FREEDOM SIM	<ul style="list-style-type: none"> ▪ Subscriber can choose only 1 out of 4 options: <ol style="list-style-type: none"> 1. Short call: Bt1.5/minute 2. Long call: Bt2 on the first minute, Bt1/minute thereafter 3. On net Call: Bt2 on the first minute, Bt0.50/minute for call within AIS network Bt2/minute for call to other networks 4. Economy call 20 hrs: 10pm-6pm: Bt2 on the first minute, Bt0.50/minute thereafter 6pm-10pm: Bt2/minute ▪ SIM price: Bt50

Postpaid plans for new subscription

*Free call to Hutch 24hrs for 1 bill cycle

GSM Double 100	<ul style="list-style-type: none"> ▪ Monthly fee: Bt100 ▪ free call Bt 200, Bt2/minute to all networks
GSM Double 200	<ul style="list-style-type: none"> ▪ Monthly fee: Bt200 ▪ free call Bt 400, Bt1.50/minute to all networks
GSM Double 400	<ul style="list-style-type: none"> ▪ Monthly fee: Bt400 ▪ free call Bt 800, Bt1.50/minute to all networks
GSM Double 800	<ul style="list-style-type: none"> ▪ Monthly fee: Bt800 ▪ free call Bt 1,600, Bt1.50/minute to all networks
GSM Double 1,200	<ul style="list-style-type: none"> ▪ Monthly fee: Bt1,200 ▪ free call Bt 2,400, Bt1.50/minute to all networks
GSM Rang 199/month	<p>Monthly fee: Bt199</p> <p>For On-net</p> <ul style="list-style-type: none"> ▪ 5am-5pm: Unlimited free call ▪ 5pm-5am: Bt1.50/minute <p>For off-net</p> <ul style="list-style-type: none"> ▪ Bt1.50/minute
Every 1	<ul style="list-style-type: none"> ▪ Monthly fee: Bt300 ▪ Free call Bt300, Bt2 for the first minute, Bt1/minute thereafter ▪ SMS: Bt1/time for first 30 times, Bt2/time thereafter ▪ MMS: Bt1/time for first 10 times, Bt6/time thereafter ▪ GPRS: Bt1/minute

■ ARPU DEFINITION ■

In accordance with the international practice, we have adjusted ARPU disclosure to better reflect all revenues generated from the mobile network. We believe the new definition should provide a more transparent representation of our reported service revenue and maintain the conservative approach of recognizing revenue on the net basis. The revenue items included in the calculation of ARPU figures are based on consolidated revenue according to the Thai accounting standard. The ARPU definition is outlined accordingly.

	ARPU (All-in) exclude IC	ARPU (All-in) include IC
Definition	<p>Consolidated service revenue excluding international call revenue from AIN and interconnection revenue divided by average of subscribers at the beginning and ending period.</p> <p style="text-align: center;">= $\frac{\text{Service revenue} - \text{AIN revenue} - \text{Gross IC revenue}}{(\text{beg.sub} + \text{end.sub}) / 2}$</p>	<p>Consolidated service revenue excluding international call revenue from AIN divided by average of subscribers at the beginning and ending period.</p> <p style="text-align: center;">= $\frac{\text{Service revenue} - \text{AIN revenue} - \text{Gross IC revenue} + \text{Net IC revenue}}{(\text{beg.sub} + \text{end.sub}) / 2}$</p>
Revenue composition	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Voice <input checked="" type="checkbox"/> Value-added service (call management, SMS, MMS, data) <input checked="" type="checkbox"/> International roaming <input checked="" type="checkbox"/> International call via CAT, TOT <input checked="" type="checkbox"/> Others <input type="checkbox"/> Net interconnection revenue <input type="checkbox"/> International call via AIN (AIS subsidiary) <p>All categories are net of third-party sharing and commission</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Voice <input checked="" type="checkbox"/> Value-added service (call management, SMS, MMS, data) <input checked="" type="checkbox"/> International roaming <input checked="" type="checkbox"/> International call via CAT, TOT <input checked="" type="checkbox"/> Others <input checked="" type="checkbox"/> Net interconnection revenue <input type="checkbox"/> International call via AIN (AIS subsidiary) <p>All categories are net of third-party sharing and commission</p>

From 1Q08 onward, disclosure of ARPU is based on new definition (net all-in) only. Disclosure of “ARPU net voice + value-added service” is discontinued.

■ Glossary of terms and definitions ■

Operational data

Subscriber	Number of registered SIM at ending period whose status is not defined as churn
Postpaid churn	Subscribers whose payment status is overdue more than 45 days from due date
Prepaid churn	Subscribers who do not make a refill within 37 days after validity expires
Net additions	Change of number of subscribers and ending period from the beginning period
New all-in ARPU excl. IC	Consolidated service revenue excluding international call revenue from AIN divided by average of subscriber at the beginning and ending period. It includes voice revenue, value-added services, international roaming, international call and other revenues such as national roaming, broadband and transmission
New all-in ARPU incl. IC	Including net interconnection (IC revenue – IC cost)
MOU	Number of billed outgoing minutes generated from voice call including international call usage and SMS divided by average subscriber
Churn rate	Number of subscriber disconnections in the period divided by the sum of gross new subscribers in the period and the subscribers at the beginning period
Non-voice (data)	Includes all non-voice services e.g. SMS, MMS, GPRS, ring-back tone, infotainment and data transmission; excluding call management service e.g. call forward, conference call, call divert

Financial data

EBITDA margin	Operating profit before depreciation on property and equipment, amortization of assets under concession, amortization of computer software, amortization of concession right, goodwill, and allowance for impairment as a percentage to total revenue
Interest Coverage	Interest expense for the period divided by operating profit for the period
DSCR	Debt service coverage ratio calculated EBITDA after tax divided by repayment of short-term borrowings and current portion of long-term borrowings and debentures and interest paid for the period
Net Debt / EBITDA	Short-term and long-term interest-bearing debts minus cash divided by EBITDA
Net Debt / Equity	Short-term and long-term interest-bearing debts minus cash divided by total shareholder's equity at ending period
Interest-bearing Debt to Equity	Short-term and long-term interest-bearing debts divided by total shareholder's equity at ending period
Total Liabilities to Equity	Total liabilities at ending period divided by total shareholder's equity at ending period
Free cash flow to EV	(EBITDA – capex – tax) / (market capitalization + book value of net debt)
ROE	Return on equity = Net income / average equity between beginning and ending of period

This document contains certain forward-looking statements. They refer to future events and to the future financial performance of the companies in Shin Group. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe” or “continue”. Although the companies in Shin Group believe that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.