

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS OF OPERATIONS

### Overview

We are a holding company with investments mainly in telecommunications, media and advertising. Our discrete business segments are as follows: local wireless telecommunication managed by Advanced Info Service Plc (“AIS”); satellite and international businesses managed by Thaicom Plc (“THCOM”) and its jointly-controlled entities that operate telecommunications services in Cambodia and Laos; media and advertising businesses managed by ITV Plc (“ITV”), Matchbox Co., Ltd. (“Matchbox”) and other businesses, primarily managed by DTV Co., Ltd. (“DTV”) and CS Loxinfo Plc (“CSL”).

ITV had been operating a free-to-air television broadcasting station in Thailand until its license was revoked by the Prime Minister’s Office on March 7, 2007 and the company had to cease operations. As a result, there is currently no revenue from ITV, which is now included in the media and advertising business. This matter is currently under arbitration and the outcome cannot be predicted. The details of this case have been included in the notes to the financial statement.

Our consolidated profit attributable to equity holders of the Company for the year ended December 31, 2010 was Baht 8,032 million based on total consolidated revenue of Baht 17,342 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 year ended December 31, 2010, was Baht 9,056 million, which contributed 52.2% of our total consolidated revenue and 113% of our consolidated net profit attributable to equity holders of the Company. For a discussion and analysis of the results of AIS Group, please see the MD&A for AIS below.

### The Company’s Operations (using the Cost Method)

The following table provides the Company’s statements of income for the years indicated. This table should be read in conjunction with the Company’s financial statements.

|                               | Year Ended            |        |                       |        |
|-------------------------------|-----------------------|--------|-----------------------|--------|
|                               | 2010                  |        | 2009                  |        |
|                               | (in millions of Baht) |        | (in millions of Baht) |        |
| Dividend income.....          | 21,908.2              | 99.9%  | 8,007.4               | 99.5%  |
| Other income .....            | 28.6                  | 0.1%   | 37.9                  | 0.5%   |
| Total revenues.....           | 21,936.8              | 100.0% | 8,045.3               | 100.0% |
| Administrative expenses ..... | 192.5                 | 0.9%   | 180.6                 | 2.2%   |
| Management benefits.....      | 88.9                  | 0.4%   | 87.1                  | 1.1%   |
| Total expenses .....          | 281.4                 | 1.3%   | 267.7                 | 3.3%   |
| Profit before interest .....  | 21,655.4              | 98.7%  | 7,777.6               | 95.7%  |
| Finance costs .....           | (0.3)                 | 0.0%   | (0.1)                 | 0.0%   |
| Net profit for the year ..... | 21,655.1              | 98.7%  | 7,777.5               | 95.7%  |

### The Company’s Net Result

The Company’s net profit increased 178% from Baht 7,777 million in 2009 to Baht 21,655 million in 2010. This was mainly due to a special dividend received from AIS.

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

|   | <b>As at December 31,</b>    |               |                              |               |
|---|------------------------------|---------------|------------------------------|---------------|
|   | <b>2010</b>                  |               | <b>2009</b>                  |               |
|   | <b>(in millions of Baht)</b> |               | <b>(in millions of Baht)</b> |               |
| Cash & cash equivalents and current investment.....                     | 1,827.1                      | 12.7%         | 1,819.3                      | 12.6%         |
| Other current assets .....  | 45.2                         | 0.3%          | 17.7                         | 0.1%          |
| Investments in subsidiaries, jointly-controlled entities and associates | 12,502.4                     | 86.6%         | 12,502.4                     | 86.8%         |
| Other assets.....   | 57.4                         | 0.4%          | 68.4                         | 0.5%          |
| <b>Total assets .....</b>   | <b>14,432.1</b>              | <b>100.0%</b> | <b>14,407.8</b>              | <b>100.0%</b> |
| <br>  |                              |               |                              |               |
| <b>Total liabilities .....</b>  | <b>90.3</b>                  | <b>0.6%</b>   | <b>49.4</b>                  | <b>0.3%</b>   |
| <br>  |                              |               |                              |               |
| <b>Shareholders' equity</b>   |                              |               |                              |               |
| Share capital .....   | 3,201.1                      | 22.2%         | 3,201.1                      | 22.2%         |
| Premium on share capital.....   | 10,197.8                     | 70.7%         | 10,197.3                     | 70.8%         |
| Legal reserve .....   | 498.8                        | 3.4%          | 500.0                        | 3.5%          |
| Retained earnings .....   | 444.1                        | 3.1%          | 460.0                        | 3.2%          |
| <b>Total shareholders' equity.....</b>                                  | <b>14,341.8</b>              | <b>99.4%</b>  | <b>14,358.4</b>              | <b>99.7%</b>  |
| <br>  |                              |               |                              |               |
| <b>Total liabilities and shareholders' equity.....</b>                  | <b>14,432.1</b>              | <b>100.0%</b> | <b>14,407.8</b>              | <b>100.0%</b> |

#### ***The Company's Balance Sheets***

Total assets as at December 31, 2010 were Baht 14,432 million, a slight increase from December 31, 2009. Total liabilities increased 82.8%, as a result of accrued expenses and withholding tax. Shareholders' equity was Baht 14,358 million, a slight decrease from December 31, 2009.

## The Group's Operation (using the Consolidation Method)

The following tables provide a breakdown of our total consolidated revenue 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 years indicated. This table should be read in conjunction with our consolidated financial statements.

|  | Year Ended December 31, |        |                       |        |
|--|-------------------------|--------|-----------------------|--------|
|  | 2010                    |        | 2009                  |        |
|  | (in millions of Baht)   |        | (in millions of Baht) |        |
| <b>Revenue:</b>  |                         |        |                       |        |
| Revenue from sales of goods and rendering of services:                   |                         |        |                       |        |
| - Telephone network in foreign entities<br>(other than AIS).....         | 1,466.8                 | 8.5%   | 2,146.7               | 13.0%  |
| - Satellite .....  | 4,627.4                 | 26.7%  | 4,570.2               | 27.6%  |
| - Media and advertising.....   | 1,104.4                 | 6.4%   | 1,200.3               | 7.2%   |
| - Others* .....  | 768.2                   | 4.3%   | 616.0                 | 3.7%   |
| Total revenue from sales of goods and rendering of services.....         | 7,966.8                 | 45.9%  | 8,533.2               | 51.5%  |
| Share of profits from investments – equity method:                       |                         |        |                       |        |
| - AIS (local wireless telecommunications) .....                          | 9,056.2                 | 52.2%  | 7,340.8               | 44.3%  |
| - Other.....   | 154.3                   | 0.9%   | 124.6                 | 0.8%   |
| Total share of net results from investments—equity method .....          | 9,210.5                 | 53.1%  | 7,465.4               | 45.1%  |
| Net foreign exchange gain .....  | -                       | -      | 465.0                 | 2.8%   |
| Other income .....   | 165.2                   | 1.0%   | 104.8                 | 0.6%   |
| Total revenue.....   | 17,342.5                | 100.0% | 16,568.4              | 100.0% |
| <b>Expenses:</b>   |                         |        |                       |        |
| Cost of sales and services.....  | 6,520.9                 | 37.6%  | 6,806.2               | 41.1%  |
| Operating agreement fees.....  | 493.9                   | 2.8%   | 538.6                 | 3.3%   |
| Loss on provision for unpaid operating agreement fees and interest ..... | 433.4                   | 2.5%   | 433.4                 | 2.6%   |
| Selling expenses .....   | 244.2                   | 1.4%   | 250.6                 | 1.5%   |
| Administrative expenses.....   | 1,490.7                 | 8.6%   | 1,195.7               | 7.2%   |
| Net foreign exchange loss .....  | 90.1                    | 0.5%   | -                     | -      |
| Management benefits.....   | 137.0                   | 0.9%   | 136.1                 | 0.8%   |
| Total expenses.....  | 9,410.2                 | 54.3%  | 9,360.6               | 56.5%  |
| Profit before finance costs and income tax expense.....                  | 7,932.3                 | 45.7%  | 7,207.8               | 43.5%  |
| Finance cost.....  | (488.8)                 | (2.8)% | (1,088.0)             | (6.6)% |
| Income tax expense.....  | 121.3                   | 0.7%   | 99.0                  | 0.6%   |
| Profit for the year .....  | 7,564.8                 | 43.6%  | 6,218.8               | 37.5%  |
| <b>Attributable to:</b>  |                         |        |                       |        |
| Equity holders of the Company.....                                       | 8,031.9                 | 46.3%  | 6,495.9               | 39.2%  |
| Minority interests.....  | (467.1)                 | (2.7)% | (277.1)               | (1.7)% |
| Net profit for the year .....  | 7,564.8                 | 43.6%  | 6,218.8               | 37.5%  |

\* Includes Internet, direct satellite television, information technology businesses and consolidation elimination

## Total revenue

Total revenue increased 4.7% from Baht 16,568 million in 2009 to Baht 17,342 million in 2010. However, if the gain on foreign exchange of Baht 465 million of 2009 is excluded, this was an increase of 7.7%.

*Revenue from sales and services* decreased 6.6% from Baht 8,533 million in 2009 to Baht 7,967 million in 2010, mainly as a result of lower revenue from telephone networks in foreign entities and the media and advertising businesses, although this was partially offset by an increase in other revenues.

*Revenue from telephone networks in foreign entities in Cambodia and Laos* decreased 31.7% from Baht 2,147 million in 2009 to Baht 1,467 million in 2010. This was primarily due to the high competition in both Laos and Cambodia.

*In Laos* the total number of telephone subscribers, both mobile and fixed-line, increased 22.2% from 1.36 million in 2009 to 1.66 million in 2010, due to a growth in the mobile GSM prepaid service, which increased by 24.1% to 1.55 million subscribers, despite the high competition. However, the prepaid mobile ARPU decreased 35.4% due to a change in customer behavior tending towards multiple SIM ownership and the expansion of the subscriber base to people living in rural areas who have lower usage. The ARPU of PSTN decreased 3.9% from the previous year.

*In Cambodia* the total number of subscribers dropped 15.8% from 0.86 million in 2009 to 0.72 million in 2010, primarily due to the high competition, especially in pricing, from the other eight telephone service providers. The mobile ARPU decreased 25.4% due to the trend of multiple SIM ownership and marketing campaign and promotion, which also resulted in a drop in average minute of usage per subscriber.

*Satellite revenue* increased slightly from Baht 4,570 million in 2009 to Baht 4,627 million in 2010, primarily from an increase in IPSTAR bandwidth usage in Japan, India, Australia and New Zealand although this was offset by a drop in UT sales. The revenue from Thaicom's conventional satellite fell due to the appreciation of the baht against the US dollar even though the number of satellite television channels rose from 283 to 358 leading to more transponder-leasing.

*Media and advertising revenues* decreased 8.0% from Baht 1,200 million in 2009 to Baht 1,104 million in 2010, primarily from a decrease in customers' advertising expenditure.

*Other revenues* increased from the sale of satellite dishes and equipment by DTV, a subsidiary of THCOM. By the end of the year, DTV's accumulated sales volume was 0.84 million sets.

*Share of profits of associates* increased 23.4% from Baht 7,465 million in 2009 to Baht 9,210 million in 2010. This share of profits of associates was mainly contributed by AIS Group.

In 2010, the net profit of the standalone AIS Group was Baht 20,547 million, an increase of 13.8% from Baht 17,055 million in 2009 (not including the adjustment on derivatives and intercompany gain made by the Company to its share of profits from AIS Group's results). In 2010, AIS had goodwill impairment on Digital Phone Co., Ltd. ("DPC") in the amount of Baht 1,560 million, while, in 2009, there was an asset impairment of Baht 222 million on Advanced Data Network Communications Co., Ltd. Excluding the goodwill impairment on DPC, the 2010 normalized profit was Baht 22,107 million, an increase of 27.9% from the normalized profit of Baht 17,277 million in 2009.

The increase in normalized profit was mainly due to greater revenue, particularly from non-voice services and gadget sales with lower expenses along with reduced marketing and network operating expenses. In 2010, there was a solid growth in non-voice revenue due to the popularity of smartphones and USB data cards among Thai consumers. The price of mobile gadgets has been dropping while their functionality has been improving. In addition, voice revenue increased in response to the economic recovery, mostly from the prepaid service as a result of *Mao-Mao* packages and lucky-draw campaigns. The cost of services dropped as a result of successful electronic top-up channels such as *Refill on Mobile*, ATMs and *mPay*, which reduced the expenditure on transactions. Also, the network amortization was lower than the previous year as some assets had been fully amortized while there was minimal new investment during the year. However, there was a slight increase in base station rental and utility costs proportional to the number of new cell sites. The key reduction in expenses was from marketing activities due to mild competition in the telecom market. Moreover, the amount of bad debt dropped as AIS continued to enhance the quality of its distribution channels in order to attract

responsible postpaid subscribers while general and administrative expenses declined due to cost-saving programs for rental, maintenance and utility costs. However, this was offset by an increase in staff costs, mainly from higher bonuses, special rewards and improved employee benefits. More details are provided in the MD&A for AIS below.

### **Expenses**

Total expenses increased slightly from Baht 9,361 million in 2009 to Baht 9,410 million in 2010. Apart from the net foreign exchange loss, total expenses slightly decreased.

*Cost of sales and services* decreased 4.2% from Baht 6,806 million in 2009 to Baht 6,521 million in 2010, primarily due to lower costs in the satellite business after the depreciation of Thaicom 1 and Thaicom 2 ceased to be recognized in February and December 2009, respectively. The costs in the media and advertising businesses also decreased, following a drop in revenue, although these were offset by an increase in the information technology business.

*Operating agreement fees* from the satellite business and telephone networks in foreign entities decreased 8.3% from 2009, mainly as a result of the decline in revenue from the conventional satellite and telephone networks in Cambodia.

*Administrative expenses* increased 24.7% from Baht 1,196 million in 2009 to Baht 1,491 million in 2010, primarily from the satellite business due to an increase in bad-debt provision, while in 2009 there had been a write-back of provision for doubtful debts as these were paid. In addition, the expenses increased from higher staff costs and administration of the satellite business and telephone network in Laos, although the administrative expenses of the telephone network in Cambodia decreased.

*Net foreign exchange loss* was Baht 90 million in 2010 as the baht appreciated against the US dollar, which resulted in a net loss from the revaluation of foreign assets, while in 2009 there had been a foreign exchange gain of Baht 465 million, resulting from the revaluation of foreign loans before the issuance of THCOM's debentures.

### **Profit before finance costs and tax**

As a result of the foregoing items, the profit before finance costs and tax increased 10.1% from Baht 7,208 million in 2009 to Baht 7,932 million in 2010.

### **Finance costs**

The finance costs decreased 55.1% from Baht 1,088 million in 2009 to Baht 489 million in 2010. The main cost in 2010 was interest paid on THCOM's debentures, while in 2009 the main costs had been the amortization of deferred financing costs and the break cost incurred from early repayment of the loan for IPSTAR and Thaicom 5 in November 2009.

### **Income tax**

There was an income tax surplus of Baht 121 million in 2010, compared to Baht 99 million in 2009, following the operating loss in the satellite business.

### **Net results attributable to minority interests, mainly in THCOM**

We recorded the losses from our subsidiaries shared to minority interests in the amount of Baht 467 million and Baht 277 million in 2010 and 2009, respectively, following the consolidated loss in the satellite and international businesses.

### **Profit attributable to equity holders of the Company**

As a result of the foregoing items, our net results improved significantly from Baht 6,496 million in 2009 to Baht 8,032 million in 2010.

## Consolidated Balance Sheet

The following table provides the consolidated balance sheets for the years indicated. This table should be read in conjunction with the consolidated financial statements.

|   | As at December 31,    |               |                       |               |
|---|-----------------------|---------------|-----------------------|---------------|
|   | 2010                  |               | 2009                  |               |
|   | (in millions of Baht) |               | (in millions of Baht) |               |
| Cash & cash equivalents and current investment.....         | 4,335.2               | 9.2%          | 3,908.2               | 6.4%          |
| Other current assets.....                                   | 2,187.4               | 4.6%          | 2,316.4               | 3.8%          |
| Investments in associates.....                              | 18,179.9              | 38.5%         | 30,739.7              | 50.0%         |
| Property and equipment, net.....                            | 5,317.8               | 11.2%         | 6,114.1               | 9.9%          |
| Property and equipment under operating agreements, net..... | 14,177.1              | 30.0%         | 15,527.6              | 25.2%         |
| Other assets.....   | 3,060.4               | 6.5%          | 2,934.2               | 4.7%          |
| <b>Total assets.....</b>                                    | <b>47,257.8</b>       | <b>100.0%</b> | <b>61,540.2</b>       | <b>100.0%</b> |
| Total current liabilities.....                              | 8,433.2               | 17.8%         | 7,253.5               | 11.8%         |
| Long-term borrowing.....                                    | 7,548.9               | 16.0%         | 8,076.0               | 13.1%         |
| Other liabilities.....                                      | 245.5                 | 0.5%          | 1,028.4               | 1.7%          |
| <b>Total liabilities.....</b>                               | <b>16,227.6</b>       | <b>34.3%</b>  | <b>16,357.9</b>       | <b>26.6%</b>  |
| Total shareholders' equity.....                             | 31,030.2              | 65.7%         | 45,182.3              | 73.4%         |
| <b>Total liabilities and shareholders' equity.....</b>      | <b>47,257.8</b>       | <b>100.0%</b> | <b>61,540.2</b>       | <b>100.0%</b> |

### Assets

In 2010, the cash & cash equivalents and current investment totaled Baht 4,335 million, an increase from the previous year, mainly due to more cash being available from operations along with lower repayments on long-term loans. The investment in associates decreased 40.9%, from the investment in AIS, as a result of the special dividend paid by AIS. The consolidated property and equipment under operating agreements dropped 8.7% due to depreciation and amortization in the satellite business.

### Liabilities

As at December 31, 2010, the consolidated liabilities had dropped slightly, mainly due to the repayment of long-term loans in THCOM Group.

### Shareholders' equity

The consolidated shareholders' equity decreased from December 31, 2009, due to our dividend payments totaling Baht 21,671 million, although this was partially offset by the net profit of Baht 8,032 million.

### **Consolidated Cash Flow\***

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

|  | <b>Year Ended December 31,</b> |                              |
|--|--------------------------------|------------------------------|
|  | <b>2010</b>                    | <b>2009</b>                  |
|  | <b>(in millions of Baht)</b>   | <b>(in millions of Baht)</b> |
| Net cash provided by operating activities.....                               | 23,582.5                       | 10,788.5                     |
| Net cash used in investing activities.....                                   | (688.7)                        | (1,196.8)                    |
| Net cash used in financing activities.....                                   | (22,454.0)                     | (9,856.4)                    |
| Net decrease in cash & cash equivalents and current investment.....          | 439.8                          | (264.7)                      |
| Cash & cash equivalents and current investment at beginning of year.....     | 3,908.2                        | 4,170.5                      |
| Unrealized gain (loss) from revaluation of investments.....                  | (9.0)                          | 2.5                          |
| Effects of exchange rate changes on balances held in foreign currencies..... | (3.8)                          | (0.1)                        |
| Cash & cash equivalents and current investment at end of year.....           | <u>4,335.2</u>                 | <u>3,908.2</u>               |

\*Cash flow comprises cash & cash equivalents and current investment. Some entries have been reclassified to make them more appropriate for the group's business.

As at December 31, 2010, consolidated cash & cash equivalents and current investment totaled Baht 4,335 million, an increase of Baht 440 million (excluding the unrealized gain or loss from revaluation of investments and the effects of exchange rate changes on balances held in foreign currencies) from the previous year, while the consolidated cash & cash equivalents and current investment as at December 31, 2009 had decreased by Baht 265 million (excluding the unrealized gain or loss from revaluation of investments and the effects of exchange rate changes on balances held in foreign currencies) since the end of 2008.

#### ***Net cash flows provided by operating activities***

The consolidated cash flow provided by operating activities was Baht 23,583 million, an increase of 118% from 2009, mainly due to the incremental cash flows from dividends received from AIS.

#### ***Net cash flows used in investing activities***

Cash used in investing activities was Baht 689 million, a decrease of 42.5%, as there were lower cash outflows used to purchase property and equipment.

#### ***Net cash flows used in financing activities***

The consolidated cash flows used in financing activities amounted to Baht 22,454 million, an increase of 127% from 2009, mainly from the higher dividend paid (Baht 6.77 per share in 2010 compared to Baht 2.40 per share in 2009), partially offset by a decrease in the repayment of loans.

## **Impact on the group from the change in accounting standards to align them with International Financial Reporting Standards (“IFRS”)**

During 2010 the Federation of Accounting Professions announced the revision of TAS and TFRS, a total of 25 standards, some of which will replace existing standards while the others are additional ones. These standards were published in the Royal Thai Government Gazette. In addition, there are drafts of TAS and TFRS that are expected to be announced in the future to align them with the IFRS (Bound Volume 2009).

The Group believes that when the other TAS and TFRS which are relevant to the group become effective, there will be no material impact on the consolidated and separate financial positions or the consolidated and separate net profits.

Nevertheless, TAS 27 (revised 2009): *Consolidated and Separate Financial Statements* has caused a key change as the group has to allocate profit and loss in subsidiaries to non-controlling interests (minority interests) although this may result in negative minority interest. Moreover, TAS 19 *Employee Benefits* has determined that the group has to recognize post-employment benefits such as severance pay.

TAS 27 (revised 2009) will become effective on January 1, 2011 and is not required to retrospective. According to the current accounting standard, the group has not allocated excess loss over equity of ITV to minority interests in the 2010 financial statements. When the Company adopts TAS 27 (revised 2009) on January 1, 2011, this allocation will increase the profit attributable to equity holders in the Company’s consolidated statement of income by approximately Baht 203 million per year (estimated from ITV’s operational results in 2009).

TAS 19: *Employee Benefits* will also become effective on January 1, 2011 and the group will adjust the total amount (net of income tax), which is the present value of defined benefit obligation when employees’ services ended, as at December 31, 2009, to the retained earnings. This will result in a decrease in the consolidated and separate retained earnings as at December 31, 2009 of approximately Baht 220 million and Baht 36 million, respectively. Also, this will reduce the consolidated and separate operational results of 2010 (compared to 2011) by approximately Baht 16 million and Baht 4 million, respectively.

### **Disclaimer**

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*This document contains certain forward-looking statements which refer to future events and the future financial performance of the companies in Shin Group. Forward-looking statements can generally 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.*

## OVERVIEW

**Data services and economic recovery boosted AIS performance in 2010.** Strong momentum of mobile internet usage as well as consumer adoption to smartphone have been the key contributor to 31% data growth. Demand of mobile internet continued to rise due to limited fixed-line infrastructure and trend of social networking. AIS continued to push toward data-bundling smart gadgets with lower price and richer features that drove higher penetration to Thai consumers. Also, both domestic voice usage and international revenue reflected the solid economic recovery throughout 2010 despite of a political hiccup during 2Q10. Domestic voice revenues picked up 3.5%YoY while rising international tourist arrival supported recovery in international roaming and IDD.

**Mild competition and highly efficient operation** enlarged the operating margin through a low OPEX and CAPEX. Telecom market remained in stable contest due to saturation in voice market and mild competition. Cost efficiency programs were implemented since 2008 indicated by improved EBITDA margin three years in a row. In 2010, cash OPEX climbed down 4.9%YoY supported by lower marketing and network-related expenses. CAPEX was Bt5.2bn, an extraordinary low level due to expectation of 2.1GHz license auction in 2010. As a result, AIS built up Bt52,995mn operating cash flow, a 12.4% YoY growth, and free cash flow surged to Bt46.8bn, a 30% YoY growth.

**Reinforcing development of “EcoSystem” into 2011.** With the long-term vision of “EcoSystem” announced in 2010, AIS will focus more on rising data market in 2011 by implementing “Quality DNAs”, quality in all dimensions of services. More smart devices will be delivered to customers in all segments with exclusive packages from AIS. Network on 900 MHz will be upgraded to support growing demand of mobile internet including 3G on 900MHz using HSPA technology to be roll-out in selective provinces with Bt2.5bn CAPEX. Applications will be developed, in cooperation with strategic partners, to accommodate multi-operating systems such as iOS, Blackberry, Android. Local contents such as news clips, live information and life styles will be launched to increase data usage. Also, quality of service will be ensured by “certified smartphone expert” to help smart devices users together with 24hrs call center and service centers nationwide.

**Maximized shareholder return** with the commitment to deliver 100% dividend payout. In 2010, AIS managed capital structure by pay out excess cash as special dividends. Return on equity (ROE) was 49% higher from 23% in 2009 due to thinner retained earnings after both regular and special dividends paid. In 2011, with solid cash generation and normal Bt10bn CAPEX level, AIS is confident to maintain financial flexibility and efficient capital structure.

## OPERATIONAL HIGHLIGHTS

### Subscriber

Total subscribers increased to 31.2mn from 28.8mn in 2009. Net addition was 2.4mn and which was more than 1.4mn in 2009. Economic recovery and non-voice growth drew new subscribers through Net-SIM and second SIM. In 4Q10, majority of new subscriber was prepaid which grew 8.9% YoY while postpaid subscriber grew 4.7% YoY. On QoQ basis, net addition was 698k and increased 42% due to seasonality and better sentiment. Postpaid churn rate was down to 1.8% which improved both YoY and QoQ from gaining of quality subscribers. Prepaid churn rate increased to 4.4% from 4.3% in 3Q10 but decreased from 5.2% in 4Q09 due to economic recovery and promotion package.

### ARPU

In 4Q10, prepaid ARPU was Bt201 and increased 1.5% YoY and 4.7% QoQ. The YoY increment was due to non-voice growth and stable competition. The QoQ increment was due to seasonality, firm sentiment and non-voice growth. Postpaid ARPU was Bt632 and increased 2.1%YoY and 1.6% QoQ. The postpaid ARPU increased due to the non-voice growth.

### MOU

Prepaid MOU was 292 minutes and increased 14.5% YoY and 4.3% QoQ due to usage stimulus programs. Postpaid MOU was 532 minutes, relatively flat YoY and increased 2.7% QoQ due to seasonality. The postpaid RPM was stable on both YoY and QoQ due to stable competition while prepaid RPM was stable QoQ but decreased YoY due to buffet packages.

## SIGNIFICANT EVENTS

### 1) Impairment loss from DPC goodwill of Bt1,560m recognized in 2010

In 2010, in the income statement for the period, AIS Group recorded a Bt1,560mn goodwill impairment loss on DPC, a subsidiary operating mobile service on GSM 1800MHz. Such an item is not tax deductible, is unrecoverable and is a non-cash expense. The effects on the AIS Group’s consolidated financial statements ending 31 December 2010 are as follows:

- Recognized impairment loss on DPC goodwill of Bt1,560mn on the income statement, by discounting expected future cash flow and comparing with its carrying value of Bt3,102mn.
- Outstanding DPC goodwill booked as an intangible asset as of 31 December 2010 was Bt1,542mn.

### 2) Interconnection agreement with HUTCH-CAT

- According to the NTC resolution between AIS and HUTCH-CAT to enter into the IC agreement negotiation in April 2010, the IC rate could not be settled. Therefore, NTC announced the interim IC rate of Bt0.50 per minute in September 2010.
- The retroactive net receipts from HUTCH-CAT since April 2010-June2010 was Bt177mn, recorded in 3Q10.

### 3) Revised dividend policy:

The Company aims to pay dividend at least 100% of net profit. The company also aims to pay dividend twice a year, an interim dividend distributed from the first half operating results, and annual dividend distributed from the second half operating results.

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## FINANCIAL RESULT

| Table 1 – Service Revenue             |               | (Bt million) / (% to total service revenue excluded IC) |               |               |              |             |
|---------------------------------------|---------------|---|---------------|---------------|--------------|-------------|
|                                       | 2009          |   | 2010          |               | YoY (Amount) | YoY (%)     |
| Voice revenue                         | 64,019        | 78.6%   | 66,278        | 75.4%         | 2,259        | 3.5%        |
| Postpaid (voice)                      | 17,388        | 21.3%   | 17,813        | 20.3%         | 425          | 2.4%        |
| Prepaid (voice)                       | 46,632        | 57.3%   | 48,466        | 55.2%         | 1,834        | 3.9%        |
| Non-voice revenue                     | 11,528        | 14.2%   | 15,040        | 17.1%         | 3,512        | 30.5%       |
| International roaming                 | 2,341         | 2.9%  | 2,703         | 3.1%          | 361          | 15.4%       |
| Others (IDD, other fees)              | 3,554         | 4.4%  | 3,831         | 4.4%          | 278          | 7.8%        |
| <b>Total service revenue excl. IC</b> | <b>81,442</b> | <b>100.0%</b>   | <b>87,852</b> | <b>100.0%</b> | <b>6,410</b> | <b>7.9%</b> |

| Table 2 – Sales  |            | (Bt million) / (% to total revenue) |              |             |              |               |
|------------------|------------|-------------------------------------|--------------|-------------|--------------|---------------|
|                  | 2009       |                                     | 2010         |             | YoY (Amount) | YoY (%)       |
| Sales revenue    | 6,639      | 6.5%                                | 8,954        | 8.0%        | 2,315        | 34.9%         |
| Cost of Sales    | 6,197      | 6.0%                                | 7,651        | 6.9%        | 1,454        | 23.5%         |
| <b>Net sales</b> | <b>442</b> | <b>0.4%</b>                         | <b>1,302</b> | <b>1.2%</b> | <b>860</b>   | <b>194.6%</b> |

| Table 3 – Interconnection  |            | (Bt million) / (% to total revenue) |            |             |             |               |
|----------------------------|------------|-------------------------------------|------------|-------------|-------------|---------------|
|                            | 2009       |                                     | 2010       |             | YoY(Amount) | YoY (%)       |
| Interconnection revenue    | 14,370     | 14.0%                               | 14,474     | 13.0%       | 104         | 0.7%          |
| Interconnection cost       | 13,416     | 13.1%                               | 13,873     | 12.5%       | 457         | 3.4%          |
| <b>Net interconnection</b> | <b>954</b> | <b>0.9%</b>                         | <b>601</b> | <b>0.5%</b> | <b>-353</b> | <b>-37.0%</b> |

| Table 4 – Cost of services ex IC    |               | (Bt million) / (% to total revenue) |               |              |               |              |
|-------------------------------------|---------------|-------------------------------------|---------------|--------------|---------------|--------------|
|                                     | 2009          |                                     | 2010          |              | YoY(Amount)   | YoY (%)      |
| Network amortization                | 19,033        | 18.6%                               | 18,395        | 16.5%        | -638          | -3.4%        |
| Base station rental & utility       | 2,646         | 2.6%                                | 2,752         | 2.5%         | 106           | 4.0%         |
| Maintenance                         | 1,388         | 1.4%                                | 1,376         | 1.2%         | -12           | -0.8%        |
| Other cost of services              | 3,862         | 3.8%                                | 3,103         | 2.8%         | -760          | -19.7%       |
| <b>Total cost of services ex IC</b> | <b>26,929</b> | <b>26.3%</b>                        | <b>25,625</b> | <b>23.0%</b> | <b>-1,304</b> | <b>-4.8%</b> |
| <b>Revenue sharing expense</b>      | <b>19,861</b> | <b>19.4%</b>                        | <b>21,553</b> | <b>19.4%</b> | <b>1,693</b>  | <b>8.5%</b>  |

| Table 5 – SG&A                        |               | (Bt million) / (% to total revenue) |              |             |             |              |
|---------------------------------------|---------------|-------------------------------------|--------------|-------------|-------------|--------------|
|                                       | 2009          |                                     | 2010         |             | YoY(Amount) | YoY (%)      |
| Marketing expense                     | 2,695         | 2.6%                                | 2,324        | 2.1%        | -371        | -13.8%       |
| General administrative and staff cost | 6,294         | 6.1%                                | 6,685        | 6.0%        | 391         | 6.2%         |
| Bad debt provision                    | 784           | 0.8%                                | 589          | 0.5%        | -195        | -24.9%       |
| Depreciation                          | 274           | 0.3%                                | 214          | 0.2%        | -60         | -21.9%       |
| <b>Total SG&amp;A</b>                 | <b>10,047</b> | <b>9.8%</b>                         | <b>9,812</b> | <b>8.8%</b> | <b>-235</b> | <b>-2.3%</b> |
| <b>% Bad debt to postpaid revenue</b> | <b>3.7%</b>   |                                     | <b>2.5%</b>  |             |             |              |

| Table 6 – EBITDA               |               | (Bt million) / (% to total revenue) |               |              |              |              |
|--------------------------------|---------------|-------------------------------------|---------------|--------------|--------------|--------------|
|                                | 2009          |                                     | 2010          |              | YoY(Amount)  | YoY (%)      |
| Operating Profit               | 26,002        | 25.4%                               | 32,764        | 29.4%        | 6,763        | 26.0%        |
| Depreciation of PPE            | 3,337         | 3.3%                                | 3,001         | 2.7%         | -336         | -10.1%       |
| Amortization                   | 16,683        | 16.3%                               | 16,365        | 14.7%        | -318         | -1.9%        |
| (Gain)/Loss on disposal of PPE | 8             | 0.0%                                | 91            | 0.1%         | 82           | 974.2%       |
| Management Benefit             | -72           | -0.1%                               | -113          | -0.1%        | -41          | 56.3%        |
| Other financial cost           | -45           | 0.0%                                | -47           | 0.0%         | -2           | 4.1%         |
| <b>EBITDA</b>                  | <b>45,913</b> | <b>44.8%</b>                        | <b>52,063</b> | <b>46.8%</b> | <b>6,149</b> | <b>13.4%</b> |

| Table 7 – Financial cost |              | (Bt million) / (% to total revenue) |              |             |             |              |
|--------------------------|--------------|-------------------------------------|--------------|-------------|-------------|--------------|
|                          | 2009         |                                     | 2010         |             | YoY(Amount) | YoY (%)      |
| <b>Financial cost</b>    | <b>1,921</b> | <b>1.9%</b>                         | <b>1,735</b> | <b>1.6%</b> | <b>-186</b> | <b>-9.7%</b> |

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## Revenue

**Service revenue excluding IC** was Bt87,852mn and increased 7.9% YoY due to economic recovery as well as strong non-voice growth. Especially in 4Q10, the service revenue excluding IC grew better-than-expected 9.6% YoY and 6.9% QoQ thanks to prepaid voice and non-voice services. Festive season and firm economy supported the growth.

**Voice revenue** was Bt66,278mn and increased 3.5% YoY due to economic recovery from the bottom in 2009. Stable pricing over the year and some key successful pricing packages also contributed to solid voice recovery. Majority of voice revenue growth came from prepaid voice, which was Bt48,466mn and increased 3.9% YoY. As a result of on-top Mao-Mao packages as well as lucky-draw campaigns, prepaid subscribers consumed higher traffic and generated more revenues. Postpaid voice was Bt 17,813mn and increased 2.4% YoY. Flexible Mix & Match package continued to acquire valued postpaid subscribers.

**Non-voice revenue** was Bt15,040mn and surged 30% YoY. Mobile data, which grew 72% YoY, was the key contributor driven by quick adoption of smartphone and USB data card among Thai consumers. Price of mobile gadgets has been trending lower but improving in functionality. Social networking such as Facebook, Twitter or other chat applications drove a “chain reaction” among data users. BlackBerry and Net SIM subscribers grew more than double from 2009. AIS continued to push toward data-bundling smartphones with key manufacturers such as Apple, BlackBerry, Samsung, HTC and Nokia. Demand of mobile internet continued to rise due to limited fixed-line infrastructure especially in regional areas. In 2H10, AIS launched “EDGE Plus” program to enhance customer non-voice experience. AIS customers were able to experience higher data speed and simultaneous voice/data usage. Use of data among regional subscribers also started to grow as AIS maintains our key strength of wider network coverage as well as 3G network in certain areas. In 2010, the non-messaging services contributed 11% of service revenues excluding IC compared to 8% in 2009.

**International roaming revenue** was Bt2,703mn and increased 15.4% YoY due to global economic recovery. Although, the political unrest occurred in 2Q10, situation recovered fast and confidence restored to normal level. Tourist arrival improved sharply in second half of 2010 resulted in 30% YoY growth of international roaming revenue in the same period.

**Others service revenue**, comprised of international call (IDD), was Bt3,831mn and increased 7.8% YoY due to higher usage as well as rising tourist arrival.

**Sales revenue** was Bt8,954mn and surged 35% YoY thanks to the booming of smartphones and USB aircards. **Sales margin** also improved to 14.5% from 6.7% in 2009 due to higher margin of data devices. The launch of iPhone4 in late 3Q10 tremendously drove the sales revenue in 4Q10 to grow 135% YoY and 48% QoQ. USB aircards by AIS also captured majority of growing market share especially in regional areas due to strong channels and limited fixed-line internet connectivity.

**Net IC receipt** was Bt601mn and decreased 37% YoY, despite inclusion of IC receipt from Hutch-CAT. The decline was a result of AIS “all network” promotion which encouraged overall subscriber usage. NTC also ruled operators to provide a basic single rate to all networks in 3Q10. According to NTC resolution, IC between AIS and HUTCH-CAT started in 3Q10 and the interim IC amount was retroactively recorded at a rate of Bt0.50 per minute since April 2010. Majority of net IC receipts came from HUTCH-CAT marginally offset by net IC paid to TMV.

## Cost of Service and Sales

**Revenue sharing expense** was Bt21,553mn, an increase of 8.5% YoY. The increasing expenses were in-line with the improved service revenues excluding IC of 7.9% YoY.

**Network amortization** was Bt18,395mn, a decrease of 3.4% YoY. The lower network amortization was due to some fully amortized assets while new investment was minimally added during the year.

**Maintenance cost** was Bt1,376mn and relatively flat compared to Bt1,388mn in FY09. The well-controlled cost was the effect of several cost efficiency programs implemented since 1H09 as well as services negotiation. As a percent to service revenues, maintenance cost declined to 1.2% in 2010, compared to 1.4% in 2009.

**Base rental and utility cost** was Bt2,752mn, a slight increase of 4% YoY from Bt2,646mn. The cost conformed to the increased number of cell sites was 15.8k compared to 15.4k last year.

**Other cost of services** were Bt3,463mn and declined 10.3% YoY, excluding one-time reversal item related to network of Bt360mn. The improved cost was mainly from the successful electronic top-up channels e.g. Refill on Mobile, ATM, mPay services. In 2010, the electronic prepaid top-up represented over 75% of total refill transaction which resulted in 70% YoY lower cost of refill cards.

## Expense

**Marketing expenses** were the key component of cost reduction in 2010 with a decline of Bt371bn or 13.8% YoY to Bt2,324mn. During the year, the spending on marketing activities declined owing to the mild competition in telecom market. As a result of controlled marketing spending coupled with improved revenue, marketing spending declined to 2.1% of total revenue from 2.6% in 2009.

**General Administrative & Staff expenses** were Bt6,685mn, compared to Bt6,297mn in FY09, an increase of 6.2% YoY from higher staff costs which partly offset by lower general administrative expenses. The higher staff expenses at 13.8% YoY was mainly due to higher bonus and special reward paid to employee as well as improved employee benefit. Excluding staff expenses, general administrative expenses, declined 4.8% YoY as a benefit in return of various cost saving programs including rental, maintenance, and utility cost. As a percentage of total revenue, general administrative and staff expenses slightly declined to 6.0% from 6.1% last year.

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**Bad debt** was Bt589mn, an improvement of 24.9% YoY from Bt784mn. AIS continued to enhance the quality of distribution channel which help acquiring the quality of postpaid subscribers. For 2010, as a percentage to postpaid revenue, bad debt decreased to 2.5%, compared to 3.7% last year.

**Finance cost** was Bt1,735mn, compared to Bt1,921mn, a decreased of 9.7% YoY due to the lower level of average interest rate in 2010.

**Goodwill impairment** was Bt1,560mn. After impairment of DPC goodwill in 2010, the remaining DPC goodwill is Bt1,542mn, compared to Bt3,102mn last year. The DPC goodwill is subjected to an impairment test at the end of each reporting period. The DPC impairment was due to the shorter remaining time of the BTO contract of DPC.

## Results

**EBITDA** was Bt52,063mn and increased 13.4% YoY. The EBITDA increment was due to strong revenue growth particularly from solid recovery of voice revenue, strong data growth, rising sales of smart phones and data devices, as well as saving from cash OPEX.

Cash OPEX was Bt16,374mn and lowered 4.9% YoY, particularly from the Bt371mn saving in marketing expense, the Bt360mn one-time reversal item in 2Q10 and the 70% YoY saving from refill on mobile scheme, a money top-up method via online replacing conventional scratch cards. EBITDA margin was 46.8% and increased from 44.8% in 2009 due to the lower cash OPEX.

**Foreign exchange** was Bt3mn loss from Bt73mn gain in 2009. The company managed to reduce an exposure to foreign exchange by financial instruments such as forward contracts.

**Other operating income** was Bt679mn and decreased 1.6% YoY. Majority of other operating income was interest income which grew 9.5% YoY due to higher fixed income investment. AIS set aside a portion of free cash for investment in fixed income assets such as B/E notes.

**Net income** was Bt20,547mn and increased 20.5% YoY. Excluding Bt1,560mn DPC goodwill impairment, normalized net profit was Bt22,107mn and increased 28% YoY. The net income growth was due to 1) higher revenues particularly from non-voice service and gadget sales 2) lower expenses particularly from network OPEX and marketing expense.

| Table 8 - Consolidated (Bt million) | Where                  | 2009          | 2010          | YoY (Amount) | YoY(%)       |
|-------------------------------------|------------------------|---------------|---------------|--------------|--------------|
| <b>Net income</b>                   |                        | <b>17,055</b> | <b>20,547</b> | <b>3,492</b> | <b>20.5%</b> |
| Add: Impairment of DPC goodwill     | <i>Impairment loss</i> | -             | 1,560         |              |              |
| Impairment of ADC asset             | <i>Impairment loss</i> | 222           | -             |              |              |
| <b>Normalized net income</b>        |                        | <b>17,277</b> | <b>22,107</b> | <b>4,830</b> | <b>28.0%</b> |

## BALANCE SHEET STRUCTURE

**Total assets** was Bt97,457mn and decreased 22% YoY because of lower net fixed assets as the amortization of asset was greater than new CAPEX. Also, cash declined from Bt25,167mn to Bt12,618mn mainly because of dividend payment.

**Interest bearing debt** was Bt35,139mn relatively the same to Bt35,654mn as of 2009. Average cost of debt remained at 4.8%. In 2011, loans of Bt9,978mn and debenture of Bt4,000mn with 5.9% coupon will due. The debenture will due in 3Q11 while the Bt247mn loan will due in 2Q11 and the Bt9,731mn will due in 4Q11.

**Equities** was Bt41,480mn and decreased 42% YoY due to lower retained earnings after special dividend payment in 2010. Unappropriated retained earnings was Bt15,358mn compared to Bt46,146mn at the end of 2009.

**Liquidity** in term of current ratio dropped to 0.73 compared to 2.02 at the end of 2009. Current asset decreased mainly due to lower cash after dividend payment while current liabilities increased due to debt repayment scheduled in 2011. The Bt13,978mn debt, which due in 2011, was a reason of the lower current ratio.

**Working Capital** remained healthy. Inventories were Bt932mn and increased from Bt629mn in 2009 due to higher valued smartphones in stock. Current investment was Bt4,219mn compared to Bt198mn in 2009, representing the 1-year fixed-income investment. The fixed income investment with maturity over 1 year is recorded in other long-term investment. Other current asset was Bt2,459mn,

increased from Bt1,551mn because of higher tax claims and higher receivables of growing refill on mobile top-up. Account payable increased to Bt3,158mn from Bt2,728mn in 2009 due to purchased network equipment and accrued maintenance expenses. Advanced receipts from customers increased to Bt1,521mn from Bt653mn in 2009 due to higher sales of cash card. Other current liabilities increased to Bt4,853mn from Bt3,901mn because of accrued withholding tax from dividend payment.

**Capital structure** remained strong as indicated by net debt to equity at 0.53 and net debt to EBITDA at 0.42. Return on equity (ROE) was 49.5% higher from 23.8% in 2009 due to thinner retained earnings after capital management, both regular and special dividends paid.

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| Table 9 - Balance Sheet         | (Bt Million) / (% to total asset) |               |               |               |
|---------------------------------|-----------------------------------|---------------|---------------|---------------|
|                                 | 2009                              |               | 2010          |               |
| Cash                            | 25,167                            | 20.1%         | 12,618        | 12.9%         |
| ST investment                   | 198                               | 0.2%          | 4,219         | 4.3%          |
| Trade receivable                | 5,773                             | 4.6%          | 5,610         | 5.8%          |
| Inventories                     | 629                               | 0.5%          | 932           | 1.0%          |
| Others                          | 1,958                             | 1.6%          | 2,524         | 2.6%          |
| <b>Current Asset</b>            | <b>33,725</b>                     | <b>27.0%</b>  | <b>25,903</b> | <b>26.6%</b>  |
| Networks and PPE                | 69,715                            | 55.8%         | 55,544        | 57.0%         |
| Intangible asset                | 6,286                             | 5.0%          | 4,341         | 4.5%          |
| Defer tax asset                 | 10,052                            | 8.0%          | 9,814         | 10.1%         |
| Others                          | 5,248                             | 4.2%          | 1,856         | 1.9%          |
| <b>Total Assets</b>             | <b>125,026</b>                    | <b>100.0%</b> | <b>97,457</b> | <b>100.0%</b> |
| Trade accounts payable          | 2,729                             | 2.2%          | 3,160         | 3.2%          |
| CP of LT loans                  | 497                               | 0.4%          | 15,883        | 16.3%         |
| Accrued R/S expense             | 3,070                             | 2.5%          | 3,328         | 3.4%          |
| Others                          | 10,287                            | 8.2%          | 13,119        | 13.5%         |
| <b>Current Liabilities</b>      | <b>16,583</b>                     | <b>13.3%</b>  | <b>35,489</b> | <b>36.4%</b>  |
| Total interest-bearing debt     | 35,654                            | 28.5%         | 35,139        | 36.1%         |
| <b>Total Liabilities</b>        | <b>53,214</b>                     | <b>42.6%</b>  | <b>55,978</b> | <b>57.4%</b>  |
| Unappropriated retained earning | 46,146                            | 36.9%         | 15,358        | 15.8%         |
| <b>Total Equity</b>             | <b>71,811</b>                     | <b>57.4%</b>  | <b>41,480</b> | <b>42.6%</b>  |

| Table 10 – Key Financial Ratio | 2009  | 2010  |
|--------------------------------|-------|-------|
| Debt ratio                     | 0.43  | 0.57  |
| Net debt to equity             | 0.15  | 0.54  |
| Net debt to EBITDA             | 0.23  | 0.43  |
| Total liabilities to equity    | 0.74  | 1.35  |
| Current ratio                  | 2.02  | 0.73  |
| Interest coverage              | 13.86 | 19.41 |
| DSCR                           | 13.54 | 2.07  |
| ROE (%)                        | 23.8% | 49.5% |

| Table 11 – Debt Repayment Schedule | (Bt Million) |                |
|------------------------------------|--------------|----------------|
|                                    | Debenture    | Long term loan |
| <b>2010</b>                        | -            | 493            |
| <b>1Q11</b>                        | -            | -              |
| <b>2Q11</b>                        | -            | 247            |
| <b>3Q11</b>                        | 4,000        | -              |
| <b>4Q11</b>                        | -            | 9,731          |
| <b>2012</b>                        | 5,000        | 493            |
| <b>2013</b>                        | 8,000        | 493            |
| <b>2014</b>                        | 2,500        | 2,939          |
| <b>2015</b>                        | -            | 493            |
| <b>2016</b>                        | -            | 493            |
| <b>2017</b>                        | -            | 493            |
| <b>2018</b>                        | -            | 247            |

## CASH FLOW

**Free cash flow** (EBITDA-CAPEX) of 2010 was Bt46.8bn and increased 30% YoY, achieved higher than the guidance of 18% YoY. The growth was supported by strong operating revenue, cost efficiency and lower CAPEX. Throughout 2010, as the company planned to reserve capital for future investment in 2.1GHz license, CAPEX was managed to an exceptional low level of Bt5.2bn and focused only on necessary expansion of data capacity. This level of CAPEX which was 4.7% of revenue, compared to the normal level between 9% to 15% in the past 3 years, was not a normal level given the current rising data consumption. The company generated operating cash flow of Bt53bn which increased from Bt47.1bn in 2009 or 12% YoY.

| Table 12 – Source and use of fund : 2010      | (Bt. Million) |                            |               |
|---|---------------|----------------------------|---------------|
| Source of Fund                                | Use of Fund   |                            |               |
| Operating CF before change in working capital | 52,995        | CAPEX & Fixed assets       | 5,189         |
| Interest received                             | 379           | Dividend payments          | 51,351        |
| Sale of property and equipment                | 33            | Finance costs paid         | 1,725         |
| Share capital and share premium               | 353           | Repayment of LT borrowing  | 486           |
| Cash decreased                                | 13,810        | Changes in working capital | 7,771         |
|   |               | Payment of finance leases  | 25            |
|   |               | Investment related         | 1,022         |
| <b>Total</b>                                  | <b>67,570</b> | <b>Total</b>               | <b>67,570</b> |

## FY2011 MANAGEMENT OUTLOOK & STRATEGY

### FY2011 Guidance

|                              |                   |
|------------------------------|-------------------|
| Service revenue excluding IC | +4% YoY           |
| EBITDA margin                | 46%               |
| CAPEX                        | Bt10bn cash capex |

**With a slower pace of economic growth in 2011, telecom industry is expected to grow 4%** compared to GDP forecast of 3.5%-4.5%. Voice revenue growth is expected to be flat as competition remains benign whilst data services continue to be the growth engine and is expected to rise 25-30%. Mobile penetration already reached over 100% and continues to move upwards with approximately 2 – 3 million net adds for the industry. Drivers to increasing subscribers are from surging multiple-device and data-SIM users, growing machine-to-machine enterprise market, and some organic growth from rural segment. Handset business is a key to support data services, with double digit growth but lower margin. Sale of handset in 2011 is expected to expand toward data devices and more affordable smartphones. We estimate the market for smartphones to expand by 2 million units in 2011 while price is expected to decline.

**Data continues to be the key growth engine at 25-30% growth.** With limited availability of landline internet access, mobile data momentum will be encouraged through new and more affordable data-gadgets line-up, expansion of lower-end smartphones, and continued proliferation of mobile social networking. AIS will focus more on rising data market in 2011 by implementing “Quality DNAs”, quality in all dimensions of services including device, network, application, and services. More smart devices will be delivered to customers in all segments with exclusive packages from AIS. Network on 900 MHz will be upgraded to support growing demand of mobile internet including 3G on 900MHz using HSPA technology to be roll-out in selective provinces with Bt2.5bn CAPEX. Applications will be developed, in cooperation with strategic partners, to accommodate multi-operating systems such as iOS, Blackberry, Android. Local contents such as news clips, live information and life styles will be launched to increase data usage. Also, quality of service will be ensured by “certified smartphone expert” to help smart devices users together with 24hrs call center and service centers nationwide.

**To capture the strong momentum of data growth, AIS will spend Bt10bn capex on network expansion in both 2G and 3G.** In 2010, while competition was fairly mild and the upgrade of new technology has been pending due to regulatory issues, capex was exceptionally and unsustainably low at Bt5.2bn. Moving into 2011, as we see the continual strong growth momentum of data usage, capex needs to be at a normal level of Bt10bn. The amount of Bt7.5bn will use for upgrade and expanding 2G data capacity while Bt2.5bn will be spent on extending 3G on 900MHz which we currently have 131 base stations. Within 3Q11, we plan to settle 1,884 base stations of 3G 900MHz located in Bangkok and other major provinces.

These investments will help unlock the limited data capacity the current 2G network is facing. However, such investment remains as an interim solution to the rising competition of data market and to meet the growing customer needs on mobile internet while the unclear timeline of the 2.1GHz auction prevails. Network amortization is likely to be lowered by 2-3% in 2011 due to some fully-amortized assets and new investment stays relatively small.

**AIS targets to achieve 46% EBITDA margin.** The EBITDA margin is likely to slightly decline to 46% from 46.8% last year caused by higher OPEX, lower net IC revenue, and growing handset business. Despite very lean operating efficiency, the network opex would increase consistent with rising capex in 2011. Also, marketing spending tends to rise in a range of 2.5% to 3% of total revenue as a result of the introducing 3G technology coupled with various handset campaigns. Net interconnection revenue is revised down in a range of Bt300-400m, lower than the 2010 level. However, the company does not expect the net IC gain to be sustainable. Moreover, an increasing smartphone adoption resulted in higher proportion of revenue from handset business. This will cause lower consolidated EBITDA margin as handset business normally posts lower margin than mobile service.

**Company aims to pay dividend at least 100% of net profit.** Historically, the company has been paying over 100% during the past four years. The company also aims to pay dividend twice a year, an interim dividend distributed from the first half operating results, and annual dividend distributed from the second half operating results. Such dividend payment may not exceed the retained earnings in the Company Financial Statement. The special dividend paid during 2010 was due to the excess level of cash which preserved for 3G licenses on 2.1GHz auction that wait to be at no avail. For 2011, the company continued to maintain flexibility to preserve long-term growth potential.

## Impact from the change of accounting policy due to IFRS

Management has made a preliminary assessment of the potential initial impact of adoption these new TAS and TFRS in accordance with the FAP's announcement. The adoption of these new standards shall have no material impact on the consolidated and separate financial statements in the period of initial application except TAS 19 Employee benefits as follows:

### TAS 19 – Employee benefits

There is currently no Thai accounting standard covering employee benefits and the Group does not presently account for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. The new TAS 19 includes the requirements to recognise and account for such costs in the period in which the service is performed. The requirements are complex and require actuarial assumptions to measure the obligation and expense. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. The transitional

provisions of TAS 19 permit the transitional liability to be recognised and accounted for in one of four different ways:

- (i) retrospectively;
- (ii) immediately in equity (retained earnings) at the transition date;
- (iii) immediately in profit or loss at the transition date;
- (iv) as an expense on a straight-line basis over up to five years from the transition date.

Management has determined that the transitional liability as at 1 January 2011 for post-employment benefits is approximately Baht 284 million for the Group and Baht 234 million for the Company, deferred tax assets is approximately Baht 121 million for the Group and Baht 101 million for the Company and retained earnings is approximately Baht 284 million for the Group and Baht 234 million for the Company. Management intends to adopt transitional provision to adjust retrospectively recognise and account for this liability

*TAS = Thai Accounting Standard*

*TFRS = Thai Financial Reporting Standard*

*FAP = Federation of Accounting Professions*

## Disclaimer

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

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## OPERATIONAL DATA

| Subscribers                                      | 1Q09       | 2Q09       | 3Q09       | 4Q09       | 1Q10       | 2Q10       | 3Q10       | 4Q10       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| GSM Advance                                      | 2,586,300  | 2,672,200  | 2,755,600  | 2,835,800  | 2,878,500  | 2,898,800  | 2,928,100  | 2,976,500  |
| GSM 1800   | 76,900     | 78,300     | 79,000     | 78,900     | 78,300     | 78,400     | 76,400     | 76,100     |
| Postpaid   | 2,663,200  | 2,750,500  | 2,834,600  | 2,914,700  | 2,956,800  | 2,977,200  | 3,004,500  | 3,052,600  |
| Prepaid  | 24,918,600 | 25,151,500 | 25,447,700 | 25,858,200 | 26,552,400 | 27,030,500 | 27,497,600 | 28,148,100 |
| Total subscribers                                | 27,581,800 | 27,902,000 | 28,282,300 | 28,772,900 | 29,509,200 | 30,007,700 | 30,502,100 | 31,200,700 |
| <b>Net additions</b>                             |            |            |            |            |            |            |            |            |
| Postpaid   | 51,200     | 87,300     | 84,100     | 80,100     | 42,100     | 20,400     | 27,300     | 48,100     |
| Prepaid  | 220,400    | 232,900    | 296,200    | 410,500    | 694,200    | 478,100    | 467,100    | 650,500    |
| Total net additions                              | 271,600    | 320,200    | 380,300    | 490,600    | 736,300    | 498,500    | 494,400    | 698,600    |
| <b>Churn rate (%)</b>                            |            |            |            |            |            |            |            |            |
| Postpaid   | 2.0%       | 2.0%       | 2.2%       | 2.2%       | 2.3%       | 2.2%       | 2.1%       | 1.8%       |
| Prepaid  | 4.8%       | 4.9%       | 5.0%       | 5.2%       | 4.7%       | 4.7%       | 4.3%       | 4.4%       |
| Blended  | 4.6%       | 4.7%       | 4.8%       | 4.9%       | 4.4%       | 4.5%       | 4.1%       | 4.2%       |
| <b>Subscriber market share</b>                   |            |            |            |            |            |            |            |            |
| Postpaid   | 41%        | 41%        | 42%        | 42%        | 43%        | 43%        | 43%        | N/A        |
| Prepaid  | 44%        | 44%        | 44%        | 44%        | 44%        | 44%        | 44%        | N/A        |
| Total  | 44%        | 44%        | 44%        | 44%        | 44%        | 44%        | 44%        | N/A        |
| <b>ARPU excl. IC (Bt)</b>                        |            |            |            |            |            |            |            |            |
| GSM Advance                                      | 678        | 645        | 641        | 660        | 657        | 654        | 655        | 669        |
| GSM 1800   | 636        | 631        | 622        | 623        | 610        | 596        | 594        | 584        |
| Postpaid   | 677        | 645        | 640        | 659        | 655        | 652        | 654        | 667        |
| Prepaid  | 195        | 188        | 184        | 192        | 193        | 185        | 185        | 195        |
| Blended  | 241        | 232        | 229        | 239        | 240        | 232        | 231        | 242        |
| <b>ARPU incl. net IC (Bt)</b>                    |            |            |            |            |            |            |            |            |
| GSM Advance                                      | 634        | 605        | 600        | 619        | 617        | 614        | 623        | 633        |
| GSM 1800   | 620        | 615        | 605        | 604        | 593        | 578        | 576        | 574        |
| Postpaid   | 634        | 605        | 600        | 619        | 617        | 613        | 622        | 632        |
| Prepaid  | 203        | 196        | 191        | 198        | 198        | 190        | 192        | 201        |
| Blended  | 244        | 236        | 232        | 240        | 240        | 232        | 235        | 244        |
| <b>MOU<br/>(minutes: billable outgoing only)</b> |            |            |            |            |            |            |            |            |
| GSM Advance                                      | 533        | 529        | 522        | 535        | 524        | 509        | 522        | 532        |
| GSM 1800   | 480        | 470        | 469        | 492        | 483        | 476        | 387        | 496        |
| Postpaid   | 531        | 527        | 521        | 534        | 523        | 508        | 518        | 532        |
| Prepaid  | 243        | 239        | 240        | 255        | 263        | 273        | 280        | 292        |
| Blended  | 271        | 267        | 268        | 283        | 289        | 297        | 304        | 316        |
| <b>Traffic</b>                                   |            |            |            |            |            |            |            |            |
| % outgoing to total minute                       | 48%        | 48%        | 48%        | 49%        | 48%        | 47%        | 49%        | 49%        |
| % on-net to total outgoing minute                | 77%        | 78%        | 79%        | 79%        | 80%        | 80%        | 82%        | 82%        |

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## ARPU DEFINITION

In accordance with 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 revenues and maintain the conservative approach of recognizing revenue on a net basis. The revenue items included in the calculation of ARPU figures are based on a consolidated revenue, according to the Thai accounting standard. The ARPU definition is outlined accordingly.

|                     | ARPU exclude IC  | ARPU include IC   |
|---------------------|--|---|
| Definition          | Consolidated service revenue excludes international call revenues from AIN and interconnection revenues divided by an average of subscribers at the beginning and ending period.<br><br>= $\frac{\text{Service revenue} - \text{AIN revenue} - \text{Gross IC revenue}}{(\text{beg.sub} + \text{end.sub}) / 2}$  | Consolidated service revenue excludes international call revenues from AIN divided by average of subscribers at the beginning and ending period.<br><br>= $\frac{\text{Service revenue} - \text{AIN revenue} - \text{Gross IC revenue} + \text{Net IC revenue}}{(\text{beg.sub} + \text{end.sub}) / 2}$   |
| Revenue composition | <input checked="" type="checkbox"/> Voice<br><input checked="" type="checkbox"/> Value-added service (call management, SMS, MMS, data)<br><input checked="" type="checkbox"/> International roaming<br><input checked="" type="checkbox"/> International call via CAT, TOT<br><input checked="" type="checkbox"/> Others<br><input type="checkbox"/> Net interconnection revenue<br><input type="checkbox"/> International call via AIN (AIS subsidiary)<br><br>All categories are net of third-party sharing and commission | <input checked="" type="checkbox"/> Voice<br><input checked="" type="checkbox"/> Value-added service (call management, SMS, MMS, data)<br><input checked="" type="checkbox"/> International roaming<br><input checked="" type="checkbox"/> International call via CAT, TOT<br><input checked="" type="checkbox"/> Others<br><input checked="" type="checkbox"/> Net interconnection revenue<br><input type="checkbox"/> International call via AIN (AIS subsidiary)<br><br>All categories are net of third-party sharing and commission |

*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

|                              |  |
|------------------------------|--|
| <b>Subscriber</b>            | Number of registered SIM at ending period whose status is not defined as churn   |
| <b>Postpaid churn</b>        | Subscribers whose payment status is overdue more than 45 days from due date  |
| <b>Prepaid churn</b>         | Subscribers who do not make a refill within 37 days after validity expires   |
| <b>Net additions</b>         | Change of number of subscribers and ending period from the beginning period  |
| <b>ARPU excl. IC</b>         | Consolidated service revenue excludes international call revenues from AIN divided by average of subscribers at the beginning and ending period. It includes voice revenue, value-added services, international roaming, international calls and other revenues such as national roaming, broadband and transmission |
| <b>ARPU incl. IC</b>         | Including net interconnection (IC revenue – IC cost)   |
| <b>MOU</b>                   | Number of billed outgoing minutes generated from voice calls, including international call usage and SMS divided by the number of average subscribers  |
| <b>Churn rate</b>            | 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  |
| <b>Voice</b>                 | Any domestic and international voice usage generated by postpaid, prepaid and corporate subscribers  |
| <b>International roaming</b> | Inbound roaming revenue only (revenue generated by foreign roamers using the AIS network).   |
| <b>IDD</b>                   | International call (IDD) and other telecommunication services under subsidiaries.  |
| <b>Non-voice (data)</b>      | Includes all non-voice services e.g. SMS, MMS, GPRS, ring-back tone, infotainment and data transmission; excluding call management services e.g. call forward, conference call, call divert  |

### Financial data

|  |   |
|--|---|
| <b>EBITDA margin</b>                   | Operating profit before depreciation, amortization, and allowance for impairment as a percentage to total revenue   |
| <b>Interest Coverage</b>               | Operating profit for the period divided by Interest expenses for the period   |
| <b>DSCR</b>                            | Debt service coverage ratio calculated from EBITDA after tax divided by repayment of short-term and current portion of long-term borrowing, debentures and interest paid for the period |
| <b>Net Debt / EBITDA</b>               | Short-term and long-term interest-bearing debts minus cash divided by EBITDA  |
| <b>Net Debt / Equity</b>               | Short-term and long-term interest-bearing debts minus cash divided by total shareholder's equity at ending period   |
| <b>Interest-bearing Debt to Equity</b> | Short-term and long-term interest-bearing debts divided by total shareholder's equity at ending period  |
| <b>Total Liabilities to Equity</b>     | Total liabilities at ending period divided by total shareholder's equity at ending period   |
| <b>Debt Ratio</b>                      | Total liabilities at ending period divided by total assets at ending period   |
| <b>Free cash flow to EV</b>            | $(\text{EBITDA} - \text{capex} - \text{tax}) / (\text{market capitalization} + \text{book value of net debt})$  |
| <b>Free cash flow (FCF)</b>            | Up to 2009 FCF = Operating Cash Flow after Working Capital – CAPEX;<br>From 2010 onward, FCF = EBITDA – CAPEX   |
| <b>Network OPEX</b>                    | Cost of services excluding amortization & depreciation & IC   |
| <b>Cash OPEX</b>                       | Network OPEX + SG&A excluding amortization & depreciation   |