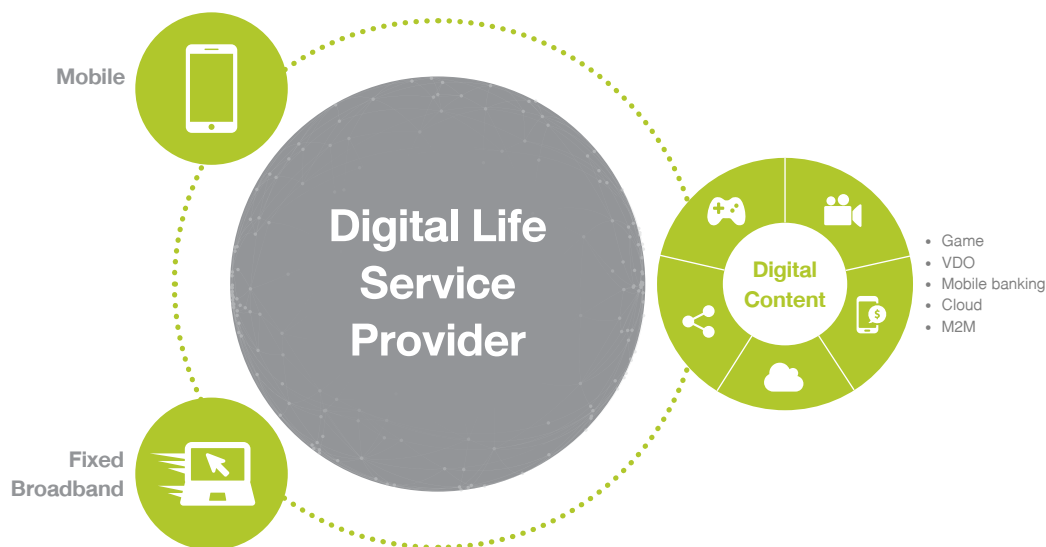




Our business

Business Overview



Advanced Info Service Plc. (AIS) aims to be the 'Digital Life Service Provider' operating in three core businesses: mobile, fixed broadband, and digital content. AIS is the leading mobile operator in Thailand with approximately 50% revenue market share and is serving more than 41 million subscribers nationwide as of the end of 2016. For more than 26 years of service, mobile business continues to be the largest revenue contribution of AIS' total revenue. With the strength of current spectrum holding, AIS can provide quality 2G, 3G and 4G networks and other various services. Furthermore, the new 900MHz license was granted in June 2016 and is valid until 2031. The 900MHz frequency is used to deploy 2G network as well as to help strengthen both coverage and capacity for 3G and 4G networks. Currently, AIS' 3G network is operated on 2100MHz license and is valid until 2027. 3G coverage is more than 98% of Thai population. At year-end 2016, AIS' 4G network, operated on 1800MHz license which is valid until 2033, reached nationwide coverage of 98% of total population and continue to increase capacity and expand more in year 2017. Moreover, mobile services of AIS include domestic voice call, internet on mobile, digital contents, video streaming, mobile financial service, International Direct Dialing (IDD) service, and International Roaming service.

In addition to the mobile business, in early 2015, AIS started a new fixed broadband business under the brand 'AIS Fibre'. In the second year of operation in 2016, AIS Fibre has shown an accelerated growth as we continue to expand coverage and scale up the business. In the meanwhile, the fixed broadband market is expanding and the demand for better speed and quality for at-home connectivity grows, AIS Fibre could attract customers with its differentiation of FTTH (Fibre-To-The- Home) technology and with affordable price to upgrade from ADSL. This year-end we reported a revenue increase of 616% YoY and subscriber growth of 6.8 times from 44k at the end of last year to 302k with 5.2 million available homepasses. AIS will continue to ramp up the service for next year and target to become a major player in the market within 3 years.

The last part of AIS' core business is digital content. Going towards the digital transformation, AIS as a Digital Life Service Provider has been developing and improving many digital contents and services to serve customers. AIS cooperates with the content creators and providers to build up a telecom ecosystem to grow together. Among the five key areas namely video, game, mobile banking, cloud, and M2M, the examples of our success in 2016 were the popularity of AIS PLAY, a video-content mobile application, and the launch of the Cloud Enterprise business. Ultimately, AIS' digital content will enhance and extend our integrated service and strive AIS for future growth in the digital society.



The Compliance with telecommunication regulatory regime

The Thailand's telecommunication industry has been regulated under the National Broadcasting and Telecommunication Commission ("NBTC"). NBTC was established by the Act on the Organization to Assign Radio Frequency and to Regulate the Broadcasting Business and Telecommunication Service, B.E. 2553 (The Frequency Allocation Act B.E. 2553). The NBTC has authority related to the telecommunication business as follows:

- To formulate a frequency management master plan, table of frequency allocation, frequency plan, and telecommunications numbering plan;
- To issue a license and regulate the use of radio frequency and radio communication equipment in the undertaking of telecommunication services;
- To issue a license and regulate the operations of telecommunication services as well as prescribe licensing criteria and procedures, conditions, or licensing fees;

- To set tariff structure and price structure for telecommunication services and promote the equality of people in the access to telecommunication service;
- To prescribe measure for prevention of anti-competitive conduct or unfair competition in telecommunication business and protect the right and liberty of the people in relation to telecommunication services.

Since Advanced Wireless Network Co., Ltd. (AWN) has awarded the 900/1800/2100 licenses from the NBTC, the former operation under concession agreement has been transformed to a licensed. Under the license to operate telecommunication business, all licensed companies within AIS group have to comply with all the NBTC's telecommunication laws and regulation, including a payment of license fee, a payment on use of frequency and numbering fee, supporting of research and development fund for the public interest as well as compliance of the coverage obligation and tariff regulatory regime.

Key Milestones in 2016



January

- Advanced Wireless Network Limited Company (AWN), an AIS subsidiary, officially launched 4G Advanced Service accessible in 42 provinces. After receiving a license to operate on 1800 MHz spectrum in December 2015, AWN was the first operator in Thailand to deploy LTE Advanced technology.
- AIS unveiled "Absolutely from Our Hearts, Absolute No. 1 in Service," an extension of "AIS Live 360" campaign previously launched. The extended campaign utilized digital technology for new service offerings catered to fulfill customers' different lifestyles; increased service channels on social media; introduced "Ask Aunjai Service," a virtual agent capable of answering customer inquiry 24 hours on website; employed over 5,000 experienced staffs for customer service; and delivered an array of privileges to meet customers' expectation 360 degrees.

February

- AIS announced 2016 investment of 40 billion baht for the expansion of 4G and 3G network, Fibre internet service and AIS shops.

March

- AIS introduced the world's first commercial 4.5G network. Through a strategic alliance with Huawei, the network capability offers a maximum speed of 550 megabytes per second, and plans for the speed of one gigabyte per second. The 4.5G network enables customers to view video in higher resolutions and enjoy future applications such as Virtual Reality.
- ALL AIS Data Center received ISO 27001:2013-a certification in Information Security Management System from Bureau Veritas Certification (Thailand) Company Limited. This ISO certification reassures AIS safety standard on data security together with building construction friendly to the environment.

April

- AIS announced the achievement of 4G network coverage in all 77 provinces countrywide after the first launch in 42 provinces in January.

May

- AIS in coordination with partner, developed the VoLTE technology in AIS Lava smartphones. Often found in expensive smartphones, VoLTE is made available by AIS for middle-range and affordable smart phones. VoLTE running on 4G offers high-quality sound in full HD with low noise, as well as faster and more reliable connection.
- AWN, an AIS subsidiary, participated in the license auction on 900 MHz spectrum and won the license for the bandwidth of 895-905 MHz along with 940-950 MHz, a combined bandwidth of 2x10 MHz spectrum, for the winning bid of 75,654 million baht. AWN received the 15-year license of 900 MHz spectrum starting July 1, 2016.

- AIS Fibre introduced Thailand's first prepaid internet broadband service for dormitories and apartments, offering 100% fiber optic to university-student and apartment rental segment.



June

- AIS introduced SIM2FLY, a new roaming SIM designed exclusively for eight popular countries in Southeast Asia including Japan, South Korea, Singapore, Hong Kong, Taiwan, Laos, Malaysia and India at starting price of 399 baht. Presently, SIM2FLY has expanded its roaming service to cover Europe, North America and more than 50 countries around the world.

July

- AIS announced the new business “AIS Business Cloud” and the vision to enhance Thailand’s business sector toward becoming the Digital Enterprise. With an aim to be the leading Business Cloud service provider in Thailand, AIS collaborates with the global partners in Cloud service such as Microsoft, VMware NSX, NetApp and Check Point.
- AIS and National Electronics and Computer Technology Center (NECTEC) launch a joint project “ICT System and Integrated Alternative Energy for Communities along the Border” under the patronage of H.R.H. Princess Maha Chakri Sirindhorn. The project is an initiative to provide hybrid electricity generated from hydropower and solar cell equipped with a remote monitoring system for electricity use of the learning center of Border Patrol Police located at Baan Kirilorm, Prachuap Kirikhan province.

August

- AIS 4G network took the lead in providing the largest coverage of 4G roaming service covering 74 countries through partnership with 121 mobile networks in every continent.
- AIS provided mobile broadcasting and rerun of Rio 2016 Olympic Games via “AIS PLAY”. This is the first in Asian to provide Thai consumers access to 12 Olympic channels with HD quality through mobile connectivity.

September

- AIS won the exclusive rights to live broadcast and replay of Paralympics Games 2016, held in Rio De Janeiro, Brazil. The content was offered free as service to AIS customers via AIS Play mobile application and AIS Playbox set-top box.



October

- AIS and DTAC (Total Access Communication Public Limited Company) co-launched VoLTE service across the two networks for the first time in Thailand and ASEAN. Prepaid and postpaid customers of AIS and DTAC can access VoLTE service for 4G video and voice call featuring full HD sound quality available in all 4G service areas nationwide.

Awards of Achievement 2016

BEST COMPANY



- **Thailand's Top Corporate Brands Awards 2016** Organized by the Faculty of Accounting and Commerce, Chulalongkorn University, Thailand's Top Corporate Brands 2016 was awarded to AIS for having the highest corporate value of Baht 582,434 million in the category of Information and Communication Technology. It was also the highest value across all categories. AIS has now received this award for five consecutive years.
- **Best Employer Thailand Award, and Best of the Best Award 2016** Aon Hewitt (Thailand) in collaboration with Sasin Graduate Institute of Business Administration, Chulalongkorn University, awarded AIS a Best Employer Thailand Award 2016 while also honoring Advanced Call Center with the Best of the Best Award for the ability to initiate and retain excellence in human management, effective leadership, goal-oriented corporate culture, and corporate identity of outstanding and trustworthy employers with high scores recorded for employee satisfaction and engagement.
- **Best Company 2016, and Best Company 2016 under the Technology Industry category** Awarded by Money & Banking Magazine to listed companies with the highest performance of the year in their industry.
- **Thailand Top Company Awards 2016 under the category of the Telecommunication Industry category** Organized by Business+ Magazine (under ARIP Publishing House) and the University of the Thai Chamber of Commerce, AIS was presented with a Thailand Top Company Award 2016 for its great achievements in business performance and outstanding management skills that serve as a business role model.
- **Sustainability Report Award 2016** AIS has now received this award for two consecutive years in recognition of the Company's integrity in disclosing information transparently and completely in the Sustainability Report for the benefit of the Company's investors and the Stock Exchange of Thailand.



- **Listed in the Dow Jones Sustainability Indices (DJSI) for two consecutive years** AIS is the only telecom operator from Thailand to be listed in the Dow Jones Sustainability Indices (DJSI) for two consecutive years (2015-2016). The achievement is recognition for AIS operating sustainable business governed by the Company's goals of providing continuous and long-term value to shareholders and utilizing digital technology to connect and strengthen Thai society with the least impact on the environment. Of all 90 telecom operators worldwide who submitted applications, AIS is one of only 17 telecom operators listed in the DJSI.
- **MSCI Global Sustainability Indexes for two consecutive years** For outstanding performance in economic, social, and environmental management, this award is further proof that the business operations of AIS adhere to sustainable development accepted by the global benchmarking standard
- **FTSE4Good Emerging Market Index** One of thirty-three telecom companies worldwide listed in "FTSE4Good Emerging Index" hosted by FTSE Group, a world's renowned provider of stock market indices associating with stock exchange markets in numerous countries including Europe and Asia Pacific. FTSE4 Good index promotes outstanding companies featuring a strong financial performance while maintaining a positive contribution to community and environment.
- **Best Company in the Telecommunication Industry** Organized by IR Magazine and presented at the IR Magazine Awards & Conference-Southeast Asia 2016 in cooperation with the Stock Exchange of Thailand, this award was presented to AIS in recognition of its service excellence in Investor Relations as measured by an analysts and investors poll from major institutes in the region, including the Philippines, Malaysia, Malaysia, Singapore, Indonesia and Thailand.

BEST CEO



- **Best CEO in the Technology Industry category** The Investment Analysts Association presented the Best CEO award to Mr. Somchai Lertsutthiwong, Chief Executive Officer of AIS, for his vision and competency in organization management leading to the Company's success and sustainable development. The award was presented at the IAA Awards for Listed Companies 2015/2016.

BEST BRAND



- **Thailand's Most Admired Brand 2016** AIS received this award from BrandAge magazine based on the results of its consumer survey. Consumers nationwide voted AIS as No.1 mobile-phone operator with the highest scores for most admired and most trusted brand. The company has now received this award for five consecutive years.
- **Brand of the Year** The World Branding Awards 2016-2017 is the premier awards of the World Branding Forum. This awards ceremony honors the success of brand excellence in various industries around the world. AIS was the only telecom operator from Thailand to win a Brand of the Year award, which it was awarded on merit in three categories: brand valuation, consumer market research, and public online voting.

BEST CUSTOMER SERVICE



- **The Fastest Responding Brand on Pantip** Pantip.com, Thailand's most popular web board, presented this award to AIS for providing the fastest response to users on Pantip.com and in recognition of being the country's leader in telecom services. The award was presented during the Thailand Zocial Awards 2016.

BEST INNOVATION



- **Champion of WSIS Prize 2016 in the Field of ICT Applications : e-Agriculture** AIS received this award for City-to-Farm Agriculture Assisting (CFAA), the Company's self-developed application that utilizes digital technology to improve the quality of life of Thai farmers. Through CFAA, farmers can trade their crops directly with city residents which enables the farmers to generate higher revenues and provides the buyers with better quality products. This awards ceremony was organized by the World Summit on the Information Society Forum (WSIS), a collaboration between the International Telecommunication Union (ITU) and the United Nations (UN). Its main objective is to promote the use of ICT for advancing sustainable development.

CORPORATE SOCIAL RESPONSIBILITY

- AIS received a **Corporate Social Responsibility Award 2016** at the 15th Asia Business Leaders Awards 2016 hosted by CNBC. The award was presented for the Company's contribution to the Southeast Asia region. Only six awards were listed: Asia Business Leader Award, Asia Disruptor of the Year Award, Asia Talent Management Award, Lifetime Achievement Award, Indonesia Business Leader of the Year Award, and Corporate Social Responsibility Award. Of all sixty-six companies from Southeast Asia nominated, AIS was the only Thai company to receive the award.

Investment Structure of Advanced Info Service Plc.

Advanced Info Service Plc. 4,997.46 million Baht Registered Capital and 2,973.10 million Baht Paid-up Capital



1) The remaining 49% of shares, holding by person who has no conflict of interest.

2) On 30 November 2016, ABN increased its share capital from Baht 15 million to Baht 75 million.

3) Amata Network Company Limited (AN) is a joint-venture between ABN and Amata Corporation Plc. as regards to the news submitted to the SET on October 2015. AN was completely registered on 8 December 2016.

As of 31 December 2016

99.99%

Super Broadband Network Co., Ltd.

Network operator and telecom (IP Television) service operator i.e. internet (ISP), international & national internet gateway, International Private Leased Circuit (IPLC), Internet Protocol Virtual Private Network (IP VPN), voice over IP, and IP Television

300 million Baht
paid-up capital

99.99%

Wireless Device Supply Co., Ltd.

Importer and distributor of handset and accessories

50 million Baht
paid-up capital

99.99%

Advanced Broadband Network Co., Ltd.

Currently not start the operation

75 million Baht ²⁾
paid-up capital

29.00%

Information Highway Co., Ltd.

Transmission network provider

50 million Baht
registered capital
14.5 million Baht
paid-up capital

60.00%

Amata Network Co., Ltd. (AN)

Provide fiber optic network infrastructure in Amata industrial estate

100 million Baht
registered capital
25 million Baht
paid-up capital

99.99%

MIMO Tech Co., Ltd.

Operate IT, and content aggregator businesses and outsourcing service for billing and collection

50 million Baht
paid-up capital

99.98%

Fax Lite Co., Ltd.

Operate in acquiring and/or lease building, and related facilities for telecommunications business

1 million Baht
paid-up capital

20.00%

Clearing House for Number Portability Co., Ltd.

Jointly invested, operate the information system and the centralized database for the mobile number portability service

2 million Baht
paid-up capital

10.00%

Bridge Mobile Pte. Ltd.

Jointly invested, provide international roaming service (incorporated in Singapore)

9 million USD
paid-up capital

Investment Structure of Intouch Group

Intouch Holdings Plc¹⁾

Advanced Info Service Plc¹⁾ 40.45%

Advanced Wireless Network Co., Ltd.	99.99%
Wireless Device Supply Co., Ltd.	99.99%
Advanced Contact Center Co., Ltd.	99.99%
Advanced mPAY Co., Ltd.	99.99%
Advanced Magic Card Co., Ltd.	99.99%
AIN GlobalComm Co., Ltd.	99.99%
Super Broadband Network Co., Ltd.	99.99%
MIMO Tech Co., Ltd.	99.99%
Fax Lite Co., Ltd.	99.98%
Advanced Broadband Network Co., Ltd.	99.99%
Information Highway Co., Ltd.	29.00%
Amata Network Co., Ltd. ²⁾	60.00%
Digital Phone Co., Ltd.	98.55%
Advanced Datanetwork Communications Co., Ltd.	51.00%
Clearing House for Number Portability Co., Ltd.	20.00%
Bridge Mobile Pte. Ltd.	10.00%

Wireless Telecommunications Businesses

Thaicom Plc¹⁾

Satellite services

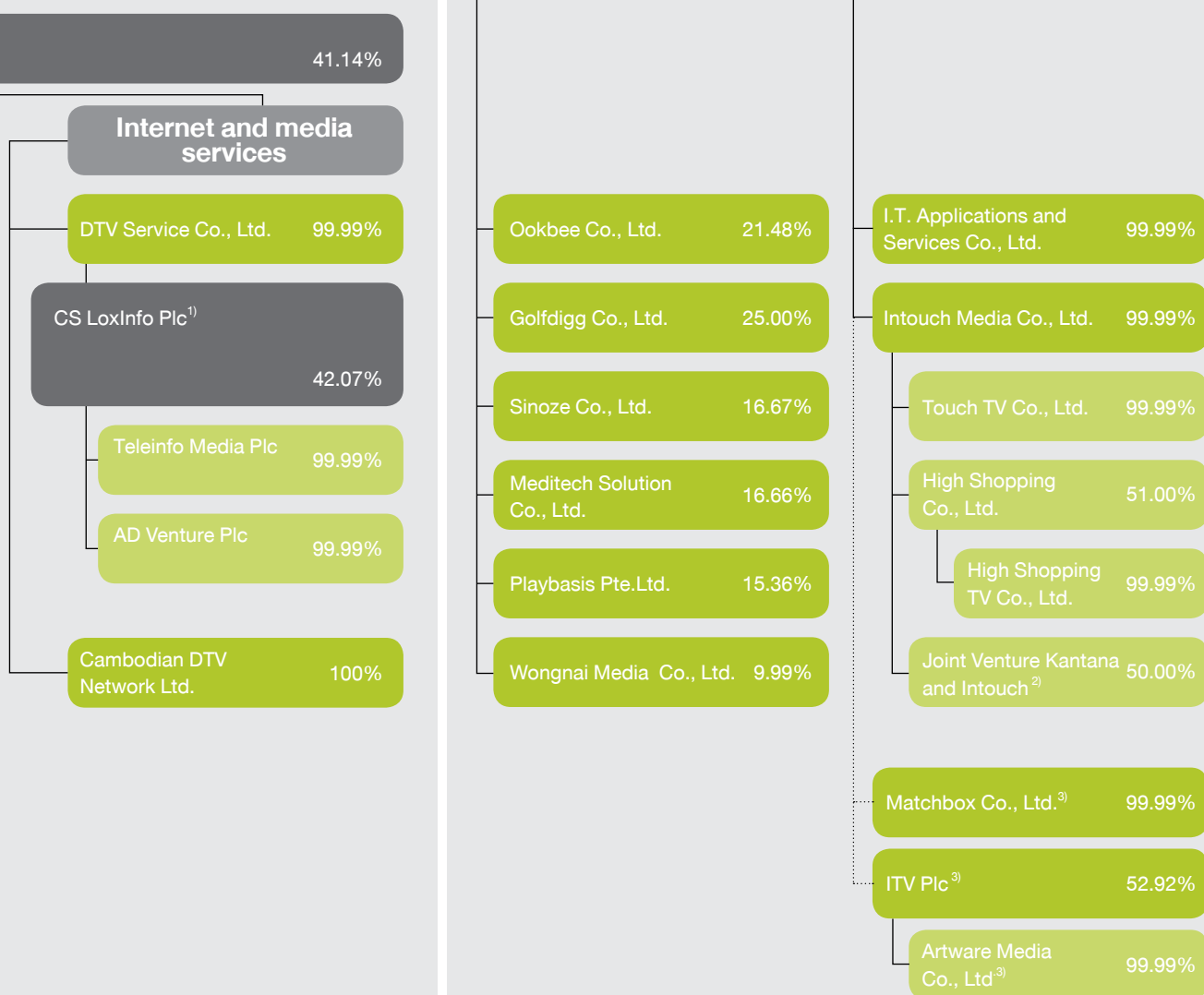
IPSTAR Co., Ltd.	100%
IPSTAR New Zealand Ltd.	100%
IPSTAR Australia Pty Ltd.	100%
Orion Satellite Systems Pty Ltd.	100%
IPSTAR International Pte. Ltd.	100%
IPSTAR Global Services Co., Ltd.	100%
IPSTAR Japan Co., Ltd.	100%
Star Nucleus Co., Ltd.	100%
Spacecode LLC	70.00%
TC Broadcasting Co., Ltd.	99.99%
International Satellite Co., Ltd.	100%
IPSTAR (India) Private Co., Ltd.	100%
TC Global Services Co., Ltd.	100%

Telephone services abroad

Shenington Investments Pte Ltd.	51.00%
Lao Telecommunications Co., Ltd.	49.00%

Satellite and International Businesses

As of 31 December 2016



Notes :

- 1) Listed Company on the Stock Exchange of Thailand
- 2) Currently on the liquidation process
- 3) Currently not in operation.

Other Businesses

Venture Capital

Others

Top Ten Shareholders

As of 18 August 2016, the latest book closing date for the right to receive dividend

No.	Name	No. of shares held	% of shareholding
1	INTOUCH HOLDINGS PLC	1,202,712,000	40.45
2	SINGTEL STRATEGIC INVESTMENTS PTE LTD	693,359,000	23.32
3	THAI NVDR CO.,LTD.	178,170,309	5.99
4	THE BANK OF NEW YORK MELLON	56,890,400	1.91
5	SOCIAL SECURITY OFFICE	46,667,300	1.57
6	GIC PRIVATE LIMITED	43,861,737	1.48
7	STATE STREET BANK EUROPE LIMITED	39,248,508	1.32
8	CHASE NOMINEE LIMITED	37,318,496	1.26
9	LITTLEDOWN NOMINEES LIMITED	19,059,800	0.64
10	HSBC (SINGAPORE) NOMINEES PTE LTD	18,151,877	0.61
Total		2,335,439,427	78.55

Note: Information from Thailand Securities Depository Company Limited

Major shareholder whose behavior can influence when determining policy or handling operation, are

1. Intouch Holdings Plc., major shareholders of Intouch Holdings Plc. as follows:

Name	No. of shares held	% of shareholding
SINGTEL GLOBAL INVESTMENT PTE LIMITED ^{1),2)}	673,348,264	21.00
ASPEN HOLDINGS LIMITED ^{1),3)}	625,251,960	19.50

1) As listed in the Report of the Acquisition or Disposition of Securities (Form 246-2) submitted to the SEC by Singtel Global Investment Pte. Ltd. and Aspen Holdings Ltd. on 17 November 2016.

2) Singtel Global Investment Pte. Ltd. (SGI) is an indirect subsidiary of Singapore Telecommunications Ltd. (Singtel).

3) On the list of shareholders provided by the Department of Business Development, Ministry of Commerce, as of 5 January 2017. Aspen Holdings Limited is incorporated in Thailand and 99.99% owned by Anderton Investments Pte Ltd., Singapore.

2. Singtel Strategic Investments Pte Ltd holds 23.32% directly in AIS. The shareholder of Singtel Strategic Investments Pte Ltd is

Name	% of shareholding
Singtel Asian Investments Pte Ltd*	100.00

* Singtel Asian Investments Pte Ltd is 100% hold by Singapore Telecommunication Limited (Source: Accounting and Corporate Regulatory Authority (ARCA), Singapore as of 26 January 2017)

Agreements between major shareholders and the Company concerning topics which affect the issuance of securities or management of the Company's operations.

- None -

Revenue Structure

Revenue structure from providing service & sales income in AIS group to the third party within 3 years

Service/Product	Operation By	% Holding of shares as at 31 Dec 16	2014		2015		2016	
			Million Baht	% Size	Million Baht	% Size	Million Baht	% Size
Mobile phone service								
- Mobile phone services and rental and call cente services	Advanced Info Services Plc.		26,708.27	17.88	7,466.95	4.81	413.61	0.27
	Advanced Wireless Network Co., Ltd.	99.99	94,478.94	63.27	117,370.25	75.60	124,922.33	82.11
	Digital Phone Co., Ltd.	98.55	27.19	0.02	3.69	-	-	-
	AIN Globalcomm Co., Ltd.	99.99	2,873.93	1.92	1,272.30	0.82	369.46	0.24
	Advanced mPAY Co., Ltd.	99.99	368.75	0.25	224.59	0.14	189.92	0.12
	Fax Lite Co., Ltd.	99.98	-	-	30.37	0.02	149.12	0.10
	Advanced Contact Center Co., Ltd.	99.99	3.90	-	3.52	-	1.30	-
- Construction income from the Agreements for operation	Advanced Info Services Plc.		600.26	0.40	63.59	0.04	-	-
Sub-total			125,061.24	83.74	126,435.26	81.43	126,045.74	82.84
Mobile phone sales								
	Advanced Info Services Plc.	8.38	0.01	0.19	-	-	-	-
	Advanced Wireless Network Co., Ltd.	99.99	15,877.15	10.63	23,736.29	15.29	23,197.03	15.25
	Wireless Device Supply Co., Ltd.	99.99	7,528.74	5.04	4,090.35	2.63	749.90	0.50
Total			23,414.27	15.68	27,826.83	17.92	23,946.93	15.75
Data network and broadband service								
	Advanced Datanetwork Communication Co., Ltd.	51.00	24.40	0.02	3.60	-	3.46	-
	Super Broadband Network Co., Ltd.	99.99	786.18	0.53	883.63	0.57	595.62	0.39
	Advanced Wireless Network Co., Ltd.	99.99	-	-	127.12	0.08	1,558.12	1.02
	Advanced Internet Revolution Co., Ltd.	99.99	42.96	0.03	-	-	-	-
Sub-total			853.54	0.58	1,014.35	0.65	2,157.20	1.41
Grand Total			149,329.05	100.00	155,276.44	100.00	152,149.87	100.00

Remarks:

1) Advanced Datanetwork Communication Co., Ltd is an indirect subsidiary.

2) Advanced Internet Revolution Co.,Ltd. has finished a liquidation process om 19 October 2015.



Industry Conditions and Competition in 2016 and Trend in 2017

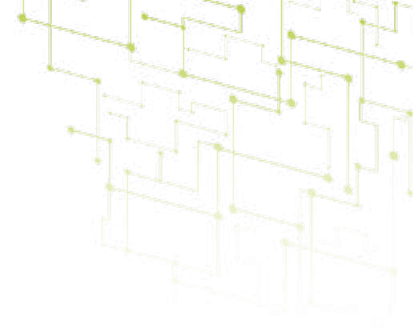
The competition in mobile market in 2016 was more competitive than in 2015 as the operators accelerated their network investment and tried to build differentiated 3G and 4G network quality. This increase in competition was manifest through the launches of new packages in conjunction with various marketing campaigns and advertising campaigns aimed at enhancing consumer perceptions through mass media and online channels. Claims of faster speed and wider wider 4G coverage were made by operators in order to strengthen their brand position in response to the wider availability of 4G-handsets and increasing demand for mobile data.

With each operator developing a stronger network, the competitive focus in 2016 was both to retain existing subscribers as well as to acquire new customers. The marketing campaign were mainly focused on handset subsidies, including the offer of free handsets and discounted smartphones bundled together with price plans. Existing subscribers were also offered a retention program with a special package when registering for a new number. With accelerating demand for the use of mobile data, the attractiveness of data packages played an important role for customers when selecting an operator. This resulted in a wider range of more complicated packages in response to each target group, such as packages designed specifically for entertainment, for social media, for multiple devices, and for sharing with family members.

Regarding the pricing structure, in 2016 operators introduced limited data packages to the market as an alternative to the unlimited data packages already available. Due to their larger data allowance and faster speed from 4G, the limited packages allow customers to enjoy a better experience when using content that consumes a high volume of data. To encourage adoption of the new pricing structure, operators have been educating customers on the benefits of using the limited packages, which will enhance the customer experience and align with the cost of providing services borne by the operators.

The competition in the fixed broadband market was also more intense in 2016 following the launch of AIS Fibre in 2015, which caused the incumbents to adjust their strategies to preserve their subscriber base. The existing technology of ADSL, which utilizes copper lines for transmission, has begun to reach its service limitations. Fibre technology is better able to respond to the changes in customer behavior of connecting at home and requiring higher speed connections to consume HD content. Therefore, the FTTx has become the first choice for customers who are installing fixed broadband at home for the first time as well as for those who are looking to upgrade from ADSL. As AIS Fibre focuses only on the FTTx with expanded service coverage, AIS Fibre achieved the net addition market share of approximately 40% in 4Q16. The incumbents have also started to upgrade to fibre and offer packages with higher speed at the same price. Today, customer can have a 20Mbps download speed on an FTTx service at home starting from only 590 baht per month. Fixed broadband providers currently contract their customers for one year and offer discounts for customers who transfer in from another operator. Bundled services also provided more value-added choices for customers such as a package discount for existing mobile customers and various contents from the box installed at home for free.

Due to the improvement of both wireless network and wired fixed broadband service, the telecom industry has extended into the development of new forms of digital contents. In 2016, the popularity and development of social media such as Facebook, LINE, and Instagram continued to enable customers to experience new content and applications. Mobile operators have been increasingly cooperating with a variety of content providers to explore new revenue-sharing models, such as investing in startups to create content-on-demand for specific customer groups. Video content continued to be extremely popular, while mobile payments started to take off, supported by the government policy of PromptPay service.



Industry Trend in 2017

In 2016 mobile operators focused on expanding their 4G and 3G network in order to respond to the growing consumption of internet consumption of mobile internet. As a result, there was a higher level of investments in this area than in previous years. Operators also have commitment to pay for the 1800MHz and 900MHz licenses until 2020. Accordingly, we expect that the industry will tend to focus on better revenue generation and profitability in 2017, including the softened handset subsidies and more segmented pricing. Differentiations in network quality will continue to be key areas of improvement, particularly in terms of experience of usage and easier access to a wider variety of products and services. The industry growth is expected to be in line with the country's GDP, supported by continually by increasing hours of data usage per person per day and the growing smartphone penetration.

The fixed broadband market is also expected to grow further in 2017 as the new lifestyle choice of customers to live digitally and to stay connected at all times becomes more predominant. Fixed broadband providers will continue to compete on the speed of connectivity while also expanding their service coverage areas.

Moving forwards, digital content will continue to play an increasingly important role in people's lives. The government

has announced the "Thailand 4.0" business model in which supports innovation and creativity in product and service development as well as a transition from manufacturing-based to service-based business. Video contents will continue to be the key growth area along with the higher mobile and fixed broadband penetration. At the same time as mobile online payment service and e-commerce offer a more convenient way for customers to pay bills and to buy and sell their products, they will also grow in popularity. The online channel will increase the variety of choices for customers since both large and small businesses can access to the online marketplace. We also believe that an increasing numbers of enterprises will turn to Cloud storage as a more efficient means of storing and accessing the larger volumes of data involved in their business operations.

Some other key external factors in 2017 that could play important parts for the industry include an expected announcement of the new Frequency Allocation Act, the likelihood of an election toward the end of 2017, as well as economic outlook. The Company shall communicate with our shareholders on a quarterly basis to provide updates on the proper strategies we will adopt in response to these and other externalities as and when they emerge.



Business Direction over the next 3–5 years

Transform to be leading digital life service provider for Thais

Today's world has clearly transformed to digital with continuous changes in Thai telecom industry. It was driven by the changes in consumer behaviors that are beyond basic needs of point-to-point communication. Consumers now want to have always-on internet connection to get access to communication and information around the world, as well as use a wide variety of digital contents including news, entertainment, mobile banking and other applications.

AIS is well aware of the trend and understands that only telecommunication service will not be comprehensive to meet most customer needs. AIS has set a clear vision to transform to be “Digital Life service Provider” in response to growing needs and lifestyle of customers in digital era. Moreover, AIS is committed to providing services that can lift up the standard of living for Thais including services in multimedia content, health, education, agriculture and work efficiency improvement. With more than 26 years of experience, expertise and strong foundation, AIS continues to provide services in three main businesses, including mobile, fixed-line, and digital service businesses.

Mark a leadership in mobile broadband, led by network and service quality

Today the behavior in using mobile phone has shifted from the main use in voice call to rapid growth in mobile internet. Mobile applications can facilitate connections and make it more efficient. Also, the popularity of high-speed 4G and higher smartphone penetration encourage better and faster use of contents and communication. Today, majority of AIS' customers are using smartphones and 29% of the customer base adopt 4G handsets. The growth of mobile internet is also supported by the government's policies to enhance digital administration to lift up standard of living, mainly supported by telecom services.

Mobile network, which is the foundation of mobile phone service, hence must be of high quality to support user demand. AIS is committed to the development of network quality, stability and reliability by our team who has expertise in network design and innovation. We continue to expand network coverage to reach various areas, especially 4G that we are investing for more expansion in the next couple of years, as well as capacity enhancement for 3G to support more usage.


With the advancement of technology, customers have more sophisticated demands, such as Ultra HD video content, virtual reality, augmented reality and Internet of Things (IoT) connecting various devices in daily life, e.g. mobile phones, watch, car and electronic appliances. These needs will be supported by new technology standard. 5G is expected to be developed for commercial standard in 4–5 years. It is important for AIS to be prepared for the upcoming trends, with sufficient spectrum and network quality as keys to success.

The key differentiation for AIS to mark leading position is service excellence that is essential for retaining customers and generating sustainable revenue. AIS places high priority in improving service standard to meet customer demand in digital era. In order to transform our selves, AIS has brought technology to facilitate work processes, such as data gathering, data processing, and analysis to better serve customers with digital tools. Today, AIS remains top of customer's mind by offering privileges that can be customized and suit their lifestyles.

Step up in fixed broadband business, aiming for converged services

Residential internet broadband has become more important to customers following the trend of always-on connection. Also, ADSL technology has become outdated, and has technical limitation in speed and reliability. Therefore, customers are looking for new internet broadband service that is more efficient. According to the NBTC, internet broadband penetration by household is expected to reach c.33% or approximately 7 million internet broadband subscribers at the end of 2016. The statistics show growth potential from untapped market by locations, which is an opportunity for AIS to provide fibre internet broadband service leveraging our nationwide mobile fibre network.

Last year was the early stage of AIS Fibre and we had quick expansion because of solid foundation and improvement in sales, installation and after-sale service teams, as well as financial support. AIS maintains its focus on the target to gain significant market share within 3 years mainly by customer acquisition strategy for both new and experienced ones. Investment in the expansion of service coverage is also important. We are expanding to more locations in city areas and key provinces in Thailand to reach



more customers. We will also offer attractive marketing campaigns, competitive pricing and digital content on AIS PLAYBOX platform. It is expected that this broadband business will have good growth potential, generate new revenue for AIS and support our core mobile business, aligning with the vision to be a digital life service provider for Thais.

Build innovation in digital content for consumers and business customers

During the digital transformation, smartphones and tablets has become more popular and more accessible due to smarter functions and affordable prices. More mobile applications are created to respond to customer's lifestyles along with more attractive data price plans. These factors shifted consumer behavior to gear towards more usage of digital contents, encouraging the creation of wider content variety.

AIS realizes the importance of digital content as our new and quality revenue generator that can increase the use of internet via mobile and residential platforms. AIS focuses on five key areas, namely video, game, mobile banking, cloud and M2M. The main strategy is to develop platform and connect with content developers, creating growth together with partners. We also expand service platform to cover more segments, from individual customers to corporate segments.

Video and game are contents that customers are familiar with and start to use more. AIS aims to select wider variety of contents, especially exclusive ones for AIS customers on AIS PLAY and AIS PLAYBOX. As for mobile banking, AIS is expanding mPay by acquiring more users and more merchants. Furthermore, AIS provide cloud services for individual customers and more expands to corporate segments with AIS Cloud for Business. The service aims for business customers who opt for cloud computing instead of large investment on their own IT systems. M2M will also help penetrate corporate segment with customized solutions suitable for their needs.

Balancing for stakeholder's best interest, creating sustainable growth

AIS believes in eco-system in telecom industry that integrates competencies among partners to serve customer's needs. This will encourage sustainable growth for AIS and partners. Developments for human resources and internal structure are also essential for changes in digital era. Our culture is to cultivate active working style and creativity to cope with upcoming changes. Fair compensation, training and development in digital areas are provided in order to retain competent staff in a long-term. AIS also has succession plan to ensure smooth transition.

In 2016, AIS was included in Dow Jones Sustainability Indices or DJSI in Emerging Market for the second consecutive year. We are determined to improve for sustainability with a well balance of economic value and other stakeholder's benefits. AIS can generate performance growth, create stable returns to shareholders, as well as harmonize with society without causing negative impact to environment. These are sustainable drivers for AIS and support us in transforming to leading digital life service providers for Thais.

Products and Services

Today the use of mobile phone has become broader along with the improvement of modern technology which brings greater connectivity at high speed while inexpensive smartphones are widespread and more variety of digital content and applications are available. Mobile data consumption has been rising rapidly, and substitutes the use of voice service. Over the past year, AIS also expanded into residential fixed broadband service and digital contents with an aim to better serve the needs of customers in digital era.

The three main businesses of AIS are explained in detail below.



1. Mobile phone business

AIS currently provides mobile network service using 2G, 3G and 4G technology on 2.1GHz, 1800MHz and 900MHz spectrum. These services support 41 million mobile subscribers of which 34.6 million are prepaid and 6.4 million are postpaid. In 2016, AIS expanded its 3G base stations to 51,200 covering 98% of population, and 4G base stations to 42,100 covering 98% of population.



Prepaid service Customers using prepaid service make an advanced payment (pre-pay) to use the mobile service and can top up the amount through a variety of channels such as AIS shop, mPAY application, banks, ATMs and convenience stores. When money is added, customers can select and use the services that most suit their behavior from various packages under AIS 1-2-Call! brand. In general, when the prepaid SIM is registered, customers can choose a main package that includes voice and internet with AIS WiFi, or NET SIM that provides only internet for devices such as tablets. The third option is a package for voice calls only, which has different price plans for usage on AIS network or others. In addition, AIS offers special voice call packages for the audio and visually impaired.

Postpaid service Customers using postpaid mobile services are billed after use, at the end of each payment cycle, which is considered to be convenient for those who are willing to commit to a monthly plan. Similar to the Prepaid, Postpaid packages can be selected from a bundled pack (voice plus data and WiFi), an internet-only package or a voice-only package.

Apart from the main prepaid and postpaid packages, customers can buy on-top packages to extend service usage and control their spending limits. On-top packages include adding minutes, internet usage, internet speed, are either one-time or recurring. A variety of channels are available for customers to purchase the packages, including USSD code, eService, AIS Online store and other applications, such as AIS App and LINE.

New packages and SIMs in 2016

AIS focus to provide personalized products and services for customers. We study and analyze customer behavior in order to develop innovative prepaid and postpaid packages that are suitable for efficient 4G usage.

Postpaid service

4G Max Speed

This is designed and developed for customers who needs high speed mobile internet, suitable for HD video, multimedia and other digital contents. 4G Max Speed package provide customers with data allowance at 4G speed; more allowance than unlimited data packages at the same price points. When the data allowance reaches the limit, the customers need to buy on-top package to continue using the internet. Moreover, 4G Max Speed provides Multi SIM service, allowing customers to use mobile internet on up to five devices within one package



iEntertain Non-Stop

This innovative package target the new generation who use mobile internet to enjoy various entertainment contents, including video clips, movies, digital TV and music. This package offers non-stop and dedicated internet for popular entertainment applications including AIS Play, Youtube, JOOX, Atime Online, Coolism and Seed, for customers to enjoy anywhere, anytime.

Prepaid service

Super Play SIM

In August 2016, AIS launched a new prepaid SIM called “Super Play” to maximize 4G internet capability, for streaming VDO and other multimedia contents. The special offer of this SIM is 1GB per week allowance of YouTube and AIS Play for 52 weeks or one year. It also includes unlimited music through top application ie. Joox, Seed, A Time and Coolism.



EASY FREE NET SIM

In September 2016, AIS launched new prepaid SIM called “EASY FREE NET”, which is the first and only SIM in Thailand that allows users to surf net at no charge, anywhere anytime, non-stop at 64 Kbps speed. This product was designed for attracting non-internet users or beginners to conveniently access mobile internet. Customers can use the internet without worrying about extra charges and use voice call at very low price anytime.

Apart from packages and SIM for voice and data services in prepaid and postpaid segments, AIS also launched

campaigns for a wide variety of good quality phones at value price, especially smartphones that became more popular along with the increase in mobile internet usage.

AIS Super Combo

AIS offers various models of quality smartphones at reasonable prices under the brand Super Combo LAVA, which is a special partnership between the device manufacturer and AIS, targeting at prepaid segment. The campaign offered 3G/4G phones, as well as new ones that support 4G VoLTE HD Voice.

Please visit www.ais.co.th/supercombo for more information on LAVA brand products.

AIS Hot Deal

AIS offers varieties of well-known smartphone brands with special offerings and discounts targeting for new and existing postpaid subscribers, including port-in (customer moving service from other operators while carrying same phone number) and customers who want to switch service from prepaid to postpaid.

Please visit www.ais.co.th/hotdeal for more information on the campaign.



International Roaming and International Direct Dialing services

AIS also provide international roaming services for AIS customers travelling abroad to use mobile services for voice calls and data by roaming abroad on our partners' network, without changing SIM and number. AIS has agreements with 232 international operators in all continents, covering 464 networks to provide International Roaming services. For international roaming on 4G networks, AIS partners with 140 international operators in 82 countries. We also provide international direct dialing (IDD) services for international call from Thailand to more than 240 foreign countries

In 2016, AIS has launched a new, great saving roaming package, “Roam Like Home”, offering unlimited calls to Thailand and local calls together with non-stop data roaming in the same package in 40 popular countries. This package provides worry-free roaming experience of both voice and data roaming to AIS customers without changing phone number.

Moreover, AIS has launched SIM2FLY products to compete with overseas local prepaid SIM and pocket WiFi which offer alternatives to international roaming products. Customers can choose packages with different duration and usage volumes according to their needs. The SIM can be used in many popular destination countries in Asia, Europe and America, providing convenience and good value to customers. SIM2FLY can be bought in Thailand before traveling and used upon arrival at destination.



2. Fixed Broadband Business

AIS provides high-speed internet services through a pure fiber optic network as Fibre to the Home (FTTH) and Fibre to the Building (FTTB), under the brand “AIS Fibre”. The service aligns with our focus to lead in Digital home service infrastructure, responding customer demands in speed and stability for internet users. The service is bundled with AIS PLAYBOX, the set top box for home entertainment.

In 2016, AIS Fibre had 301,500 subscribers with service coverage in 28 provinces, namely Bangkok, Nonthaburi, Pathum Thani, Samut Prakan, Nakhon Pathom, Samut Sakorn, Chonburi, Khon Kaen, Udon Thani, Nakhon Ratchasima, Chiang Mai, Phuket, Pra Nakhon Sri Ayutthaya, Rayong, Ubon Ratchatani, Buriram, Nong Khai, Chiang Rai, Phitsanulok, Surat Thani, Songkhla, Saraburi, Surin, Ratchaburi, Sakon Nakhon, Mahasarakham, Narathiwat, and Nakhon Si Thammarat. Moving forward, AIS will continue to expand service provision with the aim to become a significant player in the next three years.



AIS Fiber packages offer three types of package designed to fulfill different needs of customers:

PowerHome Package: targeting home use. Benefiting from an upload speed, this package supports general use such as web surfing, social media, online games, photo upload and download, video streaming, YouTube.

PowerPRO Package: targeting home use or SMEs that require a dedicated access and speed to increase work efficiency particularly during peak hours. The package also connects with larger international bandwidth to allow faster speed.

PowerBiz Package: targeting enterprise users who need internet for business functions. The outstanding feature is IP service for installing a server, which provides access to a range of business services via high-speed internet, such as teleconference with full HD quality and speedy aftersales services, to ensure business efficiency.

Products and services in 2016

Dorm Net (Net Hor)

“Dorm Net by AIS Fibre” was the first innovative prepaid fixed broadband service launched in Thailand targeting college students living in dorms near campuses.

Partnership with property developers

AIS Fibre partners with property developers, such as Property Perfect PLC., N.C. Group, D'Well Grand Asset Ltd. and MK Real Estate Development Plc. to provide hi-speed internet infrastructure ready for customers in their projects.

3. Digital content business

Beyond providing network service, AIS also offers various leading value-added services to encourage the market growth, including Calling Melody, e-Book and other services in collaboration with partners.



With an enhance capability of network technology such as 3G, 4G and Super WiFi, along with higher smartphone penetration, digital services and digital contents are becoming a key focus to better respond to customer lifestyle. Our focus is on the five key areas: video, game, mobile banking, cloud and M2M.



Video

AIS sees the importance of platform for customers to enjoy a variety of video contents, ranging from movies, sports, to karaoke. Apart from AIS PLAYBOX, which is a set top box for home entertainment, in 2016, AIS also developed AIS PLAY application, a digital content platform on mobile to enjoy anywhere, anytime. We partner with content developers to provide a wide variety of exclusive contents, such as live concerts from GMM Grammy as well as Olympic and Paralympic Games with more selections than free TV broadcast.

Gaming

AIS partners with game developers to provide gaming contents for customers and develop payment channels through direct carrier billing and AIS One-2-Call! top-up cards.

Mobile banking

Mobile banking services are also developed to enhance the convenience of money transfer through AIS mPAY application on mobile phones. In 2016, AIS also launched “AIS mPAY MasterCard”, Thailand’s first prepaid MasterCard for secure online shopping.

Cloud service

In 2016, AIS launched “AIS Business Cloud”, all-in-one service for corporate clients ranging from data center, Infrastructure-as-a-Service (e.g. virtual machine, backup storage, network security), Software-as-a-Service (e.g. Office365, Mobile Threat Prevention App, Enterprise Storage Box), managed cloud service, and professional consulting service. It responds to the trend of businesses in Thailand using cloud computing to improve competitiveness. AIS provides world-class standard facilities and security to support all sizes of businesses. We also partner with international suppliers to strengthen our cloud service.

Machine-to-machine or M2M

AIS’ M2M is marketed in a wide range of businesses, e.g. logistics, finance and banking, utilities, through a partnership with leading suppliers to facilitate M2M management for our customers.

In content development, especially new applications, AIS continue to encourage startups with “AIS the StartUp CONNECT program”. Startups from all over Thailand can submit their ideas online. Upon evaluation process, teams will be considered to co-work with AIS using our strength in network technology and other enablers, such as payment and billing system, as well as an access to prepaid and postpaid customer base.



Distribution Channels

Distribution channels are the strategic support for AIS in providing customers with access to our products and services nationwide. AIS maintain in good relationship with our distributors by developing sustainable business with existing partners, as well as finding new strategic partners to strengthen our network. To respond to the changing in customer behavior, AIS has set up various channels to meet the needs of different market segments. Today, 97% of all AIS distributions are handled by qualified partners who have good business potential and are capable of providing good care to customers.

The criteria for selecting partners are based on their locations, performance track record and financial status. Also, regional distributors must be familiar with local market and perform well in order to provide reliable services to customers.

AIS partners in mobile business can be categorized as follows:

1. AIS Shop

AIS expanded AIS Shop to reach more customers across a wider coverage area. Service processes have also been improved to increase efficiency, while shop interiors and product displays were redesigned to enhance customer experience. In 2016 we expanded AIS shop to 130 locations including 43 AIS Shops by partner, run by selected high potential partners. These partners will help AIS reach more customers by offering the same sales and service standards as at AIS Shops. Staff selection and training processes were developed by human resource management and training team from AIS in order to achieve the same standards at each location.

2. Telewiz shop

AIS has over 100 Telewiz partners, with more than 430 Telewiz and Telewiz Plus branches throughout the country. They are authorized to distribute AIS goods and services, postpaid subscription, payment service, and other general services. Apart from sales revenue, Telewiz partners also receive incentive from AIS mobile registration and supports for marketing activities. AIS will ensure quality and standard of

services by setting terms and condition, as well as providing operational guidance, such as selecting and developing outlets, and supporting in sales promotions. In 2016, AIS selected Telewiz 20 branches to join “Telewiz-Uplift” program to raise the quality by emphasizing on the development of sales and service, higher standard before transforming to “AIS Shop”.

3. Advanced Distribution Partnership or ADP

The Advanced Distribution Partnership (ADP) is selected from agents who demonstrate significant distribution potential in their target market and maintain a healthy financial status. ADP agents are particularly experience in wholesale distribution and local marketing.

4. AIS Buddy

AIS Buddy is selected from high potential “Advanced Retail Shop” (ARS) located in strategic area in each province. AIS Buddy provides sale and services of AIS including mobile service subscription, mobile number port, and bill payment, almost similar to Telewiz Shop. In 2016, AIS expanded AIS Buddy to 1,100 branches and aim for more in the future. In responding to the expansion of AIS customer base, AIS has developed mobile application, called “AIS Easy App” to improve capability and efficiency of AIS Buddy.

5. Advanced Retail Shop or ARS

Advanced Retail Shops are the key outposts that distribute goods directly to our customers. There are currently over 22,000 ARS shops across the country designed to reach customers in remote locations, and this number is continually growing as our reach further expands into local communities. In 2016, AIS also uses “AIS Easy App” to improve capability and efficiency of ARS to serve more customer needs.



6. Key Account and Modern Trade outlets

AIS distributes a variety of goods and services, including prepaid and postpaid subscription, bill payment, prepaid refill, through the large chain stores and retailers who have nationwide distribution. These include Jay Mart, TG, Bangkok Telecom, CSC, and various modern trade retailers, such as Tesco Lotus, Big C, Power Buy, and 7-11. In addition, IT retail outlets such iStudio, IT City and Advice IT also offer AIS sales and services. In total, AIS is partnered with more than 50 major dealers, providing over 10,000 locations nationwide. To enhance sale efficiency and promote brand awareness, we also have 350 sale promoters recommending AIS products and services at these retail locations. In 2016, AIS cooperated with three iStudio dealers which include SPVi, Copper wire and Uficon, aiming to integrate experience of AIS as an operator and retailers' expertise to provide the best experience to Apple customers

7. Direct Sales Channels

To ensure our customer reach to target segment, we have a number of direct sales marketing our product and services directly to target groups. This has been achieved through our partnership with selected agents who have shown the capacity and expertise locally. This helps supporting the future growth and expansion of our business. The direct sales team also has access to "AIS Easy App" which help them in selling, registering and providing services to customers more conveniently and faster.

8. Electronic Distribution Channels

AIS encourages its agents to provide an electronic top-up for prepaid refill to improve customer convenience. We also provides several electronic top-up channels, such as automatic top-up machines, ATMs, mobile banking, and mPAY. AIS currently offers electronic top-up at over 500,000 points across the country and the electronic transaction is accounting for over 80% of all top-ups. This has helped reduce the costs of producing physical pre-paid top-up cards.

Distribution channels for fixed broadband business

Due to the rapid growth of AIS Fiber, distribution channels are an area of importance that we strive to prioritize. We focus on managing channels efficiently so that we can offer our services to customers in Bangkok and other provinces, to support the expansion of the AIS Fiber network in the future.

In 2016, main channels for customers in service coverage included AIS Shop and 440 Telewiz shops in 28 provinces, as well as authorized dealers and direct sales agents to reach more customers. In 2017, AIS will expand its distribution channels for better efficiency, by focusing on online channels, including websites and mobile applications, to communicate with and accommodate customers with convenient processes, such as application, and service status check.

Customer Relationships, Experience, and Service Management

At AIS we commits to deliver the best customer experience which is also a key element to our brand perception and at the forefront of customer satisfaction. To mark the clear leading position in customer relationships and service management, in 2016, AIS continued AIS LIVE 360° concept with a campaign called **"The best service from the heart. To be number 1 in service"**. We deliver services and privileges, especially for customers in 4G era, with technology thoughtfully designed for uplifting service standard. The key strategies are as follows.

- 1) **The fastest** AIS has been awarded the operator with the fastest response on Pantip.com social media
- 2) **The most convenient** with a variety of self-service channels
- 3) **The most high-tech service** utilizing new technology in delivering service
- 4) **The most variety** with a host of privileges fulfilling all 360 degrees of customers' lifestyles. Customer service experience at AIS runs through several programs and service platform. The key service channels are explained below.

1. AIS Call Center

AIS Call Center is an important service channel that can be easily accessible by customers via the phone numbers 1175 or 1148 for Serenade customers, as well as online access. AIS Call Center agents provide services in answering questions, troubleshooting, giving advices and selling packages. Currently, AIS has 4 call centers in 2 provinces with 2,700 agents. The new facility of **“AIS Contact Center - Development & Training Arena”** in Nakorn Ratchasima province is being constructed and expected to be opened by the third quarter of 2017. With the new office, AIS Contact Center expects to create jobs for local people of over 1,000 positions, to support 50% of all inbound call volume, and to serve as a development and training center as well as relationship center for companies in the subsidiaries, internal business units, and partners. Furthermore, **“1185 AIS Fibre Call Center”** has been newly established to serve the AIS FIBRE's customers, the latest high speed Internet service on pure optical fiber. Highly competent staffs with IP knowledge and digital skills of more than 120 persons are serving as contact agents. In addition, customer contact via **Multimedia Channels**, namely social media, email, **“Ask Aunjai”** virtual chat agent, increased by 54% from last year. The agents for channels, therefore, have increased from 80 to the target of 160 agents in 2017. In addition, **“Ask Aunjai,”** the virtual chat agent, has been enhanced further with Artificial Intelligent Agent (AI) technology, in order to provide the answer on AIS products and services as well as to chat with customers with more variety of topics and questions. Moreover, **Customer Track & Trace** function has been developed to provide more convenience for customers to follow up with their issue easily via Interactive Voice Response (IVR) and to receive SMS informing the status automatically. The follow up issues via self-services includes network or Internet usage difficulties, statement copy request, etc.

With continuous improvement in all dimensions, Advanced Contact Center was awarded **“The Best Employer Thailand 2016”** from Aon Hewitt; **“The Fastest Response Brand on Pantip”** from Thailand Zocial Awards 2016, with more than 17,383 topics with 32.5 minutes handling time each It was



also awarded **“The Best Innovation [Honorary Mention] 2016”** as the best innovation from Crest Award, the Philippines; and **“The Best Customer Self-Service Innovation Award 2016”** from AVAYA, a leading business communication software, in AVAYA Technology Forum, Thailand.

2. AIS Shop

AIS Shop is another service channels that customers can conveniently do transaction, register SIM, pay the bills, seek for solutions and advices, as well as buy mobile phones and packages. Currently, there are 130 AIS shops and expected to expand to 160 shops in 2017. AIS Shop also deployed new technology to enhance services, while uplifting to be Digital Shop. First of all, AIS is the first operator that officially launched **“Service Mobility”** allowing the staff to move around and serve customers with tablet freely at any corner of the shop with more engagement while providing consultation. Secondly, the competency of AIS Shop staff has been continuously raised, with staff certified as **“Digital Guru”** increased by more than 30% this year to support customers in the digital era. AIS Shop now has **“Device Guru”** and **“Device Advance”** staff of up to



955 persons. Thirdly, AIS Flagship Store at Central West Gate has brought in Interactive Magic Wall, 3 x 6 meters wall for customers to play games and interact with new technology. Moreover, AIS flagship stores at Central World and Central Pinklao have launched AIS Hyper Reality Experience, another step of virtual reality (VR), the best technology of the future. Customers can interact with the whole body, not only wearing VR gear, via games, movies, and the new hyper reality experience for the first time in Thailand.



In addition, self-services capabilities have been enhanced with Service Kiosks, equipped with new function such as Prepaid-to-Postpaid Conversion, Mobile Number Portability to AIS, Subscription/Change of International Roaming/IDD calls, and more to come, now serving with 80 kiosks nationwide. The Payment Kiosks have also been expanded to more accessible locations for customers e.g., new department store, new BTS and MRT station, etc., now serving with 300 kiosks nationwide.

Other services for AIS customers

AIS also has customer service campaigns for retention and delivering best experience for our customers. The key campaigns are described below.

AIS Privileges

AIS continues to provide AIS Privileges with more than 15,000 participating stores, including dining, shopping, entertainment, transportation, traveling, as well as smartphone discount with valued packages.



AIS Rewards

“AIS LIVE 360 Gold Luck Year 8” program was continued with quiz on TV show for a chance to win gold worth up to 15 million Baht.

AIS Points

Customer's service usage can be traded as AIS Point for rewards of free call, free Internet, free dining, free movies, and other privileges.



AIS Experience

AIS continued to offer superb experiences with special trips. In addition, we also continued to expand the Eat Free campaign (“Mue Nee Fin, Wan Nee Free”) for customers to enjoy free local food nationwide.

AIS Serenade

AIS Serenade is a customer relationship campaign for retaining customers who have consistent monthly spending at specified levels: Platinum, Gold and Emerald. Customers in Serenade program are offered privileges that suit their lifestyles. For example, Serenade customer can contact Call Center at the dedicated phone number 1148, be serviced at Serenade Clubs and Serenade Personal Assistant, receive birthday gifts and discounts, as well as use exclusive parking space at many shopping malls.

Throughout the 12 years, AIS has been the first provider leading with special services and privileges to the customers. Customized offers that truly fulfill customers' need is only possible with insight of their behaviors and lifestyles in order to craft out and deliver services that match each customer segment, and to go beyond to personalization for top-notch services that create sustainable customer engagement. Customer Satisfaction in the first quarter of 2016 is as high as 88%, with continuous Net Promoter Score (NPS) all along. This is a proof of achievement from AIS Serenade program for special customers. AIS is the operator who differentiates customer service and privileges in Thai telecommunication industry.

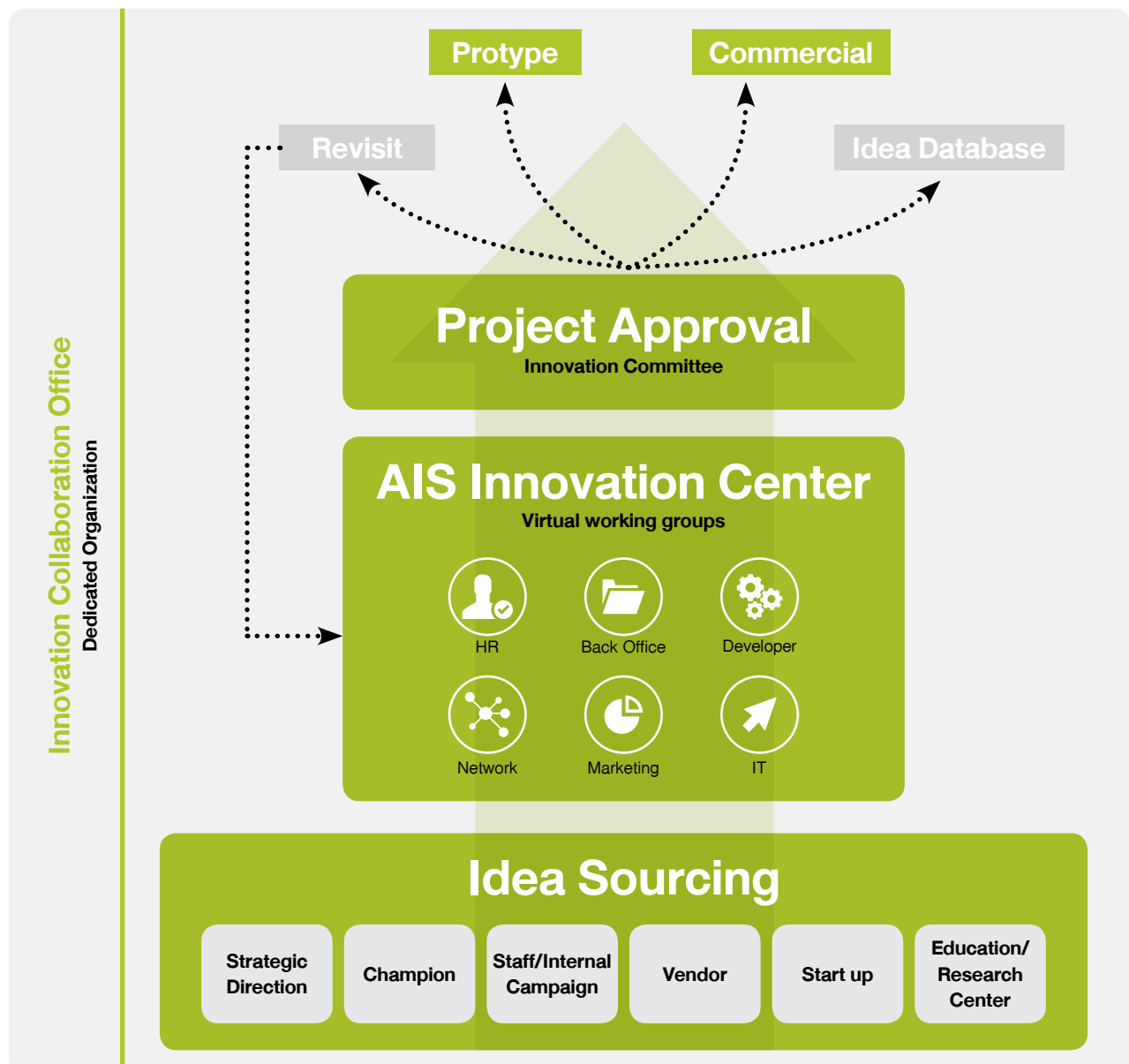


AIS Research and Development and Innovation Projects

AIS Innovation Framework

AIS spent around 50 million Baht on research, development and innovation in 2015. This focus on such cost-effective operations arises from an emphasis on cooperation with potential business partners.

The “AIS Innovation Transformation” project was launched in 2015 with the aim of keeping track of and collecting data on all of AIS’s innovation projects in a manner that is both systematic and facilitates promotion of the innovative culture throughout the organization. Previously, AIS’s innovation projects had been scattered across various responsible departments. The AIS Innovation Transformation project supported the aim of developing AIS into an innovative organization by encouraging its employees to develop innovations and contribute to increasing the Company’s competitiveness and creating opportunities to gain new forms of revenue. The operations under the AIS Innovation Transformation project are as follows:





The operational framework for innovation is driven by the Innovation Collaboration Office which covers the aspects listed below:

1. **Idea sourcing** derives from an internal source or an external organization including partners, universities and government agencies.
2. **Idea selection** involves improving, testing and conducting preliminary experiments for a feasibility study under the AIS Innovation Center.
3. **Idea presentation**, after an idea has been tested, must be presented to the Innovation Competitive Development Steering Committee which is comprised of executive management from various departments and chaired by the Chief Technology Officer (CTO). This committee is responsible for determining whether each idea should be adopted or further developed into an AIS product or service (Project Approval)

The AIS Innovation Center, which is the core of the Framework, is not only responsible for conducting feasibility studies and testing new ideas but is also the center of innovation at AIS. The working operations of the AIS Innovation Center are



carried out by a virtual working team, which is comprised of representatives from several departments in AIS, such as engineering, IT, marketing, customer service, etc. Although each team member has his or her own specific primary responsibility, they all come together to work in collaboration on the experimental study of innovation aspects. The joint study topics assigned to the working group are referred to as the 10 Labs as listed below:

- Radio Access Technology lab
- Telecom Network lab
- ICT lab
- Smart Agricultural lab
- Smart Home lab
- Smart Education lab
- Smart Health Care lab
- Smart Transportation lab
- Smart Energy lab
- Smart Retail Business lab

The AIS Innovation Center is not only limited to innovation projects that fit under the 10 labs listed above. It also provides support for any innovation projects that will improve the efficiency of AIS operations.

Example of AIS Innovations

1. **Product and service innovation** which will create new revenues for AIS

Project name	Digital Agriculture Platform Phase I
Explanation	The intermediary platform was built in order to facilitate connection between city people and farmers for trading. The project also focuses on building knowledge of the Internet of Things among the platform developers and users
Budget	2 million baht (2016 only)
Status	In progress

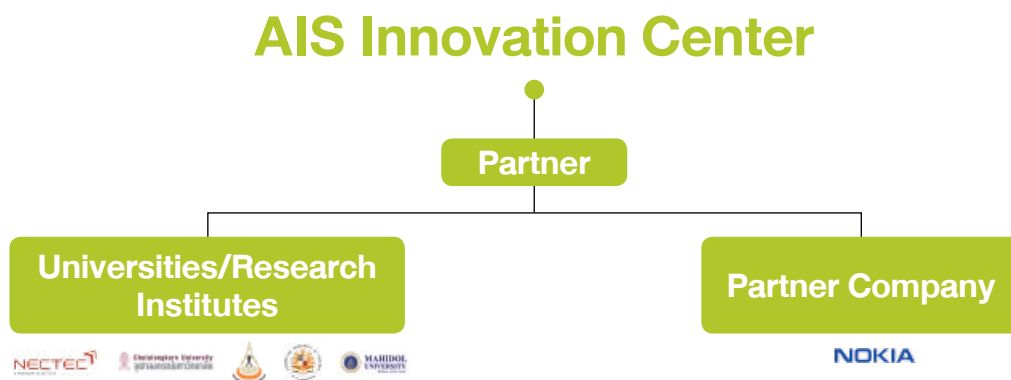
2. **Technology innovation:** the acquisition of new technology which is integrated into the friendly environment strategy for improving AIS service efficiency. The new technology has the potential to replace the existing technology, reduce operating costs, create greater competitiveness and also generate new service revenues.

Project name	SQream, fast SQL database to reduce HW footprint
Explanation	This project involves implementing an SQL database that incorporates new technology which can provide faster data analytics processing, reduce the hardware footprint, be more environmentally friendly, and be more cost-effective.
Budget	4.5 million baht (2016 only)
Status	In progress

3. **Process innovation,** which is more efficient and can replace the existing process. It can also reduce operating costs and create new service revenues or develop the service capability of AIS.

Project name	Equinox App Server
Explanation	A software platform solution that overcomes all complexity and incompatibility in the telecommunication system and software. This significantly speeds up the process of software and application development
Budget	40 million baht (2016 only)
Status	In progress

Cooperation with external organizations



Although AIS is an expert in telecommunication technology and has a number of employees with specialized knowledge in many related areas, this knowledge and expertise is confined to the level of technology users and limited to the areas of telecommunications and ICT only. In order to expand its ability to create a wider spectrum of innovations and diversify into other industries, AIS cooperates with external organizations as illustrated in figure 2 (above) and detailed below

1. **Cooperation with the expert business partners** will enable AIS to access new technologies, as well as benefiting from the partner's research and development with reasonable operating costs. At the same time, partners also gain benefits from AIS that include a new perspective and creativity in the digital lifestyle market to further develop their own products and trial them in a real environment with AIS customers. For example, the cooperation with Huawei, a leading provider of telecommunication services, through a Joint Innovation Center (JIC) project has been running since 2011. The cooperation is based on wireless communication technology under the Mobile Innovation Center (MIC). This success story involves "3G 2100MHz



6 Sectors" which was developed to support increased customer data usage traffic without the need to increase the frequency or the number of base stations. This innovation leads to savings in operating costs. Later in 2015, AIS and Huawei extended the cooperation to cover network technology under the Network Innovation Center (NIC) and Application and ICT technology under the Application Innovation Center (APIC) to create three main areas of cooperation. The sample projects cover a range of educational experiments, such as the development of new application servers for telecom core networks, which provide higher performance but a more simplified architecture.

2. **Cooperation with universities and research & development** institutions for the exchange of knowledge, especially in other industries. The expertise of AIS is limited to the telecommunications industry. Therefore, collaborating with researchers from universities and R&D institutions affords AIS the ability to access many research projects in diverse fields and the chance to develop new innovation products and services. At the same time, this cooperation provides universities and R&D institutions with the benefit of enhancing their research in the business sector by working in a real telecommunications business environment. They also receive funding support for their research. One example of such collaboration is a project named the "Internet of Things for Farms". AIS cooperates on this project with the Knowledge Exchange (KX) of King Mongkut's University of Technology Thonburi.

Activities within AIS to promote it as an innovative organization

In the year 2016, AIS undertook the following activities to encourage employee creativity and innovation, enhance performance, reduce operating costs and continue to develop new products and services for the Company:

1. **The internal "InnoLlympic" exhibition on innovation** was held with activities divided into two parts. The first part involved an exhibition that was open for all AIS employees to present their innovative projects. The aim of the exhibition is to inspire the employees to continue their innovative work as well as also providing a chance to see what some of their other AIS colleagues have done and an opportunity to share their ideas to improve efficiency across the organization. The second part of the event was a seminar session on innovation related topics, featuring both internal and external speakers. Approximately 1,000 AIS employees attended this event during its two days.
2. **A series of mini seminars under the name InnSpire Talk** provide an opportunity to put technological innovation in the spotlight in seminar sessions for small groups of employees who are interested in the topic. In the seminars, employees can interact with each other and the main speaker in discussions that can later develop into an innovation study group. This is a monthly event attended by around 50-100 participants.



Risk Factors

AIS has established a proactive risk management plan to ensure that the Company continues to be viable even in unpredictable situations. As such, AIS has set up the Risk Management Committee, comprised of senior executives and the Chairman of the Executive Committee. The committee meets on a quarterly basis in order to discuss and classify the risks to the entire organization and to set up a precautionary action plan to manage risks at an acceptable level. The aim of such measures is to ensure that AIS achieves its set targets and maintains the confidence of both shareholders and stakeholders. The Risk Management Committee submits the results of its risk management to the Executive Committee, the Audit Committee, and the Board of Directors every quarter. Further details of the risk management are shown in “Risk Management, Internal Control, and Internal Audit”, page 83.

In 2016, the factors which were identified as a risk to operational results are summarized as follows:

1. Risks from Regulatory and Government Policies

1.1. Risk from changes in government policies, rules, regulations and orders of regulators.

AIS operates under the supervision of The National Broadcasting and Telecommunications Commission (NBTC), the organization regulating the telecommunications business who has legal authority in issuing rules, regulations and orders to regulate the licensees. The rules, regulations, and orders issued in the future, such as fixing tariff structure and service fees, or issuing rules and measures for consumer protection, might reduce the Company's ability to generate profit and/or might increase the cost of the Company's services. Nevertheless, in any case in which the Company is of the opinion that such laws, rules, regulations and/or orders have affected the Company's rights, or the Company has been treated unfairly, the Company has the right to file a lawsuit against the NBTC to revoke the enactment including any claim for indemnification from a relevant organization. Furthermore, the Company, as a telecommunications service provider which is a direct stakeholder, would be invited to provide opinion and comment on the drafts of laws, rules, regulations and/or orders which will be issued for enforcement in the future. Henceforth, the Company would have the opportunity to raise our concerns or make comments, suggestions and/or oppositions if the

enactment of the laws, rules, regulations and/or orders is deemed to have seriously affected the Company's operations, or has been unlawfully conducted.

1.2. Disputes relating to excise tax

(1) Case between Advanced Info Service Public Company Limited (the Company) and TOT Public Company Limited (TOT)

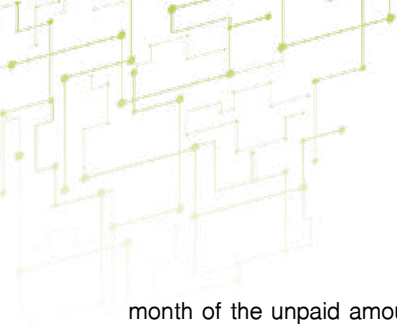
TOT submitted a dispute (Case No. Black 9/2551) to the Arbitration Institute, Alternative Dispute Resolution Office, and the Office of the Judiciary, demanding that the Company pay an additional share of revenue of Baht 31,463 million.

On 20 May 2011, the Arbitral Tribunal unanimously resolved to dismiss the dispute citing the reason which can be summarized as the Company had lawfully paid all due share of revenue. Therefore, the Company has not committed a breach of the agreement and the Company is not obliged to pay any additional share of revenue to TOT. Consequently, TOT has submitted an application to the Central Administrative Court to set aside the award of the Arbitral Tribunal. On 11 August 2016, the Central Administrative Court dismissed the TOT application to the Administrative court with the summarized reason there is no matter occurred to the court that the compliance to the Arbitrator resolution is contrary to public order or public morality thus there is no reason to revoke the Arbitrator resolution. Though TOT has appealed this judgment to the Supreme Administrative Court which may take several years.

If the Company loses this case, it may be obliged to pay TOT as demanded. However, the management of the Company firmly believes that this case shall reach a positive conclusion since the requested share of revenue amount is the equal to the amount of excise tax paid by the Company, which the Arbitral Tribunal had taken into consideration when unanimously deciding to dismiss the case.

(2) Case between Digital Phone Company Limited (DPC), a subsidiary of the Company, and CAT Telecom Public Company Limited (CAT)

CAT submitted a dispute (Case No. Black 3/2551) to the Arbitration Institute, Alternative Dispute Resolution Office, and Office of the Judiciary, demanding DPC, a subsidiary of the Company, pay an additional share of revenue of Baht 2,449 million under the Digital PCN (Personal Communication Network) Agreement, plus a penalty at the rate of 1.25% per



month of the unpaid amount for each year calculated from the default date until full payment totaling Baht 3,410 million is made. Such claimed amount is equal to the amount of excise tax DPC paid between 16 September 2003 and 15 September 2007, and was deducted from the revenue share calculations pursuant to the resolution of the cabinet on 11 February 2003 as is the standard practice of the telecommunications industry.

On 1 March 2011, the Arbitral Tribunal resolved to dismiss the dispute citing the reason which can be summarized as the original debt had been completely paid and settled. Thus, DPC has not committed any breach and CAT cannot re-claim the alleged deficit amount, including the penalty and the value added tax. Consequently, CAT submitted a request to the Central Administrative Court to set aside the award of the Arbitral Tribunal; On 28 July 2015, the Central Administrative Court decided in favor of DPC, by dismissing the complaint of CAT regarding the revocation of the Arbitrator's Decision on the ground that CAT sent the request letter to change the payment term regarding revenue sharing under the cabinet resolution and also accepted the remaining portion of such revenue sharing and also returned the bank guarantee to DPC as usual without any argument. In this regard, this Arbitral Tribunal's decision is resolved in accordance with the law and under Concession Agreement. This case is in considering of the Supreme Administrative Court.

If the Supreme Administrative Court revokes such Arbitrator's Decision, DPC may be obliged to pay CAT as demanded. However, the management of the Company firmly believes that this case shall reach a positive conclusion since the share of revenue demanded by CAT is equal to the amount of excise tax which has already been paid by the Company according to the unanimous resolution of the Arbitral Tribunal, which dismissed the dispute.

1.3. Dispute over revenue sharing from interconnection charges

According to the Telecommunication Business Act B.E. 2544 and the Notification of NTC regarding the Use and Interconnection of Telecommunication Networks B.E. 2549, the Company has the responsibility to enter into interconnection

agreements with other operators. The Company offered to provide remuneration to TOT for such interconnections, which was calculated from the net income according to the rate and calculating method of the Company. However, TOT required the Company to pay a share of revenue calculated from the gross amount of interconnection charges received by the Company at the rate specified in the Agreement without deduction of interconnection charges which the Company has to pay to other operators.

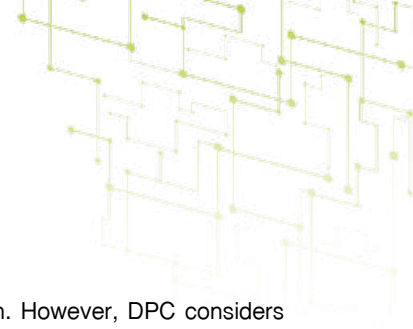
On 26 January 2011, TOT sent a letter demanding that the Company pay the share of revenue from the interconnection charges of the concession years 17-20 in the amount of Baht 17,803 million plus interest at the rate of 1.25 percent per month. However, the Company disputed the request and sent a letter opposing the said claim to TOT and submitted the dispute to the Dispute Reconciliation Office, Arbitration Institute (ref. no. Black 19/2554) on 9 March 2011 requesting the Arbitral Tribunal to award that TOT has no right to claim for such share of revenue.

On 29 July 2014, TOT submitted a claim (Case No. Black 55/2557) to request the Company to pay a share of revenue for years 21-22 in the amount of Baht 9,984 million. TOT had sent the letter dated January 20, 2016 to request the Company to pay a share of revenue for years 23-25 in the amount of Baht 8,368 million. The Company submitted a claim (Case No. Black 83/2559) on 23 August 2016 as well as submission to combine the three cases. At present, the case is pending consideration of the Arbitral Tribunal and may take several years to conclude.

If the Company loses the case, it may be obliged to pay TOT as demanded. However, the management of the Company firmly believes that the resolution of the Arbitral Tribunal will reach a positive conclusion for the Company since it has fully complied with the law.

1.4 Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company, and CAT Telecom Public Company Limited (CAT) regarding the reduction of roaming charges between DPC and the Company

DPC submitted a dispute (Case No. Black 27/2553) to the Alternative Dispute Resolution Office, the Thai Arbitration Institute, requesting the Arbitration Panel to set aside the allegation of CAT that DPC was in breach of the Roaming



Service Agreement due to the agreement between the Company and DPC was made without approval from CAT. As such, DPC terminated the agreement and demanded that CAT pay compensation of Baht 50 million.

However, CAT submitted a dispute (Case No. Black 62/2553) to the Arbitration Institute, demanding that DPC pay additional remuneration for concession years 10-12 in the amount of Baht 2 billion plus penalty calculated from April 2010. The penalty was incurred due to the reduction by DPC of the roaming charge rate between DPC and the Company from Baht 2.10 to Baht 1.10 during the period of 1 April 2007 - 31 December 2008 without CAT's approval. Furthermore, on 1 September 2011, CAT submitted a further dispute of the concession year 12 (1 April 2009-15 June 2009) to the Arbitration Institute, Alternative Dispute Resolution Office, and the Office of the Judiciary (Case No. Black 89/2554) for the amount of Baht 113,211,582.68. Later, the Arbitration Institute ordered that all three disputes be considered by the Arbitration Tribunal together and, at present, such disputes are pending consideration of the Arbitral Tribunal which may take several years to conclude.

If DPC loses the case, DPC may be obliged to pay CAT as demanded. However, the management of the Company believes that the ruling of the Arbitration Panel of this case shall decide in favor of DPC as DPC had informed CAT that it was applying a roaming rate of Baht 1.10 per minute in July 2006. CAT had then given its written approval of this rate for the period until March 2007 and had also given additional approval during the period of January 2009 to March 2009. In addition, CAT had never sent any refusal or objection to DPC during the disputed periods. The roaming rate is also in conformity with market conditions as approved by the NTC.

1.5. Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company, and CAT Telecom Public Company Limited (CAT) on tower and power supply ownership

On 3 February 2009, CAT submitted a dispute (Case No. Black 8/2552) to the Arbitration Institute, Alternative Dispute Resolution Office, demanding that DPC deliver and transfer ownership of 3,343 Towers including 2,653 units of Power Supply equipment under the terms and conditions of the Digital PCN (Personal Communication Network) Agreement. After DPC failed to do so, CAT demanded that DPC pay Baht 2,230

million to CAT as compensation. However, DPC considers that the terms and conditions of the Agreement do not cover any of the disputed telecommunication equipment which DPC is obligated to deliver and transfer to CAT.


The Arbitrary Tribunal unanimously resolved to dismiss all of the disputes citing the reason that the right of CAT to demand that DPC deliver properties cannot be exercised until 60 days after expiration of the contract. Therefore, the submission of the dispute by CAT is premature. Consequently, CAT has submitted a request to the Central Administrative Court to set aside the award of the Arbitral Tribunal on 25 October 2013. At present, the case is pending consideration of the Central Administrative Court which may take several years to conclude.

If DPC loses the case, it will be obligated to pay CAT as demanded. However, in consideration of the aforementioned arguments, the management of the Company's firmly believes that the case shall reach a positive conclusion.

1.6 Dispute Case with TOT Public Company Limited (TOT) regarding the Mobile Number Portability (MNP) of AIS' subscribers transferring to Advanced Wireless Network Company Limited (AWN), an affiliate of AIS

On 25 September 2014, TOT submitted a dispute (Case No. Black 80/2557) to the Arbitration Institute, Alternative Dispute Resolution Office, demanding that the Company pay liquidated damages for MNP during May 2013 until June 2014 in the amount of Baht 9,126 million, plus interest at the rate of 7.5% per year. TOT claimed that the Company breached the Cellular Mobile Telephone Service Agreement (the "Agreement") between TOT and the Company and by transferring its subscribers operating under the 900MHz system to the 2100MHz system of AWN. On 25 March 2016, TOT submitted a request to revise the damage amount by adding the period from May 2013 to 30 September 2015, which is the Concession end date. The total revised amount is Baht 32,813.

At present, the dispute is under arbitration proceedings. The management of the Company firmly believes that the outcome of the dispute is unlikely to have a significant impact on the financial statements of the Company and the Company has fully complied with the conditions of the Agreement in all respects.



1.7 Dispute Case regarding Companies not collecting all information from prepaid subscribers under NBTC Notification regarding Prepaid Identification

According to the National Broadcasting Telecommunications Commission's (NBTC) order that all mobile operators operating a pre-paid service, including the Company, must collect and record all required information of all prepaid subscribers within the specified time, and the subsequent issuance of an order requiring the Company and the other 2 major mobile phone operators in this telecommunication industry to pay an administrative fine in the amount of Baht 80,000 per day from 6 July 2012 until such time as the operators fully comply with the said order; the Company has submitted disputes (Case No. Black 1858/2554 and Case No. Black 252/2556) to the Administrative Court for the revocation of the 2 NBTC Orders.

On 19 November 2015, the Central Administrative Court ruled to revoke the NBTC's resolution and order, citing the reasons which can be summarized as the subscribers are required to disclose their personal information to operators and the NBTC did not issue any enforcement or any suspension or termination measures regarding such service. In addition, the significant number of subscribers makes it extremely difficult to enforce such measures without any participation from the subscribers. Therefore, NBTC's resolutions and order are unlawful according to the regulatory scope of the NBTC, which creates a huge burden impact on the operators.

At present, the case is pending the consideration of the Supreme Administrative Court following an appeal submitted by NBTC to the Supreme Administrative Court on 18 December 2015.


If the Company loses the case, the Company may have to pay an administrative fine of Baht 80,000 per day, from 6 July 2012 until the date that the Company can comply with the said order of the NBTC. However, the management of the Company believes that this dispute will be resolved in a positive way due to the fact that NBTC and all mobile operators had a concerted effort to record all prepaid subscriber information to facilitate the compliance of the telecommunication business with such order. The effort includes a joint development of an application called "2 Snap Shot" to facilitate a simpler and quicker registration of prepaid subscriber of which the information can be directly submitted to the system of mobile operators. The application

is deployed throughout various distribution channels as an additional method to filling out the registration form and recording a copy of the identity card.

Notwithstanding, the present collection of pre-paid subscriber information could not be completed in total according to NTC Notification because there are the various distributor/channel throughout in the country who might not strictly be in line with the process and collecting method as well as the limitation of Application "2 Snap Shot" which cannot separate the photograph of ID card of Subscriber for registration. In addition the operator cannot real time inspect the photograph recorded in the system resulting the information in the system is incomplete, for instance, other photograph. Provided that the Company has used the best effort to inspect, protect, this problem occurring from the human error, application system by developing the application to detect the photograph as online in order to determine the accuracy between the photograph and the permitted authorization before recording in the system. The Company has adjusted the registration method by using Smart Card Reader in AIS Shop in order to replace taking the photograph. The company has also communicated and increased the incentive for our distributor/channel to motivate the accuracy of such registration information, complete and willing to cooperate with the NBTC office in developing and improving of the data collection event more effective.

1.8 Dispute regarding revenue share for providing National Roaming Service

Subject to the 7th Amendment of the Concession Agreement under which TOT Public Company Limited (TOT) provided consent to the Company to use the telecommunication network to offer to other operators in support of National Roaming Services for which the Company agreed to pay a share of revenue to TOT at the rate specified under Section 30 of the Concession Agreement; the Company has entered into a National Roaming Agreement with Advanced Wireless Network Company Limited (AWN) and requested the fees for such usage in accordance with the National Roaming Service Agreement. Having received the fees from AWN, the Company calculated the revenue share payment to be made to TOT at the rate specified under the Concession Agreement.



Subsequently, TOT issued a letter to the Company notifying it that since July 2013, the Company has not paid TOT the full share of revenue owed from the National Roaming Service. TOT considered that the Company has received the usage fees from AWN at a rate lower than the rate specified under the Concession Agreement, regarding which the Company neither informed nor received written consent from TOT. As a result, TOT has requested the Company to pay TOT an additional share of revenue from the National Roaming Service from July 2013 to June 2015 in the amount of Baht 13,341 million. However, the Company did not agree with this decision and has issued a letter in opposition to TOT. The Company considers that such lower service fees received from AWN were the rates applied under a promotional scheme for sending a large volume of roaming traffic. In addition, such promotional scheme provided to AWN was also notified and provided to all operators using the National Roaming Service. Moreover, the fees under such promotional scheme did not exceed the fee rate of National Roaming Service specified under the 7th Amendment of the Concession Agreement. As a result, the rates for such promotional scheme did not need approval from TOT.

In this case, should TOT bring this issue to the arbitration process, the management of the Company believes that this issue can be opposed because the Company has done everything correctly subject to the Concession Agreement. Moreover, at present, the supervision and control of service fees are regulated by NBTC.

1.9 Dispute between Advanced Info Service Public Company Limited (AIS) and TOT Public Company Limited (TOT) regarding the titles of towers

The Company submitted a dispute (Case No. Black 53/57) to the Dispute Resolution Office of the Arbitration Institute on 21 July 2014 to request the arbitral tribunal to find that the Company's signaling towers are not equipment and assets to be transferred to TOT and that the Company owns the signaling towers; and to request TOT to return the associated revenue which it had already been paid by the Company. The Company considers that its signaling towers are not equipment and tools included in the operation of the 900 MHz Cellular Telephone System subject to the Concession Agreement. Therefore, the Company is not under any obligation to transfer such signaling towers to TOT.

Presently the dispute is under the arbitration process. The management of the Company believes that the dispute will end favorably because the Company and TOT are currently negotiating to become business partners.

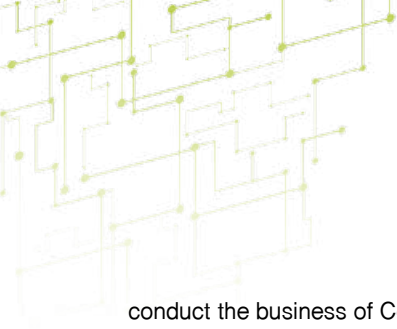
1.10 Dispute regarding the request from TOT Public Company Limited (TOT) to Advanced Info Service Public Company Limited (AIS) to transfer additional equipment used for the operation of the 900MHz Cellular Telephone System

TOT requested that the Company transfer additional assets used in the operation of the 900MHz Cellular Telephone System to TOT. TOT considers that such assets are equipment and tools which the Company provides for the operation of the 900 MHz Cellular Telephone System and, as such, is obligated to transfer the assets to TOT as defined in the Concession Agreement. The equipment in dispute is the Billing System, Intelligence Network (IN) System, Value Added Service System, Customer Relation Management System, Systems Application and Product (SAP) System, Payment System, Equipment and Tools, Production and Usage Control of Cash Card System, Customer Service and Billing Statement System, Management of Telewiz and Dealer System, Network Management System, Customer Database System, Computer and Software for VAS, Intangible Assets and Spare Parts. However the Company considers that such 6 systems as requested by TOT are not equipment and tools for the operation of the 900 MHz Cellular Telephone System as defined under the Concession Agreement, and that such systems are only support systems for providing service to subscribers.

Should TOT bring this dispute to the arbitration process, the management of the Company believes that the dispute can be settled via negotiation since currently the Company and TOT are currently negotiating to become business partners.

1.11 Claim for additional revenue from the 6th and 7th Amendments to the Concession Agreement

On 30 September 2015, the Company submitted a dispute (Case No. Black 78/2558) to the Arbitration Institute of the Alternative Dispute Resolution Office of Thailand regarding the 6th Amendment dated 15 May 2001 and 7th Amendment dated 20 September 2002 to the Concession Agreement to



conduct the business of Cellular Mobile Telephone services. Under said dispute, the Company requested the Arbitration Institute to resolve that the amendments between the Company and TOT Public Company Limited ("TOT") are binding and must be complied until the expiration of the Concession Agreement. Additionally, the Company also requested that the Company has no obligation to pay the additional revenue claimed by TOT as in a letter submitted to the Company on 29 September 2015 regarding a request for the payment of additional revenue in the amount of Baht 72,036 million. TOT claimed such additional payment based on the ground that the 6th and 7th Amendments were of significant amendment which caused TOT to receive lower revenue than the rate as specified in the Concession Agreement.

Later, on 30 November 2015, TOT submitted a new dispute (Case No. Black 122/2558) to the Arbitration Institute of the Alternative Dispute Resolution Office of Thailand to decrease the amount of revenue claimed by TOT to Baht 62,773 million according to the percentage adjustability of revenue sharing under the Concession Agreement. This case is the same as dispute Case No. Black 78/2558.

At present, the dispute is under the consideration of the arbitrators. The management of the Company believes that the 6th and 7th Amendments to the Concession Agreement are binding and effective until the expiration of the Concession Agreement on 30 September 2015, and that the Company has fully complied with all concerned Agreements. Moreover, the Council of State opined on this matter that the amendments to the Concession Agreement between TOT and the Company (Case No. 291/2550) that "...the amendment process of the Concession Agreement which is the administrative contract can be separated from such amendment attached hereto, the amendments have still been in effect as long as it is not revoked or terminated by time, or otherwise...".

Furthermore, the 6th and the 7th Amendments had never been revised or revoked until the 30th September 2015, which is the ending date of the Concession Agreements. Therefore, the outcome of the said dispute should be settled favorably and have no considerable impact on the business of the Company.

1.12 Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company, and CAT Telecom Public Company Limited (CAT) regarding the network rental charge during the remedy period of the PCN 1800 MHz

On 20 May 2015, CAT submitted the court case against the office of The National Broadcasting and Telecommunications Commission (Office of NBTC), National Telecommunications Commission of NBTC (NTC), The National Broadcasting and Telecommunications Commission (NBTC), TrueMove Company Limited (TrueMove) and DPC to the Central Administrative Court as dispute Case No. Black 918/2558. In this case, CAT demanded that the defendants pay a usage charge and compensation for the usage of the tools and telecommunication equipment and CAT telecommunication network during the remedy period according to the NBTC notification calculated from 16 Sep 2013 until 15 September 2014. The amounts requested are as follows:

- (1) Office of NBTC, NTC and NBTC- to pay Baht 24,117 million including the interest in the amount of 7.5% per annum.
- (2) TrueMove jointly with office of NBTC, NTC and NBTC - to pay Baht 18,025 million including the interest in the amount of 7.5% per annum
- (3) DPC jointly with office of NBTC, NTC and NBTC - to pay Baht 18,025 million including the interest in the amount of 7.5% per annum.

On 11 September 2015, CAT submitted the case to the Central Administrative Court as dispute Case No. Black 1651/2558 to additional request to pay the usage charge, compensation from the usage for the tools and telecommunication equipment and CAT telecommunication network since 16 September 2014 to 17 July 2015 as the following:

- (1) Office of NBTC, NTC and NBTC- to pay Baht 6,521 million including the interest in the amount of 7.5% per annum.
- (2) TrueMove jointly with office of NBTC, NTC and NBTC - to pay Baht 4,991 million including the interest in the amount of 7.5% per annum
- (3) DPC jointly with office of NBTC, NTC and NBTC - to pay Baht 1,635 million including the interest in the amount of 7.5% per annum

On 27 May 2016, CAT submitted the case to the Central Administrative Court as dispute Case No.Black 741/2559 to additional request to pay the usage charge, compensation from the usage for the tools and telecommunication equipment and CAT telecommunication network since 18 July 2015 to 25 November 2016 (which is the ending date of the remedy period) as the following:

- (1) Office of NBTC, NTC and NBTC- to pay Baht 2,857 million including the interest in the amount of 7.5% per annum.
- (2) Truemove jointly with office of NBTC, NTC and NBTC - to pay Baht 2,184 million including the interest in the amount of 7.5% per annum.
- (3) DPC jointly with office of NBTC, NTC and NBTC - to pay Baht 673 million including the interest in the amount of 7.5% per annum

At present, the dispute is under the consideration of the Central Administrative Court. The management of the Company believes that DPC has no obligation to pay the usage fees and revenue from the usage of telecommunication equipment and telecommunication network as claimed by CAT because DPC complied with the announcement of NBTC. Therefore, the outcome of the said dispute should be settled favorably and has no considerable impact on the consolidated financial statements of the Group.

1.13 Dispute between Digital Phone Company Limited (DPC), a subsidiary of the Company against The National Broadcasting and Telecommunications Commission (NBTC) regarding the revenue payment to NBTC according to the remedy period of the subscriber in 1800 MHz

On 16 November 2015, DPC submitted the case against NBTC to the Central Administrative Court as Dispute case no Black 1997/2558 regarding the revocation of the National Telecommunications Commission of NBTC (NTC) resolution which enforces DPC to pay the revenue occurred during the remedy period to NBTC during 16 September 2013 to 17 July 2014 in the amount of Baht 628 million.

In the same case, on September 16, 2016, NBTC and the National Broadcasting and Telecommunication Committee office (Office of NBTC) have filed a complaint to the Central Administrative Court as the Black Case No. 1441/2559 requesting DPC to submit the revenue sharing during remedy

period starting from September 16, 2013 to July 17, 2014 in the amount of Baht 680 million (including interest up to submitted date by Baht 52 million) plus interest at the rate of 7.5% per annum of the claim amount from the next day of the submit date until DPC deliver all revenue sharing in full.

Presently the said case is in the process of the Central Administrative Court. The Company's management believes that DPC has complied with NBTC announcement regarding the Temporary Customer Protection Plan Following the Expiration of the Agreement for operations or Telecommunication Service Agreement 2012, and the Company has obliged to submit the revenue after deducting any expenses to NBTC but DPC has the expenses more than the revenue incurred from the service. Thus, DPC has no revenue remaining in order to submit to NBTC as stipulated in the announcement.

1.14 Dispute between Advanced Info Service Public Company Limited (AIS) against The National Broadcasting and Telecommunications Commission (NBTC) regarding the minimum revenue payment to NBTC according to the remedy period of the subscriber in 900 MHz

On 18 December 2015, the Company submitted the case against NBTC to the Central Administrative Court as Dispute case no Black 2230/2558 regarding the revocation of section 4 of NBTC notification: the criteria for the temporary service for customer protection period after the Concession end no. 2 dated 17 September 2015 which revoke section 7 of the previous notification on 2013

The significant matter is to enforce the Company to pay the revenue occurred during the remedy period to NBTC after expense deduction but the amount of this revenue must not be less than the percentage of revenue sharing being used to pay in the Concession Agreement as of the last day prior to the Concession end.

Presently the said case is in the process of the Central Administrative Court. The Company's management believes that this notification is discriminate among the Operator which the Concession had ended prior to this Notification (no. 2) be effective. This notification is also not fair and undue burden to the Company to pay the revenue at the minimum amount equaling to the criteria in the Concession Agreement which is not the purpose of this notification issuance to protect the customer during the remedy period.



2. Operational Risk

2.1 Risk to information security

To serve customers' needs, the Company has rapidly developed a variety of products and services which require advanced technology. However, the advanced technology also comes with new threats to the Company's security system and information security system. Such systems can be compromised by the complexity of the technology itself, gaps in the skill and knowledge levels of the Company's employees, the potential deficiency of the Company's own system and external threats.

In 2016, the Company's reputation and reliability was affected from an intentional fraudulent attack on a customer's data privacy. Subsequently, in its role as regulator, NBTC closely inspected and monitored our controls. However, the case happened from the intentional fraud of one authorized employee acting alone and without the Company's knowledge. The Company places great emphasis on preventing any risks to data security by implementing established information and IT Security Regulations, including the Exchange ActiveSync communications protocol for the receiving and transmitting of the Company's data via portable devices. The Company also performs data security risk assessments of important systems in accordance with the Company's plan to mitigate possible risks from information theft or system failure. In addition, the Company has implemented data security management systems, such as Payment Card Industry - Data Security Standard (PCI-DSS) and ISO 27001 Information Security Management, in order to ensure the security of the Company's data.

The Company also reviewed and improved our data security controls in order to prevent any recurrence of the issue. Measures taken included a revision of the access control procedure. In order to access customers' sensitive information, now two authorized persons must enter a double password in a closed working environment in which they are prohibited from bringing their mobile devices and any portable storage devices.

Furthermore, training and communication to raise the awareness also provided in order to protect the company's data security from system compromise or from hackers, as well as to deliver quality services and enhance customer's confidence on data privacy management of the Company.


2.2 Risk from major network failure or interruption to important systems

In order to be prepared for any disaster, natural disaster, political unrest, acts of terrorism or force majeure which may affect the Company's operating systems, property and/or employees leading to an interruption of business continuity, a risk assessment has been conducted. The risk assessment evaluated both the likelihood and the impacts of each threat. The business impact of each risk on each process has been evaluated and prioritized in order to prepare the resources required to ensure our business continuity.

The Company has established a business continuity management system and business continuity plan for critical business processes. As part of this plan, regular exercises and reviews are carried out. Emphasis is placed on keeping all staff and management fully informed in order to build awareness of the necessity for business continuity management in the organization. In order to manage the Company's resources efficiently and cope with any disaster which causes damage to the Company's office buildings or operation centers, alternative sites will be prepared to ensure continuity of the Company's business and minimize effects to the mobile phone network. These are important measures for ensuring that the Company can maintain its position as the market leader in terms of network quality and retain consumer confidence in our service when disasters occur.

2.3 Reputation risk due to community's lack of understanding on health issues arising from radio waves

The Company increased its number of base stations to service the growing demand for data usage. One of the barriers that may prevent the Company from being able to build base stations as planned is the understanding of the concerned communities on health issues arising from radio waves nearby the Company's base stations, which may lead to resistance to the construction and/or appeals to related



parties. The Company has taken measures to prevent this situation by setting up specific teams to communicate to the relevant communities before construction, in line with NBTC's regulations. These teams conduct public hearings and confer with community leaders and people in the relevant areas, starting from the planning phase to find the most appropriate installation site. These measures can help the Company to analyze the relationship between the Company and the community and also to gather information from the community on the issues of concern to them. The community is encouraged to participate with the Company at every step to ensure their confidence on safety issues. The Company will prepare construction blueprints of the base stations that have been certified by professional civil engineers to meet the standards of the Engineering Institute of Thailand. These blueprints are then presented to the district office for municipal approval of the construction. Once the construction is approved, a licensed engineering team will oversee the construction in accordance with the approved plans and to ensure that it strictly meets the standards for the safety of both workers and the surrounding community.

2.4 Risk arising from the Company's failure to respond in a timely manner to customers' needs/issues via various social media platforms which may affect the Company's corporate image

With the unlimited connectivity of social networks today, communicating or sharing information can be completed rapidly and easily, especially the negative information that affect company's reliability and reputation. In response to customers' behaviors of connecting with various social media platforms, the sharing of product and service information, the handling of enquiries and the resolution of complaints must be performed in a prompt manner with the accurate information. This is to prevent the spread out misleading information, which may have a negative impact on the Company's corporate image. The Company has implemented tools to monitor related information in various social media and also appoint specialized staff to monitor and respond to customer needs specifically via online channels. This is to ensure a timely response with accurate information to meet customer needs to have the best experience.