



Executive Summary

In 1Q15, AIS continued to see improving momentum from the service revenue (excluding IC) growth of 4.6% YoY slightly above our guidance. This is mainly from the continuous investment in 3G network especially in the dense areas to support the rapid demand of mobile data. Currently, AIS has 22,800 3G base stations including small cells and 35,000 Wifi hotspots.

In this quarter, the %regulatory cost to service revenue (excluding IC) continues to decline to 14% from 19% in 1Q14. This resulted from the increase in 3G handset penetration on 2.1GHz-License to 58% from 47% in 1Q14 as well as the success of co-brand handset strategy which lifted up the AIS LAVA handset sales to 1,400,000 units in 1Q15. The EBITDA margin increased to 44.6% from 43.8% in 4Q14, mainly from the lower marketing expense. YoY, EBITDA margin slightly declined from higher handset sales. Normalized net profit stood at Bt9,897mn, an increase of 4.4% YoY and 1.1% QoQ.

Competition outlook in 2015 is concentrated in mid-to-low tier segments. Operators are pushing 3G handsets with lower prices

into the market as 900MHz spectrum under Build-Transfer-Operate (BTO) will expire in Sept-15. The industry's price plans are moving toward fair usage policy in order to monetize the investment. However, operators still have to provide the unlimited data with throttling speed plans to encourage the non-data users to use internet.

AIS will strengthen its leading position in the telecom industry in Thailand by moving toward digital life service provider in 2015 with the integration of mobile, fixed broadband and digital content services. To strengthen our network quality, the CAPEX in 1Q15 was Bt7,165mn of the Bt40bn budget for full year. For fixed broadband business, we have commercially launched "AIS Fibre" in April-15 to provide the service in Bangkok and other key 6 cities, covering 130,000 homepasses. According to the announcement of the National Broadcasting and Telecommunications Commission, 1800MHz auction will be held in Nov-15 and 900MHz in Dec-15.

Significant Event: A one-time adjustment of prepaid subscriber base

Due to the regulation on prepaid validity period stipulated by the NBTC in 2013, operators are not allowed to discontinue the service to customers before their validity period ends even though they do not use any service during the period. That said, the number of inactive subscribers during past quarters have been accumulating. To depict quality subscribers, we made an adjustment of 4.3mn in this quarter to discard subscribers who have been inactive for more than 90 days from the reported numbers, which caused the net negative addition to the total base. The effect from the adjustment translated into higher ARPU in prepaid subscribers. From this quarter onward, we will apply this definition when we report prepaid subscribers.

Operational Summary

In 1Q15, although the impact from multiple SIM users was still seen, prepaid subscribers decreased to 36.9mn as we made a one-time adjustment to discard inactive subscribers. Postpaid subscribers still grew to 5.1mn as customers tended to shift from prepaid to postpaid driven by attractive promotional postpaid campaigns. This made our total subscribers become 42mn down from 44.3mn in 4Q14. By network, currently subscribers on 2.1GHz-License were 38.9mn, representing 93% of total base. The remaining 3.1mn were still on the 900MHz-BTO.

ARPU and MOU of postpaid subscribers declined to Bt592 and 355 minutes as postpaid acquisition moved toward mid-to-low tier segment. On the other hand, ARPU of prepaid subscribers rose to Bt175 due to the subscriber adjustment and MOU became 260 minutes. As our handset strategy was successful last year, LAVA users appeared to have an ARPU, on average, of Bt295 which was higher than the blended ARPU in this quarter of Bt222. This showed an ARPU uplift of customers from adopting smartphones.

Subscribers	1Q14	2Q14	3Q14	4Q14	1Q15
900MHz-BTO ¹⁾	16,098,400	8,462,300	5,114,600	3,546,800	3,094,800
2.1GHz-License ²⁾	26,264,100	34,415,900	38,680,600	40,754,500	38,856,000
Postpaid	4,463,800	4,661,100	4,786,700	4,940,700	5,059,500
Prepaid	37,898,700	38,217,100	39,008,500	39,360,600	36,891,300*
Total subscribers	42,362,500	42,878,200	43,795,200	44,301,300	41,950,800
Net additions					
900MHz-BTO ¹⁾	-8,396,000	-7,636,000	-3,347,700	-1,567,800	-452,000
2.1GHz-License ²⁾	9,897,600	8,151,700	4,264,700	2,073,900	-1,898,500
Postpaid	196,900	197,300	125,600	154,000	118,800
Prepaid	1,304,700	318,400	791,400	352,100	-2,469,300*
Total net additions	1,501,600	515,700	917,000	506,100	-2,350,500

¹⁾ 900MHz-BTO refers to the subscription of customers under 900 & 1800MHz Build-Transfer-Operate contract

²⁾ 2.1GHz-License refers to the subscription of customers under 2.1GHz license issued by NBTC. The subscribers who are holding 2G devices have to roam on the 900MHz

*one-time adjustment discarding customers who have been inactive for more than 90 days



ARPU (Baht/subs/month)					
900MHz-BTO ¹⁾	191	178	188	216	229
2.1GHz-License ²⁾	256	241	221	216	221
Postpaid	639	647	625	608	592
Prepaid	179	175	169	170	175
Blended	225	223	216	216	222
MOU (minute/sub/month)					
900MHz-BTO ¹⁾	255	205	194	210	218
2.1GHz-License ²⁾	336	306	284	275	275
Postpaid	412	397	387	373	355
Prepaid	283	263	255	256	260
Blended	297	277	270	269	271

1Q15 Financial Summary

Revenue

In 1Q15, AIS total revenue (excluding construction) was Bt40,536mn an increase of 0.3% QoQ from improving service revenue. YoY, total revenue (excluding construction) increased 11% mainly from both the service revenue and handset sales growth.

SIM & device sales, which contributed 20% of total revenue, were Bt8,288mn. QoQ, sales decreased 2% from the lower unit sales of iPhone6 which was launched in 4Q14. The demand for mid-to-low tier handset continued to increase, mainly from AIS LAVA which was sold 1.4mn units in 1Q15. As a result, sales increased 47% YoY. In 1Q15, the sales margin stood at 3.9% compared to 2.3% in 1Q14 and 1.8% in 4Q14 with the support from the iPhone6 sales and AIS LAVA sales with margin.

Service revenue (excluding IC) was slightly above our guidance of 3-4% YoY growth which stood at Bt30,309mn an increase of 0.9% QoQ and 4.6% YoY, underpinned by mobile data revenue growth despite the continuing decline in voice revenue.

- **Voice revenue** was Bt14,872mn, a decrease of 3.8% QoQ and 14% YoY from the substitution of mobile data in some subscribers' segments.
- With the continuation in increasing 3G network capacity and coverage, **non-voice revenue** increased 6.1% QoQ and 34% YoY. The demand for mobile data continue to increase supported by lower price and more varieties of smartphones and the popularity of social media applications such as Line and Facebook. Mobile data was accounted for 35% of service revenue (excluding IC) compared to 25% in 1Q14 and 33% in 4Q14.
- **International roaming (IR)** declined 19% QoQ from the lower tourism season. YoY, international roaming (IR) increased 5.3% as the number of tourists increased both from inbound and outbound.
- **International call & other business** increased 13% QoQ and 35% YoY, mainly driven by the growth of AIS Wifi.
- **Interconnection charges (IC)** Net interconnection charge (IC) was Bt214mn in this quarter, compared to Bt216mn in 4Q14 and Bt153mn in 1Q14.

Cost & Expense

In 1Q15, **Cost of service (excluding IC)** was Bt13,704mn increasing 7.2% QoQ, mainly from higher regulatory fee and D&A, and increasing 3.3% YoY mainly from higher D&A and network opex offsetting a large drop in regulatory fee.

- **Regulatory fee** was Bt4,299mn, increasing 12% QoQ but decreasing 23% YoY. The quarterly rise was from the low regulatory fee in 4Q14 due to one-time adjustment. Normalizing the one-time effect, regulatory fee would drop 2.3% QoQ, which showed a declining trend since we continued to attract customers to adopt 3G handsets. Currently, the regulatory fee represented 14.2% of service revenue (excluding IC), down from 14.6% (normalized) in 4Q14 and 19.3% and 1Q14.
- **Depreciation & Amortization** was Bt5,375mn, increasing 6.6% QoQ and 27% YoY. This is mainly from our continuous 3G network strengthening including fiber optic installation to keep up with rising data usage demand. Of the total D&A, the 2G-900 operating right with an amount of Bt2,824mn was amortized in this quarter. The remaining amount of Bt5.8bn will be fully amortized by 3Q15 when the concession expires.
- **Network OPEX** was Bt2,351mn, increasing 5.5% QoQ and 24% YoY. This is in line with the higher number of 3G base stations.
- **Other cost of services** was Bt1,680mn, increasing 1.4% QoQ and 7.6% YoY which was primarily from higher cost of call center recruiting more headcounts.

SG&A expense stood at Bt4,676mn, dropping 7.7% QoQ from lower marketing expenses, but rising 17% YoY due to higher marketing and general admin expenses.

- **Marketing expenses** was Bt1,332mn, dropping 29% QoQ due to less advertisement cost from seasonality. YoY, market expenses rose 12% from more various promotional campaigns to promote 3G handset sales. In 1Q15, marketing expenses represented 3.3% of total revenues.
- **General admin expenses** was Bt2,933mn, increasing 5.4% QoQ and 17% YoY. Staff cost dropped 2.5% QoQ but still rose 24% YoY from higher headcounts. In 1Q15, we also booked loss from both assets sold and written off amounting Bt227mn, up from Bt111mn in 4Q14 and down from Bt239mn in 1Q14.
- **Depreciation & Amortization** was Bt81mn, flattish QoQ but rising 31% YoY mainly from shop expansion and renovation.
- **Bad debt** was Bt331mn, down -2.5% QoQ but up 29% YoY, which was still in line with growth in postpaid segment. In 1Q15, bad debt expense represented 3.8% of postpaid revenue, changing from 3.9% in 4Q14 and 3.1% in 1Q14.

Investment income was Bt97mn, increasing 12% QoQ and 52% YoY primarily from interest received due to higher cash outstanding.



1Q15 MD&A: Advanced Info Service Plc.



Finance costs was Bt429mn, decreasing 6.3% QoQ but increasing 87% YoY. The year-on-year interest expense rose from the Bt16.6bn debentures issued in 2Q14.

Net gain from foreign exchange was Bt137mn, up from net loss of Bt26mn in 4Q14 and net gain of Bt72mn in 1Q14. The majority of the gain was from foreign-currency denominated CAPEX due to the appreciation in the Baht currency.

Profit

In 1Q15, EBITDA stood at Bt18,073mn, increasing 2% QoQ due to slightly better revenue and a large drop in marketing expense offsetting higher regulatory fee and network opex. EBITDA also grew 9.8% YoY mainly from the improving revenue and a benefit from lower regulatory fee which offset other costs. This made our **consolidated EBITDA margin** to be at 44.6%, up from 43.8% in 4Q14 but down from 45.1% in 1Q14. Our **service EBITDA margin** was 55%, same as in 4Q14 but increasing from 53% in 1Q14.

Due to higher D&A, **normalized net profit** was Bt9,897mn or a net profit margin of 24%, increasing 1.1% QoQ and 4.4% YoY.

Financial position As of 1Q15, AIS had total assets of Bt139bn, increasing 9.8% from last year mainly from higher cash and PPE from 3G network investment. Total liabilities stood at Bt100bn, rising 25% from last year due to dividend payable to be paid in 2Q15. Total equity dropped 17% from less retained earnings after allocated for dividend payment. Current ratio remained strong at 0.76x. Company's leverage ratio was still low with net debt to EBITDA of 0.13x. Average cost of debt in 1Q15 remained the same at 4.4% p.a.

Cash Flow

As of 1Q15, AIS had net operating cash flow of Bt16bn. CAPEX spent in 1Q15 was Bt7.2bn which left free cash flow (OCF-CAPEX) for the company of Bt9.2bn. There was no debt issuance or principal repayment in this quarter.

Income statement (Bt mn)	1Q14	4Q14	1Q15	%YoY	%QoQ
Voice revenue	17,328	15,454	14,872	-14%	-3.8%
Non-voice revenue	9,567	12,051	12,787	34%	6.1%
International Roaming	500	650	526	5.3%	-19%
Others (IDD, other fee)	1,572	1,882	2,124	35%	13%
Service revenue (excluding IC)	28,967	30,037	30,309	4.6%	0.9%
IC revenue	1,836	1,953	1,940	5.7%	-0.7%
SIM and handset sales	5,646	8,454	8,288	47%	-2%
Total revenues (excluding construction)	36,448	40,444	40,536	11%	0.2%
Regulatory fee	(5,588)	(3,856)	(4,299)	-23%	12%
Depreciation & Amortization	(4,224)	(5,040)	(5,375)	27%	6.6%
Network operating expense	(1,892)	(2,227)	(2,351)	24%	5.5%
Other cost of services	(1,562)	(1,657)	(1,680)	7.6%	1.4%
Cost of service (excluding IC)	(13,266)	(12,780)	(13,704)	3.3%	7.2%
IC cost	(1,683)	(1,738)	(1,726)	2.6%	-0.7%
Cost of SIM and handset sales	(5,514)	(8,299)	(7,967)	45%	-4%
Total costs (excluding construction)	(20,462)	(22,816)	(23,397)	14%	2.5%
Gross profit	15,986	17,628	17,140	7.2%	-2.8%
SG&A	(4,004)	(5,069)	(4,676)	17%	-7.7%
Marketing Expense	(1,185)	(1,866)	(1,332)	12%	-29%
General administrative & staff cost	(2,501)	(2,782)	(2,933)	17%	5.4%
Bad debt provision	(257)	(340)	(331)	29%	-2.5%
Depreciation	(62)	(81)	(81)	31%	-0.3%
Operating profit	11,982	12,560	12,463	4%	-0.8%
Net foreign exchange gain (loss)	72	(26)	137	89%	-634%
Other income (expense)	91	134	125	38%	-6.8%
Finance cost	(229)	(458)	(429)	87%	-6.3%
Income tax	(2,443)	(3,100)	(2,400)	-1.8%	-23%
Non-controlling interest	7	11	0	-97%	-98%
Net profit for the period	9,481	9,122	9,897	4.4%	8.5%

Revenue mix (Bt mn)	1Q14	4Q14	1Q15	%YoY	%QoQ
900MHz-BTO revenue	11,304	2,787	2,231	-80%	-20%
2.1GHz-License revenue	16,091	25,368	25,954	61%	2.3%
Total	27,395	28,155	28,185	29%	0.1%
% 2.1GHz-License revenue	59%	90%	92%		



1Q15 MD&A: Advanced Info Service Plc.



EBITDA (Bt mn)	1Q14	4Q14	1Q15	%YoY	%QoQ
Operating Profit	11,982	12,560	12,463	4%	-0.8%
Depreciation & amortization	4,286	5,121	5,456	27%	6.5%
(Gain) loss on disposals of PPE	240	110	227	-5.2%	106%
Management benefit expense	(35)	(38)	(40)	14%	5.2%
Other financial cost	(18)	(26)	(33)	81%	26%
EBITDA	16,454	17,727	18,073	9.8%	2%
Consolidated EBITDA margin (%)	45.1%	43.8%	44.6%		
Service EBITDA margin (%)	53%	55%	55%		

Service margin is derived from service business which excludes handset business.
 Service margin = (EBITDA – Net sales)/(Total revenue – Sales revenue)

Normalized net profit	1Q14	4Q14	1Q15	%YoY	%QoQ
Net profit for the period	9,481	9,122	9,897	4.4%	8.5%
Write off deferred tax assets - AIS	-	664	-	-	-
Normalized net profit	9,481	9,792	9,897	4.4%	1.1%

Revenue & cost from construction (Bt mn):IFRS12	1Q14	4Q14	1Q15	%YoY	%QoQ
Construction revenue	251	18	43	-83%	+144%
Construction cost	(251)	(18)	(43)	-83%	+144%

Financial Position (Bt mn/% to total asset)					Key Financial Ratio			
	4Q14		1Q15		1Q14	4Q14	1Q15	
Cash	17,967	14%	26,931	19%	Interest bearing debt to equity	0.46	0.78	0.93
ST investment	1,542	1.2%	1,563	1.1%	Net debt to equity	0.02	0.39	0.24
Trade receivable	10,415	8.2%	10,542	7.6%	Net debt to EBITDA	0.01	0.26	0.13
Inventories	2,519	2%	3,673	2.6%	Current Ratio	0.63	0.91	0.76
Others	5,514	4.4%	5,677	4.1%	Interest Coverage	57	29	31
Current Assets	37,959	30%	48,386	35%	DSCR	14.6	13.2	12
Spectrum license	12,624	10%	12,384	8.9%	ROE	90%	93%	92%
Network and PPE	69,441	55%	71,668	52%				
Intangible asset	2,505	2%	2,738	2%				
Defer tax asset	1,442	1.1%	1,174	0.8%				
Others	2,380	1.9%	2,446	1.8%				
Total Assets	126,351	100%	138,795	100%				
Trade payable	11,903	9.4%	12,342	8.9%				
ST loan & CP of LT loans	2,572	2%	3,221	2.3%				
Accrued R/S expense	5,130	4.1%	6,245	4.5%				
Others	23,301	18%	42,040	30%				
Current Liabilities	42,906	34%	63,848	46%				
Debenture & LT loans	34,394	27%	33,608	24%				
Others	2,185	1.7%	2,287	1.6%				
Total Liabilities	79,486	63%	99,743	72%				
Retained earnings	21,210	17%	13,389	9.6%				
Others	25,655	20%	25,663	19%				
Total Equity	46,865	37%	39,052	28%				

Debt repayment schedule			(Bt mn)	
	Debenture	Loan		
1Q15	-	-		
2015	-	2,399		
2016	-	3,707		
2017	397	1,801		
2018	-	6,799		
2019	7,789	1,250		
2020	-	2,500		
2021	1,776	1,250		
2022	-	-		
2023	-	-		
2024	6,638	-		

Source and use of fund : 1Q15				(Bt mn)
Source of Fund		Use of Fund		
Operating cash flow	17,175	CAPEX & Fixed assets		7,165
Interest received	98	Income tax paid		798
Proceeds from ST loan to associate	10	Finance cost & financial lease paid		145
Sales of property	3	Net change in investments		18
		Cash increased		9,160
Total	17,286	Total		17,286



FY2015 MANAGEMENT OUTLOOK & STRATEGY

Service revenue (excluding IC)	<ul style="list-style-type: none"> increase 3-4% YoY (maintained)
Handset sales	<ul style="list-style-type: none"> increase 10% with margin close to zero (maintained) 70% 3G device penetration (maintained)
Consolidated EBITDA margin	<ul style="list-style-type: none"> increase 100-200bps YoY (maintained)
CAPEX	<ul style="list-style-type: none"> Bt40bn (maintained) <ul style="list-style-type: none"> target 29,000 3G BTSs including small cells continue fiber optic rollout renovate and expand shops
Dividend	<ul style="list-style-type: none"> maintain 100% dividend payout

AIS aims to be the Digital Life Service Provider

AIS has set a clear vision moving forward to transform ourselves from a telecom service provider to becoming the Digital Life Service Provider so as to keep advancing presence in the digital era. That said, we will be enhancing our mobile business to elevate customer experience, commencing a fixed broadband business to bring convergence with better technology to our customers, and progressing in an ecosystem of digital content through partnerships. This will be achieved by making greater our core values namely customers, people, and partners.

CAPEX maintained at Bt40bn excluding 4G investment

The investment plan for year 2015 is set to expand 3G capacity especially in the dense areas. We aim to install 3G base stations and small cells to reach 29,000 base stations and plan to install 12,000 access points of AIS SuperWifi out of the total access points of 48,000 by year end. The SuperWifi is a new Wifi technology which can render a speed of 650Mbps, faster than 4G. With the exponential growth of data consumption, we also extend our fiber optic transmission to support both mobile and fixed broadband businesses which we officially launched on 27 April 2015. For the first year with CAPEX of Bt1bn, we target 80,000 fixed broadband subscribers by leveraging our nationwide fiber optic network. In addition, we plan to expand and renovate our AIS shops to increase customers' touch points and support new products. Total estimated CAPEX is remained at Bt40bn in 2015 excluding 4G investment.

Service revenue (excluding IC) to grow 3-4% with EBITDA margin to increase 100-200bps

In 2015, we maintained service revenue (excluding IC) growth of 3-4%. The continuously high data growth and our improving 3G-2.1GHz network will remain key factors to support revenue growth and largely offset voice revenue which is expected to keep declining. Due to our popularity in AIS Super combo last year, we perceive this trend to keep on this year and thus expect handset sales to grow 10% with margin maintained at close to zero. This will also enhance our 3G device penetration to 70% which will ultimately translate into lower regulatory fee. Therefore, we still expect our consolidated EBITDA margin to increase by 100-200bps despite higher network opex and SG&A. New promotional campaigns will also be launched to keep our brand awareness to stay competitive in the market especially in mid-to-low segments of customers. However, marketing expenses will remain around 4% of total revenue.

Maintain the dividend policy: 100% dividend payout

The company aims to maintain 100% payout ratio and pays dividend twice a year. The payout ratio is based on consolidated earnings and subject to the availability of retained earnings on the separated financial statement. This commitment is supported by strong operating cash flow and a low debt level. The CAPEX and license payment will be funded by internal cash flow and additional borrowings if required. If and when there are any new business opportunities or significant changes that may impact on our future operation and investment, and hence capital structure, the company will promptly discuss any new direction with the investment community.

AIS Investor Relations

<http://investor.ais.co.th>; investor@ais.co.th; Tel: (66) 2299 5117

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