



Executive Summary

In 2Q15, AIS saw decelerating revenue growth amid slowly recovering economy. Service revenue (excluding IC) grew by 2.9% YoY and 0.5% QoQ, slightly lower than full year guidance. In this quarter, there was an adjustment of unearned income to prepaid revenue of Bt318mn. Normalized service revenue (excluding IC) growth was 1.8% YoY and decreased by 0.5% QoQ in the light of weak consumer spending and heightened competition in handset campaigns. We continued to see downward trend of voice (-16% YoY) while mobile data demand remains strong (Non-voice 29% YoY), driving further smartphone penetration.

EBITDA and net profit had a sound improvement YoY mainly from the decrease in regulatory fee and revenue improvement. Given that the bandwidth has been limited, improving network capacity for better customers' experience has helped AIS maintain growth. Also, the successful campaign of AIS LAVA and OLA phones drove 3G handset penetration on 2.1 GHz-license network to 62% from 46% in 2Q14, and resulted in a significant saving in regulatory fee. In this quarter, EBITDA had 14% YoY improvement but flat QoQ, as well as service EBITDA margin increased to 55% from 50% in 2Q14. Net profit of 2Q15 was Bt9,849mn, an increase of 16% YoY and a slight decrease of 0.5% QoQ.

AIS Fibre, a new business in fixed broadband internet launched in April this year, is in a beginning stage with approximately 11,900 subscribers as of end of June. In order to complement AIS' strategy to bundle premium content, AIS Playbox, which gives access to various entertainment on TV, are provided to AIS Fibre subscribers. A number of AIS Playbox were already distributed to subscribers. The focus is to service customers efficiently and with quality. It is not expected to see a significant impact from the business in this year.

The outlook for 2H15 is clearer with auction timeline announced. Timeline of 1800 MHz and 900 MHz spectrum auction is specified, with a draft of Information Memorandum announced by National Broadcasting and Telecommunications Commission. The auction of both spectra is expected to be held on 11 November 2015. AIS will continue to improve its network focusing on strengthening the quality and increasing capacity. Furthermore, considering from market environment and performance of 1H2015, the guidance for FY2015 has been revised. Service revenue (excluding IC) is adjusted to be 3% increase YoY, while handset sales guidance is maintained at 10% but with 5-6% negative margin. Consolidated EBITDA margin should remain flat and service EBITDA margin should increase by 200 bps. The CAPEX plan is revised to Bt36bn for this year. (Please see more details on page 6.)

1H2015 Market and competitive environment

In the first half of 2015, Thailand's economy was at a slow pace to pick up. Concerns on the uncertainty of economic recovery were reflected in lower consumer's confidence index when compared to last year. Consumers became more cautious on their spending resulted in more aggressive competition in mobile market. Operators offered various deals to win market share, especially handset campaigns attracting customers to upgrade their 2G devices to low-mid tier 3G ones upon the expiry of concession. The campaigns included free phone giveaway, trade-in and cheap upgrade. Such subsidy had impact on handset sales margin.

With the declining trend of voice usage, mobile data obviously became a substitute service as seen in much higher growth YoY. Operators attempted to promote limited data package to encourage monetization in 1Q15. However, the market did not response favorably. Therefore, operators needed to bring back unlimited data package in 2Q15, more appealing to customers, to increase mobile subscriber penetration and data usage effectively. Main data price plans had been comparable among operators but the focused area of competition was on-top data packages that more subscribers were willing to buy. This should help pave the way for more effective data monetization.

At the beginning of 2015, NBTC announced that prepaid subscribers must register their SIM to confirm identification by 31 July 2015 to prevent fraud and security issues. That resulted in a lower rate of new prepaid subscription (lower gross additions), clearly seen in 2Q15, because customers felt it was less convenient to buy a SIM. However, it should take a few months for the impact on new subscription rate and churn rate to stabilize.

Acquiring more spectra will help improve customer satisfaction from good network quality that is a key to gain market share. With limited bandwidth, we deploy technical solutions such as small cells and cell split to improve capacity and customer experience, yet more spectra are necessary for network improvement. Also, in higher tier market, 4G network differentiation has been used to lead marketing. The intensity of competition should be balanced out if spectrum is acquired and all operators are on par in having 4G service.



Operational Summary

In 2Q15, with timid macroeconomics and effect from a rush in prepaid identification (PI), **prepaid subscribers** decreased to 34.8mn down from 36.9mn in 1Q15. With net negative addition of 2mn, **prepaid ARPU** increased to Bt185/sub/mth and **MoU** rose to 275 min/sub/mth although voice usage kept declining. Average **VoU** of prepaid subs dropped from 1.6 GB/data sub/mth to 1.5 GB/data sub/mth as we pulled out unlimited packages earlier in the quarter. With intense market competition, unlimited plan offers were brought back. On the contrary, **postpaid subscribers** still increased to 5.2mn up from 5.1mn in 1Q15 due to a trend of pre-to-post and attractive packages. As

new acquisitions penetrated to low-tier base, **postpaid ARPU** dropped to Bt587/sub/mth from Bt592/sub/mth with **MoU** of 342 min/sub/mth compared to 355 min/sub/mth in 1Q15. **VoU** increased from 1.7 GB/data sub/mth to 2 GB/data sub/mth driven by attractive on-top packages via selected channels such as LINE and Facebook. In summary, **total sub** declined 1.9mn to stay at 40.1mn with **blended ARPU and MoU** of Bt234/sub/mth and 283 min/sub/mth while **blended VoU** was 1.6 GB/data sub/mth. As of 2Q15, there remained 2.7mn subs on 900-BTO or 6.8% of total sub base with average ARPU of Bt246.

Subscribers	2Q14	3Q14	4Q14	1Q15	2Q15
900MHz-BTO ¹⁾	8,462,300	5,114,600	3,546,800	3,094,800	2,727,700
2.1GHz-License ²⁾	34,415,900	38,680,600	40,754,500	38,856,000	37,333,400
Postpaid	4,661,100	4,786,700	4,940,700	5,059,500	5,219,900
Prepaid	38,217,100	39,008,500	39,360,600	36,891,300*	34,841,200
Total subscribers	42,878,200	43,795,200	44,301,300	41,950,800	40,061,100
Net additions					
900MHz-BTO ¹⁾	-7,636,000	-3,347,700	-1,567,800	-452,000	-367,100
2.1GHz-License ²⁾	8,151,700	4,264,700	2,073,900	-1,898,500	-1,522,600
Postpaid	197,300	125,600	154,000	118,800	160,400
Prepaid	318,400	791,400	352,100	-2,469,300*	-2,050,100
Total net additions	515,700	917,000	506,100	-2,350,500	-1,889,700
ARPU (Baht/subs/month)					
900MHz-BTO ¹⁾	178	188	216	229	246
2.1GHz-License ²⁾	241	221	216	221	233
Postpaid	647	625	608	592	587
Prepaid	175	169	170	175	185
Blended	223	216	216	222	234
MOU (minute/sub/month)					
900MHz-BTO ¹⁾	205	194	210	218	214
2.1GHz-License ²⁾	306	284	275	275	289
Postpaid	397	387	373	355	342
Prepaid	263	255	256	260	275
Blended	277	270	269	271	283
VOU (MB/data sub/month)					
Postpaid	1,340	1,520	1,620	1,740	1,990
Prepaid	880	1,250	1,450	1,610	1,510
Blended	970	1,300	1,480	1,630	1,600
Device Penetration on 2.1GHz-License					
3G handset penetration	46%	49%	54%	58%	62%
Smart phone penetration	35%	36%	39%	44%	49%

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 network.

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

1H15 Snapshot

As for 1H15, the total revenue (excluding construction) was Bt78,660mn, growing by 7.9% from both better handset and service revenue. SIM & device sales increased by 31% YoY from campaigns promoting 3G handset, especially AIS LAVA. Service revenue (excluding IC) increased by 3.8% YoY resulting from a growth of non-voice revenue. On the cost side, the regulatory fee was Bt8,110mn, a decrease of 26% YoY from a successful migration campaign to 3G network on 2.1 GHz license. It represented 13.3% of service revenue (excluding IC), compared to 18.8% in 1H14. Network OPEX was Bt4,675mn, an increase of 18% YoY. In terms of SG&A, it was Bt9,552mn, increasing by 4.4% YoY due higher staff cost and operating expenses, offsetting with lower administration expenses. Marketing expenses in 1H15 were Bt2,959mn, increasing 0.7% YoY and representing 3.8% of total revenues. EBITDA was Bt36,141mn, increasing by 12% YoY. While network OPEX and SG&A increased, EBITDA improved thanks to higher revenue and saving from regulatory fee. Consolidated EBITDA margin of 1H15 improved to 46%, as well as service EBITDA margin that improved to 55%. Net profit was Bt19,746mn, an increase of 10%.



2Q15 Financial Summary

Revenue

In a weak economic situation and strong handset competition, AIS' revenue continued to grow from smart phones upgrade that supported mobile data usage. Key growth driver was from non-voice revenue offsetting with a decline in voice revenue. **In 2Q15, total revenue** (excluding construction) was Bt38,123mn, increased by 4.5% YoY mainly from better handset sales and service revenue. QoQ, total revenue (excluding construction) decreased by 6% from lower handset sales.

SIM & device sales were Bt5,733mn, increasing by 14% YoY due to continued promotions of AIS LAVA with sales of 1mn units in this quarter. On the other hand, sales decreased by 31% QoQ, when compared to high revenue base in 1Q15 from high unit sales and high value of new iPhone6. Sales gross margin was 2%, compared to 3.9% in 1Q15. The margin is expected to contract considering heightened handset competition. LAVA, aimed for low-cost smartphone segment, is now well-established with "AIS Super Combo" branding. It helps us continue to push 3G handset penetration further.

Service revenue (excluding IC) was Bt30,468mn, an increase of 2.9% YoY slightly below full year guidance of 3-4% growth, and grew slightly 0.5% QoQ. In this quarter, there was an adjustment of unearned income to prepaid revenue of Bt318mn due to recognition of income from terminated customers. Normalized service revenue (excluding IC) growth was 1.8% YoY and decreased by 0.5% QoQ in the light of weak consumer spending and heightened competition in handset campaigns.

- **Voice revenue** was Bt14,235mn, a decrease of 16% YoY and 4.3% QoQ, from the declining trend of voice usage substituted by mobile data.
- **Non-voice** was Bt13,488mn, an increase of 29% YoY and 5.5% QoQ. Growing smart phone penetration in mid to low-tier segment was a key driver of data usage. Mobile data was accounted for 37% of service revenue (excluding IC) compared to 27% in 2Q14 and 35% in 1Q15. Smart phone penetration on 2.1GHz-License was 49% in 2Q15.
- **International roaming (IR)** was Bt663mn increasing by 20% YoY thanks to recovery of Thai tourism industry. IR revenue increased by 26% QoQ mainly from outbound tourists during long holidays.
- **International call & other business** were Bt2,082mn increasing by 25% YoY and decreased by 2% QoQ, mainly driven by AIS Wifi that grew along with Postpaid revenue.
- **Interconnection charges (IC)** Net IC was Bt198mn, a decrease from Bt214mn in 1Q15 and an increase from Bt109mn in 2Q14.

Cost & Expense

On cost side, the continuous network expansion for capacity has resulted in higher operating costs, but the better 3G handset migration was key of large cost saving. The **cost of service (excluding IC)** was Bt13,217mn decreasing 2.8% YoY largely from lower regulatory fee although D&A and network opex rose. While QoQ, it decreased 3.6% mainly from lower regulatory fee.

- **Regulatory fee** was Bt3,811mn decreasing 29% YoY and 11% QoQ. This came from our success of 3G low-cost smartphone campaigns (Lava) that has driven 3G device penetration on 2.1GHz-License to 62%. Currently, regulatory fee represented 12.5% of service revenue (excluding IC) down from 14.2% in 1Q15 and 18.2% in 2Q14.
- **Depreciation & Amortization** was Bt5,415mn increasing 19% YoY and 0.8% QoQ. The rise was from network capacity expansion. As of 2Q15, 2G assets remained Bt2,978mn which will be fully amortized in 3Q15.
- **Network OPEX** was Bt2,324mn increasing 13% YoY as the costs to operate network, the utility and maintenance fees, rose following the increased 3G base stations reaching 23,800 in this quarter, up from 19,300 in 2Q14. However, network opex decreased 1.1% QoQ due to a high cycle of network opex in 1Q15.
- **Other costs of service** were Bt1,667mn increasing 4.6% YoY mainly from the cost of call center which has recruited more headcounts. However, they were stable QoQ with a decrease of 0.8%.

SG&A expense stood at Bt4,876mn dropping 5.2% YoY from lower marketing and general admin expenses while rising 4.3% QoQ from higher marketing expenses.

- **Marketing expenses** were Bt1,627mn decreasing 7.2% YoY but rising 22% QoQ. YoY, marketing expenses were ramping up in 2Q14 from intense handset promotional campaigns with deep discounts. QoQ, more dollars were put in advertising costs to promote brand awareness, 3G handset migration, and fixed broadband.
- **General admin expenses** were Bt2,804mn decreasing 5.4% YoY and 4.4% QoQ. This was attributable to, as the 900-BTO contract will expire in 3Q14, no more loss from 2G-assets write-off which more than offset the higher staff cost.
- **Depreciation & Amortization** was Bt85mn increasing 19% YoY and 5.2% QoQ, primarily from shop expansion.
- **Bad debt** was Bt359mn increasing 1.3% YoY and 8.5% QoQ. The percentage of bad debt to postpaid revenue stood at 4%, up from 3.8% in 1Q15 but down from 4.1% in 2Q14. We consider this level of bad debt to be manageable.

Finance costs were Bt470mn increasing 27% YoY and 9.6% QoQ due to a long-term loan of Bt5,000mn issued last year and a short term loan of Bt2,500mn issued and repaid in this quarter.

Net foreign exchange gain was Bt28mn increasing 30% YoY mainly from gains from derivative contracts, but it dropped 80% QoQ mainly due to loss from foreign currency-denominated CAPEX as the baht currency depreciated in 2Q15.

Profit

In 2Q15, **EBITDA** was Bt18,068mn, a strong improve of 14% YoY from better service revenue and positive margin of handset sales with lower regulatory fee and marketing expenses. QoQ, **EBITDA** was flattish due to stable service revenue from seasonality and smaller handset margin from lower iPhone sales while lower regulatory fee was also offset by higher marketing expenses. This made our **consolidated EBITDA margin** elevate to 47.4% in 2Q15,



2Q15 MD&A: Advanced Info Service Plc.



up from 44.6% in 1Q15 and 43.3% in 2Q14, and our **service EBITDA margin** lift to 55.4% in 2Q15, up from 55% in 1Q15 and 50.3% in 2Q14. **Net profit** of Bt9,849mn, an increase of 16% YoY, came from improving EBITDA which more than offset the increase in D&A. While QoQ, **net profit** slightly dropped 0.5% from a small increase in D&A. **Net profit margin** in 2Q15 increased to 26% from 24% in 1Q15 and 23% in 2Q14.

Financial position As of June-15, AIS had total assets of Bt131bn up from Bt126bn in FY14 due to 3G investments and handset inventory offsetting lower cash. Total liabilities stood at Bt82bn up from Bt79bn due to higher current liabilities. Total equity stood at Bt49bn up from Bt47bn due to higher retained earnings. Current ratio of 0.81x showed our strong liquidity.

In addition, AIS also had low leverage level of 0.32 net debt to EBITDA with interest coverage ratio of 31x. With strong financial credit rating, our average cost of debt as of 2Q15 was 4.5% p.a.

Cash Flow

In 1H15, AIS had net operating cash flow (after tax) of Bt29,606mn, slightly dropping from last year of Bt29,996mn. In 2Q15, we spent Bt8,883mn for capex, which has accumulated to Bt16,048mn for 1H15. Our free cash flow hence stood at Bt13,558mn (OCF-CAPEX). Dividend of 2H14 performance of Bt17,718mn was paid in this quarter. Currently, AIS remained Bt9,170mn of cash on its balance sheet.

Income statement (Bt mn)	2Q14	1Q15	2Q15	%YoY	%QoQ	1H14	1H15	%YoY
Voice revenue	16,891	14,872	14,235	-16%	-4.3%	34,218	29,107	-15%
Non-voice revenue	10,488	12,787	13,488	29%	5.5%	20,055	26,275	31%
International Roaming	554	526	663	20%	26%	1,053	1,189	13%
Others (IDD, other fee)	1,671	2,124	2,082	25%	-2.0%	3,244	4,206	30%
Service revenue (excluding IC)	29,604	30,309	30,468	2.9%	0.5%	58,571	60,778	3.8%
IC revenue	1,853	1,940	1,922	3.7%	-0.9%	3,689	3,862	4.7%
SIM and handset sales	5,024	8,288	5,733	14%	-31%	10,670	14,020	31%
Total revenues (excluding construction)	36,481	40,536	38,123	4.5%	-6.0%	72,930	78,660	7.9%
Regulatory fee	(5,394)	(4,299)	(3,811)	-29%	-11%	(10,982)	(8,110)	-26%
Depreciation & Amortization	(4,550)	(5,375)	(5,415)	19%	0.8%	(8,774)	(10,790)	23%
Network operating expense	(2,065)	(2,351)	(2,324)	13%	-1.1%	(3,957)	(4,675)	18%
Other cost of services	(1,594)	(1,680)	(1,667)	4.6%	-0.8%	(3,156)	(3,347)	6.1%
Cost of service (excluding IC)	(13,603)	(13,704)	(13,217)	-2.8%	-3.6%	(26,869)	(26,921)	0.2%
IC cost	(1,744)	(1,726)	(1,725)	-1.1%	0%	(3,427)	(3,450)	0.7%
Cost of SIM and handset sales	(5,045)	(7,967)	(5,616)	11%	-30%	(10,559)	(13,583)	29%
Total costs (excluding construction)	(20,392)	(23,397)	(20,558)	0.8%	-12%	(40,854)	(43,954)	7.6%
Gross profit	16,090	17,140	17,566	9.2%	2.5%	32,076	34,706	8.2%
SG&A	(5,144)	(4,676)	(4,876)	-5.2%	4.3%	(9,149)	(9,552)	4.4%
Marketing Expense	(1,754)	(1,332)	(1,627)	-7.2%	22%	(2,939)	(2,959)	0.7%
General administrative & staff cost	(2,964)	(2,933)	(2,804)	-5.4%	-4.4%	(5,465)	(5,737)	5.0%
Bad debt provision	(354)	(331)	(359)	1.3%	8.5%	(611)	(690)	13%
Depreciation	(72)	(81)	(85)	19%	5.2%	(133)	(166)	24%
Operating profit	10,945	12,463	12,690	16%	1.8%	22,927	25,153	9.7%
Net foreign exchange gain (loss)	22	137	28	30%	-80%	94	165	75%
Other income (expense)	99	125	104	5.1%	-17%	190	229	21%
Finance cost	(369)	(429)	(470)	27%	9.6%	(598)	(899)	50%
Income tax	(2,226)	(2,400)	(2,507)	13%	4.5%	(4,669)	(4,906)	5.1%
Non-controlling interest	5	0	3	-42%	1,607%	12	3	-73%
Net profit for the period	8,475	9,897	9,849	16%	-0.5%	17,956	19,746	10%

Revenue mix (Bt mn)	2Q14	1Q15	2Q15	%YoY	%QoQ	1H14	1H15	%YoY
900MHz-BTO revenue ¹⁾	6,387	2,231	2,143	-67%	-4.0%	17,691	4,374	-75%
2.1GHz-License revenue ²⁾	21,545	25,954	26,243	22%	1.1%	37,636	52,198	39%
Total	27,932	28,185	28,386	1.6%	0.7%	55,327	56,571	2.2%
% 2.1GHz-License revenue	77%	92%	92%			68%	92%	

1) Revenue from 900 MHz BTO is subjected to revenue share to TOT: Prepaid 20% and Postpaid 30%.

2) Revenue from 2.1 GHz license is subjected to NBTC fee of 5.25%. Additionally, roaming revenue from subscribers using 2G devices is subjected to 30% revenue share to TOT.



2Q15 MD&A: Advanced Info Service Plc.



EBITDA (Bt mn)	2Q14	1Q15	2Q15	%YoY	%QoQ	1H14	1H15	%YoY
Operating Profit	10,945	12,463	12,690	16%	1.8%	22,927	25,153	9.7%
Depreciation & amortization	4,622	5,456	5,500	19%	0.8%	8,908	10,956	23%
(Gain) loss on disposals of PPE	322	227	0	-100%	-100%	562	227	-60%
Management benefit expense	(68)	(40)	(58)	-16%	45%	(103)	(97)	-5.7%
Other financial cost	(16)	(33)	(65)	297%	95%	(35)	(98)	182%
EBITDA	15,804	18,073	18,068	14%	0%	32,258	36,141	12%
Consolidated EBITDA margin (%)	43.3%	44.6%	47.4%			44.2%	45.9%	
Service EBITDA margin (%)	50.3%	55.0%	55.4%			51.6%	55.2%	

Service EBITDA margin is derived from service business which excludes handset business.

Service EBITDA margin = (EBITDA – Net sales)/(Total revenue – Sales revenue)

Revenue & cost from construction (Bt mn):IFRS12	2Q14	1Q15	2Q15	%YoY	%QoQ	1H14	1H15	%YoY
Construction revenue	196	43	11	-94%	-74%	448	54	-88%
Construction cost	(196)	(43)	(11)	-94%	-74%	(448)	(54)	-88%

Financial Position (Bt mn/% to total asset)					Key Financial Ratio		
	1Q15		2Q15		2Q14	1Q15	2Q15
Cash	26,931	19%	13,042	10%	0.83	0.93	0.74
ST investment	1,563	1.1%	1,598	1.2%	0.25	0.24	0.47
Trade receivable	10,542	7.6%	10,750	8.2%	0.18	0.13	0.32
Inventories	3,673	2.6%	4,704	3.6%	1.13	0.76	0.81
Others	5,677	4.1%	7,021	5.4%	31	31	31
Current Assets	48,386	34%	37,115	28%	12	12	12
Spectrum license	12,384	8.9%	12,140	9.3%	80%	92%	90%
Network and PPE	71,668	52%	74,834	57%			
Intangible asset	2,738	2%	2,820	2.2%			
Defer tax asset	1,174	0.8%	990	0.8%			
Others	2,446	1.8%	2,835	2.2%			
Total Assets	138,796	100%	130,735	100%			
Trade payable	12,341	8.9%	11,849	9.1%			
ST loan & CP of LT loans	3,221	2.3%	3,342	2.6%			
Accrued R/S expense	6,245	4.5%	6,316	4.8%			
Others	42,040	30%	24,251	19%			
Current Liabilities	63,847	46%	45,758	35%			
Debtenture & LT loans	33,608	24%	33,675	26%			
Others	2,287	1.6%	2,399	1.8%			
Total Liabilities	99,743	72%	81,832	63%			
Retained earnings	13,389	9.6%	23,238	18%			
Others	25,663	19%	25,665	20%			
Total Equity	39,052	28%	48,903	37%			

Debt repayment schedule			(Bt mn)	
	Debtenture		Loan	
2Q15				
2H15			243	
2016			2,153	
2017			3,707	
2018	397		1,801	
2019			6,799	
2020	7,789		1,250	
2021			2,500	
2022	1,776		1,250	
2023				
2024	6,638			

Source and use of fund : 1H15				(Bt mn)
Source of Fund		Use of Fund		
Operating cash flow	33,253	Dividend paid		17,718
Interest received	178	CAPEX & Fixed assets		16,048
Proceeds from ST loan to associate	60	Income tax paid		3,647
Sales of property	9	Repayment of LT borrowings		243
Cash decreased	5,088	Finance cost & financial lease paid		877
		Net change in investments		55
Total	38,588	Total		38,588



2H2015 MANAGEMENT OUTLOOK & STRATEGY

Service revenue (excluding IC)	<ul style="list-style-type: none"> • Increase around 3% YoY (revised from an increase of 3-4% YoY)
Handset sales	<ul style="list-style-type: none"> • Increase 10% with -5% to -6% margin (revised from close to zero margin) • 70% 3G device penetration (maintained)
Consolidated EBITDA margin	<ul style="list-style-type: none"> • Remain flat YoY (revised from an increase of 100-200 bps)
Service EBITDA margin	<ul style="list-style-type: none"> • Increase by 200bps YoY
CAPEX	<ul style="list-style-type: none"> • Bt36bn (revised from Bt40bn) <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

Weak economic outlook and high competition reflected in guidance revision

Thailand’s economy in the second half of 2015 is expected to slowly recover. Consumers are likely to be more cautious on their spending. Furthermore, it is expected that high competition in mobile market continues, with operators offering more attractive campaigns, especially handset upgrades. AIS’ guidance for service revenue (excluding IC) is revised down slightly to be around 3% increase. The main driver for service revenue will be from higher mobile data usage that outgrows declining voice usage. The growth in handset sales is maintained at 10% but with 5-6% negative margin. We will continue to offer value-for-money handset deal for low to mid-tier market, led by AIS LAVA, our house brand 3G phone. While popularity of LAVA allowed sales margin earlier, in 2H15 more subsidy will occur for pushing handsets at cheaper price and package through more channels. The more aggressive campaigns will boost the demand to upgrade their phones, helping accelerate subscriber migration to 3G. The target of 3G device penetration is maintained at 70% with expectation to see more attractive handset campaigns in the latter half of the year.

Consolidated EBITDA is expected to be flat

The expected negative handset margin would pressure consolidated EBITDA to remain flat. However, with the ongoing subscriber migration from 2G to 3G, the company will have more saving on regulatory fee that helps improve service margin. Thus, guidance for Service EBITDA margin should be 200 bps increase YoY. Marketing expenses should maintain at 4% of total revenues.

CAPEX revision to Bt36bn

The investment plan for 2015 will focus more on capacity and quality improvement of network. The target to reach 3G base stations and small cells is maintained. As for fixed broadband business, we aim to acquire 80,000 subscribers by the end of this year, focusing on service quality. CAPEX plan for fixed broadband business is maintained to be Bt1bn. In terms of total CAPEX, it is revised down to Bt36bn since payments of some projects are deferred, and some IT projects and shop expansion projects are delayed. As for the cost side, depreciation and amortization should balance out to be 8-10% increase for the whole year, from lower depreciation and amortization in 2H15 because 2G assets will be fully amortized in 3Q15.

100% dividend payout maintained

AIS’ dividend policy of 100% payout ratio and twice-a-year payment is maintained. The payout ratio is based on consolidated earnings and subject to the availability of retained earnings on the separated financial statements. The commitment is supported by strong operating cashflow and low gearing. The CAPEX and license payment will be funded by internal cashflow 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.

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Disclaimer

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