

# 3Q15 MD&A

## Advanced Info Service Plc.

### Executive Summary

**In 3Q15, AIS saw YoY improvement while seasonality affected QoQ growth.** Weakened economic situation continued to pressure the consumer sentiment in 3Q15 but AIS' service revenue (excluding IC) remained its growth of 2% YoY, slightly below full year guidance, while 9M15 growth of 3.2% was still in line with the guidance of around 3%. In this quarter, the service revenue (excluding IC) included a one-time adjustment of 2G revenue of Bt152mn. Also, in 2Q15, there was Bt318mn one-time adjustment in revenue. Therefore, when excluding both extra revenues, the growth was 1.4% YoY and a decline of 1.1% QoQ.

**Handset subsidy campaign affected sales margin while service EBITDA remained strong.** In 3Q15, AIS promoted more on handset campaigns in order to push 3G device penetration, migrating customers to 3G 2.1GHz-License network. Due to the handset subsidy, the sales margin was -11%. The campaign helped drive 3G device penetration to 67% in 3Q15 from 49% in 3Q14. As a result, the regulatory fee decreased by 27% YoY and 12% QoQ. The percentage of regulatory fee to service revenue (excluding IC) continued its declining trend to 11%. The EBITDA remained strong at Bt17,431mn with 6% YoY improvement while

decreasing by 3.5% QoQ. Net profit of the quarter was Bt8,616mn, decreasing by 3.8% YoY and 13% QoQ.

**Prepaid Identification caused YoY and QoQ declines in number of prepaid subscribers while number of postpaid subscribers continued to grow.** The number of active prepaid subscribers in 3Q15 dropped by 7% QoQ to 32.4 million subscribers. It was mainly due to the effect from NBTC's announcement that required prepaid SIMs to be registered by 31 July 2015. SIMs that failed to be registered within the final deadline were terminated. The revenue impact was limited because most of unregistered numbers had zero to low ARPU. To summarize, the revenue from postpaid segment still contributed to both YoY and QoQ growth while prepaid segment had been softened.

**Guidance for FY2015 remained unchanged.** Investment in network improvement was continued to maintain customer satisfaction. Year-to-date cash CAPEX was Bt25bn, compared to a budget of Bt36bn, with most of the spending on capacity enhancement, having 3G base stations of 25,100 to serve customers. As for depreciation & amortization, 2G assets were fully amortized in 3Q15.

### 3Q15 Market and competitive environment

Thailand's economic situation in 3Q15 remained weak, as well as consumer spending did not recover fast enough. Moreover, the consumer sentiment was worsened by the bombing incident in Bangkok's city center. Tourist industry was hurt directly but it was expected to pick up within a few months. Government stimulus plans by the new economic team should be a positive prospect in next quarters.

With the above mentioned economic condition, competition among operators remained high in order to protect their ground and increase market share. Handset campaign was an important tool for operators to compete although it was partly reduced by one operator. As for AIS, trade-in campaign was introduced in July 2015, mainly for encouraging migration of customers to using 3G 2.1GHz-License network and for protecting our market share. Customers were subsidized in trading in their old 2G phones and getting new 3G feature phones for free or entry-level smartphone at a low price. 4G-ready handsets became more popular in the market with more affordable prices. AIS also launched LAVA 4G handset in September at Bt4,590 price point. As of 3Q15, AIS subscribers who use 4G handsets represent approximately 7% of total subscribers.

In terms of price plan, main packs were comparable among operators. However, a wide variety of packages were offered in the market, with differences in pricing, volume offered, speed and duration, to suit various customer segments. Apart from traditional channels, we started to offer on-top packages through innovative channels such as LINE application.

Network quality remained a major element to keep customers satisfied with best experiences. Operators invested in their network improvement. 4G service was perceived as a competitive advantage and it was widely promoted by competitors. AIS is keen on participating in the upcoming spectrum auctions for upgrading technology and believes that securing resources will help us provide better offers for customers.

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### Operational Summary

In 3Q15, **total subscribers** decreased to 37.8mn. **Prepaid subscribers** stood at 32.4mn, a decrease of 2.4mn. According to the NBTC's mandate that operators had to stop services to unregistered prepaid subscribers, in this quarter we have churned 1.7mn prepaid subscribers most of whom were inactive with low-ARPU profile. The prepaid identification process was successful and should demonstrate organic subscriber growth going forward. **Postpaid subscribers** still grew to 5.4mn, a net addition of 143k, following a trend of pre-to-post shift and benefit of data usage continuity. Overall, the operating blended results were in line with a trend in prepaid (please see the table below). Despite slightly lower revenue, **blended ARPU** increased

from Bt234 to Bt241, reflecting a shrink in subscriber base. This also impacted the **blended MOU** to go up to 291 minutes, although total calling minutes continued to decline. However, higher data uptake, stimulated by competitive non-stop price plans, for both prepaid and postpaid clearly reflected in higher **blended VOU** of 1,770MB/sub/month. For postpaid subscribers, growth in data consumption, in spite of lower voice usage shown in MOU, helped drive up ARPU. Also, the handset upgrade campaign in this quarter underpinned by the success of "LAVA" models boosted 3G handset penetration to 67%, most of whom are active data users.

Subscribers	3Q14	4Q14	1Q15	2Q15	3Q15
900MHz-BTO <sup>1)</sup>	5,114,600	3,546,800	3,094,800	2,727,700	1,915,900
2.1GHz-License <sup>2)</sup>	38,680,600	40,754,500	38,856,000	37,333,400	35,894,800
Postpaid	4,786,700	4,940,700	5,059,500	5,219,900	5,363,200
Prepaid	39,008,500	39,360,600	36,891,300*	34,841,200	32,447,500
<b>Total subscribers</b>	<b>43,795,200</b>	<b>44,301,300</b>	<b>41,950,800</b>	<b>40,061,100</b>	<b>37,810,700</b>
<b>Net additions</b>					
900MHz-BTO <sup>1)</sup>	-3,347,700	-1,567,800	-452,000	-367,100	-811,800
2.1GHz-License <sup>2)</sup>	4,264,700	2,073,900	-1,898,500	-1,522,600	-1,438,600
Postpaid	125,600	154,000	118,800	160,400	143,300
Prepaid	791,400	352,100	-2,469,300*	-2,050,100	-2,393,700
<b>Total net additions</b>	<b>917,000</b>	<b>506,100</b>	<b>-2,350,500</b>	<b>-1,889,700</b>	<b>-2,250,400</b>
<b>ARPU (Baht/subs/month)</b>					
900MHz-BTO <sup>1)</sup>	188	216	229	246	230
2.1GHz-License <sup>2)</sup>	221	216	221	233	241
Postpaid	625	608	592	587	590
Prepaid	169	170	175	185	188
<b>Blended</b>	<b>216</b>	<b>216</b>	<b>222</b>	<b>234</b>	<b>241</b>
<b>MOU (minute/sub/month)</b>					
900MHz-BTO <sup>1)</sup>	194	210	218	214	209
2.1GHz-License <sup>2)</sup>	284	275	275	289	296
Postpaid	387	373	355	342	339
Prepaid	255	256	260	275	283
<b>Blended</b>	<b>270</b>	<b>269</b>	<b>271</b>	<b>283</b>	<b>291</b>
<b>VOU (MB/data sub/month)</b>					
Postpaid	1,520	1,620	1,740	1,990	2,150
Prepaid	1,250	1,450	1,610	1,510	1,680
<b>Blended</b>	<b>1,300</b>	<b>1,480</b>	<b>1,630</b>	<b>1,600</b>	<b>1,770</b>
<b>Device Penetration on 2.1GHz-License</b>					
3G handset penetration	49%	54%	58%	62%	67%
Smart phone penetration	36%	39%	44%	49%	53%

<sup>1)</sup> 900MHz-BTO refers to the subscription of customers under 900 & 1800MHz Build-Transfer-Operate contract <sup>2)</sup> 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

### 9M15 Snapshot

For 9M15, the total revenue (excluding construction) was Bt115,429mn, growing by 6.6% YoY from both sales and service revenue. Service revenue (excluding IC) increased by 3.2% YoY as a result of continuing growth on non-voice revenue. SIM & device sales increased by 30% YoY, underpinned by the more aggressive handset campaign. Sales margin of 9M15 was -0.8%, a combination of thin margin in 1H15 and double digit loss in 2H15. For the whole year, we expected -5% to -6% in sales margin. On the cost side, the regulatory fee was Bt11,454mn, a decrease of 26% YoY, from a continuity of 3G migration. It represented 12.6% of service revenue (excluding IC), compared to 17.7% in 9M14. Network OPEX was Bt6,911mn, an increase of 9.5% YoY mainly from more base stations when compared to 2014. SG&A increased by 4.8% YoY to Bt14,448mn. Marketing expenses for 9M15 were Bt4,692mn, increasing 7.8% YoY and representing 4.1% of total revenue. EBITDA was Bt53,572mn, an increase of 10% YoY. EBITDA improved mainly from growing revenue and saving from lower regulatory fee. Consolidated EBITDA margin of 9M15 was 46.4% and service EBITDA margin was 55.9%. Both margins were still above the guidance. Net profit was Bt28,361mn, an increase of 5.4% YoY.

## 3Q15 Financial Summary

### Revenue

Although the economy in 3Q15 slowed down, affecting consumer's spending, and an intense competition among telecom operators, AIS remained YoY growth in revenue. **In 3Q15 total revenue (excluding construction)** was Bt36,768mn, increasing by 4% YoY mainly from growth in non-voice and sales revenue, offsetting a decline in voice revenue. However, QoQ dropped by 3.6% due to a seasonality effect and lower handset sales in 3Q15.

**SIM & device sales** were Bt5,356mn, an increase of 27% YoY due to a promotion in handset campaign, with 1.9mn units of LAVA and OLA distributed in this quarter. On the contrary, sales revenue decreased by 6.6% QoQ when unit sales increased but unit price decreased from subsidized campaign. As a result, sales margin became a loss of Bt595mn or -11% compared to 2% in 2Q15. Moreover, some customers postponed their new purchase as they were waiting for new iPhone6s and iPhone6s Plus.

**Service revenue (excluding IC)** was Bt29,956mn, increasing by 2% YoY due to the growth of non-voice revenue, IR, and WiFi which offset with the decrease of voice revenue. Meanwhile, when compared QoQ, the service revenue (excluding IC) of this quarter declined by 1.7%. In 3Q15, the service revenue (excluding IC) included a one-time adjustment of 2G revenue of Bt152mn. In 2Q15, there was also Bt318mn one-time adjustment in revenue. Without these items, the normalized revenue would grow 1.4% YoY and decline 1.1% QoQ.

- **Voice revenue** was at Bt13,133mn, a decrease of 16% YoY and 7.7% QoQ mainly from continuing decline of voice usage from changing trend of consumer's behavior. QoQ was also impacted by a decline in prepaid subscribers from unregistered prepaid ID causing a decrease in the total subscribers and the total minutes of calling.
- **Non-voice** was Bt14,116mn, an increase of 24% YoY and 4.7% QoQ. This 3Q15 was the first time that non-voice revenue surpassed voice revenue following the growing trend of mobile data usage. Also, it was supported by higher smart phone penetration of 53%. Mobile data was accounted for 40% of service revenue (excluding IC) compared to 31% in 3Q14 and 37% in 2Q15.
- **International roaming (IR)** was Bt653mn, increasing by 22% YoY from growing numbers of inbound roamers as political stability has improved from last year. IR revenue only decreased by 1.6% QoQ despite a low season along with the bombing incident in August.
- **International call & other businesses** were Bt2,054mn, increasing by 18% YoY mainly from an increase in revenue on WiFi. However, it declined 1.3% QoQ due to a decrease in IDD.
- **Net interconnection charges (Net IC)** decreased to Bt143mn, compared to Bt163mn in 3Q14 and Bt198mn in 2Q15. Also, there was an adjustment in interconnection rate per minute from Bt0.45/minute to Bt0.34/minute starting in 3Q15.

### Cost & Expense

In 3Q15, the total costs were flat both YoY and QoQ. The major cost saving came from lower regulatory fee due to our continuing migration campaigns. Besides, D&A from 3G investment still increased and competitive environment have caused higher marketing expenses. **The cost of service (excluding IC)** was Bt13,124mn declining 1.9% YoY and 0.7% QoQ mainly from lower regulatory fee offset by higher D&A.

- **Regulatory fee** was Bt3,344mn, decreasing 27% YoY and 12% QoQ. This represented 11.2% of service revenue (excluding IC), down from 15.6% in 3Q14 and 12.5% in 2Q15. Our AIS Super Combo "LAVA" handsets continued to receive great market attraction. With our trade-in subsidy campaigns launched in this quarter, 3G handset penetration on 2.1GHz-License now rose to 67%, against our year-end target of 70%.
- **Depreciation & Amortization** was Bt5,861mn, an increase of 22% YoY and 8.2% QoQ. This was due to 3G investment on 2.1GHz-License network to strengthen coverage in new communities and enhance capacity in city areas. 2G assets under the Agreements for operations amounting Bt2,985mn were also fully amortized in this quarter.
- **Network OPEX** was Bt2,236mn decreasing 5% YoY due to high cost of maintenance last year. QoQ, it decreased 3.8% mainly from lower provision of network spareparts partially offset by increasing base station rental and utility costs.
- **Other costs of service** were Bt1,683mn, increasing 3.7% YoY and 1% QoQ. This was mainly from an increase in costs of fixed-broadband equipment.

**SG&A expense** were Bt4,896mn, increasing 5.5% YoY and 0.4% QoQ from higher marketing expenses.

- **Marketing expenses** were Bt1,733mn, increasing 23% YoY and 6.5% QoQ. The handset-upgrade promotional campaigns for migration remained competitive to drive up smartphone penetration. Also, we continued to create brand awareness through mass advertisement and attractive privilege programs such as AIS LIVE 360 campaign.
- **General admin expenses** were Bt2,769mn, decreasing 3.3% YoY mainly due to loss from sale and write-off of 2G assets in 3Q14. While QoQ, G&A dropped 1.3%.
- **Depreciation & Amortization** was Bt90mn, increasing 20% YoY and 5.7% QoQ, primarily from renovation of distribution channels.
- **Bad debt** was Bt305mn, increasing 5.1% YoY but decreasing 15% QoQ. This represented 3.3% of postpaid revenue, equaling to 3Q14 level but lowering from 4% in 2Q15. We consider this level of bad debt to be manageable.

**Finance costs** were Bt463mn, decreasing 1.5% YoY and 1.4% QoQ. Interest expense amounted Bt424mn, decreasing 2.8% YoY but increasing 4.7% QoQ due to a short-term loan of Bt10,500mn borrowed in this quarter.

**Net foreign exchange loss** was Bt132mn changing from a gain of Bt120mn in 3Q14 and Bt28mn in 2Q15. This was primarily from the effect of the Baht currency depreciation in the quarter. YTD, we still had a net gain of Bt32mn. It is our policy to fully hedge all

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foreign loans while cash outflows of foreign-currency denominated CAPEX can only be partially hedged.

**Other income** was Bt222mn, increasing 26% YoY and 113% QoQ. This quarter there was a one-time recognition of other income due to concession expiry.

### Profit

In 3Q15, **EBITDA** was Bt17,431mn increasing 6% YoY. Although this quarter we experienced a loss of Bt595mn on handset subsidy and a rise in marketing expenses, it was more than offset by growing service revenue and lower regulatory fee. While QoQ, EBITDA decreased 3.5% mostly from the handset subsidy. **Consolidated EBITDA margin** in 3Q15 was 47.4%, rising 90bps YoY and flattish QoQ. Excluding the handset activities, **service EBITDA margin** grew strongly to 57.4%, increasing 430bps YoY and 200bps QoQ. With rising depreciation and amortization costs from network investments and the effect from currency weakness, **net profit** stood at Bt8,616mn, declining 3.8% YoY and 13% QoQ, or a net profit margin of 23.4% down from 25.2% in 3Q14 and 25.8% in 2Q15.

### Financial position

As of Sep-15, comparing to Jun-15, current assets dropped from Bt37bn to Bt34bn from lower cash and inventories of handsets while non-current assets increased from Bt94bn to Bt97bn mainly in PPE from continuing investments offset by fully-amortized 2G assets. Total liabilities rose from Bt82bn to Bt93bn due to a short-term loan of Bt10.5bn borrowed in the quarter. Total equity dropped from Bt49bn to Bt38bn as retained earnings were lowered from the interim dividend paid in September. The current ratio of 0.6x showed a slight decrease. However, net debt to EBITDA, despite higher interest-bearing debt, remained strong at 0.53x with an average interest cost of 4.1% p.a.

### Cash Flow

In 9M15, our net operating cash flow stood at Bt45bn, up from Bt44bn in 9M14. Total accumulated CAPEX spent was Bt25bn, representing 29% of sales. Consequently, free cash flow (net operating cash flow – CAPEX) remained at Bt20bn, a free cash flow yield of 11%. This quarter, a short-term loan of Bt10.5bn was borrowed and an interim dividend of Bt19bn was paid. In summary, cash remained Bt8bn, down from Bt12bn in Sep-14.

Income statement (Bt mn)	3Q14	2Q15	3Q15	%YoY	%QoQ	9M14	9M15	%YoY
Voice revenue	15,710	14,235	13,133	-16%	-7.7%	49,928	42,240	-15%
Non-voice revenue	11,388	13,488	14,116	24%	4.7%	31,443	40,391	29%
International Roaming	537	663	653	22%	-1.6%	1,591	1,842	16%
Others (IDD, other fee)	1,746	2,082	2,054	18%	-1.3%	4,990	6,261	26%
<b>Service revenue (excluding IC)</b>	<b>29,382</b>	<b>30,468</b>	<b>29,956</b>	<b>2%</b>	<b>-1.7%</b>	<b>87,953</b>	<b>90,734</b>	<b>3.2%</b>
IC revenue	1,765	1,922	1,456	-18%	-24%	5,454	5,319	-2.5%
SIM and handset sales	4,208	5,733	5,356	27%	-6.6%	14,878	19,376	30%
<b>Total revenues (excluding construction)</b>	<b>35,355</b>	<b>38,123</b>	<b>36,768</b>	<b>4%</b>	<b>-3.6%</b>	<b>108,284</b>	<b>115,429</b>	<b>6.6%</b>
Regulatory fee	(4,589)	(3,811)	(3,344)	-27%	-12%	(15,571)	(11,454)	-26%
Depreciation & Amortization	(4,819)	(5,415)	(5,861)	22%	8.2%	(13,593)	(16,651)	23%
Network operating expense	(2,354)	(2,324)	(2,236)	-5%	-3.8%	(6,311)	(6,911)	9.5%
Other cost of services	(1,623)	(1,667)	(1,683)	3.7%	1%	(4,779)	(5,030)	5.3%
<b>Cost of service (excluding IC)</b>	<b>(13,385)</b>	<b>(13,217)</b>	<b>(13,124)</b>	<b>-1.9%</b>	<b>-0.7%</b>	<b>(40,254)</b>	<b>(40,046)</b>	<b>-0.5%</b>
IC cost	(1,602)	(1,725)	(1,314)	-18%	-24%	(5,029)	(4,764)	-5.3%
Cost of SIM and handset sales	(4,291)	(5,616)	(5,951)	39%	6%	(14,849)	(19,534)	32%
<b>Total costs (excluding construction)</b>	<b>(19,278)</b>	<b>(20,558)</b>	<b>(20,389)</b>	<b>5.8%</b>	<b>-0.8%</b>	<b>(60,132)</b>	<b>(64,344)</b>	<b>7%</b>
<b>Gross profit</b>	<b>16,077</b>	<b>17,566</b>	<b>16,379</b>	<b>1.9%</b>	<b>-6.8%</b>	<b>48,152</b>	<b>51,085</b>	<b>6.1%</b>
<b>SG&amp;A</b>	<b>(4,643)</b>	<b>(4,876)</b>	<b>(4,896)</b>	<b>5.5%</b>	<b>0.4%</b>	<b>(13,792)</b>	<b>(14,448)</b>	<b>4.8%</b>
Marketing Expense	(1,414)	(1,627)	(1,733)	23%	6.5%	(4,354)	(4,692)	7.8%
General administrative & staff cost	(2,864)	(2,804)	(2,769)	-3.3%	-1.3%	(8,330)	(8,506)	2.1%
Bad debt provision	(290)	(359)	(305)	5.1%	-15%	(901)	(995)	10%
Depreciation	(75)	(85)	(90)	20%	5.7%	(208)	(256)	23%
<b>Operating profit</b>	<b>11,434</b>	<b>12,690</b>	<b>11,483</b>	<b>0.4%</b>	<b>-9.5%</b>	<b>34,361</b>	<b>36,637</b>	<b>6.6%</b>
Net foreign exchange gain (loss)	120	28	(132)	-210%	-571%	215	32	-85%
Other income (expense)	176	104	222	26%	113%	366	450	23%
Finance cost	(471)	(470)	(463)	-1.5%	-1.4%	(1,069)	(1,362)	27%
Income tax	(2,311)	(2,507)	(2,495)	8%	-0.5%	(6,980)	(7,401)	6%
Non-controlling interest	7	3	1	-79%	-54%	19	5	-75%
<b>Net profit for the period</b>	<b>8,955</b>	<b>9,849</b>	<b>8,616</b>	<b>-3.8%</b>	<b>-13%</b>	<b>26,911</b>	<b>28,361</b>	<b>5.4%</b>

  

Revenue mix (Bt mn)	3Q14	2Q15	3Q15	%YoY	%QoQ	9M14	9M15	%YoY
900MHz-BTO revenue <sup>1)</sup>	3,760	2,143	1,622	-57%	-24%	21,451	5,996	-72%
2.1GHz-License revenue <sup>2)</sup>	23,875	26,243	26,279	10%	0.1%	61,511	78,477	28%
<b>Total</b>	<b>27,636</b>	<b>28,386</b>	<b>27,902</b>	<b>1%</b>	<b>-1.7%</b>	<b>82,963</b>	<b>84,473</b>	<b>1.8%</b>
<b>% 2.1GHz-License revenue</b>	<b>86%</b>	<b>92%</b>	<b>94%</b>			<b>74%</b>	<b>93%</b>	

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

2) Revenue from 2.1GHz 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.

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EBITDA (Bt mn)	3Q14	2Q15	3Q15	%YoY	%QoQ	9M14	9M15	%YoY
Operating Profit	11,434	12,690	11,483	0.4%	-9.5%	34,361	36,637	6.6%
Depreciation & amortization	4,893	5,500	5,951	22%	8.2%	13,801	16,907	23%
(Gain) loss on disposals of PPE	194	0	75	-62%	N/A	755	302	-60%
Management benefit expense	(43)	(58)	(38)	-11%	-34%	(146)	(136)	-7.2%
Other financial cost	(35)	(65)	(39)	12%	-39%	(70)	(137)	97%
<b>EBITDA</b>	<b>16,442</b>	<b>18,068</b>	<b>17,431</b>	<b>6%</b>	<b>-3.5%</b>	<b>48,700</b>	<b>53,572</b>	<b>10%</b>
Consolidated EBITDA margin (%)	46.5%	47.4%	47.4%			45.0%	46.4%	
Service EBITDA margin (%)	53.1%	55.4%	57.4%			52.1%	55.9%	

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	3Q14	2Q15	3Q15	%YoY	%QoQ	9M14	9M15	%YoY
Construction revenue	135	11	10	-93%	-14%	583	64	-89%
Construction cost	(135)	(11)	(10)	-93%	-14%	(583)	(64)	-89%

Financial Position (Bt mn/% to total asset)					Key Financial Ratio			
	2Q15		3Q15		3Q14	2Q15	3Q15	
Cash	13,042	10%	11,610	8.9%	1.11	0.74	1.27	
ST investment	1,598	1.2%	410	0.3%	0.69	0.47	0.97	
Trade receivable	10,750	8.2%	11,006	8.4%	0.39	0.32	0.53	
Inventories	4,704	3.6%	3,399	2.6%	0.86	0.81	0.60	
Others	7,021	5.4%	7,323	5.6%	26	31	27	
<b>Current Assets</b>	<b>37,115</b>	<b>28%</b>	<b>33,748</b>	<b>26%</b>	DSCR	7.0	12	4.2
Spectrum license	12,140	9.3%	11,894	9.1%	ROE	85%	90%	79%
Network and PPE	74,834	57%	77,428	59%				
Intangible asset	2,820	2.2%	2,954	2.3%				
Defer tax asset	990	0.8%	1,058	0.8%				
Others	2,835	2.2%	3,685	2.8%				
<b>Total Assets</b>	<b>130,735</b>	<b>100%</b>	<b>130,767</b>	<b>100%</b>				
Trade payable	11,849	9.1%	11,436	8.7%				
ST loan & CP of LT loans	3,342	2.6%	14,875	11%				
Accrued R/S expense	6,316	4.8%	6,712	5.1%				
Others	24,251	19%	23,470	18%				
<b>Current Liabilities</b>	<b>45,758</b>	<b>35%</b>	<b>56,493</b>	<b>43%</b>				
Debt	33,765	26%	33,529	26%				
Others	2,309	1.8%	2,550	2%				
<b>Total Liabilities</b>	<b>81,832</b>	<b>63%</b>	<b>92,572</b>	<b>71%</b>				
Retained earnings	23,238	18%	12,529	9.6%				
Others	25,665	20%	25,665	20%				
<b>Total Equity</b>	<b>48,903</b>	<b>37%</b>	<b>38,194</b>	<b>29%</b>				

					Debt repayment schedule (Bt mn)		
					Debenture		Loan
					3Q15		
						-	-
					4Q15	-	12,653
					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 : 9M15 (Bt mn)			
Source of Fund		Use of Fund	
Operating cash flow	52,420	Dividend paid	37,042
Proceed of ST loan	10,500	CAPEX & Fixed assets	24,813
Net change in investments	1,126	Income tax paid	7,809
Dividend & Interest received	279	Finance cost & Financial lease paid	1,039
Sale of property	15	Repayment of LT borrowings	243
ST loan & investment in associate	85		
Cash decreased	6,521		
<b>Total</b>	<b>70,946</b>	<b>Total</b>	<b>70,946</b>

## 2H2015 MANAGEMENT OUTLOOK & STRATEGY

<b>Service revenue (excluding IC)</b>	<ul style="list-style-type: none"> <li>Increase around 3% YoY</li> </ul>
<b>Handset sales</b>	<ul style="list-style-type: none"> <li>Increase 10% with -5% to -6% margin</li> <li>70% 3G device penetration</li> </ul>
<b>Consolidated EBITDA margin</b>	<ul style="list-style-type: none"> <li>Remain flat YoY</li> </ul>
<b>Service EBITDA margin</b>	<ul style="list-style-type: none"> <li>Increase by 200bps YoY</li> </ul>
<b>CAPEX</b>	<ul style="list-style-type: none"> <li>Bt36bn               <ul style="list-style-type: none"> <li>target 29,000 3G BTSs including small cells</li> <li>continue fiber optic rollout</li> <li>renovate and expand shops</li> </ul> </li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>Maintain 100% dividend payout</li> </ul>

### Guidance for the rest of the year is maintained from the half-year revision

Thailand's economy in the fourth quarter of 2015 is expected to see some improvement from the downturn and low season in the third quarter. The government stimulus package should help boost economy. Intense competition in mobile market is expected to continue because competitors try to utilize their competitive advantage toward consumer perception on 4G service, while the auctions for more spectra are approaching. AIS' guidance is maintained from the half-year revision. Service revenue (excluding IC) should increase 3% YoY. 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. Handset campaign will continue, encouraging customers to trade in their 2G phones with new 3G phones. The subsidy should accelerate subscriber migration to 3G with the target of 3G device penetration maintained at 70%.

### 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 for FY2015 should be 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, considering weak economy, and high competition, we see that target of 80,000 subscribers is challenging. CAPEX plan for fixed broadband business is maintained to be Bt1bn. In terms of total CAPEX for FY2015, it is expected to be Bt36bn. 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 was already 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 separate financial statements. The commitment is supported by strong operating cashflow and low gearing. 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

Some statements made in this material are forward-looking statements with the relevant assumptions, which are subject to various risks and uncertainties. These include statements with respect to our corporate plans, strategies and beliefs and other statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "intend", "estimate", "continue" "plan" or other similar words. The statements are based on our management's assumptions and beliefs in light of the information currently available to us. These assumptions involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please note that the company and executives/staff do not control and cannot guarantee the relevance, timeliness, or accuracy of these statements.