1Q16 MD&A

Advanced Info Service Plc.

Executive Summary

AIS has commercially launched 4G service on 26 January 2016 after granted the 1800MHz spectrum license in November 2015. The 4G coverage is now present in all 77 provinces and is targeted to cover 50% of the population by year-end. New limited-data pricing structure, despite its early launch, is responding well to accelerating data-consumption behavior of customers and indicating an upgrade in ARPU under this pricing subscription. On 2G-to-3G migration, of 12mn customers in December 2015, as at end-March 2016, 5mn customers have changed to 3G/4G phones, most of whom participated in the handset subsidy campaign which has cost Bt3.4bn. As the remedy period has currently been extended to until 30 June 2016 or when a new 900MHz spectrum license is granted, handset subsidy campaign will continue along with the strengthening of 3G-2.1GHz network which now has 30,000 base stations nationwide.

With slowly-recovering economy and intense competition in 1Q16, service revenue (excluding IC) was at Bt30,148mn, declining 0.5% YoY but growing 0.9% QoQ. The handset subsidy run by all operators caused SIM & handset sales to drop to Bt5,663mn, declining 32% YoY and 33% QoQ. Average data usage grew to 2.2GB/data sub/month driven by better speed on 4G and new structure of price plans. In addition, fixed broadband business has been expanding well with current 74k subscriptions and average ARPU of Bt600.

In 1Q16, regulatory fee increased to Bt4,589mn or 15.2% of service revenue (excluding IC), up from 8.9% in 4Q15, due to a one-time recognition of USO fee (please see significant events). Normalized regulatory fee would contribute 7.9% of service revenue (excluding IC), still on a declining trend due to migration to use 3G/4G. The cost of handset subsidy of Bt3.4bn was fully expensed under marketing spending. In 1Q16, we also recognized a one-time of Bt919mn deferred tax asset and income tax benefit, resulting in an effective tax rate of 8.5% (please see significant events). Net profit was Bt8,073mn, declining 18% YoY and 25% QoQ. Normalizing these one-time events, net profit would be Bt8,921mn, declining 9.9% YoY and 17% QoQ. In addition, net debt to EBITDA (annualized) still remained strong at 0.85x.

Guidance is maintained the same while the re-auction of 900MHz is scheduled to be held on 27 May 2016. Please note that we did not recognize any cost from the partnership with TOT in 1Q16 until further notified or the contract is signed.

Significant events

1. In 1Q16, the company recognized a one-time expense of Bt2,208mn in regulatory fee.

The NBTC had sent a letter to the company informing that AWN, the 2.1GHz-license holder, deducted some non-deductible expenses before submitting the Universal Service Obligation (USO) fee which is charged as % of revenue (3.75% out of 5.25% license fee). This has resulted in a short of submitted USO fee of Bt2,208mn since 2013 until present.

2. In 1Q16, the company recognized a one-time deferred tax asset of Bt919mn in statement of financial position and a tax benefit of the same amount in statement of income, both in consolidated and separate financial statements.

As most of operations are currently operated by AWN, a subsidiary of AIS, revenue under AIS entity has been lowered and the company generated a tax loss carryforward in 2015. Since the company now projects to have realizable taxable profit in the future, the full amount of Bt919mn tax loss carryforward was recognized as deferred tax asset in this quarter and will be utilized over the course of five years. This resulted in a recognition of tax benefit in the statement of income, which caused effective tax rate to become 8.5%. Normalizing this, effective tax rate would be 20%.

3. An application of accounting standard for 1800MHz spectrum license

Since granted the 1800MHz spectrum license in November 2015, the company started to apply the International Accounting Standard (IAS) 38 regarding "Intangible Assets" to recognize the spectrum asset value. Under this standard, it is required that the company realize the difference between the spectrum auctioned price and the net present values of cash payments[1)] as "deferred interest." This resulted in total deferred interest of Bt640mn expensed in the statement of income as follows: Bt49mn in 4Q15, Bt379mn in 2016, estimated Bt168mn in 2017, and estimated Bt44mn in 2018. The value of spectrum license to be amortized over the licensing period of 18 years also decreased by Bt640mn.

[1)] *Bt20bn in end-2015, Bt10bn in end-2017, and Bt10bn in end-2018*

1Q16 Market and competitive environment

After the auctions of 1800MHz and 900MHz during 4Q15, the competition has been elevated as operators saw opportunities to acquire 2G-900MHz subscribers while AIS' 900MHz network was expected to shut down. This has provoked massive handset subsidy by all operators. The handset subsidy, focused on mid- to low-tier prepaid customers, was ranged from 3G-feautured phones with cost of Bt700 to low-entry level of 3G/4G smartphones with cost of about Bt2,000. Amongst intense competition, however, handset subsidy has helped stimulate higher 3G-handset penetration. In addition, the competition has also increased through distribution channels where an operator started to use convenience stores as a new sales channel to do handset subsidy and number portability.

4G service has been rapidly invested and enhanced, with service coverage ahead of 4G-capabled handset availability which is also growing with a fast pace. Operators tried to claim leadership in network advancement and data speed superiority in order to capture high data customers and better brand perception.

New pricing structure offering a large amount of data allowance with "no unlimited use" has been led and introduced by AIS and soon followed by other operators. For instance, under the new structure, postpaid packages range from Bt299/month with 1.5GB to Bt1,888/month with 75GB. However, some operators are still offering, on top of the large allowance, non-stop speed-throttled data as competitive response. AIS believes that consistently fast speed is highly prioritized for customer satisfaction as contents involving more videos and live-streaming applications become more common to users, who are encouraged to gradually consume higher data. We expect the new pricing structure to better monetize higher data consumption and hence generate higher ARPU with customers having better usage experience from full 3G/4G speed in the long run.

For fixed broadband, competition in the market has been more heightened and perceived as a pre-emptive movement against the occurrence of a 4th player (AIS Fibre). Existing operators started to lower monthly charges in almost all-tier plans and retaining customers with 1-year contract has become a norm. Also, operators try to gradually replace old ADSL/DOCSIS technology and invest in new areas with fibre to provide more competitive products. An operator with other businesses attempts to gain market share by offering attractive convergence package. Meanwhile, as the customer's urge to be connected continues to rise, we expect the fixed broadband market to gradually grow with most of new subscriptions coming from outskirts and technology replacement in city areas, driven by decent speed and differentiation in other contents embedded with the price plan.

Operational Summary

In 1Q16, total subscribers grew to 38.9mn from net addition of 459k prepaid subs offset by net loss of 19k postpaid subs. Prepaid sub growth was supported by handset subsidy while ARPU was rather stabilized at Bt194. As a large part of migrated customers has become data users, prepaid VOU continued increasing to 2GB/data sub/month while MOU continued declining to 272 minutes from lower voice usage. On the other hand, postpaid sub declined as distribution channels were busy with migration work causing a low rate of new subs. Although ARPU and MOU dropped to Bt608 and 320 minutes, respectively, VOU strongly grew to 2.7GB/data sub/month underpinned by new structure of price plans. Overall, blended ARPU, largely weighted by prepaid segment, slightly dropped to Bt251. MOU declined to 279 minutes and VOU grew to 2.2GB/data sub/month.

Subscribers	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**
AIS (900MHz)	3,094,800	2,727,700	1,915,900	653,100	310,500
AWN (2100 & 1800MHz)	38,856,000	37,333,400	35,894,800	37,835,000	38,617,800
Postpaid	5,059,500	5,219,900	5,363,200	5,431,200	5,412,400
Prepaid	36,891,300	34,841,200	32,447,500	33,056,900	33,515,900
Total subscribers	**41,950,800**	**40,061,100**	**37,810,700**	**38,488,100**	**38,928,300**
Net additions					
AIS (900MHz)	-452,000	-367,100	-811,800	-1,262,800	-342,600
AWN (2100 & 1800MHz)	-1,898,500	-1,522,600	-1,438,600	1,940,200	782,800
Postpaid	118,800	160,400	143,300	68,000	-18,800
Prepaid	-2,469,300	-2,050,100	-2,393,700	609,400	459,000
Total net additions	**-2,350,500**	**-1,889,700**	**-2,250,400**	**677,400**	**440,200**
ARPU (Baht/subs/month)					
AIS (900MHz)	229	246	230	159	132
AWN (2100 & 1800MHz)	228	241	250	257	253
Postpaid	629	627	630	612	608
Prepaid	178	188	192	195	194
Blended	**228**	**242**	**249**	**254**	**251**

MOU (minute/sub/month)					
AIS (900MHz)	218	214	209	154	106
AWN (2100 & 1800MHz)	275	289	296	297	285
Postpaid	355	342	339	330	320
Prepaid	260	275	283	286	272
Blended	**271**	**283**	**291**	**292**	**279**
VOU (MB/data sub/month)					
Postpaid	1,740	1,990	2,150	2,360	2,680
Prepaid	1,610	1,510	1,680	1,910	2,030
Blended	**1,630**	**1,600**	**1,770**	**2,000**	**2,160**
Device Penetration on AWN					
Smart phone penetration	44%	49%	53%	59%	62%

1Q16 Financial Summary

Revenue

In 1Q16, **total revenue (excluding construction)** was Bt37,252mn, declining by 8.2% YoY and 6.4% QoQ, mainly from a decrease in sales revenue affected by handset subsidy.

SIM & device sales were Bt5,663mn, a decrease of 32% YoY and 33% QoQ, due to the aggressive handset campaigns in the market which affected the regular sales. Also, AIS' campaigns with discount caused a handset margin of -0.3% improving from -0.8% in 4Q15.

Service revenue (excluding IC) was Bt30,148mn, a slight decline of 0.5% YoY, due to a decrease in prepaid subscribers compared to last year offsetting with growth in postpaid revenue. However, an increase in prepaid revenue from net additional prepaid subscribers contributed to a growth of 0.9% QoQ.

- **Voice revenue** was Bt13,572mn, a decrease of 17% YoY and 3.6% QoQ, following the continued trend of declining voice usage.
- **Non-voice** was Bt14,831mn, an increase of 21% YoY and 4.6% QoQ, due to higher data-consumption following new mobile-data packages. Blended VOU rose to 2.2GB/data sub/month in 1Q16 from 2GB in 4Q15 and 1.6GB in 1Q15. This was also supported by increasing smartphone penetration of 62% in 1Q16. Mobile data accounted for 43% of service revenue (excluding IC), compared to 33% in 1Q15 and 41% in 4Q15.
- **International roaming (IR)** grew 3.9% YoY and 11% QoQ to Bt547mn from an increase of inbound roamers.
- **Fixed Broadband & other businesses** was Bt1,197mn, dropping by 3.6% YoY from a decrease in International Direct Dialing. However, it grew 5.6% QoQ mainly from an increase of Fixed Broadband subscribers to 74,000 subscribers in 1Q16.

Net Interconnection charges (Net IC) were Bt94mn, declining by 56% YoY, compared to Bt214mn in 1Q15, as a result of rate adjustment in 3Q15. Net IC decreased by 26% QoQ due to a decline in IC revenue while IC cost maintained.

Cost & Expense

Total cost decreased 16% YoY and 3.4% QoQ to Bt19,721mn mainly from a drop in cost of sales, as a consequence of handset subsidy. **Cost of service (excluding IC)** was Bt12,693mn, a decrease of 7.4% YoY mainly due to lower D&A. However, it grew 20% QoQ primarily from an impact of one-time expense in regulatory fee.

- **Regulatory fee** was Bt4,589mn, which accounted for 15.2% of service revenue (excluding IC). It rose by 6.8% YoY and 72% QoQ due to a one-time expense of Bt2,208mn from shortage of USO fee submitted (please see significant events). However, if excluding this one-time item, normalized regulatory fee would drop 45% YoY and 11% QoQ to Bt2,381mn. This accounted for 7.9% of service revenue (excluding IC).
- **Depreciation & Amortization** was Bt3,978mn, declining by 26% YoY, due to the fully-amortized 2G assets under BTO contract offset with increasing investment. Nonetheless, D&A grew 14% QoQ mainly from full-quarter amortization of 1800MHz license and additional network equipment.
- **Network OPEX** was Bt2,531mn, an increase of 7.3% YoY, due to the additional 3G/4G network equipment and base stations. However, network OPEX decreased by 5.3% QoQ as a result of cost management that lowered the maintenance cost.
- **Other costs of service** were Bt1,596mn, declining by 4.5% YoY and 8.8% QoQ. It was due to the change in accounting method in booking Fixed Broadband installation and equipment expense as capitalized asset.

SG&A expense were Bt8,095mn, an increase of 73% YoY and 44% QoQ. This was mainly caused by high marketing expenses from handset subsidy.

- **Marketing expenses** were Bt5,076mn, increasing by 281% YoY and 130% QoQ, from the handset subsidy cost of Bt3,390mn. The marketing expenses excluding subsidy cost would be Bt1,686mn, accounted for 4.5% of total revenue.
- **General admin expenses** were Bt2,640mn, declining by 10% YoY, due to a special item of 2G asset write off in 1Q15. Moreover, a decrease of 13% QoQ was from the adjustment in staff cost.
- **Depreciation & Amortization** was Bt96mn, rising to 19% YoY and 2.7% QoQ from the expansion of distribution channels.

- **Bad debt** was Bt284mn, dropping by 14% YoY and 12% QoQ, according to the effective cash collection management. This represented 2.9% of postpaid revenue compared to 3.3% to 4Q15.

Finance costs was Bt751mn, an increase of 75% YoY, due to an additional long-term borrowing for 1800MHz-license payment in late November of which the interest expense was recognized for a full quarter. Moreover, this also included deferred interest of Bt114mn from 1800MHz-license (please see significant events). Consequently, finance cost increased 26% QoQ.

Net gain on foreign exchange was Bt25mn, changing from a gain of Bt137mn in 1Q15 and Bt196mn in 4Q15. This was a consequence of currency fluctuation affecting the partially unhedged amount of CAPEX. However, our debt in foreign currency is fully hedged.

Other income (expenses) decreased by 6.9% YoY and increased by 72% QoQ. The increase was mainly due to higher income, plus lower management benefit.

Profit

In 1Q16, **EBITDA** dropped 26% YoY and 22% QoQ to Bt13,415mn, mainly due to high subsidy cost booked under marketing expenses together with a one-time expense in regulatory fee. As a result, **consolidated EBITDA margin** declined to 36.0% from 43.2% in 4Q15. **Service EBITDA margin** dropped to 42.5% from 55.1% in 4Q15. **Net profit** stood at Bt8,073mn, declining by 18% YoY and 25% QoQ. If excluded the one-time expense on regulatory fee after tax of Bt1,767mn and deferred income tax benefit of Bt919mn (please see significant events), the normalized net profit would decrease 9.9% YoY and 17% QoQ to be Bt8,921mn.

Financial position

As at March 2016, AIS had total assets of Bt193,570mn, increasing 6.5% from end-2015 primarily from higher cash, handset inventory, PPE, and deferred tax asset recognized in this quarter. Handset inventory rose to support handset subsidy campaign to migrate 2G customers while 3G/4G network investments (CAPEX) resulted in higher PPE. The deferred tax asset increase is a one-time item (please see significant events). Total liabilities were Bt156,291mn, increasing 17% mainly from higher current payables of trade, dividend, and income tax. Higher trade payable mainly came from higher CAPEX while dividend payable of Bt19,295mn for 2H15 performance was paid in April. Total interest-bearing debt lowered from Bt65,432mn to Bt62,495mn, 90% of which are long-term loans. Despite lower debt, net debt to EBITDA increased to 0.85x from declining EBITDA in 1Q16. Also, average cost of debt in 1Q16 was 4.4% p.a. Equity was Bt37,279mn, decreasing 23% from a drop in retained earnings appropriated for dividend.

Cash Flow

In 1Q16, AIS had operating cash flow (after tax) of Bt16,626mn while CAPEX spending was Bt12,102mn, representing 40% of service revenue (excluding IC) and against full-year guided CAPEX of Bt40bn. This resulted in a free cash flow of Bt4,524mn. Also, in 1Q16 finance cost and repayment of borrowings were Bt2,866mn while short-term loan of Bt3.6bn was loaned and repaid in the quarter. In summary, cash has increased Bt1,954mn.

1Q16 MD&A: Advanced Info Service Plc.

Income statement (Bt mn)	1Q15	4Q15	1Q16	%YoY	%QoQ
Voice revenue	16,253	14,085	13,572	-17%	-3.6%
Non-voice revenue	12,287	14,174	14,831	21%	4.6%
International Roaming	526	494	547	3.9%	11%
Fixed broadband & others	1,242	1,134	1,197	-3.6%	5.6%
Service revenue (excluding IC)	**30,309**	**29,887**	**30,148**	**-0.5%**	**0.9%**
IC revenue	1,940	1,475	1,441	-26%	-2.3%
SIM and handset sales	8,288	8,422	5,663	-32%	-33%
Total revenues (excluding construction)	**40,536**	**39,784**	**37,252**	**-8.2%**	**-6.4%**
Regulatory fee	(4,299)	(2,662)	(4,589)	6.8%	72%
Depreciation & Amortization	(5,375)	(3,495)	(3,978)	-26%	14%
Network operating expense	(2,359)	(2,672)	(2,531)	7.3%	-5.3%
Other cost of services	(1,672)	(1,749)	(1,596)	-4.5%	-8.8%
Cost of service (excluding IC)	(13,704)	(10,578)	(12,693)	-7.4%	20%
IC cost	(1,726)	(1,349)	(1,347)	-22%	-0.1%
Cost of SIM and handset sales	(7,967)	(8,485)	(5,680)	-29%	-33%
Total costs (excluding construction)	**(23,397)**	**(20,412)**	**(19,721)**	**-16%**	**-3.4%**
Gross profit	17,140	19,372	17,532	2.3%	-9.5%
SG&A	(4,676)	(5,643)	(8,095)	73%	44%
Marketing Expense	(1,332)	(2,209)	(5,076)	281%	130%
General administrative & staff cost	(2,933)	(3,020)	(2,640)	-10%	-13%
Bad debt provision	(331)	(321)	(284)	-14%	-12%
Depreciation	(81)	(93)	(96)	19%	2.7%
Operating profit	**12,463**	**13,730**	**9,436**	**-24%**	**-31%**
Net foreign exchange gain (loss)	137	196	25	-82%	-87%
Other income (expense)	125	68	117	-6.9%	72%
Finance cost	(429)	(597)	(751)	75%	26%
Income tax	(2,400)	(2,598)	(754)	-69%	-71%
Non-controlling interest	0	(7)	0	17%	-103%
Net profit for the period	**9,897**	**10,791**	**8,073**	**-18%**	**-25%**

Normalized net profit (Bt mn)	1Q15	4Q15	1Q16	%YoY	%QoQ
Net profit for the period	**9,897**	**10,791**	**8,073**	**-18%**	**-25%**
Recognition of USO fee (after tax)	-	-	1,767	-	-
Recognition of deferred tax assets	-	-	(919)	-	-
Normalized net profit for the period	**9,897**	**10,791**	**8,921**	**-9.9%**	**-17%**

Revenue mix (Bt mn)	1Q15	4Q15	1Q16	%YoY	%QoQ
Revenue on AIS (900MHz)[1)]	2,231	592	184	-92%	-69%
Revenue on AWN (2100 & 1800MHz)[2)]	26,835	28,162	28,767	7.2%	2.1%
Total	**29,067**	**28,753**	**28,951**	-0.4%	0.7%
% revenue on AWN	92%	98%	99%		

[1)] Revenue on AIS operating 900 MHz BTO is subjected to 30% revenue share and submission of leftover operating profit to NBTC under remedy period since 4Q15.
[2)] Revenue on AWN operating 2.1GHz & 1800GHz licenses is subjected to NBTC fee of 5.25%. Additionally, roaming revenue from subscribers using 2G devices is considered as revenue on AIS as in 1).

EBITDA (Bt mn)	1Q15	4Q15	1Q16	%YoY	%QoQ
Operating Profit	12,463	13,730	9,436	-24%	-31%
Depreciation & amortization	5,456	3,588	4,073	-25%	14%
(Gain) loss on disposals of PPE	227	1	0	-100%	-100%
Management benefit expense	(40)	(74)	(36)	-9.6%	-51%
Other financial cost	(33)	(41)	(59)	77%	42%
EBITDA	**18,073**	**17,204**	**13,415**	-26%	-22%
Recognition of USO fee (pre-tax)	-	-	2,208	-	-
Normalized EBITDA	**18,073**	**17,204**	**15,623**	-14%	-9.2%
Consolidated EBITDA margin	44.6%	43.2%	36.0%		
Service EBITDA margin[3)]	55.0%	55.1%	42.5%		

[3)] 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):**IFRSI12**	1Q15	4Q15	1Q16	%YoY	%QoQ
Construction revenue	42	0	0	-100%	N/A
Construction cost	(42)	0	0	-100%	N/A

Financial Position (Bt mn/% to total asset)	4Q15		1Q16	
Cash	14,312	7.9%	15,871	8.2%
ST investment	305	0.2%	60	0.0%
Trade receivable	11,030	6.1%	11,115	5.7%
Inventories	5,059	2.8%	6,201	3.2%
Others	7,301	4.0%	7,016	3.6%
Current Assets	**38,007**	**21%**	**40,264**	**21%**
Spectrum license	51,791	29%	50,985	26%
Network and PPE	84,291	46%	93,609	48%
Intangible asset	3,192	1.8%	3,429	1.8%
Defer tax asset	1,252	0.7%	2,257	1.2%
Others	3,229	1.8%	3,027	1.6%
Total Assets	**181,761**	**100%**	**193,570**	**100%**
Trade payable	14,358	21%	17,061	8.8%
ST loan & CP of LT loans	12,856	7.1%	10,768	5.6%
Accrued R/S expense	5,364	3.0%	5,364	2.8%
Others	24,956	7.1%	47,905	25%
Current Liabilities	**57,533**	**32%**	**81,098**	**42%**
Debenture & LT loans	52,416	29%	51,573	27%
Others	23,319	13%	23,620	12%
Total Liabilities	**133,268**	**73%**	**156,291**	**81%**
Retained earnings	22,813	13%	11,591	6.0%
Others	25,680	14%	25,688	13%
Total Equity	**48,493**	**27%**	**37,279**	**19%**

Key Financial Ratio	1Q15	4Q15	1Q16
Interest bearing debt to equity	0.93	1.32	1.65
Net debt to equity	0.24	1.02	1.23
Net debt to EBITDA	0.13	0.72	0.85
Current Ratio	0.76	0.66	0.50
Interest Coverage	31	25	14
DSCR	12	3.7	4.0
ROE	92%	100%	83%

Debt repayment schedule	(Bt mn)	
	Debenture	**Loan**
2Q16-4Q16	-	9,553
2017	397	1,801
2018	-	6,799
2019	7,789	1,964
2020	-	20,429
2021	1,776	2,679
2022	-	1,429
2023	-	-
2024	6,638	-

Source and use of fund : 1Q16			(Bt mn)
Source of Fund		**Use of Fund**	
Operating cash flow	17,054	CAPEX & Fixed asset	12,102
Net change in investments	244	Repayment of ST borrowings	2,000
Interest received	47	Repayment of LT borrowings	654
Sale of property	5	Income tax paid	428
		Finance cost & Financial lease paid	212
		Cash increase	1,954
Total	**17,350**	**Total**	**17,350**

2016 MANAGEMENT OUTLOOK & STRATEGY

Revenue growth	• Service revenue (excludes IC) growth is expected to be flat due to shutdown of 2G service, compensating with the growth from 3G&4G adoption and fixed broadband • Normal device sales is expected to be flat with 3-4% handset margin while the 2G-to-3G handset subsidies are booked under marketing spending
EBITDA margin	• With 2G shutdown and assuming a payment based on TOT partnership, consolidated EBITDA margin is expected in range of 37-38%
CAPEX	• Cash CAPEX is expected to be around Bt40bn covering 4G network rollout, 3G network expansion, FTTH expansion, and AIS shops expansion.
D&A	• Network D&A is expected to decline 25% due to fully amortized 2G asset following concession expiry in Sep-15 • Total license amortization of 3.3bn for 1800MHz and 2100MHz
Dividend	• Maintain 100% dividend payout

2016 guidance remains unchanged at this point of time

After the 1800MHz and 900MHz auction last year, there were many related developments. In the guidance, we expected the shutdown of 2G-900MHz network that might affect our service revenue. According to the most recent development, the remedy period was extended to end on 30 June 2016 or until the official date the NBTC shall grant the spectrum license to the bidding winner, whichever comes first. The NBTC set the date of 900Mhz spectrum re-auction to be 27 May 2016. As for the handset subsidy campaign for customers to migrate to use 3G/4G network, it has been launched and is continued in 1Q16. The guided budget for handset subsidy plus potential roaming cost is expected to be Bt8bn. The 3G-2.1GHz network has been enhanced. Nevertheless, if there is any change in the forecast and guidance due to the change of situation, AIS will inform investment community accordingly.

New 4G service launch and 3G expansion will uplift growth in mobile data revenue

In November 2015, we obtained additional 15MHz bandwidth of 1800MHz license for 18 years. In January 2016, we launched 4G service on 1800MHz initially in 42 cities. Within the first quarter, we already surpassed the target to be available in 77 provinces by mid-year. The current population coverage is more than 35%, advancing to the target of 50% coverage by year end. This will result in an immediate uplift of customer experience compared to last year where we only served 3G with 15MHz bandwidth. With higher data allowance on 4G plan, we expect again doubling volume of data usage per subscriber while 4G device penetration continues to increase. Meanwhile as mass adoption of low-cost smartphone continues, adding to this with the subsidy push from 2G shutdown, we expect a continued strong demand for 3G. Investment in 3G network expansion will aim on adding new capacity and enhancing coverage beyond 98%. Overall this will strengthen the quality and reliability of 3G/4G network to maintain our competitive edge.

FTTH expansion to reach full urban coverage 24 cities and 6.5mn homepass

With a renewed strategy, AIS adopts more aggressive approach to compete and win customer's mind in fixed broadband market. An investment budget of Bt7bn for this year is allocated to cover the full urban area of 24 provinces with a reach of 6.5mn homepass. At the end of 1Q16, we achieved a coverage of 2.2 million homepass in 12 provinces. We target to achieve a significant market share in the next 3-5 years with more budget and manpower dedicated to the business.

TOT partnership

AIS has been selected by TOT as key partner in developing mobile business with TOT. Within the scope of partnership discussion, there are potential use of 2100MHz as well as use of disputed towers and equipment rental. The partnership creates long-term benefit to AIS in enhancing AIS competitiveness and cost optimization in the next 3-5 years. While TOT partnership is under finalizing process, we shall not disclose details of the deal structure until contract is concluded. However, we now factored into our guidance this year assuming the expected payment to TOT pending finalization.

Margin affected by temporary impact of 2G shutdown and TOT partnership

With 2G network shutdown expected in the guidance, effective regulatory fee will fall to near 5.25% (annual license fee + USO paid to the NBTC). However, factors that will be strained to EBITDA are short-term revenue drop from 2G customer loss, the rise of marketing expenses due to handset subsidy and 2G roaming service to the leftover 2G subscribers. In addition, we factored in the cost from potential TOT partnership. Taking into account all of these impacts, consolidated EBITDA margin is expected to decline to 37-38%.

100% dividend payout maintained

Our 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 cash flow and strong capital structure. 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) 2029 5117