

Financial Results 2015
Advanced Info Service Plc.
3 August 2015

2Q15 Highlights

- Revenue growth decelerated amid slowly recovering economy. **Service revenue (ex IC) grew by 2.9% YoY and 0.5% QoQ**, including an adjustment of unearned income to prepaid revenue of Bt318mn, Normalized service revenue (ex IC) increased 1.8% YoY but decreased 0.5% QoQ.
- AIS Super Combo, our handset campaign, drove **3G device penetration to 62%**, resulting in significant saving on regulatory fee.
- With higher service revenue and lower regulatory fee, AIS' **EBITDA** grew 14% YoY but flattish QoQ while **net profit** improved 16% YoY but declined 0.5% QoQ.
- **FY2015 guidance was revised down** to 3% increase in service revenue (ex IC) and 5-6% negative handset margin. CAPEX was revised to be Bt36bn.
- **AIS Fibre is in a beginning stage** with insignificant contribution expected in the first year. The focus is on service quality and installation ramp-up.

2Q15 Key financial highlights



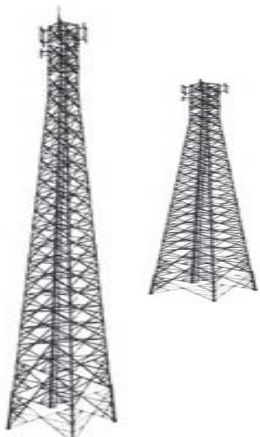
Bt million	2Q14	1Q15	2Q15	% YoY	% QoQ	1H14	1H15	%YoY
Service revenue ex. IC	29,604	30,309	30,468	▲2.9%	▲0.5%	58,571	60,778	▲3.8%
900MHz-BTO revenue ¹⁾	6,387	2,231	2,143	▼67%	▼4%	17,691	4,374	▼75%
2.1GHz-License revenue ²⁾	21,545	25,954	26,243	▲22%	▲1.1%	37,636	52,198	▲39%
Sales revenue	5,024	8,288	5,733	▲14%	▼31%	10,670	14,020	▲31%
Total revenue ex. construction	36,481	40,536	38,123	▲4.5%	▼6%	72,930	78,660	▲7.9%
EBITDA	15,804	18,073	18,068	▲14%	Flattish	32,258	36,141	▲12%
Consolidated EBITDA margin	43.3%	44.6%	47.4%	▲410bps	▲280bps	44.2%	45.9%	▲170bps
Service EBITDA margin	50.3%	55.0%	55.4%	▲510bps	▲40bps	51.6%	55.2%	▲60bps
Sales margin	-0.4%	3.9%	2%	▲240bps	▼190bps	1%	3.1%	▲210bps
Capex	7,443	7,165	8,883	▲19%	▲24%	15,461	16,048	▲3.8%
EPS	2.85	3.33	3.31	▲16%	▼0.6%	6.04	6.64	▲9.9%

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.

Continued enhancing network and investing for future capacity

Base stations and towers



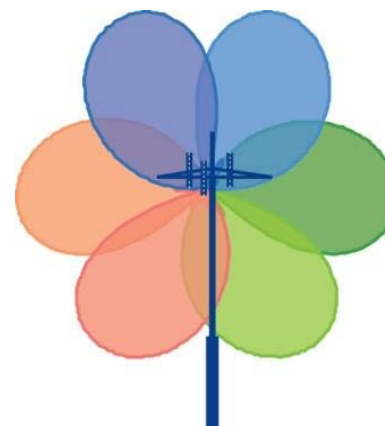
- Base station**

	23,800
	(2,500 small cells)
21,300	2Q15
FY14	

- Towers**
(including 13,200 towers under dispute)

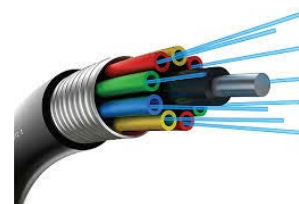
	20,500
19,700	2Q15
FY14	

Executing 6-sector cell splitting to achieve best capacity efficiency



AIS WiFi

	38,000
	(4,000 SuperWiFi)
28,000	2Q15
FY14	



Fiber optics

Completed
123,000 km
as of Jun-15

3G device penetration increased led by AIS Super Combo

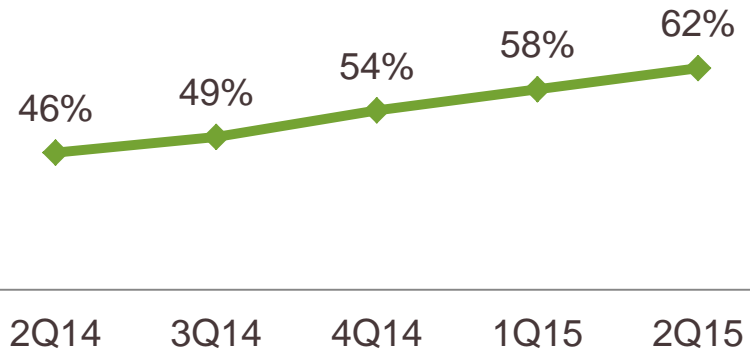
- Offer more handset discounts, with free airtime,
- free data usage
- AIS LAVA + OLA Pop sold in 2Q15

1.1 mn units

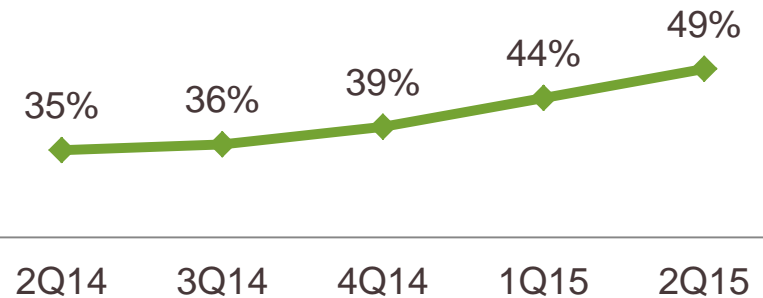
- **77%** of subscribers who changed to LAVA were **data users**, compared to 36% when before changing.
- New 3G house-branded phone:
AIS LAVA PRO 5.5 and LAVA W1



3G Handset penetration on 2.1GHz-License



Smartphone penetration on 2.1GHz-License



AIS officially launched digital life contents



- AIS Fibre progress as of June-15

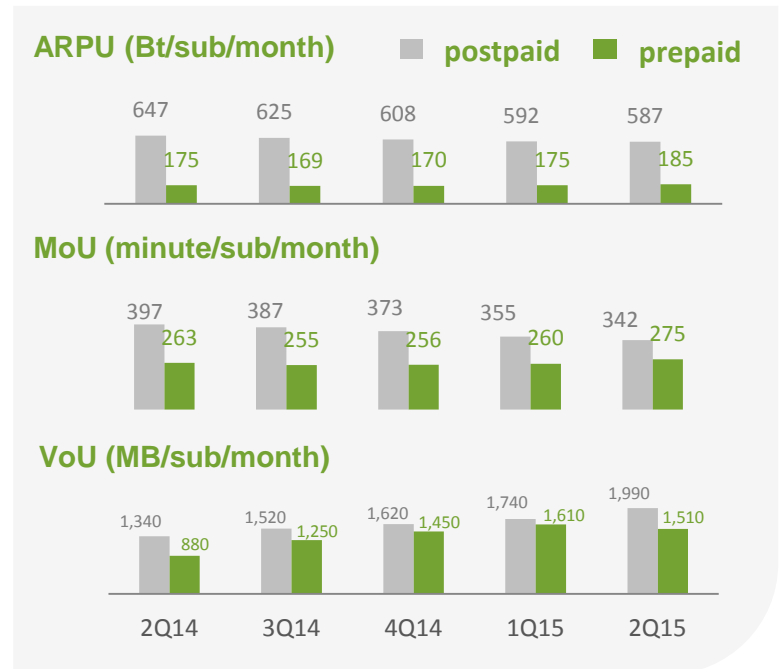
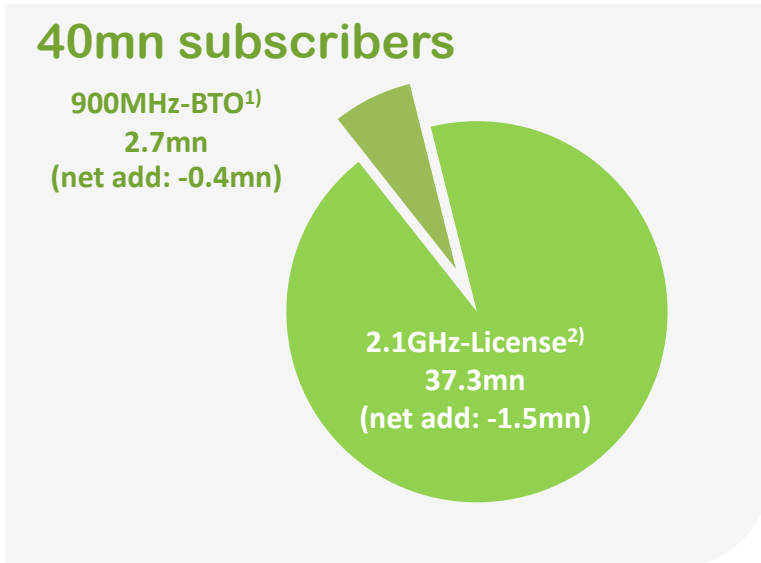
Port	146,000
Target	250,000
FTTB sub	7,600
FTTH sub	4,300
Total target	80,000

- Focusing on servicing customers efficiently and with quality
- Improving installation process to reach out more subscribers quickly
- Starting to distribute AIS Playbox to complement AIS' strategy to bundle premium content



- Cooperate with Property Perfect to lay down a home digital network in all 43 projects of Property Perfect, providing fixed broadband, AIS Playbox, Super Wifi and privileges for special discount on mobile package

Prepaid identification slowed down new subs



- **Total prepaid subs decreased** to 34.8mn (net add: -2mn) as SIM rotation was slower due to PI while **postpaid subs** still increased to 5.2mn (net add: 0.2mn) from pre-to-post attractive packages.
- **3G device users** on 2.1GHz-License reached 62%, supported by strong sales of LAVA.

- **ARPU and MoU of prepaid subs** picked up from negative net addition although their voice usage declined. **VoU** dropped from a pause in unlimited offerings early in the quarter.
- **For postpaid, ARPU** still dropped from lower-tier acquisitions. Strong **VoU** of almost 2GB/mth also clearly resulted in lower **MoU**.

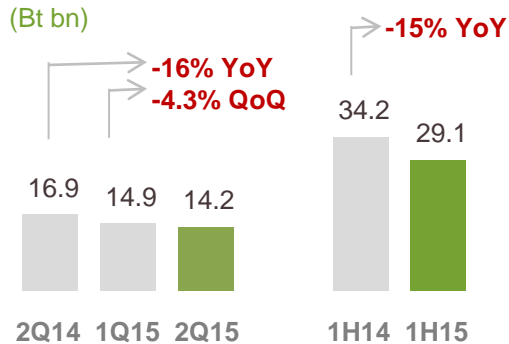
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2Q15 Revenue Breakdown

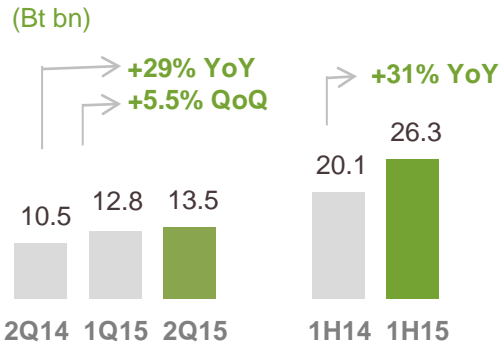


Voice revenue



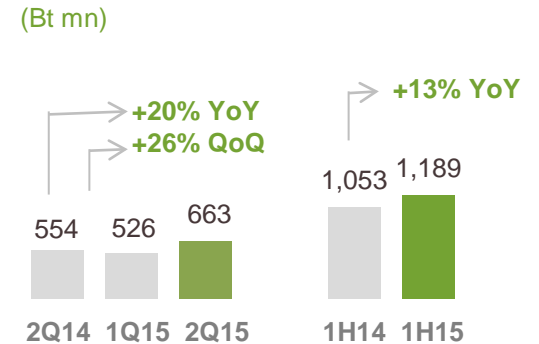
- lower usage from data substitution

Non-voice revenue



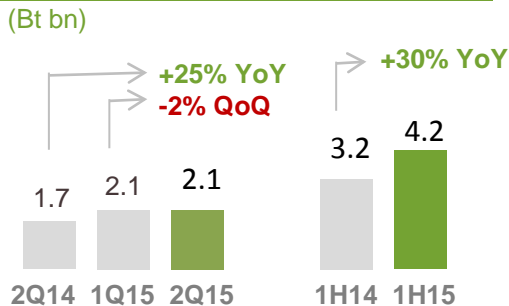
- decelerating growth from weak macro
- mobile data contributing 87% non-voice

IR revenue



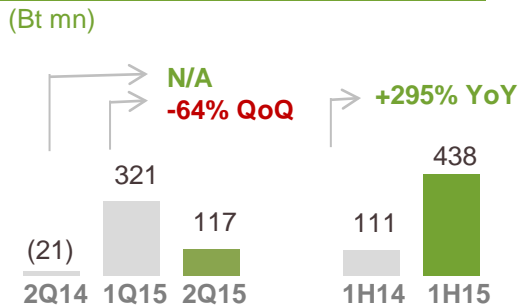
- driven by outbound from long holidays

IDD & other revenues



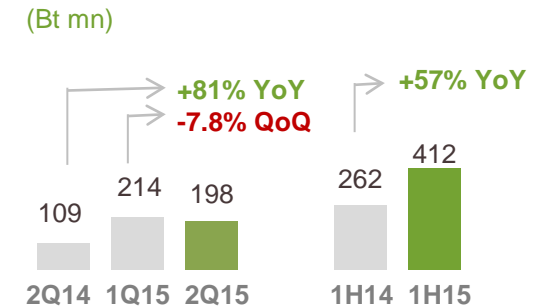
- declining IDD, offset by strong growth in WiFi

Net sales



- YoY, strong growth in LAVA with margin and iPhone6 sales
- QoQ, weaker sales due to seasonality

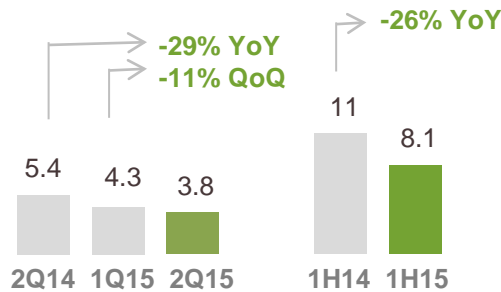
Net IC



2Q15 Cost Breakdown

Regulatory fee

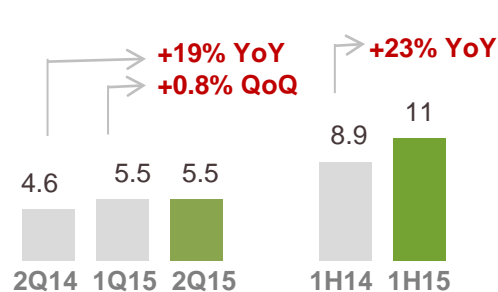
(Bt bn)



- higher 3G handset penetration

D&A

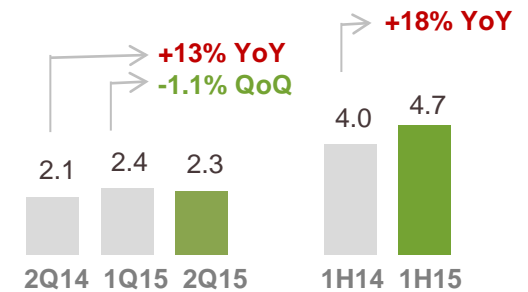
(Bt bn)



- continuous 3G investment
- Bt3bn of 2G to be fully amortized in 3Q15

Network Opex

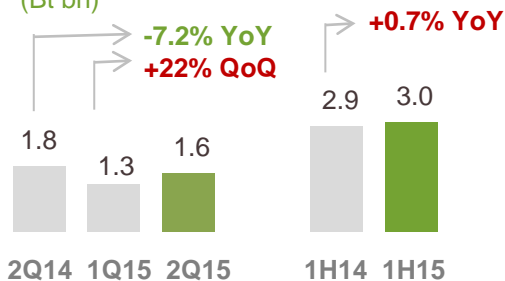
(Bt bn)



- YoY, more base stations from 3G investment
- QoQ, high opex cycle in 1Q15

Marketing

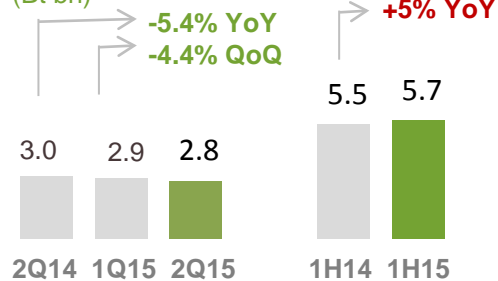
(Bt bn)



- YoY, declining due to intense handset discounts in 2Q14
- QoQ, higher ads to promote brand awareness, 3G migration, and FBB

Admin & Staff

(Bt bn)

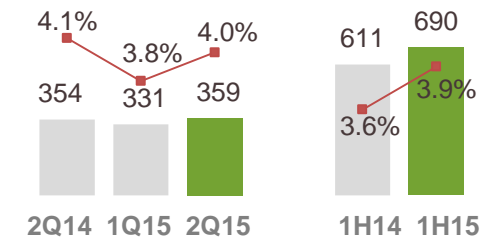


- no obsolete 2G-assets written off while staff cost still rose

Bad debt

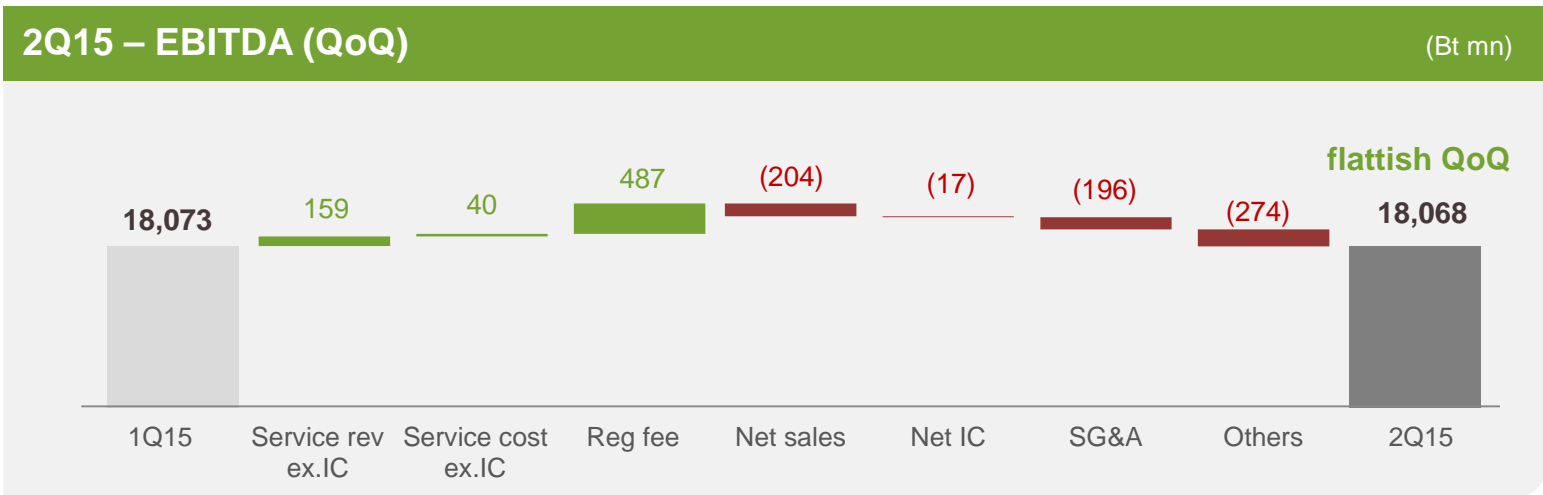
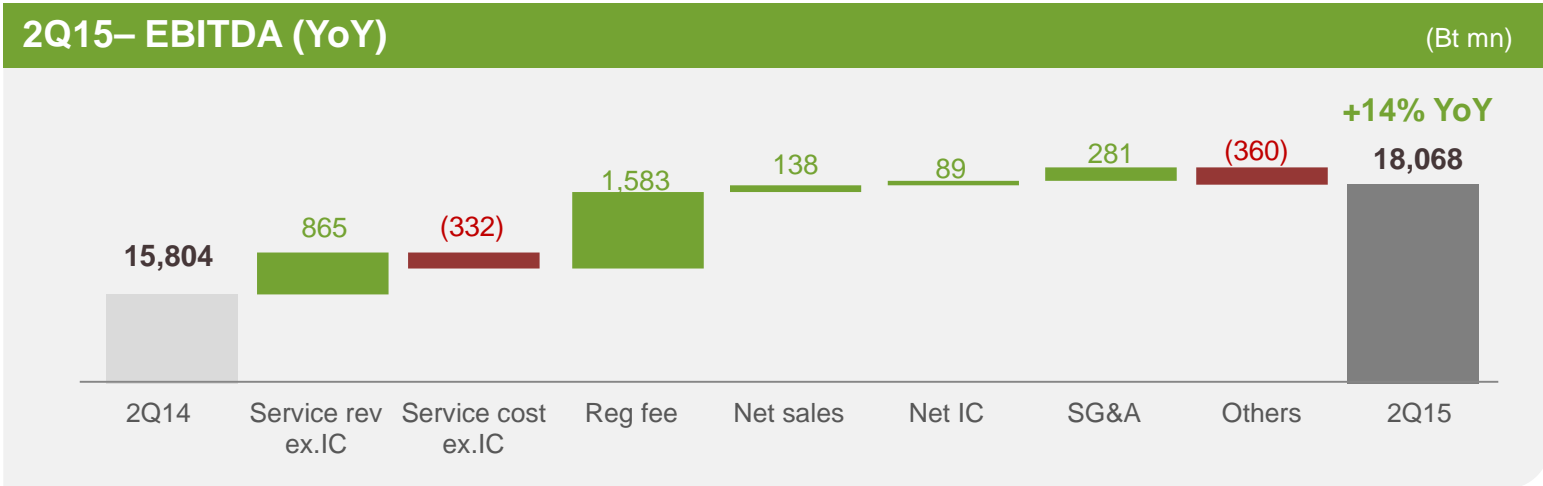
% to postpaid revenue

(Bt mn)

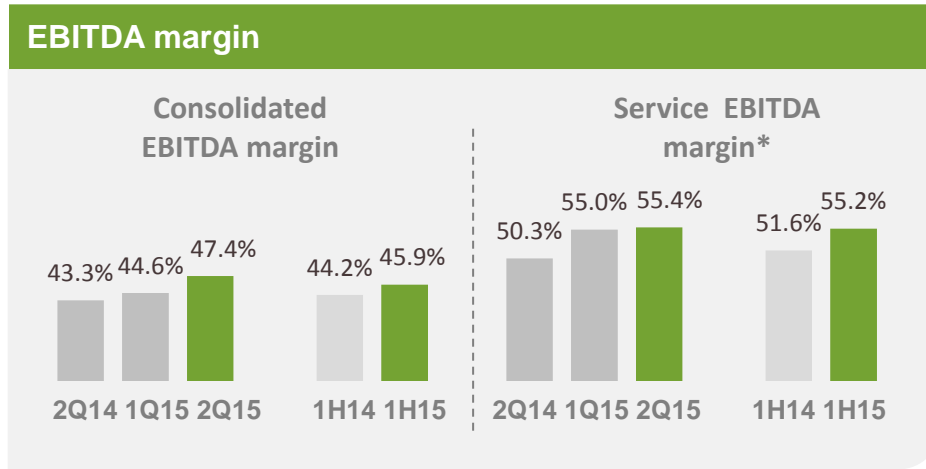


- higher postpaid subscribers with stable and manageable % to postpaid revenue

YoY, EBITDA grew strongly from better top line and large cost saving; QoQ, stable from lower opex and reg fee

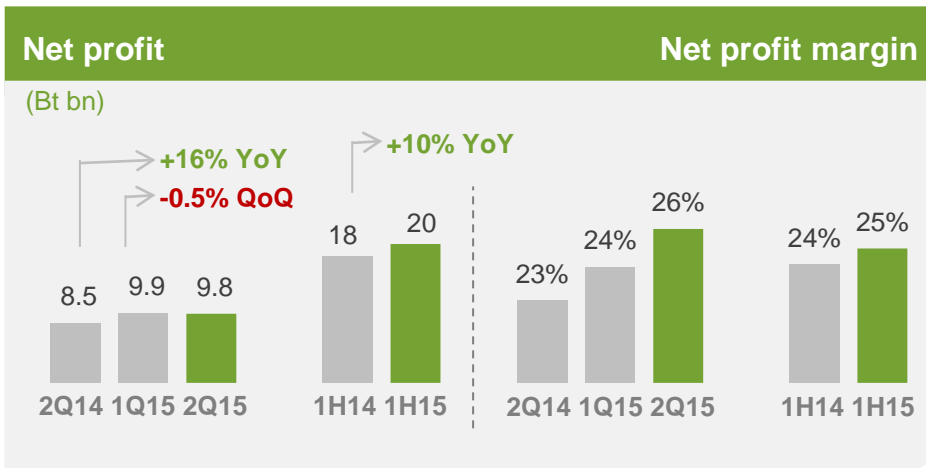


Profitability enhanced on both EBITDA and net profit



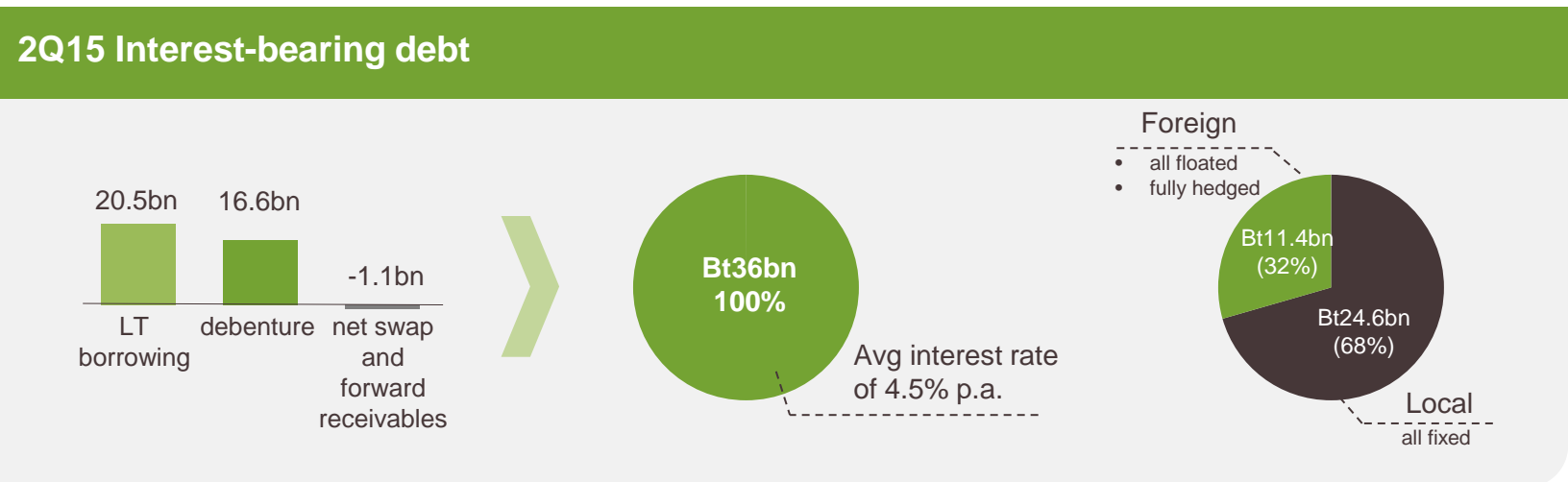
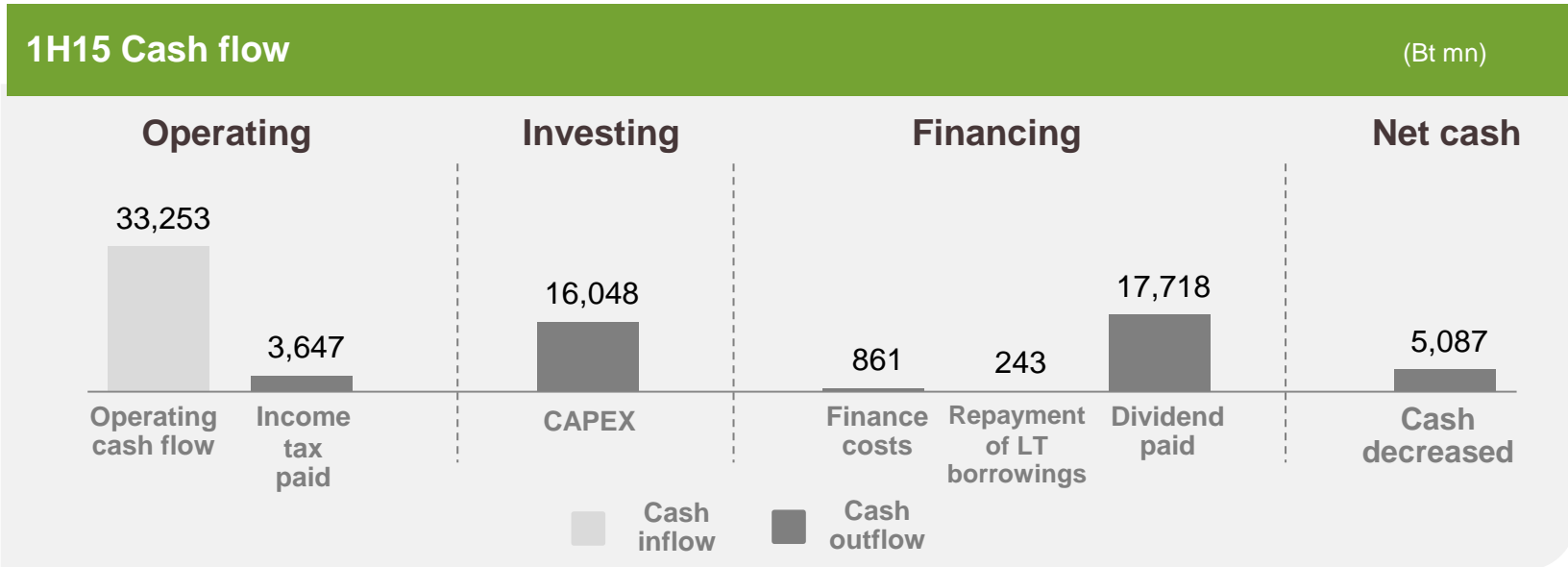
- Consolidated EBITDA margin rose YoY (1H) from strong service EBITDA growth and better handset sales margin.
- Service EBITDA margin increased YoY (1H) from better top line and large regulatory fee saving offsetting higher opex.

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



- YoY (1H), net profit highly improved due to strong EBITDA growth over compensating rise in D&A, finance costs, and tax.

Strong free cash flow to support dividend



Guidance for 2015



Service revenue ex. IC	<ul style="list-style-type: none">• Increase around 3% YoY (<i>revised</i>, considering weak economic outlook and high competition)
Handset sales	<ul style="list-style-type: none">• Maintain growth at 10% but with -5 to -6% margin (<i>revised</i> because more offers of competitive handset campaigns are expected)• 70% 3G device penetration (<i>maintained</i>)
EBITDA margin	<ul style="list-style-type: none">• Consolidated EBITDA margin remains flat (<i>revised</i> due to expected negative handset margin)• Service EBITDA margin increases by 200 bps (<i>new guidance</i>)
CAPEX	<ul style="list-style-type: none">• Bt36bn (<i>revised</i> because some project payments are deferred and some projects are delayed)
Dividend	<ul style="list-style-type: none">• 100% dividend payout (<i>maintained</i>)

Industry updates

The NBTC has approved a draft of Information **Memorandum of 1800 MHz and 900 MHz auction**

	1800 MHz	900 MHz
Spectrum packaging	Two licenses of Option 1: 2 x 15 MHz or Option 2: 2 x 12.5 MHz Depending on spectrum return from CAT	Two licenses of 2 x 10 MHz
Starting price	Option 1: Bt13.9bn or Bt19.9bn Option 2: Bt11.6bn or Bt16.6bn depending on spectrum return and number of bidders	Bt11.26bn or Bt16.08bn, depending on number of bidders
Auction method	Simultaneous Multiple Round Ascending Auction	
Validity	Until 15 September 2034 (~ 19 years)	15 years
Network requirement	<ul style="list-style-type: none"> Covering 40% of population within 4 years Technology neutral 	
Payment	<ol style="list-style-type: none"> 50% within 90 days after winner announcement 25% at end of year 2 25% at end of year 3 	
Public hearing session	27 July and 3 August	11 August
Auction date	11 November	11 November

Prepaid Identification (PI)

- Prepaid subscribers must register their SIM by 31 July
- After that, users will not be able to originate call, send SMS and use mobile data.
- Remaining non-PI subscribers were approx. 6 million as of 23 July 2015

Disclaimers

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.

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