

## Executive Summary

**AWN, a subsidiary of AIS, was granted the 900MHz spectrum license**, 10MHz bandwidth, by the NBTC effective since 1 July 2016. The total spectrum of 40MHz bandwidth (900/1800/2100MHz) on licensing scheme strengthens AIS' leadership position and ability to offer quality digital services. Six months after launch, AIS' 4G on 1800MHz already achieved 50% of population coverage and will cover 80% by end-2016, supported by the wide coverage of 900MHz. In addition, the acquisition of 900MHz enables AIS to continue providing 2G service for the remaining 5.7mn 2G-handset customers, which will result in an extended period for migration and scaled-down handset subsidy in 2H16.

**In 2Q16, the mobile competitive landscape continued its intensity** from industry-wide handset subsidy and competitor's aggressive acquisition campaigns while the economy slowly recovered. For fixed broadband, AIS Fibre has shown a solid growth with current 115k subscribers. Accordingly, service revenue (excluding IC) stood at Bt30,169mn, -1% YoY and +0.1% QoQ. Excluding the one-time additional prepaid revenue of Bt318mn in 2Q15, service revenue (excluding IC) would become +0.1% YoY. This quarter, AIS has regained momentum on postpaid segment due to attractive handset offerings and

improved acquisition, which translated into net addition of 400k. On the other hand, prepaid segment which was pressured from the uncertainty of 2G service continuity resulted in softened net addition of 26k. The lower handset subsidy cost of Bt1.6bn in 2Q16, compared to Bt3.4bn in 1Q16, supported EBITDA to increase to Bt17,012mn or 27% QoQ (increase 8.9% QoQ if excluding one-time USO fee in 1Q16) while YoY EBITDA declined 5.8%. With improving EBITDA trend, net profit was Bt9,596mn, declining 2.6% YoY but increasing 19%.

**The outlook for the rest of the year has been revisited** (please see page 6) after 900MHz acquisition. With improving network quality, our determination is to improve customer perception and growth from fixed broadband expansion. We expect service revenue (excluding IC) growth in 2H16 to improve and result in a full-year FY16 growth of slightly better than FY15. With the saving from 2G-migration budget, we expect FY16 EBITDA margin to be 38-39%, improving from the previous guidance of 37-38%. CAPEX is expected to remain at Bt40bn mainly due to a reallocation of budget from 3G to 4G.

## Significant events

### 900MHz auction

On 27 May 2016, AWN, subsidiary of AIS, participated in the auction of 900MHz spectrum and won a license at the bid price of Bt75,654mn. After AWN made the first payment of Bt8,040mn, the license was granted by the NBTC and was effective from 1 July 2016 for 15 years. Payment term is available on page 5.

According to the Thai Accounting Standard 38 regarding "intangible assets", the difference between the bid price and the net present value of cash payments will be recognized as "deferred interest". The value of spectrum license to be amortized over 15 years also decreased by this deferred interest.

## 2Q16 Market and competitive environment

In the beginning of 2Q16 before 900MHz re-auction in May, concern on AIS's 2G network shutdown continued from 1Q16. While AIS focused on migrating 2G customers to 3G network, operators took an opportunity to attract AIS 2G customers. Subsidized handset campaign was the main strategy in the competition. Free phones were offered to customers in many locations, causing high MNP (mobile number portability), especially in prepaid segment. The aggressive free handset campaigns had an impact on handset sales as customers were drawn by the campaigns and slowed down their phone purchases.

Later on, AIS acquired 900MHz spectrum from the re-auction on 27 May 2016. 2G service on 900MHz network could continue after the remedy period on 30 June 2016. Network disruption was no longer a concern for customers and free handset campaigns were scaled down, but maintained to protect market share and to encourage higher 3G penetration.

While handset subsidy was an important strategy for prepaid segment, good perception on network quality was important in postpaid segment. Since all operators had 4G service, each had to differentiate with speed and coverage to claim leadership in mobile data. Pricing structures of unlimited and limited data remained in the market. Operators tried to offer competitive price plans and differentiation was more on network quality perception.

## 2Q16 MD&A: Advanced Info Service Plc.

As for fixed broadband market, fibre segment saw heightened competition. With new entrant, existing ones try to retain their customers by upgrading technology to fibre or providing better offers, such as bundling service or higher speed. The expansion of fixed broadband market is expected to be driven by customer's demand to upgrade for a newer and better technology, as well as demand from new market, namely niche prepaid segment.

### Operational Summary

In 2Q16, AIS had total subscribers of 39.4mn (15% postpaid and 85% prepaid) and a net addition of 427k of which around 400k came from postpaid. This quarter we saw a good trend of prepaid-to-postpaid migration, driven by attractive handset offerings while new postpaid acquisition recovered from 1Q16. The 4G MAX SPEED package launched in 1Q16 further stimulated postpaid data consumption which currently reached 3.4GB/data sub/month and supported ARPU to stay at Bt608, flattish QoQ. On the other hand, prepaid segment was pressured by competitive acquisition campaigns from other operators and the possible risk of AIS' 2G network shutdown. Consequently, prepaid net addition was 26k while ARPU declined to Bt188. Data usage in prepaid continued to rise to 2.4GB/data sub/month. Voice usage continued to drop with MOU of 313 minutes for postpaid and 234 minutes for prepaid.

Subscribers	2Q15	3Q15	4Q15	1Q16	2Q16
AIS (900MHz)	2,727,700	1,915,900	653,100	310,500	0
AWN (900, 1800, 2100MHz)	37,333,400	35,894,800	37,835,000	38,617,800	39,355,000
Postpaid	5,219,900	5,363,200	5,431,200	5,412,400	5,812,800
Prepaid	34,841,200	32,447,500	33,056,900	33,515,900	33,542,200
<b>Total subscribers</b>	<b>40,061,100</b>	<b>37,810,700</b>	<b>38,488,100</b>	<b>38,928,300</b>	<b>39,355,000</b>
<b>Net additions</b>					
AIS (900MHz)	-367,100	-811,800	-1,262,800	-342,600	-310,500
AWN (900, 1800, 2100MHz)	-1,522,600	-1,438,600	1,940,200	782,800	737,200
Postpaid	160,400	143,300	68,000	-18,800	400,400
Prepaid	-2,050,100	-2,393,700	609,400	459,000	26,300
<b>Total net additions</b>	<b>-1,889,700</b>	<b>-2,250,400</b>	<b>677,400</b>	<b>440,200</b>	<b>426,700</b>
<b>ARPU (Baht/subs/month)</b>					
AIS (900MHz)	246	230	159	132	168
AWN (900, 1800, 2100MHz)	241	250	257	253	249
Postpaid	627	630	612	608	608
Prepaid	188	192	195	194	188
<b>Blended</b>	<b>242</b>	<b>249</b>	<b>254</b>	<b>251</b>	<b>248</b>
<b>MOU (minute/sub/month)</b>					
AIS (900MHz)	214	209	154	106	156
AWN (900, 1800, 2100MHz)	289	296	297	281	246
Postpaid	342	339	330	320	313
Prepaid	275	283	286	272	234
<b>Blended</b>	<b>283</b>	<b>291</b>	<b>292</b>	<b>279</b>	<b>246</b>
<b>VOU (MB/data sub/month)</b>					
Postpaid	1,990	2,150	2,360	2,680	3,430
Prepaid	1,510	1,680	1,910	2,030	2,380
<b>Blended</b>	<b>1,600</b>	<b>1,770</b>	<b>2,000</b>	<b>2,160</b>	<b>2,590</b>
<b>Device Penetration</b>					
Smartphone penetration	N/A	N/A	63%	67%	68%

### 1H16 Snapshot

The total revenue was Bt73,735mn, dropped by 6.3% YoY, primarily from declined device sales followed by softer service revenue. SIM & device sales went down 25% from aggressive handset migration campaigns. Service revenue (excluding IC) declined by 0.8% YoY from prepaid revenue adjustment of Bt318mn in 1H15, excluding this item, it declined by 0.2%. On the cost side, the regulatory fee was Bt6,811mn, a decrease of 16% from the revenue migration to 3G networks, partly offset by one-time USO expense of Bt2,208mn in 1Q16. Excluding this item, normalized regulatory fee would drop 43% YoY, representing 7.6% YoY of service revenue (excluding IC), compared to 13.3% in 1H15. Network OPEX increased 20% YoY to Bt5,651mn from 3G and 4G network expansion whereas SG&A rose 52% YoY to Bt14,555mn. As a result of handset migration campaigns, marketing expenses increased 177% YoY to Bt8,197mn, representing 11% of total revenues. EBITDA was Bt30,427mn, dropped by 16% from higher marketing expense and higher network OPEX which partly offset by regulatory saving from subscriber migration to 3G 2100MHz. Excluding one-time USO fee in 1Q16, normalized EBITDA decreased 9.7% YoY and normalized consolidated EBITDA margin was 44.3% from 45.9% in 1H15. Net profit dropped 11% YoY while normalized net profit dropped 6.2% YoY.

## 2Q16 MD&A: Advanced Info Service Plc.

### 2Q16 Financial Summary

#### Revenue

In 2Q16, **total revenue (excluding construction)** was Bt36,482mn, a decrease of 4.3% YoY and 2.1% QoQ, mainly from a decrease in handset sales affected by handset subsidy and downward trend of voice usage.

**SIM & device sales** were Bt4,882mn, a decrease of 15% YoY and 14% QoQ. Device sale was pressured by aggressive handset subsidy offerings in the market. Nevertheless, sales margin improved to 2.3% from -0.3% in 1Q16 underpinned by increased SIM sales margin from new campaigns.

**Service revenue (excluding IC)** was Bt30,169mn and dropped by 1% YoY from the Bt318mn one-time adjustment of unearned income to prepaid revenue due to recognition of income from terminated customers in 2Q15. Excluding this one-time item, service revenue was flat. On quarterly basis, service revenue was stable. Postpaid segment was the key growth area, driven by strong net additions while prepaid slowed down from heightened market competition and 2G shutdown risk resulting in lower net addition.

- **Voice revenue** was Bt12,885mn, a decrease of 18% YoY and 5.3% QoQ, following seasonality and continued trend of voice-data cannibalization.
- **Non-voice** was Bt15,519mn, an increase of 20% YoY and 4.6% QoQ, due to continuing popularity of new mobile-data packages and increasing smartphone penetration rate to 68%. As a result, blended VOU went up to 2.6GB/data sub/month from 2.2GB in 1Q16. Mobile data accounted for 45% of service revenue, excluding IC, compared to 43% in 1Q16 and 36% in 2Q15.
- **International roaming (IR)** was 578mn, a drop of 13% YoY from rising popularity of alternative products e.g. local SIMs. QoQ, the revenue improved 5.6% from rising outbound roamers during long holidays.
- **Fixed Broadband & other businesses** was Bt1,217mn, an increase of 11% YoY and 1.6% QoQ, underpinned by a surge of Fixed Broadband subscribers, reaching 115k subscribers from 74k subscribers in 1Q16 which was partly offset by lower IDD revenue.

**Net Interconnection charges (Net IC)** were Bt85mn, declining by 56% YoY from Bt198mn in 2Q15, as a result of rate adjustment in 3Q15. QoQ, net IC went down by 26% due to lower in IC revenue while IC cost maintained.

#### Cost & Expense

**Total cost** was Bt17,424mn and decreased 15% YoY and 12% QoQ mainly from a drop in cost of sales, as a consequence of handset subsidy. **Cost of service (excluding IC)** was Bt11,309mn and decreased by 14% YoY due to lower D&A. QoQ, it dropped by 11%, primarily from an impact of one-time expense in regulatory fee in 1Q16, which was partly offset by higher network OPEX and D&A. Excluding this one-time item, the cost of service, excluding IC, would decrease 7.9% QoQ.

- **Regulatory fee** declined to Bt2,223mn, a drop of 42% YoY and 52% QoQ due to one-time USO fee of Bt2,208mn in 1Q16. Excluding this one-time item, regulatory fee dropped 6.7% QoQ and accounted for 7.4% of service revenue (excluding IC), compared to 7.9% and 12.5% in 1Q16 and 2Q15 respectively.
- **Depreciation & Amortization** was Bt4,403mn, declining by 19% YoY, due to the fully-amortized 2G assets under BTO contract offset by increasing investment. QoQ, D&A rose 11% following both 3G and 4G network expansion.
- **Network OPEX** was Bt3,120mn, an increase of 34% YoY and 23% QoQ mainly from higher utilities and base rental following 4G network expansion, which was partly offset by lower maintenance cost.
- **Other costs of service** were Bt1,563mn, decreasing 5.5% YoY and 2% QoQ.

**SG&A expenses** were Bt6,460mn and increased 33% YoY but decreased 20% mainly driven by marketing spending

- **Marketing expenses** were Bt3,121mn, an increase of 92% YoY mainly due to handset migration campaign. Nevertheless, marketing expense dropped by 39% QoQ, underpinned by continuing 2G operation as we secured 900MHz spectrum, resulting in lower handset subsidy cost. Excluding subsidy cost of Bt1.6bn, marketing expenses would represent 4.3% of total revenue compared to 4.5% in 1Q16.
- **General admin expenses** were Bt2,917mn and increased 4% YoY from shop expansion. QoQ, it went up 11% due to low base in 1Q16 from adjustment in staff cost. Excluding this item, general admin expenses dropped 1.4% QoQ.
- **Depreciation & Amortization** was Bt101mn, rising to 19% YoY and 5.4% QoQ from channels expansion.
- **Bad debt** was Bt320mn and decreased 11% YoY but increased 13% QoQ. However, Bad debt to postpaid revenue remained at manageable level of 3.2%.

**Finance costs** was Bt842mn, an increase of 79% YoY and 12% QoQ, due to additional debt of Bt29bn during the quarter.

**Net gain on foreign exchange** went up to Bt179mn from a gain of Bt28mn in 2Q15 and Bt25mn in 1Q16 due to currency fluctuation.

**Other income (expenses)** remained stable from previous quarter at Bt117mn, but increased 13% YoY

#### Profit

In 2Q16, **EBITDA** dropped 5.8% YoY to Bt17,012mn mainly due to handset subsidy but improved 27% QoQ underpinned by slowdown of handset migration together with low base in 1Q16 from a one-time expense in regulatory fee. As a result, **consolidated EBITDA margin** rose to 46.6% from 36.0% in 1Q16. **Net profit** was Bt9,596mn and dropped by 2.6% YoY from slowdown EBITDA which was partly offset by lower D&A but improved by 19% QoQ from low base in 1Q16. Excluding USO fee and deferred tax in 1Q16, normalized EBITDA would increase 8.9% QoQ while normalized net profit would increase 7.6% QoQ.

## 2Q16 MD&A: Advanced Info Service Plc.



Income statement (Bt mn)	2Q15	1Q16	2Q16	%YoY	%QoQ	1H15	1H16	%YoY
Voice revenue	15,731	13,572	12,855	-18%	-5.3%	31,985	26,427	-17%
Non-voice revenue	12,973	14,831	15,519	20%	4.6%	25,260	30,350	20%
International Roaming	663	547	578	-13%	5.6%	1,189	1,125	-5.4%
Others (IDD, other fee)	1,101	1,197	1,217	11%	1.6%	2,344	2,414	3.0%
<b>Service revenue (excluding IC)</b>	<b>30,468</b>	<b>30,148</b>	<b>30,169</b>	<b>-1.0%</b>	<b>0.1%</b>	<b>60,778</b>	<b>60,317</b>	<b>-0.8%</b>
IC revenue	1,922	1,441	1,431	-26%	-0.7%	3,862	2,872	-26%
SIM and handset sales	5,733	5,663	4,882	-15%	-14%	14,020	10,545	-25%
<b>Total revenues (excluding construction)</b>	<b>38,123</b>	<b>37,252</b>	<b>36,482</b>	<b>-4.3%</b>	<b>-2.1%</b>	<b>78,660</b>	<b>73,735</b>	<b>-6.3%</b>
Regulatory fee	(3,811)	(4,589)	(2,223)	-42%	-52%	(8,110)	(6,811)	-16%
Depreciation & Amortization	(5,415)	(3,978)	(4,403)	-19%	11%	(10,790)	(8,381)	-22%
Network operating expense	(2,336)	(2,531)	(3,120)	34%	23%	(4,695)	(5,651)	20%
Other cost of services	(1,655)	(1,596)	(1,563)	-5.5%	-2.0%	(3,327)	(3,159)	-5.0%
<b>Cost of service (excluding IC)</b>	<b>(13,217)</b>	<b>(12,693)</b>	<b>(11,309)</b>	<b>-14%</b>	<b>-11%</b>	<b>(26,921)</b>	<b>(24,002)</b>	<b>-11%</b>
IC cost	(1,725)	(1,347)	(1,346)	-22%	-0.1%	(3,450)	(2,694)	-22%
Cost of SIM and handset sales	(5,616)	(5,680)	(4,768)	-15%	-16%	(13,583)	(10,449)	-23%
<b>Total costs (excluding construction)</b>	<b>(20,558)</b>	<b>(19,721)</b>	<b>(17,424)</b>	<b>-15%</b>	<b>-12%</b>	<b>(43,954)</b>	<b>(37,144)</b>	<b>-16%</b>
<b>Gross profit</b>	<b>17,566</b>	<b>17,532</b>	<b>19,059</b>	<b>8.5%</b>	<b>8.7%</b>	<b>34,706</b>	<b>36,590</b>	<b>5.4%</b>
<b>SG&amp;A</b>	<b>(4,876)</b>	<b>(8,095)</b>	<b>(6,460)</b>	<b>33%</b>	<b>-20%</b>	<b>(9,552)</b>	<b>(14,555)</b>	<b>52%</b>
Marketing Expense	(1,627)	(5,076)	(3,121)	92%	-39%	(2,959)	(8,197)	177%
General administrative & staff cost	(2,804)	(2,640)	(2,917)	4.0%	11%	(5,737)	(5,557)	-3.1%
Bad debt provision	(359)	(284)	(320)	-11%	13%	(690)	(604)	-13%
Depreciation	(85)	(96)	(101)	19%	5.4%	(166)	(197)	19%
<b>Operating profit</b>	<b>12,690</b>	<b>9,436</b>	<b>12,599</b>	<b>-0.7%</b>	<b>34%</b>	<b>25,153</b>	<b>22,036</b>	<b>-12%</b>
Net foreign exchange gain (loss)	28	25	179	536%	608%	165	204	24%
Other income (expense)	104	117	117	13%	0.3%	229	233	1.9%
Finance cost	(470)	(751)	(842)	79%	12%	(899)	(1,594)	77%
Income tax	(2,507)	(754)	(2,456)	-2.0%	226%	(4,906)	(3,211)	-35%
Non-controlling interest	3	0	0	-96%	-43%	3	0	-90%
<b>Net profit for the period</b>	<b>9,849</b>	<b>8,073</b>	<b>9,596</b>	<b>-2.6%</b>	<b>19%</b>	<b>19,746</b>	<b>17,669</b>	<b>-11%</b>
<b>EBITDA (Bt mn)</b>	<b>2Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>%YoY</b>	<b>%QoQ</b>	<b>1H15</b>	<b>1H16</b>	<b>%YoY</b>
Operating Profit	12,690	9,436	12,599	-0.7%	34%	25,153	22,036	-12%
Depreciation & amortization	5,500	4,073	4,504	-18%	11%	10,956	8,577	-22%
(Gain) loss on disposals of PPE	-	-	-	0%	0%	227	-	-100%
Management benefit expense	(58)	(36)	(35)	-40%	-2.7%	(97)	(71)	-27%
Other financial cost	(65)	(59)	(57)	-12%	-3.2%	(98)	(115)	18%
<b>EBITDA</b>	<b>18,068</b>	<b>13,415</b>	<b>17,012</b>	<b>-5.8%</b>	<b>27%</b>	<b>36,141</b>	<b>30,427</b>	<b>-16%</b>
Recognition of USO fee (pre-tax)	-	2,208	-	-	-	-	2,208	-
<b>Normalized EBITDA</b>	<b>18,068</b>	<b>15,623</b>	<b>17,012</b>	<b>-5.8%</b>	<b>8.9%</b>	<b>36,141</b>	<b>32,635</b>	<b>-9.7%</b>
EBITDA margin (%)	47.4%	36.0%	46.6%			45.9%	41.3%	
Normalized EBITDA margin (%)	47.4%	41.9%	46.6%			45.9%	44.3%	
<b>Normalized net profit (Bt mn)</b>	<b>2Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>%YoY</b>	<b>%QoQ</b>	<b>1H15</b>	<b>1H16</b>	<b>%YoY</b>
<b>Net profit for the period</b>	<b>9,849</b>	<b>8,073</b>	<b>9,596</b>	<b>-2.6%</b>	<b>19%</b>	<b>19,746</b>	<b>17,669</b>	<b>-11%</b>
Recognition of USO fee after tax	-	1,767	-	-	-	-	1,767	-
Recognition of deferred tax assets	-	(919)	-	-	-	-	(919)	-
<b>Normalized net profit for the period</b>	<b>9,849</b>	<b>8,921</b>	<b>9,596</b>	<b>-2.6%</b>	<b>7.6%</b>	<b>19,746</b>	<b>18,517</b>	<b>-6.2%</b>

## 2Q16 MD&A: Advanced Info Service Plc.



Financial Position (Bt mn/% to total asset)				
	1Q15		2Q16	
Cash	15,871	8.2%	14,937	5.5%
ST investment	60	0%	35	0%
Trade receivable	11,115	5.7%	11,200	4.1%
Inventories	6,201	3.2%	7,175	2.7%
Others	7,016	3.6%	6,140	2.3%
<b>Current Assets</b>	<b>40,264</b>	<b>21%</b>	<b>39,487</b>	<b>15%</b>
Spectrum license	50,985	26%	119,328	44%
Network and PPE	93,609	48%	103,178	38%
Intangible asset	3,429	1.8%	3,729	1.4%
Defer tax asset	2,257	1.2%	2,322	0.9%
Others	3,027	1.6%	2,680	1%
<b>Total Assets</b>	<b>193,570</b>	<b>100%</b>	<b>270,724</b>	<b>100%</b>
Trade payable	17,061	8.8%	16,781	6.2%
ST loan & CP of LT loans	10,768	5.6%	15,839	5.9%
Accrued R/S expense	5,364	2.8%	5,362	2%
Others	47,905	25%	24,914	9.2%
<b>Current Liabilities</b>	<b>81,098</b>	<b>42%</b>	<b>62,896</b>	<b>23%</b>
Debenture & LT loans	51,573	27%	75,898	28%
Others	23,620	12%	85,045	31%
<b>Total Liabilities</b>	<b>156,291</b>	<b>81%</b>	<b>223,839</b>	<b>83%</b>
Retained earnings	11,591	6%	21,187	7.8%
Others	25,688	13%	25,697	9.5%
<b>Total Equity</b>	<b>37,279</b>	<b>19%</b>	<b>46,885</b>	<b>17%</b>

Key Financial Ratio			
	4Q15	1Q16	2Q16
Interest bearing debt to equity (times)	1.32	1.65	1.94
Net debt to equity (times)	1.02	1.23	1.62
Net debt to EBITDA (times)	0.72	0.85	1.12
Current Ratio (times)	0.66	0.50	0.63
Interest Coverage (times)	25	14	16
DSCR (times)	3.7	4.0	3.6
ROE	100%	83%	91%

Debt repayment schedule			License payment schedule	
Bt mn	Debenture	Loan	1800MHz	900MHz
2H16	-	13,996	-	-
2017	397	1,801	10,247	-
2018	-	2,799	10,247	4,020
2019	7,789	1,964	-	4,020
2020	-	22,529	-	59,574
2021	1,776	7,229	-	-
2022	-	6,329	-	-
2023	7,820	2,450	-	-
2024	6,638	-	-	-
2025	-	-	-	-
2026	7,180	-	-	-

Source and use of fund : 1H16				(Bt mn)
Source of Fund		Use of Fund		
Operating cash flow	32,520	CAPEX & Fixed asset	23,795	
Proceed of LT borrowings	29,000	Dividend paid	19,295	
Proceed of ST borrowings	2,690	Payment of spectrum license	8,068	
Net change in investments	270	Repayment of LT borrowings	4,897	
Interest received	101	Income tax paid	5,678	
Sale of property	15	Finance cost & Financial lease paid	1,299	
		Cash increase	1,564	
<b>Total</b>	<b>64,596</b>	<b>Total</b>	<b>64,596</b>	

### Financial position

As the end of 1H16, AIS recorded total assets of Bt270,724mn, an increase of 49% from FY15, underpinned by 900MHz spectrum license, higher PPE from network expansion, and increased handset inventory due to subsidy campaigns. Total liabilities were Bt223,839mn, an increase of 68% from FY15, primarily from spectrum license payable, long term borrowing, and increased trade payable following rising CAPEX. The new borrowings included Bt15bn debentures and Bt14bn long term loan. Following that, net debt to EBITDA went up to 1.12x while interest-bearing debt to equity was 1.94x. Average cost of debt was 4.1% p.a. Total equity was Bt46,885m, a decrease of 3.3%.

### Cash Flow

In 1H16, AIS recorded operating cash flow (before tax) of Bt32,520mn, slightly dropping from Bt33,253mn last year, while CAPEX was Bt23,795mn, resulting in Bt8,725mn free cash flow. Dividend of Bt19,295mn was paid for 2H15 performance. During the period, the company also issued new debt of Bt29bn to support business operation and payment for the 900MHz spectrum, which its first installment of Bt8,068mn was paid in June 2016. In summary, remaining cash was Bt14,937mn.

## 2016 MANAGEMENT OUTLOOK & STRATEGY (REVISED)

<b>Revenue growth</b>	<ul style="list-style-type: none"> <li>Service revenue (excluding IC) growth is expected to increase slightly</li> <li>Handset sales is expected to decline and carries negative margin due to intense competition</li> </ul>
<b>EBITDA margin</b>	<ul style="list-style-type: none"> <li>Consolidated EBITDA margin is expected in range of 38% to 39%</li> </ul>
<b>CAPEX</b>	<ul style="list-style-type: none"> <li>Cash CAPEX for network investment is expected to be around Bt40bn</li> </ul>
<b>D&amp;A</b>	<ul style="list-style-type: none"> <li>Network D&amp;A is expected to decline 25% due to fully amortized 2G asset following concession expiry in Sep-15 offsetting increased investment in 3G &amp; 4G</li> <li>Deferred interest on 1800MHz &amp; 900MHz licenses will cost Bt1.2bn in 2016</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>Maintain 100% dividend payout for 2016</li> </ul>

### Addition of 900MHz in spectrum portfolio brings short term benefits and long term competitive edge

Following the 900MHz re-auction in May 2016, AIS won a 10MHz block of license for 15 years. This supports short term benefits of retaining 2G service and protecting revenue base, while improving a long term competitive position with larger spectrum holding at both low-band and high-band. In the short term, 900MHz will continue to be partially utilized for 2G network rented from TOT and serve 5.7mn subscribers using 2G devices mostly in upcountry area. Meanwhile, as 3G and 4G demand expands we also consider utilizing partial 900MHz to extend coverage and capacity in key strategic areas. This will enhance AIS competitiveness in mobile data service and hence our long term leading position.

### To scale down 2G-3G subsidy while preserving a budget for competitive handset offerings

Since beginning of the year, AIS pushed an aggressive handset subsidy to convert 2G device users to 3G/4G. Year-to-date, we subsidized around 4.5mn units at Bt5bn. With the current holding of 900MHz which allows us to continue 2G service, AIS will reduce the aggressive subsidy as we have extended period for migration to newer technology. Nevertheless, as competition remains intense particularly in handset discount campaigns, we preserve a budget to ensure our competitiveness and market share.

### Revenue to improve slightly

With the 900MHz license, 2G revenue loss as previously projected is abate, partly also driven by the handset subsidy executed during the first five months of the year. We now project overall service revenue to slightly increase from previous guidance of flat revenue. As roaming arrangement with another operator is no longer necessary, EBITDA margin is expected to improve slightly to 38-39% from previous 37-38% guidance.

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

With first launch last year, AIS remains in the process of scaling up our FTTH business. 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 2Q16, we achieved a coverage of 2.6 million homepass in 15 provinces. We target to achieve a significant market share in the next three years with more budget and manpower dedicated to the business.

### 100% dividend payout maintained for 2016

The dividend payment shall be made twice a year. The payout ratio is based on consolidated earnings and subject to the availability of retained earnings on the separate financial statements. AIS remains committed to an optimal capital structure while maintaining financial flexibility for growth.

#### 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.

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