

13. Financial Highlights

13.1 Financial Statement

13.1.1 Auditor's report

Auditor's Reports were stated that the consolidated and company financial statements presented fairly, in all material respects, the consolidated and company financial position as at 31 December 2014, 2013, and 2012, and the consolidated and company results of operations, and cash flows for the years then ended of Advanced Info Service Public Company Limited and its subsidiaries, and of Advanced Info Service Public Company Limited, respectively, in accordance with legally defined accounting principles.

13.1.2 The Consolidated Financial Position

Advanced Info Service Public Company Limited
Consolidated – Financial Position
As at 31 December

Unit : Thousand Baht

	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets						
Cash and cash equivalents	19,833,022	19.64	11,473,121	10.24	14,258,066	11.29
Specifically-used bank deposits	3,697,851	3.66	3,781,141	3.37	3,709,328	2.94
Current investments	1,340,248	1.33	1,576,942	1.41	1,542,449	1.22
Trade accounts receivable, net	8,065,059	7.99	10,264,184	9.16	10,415,389	8.24
Other receivables	3,661,732	3.63	4,851,425	4.33	5,900,650	4.67
Short-term loans to related parties	-	-	-	-	95,000	0.08
Inventories	1,426,532	1.41	2,864,932	2.56	2,519,497	1.99
Other current assets	78,964	0.08	153,136	0.14	686,132	0.54
Total Current Assets	38,103,408	37.74	34,964,881	31.21	39,126,511	30.97
Non-Current Assets						
Other long-term investments	107,218	0.11	104,361	0.09	58,399	0.05
Swap and forward contracts receivable	-	-	653,398	0.58	568,881	0.45
Property, plant and equipment	11,139,838	11.03	35,922,236	32.07	60,702,587	48.04
Assets under the Agreements for operations	29,156,811	28.88	20,499,803	18.30	8,738,039	6.92
Goodwill	34,931	0.03	34,931	0.03	34,931	0.03
Spectrum license	14,576,886	14.44	13,600,648	12.14	12,624,410	9.99
Intangible assets	2,032,637	2.01	2,178,035	1.94	2,504,683	1.98
Deferred tax assets	5,314,463	5.26	3,557,332	3.18	1,441,856	1.14
Other non-current assets	501,705	0.50	510,085	0.46	550,266	0.43
Total Non-Current Assets	62,864,489	62.26	77,060,829	68.79	87,224,052	69.03
Total Assets	100,967,897	100.00	112,025,710	100.00	126,350,563	100.00

Advanced Info Service Public Company Limited

Consolidated – Financial Position (continued)

As at 31 December

Unit : Thousand Baht

	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Short-term loans from financial institution	-	-	4,000,000	3.57	-	-
Trade accounts payable	7,340,964	7.27	11,718,206	10.46	11,903,114	9.42
Other payables	7,444,148	7.37	9,536,172	8.51	11,188,941	8.85
Current portion of long-term borrowings	8,461,950	8.38	5,303,409	4.73	2,571,631	2.04
Current portion of Spectrum license payable	-	-	3,656,250	3.26	3,656,250	2.89
Accrued revenue sharing expenses	4,854,693	4.81	3,534,750	3.16	5,130,157	4.06
Unearned income - mobile phone services	1,699,345	1.68	1,599,665	1.43	2,183,175	1.73
Advance receipt from customers	2,796,034	2.77	2,985,928	2.67	3,709,328	2.94
Income tax payable	3,524,843	3.50	2,816,611	2.51	2,195,546	1.74
Other current liabilities	165,649	0.16	340,245	0.30	367,976	0.29
Total Current Liabilities	36,287,626	35.94	45,491,236	40.60	42,906,118	33.96
Non-Current Liabilities						
Long-term borrowings	11,887,813	11.78	15,354,770	13.71	34,478,291	27.29
Employee benefit obligation	1,222,767	1.21	1,361,376	1.22	1,499,743	1.19
Swap and forward contracts payable	509,536	0.51	-	-	-	-
Spectrum license payable	7,312,500	7.24	3,656,250	3.26	-	-
Other non-current liabilities	205,804	0.20	269,492	0.24	601,656	0.47
Total Non-Current Liabilities	21,138,420	20.94	20,641,888	18.43	36,579,690	28.95
Total Liabilities	57,426,046	56.88	66,133,124	59.03	79,485,808	62.91
Shareholders' Equity						
Issued and fully paid-up share capital	2,973,095	2.94	2,973,095	2.65	2,973,095	2.35
Reserves :						
Premium on share capital	22,372,276	22.15	22,372,276	19.97	22,372,276	17.71
Retained earnings :						
Appropriated - Legal reserve	500,000	0.50	500,000	0.45	500,000	0.40
Unappropriated	17,344,196	17.18	19,729,332	17.61	20,710,295	16.39
Other components of equity	163,591	0.16	173,404	0.16	194,732	0.15
Total Equity attributable to equity holders of the Company	43,353,158	42.93	45,748,107	40.84	46,750,398	37.00
Non-controlling interests	188,693	0.19	144,479	0.13	114,357	0.09
Total Equity	43,541,851	43.12	45,892,586	40.97	46,864,755	37.09
Total Liabilities and Equity	100,967,897	100.00	112,025,710	100.00	126,350,563	100.00

Advanced Info Service Public Company Limited

Consolidated - Statement of Income

For the years ended 31 December

Unit : Thousand Baht

	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
Revenues						
Revenues from services & equipment rentals	127,953,084	84.30	127,816,102	84.88	125,396,923	83.97
Revenues from sale of goods	17,695,242	11.66	18,995,274	12.62	23,331,862	15.63
Construction income from the Agreements for operation	6,137,104	4.04	3,766,443	2.50	600,262	0.04
Total revenue	151,785,430	100.00	150,577,819	100.00	149,329,047	100.00
Cost						
Cost of services & equipment rentals	44,251,764	29.15	43,136,095	28.65	45,206,190	30.28
Revenue sharing expense	27,579,828	18.17	24,273,348	16.12	14,593,802	9.77
Cost of sale of goods	16,218,404	10.69	17,760,270	11.79	23,148,016	15.50
Construction cost from the Agreements for operation	6,137,104	4.04	3,766,443	2.50	600,262	0.40
Total cost	94,187,100	62.05	88,936,156	59.06	83,548,270	55.95
Gross profit	57,598,330	37.95	61,641,663	40.94	65,780,777	44.05
Selling expenses	2,890,359	1.90	4,331,357	2.88	6,219,706	4.17
Administrative expenses	9,067,500	5.98	10,545,061	7.00	12,640,674	8.46
Total selling & administrative expenses	11,957,859	7.88	14,876,418	9.88	18,860,380	12.63
Profit from sales, services and equipment rentals	45,640,471	30.07	46,765,245	31.06	46,920,397	31.42
Investment income	773,624	0.51	548,205	0.37	370,107	0.25
Other operating income	342,615	0.22	322,553	0.21	329,786	0.22
Share of loss of associate	-	-	-	-	(3,625)	-
Impairment loss of assets	-	-	-	-	(11,973)	-0.01
Net foreign exchange gain (loss)	102,307	0.07	(233,002)	-0.15	188,934	0.13
Management benefit expenses	(152,639)	-0.10	(163,085)	-0.11	(183,866)	-0.13
Finance costs	(1,092,794)	-0.72	(1,002,278)	-0.67	(1,526,870)	-1.02
Profit before income tax expense	45,613,584	30.05	46,237,638	30.71	46,082,890	30.86
Income tax	(10,714,506)	-7.06	(10,007,635)	-6.65	(10,079,717)	-6.75
Profit for the year	34,899,078	22.99	36,230,003	24.06	36,003,173	24.11
Attributable to :						
Equity holders of the Company	34,883,227	22.98	36,274,128	24.09	36,033,165	24.13
Minority interests	15,851	0.01	(44,125)	-0.03	(29,992)	-0.02
Profit for the year	34,899,078	22.99	36,230,003	24.06	36,003,173	24.11
Basic earnings per share (Bath)	11.73		12.20		12.12	
Diluted earnings per share (Bath)	11.73		12.20		12.12	

Advanced Info Service Public Company Limited

Consolidated - Statement of Cash Flows

For the years ended 31 December

Unit : Thousand Baht

Consolidated - Cash flow	2012	2013	2014
Cash flows from operating activities:			
Net profit	34,899,078	36,230,003	36,003,173
Adjusted by:			
Depreciation	2,183,059	3,037,080	6,224,631
Amortization of intangible assets	13,446,818	13,504,064	12,697,121
Impairment loss of assets	-	-	11,973
Investment income	(773,624)	(548,205)	(370,107)
Finance costs	1,092,794	1,002,278	1,526,870
Doubtful accounts and bad debts expenses	542,520	786,761	1,240,097
Share-based payment transaction	-	6,986	18,922
Allowance for obsolete, decline in value and write-off inventories	22,791	72,979	60,997
Loss on disposals and write off assets	363,724	562,134	864,997
Unrealised (gain) loss on foreign exchange rate	78,725	(3,342)	19,719
Share of loss of associate	-	-	3,625
Income tax expense	10,714,506	10,007,635	10,079,717
Cash provided by operation before changes in operating assets & liabilities	62,570,391	64,658,373	68,381,735
Changes in operating assets and liabilities			
Specifically-used bank deposit	(171,685)	(83,290)	71,813
Trade accounts receivable	(1,564,470)	(2,968,008)	(1,402,918)
Other receivables	(1,003,064)	(989,978)	(293,262)
Inventories	(362,233)	(1,511,529)	284,438
Other current assets	33,389	(74,169)	(392,023)
Other non-current assets	33,372	(8,380)	(40,181)
Trade accounts payable	1,648,103	474,590	880,463
Other payables	1,406,642	2,135,419	1,530,806
Accrued revenue sharing expenses	262,089	(1,319,943)	1,595,407
Unearned income-mobile phone service	(664,270)	(99,680)	583,511
Advance received from customer	121,638	189,893	723,400
Swap and forward contracts (receivable) payable	(110,798)	(8,054)	(24,199)
Other current liabilities	(7,557)	66,509	190,895
Other non-current liabilities	50,613	91,622	84,478
Cash generated from operating activities	62,242,160	60,553,375	72,174,363
Income tax paid	(11,109,515)	(9,224,648)	(9,353,965)
Net cash from operating activities	51,132,645	51,328,727	62,820,398

Advanced Info Service Public Company Limited
Consolidated - Statement of Cash Flows (Continued)
For the years ended 31 December

Unit : Thousand Baht

Consolidated - Cash flow	2012	2013	2014
Cash flows from investing activities:			
Interest received	746,495	558,887	372,803
Purchase of property, plant and equipment and computer software	(5,502,659)	(23,013,593)	(31,731,849)
Sales of property and equipment	27,620	15,618	27,410
Purchase of intangible assets under the agreement for operations	(4,095,461)	(5,446,556)	(830,273)
Payment of spectrum license	(7,321,292)	-	(3,656,250)
Net increase in short-term loans to subsidiaries and associate	-	-	(95,000)
Net (increase) decrease in other investments	(613,211)	(230,973)	82,882
Additional investment in subsidiaries and associate	-	-	(3,625)
Dividend received	-	-	10,000
Net cash used in investing activities	(16,758,508)	(28,116,617)	(35,823,902)
Cash flows from financing activities:			
Interest paid	(1,102,015)	(959,556)	(1,229,812)
Other finance costs paid	(44,725)	(20,385)	(124,186)
Financial lease principal payment	(26,471)	(29,830)	(35,511)
Net increase (decrease) of short-term loans from financial institutions	-	4,000,000	(4,000,000)
Increase in long-term borrowings	3,998,876	7,812,480	21,600,400
Decrease in long-term borrowings	(5,486,148)	(8,485,648)	(5,370,463)
Acquisition of non-controlling interests	-	-	(2)
Dividend paid	(30,241,245)	(33,889,117)	(35,052,353)
Net cash used in financing activities	(32,901,728)	(31,572,056)	(24,211,927)
Net increase (decrease) in cash and cash equivalents	1,472,409	(8,359,946)	2,784,569
Cash and cash equivalents at 1 January	18,360,810	19,833,022	11,473,121
Effect of exchange rate changes on balances held in foreign currencies	(197)	45	376
Cash and cash equivalents at 31 December	19,833,022	11,473,121	14,258,066

13.1.3 Financial ratio

Advanced Info Service Public Company Limited

Consolidated - Financial ratio

For the years ended 31 December

Consolidated financial statements	2012	2013	2014
Liquidity Ratio			
Current Ratio (time)	1.05	0.77	0.91
Quick Ratio (time)	0.81	0.51	0.61
Operating cash flow to current liability (time)	1.41	1.13	1.46
A/R turnover (time)	17.67	14.84	13.26
Collection period (day)	20	24	27
Inventory turnover (time)	12.90	8.28	8.60
Day sales period (day)	28	43	42
A/P turnover (time)	11.14	6.39	5.79
Payment period (day)	32	56	62
Cash Cycle (day)	16	11	7
Profitability Ratio			
Gross profit margin ratio (%)	37.95%	40.94%	44.05%
Operation income ratio (%)	30.07%	31.06%	31.42%
Other operating income ratio (%)	0.73%	0.58%	0.47%
Free cash flow to EBIT (%)	75.32%	49.64%	57.54%
Net profit margin (%)	22.98%	24.09%	24.13%
Return to Equity (%) Average	84.05%	81.12%	77.69%
Return to Equity (%) As at end	80.11%	79.04%	76.89%
Efficiency Ratio			
Return on total assets (%)	37.18%	34.06%	30.23%
Return on fixed assets (%)	79.62%	72.18%	55.26%
Total assets turnover (time)	1.62	1.41	1.25
Financial Policy Ratio			
Debt to equity ratio (time)	1.32	1.44	1.70
Interest coverage ratio (time)	43.55	47.33	32.79
Debt service ratio (IR Basis) (time)	4.97	4.95	13.28
Dividend payout ratio (%)	92.90%	99.58%	99.01%
Data on per Share Capital			
Net book value per share (Baht)	14.65	15.44	15.76
Net Profit per share (Baht)	11.73	12.20	12.12
Dividend per share (Baht)	10.90	12.15	12.00
Percentage Growth on			
Total Assets (%)	16.49%	10.95%	12.79%
Total Liabilities (%)	21.64%	15.16%	20.19%
Revenue from services & sales (%)	14.03%	(0.80%)	(0.83%)
Selling & admin. expenses (%)	7.56%	24.41%	26.78%
Net Profit (%)	57.01%	3.99%	(0.66%)

14. Management discussion and analysis

14.1 Management discussion and analysis for the year 2014

Executive Summary

In 2014, AIS succeeded in building up 3G-2.1GHz network in both coverage and capacity. Since May, our 3G network has 97% population coverage and by year-end with 21,300 3G-2.1GHz base stations surpassing our target of 20,000 base stations. With the growing demand for mobile data, we continued to enhance our network capacity especially in the dense areas to uplift customers' experience by installing small cells as well as Wifi hot spots.

AIS has been gaining the market share since the first quarter and we are keeping our pace by strengthening our network, services and contents. Our service revenue, excluding IC increased 1.2% YoY to Bt117,990mn tracking along with our guidance of 1-2% amid the gloomy economic outlook. Key driver was mobile data which grew 57% YoY supported by increasing in smartphone penetration now reaching 38%. EBITDA stood at Bt66,428mn, an increase of 4.3% YoY from lower regulatory cost despite higher network OPEX and SG&A. Net profit slightly dropped 0.7% YoY to Bt36,033mn, mainly from higher interest expense.

Competition outlook in 2015 is expected to be more concentrated in mid-to-low tier segments. Operators will push 3G handsets with lower prices into the market as 900MHz spectrum under

Build-Transfer-Operate (BTO) will expire in Sept-15. This will continue to pressure the handset margin near zero, the price per unit for both voice, and data and marketing spending. On the positive side, rising adoption of 3G handsets will generate regulatory cost saving. Continuing with the successful co-brand handset strategy known as AIS Super Combo, we will provide more varieties of quality smartphones with ranges of price.

AIS will strengthen its leading position in the telecom industry in Thailand by moving toward digital life service provider in 2015 with the integration of mobile, fixed broadband and digital content services. To strengthen our network quality, we plan to spend Bt40bn this year for expanding capacity and rolling out fiber optic to support both mobile and fixed broadband businesses. For fixed broadband business, we expect to acquire 80,000 subscribers within one year. We expect the 1800MHz auction to be held in 3Q15, and it is likely to be deployed for 4G to expand the capacity. Revenue growth is expected to increase by 3-4% upon strong network quality and new product offerings. We expect our EBITDA margin to improve by 100-200bps mainly from lower regulatory cost offsetting rising opex from continuing network capacity expansion.

Significant Events: Write-off of deferred tax asset on separate and consolidated financial statements

In 4Q14, AIS recorded a one-time deferred tax asset written-off on the separate and consolidated financial statements with an amount of Bt664mn. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Excluding this non-cash term, the FY14 normalized consolidated net profit would be Bt36,697mn.

Operational Summary

In 2014, AIS subscribers increased to 44.3mn. With the success of 3G network roll-out, subscribers on 2.1GHz-License continued to increase to 40.8mn, representing 92% of total subscribers exceeding our year-end target of 85%. The achievement of marketing campaigns to upgrade 2G-to-3G as well as 3G device adoption in mid-tier segment resulting in the increment of 3G device on 3G network from 8mn in 2013 to 22mn in 2014. While subscription on 900MHz-BTO declined to 3.5mn.

Both ARPU and MOU were affected by the increase of the second SIM subscription for both additional devices such as tablets and attractive promotional campaigns. In addition, weak macro-economic outlook in 2014 pressured the usage per SIM for both voice and data. Also, we have been providing lower-tier postpaid packages to support mid-to-low tier subscribers which constrained postpaid ARPU. As a result, postpaid ARPU declined 2.8% QoQ and 7.5% YoY to Bt608, while prepaid ARPU increased 1.1% QoQ but lowered 11% YoY to Bt170.

Subscribers	4Q13	1Q14	2Q14	3Q14	4Q14
900MHz-BTO ¹⁾	24,494,400	16,098,400	8,462,300	5,114,600	3,546,800
2.1GHz-License ²⁾	16,366,500	26,264,100	34,415,900	38,680,600	40,754,500
Postpaid	4,266,900	4,463,800	4,661,100	4,786,700	4,940,700
Prepaid	36,594,000	37,898,700	38,217,100	39,008,500	39,360,600
Total subscribers	40,860,900	42,362,500	42,878,200	43,795,200	44,301,300
Net additions					
900MHz-BTO ¹⁾	-4,159,300	-8,396,000	-7,636,000	-3,347,700	-1,567,800
2.1GHz-License ²⁾	5,895,100	9,897,600	8,151,700	4,264,700	2,073,900
Postpaid	213,200	196,900	197,300	125,600	154,000
Prepaid	1,522,600	1,304,700	318,400	791,400	352,100
Total net additions	1,735,800	1,501,600	515,700	917,000	506,100
ARPU (Baht/subs/month)					
900MHz-BTO ¹⁾	203	191	178	188	216
2.1GHz-License ²⁾	297	256	241	221	216
Postpaid	658	639	647	625	608
Prepaid	191	179	175	169	170
Blended	234	225	223	216	216

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.

MOU (minute/sub/month)					
900MHz-BTO ¹⁾	291	255	205	194	210
2.1GHz-License ²⁾	342	336	306	284	275
Postpaid	429	412	397	387	373
Prepaid	294	283	263	255	256
Blended	308	297	277	270	269

4Q14 Snapshot

In 4Q14, our service revenue, excluding IC, was Bt30,037mn increasing 2.2% QoQ from festive season and 3.5% YoY from the low base in 4Q13 due to political unrest. 3G-2.1GHz network has been continuously enhanced with increasing number of base stations including small cells and Wifi hotspots. A new model of AIS Super Combo with a wider screen launched in October also found a great sale and helped elevate the 3G device penetration on 3G-2.1GHz to 55%, up from 49% in 3Q14. The popular iPhone 6 and iPhone 6 Plus also significantly drove our sales revenue up 101% QoQ and 42% YoY. The effort to migrate customers to 3G

and the lower roaming rate in 4Q14 has translated into lower regulatory fee amounting Bt3,856mn dropping 16% QoQ and 30% YoY. However, SG&A rose 9.2% QoQ and 14% YoY mainly from marketing spending. In summary, EBITDA stood at Bt17,727mn growing 7.8% QoQ and 8.7% YoY. In spite of higher D&A and deferred income tax (please see significant events on page 1), net profit rose to Bt9,122mn increasing 1.9% QoQ and 3.5% YoY. Excluding the Bt664mn unusable deferred tax assets, the normalized net profit for 4Q14 would be Bt9,786mn or +9.3% QoQ and 7.6% YoY.

FY14 Financial Summary

Revenue

In 2014, AIS total revenue, excluding construction increased 1.3% to Bt148,729mn due to the growth in data consumption and handset sales.

SIM & device sales, representing 16% of total revenue, were Bt23,332mn and increased 23% YoY mainly from the popularity of AIS Super Combo. We have sold 2.5mn units since April. According to our zero-handset margin strategy to increase 3G device adoption, our **sales margin** declined to 0.8% compared to 6.5% in 2013.

Service revenue, excluding IC, tracked along with our guidance which stood at Bt117,990mn and increased 1.2% YoY, underpinned by the accelerating mobile data whereas voice continued to decline. In 2014, AIS had 97% population coverage on 3G-2.1GHz with the densest of 3G base stations in Thailand which support the growing number of subscribers using 3G service. As a result, revenue from 2.1GHz-License represented 78% of service revenue. (See table revenue mix)

- **Voice revenue** was Bt65,382mn, a decrease of 14% YoY due to the substitution of mobile data in some subscribers' segments and weak economic sentiment in the first half of the year.
- As our 3G network coverage and capacity increased, **non-voice** revenue growth accelerated 34% YoY to Bt43,495mn. There has been strong market demand for mobile data, more varieties of affordable smartphone and attractive pricing package for both postpaid and prepaid. **Mobile data** accounted for 29% of service revenue, excluding IC, compared to 19% in 2013.
- **International roaming (IR)** declined 17% YoY to Bt2,240mn mainly from the impact of martial law resulted in lower tourists and global price pressure.
- **International call & other businesses** rose 24% YoY to Bt6,872mn underpinned by the growth of Wifi subscription.
- **Interconnection charges (IC)** Both IC revenue and cost declined around 35% due to the change in interconnection rate (from 1Bt/minute to 0.45/minute starting since July 1st, 2013). Net interconnection charge (IC) was Bt641mn, comparing to Bt659mn in 2013.

In 2014, **cost of service excluding IC** was Bt53,034mn, dropping 6.6% YoY, primarily from lower regulatory fee despite higher D&A and network opex due to 3G network expansion.

- **Regulatory fee** was Bt19,427mn decreasing 27% YoY from the effort to attract customers to shift from 2G to 3G, which was subject to lower revenue sharing structure under the license base. This was supported by our success in AIS Super Combo campaign which dramatically helped drive up 3G device penetration. The proportion of regulatory fee to service revenue excluding IC in FY14 stood at 16.5% compared to 22.7% in FY13.
- **Depreciation & Amortization (D&A)** was Bt18,633mn, rising 14% YoY due to our extensive expansion of 3G network including increasing number of base stations and fiber optics. It is important to note that 2G-1800MHz operating right was fully amortized since 3Q13 while the 2G-900MHz with the remaining of Bt8.7bn will be fully amortized by 3Q15 when the concession expires.
- **Network OPEX** grew 10% YoY to Bt8,538mn as we extensively expand 3G-2.1GHz coverage nationwide which has reached 97% of population. Also, we continued to invest in capacity to cope with high data consumption demand.
- **Other cost of service** slightly grew to Bt6,436mn, a rise of 2.2% YoY.

SG&A expense increased to Bt18,860mn or +27% YoY mainly from higher marketing spending to support 3G migration and brand awareness.

- **Marketing expenses** grew significantly to Bt6,220mn or a rise of 44% YoY mainly from 3G promotional campaigns to drive 3G handset adoption as well as spending to sustain brand awareness. FY14 marketing expenses represented 4.2% of total revenue in line with guidance.
- **General admin expenses** stood at Bt11,111mn increasing 17% YoY as staff cost grew 15% from higher headcounts. In FY14 loss from write-off of obsolete assets also grew 49% to Bt818mn, up from Bt549mn in FY13.
- **Depreciation and amortization** was Bt289mn or +25% YoY mainly due to shop renovation.
- **Bad debt** rose to Bt1,240mn or +58% YoY since postpaid revenue grew from higher postpaid subscribers. However,

Cost & Expense

FY14 % bad debt to postpaid revenue still remained manageable at 3.6%, up from 2.5% in FY13.

Investment Income was Bt370mn, a decrease of 33% YoY due to lower interest rate received and lower cash outstanding.

Finance costs in FY14 were Bt1,527mn increasing 52% YoY primarily from long-term debenture issued in April.

Net gain from foreign exchange was Bt189mn up from net loss of Bt233mn in FY13. These are unrealized gain from the USD denominated CAPEX while other foreign debts were fully hedged.

Profit

In FY14 **EBITDA** grew 4.3% to Bt66,428mn, due to lower regulatory fee despite higher network opex and SG&A. This also drove up the **consolidated EBITDA margin** to 44.7% up 130bps from FY13, and the **service EBITDA margin** to 52.8% increasing 390bps from FY13. FY14 **net profit** was Bt36,033mn, a drop of 0.7%. Excluding the Bt664mn write-off of unusable

deferred tax assets in 4Q14, **normalized net profit** would be Bt36,697mn or flattish YoY.

Financial position

AIS had total assets of Bt126,351mn, an increase of 13% YoY, mainly from investments in 3G network and cash. Total liabilities increased to Bt79,486mn or +20% YoY as additional long-term debts were issued. Total equity grew slightly to Bt46,865mn. AIS still had healthy financial strength as liquidity remained high with a current ratio of 0.91x. Net debt to equity of 0.39x still showed room for more gearing while the average cost of debt stayed at 4%.

Cash Flow

In FY14 AIS generated net operating cash flow of Bt63bn increasing from Bt51bn in FY13. AIS had spent in total Bt33bn for CAPEX in FY2014 against our guidance of Bt40bn. Full year dividend paid was Bt35bn while debt borrowed and repaid were Bt25bn and Bt12bn, respectively. Also, in 4Q14 the second payment of 2.1GHz spectrum license bid of Bt3,656mn was paid to the regulator, NBTC, which left the last payment of the same amount in 4Q15.

Income statement (Bt mn)	4Q13	3Q14	4Q14	%YoY	%QoQ	2013	2014	%YoY
Voice revenue	18,212	15,710	15,454	-15%	-1.6%	75,969	65,382	-14%
Non-voice revenue	8,563	11,388	12,051	41%	5.8%	32,376	43,495	34%
International Roaming	759	537	650	-14%	21%	2,690	2,240	-17%
Others (IDD, other fee)	1,476	1,746	1,882	28%	7.8%	5,521	6,872	25%
Service revenue, ex. IC	29,010	29,382	30,037	3.5%	2.2%	116,556	117,990	1.2%
IC revenue	1,845	1,765	1,953	5.9%	11%	11,260	7,407	-34%
SIM and handset sales	5,947	4,208	8,454	42%	101%	18,995	23,332	23%
Total revenues ex. construction	36,803	35,355	40,444	9.9%	14%	146,811	148,729	1.3%
Regulatory fee	(5,497)	(4,589)	(3,856)	-30%	-16%	(26,443)	(19,427)	-27%
Depreciation & Amortization	(4,147)	(4,819)	(5,040)	22%	4.6%	(16,309)	(18,633)	14%
Network operating expense	(1,959)	(2,354)	(2,227)	14%	-5.4%	(7,757)	(8,538)	10%
Other cost of services	(1,607)	(1,623)	(1,657)	2.1%	3.1%	(6,299)	(6,436)	2.2%
Cost of service, ex. IC	(13,210)	(13,385)	(12,780)	-3.3%	-4.5%	(56,809)	(53,034)	-6.6%
IC cost	(1,693)	(1,602)	(1,738)	2.6%	8.4%	(10,601)	(6,766)	-36%
Cost of SIM and handset sales	(5,625)	(4,291)	(8,299)	48%	93%	(17,760)	(23,148)	30%
Total costs ex. construction	(20,528)	(19,278)	(22,816)	11%	18%	(85,170)	(82,948)	-2.6%
Gross profit	16,275	16,077	17,628	8.3%	9.7%	61,642	65,781	6.7%
SG&A	(4,440)	(4,643)	(5,069)	14%	9.2%	(14,876)	(18,860)	27%
Marketing Expense	(1,420)	(1,414)	(1,866)	31%	32%	(4,331)	(6,220)	44%
General administrative & staff cost	(2,748)	(2,864)	(2,782)	1.2%	-2.9%	(9,526)	(11,111)	17%
Bad debt provision	(209)	(290)	(340)	63%	17%	(787)	(1,240)	58%
Depreciation	(63)	(75)	(81)	28%	8.5%	(232)	(289)	25%
Operating profit	11,835	11,434	12,560	6.1%	9.8%	46,765	46,920	0.3%
Net foreign exchange gain (loss)	(215)	120	(26)	-88%	-121%	(233)	189	-181%
Other income (expense)	115	176	134	17%	-24%	708	500	-29%
Finance cost	(228)	(471)	(458)	101%	-2.7%	(1,002)	(1,527)	52%
Income tax	(2,707)	(2,311)	(3,100)	15%	34%	(10,008)	(10,080)	0.7%
Non-controlling interest	16	7	11	-34%	61%	44	30	-32%
Net profit for the period	8,816	8,955	9,122	3.5%	1.9%	36,274	36,033	-0.7%
Revenue mix (Bt mn)	4Q13	3Q14	4Q14	%YoY	%QoQ	2013	2014	%YoY
900MHz-BTO revenue	15,787	3,760	2,787	-82%	-26%	89,131	24,238	-73%
2.1GHz-License revenue	11,747	23,875	25,368	116%	6%	21,904	86,879	297%
Total	27,534	27,636	28,155	2.3%	1.9%	111,035	111,118	0.1%
% 2.1GHz-License revenue	43%	86%	90%			20%	78%	

EBITDA (Bt mn)	4Q13	3Q14	4Q14	%YoY	%QoQ	2013	2014	%YoY
Operating Profit	11,835	11,434	12,560	6.1%	9.8%	46,765	46,920	0.3%
Depreciation & amortization	4,211	4,893	5,121	22%	4.7%	16,541	18,922	14%
(Gain) loss on disposals of PPE	323	194	110	-66%	-43%	562	865	54%
Management benefit expense	(44)	(43)	(36)	-18%	-16%	(163)	(184)	13%
Other financial cost	(8)	(35)	(26)	216%	-25%	(14)	(96)	571%
EBITDA	16,316	16,442	17,727	8.7%	7.8%	63,691	66,428	4.3%
Consolidated EBITDA margin (%)	44.3%	46.5%	43.8%			43.4%	44.7%	
Service EBITDA margin (%)	51.8%	53.1%	54.9%			48.9%	52.8%	

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

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

Normalized net profit	4Q13	3Q14	4Q14	%YoY	%QoQ	2013	2014	%YoY
Net profit for the period	8,816	8,955	9,122	3.5%	1.9%	36,274	36,033	-0.7%
Write off deferred tax asset - DPC	282	-	-	-	-	411	-	-
Write off deferred tax asset – AIS	-	-	664	-	-	-	664	-
Normalized net profit	9,098	8,955	9,792	7.6%	9.3%	36,685	36,697	0.1%

Revenue & cost from construction (Bt mn):IFRS 12	4Q13	3Q14	4Q14	%YoY	%QoQ	2013	2014	%YoY
Construction revenue	305	135	18	-94%	-87%	3,766	600	-84%
Construction cost	(305)	(135)	(18)	-94%	-87%	(3,766)	(600)	-84%

Financial Position (Bt mn/% to total asset)	4Q13		4Q14	
Cash	15,254	14%	17,967	14%
ST investment	1,577	1.4%	1,542	1.2%
Trade receivable	10,264	9.2%	10,415	8.2%
Inventories	2,865	2.6%	2,519	2%
Others	5,005	4.5%	6,682	5.3%
Current Asset	34,965	31%	39,126	31%
Spectrum license	13,601	12%	12,624	10%
Network and PPE	56,422	50%	69,441	55%
Intangible asset	2,178	1.9%	2,505	2%
Defer tax asset	3,557	3.2%	1,442	1.1%
Others	1,303	1.2%	1,213	1%
Total Assets	112,026	100%	126,351	100%
Trade payable	11,718	11%	11,903	9.4%
ST loan & CP of LT loans	9,303	8.3%	2,572	2%
Accrued R/S expense	3,535	3.2%	5,130	4.1%
Others	17,279	15%	23,301	16%
Current Liabilities	45,491	41%	42,906	34%
Debenture & LT loans	14,866	13%	33,769	27%
Others	5,776	5.2%	2,811	2.2%
Total Liabilities	66,133	59%	79,486	63%
Retained earning	19,729	18%	20,710	16%
Others	26,163	23%	26,155	21%
Total Equity	45,893	41%	46,865	37%

Key Financial Ratio	4Q13	3Q14	4Q14
Interest bearing debt to equity	0.53	1.11	0.78
Net debt to equity	0.19	0.69	0.39
Net debt to EBITDA	0.14	0.39	0.26
Current Ratio	0.77	0.86	0.91
Interest Coverage	54	26	29
DSCR	5.1	7.0	13
ROE	88%	85%	93%

Debt repayment schedule (Bt mn)		
	Debenture	Loan
4Q14	-	5,692
2015	-	2,399
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	-	-

Source and use of fund : 2014 (Bt mn)			
Source of Fund (Bt-mn)		Use of Fund (Bt-mn)	
Operating cash flow	72,174	CAPEX & Fixed assets	32,562
Proceeds from long-term borrowing	21,600	Dividend paid	35,052
Proceeds from short-term borrowing	3,000	Debt repayment	12,406
Interest received & dividend received	383	Income tax paid	9,354
Change in investments	83	Spectrum license payment	3,656
Sales of property	28	Finance cost and others	1,453
		Cash increased	2,785
Total	97,268	Total	97,268

FY2015 MANAGEMENT OUTLOOK & STRATEGY

Service revenue, excluding IC	increase 3-4% YoY
Handset sales	- increase 10% with margin close to zero 70% 3G device penetration
Consolidated EBITDA margin	increase 100-200bps YoY
CAPEX	- Bt40bn - target 29,000 3G BTSs including small cells - continue fiber optic rollout - renovate and expand shops
Dividend	maintain 100% dividend payout

AIS aims to be the Digital Life Service Provider

AIS has set a clear vision moving forward to transform ourselves from a telecom service provider to becoming the Digital Life Service Provider so as to keep advancing presence in the digital era. That said, we will be enhancing our mobile business to elevate customer experience, commencing a fixed broadband business to bring convergence with better technology to our customers, and progressing in an ecosystem of digital content through partnerships. This will be achieved by making greater our core values namely customers, people, and partners.

CAPEX is set at Bt40bn excluding 4G investment

The investment plan for year 2015 is set to expand 3G capacity especially in the dense areas. We aim to install 3G base stations and small cells to reach 29,000 base stations and upgrade typical AIS Wifi to AIS super Wifi at speed of 650 Mbps. With the exponential growth of data consumption, we also extend our fiber optic transmission to support both mobile and fixed broadband businesses. For the first year with CAPEX of Bt1bn, we target 80,000 fixed broadband subscribers under FTTx and VDSL technologies. In addition, we plan to expand and renovate our AIS shops to increase customers' touch points and support new products. Total estimated CAPEX is Bt40bn in 2015 excluding 4G investment.

Service revenue ex. IC to grow 3-4% with EBITDA margin to increase 100-200bps

In 2015, we expect service revenue ex. IC to grow 3-4%. The continuously high data growth and our improving 3G-2.1GHz network will remain key factors to support revenue growth and largely offset voice revenue which is expected to keep declining. Due to our popularity in AIS Super combo last year, we perceive this trend to keep on this year and thus expect handset sales to grow 10% with margin maintained at close to zero. This will also enhance our 3G device penetration to 70% which will ultimately translate into lower regulatory fee. Therefore, we expect our consolidated EBITDA margin to increase by 100-200bps despite higher network opex and SG&A. New promotional campaigns will also be launched to keep our brand awareness to stay competitive in the market especially in mid-to-low segments of customers. However, marketing spending will remain around 4% of total revenue.

Maintain the dividend policy: 100% dividend payout

The company aims to maintain 100% payout ratio and pays dividend twice a year. The payout ratio is based on consolidated earnings and subject to the availability of retained earnings on the separated financial statement. This commitment is supported by strong operating cash flow and a low debt level. The CAPEX and license payment will be funded by internal cash flow and additional borrowings if required. If and when there are any new business opportunities or significant changes that may impact on our future operation and investment, and hence capital structure, the company will promptly discuss any new direction with the investment community.

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Disclaimer

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