

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 2015, 2014, and 2013, 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 Thai Financial Reporting Standards.

13.1.2 The Consolidated Financial Position

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

Unit : Thousand Baht

	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets						
Cash and cash equivalents	11,473,121	10.24	14,258,066	11.29	9,864,913	5.43
Specifically-used bank deposits	3,781,141	3.37	3,709,328	2.94	4,447,280	2.45
Current investments	1,576,942	1.41	1,542,449	1.22	304,674	0.17
Trade and other accounts receivable	13,947,990	12.45	14,545,609	11.51	16,388,529	9.01
Short-term loans to related parties	-	-	95,000	0.08	-	-
Inventories	2,864,932	2.56	2,519,497	1.99	5,059,252	2.78
Other current assets	660,085	0.59	1,288,943	1.02	1,942,221	1.07
Total Current Assets	34,304,211	30.62	37,958,892	30.04	38,006,869	20.91
Non-Current Assets						
Other long-term investments	104,361	0.09	58,399	0.05	58,399	0.03
Swap and forward contracts receivable	653,398	0.58	568,881	0.45	795,449	0.44
Property, plant and equipment	35,922,236	32.07	60,702,587	48.04	84,291,103	46.37
Assets under the Agreements for operations	20,499,803	18.30	8,738,039	6.92	-	-
Goodwill	34,931	0.03	34,931	0.03	34,931	0.02
Spectrum license	13,600,648	12.14	12,624,410	9.99	51,790,574	28.49
Intangible assets	2,178,035	1.94	2,504,683	1.98	3,192,332	1.76
Deferred tax assets	3,557,332	3.18	1,441,856	1.14	1,251,588	0.69
Other non-current assets	1,170,755	1.05	1,717,885	1.36	2,340,028	1.29
Total Non-Current Assets	77,721,499	69.38	88,391,671	69.96	143,754,404	79.09
Total Assets	112,025,710	100.00	126,350,563	100.00	181,761,273	100.00

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

Unit : Thousand Baht

	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Short-term loans from financial institution	4,000,000	3.57	-	-	8,500,000	4.68
Trade and other accounts payable	21,254,378	18.97	23,092,055	18.27	27,750,538	15.26
Current portion of long-term borrowings	5,303,409	4.73	2,571,631	2.04	4,355,627	2.40
Current portion of Spectrum license payable	3,656,250	3.26	3,656,250	2.89	-	-
Accrued revenue sharing expenses	3,534,750	3.16	5,130,157	4.06	5,364,085	2.95
Unearned income - mobile phone services	1,599,665	1.43	2,183,175	1.73	2,331,763	1.28
Advance receipt from customers	2,985,928	2.67	3,709,328	2.94	4,447,280	2.45
Income tax payable	2,816,611	2.51	2,195,546	1.74	4,761,208	2.62
Other current liabilities	340,245	0.30	367,976	0.29	22,792	0.01
Total Current Liabilities	45,491,236	40.60	42,906,118	33.96	57,533,293	31.65
Non-Current Liabilities						
Long-term borrowings	15,354,770	13.71	34,478,291	27.29	52,576,667	28.93
Employee benefit obligation	1,361,376	1.22	1,499,743	1.19	2,293,784	1.26
Spectrum license payable	3,656,250	3.26	-	-	19,902,471	10.95
Other non-current liabilities	269,492	0.24	601,656	0.47	962,076	0.53
Total Non-Current Liabilities	20,641,888	18.43	36,579,690	28.95	75,734,998	41.67
Total Liabilities	66,133,124	59.03	79,485,808	62.91	133,268,291	73.32
Shareholders' Equity						
Issued and fully paid-up share capital	2,973,095	2.65	2,973,095	2.35	2,973,095	1.64
Reserves :						
Premium on share capital	22,372,276	19.97	22,372,276	17.71	22,372,276	12.31
Retained earnings :						
Appropriated - Legal reserve	500,000	0.45	500,000	0.40	500,000	0.27
Unappropriated	19,729,332	17.61	20,710,295	16.39	22,313,204	12.28
Other components of equity	173,404	0.16	194,732	0.15	217,757	0.12
Total Equity attributable to equity holders of the Company	45,748,107	40.84	46,750,398	37.00	48,376,332	26.62
Non-controlling interests	144,479	0.13	114,357	0.09	116,650	0.06
Total Equity	45,892,586	40.97	46,864,755	37.09	48,492,982	26.68
Total Liabilities and Equity	112,025,710	100.00	126,350,563	100.00	181,761,273	100.00

Advanced Info Service Public Company Limited
Consolidated - Statement of Income
For the years ended 31 December

Unit : Thousand Baht

	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
Revenues						
Revenues from services & equipment rentals	127,816,102	84.88	125,396,923	83.97	127,414,763	82.06
Revenues from sale of goods	18,995,274	12.62	23,331,862	15.63	27,798,086	17.90
Construction income from the Agreements for operation	3,766,443	2.50	600,262	0.40	63,591	0.04
Total revenue	150,577,819	100.00	149,329,047	100.00	155,276,440	100.00
Cost						
Cost of services & equipment rentals	43,136,095	28.65	45,206,190	30.28	50,020,302	32.21
Revenue sharing expense	24,273,348	16.12	14,593,802	9.77	6,716,228	4.33
Cost of sale of goods	17,760,270	11.79	23,148,016	15.50	28,018,892	18.04
Construction cost from the Agreements for operation	3,766,443	2.50	600,262	0.40	63,591	0.04
Total cost	88,936,156	59.06	83,548,270	55.95	84,819,013	54.62
Gross profit	61,641,663	40.94	65,780,777	44.05	70,457,427	45.38
Selling expenses	4,331,357	2.88	6,219,706	4.17	6,900,983	4.44
Administrative expenses	10,545,061	7.00	12,640,674	8.46	13,190,402	8.50
Total selling & administrative expenses	14,876,418	9.88	18,860,380	12.63	20,091,385	12.94
Profit from sales, services and equipment rentals	46,765,245	31.06	46,920,397	31.42	50,366,042	32.44
Investment income	548,205	0.37	370,107	0.25	291,108	0.19
Other operating income	322,553	0.21	329,786	0.22	447,705	0.29
Share of loss of associate	-	-	(3,625)	-	(10,875)	-0.01
Impairment loss of assets	-	-	(11,973)	-0.01	-	-
Net foreign exchange gain (loss)	(233,002)	-0.15	188,934	0.13	228,780	0.15
Management benefit expenses	(163,085)	-0.11	(183,866)	-0.13	(209,178)	-0.14
Finance costs	(1,002,278)	-0.67	(1,526,870)	-1.02	(1,959,563)	-1.26
Profit before income tax expense	46,237,638	30.71	46,082,890	30.86	49,154,019	31.66
Income tax	(10,007,635)	-6.65	(10,079,717)	-6.75	(9,999,167)	-6.44
Profit for the year	36,230,003	24.06	36,003,173	24.11	39,154,852	25.22
Attributable to :						
Equity holders of the Company	36,274,128	24.09	36,033,165	24.13	39,152,410	25.21
Minority interests	(44,125)	-0.03	(29,992)	-0.02	2,442	0.01
Profit for the year	36,230,003	24.06	36,003,173	24.11	39,154,852	25.22
Basic earnings per share (Bath)	12.20		12.12		13.17	
Diluted earnings per share (Bath)	12.20		12.12		13.17	

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

Unit : Thousand Baht

Consolidated - Cash flow	2013	2014	2015
Cash flows from operating activities:			
Net profit	36,230,003	36,003,173	39,154,852
Adjusted by:			
Depreciation	3,037,080	6,224,631	10,153,064
Amortization of intangible assets	13,504,064	12,697,121	10,342,114
Impairment loss of assets	-	11,973	-
Investment income	(548,205)	(370,107)	(291,108)
Finance costs	1,002,278	1,526,870	1,959,563
Doubtful accounts and bad debts expenses	786,761	1,240,097	1,315,294
Share-based payment transaction	6,986	18,922	30,661
Allowance for obsolete, decline in value and write-off inventories	72,979	60,997	206,635
Loss on disposals and write off assets	562,134	864,997	302,482
Unrealised (gain) loss on foreign exchange rate	(3,342)	19,719	25,736
Share of loss of associate	-	3,625	10,875
Income tax expense	10,007,635	10,079,717	9,999,167
Cash provided by operation before changes in operating assets & liabilities	64,658,373	68,381,735	73,209,335
Changes in operating assets and liabilities			
Specifically-used bank deposit	(83,290)	71,813	(737,952)
Trade and other accounts receivable	(3,957,986)	(1,403,349)	(2,046,091)
Inventories	(1,511,529)	284,438	(2,714,490)
Other current assets	(74,169)	(156,062)	(146,712)
Other non-current assets	(8,380)	(568,973)	(622,142)
Trade and other accounts payable	2,610,009	2,411,269	2,018,695
Accrued revenue sharing expenses	(1,319,943)	1,595,407	233,928
Unearned income-mobile phone service	(99,680)	583,511	148,588
Advance received from customer	189,893	723,400	737,952
Swap and forward contracts (receivable) payable	(8,054)	(24,199)	90,217
Other current liabilities	66,509	190,895	(344,346)
Other non-current liabilities	91,622	84,478	97,008
Cash generated from operating activities	60,553,375	72,174,363	69,923,990
Income tax paid	(9,224,648)	(9,353,965)	(8,294,588)
Net cash from operating activities	51,328,727	62,820,398	61,629,402

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

Unit : Thousand Baht

Consolidated - Cash flow	2013	2014	2015
Cash flows from investing activities:			
Interest received	558,887	372,803	282,277
Purchase of property, plant and equipment and computer software	(23,013,593)	(31,731,849)	(32,107,980)
Sales of property and equipment	15,618	27,410	22,120
Purchase of intangible assets under the agreement for operations	(5,446,556)	(830,273)	(146,548)
Payment of spectrum license	-	(3,656,250)	(24,159,783)
Net increase in short-term loans to subsidiaries and associate	-	(95,000)	95,000
Net (increase) decrease in other investments	(230,973)	82,882	1,230,043
Additional investment in subsidiaries and associate	-	(3,625)	(10,875)
Dividend received	-	10,000	40,000
Net cash used in investing activities	(28,116,617)	(35,823,902)	(54,755,746)
Cash flows from financing activities:			
Interest paid	(959,556)	(1,229,812)	(1,612,269)
Other finance costs paid	(20,385)	(124,186)	(178,230)
Financial lease principal payment	(29,830)	(35,511)	(42,625)
Net increase (decrease) of short-term loans from financial institutions	4,000,000	(4,000,000)	8,500,000
Increase in long-term borrowings	7,812,480	21,600,400	21,500,000
Decrease in long-term borrowings	(8,485,648)	(5,370,463)	(2,392,023)
Acquisition of non-controlling interests	-	(2)	-
Dividend paid	(33,889,117)	(35,052,353)	(37,042,102)
Net cash used in financing activities	(31,572,056)	(24,211,927)	(11,267,249)
Net increase (decrease) in cash and cash equivalents	(8,359,946)	2,784,569	(4,393,593)
Cash and cash equivalents at 1 January	19,833,022	11,473,121	14,258,066
Effect of exchange rate changes on balances held in foreign currencies	45	376	440
Cash and cash equivalents at 31 December	11,473,121	14,258,066	9,864,913

Advanced Info Service Public Company Limited

Consolidated - Financial ratio

For the years ended 31 December

Consolidated financial statements	2013	2014	2015
Liquidity Ratio			
Current Ratio (time)	0.75	0.88	0.66
Quick Ratio (time)	0.51	0.61	0.37
Operating cash flow to current liability (time)	1.13	1.46	1.07
A/R turnover (time)	14.84	13.26	13.23
Collection period (day)	24	27	27
Inventory turnover (time)	8.28	8.60	7.39
Day sales period (day)	43	42	49
A/P turnover (time)	6.39	5.79	5.94
Payment period (day)	56	62	61
Cash Cycle (day)	11	7	15
Profitability Ratio			
Gross profit margin ratio (%)	40.94%	44.05%	45.38%
Operation income ratio (%)	31.06%	31.42%	32.44%
Other operating income ratio (%)	0.58%	0.47%	0.48%
Free cash flow to EBIT (%)	49.64%	57.54%	13.65%
Net profit margin (%)	24.09%	24.13%	25.21%
Return to Equity (%) Average	81.12%	77.69%	82.12%
Return to Equity (%) As at end	79.04%	76.89%	80.74%
Efficiency Ratio			
Return on total assets (%)	34.06%	30.23%	25.41%
Return on fixed assets (%)	72.11%	55.20%	49.12%
Total assets turnover (time)	1.41	1.25	1.01
Financial Policy Ratio			
Debt to equity ratio (time)	1.44	1.70	2.75
Interest coverage ratio (time)	47.33	32.79	28.27
Debt service ratio (IR Basis) (time)	4.95	13.28	3.87
Dividend payout ratio (%)	99.58%	99.01%	98.64%
Data on per Share Capital			
Net book value per share (Baht)	15.44	15.76	16.31
Net Profit per share (Baht)	12.20	12.12	13.17
Dividend per share (Baht)	12.15	12.00	12.99
Percentage Growth on			
Total Assets (%)	10.95%	12.79%	43.85%
Total Liabilities (%)	15.16%	20.19%	67.66%
Revenue from services & sales (%)	(0.80%)	(0.83%)	3.98%
Selling & admin. expenses (%)	24.41%	26.78%	6.53%
Net Profit (%)	3.99%	(0.66%)	8.66%

14. Management discussion and analysis

14.1 Management discussion and analysis for the year 2014

Executive Summary

AIS saw service revenue growth slightly below guidance

In 2015, Thai economy recovered slowly with improvement in domestic consumption and tourism, along with government's economic stimulus starting in 4Q15. During a slow economic recovery in the year, AIS saw 2.2% growth in service revenue (excluding IC) which was slightly below approx. 3% full year guidance. The growth from postpaid segment, due to more demand for data usage compensates the impact from prepaid identification.

Despite handset subsidy, better cost structure from 3G migration helped improve profit

With target to migrate 2G customers to use 3G network, in the second half of the year AIS launched handset trade-in campaign while handsets sold in the first half had margin, resulted in FY2015 handset sales margin of -0.8%. However, when customers migrated to 3G network on 2.1GHz license, regulatory fee saving occurred when compared to cost structure of 2G on 900MHz under concession. Percentage of regulatory fee to service revenue (excluding IC) of FY2015 declined to 11.7%, compared to 16.5% in 2014. EBITDA improved by 6.5% to Bt70,776mn, with 55.7% service EBITDA margin from 52.8% last year, above FY15 guidance of 200bps growth. Net profit improved by 8.7% to Bt39,152mn. In 4Q14, AIS booked a one-time deferred tax asset written-off of Bt664mn, so the normalized net profit growth in FY15 was 6.7%.

AIS launched 4G services on 1800MHz-license network and focused on 3G network enhancement

After granted 1800MHz license from the spectrum auction in November 2015, AIS commercially launched 4G service on 26 January 2016 in 42 cities and is expanding. As for the service for 2G customers on 900MHz network under an expired concession, we target to migrate these customers to 3G. The current 3G network on 2.1GHz license is enhanced both in terms of coverage and capacity to support migrating customers from 2G network. Necessary sites are identified for network improvement to make sure that the current 3G 2.1GHz network can completely replace the 2G 900MHz network.

Guidance for FY2016 Due to shutdown of 2G service, compensating with growth from new 4G 1800MHz service and our fixed broadband business, service revenue (excluding IC) for 2016 is expected to be flat. FY16 EBITDA margin is expected to be in range of 37-38%, due to impact from 2G network shutdown and expenses for TOT partnership deal. Bt40bn CAPEX is expected to be used mainly for 4G network roll and 3G network enhancement. The dividend policy remains 100% payout. Please see full guidance on page 7.

Significant events

In 4Q15, AIS adjusted definition and grouping of other revenue relating to Wifi revenue and voice/non-voice revenue allocation. Wifi revenue will be separated from other revenue and added to service revenue instead. The adjustment impacted blended ARPUs to be slightly higher. The ARPUs were restated since 4Q13, which was the beginning of Wifi revenue booking. The reallocation of voice/non-voice revenue affected voice revenue to be higher and non-voice to be lower while service revenue remained unchanged. The revenues were reallocated since 1Q13. Please refer to the operational data for further details.

Moreover, the network OPEX was also restated since 1Q13 with a minimal impact due to a reallocation of elements under other cost of service to network OPEX.

FY15 Market and competitive environment

In 2015, Thai economy recovered slowly with continued pressure to consumer sentiment and spending. In 3Q15, the bombing incident in Bangkok's city center worsened consumer sentiment but that was only short-lived. Tourism picked up quickly in the high season in December and overall tourist number was higher than 2014. Government economic stimulus starting 4Q15 was also positive to consumer spending.

Consumer behavior followed the same trend of declining voice usage with compensation from growth of mobile data. Key driver was supported by an increase of smartphone penetration. In the industry, postpaid continues to see growth due to the demand to use mobile data accommodated by attractive non-stop data price plans. Overall prepaid revenue declined slightly when customers geared towards postpaid. Also the prepaid identification affected number of prepaid subscribers to be lower in a short-term. Going forward, the net additions of prepaid subscribers should be stabilized.

In the first half of the year, operators used handset strategy to attract customers. Free handsets were given away, starting with feature phones and expanding to entry-level smartphones. AIS introduced handset trade-in campaign in July 2015 in order to migrate existing customers from using 2G network under 900MHz concession to 3G on 2.1GHz-license network, and to protect market share. In December 2015, after not pursuing the 900MHz license from the auction, AIS renewed the handset subsidy campaign more effectively to address mass migration in three-month period as we intended to migrate as many as possible 2G customers to 3G network before the 900MHz spectrum would be handed to new licensees.

AIS won a 1800MHz license from the auction held in November 2015. The 15MHz bandwidth is used for providing 4G service, which is officially launched in January 2016 starting in 42 cities with 7,000 sites. Before that, competitors tried to promote on the advantage of having 4G to attract customers by offering competitive packages. More 4G handsets were introduced in the market with more affordable price points.

As for fixed broadband market, when AIS entered with AIS Fibre in April 2015, competitors started to promote offers on broadband internet with FTTx technology as well. Convergence strategy was emphasized more by operators who could offer mobile, fixed broadband and other services.

Operational Summary

At the end of 2015, number of **total subscribers** of AIS was 38.5mn, decreasing from 2014 due to an adjustment of prepaid subscriber base in 1Q15 and effect of prepaid identification in 2Q and 3Q15. At the end of 2015, **prepaid subscriber** was 33.1mn with a net addition of 0.6mn in 4Q15, stabilizing after the impact from prepaid identification in 2Q15 and 3Q15. **Postpaid subscriber** was 5.4mn with a slight net addition of 68k in 4Q15, following the trend of pre-to-post trend. **Restated blended ARPU** in 4Q15 was Bt254, an increase from Bt249 in 3Q15 (restated).

Blended MOU slightly increased to 292 and **blended VOU** reached 2GB/data sub/month, increasing in both prepaid and postpaid segments. The driver of VOU growth was from the smartphone penetration rate that increased from 53% to 59%, mainly supported by a successful handset campaign with LAVA smartphone. Also, attractive non-stop price plan for data contributed to the growth of mobile data usage

Subscribers	4Q14	1Q15	2Q15	3Q15	4Q15
900MHz-BTO ¹⁾	3,546,800	3,094,800	2,727,700	1,915,900	653,100
2.1GHz-License ²⁾	40,754,500	38,856,000	37,333,400	35,894,800	37,835,000
Postpaid	4,940,700	5,059,500	5,219,900	5,363,200	5,431,200
Prepaid	39,360,600	36,891,300*	34,841,200	32,447,500	33,056,900
Total subscribers	44,301,300	41,950,800	40,061,100	37,810,700	38,488,100
Net additions					
900MHz-BTO ¹⁾	-1,567,800	-452,000	-367,100	-811,800	-1,262,800
2.1GHz-License ²⁾	2,073,900	-1,898,500	-1,522,600	-1,438,600	1,940,200
Postpaid	154,000	118,800	160,400	143,300	68,000
Prepaid	352,100	-2,469,300*	-2,050,100	-2,393,700	609,400
Total net additions	506,100	-2,350,500	-1,889,700	-2,250,400	677,400
ARPU (Baht/subs/month)					
900MHz-BTO ¹⁾	216	229	246	230	159
2.1GHz-License ²⁾	223	228	241	250	257
Postpaid	639	629	627	630	612
Prepaid	173	178	188	192	195
Blended	222	228	242	249	254
MOU (minute/sub/month)					
900MHz-BTO ¹⁾	210	218	214	209	154
2.1GHz-License ²⁾	275	275	289	296	297
Postpaid	373	355	342	339	330
Prepaid	256	260	275	283	286
Blended	269	271	283	291	292
VOU (MB/data sub/month)					
Postpaid	1,620	1,740	1,990	2,150	2,360
Prepaid	1,450	1,610	1,510	1,680	1,910
Blended	1,480	1,630	1,600	1,770	2,000
Device Penetration on 2.1GHz-License					
3G handset penetration	54%	58%	62%	67%	70%
Smart phone penetration	39%	44%	49%	53%	59%

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.

*one-time adjustment discarding customers who have been inactive for more than 90 days

4Q15 Snapshot

In 4Q15, service revenue excluding IC was Bt29,887mn, a slight decline of 0.2% QoQ and 0.5% YoY. However, excluding the one-time adjustment of Bt152mn in 3Q15, normalized service revenue ex. IC would grow 0.3% QoQ. This 4Q15, AIS launched various handset campaigns including 4G LAVA models together with iPhone6s, so SIM & device sales increased significantly by 57% QoQ. However, sales margin was -0.8%, better than -11% in 3Q15, resulting from high margin of iPhone6s and AIS 4G LAVA despite handset subsidy.

As concession with TOT expired in 3Q15, there was no revenue shared to TOT after the expiry. Regulatory fee dropped by 20% QoQ and 31% YoY to Bt2,662mn due to the migration of 2G customers to use 3G network on 2.1GHz license. It represented 8.9% of service revenue excluding IC, comparing to 12.8% in 4Q14. Furthermore, D&A of 4Q15 was Bt3,495mn, decreasing dramatically by 40% QoQ and 31% YoY as 2G assets were fully amortized after the concession ended in 3Q15. Meanwhile, 3G-2.1GHz network and capacity had been continuously enhanced, resulting in an increase of maintenance and base utilities; network OPEX was Bt2,672mn, an increase of 19% QoQ and 19% YoY. Marketing expenses also increased by 27% QoQ and 18% YoY to Bt2,209mn, mainly due to 4G advertisement on various channels together with handset subsidy campaign started in December. In summary, EBITDA was Bt 17,204mn, declining 1.3% QoQ and 3% YoY, an effect from an increase in SG&A especially marketing expenses, in spite of the slight increase in revenue and a decrease in regulatory fee. Nonetheless, net profit was Bt10,791mn, rising by 25% QoQ and 18% YoY mainly from much lower regulatory fee and D&A. Excluding the one-time deferred tax write off in 4Q14, normalized profit of 4Q15 would grow by 10% YoY.

FY15 Financial Summary

Revenue

AIS's total revenue (excluding construction) was Bt155,213mn, increasing 4.4% YoY, composing of service revenue, device sales and IC revenue as follows.

SIM & device sales were Bt27,798mn, a significant increase of 19% YoY as a result of 7.8mn handset units sold throughout FY15, underpinned by 6mn units from AIS LAVA. The rest were from international brands e.g. SAMSUNG, iPhone6, and others. The handset subsidies in 2H15 drove the overall sales margin down to -0.8% for FY15.

Service revenue (excluding IC) was Bt120,621mn, growing 2.2% YoY. It was driven by growth in mobile data, offsetting with a decline in voice revenue following the customers' behavior trend.

- **Voice revenue** was Bt60,547mn, a decrease of 12% YoY, following a declining trend of customers' voice calls usage as customers tend to consume more of mobile data.
- **Non-voice** grew by 27% YoY to Bt53,193mn in FY15 from Bt42,043mn in FY14, mainly due to the increasing trend of mobile data consumption as well as the support of higher smartphone penetration of 59% in FY15 from 39% in FY14. Mobile data accounted for 41% of service revenue (excluding IC), compared to 31% in 4Q14 and 39% 3Q15.
- **International roaming (IR)** grew 4.3% YoY to Bt2,336mn supported by an increasing trend in 9M15 even though there was an impact of IR revenue decline in 4Q15 from termination of 2G- 900MHz international roaming.
- **International call & other businesses** declined by 3.1% YoY to Bt4,544mn in FY15.

Net Interconnection charges (Net IC) was Bt681mn, increasing slightly from Bt641mn in FY14. Nonetheless, the IC revenue and IC cost dropped in latter half of the year FY15 mainly from the IC rate adjustment started in 3Q15.

Cost & Expense

In 2015, **cost of service (excluding IC)** was Bt50,624mn dropping by 4.5% YoY, mainly from a significant decline in regulatory fee despite higher D&A from new additional sites and base stations and an increase in network OPEX on 3G and 4G network.

- **Regulatory fee** was Bt14,116mn, decreasing by 27% YoY due to a success of 3G handset migration with 3G handset penetration on 2.1GHz-license rising to 69% in FY15, in line with our target of 70%. After the expiry of 900MHz concession in September 2015, there was no revenue sharing to TOT but during the remedy period, we provision a similar amount under NBTC regulation. The proportion of regulatory fee to service revenue excluding IC in FY15 was 11.7% decreasing from 16.5% in FY14.
- **Depreciation & Amortization** was Bt20,146mn, an increase of 8.1% YoY. The increase was mainly from 3G 2.1GHz network expansion, while 2G assets under the agreement for operations were fully amortized by 3Q15, totaling Bt8.7bn. The amortization of spectrum licenses of Bt1,200mn included 2.1GHz and newly-granted 1800MHz since November 2015.
- **Network OPEX** grew 12% YoY to Bt9,620mn in line with the increasing numbers of 3G base stations. These are mainly costs of site rental, electricity and maintenance.
- **Other costs of service** were Bt6,742mn, increasing by 5.8% YoY primarily from equipment and installation of fixed broadband along with higher call-center staff cost.

SG&A expense were Bt20,091mn, increasing by 6.5% YoY. It was mainly due to higher marketing spending.

- **Marketing expenses** rose 11% YoY to Bt6,901mn mainly from spending on promotions and advertisements on brand awareness as well as handset campaigns and fixed broadband.
- **General admin expenses** were Bt11,526mn, an increase of 3.7% YoY, contributed by higher staff costs but lower admin expenses.
- **Depreciation & Amortization** was 349mn, rising to 21% YoY primarily from expansion and renovation of AIS shops and other distribution channels.
- **Bad debt** was Bt1,315mn, growing 6.1% YoY mainly from higher number of postpaid customers. It is accounted for

3.4% of postpaid revenue, same level compared to 3.5% in FY14. It is considered to be in a manageable range.

Finance costs was Bt1,960mn, an increase of 28% YoY, due to additional loan for 1800MHz license payment.

Net gain on foreign exchange was Bt229mn, an increase of Bt40mn in FY14. AIS has a policy to fully hedge debt in foreign currency while partially hedge on CAPEX. Therefore, with a benefit from hedging position, net gain occurred in 2015.

Profit

In FY15, **EBITDA** grew 6.5% YoY to Bt70,776mn, due to a significant decrease of regulatory fee despite growth in network OPEX and SG&A. This also drove the **consolidated EBITDA margin** to 45.6%, growing by 90bps from FY14 and the **service EBITDA margin** rose to 55.7%, growing by 290bps from FY14. **Net profit** of FY15 was Bt39,152mn, an increase of 8.7% YoY. Excluding effect of the one-time write-off of deferred tax assets of Bt664mn in 4Q14, FY15 normalized net profit growth would be 6.7% YoY.

Financial position

AIS had total asset of Bt181,761mn, a significant increase of 44% YoY, due to the 1800MHz license and network. Total liabilities rose 68% YoY to Bt133,268mn due to an additional short-term and long-term loans that were issued in the latter half of FY15. Total equity grew slightly to Bt48,493mn. The current ratio was 0.66x showed a slight increase. Despite higher interest-bearing debt, net debt to EBITDA considered to remain strong at 0.72x with a full-year average interest cost of 3.6% p.a.

Trade accounts receivable was Bt11,030mn, increasing by 6% YoY mainly from the revenue growth, especially postpaid revenue.

Inventory was Bt5,059mn, a significant increase of 101% YoY due to higher amount of handset inventory for handset trade-in campaign.

Trade accounts payable was Bt14,358mn, rising by 21% YoY due to more order of network equipment.

Cash Flow

In FY15, AIS generated net operating cash flow of Bt62bn, decreasing from Bt63bn in FY14. AIS continued enhancing on network and capacity, resulting in total accumulated CAPEX spent in FY15 of Bt32bn, below our guidance of Bt36bn. Free cash flow (net operating cash flow – CAPEX) was Bt30bn. Net increase in loan was Bt27.6bn, mainly to support spectrum license payment. AIS paid Bt20.5bn for the first payment of 1800MHz spectrum and Bt3,656mn for the scheduled last payment of 2.1GHz spectrum. Full year dividend paid was Bt37bn.

Commitments with non-related parties

In 2015, AIS had commitments for investment and expenses that will be paid in the future. Key commitments are as follows.

- **Building and equipment** – Bt21,174mn, increasing from Bt18,765mn in 2014 due to a plan for more investment on network
- **Purchase orders for goods and supplies** – Bt25,554mn, increasing from Bt6,340mn in 2014 due to orders for handsets in response to increasing demand for smartphones
- **Forward and swap contracts** – Bt16,349mn, increasing from Bt10,983mn due to hedging position for more CAPEX
- **Bank guarantees for spectrum license payable** – Bt21,928mn, increasing from Bt3,912mn due to the installments of newly granted 1800MHz spectrum license

Income statement (Bt mn)	4Q14	3Q15	4Q15	%YoY	%QoQ	2014	2015	%YoY
Voice revenue	16,651	14,478	14,085	-15%	-2.7%	69,015	60,547	-12%
Non-voice revenue	11,595	13,759	14,174	22%	3.0%	42,043	53,193	27%
International Roaming	650	653	494	-24%	-24%	2,240	2,336	4.3%
Others (IDD, other fee)	1,141	1,066	1,134	-0.7%	6.3%	4,691	4,544	-3.1%
Service revenue (excluding IC)	30,037	29,956	29,887	-0.5%	-0.2%	117,990	120,621	2.2%
IC revenue	1,953	1,456	1,475	-25%	1.3%	7,407	6,794	-8.3%
SIM and handset sales	8,454	5,356	8,422	-0.4%	57%	23,332	27,798	19%
Total revenues (excluding construction)	40,444	36,769	39,784	-1.6%	8.2%	148,729	155,213	4.4%
Regulatory fee	(3,856)	(3,344)	(2,662)	-31%	-20%	(19,427)	(14,116)	-27%
Depreciation & Amortization	(5,040)	(5,861)	(3,495)	-31%	-40%	(18,633)	(20,146)	8.1%
Network operating expense	(2,242)	(2,253)	(2,672)	19%	19%	(8,600)	(9,620)	12%
Other cost of services	(1,642)	(1,666)	(1,749)	6.5%	5.0%	(6,374)	(6,742)	5.8%
Cost of service (excluding IC)	(12,780)	(13,124)	(10,578)	-17%	-19%	(53,034)	(50,624)	-4.5%
IC cost	(1,738)	(1,314)	(1,349)	-22%	2.7%	(6,766)	(6,113)	-9.7%
Cost of SIM and handset sales	(8,299)	(5,951)	(8,485)	2.2%	43%	(23,148)	(28,019)	21%
Total costs (excluding construction)	(22,816)	(20,389)	(20,412)	-11%	0.1%	(82,948)	(84,755)	2.2%
Gross profit	17,628	16,379	19,372	9.9%	18%	65,781	70,457	7.1%
SG&A	(5,069)	(4,896)	(5,643)	11%	15%	(18,860)	(20,091)	6.5%
Marketing Expense	(1,866)	(1,733)	(2,209)	18%	27%	(6,220)	(6,901)	11%
General administrative & staff cost	(2,782)	(2,769)	(3,020)	8.6%	9.1%	(11,111)	(11,526)	3.7%
Bad debt provision	(340)	(305)	(321)	-5.5%	5.3%	(1,240)	(1,315)	6.1%
Depreciation	(81)	(90)	(93)	15%	3.9%	(289)	(349)	21%
Operating profit	12,560	11,483	13,730	9.3%	20%	46,920	50,366	7.3%
Net foreign exchange gain (loss)	(26)	(132)	196	-867%	-249%	189	229	21%
Other income (expense)	134	222	68	-50%	-69%	500	519	3.8%
Finance cost	(458)	(463)	(597)	31%	29%	(1,527)	(1,960)	28%
Income tax	(3,100)	(2,495)	(2,598)	-16%	4.1%	(10,080)	(9,999)	-0.8%
Non-controlling interest	11	1	(7)	-166%	-603%	30	(2)	-108%
Net profit for the period	9,122	8,616	10,791	18%	25%	36,033	39,152	8.7%

Revenue mix (Bt mn)	4Q14	3Q15	4Q15	%YoY	%QoQ	2014	2015	%YoY
900MHz-BTO revenue ¹⁾	2,787	1,623	592	-79%	-64%	24,240	6,589	-73%
2.1GHz-License revenue ²⁾	26,108	27,267	28,162	7.9%	3.3%	89,059	109,488	23%
Total	28,896	28,890	28,753	-0.5%	-0.5%	113,298	116,077	2.5%
% 2.1GHz-License revenue	90%	94%	98%			79%	94%	

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

2) Revenue from 2.1GHz license is subjected to NBTC fee of 5.25%. Additionally, roaming revenue from subscribers using 2G devices is subjected to 30% revenue share to TOT.

EBITDA (Bt mn)	4Q14	3Q15	4Q15	%YoY	%QoQ	2014	2015	%YoY
Operating Profit	12,560	11,483	13,730	9.3%	20%	46,920	50,366	7.3%
Depreciation & amortization	5,121	5,951	3,588	-30%	-40%	18,922	20,495	8.3%
(Gain) loss on disposals of PPE	110	75	1	-99%	-99%	865	303	-65%
Management benefit expense	(38)	(38)	(74)	95%	92%	(184)	(209)	14%
Other financial cost	(26)	(39)	(41)	57%	4.7%	(96)	(178)	86%
EBITDA	17,727	17,431	17,204	-3.0%	-1.3%	66,428	70,776	6.5%
Consolidated EBITDA margin (%)	43.8%	47.4%	43.2%			44.7%	45.6%	
Service EBITDA margin (%)	54.9%	57.4%	55.1%			52.8%	55.7%	

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	4Q14	3Q15	4Q15	%YoY	%QoQ	2014	2015	%YoY
Construction revenue	18	10	-	-100%	-100%	600	64	-89%
Construction cost	(18)	(10)	-	-100%	-100%	(600)	(64)	-89%

Financial Position (Bt mn/% to total asset)					Key Financial Ratio			
	4Q14		4Q15			4Q14	3Q15	4Q15
Cash	17,967	14%	14,312	7.9%	Interest bearing debt to equity	0.78	1.22	1.32
ST investment	1,542	1.2%	305	0.2%	Net debt to equity	0.39	0.91	1.02
Trade receivable	10,415	8.2%	11,030	6.1%	Net debt to EBITDA	0.26	0.50	0.72
Inventories	2,519	2.0%	5,059	2.8%	Current Ratio	0.88	0.60	0.66
Others	5,515	4.4%	7,301	4.0%	Interest Coverage	29	27	25
Current Assets	37,959	30%	38,007	21%	DSCR	13	3.3	3.7
Spectrum license	12,624	10%	51,791	29%	ROE	93%	79%	100%
Network and PPE	69,441	55%	84,291	46%				
Intangible asset	2,505	2.0%	3,192	1.8%				
Defer tax asset	1,442	1.1%	1,252	0.7%				
Others	2,380	1.9%	3,229	1.8%				
Total Assets	126,351	100%	181,761	100%				
Trade payable	11,903	9.4%	14,358	21%				
ST loan & CP of LT loans	2,572	2.0%	12,856	7.1%				
Accrued R/S expense	5,130	4.1%	5,364	3.0%				
Others	23,301	18%	24,956	7.1%				
Current Liabilities	42,906	34%	57,533	32%				
Debenture & LT loans	34,394	27%	52,416	29%				
Others	2,185	1.7%	23,319	13%				
Total Liabilities	79,486	63%	133,268	73%				
Retained earnings	21,210	17%	22,813	13%				
Others	25,655	20%	25,680	14%				
Total Equity	46,865	37%	48,493	27%				

Debt repayment schedule			(Bt mn)
	Debenture	Loan	
4Q15	-	4,953	
2016	-	12,125	
2017	397	1,719	
2018	-	6,963	
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 : 2015				(Bt mn)
Source of Fund		Use of Fund		
Operating cash flow	69,924	Dividend paid		37,042
Proceed of ST loan	8,500	CAPEX & Fixed assets		32,255
Proceed of LT loan	21,500	Spectrum license		24,160
Net change in investments	1,230	Income tax paid		8,294
Dividend & Interest received	322	Repayment of LT borrowings		2,392
Sale of property	22	Finance cost & Financial lease paid		1,833
ST loan & investment in associate	85			
Cash decreased	4,393			
Total	105,976	Total		105,976

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

Short-term impact on 2G shutdown

In 900MHz auction last year, AIS decided not to pursue the bidding as the price did not yield an accretive value. This will result in the shutdown of 2G-900MHz network expected nearly end of March. After that, we expect to continue providing 2G service through roaming agreement with another operator who has nationwide 2G network. Meanwhile, starting in early January 2016, handset subsidy campaign has been launched to migrate 12mn 2G users to 3G and will continue in parallel to 2G roaming service. We expect total cost for handset subsidies and roaming cost to be around Bt8bn. In addition, we also factored in partial loss of 2G subscribers and revenue due to network shutdown as some customers could fall out of service and move to other operators. An additional investment of around Bt10bn in filling the coverage gap is included in total CAPEX this year to ensure the 3G-2.1GHz footprint matches 900MHz network that we shutdown, mostly in rural area.

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 launch 4G service on 1800MHz initially in 42 cities and will expand to cover all urban area of 77 provinces by mid-year and 50% population 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. We target to achieve a significant market share in the next three 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, 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

Without burden from the high license bidding price, AIS maintains financial strength and flexibility for future investment as well as shareholders' return. 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.