

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 2017, 2016, and 2015, 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

	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets						
Cash and cash equivalents	9,864,913	5.43	11,226,141	4.07	10,650,407	3.75
Specifically-designed bank deposits	4,447,280	2.45	2,963,183	1.08	2,642,634	0.93
Current investments	304,674	0.17	-	-	-	-
Trade and other current receivables	16,388,529	9.02	14,116,309	5.12	17,071,012	6.01
Inventories	5,059,252	2.78	3,085,252	1.12	3,950,535	1.39
Current tax assets	-	-	366,770	0.13	197,610	0.07
Other current financial assets	-	-	236,418	0.09	82,917	0.03
Other current assets	1,942,221	1.06	272,036	0.10	245,744	0.09
Total Current Assets	38,006,869	20.91	32,266,109	11.71	34,840,859	12.27
Non-Current Assets						
Investments in an associate	-	-	24,235	0.01	30,729	0.01
Investments in a joint venture	-	-	14,662	0.01	58,536	0.02
Other long-term investments	58,399	0.03	59,399	0.02	59,399	0.02
Property, plant and equipment	84,291,103	46.37	118,271,443	42.90	132,579,259	46.67
Assets under the Agreements for operations	-	-	-	-	-	-
Goodwill	34,931	0.02	34,931	0.01	34,931	0.01
Spectrum license	51,790,574	28.49	115,378,418	41.85	107,523,564	37.85
Other intangible assets	3,192,332	1.76	4,099,208	1.49	4,499,186	1.59
Deferred tax assets	1,251,588	0.69	2,617,832	0.95	2,562,436	0.90
Other non-current financial assets	795,449	0.44	577,660	0.21	-	-
Other non-current assets	2,340,028	1.29	2,326,454	0.84	1,878,455	0.66
Total Non-Current Assets	143,754,404	79.09	243,404,242	88.29	249,226,495	87.73
Total Assets	181,761,273	100.00	275,670,351	100.00	284,067,354	100.00

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

Unit : Thousand Baht

	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Short-term borrowings from financial institution	8,500,000	4.68	9,200,000	3.34	6,500,000	2.29
Trade and other current payables	27,750,538	15.26	34,292,055	12.44	32,140,894	11.31
Accrued revenue sharing expenses	5,364,085	2.95	5,360,787	1.94	5,361,819	1.89
Unearned income - mobile phone service	2,331,763	1.28	3,208,043	1.16	3,409,682	1.20
Advance received from customers	4,447,280	2.45	2,963,183	1.08	2,642,633	0.93
Current portion of long-term liabilities	4,355,627	2.40	2,484,704	0.90	3,075,569	1.08
Current portion of spectrum licenses payable	-	-	10,017,157	3.63	13,988,911	4.93
Current Income tax payable	4,761,208	2.62	1,756,301	0.64	2,456,516	0.86
Other current liabilities	22,792	0.01	45,799	0.02	24,751	0.01
Total Current Liabilities	57,533,293	31.65	69,328,029	25.15	69,600,775	24.50
Non-Current Liabilities						
Long-term liabilities	52,576,667	28.93	87,273,400	31.66	100,101,850	35.24
Provision for Employee benefit	2,293,784	1.26	2,554,403	0.93	1,855,646	0.65
Spectrum licenses payable	19,902,471	10.95	72,180,038	26.18	59,960,851	21.11
Other non-current financial liabilities	-	-	-	-	117,673	0.04
Other non-current liabilities	962,076	0.53	1,626,147	0.59	2,003,771	0.71
Total Non-Current Liabilities	75,734,998	41.67	163,633,988	59.36	164,039,791	57.75
Total Liabilities	133,268,291	73.32	232,962,017	84.51	233,640,566	82.25
Shareholders' Equity						
Issued and fully paid-up share capital	2,973,095	1.64	2,973,095	1.08	2,973,095	1.05
Premium on ordinary shares	22,372,276	12.31	22,388,093	8.12	22,372,276	7.87
Retained earnings :						
Appropriated - Legal reserve	500,000	0.27	500,000	0.18	500,000	0.18
Unappropriated	22,313,204	12.28	16,471,015	5.97	24,264,075	8.54
Other components of equity	217,757	0.12	236,680	0.09	210,909	0.07
Equity attributable to owners of the Company	48,376,332	26.62	42,568,883	15.44	50,320,355	17.71
Non-controlling interests	116,650	0.06	139,451	0.05	106,433	0.04
Total Equity	48,492,982	26.68	42,708,334	15.49	50,426,788	17.75
Total Liabilities and Equity	181,761,273	100.00	275,670,351	100.00	284,067,354	100.00

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

Unit : Thousand Baht

	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Revenues						
Revenues from rendering services & equipment rentals	127,414,763	82.06	128,226,137	84.28	132,946,615	84.29
Revenues from sale of goods	27,798,086	17.90	23,923,730	15.72	24,775,185	15.71
Construction income from the Agreements for operation	63,591	0.04	-	-	-	-
Total revenues	155,276,440	100.00	152,149,867	100.00	157,721,800	100.00
Cost						
Cost of services & equipment rentals	50,020,302	32.21	58,069,918	38.17	66,603,293	42.23
Revenue sharing expense	6,716,228	4.33	3,989	-	1,033	-
Cost of sale of goods	28,018,892	18.04	24,917,977	16.38	25,654,313	16.27
Construction cost from the Agreements for operation	63,591	0.04	-	-	-	-
Total costs	84,819,013	54.62	82,991,884	54.55	92,258,639	58.50
Gross profit	70,457,427	45.38	69,157,983	45.45	65,463,161	41.50
Distribution costs	6,900,983	4.44	16,012,373	10.52	9,990,160	6.33
Administrative expenses	13,190,402	8.50	13,763,455	9.05	15,087,573	9.57
Total selling & administrative expenses	20,091,385	12.94	29,775,828	19.57	25,077,733	15.90
Profit from sales, services and equipment rentals	50,366,042	32.44	39,382,155	25.88	40,385,428	25.60
Interest and dividend income	291,108	0.19	203,951	0.13	174,795	0.11
Other income	447,705	0.29	364,176	0.24	575,202	0.37
Share of profit of an associate and a joint venture	(10,875)	-0.01	23,897	0.02	5,368	-
Net foreign exchange gain	228,780	0.15	277,161	0.18	224,917	0.14
Management benefit expenses	(209,178)	-0.14	(150,257)	-0.10	(142,727)	-0.09
Finance costs	(1,959,563)	-1.26	(4,236,139)	-2.78	(5,301,632)	-3.36
Profit before income tax	49,154,019	31.66	35,864,944	23.57	35,921,351	22.77
Income tax expense	(9,999,167)	-6.44	(5,175,300)	-3.40	(5,843,428)	-3.70
Profit for the year	39,154,852	25.22	30,689,644	20.17	30,077,923	19.07
Attributable to :						
Owners of the Company	39,152,410	25.21	30,666,538	20.15	30,077,312	19.07
Non-controlling interests	2,442	0.01	23,106	0.02	611	-
Profit for the year	39,154,852	25.22	30,689,644	20.17	30,077,923	19.07
Basic earnings per share (Bath)	13.17		10.31		10.12	
Diluted earnings per share (Bath)	13.17		10.31		10.12	

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

Unit : Thousand Baht

Consolidated - Cash flow	2015	2016	2017
Cash flows from operating activities:			
Net profit	39,154,852	30,689,644	30,077,923
Adjusted by:			
Depreciation	10,153,064	15,464,345	21,487,351
Amortization of intangible assets	10,342,114	6,202,968	8,663,344
Interest and dividend income	(291,108)	(203,951)	(174,795)
Finance costs	1,959,563	4,236,139	5,301,632
Doubtful accounts and bad debts expenses	1,315,294	1,537,700	2,198,933
Share-based payment transaction	30,661	34,741	47,744
(Reversal of) Allowance for obsolete, decline in value and write-off inventories	206,635	301,549	(392,008)
Loss on disposals and write-off of assets	302,482	23,070	7,117
Allowance for unused equipment	-	135,773	722,517
Unrealised (gain) loss on foreign exchange rate	25,736	(29,634)	(247,518)
Share of profit loss of an associate and a joint venture	10,875	(23,897)	(5,368)
Employee benefit expense	9,999,167	213,606	261,759
Income tax expense		5,175,300	5,843,428
Cash provided by operation before changes in operating assets & liabilities	73,209,335	63,757,353	73,792,059
Changes in operating assets and liabilities			
Specifically-designed bank deposits	(737,952)	1,484,097	320,549
Trade and other receivables	(2,046,091)	731,904	(5,153,675)
Inventories	(2,714,490)	1,672,451	(473,275)
Other current assets	(146,712)	1,022,641	69,938
Other non-current assets	(622,142)	2,601	814,768
Trade and other payables	2,018,695	3,289,463	1,504,332
Accrued revenue sharing expenses	233,928	(3,298)	1,032
Unearned income-mobile phone service	148,588	876,280	201,640
Advance received from customers	737,952	(1,484,097)	(320,549)
Other current liabilities	(344,346)	23,006	(21,047)
Swap and forward contracts receivable (payable)	90,217	102,802	324,994
Other non-current liabilities	97,008	94,722	29,822
Cash generated from operating activities	69,923,990	71,569,925	71,090,588
Employee benefit paid	-	(32,221)	(29,082)
Income tax paid	(8,294,588)	(9,902,247)	(5,532,987)
Net cash provided by operating activities	61,629,402	61,635,457	65,528,519

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

Unit : Thousand Baht

Consolidated - Cash flow	2015	2016	2017
Cash flows from investing activities:			
Purchase of property, plant, equipment and other intangible assets	(32,107,980)	(47,554,102)	(41,107,895)
Sales of equipment	22,120	17,398	121,136
Purchase of intangible assets under the Agreement for operations	(146,548)	-	-
Payment of spectrum license	(24,159,783)	(8,069,267)	(10,246,500)
Net (increase) decrease in short-term loans to related parties	95,000	-	-
Additional investment in an associate, a joint venture	(10,875)	(15,000)	(45,000)
Net (increase) decrease in other investments	1,230,043	303,674	-
Dividend received	40,000	-	-
Interest received	282,277	215,750	169,264
Net cash (used in) investing activities	(54,755,746)	(55,101,547)	(51,108,995)
Cash flows from financing activities:			
Interest paid	(1,612,269)	(2,568,103)	(3,055,219)
Other finance costs paid	(178,230)	(201,233)	(71,905)
Financial lease principal payment	(42,625)	(47,304)	(56,363)
Net increase (decrease) in short-term loans from financial institutions	8,500,000	700,000	(2,700,000)
Proceed of long-term liabilities	21,500,000	41,153,737	16,307,475
Repayment of long-term liabilities	(2,392,023)	(7,699,136)	(2,190,461)
Cash returned paid to non-controlling interests from share reduction of a subsidiary	-	-	(33,428)
Dividend paid	(37,042,102)	(36,508,870)	(23,190,302)
Net cash (used in) financing activities	(11,267,249)	(5,170,909)	(14,990,203)
Effect of exchange rate changes on balances held in foreign currencies	440	(1,773)	(5,055)
Net increase (decrease) in cash and cash equivalents	(4,393,153)	1,361,228	(575,734)
Cash and cash equivalents at 1 January	14,258,066	9,864,913	11,226,141
Cash and cash equivalents at 31 December	9,864,913	11,226,141	10,650,407

13.1.3 Financial Ratio Formulas

Advanced Info Service Public Company Limited

Consolidated - Financial ratio

For the years ended 31 December

Consolidated financial statements	2015	2016	2017
Liquidity Ratio			
Current Ratio (time)	0.66	0.47	0.50
Quick Ratio (time)	0.37	0.33	0.36
Operating cash flow to current liability (time)	1.07	0.89	0.94
A/R turnover (time)	13.23	12.27	11.11
Collection period (day)	27	29	32
Inventory turnover (time)	7.39	6.12	7.29
Day sales period (day)	49	59	49
A/P turnover (time)	5.94	5.17	5.69
Payment period (day)	61	70	63
Cash Cycle (day)	15	19	19
Profitability Ratio			
Gross profit margin ratio (%)	45.38%	45.45%	41.51%
Operation income ratio (%)	32.44%	25.88%	25.61%
Other operating income ratio (%)	0.48%	0.37%	0.48%
Free cash flow to EBIT (%)	13.65%	16.59%	35.70%
Net profit margin (%)	25.21%	20.16%	19.07%
Return to Equity (%) Average	82.12%	67.25%	64.59%
Return to Equity (%) As at end	80.74%	71.80%	59.65%
Efficiency Ratio			
Return on total assets (%)	25.41%	13.41%	10.75%
Return on fixed assets (%) ^{/1}	49.12%	29.23%	23.19%
Total assets turnover (time)	1.01	0.67	0.56
Financial Policy Ratio			
Debt to equity ratio (time)	2.75	5.45	4.63
Interest coverage ratio (time)	28.27	13.90	12.45
Debt service ratio (IR Basis) (time)	3.87	3.35	3.92
Dividend payout ratio (%)	98.64%	97.72%	69.98%
Data on per Share Capital			
Net book value per share (Baht)	16.31	14.36	16.96
Net Profit per share (Baht)	13.17	10.31	10.12
Dividend per share (Baht)	12.99	10.08	7.08
Percentage Growth on			
Total Assets (%)	43.85%	51.67%	3.05%
Total Liabilities (%)	67.66%	74.81%	0.29%
Revenue from services & sales (%)	3.98%	(2.01%)	3.66%
Selling & admin. expenses (%)	6.53%	48.20%	(15.78%)
Net Profit (%)	8.66%	(21.67%)	(1.92%)

^{/1} excluded Spectrum licenses

13.1.4 Financial Ratio Formulas

Liquidity Ratio	
Current ratio (time)	total current assets / total current liabilities
Quick ratio (time)	(cash & cash equivalent + current investment + trade A/R) / Total current liabilities
Operating cash flow to current liability (time)	cash flow from operating (after tax) / total current liabilities
A/R turnover (time)	total revenue / average of trade A/R
Collection period (day)	360 / A/R turnover
Inventory turnover (time)	cost of sale of goods / average of inventory
Day sales period (day)	360 / inventory turnover
A/P turnover (day)	(total cost – revenue sharing expense) / average of trade A/P
Payment period (day)	360 / A/P turnover
Cash cycle (day)	collection period + day sales period – payment period
Profitability Ratio	
Gross profit margin (%)	gross profit / total revenues
Operation income (%)	profit from sales, services & equipment rentals / total revenues
Other operating income (%)	(investment income + other operating income) / total revenues
Free cash flow to EBIT (%)	(net cash from operating activities +/- net cash from investing activities) / profit from sales, services and equipment rentals
Net profit margin (%)	net profit / total revenue
Return to equity (%) average	net profit / average of total equity
Return to equity (%) as at end	net profit / total equity as at
Efficiency Ratio	
Return on total assets (%)	net profit / average of total assets
Return on fixed assets (%) ¹	net profit / average of (PPE + intangible asset + assets under agreement for operations)
Total assets turnover (time)	total revenues / average of total assets
Financial Policy Ratio	
Debt to equity ratio (time)	total liabilities / total equity
Interest coverage ratio (time)	profit from sales, services & equipment rentals / interest expense
Debt service ratio (time)	EBITDA after tax / (interest expense + debt repayment in 1 year)
Dividend payout ratio (%)	dividend paid / EPS
Data on per Share Capital	
Net book value per share (Baht)	total equity / no. of shares
Net profit per share (Baht)	net income / no. of shares
Dividend paid	-
Percentage Growth	
Total assets (%)	(total asset Y - total asset Y-1) / total asset Y-1
Total liabilities (%)	(total liabilities Y - total liabilities Y-1) / total liabilities Y-1
Revenue from services and sales (%)	(total revenue Y - total revenue Y-1) / total revenue Y-1
Selling & admin. expenses (%)	(total SGA Y - total SGA Y-1) / total SGA Y-1
(Net income Y - Net income Y-1) / Net income Y-1	(net income Y - net income Y-1) / net income Y-1

¹ Exclude spectrum license

14. Management discussion and analysis

Executive Summary

In 2017, mobile business improved from stronger 4G positioning amidst competitive environment. Competitive landscape remained challenging in both pricing environment and handset campaigns despite lessen from previous year. Market was driven by postpaid acquisition via handset bundling package causing steady rise in blended ARPU throughout the year while demand for mobile data nearly doubled YoY to 6.7GB/data sub/month from video streaming and increased 4G handset penetration (46%). To compete for quality subscribers who bring growth in data revenue, AIS continued to invest for network quality and capacity through deployment of additional bandwidth recently acquired while coverage expansion mostly done the year earlier, resulted in lower capex.

On fixed broadband business, AIS Fibre expanded coverage to 50 key cities with a focus on quality. In 2017, AIS continued to focus on subscriber acquisition and recorded 521,200 subscribers at year end, while dropped aggressive discount campaigns on entry packages which reflected on 25% YoY increased ARPU. During the year, screening measures for quality subscriptions were implemented, which caused a slowdown in net addition in the 2H17. At year end, fixed broadband business contributed 2.9% to service revenue, compared to 1.2% in 2016. With an aim to be the digital life service provider, AIS introduced convergence packages for the first time, combining mobile, fixed broadband and video contents, which allow customers to enjoy content both on the go and at home.

EBITDA improved 16% YoY to Bt70,498mn with 44.7% margin, largely from controlled handset subsidy, improve revenue momentum, and cost efficiency. **Service revenue (excluding IC)** increased 4.9% YoY supported

by both mobile and fixed broadband segments. Handset campaigns were more selective with limited discounts, resulting in marketing expenses subsiding from 10.5% to 6.3% to total revenue. **Network OPEX** rose 36% YoY mainly from fully recognized payment for TOT partnership. However, excluding TOT partnership, network OPEX would drop 4.1% YoY from cost efficiency programs. **Net profit,** however, declined 1.9% YoY to Bt30,077mn from continued network expansion and spectrum acquisition.

FY18 Guidance On 23 January 2018, the company has acquired 80.10% of CSL shares through tender offering, with an aim to strengthen the growth potential in enterprise segments while leverage synergies from acquisition. With CSL combined, in 2018, **service revenue (excluding IC),** is expected to grow in a range of 7-8%, 2% of which is from full consolidation of CSL. Through maintaining network quality and attractive handset campaigns, AIS targets to acquire and retain quality data users in both postpaid and prepaid segments, while expand AIS fibre coverage to capture untapped demand in key cities. **EBITDA margin** is expected to improve and be in a range of 45-47%, underpinned by better revenue momentum and controlled costs, particularly network OPEX from company-wide cost efficiency programs. **Cash CAPEX** is expected to slow down YoY to a range of Bt35- 38bn and will be spent mainly on 4G network and fixed broadband expansion in last miles. We maintain the **dividend policy** to pay minimum of 70% of net profit to preserve financial health and flexibility for future growth. (See the full guidance for FY18 on page 7)

Significant Events

1. AWN, AIS's subsidiary, has released the results of tender offer of CSL on 23 January 2018. In summary, there were 476,196,534 tendered shares of CSL or 80.10% of total CSL outstanding shares, all of which AWN acquired. Detail of the release can be found at http://investor.ais.co.th/newsroom_set.html
2. In December 2017, the NBTC has announced new progressive rates of the license fee. Operators are required to calculate the new rates retroactive from Jan-2017. As a result, AIS has recognized the benefit totaling around Bt200mn fully in 4Q17, shown in the cost of regulatory fee. The new rates will continue and are below.

Service revenue range (Bt mn)	New progressive license fee rate
0 – 100	0.125%
101 – 500	0.25%
501 – 1,000	0.5%
1,001 – 10,000	0.75%
10,001 – 25,000	1%
25,001 – 50,000	1.25%
>50,000	1.5%

At present, total regulatory fee composes of 1) the above license fee 2) 2.5% of revenue as USO fee 3) Bt2/mobile number/month as numbering fee.

Market and Competitive Environment

In 4Q17, the mobile competitive landscape was stable in terms of both handset campaigns and pricing. Postpaid segment continued to be a key focus with handset campaigns to gain new acquisition and maintain existing subscribers. The spending on handset subsidies were controlled and focused on quality subscriptions, even though new models e.g. iPhone X, Samsung Note 8 were released. Customers were required to commit to a certain price plan to improve ARPU level through data and device bundling packages. Meanwhile, there were campaigns and offerings in prepaid segment at a minimal scale. Pricing environment were maintained with some discount to encourage port-in customers and prepaid to postpaid migration.

For the fixed broadband market, although prices and speed of main packages were maintained, pricing competition remained challenging with tactical pricing offered to attract new subscriptions. For example, operators offered lower speed than the entry level of 30Mbps at a lower price in selective areas. Discounts were offered in mid- to high-end packages subscription with an aim to improve medium term ARPU. Fibre footprints were expanded further to capture new demand outside Bangkok and key cities, which were largely penetrated.

Operational Summary

In 4Q17, AIS continued to focus on acquiring quality postpaid subscribers through selective smartphones offerings along with prepaid to postpaid migration trend. Following that, AIS recorded 163,300 net addition in postpaid subscribers but 294,100 net loss in prepaid subscribers. Overall, AIS recorded 40.1mn subscribers with 130,800 net loss. However, blended APRU rose 0.6% QoQ to Bt256, driven by growing data usage (VoU) at 6.7GB/data sub/month and a larger proportion of postpaid subscribers which represented 18% of total subscribers from 16% in 4Q16.

At the end of 2017, AIS Fibre subscribers recorded 521,200 subscribers with 39,700 net additions QoQ, showing an improving momentum of net addition from 35,600 in 3Q17. ARPU slightly dropped to Bt635 from Bt637 in 3Q17, following tactical offerings launched to attract quality customers toward higher speed package with the better value for money.

Mobile Business	4Q16	1Q17	2Q17	3Q17	4Q17
Subscribers					
Postpaid	6,429,600	6,661,400	6,991,500	7,226,800	7,390,100
Prepaid	34,601,600	33,986,400	33,482,000	32,959,500	32,665,400
Total subscribers	41,031,200	40,647,800	40,473,500	40,186,300	40,055,500
Net additions					
Postpaid	320,900	231,800	330,100	235,300	163,300
Prepaid	836,900	-615,200	-504,400	-522,500	-294,100
Total net additions	1,157,800	-383,400	-174,300	-287,200	-130,800
ARPU (Baht/sub/month)					
Postpaid	600	579	593	590	581
Prepaid	186	181	182	182	183
Blended	251	244	251	254	256
MOU (minute/sub/month)					
Postpaid	296	280	271	264	257
Prepaid	201	190	169	163	151
Blended	215	205	186	181	170
VOU (GB/data sub/month)					
Postpaid	5.0	5.7	6.7	7.5	8.3
Prepaid	3.2	3.5	4.1	5.4	6.2
Blended	3.6	4.0	4.7	5.9	6.7
Device Penetration					
4G-handset penetration	29%	35%	39%	42%	46%
Fixed Broadband Business					
FBB subscribers	301,500	373,900	445,900	481,500	521,200
FBB net addition	106,500	72,400	72,000	35,600	39,700
FBB ARPU (Baht/user/month)	510	541	600	637	635

4Q17 Snapshot

In 4Q17, AIS had total revenues of Bt41,2050mn, a slight decline of 0.3% YoY but an increase of 6.8% QoQ. Service revenue (excluding IC) was Bt32,611mn, an increase of 3.1% YoY and 0.5% QoQ, driven by the continuation of mobile ARPU improvement as well as an increasing number of fixed broadband customers. Sales revenue was Bt7,488mn, a decrease 9.9% YoY from softened competition but rose 49% QoQ due to seasonality. Sales margin was -0.6% improved from -3.3% in 4Q16 and -4.9% in 3Q17.

Cost of service (excluding IC) was Bt15,981mn, an increase of 5.4% YoY and 1.4% QoQ, mainly driven by higher depreciation and amortization of network investment offset by lower regulatory fee. In December 2017, the NBTC announced new progressive rates of license fee and has resulted in a regulatory saving of about Bt200mn fully accounted in 4Q17. Marketing expenses were Bt2,357mn, decreasing 41% YoY and 9.6% QoQ, due to more targeted subsidy campaigns and has resulted in lower SG&A expenses of Bt6,338mn, dropping 20% YoY and 4.0% QoQ.

In summary, profitability continued to improve following better operating results. EBITDA stood at Bt18,454mn, improving 23% YoY and 4.9% QoQ, with a margin of 44.8%. The EBITDA has more than offset the increasing network depreciation, resulting a net profit in 4Q17 of Bt7,701mn, increasing 19% YoY and 3.1% QoQ, or a margin of 18.7%.

FY17 Financial Summary

Revenue

In 2017, **total revenue** was Bt157,722mn increasing 3.7% YoY contributed from both improved service and sales revenues.

Service revenue (excluding IC) was Bt128,583mn increasing 4.9% YoY, in line with our guidance, driven by higher mobile data usage and increasing fixed broadband subscribers. In 2017, mobile revenue contributed 97.6% of service revenue while fixed broadband revenue has grown to represent 2.4%.

- **Voice revenue** was Bt42,829mn decreasing 16% YoY from voice-data cannibalization.
- **Non-voice revenue** was Bt76,062 increasing 19% YoY due to higher 4G adoption at 46% of the total subscribers and almost 100% YoY increase in VOU from 3.6 GB/ data sub/month in 4Q16 to 6.7 GB in 4Q17. Video streaming on social applications as well as the proliferation of mobile live broadcast have been the main drivers for data growth.
- **Fixed broadband revenue** was Bt3,128mn increasing 264%. In 2017, AIS Fibre has gained 219,700 of net subscriber addition and now has 521,200 total subscribers. ARPU in 4Q17 was Bt635, highly improved from Bt510 in 4Q16, reflecting expiration of discounted subscriptions and more customers adopting high-speed plans. In 2H17, AIS Fibre has implemented measures to ensure quality customer acquisition such as collecting Bt650 of entry-fee, which has caused softened sales. These measures are expected to enhance sales efficiency and return moving forward.
- **International revenues and others** were Bt6,564mn decreasing 0.4% YoY from a decline in IDD service which was partially replaced by IP calls.

Net Interconnection charges (Net IC) were Bt220mn decreasing from Bt285mn in 2016 due to the IC rate adjustment from Bt0.34/minute in 2016 down to Bt0.27/minute in 2017. It is to be noted that a new IC rate of Bt0.19/minute has been effective since 1 January 2018 onward.

SIM & device sales were Bt24,775mn increasing 3.6% YoY. Handset margin in 2017

was -3.5%, compared to -4.2% in 2016, due to softened handset campaigns.

Cost & Expense

In 2017, **cost of service (excluding IC)** was Bt62,460mn increasing 19% YoY due to higher D&A and payments for the partnership with TOT, offset by lower regulatory fee.

- **Regulatory fee** was Bt6,272mn declining 40% YoY and represented 4.9% of service revenue (excluding IC), compared to 8.5% in 2016. The decline includes a one-time benefit of the new progressive rates of license fee (see 4Q17 Snapshot). Since 1Q18, the regulatory fee will continue to be in a range of 4-5% of service revenue.
- **Depreciation and amortization** was Bt29,686mn increasing 40% YoY due to both network depreciation and license amortization. Amortization of all licenses (2100/1800/900MHz) was Bt7,855mn in 2017 compared to Bt5,545mn in 2016. Network depreciation continued to rise following high 4G investment in the past years.
- **Network OPEX** was Bt20,080mn increasing 36% YoY due to the full-year payments to TOT for the partnership. Excluding such payments, network OPEX would have declined 4.1% YoY as a result of the continuing cost-efficiency program.
- **Other costs of service** were Bt6,422mn increasing 3.3% YoY mainly due to the cost of content.

SG&A expenses were Bt25,078mn decreasing 16% YoY mainly due to lower handset subsidies while offset by higher other G&A expenses.

- **Marketing expenses** were Bt9,990mn declining 38% YoY due to focused subsidy campaigns mainly for postpaid segment. This has resulted in a reduction of % marketing expenses to total revenue from 11% in 2016 to 6.3% in 2017.
- **General admin expenses** were Bt12,424mn increasing 5.2% YoY due to higher staff cost and other costs related to fixed broadband.
- **Depreciation and amortization** was Bt464mn increasing 12% YoY due to shop expansion and renovation.

- **Bad debt** was Bt2,199mn increasing 43% YoY following a larger postpaid subscriber base. % Bad debt to postpaid revenue was 4.3%, compared to 3.6% in 2016, following penetration into mid- to low-tier customer segments.

Net FX gain was Bt225mn decreasing from Bt277mn in 2016. FX gain/loss was incurred from CAPEX payables because of currency fluctuation whereas foreign debts were all fully hedged.

Other income was Bt613mn increasing 39% YoY mainly due to a revenue recognition of expired cash cards and other fines.

Finance cost was Bt5,302mn increasing 25% YoY due to the deferred interest from spectrum licenses (Bt2.1bn in 2017 vs Bt1.3bn in 2016) as well as higher interest-bearing debt. Average cost of debt remained low at 3.1% per year compared to 3.3% in 2016.

Profit

In 2017, EBITDA was Bt70,498mn increasing 16% YoY due to the improved operational results from both service revenue growth and cost optimization. EBITDA margin was 44.7%, exceeding the guidance of 42- 44% , and improved from 39.9% in 2016. In summary, AIS reported a net profit of Bt30,077mn, a slight decline of 1.9% YoY, or a net profit margin of 19.1%. It is to be noted that due to the tax incentive programs in 2016 and 2017 with the benefits to be recognized in five years, the effective tax rate shall be around 16% until 2020.

Financial position

As at December 2017, AIS had total assets of Bt284,067mn increasing 3% YoY mainly from current assets. Total current assets were Bt34,841mn rising 9.2% YoY from account receivables, following a larger base of postpaid customers, and handset inventories. Total non-current assets were Bt249,226mn increasing 2.2% YoY mainly from PPE due to network expansion, offset by lower amortized spectrum licenses.

Total liabilities were Bt233,641mn stable from 2016 for both current and non-current liabilities. Total current liabilities were Bt69,601mn

including borrowings of Bt9.6bn, which are due in one year, and spectrum payment of Bt14bn to be made in 2018. Total non-current liabilities were Bt164,040mn which include long-term debts of Bt100bn and the last 900MHz spectrum installment of Bt60bn to be made in 2020. Foreign currency-denominated debt and trade payables (network CAPEX) were Bt4,888mn and Bt6,135mn, respectively. Foreign debts are fully hedged; however, trade payables are partially hedged, subjected to the payment term and currency fluctuation.

Total equity was Bt50,427mn increasing 18% YoY from higher retained earnings. The Board of Directors has approved the 2017 annual dividend amounting to Bt3.57/share or 70% of the net profit from 2H17 performance. The XD and payment dates will be on 5th April 2018 and 26 April 2018, respectively.

AIS' financial position remained strong with a current ratio and an interest coverage ratio of 0.5x and 13x, respectively. At the end of 2017, AIS had interest-bearing debt of Bt109,700mn with a net debt to EBITDA of 1.4x, stable from 2016, and maintained an investment grade credit rating at BBB+ for S&P.

Cash Flow

In 2017, AIS generated Bt65,528mn of operating cash flow (after tax) increasing 6.3% YoY following the improved EBITDA. For investing activities, CAPEX was Bt41,108mn, down from Bt47,554mn in 2016, or represented 3/% of service revenue. Also, AWN has paid Bt10,247mn to the NBTC for the 2nd installment of 1800MHz license. For financing activities, net debt issuance was Bt11,417mn to support business growth. Total dividend paid was Bt23,190mn consisting of the performance in 2H16 and 1H17. In summary, net cash decrease in 2017 was Bt576mn, resulting in an outstanding cash of Bt10,650mn.

Income statement (Bt mn)	4Q16	3Q17	4Q17	%YoY	%QoQ	FY16	FY17	%YoY
Voice revenue	12,329	10,351	9,965	-19%	-3.7%	51,250	42,829	-16%
Non-voice revenue	17,265	19,570	20,007	16%	2.2%	63,857	76,062	19%
Fixed broadband revenue	380	886	956	152%	7.8%	860	3,128	264%
IR & others	1,643	1,648	1,683	2.4%	2.1%	6,594	6,564	-0.4%
Service revenue (excluding IC)	31,617	32,455	32,611	3.1%	0.5%	122,561	128,583	4.9%
IC revenue	1,387	1,102	1,107	-20%	0.4%	5,665	4,364	-23%
SIM and handset sales	8,315	5,022	7,488	-9.9%	49%	23,924	24,775	3.6%
Total revenues	41,319	38,580	41,205	-0.3%	6.8%	152,150	157,722	3.7%
Regulatory fee	(1,834)	(1,502)	(1,301)	-29%	-13%	(10,414)	(6,272)	-40%
Depreciation & Amortization	(6,717)	(7,618)	(8,044)	20%	5.6%	(21,253)	(29,686)	40%
Network operating expense	(5,065)	(5,051)	(5,012)	-1.0%	-0.8%	(14,810)	(20,080)	36%
Other cost of services	(1,539)	(1,593)	(1,624)	5.5%	1.9%	(6,216)	(6,422)	3.3%
Cost of service (excluding IC)	(15,155)	(15,764)	(15,981)	5.4%	1.4%	(52,694)	(62,460)	19%
IC cost	(1,332)	(1,046)	(1,037)	-22%	-0.9%	(5,380)	(4,144)	-23%
Cost of SIM and handset sales	(8,592)	(5,270)	(7,534)	-12%	43%	(24,918)	(25,654)	3.0%
Total costs	(25,079)	(22,080)	(24,552)	-2.1%	11%	(82,992)	(92,259)	11%
Gross profit	16,240	16,500	16,653	2.5%	0.9%	69,158	65,463	-5.3%
SG&A	(7,961)	(6,599)	(6,338)	-20%	-4.0%	(29,776)	(25,078)	-16%
Marketing Expense	(3,988)	(2,608)	(2,357)	-41%	-9.6%	(16,012)	(9,990)	-38%
General admin. & staff cost	(3,278)	(3,321)	(3,303)	0.8%	-0.5%	(11,812)	(12,424)	5.2%
Bad debt provision	(584)	(551)	(558)	-4.5%	1.3%	(1,538)	(2,199)	43%
Depreciation	(111)	(120)	(121)	8.8%	0.5%	(414)	(464)	12%
Operating profit	8,279	9,900	10,315	25%	4.2%	39,382	40,385	2.5%
Net foreign exchange gain (loss)	6	41	21	256%	-48%	277	225	-19%
Other income (expense)	114	87	223	96%	158%	442	613	39%
Finance cost	(1,331)	(1,339)	(1,346)	1.1%	0.5%	(4,236)	(5,302)	25%
Income tax	(594)	(1,221)	(1,512)	155%	24%	(5,175)	(5,843)	13%
Non-controlling interest	(6)	0.4	(1.4)	-77%	-472%	(23)	(1)	-97%
Net profit for the period	6,468	7,469	7,701	19%	3.1%	30,667	30,077	-1.9%
EBITDA (Bt mn)	4Q16	3Q17	4Q17	%YoY	%QoQ	FY16	FY17	%YoY
Operating Profit	8,279	9,900	10,315	25%	4.2%	39,382	40,385	2.5%
Depreciation & amortization	6,828	7,738	8,164	20%	5.5%	21,667	30,151	39%
(Gain) loss on disposals of PPE	23	-	7	-69%	NA	23	164	611%
Management benefit expense	(41)	(36)	(24)	-41%	-34%	(150)	(143)	-5.0%
Other financial cost	(32)	(13)	(8)	-75%	-37%	(181)	(60)	-67%
EBITDA	15,058	17,589	18,454	23%	4.9%	60,741	70,498	16%
EBITDA margin (%)	36.4%	45.6%	44.8%			39.9%	44.7%	

Financial Position (Bt mn/% to total asset)					Key Financial Ratio			
	4Q16		4Q17			4Q16	3Q17	4Q17
Cash	11,226	4.1%	10,650	3.7%	Interest-bearing debt to equity (times)	2.3	2.5	2.2
ST investment	2,963	1.1%	2,643	0.9%	Net debt to equity (times)	2.0	2.3	1.9
Trade receivable	11,377	4.1%	14,179	5.0%	Net debt to EBITDA (times)	1.4	1.4	1.4
Inventories	3,085	1.1%	3,951	1.4%	Current Ratio (times)	0.5	0.4	0.5
Others	3,248	1.2%	3,418	1.2%	Interest Coverage (times)	14	13	13
Current Assets	31,899	12%	34,841	12%	Debt Service Coverage Ratio (times)	3.4	2.7	4.4
Spectrum license	115,378	42%	107,524	38%	Return on Equity	67%	76%	65%
Network and PPE	118,271	43%	132,579	47%	Figures from P&L are annualized YTD.			
Intangible asset	4,099	1.5%	4,499	1.6%				
Defer tax asset	2,618	0.9%	2,562	0.9%				
Others	3,404	1.2%	2,062	0.7%				
Total Assets	275,670	100%	284,067	100%				
Trade payable	17,737	6.4%	14,686	5.2%				
ST loan & CP of LT loans	11,685	4.2%	9,575	3.4%				
Accrued R/S expense	5,361	1.9%	5,362	1.9%				
Others	34,546	13%	39,977	14%				
Current Liabilities	69,328	25%	69,601	25%				
Debt & LT loans	87,273	32%	100,102	35%				
Others	76,361	28%	63,938	23%				
Total Liabilities	232,962	85%	233,641	82%				
Retained earnings	16,971	6.2%	24,675	8.7%				
Others	25,737	9.3%	25,752	9.1%				
Total Equity	42,708	15%	50,427	18%				

Debt Repayment Schedule		License payment schedule		
Bt mn	Debt	Loan	1800MHz	900MHz
2018	-	9,299	10,247	4,020
2019	7,789	3,364	-	4,020
2020	-	24,829	-	59,574
2021	1,776	12,079	-	-
2022	-	13,290	-	-
2023	7,820	6,400	-	-
2024	6,638	-	-	-
2025	-	-	-	-
2026	7,180	-	-	-
2027	9,000	-	-	-

Credit Rating	
Fitch	National rating: AA+ (THA), Outlook: Stable
S&P	BBB+, Outlook: Negative

Source and Use of Fund: FY17		(Bt mn)	
Source of Fund		Use of Fund	
Operating cash flow	71,061	CAPEX & Fixed asset	41,108
Proceed of LT borrowings	16,307	Dividend paid	23,190
Sale of equipment	121	Payment of spectrum license	10,246
Interest received	169	Income tax paid	5,533
Cash decrease	576	Finance cost & financial lease paid	3,184
		Repayment of LT borrowings	2,190
		Repayment of ST borrowings	2,700
		Others	83
Total	88,234	Total	88,234

2018 MANAGEMENT OUTLOOK & STRATEGY

- | | |
|---------------------------------------|---|
| Service revenue (excluding IC) | • +7-8%YoY (2% of which comes from CSL) |
| Handset sales | • Decline and make near-zero margin |
| Consolidated EBITDA margin | • 45-47% |
| CAPEX | • Bt35-38bn |
| Dividend policy | • Minimum 70% of net profit |

Strong mobile data growth continues with improving network perception

In 2018 mobile data consumption is expected to continue its robust growth underpinned by increasing 4G usage on video content and social media as well as overall improving economic environment. After two years of 4G launch, network and brand perception of AIS perceived by the market have been improving steadily. This shall continue in 2018 with a focus to acquire quality data users in both postpaid and prepaid. In addition to leading in network advancement, attractive handset bundling will remain an important tool for both customer acquisition and retention.

Expand fixed broadband into major cities and target stronger subscriber addition

The brand “AIS Fibre” continues to gain popularity since the service launch in 2015 and has achieved 6% of market share. In 2018, AIS Fibre aims to expand the service further from the current 50 cities to promptly serve the demand for fibre technology. We maintain our goal to become a significant player in 2020 while placing an emphasis on quality acquisition and fixed-mobile convergence proposition targeting at revenue per household.

Grow in the enterprise market with the integration of CSL

Currently, AWN, AIS's subsidiary, has acquired all tendered shares of CSL amounting to 80.10% of total CSL outstanding shares. The acquisition is part of AIS's long-term strategy in the enterprise business in which we focus on Cloud as well as ICT solutions. Potential synergies are present in a new source of revenue leveraging upon CSL's expertise and expanded subscriber base as well as in the cost benefit from co-used infrastructures. The synergies will be gradually realized following the integration plan.

Capture EBITDA from both revenue growth and cost efficiency

In summary, we expect the service revenue (excluding IC) to grow 7-8% YoY. The 2% growth, out of 7-8%, will come from consolidating 100% of CSL's revenue. Also, we continue to capture the value generated from our ongoing cost efficiency program. As a result, we expect EBITDA margin to expand into a range of 45-47%. Total cash CAPEX (excluding spectrum payments) is expected to be in a range of Bt35-38bn for both mobile and fixed broadband to respond to 4G growth and expanding fibre last miles.

Dividend policy at minimum 70% of net profit

AIS is committed to driving long-term growth while delivering return to shareholders. We place importance in maintaining strong financial health and flexibility to pursue future growth. Our dividend policy is to pay a minimum 70% of net profit. By preserving cash flow, we ensure that we have the financial flexibility to lead, compete, and pursue growth prospect in any changing circumstances.

The dividend payment shall still be made twice a year and is based on consolidated earnings and subjected to the availability of retained earnings on the separate financial statements. In all cases, dividend payment shall depend on cash flow, investment plan including any other future obligations of the Company and/or subsidiaries. Such dividend shall not adversely affect the Company and subsidiaries ongoing operations.

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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