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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the invitation for the conference call on 900 auction results. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions). I must advise you this conference is being recorded today, Monday, December 21, 2015. I would now like to hand the conference over to your first speaker today, Ms. Nattiya Poapongsakorn. Thank you. Please go ahead Ma'am.

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Thank you, good evening everyone and welcome to conference call. Today we will discuss about the auction results and what are the question that you guys have. Here with us today we have our CEO, Khun Somchai. Along with CEO today we also have Head of Marketing and Network Planning, Khun Pratthana and Khun Anun with us. So hopefully we can address some of your fee concerns.



First of all, I like to say that CEO will have some short brief about what's happening and what is the next plan for AIS. However, as the auctions is complete and the scenario to view, we are actually revisiting our 2016 budget and the business plan. So we might not be able to answer all the numbers as of today, but we want to give you the direction and how we think about the fee issues into 2016. Of course, the guidance of 2016 will be provided again and usually along with the result announcement of 2015.

With that, I like to hand over to our CEO, Khun Somchai.

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

[Good evening] everyone. I'm Somchai, CEO of AIS. Today I would like to update you and discuss with you about why AIS stepped back for the 900 megahertz last week, and also we will update you about our plan to (inaudible). I would like to tell you, on the auction, we have hired consultant who are really expert in spectrum valuation, incorporate game theory by calculating different payoff under each scenario based on our competitor analysis. We do it very clear. For the valuation of 900 megahertz frequency, we not only consider into their value for the future business on that frequency only. We also head into another angle into account like technical saving because we know if we had kept 900 frequency megahertz, it can help us reduce our investment cost in the long-term. We also factored in this kind of technical saving in our calculation model. And we also calculate on the thing that will impact of new entrant. If new entrant comes, how many market share they will take from us and competitor, we also put this type of factor in our valuation.

Another thing that's more important that another operator may not have, about our 2G customer [1 million] which they will remain in AIS network and also our 11 million subscribers of 3G user with 2G handset. We also factor in if this type of 2G users switch off: how much impact of our revenue in our evaluation. It's not only that, management also have decision and point of view, even we calculate all the things together, frequency value itself, technical saving, impact of new entrant and 2G switch off, management also put some adjustment [to add it on] in terms of strategic movement for our company.

However, total value that we calculate that all the things that I told you, it should not be over 75 billion baht, that is the number that we have the [bid limit] on that level. When this goes up on to that level, because we bid on the [lot two], we stopped [over 75], we stopped. Why we don't move in lot one, to win the lot one at a price lower than 75 billion. Because lot one, even they have 10MHz same as lot two of 900MHz but there are some guard band on lot one. That means lot one the effectiveness is not good at lot two. 10MHz can only be used effectively at 7.5MHz. If you can recall, out 900 frequency on AIS for 2G, there are only 17.5 megahertz, but NBTC try to include 2.5 guard band to the total of 900 2G and split into two lots. That's why we don't jump to the lot one tools, get it under THB75 billion. I would like to update you why we spent much after THB75 billion. However, we can rethink about THB75 billion if we can save this kind of thing. We can utilize our THB75 billion for a lot of things. Even we are -- if we don't have 900 megahertz frequency is a low band and do all the coverage, we can use this kind of money to build our strong network in 4G and 3G 2.1 that we have. We just only increment more cell sites that we can use to do it for a while in the period that we implement 3G 2.1 with very limit frequency-this is the thing that we will have the money to build our network more and more.

Another thing is, we can spend our money to do and take care our 2G customer, because 2G customer today is not much on AIS, the more that we are worried about our 3G customers who are using the 2G handset phone. We can have the money to do the handset subsidized to them to change their handsets, on 2G handset on their hand to be our 3G handset. This money can make this kind of campaign really effective in the short term that we never used it, because we need to carry 2G for a long time, but -- and today we chose to do this type of program.

Another thing is, we have another opportunity that we are willing to invest, we can invest like our fixed broadband is the more important thing in the near future. We can use these types of budget to invest more in the fixed broadband, because fixed broadband in the first phase with our AIS broad just approved for us only THB4.6 billion. But totally we should use more. You can see when we announce a fixed broadband for TH4.6 billion budget, our competitor announced in the public that will invest on the fixed broadband at least THB20 billion. This kind of budget is what we can allocate on their fixed broadband side to compete in data era in the near future. This is the thing.

So, I would like to update you on the thing that we have the plan to taking care, more important thing is, when we did not get the 900 frequency, I think we will have the full impact. For the short term impact about the 2G customer, our 2G customer that cannot use our product and service, but to tell you frankly, these 2G customer even 11 million subscribers plus 1 million remaining in the AIS, but the ARPU is not high much. I think

total revenue of these customers should not be over 15% of our revenue, total revenue. But even 15%, we really care this kind of customer very much and these customers are really loyal to the AIS -- so we have the two things that need immediate action for this customer.

I updated to you already, we still have a lot of money to take care of customer by giving away free handsets. Today, in the market, we have the program to subsidize handsets to the customer if they want 3G feature phone, the cost is around THB690 if today we can provide. You can imagine if we provide all our customer, we just spend only THB3.9 billion in this campaign. That is the thing that we try to do.

Tomorrow I will have a press conference, I will announce this kind of programs to our customers and I think that we'll come to apply. This is the first thing that we will do. However, more importantly, to do this kind of 2G and 3G handset subsidy, we need to expand our remedy period, because on the announcement of NBTC, they may have said, after the auction remedy period will end, but I by myself talking with the Secretary of NBTC, because this is really important to take care the 2G customer, more than 10 million. They told me, they will expand the remedy period that means AIS still have room for some time to take care of this customer by subsidize handsets and change their handset for a while. This is a short-term that AIS need to quickly have this kind of program and execute.

For the long term, we need to do our network quality really strong, as I told you we have the frequency today 15 megahertz of 2.1 and 15 megahertz of 1.8. Totally, we have 30 megahertz in hand already to serve our customers, mainly we will not go on 2G for voice because today all things move on to 3G and 4G. Those two bands of frequency, 2.1 and 1.8, the only thing is about coverage. We will implement more cell site to make our coverage and capacity of 2.1 and 1.8 enough and comparable with 900. All these things, we will make it happen within next six months. This is our (inaudible) plan to do.

Not only our frequency that we have, as you know, now AIS already concluded the deal with TOT. In fact we concluded for a while but we cannot announce because we were in silent period that we cannot talk much. AIS and TOT have the deals, which utilize their frequency. TOT has 2.1 gigahertz frequency, 15 megahertz. That means AIS will have more 2.1 gigahertz frequency, another 15 megahertz and help AIS to provide 3G and 4G service. I think this kind of thing will make AIS stronger in the network quality, same as when we had the 900. It should be no different. These are the thing that I would like to update to you in the beginning. I now ask the team if they have anything [to add more, please].

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

I think with that, we're now ready to open the line for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Luis Hilado, HSBC.

Luis Hilado - *HSBC - Analyst*

I just had two questions initially and both are related. Regarding the TOT deal, you mentioned in the earlier release that you would have three to five years worth of frequency now available to you, including the -- does that include the TOT deal already in the two to five years or TOT deal will be on top of that, and as you mentioned [you have] closed the deal, could you give us some sense of the terms of deal in terms of what is the revenue share or upfront payment and things like that?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

In our release we said that we're fairly comfortable with the spectrum on hand that will be available for the next three to five years. I think the fact that we will have additional spectrums from TOT will in fact strengthen our position on that even with this 2.1 gigahertz and 1.8 gigahertz, both

of these can serve 3G and 4G going ahead. But of course, with 3G capacity that'll help strengthen even further. However, I don't think we are ready to disclose the details of the models in terms of payments with TOT at this point.

Operator

Colin McCallum, Credit Suisse.

Colin McCallum - Credit Suisse - Analyst

Couple of questions from me. First of all, just on timing issues please, when in fact caused you to vacate the 900 spectrum? How quickly can we get the 3G 1800 network up and running in terms of how many months and how quickly can you actually launch services on 2100 with TOT? So, that's three timing questions first of all.

Then, my second question is more of a strategic question which is in Khun Somchai. Are you sure that you won't need additional spectrum in 2018? And how did you [scrap to win] what you might need to have to pay in 2018 if you haven't win in this auction if you see my point. Did you factor in if you don't win this one, then you might have to bid again later. And of course we have no idea [how irrational] the people will be in 2018 (inaudible) again in 2018. How did you factor that into your thinking or (inaudible) your 2100, 1800 and TOT spectrum that you (inaudible) to get in 2018, you can talk about that, that'd would be great?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

Head of marketing. For your first batch of questions, the first one is, if I'm not mistaken, you asked about when exactly the 900 would end. At this point of time the NBTC have extended and they will be releasing more information later. Basically, we are very positive about extension and that will give us time to look after the customer. So official announcement may come to us and the rest of market very soon. At this point, we are very positive about extensions to certain period of time. So that's the first one.

The second one, on 1800, that's about our 4G launch. At this point of time, after we receive the new license, within a month's time, we are able to launch what so called a trial to Bangkok and five provincial customer to test it at this point of time and within, I would say, very soon, maybe I need to keep it because we kind of want to surprise the market that we are going to launch it very soon and once again, so our Thai customer and AIS customer will experience our best 4G very soon. So we are very confident about the timing, that's 1800.

Lastly the TOT 2100. The collaboration with TOT 2100 as you heard from Khun Somchai is already conclude and announced from the Board of TOT. It is almost immediate that we can start collaborate with them and make full use of it. In a few weeks time you and the market will start to hear from us what more thing that we do with TOT. I think that's at the first one, the first batch of questions.

The second batch of questions is regarding the new frequency coming on 2018, which is potentially would be 850 and 1800. Those two previously one of them is lower band, one of them is high band. What we prepare for, Khun Anun, the Head of Engineering may add on to it but basically into the service it would actually mean more frequency equal to more capacity. Not much a new service but more capacity or the other words, saving investment for capacity either one of that. We with the professional approach and very strategic approach, we are able to calculate exactly how much does it worth on both 850 and 2100 and we definitely want to go and bid for its values. So we can have a larger frequency band to have more capacities or saving the investment to serve exact same capacity projected in the future. [That's pretty much there].

Nattiya Poapongsakorn - Advanced Info Service Public Company Limited - IR

Colin, if I may add to your questions on how quickly we can roll out the 1800 megahertz and please understand that our marketing, we do not want to disclose this yet, but just to give you a benchmarking, when we launched the 2.1 gigahertz two years, three years back, we actually did 20 cities within a five-month period.



Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Let me add one last thing on the rollout of 1800 and this month in December, we ran a marketing program above the line program announcing the arrival of AIS 4G advance, which we made a promise to the market that we will launch the service within January. But what I wish to keep is, how many cities and where we will provide it, that's something you all will hear by January.

Colin McCallum - *Credit Suisse - Analyst*

That's very helpful. I don't want to dominate the call but I just have one other follow-up on what we said. From what you're saying on the 2018 auction, are you basically saying that when it comes to that auction in two years time, for you guys, your capacity versus CapEx position, in other words, if you don't win in 2018, you would be able to make up for the lack of additional spectrum with additional CapEx, so the choice again between CapEx and license costs in 2018 and you're saying you don't think it will affect your business if you don't win in 2018, you can just address a bit more CapEx. Is that what you're saying?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Exactly. We have calculated out from this time around auction and the previous time that the projection of 15 years of the customer behavior, the fast rising of mobile data and application. So we know exactly based on our estimation, how big the network we need, so the rest will be a combination of spectrum that we're going to have. Yes, it is.

Operator

Authur Pineda, Citigroup.

Authur Pineda - *Citigroup - Analyst*

Several questions for me. First, did the consultants factor in the cost of the damage from you that actually comes in and takes market share. If so, what were their assumptions behind it?

Second question I had was with regard to TOT collaboration. So I didn't quite understand this fully. So if it is correct, the deal has already been signed and ready to launch. What's holding back the announcement on this?

And last question I had was regards to CapEx. I know that you are not prepared to disclose CapEx for 2016 yet, but from my understanding, you have already crossed 97% coverage on 3G using 2100. Do you actually need the material spend for coverage CapEx of 900 going forward, if that's the case to compensate for the lack of 900?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

For the cost of damage, I explained to you in the beginning of the valuation of 900 frequency value, we already factored in that if we don't get this kind of frequency, how much revenue from 2G switch off when we cannot take it and we also think about the impact of our new entrants that is the two major things that we already factored in, in the valuation of 900. That's why the value come up to THB75 billion, is the first thing.

The second question on the TOT collaboration, today, we have concluded the TOT already, TOT board already approved this kind of agreement. However, in detail of the contract, TOT as a state enterprise, they need general attorney to review the contract. But by all the thing or the work our dealing team and TOT to work together, I think we can get it right and for the TOT capacity and frequency can up and run and serve our customer early next year and this is the thing.



About the CapEx, as you mentioned, you are right on our 3G 2.1, we already have coverage of 97% already. For the investment in year 2016, in the beginning we try to add more capacity for the data usage because data usage have a lot of thing. And we also get the frequency of 1800 form auction in the round one. After that, we already planned to have the CapEx for 1800 that already disclosed to you, to the public in the quarter three, in the first phase already. However, based on this 900 that we didn't get, we will add more budget to increase the capacity that can substitute the 900 capacity that we already plan. AIS is the organization that really care and serious for network quality. Even we don't have 900 frequency, we will utilize our 2.1 and 1800 and invest more cell side to make our network quality the same as when we have the 900 also.

Authur Pineda - Citigroup - Analyst

Understood. Sorry, just to go back to point number two, what are the chances that the deal with TOT could be renegotiated given that TOT now sees the value of the spectrum to be much higher?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

I don't think so, because board already approved this kind of thing. We used I think more than one year to negotiate this kind of deal. A lot of detail in negotiation and TOT know all the thing that they cannot base on the pricing of bidding, to renegotiate I don't think so.

Operator

Princy Singh, JPMorgan.

Princy Singh - JP Morgan - Analyst

Thanks for the opportunity. I had a couple of questions. Firstly, in your arrangements with TOT, I understand that you have a spectrum deal sealed, but there you would expect to the tower deal, is that also a part of this deal or is that something where are ongoing separately and could you give us some light on where you are with respect to that?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

Okay. We talked to TOT as a business partnership on the mobile business. On the Mobile business, there are many phases that we are dealing and talk to them, very clearly on their frequency of 2.1, we already concluded this kind of deal, board already approved, now enter to the contract. For the tower also are in this deal, the board already approved the tower, the site. Yes, the towers are in this deal and already concluded on the number. Deals already approved, just wait for the contract.

Princy Singh - JP Morgan - Analyst

Understood. So this deal encompasses towers as well as spectrum and if I understood correctly, it's just a matter of the legal contract that you are waiting to sign?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

Yes, yes.



Princy Singh - JP Morgan - Analyst

Understood. And my second question is on, one, of course you have already given us some good color on what -- where handset -- potentially handset subsidies could go as you look to retain some of your 11 million subscribers. Could you give us some more color just on that? I mean, how many of these you think are valuable subs and how many of these would you happy to let go? And also in context of G&A and marketing expenses, that externally should we now expect and if you don't have the numbers that's fine, but if you could just give us the direction, should we start to see, outside of the handset subsidies, should we also expect to see some of your marketing expenses starting to ramp up from here on?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

Thank you for the question. For the first one, when we talk about 11 million subscribers, majority of them having a lower ARPU. There are certain top percentage like 10% whereby they have slightly higher ARPU when we talk about that. But I really hate to say that we are going to leave any customers there. We really want them all to move over, because they are our valuable subs. Even though they are slightly lower ARPU, but with the level of handset they are using, it's actually the handset they are using is very reasonable price. We talk about THB600 to THB700 and they use it for receiving call. They are receiving call, may call out slightly lower. So what we planned for? We try to cover from the top down.

The only reason we may not be able to save them is, they are not coming and pick up their phones, that they don't -- the reason for rest. We don't want to leave anyone there, okay. That's the first one.

The second one, most of the marketing expense you might later on hear from the briefing of business plan later, next year would be a year of 4G. So, a lot of SG&A and marketing expense will go to new services, larger network, better performance to the customer. So what I would say is, you will see that in 4G. But on 2G, by a large extent, would be handsets subsidy and slightly touch on operation to replace handset.

Princy Singh - JP Morgan - Analyst

Understood. And just one final question is on the equipment which you had on the 900, which was -- which obviously post the concession was transferred over to TOT. I mean, is there any -- I mean, is there any sanctity to that equipment anymore, given you don't have 900 spectrum, so do you need to use it or rent it or that equipment now becomes entirely worthless?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

In fact, what we work with TOT is multiple type of equipment deal. When we talk about equipment for us to build, transfer and operate, it includes more than just purely 2G equipment. It includes some other parts like light facility, transmission, so on and so forth. So basically it's worth it and we are pursuing the collaboration in that area.

Operator

Thititthep Nophaket, Phatra.

Thititthep Nophaket - Phatra Securities - Analyst

I have four questions. Number one, the 2100 MHz deal with the TOT, or it is approved by the Board of Directors, does it required a Cabinet approval? Number two, on the extension of the 900 remedy period, where would the spectrum come from, because my understanding is that NBTC, we have to hand over the 900 megahertz to the winner as soon as they come and pay for the spectrum. And if you look at around 1800 megahertz, the winner come and pay within two weeks or three weeks. Number three, you mentioned that you would give away THB690 handsets to your 2G subscriber. Is it fair to say that total handset subsidy is going to be only THB7 billion. That said, if it doesn't work, would you consider raising the budget to incentivize people to move to your network? And then the last question is on your dividend policy. We are having more auctions in 2018



or possibly 2.3 gigahertz and 2.6 gigahertz, and we all learned that a spectrum can be expensive and if you fail to win the spectrum, you mentioned that the CapEx will go up. Do you think that your 100% payout still suit the situation or will we see any change in your payout ratio?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Okay, for number one question, TOT deal 2.1 frequency. There are no need to go to the cabinet. Because, this can be approved by their board, because it's even go to the joint venture, because we do the business model like BFKT model. TOT can do it by authority of their board. For the extension of the 900 remedy period, you are right, today AIS still using over 900 frequency until that winner of -- the payment on the auction. However, this is country agenda, I by myself talked with secretary of NBTC, they know the impact that even that two new guys comes, they cannot serve the existing customer, so they are now considered by their law and regulation that can expand the remedy period, of how much we are waiting for their solution also, but they give me at least 90 days, because we have to need at least three months to deploy our 2G handsets also.

Thititthep Nophaket - *Phatra Securities - Analyst*

Right. Also Khun Somchai, on that point, does it mean that NBTC needs a consent from the winner to extend the remedy because it means that they have to delays utilizing the spectrum?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Okay. They are working on this. They are really clear they accept our request and this came from their office and now they consider this type of thing. They have been working amongst bidder who won also.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Let me address the third one. The third one when you mentioned about whether or not subsidy of THB690 phone would be sufficient to ask customers to move over. In fact, majority of our customer who are in this segment actually use a feature phone and they love continue on using the features. Internally, we plan to have more marketing expense on the subsidy not because we are afraid that they are not moving. But what we wanted is to introduce them 3G and 4G phones, for one which they think they are ready. So we are prepared to go into top tier customers in that segment, offer them much, much better phones, so they can start experience 3G and 4G, so the expense would come into that portion, but not because we cannot prove them, because we want to pursue the opportunity to getting more 3G and 4G.

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Lastly on dividends, I don't think we are allowed to discuss on dividend now as we are revisiting our budget plans. But as we can see that by not using THB75 billion in this auction, it's much less than onto our balance sheet. So, I think that's all we can comment at this time.

Operator

Jimmy Chen, Sanford C. Bernstein.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

Thanks for opportunity. A few questions. First, on the 2G network, so can you just make sure we understand, you are planning to shut down the 2G network permanently and move all the 2G subscribers to the 3G network? And if that is the case, I know you've said the 3G network has got 97% of population coverage. But do you expect any leakage of subscribers from coverage issues when you do that? Can you just start with that question and I'll ask a bit more later.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

This is Pratthana again. In fact, even though we have a very large 3G coverage, we also believe there are some blind spots there, probably it could be continue up to slightly less than 1%, that's where Khun Somchai mentioned earlier that we are also prepared to invest to some of less than 1% gap in some of the locations in our country.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

And that 1%, is it -- can you build that quickly enough, I guess before the spectrum runs out?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

We are quite confident about that.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

And do you know how much population? That will be the 1% of the population that covered.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

You can relate it to that particular analogy.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

Got it. And second question, for your building of the 4G network with 1800MHz exclusively. How much more denser do you expect it'll have to be versus you've had the 900MHz.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

So I think this is a bit more technical. So let me give a general brief. When we talk about the range of 900, basically, 900 to provide slightly about 50% more in terms of range when you talk about 1800 comparing to 900. But in the situation of Thailand, especially for us, it's different, simply because we already have 2100 3G cover in most part of the country. So basically for us the value are not calculated that way anymore, because we are already cover. So that already is more there. When we talk about the main use of 900, we got more frequencies, we would have got it to add into existing sites, so we have more capacity rather than putting up a new site.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

Right. So, from a network densification perspective, you don't think it will cost much of a difference to CapEx, et cetera?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

If I may add, you know that we have been lack of spectrums under 2.1 gigahertz comparing to our competitors and therefore, with that we had put 2.1 gigahertz so then included in that, we also deployed small cells. And these small cells are ready 4G immediately. Therefore, the 4G for now is much easier than when we did that 3G integrating because it's residing on the same side as the 3G 2100 now for the 4G 1800.



Jimmy Chen - Sanford C. Bernstein - Analyst

Understood. And then, third question, you've said that you would reach an agreement with TOT on that tower lease but you're just waiting to sign the contract. Do you expect as a result of losing the 900 that you will have greater requirement for towers beyond what TOT probably has?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

We don't think so.

Jimmy Chen - Sanford C. Bernstein - Analyst

Okay. And just last question. So if that is the case, it sounds like the low band has minimal value to you apart from greater capacity. Then, would you not have value that at the similar price as you would have value the 1800 at?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

It's basically, you can say that for our situation, but for 900, as we talked earlier, these 900 carry 2G customers. So by itself has certain values (inaudible).

Jimmy Chen - Sanford C. Bernstein - Analyst

Okay. And just the last follow-up. Back on the tower question, just want to check whether -- are you allowed to lease towers from the likes of the digital telecommunications infrastructure fund or is there anything in place that would stop you from doing that if you need to?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

I think it's separate case, we try to create infrastructure sharing. AIS and TOT deal, we will rent from them and have the long-term to be the joint venture. Today all the towers that we use, we occupy the most. However, if we have some free space, we can open for that type of thing, but we will not enter to the government project for their infrastructure sharing project this kind of thing.

Operator

Supachai Wattanavitheskul, Maybank.

Supachai Wattanavitheskul - Maybank - Analyst

Just to confirm because most of the question has been already asked by the other guys. So just to confirm we want to subsidize all the 11 million subs right at the price of 700. Am I right?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

Yes, you're right.



Supachai Wattanavitheskul - *Maybank - Analyst*

Okay. And you don't need to -- we don't need to worry about your nationwide coverage, even with you have losing 900 megahertz. Am I right?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

You're also right.

Operator

Wasu Mattanapotchanart, DBS Vickers.

Wasu Mattanapotchanart - *DBS Vickers - Analyst*

I guess, I have two questions. The first question is about spectrum allocation including the TOT spectrum deal as well. So like which spectrum will be used for which technology and how much of each spectrum?

And second question is for the auction in 2018. What are the chances that 850 megahertz spectrum will be up for the auction in 2018, because in the recent days, I saw the news that NBTC plans to use the 850 for the railway, the high-speed rail. So, it will be returned to the state railway of Thailand. So what are the chances for the auction?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

For the first one, when you talk about the mixed use of spectrum of 2100, 1800 and another 2100 collaboration program with TOT, we would like to apologize, we may not want to reveal at this point of time until we launch 4G. There are going to be quite a few mix here and there.

Secondly, when you talk about chances about 850, that truly lie on NBTC hand. They would later on make decision what would be best for the country and I think we may not be able to comment that for now, but we're very positive about re-auctioning of the frequency like 1800 and 850.

Operator

Yayati UBS.

Yayati - *UBS - Analyst*

I have got my answers. For the next question, I'm willing to pass. Thank you so much.

Operator

Thapana Panich, Deutsche Bank.

Thapana Panich - *Deutsche Bank - Analyst*

Congratulations on closing the 2100 megahertz deal, and the tower deal with the TOT. Now, my first question is, at the risk of getting into too much detail about the contract, since you mentioned that you are using the BFKT model, what are the risks that the new competitors like Jasmine could potentially become one of TOT's customers, which means that AIS could inadvertently be providing 3G network service for Jasmine. Can we ensure



that in this BFKT model that we have with the TOT that all the capacity is exclusively assigned to AIS or at least the original TOT MVNO partner like Samart? So that's my first question.

The second question is about the remedy period. So let's say the remedy period was extended, but for some reason AIS still have a few million subscribers left that are still using 2G handset. Would AIS consider roaming on the other operated 2G network to continue providing service for these customers or would AIS simply just cut them off?

And the last question I have is that, if one of the 900 megahertz license winner was unable to come up with a bank guarantee in a timely manner and let's say that they forfeit on the license, does the rule stipulate that AIS is next in line to get the license or does it really depend on which license the AIS or DTAC was bidding at the time?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Okay. For 2.1 at TOT, TOT will have 20% of our capacity that will be provided to them to serve their MVNO like Samart or even Jasmine to do that kind of thing, to work with TOT.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Okay, let me address that. Just to add on that BFKT model, I think when we talk about the collaboration with TOT is for both good, for both AIS and TOT. BFKT model open for the MVNOs and other people to come in, but both AIS and TOT which already gained the benefit either provide a capacity or even reuse (inaudible).

Secondly, on the remedy period, you asked about what if the remedy period ends and that on customer left, we have prepared multiple backup plans that at this point of time, we may not been able to reveal at this time. And lastly, for 900 megahertz frequencies license, if someone are not be able to get the BG or down payment in time, if we are not mistaken, the license will come back and auction.

Thapana Panich - *Deutsche Bank - Analyst*

Okay. Just one more thing, I didn't quite hear what you said about the MVNO part. Did you say that AIS could purchase all the capacity under BFKT model that you're doing with the TOT or is it strictly 20% have to go to someone else, I didn't catch the last part?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Basically, on the arrangement, I think many of you have studied BFKT model, certain capacity at this point, 20% will be available on top for people to come in and purchase.

Thapana Panich - *Deutsche Bank - Analyst*

Okay, which AIS could purchase the entire that lot as well, am I correct, or does it have to go to someone else?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

No, AIS will build the network and we will buy 80% to service from TOT. TOT also have another 20% sale to others. However, out of that 20%, AIS will build the network, TOT will pay back to AIS all the network cost also.



Operator

Pisut Ngamvijitvong, CIMB.

Pisut Ngamvijitvong - CIMB Securities - Analyst

I have four questions. The first one is about 2G 900 megahertz equipment. How much can you save from shutting it down? That's the first question. The second question is that, what is your arrangement with TOT on this? Can True or Jasmine make a deal with TOT and get using of it without any investment?

And my third question is without 2G service, how much will you forego the international roaming revenue as I think some of the tourist arrivals are using 2G devices? And my last question is that AIS to be losing the leading position in the 4G speed offering, how can you cope up with that?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

Okay. For the 2G equipment, after contract concession end, we still operate and we operate under the remedy period also. When we first close down 2G, I think we can save all the operating cost on the 4G equipment that kind of thing including the air-condition, a lot of things on the operation, maintenance and these kind of things. I think for the phasing of 2G equipment, compared with the revenue that we can get from the 2G user, its equal. So when the 2G user, after we have the handset replacement these kind of things, shutting the 2G equipment it's more worth than carry on in the long term with all of these things but we don't calculate exactly the number but we have very clear plan within 3-months, 6-months from now we should cope it.

For the arrangement of TOT about the 2G equipment, JAS and even TRUE can go through this kind of deal or not. I think it's not easy. We talked to TOT like the total package of mobile partnership including their frequency and also our towers and also equipment that Khun Pratthana already mentioned to you for the 2G equipment, it's not only the 2G base station itself but it's also including multiple of the equipment like Fiber Optic and these kind of things. This is the total that AIS when talk to TOT, it's more valuable to generate the revenue, but JASMIN or TRUE if they come to lent this kind of things, I think it's really hard to operate. I think it's impossible, in practically, that they just only have the contract and the agreement with TOT and then they can operate these kind of things. I think it's very hard. However, in fact, TOT already closed deal with us on the board on the total package already also.

Nattiya Poapongsakorn - Advanced Info Service Public Company Limited - IR

For the inter- roaming revenue, I don't think we have that information at this point. I'll get back to you on that later And last one on 4G speed offering.

Anun Ekwongviriyaya - Advanced Info Service Public Company Limited - VP-Network & Service Planning

For 4G speed offering, currently if you look at the technology side, if we talk about the carrier aggregation over the 4G technology to go for a really high-speed on 4G, the devices that can serve for that speed is still very limited. And then with the 4G speeds currently, it's already sufficient to use with many applications that the customer like to use at the moment. And in a short few years, for sure, we think that the 4G speed is still be able to serve all application service that we will provide to our customers.

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

I would like to give you another point of view. Yes, today we are losing with the leading in 4G, because we don't have 4G service now. After we launch the 4G service I think we can complete, in the beginning that Khun Pratthana talking to you on the January we will launch, the speed will be faster than our competitor today that already proved in the Thailand market and that we test in the entire week in December. However, I don't

think to be a sustainable leading in 4G, we cannot count on only the speed or how much each operator has; 100MHz, 120MHz, 150MHz is no meaning. The meaning is the customer experience who used our 4G, our 4G service, it's competency, it's liable, it can have that kind of speed everywhere, every time this kind of thing and also all the services can serve our customers in term of aggregation and content, all the thing together this is our strength and strong points in terms of network quality and service excellent to the customer. I think total picture will bring us to be leading in 4G as soon as possible when we launch that 4G.

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Khun Pisut, on the 2G international roaming, it's actually very, very minimal. I don't think we will see the impact on our number, it is small.

Operator

Gopa Kumar, Nomura.

Gopa Kumar - *Nomura - Analyst*

Just to clarify on the deal with TOT on towers. Does this include the disputed towers with TOT or this is not sorted out yet? That's question number one. Secondly, what are the risks of this deal getting delayed. You said that you've planned to roll out service by early next year, but is there any risks of this getting delayed? That's regarding the TOT. Secondly -- sorry, on this 11 million handsets and all that, is it possible for you guys to roam the subscribers on your 1,800 megahertz like use part of the spectrum for 4G -- for 2G and carry part of the 11 million subscribers on that spectrum, is that possible?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Okay. For the deal with TOT tower, this is the disputed towers, because total AIS have 25,000 towers, for the dispute case on the TOT around 13,000 towers. Yes, we do deal with TOT on the disputed tower case. This deal will resolve all the things, it's the same with DTAC that also have the dispute like in this case and they try to settle up with CAT by the joint venture model. But we'll then end in the joint venture model, but in the beginning we will go with the rental first, this is the thing.

For the 11 million subscribers of 2G, I don't think our strategy for utilize 1800MHz is really clear, we will go full 4G. We will not use some of 1800MHz to do 2G. It doesn't work. Like I told you, even today our existing 2G equipment on 900MHz, the operation costs and expenses are still merely to the revenue. After we have the 2G handset subsidy into the market, our 2G revenue and our 2G subscribers will reduce.

Gopa Kumar - *Nomura - Analyst*

So, just to confirm, does it contribute to 15% of service revenues, these 11 million subscribers?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Less than 15% of revenue. And just to clarify your second question, I'm not sure if you referred to the 4G service that we will launch beginning of next year. That would not be disturbed by the ongoing tower dispute and negotiations. We can still maintain to launch the service as we planned.

Gopa Kumar - *Nomura - Analyst*

No, I mean the spectrum reseller deal that you have with TOT, you will build it and lease it back. I understand that it has been approved by the TOT Board, but is there any other risks of this getting delayed? I know and given that it has been delayed so much.



Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Okay. For 2.1GHz, I think should not be delayed, because our team already set a time. We can utilize it; even TOT told me we can operate now we're just waiting for that contract signing. That we will tell you frankly we will sign it within February that they need one or two months for the attorney to review the details of contract.

Operator

Michael Millar, Martin Currie.

Michael Millar - *Martin Currie - Analyst*

It's Mike Miller here. I was just wondering if I could just ask one question about, if you could be a little bit more specific in terms of what your impression is of the severity of the threat from Jasmine? And for example, I mean, is there a likelihood of a kind of preemptive moves in terms pricing to kind of block their entry or do you really just sort of back your network in terms of its quality to do that job?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Let me address that. Basically we want to focus a lot with quality instead of go there and block them by the values, the industry's values. What we believe is customer choose not only because the price. The local telecom services now have been, for the past few years, complete very fiercely and we see very quick offerings. We are up to the point that the price may not be that matter anymore. So there will be focus a lot on to the quality and service to our customers.

Michael Millar - *Martin Currie - Analyst*

But when you did your calculations, I mean what sort of market share did you see them get, and I'll say, just operating on 900 alone, do they really technically come and do it for them?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

We may not want to comment on that. We probably need to wait and see how Jasmine would come out as a real service. At this point of time, I don't think we can have a full comment about this.

Operator

Itthikorn Prakarnpilas, Macquarie.

Itthikorn Prakarnpilas - *Macquarie - Analyst*

Just want to reconfirm that from a previous question that, even though Jasmine started to cut the price then Advanced is not likely to follow that too. That's the first question. The second question is regarding the potential for the industry consolidation, i.e. it's quite simple, one player decided to exit the market. Is there -- that Advanced management see any likelihood to for that to happen?



Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

For the price cutting, I think in every telecom market, when it arises the new comer into the market. People always expect the devalue of market because the new guy would try aggressively getting by lower down or even give it for free. We have seen that one from the MVNO's for the past few years if you observed. There are three, four MVNOs came in and having strategic low price offering. At this point, we believe that we're going to see that, but how well does the service is accepted and what quality is paid and what will the marketing strategies they would win customers over, that's something we need to see. From the competitive landscape, when we come to pricing, we can assure everyone that we are very competitive in price offering at this point if we really compare to it and we would be very competitive without coming to just one, that is the first point.

The second one, when you talk about industry consolidation, I am not so sure whether we can foresee that, because we're talking about license that someone have a license and whether license will go on if someone exit the market, whether or not the license can be sold? At this point, according to the regulatory, it's unlikely that a license can be sold to other people, original owners have to be a majority amount of shareholders. So we are not so sure of that. I think we wait and see.

Operator

Vivek Dawal, The Invention.

Vivek Dawal - *The Invention - Analyst*

Thank you very much for taking my question. Sorry, I'm on the move, so there will be a little bit of disturbance in the background. But my question really is, how -- it seems that in the bidding process that you were actually number two in the bidding, but you decided to forgo the license at that critical point, so can you extend a little bit of what your sensitivity was at that point of time? What were the factors and as you actually look at potential scenarios emerging out from for your financials as you project out for fiscal 2016 and fiscal 2017 et cetera. How much of disruption does this actually cost to the business model?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

So basically as Khun Somchai explained earlier, we have to completely calculated --

Vivek Dawal - *The Invention - Analyst*

I'm extremely sorry, I'm travelling, so I missed the first part of the question.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

In fact, based on the license values to AIS that we have calculated, let me once again reiterate what Somchai mentioned earlier. We look at the technical value, we will look at the potential of new entrants. We look at the 2G impact of the customer if we were to switch off, and we look at the sensitivity, how much more that we think and it's reasonably can go up on. At the point we exit is actually beyond the reasonable point that we believe it will bring company benefit after that customer benefit, that's why we exit. We did put in a lot of sensitivity analysis regarding that.

Vivek Dawal - *The Invention - Analyst*

Thank you very much. I know absolutely you did, and this is actually very, very helpful, but when we actually look at the fiscal 2016 and fiscal 2017 going forward, how much of revenue risk and how much of earning risk are we factoring in based on this outcome?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

I don't know whether we can reveal that estimation number. I'm sorry, we may not be able to reveal that calculated number.

Vivek Dawal - *The Invention - Analyst*

Perhaps I can ask it in a slightly different way, that the outcome rather following this particular outcome, what is the strategic actions the Company is thinking off, first of all projecting your 2G subscribers and secondly, ensuring that basically you can make the necessary investments to actually remain competitive, and holding on to your market share, but this -- obviously that would be really at risk.

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Yes. Basically, I think the most important thing for us is our customer. When we talk about risks, we always worry about how we serve the existing 2G customers. So not having 900MHz actually means that we need our customer to upgrade their phones that we are willing to do so. So, that's the big portion we always think of and even during the auction this come number one priority to us.

The rest are more technical, it's more likely we have it and we save CAPEX so on and so forth, but also when we look at the other side of the coin means that, if we'll be able to address that and actually we will, by having the whole customer base jump on to 3G and 4G by having this opportunity to upgrade handsets to be 3G and 4G, in fact it is a lot of an upside to us and we will be purely operate 3G and 4G, purely invest in and go after 3G and 4G. We'll bring customers more value and more revenue opportunity.

Vivek Dawal - *The Invention - Analyst*

In way of subsidizing for all the 2G handsets, I think how anywhere it could be closed to \$2 billion or if you can actually give me a rough idea if you had a see subsidizing in value for 3G handsets for all these 2G subscribers what will be the rough cost to yourself?

Pratthana Leelapanang - *Advanced Info Service Public Company Limited - EVP-Marketing*

Okay. As khun Somchai mentioned earlier, we talk about majority of subscriber using featured phone, which costs roughly in retail about THB690 to THB700 roughly, if we were to subsidize 10 million handsets, it would actually mean THB7 billion.

Operator

Sarachada Sornsong, Thanachart Securities.

Sarachada Sornsong - *Thanachart Securities - Analyst*

I'm very sorry for my what-if question. Given the fact that Advanced was trying to get on the lot 2 of the spectrum, I mean if there is any circumstance that the lot 1 become available to rebidding, would you consider to join the bidding?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

Yes. Obviously we will get into the auction for sure. However, the cost on the evaluation also because like I had told you, our lot 1 and lot 2, they are not comparable, because they have a guard band at least 2.5MHz that we cannot use. So, it will remain only 7.5MHz on lot1. When we have the chance we will go, but the evaluation also we will evaluate it.



Operator

Luis Hilado, HSBC.

Luis Hilado - HSBC - Analyst

Just one follow-up clarification question for me. If you were to subsidize the handsets, will you still apply the promotion wherein the subscribers has to be popping up for a certain period of time and then you'll rebate them the value of the handset or it will be a straight out subsidy? And if it's specifically set rebates system, can you remind us how you will account for that?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

Okay. I guess officially, all the market will hear from us tomorrow, but basically we go straight.

Operator

Jimmy Chen, Bernstein.

Jimmy Chen - Sanford C. Bernstein - Analyst

I have two more questions. One, is it possible to use appropriate -- given now you've signed deals --

Nattiya Poapongsakorn - Advanced Info Service Public Company Limited - IR

Sorry, I cannot hear you.

Jimmy Chen - Sanford C. Bernstein - Analyst

Two questions. One, given you've done the deal with TOT on 3G, is it possible do you think for you to re-appropriate your 2.1 gigahertz for 4G? And the second question is, any updates on what happens to the revenue and earnings for the 2G subscribers joined the remedy period, both prior to these auctions as well as after these auctions before you hand over the 900?

Pratthana Leelapanang - Advanced Info Service Public Company Limited - EVP-Marketing

So your first question regarding the 2100, am I understand correctly, you asked about whether or not it's of 3G or its 3G and 4G, am I correct?

Okay, that's something, as I mentioned earlier, allow us not to tell.

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

We'll have our spectrum strategy very clear

We have 2.1 from TOT and for AIS 1800. We have the spectrum strategy to do.

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

On the earning of 2G remedy period, basically under the remedy regulations saying that we need to submit the profit left over to the NBTC. That profit should not be less than 30% of the revenue. Based on this, I think we will, because the 2G operations doesn't run at profit. Therefore, we'll be submitting some 30% of revenue allocated for the fourth quarter of the year.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

For Q4 as well as for whatever period of time before you get your 2G subscriber or handsets subscribers onto 3G handsets, is that right?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Yes, if the NBTC extend the remedy period.

Jimmy Chen - *Sanford C. Bernstein - Analyst*

Okay. And just to clarify on the 2.1 gigahertz, you will not disclose what you would do with it or you will still be using it for 3G?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

Right now, we do not want to disclose how we allocate spectrum for different technologies.

Operator

Princy Singh, JP Morgan.

Princy Singh - *JP Morgan - Analyst*

I just had one quick follow-up question. The towers, the deal which you have done with TOT on the towers, does that pre-empt to say someone like Jasmine coming and leasing space on those towers or they could still approach TOT and rent space on those towers?

Somchai Lertsuthiwong - *Advanced Info Service Public Company Limited - CEO*

I think when we deal with TOT, we deal for the joint venture in the near future. On the rental, we have already give them very clear how much antenna that we will really need to lend to them. So it's just (inaudible), it's as you see whether we have the space of the tower or not that we can rent to TOT or not, because we have the first right to do this kind of thing as a founder to do the joint venture in the near future. If they would like rent some tower from TOT, it has to check is available or not, because we are committed to rent a lot of antenna.

Princy Singh - *JP Morgan - Analyst*

Understood. So, what you're telling me is that while they can still come in, you have the first right of refusal, if I understood correctly?

Nattiya Poapongsakorn - *Advanced Info Service Public Company Limited - IR*

First right of refusal. I think -- differentiating what we intend is that we're -- we intend to occupy the capacity available on the towers. Jasmine can come in and if there are available capacity.



Operator

Gopa Kumar, Nomura.

Gopa Kumar - Nomura - Analyst

Sorry to ask on this remedy period. On this 11 million handsets, I understand that you had introduced this handset trading policy in July this year, where you're giving, exchanging feature phones to 2G handset subscribers, but it seems like despite that you still have 11 million subscribers yet to migrate. So what gives you the confidence that you would be able to migrate bulk of this within the next one or two months or whatever remedy period, that extension that you get from NBTC, even if you're giving it for free? Has logistics been a keen challenge or why was the reason?

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

Okay. There are two reasons. The first thing is in the past, even we do in a mass starting from July but we don't push hard

we just let them go by natural, customer will come and what now prepare a lot of channels and sales force and mass communication and also the budget. As you know, AIS is the only one who really controls the marketing costs. But this round, we prepare like I told you, if we spend THB7 billion we can do 10 million subscribers. This is the heavy pushing, it will be there.

The second thing is basically clear because in the past we might not push a lot. We just pull it but not push it because we still think if we auction 900, we can serve 2G for a while. However, when we have to close down our 2G service, this will really huge force for the customer we will announce in the public at the time no more 2G service from us, customer will come for sure.

Operator

(Operator Instructions) And there are no other questions at this time. Please continue.

Nattiya Poapongsakorn - Advanced Info Service Public Company Limited - IR

Okay. Thanks everyone for joining the call with us tonight and if you have any further questions, feel free to call into Investor Relations. Thank you and see you again next quarter.

Somchai Lertsuthiwong - Advanced Info Service Public Company Limited - CEO

Thank you. Good bye.

Operator

Ladies and gentlemen, this conclude our conference for today. Thank you for participating. You may all disconnect.



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