

## 2Q15: Management Discussion and Analysis

### 2Q15 Highlights

In 3Q14, Samart I-Mobile PLC. (“the Company” or “SIM”) continues to provide variety of products and services for end-users in telecommunication and multimedia industries. The Company still tries to offer the best to our existing and prospect customers through integrating and creating innovative products and services.

**Mobile Business:** The Company’s strategy is to provide the best devices to customers. During the past quarter, SIM already launched ten models which are all smart phones and five of these are DTV integrated. SIM continues focusing on the strength in i-Style and IQ series. i-mobile devices are well known for their better value-for-money which has been one of our core values in providing the best devices to customers.

Compared to competitors, our devices always have better specifications; screen, performance, camera and battery, combining with new photographic technologies which is one of i-mobile main selling points.

We have also expanded our business to international markets. We have joined several international mobile exhibitions and identified prospect strategic partners.

**Service Provider Business:** Growth in revenue has been achieved because of our three key strategies.

1. Acquisition; the Company offer bundled package with i-mobile to the market with free airtime and data usage. The Company also gives away free SIM cards for every phone purchased at our partner IT chain stores, for example, Banana IT, IT City, Power Mall, Power Buy and JIB.
2. Usage Motivation; we have launched our push contents to our pre-paid subscribers, consisting of sport, horoscope and any kind of video clips. We also partnered with application providers; OLX, Bee Talk and Kapook, offering free usage to i-mobile 3GX customers.
3. Retention; through 3GX application, the Company creates relationship with customers. Customers can receive free push notification services, including Top-Up notifications, package comparison, multimedia contents, usage alert, value added package and other additional services.

**Multimedia Business:** Our EDT services continue to grow in terms of numbers of traffic, both for website and social media. We also have EDT free booklets and TV programs as communication channels with our customers. Other than these, we

plan to publish EDT pocket books in the next quarter, which will be available at 7-Eleven. In addition, our mobile VAS service is arranging Lucky Draw Campaign with mobile operators, which will last until January next year.

## Business Overview

In 2Q15, Samart I-Mobile PLC. reported quarterly consolidated revenues of THB 2,137 million, a decrease of 38.5% YoY, or decreased 8.2% QoQ. This was majorly contributed by lower sale in Mobile Business through declining in units of i-mobile handset sold in the period corresponding to domestic economic slowdown.

Operating profit (EBT) of THB 100 million was recorded in 2Q15, a decrease of 68.7% YoY, or decreased 15.7% QoQ. In addition, the operating profit margin declined by 4.5% YoY to 4.7% in 2Q15, or a slight decrease of 0.4% QoQ. This was mainly from the lower gross profit margin in all business units, especially Mobile Business, in addition to the higher selling and administration expenses including other expenses as well as finance costs in a proportion of revenue in the period.

As a result, SIM reported the consolidated net profit attributable to equity holders of the Company at THB 89 million in 2Q15, a decrease of 69.4% YoY, or decreased 12.3% QoQ.

## Financial Highlights

### Revenue Breakdown in Million Baht

	2Q15	2Q14	%YoY	1Q 15	%QoQ
Mobile business	1,838	3,196	(42.5%)	2,065	(11.0%)
Multimedia	252	197	27.9%	203	24.5%
Service Provider	47	79	(40.2%)	59	(19.9%)
<b>Total Revenue*</b>	<b>2,137</b>	<b>3,472</b>	<b>(38.5%)</b>	<b>2,327</b>	<b>(8.2%)</b>

\* Total Revenues (sales and service revenues, including selling support income)

## Revenue

**Mobile Business:** The revenue of Mobile Business in 2Q15 was reported at THB 1,838 million, a decrease of 42.5% YoY, or decreased 11.0% QoQ, in which accounted for 86% of total revenues. This was primarily contributed by declining in units of i-mobile handset sold in the period as the higher market competition in Mobile Business and the domestic economic slowdown.

**Multimedia Business:** The revenue of Multimedia Business in 2Q15 was reported at THB 252 million, a considerable increase of 27.9% YoY, or 24.5% QoQ, in which contributed 12% of total revenues. The improvement was mainly resulted from revenues of company's new business (i.e. Television Business), in addition to revenues of Chelsea Celebration Football Match

**Service Provider Business:** The revenue of Service Provider Business in 2Q15 was reported at THB 47 million, a decrease of 40.2% YoY, or decreased 19.9% QoQ. It was considered as 2% of total revenues. This was resulted from a declining in active subscribers, while Blended Average Revenue Per User (ARPU) increased.

## **Gross Profit**

In 2Q15, overall gross profit of the Company was reported at THB 464 million, decreased by 42.7% YoY, or decreased 7.8% QoQ, mostly from the lower revenue in Mobile Business. Additionally, the gross profit margin was 21.7% constant to the previous quarter, while declined by 1.6% YoY.

## **S&A Expenses**

In 2Q15, Selling and administration expenses including other expenses were THB 334 million, a decrease of 30.5% YoY, or decreased 3.4% QoQ. This was mainly contributed by lower sale related spending in the period, including marketing expenses and after sale service expenses.

## **Financial Costs**

In 2Q15, financial costs were THB 53 million, an increase of 80.1% YoY, while slightly decreased 0.9% QoQ. The higher financial costs were due to an increase in loan from banks to facilitate higher working capital requirement during the period.

## **Net Profit**

The consolidated net profit attributable to equity holders of the Company was THB 89 million, a reduction of 69.4% YoY, or declined 12.3% QoQ.

## **Financial Position**

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As at 30<sup>th</sup> Jun 2015, SIM reported total assets of THB 9,931 million, a decrease of THB 707 million or 6.6% compared with 31<sup>st</sup> Dec 2014, mainly from a decrease in inventory of Mobile Business as lower new purchase orders of i-mobile handset corresponding to the slowdown of handset sold in the period.

The Company also reported its total liabilities at THB 6,442 million compared with THB 7,218 million as at 31<sup>st</sup> Dec 2014, or a decrease of 10.8%, mainly from a decrease in trade account payable of Mobile Business as lower new purchase orders of i-mobile handset in relative to domestic economic slowdown.

Total shareholders' equity as at 30<sup>th</sup> Jun 2015, was THB 3,489 million, compared with THB 3,420 million at the end of 2014 or a growth of 2.0%. Accordingly, there was a dividend payment of THB 132 million during the period.