

MCOT Public Company Limited



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Ref: MCOT/ 6155/617

February 29, 2012

The Stock Exchange of Thailand

Attn: President

Re: The Management's Discussion and Analysis on the Company's Operating Results based on the Financial Statements for 2011

On February 29, 2011, the Board of Directors' Meeting No.4/2012 has resolved to approve the balance sheets and statements of income for the period ended December 31, 2011. The details of Management's Discussion and Analysis (MD&A) on the Company's operating results based on the Financial Statements for 2011 (January 1, - December 31, 2011) are as follows:

The Company's Operating Results for the year ended December 31, 2011 compared to 2010.

The Company's net profit in 2011 was Baht 1,376 million, or a 5% decrease compared to 2010, comprising the net profit of the parent company's shareholders of Baht 1,356 million and that of its minorities of Baht 20 million. In adopting the International Financial Reporting Standards (IFRS), the Company had adjusted the 2010 financial statements for comparison purpose which resulted in a change in the Company's 2010 operating results that were different from what had been reported earlier. According to the adjusted operating results, in 2010, the Company had total revenue of 5,356 million baht and its total assets as of December 31, 2010 increased 128 million baht from what had been reported earlier.

The Overview of the Company's and its Subsidiaries' Operating Results

		2011	2010	% Change
Total Revenues		5,697	5,356	-1
TV Revenue	3,396		3,530	-4
Radio Revenue	855		899	-5
JV	871		834	4
Additional income from the agreement of understanding	21		-	-
Other Revenues	170		93	83
Expenses		3,256	3,297	-1
Net Profit		1,376	1,446	-5
Minority	20		23	-13
Parent	1,356		1,423	-5
EPS (Baht)	1.97		2.07	-5

Unit: Million Baht
(Audited)

The Company's total revenues in 2011 were down 1% compared to 2010 as a result of a decline in the Company's revenues from TV and Radio businesses. The details of the Company's 2011 operating results are as follows:

TV Revenue: A 4% decrease in TV revenue compared with that of the year 2010 was caused by the massive flooding which resulted in a 4.05 billion baht or 15% drop in overall advertising spending on all types of media compared with the same period of last year. Meanwhile, an-18% decline in advertising spending on TV media indicated that TV business was adversely affected by the massive flooding. In particular, the advertising budget to be allocated to Modernine TV whose market share was ranked the third was cut before that of Channel 3 and Channel 7. Moreover, many special events and projects to be organized in Q4 had been cancelled. If focusing on the first 9 months of this year, the Company's TV business was able to grow 13% as a result of the improvement of sales strategies and sales package to be more responsive to customers' and market's needs. The Company's improvement efforts were focused on special events and projects, utilization rate and expanding the customer base. In addition, our marketing strategies were adjusted to enable new revenue generation such as through creating on-screen activities of TV shows and a variety of special events such as 9 Entertain Trip,

concerts and reality shows such as “The Star 7”, “The Trainer” and “KPN Award”. Meanwhile, the Company also gained additional revenue from raising advertising rates and revamping its programming by increasing the proportion of unique edutainment programs. The revamp resulted in higher utilization rate of both Prime-time and Non Prime-time slots. In addition, in 2011, the Company’s revenue growth was also attributable to the recognized revenue stream from new media business such as the management of Bangkok Metropolitan Administration’s satellite channel, Bangkok City Channel, a yearly contract for the distribution of satellite television channels via C-Band and Ku-Band and the broadcasts of MCOT 1 and ASEAN TV. The Company expected to see its revenue from TV business to be back to normal level in Q1-12.

Radio Revenues: A 5% decrease in radio revenue compared with the year 2010 was due to the emergence of new media such as satellite television and the Internet as new competitors. More customers have turned to new media as both advertising rates are very close. Besides, the massive flooding caused a decrease in advertising revenue and delayed budget spending on special events compared with last year. Nevertheless, the Company’s central radio stations strived to retain their market share and existing customer base by revamping their programming, creating special events and improving sale patterns and management of the provincial radio stations to enable more flexibility. The three FM radio stations, namely FM 95 MHz, Look Thung Maha Nakorn, FM 97.5 MHz, Seed FM and FM 96.5 MHz., managed to retain their popularity and continued to rank number one in their market segments.

On the expense side, total expenses declined 1% from 2010 as a result of better control of sales and administrative expenses. The 13% decrease in sales expenses was due to the fact that the Company’s management had expected the massive flooding would affect the business and consequently decided to reduce the number of special events to be organized in order to reduce costs. As a result, administrative expenses reduced 5 % despite additional expenses on hiring a consultant company to improve accounting system in accordance with a new international standard and developing human resources. Meanwhile, TV operating costs increased by 3.6% derived from the production of live programs, news programs, series, Bangkok City Channel and transponder rental on Thaicom’ s C-Band/ KU-Band.

Asset, Liabilities and Shareholder’s Equity

Unit: Million Baht
(Audited)

	2011	2010	% Change
Asset	10,651	10,517	1
Liabilities	2,724	2,781	-2
Shareholder’s Equity	7,864	7,681	2

With the total assets of Baht 10,651 million, total liabilities of Baht 2,724 million and total shareholder’s equity of Baht 7,864 million, MCOT Plc.’s financial position remains strong.

In addition, the adjustment to record the payment for the benefits other than those specified in the Original Agreement of 405 million baht as detailed in the footnotes to the financial statement for the year 2011 was the adjustment of revenue recording which is different from that in the Profit and Loss Statement of Q3-11 in accordance with the Office of Auditor General’s comments as shown in the footnotes to the financial statement stating that all involved parties had considered and were of the opinion that the payment of Baht 405,000,000 in economic substance represents benefits related to the Original Agreement even though the MOU dated 22 July 2011 specified that such benefits are not related to the extension of the Original Agreement for another 10 years. Consequently, MCOT recorded the payment for such benefits, other than those specified in the Original Agreement, as deferred revenue (whereby it will be recorded as a liability in the statement of the financial position) and the deferred revenue will be amortized as revenue over the remaining period of the Original Agreement using the straight-line method starting from 22 July 2011 to the date that the Original Agreement will be ended on 25 March 2020 which will affect the balance sheet as follows:

Decreased income tax payable	115,252,523.66	baht
Increased deferred revenue	384,175,078.86	baht
Decreased retained earnings	268,922,555.20	baht

and will affect the Profit and Loss Statement as follows:

Decreased benefits other than those specified in the Original Agreement	384,175,078.86	baht
Decreased income tax	115,252,253.66	baht
Decreased earnings per share	0.40	baht

MCOT would like to clarify that recognizing receipts of such benefits, other than those specified in the Original Agreement, as revenue in full amount in the Profit and Loss Statement in Q3 of the year 2011 was revenue recording in accordance with the facts appearing in the MOU dated 22 July 2011 which aims at providing such benefits, which are not related to the extension of the Original Agreement for another 10 years. The Office of Auditor General had reviewed the Company's financial statement in Q3 of the year 2011 and issued an audit report as of 11 November 2011 without any reservation on such issue. Later, the adjustment to record the payment for the benefits other than those specified in the Original Agreement was found in the 2011 financial statement which had been submitted to MCOT by the OAG as of 29 February 2012. Therefore, MCOT would like to confirm that it is with our thorough discretion to strictly follow the OAG's comments.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'T. Thongprasert', written in a cursive style.

(Ms. Tassanawadee Thongprasert)
Corporate Secretary and Acting Vice President
Office of Corporate Secretary
MCOT Public Company Limited
Authorized to sign on behalf of the Company

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