

MCOT Public Company Limited

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Ref: MCOT/ 6138/3451
August 11, 2016
The Stock Exchange of Thailand

Attn: The President

Re: The Management's Discussion and Analysis on the Company's Operating Results based on the Financial Statements for 3-month and 6-month periods ended June 30, 2016

Dear Madam,

On August 11, 2016, the Board of Directors' Meeting No. 9/2016 has resolved to approve the financial statements for 3-month and 6-month periods ended June 30, 2016, which were reviewed by the Office of the Auditor General of Thailand and the Audit Committee of MCOT Plc., the details of which are as follows:

Management's Discussion and Analysis (MD&A) on the Company's operating results for the 3-month and 6-month periods ended June 30, 2016 and 2015

Company's operating results having a deficit of Baht 68 million and Baht of 220 million, a 352% and 679% decrease compared to the same period of last year respectively

The Company's and its subsidiaries' operating results

	Unit: Million Baht (Reviewed)		
	April – June 2016	April - June 2015 (restated)	% Changes
Total Revenue	828	948	-13
Television	286	418	-32
Radio	212	240	-12
New Media	48	44	9
Broadcast Network Operation Service	88	66	33
Joint Operations	107	110	-3
Additional income from agreements	12	12	-
Others	75	58	29
Total Expenses	912	911	-
Net Profit (loss)	(68)	27	-352
EPS (loss)	(0.09)	0.04	-325
Parent Company Profit (loss)	(64)	29	-321
Net Profit of Minority Interest (loss)	(4)	(2)	-100

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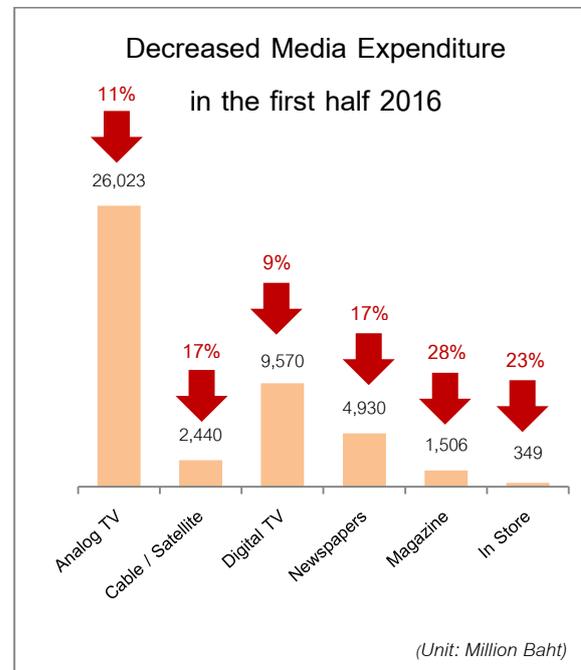
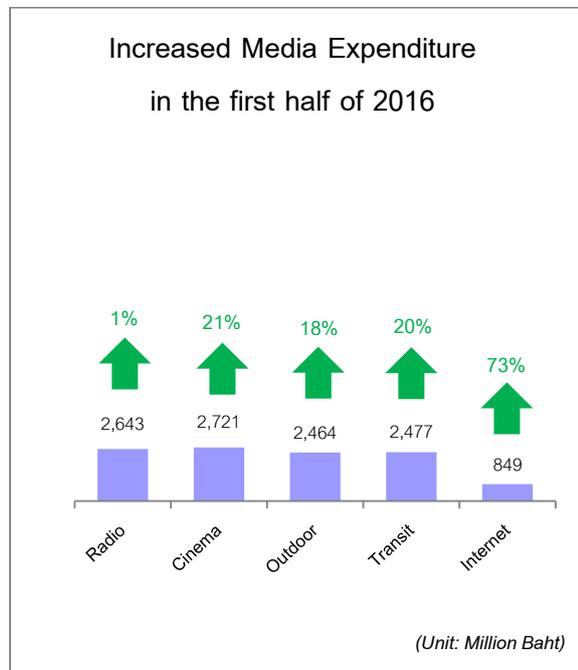
Unit: Million Baht (Reviewed)

	Jan-June 2016	Jan-June 2015 (restated)	% Changes
Total Revenue	1,550	1,835	-16
Television	536	804	-33
Radio	406	445	-9
New Media	99	98	1
Broadcast Network Operation Service	174	113	54
Joint Operations	213	211	1
Additional income from agreements	23	23	-
Others	99	141	-30
Total Expenses	1,819	1,784	2
Net Profit (loss)	(220)	38	-679
EPS (loss)	(0.31)	0.07	-543
Parent Company Profit (loss)	(211)	45	-569
Net Profit of Minority Interest (loss)	(9)	(7)	-29

Overall Industry

In Q2 – 2016, advertising industry still suffered from several factors including the long continued drought, export that failed to achieve the target revenue, unemployment in manufacturing factor. Despite the Government’s implementation of economic stimulation plan for infrastructure investment, tourism promoting and generating more income for low salary earners, domestic consumption continued to decelerate having an impact on the media industry.

According to Nielsen Thailand, many private agencies, who were the major advertising spenders, continuously slowed down their advertising spending, causing the spending in the industry in first half of 2016 to drop 7.86%, compared to the same period of last year. Advertising budget amounted to Baht 55,972, comprising Baht 26,023 million from analog TV (an 11% drop from last year) and Baht 9,570 million from digital TV (a 9% drop from last year). Details of advertising values are indicated below.



Digital Advertising Association (Thailand) ¹ revealed that the number of internet users in Thailand accounted for 56% of the total population. Those watching TV programs, movies and listening to radio

¹ Thailand Digital Landscape Q1 2016 – Digital Advertising Association (Thailand)

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programs online accounted for 42%. This represented that people tended to watch program via TV less. As a result, some advertisers spent more budget on online platform instead of traditional TV. The aforementioned factors have affected all digital TV operators including MCOT.

Total revenue

The Company's operating results were inevitably affected by the increasingly intensified competition among digital TV operators and decreased advertising spending as mentioned earlier. As a result, the total revenue in Q2 – 2016 and the first half of 2016 dropped to Baht 828 million and Baht 1,550 million, or a 13% and a 16% drop compared to the same period of last year respectively, the details of which are as follows:

- TV (35%)
- Radio (26%)
- Joint Operations (14%)
- New Media (5%)
- Broadcast Network Operation Service (11%)
- Others (9%)

MCOT was well aware that Television Business that was the major source of revenue, significantly decreased. The Company utilized all assets and sought new opportunities to generate additional revenue including broadcast of MCOT's copyrighted content on digital media, artist management, and non-broadcast business to compensate the loss in TV revenue. Although these new approaches did not generate a large amount of revenue, it appeared that these businesses rendered satisfactory results and would be important tools strengthening the Company's future performance.

Due to an imbalance between revenue and expenses, MCOT experienced an over 20% drop in net profit, compared to the same period of last year. The explanation of the Company's management with regard to the aforementioned changes and its measures to enhance competitiveness is as follows:

Television revenue

In Q2 – 2016 and the first half of 2016, TV revenue amounted to Baht 286 million and 536 million, a 32% and 33% drop compared to the same period of last year but a 15% increase compared to the previous quarter. MCOT's TV revenue comprised:

- Advertising (55%)
- Time-rental (12%)
- Special projects in collaboration with government and state enterprises (30%)
- Other operations (3%)

Regardless of the fact that Quarter 2 was the seasonality for high advertising spending, MCOT's TV revenue slightly increased 10%, compared to the previous quarter and decreased 33%, compared to the same period of last year. To tackle the issue, MCOT adopted a sales strategy enabling direct communication with advertisers along with dealing with them through agencies.

To improve the Company's competitiveness, MCOT increased percentage of own programs and reduced that of time-sharing programs to increase advertising time owned by the Company. Currently, own programs accounted for 70% of the overall program proportion, which achieved the target. In addition, the Company carried out programming revamp setting a noticeable time slot for a variety of programs, for example; from Monday – Friday, 20.00 – 22.00 hrs., broadcasting variety and game shows, weekends from 17.00 – 18.00 hrs., broadcasting sitcom and from 21.00 – 22.00 hrs., broadcasting series. Also, new programs were added to attract more viewers including **Joh Jai, Jood Sood Siew Thailand, Woon Nak Rak Kam Tuek, Make it Right the Series**. Meanwhile, MCOT focused on existing programs that tended to gain more popularity including **Kao Dung Kham Wela, Ngan Wat Festival, Cash Cab Thailand and Borisat Ha Mai Junkud**. The ratings of both new and existing programs were expected to increase at the end of Q2-2016.

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Radio revenue

MCOT radio network set a clearly defined character, positioning and target audience of each station and continuously enhanced production and marketing effectiveness through producing programs meeting listeners' needs. Also, each station organized a series of on-ground activities to enhance audience engagement, for example, **a trip to experience EURO 2016 Tournament**, organized by FM 99 MHz, **CEO Vision on Thailand's Future Energy Talk** and **Smart Money Spending Talk** organized by FM 96.5 MHz, **Superstar Ha Hey** organized by FM 95 MHz, and **Workshop on Work Smarter not Harder, Smart Money Smart Life** organized by MET 107. Moreover, MCOT radio network leveraged its business through broadcast of programs on mobile applications to attract listeners of all ages worldwide.

In Q2 – 2016 and the first half of 2016, radio revenue amounted to Baht 212 million and Baht 406 million, a 12% and 9% drop compared to the same period of last year but a 10% increase compared to the previous quarter. MCOT's radio revenue comprised:

- Central radio stations (71%)
- Regional radio stations (29%)

The drop in radio business was attributable to the fact that regional radio failed to achieve the target and dropped 20% compared to the same period of last year. This failure was partly due to community radio stations who were granted authorization to broadcast after license suspension. To tackle this situation, sales strategy for regional radio was revised and cross-media strategy was adopted through broadcast of the same program on multiple platforms.

Central radio slightly grew, a 1% increase compared to the same period of last year. FM 95 MHz was the highest revenue generating station, followed by FM 96.5 MHz and FM 100.5 MHz

New Media

MCOT continuously developed and leveraged its new media businesses to maximize utilization of its existing resources. New media strategies included production of programs to be broadcast on MCOT's satellite channels: MCOT1 and MCOT World, provision of C-Band and Ku-Band satellite TV channels rental service to other satellite operators and broadcast of MCOT's owned content on online media platforms such as YouTube and websites. In Q2 – 2016 and the first half of 2016, new media revenue amounted to Baht 48 million and Baht 99 million, a 9% and 1% increase compared to the same period of last year, due to an increase in revenue generated from online platform.

Joint Operations

Revenue from joint operations and additional income from agreements in Q2-2016 and the first half of 2016 amounted to Baht 119 million and Baht 236 million, a 2% decrease and 1% increase compared to the same period of last year, including revenue from the Agreements with 2 private operators: Bangkok Entertainment Company Limited and True Visions Cable Public Company Limited.

Broadcasting Network Operation Service (BNO)

In Q2 – 2016 and the first half of 2016, MCOT's revenue from BNO amounted to Baht 88 million and 174 million, a 33% and 54% increase compared to the same period of last year, due to wider coverage areas. Currently, the BNO service was able to cover 90% of the households nationwide, in accordance with the timeframe set by the National Broadcasting and Telecommunication Commission.

Total expenses

Total expenses in Q2 – 2016 amounted to Baht 912 million, that was similar to those in 2015. Of the total expenses, operating expense that was the Company's major expense accounted for 69%. Aiming to improve quality of own programs production to increase audience and opportunity to sell advertising time, the expense for program production (**Jood Sood Siew Thailand, Woon Nak Rak Kam Teuk** and **Share Cheevit**) increased 34%, compared to the same period of last year. Due to the Company's ability in controlling sales and administration expenses, an 11 % decrease in these expenses was found, compared to the same period of last year.

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Net Profit

Due to the intensified competition among digital TV operators an imbalance between revenue and expenses, MCOT experienced a loss of Baht 68 million and 220 million in Q2 – 2016 and the first half of 2016, which dropped 352% and 679% compared to the same period of last year.

Assets, Liabilities and Shareholder's Equity

	Unit: Million Baht (Reviewed)		
	June 30, 2016	December 31, 2015	% Change
Assets	10,905	11,642	-6
Liabilities	3,789	4,260	-11
Shareholder's Equity	7,115	7,382	-4

As of June 30, 2016, the Company had total assets of Baht 10,905 million, total liabilities of Baht 3,789 million and shareholder's equity of 7,115 million. This represented the Company's financial strength.

Sincerely yours,



(Miss Thanaporn Thaweepanich)
Vice President, Corporate Secretary Department
MCOT Public Company Limited
Authorized to sign on behalf of the company

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