

MCOT Public Company Limited

63/1 Rama IX Road, Huaykwang
Bangkok 10310 Thailand
Phone +66 (0) 2201 6000
Fax +66 (0) 2245 1435
E-mail Contact@mcot.net
www.mcot.net



Ref: MCOT/ 6138 / 814
February 28, 2017
The Stock Exchange of Thailand
Attn: The President

Re: Management's Discussion and Analysis (MD&A) on the Company's operating results for the year 2016 ended December 31, 2016 and the year 2015 ended December 31, 2015

Dear Madam,

On February 27, 2017 the Board of Directors' Meeting No. 3/2017 has resolved to approve the Company's 2016 financial statements ended December 31, 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 year 2016 ended December 31, 2016 and the year 2015 ended December 31, 2015

In 2016, the Company experienced a deficit of Baht 758 million, a 1,823% decrease from the last year, with Baht 735 million deficit in the parent company or a deficit per share of Baht 1.07.

Unit: Million Baht (Audited)

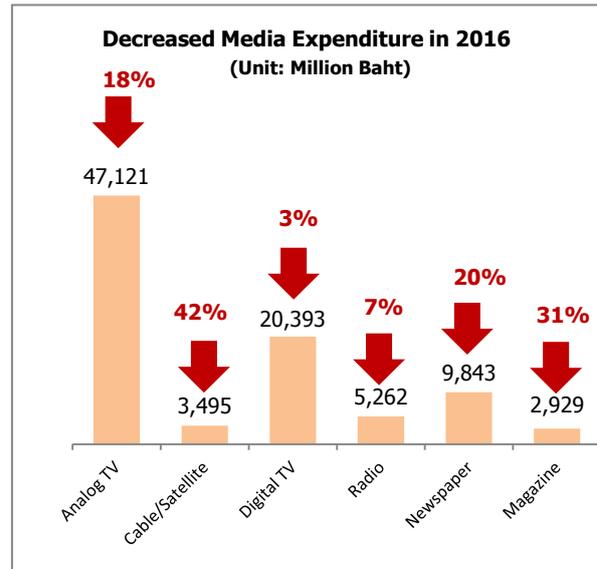
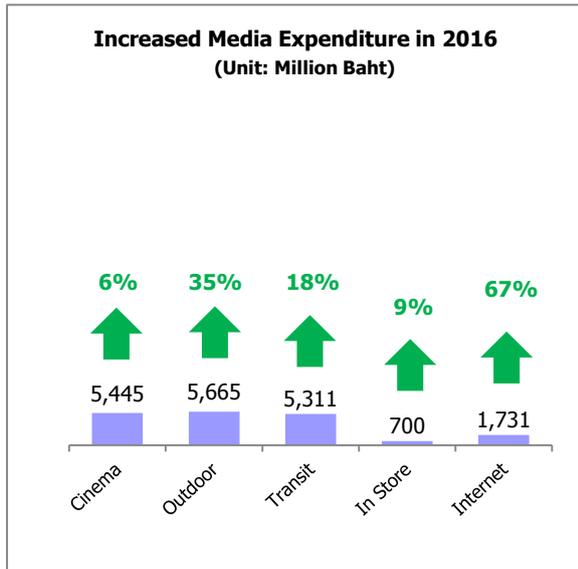
	2016	2015	% Changes
Total Revenue	2,891	3,839	-25
Television	1,142	1,678	-32
Radio	806	943	-15
New Media	137	195	-30
Broadcast Network Operation Service	194	291	-33
Joint Operations	421	418	0.7
Additional income from agreement	47	47	-
Others	144	267	-46
Total Expenses	3,762	3,779	-0.4
Net Profit (loss)	(758)	44	-1,823
EPS (loss)	(1.07)	0.08	-1,438
Parent Company Profit (loss)	(735)	58	-1,367
Net Profit of Minority Interest (loss)	(23)	(14)	-64

Business Overview and Advertising Industry

Thailand experienced continuous domestic consumption growth from the end of Q2-2016 owing to investment support from the government, increased agricultural product sales and tourism growth.¹ However, advertising industry in 2016 declined from the last year due to suspension of commercial spots during the mourning period of His Majesty King Bhumibol Adulyadej's passing in October and cancellation of marketing and PR plans by the private sectors at the end of the year. According to Nielsen Thailand, advertising spending in the industry 2016 dropped 11.69%, compared to the same period of last year. Of the total value of Baht 107,896 million, advertising spent through analog TV and digital TV was valued at Baht 47,121 million and Baht 20,393 million (a 17.92% and 2.57% drop from last year) respectively. Details of advertising values are indicated below.

¹ Monthly Economic Report 2016, Fiscal Policy Office

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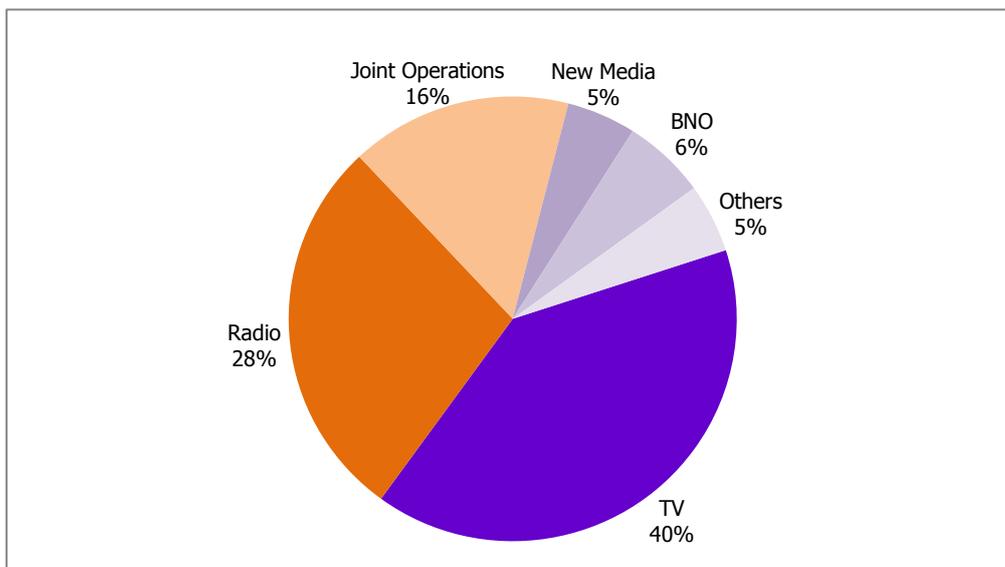


Advanced technology created more viewing options on various platforms apart from television, for example; mobiles, computers and tablets. Thailand *Internet User Profile 2016* conducted by **Electronic Transactions Development Agency (Public Organization) (ETDA)**² showed an average duration of daily internet usage of 6.4 hours. Most of users accessed the internet to watch content on YouTube (88%) and to watch TV programs, movies and listen online (73%). These were the factors impacted media operators including MCOT.

Total revenue

The Company’s operating results were affected by increasingly intensified competition among digital TV operators and shift in viewing behavior affected. As a result, the total revenue in 2016 dropped 25% to Baht 2,891 million, compared to the last year, the details of which are as follows:

- TV (40%)
- Radio (28%)
- Joint operations (16%)
- New media (Satellite TV network and online media) (5%)
- Broadcast network operation service (BNO) (6%)
- Others (5%)



² Thailand Internet User Profile 2016, Electronic Transactions Development Agency (Public Organization)

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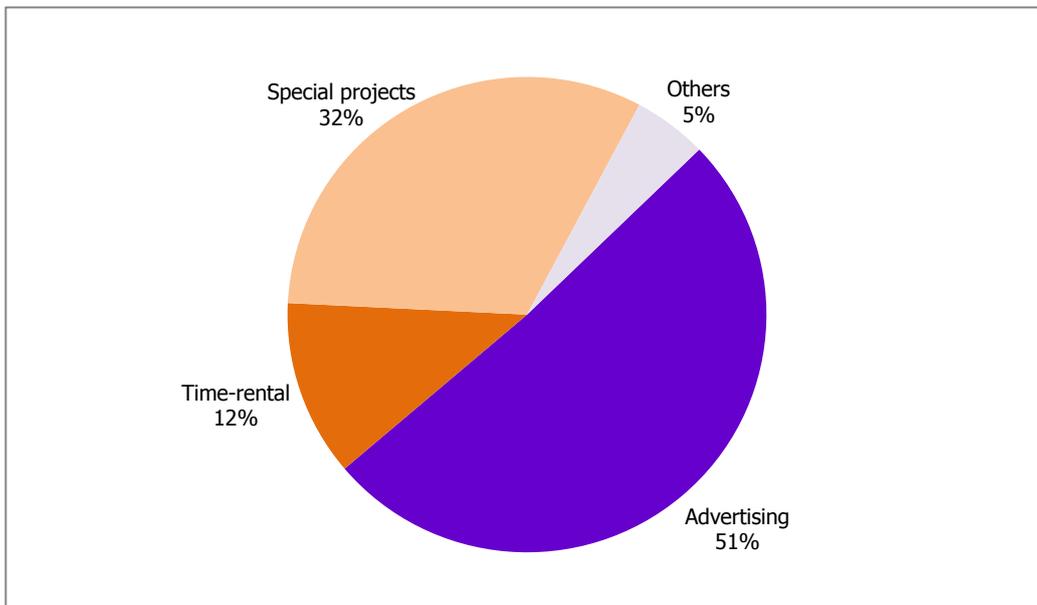
MCOT was well aware that revenue from television, which one of the company's core businesses, significantly decreased. The Company utilized all assets and sought new opportunities to generate additional revenue, for example; broadcasting MCOT's copyrighted content on digital media and distributing content to other media platform operators. Although these new businesses did not generate a large amount of revenue, they had a potential for growth. In response to an increasing demand for quality content, abilities of MCOT personnel in a production field were enhanced to realize the vision of becoming the Highly Creative Company.

Due to severe competition in the industry and decreased advertising expenditure, 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 2016, TV revenue amounted to Baht 1,142 million, a 32% drop compared to the same period of last year. MCOT's TV revenue comprised:

- Advertising (51%)
- Time-rental (12%)
- Special projects in collaboration with government and state enterprises (32%)
- Other operations (5%)



To improve the Company's competitiveness, MCOT continuously increased percentage of own programs and reduced that of time-sharing programs. Currently, the percentage of own programs accounted for more than 75% of the overall proportion. As a result, advertising in own programs increased 5%, compared to the same period of last year.

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. Interesting programs were as follows:

Documentary

- "Sai Tarn Prarachmaitri" (a series featuring the royal visits of H.M. King Bhumibol Adulyadej in 29 countries)
- "World Wonders"

Factual Entertainment

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- "Joh Jai"

Sitcom

- "Woon Nak Rak Khan Tuk" (Apartment War)
- "Make It Right"
- "Fitness Stories"
- "Part Time the Series"

Game Show

- "ID Lucky Number"
- "Infinite Challenge"

Series

- "Ruby Ring"

Sports

- "TKO Lumpini" (Muay Thai live broadcasting)
- "English Premier League"
- "Dutch League"
- Olympics live broadcasting (Q3-2016)

Meanwhile, MCOT continuously improved quality of existing programs, including "Ha Unlimited", "Timeline", "Cash Cab Thailand" and "Ying Tok Kanok Sak".

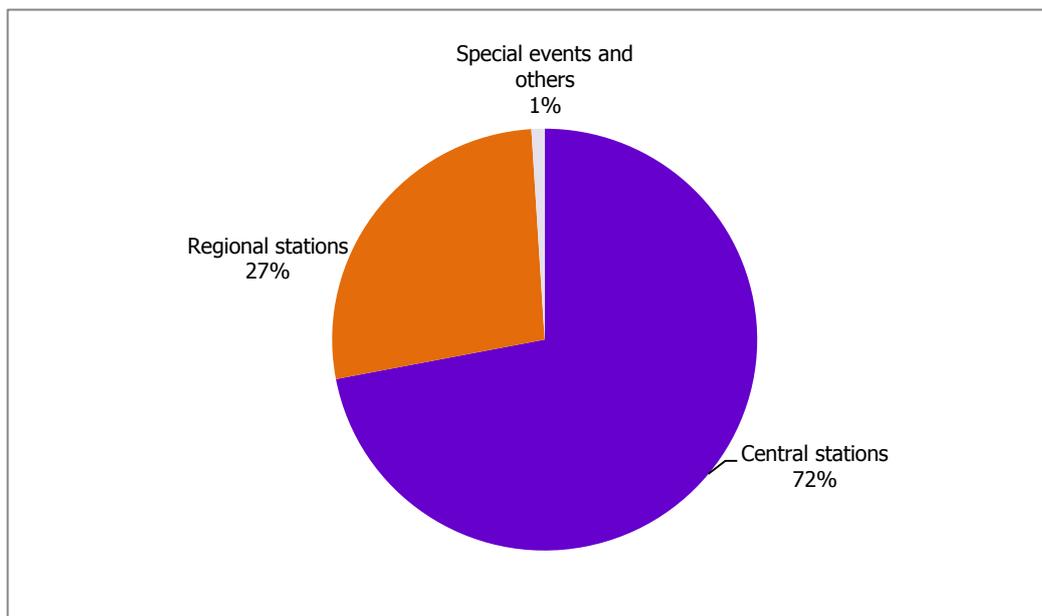
MCOT suspended the broadcast of entertainment programs during the mourning period of H.M. King Bhumibol Adulyadej's passing from October – November 2016 (30 days), in accordance with the Office of the National Broadcast of Telecommunication Commission's principles.

Moreover, MCOT implemented new sales strategies enabling direct communication with product owners instead of dealing with them through agencies. The same strategy was adopted in negotiating with private and public agencies on special projects. Such direct communication strategy was continuously carried out since 2015.

Radio revenue

In 2016, radio revenue amounted to Baht 806 million, a 15% drop compared to the same period of last year. MCOT's radio revenue comprised:

- Central stations (72%)
- Regional stations (27%)
- Special events and others (1%)



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MCOT radio network set a clearly defined target group of audience. Each station operated independently allowing it to develop programs that better satisfy the audience's needs. Special events were organized to enhance audience engagement. "MCOT Digital Hall" was launched to be a platform centralizing all MCOT's radio content. Live streaming of on-ground events in High-Definition was a special feature the project. In the future, MCOT Digital Hall would be launched into mobile application to create a new viewing experience for audiences.

The drop in radio business was attributable to a 21% drop in regional stations revenue, compared to the last year. Such drop was partly due to the fact that community radio stations was able to resume broadcasting after their licenses had been suspended as well as suspension of regular programs during the mourning period in October 2016. To tackle this situation, sales strategies for regional stations were revised along with a focus on content to be broadcast on radio, social media and applications. MCOT also announced dissolution of Seed MCOT, subsidiary company who experienced liquidity crisis and planned to self-operate the frequency.

FM 95 MHz was the highest revenue generating station, followed by FM 100.5 MHz and FM 96.5 MHz.

New Media

In 2016, new media revenue amounted to Baht 137 million, a 30% drop compared to the last year. New media businesses comprised satellite channel MCOT1, MCOT World, C-Band and Ku-Band satellite rental service and broadcast of MCOT's owned content on online media such as YouTube, Facebook and websites.

Despite a 170% increase in online revenue compared to the same period of last year, MCOT was unable to cover the loss in revenue from Ku-Band Satellite rental service which was a result from termination of agreement between MCOT and a satellite TV operator in August 2016.

Joint Operations

Joint operations revenue in 2016 of Baht 468 million, a 0.6% increase compared to the last year, due to acknowledgement of revenue and assets transferred from Bangkok Entertainment Company Limited.

Broadcasting Network Operation Service (BNO)

In 2016, MCOT's revenue from BNO amounted to Baht 194 million, a 33% decrease compared to the last year. Previously, MCOT was unable to collect payment for leasing fees from some clients although the Company clarified inquiries on technical problems and sought remedial measures for the clients. MCOT, in collaboration with the National Broadcasting Telecommunication Commission (the NBTC), conducted a test on service quality and it was found that the service quality met the requirements set by the NBTC. During a negotiation on payment settlement with the clients, MCOT agreed to offer discount, which was the reason for such revenue drop compared to the last year. In Q4-2016, the clients began to make payment for the leasing fees.

Currently, the BNO services were able to cover 90% of the households nationwide, in accordance with the timeframe set by the NBTC.

Other revenues

Total expenses in 2016 amounted to Baht 144 million, a 46% drop from the last year due to non-acknowledgement of special revenue, compared to the last year during which revenues from selling broadcasting equipment to True Visions Plc., revising litigation debt budget and charging a legal party for breaching a contract on HDTV studio installation were acknowledged.

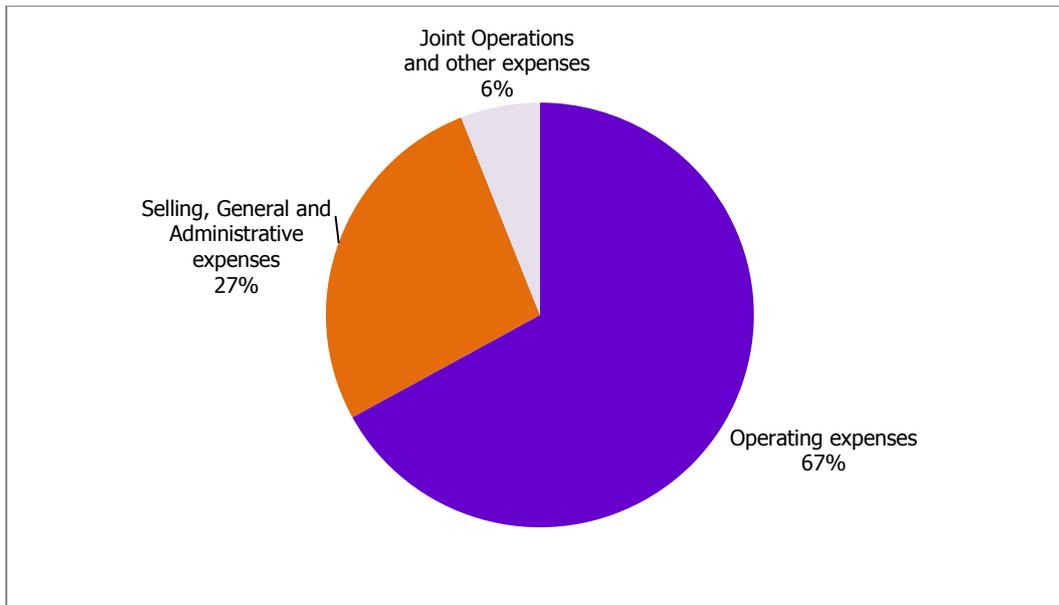
Total expenses

Total expenses in 2016 amounted to Baht 3,762 million, a 0.4% decrease compared to the last year. Total expenses comprised:

- Operating expenses (67%)
- Sales, General and Administrative expenses (27%)
- Joint Operations and other expenses (6%)

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Despite a drop in program production cost from suspension of entertainment programs during the mourning period from October – November, MCOT experienced a slight increase in operating expenses, compared to the last year since the Company had to pay for amortization of program license fee and high fee for Rio 2016 Olympics broadcast. Total expenses decreased compared to the last year owing to effective management of sales, general and administrative expenses.

In 2016, one-time payments for the following items were recorded: allowance for doubtful accounts of Seed MCOT and GMMB, impairment of investments of Seed MCOT and discounts for BNO clients.

Net Profit

Due to the intensified competition among digital TV operators, the shift in viewing behavior and the slowdown in advertising industry, MCOT experienced a deficit of Baht 758 million, which dropped 1,823%, compared to the last year.

Assets, Liabilities and Shareholder’s Equity

Unit: Million Baht (Audited)

	December 31, 2016	December 31, 2015	% Change
Assets	10,199	11,642	-12
Liabilities	3,633	4,260	-15
Shareholder’s Equity	6,566	7,382	-11

As of December 31, 2016, the Company had total assets of Baht 10,199 million, total liabilities of Baht 3,633 million and shareholder’s equity of 6,566 million. This represented the Company’s financial strength.

Sincerely yours,

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

Investor Relations
 Tel. 02 201 6388
 Fax 0 2245 1854

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