

The Opinion of the Independent Financial Advisor

Regarding

**The Acquisition of Licenses for Radio Frequency Usage in Providing
Commercial Digital Television Services at National Level**

Presented to



Shareholders of MCOT Public Company Limited

Prepared by



Krungsri Securities Public Company Limited

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This English translation has been prepared solely for the convenience of foreign shareholders of MCOT Public Company Limited and should not be relied upon as the definitive and official opinions of the Independent Financial Advisor regarding the transaction. The Thai language version of the opinions of the Independent Financial Advisor is the definitive and official document and shall prevail in all respects in the event of any inconsistency with this English translation.

Executive Summary

The National Broadcasting and Telecommunications Commission (the “NBTC”) is responsible for the transition of a current analog broadcasting into a digital broadcasting as prescribed by the Radio Frequency and Broadcasting Services Master Plan No.1 (B.E. 2555-2559) (the “Master Plan”). The Master Plan also stated that the auction for the radiofrequency licenses and the clear criteria for digital network and facility services must be achieved within 2013. Also, according to the Digital Broadcasting Transition Plan, it is stated that the transition into digital TV shall commence within 1 year and the digital broadcasting shall be commencing within 4 years after the Master Plan was put in effect. The transition plan also specified that it shall consider starting canceling analog broadcasting in 2015 (where the analog broadcasting is expected to completely cease within 2018). To top up its current business and to maintain its market share, MCOT Public Company Limited (the “Company” or “MCOT”) has its policy to participate in the radiofrequency auction. The Board of Directors’ meeting No. 12/2013, dated 24 September 2013 has resolved to approve MCOT to participate in the Auction for the License to Use Radio Frequency for Business Purposes in the National Level (the “Digital TV License”).

On 26 – 27 December 2013, MCOT participated in the Digital TV License auction. Eventually, MCOT was awarded 2 Licenses for 2 digital TV channels for a total value of THB 4,000 million (excluding VAT) divided into (1) SD Kids and Families Channel for THB 660 million and (2) HD Variety Channel for THB 3,340 million. In addition, MCOT has a plan to invest in new assets and investment to improve existing operating assets so that they can effectively be used to provide digital TV services for a total amount of THB 950 million. Consequently, a total consideration that MCOT has to pay out for its digital TV business shall be THB 4,950 million.

The Transaction has its volume of 58.49 percent of total assets. (Total value of consideration for the Digital TV Licenses of THB 4,950 million and value of investment in digital TV broadcasting network of THB 1,606 million which is the transaction occurring within the past 6 months prior to the transaction date compare to MCOT’s total assets as stated in the consolidated financial statements ending 31 September 2013 of THB 11,208.38 million. Shareholders can study details of the calculation in Section 2.4 “Type and Volume of the Transaction.”). Therefore, the transaction is classified as Class 1 Transaction as prescribed in the Notification of the Capital Market Supervisory Board (the “CMSB”) No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand (the “SET”) Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (the “Notification on Assets Acquisition or Disposition”) or the transaction with its volume equals to or exceeds 50 percent but less than 100 percent where MCOT is required to disclose information memorandum concerning the transaction to the SET. Also, MCOT has

to seek the shareholders' approval before entering into the transaction with three fourths of the total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders having a conflict of interest. Moreover, MCOT has to submit invitation to the shareholders' meeting, together with the opinions of the Independent Financial Advisor concerning the transaction, to the shareholders at least 14 days prior to the date of the shareholder's meeting.

However, the acquisition of digital TV licenses is a result of MCOT winning the auction. Disclosure of bidding amount in advance may adversely affect MCOT's competitiveness. Moreover, it is still uncertain that MCOT could win the bidding or not or even MCOT shall win the bid the amount of consideration paid to the NBTC is still unknown. Even when MCOT have received a notification to confirm that it is a bidding winner from the NBTC since 12 January 2014, MCOT has to pay the first installment to the NBTC within 30 days upon the receipt of such notification letter. It is not possible for MCOT to hold a shareholders' meeting prior to the deadline to pay the first installment as prescribed by the NBTC. Consequently, MCOT had to enter into any legal binding acts before receiving an approval from its shareholders. Nonetheless, MCOT shall propose to its shareholders to consider and rectify the transaction in the Annual General Shareholders' Meeting for the year 2014 held on 25 April 2014. Such rectification shall be made in accordance with the Notification on the Assets Acquisition and Disposition, including the appointment of an Independent Financial Advisor to provide independent opinion to the shareholders.

After considering, rationales and objective, advantages, disadvantages, and risk factors for entering into the transaction, Krungsri Securities Public Company Limited (the "Independent Financial Advisor" or "KSS") deems that the acquisition of the license to provide digital TV broadcasting services on DVB-T2 via ITU 700 MHz of 2 licenses for totaling THB 4,000 million (the "Digital TV Licenses"), consisting of (1) HD Variety Channel for the amount of THB 3,340 million and (2) SD Kids and Families Channel for the amount of THB 660 million from the NBTC and the investment in new assets in to improve the existing operating assets according to the 4-year plan for the amount of THB 950 million is **REASONABLE** because from the feasibility study of the said investment for totaling of THB 4,950 million MCOT shall earn an Internal Rate of Return (IRR) of 19.7 percent per annum which is higher than its WACC of 11.32 percent per annum. Besides, the investment shall also yield additional benefits to MCOT or in other words, having an NPV of THB 1,429 - 2,557 million.

After considering, rationales and objective, advantages, disadvantages, and risk factors for entering into the transaction, Krungsri Securities Public Company Limited (the "Independent Financial Advisor" or "KSS") opines that rationales and objectives, together with terms and conditions for entering into the transaction is **APPROPRIATE** because entering into the transaction shall allow MCOT to operate its TV business on a going concern basis. Also, the investment is consistent with the Radio Frequency and Broadcasting Services Master Plan No.1 (B.E. 2555-2559) that emphasizes on the transition from analog TV to digital TV and also specifies that it shall consider canceling analog broadcasting in 2018. If MCOT does not participate in the licenses auction this time, it shall not be able to operate its analog TV business or its current Channel 9 which contributes more than 50 percent of its total revenue in the future. Moreover, entering into the transaction can maintain MCOT's competitive advantages. Even though MCOT's market

share is expected to shrink from 18 percent of total media spending budget down to 11.5 percent of the same due to increasing in numbers of players, its new market share is expected to be ranked at the 3 place as it used to be. Besides, terms and condition set forth by the NBTC shall be applied to all bidders.

Therefore, the Independent Financial Advisor recommends MCOT's shareholders resolve to rectify the said acquisition of the Digital TV Licenses.

Shareholders should carefully consider the invitation to the shareholders' meeting and all of its attachments for their determination of the Transaction. However, the decision whether to resolve to rectify the Transaction or not depends solely on the shareholders' own discretion.

1. Background of the Transaction

In the past, radio and TV broadcasting business was very restricted arena, for it consisted of limited broadcasting channels. For the frequency is considered state properties, every single operator must be granted permission to use such limited frequency band by governmental bodies. In 2010, the Act on Organization to Assign Radio Frequency and to Regulate the Broadcasting and Telecommunications Services B.E. 2553 (the “Act to Assign and Regulate Radio Frequency”) was established and the establishment of the National Broadcasting and Telecommunications Commission (the “NBTC”) was followed suit. The NBTC shall be responsible to supervise and regulate radio and TV broadcasting business to ensure fairness and the utmost benefits for the nation. According to the Act to Assign and Regulate Radio Frequency, it is stated that for all radio frequency held by every governmental body shall be considered public properties and such radio frequency shall be returned to the NBTC within a destined period and the NBTC shall reallocate those radio frequency to licensees requiring to use the frequency by a fair and appropriate method.

Besides, according to the Radio Frequency and Broadcasting Services Master Plan No.1 (B.E. 2555-2559) (the “Master Plan”), the NBTC shall mainly be responsible for the transition of a current analog broadcasting into a digital broadcasting. It is also stated that the auction for the radiofrequency licenses and the clear criteria for digital network and facility services must be achieve within 2013. Also, according to the Digital Broadcasting Transition Plan, it is stated that the transition into digital TV shall commence within 1 year and the digital broadcasting shall be commencing within 4 years after the Master Plan was put in effect. The transition plan also specified that it shall consider starting canceling analog broadcasting in 2015 (where the analog broadcasting is expected to completely cease within 2018).

In order to follow the Master Plan, the NBTC has issued the NBTC’s Notification RE. “Rules, Conditions and Procedures for the Auction for the License to Use Ratio Frequency for Business Purposes in the National Level” dated 2 August 2013 (announced in the Royal Thai Government Gazette on 14 August 2013) (the “Auction Notification”), for the NBTC can specify criteria for the selection of the licensees and other criteria and conditions to be applied in the auction. The NBTC had also publicly announced its invitation to the auction since 27 August 2013. The auction was opened for 4 categories, which are:

- (1) Kids and Families Programs in Standard Definition (“SD Kids and Families Channel”) totaling 3 channels;
- (2) News and Informative Programs in Standard Definition (“SD News Channel) totaling 7 channels;
- (3) General Programs in Standard Definition (“SD Variety Channel”) totaling 7 channels; and
- (4) General Programs in High Definition (“HD Variety Channel”) totaling 7 channels.

To top up its current business and to maintain its market share, MCOT Public Company Limited (the “Company” or “MCOT”) has its policy to participate in the radiofrequency auction. The Board of Directors’ meeting No. 12/2013, dated 24 September 2013 has resolved to approve MCOT to participate in the Auction for the License to Use Ratio Frequency for Business Purposes in the National Level (the “Digital TV License”) in 3 categories for 3 Digital TV Licenses, which are:

- (1) SD Kids and Families Channel;
- (2) SD General; and
- (3) HD Variety Channel.

On 26 – 27 December 2013, MCOT participated in the Digital TV License auction. Eventually, MCOT was awarded 2 Licenses for 2 digital TV channels for a total value of THB 4,000 million (excluding VAT) divided into:

(1) SD Kids and Families Channel	for	THB 660 million
(2) HD Variety Channel	for	THB <u>3,340</u> million
Total	for	THB <u>4,000</u> million

MCOT has already received a letter from the NBTC to confirm the MCOT is a bidding winner since 12 January 2013 and MCOT is obliged to pay first installment at 50 percent of minimum bidding amount of each license (totaling of THB 938 million, excluding VAT) and 10 percent of the amount exceeding the minimum bidding amount of each license (totaling of THB 122 million, excluding VAT) for a total amount of THB 1,060 million (excluding VAT) within 30 days from the receiving date of such confirmation letter. MCOT has already paid the first installment to the NBTC since 10 February 2014 where the outstanding fee of THB 2,940 million (excluding VAT) shall be paid in another five installments (totaling 6 installments including the first installment) in 2015 – 2019.

Even though the NBTC has officially announced that MCOT is a bidding winner, the licenses have not yet been granted to MCOT at all. MCOT is required to submit license applications to the NBTC once again according to the NBTC's Notification RE. "Rules and Procedures for the Approval of Providing Broadcasting Services, B.E. 2555," dated 5 October 2012 (announced in the Royal Thai Government Gazette on 16 October 2012) and RE "Rules and Procedures for the Approval of Radio Frequency Usage for Providing Digital Television Services, B.E. 2556," dated 29 January 2013 (announced in the Royal Thai Government Gazette on 26 February 2013) (hereinafter collectively referred to as the "Notification for Application of Licenses") within 45 days from the date of receiving the notification letter from the NBTC confirming that MCOT is a bidding winner (within 25 February 2014). MCOT has already submitted such applications, together with all of the supplementary documents in accordance with the Notification for Application of Licenses, to the NBTC since 24 February 2014. Once being granted, such licenses shall be valid for 15 years from the date of approval.

Moreover, the Board of Directors' meeting No. 15/2013, dated 28 November 2013 has also resolved to approve MCOT's strategic plan which includes investment in new assets and investment to improve existing operating assets so that they can effectively be used to provide digital TV services such as improvement in production services, procure MCR to use in digital TV services, procure production equipment for Studio 3, improve production equipment in Studio 2 and 4, etc. for a total amount of THB 950 million. Since such investment is considered directly related to MCOT's digital TV services, it shall be included in a total consideration paid to acquire digital TV business. Consequently, a total consideration that MCOT has to pay out for its digital TV business shall be THB 4,950 million.

The Board of Directors of MCOT deemed that the transaction date shall be 26 December 2013, which is that date that MCOT officially stated its intention to enter into the transaction. Therefore, value of all assets acquisition occurring within a 6-month period prior to 26 December 2013 shall be included in a calculation of volume of the transaction. Within such 6-month period, MCOT has only one assets acquisition when its Board of Directors' meeting No. 12/2013, dated 24 September 2013 has resolved to approve the investment in digital TV network and facilities (the "Network and Facilities License")¹ for a total amount of THB 1,606 million.²

By including the value of all assets acquisition occurring within a 6-month period prior to the transaction date totaling of THB 1,606 million with the total consideration that MCOT has to pay out for its digital TV business of THB 4,950 million, volume of the transaction shall be 58.49 percent of MCOT's total assets (total assets as at 30 September 2013 equals to THB 11,208.38 million). Therefore, the transaction is classified as Class 1 Transaction as prescribed in the Notification of the Capital Market Supervisory Board (the "CMSB") No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand (the "SET") Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (the "Notification on Assets Acquisition or Disposition") or the transaction with its volume equals to or exceeds 50 percent but less than 100 percent where MCOT is required to disclose information memorandum concerning the transaction to the SET. Also, MCOT has to seek the shareholders' approval before entering into the transaction with three fourths of the total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders having a conflict of interest. Moreover, MCOT has to submit invitation to the shareholders' meeting, together with the opinions of the Independent Financial Advisor concerning the transaction, to the shareholders at least 14 days prior to the date of the shareholder's meeting.

However, the acquisition of digital TV licenses is a result of MCOT winning the auction. Disclosure of bidding amount in advance may adversely affect MCOT's competitiveness. Moreover, it is still uncertain that MCOT could win the bidding or not or even MCOT shall win the bid the amount of consideration paid to the NBTC is still unknown. Even when MCOT have received a notification to confirm that it is a bidding winner from the NBTC since 12 January 2014, MCOT has to pay the first installment to the NBTC within 30 days upon the receipt of such notification letter. It is not possible for MCOT to hold a shareholders' meeting prior to the deadline to pay the first installment as prescribed by the

¹ The Network and Facilities License is not included in the scope of this independent financial advisor's opinion, for it is a separate, independent license to the Digital Television Licenses that MCOT has won from the auction. MCOT can independently exploit benefits from Network and Facilities License. The Network and Facilities License was granted to MCOT in accordance with the resolution of the NBTC meeting No. 23/2013 dated 17 June 2013 that approve to grant the Network and Facilities Licenses to the Royal Thai Army, the National Broadcasting Services of Thailand, Thai Public Broadcasting Service, and MCOT. The licenses were granted without any consideration but with specified service conditions and should be valid for 15 years from 17 June 2013 to 16 June 2028. MCOT's network and facilities under this license can service 2 HD channels and 6 SD channels.

² Later, the Board of Directors' meeting No. 2/2014 on 28 January 2014 has cancelled such investment since the NBTC has changed its conditions and requirements of the digital TV network and the Board of Director has reviewed such investment again and resolved to approve an investment of THB 793 million as an additional investment in the fiscal year 2014 instead.

NBTC. Consequently, MCOT had to enter into any legal binding acts before receiving an approval from its shareholders. Nonetheless, MCOT shall propose to its shareholders to consider and rectify the transaction in the Annual General Shareholders' Meeting for the year 2014 held on 25 April 2014. Such rectification shall be made in accordance with the Notification on the Assets Acquisition and Disposition, including the appointment of an Independent Financial Advisor to provide independent opinion to the shareholders.

Krungsri Securities Public Company Limited (the "Independent Financial Advisor" of "KSS"), as an independent financial advisor in providing its opinions regarding the acquisition of 2 digital TV licenses to MCOT's shareholders, is of the opinion as follows:

2. Nature and Detail of the Transaction

2.1. Transaction Date

The Board of Directors of MCOT deemed that the transaction date shall be 26 December 2013, which is that date that MCOT officially stated its intention to enter into the transaction.

Even though the NBTC has officially announced that MCOT is a bidding winner since 12 January 2014 and the first installment have already been paid to the NBTC since 10 February 2014, MCOT is required to submit license applications to the NBTC once again according to the Notification for Application where the process of the NBTC's consideration of the license applications shall take 4 – 6 months before the NBTC can grant MCOT the licenses and the commercial operation shall commence later on.

Initially, the NBTC plans to have all licensees commence their digital TV broadcasting within 1 April 2014. Therefore, it is generally expected that the license application consideration and approval shall all be finished within March 2014. Nonetheless, process of application consideration and approval rely solely on the NBTC's discretion.

2.2. Concerning Parties

2.2.1. The Acquisition of Digital Television Licenses

Licensor: the National Broadcasting and Telecommunications Commission (“NBTC”)

Licensee: MCOT Public Company Limited (“MCOT”)

Licensor and licensee are not connected persons.

2.2.2. The Investment in Fixed Assets

Buyer: MCOT Public Company Limited

Sellers: Equipment Producers or Traders or Contractors

Buyer and sellers are not connected persons.

2.3. Value of Consideration (excluding VAT)

For MCOT can operate its digital TV business per the licenses granted by the NBTC, it needs to pay license fees for its two digital TV licenses totaling of THB 4,000 million and a 4-year investment plan to purchase new assets and to improve existing operating assets as having been approved by the Board of Directors' meeting No. 15/2013 dated 28 November 2013 totaling THB 950 million. Details are as follows:

- (1) Consideration payable to the NBTC for the 2 digital TV licenses of THB 4,000 million consisting of license fee for SD Kids and Families Channel of THB 660 million and license fee for HD Variety Channel of THB 3,340 million. Such payments are divided into 2 tranches as follows:
 - (a) Minimum bidding license fee shall be payable in 4 payments, which are:

- (a1) 1st payment shall be made within 30 days upon the date of receipt of the notification of the bidding winner for 50 percent of minimum bidding fee of each license, THB 755 million (excluding VAT) for HD general and THB 70 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding minimum bidding fee must be placed alongside the 1st payment.
- (a2) 2nd payment shall be made within 30 days upon the 1st anniversary of each license for 30 percent of minimum bidding fee of each license, THB 453 million (excluding VAT) for HD general and THB 42 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding minimum bidding fee must be placed alongside the 2nd payment.
- (a3) 3rd payment shall be made within 30 days upon the 2nd anniversary of each license for 10 percent of minimum bidding fee of each license, THB 151 million (excluding VAT) for HD general and THB 14 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding minimum bidding fee must be placed alongside the 3rd payment.
- (a4) 4th payment shall be made within 30 days upon the 3rd anniversary of each license for 10 percent of minimum bidding fee of each license, THB 151 million (excluding VAT) for HD general and THB 14 million (excluding VAT) for SD Kids and Families Channel.
- (b) Fee in excess of minimum bidding fee shall be payable in 6 payments, which are:
 - (b1) 1st payment shall be made within 30 days upon the date of receipt of the notification of the bidding winner for 10 percent of the fee in excess of minimum bidding fee of each license, THB 183 million (excluding VAT) for HD general and THB 52 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding Fee in excess of minimum bidding fee must be placed alongside the 1st payment.
 - (b2) 2nd payment shall be made within 30 days upon the 1st anniversary of each license for 10 percent of the fee in excess of minimum bidding fee of each license, THB 183 million (excluding VAT) for HD general and THB 52 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding Fee in excess of minimum bidding fee must be placed alongside the 2nd payment.
 - (b3) 3rd payment shall be made within 30 days upon the 2nd anniversary of each license for 20 percent of the fee in excess of minimum bidding fee of each license, THB 366 million (excluding VAT) for HD general and THB 104 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding Fee in excess of minimum bidding fee must be placed alongside the 3rd payment.
 - (b4) 4th payment shall be made within 30 days upon the 3rd anniversary of each license for 20 percent of the fee in excess of minimum bidding fee of each license, THB 366 million (excluding VAT) for HD general and THB 104 million (excluding VAT) for SD Kids

and Families Channel. L/G for the outstanding Fee in excess of minimum bidding fee must be placed alongside the 4th payment.

(b5) 5th payment shall be made within 30 days upon the 4th anniversary of each license for 20 percent of the fee in excess of minimum bidding fee of each license, THB 366 million (excluding VAT) for HD general and THB 104 million (excluding VAT) for SD Kids and Families Channel. L/G for the outstanding Fee in excess of minimum bidding fee must be placed alongside the 5th payment.

(b6) 6th payment shall be made within 30 days upon the 5th anniversary of each license for 20 percent of the fee in excess of minimum bidding fee of each license, THB 366 million (excluding VAT) for HD general and THB 104 million (excluding VAT) for SD Kids and Families Channel.

Details of license fee payable to the NBTC can be summarized as follows:

Unit : THB million

Payment	Minimum bidding fee payment rate	Fee in excess of the minimum bidding fee payment rate	Total payment of both licenses	HD Variety Channel Payment			SD Kids and Families Channel Payment		
				Total bid price	Min. bid Price	Excess min. bid price	Total bid price	Min. bid Price	Excess min. bid price
1	50%	10%	1,060	938	755	183	122	70	52
2	30%	10%	730	636	453	183	94	42	52
3	10%	20%	635	517	151	366	118	14	104
4	10%	20%	635	517	151	366	118	14	104
5	-	20%	470	366	-	366	104	-	104
6	-	20%	470	366	-	366	104	-	104
Total	100%	100%	4,000	3,340	1,510	1,830	660	140	520

In case, the bidding winner does not pay such fees within the prescribed period, it must pay additional fee in the amount equals to multiplication result of such unpaid fees and an interest rate of 7.5 percent per annum and proportion of unpaid period in a year (360 days). If the bidding winner cannot rectify such unpaid payment within a prescribed period, it shall be considered the bidding winner having breached conditions set forth in the licenses and the NBTC can consider withholding or withdrawing the awarded license.

(2) Investment in new assets and to improve existing operating assets

MCOT has a plan to invest in new assets and to improve its existing operating assets so that it can operate its digital TV business effectively. The Board of Directors meeting No. 15/2013 dated 28 November 2013 has resolved to approve a 4-year investment plan 2556 for a total amount of THB 950 million. However, such investment shall be adjustable to be in line with the future business of MCOT. Initially, the investment shall be THB 336 million, THB 177 million, THB 332 million and THB 105 million in 2014, 2015, 2016, and 2017, respectively.

Consequently, total consideration payable to acquire digital TV business shall be THB 4,950 million.

2.4. Type and Volume of the Transaction

MCOT's digital TV business consists of 3 components, which are (1) HD Variety Channel digital TV license totaling THB 3,340 million (2) SD Kids and Families Channel digital TV license totaling of THB 660 million and (3) investment in operating assets totaling THB 950 million, for a total amount of THB 4,950 million (as aforementioned in Section 2.3). As a result, volume of the said transaction, calculated according to total consideration criteria, shall be 44.16 percent of total assets stated in the consolidated financial statement of MCOT ending 30 September 2013³, equaling to THB 11,208.38 million.

Details of the calculation shall be illustrated as follows:

Unit : THB million	
Items	Amount
Bidding amount for HD Variety Channel	3,340.00
Bidding amount for SD Kids and Families Channel	660.00
Investment in assets to support digital TV business	950.00
Total consideration for digital TV business	4,950.00
Total assets as at 30 September 2013	11,208.38
Volume of the transaction	44.16%

However, it is required by the Notification on Assets Acquisition and Disposition that the calculation of volume of the transaction shall include value of all assets acquisition occurring within a 6-month period prior to the transaction date. Within such 6-month period, MCOT has only one assets acquisition when its Board of Directors' meeting No. 12/2013, dated 24 September 2013 has resolved to approve the investment in digital TV network and facilities (the "Network and Facilities License")⁴ for a total amount of THB 1,606 million.⁵ Consequently, being combined with value of all assets acquisition occurring within a 6-month period prior to the transaction date, volume of the transaction shall equal to 58.49⁶ of total assets stated in the consolidated financial statement of MCOT ending 30 September 2013

³ Since the Board of Directors of MCOT deemed that the transaction date shall be 26 December 2013, which is that date that MCOT officially stated its intention to enter into the transaction; calculation of the volume of the transaction shall be made based upon consolidated financial statements for a 9-month period ending 30 September 2013. However, if volume of the transaction is to be made based upon consolidated financial statements for a 12-month period ending 31 December 2013, it shall equal to 44.32 of total assets.

⁴ Refer to footnote 1 on Page 6

⁵ Refer to footnote 2 on Page 6

⁶ However, if volume of the transaction is to be made based upon consolidated financial statements for a 12-month period ending 31 December 2013, it shall equal to 58.70 of total assets.

Details of the calculation shall be illustrated as follows:

Unit : THB million

Items	Amount
Bidding amount for HD Variety Channel	3,340.00
Bidding amount for SD Kids and Families Channel	660.00
Investment in assets to support digital TV business	950.00
Total consideration for digital TV business	4,950.00
Value of Assets Acquisition resulting from the awarded Network and Facilities License occurring within a 6-month period prior to the transaction date	1,606.00
Total value of consideration according to the Notification on Assets Acquisition and Disposition	6,556.00
Total assets as at 30 September 2013	11,208.38
Volume of the transaction	58.49%

Therefore, the transaction is classified as Class 1 Transaction as prescribed in the Notification of the Capital Market Supervisory Board (the “CMSB”) No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Stock Exchange of Thailand (the “SET”) Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (the “Notification on Assets Acquisition or Disposition”) or the transaction with its volume equals to or exceeds 50 percent but less than 100 percent where MCOT is required to disclose information memorandum concerning the transaction to the SET. Also, MCOT has to seek the shareholders’ approval before entering into the transaction with three fourths of the total votes of the shareholders attending the meeting and having the right to vote, excluding the shareholders having a conflict of interest. Moreover, MCOT has to submit invitation to the shareholders’ meeting, together with the opinions of the Independent Financial Advisor concerning the transaction, to the shareholders at least 14 days prior to the date of the shareholder’s meeting.

However, the acquisition of digital TV licenses is a result of MCOT winning the auction. Disclosure of bidding amount in advance may adversely affect MCOT’s competitiveness. Moreover, it is still uncertain that MCOT could win the bidding or not or even MCOT shall win the bid the amount of consideration paid to the NBTC is still unknown. Even when MCOT have received a notification to confirm that it is a bidding winner from the NBTC since 12 January 2014, MCOT has to pay the first installment to the NBTC within 30 days upon the receipt of such notification letter. It is not possible for MCOT to hold a shareholders’ meeting prior to the deadline to pay the first installment as prescribed by the NBTC. Consequently, MCOT had to enter into any legal binding acts before receiving an approval from its shareholders. Nonetheless, MCOT shall propose to its shareholders to consider and rectify the transaction in the Annual General Shareholders’ Meeting for the year 2014 held on 25 April 2014. Such

rectification shall be made in accordance with the Notification on the Assets Acquisition and Disposition, including the appointment of an Independent Financial Advisor to provide independent opinion to the shareholders.

2.5. Characteristics of the Transaction

2.5.1. Details of the Transaction

a) *Process to acquire digital TV licenses*

Process to acquire digital TV licenses from the bidding until the license shall officially be granted can be illustrated as follows:

Process	Due date	Remarks
1. the NBTC issued Notification on the License Auction	14 August 2013	
2. the NBTC issued public invitation to participate in the license auction	27 August 2013	
3. MCOT bought bidding applications	11 September 2013	Paying fee for bidding application consideration for 3 channels totaling of THB 3 million
4. MCOT submitted bidding application	28 October 2013	Provide cheque in the amount of THB 203 million as a bidding collateral (THB 151 million for HD Variety Channel, THB 14 for SD Kids and Families Channel and THB 38 million for SD General)
5. NBTC officially announce qualified bidders	12 December 2013	MCOT was eligible to participate in the auction for 3 channels as having applied
6. Auction date	26-27 December 2013	Participate in bidding of 3 channels, but won 2 channels, which are HD Variety Channel for THB 3,340 million and SD Kids and Families Channel for THB 660 million or a total of THB 4,000 million
7. the NBTC officially announce bidding winners	12 January 2014	
8. Payment of the 1 st installment	within 30 days from Item 7 (10 February 2014)	Pay 1 st installment of THB 1,060 million and put L/G for the amount totaling THB 2,940 million equaling to the remaining amount of the license fees
9. Seeking digital TV network services with Network and Facilities licensees	within 30 days from Item 7 (10 February 2014)	MCOT, as one of Network and Facilities licensees, to use its own network

Process	Due date	Remarks
10. Submit digital TV license application to the NBTC	within 45 days from Item 7 (25 February 2014)	MCOT has already submitted the applications to the NBTC since 24 February 2014
11. Officers of the NBTC to verify the correctness of the applications	within 15 business days from Item 10	Extendable for another 7-day period. In case the officers need to have additional documents, they can notify applicants to provide such information within 15 business days and the consideration process shall temporarily halt.
12. Officers of the NBTC to determine and analyze appropriateness of the digital TV business and draft terms and conditions of the licenses to be awarded for the NBTC to consider.	within 60 business days from Item 11	Extendable for exceeding two times of a 15-day period.
13. Officers of the NBTC shall present findings to the NBTC	within 15 days from Item 12	
14. the NBTC to consider the applications	within 30 business days from Item 13	In case there should be any further clarification to be made, the NBTC shall notify the applicants to submit additional documents within 30 days upon the date of such notification or any period as prescribed by the NBTC for reconsideration.
15. the NBTC to grant licenses	after completion of the consideration process	

Currently, MCOT has already fulfill Item 10 and waiting for the NBTC's consideration as stated in Item 11 – 15 which shall take 4 -6 months before the licenses is to be awarded and commercial operation to commence.

Initially, the NBTC plans to have all licensees commence their digital TV broadcasting within 1 April 2014. Therefore, it is generally expected that the license application consideration and approval shall all be finished within March 2014. Nonetheless, process of application consideration and approval rely solely on the NBTC's discretion.

b) Scopes, conditions, and responsibilities after licenses having been awarded

Scopes, conditions, and responsibilities after licenses having been awarded can be summarized as follows:

Self Operate

The licensees must solely operate the TV business under the Digital TV Licenses without transferring a whole or in part of their operation to any third parties. Transferring of the rights to operate Digital TV as a whole or in part beyond is prohibited except for some certain suitable broadcasting hours, Time-Sharing, allowed by the NBTC.

Commercial Operation

The licensees must start their digital broadcasting under the plan submitted to the NBTC within 30 days after receiving the license from the NBTC.

Operating Cancellation

The licensees must continue their services through the 15-year validity period of the license. The cancellation of services prior to the ending of concession is not allowed unless the appropriate remedy plan is submitted and accepted by the NBTC.

Abeyance of Service

Abeyance of the service either in whole or in part is prohibited unless it is approved upon discretion of the NBTC.

Prohibition of Undeclared Program

Broadcasting of undeclared program is prohibited unless it was submitted for approval 7 days prior to the broadcasting date. The broadcasting of undeclared program concerned public awareness and safety or by order of governmental agencies is generally allowed. However, licensees entitle to inform the related officers soonest possible.

Program Content Monitoring

- (1) Licensees are responsible for monitoring the broadcasting contents including advertisement and announcement to be conformed to the principal or rule of professional conduct and moral.
- (2) Licensees must be competent to monitor and restrain the broadcasting of contents contained substance lead to the dissolution of constitutional monarchy, harmful to national security and public morals, obscenity, and deteriorate public mentality and health.

Intellectual Property Rights

Prior to taking further action, licensees must obtain necessary legal rights or permits to broadcast, re-run, edit, and others action over the contents protected by intellectual property laws.

Scope of Revenue Generation

License holder may utilize the license by selling air time, advertisement, subscription, and others. However the advertisement and public relation services are limited to 12.5 minutes per one broadcasting hour and on daily basis must not exceeding average figure of 10 minutes per one hour per day.

Subscription Fee

Upon the approval of the NBTC, license holder must reasonably and fairly charge the subscription fee to the subscribers and competitors.

The NBTC Annual Fee

License holder is liable to pay an annual fee of 2 percent of gross revenue from TV business before deduction of any cost and expense to the NBTC. Delay payment is subject to penalty. Further, non-payment may be disclaimed.

Public Broadcasting Research and Development Fund Annual Fee

License holder is liable to pay an annual fee of 2 percent of gross revenue from TV business before deduction of any cost and expense to Public Broadcasting Research and Development Fund. The fee is subject to change up on the NBTC discretion.

Merger and Acquisition

Licensees must seek approval from the NBTC for any activities between licensees such as merging of business, acquiring of business, engaging in an agreement, or any activities that cause one license holder to have control over or deter other licenses holder from operation.

Compliance of the Anti-trust Law

Licensees shall act in compliance with the Anti-trust Law and shall not commit to any acts, deemed by the NBTC, which shall cause unfair competition for providing services according to the awarded licenses.

Consumer Protection

Licensees must act in compliance with relating rules and regulations on the customer protection requirement as being announced by the NBTC.

Service for the handicaps and the disadvantaged

Licensees must provide services for the handicaps and the disadvantaged so that they can have access to the services equally with general people or according to rules and regulations as being announced by the NBTC.

2.5.2. Sources of Fund

To settle price according to the acquisition price of 2 digital TV licenses of THB 4,000 million (excluding VAT) and the 4-year investment in new assets and to improve existing operating assets of THB 950 million (excluding VAT) or THB 4,950 million (excluding VAT) in combined, MCOT has a policy to utilized its internal cash flow. According to its financial statements for a 12-month period ending 31 December 2013, MCOT has recorded cash and cash equivalent of THB 2,650 million and short-term

investment of THB 1,686 million. MCOT then has liquid assets of THB 4,336 million in aggregate. Also, MCOT has been having its net profit and cash flow from operation for the amount exceeding THB 1,000 million per annum so far.

Besides, according to its consolidated statements of financial position as at 31 December 2013, MCOT has a D/E ratio of 0.40 time, which is considered relatively low. If necessary, MCOT can still utilize its debt capability to settle the transaction price.

Settlement of the transaction price in each year can be illustrated as follows:

Unit : THB million

Year	License Fee	Investment in Assets	Total
2557	^{1/} 1,060	336	^{1/} 1,396
2558	730	177	907
2559	635	332	967
2560	635	105	740
2561	470	-	470
2562	470	-	470
Total	4,000	950	4,950

Remark ^{1/} MCOT has already settled the 1st installment of license fee of THB 1,060 million since 10 February 2014; therefore, in 2014, there is only a burden to invest assets of THB 336 million remaining.

3. Reasonableness of the Transaction

3.1. Rationales and Objectives of the Transaction

According to the Radio Frequency and Broadcasting Services Master Plan No.1 (B.E. 2555-2559) (the “Master Plan”), it clearly states its intention to turn a current analog broadcasting into a digital broadcasting. Also, according to the Digital Broadcasting Transition Plan, it is stated that the transition into digital TV shall commence within 1 year and the digital broadcasting shall be commencing within 4 years after the Master Plan was put in effect. The transition plan also specified that it shall consider starting canceling analog broadcasting in 2015, and it is generally expected that the analog broadcasting shall completely cease within 2018. If MCOT does not participate in the license auction this time, it shall only have time to operate its existing analog broadcasting until 2017. MCOT’s revenue from its analog TV accounts for more than half of its total revenue. Consequently, if it did not participate in the auction, it is likely that MCOT might be affected from lacking of capability to run on a going concern basis.

3.2. Advantages of the Transaction

3.2.1. MCOT is capable of running on a going concern basis

Currently MCOT’s TV revenues come from 3 sources, which are (1) revenues from Channel 9 on analog platform, (2) revenue from 2 channels of satellite TV – MCOT 1 and MCOT World, and (3) revenue recognition from subsidiaries’ revenues from ads and TV program production which is not directly related to broadcasting business. Breakdown of MCOT’s TV revenue can be illustrated as follows:

Type of Revenues (Unit : THB million)	2011	2012	2013
(1) Revenues from Channel 9 on an analog platform	3,130	3,426	3,431
(2) Revenue from satellite TV channels	158	341	338
(3) revenue recognition from subsidiaries	107	93	53
Total TV revenue	3,395	3,860	3,822
Total revenue of MCOT	5,313	5,947	5,985
Percentage of total TV revenue			
(1) Revenues from Channel 9 on an analog platform	92.19	88.76	89.77
(2) Revenue from satellite TV channels	4.65	8.83	8.84
(3) revenue recognition from subsidiaries	3.15	2.41	1.39
Percentage of MCOT’s total Revenue			
(1) Revenues from Channel 9 on an analog platform	58.91	57.61	57.33
(2) Revenue from satellite TV channels	2.97	5.73	5.65
(3) revenue recognition from subsidiaries	2.01	1.56	0.89

In the event that MCOT did not participate in the Digital Television Licenses this time and the NBTC shall proceed to cease analog broadcasting within 5 years from now, MCOT shall only have time to operate its existing analog broadcasting until 2017. Therefore, MCOT shall lose its revenue from analog TV from 2018 onwards.

Revenue from Channel 9 on an analog platform is a major source of revenue of MCOT. During 2011 – 2013 such revenues are recorded at THB 3,100 – 3,400 million or accounting for 90 – 92 percent of revenue from TV or accounting for 57 – 59 percent of MCOT’s total revenue. Losing of such major source of revenue might result in MCOT’s lacking of capability to run on an ongoing basis. However, winning the Digital Television Licenses shall ensure that MCOT can operate its TV business for another 15-year period until the expiration date of the licenses.

3.2.2. To maintain market leader status and competitive advantage

Currently, competition among free TV is limited to only 5 players which are (1) Channel 7 with a share on total media spending budget (or the market share) of 32 percent; (2) Channel 3 with the market share of 30 percent; (3) Channel 9, belonging to MCOT, with the market share of 18 percent; (4) Channel 5 with the market share of 17 percent and (5) NBT with the market share of 3 percent. However, MCOT’s marketing department estimated that the total market share of those existing players shall shrink down to 52 percent, because of the increasing in the number of players from existing of only 5 players to 24 players. Media spending budget shall then well disperse to new players.

Initially, MCOT estimates that after the transition from analog to digital having completed, HD Variety Channel shall have its market share of 64 per cent of total media spending budget, which is the highest of all program categories. Channel 3, 7 and 9 can still maintain its leadership in this program category because all those 3 players shall move their existing analog channel to broadcast on the new HD digital platform. Eventually, it is estimated that Channel 3 and 7 shall take up a market share of around 33 – 34 percent of media spending budget via HD channels (or around 21 – 22 percent of total media spending budget) and Channel 9 shall come at the third place occupying around 14 media spending budget via HD channels (or around 9 percent of total media spending budget).

For SD Kids and Families Channel, there are only 3 players in this program category which are (1) BEC Multimedia Company Limited (a subsidiary of Channel 3); (2) Thai TV Company Limited (a subsidiary of TV Pool); and (3) MCOT. MCOT estimates that SD Kids and Families Channel shall seize around 5 percent of total media spending budget. By relying on MCOT’s potential as a market leader in this program category where it currently post a strong market share of 54 percent of media spending via kids and families program, MCOT expects to hold a market share of around 50 percent in this category (or around 2.5 percent of total media spending budget) after the transition from analog to digital having completed.

Therefore, after the transition from analog to digital having completed, MCOT expects to have its total market share of 11.5 percent of total media spending budget, consisting of (1) existing Channel 9 which is to be migrated to digital platform contributing of 9 percent and (2) SD Kids and Families Channel contributing of 2.5 percent. As a result, MCOT, still being ranked at the third place, can still hold its leadership in the market. It is only second to Channel 3 and 7 occupying around 28 percent and 21 percent of total media spending budget, respectively.

3.3. Disadvantages of the Transaction

3.3.1. Capital intensive

By entering into the bidding for HD Variety Channel and SD Kids and Families Channel, MCOT has to pay a consideration totaling of THB 4,000 million (excluding VAT). Also, MCOT has to enter into an investment plan to purchase new assets and to improve existing assets according to a 4-year plan totaling THB 950 million (excluding VAT), yielding in a total investment of THB 4,950 million (excluding VAT). Such amount of investment is considered the highest ever in MCOT's history. Normally, MCOT only have to invest for improvement of equipment or for a replacement of some assets in the amount not exceeding THB 500 million per annum.

According to its financial statements for a 12-month period ending 31 December 2013, MCOT has recorded cash and cash equivalent of THB 2,650 million and short-term investment of THB 1,686 million. MCOT then has liquid assets of THB 4,336 million in aggregate. Also, MCOT has been having its net profit and cash flow from operation for the amount exceeding THB 1,000 million per annum so far. Finally, such investment in the licenses and assets are split into 6 and 4 payments. For the aforementioned reasons, the Independent Financial Advisor deems that MCOT shall have sufficient source of fund to enter into the Transaction.

Besides, according to its consolidated statements of financial position as at 31 December 2013, MCOT has a D/E ratio of 0.40 time, which is considered relatively low. If necessary, MCOT can still utilize its debt capability to settle the transaction price.

3.3.2. Increase in D/E Ratio

According to accounting standards, MCOT has to record investment value of the investment in 2 digital TV licenses of THB 4,000 million as intangible asset. However, MCOT has already paid the 1st installment of the license fee of THB 1,060 million to the NBTC since 10 February 2014 resulting in an accrued license fee of THB 2,940 million which is to be recorded as accrued expenses on liabilities side of the financial statements.

The Independent Financial Advisor has calculated the effects of such increase in accrued expenses based on the financial statements for the 12-month period ending 31 December 2013 and adjustment of the investment in the licenses and found that MCOT's D/E ratio shall rise from 0.40 time up to 0.77 time. Details of the calculation can be illustrated as follows:

Statement of the Financial Position (Unit : THB million)	As at 31 December 2013	
	Consolidated (Audited)	Consolidated (After Adjustment)
Total assets - existing	11,168	11,168
Intangible assets – Digital TV Licenses	-	4,000
Cash decreases from payment of the 1 st installment	-	(1,060)
Total assets – after adjustment	11,168	14,108
Total liabilities - existing	3,208	3,208
Accrued Digital TV Licenses fee	-	2,940
Total liabilities – after adjustment	3,208	6,148
Total shareholder’s equity	7,960	7,960
D/E ratio (time)	0.40	0.77

Even though the investment in those Digital TV Licenses shall cause MCOT’s D/E ration to increase, the increased D/E ration is still considered relatively low. Moreover, in the event that MCOT shall gradually pay license fee, accrued Digital TV Licenses fee shall also gradually decrease also eventually yielding a decreasing in D/E ration. Consequently, such investment shall not cause much burden to MCOT’s debt capacity.

3.3.3. Increase in amortization expenses

As having been stated in Section 3.3.2 that by entering into the acquisition of Digital TV Licenses of THB MCOT has to record value of the Digital TV Licenses of THB 4,000 as intangible assets. Such intangible assets shall be amortized over the licenses’ life of 15 years causing MCOT additional amortization expenses of THB 267 million per annum, while the current analog TV business of MCOT does not have this kind of expenses at all. Such amortization expenses shall adversely affect MCOT’s bottom-line of THB 214 million. (Such amortization expenses is tax deductible resulting in a tax saving of around THB 53 million at corporate tax rate of 20 percent – THB 267 million multiplied by corporate tax rate of 20 percent.)

Since amortization expenses are non-cash items, it might affect profitability on MCOT in a comprehensive statement of income but it shall not affect MCOT’s cash flow at all.

However, during 2014 – 2019 MCOT’s cash flow shall be affected from the actual payment of licenses fee according to the installments as prescribed by the NBTC.

3.3.4. Increase in other expenses

As prescribed by the condition of the licenses, MCOT is obligated to pay annual fee and annual contribution to the Broadcasting and Telecommunication Fund for Public in aggregate of 4 percent of MCOT’s revenue before any costs and expenses of the business conducting under the awarded license, while

the current analog TV business of MCOT does not have this kind of expenses at all. Since the calculation of the paid fee shall be based on sales which is a reference with the highest amount in the profit and loss statements, such fee shall drastically affect MCOT's profitability and cash flow. However, the Independent Financial Advisor has included such factors in to its cash flow projection and found that even though profitability of MCOT shall be adversely affected; such investment could yield additional benefit to MCOT at around THB 1,429 - 2,557 million

3.4. Risk Factors of the Transaction

3.4.1. Digital TV Penetration

At the beginning of the period of transition from analog broadcasting to digital broadcasting, there must be some viewers who cannot access to digital TV broadcasting. Such viewers has to buy set-top box to transform digital signal to be compatible with conventional TV sets, which shall cause additional expenses to viewers

The NBTC has realized this issue and shall address it by giving away free coupon as a subsidy to all of 22 million Thai households in order to provide equality for digital TV access. However, due to the NBTC being now in the process of issuing Digital TV Licenses and it having to cautiously consider its subsidy program, such policy has not yet been officially announced.

Currently, the NBTC believes that the subsidy policy might not be launched on 1 April 2014 which is the date that the NBTC would like all digital TV licensees to commercially broadcast their digital TV. It is expected that the NBTC shall be able to launch its subsidy program in June – July 2014. Delay in the NBTC's coupon policy shall affect penetration rate of the digital TV in its early transition stage.

Moreover, a policy to broadcast on both platforms simultaneously shall make viewers overlook the necessity to purchase set-top box. Lastly, should there be a huge different between the NBTC's coupon and the price of the set-top box, there might be an effect to the acceptance and penetration of digital TV also.

3.4.2. Risk that the operation result shall not meet the expectation

Digital TV Licenses bidding this time shall result in increasing number of players from existing 5 players to 24 players. Free TV which has so far been an oligopoly market shall be opened to a real competition. Also, all players have to pay extensive amount of consideration to the NBTC. Competition to capture media spending budget shall become more severe, for all players has to maximize their profits. Forecasting of operating result during the time of severely competitive market situation tends to yield diverse forecasting discrepancy.

However, assumptions for the financial forecast were considered based on a conservative approach and based on the experience, expertise, and acquaintance to the management of MCOT's TV business where it is ranked at the third place in the market (second only to Channel 7 and 3). Also MCOT has its policy to migrate its existing Channel 9 in analog platform to broadcast in its HD Variety Channel which is expected to

contribute major revenue to MCOT in the future. Consequently, risk that the operation result shall not meet the expectation is deemed minimal.

Nonetheless, assumptions of the financial forecast were determined base upon the current economic situation and it is assumed that there are no significant changes occurring throughout the projection period. Should there be any significant changes in economic and other external factors which may significantly affect MCOT's operating performance; the above assumptions shall also be adversely affected.

4. Fairness of the Price and Terms and Conditions of the Transaction

4.1. Fairness of the Price of Transaction

The Independent Financial Advisor shall evaluate the feasibility of the investment in the Digital TV Licenses by employing the analysis of Net Present Value (NPV), Payback Period and Internal Rate of Return (IRR) from the projected cash flow from MCOT's operation under 2 licenses which are (1) a license to operate HD Variety Channel and (2) a license to operate SD Kids & Families Channel based on the assumption that those license shall be valid for 15 years (from April 2014 – April 2029).

The Independent Financial Advisor has prepared a financial projection based on historical financial information and financial ratios; general public information such as the auditor's reports, the audited financial statements; management interviews. Also, it is assumed that MCOT can run its business on a going concern basis. The said assumptions are established under the current economic situation and there are no other events that may cause significant impacts to the MCOT's business operation.

Here are the key assumptions used for preparing the financial projection:

(1) Revenue from Television Business

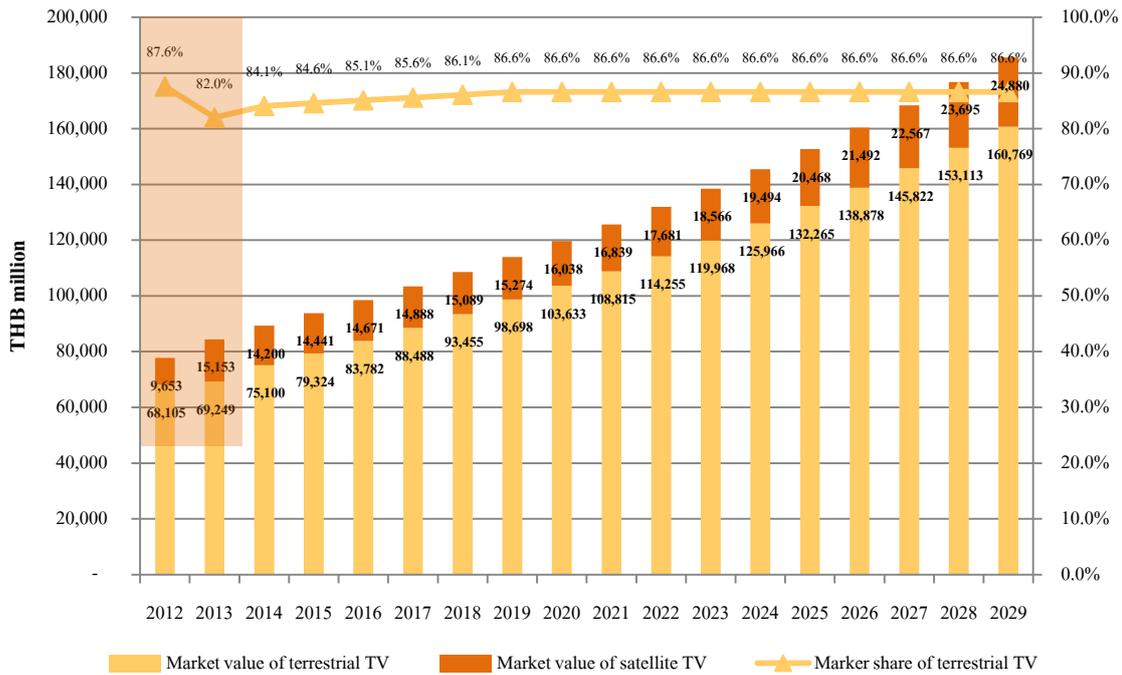
Revenues from TV consist of revenue from ads, revenue from time rental, revenue from program production and revenue from other operation such as satellite TV and other media which are not related to the broadcasting of Channel 9.

Revenue projection for studying a feasibility of the investment in Digital TV Licenses shall be derived from total market value of media spending budget via terrestrial TV, MCOT's market share, and conversion rate.

- *Market Value of Television Business*

The AGB Nielsen research stated that the total TV (on both terrestrial and satellite platforms) media spending in Thailand reached THB 84,402 million in 2013, approximately 9 percent increase from the previous year. The terrestrial TV covered approximately 82 percent or THB 69,249 million of the total market in 2013 where the remaining 18 percent or THB 15,153 million of the TV media spending was spent through satellite platform.

In the year 2014, AGB Nielsen forecasted the aggregated TV media spending to be in the vicinity of THB 89.30 billion or approximately 5.80 percent increase from 2013. For the year 2015 onward, MCOT forecasted that the TV advertising will grow at a constant rate of 5 percent per annum throughout the forecasting period.



Source: AGB Nielsen and MCOT

AGB Nielsen also forecasted the share of media spending between the terrestrial TV and satellite TV will change from 82 percent and 18 percent in 2013 to 84.10 percent and 15.90 percent in 2014 due to increasing in number of players in terrestrial TV from the auction of the licenses this time. Also the advertising spending on existing satellite broadcasters who obtained the new Digital TV licenses i.e., GRAMMY, NBC, and RS will also be migrated to the terrestrial platform. However MCOT foresees that after year 2015, the media spending on satellite TV will gradually move to terrestrial TV at the rate of approximately 0.5 percent per annum until it reaches 86.6 percent in year 2019 and that leave the satellite share on advertising revenue at a constant rate of 13.4 percent, where it is held constant throughout the forecasting period.

- *Market Share*

Based on AGB Nielsen market survey during January to July 2013, MCOT has ranked at third place among 5 free TV operators with the market share of approximately 18 percent. However, MCOT estimates that market shares of existing free TV players shall shrink by around 50 percent as a result of strong competition among 24 digital free TV operators.

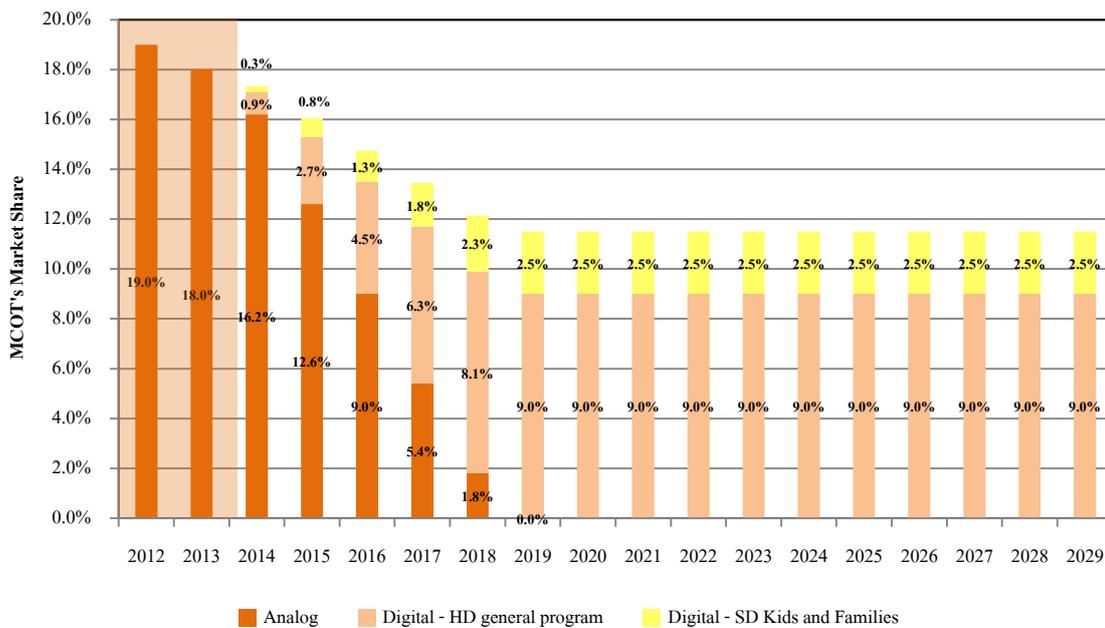
During the transition period MCOT will broadcast its existing Channel 9 in analog platform in parallel with the new HD Variety channel simultaneously. The existing market share on the analog broadcasting system will gradually decrease as the digital TV penetration rate continues to rise. MCOT forecasts the market share of its HD Variety will gradually increase from 0.9 percent in 2015 to 9.0 percent when the transition from analog to digital TV ends in 2019. Such drop in market share occurs in line with MCOT’s estimation that existing players shall experience an average of 50 percent market share drop after the transition from analog TV to digital TV having

completed due to the increasing number of free TV players from 5 channels to 24 channels while the total advertisement spending does not expand in the same direction as number of players. (Currently, Channel 9 in analog platform has its market share at 18 percent. Then, MCOT’s market share shall shrink down to 9 percent)

Currently MCOT is the market leader in Kids & Families programs with the market share of approximately 50 percent in this segment followed by Channel 7 and 3. The advertisement spending on Kids & Families program is expected to take up to 5.0 percent of total free TV media spending. After the announcement of the auction results, addition 2 players had entered to compete in this category namely BEC Multimedia Company Limited (a subsidiary of BEC) and Thai TV Company Limited (a subsidiary of TV Pool). However, MCOT expects to maintain its leadership in this segment and still holds the market share at 50 percent of total advertising money spent on Kids & Family programs or equivalent to 2.5 percent of total free TV media spending.

Thus IFA generally agree with the MCOT’s view on market share as it fairly reflect the potential of the new players and it is in line with the digital TV network coverage rate and viewers penetration.

The Company’s free TV market share is illustrated below:



Source: AGB Nielsen and MCOT

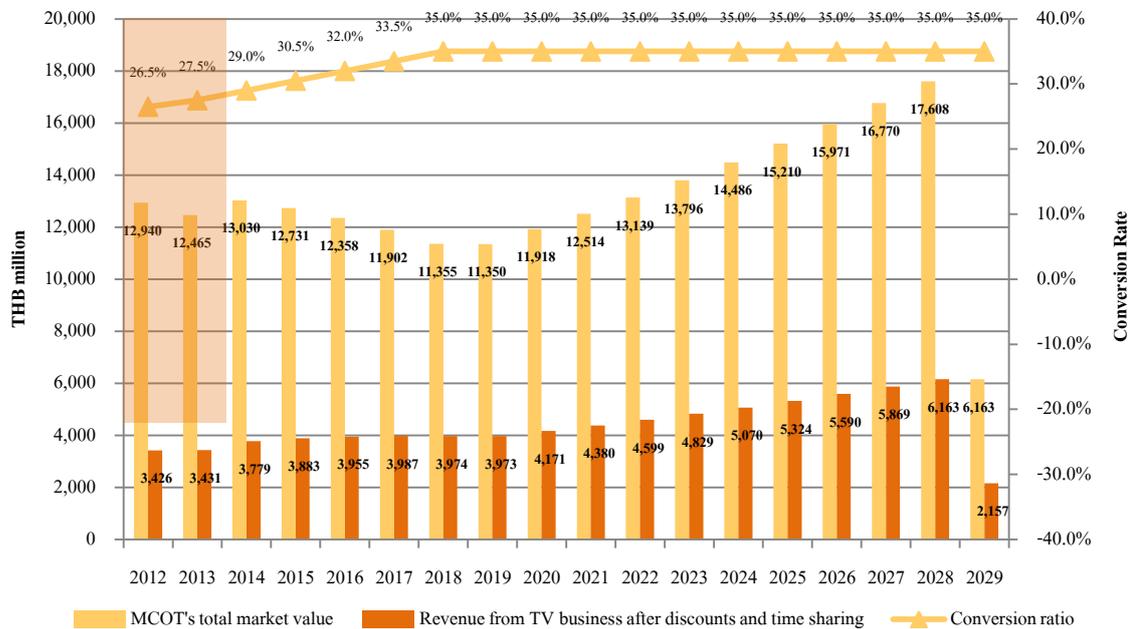
● *Conversion Rate*

ABG Nielsen gathers TV advertisement budget based on the total annual available advertising minutes multiplies by the Card Rate, without consideration of either any discount given to media buyers or adjustment of programs broadcasting under Time Sharing and Time Rental agreement. Thus, the MCOT’s actual advertising revenue could appear to be lower from those media agency figures. In 2012, MCOT net advertising revenue after adjustment of discount, Time Sharing, and Time Rental was merely at 26.5 percent of total TV Advertisement Spending budget forecasted by the media agency. During 2013, MCOT had attempted to improve its conversion

rate by increasing the broadcasting of owned-programs from both in-house production and acquisition of foreign contents and reducing of broadcasting program under time-sharing and time-rental contracts. As a result, MCOT's conversion rate was significant increased to approximately 27.5 percent of total TV Advertisement Spending budget forecasted by the media agency. However MCOT targets to increase its conversion rate to at least 35 percent in the next 5 years by replacing the time sharing program during the primetime with owned-programs in existing Channel 9 that eventually shall be migrated to HD Variety Channel as well as increasing the Owned-program in Kids & Family (SD) channel.

The Independent Financial Advisor deems that such increase in conversion rate shall still be possible from the improvement in the past and from the policy to increase its own-programs.

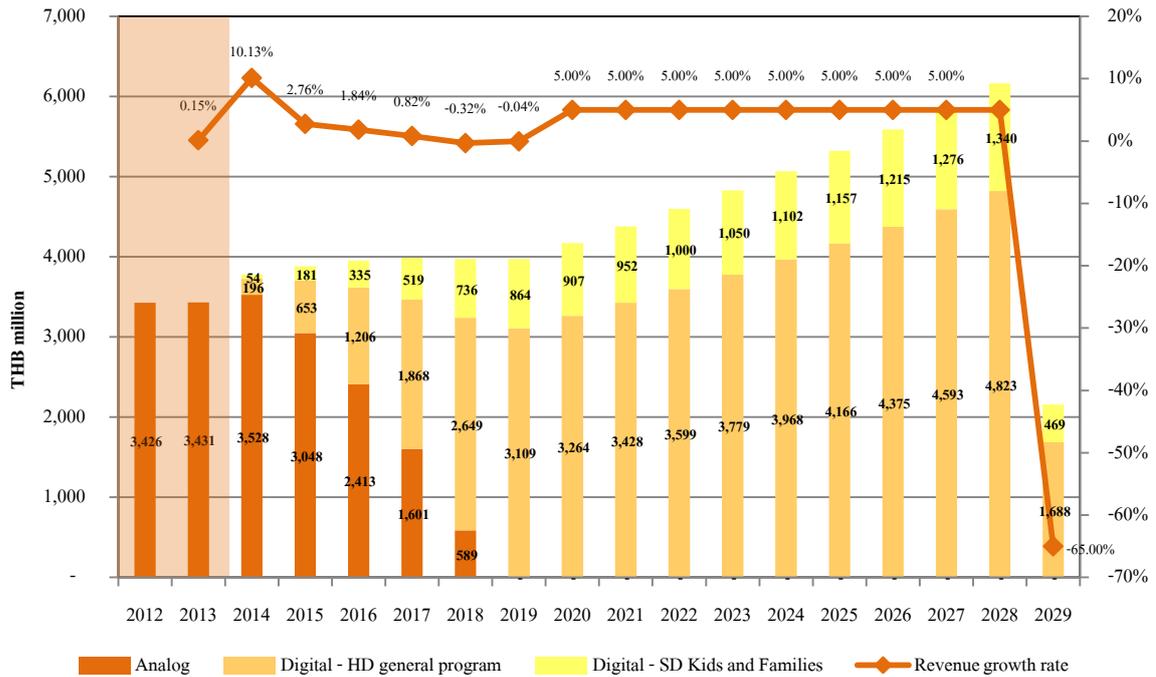
MCOT's forecast net revenue from TV business is as follows:



Source: AGB Nielsen and MCOT

Remark: Digital TV Licenses shall be valid for 4 months in 2029

According to the above assumptions, summary of forecasted advertising revenue on HD Variety and Kids & Family Channel from 2014 – 2029 can be illustrated as follows:



Source: AGB Nielsen and MCOT

Remark: ^{1/} Digital TV Licenses shall be valid for 4 months in 2029

^{2/} The revenue growth in 2014 is contributed from (1) forecasted Total TV Advertising Spending growth of 5.8 percent (2) increase in market share of terrestrial TV from 82 percent to 84.1 percent in 2014 and (3) conversion rate improvement from promoting own programs.

(2) Costs and Expenses

Direct Costs

The Direct Costs incurred from the acquisition of the Digital TV Licenses are:

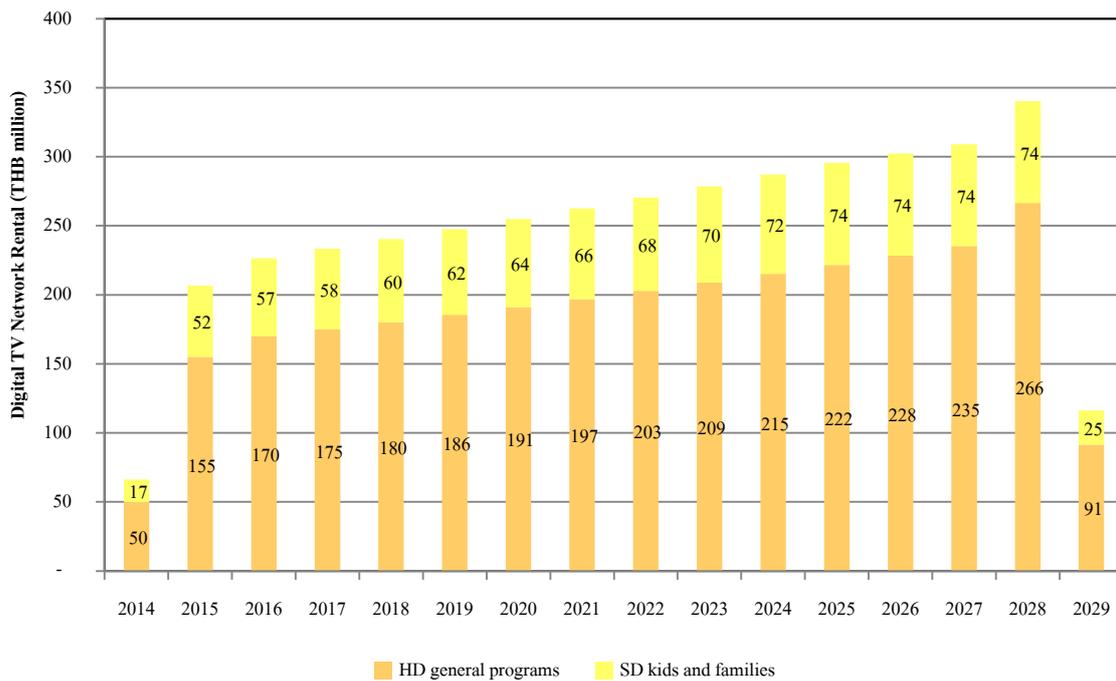
- NBTC Annual Fees
 - Annual NBTC fee of 2 percent of total TV revenue from HD Variety and Kids & Family Channels
 - Annual contribution for Broadcasting and Telecommunication Fund for Public of 2 percent of total TV revenue from HD Variety and Kids & Family Channels
- Utility cost is the cost of utility used in the broadcasting, consisting mainly of electricity cost for broadcasting. Utility Cost is estimated to be THB 12 million per channel in 2014 and increases at the rate of 3 percent per annum throughout the forecasting period.
- Must Carry Cost

Beside the terrestrial platform, the NBTC requires all 24 Digital TV licensees and 12 Public channels to broadcast their contents via satellite so that it shall allow 50 percent of the current viewers who view free TV via a satellite dishes without traditional TV antenna. MCOT estimates that it shall have Must Carry expense of THB 12 million per channel per year with a growth rate of 10 percent in

every 3-year period starting from 2017 onwards. Such fee is estimated based on MCOT’s transponder cost charged by Thaicom Public Company Limited.

- Network Cost

Network Cost is the terrestrial broadcasting network rental fee. Since MCOT has obtained a permit to own and operate the terrestrial broadcasting network from the NBTC since June 2013, it has a policy to use its own network for its Digital TV broadcasting throughout the life of license. However, the feasibility study of the investment in the broadcasting network was conducted based on the assumption that it would be able to rent out all broadcasting slots to any non-connected Digital TV operators without internal usage. In contrary, in practice, MCOT will partially utilize its own network for broadcasting HD Variety and Kids & Family channels and rent the remaining network to other operators. By doing so, its network operation unit shall suffer from lacking of opportunity to rent out the own used slots. To be fair to every internal business units, TV business unit has entered into an internal agreement with network business unit to rent broadcasting network at the rental rate as prescribed in the agreement. Such rental rate was is the same rate as the network unit has charged other non-related operators. Network cost can be illustrated as follows:

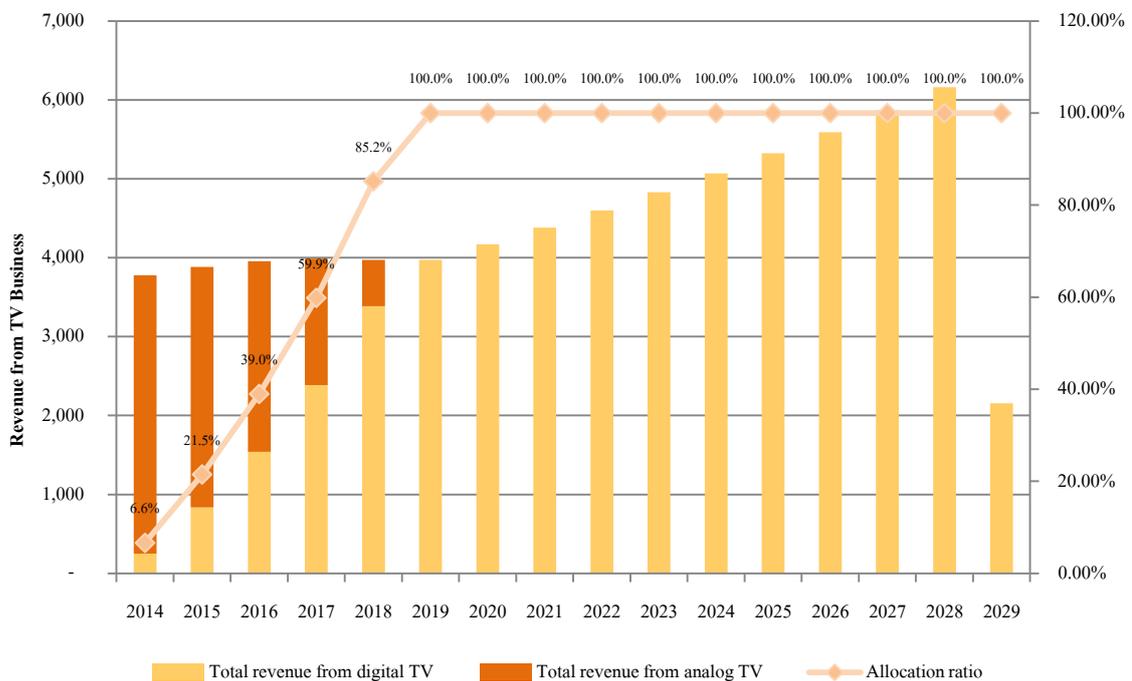


- Intangible asset - Digital License Fee of both HD Variety and Kids & Family channels shall be amortized on a straight-line basis over its validity of 15 years.
- Depreciation incurred from new assets and improvements shall be calculated based on a straight-line basis at the average rate of around 10 percent per annum.

Allocation Cost

Prior to the completion of the transition period for switching from analog TV to digital TV, MCOT shall broadcast its existing programs on both platforms simultaneously. Sharing of resources between these 2 platforms shall occur. Also, digital TV shall draw some viewers from the existing analog platform. Therefore, to be fair for analog TV business unit, shared costs must be allocated to digital TV unit. Allocation of the shared cost shall be made based on revenue contribution of each unit. However, after the transition period ending in 2019 where the analog TV shall completely stop, all of the costs under this section shall fully be migrated to digital TV unit.

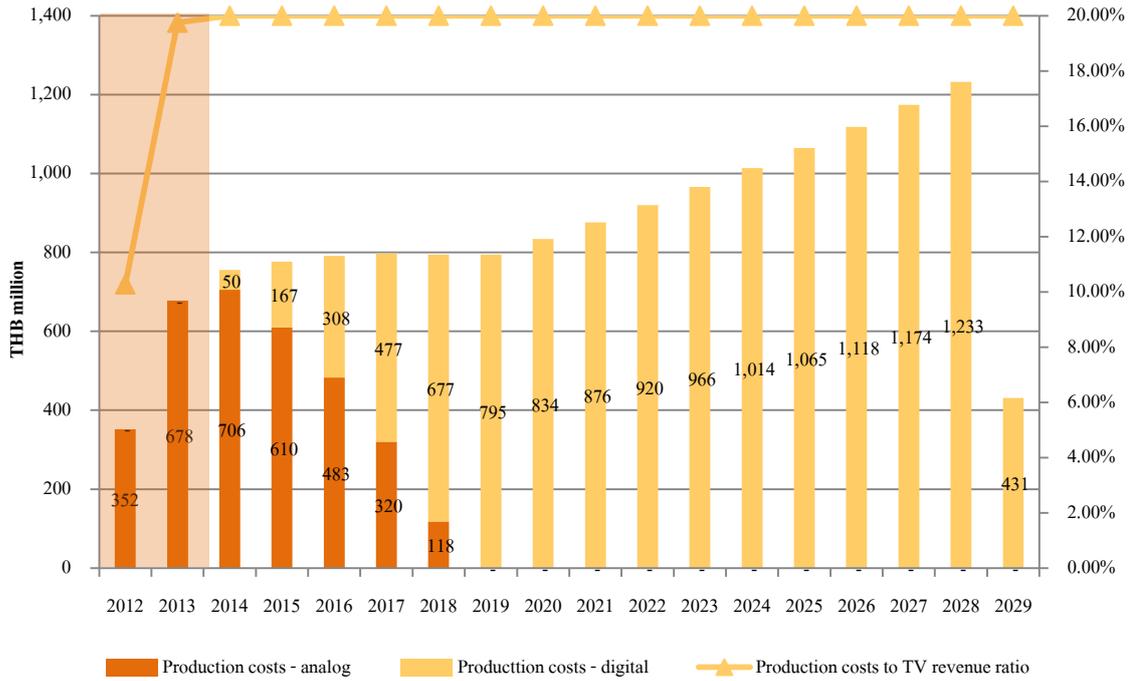
Rate of cost allocation to digital TV unit can be summarized as follow:



Details of allocation costs are:

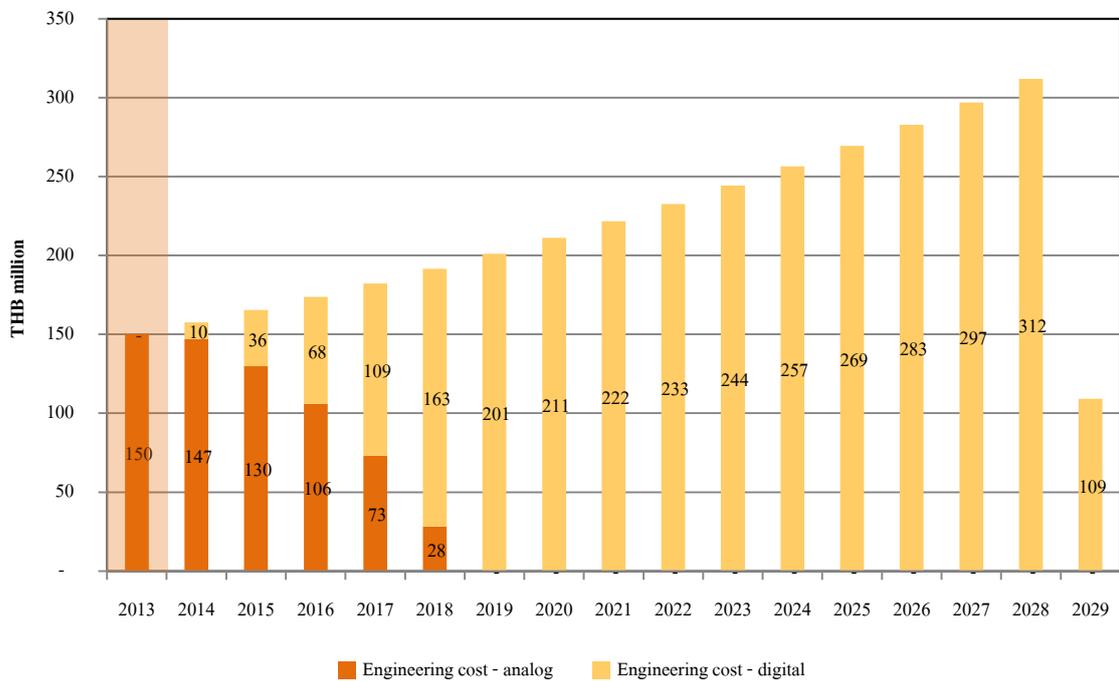
- Production Costs

The MCOT’s production cost in 2013 was accounted to 20 percent of revenue from television business compare to 10 percent in 2012. This was a result of the policy to promote the replacement of time sharing and time rental programs with MCOT’s own-program that incurs a higher production and content acquisition costs. However, it shall benefit MCOT in term of conversion rate improvement. For the forecasting purpose, the production and content acquisition costs will remain at 20 percent of television revenue throughout the period, which is consistent with MCOT’s policy to rely more on its own-programs.



Remark: Costs are allocated based on revenue contribution between analog and digital platform.

● Engineering Costs

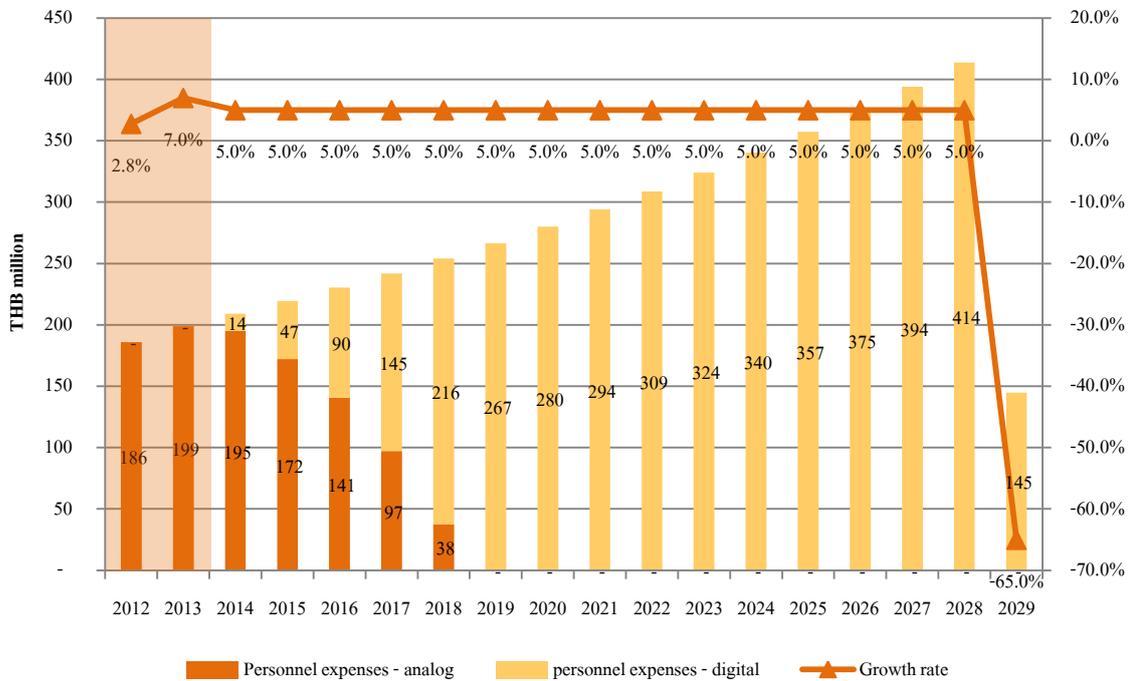


Remark: Costs are allocated based on revenue contribution between analog and digital platform.

Since Network Management Department was newly established in 2013 to undertake the broadcasting network business under the permission granted from NBTC, there was a new allocation of engineering cost in that year. The engineering cost allocated to TV unit in 2013 was estimated at THB 150 million. It is estimate that such expense shall grow at the rate of 5 percent per annum throughout the projection period. Such growth rate is consistent to the growth rate of employee expenses in the past 3 years.

- Cost of personnel

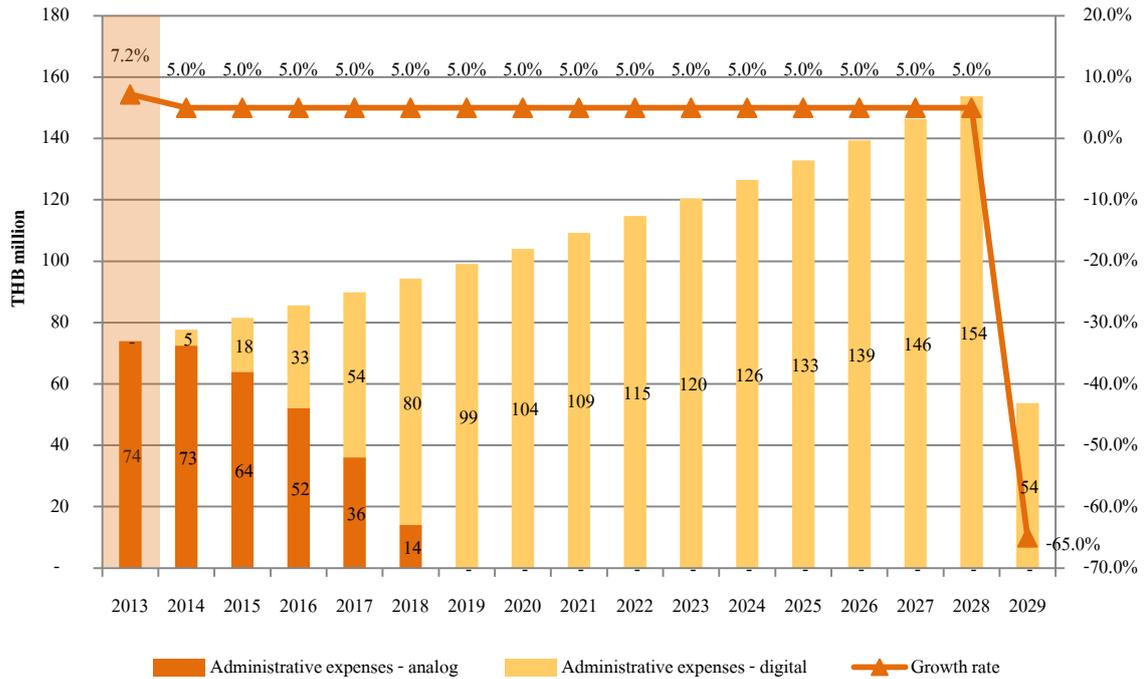
Cost of personnel allocated to TV Business in 2012 and 2013 are THB 186 million and THB 199 million, respectively, or posting an increase of 2.8 percent and 7.0 percent from the last year, respectively. MCOT has forecasted that cost of personnel allocated to the TV business shall increase by 5.0 percent per annum, which is in line with the historical data.



Remark: Costs are allocated based on revenue contribution between analog and digital platform.

- Administrative Expenses

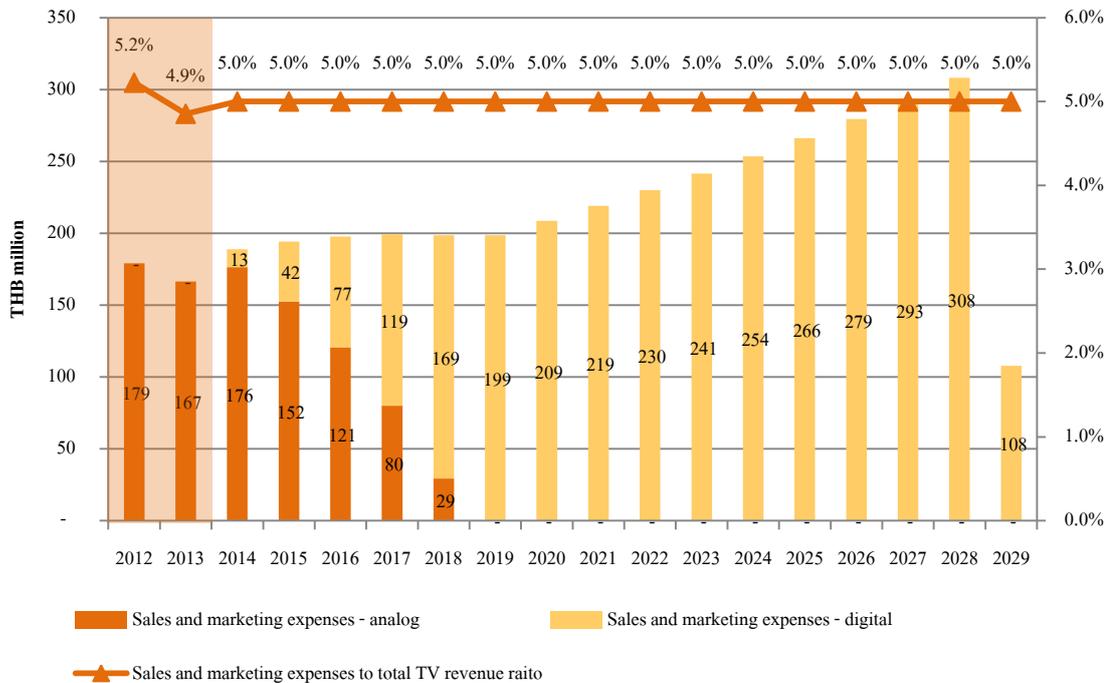
Administrative expenses comprise of building related expenses, back office personnel expenses, and management expenses. In 2013 the administrative expenses allocated to TV business amounting to THB 74 million. It is forecasted to increase at the rate of 5 percent per annum throughout the forecasting period.



Remark: Costs are allocated based on revenue contribution between analog and digital platform.

- Selling and Marketing Expenses

In 2012 and 2013, MCOT had selling and marketing expense accounted at 5.2 percent and 4.9 percent of revenue from television business respectively. MCOT forecasts the Selling and Marketing Expenses to grow at the rate of 5.0 percent per annum from year 2014 until the end of forecasting period.

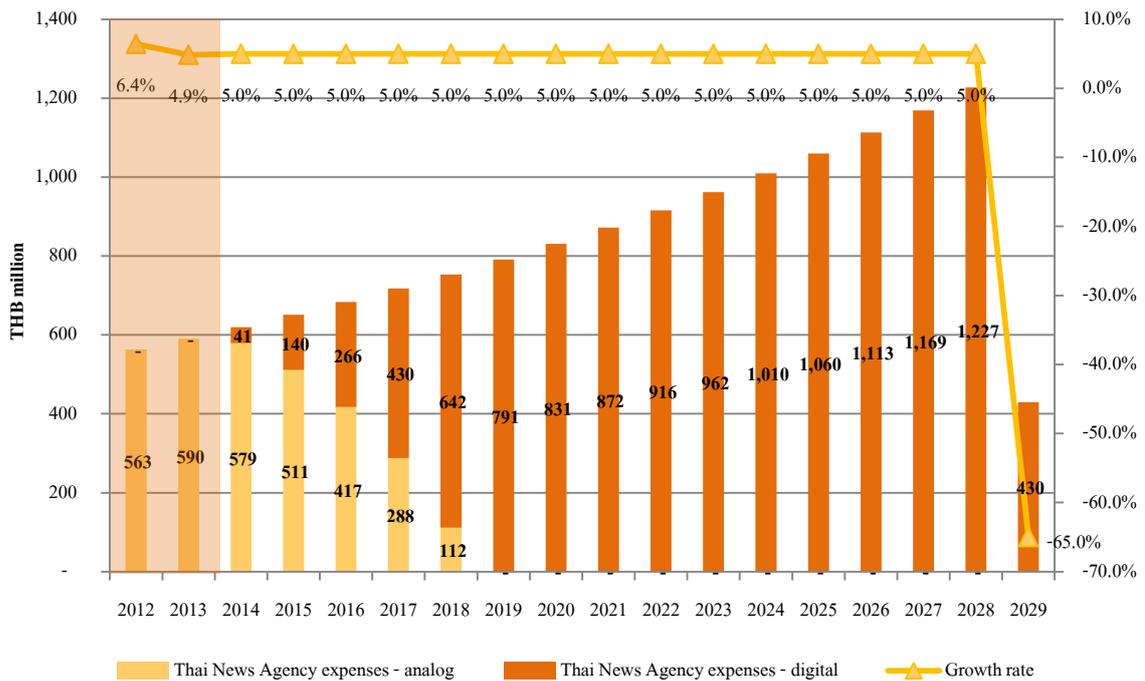


Remark: Costs are allocated based on revenue contribution between analog and digital platform.

- Thai News Agency Expenses

Thai News Agency is one of MCOT’s departments which produces and supplies news for Channel 9. Thai News Agency shall be responsible to produce news to the new Digital Channels.

In 2012 and 2013, the allocations of Thai News Agency expenses to TV business are THB 563 million and THB 590 million increased at the rate of 6.4 percent and 4.9 percent from its predeceasing year, respectively. For 2014 onwards, the allocated Thai News Agency expenses will increase at the rate of 5 percent per annum which is in line with the 3-year historical growth.



Remark: Costs are allocated based on revenue contribution between analog and digital platform.

The Independent Financial Advisor agree is of the same opinion as the MCOT in the forecasting of such allocated costs as mentioned above, as the forecasts of fixed costs are based on the historical growth rate and that of variable costs are based on historical financial ratios, together with a policy to increase own-programs, resulting in increase in production cost ratio throughout the projection period.

(3) Cost of Digital TV Licenses

MCOT has won the bidding of 2 Digital TV licenses for totaling THB 4,000 million, which are (1) HD Variety channel for THB 3,340 million and (2) SD Kids & Family channel for THB 660 million. Such fees are divided into 6 payments, details are as follows:

Unit : THB million

Year of Payment	License Fees
2014	1,060
2015	730
2016	635
2017	635
2018	470
2019	470
Total	4,000

(4) Investment in related equipments

To accommodate the growth in digital TV business, MCOT has plans to invest in new assets and equipments such as Studios, Editing Shops, and other related equipment for the in-house program production that will be broadcasted in both HD Variety and Kids & Family channels. MCOT has set aside the budget for capacity expansion for the amount of THB 950 million for the next 4 years. The table below show MCOT capital expenditure plan for its facility expansion.

Unit : THB million

Year	Investment
2014	336
2015	177
2016	332
2017	105
Total	950

By employing the above assumption, the Independent Financial Advisor has calculated the present value of the cash flow by discounting the business operation under the Digital TV Licenses over 15 years with Weighted Average Cost of Capital (WACC) of MCOT at 11.32 percent per annum. Details of WACC calculation can be shown as follows:

$$WACC = K_e \times (E/A) + K_d \times (1-t) \times (D/A)$$

Where;

K_e = Rate of return on MCOT's shareholders' equity, which is 11.57 percent

K_d = MCOT's average interest rate during 2011 – 2013 equaling to 3.91 percent per annum

t = Corporate income tax rate of 20 percent

A	=	MCOT's total assets as at 31 December 2013 of THB 11,168.04 million
D	=	MCOT's interest bearing debt as at 31 December 2013 of THB 331.45 million
E	=	A – D
E/A	=	97.03 percent
D/A	=	2.97 percent

Return on Equity (Ke)

$$K_e = R_f + b(R_m - R_f)$$

Where;

Risk Free Rate (Rf) = Zero-coupon government bond yield with a maturity of 25 years as at 19 February 2014 equaling to 4.63 percent per annum. Such period are corresponding with the same calculation period of R_m, which shall be stated later on. Also such long maturity could reflect investment expectation in different time periods better than shorter term data.⁷ (Source: www.thaibma.or.th)

Beta (b) = The variance between weekly market return and weekly return of MCOT's shares over the past 3 years up until 19 February 2014 equaling to 0.91 (Source: Bloomberg).

R_m = The average rate of return on the SET over the past 25 years, a period that could reflect the investment expectation in different time periods better than the shorter term data (derived from a monthly SET return in the past 25 years up until January 2014) equaling to 12.26 percent per annum

From the above financial assumptions, the Independent Financial Advisor has calculated the Base Case scenario of MCOT's Net Present Value from the utilization of Digital TV Licenses of THB 1,992 million. Details of the NPV calculation are as follows:

⁷ Zero-coupon government bond yield with a maturity of 15 years which is the same period of the validity of the Digital Television Licenses equals to 4.32 percent per annum

Cash Flow Generated from Utilization of Digital TV Licenses between 2557 – 2564

(Unit : THB million)	8 M/ 2014	2015	2016	2017	2018	2019	2020	2021
Earnings before Interests and Taxes - EBIT	(203)	(230)	(5)	254	581	733	808	927
EBIT*(1-Tax Rate)	(162)	(184)	(4)	203	465	586	646	742
Add Depreciation and Amortization	212	326	367	418	429	427	414	364
Deduct License Fee Payment	(1,060)	(730)	(635)	(635)	(470)	(470)	-	-
Deduct CAPEX	(336)	(177)	(332)	(105)	-	-	-	-
Free Cash Flow to Firm - FCFF	(1,346)	(765)	(604)	(119)	424	543	1,060	1,106
Discount Period	0.33	1.33	2.33	3.33	4.33	5.33	6.33	7.33
Discount Factor	0.96489	0.86678	0.77864	0.69946	0.62834	0.56445	0.50705	0.45549
Discounted Cash Flow	(1,299)	(663)	(470)	(83)	266	307	537	504
Net Present Value - NPV	1,992							

Cash Flow Generated from Utilization of Digital TV Licenses between 2565 – 4 Month 2572

(Unit : THB million)	2022	2023	2024	2025	2026	2027	2028	4 M/ 2029
Earnings before Interests and Taxes - EBIT	1,069	1,147	1,235	1,333	1,421	1,515	1,590	591
EBIT*(1-Tax Rate)	855	918	988	1,066	1,137	1,212	1,272	473
Add Depreciation and Amortization	293	290	280	267	267	267	267	62
Deduct License Fee Payment	-	-	-	-	-	-	-	-
Deduct CAPEX	-	-	-	-	-	-	-	-
Free Cash Flow to Firm - FCFF	1,148	1,208	1,268	1,333	1,404	1,479	1,539	535
Discount Period	8.33	9.33	10.33	11.33	12.33	13.33	14.33	15.00
Discount Factor	0.40917	0.36756	0.33018	0.29661	0.26645	0.23936	0.21502	0.20018
Discounted Cash Flow	470	444	419	395	374	354	331	107

Besides, the Independent Financial Advisor has conducted sensitivity analysis of returns on the utilization of the Digital TV Licenses which cover possible changes in the following factors:

- (1) Sensitivity on the MCOT's market share taken up between 10.5 – 12.5 percent of total TV advertisement spending, the MCOT's NPV is ranging between THB 1,429 – 2,557 million.

Market Share	12.5%	12.0%	11.5%	11.0%	10.5%
Net Present Value	3,123	2,557	1,992	1,429	871

- (2) Sensitivity on MCOT's conversion rate between 34 – 36 percent of MCOT's revenue from TV business, the MCOT's NPV is ranging between THB 1,625 – 2,358 million.

Conversion Rate	37.0%	36.0%	35.0%	34.0%	33.0%
Net Present Value	2,727	2,358	1,992	1,625	1,257

- (3) Sensitivity on proportion of production and content acquisition cost to total TV revenue between 17.5 - 22.5 percent of MCOT's revenue from TV business, the MCOT's NPV is ranging between THB 1,514 – 2,470 million.

Production cost to total TV revenue ratio	25.0%	22.5%	20.0%	17.5%	15.0%
Net Present Value	1,037	1,514	1,992	2,470	2,947

From the above sensitivity analysis, the investment in Digital TV licenses shall yield a net present value in the range of THB 1,429 - 2,557 million. Besides, for a base case scenario, the investment shall yield an internal rate of return of 19.7 percent per annum and a payback period of around 7 years.

Form the above calculation of net present value of the investment in the Digital TV Licenses by using MCOT's WACC as a discount rate, NPV of the investment shall be in the range of THB 1,429 - 2,557 million. The investment shall have an IRR of 19.7 per annum which is considerably much higher that MCOT's WACC of 11.32 percent per annum and a payback period of around 7 years. **Therefore, MCOT's investment in Digital TV Licenses totaling of THB 4,950 million is considered feasible and reasonable.**

4.2. Appropriateness of the Terms and Conditions of the Transaction

4.2.1. Appropriateness of the consideration for the investment in Digital TV Licenses

Since the value of both Digital TV licenses was determined upon rules and regulations set forth by the NBTC in the Notification for License Auction which are applied to all bidders. Also, total consideration of THB 4,000 million (excluding VAT) has also been determined by MCOT's Board of Directors taking into account the expected return from those investments at the determining period. Besides, terms of payment has also been prescribed by the NBTC where it is also applied to all bidding winners. Consequently, the Independent Financial Advisor is of the opinion that price determination for the investment in the Digital TV Licenses is appropriate.

4.2.2. Appropriateness of the consideration for the investment in new assets and improve existing assets

Determination of the consideration to be paid for the investment in new assets and improve existing assets to support the new digital TV business according to a 4-year plan for totaling THB 950 million is made upon MCOT's experience and expertise in TV business. Even though actual investment can vary depending on the negotiation with equipment producers or traders, MCOT has to follow its procurement procedures that are in line with the procurement protocols of typical state enterprises where it shall be controlled by the Office

of the National Economic and Social Development Board and/or the Cabinet. Consequently, the Independent Financial Advisor is of the opinion that price determination for the investment in new assets and improve existing assets is appropriate.

4.2.3. Appropriateness of other terms and condition set forth in the Digital TV Licenses

All terms and conditions in the Digital TV Licenses have been prescribed by the NBTC according to the Notification for Licenses Application, where they are generally enforced with all bidding winners. Therefore, the Independent Financial Advisor opines that all terms and condition set forth in the Digital TV Licenses is appropriate.

5. Conclusion of the Opinion of the Independent Financial Advisor

The Independent Financial Advisor deems that the acquisition of the license to provide digital TV broadcasting services on DVB-T2 via ITU 700 MHz of 2 licenses for totaling THB 4,000 million (the “Digital TV Licenses”), consisting of (1) HD Variety Channel for the amount of THB 3,340 million and (2) SD Kids and Families Channel for the amount of THB 660 million from the NBTC and the investment in new assets in to improve the existing operating assets according to the 4-year plan for the amount of THB 950 million is **REASONABLE** because from the feasibility study of the said investment for totaling of THB 4,950 million MCOT shall earn an Internal Rate of Return (IRR) of 19.7 percent per annum which is higher than its WACC of 11.32 percent per annum. Besides, the investment shall also yield additional benefits to MCOT or in other words, having an NPV of THB 1,429 - 2,557 million.

In addition, the Independent Financial Advisor opines that rationales and objectives, together with terms and conditions for entering into the transaction is **APPROPRIATE** because entering into the transaction shall allow MCOT to operate its TV business on a going concern basis. Also, the investment is consistent with the Radio Frequency and Broadcasting Services Master Plan No.1 (B.E. 2555-2559) that emphasizes on the transition from analog TV to digital TV and also specifies that it shall consider canceling analog broadcasting in 2018. If MCOT does not participate in the licenses auction this time, it shall not be able to operate its analog TV business or its current Channel 9 which contributes more than 50 percent of its total revenue in the future. Moreover, entering into the transaction can maintain MCOT’s competitive advantages. Even though MCOT’s market share is expected to shrink from 18 percent of total media spending budget down to 11.5 percent of the same due to increasing in numbers of players, its new market share is expected to be ranked at the 3 place as it used to be. Besides, terms and condition set forth by the NBTC shall be applied to all bidders.

Therefore, the Independent Financial Advisor recommends MCOT’s shareholders resolve to rectify the said acquisition of the Digital TV Licenses.

Shareholders should carefully consider the invitation to the shareholders’ meeting and all of its attachments for their determination of the Transaction. However, the decision whether to resolve to rectify the Transaction or not depends solely on the shareholders’ own discretion.

We hereby certify that we have rendered opinion on the asset acquisition transaction and the connected transaction above with due care and under professional standards by paying regard to the benefit of the Company's shareholders.

The Independent Financial Advisor

Krungsri Securities Public Company Limited

- Prayoon Deesomboon - - Benyaluck Nakpanit -

(Mrs. Prayoon Deesomboon and Miss Benyaluck Nakpanit)

Acting Managing Director

Supervisor

- Thanasak Boulowpetch -

(Mr. Thanasak Boulowpetch)

Vice President

Investment Banking Department