

MCOT Public Company Limited

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Ref: MCOT/ 6138/1946
May 15, 2017

The Stock Exchange of Thailand

Attn: The President

Re: The Management's Discussion and Analysis on the Company's Operating Results based on the Financial Statements for 3-month period ended March 31, 2017

Dear Madam,

On May 15, 2017, the Board of Directors' Meeting No. 8/2017 resolved to approve the financial statements for 3-month period ended March 31, 2017, which were reviewed by the Office of the Auditor General of Thailand and the Audit Committee of MCOT Plc., as detailed below:

Management's Discussion and Analysis (MD&A) on the Company's operating results for the 3-months period ended March 31, 2017 and 2016

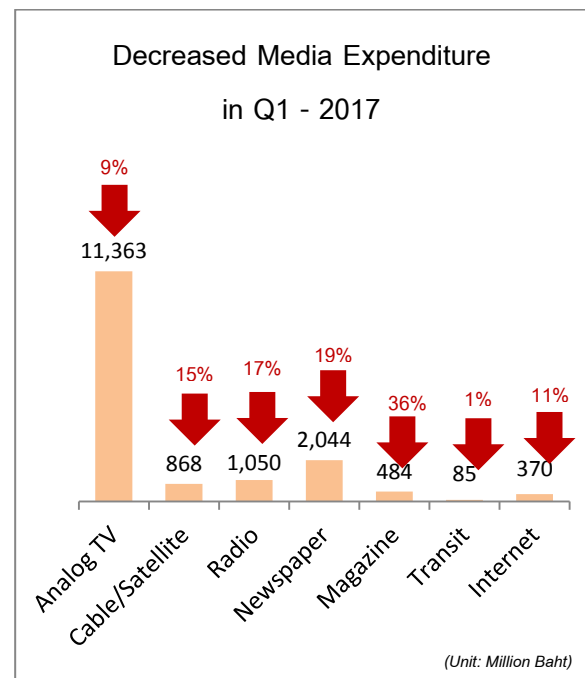
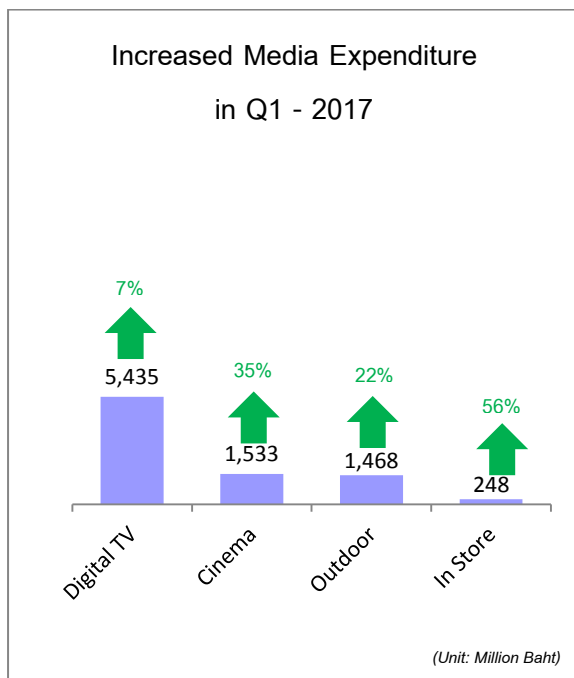
In Q1 – 2017, the Company experienced a deficit of Baht 146-million, a 4% decrease from the same period of last year.

The Company's and its subsidiaries' operating results

	Unit: Million Baht (Reviewed)		
	Jan.-Mar. 2017	Jan.-Mar. 2016	% Changes
Total Revenue	643	721	-11
Television	230	250	-8
Radio	176	194	-9
New Media	12	51	-76
Broadcast Network Operation Service	91	85	7
Joint Operations	108	106	2
Additional income from agreements	11	12	-8
Others	15	23	-35
Total Expenses	826	906	-9
Net Profit (loss)	(146)	(152)	4
EPS (loss)	(0.21)	(0.21)	-
Parent Company Profit (loss)	(145)	(147)	1
Net Profit of Minority Interest (loss)	(1)	(5)	400

Overall Industry

In Q1–2017, advertising industry suffered from continued sluggish economy. Many companies in a private sector decided to slow down their advertising spending on traditional media (especially television whose advertising rates were quite high) due to the fact that many products and Fast-Moving Consumer Goods (FMCG) failed to achieve their target. According to Nielsen Thailand, advertising spending in the industry in Q1 – 2017 totaled Baht 26,036 million, a 4.49% drop, compared to the same period of last year. The major factor of such drop was the decrease in advertising spending on analogue TV platform which was valued at Baht 11,363 million (a 9% drop from the last year) and satellite TV platform (a 15% drop from the last year). The drop was also attributable to decreased advertising spending on radio and printed media. On the other hand, advertising spending on digital TV increased 7%.



Moreover, the television industry was impacted by several factors including the increased number of digital TV channels, the rearrangement of channel numbering, relinquishment of the 2 digital channels and a decline in traditional TV viewership. The aforementioned factors have affected all digital TV operators including MCOT.

Total revenue

The Company's operating results were inevitably affected by the increasingly intensified competition among digital TV operators and decreased advertising spending as mentioned earlier. As a result, the total revenue in Q1 – 2017 dropped 11% to Baht 643 million, compared to the same period of last year, the details of which are as follows:

- TV (36%)
- Radio (27%)
- Joint Operations (18%)
- New Media including MCOT Satellite Network and online media (2%)
- Broadcast Network Operation Service (14%)
- Others (3%)

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TV remained the major source of revenue. Due to a significant decline in TV revenue compared to last year, MCOT sought new opportunities to generate additional revenue while leveraging existing assets to compensate the loss in TV revenue.

Such imbalance between revenue and expenses as well as the explanation of the Company's management with regard to the aforementioned changes and its measures to enhance competitiveness are as follows:

Television revenue

In Q1 – 2017, TV revenue amounted to Baht 230 million, a 8% drop compared to the same period of last year. MCOT's TV revenue comprised:

- Advertising (56%)
- Time-rental (13%)
- Special projects in collaboration with government and state enterprises (27%)
- Other operations (4%)

The severe competition among the digital TV operators and the seasonality of the lowest advertising spending in the first quarter resulted in the Company's failure to achieve the target and a drop in TV revenue, compared to the same period of the last year. Similarly, such situation was facing other traditional TV operators due to the fact that the same amount of advertising budget was shared by the increased digital TV channels. Meanwhile, several private companies decided to slow down on their TV advertising spending. To tackle the issue, MCOT adopted new sales strategies enabling direct communication with advertisers rather than negotiating with them through agents and proposing more public relations projects to government agencies.

To improve the Company's competitiveness, MCOT carried out programming revamp setting a noticeable time slot for specific programs genres. For example, **Perspective** and **Joh Jai**, that were variety programs, were broadcast on the same time slot on weekends. In addition, new interesting programs such as **Selfie Project** (variety show), **Sathorn Don Jedee** (sitcom) and **Boom Thailand** (game show) were added in programming with the aim to increase the station's ratings.

Radio revenue

MCOT radio network set a clearly defined character, positioning and target audience of each station and continuously enhanced production and marketing effectiveness through producing programmes to meet listeners' needs. Also, each station organized a series of on-ground activities to enhance audience engagement, for example, **Superstar Ha Hey** organized by FM 95 MHz, a talk show in celebration of the 13th anniversary of FM 96.5 MHz , **Cheer Thai**, a campaign encouraging Thai football fans to support Thai National Football Team in making their way to the World Cup Tournament and **Eco Rally: Following the King's Footprints**, organized by F.M. 99 MHz. , **Discovering AEC**, organized by F.M. 100.5 MHz. and **MET Music Festival**, organized by F.M. 107 MHz. MCOT radio network also leveraged its business through broadcast of programs on mobile applications.

In Q1 – 2017, radio revenue amounted to Baht 176 million, a 9% drop compared to the same period of last year. MCOT's radio revenue comprised:

- Central radio stations (70%)
- Regional radio stations (29%)
- Special projects in collaboration with government and state enterprises (1%)

The drop in radio revenue was attributable to the dissolution of Seed MCOT, the operator of F.M. 97.5 MHz, who experienced a continuous loss of profit. Currently, F.M. 97.5 was under the self-management of MCOT. Regarding performance, FM 95 MHz was the highest revenue generating station, followed by FM 100.5 MHz and FM 107 MHz.

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New Media

Revenue from C-Band Satellite rental decreased significantly due to the decreased number of clients. Therefore, MCOT continuously developed and leveraged its new media businesses to maximize utilization of its existing resources, for example; streaming of MCOT's owned content on online media platforms such as YouTube and websites and distributing contents in the international market. In Q1 – 2017, new media revenue amounted to Baht 12 million, a 76% drop compared to the same period of last year.

Joint Operations

MCOT's Q1 – 2017 joint operations revenue of Baht 119 million included revenue from the Agreements with 2 private operators: Bangkok Entertainment Company Limited and True Visions Cable Company Limited.

Broadcasting Network Operation Service (BNO)

In Q1 – 2017, MCOT's revenue from BNO amounted to Baht 91 million, a 7% increase compared to the same period of last year, due to an increase in service fees. Currently, the BNO service was able to cover 90% of the households nationwide, within the timeframe set by the National Broadcasting and Telecommunication Commission.

Total expenses

Total expenses in Q1 – 2017 amounted to Baht 826 million, a 9% decrease from the same period of last year. Of the total expenses, operating expense that was the Company's major expense accounted for 69%. Although there was an increase in the cost of production of programs including **Moo Baan Samran Dee, Boom Thailand and Sathorn Don Jedee**, MCOT was able to effectively manage cost of its self-produced programs. Due to the Company's ability in controlling sales and administration expenses, a 16% decrease in these expenses was found, compared to the same period of last year.

Net Profit

Due to the severe competition in digital TV business and the imbalance between revenue and expense, MCOT experienced a loss of Baht 146 million in Q1 – 2017, which dropped 4 % compared to the same period of last year.

Assets, Liabilities and Shareholder's Equity

	Unit: Million Baht (Reviewed)		
	March 31, 2017	March 31, 2016	% Change
Assets	10,046	10,199	-2
Liabilities	3,628	3,633	-
Shareholder's Equity	6,418	6,566	-2

As of March 31, 2017, the Company had total assets of Baht 10,046 million, total liabilities of Baht 3,628 million and shareholder's equity of 6,418 million. This represented the Company's financial strength.

Sincerely yours,



(Mr. Nanthasit Leksrisakul)

Executive Vice President and Chief Strategy and Finance Officer (CFO)

MCOT Public Company Limited

Authorized to sign on behalf of the company

Investor Relations

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