

MCOT Public Company Limited

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Ref: MCOT/ 6138/3389
August 10, 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 and 6-month periods ended June 30, 2017

Dear Madam,

On August 10, 2017, the Board of Directors' Meeting No. 12/2017 has resolved to approve the financial statements for 3-month and 6-month periods ended June 30, 2017, which are reviewed by the Office of the Auditor General of Thailand and the Audit Committee of MCOT Plc., the details of which are as follows:

Management's Discussion and Analysis (MD&A) on the Company's operating results for the 3-month and 6-month periods ended June 30, 2017

In the first half of 2017, the Company's net profit totaled Baht 310 million, a 41% increase compared to the same period of last year.

The Company's and its subsidiaries' operating results for the first half of 2017

	Unit: Million Baht (Reviewed)		
	Jan.- June 2017	Jan.-June 2016	% Changes
Total Revenue	1,360	1,550	-12
Television	478	536	-11
Radio	363	406	-10
New Media	21	99	-79
Broadcast Network Operation Service	187	174	8
Joint Operations	256	213	20
Additional income from agreements	23	23	-
Others	32	99	-68
Total Expenses	1,732	1,819	-5
Net Profit (loss)	(310)	(220)	-41
EPS (loss)	(0.45)	(0.31)	-45
Parent Company Profit (loss)	(306)	(147)	-45
Net Profit of Minority Interest (loss)	(4)	(9)	-59

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The Company's and its subsidiaries' operating results for Q2-2017

Unit: Million Baht (Reviewed)

	Q2-2017 VS Q1-2017 (QoQ)			Q2-2017 VS Q2-2016 (YoY)		
	Apr.-June 2017	Jan.- Mar. 2017	% Changes	Apr.-June 2017	Apr.-June 2016	% Changes
Total Revenue	717	643	12	717	828	-13
Television	247	230	7	247	286	-14
Radio	188	176	7	188	212	-11
New Media	9	12	-24	9	48	-81
Broadcast Network Operation Service	96	91	5	96	88	9
Joint Operations	148	108	37	148	107	38
Additional income from agreements	12	11	9	12	12	-
Others	17	15	13	17	75	-77
Total Expenses	906	826	10	906	912	-1
Net Profit (loss)	(164)	(146)	-12	(164)	(68)	-141
EPS (loss)	(0.23)	(0.21)	-10	(0.23)	(0.09)	-156
Parent Company Profit (loss)	(161)	(145)	-11	(161)	(64)	-152
Net Profit of Minority Interest (loss)	(2)	(1)	-100	(2)	(4)	50

Overall Industry

In the first half of 2017, the advertising industry experienced a continuous drop due to the deceleration and reduction of advertising spending of different brands, especially those of the Fast-Moving Consumer Goods (FMCG), on traditional media, particularly television whose advertising rates were quite high. Many FMCGs failed to achieve sales target and consequently turned to online media for relatively lower advertising rates. It was expected that as high as 30% of marketing communication budget was allocated for online sales promotion to boost sales. On the other hand, advertising spending on traditional media including analog TV, radio, newspaper and magazines significantly declined.

According to Nielsen Thailand, advertising spending in the media industry in the first half of 2017 declined 7.08 % compared to the same period of last year, totaling Baht 52,765 million. Such decline primarily resulted from a 15.29% decrease in advertising spending on analog TV, totaling Baht 22,047 million and a 6.04 % decrease on cable TV totaling Baht 1,820 million as well as a 3.64% drop on radio, newspaper and magazines. However, advertising spending on digital TV grew 3.64%.

Total revenue

The Company's operating results were inevitably affected by the increasingly intensified competition among digital TV operators and decreased advertising spending as mentioned earlier. As a result, the total revenue in Q2-2017 and the first half of 2017 totaled Baht 717 million and Baht 1,360 million, a 13% and 12% drop compared to the same period of last year but a 12% increase compared to the previous quarter, the details of which are as follows:

- TV (35%)
- Radio (27%)
- Joint Operations (20%)
- New Media (2%)
- Broadcast Network Operation Service (14%)
- Others (2%)

Despite a significant decrease in revenue in consistency with the overall market conditions compared to the same period of last year, TV remained the Company's core business. Moreover, expenses that decreased at

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a slower rate caused the Company to experience more than 20% changes in profits and loss, compared to the same period of last year. In dealing with this situation, MCOT attempted to seek new sources of revenue and leverage its existing assets and capabilities as well as to enhance the Company's competitiveness, the details of which are as follows:

Television revenue

In the Q2-2017 and the first half of 2017, TV revenue amounted to Baht 247 million and Baht 478 million, a 14% and 11% drop compared to the same period of last year, but a 7% increase compared to Q1-2017. MCOT's TV revenue comprised:

- Advertising (50%)
- Time-rental (13%)
- Special projects in collaboration with government and state enterprises (30%)
- Other operations (7%)

Advertising revenue that was the Company's major source of TV revenue failed to reach its target and decreased, compared to the same period of last year. Similarly, other traditional TV operators were facing stiff competition since the advertising budget was shared by other new digital TV operators. Meanwhile, several private companies decided to slow down their advertising spending on traditional media, especially on TV. However, to tackle this problem, MCOT enhanced its sales strategies enabling more agile selling through direct communication with brand owners rather than through media agencies. More public relations projects were proposed to the government agencies leading to a rise in TV revenue in Q2-2017, compared to Q1-2017.

9 MCOT HD's rating improved as a result of a programming revamp through setting noticeable time slots for variety programs, game shows and series and adjusting broadcast schedules of the news program "Kab Kao Krob Praden" and the variety show "Joa Jai" which was moved to Saturday night at the same time of the variety show "Perspective", to create a specific slot on weekends.

Radio revenue

In the Q2-2017 and the first half of 2017, radio revenue amounted to Baht 188 million and Baht 363 million, an 11% and 10% drop, compared to the same period of last year but a 7% increase, compared to Q1-2017. The drop was attributable to a 20% drop in radio industry in the first half of 2017. MCOT's radio revenue comprised:

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

The decrease in radio revenue was partly due to the dissolution of SEED MCOT, MCOT's former subsidiary. Following the dissolution of SEED MCOT, MCOT began to self-operate FM 97.5 MHz and change its format as part of a re-launch of "Mellow". The broadcast trial of "Mellow" was conducted in February 2017 and its official re-launch took place on June 23, 2017. FM 95 MHz was the highest revenue generating station, followed by FM 100.5 MHz and FM 107 MHz .

Moreover, MCOT leveraged its business by making its own programs available on mobile applications enabling MCOT radio brand to reach the audience of all ages worldwide.

New Media

Revenue from C-band satellite rental in Q2-2017 continued to decline from Q1-2017 due to a decreased number of clients of C-band satellite. We, therefore, leveraged our new media business to maximize utilization of the existing resources by making our own content available on the online platform including YouTube and websites and distributing programs licensed by MCOT's subsidiary in global markets.

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New media revenue in Q2-2017 was amounted to Bath 9 million, a 81% drop compared to the same period of last year.

Joint Operations

MCOT's Q2-2017 joint operations revenue was amounted to Baht 148 million, a 38% increase compared to the same period of last year and 37% increase compared to Q1-2017, due to a record of additional assets transferred from True Visions Plc.

Broadcasting Network Operation Service (BNO)

In Q2-2017, MCOT's revenue from BNO amounted to Baht 96 million, a 9% increase compared to the same period of last year and 5% increase compared to Q1-2017. Such increase was partly attributable to financial support for satellite transmission expense from the National Broadcasting and Telecommunication Commission (the NBTC), in compensation for suspension of regular program broadcast in October 2016. The increase also resulted from a rise of service fee for broadcast facilities. Currently, our BNO service covers over 90% of the country's households nationwide, in accordance with the timeframe set forth by the NBTC.

Total expenses

In the Q2-2017 and the first half of 2017, total expenses amounted to Baht 906 million and Baht 1,732 million, a 1% and 5% decrease from the same period of last year. Of the total expenses, TV and radio operating expenses, the Company's major expenses, accounted for 69%. However, MCOT was able to better control the costs of its own programs, resulting in a 4% decrease of its operating expenses, compared to the first half of 2017. The Company's ability in controlling sales and administration expenses resulted in a 5% decrease in these expenses, compared to the same period of last year.

Net Profit/Loss

Due to highly intense competition in the media industry and the fact that the decline in revenue did not decline at the same rate as the decline in expense, MCOT, in an effort to strictly control the expenses, experienced a loss of Baht 310 million in the first half of 2017, a 41% increase in loss, compared to the same period of last year.

Assets, Liabilities and Shareholder's Equity

	Unit: Million Baht (Reviewed)	
	June 30, 2017	December 31, 2016
Assets	9,190	10,199
Liabilities	2,953	3,633
Shareholder's Equity	6,237	6,566

As of June 30, 2017 the Company had total assets of Baht 9,190 million, total liabilities of Baht 2,953 million and shareholder's equity of 6,237 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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