

Management Discussion and Analysis

For the First Quarter 2017

Executive Summary

GMM Grammy has taken the lead in media and total entertainment business with continuous development for future growth and sustainable returns to its shareholders. At the same time, it is always committed to its responsibilities to all stakeholders.

Operating revenues, comprising sale of goods, service income, and revenue from copyright in 1Q17, increased by 2.2% from previous year, thanks to the successful execution of total media solution strategy, coupled with efficient cost management, altogether leading to a positive turnaround in 1Q17 with reported net profit at THB 3.6 million, significantly improved from 1Q16 with net loss at THB 144 million, and representing a major step up for the year while the loss from digital TV business during the investment period continuously improves.

Music business remains the key contributor to overall operating performances, with revenues evolve towards digital platform in which success record can be measured through number of shares, posts, and engagements. GMM Grammy continues to take leadership in Thai music industry across all segments. In this quarter, the company celebrated the popularity of song with number of views surpassing 100 million in

Grammy Gold Official channel on YouTube. For 2017, the Company plans to release higher number of singles and full albums of top-rated artists, as well as joining with local and international partners to develop products for music market i.e. recently the Company just launched the first 'Music Sticker' with Line Thailand. While revenue from copyrights and artist management shows positive trend, the Company promotes artists through online media to enhance popularity, leading to a growth potential for merchandising and showbiz with upcoming higher number of concerts planned in the second half of year.

While advertising spending over the first quarter remained soft especially for traditional media mainly caused by low consumer consumption, digital TV continued to grow with rising trend in the second quarter high seasoning period. Overall industry outlook for 2017 is expected to improve in line with economic recovery, while digital TV channels of GMM Grammy, stand out from the crowd based on target positioning and distinctive contents covering drama, series, sit-coms, news, and variety programs very well responded by media agency and customers. The growth in channel rating and revenue is

fuelled by continued investment in new contents and strategic alliances to increase audience bases across all platforms, leading to more eyeballs and higher advertising rates.

The Company is confident that TV content has not lost its charm as a mass media, as evident from leading digital platforms like Facebook and Line attempting to bring TV content online in video format with on-demand features as YouTube. Indeed, expansion of 4G users has widened an opportunity for growing entertainment business online, supported by rising popularity of smart devices and OTT services. GMM Grammy focuses on presenting TV contents that match with the lifestyles of new generation consumers, with unique creativity that addresses the audience preferences and gains widespread high praise that appeals to the targets across a multitude of platforms. New technology is employed to integrate online and offline media with social platform and develop broadcast application to support the enhanced business model with additional revenue stream on top of conventional platform.

From the second half of this year, the Company expects positive factors to support the industry, including the government aiding measures for digital TV

operators, the transition toward multi-screen rating with service commissioning expected soon and would have a big impact on industry media planning.

The overall terrestrial transition progress towards digital TV has

also made a significant inroad this year, with growing nationwide digital TV network reaching 95% of the country.

After business restructuring, the Company financial status became stronger, with declining

cost of sales and services along with SG&A expenses well under control. The interest-bearing debt to equity maintain at 1.67x by the end of 1Q17.

Operating Results

unit: THB thousand	1Q17	1Q16	Change (%)
Total operating revenues	2,014,556	1,971,074	2.2
Other revenues	46,988	18,695	151.3
Total Revenues	2,061,544	1,989,769	3.6
Cost of sales and services	1,228,098	1,228,577	-0.04
Selling expenses	136,341	127,097	7.3
Administrative expenses	582,130	599,825	-2.9
Total expenses	1,946,569	1,955,499	-0.5
Loss before share of income from investments in associates, finance cost, and corporate income tax	114,975	34,270	235.5
Share of Profit from investments in associates	(336)	5,413	-106.2
Share of Profit/(Loss) from investments in joint ventures	(41,642)	(144,359)	-71.2
Loss before finance cost and corporate income tax	72,997	(104,676)	-169.7
Finance cost	(50,265)	(45,859)	9.6
Loss before corporate income tax	22,732	(150,535)	-115.1
Corporate income tax	(15,281)	180	-8589.4
Loss for the year	7,451	(150,355)	-105.0
Profit attributable to non-controlling interests of the subsidiaries	3,866	(6,113)	-163.2
Loss attributable to equity holders of the Company	3,585	(144,242)	-102.5
Gross profit margin (%)	39.0	37.7	
SG&A to revenues (%)	34.9	36.5	
Net profit margin (%)	0.2	(7.2)	

In 1Q17, sales of goods and services and copyrights (Operating revenues) equal to THB 2,015 million, increased by 2.2% Y-o-Y due mainly from higher rating and revenue in digital TV together with home

shopping sales, as well as growing revenue from artist management under music business; while showbiz remained slow with fewer concerts in the period, and satellite platform slightly

dropped, followed by no new film premiered this quarter.

Operating results from each business segment can be summarized as follows.

Music business comprises sale of physical products, collection of copyright/ licensing fees, showbiz, and free-to-air satellite under Fan TV channel; total revenue in 1Q17 was THB 858 million, decreased by 7% from last year. Revenue from this business represented 43% of total operating revenues, decreasing from 47% in the same quarter last year. The drop was due mainly to showbiz activities has not yet resumed, while revenue from physical products performed better from higher CD and DVD sales, along with growing revenue from artist management based on more events organized and presenters employed, and Live House Concert Hall also generated more rental income following high activities setup.

Music industry has evolved with variety of channels for music consumption, hence GMM Grammy accelerates music marketing strategy to catch up with consumers by expanding partnership with leading platforms to create new experience in consuming music contents i.e. joining with music application Google Play and JOOX which becomes most popular for Thai music listeners whose streaming record via JOOX ranked number one in Asian countries. Indeed, GMM Bravo also plan to brings a full line-up of music series and top-rated contents towards Line platform this year, as well as offering exclusive first-run of concert “Toey Fair Mae Krong Muang” on Line TV. Moreover,

GMM Grammy expanded partner deal across industry under campaign “More Give, More Happiness” to celebrate 30th anniversary of BBQ Plaza, making a very first remark of exploiting music marketing towards crowd funding by turning number of views and shares of three exclusive songs by three top-rated artists into free meals offering for people whose duty service performed for the happiness of Thai citizens i.e. doctors, nurses, soldiers, etc.

Digital TV Business:

Channel ONE 31- Following the changes in ONE shareholding structure together with accounting principles used in considering whether control exists for the Company over investees, the management determined that the Company had joint control over “The One Enterprise Company Limited” (Formerly named “GMM One TV Trading”) Thus, the Company classified this shareholding as an investment in joint venture and started to account for by using the equity method, therefore what remained in this segmental reporting was EXACT business unit holding the library and copyrights of TV contents prior to the shareholder restructuring.

In 1Q17, the Company reported THB 6 million revenue, stabled Y-o-Y since it was derived from existing content library only.

ONE 31 digital TV channel has grown stronger in drama contents with three pillars of

strategy has been employed to drive channel growth further; “Enhance” the branding of variety show towards new programs, “Expand” the audience base of magnet content dramas, and “Schedule” the program to match contents with audience lifestyles i.e. adding sports program. Furthermore, Live broadcast technology has been utilized as a magnet to draw engagement for the station via online, and bring audience back to main screen. At present, facebook fanpage of ONE 31 channel comes to a total of 9.6 million followers, representing such a big community to tap into, thereby the channel started to bring contents online in real time since February via Facebook live and YouTube live features for the entire primetime slot during 18.20-22.00, with more contents exposure from previously in which only news and sports program were live, targeting to reach more audiences and earn higher revenues online.

GMM Media business comprising GMM25 digital TV channel, Radio, Content creator business. In 1Q17 revenue totaled THB 458 million, increasing by 9.2% from last year due to the rise of digital TV business while revenue of radio decreased by 13% Y-o-Y, representing 21% of total GMM Media operating revenue. Overall radio broadcast industry has undergone through technological changes, which listening preferences turn to online. To cope up with the

trend, this year A-time media transforms Chill FM towards full stream online radio station, matching target group lifestyles opted for dining, travel, shopping and music, with new contents coming down the pipeline to strengthen the station, together with Chill application to be launched soon. The advertising package will be bundled across Chill and EFM radio station to integrate online and on-air media offering for customer selection. The strategic move towards online would trim down license costs and bring about new revenue stream. Regarding EFM radio station is revamped to the new frequency band under concept "EFM 104.5 Popular Songs & Great Feelings" served by famous D.J. Indeed, EFM plans to partner with Chill to create "EFM Chill on the Beach" and "EFM Chill on the Hill" music festivals. Meanwhile, Greenwave radio station remains a flagship brand in possession of a very strong listener base, with an emphasis on customer engagement to the station by cultivating bonds through 'doing good deed' activities on top of white marketing strategy as evident from the mega project "25 Doing Good Deed Activities to Follow the Father's Footprint". Greenwave also utilized Facebook live broadcast for Club Friday program every Friday night, which by far becoming the most popular radio content that draws listener engagements with highest record of comments, chats and shares.

GMM 25 digital TV outlook in the first quarter performed well with rising trend in number of audiences, leading to higher advertising rate charges increased by 15-20% early this year. At present, GMM25 drama steps ahead with increasing appeals to the mass audience as evident from number of hashtag and twitter trending up most of the times.

Merchandise Business includes Home Shopping and Satellite box business. Home shopping business reported 1Q17 revenue of THB 456 million, an increase of 5% Y-o-Y, driven by expanding broadcast channels via on-air satellite and digital TV, along with new home shopping station to be launched soon, and optimizing online platform to position O-Shopping as "E-commerce Home Shopping" where customers have variety of shopping channels, together with application specially catered for convenient shopping anywhere anytime, followed by bringing celebrities to co-develop, co-own, and promote new products which O-Shopping plans to increase more lines for all categories especially those with high margins to achieve revenue growth target.

Satellite box business recognized revenue of THB 55 million, declining 41% from previous year in line with declining satellite TV media market. The Company adopts the strategy of new product selection that truly

serves the changing behavior of today's consumers.

Movie Business the Company recorded 1Q17 revenue of THB 41 million, stabled Y-o-Y as there was no new film released this quarter, while a popular series "Diary Tudsy Season 2" was aired in GMM25 digital TV.

Other business In 1Q17, revenue amounted to THB 141 million, increased by 173% Y-o-Y from granting the broadcasting rights of the European Qualifiers for 2018 FIFA World Cup to air on alliances platform, which started in the last quarter of 2016 and continued to this year.

Cost of sales and services in 1Q17 was THB 1,228 million, stabled Y-o-Y and representing 61% of total operating revenues. Businesses which reported cost decrease were music, movie, and satellite box in line with revenue, while digital TV and home shopping kept cost well under control while driving for revenue growth.

Gross profit for 1Q17 was THB 786 million, increased by 6% from previous year. It represented 39% of operating revenue, higher from profitability improvement in digital TV and home shopping, while music group and movie generated higher gross profits despite lower revenue.

SG&A expenses in 1Q17 amounted to THB 718 million, representing 35% of total revenue which rose Y-o-Y from 37% last year, reflecting cost

efficiency management on a continuous basis

Net Profit in 1Q17 amounted to THB 3.6 million, turning positively from last year operating loss, thanks to the successful execution of business plan within the Group Company.

Total Assets as of 1Q17 was THB 7,585 million, increasing by 4.6% from end of 2016 from more cash drawn down from banking facilities to serve digital TV business together with cash flow generated from operating activities.

Total Liabilities Interest-bearing debt at the end of 1Q17 was THB 2,460 million, increased from THB 2,421 million at the end of 2016 from higher short-term loans, along with trade payables and unearned income and other payables line with revenue, altogether led to an increase in total liabilities at the end of 1Q17 stood at THB 6,108 million, increasing by 5.7% from last year. Shareholders' equity amounted to THB 1,477 million, rose by 0.6% from interim net profit. Moreover, the interest-bearing debt to equity ratio slightly rose from 1.65x at the

end of 2016 to 1.67x by end of 1Q17.

In 1Q17, cash flow from operating activities amounted to THB 135 million, cash flow used in investing activities totaled THB 48 million, and cash flow from financing activities amounted to THB 34 million.

This resulted in an increase of net cash by THB 121 million. At the end of 1Q17, cash on hand and cash equivalents amounted to THB 990 million.

Unit: THB Million	1Q17	2016
Cash and equivalents	990	869
Other current assets	2,592	2,376
Non-current assets	4,003	4,004
Total assets	7,585	7,249
Current liabilities	2,996	4,179
Non-current liabilities	3,112	1,601
Total liabilities	6,108	5,780
Shareholders' equity	1,477	1,469
Total liabilities and shareholders' equity	7,585	7,249
Net interest-bearing debt to equity ratio (x)	1.67	1.65

For additional information, contact Ms. Anchalee Jieratham, Investor Relations Tel: 02 669 9952, E-mail: ir@gmmgrammy.com