

BEC WORLD
PUBLIC COMPANY
LIMITED

Management Discussion and Analysis

2Q/2018

(Translation)



August 10, 2018

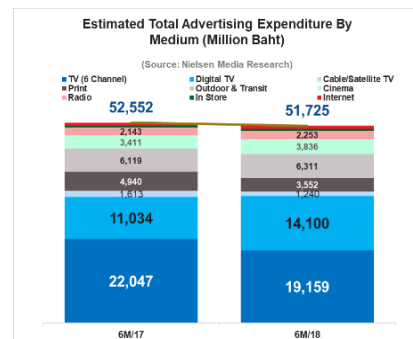
The President
 The Stock Exchange of Thailand

Dear Sir/Madam,
 Re: Management's Discussion and Analysis for 2Q/2018

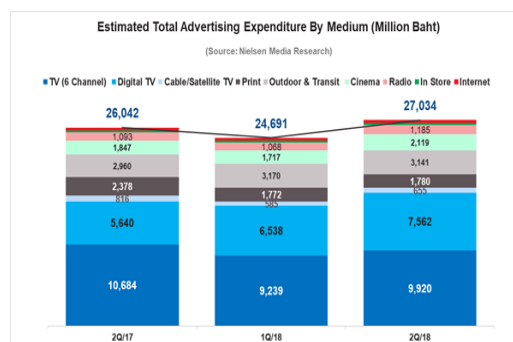
Executive Summary

Economic Overview and Market Situation

The Thai economy in the first half of the year continued to grow, driven by export growth, which was in line with global trade, and from tourism for both international and Thai tourists. It was supported by the expansion of household income in the agricultural sector as agricultural products prices increased for all major categories and higher non-farm payrolls. In addition, the economy had been boosted by continuous growth of both public and private sectors' investment. Household income was likely to begin recovering however household debt remained an obstacle. As a result, the recovery of the household sector was concentrated and reflected the period during which the labor market had not yet benefited from gradual economic recovery.



Nielsen Media Research ("Nielsen") reported that advertising expenditures (AdEx) in the first-half of 2018 (6M/18) declined when compared to the first-half of 2017 (6M/17). AdEx in 6M/18 at Baht 51,725 million decreased 1.6% YoY from 6M/17 at Baht 52,552 million. The largest decline was from the Print category, decreasing 28.1%, and TV-Cable/Satellite category, decreasing 23.1%. Total TV (TV 6-Channel + Digital TV + Cable/Satellite TV) spending was down 0.6% YoY from Baht 34,694 million in 6M/17 to Baht 34,499 million in 6M/18. The advertising spending has decreased for TV-6 Channel (Traditional) category and TV-Cable/Satellite category but increased for the new channels (Digital TV). However, TV group continued to dominate in media spending and accounting for about 66.7% of the total AdEx.



2Q/18 AdEx was at Baht 27,034 million, increased of 9.5% QoQ from 1Q/18 at Baht 24,691 million and increased of 3.8% YoY from 2Q/17 at Baht 26,042 million. The growth in-AdEx in 2Q/18 vis-a vis 1Q/18 was from nearly all media categories, including Cinema, Internet, Digital TV, TV-Cable/Satellite and Radio and

excluding Outdoor and Transit categories which decreased by 0.9%. AdEx for the Total TV category totaling Baht 18,137 million in 2Q/18, which increased 10.8% QoQ

from 1Q/18 at Baht 16,362 million and increased 5.8% YoY from 2Q/17 at Baht 17,140 million. However, the increase of AdEx in June from the main sponsor for broadcasting Football World Cup and other business marketing based on Football World Cup to stimulate the purchasing of goods and services have increased advertising spending via television media. Excluding Football World Cup advertising spending, the overall AdEx in 2Q/18 would decrease by 0.6% YoY from 2Q/17 but increase 4.8% QoQ from 1Q/18.

Based on the changes in AdEx and in response to changing consumer behavior, BEC World Public Company Limited or ("BEC Group") has business strategy to expand its business and coping with consumer behavior change, as well as new market operations in both domestic and international which can generate a good return. In 2Q18 BEC has collaborated with Tencent Video via Inside Technology (Thailand) to simulcast Thai drama "The Crown Princess" to China. At present, Tencent Video has significant viewership representing over 63 million VIP members, 140 million active users per day, and 790 million users per month. In addition to "The Crown Princess", there are two more series in the pipeline, "Meo Me & You" and "Beauty Boy".

In addition, BEC Group has signed a partnership with JKN Global Media Public Company Limited (JKN) to distribute BEC's drama to countries around the world. The distribution of JKN will cover new markets, such as Indonesia, Brunei, Singapore, Taiwan and will also expand to Middle East countries and Latin America in the future. This does not include some countries that BEC already has a presence such as China (including Hong Kong, Macau), Vietnam, and Cambodia. In addition to the sales of copyrights, there are opportunities for on ground events or shows from BEC's celebrities and other activities in the future.

Total revenue of BEC Group in 2Q/18 was at Baht 2,756.3 million, increased 13.9% QoQ from 1Q/18 at Baht 2,420.5 million but decreased 14.9% YoY from 2Q/17 at Baht 3,239.2 million. BEC Group reported consolidated net loss attributable to BEC World of Baht 22.6 million with net cash flow from operation of Baht 1,726.5 million as at ending 2Q/18.

Consolidated Performance Summary

STATEMENT OF INCOME (Consolidated)	2Q/18		2Q/17		1Q/18		YoY		QoQ	
	M.TH.B	%	M.TH.B	%	M.TH.B	%	(+/-)	%	(+/-)	%
Total Revenues	2,756.3	100.0%	3,239.2	100.0%	2,420.5	100.0%	(482.8)	-14.9%	335.9	13.9%
Advertising income	2,399.3	87.0%	2,714.1	83.8%	2,157.0	89.1%	(314.8)	-11.6%	242.3	11.2%
Income from copyright and other services	273.1	9.9%	180.5	5.6%	173.6	7.2%	92.5	51.3%	99.5	57.3%
Income from organizing concerts and shows	69.5	2.5%	331.4	10.2%	71.7	3.0%	(261.9)	-79.0%	(2.2)	-3.1%
Sales of goods	14.4	0.5%	13.1	0.4%	18.2	0.7%	1.3	9.9%	(3.7)	-20.6%
Total Cost	(2,351.7)	-85.3%	(2,607.7)	-80.5%	(2,110.2)	-87.2%	(256.0)	-9.8%	241.5	11.4%
Cost of sales and services	(2,298.6)	-83.4%	(2,337.5)	-72.2%	(2,059.9)	-85.1%	(38.9)	-1.7%	238.7	11.6%
Cost of organizing concerts and shows	(53.1)	-1.9%	(270.2)	-8.3%	(50.3)	-2.1%	(217.1)	-80.3%	2.8	5.6%
Gross Profit	404.6	14.7%	631.5	19.5%	310.3	12.8%	(226.8)	-35.9%	94.3	30.4%
Selling and admin expenses	(419.1)	-15.2%	(465.0)	-14.4%	(434.5)	-18.0%	(45.9)	-9.9%	(15.4)	-3.5%
Other income	34.7	1.3%	31.4	1.0%	18.1	0.7%	3.4	10.7%	16.6	91.3%
Share of profit (loss) of associates held by subsidiary	3.5	0.1%	1.0	0.0%	(7.0)	-0.3%	2.5	265.4%	10.5	150.3%
Finance costs	(44.7)	-1.6%	(45.4)	-1.4%	(47.3)	-2.0%	(0.7)	-1.5%	(2.5)	-5.4%
Profit before income tax expense	(21.0)	-0.8%	153.4	4.7%	(160.3)	-6.6%	(174.4)	-113.7%	139.3	86.9%
Income tax (expense) revenue	9.9	0.4%	(34.7)	-1.1%	28.5	1.2%	(44.6)	-128.6%	18.6	65.2%
Profit for the period	(11.1)	-0.4%	118.7	3.7%	(131.8)	-5.4%	(129.8)	-109.3%	120.7	91.6%
Net Profit attributable to BEC World	(22.6)	-0.8%	112.7	3.5%	(126.0)	-5.2%	(135.3)	-120.0%	103.4	82.1%
Non-controlling interests	11.5	0.4%	6.0	0.2%	(5.8)	-0.2%	5.5	91.7%	17.3	297.9%

BEC Group's advertising income in 2Q/18 was at Baht 2,399.3 million, increased by 11.2% QoQ from 1Q/18 at Baht 2,157.0 million but declined 11.6% YoY from 2Q/17 at Baht 2,714.1 million. The main advertising income of BEC Group is still from the advertising sales from "Channel 3".

Income from copyrights and other services in 2Q/18 was at Baht 273.1 million, increased 57.3% QoQ from 1Q/18 at Baht 173.6 million and increased 51.3% YoY from 2Q/17 at Baht 180.5 million. The increase was mainly due to an increase in revenue from online businesses via BEC Group's online platform and websites such as CH3Thailand and Mello as well as partnership platform. In addition, the income from copyright and other services also increased from global content licensing and the simulcast of Thai drama "The Crown Princess" to China

Income from organizing concerts and shows in 2Q/18 was at Baht 69.5 million, decreased of 3.1% QoQ from 1Q/18 at Baht 71.7 million and decreased of 79.0% YoY from 2Q/17 at Baht 331.4 million. Concerts and shows in this quarter included big names such as Katy Perry, Bruno Mars, and Harry Styles etc. Total revenue of BEC Group in 2Q/18 was at Baht 2,756.3 million, increased 13.9% QoQ from 1Q/18 at Baht 2,420.5 million but declined 14.9% YoY from 2Q/17 at Baht 3,239.2 million. The advertising income is still the main revenue generation for BEC Group, accounted for 87% of the total revenues. However, income from copyright and other services increased continuously and accounted for 9.9% of total revenue.

BEC Group's total cost in 2Q/18 was at Baht 2,351.7 million, increased 11.4% QoQ from 1Q/18 at Baht 2,110.2 million but declined 9.8% YoY from 2Q/17 at Baht 2,607.7 million. The increase of BEC Group's total cost in 2Q/18 from 1Q/18 was mainly from higher production expenses and cost in broadcasting volleyball tournaments during 2Q/18. On the contrary, cost of organizing concerts and shows in 2Q/18 decreased from Q1/18

Gross profit was at Baht 404.6 million in 2Q/18, increased 30.4% QoQ from 1Q/18 at Baht 310.3 million but reduced 35.9% YoY from 2Q/17 at Baht 631.5 million, with gross margin of 14.7%. In addition, selling and administrative expenses of BEC Group in 2Q/18 was at Baht 419.1 million, decreased 3.5% QoQ from 1Q/18 at Baht 434.5 million and decreased 9.9% YoY from 2Q/17 at Baht 465.0 million, as a result from the implementation of cost control policy and Company's mutual separation program in 1Q/18. Financial cost was at Baht 44.7 million, slightly decreased from Baht 47.3 million in 1Q/18 and Baht 45.4 million in 2Q/17

In conclusion, BEC Group reported consolidated net loss attributable to BEC World of Baht 22.6 million with net profit margin of -0.8%, net cash flow from operation of Baht 1,726.5 million and Cash and cash equivalents of Baht 1,794.9 million as at ending 2Q/18.

Yours faithfully,



(Piriya-dit Choophungart)

Chief Financial Officer