

Management Discussion and Analysis For the Second Quarter 2021

2Q2021 HIGHLIGHTS

- Total operating revenue was THB 1,006.9mn, increased by 9.9% YoY due to the ongoing COVID-19 pandemic which the Company's events had been restricted and were not able to operate normally same as in 2Q2020. However, the Company reported total revenues of THB 1,012.8mn, increased by 8.9% YoY.
- Average gross profit margin rose to 48.2% compared to 2Q2020 at 42.3%.
- Shared profit from investments in joint ventures and associates was THB 89.0mn increased from THB 26.7mn or 232.6% YoY, due to strong performance of the One Enterprise Public Company Limited.
- Reported net loss attributable to the company's shareholders was THB 15.0mn, decreased from Net profit of THB 7.5mn same quarter last year mainly driven by the fair value loss on other financial assets amounted to THB 160.1mn.

KEY BUSINESS UPDATES

- In April 2021, the Company and YG Entertainment Inc. ("YG Entertainment Inc."), a listed company in Korea Exchange (KRX), established a Joint Venture company with the objective to create comprehensive artist development program under the name YG"MM, where the Company hold a 51% stake with the registered capital of THB 200mn. This collaboration aims to debut Boy Bands and Girl Groups within the next 5 years in accordance with YG Entertainment and GMM GRAMMY.
- In May 2021, The One Enterprise Public Company Limited. ("ONEE"), which is a joint venture that the Company's shareholding 31.27% applied for approval of the offering of newly issued ordinary shares, registration statement and draft prospectus for the offer of securities to the Office of the Securities and Exchange Commission of Thailand ("SEC"), as well as an application for approval of listing ordinary shares on the SET, on May 10th, 2021.
- In June 2021, the Company exercised the rights to purchase 59,940,000 shares of Rojukiss International Public Company Limited ("KISS"), or equivalent to 9.99% of KISS's total shares at KISS's initial public offering price of THB 9.0 per share as agreed upon, with a total value of approximately THB 539.8 million on June 10, 2021. At the end of 2Q2021 the reports of this other current financial assets valued at THB 749.3mn.

OPERATING RESULTS

Consolidated PL (Unit: THB mn)	2Q2021	2Q2020	YoY %
Total operating revenues	1,006.9	915.9	9.9%
Other revenues	5.8	14.5	-59.7%
Total revenues	1,012.8	930.4	8.9%
Cost of sales and services	521.9	528.2	-1.2%
SG&A	435.6	421.5	3.3%
Fair value loss on other financial assets	160.1	0.0	N/A
Total expenses	1,117.6	949.7	17.7%
Loss from operating activities	(104.8)	(19.3)	-442.6%
Share of profits from JVs and associates	89.0	26.7	232.6%
Finance income (cost)	(13.8)	(9.2)	-50.2%
Loss before income tax incomes	(29.6)	(1.7)	-1613.6%
Income tax incomes	23.9	5.7	321.5%
Profit (loss) for the period	(5.7)	4.0	-243.2%

Profit (loss) attributable to non-controlling interests of the subsidiaries	9.4	(3.5)	364.1%
Profit (loss) attributable to equity holders of the Company	(15.0)	7.5	-300.4%
Gross profit margin (%)	48.2	42.3	
SG&A to revenue (%)	43.0	45.3	
Net profit margin (%)	- 1.5	0.8	

Revenue Breakdown	2Q2021		2Q2020		YoY %
	THB mn	%	THB mn	%	
Music	443.9	44.1%	421.8	46.1%	5.2%
Home Shopping	353.7	35.1%	408.0	44.5%	-13.3%
Movie	93.5	9.3%	19.2	2.1%	387.2%
Set-top-box and Broadcasting	66.2	6.6%	51.4	5.6%	28.9%
Other	49.6	4.9%	15.6	1.7%	218.7%
Total Operating Revenue	1,006.9	100.0%	915.9	100.0%	9.9%

Music Business comprises the sales of digital music and publishing rights, artist management, showbiz, artist products and physical music, and other supporting businesses. In 2Q2021, the operating revenue from music business amounted to THB 443.9mn and accounted for 44.1% of operating revenue, increased by 5.2% YoY. Artist management and showbiz businesses were most affected by the COVID-19. The publishing rights were only mildly impacted while the revenue from digital music rose.

Home Shopping Business In 2Q2021, Home shopping business reported revenue of THB 353.7mn, a decrease of 13.3% YoY due to economic downturn and the ongoing COVID-19 situation which causes decline in consumers spending.

Movie Business revenue in 2Q2021 amounted to THB 93.5mn, increased by 387.2% YoY due to the revenue from digital and streaming platform. While in the same quarter of the previous year, there was only a small amount of revenue recognition in this segment.

Set-top-box and Broadcasting Business revenue in 2Q2021 was THB 66.2mn, increased by 28.9% YoY due to the increasing sales of set-top-box.

Investments in Joint Ventures in The One Enterprise Public Company Limited showed an upward trend and strong performance. Share of profit from investments in joint ventures and associates was THB 89.0mn, from THB 26.7mn same quarter last year.

Other Business revenue in 2Q2021 amounted to THB 49.6mn, increased by 218.7% YoY. Since after the investment restructuring in 4Q2020, GMM25 digital television became a subsidiary of the Company and its revenue was reported in this segment.

Cost of Sales and Services in 2Q2021 was THB 521.9mn, decreased by 1.2% YoY, due to efficient cost control in relation to declining revenue. The cost of sales and services accounted for 51.8% of total operating revenue.

Gross Profit for this quarter was THB 485.0mn or 48.2% gross profit margin, which was higher than the same quarter last year at 42.3%.

SG&A Expenses in 2Q2021 amounted to THB 435.6mn, increased by 3.3% YoY mainly due to an increased in selling expenses in line with the operating revenue. Moreover, extraordinary items reported in 2Q2021 was the fair value loss on other financial assets of THB 160.1mn.

Reported Net Loss in 2Q2021 amounted to THB 15.0mn, decreased from a net profit of THB 7.5mn in 2Q2020.

FINANCIAL POSITION

Unit: THB mn	30 Jun 2021	%	31 Dec 2020	%
Cash and cash equivalents	554.8	11.2%	727.7	17.2%
Other current assets	1,988.8	40.2%	1,321.8	31.2%
Non-current assets	2,401.2	48.6%	2,192.3	51.7%
Total assets	4,944.8	100.0%	4,241.8	100.0%
Current liabilities	2,452.1	49.6%	2,057.0	48.5%
Non-current liabilities	1,160.5	23.5%	1,227.0	28.9%
Total liabilities	3,612.6	73.1%	3,284.0	77.4%
Shareholders' equity	1,332.2	26.9%	957.8	22.6%
Total liabilities and shareholders' equity	4,944.8	100.0%	4,241.8	100.0%
Net interest-bearing debt to equity ratio (x)	1.26		1.19	

Total Assets Total assets at the end of 2Q2021 amounted to THB 4,944.8mn, increased by THB 703.0mn from the end of previous year. This mainly resulted from the fair value adjustment of the exercised rights to purchase shares of Rojukiss International Public Company Limited of approximately THB 749.3mn under other current financial assets. Although trade and other receivables decreased.

Total Liabilities at the end of 2Q2021 amounted to THB 3,612.6mn, an increase of THB 328.6mn from the end of previous year from higher short-term loans while trade and other payables decreased.

At the end of 2Q2021, the interest-bearing debt was THB 1,672.4mn. The interest-bearing debt to equity ratio increased from 1.19x at the end of 2020 to 1.26x at the end of 2Q2021.

Total Equity amounted to THB 1,332.2mn, increased by THB 374.4mn from the end of 2020 at THB 957.8mn, from profit for the period.

Cash Flow used in operating activities at the end of this quarter amounted to THB 16.0mn, cash flow used in investing activities amounted to THB 645.2mn, and cash flow from financing activities amounted to THB 489.8mn. Net cash decreased from all activities equaled to THB 172.9mn. At the end of 2Q2021, cash and equivalents amounted to THB 554.8mn.

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