

Management Discussion and Analysis for the Quarter 2/2023

2Q2023 BUSINESS OVERVIEW

- GMM Grammy Public Company Limited reported total revenue of THB 1,463.5 million, increased by THB 272.1 million or 22.8% from the same period last year, which operating revenue was THB 1,451.2 million, increased by THB 312.4 million or 27.4% from the same period last year. Most of the increases are from the movie business and the music business group, which grew 132.6%YoY and 35.8%YoY respectively. As the showbiz business recovers, it resumes to be able to organize concerts and music festivals filled with excitement. In the first half of the year 2023, a total of 7 events (9 shows) were held, For the artist management business, both Live Show and Presenter events also generate remarkable revenue growth as well.
- The Company's total gross profit was THB 584.6 million, increased by THB 104.1 million or 21.7% from the same period last year, while gross profit margin dropped from 42.2% to 40.3%
- In quarter 2/2023, the Company reported a net profit attributable to equity holders of the Company amounting of THB 8.2 million, a decrease of THB 76.6 million, representing a decline of 90.3% from the same period last year, due to the fact that the Company had a fair value loss on other financial assets of THB 62.9 million, from the investment in Rojukiss International PLC or ("KISS") if excluding this special item, the Company had a net profit of THB 71.1 million.
- On February 27, 2023, the Board of Directors' Meeting of the Company passed a resolution regarding the restructuring of the music business unit of the Company by approving the sale and disposal of the Company's assets relating to the music business unit to a new established company. On April 7, 2023, the Company registered the establishment of GMM Music Company Limited. ("GMM Music"), in which the Company holds 100% of the total common share issues by the subsidiary. As of June,30, 2023, the Company's management has assessed that it is highly probable that the transfer of all assets and liabilities related to the music business to GMM Music will be completed within the third quarter of 2023. As a result, the Company reclassifies related assets and liabilities of the project as assets and liabilities held-for-sale in the separated statement of financial position and measures them at the lower of carrying amount and fair value less costs to sell. The music business restructuring will not affect the whole operation of the Company. Therefore, it does not affect the Company's consolidated financial statements.
- On July 27, 2023, the Board of Directors' Meeting No.3/2023, the Company approved the plan for the Initial Public Offering (IPO) of GMM Music Company Limited ("GMM Music") and approved the listing of the ordinary shares of GMM Music on the Stock Exchange of Thailand.

KEY BUSINESS UPDATES

- **April 2023**

- "GMM SHOW" was led by the Idea Fact team to create the biggest Songkran Festival in the North, "WATER WAR CHIANG MAI". The exceptional part of such an event was the gathering of the six most renowned pubs in Chiang Mai, including THA CHANG, WARM UP, HOM BAR, CHALUI, THAY NIMMAN, and LIVING MACHIN, which each pub owns distinctive ambiance. It was held on April 16 at Lan Muan Jai, Central Chiang Mai Airport.
- "GMM SHOW" invited you to join and experience the grandest and most exhilarating music and beach party festival of the year, "Chang Music Connection Presents NangLay Beach Party and Music Festival 2" held on April 29 at Triple Tree Beach (near Krua Medsai), Cha-Am, Phetchaburi.
- The Thai horror film "Home For Rent" from GDH joint venture agreement with Ally Entertainment (Thailand) Co., Ltd. has received a positive response both domestically and internationally. Prepare to be on screen throughout the Southeast, including expanding the market to show in Latin America.

- **May 2023**

- "GMM SHOW" collaboration with "ATIME SHOWBIZ" organized a concert for the legendary rock band Micro "Chang Music Connection presents MICRO THE LAST Rock Lek Lek" on May 20-21 at Impact Arena, Muang Thong Thani. It has been considered an important gathering of all groups for the past 13 years, with tens of thousands of fans growing up with the music of the micro band. Come and watch the concert together.
- GENELAB label, under the GMM Grammy affiliated with KruengKao team, is holding a press conference to launch 2 major concerts at SIAM PARAGON (Paragon Cineplex, Hall 8) 1.) 'LEO presents It's Gonna Be Tilly Birds': Tilly Birds' first big concert, held on 1 July at SHOW DC HALL, SHOW DC shopping center. 2.) 'COCKTAIL CLASSICS' concert held for 3 shows from August 4-6 at the Main Hall, Thailand Cultural Center.
- GDH has expanded into a new business, selecting and distributing foreign films under the name 'Out of the Box by GDH.' The first selected film is "PAST LIVES" a deeply moving romantic film from the renowned A24 studio. It will be shown to Thai audiences in cinemas on July 6.

- **June 2023**

- GDH collaborates with Netflix to create the new series "DELETE", a story for viewers to follow the clues of a mysterious cell phone camera that can erase people. The series is scheduled to stream on June 28.

2Q2023 OPERATING RESULTS

Consolidated PL (Unit:THB mn)	2Q2023		2Q2022 (Restated)		YoY%	1H2023		1H2022 (Restated)		YoY%
	THB mn	%	THB mn	%		THB mn	%	THB mn	%	
Total operating revenues	1,451.2		1,138.8		27.4%	2,839.3		2,135.9		32.9%
Dividend income	4.8		6.0		-20.0%	4.8		6.0		-20.0%
Other revenues	7.5		46.6		-83.9%	22.1		56.7		-61.0%
Total revenues	1,463.5		1,191.4		22.8%	2,866.2		2,198.6		30.4%
Cost of sales and services	866.6		658.3		31.6%	1,713.1		1,239.6		38.2%
SG&A	490.8		446.1		10.0%	958.5		874.4		9.6%
Fair value loss on other financial assets	62.9		18.0		249.4%	155.8		200.8		-22.4%
Total expenses	1,420.3		1,122.4		26.5%	2,827.4		2,314.8		22.1%
Profit (loss) from operating activities	43.2		69.0		-37.4%	38.7		-116.3		133.3%
Share of profits from JVs and associates	30.0		35.8		-16.2%	45.2		96.1		-53.0%
Finance income (cost)	-24.3		-16.2		-50.0%	-51.1		-32.8		-55.8%
Profit (loss) before income tax income (expenses)	48.9		88.6		-44.8%	32.8		-53.0		161.9%
Income tax income (expenses)	-14.4		-4.3		-234.9%	-0.7		40.2		-101.7%
Profit (loss) for the period	34.5		84.3		-59.1%	32.1		-12.7		352.1%
Profit (loss) attributable to non-controlling interests of the subsidiaries	26.3		-0.5		5360.0%	22.2		-2.5		988.0%
Profit (loss) attributable to equity holders of the Company	8.2		84.8		-90.3%	9.9		-10.2		197.1%
Earnings per share	0.01		0.10			0.01		-0.01		
Gross profit margin (%)	40.3%		42.2%			39.7%		42.0%		
SG&A to revenue (%)	33.5%		37.4%			33.4%		39.8%		
Net profit margin (%)	0.6%		7.1%			0.3%		-0.5%		

Note: From the change in accounting for intangible assets in 2022, regarding for copyrights to audio masters and video masters as previously recognized as cost in the income statement, but it has changed to be recognized as intangible assets with definite useful life as described in Note 3 to financial statements for the year ended 31 December 2022, starting to record such intangible assets from 2022 onwards. Therefore, the Company adjusted the financial statement, consolidated income statement, and cash flow for the three-month period and six-month ended 30 June 2022, presented as comparative information, to be consistent with the adoption of such accounting treatment.

Revenue Breakdown	2Q2023		2Q2022		YoY %	1H2023		1H2022		YoY %
	THB mn	%	THB mn	%		THB mn	%	THB mn	%	
Music	834.2	57.5%	614.2	53.9%	35.8%	1,713.1	60.3%	1,115.2	52.2%	53.6%
Home Shopping	345.6	23.8%	339.1	29.8%	1.9%	695.6	24.5%	658.4	30.8%	5.6%
Movie	184.0	12.7%	79.1	6.9%	132.6%	256.8	9.0%	136.4	6.4%	88.3%
Set-top-box and Broadcasting	40.0	2.8%	52.7	4.6%	-24.1%	83.0	2.9%	103.7	4.9%	-20.0%
Other	47.4	3.3%	53.7	4.7%	-11.7%	90.8	3.2%	122.3	5.7%	-25.8%
Total Operating Revenue	1,451.2	100.0%	1,138.8	100.0%	27.4%	2,839.3	100.0%	2,135.9	100.0%	32.9%

Operating Revenue

In quarter 2/2023, the Company's operating revenue of THB 1,451.2 million increased by THB 312.4 million, or 27.4%YoY. This increase was primarily driven by higher revenue from the movie business and the music business group.

The Company's operating revenue can be divided into revenue structures according to the Company's business as follows:

1.1 Music Business comprises the sales of digital music and publishing rights, artist management, showbiz, artist products and physical music, and other supporting businesses.

For the quarter 2Q2023, the Company had revenue from music business amounted to THB 834.2 million, accounted for 57.5% of the operating revenue, increased by THB 220.0 million or 35.8%YoY, mainly from showbiz and artist management business, which grew 104.1%YoY. In this quarter, revenue from concerts was realized from a total of 3 events (total of 4 shows). and the Company has expanded the music festival to be held during various festivals, including WARTER WAR CHIANG MAI during the past Songkran apparently.

1.2 Home Shopping Business in 2/2023, Home shopping business reported revenue of THB 345.6 million, accounting for 23.8% of the operating revenue, increased by THB 6.5 million or 1.9%YoY. Due to the increased sales of Health Care and Cosmetic products, attributed to marketing strategy adjustments and the expansion of online sales channels to Facebook and TikTok.

1.3 Movie Business revenue in 2/2023 amounted to THB 184.0 million, accounting for 12.7% of the operating revenue, increased by THB 104.9 million or 132.6%YoY. In this quarter, revenue was recognized from the movie "Home For Rent" that was released in April, and the "DELETE" series available for streaming on Netflix. In addition, the Company also generated revenue from the sales of copyright broadcasting abroad as well.

1.4 Set-top-box and Broadcasting Business revenue in 2/2023 was THB 40.0 million, accounting for 2.8% of the operating revenue, decreased of THB 12.7 million, or 24.1%YoY. The satellite TV set-top-box industry has reached the peak of technology development, and it has also been impacted by the rise of Smart TVs, resulting in a decrease in set-top-box sales volume. However, the Company sees an opportunity in the category of Smart Home products, which has just begun to operate. This is expected to be another channel to generate revenue for the Company.

1.5 Media Business and Others comprises a share of advertising revenue from the digital TV business on the GMM 25 channel and royalties from various digital platforms. In quarter 2/2023, the Company had revenue amounted to THB 47.4 million, accounted for 3.3% of the operating revenue, decreased by THB 6.3 million, or 11.7%YoY.

Cost of Sales and Services in 2/2023 was THB 866.6 million, increased by THB 208.3 million, or 31.6%YoY in line with the increase in revenue.

Net Profit from the operating results of the quarter 2/2023, the Company had a net profit attributable to the Company's shareholders was THB 8.2 million, decreased by THB 76.6 million or 90.3%YoY and a net profit margin (NP) of 0.6%.

FINANCIAL POSITION

Financial Position	30-Jun-23	%	31-Dec-22	%
Cash and cash equivalents	487.6	8.3%	764.2	12.4%
Other current assets	1,885.8	32.2%	2,087.9	33.8%
Non-current assets	3,490.2	59.5%	3,318.7	53.8%
Total assets	5,863.6	100.0%	6,170.8	100.0%
Current liabilities	2,759.5	47.1%	2,812.3	45.6%
Non-current liabilities	1,431.9	24.4%	1,720.4	27.9%
Total liabilities	4,191.4	71.5%	4,532.7	73.5%
Shareholders' equity	1,672.3	28.5%	1,638.1	26.5%
Total liabilities and shareholders' equity	5,863.6	100.0%	6,170.8	100.0%
Net interest-bearing debt to equity ratio (x)	1.20		1.33	

Total Assets at the end of 2/2023 amounted to THB 5,863.6 million, decreased by THB 307.2 million or 5.0% compared to the previous year. Significant items are cash and cash equivalent items which decreased by THB 276.6 million and other current financial assets decreased by THB 155.8 million due to valuation losses in the fair value adjustment of investments in Rojukiss International PLC.

Total Liabilities at the end of 2/2023 amounted to THB 4,191.4 million, decreased from the previous year of THB 341.3 million or 7.5%, mainly decreased from trade and other payables, long-term loans from related parties. The interest-bearing debt was THB 1,998.4 million, decreased of THB 184.6 million.

Total Shareholders' equity at the end of 2/2023 amounted to THB 1,672.3 million, increased from the previous year of THB 34.2 million, or 2.1% due to the Company's operating profit. The interest-bearing debt to equity (IBD/E) ratio decreased from 1.33x to 1.26x.

Cash Flow For the six-month period ended June 30, 2023, the Company had net cash flow used in operating activities amounted to THB 148.0 million, while net cash flow from investing activities amounted to THB 68.1 million, and net cash flow used in financing activities amounted to THB 196.0 million. As a result, net cash flow in this quarter decreased to THB 276.6 million, and cash and cash equivalents amounted to THB 487.6 million.

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