

(Translation)

Opinion of the Independent Financial Advisor on Acquisition of Assets

In case of the auction for and subsequent acquisition of the spectrum license
for digital television services of a subsidiary

(NBC Next Vision Company Limited)

of



Nation Broadcasting Corporation Public Company Limited

Prepared by



Advisory Plus Company Limited

March 7, 2014

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Subject Opinion of the Independent Financial Advisor on the acquisition of assets
of Nation Broadcasting Corporation Plc.

To Board of Directors and Shareholders
Nation Broadcasting Corporation Plc.

The meeting of the Board of Directors No. 1/2014 of Nation Broadcasting Corporation Plc. (the “**Company**”) on January 21, 2014 passed a resolution approving to propose to the shareholders’ meeting of the Company to consider and ratify the participation in the auction for and subsequent acquisition of the license to use allocated frequencies for national commercial digital television services (the “**License**”) and the fulfillment of preconditions to be granted the License pursuant to the Notification of the National Broadcasting and Telecommunications Commission (the “**NBTC**”) regarding Criteria, Procedures and Conditions on the Auction for Allocated Frequencies for National Commercial Digital Television Services B.E. 2556 (the “**Preconditions**”) by NBC Next Vision Co., Ltd. (“**NNV**”), a subsidiary in which the Company holds approximately 99.99% of its total shares, which participated in and subsequently won the auction for the License organized by the NBTC on December 27, 2013. In this regard, details of the result of such auction are set forth in the notification issued by the NBTC dated January 10, 2014, which was received by NNV on January 14, 2014, certifying that NNV is the winning bidder in respect of the License in News Category for one television channel at the final bid price of Baht 1,338 million.

In compliance with the Preconditions, NNV has entered into the Standard Definition Terrestrial Digital Television Network Services Agreement (the “**Network Services Agreement**”) with the Royal Thai Army (“**RTA**”) for a total fee of approximately Baht 816.56 million throughout the agreement term of 14 years and 5 months (from January 16, 2014 to May 31, 2028). In order to enable NNV to effectively carry on and provide its digital television services (“**Digital Television Business**”), it is estimated that NNV’s initial investments for developing its production sites and studios as well as for procuring related materials for production of its own television programs will be approximately Baht 200 million.

The acquisition of the License, the entering into the Network Services Agreement, which is required under the Preconditions, and the investments in the Digital Television Business, involving a combined value of Baht 2,354.56 million, are deemed as an asset acquisition transaction pursuant to the Notification of the Capital Market Supervisory Board No. ThorJor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand (the “**SET**”) Re: Disclosure of Information and Other Acts of the Listed Company Concerning the Acquisition or Disposition of Assets, B.E. 2547, and the subsequent amendments (collectively called the “**Major Transaction Rules**”). The highest value of the transaction, when calculated from the total consideration paid, is equal to 144.67%¹ according

¹ Value of the transaction is equal to 144.48% (2,354.56 / 1,629.69) when calculated from total assets of the Company and its subsidiaries as at December 31, 2013 according to the Company’s consolidated financial statements ended December 31, 2013.

to the Company's consolidated financial statements ended September 30, 2013. Therefore, the proposed transaction falls under "Class 4 Transaction" which is regarded as a backdoor listing transaction pursuant to the Major Transaction Rules.

Nevertheless, the Company fully qualifies for exemption under the Major Transaction Rules from submitting a relisting application to the SET as follows:

1. the Digital Television Business acquired by the Company is in a similar line of business or a mutually supporting business to its ongoing businesses;
2. there is no material change in the composition of its Board of Directors or the change of its control, or the policy of the major businesses;
3. the Company has not increased its capital nor issued any securities which will affect its shareholders or result in any change in its shareholding proportion; and
4. the Company's group will continue to hold suitable qualifications to be a listed company on the SET following the proposed acquisition of assets.

However, this transaction is of competitive bidding nature in which NNV is required to bid against a number of unrelated third parties in order to obtain the License and any advance disclosure of the bid price or other sensitive information to the general public may affect the outcome of the auction. Moreover, NNV is obliged to fulfill certain Preconditions, including but not limited to the obligation to participate in the auction to obtain the License from the NBTC on December 27, 2013, the obligation to enter into the Network Services Agreement with the RTA on January 16, 2014, and the obligation to pay the first installment of related License fees to the NBTC on February 7, 2014 (within 30 days of receipt of the notification from the NBTC regarding the results of the auction), all of which will take place before the shareholders' meeting of the Company approves the entering into the said transaction. Therefore, the board of directors' meeting of NNV and the board of directors' meeting of the Company have preliminarily approved the entering into the proposed transaction and the fulfillment of the Preconditions in order to enable NNV to successfully obtain the License before proposing the transaction to the shareholders' meeting of the Company.

Consequently, the Company is required to disclose relevant information to the SET and hold its shareholders' meeting to consider and ratify the proposed transaction with a vote of not less than three-fourths of the total votes of shareholders attending and eligible to vote at the meeting, excluding those of interested shareholders, without having to submit a relisting application to the SET. The Company will propose such transaction to the 2014 Annual General Meeting of Shareholders, scheduled for April 3, 2014. However, the entering into the above transaction is not considered as a connected transaction pursuant to the Notification of the Capital Market Supervisory Board No. Thor.Jor. 21/2551 and the Notification of the Board of Governors of the SET Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions, B.E. 2546.

The notice of the shareholders' meeting is required to be accompanied by opinion from an independent financial advisor regarding (1) reasonableness and benefits of the transaction to the listed company, (2) fairness of price and conditions for the transaction, and (3) recommendation as to whether the shareholders should vote for or against the transaction together with reasons thereof. In this respect, the Company has appointed Advisory Plus Co., Ltd. as the independent financial advisor ("Financial Advisor") to render opinion to the Company's shareholders regarding the entry into the transaction.

In conducting an analysis and providing opinion herein, the Financial Advisor has considered information and documents obtained from the Company together with publicly available information such as resolutions of the Company's Board of Directors and Information Memorandum regarding the transaction, annual registration statement (Form 56-1), an auditor's report, financial statements, financial projection and relevant assumptions, notifications of the NBTC pertaining to the digital television business, the Network Services Agreement, and other documents supplied by the Company, as well as from interviews with NBC management and assessment of industry situation and other relevant economic factors.

The opinion rendered herein is based on the assumption that all information and documents available from the Company and the information derived from the interviews with its management are reliable, correct and complete without any change or revision thereto after we have received the information. Thus, we cannot certify or guarantee the accuracy or completeness of the information obtained from the Company and concerned parties. Our consideration is, moreover, based on the economic environment and the information perceivable at the time of preparing this study only. As such, if there is any significant change in these factors, it will likely have a material impact on the Company and the proposed transaction and may cause a significant change in our opinion, the financial projection and net cash flow analysis of NNV as well as affect the shareholders' decision. Therefore, we cannot affirm whether there will be any material impact on the Company in the future. Our opinion can be summed up as follows:

Executive Summary

The meeting of the Board of Directors No. 1/2014 of the Company on January 21, 2014 passed a resolution approving to propose to the shareholders' meeting of the Company to consider and ratify the participation in the auction for and subsequent acquisition of the License and the fulfillment of the Preconditions by NNV, a 99.99%-owned subsidiary of the Company, which participated in and subsequently won the auction for the License, organized by the NBTC on December 27, 2013, for one television channel in News Category at the final bid price of Baht 1,338 million.

In compliance with the Preconditions, NNV has entered into the Network Services Agreement with the RTA for a fee of approximately Baht 4.72 million per month with the agreement term of 14 years and 5 months (from January 16, 2014 to May 31, 2028) making up a total value of approximately Baht 816.56 million. In order to enable NNV to effectively carry on and provide its Digital Television Business, it is estimated that NNV's initial investments for developing its production sites and studios as well as for procurement of related materials for production of its own television programs will be approximately Baht 200 million.

The acquisition of the License, the entering into the Network Services Agreement and the investments in the Digital Television Business, involving a combined value of Baht 2,354.56 million, are deemed as an asset acquisition transaction pursuant to the Major Transaction Rules. The highest value of the transaction, when calculated from the total consideration paid, is equal to 144.67%² according to the Company's consolidated financial statements ended September 30, 2013. Therefore, the proposed transaction falls under "Class 4 Transaction" which is regarded as a backdoor listing transaction pursuant to the Major Transaction Rules. Nevertheless, the proposed transaction is not considered as a backdoor listing transaction because the Company fully qualifies for exemption from submitting a relisting application to the SET.

However, this transaction is of competitive bidding nature in which NNV is required to bid against a number of unrelated third parties in order to obtain the License and any advance disclosure of the bid price or other sensitive information to the general public may affect the outcome of the auction. NNV has accordingly fulfilled certain Preconditions before the shareholders' meeting of the Company approves the entering into the said transaction. Therefore, the board of directors' meeting of NNV and the board of directors' meeting of the Company have preliminarily approved the entering into the proposed transaction and will seek ratification from the 2014 Annual General Meeting of Shareholders to be held on April 3, 2014, with a required vote of not less than three-fourths of the total votes of shareholders attending and eligible to vote at the meeting, excluding those of interested shareholders, without having to submit any relisting application to the SET.

The entering into the asset acquisition transaction by a subsidiary, NNV, entailing the auction for and acquisition of the License, the execution of the Network Services Agreement, which is under the Preconditions to be fulfilled before obtaining the License, and the investments for developing production sites and studios and for procuring related materials to enable NNV to effectively provide

² Value of the transaction is equal to 144.48% (2,354.56 / 1,629.69) when calculated from total assets of the Company and its subsidiaries as at December 31, 2013 according to the Company's consolidated financial statements ended December 31, 2013.

its digital television services, involving a combined transaction value of Baht 2,354.56 million, will provide a good opportunity for the Company to diversify into the digital television services which feature a free-to-air digital terrestrial television broadcasting with high efficiency and extensive reach to viewers on various platforms. In addition, NBC itself has accumulated considerable experience in television broadcasting through its satellite Nation Channel whose strengths lie in quality news contents, personnel and database. These could suggest that **the entry into the transaction to acquire the License and any essential and relevant transactions of the subsidiary are appropriate.**

The benefits to NBC from this asset acquisition transaction include an expanded viewer base, income growth from television business, stronger competitiveness built on its existing readiness and expertise in this business, an optimized utilization of existing resources and assets, an increased opportunity or channel for income earning or customer base expansion on all platforms as bolstered by the expanded television viewer base, an increased value added and return for shareholders in the long term, and the Company's reputation and image as the country's leading television broadcasting service provider.

However, **the entry into this transaction could cause some impacts and risks to the Company**, comprising risk from loss at the initial period of investments, risk from return on investment not coming out as projected which may affect overall performance of the Company and dividend receivable by shareholders in the future, and risk from lowered liquidity and from liabilities arising from the obligation to pay the high-valued License fees.

The Company is also exposed to risk from failure to obtain ratification from the shareholders for the entry into the asset acquisition transaction which has already been executed. This will subsequently lead NNV to be unable to operate business under the License and NNV will thereby be deemed to have breached the agreement made with the NBTC. In this case, NNV may not request a refund of the first installment of related License fees already paid to the NBTC and is still obliged to completely pay the remainder of the fees in accordance with the obligation set forth in the letter of guarantee placed with the NBTC. As such, it will lose funds paid for the License fees in an amount equal to the bid price (Baht 1,338 million), lose on investment that have already invested in equipment of Bt. 50 million, and could also face a lawsuit demanding payment for other damage claims. With respect to the Network Services Agreement, the security placed under such agreement may be confiscated and NNV will be held liable for paying other indemnities to the RTA.

As regards the adequacy of funding source for the transaction amounting to Baht 2,354.56 million in total, the Company will render financial support to NNV. In view of the Company's current financial position, the projected increase in capital from exercise of warrants and from cash flow from future operation, and the payment for the acquired assets which is set to be made in installments as per the payment schedule already set forth, the Financial Advisor is of the opinion that **the Company has an adequate source of funds for this transaction.** If there is no need for borrowing, the Company will consider utilizing funds entirely from its internal working capital. Thus, it will not bear any debts and interest expenses from borrowing from external financing sources.

To identify reasonableness of the transaction price, we have analyzed and compared the investment cost of the Digital Television Business with the total cash flow to be received from such investment. According to a projection of cash flow from such business undertaking by NNV over a period of 15 years from the first date of digital broadcasting (April 1, 2014 - March 31, 2029), the net present value of cash flow is estimated at Baht 351.36 million, with internal rate of return (IRR) of 26.25% per year and payback period of 6.84 years. Such IRR is higher than the cost of equity, or K_e , which is equal to 15.22% (K_e is the average of overall rate of return expected by shareholders from their current investments in the Company's shares, which have not yet included the Digital Television Business, a new line of business to be undertaken in the future). The said rate of return from this project is therefore considered favorable.

Moreover, we are of the opinion that **the conditions for the transaction are fair and do not cause the Company to lose any benefits.** The conditions pertaining to the License are conditions prescribed under the NBTC's Notification Regarding Rules and Procedures for Approval of the Use of Spectrum for Digital Television Broadcasting Services and other relevant notifications that must be adhered to by all licensees on an equitable basis. Likewise, the conditions under the Network

Services Agreement, including the determination of service fees and a possible decrease or change of service fees in the future based on inflation rate or subject to the NBTC's approval, are deemed fair and equitable for all.

Based on the above rationale, we view that the shareholders will gain benefits from the proposed transaction and that the transaction is reasonable with a fair price and fair conditions. Therefore, it is recommended that the shareholders should give ratification for the asset acquisition transaction.

In deciding whether to give such ratification, the shareholders can consider the reasons and opinion of the Financial Advisor as described above. The final decision primarily depends on the individual shareholders' judgment.

1. Nature and details of the transaction

1.1 Type and size of the transaction

NNV, a subsidiary of the Company, has an intention to undertake and provide the digital television services ("**Digital Television Business**"). On December 27, 2013, NNV participated in the auction for the license to use allocated frequencies for national commercial digital television services in News Category for one television channel (the "License") launched by the NBTC. In this category, seven Licenses were offered for auction with a reserve price of Baht 220 million. The auction was joined by 10 bidders, including NNV which was No. 1 bid winner. The NBTC issued a notification dated January 10, 2014, certifying that NNV is the winning bidder in respect of the License to use allocated frequencies for national commercial digital television services in News Category at the final bid price of Baht 1,338 million.

In compliance with the Preconditions, NNV has entered into the Network Services Agreement with the RTA, under which NNV will use the RTA's terrestrial digital television network for television broadcasting in all parts of the country for a total fee of approximately Baht 816.56 million or around Baht 4.72 million per month throughout the agreement term of 14 years and 5 months (from January 16, 2014 to May 31, 2028). Moreover, it is estimated that NNV's initial investments for developing its production sites and studios as well as for procuring related materials for production of its own television programs will be approximately Baht 200 million.

The acquisition of the License, the fulfillment of the Preconditions by entering into the Network Services Agreement and the investments in other assets for operation of the Digital Television Business, involving a combined value of Baht 2,354.56 million, are deemed as an asset acquisition transaction pursuant to the Major Transaction Rules. The highest value of the transaction, when calculated from the total consideration paid, is equal to 144.67%³ according to the Company's consolidated financial statements ended September 30, 2013. Therefore, the proposed transaction falls under "Class 4 Transaction" which is regarded as a backdoor listing transaction pursuant to the Major Transaction Rules.

Nevertheless, the Company fully qualifies for exemption from submitting a relisting application to the SET due to the following reasons:

1. the Digital Television Business acquired by the Company is in a similar line of business or a mutually supporting business to its ongoing businesses;
2. there is no material change in the composition of its Board of Directors or the change of its control, or the policy of the major businesses;
3. the Company has not increased its capital nor issued any securities which will affect its shareholders or result in any change in its shareholding proportion; and

³ Value of the transaction is equal to 144.48% (2,354.56 / 1,629.69) when calculated from total assets of the Company and its subsidiaries as at December 31, 2013 according to the Company's consolidated financial statements ended December 31, 2013.

4. the Company's group will continue to hold suitable qualifications to be a listed company on the SET following the proposed acquisition of assets.

However, this transaction is of competitive bidding nature in which NNV is required to bid against a number of unrelated third parties in order to obtain the License and any advance disclosure of the bid price or other sensitive information to the general public may affect the outcome of the auction. Moreover, NNV is obliged to fulfill certain Preconditions, including but not limited to the obligation to participate in the auction to obtain the License from the NBTC on December 27, 2013, the obligation to enter into the Network Services Agreement with the RTA on January 16, 2014, and the obligation to pay the first installment of related License fees to the NBTC on February 7, 2014 (within 30 days of receipt of the notification from the NBTC regarding the results of the auction), all of which will take place before the shareholders' meeting of the Company approves the entering into the said transaction. Therefore, the board of directors' meeting of NNV and the board of directors' meeting of the Company have preliminarily approved the entering into the proposed transaction and the fulfillment of the Preconditions in order to enable NNV to successfully obtain the License before proposing the transaction to the shareholders' meeting of the Company.

Details of the transaction size calculation are as tabulated below:

Calculation basis	Formula	Transaction size	
Total value of consideration	$\frac{\text{Consideration paid} * 100\%}{\text{Total assets}^*}$	$\frac{2,354.56 * 100\%}{1,627.55}$	144.67 %

* Computed from total assets of NBC and its subsidiaries as of September 30, 2013 according to the Company's consolidated financial statements for the nine-month period ended September 30, 2013.

Consequently, the Company is required to disclose relevant information to the SET and hold its shareholders' meeting to consider and ratify the proposed transaction with a vote of not less than three-fourths of the total votes of shareholders attending and eligible to vote at the meeting, excluding those of interested shareholders, without having to submit a relisting application to the SET. The Company will propose such transaction to the 2014 Annual General Meeting of Shareholders, scheduled for April 3, 2014.

1.2 Value of the assets being acquired and value of consideration

Under the proposed transaction, NNV will acquire the License, the right to use the RTA's television network services and the assets from investments for developing its production sites and studios and procuring related materials for operation of the Digital Television Business, with a combined value of Baht 2,354.56 million, with details as follows:

- (1) The license to use allocated frequencies for national commercial digital television services in News Category for one channel, in a 15 years term, through bid winning at the auction for such license launched by the NBTC, at a successful bid price of Baht 1,338 million (exclusive of VAT);
- (2) Right to the Standard Definition Terrestrial Digital Television Network Services under the terms and conditions set forth in the Network Services Agreement made by NNV with the RTA for its television broadcasting through the RTA's network in all parts of the country for a fee of approximately Baht 4.72 million per month throughout the agreement term (14 years and 5 months), making up a total value of approximately Baht 816.56 million (exclusive of VAT);
- (3) Assets from initial investments for developing production sites and studios and procuring related materials in order to enable NNV to efficiently provide its digital television services with modern equipment, with an estimated cost of approximately Baht 200 million.

Value of consideration

Unit: Baht million

No.	Particulars	Value of consideration
1	License fees	1,338.00
2	Digital television network service fees	816.56
3	Estimated investments in production sites and equipment	200.00
	Total	2,354.56

Details and terms of payment for License fees and service fees under the Network Services Agreement

1) **License fees** of Baht 1,338 million (the auction's reserve price of Baht 220 million) are subject to the payment terms as follows:

Installment no.	Payment terms	Fees out of the reserve price		Fees out of the excess of reserve price		Total fees (Bt. million)
		% of reserve price	Amount (Bt. million)	% of reserve price excess	Amount (Bt. million)	
	Auction deposit	10%	22.00			22.00
1	Within 30 days of receipt of notification on auction results (paid on Feb 7, 2014)	40.00%	88.00	10.00%	111.80	199.80
		(net of auction deposit of Baht 22 million)				
2	Within 30 days after the end of first year from License date	30.00%	66.00	10.00%	111.80	177.80
3	Within 30 days after the end of second year from License date	10.00%	22.00	20.00%	223.60	245.60
4	Within 30 days after the end of third year from License date	10.00%	22.00	20.00%	223.60	245.60
5	Within 30 days after the end of fourth year from License date	-	-	20.00%	223.60	223.60
6	Within 30 days after the end of fifth year from License date	-	-	20.00%	223.60	223.60
			220.00		1,118.00	1,338.00

Remark: 1. License fees above are exclusive of VAT.

2. Upon payment of each installment, a bank guarantee must be placed against the unpaid balance of the fees. The outstanding guarantee amount will be reduced according to the accumulated amount of fees paid. As of February 7, 2014, which was the date the first installment was paid by NNV, a bank guarantee was placed in the amount of Baht 1,194.33 million (equal to the unpaid balance of fees plus VAT).

In addition, NNV is obliged to pay an "annual License fee" at 2% of revenues before expenses and must contribute a "yearly amount" to the Broadcasting and Telecommunications Research and Development Fund for the Public Interest at 2% of revenues before expenses received from direct and indirect advertisements and other revenues from services provided under the License.

2) Digital television network service fees

NNV will pay service fees under the Network Services Agreement to the RTA over a term of 14 years and 5 months, or from January 16, 2014 to May 31, 2028, at a rate of approximately Baht 4.72 million per month after the RTA has completed the installation of network stations as prescribed

in the Agreement,⁴ or making up a total of approximately Baht 816.56 million. Such fees are exclusive of VAT.

In the event that the RTA has not yet completed the installation of network stations as set forth in the Agreement, it will collect the fees at the rate specified for the stations already installed and will send an invoice, notifying the monthly fee due plus VAT, to NNV at least 30 days in advance. NNV must pay the fee ahead of the use of services. The RTA must install 20 network stations in year 1 (2014), with service coverage area of 70% of total number of households nationwide, and 39 stations (which include the stations installed in year 1) in year 2 (2015), with service coverage area of 97% of total number of households nationwide.

In this regard, NNV has placed a letter of guarantee worth Baht 9.44 million to the RTA against its performance of obligations under the Agreement. If any party breaches any of the conditions under the Agreement, the other party is entitled to terminate the Agreement by so notifying the defaulting party in writing at least three months before the proposed date of Agreement termination. If NNV breaches the Agreement, it agrees to such guarantee being confiscated by the RTA.

1.3 Details of the assets being acquired

Under the proposed transaction, NNV, a subsidiary of the Company, will acquire the following three types of assets:

1. The license to use allocated frequencies for national commercial digital television services in News Category in a 15-year term (NNV submitted an application for the License to the NBTC on February 25, 2014, and the NBTC will consider issuing the License within 90 days from the said date of application submission by NNV);
2. Right to use the RTA's terrestrial digital television network services under the Network Services Agreement for its television broadcasting in all parts of the country in a term of 14 years and 5 months or from January 16, 2014 to May 31, 2028 (the RTA has been licensed to operate broadcasting business by providing networking services for national digital terrestrial television broadcasting in a 15-year term or from September 30, 2013 to September 29, 2028);
3. Production sites and studios as well as related materials for production of television programs.

Details of the above assets are as follows:

(1) The License

Grantor	: The National Broadcasting and Telecommunications Commission ("NBTC")
Licensee	: NBC Next Vision Co., Ltd. ("NNV")
License term	: 15 years
Preconditions	: The Notification of the NBTC regarding Criteria and Procedures on the Licensing of Allocated Frequencies for Digital Television Services B.E. 2556 prescribes the preconditions for all licensees as follows: <ol style="list-style-type: none"> 1. The licensees shall apply for and obtain the right to use television network services from the authorized provider of terrestrial digital television network services within 30 days from the date the NBTC resolves to designate them as the licensees or as the bid winners for the License. (NNV has already fulfilled this condition.) 2. The licensees shall commence the broadcasting services according to the

⁴ In the event that the RTA has not yet completed the installation of network stations as set forth in the Agreement, it will collect the fees at the rate specified for the stations already installed.

	<p>service plan or investment plan within 30 days from the date of obtaining the License from the NBTC.</p> <p>In the event that the applicant who has been designated by the NBTC as the licensee or as the bid winner for the License fails to fulfill the requirement by the specified period as in the first paragraph, it shall be deemed as having renounced the right to the License and may not request a refund of all fees incurred from the application for the License.</p> <p>3. For the applicant who has been designated by the NBTC as the licensee or as the bid winner for the License and has fulfilled the conditions in 1 and 2 and been approved by the NBTC, the NBTC shall issue the License to use allocated frequencies for the category of digital television services as specified by the NBTC.</p> <p>The licensee shall have the right to use allocated frequencies under the spectrum plan for digital terrestrial television services jointly with other licensee in compliance with the conditions for use of frequencies stipulated by the NBTC.</p> <p>After obtaining the License from the NBTC, it shall be deemed to also receive a license to operate broadcasting services under the law governing broadcasting business.</p>
<p>Rights and duties of the licensees</p>	<p>: Under the Notification of the NBTC regarding Criteria and Procedures on the Licensing of Allocated Frequencies for Digital Television Services B.E. 2556, the licensees shall have the rights and duties as follows:</p> <ol style="list-style-type: none"> 1. The licensees must completely meet the qualifications specified in the Notification of the NBTC regarding Criteria and Procedures on the Licensing of Broadcasting Services throughout the license term. That is, they must have the qualifications specified in Section 8, Section 14, Section 15 and Section 25 of the Broadcasting Business Act B.E. 2551 and must possess qualifications and not have disqualifications as follows: <ol style="list-style-type: none"> (1) The licensees must not be a bankrupt or be placed under a receivership or business reorganization order by a court under the bankruptcy law. (2) The directors or persons authorized to act on behalf of the licensees must not be listed as unsuitable executives according to the regulations of the Stock Exchange of Thailand. (3) the licensees, the directors, managers or persons authorized to act on behalf of the licensees must never have been given a criminal sentence by a final court judgment, during the two-year period prior to the application submission date, for an offence committed under the law on broadcasting business, the law on radio communication, the law on telecommunications business, the law on trade competition, the law on information, the law on intellectual property, the law on narcotics, predicate offence under the law on anti-money laundering, offence related to officials under the Criminal Code, offence under the law on placing of bids to state agencies, and offence under the organic law on corruption prevention and suppression. 2. The licensees must adhere to the licensing scope and conditions specified in the NBTC Notification regarding Criteria and Procedures on the Licensing of Broadcasting Services. 3. The License to use allocated frequencies for digital television services is an exclusive right granted to the individual licensees and may not be transferred. <p>The licensees must use the allocated frequencies for digital television business operation by themselves and may not assign the management, in whole or in part, to other party, nor delegate the power to other party to operate the business on their behalf, nor to assign right to the License, in whole or in part, to other party which will cause an effect on the licensed business, but may allocate and lease some of the airtime to other operator in accordance with the regulations stipulated by the NBTC.</p> 4. In the event that the licensees wish to change to other digital television network,

- they must obtain approval from the NBTC for a change in the use of allocated frequencies at least 180 days in advance.
5. The licensees must pay the annual License fees at the rate and under the procedures specified by the NBTC. The licensees who fail to pay such fees or pay the fees later than the specified deadline are subject to an additional fee at the rate specified by the NBTC (7.50% of the past due amount). Failure to make such fee payment within 15 days from the due date will result in the License being nullified as from the date immediately following the due date of the License fee. The licensees must then fulfill all conditions specified by the NBTC before dissolution of their business.
 6. The licensees must strictly comply with the conditions set forth in the License by the NBTC.
 7. The License to use allocated frequencies for digital television services shall be valid for a period specified by the NBTC but not longer than 15 years.
 8. If, after expiry of the License, the licensees wish to reapply for the use of allocated frequencies for digital television services, they must file an application for the License to the NBTC in accordance with the criteria and procedures stipulated under this Notification.

(2) the Standard Definition Terrestrial Digital Television Network Services Agreement

<p>Agreement parties</p>	<p>: Royal Thai Army (“RTA”) : NBC Next Vision Co., Ltd. (“NNV”)</p>
<p>Key conditions and scope of agreement</p>	<ol style="list-style-type: none"> 1. NNV agrees to use the terrestrial digital television network services (“Network Services”) of the RTA for full-time television broadcasting in a term of 14 years and 5 months from January 16, 2014 to May 31, 2028. 2. The RTA agrees to provide the digital television network services for NNV as in 1. 3. NNV must not use the RTA’s Network Services for any purposes other than that under the License granted to NNV by the NBTC. Violation by NNV will result in the RTA reserving the right to prohibit or cease the Network Services and NNV may not use it as a ground for taking a legal action. 4. The agreement party finds acceptable the quality of television broadcasting through the digital television network under the standard specified by the NBTC. 5. The agreement parties must comply with rules and regulations of concerned authorities, including other agreements arising from results of frequencies coordination where the NBTC or concerned authorities have supervised and control the rules and regulations. The agreement parties mutually agree not to operate television broadcasting that contradicts or violates the said rules, regulations or agreements. 6. The RTA provides to NNV only the multiplexing television network services to ensure the television broadcast is in the agreed areas. The RTA is responsible for and certifies that the television broadcasting conforms to the NBTC’s regulations. If any damage is incurred from the broadcasting, the RTA shall be liable for any such damage that arises from the network services provided. NNV shall submit a letter confirming the disrupted services to the RTA within seven business days counting from the time at which the RTA receives a notice of the disrupted services by phone or fax from NNV. 7. NNV has the duty to transmit the audio and video signals to the RTA and shall be responsible for and certify the accuracy of data, pictures and sound of television signal of NNV that is broadcast in various parts of the country in order to prevent the broadcast television signal of NNV from affecting or violating rights of any third party or violating the rules, regulations or laws applicable in the country, the damage from which shall be under sole responsibility of NNV. 8. The RTA shall guarantee the quality of its network services for 99.98% of broadcast time per year. If any disruption, including the time during which broadcast cannot be made, does not exceed 1 hour and 45 minutes per year or not exceed 0.02% of full-time broadcasting, it shall not be deemed an event

	leading to a discount of service fees payable by NNV to the RTA under the Agreement. Such quality guarantee shall be made on an individual station basis. If the time during which broadcast cannot be made exceeds the guaranteed service quality, the request for service fee discount shall be made on an individual station basis. The discount shall be calculated based on the percentage of disruption time compared with the monthly service fee of each station.
Service fees	<p>1. NNV shall pay service fees throughout the agreement term to the RTA at a rate of Baht 4.72 million per month, exclusive of value added tax, after the RTA has completely installed the network stations in the agreed areas. The RTA shall send a monthly invoice, specifying therein the service fees due plus value added tax, to NNV at least 30 days in advance and NNV shall pay the fees before using the service.</p> <p>2. In the event that the RTA has not yet fully completed the network station installation in the agreed areas, it shall collect the service fees at the rate specified for each already installed station.</p> <p>3. NNV shall provide a letter of guarantee worth Baht 9.44 million to the RTA against its performance of obligations under the agreement. The RTA shall return such letter of guarantee to NNV after NNV has been discharged from the obligations under this agreement.</p> <p>4. In the event that NNV defaults on service fee payment, it shall pay a penalty fee at 2% per month.</p>
Cancellation or termination of agreement	If any party fails to perform any obligations specified in this agreement, the other party shall have the right to terminate the agreement and shall so notify the defaulting party in writing at least three months before the proposed date of agreement termination. If NNV breaches the agreement, it agrees to such guarantee deposit being confiscated by the RTA.
Assignment of rights to other party	During the term of the agreement, the parties hereto agree not to assign the rights or duties under this agreement to any third party without prior written consent from the other party hereto. In case such consent is given, the assigning party shall so notify the assignee and the assignee shall perform all duties and obligations borne by the assigning party to the other party hereto in all respects.

2. Company profile

2.1 Background

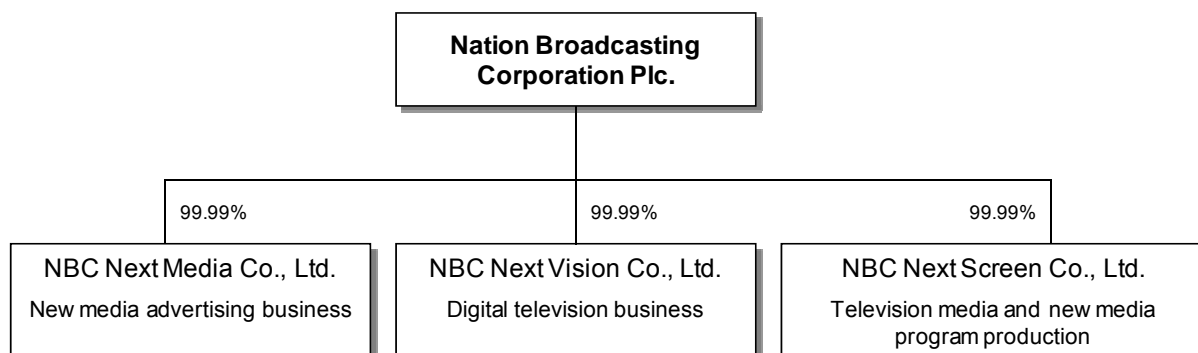
Nation Broadcasting Corporation Plc. (“the Company” or “NBC”) was established on January 8, 1993 as a broadcast media arm of Nation Multimedia Group Plc. (“NMG”) which is a listed entity on the Stock Exchange of Thailand (“SET”). NBC shares were first traded on the mai on November 11, 2009.

As of December 31, 2013, the Company had a registered capital of Baht 720,343,962 and a paid-up capital of Baht 534,412,647, divided into 534,412,647 ordinary shares with a par value of Baht 1 per share, together with unexercised warrants with details as follows:

- 1) Warrants to purchase newly issued ordinary shares allocated under rights offering to the Company’s existing shareholders who have subscribed for those shares (NBC-W1): The outstanding number of unexercised warrants is 176,860,465 units (out of the total issued and offered amount of 176,869,946 units) with a 5-year maturity (warrant issue date is July 12, 2013 and maturity date is July 11, 2018) at an exercise price of Baht 3.00 per share and exercise ratio of 1 unit of warrant for 1 ordinary share. The exercise date is the 15th of December and June of each year throughout the warrant life and the last exercise date falls on July 11, 2018.
- 2) Warrants to purchase newly issued ordinary shares allocated to directors, executives and/or employees of the Company and/or its subsidiaries, No. 2 (“ESOP-WB”): The outstanding number of unexercised warrants is 7,603,105 units (out of the total issued and offered amount of 8,798,905 units) with a 5-year maturity (warrant issue date is August 15, 2013 and maturity date is August 14, 2018) at an exercise price of Baht 3.00 per share and exercise ratio of 1 unit of warrant for 1 ordinary share. The exercise date is

the 15th of December and June of each year throughout the warrant life and the last exercise date falls on August 14, 2018.

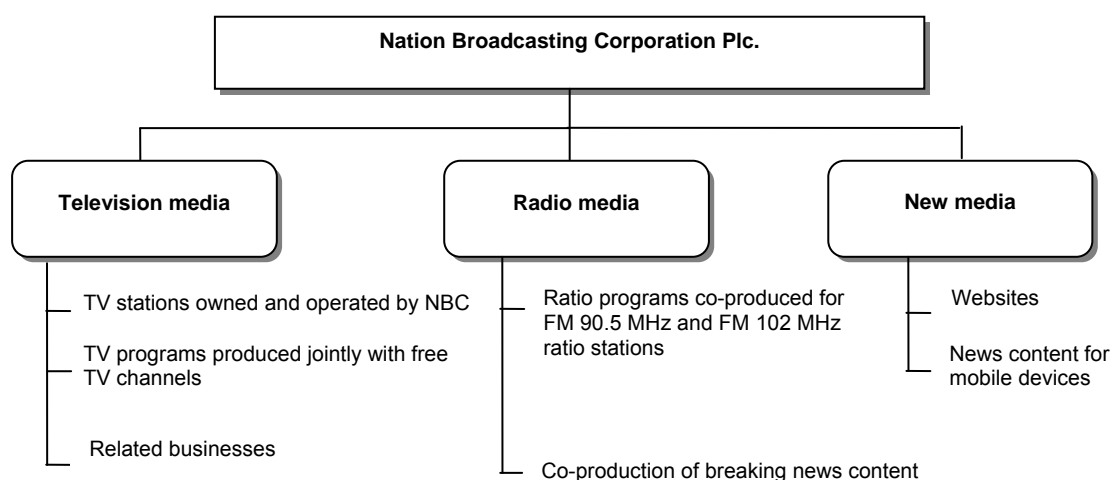
NBC has three subsidiaries as follows:



- (1) NBC Next Media Co., Ltd. was founded on March 6, 2012 to operate a new media advertising business. As at December 31, 2013, it had a registered capital of Baht 20 million and a paid-up capital of Baht 10 million.
- (2) NBC Next Screen Co., Ltd. was set up on November 30, 2012 to engage in production of contents in various forms through television media and new media. As at December 31, 2013, it had a registered capital of Baht 1 million and a paid-up capital of Baht 0.25 million.
- (3) NBC Next Vision Co., Ltd. (NNV) was incorporated on November 30, 2012 to engage in production of contents in various forms through television media and new media. NNV is a bid winner for the license to use allocated frequencies for national commercial digital television services in News Category. As at December 31, 2013, it had a registered and paid-up capital of Baht 1 million.

Overview of business operation


NBC operates business as a content provider for broadcast through various media including television, radio and new media forms. Details of each line of business are shown below:



1) *Television broadcasting business* NBC is the promoter and operator of Nation Channel, which is a news station viewable through cable TVs, satellite dishes, websites and mobile devices such as cell phones, smart phones and tablets. The Company also works jointly with other free TV channels to produce news and information programs and utilizes its resources to operate

other related businesses such as production and distribution of VCD and DVD, arrangement of training and seminar, and arrangement of special activities, etc., details of which are tabulated below:

1.1) TV stations run by NBC

Station name	Station concept	Access
1. Nation Channel (Broadcast from 2000 to present) 	A 24-hour news station committed to delivering news and information on a reliable, unbiased and timely basis, along with in-depth analytical and informative insights from an experienced news team.	<ul style="list-style-type: none"> - Local cable TVs - Satellite TV via Thaicom-5, C-Band, 12355 MHz - Satellite TV via Thaicom-5, KU-Band, 3545 MHz - Website at www.nationchannel.com - Mobile phone applications - iPad and iPhone applications - LCD screens inside BTS stations and trains

Moreover, the Company in 2013 produced TV programs for Rama Channel (on air during Dec 1, 11 - July 31, 13), a 24-hour health station offering news covering health, medical treatment and research conducted by specialist medical teams of Ramathibodi Hospital, broadcast via local cable TVs, TrueVisions Channel 24, ramachannel website, and smart phone applications.

During December 3, 2012 - December 31, 2013, the Company operated Kom Chad Luek TV aiming to inform the community of dangers with content covering local issues, disasters, daily social harms and complaints from the public, as well as entertainment and sports programs. The station broadcasts through local cable TVs and various satellite TV channels. However, to prepare for entry into the digital television business, the Company ceased program production for Rama Channel in July 2013 and discontinued the broadcast on Kom Chad Luek TV in December 2013.

1.2) TV programs produced jointly with free TV channels

NBC produces news and information programs for TV jointly with several free TV channels. Revenue is generated from sale of advertising and promotion of products and services as part of the programs. In 2013, the Company had two jointly produced programs on air via Channel 3 and Channel 5:

TV station	Program title	Program format	Broadcast time
Channel 3	Rueng Den Yen Nee	Presenting news reports of daily important incidents and other interesting issues to the public	Monday - Friday 16.00 hrs. - 17.45 hrs.
Channel 5	5 Chao Khao Dee	Presenting interesting news in a fun and captivating style to show that the world is not full of only bad news, along with interviews with people in hot news and interesting people from all professions	Monday - Friday 08.35 hrs. - 09.10 hrs. (program co-production already ended in December 2013)

2) *Radio broadcasting business* The Company has forged business alliances to produce content for broadcast via radio stations for more than 20 years. It is a co-producer of programs and news content for two FM radio stations, FM 90.5 MHz and FM 102 MHz, and one AM station, 1107 KHz, including more than 30 community radio stations across the country.

In addition to broadcasting through radio frequencies, the Company also airs its radio programs on FM 90.5 MHz and FM 102.0 MHz via new media to add new channels for listeners so that they can access the programs conveniently with archived programs also available:

- Internet - Listeners can access the Company's radio programs through www.nationradio.co.th and other web-links such as www.sanook.com.
- Radio on Mobile - The programs can be accessed via smart phones, Window Phones and online social media such as Twitter at www.twitter.com/NTRadio_NBC and Facebook at www.facebook.com/radio.nbc.
-
- Satellite dish - Households equipped with satellite dishes can access the Company's radio programs, with FM 90.5 MHz broadcasting via C-Band (black dish) and FM 102.0 MHz via KU-Band (yellow dish).

3) *New media business* The Company offers news and information content by launching websites to present a variety of products and services such as www.nationchannel.com, www.oknation.net, <http://radio.nationchannel.com/>, <http://breakingnews.nationchannel.com>, and www.247friend.net, and also generates income from sales of advertising via websites for its business alliances such as www.pantip.com and www.exteen.com. In addition, the Company provides news reports and other content for mobile electronics devices such as smart phones through SMS and MMS and application services on smart phones and tablets for viewing Nation Channel's programs, photo archive of professional news photographers and freelance photographers, and e-magazine.

- Revenue structure of NBC and its subsidiaries in 2011-2013 is shown in the table below:

	2011		2012		2013	
	Bt. million	%	Bt. million	%	Bt. million	%
Revenue from television media	523.40	78.32	550.57	74.36	463.34	68.07
Revenue from radio media	31.54	4.72	33.41	4.51	33.08	4.86
Revenue from new media	111.56	16.69	153.09	20.68	165.37	24.30
Others	1.82	0.27	3.34	0.45	18.88	2.77
Total revenues	668.32	100.00	740.41	100.00	680.67	100.00

- Board of Directors and shareholders
 - *NBC Board of Directors according to the affidavit as of December 18, 2013 was composed of 10 members as follows:*

Name	Position
1. Mr. Suthichai Sae-Yoon	Chairman of The Board Of Directors
2. Dr. Supong Limtanakool	Independent Director and Chairman of the Audit Committee
3. Mr. Metha Soonthornjit	Independent Director and Member of the Audit Committee
4. Mr. Kittichai Lattisophonkul	Independent Director and Member of the Audit Committee
5. Mrs. Suphanee Dechaburananon	Independent Director
6. Mr. Adisak Limprungpatanakij ^{1/}	Director and President
7. Mr. Sermsin Samalapa	Director
8. Miss Aeumsree Boonhachairat ^{1/}	Director
9. Mr. Thepchai Sae-Yong	Director
10. Miss Duangkamol Chotana	Director

Remark: ^{1/} These two directors also serve on NNV Board of Directors, which is composed of three members.

The Company's authorized signatories are any two of four directors, namely Mr. Suthichai Sae-Yoon, Mr. Adisak Limprungpatanakij, Miss Duangkamol Chotana and Miss Aeumsree Boonhachairat, authorized to co-sign with the Company's seal affixed.

▪ *Shareholders*

As of December 27, 2013 (the latest closing date of shareholder register book, which was after the date of registration of capital increase arising from exercise of NBC-W1), the Company had a registered capital of Baht 720,343,962 and a paid-up capital of Baht 534,412,647, divided into 534,412,647 ordinary shares with a par value of Baht 1 per share. Details of the shareholders are as follows:

	Name	No. of shares	% of total shares
1.	Nation Multimedia Group Plc. (NMG) ^{1/}	381,011,674	71.30
2.	Miss Varunee Tantasuralerk	15,000,000	2.81
3.	Mr. Passakorn Jetsadawarangkul	12,000,000	2.25
4.	Mr. Anon Thongyad	10,941,700	2.05
5.	Mr. Chavalit Wisarankul	5,004,002	0.94
6.	Mr. Suthichai Sae-Yoon	4,866,714	0.91
7.	Miss Siriwan Veerapojananan	3,300,000	0.62
8.	Mr. Virat Suphantharida	3,147,046	0.59
9.	Mr. Vitavat Lertbannapong	2,950,000	0.55
10.	Miss Suwida Kingmueangkao	2,950,000	0.55
	Total top 10 shareholders	441,171,136	82.55
11.	Others	93,241,511	17.45
	Total	534,412,647	100.00

Remark: ^{1/} As of December 24, 2013 (the latest closing date of shareholder register book, which was after the date of registration of capital increase arising from exercise of NMG-W3), NMG had a registered capital of Baht 2,663,572,194.95, divided into 5,025,607,915 ordinary shares, and a paid-up capital of Baht 1,751,120,832.10, divided into 3,304,001,570 ordinary shares with a par value of Baht 0.53 per share. NMG's top 10 shareholders are as follows:

	Name	No. of shares	% of total shares
1.	Mr. Suthichai Sae-Yoon	304,101,742	9.20
2.	Mr. Sermsin Samalapa	300,000,000	9.08
3.	Mr. Jetsada Lertnanthapanya	164,837,200	4.99
4.	Dow Jones & Company, Inc., New York	120,000,000	3.63
5.	Green Siam Co., Ltd.	81,588,411	2.47
6.	Miss Varunee Tantasuralerk	73,000,000	2.21
7.	Miss Supasri Khunprapakorn	71,805,404	2.17
8.	Thai NVDR Co., Ltd.	63,243,277	1.91
9.	Miss Sirima Janejindawong	47,986,600	1.45
10.	Mr. Prasit Prueksapornpong	40,000,000	1.21
	Total top 10 shareholders	1,266,562,634	38.33
11.	Others	2,037,438,936	61.67
	Total	3,304,001,570	100.00

- Summary of operating results and financial position
 - Table summarizing financial position and operating results of NBC and its subsidiaries in 2011-2013

Statements of financial position	As of December 31					
	2011		2012		2013	
	Separate		Consolidated		Consolidated	
	Baht million	%	Baht million	%	Baht million	%
Assets						
Current assets						
Cash and cash equivalents	86.08	17.87	87.40	14.92	1,093.58	67.10
Current investments	-	-	-	-	118.00	7.24
Trade accounts receivable	178.64	37.09	198.71	33.93	153.06	9.39
Accrued income	40.72	8.45	55.81	9.53	45.86	2.81
Other receivables from related parties	0.26	0.05	21.65	3.70	25.02	1.54
Inventories	11.92	2.47	17.95	3.06	12.27	0.75
Guarantee deposit for auction of frequency license	-	-	-	-	22.00	1.35
Other current assets	17.72	3.68	38.79	6.62	25.81	1.58
Total current assets	335.34	69.62	420.31	71.77	1,495.60	91.77
Non-current assets						
Equipment	108.98	22.62	146.18	24.96	111.32	6.83
Intangible assets	3.52	0.73	3.62	0.62	2.59	0.16
Income tax deducted at source	22.48	4.67	1.51	0.26	1.91	0.12
Deferred tax assets	-	-	4.90	0.84	8.28	0.51
Other non-current assets	11.38	2.36	9.15	1.56	9.98	0.61
Total non-current assets	146.36	30.38	165.35	28.23	134.08	8.23
Total assets	481.70	100.00	585.66	100.00	1,629.69	100.00
Liabilities and equity						
Current liabilities						
Trade accounts payable	30.07	6.24	37.18	6.35	19.14	1.17
Other payables to related parties	10.43	2.16	12.58	2.15	9.64	0.59
Accrued expenses	51.03	10.59	67.66	11.55	80.24	4.92
Other payables	22.68	4.71	54.60	9.32	14.47	0.89
Income tax payable	2.44	0.51	0.00	0.00	0.29	0.02
Other current liabilities	28.19	5.85	32.71	5.58	37.19	2.28
Total current liabilities	144.83	30.07	204.72	34.96	160.97	9.88
Non-current liabilities						
Employee benefit obligations	14.79	3.07	15.96	2.73	21.44	1.32
Total liabilities	159.63	33.14	220.69	37.68	182.41	11.19
Equity						
Authorized share capital	178.50		178.50		720.34	
Issued and paid-up share capital	173.44	36.01	176.87	30.20	534.41	32.79
Treasury stocks	(4.54)	(0.94)	(5.15)	(0.88)	-	-
Premium on ordinary shares	98.95	20.54	106.95	18.26	821.12	50.39
Warrants	-	-	-	-	0.22	0.01
Retained earnings						

Statements of financial position	As of December 31					
	2011		2012		2013	
	Separate		Consolidated		Consolidated	
	Baht million	%	Baht million	%	Baht million	%
Appropriated						
Legal reserve	13.10	2.72	15.70	2.68	18.60	1.14
Treasury stock reserve	4.54	0.94	5.15	0.88	-	-
Unappropriated	36.58	7.59	65.45	11.18	72.92	4.47
Total equity	322.07	66.86	364.97	62.32	1,447.27	88.81
Total liabilities and equity	481.70	100.00	585.66	100.00	1,629.69	100.00

Statements of comprehensive income	For the year ended December 31					
	2011		2012		2013	
	Separate		Consolidated		Consolidated	
	Baht million	%	Baht million	%	Baht million	%
Income						
Revenue from sale of goods and rendering of services	666.50	99.73	737.08	99.55	661.78	97.23
Interest income	1.10	0.17	1.88	0.25	18.12	2.66
Other income	0.72	0.11	1.46	0.20	0.76	0.11
Total income	668.32	100.00	740.42	100.00	680.67	100.00
Expenses						
Cost of sale of goods and rendering of services	400.77	59.97	539.43	72.86	474.68	69.74
Selling expenses	84.67	12.67	59.99	8.10	66.73	9.80
Administrative expenses	48.54	7.26	53.54	7.23	52.28	7.68
Management benefit expenses	23.11	3.46	24.19	3.27	21.91	3.22
Finance costs	0.31	0.05	0.97	0.13	1.26	0.19
Total expenses	557.40	83.40	678.13	91.59	616.87	90.63
Profit before income tax expense	110.92	16.60	62.29	8.41	63.80	9.37
Income tax expense	23.84	3.57	13.70	1.85	12.77	1.88
Profit for the year	87.08	13.03	48.58	6.56	51.04	7.50

Cash flow

Unit: Baht million	2011	2012	2013
Net cash from (used in) operating activities	101.43	54.14	149.83
Net cash from (used in) investing activities	(61.43)	(42.53)	(177.68)
Net cash from (used in) financing activities	(72.06)	(10.30)	1,034.04
Net increase (decrease) in cash and cash equivalents	(32.06)	1.31	1,006.19
Cash and cash equivalents at beginning of year	118.14	86.08	87.40
Cash and cash equivalents at end of year	86.08	87.40	1,093.58

Remark: Financial statements for 2011-2012 were audited by Mr. Vichien Thamtrakul, CPA Registration No. 3183, of KPMG Phoomchai Audit Ltd., and financial statements for 2013 by Mr. Winid Silamongkol, CPA Registration No. 3378, of KPMG Phoomchai Audit Ltd., both being SEC-approved auditors.

Key financial ratios

		2011	2012	2013
Liquidity ratio				
Current ratio	(time)	2.32	2.05	9.29
Quick ratio	(time)	1.83	1.40	8.48
Account receivable turnover	(time)	3.72	3.79	3.62
Average collection period	(day)	96.71	95.05	99.38
Inventory turnover	(time)	72.02	58.89	48.40
Average selling period	(day)	5.00	6.11	7.44
Account payable turnover	(time)	13.48	16.04	16.86
Average payment period	(day)	26.70	22.44	21.36
Cash cycle	(day)	75.01	78.72	85.46
Profitability ratio				
Gross profit margin	(%)	39.87	26.81	28.27
Net profit margin	(%)	13.03	6.56	7.50
Return on equity	(%)	27.23	14.14	5.63
Efficiency ratio				
Return on assets	(%)	18.52	9.10	4.61
Return on fixed assets	(%)	120.98	66.58	74.04
Asset turnover	(time)	1.42	1.39	0.61
Financial policy ratio				
Debt to equity ratio	(time)	0.50	0.60	0.13
Commitment coverage ratio	(time)	0.76	0.88	1.79
Dividend payout ratio	(%)	59.75	64.29	87.50
Per share information				
Earnings per share	(Baht)	0.51	0.28	0.15
Book value per share*	(Baht)	1.87	2.10	4.17

Remark: * Calculated from equity and number of shares issued during the year in a given year based on the weighted average number of shares.

- *Analysis of operating results and financial position*

Operating results in 2011-2013

In 2011-2013, NBC and its subsidiaries recorded total income of Baht 668.32 million, Baht 740.42 million and Baht 680.67 million respectively, increasing by Baht 72.10 million or 10.79% in 2012 and decreasing by Baht (59.75) million or (8.07)% in 2013. Total income was almost entirely composed of revenue from sale of goods and rendering of services. In 2011-2013, revenue from sale of goods and rendering of services amounted to Baht 666.50 million, Baht 737.08 million and Baht 661.78 million respectively, up by Baht 70.58 million or 10.59% in 2012 and down by Baht (75.29) million or (10.22)% in 2013. Changes in revenue from sale of goods and rendering of services in each business line can be described as follows:

Television broadcasting business

In 2011-2013, revenue from sale of goods and rendering of services from television broadcasting and other related businesses accounted for Baht 523.40 million, Baht 550.57 million and Baht 463.34 million respectively, increasing by Baht 27.17 million or 5.19% in 2012 and decreasing by Baht (87.23) million or (15.84)% in 2013. The increase in revenue from television broadcasting business in 2012 was mainly driven by revenue from sales of advertising via satellite TV channels in

line with ongoing growth in satellite TV and cable TV businesses, as evident from a higher rating among viewers (based on a research by AGB Nielsen). As a consequence, advertising agencies and product and service owners have increasingly posted their advertisements through these channels. At the same time, the Company's income from sales of advertising from programs co-produced with MCOT has declined due to the cancellation of 'Khao Khon, Khon Khao' and 'Chao Khao Khon, Khon Khao Chao' news programs in Q3/2012. For 2013, the decline in revenue from television broadcasting business primarily resulted from a drop in income from sales of advertising due to the said cancellation of the two news programs with MCOT in Q3/2012.

Radio broadcasting business

In 2011-2013, revenue from sale of goods and rendering of services from radio broadcasting business totaled Baht 31.54 million, Baht 33.41 million and Baht 33.08 million respectively, increasing by Baht 1.87 million or 5.93% in 2012 and decreasing by Baht (0.33) million or (0.99)% in 2013. The increase in revenue from radio broadcasting business in 2012 was contributed by an increase in income from sales of advertising and airtime fee income from both FM 90.5 MHz and FM 102 MHz radio stations. For 2013, such revenue dropped slightly in line with a decrease in income from sales of advertising via radio programs.

New media business

In 2011-2013, revenue from sale of goods and rendering of services from new media business amounted to Baht 111.56 million, Baht 153.09 million and Baht 165.37 million respectively, growing by Baht 41.53 million or 37.23% in 2012 and by Baht 12.28 million or 8.02% in 2013. Such revenue growth in 2012-2013 was in line with expansion in sales of advertising via the Internet, thus helping to boost the Company's income from advertising sales through websites.

Cost of sale of goods and rendering of services in 2011-2013 totaled Baht 400.77 million, Baht 539.43 million and Baht 474.68 million respectively, increasing by Baht 138.67 million or 34.60% in 2012 and decreasing by Baht (64.76) million or (12.00)% in 2013 and representing 60.13%, 73.19% and 71.73% of revenue from sale of goods and rendering of services in 2011-2013 respectively. The increase in cost of sale of goods and rendering of services in 2012 stemmed from additional cost of program production for the newly launched channels in late 2011, i.e. Rama Channel and Khom Chad Luek TV, including cost of special event arrangement in the Show Biz line. The decrease in cost of sale of goods and rendering of services in 2013 was ascribed mainly to efficient management and control of program production cost and a declining cost of special event arrangement in the Show Biz line. Gross profit margin stood at 39.87%, 26.81% and 28.27% in 2011-2013 respectively.

Selling and administrative expenses (including management benefit expenses) totaled Baht 156.32 million, Baht 137.72 million and Baht 140.93 million in 2011-2013 respectively, decreasing by Baht (18.59) million or (11.89)% in 2012 and increasing by Baht 3.20 million or 2.33% in 2013. The decrease in selling and administrative expenses in 2012 resulted from implementation of a group-wide policy on continuous cost control, whereas selling expenses slightly increased in 2013.

In 2011-2013, the Company and its subsidiaries posted a net profit of Baht 87.08 million, Baht 48.58 million and Baht 51.04 million respectively, contracting by Baht (38.50) million or (44.21)% in 2012 and growing by Baht 2.46 million or 5.06% in 2013 and representing a net profit margin of 13.03%, 6.56% and 7.50% in 2011-2013 respectively. The said increase and decrease in net profit were in tandem with changes in revenue, cost and expenses in each year as discussed above.

Financial position as of the end of 2011-2013

As of year-end 2011-2013, NBC and its subsidiaries had total assets of Baht 481.70 million, Baht 585.66 million and Baht 1,629.69 million respectively, growing by Baht 103.96 million or 21.58% in 2012 and by Baht 1,044.03 million or 178.27% in 2013. Most of the assets, about 70%-92%, were current assets comprising trade accounts receivable, cash, current investments and accrued income. Return on total assets stood at 18.52%, 9.10% and 4.61% as at the end of 2011-2013 respectively.

The asset growth in 2012 was driven by an increase in equipment of Baht 37.19 million arising partly from purchase of equipment for operation under the continuous investment plan 2010-

2012 to enhance efficiency and prepare for business expansion, and partly from replacement of old equipment. The asset growth was also driven by an increase in trade accounts receivable of Baht 20.07 million and other receivables from related parties of Baht 21.39 million in line with growth in revenue from sale of goods and rendering of services.

The tremendous asset growth as at the end of 2013 sprang chiefly from an increase in cash and cash equivalents of Baht 1,006.19 million due to preparation for entry into the Digital Television Business. In Q3/2013, the Company issued 353.74 million new shares for rights offering to its existing shareholders at a ratio of 1 old share to 2 new shares at an offer price of Baht 3 per share, thereby bringing in total proceeds of Baht 1,061.22 million. At the same time, current investments in promissory notes increased by Baht 118 million and equipment declined by Baht 34.85 million.

As at the end of 2011-2013, the Company and its subsidiaries had total liabilities of Baht 159.63 million, Baht 220.69 million and Baht 182.41 million respectively, increasing by Baht 61.06 million or 38.25% in 2012 and decreasing by Baht (38.27) million or (17.34)% in 2013. The major items, more than 90% of total liabilities, were current liabilities such as accrued expenses and trade accounts payable. The increase in total liabilities in 2012 resulted primarily from a rise in expenses and other payables of Baht 31.92 million and Baht 16.63 million respectively. For 2013, the decline in total liabilities was caused mainly by a drop in other payables and trade accounts payable of Baht 40.13 million and Baht 18.04 million respectively.

The Company and its subsidiaries' equity as at the end of 2011-2013 was Baht 322.07 million, Baht 364.97 million and Baht 1,447.27 million respectively, growing by Baht 42.90 million or 13.32% in 2012 and by Baht 1,082.30 million or 296.54% in 2013. The equity growth as of the end of 2012 was contributed by the net profit of Baht 48.58 million, with dividend payment of Baht 20.83 million. The increase in equity as at year-end 2013 resulted from the rights offering to existing shareholders totaling Baht 353.74 million at an offer price of Baht 3 per share, thereby leading the paid-up capital to increase by Baht 353.74 million with premium on shares of Baht 706.44 million. Such equity growth was also ascribed to the net profit of Baht 51.04 million, with dividend payment of Baht 41.00 million. The debt to equity ratio stood at 0.50, 0.60 and 0.13 time as at the end of 2011-2013 respectively.

2.2 Industry situation relating to Digital Television Business

Television business is instrumental in the country's economic and social systems and also in the people's way of thinking and behavior since television is the most accessible and influential media to consumers. Today, consumers can access television media via three platforms: *free-to-air analog terrestrial television ("free TV")* with six channels and accessible to approximately 40% of total households equipped with television sets; and *cable television and satellite television* with more than 200 channels and accessible to an aggregate number of around 60% of total households equipped with television sets, which therefore could reach a greater number of audiences than the analog terrestrial television.⁵ In view of advertising income, it is apparent that advertising income from free TV is ranking top, reaching about Baht 70,000 million in 2013 or 60% of total advertising value through all media. Producers of goods and services still prefer to advertise their products and services via free TV, leading the advertising fees charged by free TV to be as much as 20-30 times⁶ higher than those charged by cable TV or satellite TV.

⁵ Based on the Information Memorandum on Approval of Licenses to Use Allocated Frequencies for National Commercial Digital Television Services B.E. 2556 of the Office of the National Broadcasting and Telecommunications Commission.

⁶ Based on an article on the Future of Thai TV Alternatives in the Digital TV Era, SCB Economic Intelligence Center (EIC), by Mr. Jaturon Ampai, November 21, 2013.

Table illustrating advertising value via all types of media in 2008-2013 and its growth rate in 2010-2013

(Unit: Baht million)	Value (Baht million)					Growth rate (%)			
	2009	2010	2011	2012	2013	09/10	10/11	11/12	12/13
Television	52,935	60,766	62,238	68,105	69,249	14.79%	2.42%	9.43%	1.68%
Radio	6,168	6,116	5,918	6,358	6,321	(0.84%)	(3.24%)	7.43%	(0.58%)
Newspaper	14,149	15,000	14,541	15,183	15,258	6.01%	(3.06%)	4.42%	0.49%
Magazine	5,426	5,694	5,824	5,595	5,518	4.94%	2.28%	(3.93%)	(1.38%)
Movie theater	4,856	5,987	7,224	7,906	7,519	23.29%	20.66%	9.44%	(4.90%)
Signboard	3,965	3,849	4,278	4,532	4,153	(2.93%)	11.15%	5.94%	(8.36%)
Media in mass transit system	1,764	2,188	2,643	2,960	3,512	24.04%	20.80%	11.99%	18.65%
Media in retail shops	819	1,121	1,618	2,733	2,623	36.87%	44.34%	68.91%	(4.02%)
Internet	259	290	470	573	877	11.97%	62.07%	21.91%	53.05%
Total	90,341	101,011	104,754	113,945	115,029	11.81%	3.71%	8.77%	0.95%

Source: Report by the Nielsen Company (Thailand) Ltd. available on website of the Advertising Association of Thailand (www.adasso thai.com)

According to a report of Kasikorn Research Center (*Krasaethat* No. 2443 dated December 24, 2013), the migration from analog to digital television technology is an evolution into a better visual and audio quality broadcasting that can accommodate a broader variety of services, including two-way interactive service, video-on-demand, and so on. Moreover, the efficiency in frequency utilization will be improved since as many as 8 - 25 TV channels can be broadcast on one single frequency, compared with the one channel for one frequency in the analog system. This will allow for the digital TV to provide as high as 48 channels, categorized into 12 public service channels, 12 community service channels and 24 commercial service channels. The 24 commercial service channels are divided into four sub-categories: seven variety program channels with HD transmission, seven variety program channels with SD transmission, seven news and information channels with SD transmission, and three kid and family program channels with SD transmission.

The National Broadcasting and Telecommunications Commission (NBTC) has selected the Digital Video Broadcasting Terrestrial Second Generation or DVB-T2, a European digital television technology, as the digital terrestrial television broadcasting standard for Thailand. Private operators are encouraged to participate in bidding for licenses to operate the 24 commercial service channels, thereby ensuring diversity of operators to compete in the local television media business on an equitable basis under oversight of the NBTC. The winning bidders are obligated to commence the broadcasting within 30 days after obtaining the license. It is expected that the digital TV broadcasting will make its debut by the first quarter of 2014.

The television broadcasting business is anticipated to witness a more distinctive change in 2014, subsequent to the digital television license auction organized in late 2013. This move marks Thailand's entrance into a new era of television industry, which has long been monopolized by only six broadcasters. The existing six free-to-air TV channels will then be added by at least 24 new channels in the commercial service category.

The emergence of digital TV will give rise to tougher competition in the television broadcasting business, with the entry of a greater number of new free TV program owners and producers who might come from either the existing operators of satellite or cable TV programs or the content providers or the publishing business operators and the like. As well, there will necessarily be a growing number of content providers for TV programs to adequately serve the operators' broadcasting targets. Nonetheless, Kasikorn Research Center predicts that in the first 1 - 4 years of their operation, the digital TV broadcasters, especially the new entrants, will likely face the challenge of financial management. This is because a huge capital will be required in the initial period of business operation, involving, for example, investments in program production and procurement, bidding for a license, payment for annual license fee and annual fees for renting of both the digital terrestrial TV network and the satellite TV network, etc. Meanwhile, revenue from sale of advertising, the major income source, may not yet be received on a full scale, when compared with such high

expenses, due to the fact that product owners or advertising agencies are still not confident in the popularity or rating of any such TV programs which are still in their infancy. Besides, at the early stage of the switch-over to the digital TV, the service network may not yet be completely developed to fully cover service areas nationwide, thus likely resulting in concentration of a large group of viewers in the original free TV channels.

However, despite the greater number of players in the television broadcasting business, the advertising budgets will grow in line with the overall economic situation. Media Agency Association of Thailand (MAAT) predicts that the 2014 advertising expenses will increase by roughly 5%, which is close to Thai GDP growth forecast of 4% by the Bank of Thailand.

3. Reasonableness and benefits of the transaction to the listed company

3.1 Reasonableness of the transaction

The government sector has a policy for Thai television broadcasting industry to migrate from the analog terrestrial TV to the digital terrestrial TV broadcasting, in a bid to avoid risk associated with the phase-out of analog television equipment production by 2015 as stipulated by the International Telecommunications Union (ITU). The NBTC has subsequently set for Thailand to transform to the digital terrestrial TV broadcasting under the most recently introduced Digital Video Broadcasting - Second Generation Terrestrial (DVB-T2) standard. This marks a most radical evolution in the history of Thai television industry. Such new technology offers the best development of an efficient use of radio frequencies, providing a vast number of new television channels. Among them, as many as 48 channels are allotted for digital free TV, a tremendous increase from the existing number of only six analog free TV channels (Channels 3, 5, 7, 9, 11 and Thai PBS) due to the limitations in technology and frequencies available in the analog system. The digital TV, on the contrary, offers more diverse solutions including a high definition (HD) service, three-dimension (3D) service and mobile reception on portable devices of various types, with all programs accessible anywhere and anytime where and when the signals can reach. It can also support new service formats such as data broadcasting, interactivity, multimedia, emergency warnings, etc.

In this respect, the NBTC encourages the public's access to the digital TV by providing a discount coupon for all households to purchase a digital television set and a set-top box for conversion into digital signal. This aims to help save costs for the public and induce them to access and watch digital TV programs on a greater number of channels with better viewing quality.

NNV's participation in the auction for and acquisition of the license to use allocated frequencies for national commercial digital television services in News Category from the NBTC, which put a total of seven licenses in this category for auction, offers a good opportunity for the Company to diversify into the digital TV broadcasting which is a highly efficient technology that can reach a broader range of audiences and allows for program viewing on various platforms. The Company itself is well prepared with substantial experience in both television broadcasting and news and information services, in its capacity as a content provider through all types of media. Currently, the Company is the owner and operator of Nation Channel (debuted in 2000), a satellite TV news station,⁷ and co-producer of several programs with free TVs and breaking news programs with radio stations, and provider of news and information content on mobile phones. The Company is also financially capable and has a team of talented personnel with both Thai and English language proficiency and a large number of field reporters, anchors and hosts. The Company has a strong database following the development of a convergent newsroom which integrates the use of data available from all Nation Group media, comprising three newspapers: *The Nation*, *Krungthep Thurakit* and *Khom Chad Luek*, for production of television media programs and new media programs to ensure a comprehensive and diverse range of news presentation.

Considering the said business opportunity and NBC's readiness, **the entry into the transaction in acquisition of the License and all necessary and related actions by the**

⁷ To prepare for entry into the digital television business, NBC ceased program production and management service for Rama Channel in July 2013 and discontinued the broadcast on Kom Chad Luek TV in December 2013.

Company's subsidiary is deemed appropriate. The auction for the License from the NBTC was performed through an open bidding process, with the reserve price for the News Category License set at Baht 220 million. There were 10 bidders participating in the auction and seven of them won the bid.⁸ The winning bid price of NNV was close to those of other bid winners of the same category. NNV was No. 1 winning bidder with bid price of Baht 1,338 million, whereas the last ranking bid winner offered a bid price of Baht 1,298 million, representing a difference of only Baht 40 million or 3%. The auction proved to be transparent and could reflect market demand with true competition.

The execution of the Network Services Agreement, involving a total service fee of Baht 816.56 million throughout the agreement term of 14 years and 5 months, is one of the Preconditions to be fulfilled by NNV under the NBTC's requirements before obtaining the License, aimed to enable its broadcasting to cover all parts of the country. There are four operators⁹ licensed by the NBTC to provide the terrestrial digital television network services (known as multiplex or "mux"), namely the RTA, MCOT Plc., the Public Relations Department and Thai Public Broadcasting Service (Thai PBS). It is required by the NBTC that all licensed mux operators install base stations to enable the digital TV broadcasting in the first year (2514) to cover 11 million households or 50% of total households nationwide, rising to 80% within two years, 90% within three years, and 95% within four years from the date of obtaining the license. NNV decided to enter into the Network Services Agreement with the RTA, based on factors such as the RTA's technical readiness and service efficiency. The RTA implemented a trial run of the comprehensive digital broadcasting under the NBTC's operational framework in January 2013 and subsequently developed its network to be ready for opening to service in February 2014. The RTA will gradually install the network stations to reach the total number of 39 main stations and 116 gap-filling stations and be able to achieve the coverage target of 97% of total households nationwide within two years from the service commencement date, which will be two years faster than the NBTC's schedule.

NNV's initial investments for developing its production sites and studios and procuring related materials for production of its own television programs, estimated at approximately Baht 200 million, are aimed to ensure that NNV will be able to efficiently provide the digital TV broadcasting service.

Digital TV broadcasting business plan

The Company will operate the free-to-air digital TV broadcasting business through NNV, which is its subsidiary established on November 30, 2012 and having a registered and paid-up capital of Baht 1 million, as at December 31, 2013. NNV is No. 1 winning bidder for the license to use allocated frequencies for national commercial digital television services in News Category with a bid price of Baht 1,338 million and has thereby selected Channel No. 22 as its terrestrial television broadcasting channel, which is a number easy to remember and to press for viewing.

To enter the digital TV business will mark the Company's transformation from a satellite TV operator into a free TV channel owner and broadcaster. Given that NNV is granted the License, the Company plans to return the satellite TV license because it will overlap with the digital TV license. In this regard, all programs on Nation Channel will be broadcast on the new digital TV channel in accordance with the 'Must Carry' rule, since NNV will also be able to air the programs via satellite TV. Moreover, in returning the satellite TV license will reduce the redundant to pay an annual license fee and yearly contribution of the Company.

⁸ The seven winning bidders for news channels include:

- NBC Next Vision Co., Ltd. (Nation Group member) with bid price of Baht 1,338 million;
- Voice TV Co., Ltd. (Thaicom Group member) with bid price of Baht 1,330 million;
- Thai TV Co., Ltd. (TV Pool) with bid price of Baht 1,328 million;
- Spring News Television Co., Ltd. (a subsidiary of Solution Corner Plc.) with bid price of Baht 1,318 million;
- Thai News Network Co., Ltd. (TNN News) with bid price of Baht 1,316 million;
- DN Broadcast Co., Ltd. (Daily News) with bid price of Baht 1,310 million;
- 3A Marketing Co., Ltd. (news provider for Channel 5) with bid price of Baht 1,298 million.

⁹ The operators licensed by the NBTC to provide the terrestrial digital television network services namely the RTA, MCOT Plc., the Public Relations Department and Thai Public Broadcasting Service (Thai PBS) have a Network Services fee per month of Baht 4.72 million, Baht 4.76 million, Baht 4.60 million and Baht 4.60 million respectively.

The Company currently owns and operates Nation Channel, a news station with a strong viewer base and accessible via all platforms such as satellite dish, cable TV, website and mobile application. NNV, the License holder, plans to officially start the broadcasting via the RTA (TV Channel 5)'s mux network on April 1, 2014 and to change its name to "Nation TV," under the Nation Group's content management, on March 1, 2014. The Company operates a complete range of media business, comprising newspapers and magazines accessible to 7.5 million readers, applications on all of the group's media reaching 800,000 consumers, Youtube channel reaching more than 4 million audiences, satellite TV reaching 16 million viewers, Twitter with 2.5 million followers, and website with 36 million pageviews (source: NBC).

Key competition strategies in digital TV business

(1) 5 Screen Strategy

By entering into the digital TV business, NNV will be a news channel accessible on all platforms under the 5 Screen Strategy, which is one of the key strategies for digital TV management of Nation Group. Through this strategy, content will appear on the main "5 Screens" so that viewers can access it at all times. They comprise (1) TV screen for viewing the Nation Group's digital TV programs in the morning and evening sessions; (2) tablet; (3) smart phone for accessing news and information content while commuting; (4) computer screen for accessing news and information while working; and (5) digital signage or outdoor screen available in community areas. The 5 Screen Strategy is a crucial approach to allow all audiences to access the digital Nation TV programs at any time and enable the Company to move further to the All Day Primetime Strategy, which will be a solution for lifestyle viewers who can choose to watch any Nation TV content at their convenience.

(2) Program reshuffling

TV programs will be reshuffled with 30% - 40% added with new programs. Under the revised schedule, from 05.00 hrs. to 00.30 hrs., the following programs will be on air: News coverage in a fun and relaxed style; Pak Talat; Khao Rab Arun; Kep Tok from Nation (morning); Stock Update; ASEAN hot news, hosted by both new anchors and top-rank anchors such as Kanok Ratwongsakul, Thira Thanyapaiboon and Veenarat Laohapakakul. During the day, there will be both top-of-the-hour breaking news and mid-hour news program, "Lui Khao Ron." The late night show, Nation Midnight program will be aired during 23.30 hrs. - 00.30 hrs.

(3) 2 Studio Downtown

NNV plans to invest in production sites and studios and procure digital system equipment for launching 2 Studio Downtown, which will feature the same studio format as those of world-class news agencies such as NBC, ABC and CNN. It will spotlight urban lifestyle around the clock. On January 20, 2014, 2 Studio Downtown was temporarily opened at two venues: Siam Discovery, First Floor, and Bangkok Code Building, Sathon. These two studios will be on trial run on Nation TV in March 2014. In June 2014, the main studio, Nation Broadcasting House@ Sathorn, will be opened as a news operation center for Nation TV.

3.2 Benefits of the transaction

1) Expansion of viewer base

The migration from analog to digital television technology will increase viewers' access to television programs. Likewise, NBC's transformation from satellite TV to digital TV broadcasting business will help to substantially expand its viewer base, shifting from a niche market to a mass market which covers the audiences throughout the country and the consumers in general.

The Company is able to operate the digital TV business through its subsidiary, NNV which is the winning bidder and holder of the NBTC's License and will broadcast its news and information programs on Channel 22 in early April 2014. Channel 22 will be developed from the satellite Nation Channel into a free-to-air digital TV in the name of Nation TV. The existing content of Nation Channel that is accessible on all platforms, including satellite dish,

cable TV, website and application on mobile phone and smart phone, with a strong viewer base will be used to grow the audiences for its digital TV from the first day of broadcasting. The digital Nation TV will similarly serve as a 24-hour news station, focusing on urban lifestyle people with high purchasing power residing in Bangkok and its vicinities, as well as in the provincial municipality areas.

The Company also adheres to the concept of increasing partnership with the public and the quick and full access to news and information by increasing its personnel and investing in studios downtown and modern television equipment in addition to its existing main studio at Bang Na. It plans to establish studios downtown in Chiang Mai, Pattaya, Khon Kaen, Hat Yai and the capitals of some ASEAN countries such as Yangon, Vientiane, Jakarta and Manila. A strength of digital TV is that it is accessible in several formats, including a high definition (HD) service, three-dimension (3D) service and mobile reception on portable devices of various types, anywhere and anytime where and when the signal can reach, and can support new services such as data broadcasting, interactivity, multimedia, emergency warnings, etc. These will help to expand the access to the audiences.

It is expected that Nation TV will be able to cover a massive number of viewers across the country in line with the NBTC's policy to give a discount coupon to around 22 million households, and will also broadcast regional news coverage which will help to further expand its viewer base and enable the Company to develop other related businesses in the future.

2) Increase of income earning ability in the television broadcasting business

The entry into this transaction will enable the Company to access the free TV audiences who are a massive group of population. Advertising budgets in the free TV business are higher than those of the cable TV and satellite TV segments. As such, the Company will be able to generate more income from sale of advertising airtime or from advertising fees. Television is the main media to which product owners and advertising agencies have given a great importance because it is most influential to consumers' perception. Although the increase in number of commercial digital TV to 24 channels from the existing six channels in the analog system will heighten competition in the advertising market, the audiences will at the same time enjoy better quality programs amid such tougher competition and the average advertising fee rate will relatively be cut down. Meanwhile, the advertising market will likely expand. New users of advertising services or small-scale operators will be able to access free TV media to a broader extent. The advertising budgets will then be allocated to digital TV operators that are increasing in number. The entering into the digital TV business will provide the Company with an opportunity to grow its advertising revenue from television broadcasting in the future.

Under the NBTC's regulations on general television broadcasting services, cable TV and satellite TV must carry signals of the 24 commercial service digital TV channels and the 12 public service channels to their customers. Under the 'Must Carry' rule, broadcasters must continuously provide all planned programs with the same content on all platforms in both terrestrial and satellite TV systems, thereby helping to ensure a viewer base for the digital TV broadcasters. Nation TV is also accessible via satellite TV, including TrueVisions channel which has a large viewer base of as high as 2 million people. This will be beneficial to the Company in the initial period when digital TV is not yet fully accessible in all parts of the country (the NBTC requires that, by June 2014, the mux network service providers for all 24 commercial service digital TV channels must provide services for people in 11 major cities, namely Bangkok, Nakhon Ratchasima, Chiang Mai, Songkhla, Ubon Ratchathani, Surat Thani, Rayong, Sing Buri, Sukhothai, Khon Kaen and Udon Thani, where there is high purchasing power, and must reach 22 million households countrywide within the next four years). In view of this coupled with the terrestrial digital TV coverage of 10 million households in the first year of its commencement (2014), Nation TV will then have a chance to increase its rating from the existing audience base and become a leading news channel, a key factor helping to grow revenue and increase advertising fee rate for the Company.

3) *Strengthening of competitiveness from existing readiness and expertise in the business*

The entry into the free TV broadcasting business in News and Information Category will help to enhance the Company's competitiveness in television broadcasting services because it is the same type of TV program currently provided by the Company. Such business has a larger marketing channel and a broader access to customers, plus the Company's existing readiness, experience and reputation. Particularly, its current Nation Channel, a 24-hour news station, could obtain the top rating (based on an AC Nielsen survey) in the satellite TV news channel category with a viewer base of approximately 1.4 million people per day.

Moreover, one of the Company's strengths lies in its news content. Nation TV will feature a digital terrestrial TV station accessible via at least five screens (5 Screen Strategy), i.e. television screen, computer screen, website, application on tablet and smart phone, and digital signage. It has a team of skilled personnel and a database from development of the convergent newsroom which integrates the use of data available from all Nation Group media, comprising three newspapers: *The Nation*, *Krungthep Thurakit* and *Khom Chad Luek*, for production of television media programs and new media programs to ensure a comprehensive and diverse range of news presentation. These strengths together with the Nation Group's business norms in intra-group unification and support will help to continuously draw the target groups' attention and enhance the Company's business capability in the long term.

4) *Optimum use of resources and assets*

NBC presently operates television broadcasting business, its core activity. It is a promoter and operator of a comprehensive range of satellite TV and cable TV, ranging from program production to procurement, broadcasting and sale of advisements. It also co-produces television programs with free TV stations (Channel 3 – Rueang Den Yen Nee and Channel 5 - 5 Chao Khao Dee). It has invested in and accumulated a large amount of resources related to television broadcasting, including database and quality personnel with expertise in news content. Therefore, the entry into fully-fledged free TV channel operation will allow the Company to utilize its existing resources and assets for expansion of television broadcasting business into the digital TV business, which is a mass market covering viewers nationwide as well as a market for general consumers. This will ensure a worthwhile use of its resources and assets and create economies of scale and greater returns in the long run.

5) *An opportunity of income earning or client base expansion on all platforms*

The broadcasting on the free-to-air digital Nation TV channel is expected to reach a more extensive viewer base and cover countrywide population. Not only its programs are accessible to all households in Thailand, its news reports will also cover all parts of this region, thus helping to considerably broaden its customer base. The Company can then increase revenues from such larger customer base through sales of advertising or sales of subscription service for content provided on other platforms such as website, mobile application or other new media, which are the online and 3G target groups with high growth potential in the future.

6) *Creation of value added and favorable returns for shareholders in the long term*

Despite the anticipation that the free TV business will not generate a great profit in the first 1-2 years, our study shows that, given the Company is able to successfully operate the business as planned, it will earn a profit throughout the License term. The net present value (NPV) of its free cash flow over the 15-year License term is estimated at Baht 351.36 million, with an internal rate of return of 26.25% per year and a pay-back period of 6.84 years. Thus, such investment in the digital TV business will create value added for the Company, built on its existing business, and yield a good return for shareholders in the long run.

7) *Reputation and image as a national television broadcaster*

The migration into digital television broadcasting marks a radical evolution in almost 60 years of Thai television history. It will enable Thai people to access a more diverse range of news, information and entertainment content, compared with the existing access through only six analog TV channels. The frequencies will be allocated for free-to-air digital TV broadcasting. The NBTC requires that the service network be expanded to cover 22 million households nationwide within four years. As such, the entry into the digital TV business and transformation from a satellite TV to a digital TV broadcaster under the 15-year License protected and supervised by the NBTC will be a guarantee for the Company's digital TV business operation and help to promote its reputation and image as a national television broadcaster comparable with the six original free TV broadcasters, with services accessible to all parts of the country and emerging as another alternative for Thai people to view diverse news and information content.

3.3 Impacts and risks from the transaction

1) *Risk from potential loss at the initial period of investments*

The subsidiary, NNV, will bear expenses relating to the License of Baht 1,338 million, which will be gradually amortized by straight line method as expenses throughout the 15 years License term or approximately Baht 89.20 million a year plus the Network Services fee of approximately Baht 56.64 million per year, making up a total of around Baht 145.84 million per year, all being fixed costs not variable with revenue. It will also bear program production costs, selling and administrative expenses, and other operating expenses. In the initial period, product owners or advertising agencies may still not be confident in the popularity or rating of programs aired on new TV channels. Besides, at the early stage of the switch-over to the digital TV, the digital terrestrial TV network may not yet be completely developed to fully cover service areas nationwide, thus likely resulting in concentration of a large group of viewers in the original free TV channels. Hence, if advertising income in the initial period cannot be achieved as targeted so as to amply cover those costs and expenses, the subsidiary will likely operate at a loss which will consequently have an impact on the overall performance of the Company, as the parent of NNV, and also on dividend obtainable by shareholders in the future.

However, the RTA, the mux network service provider of NNV, plans to install the network stations to cover 97% of total number of households nationwide by 2015. At the same time, subscribers of cable TV or satellite TV will be able to instantly access digital TV in accordance with the 'Must Carry' rule. These could help mitigate such risk associated with the Company's performance.

The Company itself has taken preparatory steps all along, having teams of competent staff and implementing proactive marketing activities. Its revenues will partly come from existing customer base of Nation Channel. It is thus anticipated that the Company will be able to grow revenues according to the established plan.

2) *Risk from return on investment not coming out as projected*

Television broadcasting business will likely be prone to intensified competition in the future, triggered by an instant increase in number of free TV by at least 24 new channels (commercial service), from the original number of only six channels, after the NBTC has granted the License to bid winners. It is therefore expected that product/service owners and advertising agencies will have more choices of advertising media which may lead to a decrease in advertising fees in the future. Income from advertising fees is the main revenue source of this business. Such income does not rely totally on factors that are controllable by the management, but partly depends on growth in the overall advertisement market which relates directly to national economic situation that is presently threatened by internal political instability and thereby causing a delayed spending of advertising budgets. There is also another risk factor from a delay in the switch-over from analog to digital TV broadcasting, resulting from both the transmission side, i.e. installation of digital TV network by service

providers, and the reception side, i.e. installation of set-top box or television sets accessible to digital signal by households that will be sponsored via a discount coupon by the NBTC as from April 2014 onwards.

Given that the Company is affected by these risk factors such that it is not success in digital TV broadcasting business or unable to grow income from advertising fees as planned or its costs and expenses are materially higher than the projection, return on investment will then fall below the estimate and may hurt overall performance of the Company and dividend receivable by shareholders in the future.

3) *Risk from lowered liquidity and from liabilities arising from the obligation to pay the high-valued License fees*

This transaction involves a huge investment cost of approximately Baht 2,354.56 million (comprising 1) License fees of Baht 1,338 million, payable in six installments within five years, counting from the bid winning date; 2) mux network service fees payable in monthly installments each of Baht 4.72 million; and 3) investments in production sites, studios and equipment totaling Baht 200 million, gradually made within two years). Such huge investment cost could affect the Company's liquidity. However, the investment will be gradually made, not payable in one lump sum. Thus, it is expected that cash on hand and cash receivable from future operation will be sufficient for financing such investment.

Nonetheless, for every installment of the License fees that is payable in cash based on the payment schedule set forth by the NBTC, NNV is obligated to place a bank guarantee against the unpaid balance of the fees. NNV therefore has to record such item under liabilities caption in financial statements and gradually write it off according to the cash payment made in each installment or based on the reduced amount of such guarantee, thus resulting in an increase in the Company's liabilities and debt to equity ratio. As of December 31, 2013, NBC and its subsidiaries had total liabilities of Baht 182.41 million and total equity of Baht 1,447.27 million, representing a debt to equity ratio of 0.13 time. When aggregating with contingent liabilities under the bank guarantee for the License fees with an outstanding unpaid balance, after payment of the first installment on February 7, 2014, of Baht 1,194.33 million (equal to remaining fees plus VAT), total liabilities will become Baht 1,376.74 million. The equity, after adjusted down by final dividend payment for 2013 in an expected amount of Baht 16.03 million¹⁰ scheduled for April 30, 2014, will decrease to Baht 1,431.24 million. Assuming that there is no change in any other financial items, the Company's debt to equity ratio will edge up to 0.96 time, which is not a high level.

Financing sources for the acquired assets under this transaction will come partly from working capital to be gradually received from future operations of the Company and its subsidiaries and partly from fresh obtainable from capital increase. The Company has previously prepared the self-finance source for this transaction by increasing its capital through issuance of new shares for rights offering to existing shareholders in a total amount of Baht 1,061.20 million in July 2013. Proceeds from such capital increase have been deposited with banks and financial institutions. As at December 31, 2013, the Company and its subsidiaries had cash and deposits at banks totaling Baht 1,093.58 million, current investments in promissory notes of Baht 118 million, and warrants (NBC-W1 and ESOP-WB) with outstanding unexercised units as of December 31, 2013 totaling 184,463,570 units, valued, if totally exercised, at Baht 553.39 million.¹¹

¹⁰ NBC Board of Directors' meeting No. 2/2014 on February 13, 2014 resolved to propose the 2014 Annual General Meeting of Shareholders to consider and approve final dividend payment for 2013 to shareholders at a rate of Baht 0.03 per share for 534.41 million shares amounting to Baht 16.03 million payable on April 30, 2014. Right to such dividend remains uncertain until after it is duly approved by the 2014 Annual General Meeting of Shareholders to be held on April 3, 2014.

¹¹ As at December 31, 2013, the Company had an outstanding number of warrants allocated to its shareholders (NBC-W1) of 176,860,465 units with an exercise price of Baht 3 per share, thus bringing in total proceeds, if the warrants are fully exercised, of Baht 530.58 million. The exercise period is five years from December 2013 to July 2018. Moreover, it had an outstanding number of warrants allocated to directors, executives and/or employees of the Company and/or its subsidiaries (ESOP-WB) of 7,603,105 units with an exercise

The exercise of such warrants will cause control dilution and price dilution effects on the Company's shareholders. In case all of the warrant holders are not the existing shareholders, the warrant exercise will result in control dilution of 25.66% and price dilution of 6.65% (calculated from total number of paid-up shares of the Company as of December 31, 2013 of 534,412,647 shares and closing price as of February 21, 2014 of Baht 4.06 per share). The exercise of such warrants is still uncertain, depending on key factors such as market price of the Company's shares. If in the future the share price is lower than the exercise price, the warrant holders may decline to exercise the warrants to purchase the Company's new shares, thereby leading the Company to fail to receive the desired amount of funds and likely affecting its liquidity and investment plans. Moreover, if deemed necessary in the future, the Company plans to issue and offer for sales debentures in an amount not more than Baht 500 million as approved by the Annual General Meeting of Shareholders on April 24, 2013.

4) *Risk from failure to obtain ratification from the shareholders for the entry into the asset acquisition transaction*

In entering into this transaction, NNV has completed the process of auction for and acquisition of the License and execution of the Network Services Agreement, which are part of the Preconditions to be fulfilled before obtaining the License. These steps have been taken while the Company has not yet obtained approval from the shareholders' meeting for its subsidiary to enter into the proposed transaction. This is because the transaction is of competitive bidding nature in which NNV is required to bid against a number of unrelated third parties in order to obtain the License and any advance disclosure of the bid price or other sensitive information to the general public may affect the outcome of the auction.

The Company will propose details of the entry into the transaction to the 2014 Annual General Meeting of Shareholders to be held on April 3, 2014 so as for the shareholders to give ratification for the transaction with a vote of not less than three-fourths of the total votes of shareholders attending and eligible to vote at the meeting. In the event that the shareholders' meeting resolves to decline to ratify the transaction that has already been executed by NNV, NNV will subsequently be unable to proceed with the business operation under the License. The License will then be deemed invalid and NNV be deemed to have breached the agreement with the NBTC. As such, the following ensuing impacts will be posed on the Company and/or NNV:

- 1) NNV may not request a refund of the License fees already paid to the NBTC and is still obliged to completely pay the remainder of the fees to the NBTC (the License fees amount to Baht 1,338 million in total).
- 2) If NNV fails to pay the remainder of the License fees to the NBTC within the specified period of time, the NBTC has the right to demand the guarantor bank to pay the fees on behalf of NNV until the fees are completely paid in accordance with the letter of guarantee provided to the NBTC.
- 3) In the event that the bank has paid the fees to the NBTC on behalf of NNV, the bank shall be entitled to demand NNV to pay back the fees together with other expenses and damages (if any) in accordance with terms and conditions agreed upon with the bank.
- 4) NNV may face legal action brought by the NBTC to demand indemnification for other damages such as an opportunity loss arising from non-receipt of annual License fees (2% of revenues before deduction of expenses) and a yearly amount to be contributed to the Broadcasting and Telecommunications Research and Development Fund for the Public Interest (2% of revenues before expenses), including other expenses to be incurred if the NBTC has to re-organize an auction to acquire a new

price of Baht 3 per share, thus bringing in total proceeds, if the warrants are fully exercised, of Baht 22.81 million. The exercise period is five years from November 2013 to August 2018.

licensee in replacement of NNV. In any case whatsoever, the NBTC must prove to the court that it actually suffers from such damages since this matter has not been specifically prescribed in details by law.

As regards the Network Services Agreement executed by NNV with the RTA, the security placed under such agreement may be confiscated (equal to two-month rental fees of Baht 9.44 million) and NNV will be held liable for paying other indemnities to the RTA pursuant to terms and conditions set forth in the agreement and lose on investment that have already invested in equipment of Bt. 50 million, however, the Company can be used such equipments in the satellite TV business further. However, according to the capital increase form and relevant information memorandum and at the 2013 Annual General Meeting of Shareholders, the Company proposed the shareholders' meeting to approve a capital increase and issuance of warrants and informed the meeting that proceeds from the capital increase will be used for investment in the digital TV business. The shareholders' meeting acknowledged the objectives of the capital increase and resolved to approve the proposed capital increase.

As at December 27, 2013, the latest closing date of register book to suspend share transfer of the Company, the major shareholder and also the Company's parent, Nation Multimedia Group Plc. (NMG), held a stake of 71.30% of the Company's total paid-up shares. Therefore, the voting at the 2014 Annual General Meeting of the Company to ratify the proposed transaction will primarily depend on votes cast by NMG. NMG will further propose to its 2014 Annual General Meeting of Shareholders, to be held on April 4, 2014, to give ratification for the transaction of the Company, as a subsidiary of NMG.

3.4 Adequacy of funding source for the asset acquisition

The asset acquisition transaction has a total value of consideration of Baht 2,354.56 million with details as follows:

Acquired assets	Consideration payable (Baht million)	Payment terms
1. The License	1,338.00	Payable in six installments within about five years from the date of obtaining the License
2. Network Services Agreement	816.56	Payable in monthly installments each of Baht 4.72 million
3. Production sites and materials for digital TV broadcasting	200.00	Gradually invested within about two years
Total	2,354.56	

Details of yearly payments are as follows:

(Unit: Baht million)	2014	2015	2016	2017	2018	2018	2019 - 2029 (Amount/year)
License fees	221.80	177.80	245.60	245.60	223.60	223.60	-
Network service fees	56.64	56.64	56.64	56.64	56.64	56.64	56.64
Estimated investments in production sites, studios and materials*	160.00	40.00					
Total	438.44	274.44	302.24	302.24	280.24	280.24	56.64

Remark: * Excluding additional investments for further improvement estimated at not more than Baht 10 million - 20 million per year throughout the term of digital TV broadcasting under the License.

The Company will render financial support for NNV to enter into this transaction. Its funding sources mainly come from capital increase launched in Q3/2013 through issuance of new ordinary shares for rights offering to existing shareholders, issuance and offering of warrants to existing shareholders of the Company who have subscribed for the new shares (NBC-W1), and warrants allocated to directors, executives and/or employees of the Company and/or its subsidiaries, No. 2 (ESOP-WB), details of which are as follows:

1. Issuance of 353.74 million new shares for rights offering to NBC's existing shareholders in Q3/2013 at a ratio of 1 old share to 2 new shares at an offer price of Baht 3 per share, thereby bringing in total proceeds of Baht 1,061.22 million.
2. Issuance of warrants to purchase newly issued ordinary shares allocated to NBC's existing shareholders who have subscribed for the new shares (NBC-W1) at a ratio of 2 ordinary shares for 1 unit of warrant in the total amount of 176,869,946 units with a 5-year maturity (July 12, 2013 - July 11, 2018) at an exercise price of Baht 3 per share. Shareholders may exercise the warrants on the 15th of December and June of each year. Any exercise of the warrants in the future will help to increase the Company's capital.

At present, the exercise price of the warrants is lower than market price of the shares, which is a factor encouraging warrantholders to exercise their rights. As of December 31, 2013, the outstanding number of unexercised NBC-W1 was 176,860,465 units, representing additional proceeds, if the warrants are fully exercised, of approximately Baht 530.58 million.

3. Issuance of warrants to purchase newly issued ordinary shares allocated to directors, executives and/or employees of the Company and/or its subsidiaries, No. 2 (ESOP-WB), in the amount of 8,798,905 units with a 5-year maturity (August 15, 2013 - August 14, 2018) at an exercise price of Baht 3 per share. Shareholders may exercise the warrants on the 15th of November and May of each year. The exercise amount must not exceed 20% in each year. Since at present the exercise price of the warrants is lower than market price of the shares, it is expected that the directors, executives and/or employees of the Company and/or its subsidiaries will exercise all of their warrants. As of December 31, 2013, the outstanding number of unexercised ESOP-WB was 7,603,105 units, representing additional proceeds, if the warrants are fully exercised, of approximately Baht 22.81 million.
4. Issuance of debentures (if necessary) in a total amount not more than Baht 500 million as approved by the 2013 Annual General Meeting of Shareholders on April 24, 2013 for use as working capital and for supporting business expansion and boosting liquidity in the event that funds required are greater than as projected above.

As of December 31, 2013, the Company and its subsidiaries had cash, deposits and investments in promissory notes totaling Baht 1,211.58 million. In the future, it expects to obtain additional capital from the exercise of warrants as described above and also obtain cash flow from operation. Besides, the payment for the acquired assets will be gradually made in installments according to the payment schedule mentioned earlier. Therefore, we are of the opinion that the Company has an adequate source of fund for financing this transaction. If there is no need for borrowing, the Company will consider utilizing funds entirely from its internal working capital. Thus, it will not bear any debts and interest expenses from borrowing from external financing sources.

4. Fairness of price and conditions for the transaction

4.1 Fairness of price

Under this transaction, NNV will acquire a license to provide national commercial digital television services in News Category for a 15-year term, valued, based on the bid price, at Baht 1,338 million. It is required to broadcast news and information programs for public interest for not less than 50% of total broadcast time. NNV has also entered into the Standard Definition Terrestrial Digital Television Network Services Agreement with the RTA for a term of 14 years and 5 months with a total value of Baht 816.56 million. In order to enable NNV to effectively carry on the Digital Television

Business, it is estimated that NNV's initial investments for developing its production sites and studios and procuring related materials for production of its own television programs will be approximately Baht 200 million.

The Company will operate the Digital Television Business through NNV by transforming the current Nation Channel, a 24-hour news station (four-hour rerun time),¹² into a free-to-air digital TV channel in the name, Nation TV. This new channel will begin official broadcast on April 1, 2014 on Channel 22. Nation TV, to be broadcast in the digital free TV system, will be accessible on all platforms and will reach a broader viewer base, targeting to cover approximately 22 million households across the country within two years.¹³ The Company itself has accumulated considerable experience in television broadcasting business as the owner and operator of Nation Channel for longer than 13 years with a remarkable number of audiences and being well recognized among the public in general.

In the entry into the Digital Television Business as operator of Nation TV station, the Company will leverage its own knowledge, experience, reputation and strength as a leader in news content, along with a team of skilled reporters who are able to produce and present news by themselves. The Company will emphasize news quality, close watch on hot issues by field reporters, diversity of programs and variety of contents. In the future, its news coverage is expected to increase to at least 80%. The Company adopts a strategy to be a news channel accessible on all platforms under the 5 Screen Strategy so that viewers can access the content anywhere and anytime. Program rescheduling will lead to introduction of new programs by 30% - 40%. At the same time, the Company will invest in development of production sites and studios and procurement of digital TV equipment. In June 2014, it will debut a new studio, Nation Broadcasting House@ Sathorn, to be a news operation center for Nation TV (see details of Digital Television Business plans in Item 3.1 Reasonableness of the transaction).

To identify reasonableness of the transaction price, we have analyzed and compared the investment cost of the Digital Television Business with the total cash flow to be received from such investment by estimating net present value of free cash flow, internal rate of return and payback period based on cash flow projection of NNV's Digital Television Business over a period of 15 years from the first date of broadcasting in the digital system (April 1, 2014 - March 31, 2029).

We have prepared the said cash flow projection of NNV's Digital Television Business based on information and assumptions obtained from NBC and from interviews or enquiries with its management together with analysis of other information relating to the Digital Television Business. Such assumptions have been established under the present economic environment, with NNV assumed to earn income from the first date of broadcasting in the digital system (April 1, 2014 – March 31, 2029). If the economic situation and other external factors which have an impact on NNV's Digital Television Business change significantly from the assumptions, the project value appraised herein will change as well.

Key assumptions used in the financial projection are as follows:

1) Advertising income

Presently, Nation TV is fully prepared for digital television broadcasting, mainly serving as a 24-hour news and information channel. Programs will be primarily produced by the Company itself and partly procured from experienced freelance producers and content providers. The Company has a policy to broadcast news and information programs for for not less than 90% of total broadcast time.

¹² Nation Channel commenced operation in 2000 under a license to provide radio or television broadcasting services not using radio frequencies. It is accessible on local cable TV and satellite TV via Thaicom-5, C-Band in 12355-MHz frequency, which has viewing limitations compared with free-to-air or digital TV broadcasting which will be officially debuted in April 2014.

¹³ According to the annex to the Network Services Agreement executed by NNV with the RTA, the RTA must provide 20 network stations with coverage areas of 70% in 2014, rising to 39 stations with coverage areas of 97% by 2015, which is faster than the NBTC's schedule of four years.

The Company has since early 2014 launched marketing and advertising package for broadcasting via digital TV among its existing clientele and new target groups, which has received tremendous response. The advertising is sold through both retail sales to general customers, mainly being product owners, and package sales to advertising agencies. Prices vary with individual customers and are not charged at the same rate, depending on airtime, broadcasting period, program popularity, type of customers, relationship, bargaining power and benefits obtainable by the Company.

Advertising fee per minute According to the management's projection and based on advertising fee rates for news programs on free TV and actual advertising fee rates already sold on a conservative basis, whereby the Company in the initial period plans to strengthen its customer base amid tougher price competition triggered by a greater number of new-coming free TV broadcasters, it is therefore projected that advertising fee will remain unchanged in the first three years of projection period (2014-2016) and will grow by 3% per year from year 4 onwards in line with the management's forecast.

Occupancy rate Occupancy rate is projected at 60% in year 1 (2014), lower than the current occupancy rate of Nation Channel satellite TV of 75% since it is expected that only some of the old customers of Nation Channel will purchase advertising airtime of the new digital Nation TV. The occupancy rate is then projected to grow 5% per year until it reaches 75% (in 2017) and to remain constant after that, which is equal to the occupancy rate of the Company's current satellite channel.

The amount of advertising time will conform to the Broadcasting Business Act B.E. 2551, Section 23, stipulating that the maximum amount of time devoted to advertising and business service provision shall not exceed twelve and a half minutes per hour and the total amount of time for advertisements for a whole day shall not exceed an average of ten minutes per hour.

	2014 (Apr-Dec)	2015	2016	2017	2018	2019	2020	2021
No. of broadcasting days in 1 year (days)	275	365	366	365	365	365	366	365
No. of minutes for advertisements (minutes/hour)	10	10	10	10	10	10	10	10
Occupancy rate (%)	60%	65%	70%	75%	75%	75%	75%	75%
Advertising income (Baht million)	553	796	860	946	975	1,004	1,037	1,065

Remark: Number of hours used for advertising income estimation does not include number of hours for program re-run.

	2022	2023	2024	2025	2026	2027	2028	2029 (Jan-Mar)
No. of broadcasting days in 1 year (days)	365	365	365	365	365	365	365	90
No. of minutes for advertisements (minutes/hour)	10	10	10	10	10	10	10	10
Occupancy rate (%)	75%	75%	75%	75%	75%	75%	75%	75%
Advertising income (Baht million)	1,097	1,130	1,167	1,199	1,235	1,272	1,314	334

Remark: Number of hours used for advertising income estimation does not include number of hours for program re-run.

2) Cost of program production

Cost of program production consists of production fee and salary for reporters and news team. Since news will be the main activity, the Company needs to post its correspondents at various places and gather news and information at the news desk before broadcasting. Production cost is thus composed mainly of expenses on procurement of news and information as materials for news programs.

Cost of program production is estimated based on cost of program production of Nation Channel (excluding depreciation) in 2013 of Baht 204 million, plus additional cost for quality

improvement. After obtaining the License, NNV has a policy to make additional investments in service quality upgrading, thereby driving up the cost of program production. The increase in such cost will include, for example, remuneration for special hosts, hiring of additional reporters and news team, rental of production sites, and procurement of content from domestic and overseas sources, aiming to make all programs more fascinating such as documentaries, movies or TV series, music, sports, both local and international, and so on.

Based on the management's projection, cost of program production in 2014 will increase by another Baht 100 million or 50% from 2013 to Baht 304 million for a full year, or equal to Baht 228 million for a nine-month period of 2014, when the digital broadcasting will officially commence on April 1. Such cost is set to grow 5% per year from 2015 onwards.

3) License fees and network service fee

License fee It is expected that NNV will adopt the accounting policy that amortizes the License fee by straight line method. Amortization cost will be estimated from the total bid price of Baht 1,338 million throughout the License term of 15 years, equal to Baht 89.20 million per year, with the amortization starting on the first date of official operation of the Digital Television Business on April 1, 2014.

Annual License fee and yearly contribution Under the NBTC's notification, licensees must pay the annual fee at 2% of revenues before expenses and must contribute a "yearly amount" to the Broadcasting and Telecommunications Research and Development Fund for the Public Interest at 2% of revenues before expenses received from direct and indirect advertisements and other related revenues.

Network service fee According to the Network Services Agreement made with the RTA, a service fee will be charged at Baht 4.72 million per month or Baht 56.64 million per year. Such fee is estimated to remain constant throughout the term of the agreement.

4) Selling expenses

Selling expenses are broken down into public relations expenses and sales commission, which will vary with revenues.

Public relations expenses in 2014 are projected to increase significantly from Baht 6.8 million in 2013. In 2014, the first year of broadcasting in the digital system which marks a radical change, NNV therefore plans to continuously promote Nation TV and set public relations expenses at Baht 23.1 million. From 2015 onwards, public relations expenses are expected to increase 5% per year.

Sales commission will grow in line with sales volume. In 2013, NNV paid sales commission in a total amount of Baht 15.3 million, or 3.3% of revenues. For 2014, the management estimates that the Digital Television Business will encounter more intense competition in marketing due to the large number of new-coming digital TV broadcasters and it is likely that they will commence operation at about the same time. Thus, marketing expenses will inevitably increase. NNV expects its sales commission to be Baht 38.3 million in 2014, representing 5.2% of projected revenues.

5) Administrative expenses

Administrative expenses mainly are fixed costs, consisting of directors' remuneration, salary, other compensation for full-time employees, and miscellaneous expenses.

Administrative expenses for 2014 are projected based on administrative expenses in 2013 of Baht 60.7 million, adjusted upward by other expenses to prepare for the Digital Television Business, including additional expenses for relocation of studios, production and employees to the new premises on Sathon Road. Administrative expenses are projected at Baht 83 million in 2014, growing sharply by Baht 22.3 million or 37% from 2013, and are set to increase 5% per year from 2015 onwards, with reference the growth rate of selling and administrative expenses for 2013.

(Unit: Baht million)	2014	2015	2016	2017	2018	2019	2020	2021
Cost of program production, License fees and network service fee	359.43	496.78	515.29	535.49	554.22	573.86	594.57	616.05
Selling and administrative expenses	114.06	152.57	161.64	171.98	179.60	187.56	196.05	204.62

(Unit: Baht million)	2022	2023	2024	2025	2026	2027	2028	2029
Cost of program production, License fees and network service fee	638.71	662.48	687.54	713.56	740.98	769.75	800.08	207.75
Selling and administrative expenses	213.74	223.29	233.45	243.73	254.67	266.12	278.30	59.46

6) Capital expenditure

NNV has a policy to make additional investments to gear up for the digital TV broadcasting, involving a total cost of approximately Baht 200 million within two years. A new studio will be built on Sathon Road with an estimated cost of Baht 113 million. NNV has additionally procured OB vans and cameras costing around Baht 52 million and invested in editing equipment and relevant equipment of another Baht 35 million.

According to the projection, NNV will have capital expenditure of Baht 160 million in year 1 and Baht 40 million in year 2. After that, it will invest in new equipment procurement and old equipment replacement, with capital expenditure estimated at Baht 10 million per year in years 3-5 and Baht 20 million per year from year 6 onwards.

Depreciation of these assets is estimated by straight line method based on the projected useful life of 5 years.

(Unit: Baht million)	2014	2015	2016	2017	2018	2019	2020	2021
Investments in production sites and studios	113	-	-	-	-	-	-	-
Investments in equipment	47	40	10	10	10	20	20	20

(Unit: Baht million)	2022	2023	2024	2025	2026	2027	2028	2029
Investments in production sites and studios	-	-	-	-	-	-	-	-
Investments in equipment	20	20	20	20	20	20	20	20

7) Income tax

Corporate income tax for 2014-2029 is estimated at 20% of profit before tax. In any year that NNV incurs a loss, it can enjoy a tax loss carry forward for not more than five accounting years.

8) Discount rate

Discount rate used for estimating the net present value of cash flow of this project is 15.22%, which is calculated from cost of equity (Ke) because the investment cost will be self-financed from equity without using any loans.

Calculation of Ke:

$$K_e = R_f + \beta(R_m - R_f)$$

Where:

Risk free rate (Rf) Risk free rate of return on investment as of January 10, 2014 of 4.27% per year, based on average bid yield on the government bond with maturity of 15 years, which is a period of time that could reflect investment condition in different time periods better than shorter-term data (available from www.thaibma.or.th).

Beta (β) A variance between market return and closing market price of NBC shares, based on weekly return on the SET and return on NBC shares in the past three years, a period that could reflect investment condition in different time periods better than shorter-term data, up to January 10, 2013, which is equal to 1.15 (source: Bloomberg).

Rm Average rate of return on the SET over the past 25 years, a period that could reflect investment condition in different time periods better than shorter-term data (SET data from January 1994 to December 2013), equivalent to 13.79% per year.

Table summarizing cash flow projection for Digital Television Business in 2014-2029

(Unit: Baht million)	2014	2015	2016	2017	2018	2019	2020	2021
EBIT	14.54	62.43	127.64	194.83	194.88	224.52	232.39	228.40
Less Tax expenses	2.91	12.49	25.53	38.97	38.98	44.90	46.47	45.68
Profit after tax	11.63	49.95	102.11	155.87	155.91	179.61	185.92	182.72
Add Depreciation	132.10	173.46	144.59	133.20	135.20	107.20	103.20	105.20
Add/(Less) Working capital	(56.04)	(27.09)	(11.33)	(13.47)	(2.96)	(5.49)	(4.06)	(2.68)
Less Capital expenditure	(160.00)	(40.00)	(10.00)	(10.00)	(10.00)	(20.00)	(20.00)	(20.00)
Less License fees	(221.80)	(177.80)	(245.60)	(245.60)	(223.60)	(223.60)	-	-
Cash flow	(294.11)	(21.48)	(20.23)	20.00	54.54	37.72	265.05	265.24
Accumulative net cash flow	(294.11)	(315.59)	(335.82)	(315.83)	(261.28)	(223.56)	41.49	306.73

(Unit: Baht million)	2022	2023	2024	2025	2026	2027	2028	2029
EBIT	226.57	224.17	226.18	221.47	219.06	211.89	211.29	42.45
Less Tax expenses	45.31	44.83	45.24	44.29	43.81	42.38	42.26	8.49
Profit after tax	181.26	179.34	180.94	177.17	175.25	169.51	169.03	33.96
Add Depreciation	107.20	109.20	109.20	109.20	109.20	113.20	113.20	46.30
Add/(Less) Working capital	(3.23)	(3.29)	(4.06)	(3.05)	(3.66)	(3.40)	(4.40)	112.41
Less Capital expenditure	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)	(20.00)
Less License fees	-	-	-	-	-	-	-	-
Cash flow	265.23	265.25	266.08	263.32	260.79	259.31	257.83	172.67
Accumulative net cash flow	571.96	837.21	1,103.29	1,366.61	1,627.40	1,886.72	2,144.55	2,317.22

- **Net present value of project** **Baht 351.36 million**
- **Internal rate of return (IRR)** **26.25% per year**
- **Payback period** **6.84 years**

The estimated net present value of cash flow from the Digital Television Business throughout the 15-year License term (using the discount rate derived from cost of equity of 15.22%) is equal to Baht 351.36 million, with IRR of about 26.25% per year which is higher than the cost of equity (Ke) of 15.22%. (Ke is the average of overall rate of return expected by shareholders from their current investments in the Company's shares, which have not yet included the Digital Television Business, a new line of business to be undertaken in the future.) Such IRR is therefore considered favorable. The Digital Television Business's payback period is around 6.84 years.

4.2 Fairness of conditions for the transaction

In this transaction in acquisition of the License, NNV, as the winning bidder for the License from the NBTC, is obliged to fulfill a number of conditions prescribed under the NBTC's Notification Regarding Rules and Procedures for Approval of the Use of Spectrum for Digital Television Broadcasting Services and other relevant notifications, of which the key conditions are as follows:

- NNV must place an auction deposit with the NBTC at 10% of reserve price, or equal to Baht 22 million, must pay the License fees according to the payment schedule set forth by the NBTC, and must furnish a bank guarantee against payment of the unpaid balance of the fees. These conditions are to be observed by all licensees on an equitable basis. The payment terms for the License fees specified to be made in installments within about five years from the date of obtaining the License, or by early 2019, are considered fair and acceptable. NNV will be able to operate the Digital Television Business after obtaining the License without having to pay the License fees immediately in full. In the initial period of operation, the operating performance may still not be strong enough and the major income from sales of advertising may not yet be fully brought in. As such, the gradual fee payment will be beneficial to all licensees.
- NNV must pay the annual fee at 2% of revenues before expenses and must contribute a yearly amount to the Broadcasting and Telecommunications Research and Development Fund for the Public Interest at 2% of revenues before expenses received from direct and indirect advertisements and other related revenues. These conditions are stipulated under the above NBTC notification and applicable to all licensees on an equitable basis. The amount paid will be in proportion to actual revenues, which is a condition commonly applicable in granting of licenses or rights for business or commercial operation in general.
- NNV must apply for television network services from the authorized network service provider within 30 days of officially winning the License. This is one of the Preconditions to be fulfilled by all bid winners before obtaining the License. NNV has executed the Network Services Agreement with the RTA for a term of 14 years and 5 months, with service fees payable in monthly installments each of approximately Baht 4.72 million, or about Baht 816.56 million in total. While the RTA has not yet completed the installation of network stations as set forth in the Agreement, it will collect the fees at the rate specified for the already installed stations only. The RTA will guarantee the quality of its network services. If the broadcast cannot be made beyond the guaranteed service quality, NNV may ask for a discount of service fees on an individual station basis and in percentage of disruption time compared with the monthly service fee of each station. This is also considered a fair condition. Moreover, the determination of service fees under such agreement, the discount of fees or a possible change of service fees in the future based on inflation rate or subject to the NBTC's approval, will be carried out by the RTA on an equitable basis for all parties.

Based on the above reasons, we are of the opinion that **the conditions for the transaction are fair and do not cause the Company to lose any benefits.**

5. Conclusion of the Financial Advisor's opinion

The entering into the asset acquisition transaction by the subsidiary, NNV, entailing the auction for and acquisition of the License, the execution of the Network Services Agreement, which is under the Preconditions to be fulfilled before obtaining the License, and the investments for developing production sites and studios and for procuring related materials to enable NNV to effectively provide its digital television services, involving a combined transaction value of Baht 2,354.56 million, will provide a good opportunity for the Company to diversify into the digital television services which feature a free-to-air digital terrestrial television broadcasting with high efficiency and extensive reach to viewers on various platforms. In addition, NBC itself has accumulated considerable experience in television broadcasting through its satellite Nation Channel whose strengths lie in quality news contents, personnel and database. These could suggest that **the entry into the transaction to acquire the License and any essential and relevant transactions of the subsidiary are appropriate.**

The benefits to NBC from this asset acquisition transaction include an expanded viewer base, income growth from television business, stronger competitiveness built on its existing readiness and expertise in this business, an optimized utilization of existing resources and assets, an increased opportunity or channel for income earning or customer base expansion on all platforms as bolstered by the expanded television viewer base, an increased value added and return for shareholders in the long term, and the Company's reputation and image as the country's leading television broadcaster.

However, **the entry into this transaction could cause some impacts and risks to the Company**, comprising risk from loss at the initial period of investments, risk from return on investment not coming out as projected which may affect overall performance of the Company and dividend receivable by shareholders in the future, and risk from lowered liquidity and from liabilities arising from the obligation to pay the high-valued License fees.

In addition, this transaction has been executed before seeking approval from the shareholders' meeting because the transaction is of competitive bidding nature in which NNV is required to bid against a number of unrelated third parties in order to obtain the License and any advance disclosure of the bid price or other sensitive information to the general public may affect the outcome of the auction. The Company is thus exposed to risk from failure to obtain ratification from the shareholders for the entry into the transaction which has already been executed. This will subsequently lead NNV to be unable to operate business under the License and NNV will thereby be deemed to have breached the agreement made with the NBTC. In this case, NNV may not request a refund of the first installment of related License fees already paid to the NBTC and is still obliged to completely pay the remainder of the fees in accordance with the obligation set forth in the letter of guarantee placed with the NBTC. As such, it will lose funds paid for the License fees in an amount equal to the bid price (Baht 1,338 million), lose on investment that have already invested in equipment of Bt. 50 million and could also face a lawsuit demanding payment for other damage claims. With respect to the Network Services Agreement, the security placed under such agreement may be confiscated and NNV will be held liable for paying other indemnities to the RTA.

As regards the adequacy of funding source for the transaction amounting to Baht 2,354.56 million in total, the Company will render financial support to NNV. In view of the Company's current financial position, the projected increase in capital from exercise of warrants and from cash flow from future operation, and the payment for the acquired assets which is set to be made in installments as per the payment schedule already set forth, the Financial Advisor is of the opinion that **the Company has an adequate source of funds for this transaction.** If there is no need for borrowing, the Company will consider utilizing funds entirely from its internal working capital. Thus, it will not bear any debts and interest expenses from borrowing from external financing sources.

To identify reasonableness of the transaction price, we have analyzed and compared the investment cost of the Digital Television Business with the total cash flow to be received from such investment. According to a projection of cash flow from such business undertaking by NNV over a period of 15 years from the first date of digital broadcasting (April 1, 2014 - March 31, 2029), the net present value of cash flow is estimated at Baht 351.36 million, with internal rate of return (IRR) of 26.25% per year and payback period of 6.84 years. Such IRR is higher than the cost of equity, or Ke, which is equal to 15.22% (Ke is the average of overall rate of return expected by shareholders from

their current investments in the Company's shares, which have not yet included the Digital Television Business, a new line of business to be undertaken in the future). The said rate of return from this project is therefore considered favorable.

Moreover, we are of the opinion that **the conditions for the transaction are fair and do not cause the Company to lose any benefits**. The conditions pertaining to the License are conditions prescribed under the NBTC's Notification Regarding Rules and Procedures for Approval of the Use of Spectrum for Digital Television Broadcasting Services and other relevant notifications that must be adhered to by all licensees on an equitable basis. Likewise, the conditions under the Network Services Agreement, including the determination of service fees and a possible decrease or change of service fees in the future based on inflation rate or subject to the NBTC's approval, are deemed fair and equitable for all parties.

Based on the above rationale, we view that the shareholders will gain benefits from the proposed transaction and that the transaction is reasonable with a fair price and fair conditions. Therefore, it is recommended that the shareholders should give ratification for the asset acquisition transaction.

In deciding whether to give such ratification, the shareholders can consider the reasons and opinion of the Financial Advisor as described above. The final decision primarily depends on the individual shareholders' judgment.

We hereby certify that we have rendered opinion with due care and under professional standards by paying regard to the interest of the shareholders.

Yours sincerely,

Advisory Plus Company Limited

- *Prasert Patradhilok* -

(Prasert Patradhilok)

President

- *Sumalee Tantayaporn* -

(Sumalee Tantayaporn)

Operational Controller