

# MCOT Public Company Limited

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Ref: MCOT/ 6138/4523

November 11, 2015

The Stock Exchange of Thailand

Attn: The President

Re: The Management's Discussion and Analysis on the Company's Operating Results based on the Financial Statements for 3-month and 9-month periods ended September 30, 2015

Dear Madam,

On November 11, 2015, the Board of Directors' Meeting No. 15/2015 has resolved to approve the financial statements for 3-month and 9-month periods ended September 30, 2015, which were reviewed by the Office of the Auditor General of Thailand and the Audit Committee of MCOT Plc., the details of which are as follows:

## Management's Discussion and Analysis (MD&A) on the Company's operating results and its subsidiaries based on the financial statements for 3-month and 9-month periods ended September 30, 2015

### The Company's and its subsidiaries' operating results

	Unit: Million Baht (Reviewed)		
	Jul.-Sep. 2015	Jul.-Sep. 2014	% Changes
<b>Total Revenues</b>	<b>1,028</b>	<b>1,119</b>	<b>-8</b>
TV Revenue	446	631	-29
Radio Revenue	242	250	-3
New Media Revenue	47	58	-19
Broadcast network operation service	85	29	195
Joint Operations	104	109	-5
Additional income from the agreement	12	12	-
Others	92	30	202
<b>Total Expenses</b>	<b>952</b>	<b>1,000</b>	<b>-5</b>
<b>Profit for the period</b>	<b>60</b>	<b>91</b>	<b>-34</b>
EPS (Baht)	0.09	0.13	-29
<b>Owners of the Parent Company</b>	<b>63</b>	<b>90</b>	<b>-29</b>
Non-controlling interests	-3	1	-355

	Unit: Million Baht (Reviewed)		
	Jan.-Sep. 2015	Jan.-Sep. 2014	% Changes
<b>Total Revenues</b>	<b>2,864</b>	<b>3,372</b>	<b>-15</b>
TV Revenue	1,251	1,866	-33
Radio Revenue	687	655	5
New Media Revenue	145	204	-29
Broadcast network operation service	199	29	586
Joint Operations	314	455	-31
Additional income from the agreement	35	35	-
Others	233	128	82
<b>Total Expenses</b>	<b>2,709</b>	<b>2,811</b>	<b>-4</b>
<b>Profit for the period</b>	<b>119</b>	<b>436</b>	<b>-73</b>
EPS (Baht)	0.19	0.66	-71
<b>Owners of the Parent Company</b>	<b>129</b>	<b>450</b>	<b>-71</b>
Non-controlling interests	-10	-14	28

### **Overall industry**

According to Neilson Media Research, advertising spending in various types of media during nine months of 2015 totaled Baht 91,536 million, a 6% increase compared to the same period of last year.

Advertising spending on digital TV and radio showed a growth of 266%<sup>1</sup> and 1% respectively, while that on analog TV platform decreased 10%. The substantial growth in digital TV advertising spending was due to the fact that a comparison was made between revenue generated in the nine-month period of this year and that generated in the same period of last year (2014), during which digital terrestrial TV broadcast was in its initial phase and low advertising rates were offered to clients.

During Q3-2015, advertising spending was amounted to Baht 30,737 million, a slight change compared to the same period of last year, as a result of a 79% growth in digital TV, a 12% decline of analog TV and a 1% drop of the radio business.

The Company's performance in Q3-2015 was affected by the rapidly changing media landscape and consumption behavior and the intense competition among the increased number of digital TV operators, the details of which are as follows:

### **Total revenue**

The Company's Q3-2015 total revenue of Baht 1,028 million, an 8% decrease compared to the same period of last year, a 9% increase from Q2-2015 include revenue from television (43%), radio (24%), joint operations (11%), new media (5%), digital terrestrial TV broadcasting network service (8%) and others (9%).

In Q3-2015, the Company recorded other revenues from adjusting entries for estimated liability arising from lawsuits totaling Baht 55.78 million, following the verdict of the Supreme Administrative Court ruling the Rai Som Case on July 17, 2015.

The decreased revenues that were not proportionately with the reduced expenses resulted in change of net profit more than 20% compared to the same period of last year. The explanation of the Company's management with regard to the aforementioned changes and its measures to enhance competitiveness is as follows:

### **Television revenue**

In Q3-2015, television revenue amounted to Baht 446 million, a 7% increase from the previous quarter. However, advertising spending via traditional analog platform dropped 3%.

MCOT's TV revenue decreased 29%, compared to the same period of last year. To enhance competitiveness amid fierce competition, the programming schedule of MCOT HD had been revamped under the concept "Krob Kub Jor" (a Full Programming Line-Up) in March 2015. Also, in September 2015, the Company launched the new image of MCOT HD channel under the slogan "See the World, Enjoy Happiness". The newly refreshed brand 9 MCOT HD contained a new line-up with more entertainment and variety programs aiming to boost ratings and to increase advertising spending with the commitment to promoting the knowledge-based society through delivery of creative contents.

Of the total Q3-2015 TV revenue, revenue generated from advertising and special projects accounted for 53% and 31% respectively, while that generated from time-rental and others accounted for the remainder.

Advertising revenue slightly changed compared to Q2-2015. Despite a drop in sharing program revenue, MCOT experienced a 5% and 29% increase in revenue generated from own programs and special project, compared to Q2-2015.

A series of proactive measures was implemented to improve contents. MCOT joined hands with other media operators in broadcasting new programs on 9 MCOT HD, for example; live matches of Thai Premier League 2015 (with True Visions Plc.), situation talk "Ying Tok Kanok Sak" (with Nation TV) and Thai boxing reality show "The Champ" (with Now TV). The attractive new programs starting their broadcast in late September 2015 were expected to boost ratings and generate more revenue in the future.

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<sup>1</sup> Digital TV expenditure had been revised during April 2014 – Present to be aligned with the latest industry rate card.

**Radio revenue**

In Q3-2015, MCOT's total radio revenue of Baht 242 million, central radio revenue accounted for 62%, regional radio revenue accounted for 31% and revenue from projects and special events in collaboration with government and state – owned agencies accounted for the remainder.

F.M. 95 MHz was the highest revenue generating station, while F.M. 100.5 MHz was the fastest growing station.

**New Media Business**

New media business revenue in Q3-2015 decreased 19% compared to the same period of last year, and increased 8% compared to Q2-2015. The quarter-on-quarter increase was attributable to additional revenue generated from new media-related events and the agreement with the 2 new satellite TV operators to rent MCOT's C band Satellite for their broadcast operations.

**Joint Operations**

In Q3-2015, the revenue generated from the joint operations amounted to Baht 104 million, a 5% decrease compared to the same period of last year and a 6% decrease compared to Q2-2015.

**Broadcasting Network Operation Service (BNO)**

MCOT commenced its broadcasting network operation services and was able to recognize revenue in July 2014.

At the end of Q3-2015, MCOT served 4 clients who were digital terrestrial TV channel operators for the broadcast of 1 High Definition and 3 Standard Definition channels. In Q3-2015, revenue from BNO amounted to Baht 85 million, a 195% increase compared to the same period of the last year and a 30% increase compared to Q2-2015. Such increase was attributable to wider coverage area and the agreement with the National Assembly Television, a new client, to use the BNO service for a broadcast of its Standard Definition channel. The revenue from the new client was recognized in July 2015.

**Total expenses**

Total expenses in Q3-2015 amounted to Baht 952 million, a 5% decrease compared to the same period of last year but a 6% rise compared Q2-2015. Of the total expenses, operating expenses accounted for 70%, a slight decrease compared to same period of the last year but an 11% increase compared to Q2-2015. Despite increased operating expenses that comprised program production costs and amortization of the license fee for the 2 commercial digital terrestrial channels, sales and management expenses dropped 11% and 20% compared to Q3-2014 respectively, representing the Company's ability to effectively manage expenses.

**Net Profit**

The Company's net profit of Baht 60 million in Q3-2015, a 34% decrease compared to the same period of last year but a 64% increase compared to Q2-2015, included a net profit of Baht 63 million of owners of the parent company or 0.09 Baht per share.

Sincerely yours,



(Miss Thanaporn Thaweepanich)  
Vice President, Corporate Secretary Department  
MCOT Public Company Limited  
Authorized to sign on behalf of the company

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