

# MCOT Public Company Limited

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Ref: MCOT/6138/702

February 26, 2016

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 the year ended December 31, 2015

Dear Madam,

On February 26, 2016, The Board of Directors' Meeting No. 2/2016 has resolved to approve the Company's 2015 financial statements ended December 31, 2015, which were audited by the Office of the Auditor General of Thailand and the Audit Committee of MCOT Plc.

## **Management's Discussion and Analysis (MD&A) on the Company's operating results based on its 2015 financial statements ended December 31, 2015 and 2014 financial statements ended December 31, 2014**

The Company's net profit of Baht 44 million in 2015, or a 89% decrease from last year, included a net profit of Baht 58 million of the Parent Company or Baht 0.08 per share.

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

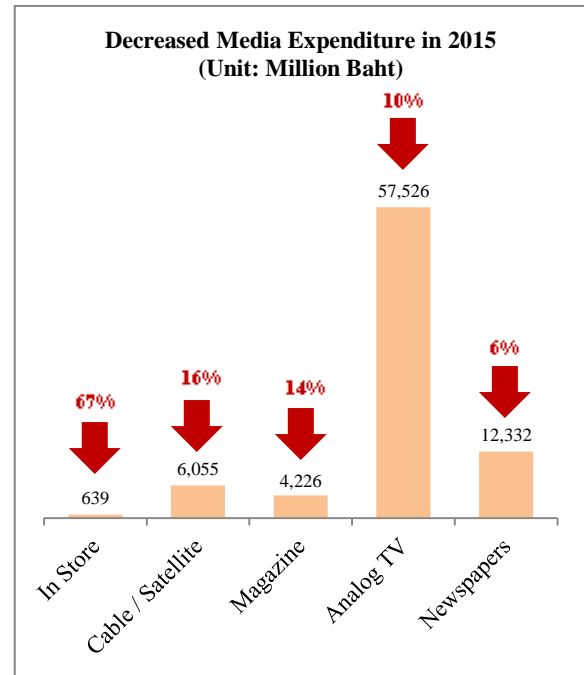
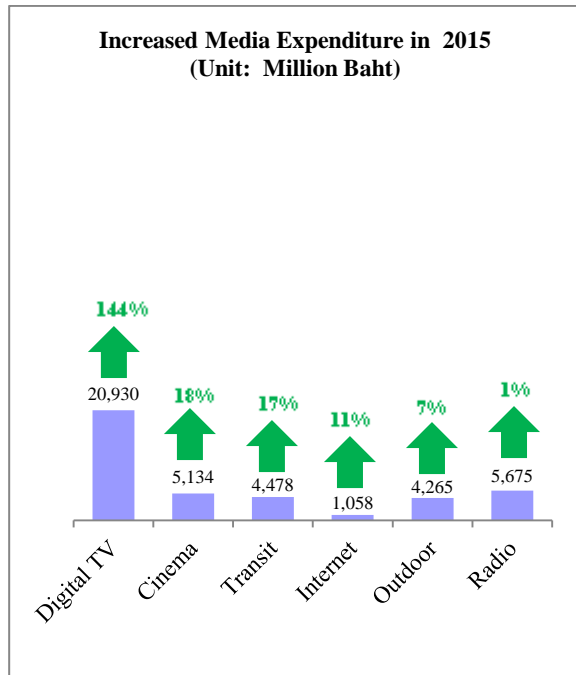
	Unit: Million Baht (reviewed)		
	2015	2014	% Changes
	(Restated)		
<b>Total Revenue</b>	<b>3,840</b>	<b>4,454</b>	<b>-14</b>
Television	1,678	2,419	-31
Radio	943	929	2
New Media	195	278	-30
Broadcast Network Operation Service	291	65	348
Joint Operations	418	546	-23
Additional income from agreements	47	47	-
Others	268	170	58
<b>Total Expenses</b>	<b>3,779</b>	<b>3,943</b>	<b>-4</b>
<b>Net Profit</b>	<b>44</b>	<b>390</b>	<b>-89</b>
EPS (Baht)	0.08	0.60	-87
<b>Owners of the Parent Company</b>	<b>58</b>	<b>413</b>	<b>-86</b>
<b>Non-controlling Interests</b>	<b>-14</b>	<b>-23</b>	39

At MCOT, we all work together towards a common goal of promoting transparency and anti-corruption to achieve sustainable development.

MCOT has adopted an anti-corruption policy against all forms of corruption, which applies to any action taken by MCOT employees. For more information, please visit [www.mcot.net/ir](http://www.mcot.net/ir) > good governance > corporate governance > anti-corruption policy.

## **Overall Industry**

In 2015, most media operators still suffered from continued sluggish economy. Some advertisers decided to slow down their advertising spending due to instability in purchasing power of customers. This caused the media operators to strive for market shares with a limited advertising budget. Nielsen Thailand revealed that Thailand's advertising industry in 2015 totaled Baht 122,318 million (a 3.34% increase from 2014), most of which were derived from digital TV advertising amounting to Baht 20,930 million (a 143.91% increase from last year). In the media agencies' view, such significant increase was due to the fact that advertisers chose to spend their budget on digital platform instead of traditional analogue and satellite platforms. Details of advertising values are indicated below.



During the past year, the intensifying competition in the Country's TV industry were affected by several key factors including changing media landscape and consumer behavior, relinquishment of the 2 new digital channels and enforcement of the same channel numbering for all TV platforms.

## **Total revenue**

The continued severe competition in the industry had a significant impact on MCOT's operating results. In 2015, the Company's total revenue Baht 3,840 million, a 14% drop compared to the same period last year, included revenue from television (44%), radio (24%), joint operations or concession (12%), new media and MCOT satellite network and other online services (5%), digital terrestrial TV broadcasting network service (8%) and others (7%). Despite the significant decrease in revenue compared to the same period last year, television remained MCOT's major sources of revenue.

MCOT experienced a large imbalance between revenues and expenses causing the net profit for the period ended December 31, 2015, to drop over 20%, compared to last year. The explanation of the Company's management with regard to the aforementioned changes and its measures to enhance competitiveness is as follows:

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### **Television revenue**

Television revenue in 2015, amounting to Baht 1,678 million, a 31% decrease compared to the same period last year, included revenue from time rental (13%), advertising (51%), special projects in collaboration with government and state enterprise sectors (27%) and others operations (9%).

In 2015, advertising revenue that was a major source of the Company's television revenue, dropped more than 40%, compared to last year, due to the continued severe competition among digital TV operators. To tackle the issue, in late 2015, MCOT adopted new sales strategy enabling to directly communicate with advertisers apart from communicating through the agencies.

This strategy was also adopted in negotiating budgets with the government and state enterprise sectors and would be used as the main strategy in 2016.

To improve the Company's competitiveness, MCOT implemented several measures including TV's programming revamp in March 2015 under the theme "Krob Kub Jor" (a full programming line-up), MCOT Family's programming revamp in April 2015. In addition, the Company launched a brand refreshment campaign for 9 MCOT HD under the theme "See the World, Enjoy Happiness", containing a new line-up with more entertainment and variety programmes, for example, "Kao Dung Kham Wela" (Timeline - Back to the Big News in the Past), Ngan Wat Festival (Country Song Festival), Borisat Ha Mai Jumkad (Comedy Company) and Taxi Maha Settee (Cash Cab Thailand) and Game Som Lon (Windfall Game).

In addition, MCOT formed cross-media partnerships with other TV operators in broadcasting programmes on 9 MCOT HD including **True Visions Plc.** in broadcasting live matches of Thai Premier League 2015 starting July 2015, **Nation TV** in producing a situation talk "Ying Tok Ka Nok Sak" starting August 2015 and **Now TV** in broadcasting a Thai boxing reality show "the Champ". In addition, the Company increased the proportion of its self-produced programmes and launched "the Creator Project", to seek new TV format developers to supply contents for 9 MCOT HD and to be showcased at international TV content markets.

### **Radio revenue**

MCOT continuously improved marketing and production efficiency of its radio network by producing of programmes that met the specific needs of each segment, adding unique aspects to the programmes, positioning each station with specific characteristics, improving management efficiency and customizing marketing strategies to meet the needs of clients. Also, each station organised a series of on-ground activities to enhance audience engagement, for example, "Superstar Ha Hey" organised by FM 95 MHz, "Rally Viti Thai" (Thai-style car rally) organised by FM 99 MHz, a talk show on living a happy life in Thailand organised by FM 100 MHz and "ASEAN-Myanmar Caravan" organised by MCOT's Office of Radio.

In 2015, MCOT's radio revenue of Baht 943 million, a 2% increase compared to last year, slightly outperformed the overall radio advertising industry. Of the total radio revenue, central radio revenue accounted for 67%, regional radio revenue accounted for 25%, and revenue from special projects, in collaboration with government and state enterprise sectors, and on-ground events accounted for the rest.

FM 95 MHz was the highest revenue generating station, followed by FM 96.5 MHz and FM 107 MHz.

### **New Media**

MCOT continuously developed its new media business to leverage its existing resources to bring the best benefit to the Company. New media strategies included production of programmes to be broadcast on MCOT's satellite channels: MCOT1 and MCOT World, provision of C-Band satellite TV channel rental service to other satellite operators and provision of online services. In 2015, new media revenue amounted to Baht 195 million, a 30% drop compared to last year, due to a decline in the number of the lessees for C-Band satellite TV channel rental service.

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**Joint Operations**

MCOT's 2015 joint operations revenue of Baht 465 million, a 22% drop compared to the same period of last year, included revenue from the Agreements with Bangkok Entertainment Company Limited, True Visions Plc. and True Visions Cable Plc. MCOT also recognized revenue from a one-time payment of Baht 8 million from True Visions Plc. (TNN 24) for advertising compensation.

**Broadcasting Network Operation Service (BNO)**

In 2015, MCOT's revenue from BNO amounted to Baht 291 million, a 348% increase compared to last year. Currently, the BNO services were able to cover 80% of the households nationwide, in accordance with the timeframe set by the National Broadcasting and Telecommunication Commission. MCOT served 4 clients who were digital terrestrial TV channel operators for the broadcast of High-Definition Thairath TV) and 3 Standard- Definition channels (Voice TV, Spring News and National Assembly TV). Revenue from the National Assembly TV, the new client, was recognized in July 2015.

**Other Revenues**

In 2015, MCOT's other revenues amounted to Baht 268 million, a 58% increase compared to last year. In Q2-2015, the Company recognized revenue of Baht 21 million, which was attributable to selling of transmission equipment held by MCOT to True Visions Plc. The deal was mutually agreed by both parties. In Q3-2015, the Company recorded other revenues from adjusting entries for estimated liability arising from lawsuits totaling Baht 56 million.

**Total expenses**

Total expenses in 2015 amounted to Baht 3,779 million, a 4% decrease from last year. Of the total expenses, operating expense that was the Company's major expense accounted for 66%. Although there was an increase in the cost of programmes production including Kao Dung Kham Wela" (Timeline - Back to the Big News in the Past), Ngan Wat Festival (Country Song Festival), Borisat Ha Mai Jumkad (Comedy Company) and Taxi Maha Settee (Cash Cab Thailand) and Game Som Lon (Windfall Game), MCOT was able to effectively manage cost of its self-produced programmes, resulting in the drop in operating expense, compared to last year. Due to the Company's ability in controlling sales and management expenses, a 3% and 18% decrease in these expenses was shown, compared to last year.

In Q4-2015, the following noncash expense items were included on the Company's accounting records:

1. Allowance for doubtful accounts of Baht 39 million, resulting from inability of the BNO clients to meet the fee payment due dates. Such item was recorded as management expense.
2. Revised finance cost of license fee to operate the 2 commercial digital terrestrial TV channels in accordance with the criteria set by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King<sup>1</sup>, which would result in an increase in the Company's Finance Costs for the period between 2014 – 2017 but a decrease in Operating Costs (Amortisation Cost).

**Net Profit**

The Company's net profit of Baht 44 million in 2015, a 89% decrease compared to last year, included a net profit of Baht 58 million of the shareholders of the parent company or 0.08 Baht per share.

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<sup>1</sup> Document "Q&A on accounting issues regarding recognition of license to operate government business" by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King, published on February 8, 2015.  
[http://www.fap.or.th/images/column\\_1454896684/Final\\_V7.pdf](http://www.fap.or.th/images/column_1454896684/Final_V7.pdf)

	Unit: Million Baht (reviewed)		
	December 31, 2015	December 31, 2014	% Change
		(Restated)	
<b>Assets</b>	11,642	12,746	-9
<b>Liabilities</b>	4,260	5,381	-21
<b>Shareholder's Equity</b>	7,382	7,364	0.2

At the end of 2015, the Company had total assets of Baht 11,642 million, total liabilities of Baht 4,260 million and shareholder's equity of 7,382 million. The drop in the Company's assets was partly due to Cash and Cash Equivalents, Current investment, Revised accounting records for Intangible Assets (licenses to operate 2 commercial digital terrestrial TV channels), in accordance with the criteria set by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King and decreased Liabilities that were partly due to the revision of accounting records for the aforementioned license fee. This represented the Company's financial strength.

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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