

## MCOT Public Company Limited

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Ref: MCOT/ 6138/3389  
August 10, 2017

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 6-month periods ended June 30, 2017

Dear Madam,

On August 10, 2017, the Board of Directors' Meeting No. 12/2017 has resolved to approve the financial statements for 3-month and 6-month periods ended June 30, 2017, which are 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 for the 3-month and 6-month periods ended June 30, 2017**

In the first half of 2017, the Company's net profit totaled Baht 310 million, a 41% increase compared to the same period of last year.

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

	Unit: Million Baht (Reviewed)		
	Jan.- June 2017	Jan.-June 2016	% Changes
<b>Total Revenue</b>	<b>1,360</b>	<b>1,550</b>	<b>-12</b>
Television	478	536	-11
Radio	363	406	-10
New Media	21	99	-79
Broadcast Network Operation Service	187	174	8
Joint Operations	256	213	20
Additional income from agreements	23	23	-
Others	32	99	-68
<b>Total Expenses</b>	<b>1,732</b>	<b>1,819</b>	<b>-5</b>
<b>Net Profit (loss)</b>	<b>(310)</b>	<b>(220)</b>	<b>-41</b>
EPS (loss)	(0.45)	(0.31)	-45
<b>Parent Company Profit (loss)</b>	<b>(306)</b>	<b>(147)</b>	<b>-45</b>
Net Profit of Minority Interest (loss)	(4)	(9)	-59

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

	Unit: Million Baht (Reviewed)		
	<b>Jan.- Mar. 2017</b>	<b>Apr.-June 2017</b>	<b>% Changes</b>
<b>Total Revenue</b>	<b>643</b>	<b>717</b>	<b>12</b>
Television	230	247	7
Radio	176	188	7
New Media	12	9	-24
Broadcast Network Operation Service	91	96	5
Joint Operations	108	148	37
Additional income from agreements	11	12	9
Others	15	17	13
<b>Total Expenses</b>	<b>826</b>	<b>906</b>	<b>10</b>
<b>Net Profit (loss)</b>	<b>(146)</b>	<b>(164)</b>	<b>-12</b>
EPS (loss)	(0.21)	(0.23)	-10
<b>Parent Company Profit (loss)</b>	<b>(145)</b>	<b>(161)</b>	<b>-11</b>
Net Profit of Minority Interest (loss)	(1)	(2)	-100

**Overall Industry**

In the first half of 2017, an advertising industry experienced a continuous drop. Owing to the fact Fast-Moving Consumer Goods (FMCG) failed to achieve sales target, advertisers decided to slow down their spending on traditional media (especially television whose advertising rates were quite high) and opted for online media whose advertising rates were lower. It was expected that 30% of marketing communication budget was allocated for online sales promotion. On the other hand, advertising spending on traditional media including analog TV, radio, newspaper and magazines dropped significantly.

According to Nielsen Thailand, advertising spending in the industry in the first half of 2017 dropped 7.08%, compared to the same period of last year. Of the total value of Baht 52,765 million, spending on analog TV and cable TV was valued at Baht 22,047 million and Baht 1,820 million, - 15.29% and -6.04 decrease from the same period of last year, respectively. Likewise, a drop in spending on radio, newspaper and magazines was found. However, advertising on digital TV grew 3.64%.

**Total revenue**

The Company's operating results were inevitably affected by the increasingly intensified competition among digital TV operators and decreased advertising spending as mentioned earlier. As a result, the total revenue in the first half of 2017 totaled Baht 1,360 million, a 12% drop compared to the same period of last year, the details of which are as follows:

- TV (35%)
- Radio (27%)
- Joint Operations (20%)
- New Media (2%)
- Broadcast Network Operation Service (14%)
- Others (2%)

Despite a significant decrease in revenue in consistency with the global recession, TV remained the major source of revenue of the Company. Moreover, the decrease in expenses was slower than expected. As a result, MCOT experienced more than 20% changes in profits and loss. MCOT, therefore, sought new opportunities to generate additional revenue and leveraged its existing assets. Meanwhile, new measures were implemented to enhance the Company's competitiveness, the details of which were as follows:

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## **Television revenue**

In the first half of 2017, TV revenue amounted to Baht 478 million, an 11% drop compared to the same period of last year, but an 7% increase compared to Q1-2017. MCOT's TV revenue comprised:

- Advertising (50%)
- Time-rental (13%)
- Special projects in collaboration with government and state enterprises (30%)
- Other operations (7%)

Advertising that was the major source of TV revenue failed to reach target and decreased, compared to the same period of last year. Similarly, such situation was facing other traditional TV operators since the advertising budget was shared by other new digital TV operators. Meanwhile, several private companies decided to slow down on their spending on traditional media especially TV. To tackle the issue, MCOT adopted a sales strategy enabling direct communication with advertisers rather than through agencies. More public relations projects were proposed to government agencies. Therefore, TV revenue from special projects tended to rise in Q2-2017, compared to Q1-2017.

To improve the Company's competitiveness, MCOT carried out programming revamp setting noticeable time slots for variety programs, game shows and series. Broadcast time of the news program "Kab Kao Krob Praden" was scheduled earlier. "Joa Jai" was moved to Saturday night at the same time of "Perspective", in order to set the specific slot for variety shows on weekends.

## **Radio revenue**

In the first half of 2017, radio revenue amounted to Baht 363 million, a 10% drop, compared to the same period of last year but a 7% increase, compared to Q1-2017. The drop was attributable to a 20% drop in radio industry in the first half of 2017. MCOT's radio revenue comprised:

- Central radio stations (70%)
- Regional radio stations (29%)
- Special projects in collaboration with government and state enterprises (1%)

The decrease in radio revenue was partly due to the dissolution of SEED MCOT. MCOT began to self-operate FM 97.5 MHz. The station was re-launched under the name "Mellow". Broadcast of "Mellow" was on trial in February 2017 and officially re-launched on June 23, 2017. FM 95 MHz was the highest revenue generating station, followed by FM 100.5 MHz and FM 107 MHz

Moreover, the radio network leveraged its business through broadcast of programs on mobile applications to reach the audience of all ages worldwide.

## **New Media**

Revenue from C-band satellite rental in Q2-2017 decreased due to the decrease in clients of C-band satellite. Therefore, MCOT developed and leveraged its new media business to maximize utilization of its existing resources through broadcast of own content on online platform including YouTube and Homepage and distribution of programs licensed by MCOT's subsidiary in an international market. New media in Q2-2017 was amounted to Bath 9 million, a 24% drop from Q1-2017.

## **Joint Operations**

MCOT's Q2 – 2017 joint operations revenue was amounted to Baht 148 million, a 37% increase compared to Q1-2017, due to a record of additional assets transferred from True Visions Plc.

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### **Broadcasting Network Operation Service (BNO)**

In Q2 – 2017, MCOT’s revenue from BNO amounted to Baht 96 million, a 5% increase compared to Q1-2017. The increase was partly attributable to a sponsorship for satellite transmission fee from the National Broadcasting and Telecommunication Commission (the NBTC), in compensation for suspension of regular program broadcast in October 2016 and increased service fee for broadcast facilities. Currently, the BNO service was able to cover 90% of the households nationwide, in accordance with the timeframe set by the NBTC.

### **Total expenses**

In the first half of 2017, total expenses amounted to Baht 1,732 million, a 5% decrease from the same period of last year. Of the total expenses, TV and radio operating expenses that was the Company’s major expense accounted for 69%. MCOT was able to effectively manage cost of its self-produced programs, resulting in a 4% decrease, compared to the first half of 2016. Due to the Company’s ability in controlling sales and administration expenses, a 5% decrease in these expenses was found, compared to the same period of last year.

### **Net Profit/Loss**

Due to the intense competition in the industry and the imbalance between revenue and expenses, MCOT, in an effort to carefully control the expenses, experienced a loss of Baht 310 million in the first half of 2016, which increased 41% compared to the same period of last year.

### **Assets, Liabilities and Shareholder’s Equity**

	Unit: Million Baht (Reviewed)	
	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Assets	9,190	10,199
Liabilities	2,953	3,633
Shareholder’s Equity	6,237	6,566

As of June 30, 2017 the Company had total assets of Baht 9,190 million, total liabilities of Baht 2,953 million and shareholder’s equity of 6,237 million. This represented the Company’s financial strength.

Sincerely yours,



(Mr. Nanthasit Leksrisakul)  
Executive Vice President and Chief Strategy and Finance Officer (CFO)  
MCOT Public Company Limited  
Authorized to sign on behalf of the company

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