

## MCOT Public Company Limited

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Ref: MCOT/ 6165 (3) / 5020  
November 10, 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 3-month and 9-month period ended September 30, 2016

Dear Madam,

On November 10, 2016, the Board of Directors' Meeting No. 15/2016 has resolved to approve the financial statements for 3-month and 9-month period ended September 30, 2016, 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 based on the financial statements for the 3-month and the 9-month period ended September 30, 2016 and 2015**

Company's operating results having a deficit of Baht 257 million and 477 million, 594% and 630% decrease compared to the same period of last year.

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

	Unit: Million Baht (Reviewed)		
	July – September 2016	July – September 2015 (restated)	% Changes
<b>Total Revenue</b>	<b>660</b>	<b>1,028</b>	<b>-36</b>
Television	342	446	-23
Radio	220	242	-9
New Media	30	48	-38
Broadcast Network Operation Service	-72	85	-185
Joint Operations	106	103	3
Additional income from agreements	12	12	-
Others	22	92	-76
<b>Total Expenses</b>	<b>977</b>	<b>962</b>	<b>2</b>
<b>Net Profit (loss)</b>	<b>(257)</b>	<b>52</b>	<b>-594</b>
EPS (loss)	(0.37)	0.08	-563
<b>Parent Company Profit (loss)</b>	<b>(252)</b>	<b>55</b>	<b>-558</b>
Net Profit of Minority Interest (loss)	(5)	(3)	-67

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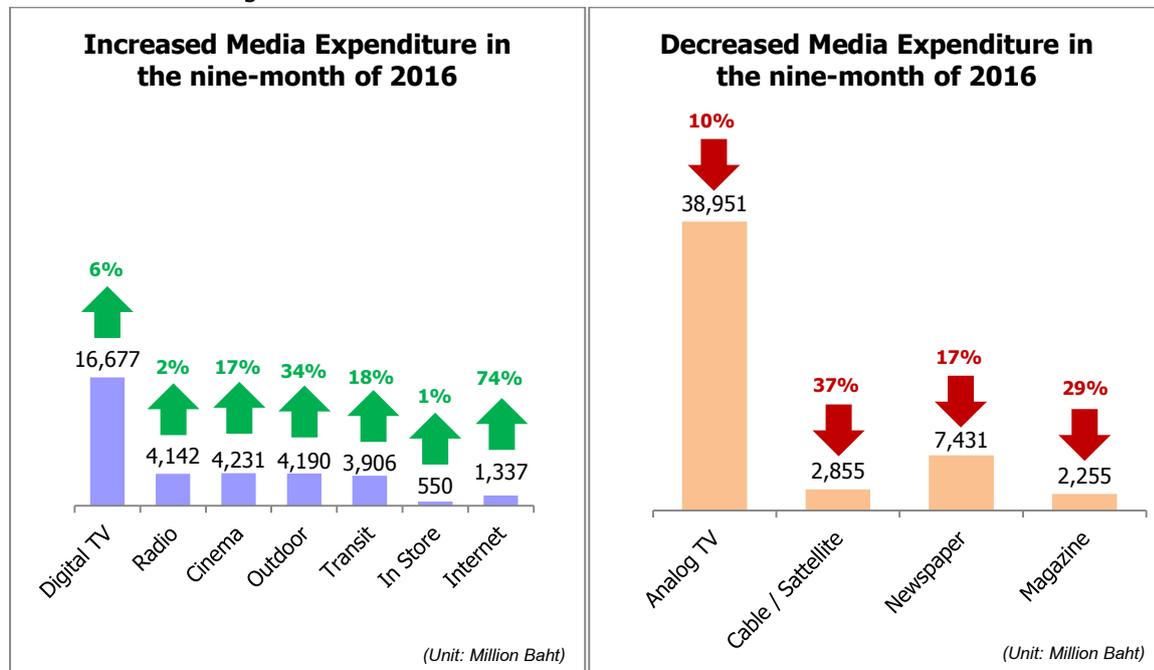
Unit: Million Baht (Reviewed)

	January – September 2016	January – September 2015 (restated)	% Changes
<b>Total Revenue</b>	<b>2,210</b>	<b>2,864</b>	<b>-23</b>
Television	878	1,251	-30
Radio	626	687	-9
New Media	129	145	-11
Broadcast Network Operation Service	102	199	-49
Joint Operations	319	314	2
Additional income from agreements	35	35	-
Others	121	233	-48
<b>Total Expenses</b>	<b>2,796</b>	<b>2,745</b>	<b>2</b>
<b>Net Profit (loss)</b>	<b>(477)</b>	<b>90</b>	<b>-630</b>
EPS (loss)	(0.67)	0.15	-547
<b>Parent Company Profit (loss)</b>	<b>(463)</b>	<b>101</b>	<b>-558</b>
Net Profit of Minority Interest (loss)	(14)	(10)	-40

### Overall Industry

In Q3–2016, domestic consumption was recovered due to satisfactory export performance, increase in agricultural revenue, and tourism growth<sup>1</sup>. On the other hand, advertising spending declined continually due to the fact that many private agencies, who were major spenders, slowed down their spending in order to control cost and that the third quarter was the low season for advertising spending. According to Nielsen Thailand, advertising spending in the 9-month period of 2016, dropped 5.38%, compared to the same period of last year. Of the total value of Baht 86,525 million, comprising advertising spent on analog platform that was the major source of revenue amounted to Baht 38,951 million (a 10% drop from the same period of last year) and Baht 16,677 million from digital TV (a 6% increase compared to the same period of last year).

Details of advertising values are indicated below.



The decline in advertising spending and the shift from traditional TV to online viewing behavior affected all digital TV operators including MCOT.

<sup>1</sup> Monthly Economic Report (August 2016) – Fiscal Policy Office, Ministry of Finance

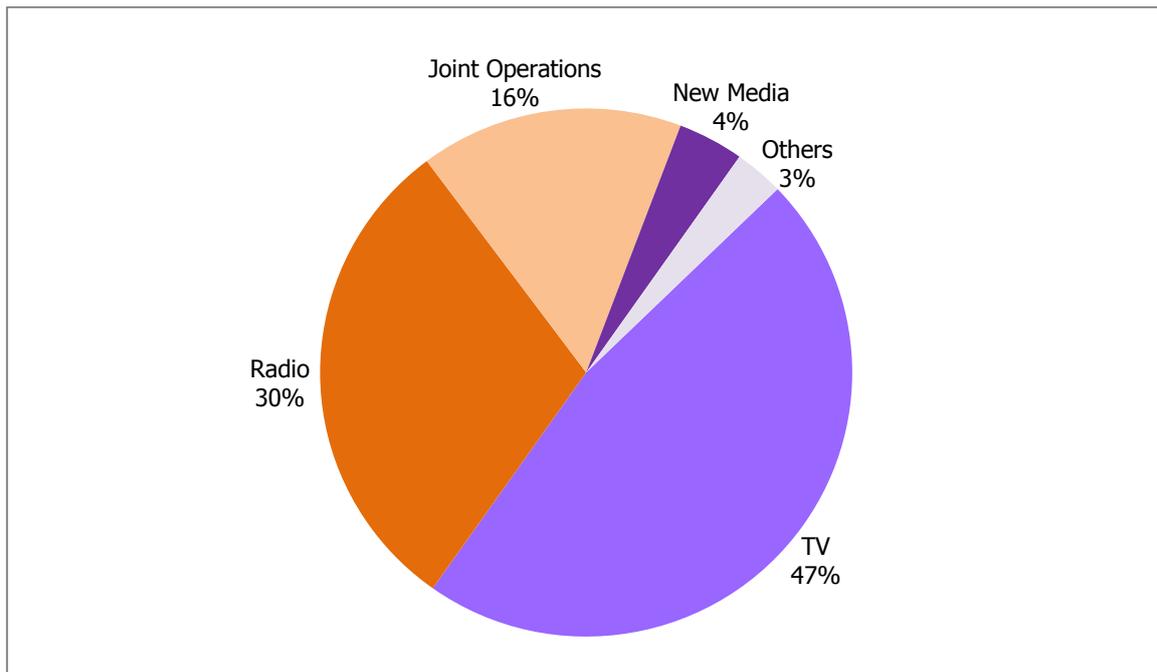
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## **Total revenue**

The Company's operating results were inevitably affected by several factors including the increasingly intensified competition among digital TV operators, the shift in viewing behavior and decreased advertising spending. As a result, the total revenue in Q3-2016 and the 9-month period of 2016 amounted to Baht 660 million and Baht 2,210 million, or a 36% and a 23% drop compared to the same period of last year respectively, the details of which are as follows:

- TV (47%)
- Radio (30%)
- Joint Operations (16%)
- New Media (4%)
- Others (3%)



MCOT was well aware that revenue from television, one of the company's core businesses, significantly decreased. The Company utilized all assets and sought new opportunities to generate additional revenue, for example; broadcast of MCOT's copyrighted content on digital media. Although it did not generate a large amount of revenue, such business had a potential for growth. In response to an increasing demand for quality content, abilities of MCOT personnel in a production field were enhanced to realize the vision of becoming the Highly Creative Company.

Due to an imbalance between revenue and expenses, MCOT experienced an over 20% drop in net profit, 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:

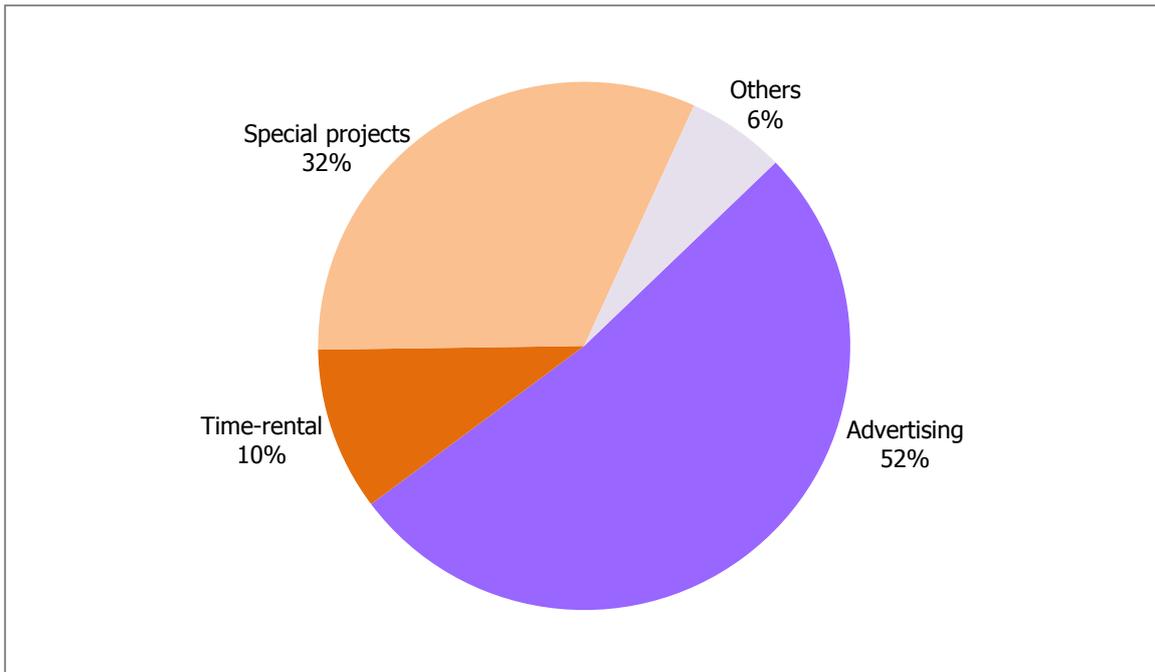
## **Television revenue**

In Q3-2016 and the 9-month period of 2016, TV revenue amounted to Baht 342 million and 878 million, a 23% and 30% drop compared to the same period of last year but a 20% increase compared to the previous quarter. MCOT's TV revenue comprised:

- Advertising (52%)
- Time-rental (10%)
- Special projects in collaboration with government and state enterprises (32%)
- Other operations (6%)

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To improve the Company's competitiveness, MCOT continuously increased percentage of own programs and reduced that of time-sharing programs. Currently, own programs accounted for more than 70% of the overall proportion. As a result, advertising in own programs increased 28%, compared to the same period of last year. Also, new programs were added to attract more viewers including **"Sai Tarn Prarachmaitri"** (a series featuring the royal visits of H.M. King Bhumibol Adulyadej in 29 countries), **TKO Lumpini** (Thai boxing live broadcast), **World Wonder** (documentary), **English Football League** and **Kon Mun Pun Asa** (civic-mindedness program). Also, meanwhile, MCOT focused on existing programs that tended to gain more popularity including **Kao Dung Kham Wela**, **Borisat Ha Mai Jumkud** and **Ying Tok Kanok Sak**.

In Q3-2016, due to broadcast of Rio 2016 Olympics, the ratings of MCOT HD increased 15%, compared to Q2-2016.

### **Radio revenue**

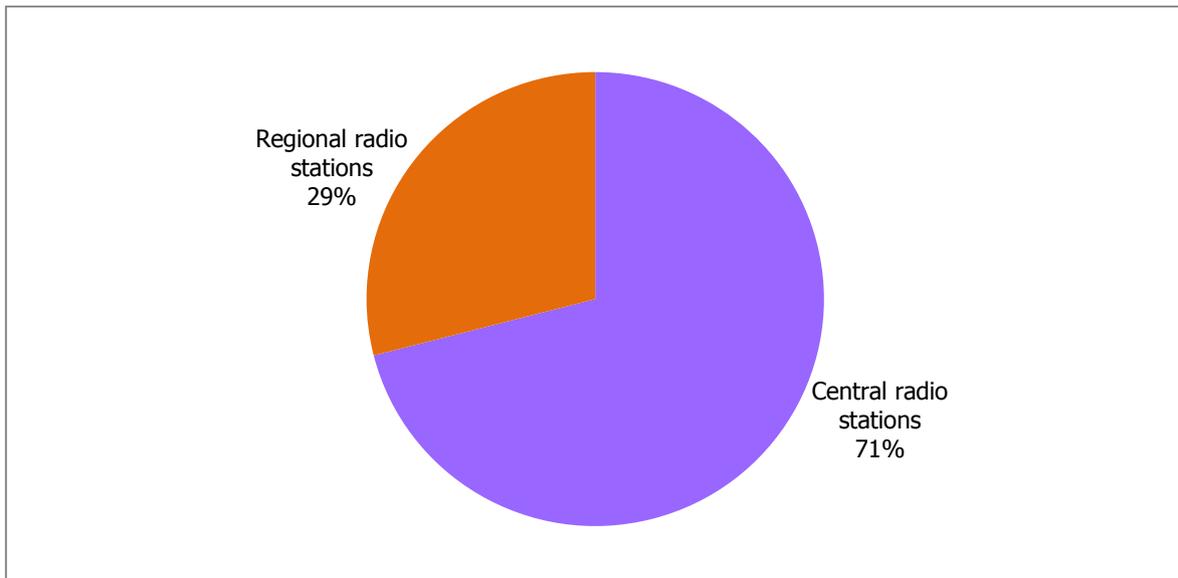
MCOT radio network set a clearly defined target audience of each station and continuously enhanced production effectiveness through producing programs meeting listeners' needs. Also, each station organized a series of on-ground activities to enhance audience engagement, for example, **MCOT Inspiration Box** (a talk with 5 legendary people) organized by FM 96.5 MHz and **Superstar Ha Hey** organized by FM 95 MHz. Moreover, MCOT radio launched "MCOT Digital Hall", a platform centralizing all MCOT's radio content. Live streaming of on-ground events in High-Definition standard was a special feature the project. In the future, MCOT Digital Hall would be developed into mobile application to create a new viewing experience for audience.

In Q3-2016 and the 9-month period of 2016, radio revenue amounted to Baht 220 million and Baht 626 million, a 9% drop compared to the same period of last year but a 4% increase compared to the previous quarter. MCOT's radio revenue comprised:

- Central radio stations (71%)
- Regional radio stations (29%)

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The drop in radio business was attributable to a 15% drop in regional radio revenue, compared to the same period of last year. Such drop was partly due to the fact that community radio stations were able to resume broadcasting after license suspension. To tackle this situation, sales strategies for regional radio were revised along with a focus on content that could be broadcast on both radio and social media.

Central radio slightly declined, a 1% decrease compared to the same period of last year. FM 95 MHz was the highest revenue generating station, followed by FM 100.5 MHz and FM 96.5 MHz.

### **New Media**

New media businesses comprised satellite channel MCOT1, C-Band and Ku-Band satellite rental service and broadcast of MCOT's owned content on online media platforms such as YouTube, Facebook and websites. In Q3-2016 and the 9-month period of 2016, new media revenue amounted to Baht 30 million and Baht 129 million, a 38% and 11% drop compared to the same period of last year. Despite a 229% increase in online revenue compared to the same period of last year, MCOT was unable to cover the loss in revenue from Ku-Band Satellite rental service which was a result from termination of agreement between MCOT and a satellite TV operator in August 2016.

### **Joint Operations**

Revenue from joint operations and additional income from agreements in Q3-2016 and the 9-month period of 2016 amounted to Baht 118 million and Baht 354 million, a 3% and 1% increase compared to the same period of last year, including revenue from the agreements with 2 private operators; Bangkok Entertainment Company Limited and True Visions Cable Public Company Limited.

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

In Q3-2016 and the 9-month period of 2016, MCOT's revenue from BNO was Baht -72 million and Baht 102 million, a 185% and 49% drop compared to the same period of last year. Previously, MCOT was unable to collect payment for leasing fees from some clients even though the Company had clarified their inquiries on technical problems and sought remedial measures for the clients. In addition, MCOT, in collaboration with the National Broadcasting Telecommunication Commission (the NBTC), conducted a test nationwide on signal quality and it was found that the quality met the requirements set by the NBTC. During a negotiation on payment settlement with the clients, MCOT agreed to offer discounted rates. In Q3-2016, the discount offered to those BNO clients was acknowledged resulting in a drop to Baht -72 million in BNO revenue. In the next quarter, it is expected that the clients would gradually make payment for the leasing fees.

Currently, the BNO service was able to cover 90% of the households nationwide, in accordance with the timeframe set by the NBTC.

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### **Other revenues**

In Q3-2016, other revenues amounted to Baht 22 million, a 76% drop compared to the same period of last year. In the 9-month period of 2016, other revenues amounted Baht 121 million, decreased 48% from last year. In Q3-2016, special revenues were not acknowledged.

### **Total expenses**

Total expenses in Q3-2016 amounted to Baht 977 million, a 2% rise compared to the same period of last year. A 10% increase was found in the operating expenses which accounted for 71% of the total expense, as a result of Rio 2016 Olympics broadcasting. Likewise, sales and management expenses slightly increased, compared to the same period of last year.

### **Net Profit**

Due to the intensified competition among digital TV operators an imbalance between revenue and expenses, MCOT experienced a loss of Baht 257 million and Baht 477 million in Q3-2016 and the 9-month of 2016, which dropped 594% and 630%, compared to the same period of last year.

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

	Unit: Million Baht (Reviewed)		
	September 30, 2016	December 31, 2015	% Change
<b>Assets</b>	10,644	11,642	-9
<b>Liabilities</b>	3,785	4,260	-11
<b>Shareholder's Equity</b>	6,858	7,382	-7

As of September 30, 2016, the Company had total assets of Baht 10,644 million, total liabilities of Baht 3,785 million and shareholder's equity of 6,858 million. 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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