

# MCOT Public Company Limited



63/1 Rama IX Road, Huaykwang

Bangkok 10310 Thailand

Phone +66 (0) 2201 6000

Fax +66 (0) 2245 1435

E-mail Contact@mcot.net

[www.mcot.net](http://www.mcot.net)

Ref: MCOT/ 6138/4857

November 14, 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 9-month periods ended September 30, 2017

Dear Madam,

On November 14, 2017, the Board of Directors' Meeting No. 16/2017 has resolved to approve the financial statements for 3-month and 9-month periods ended September 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 9-month periods ended September 30, 2017**

In Q3-2017 and the 9-month period, MCOT experienced a deficit of Baht 79 million and Baht 389 million, which reduced 69% and 18% compared to the same period last year.

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

Unit: Million Baht (Reviewed)

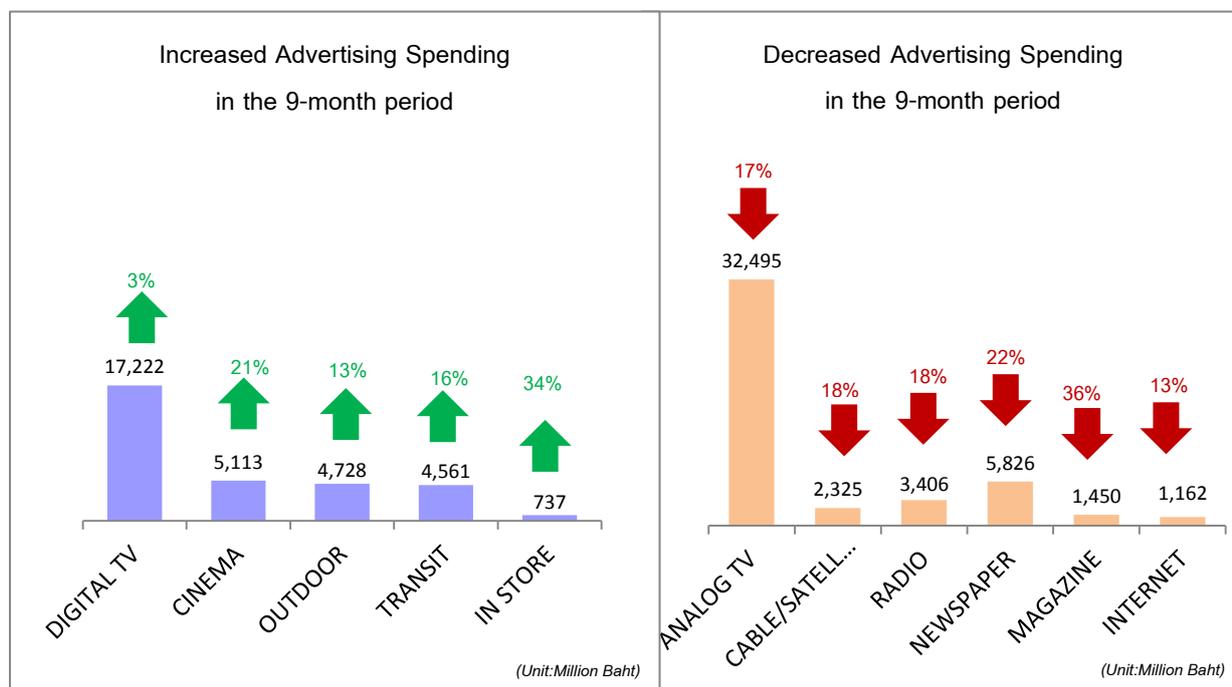
	<b>Jul - Sep 2017</b>	<b>Jul-Sep 2016</b>	<b>%YoY</b>	<b>Apr - Jun 2017</b>	<b>%QoQ</b>
<b>Total revenue</b>	<b>768</b>	<b>660</b>	<b>16</b>	<b>717</b>	<b>7</b>
Television	316	342	-8	247	28
Radio	207	220	-6	188	10
New media	17	30	-43	9	90
Broadcast Network Operation Service	103	-72	243	96	7
<b>Joint operations</b>	104	106	-2	148	-30
<b>Additional income from agreements</b>	12	12	-	12	-
Others	9	22	-58	17	-45
<b>Total expenses</b>	<b>875</b>	<b>977</b>	<b>-11</b>	<b>906</b>	<b>-3</b>
<b>Net profit (loss)</b>	<b>(79)</b>	<b>(257)</b>	<b>69</b>	<b>(164)</b>	<b>52</b>
EPS (loss)	(0.12)	(0.37)	68	(0.23)	50
<b>Parent Company Profit (loss)</b>	<b>(81)</b>	<b>(252)</b>	<b>68</b>	<b>(161)</b>	<b>50</b>
<b>Net Profit of Minority Interest (loss)</b>	<b>2</b>	<b>(5)</b>	<b>133</b>	<b>(2)</b>	<b>165</b>

Unit: Million Baht (Reviewed)

	Jan – Sep 2017	Jan – Sep 2017	%YoY
<b>Total revenue</b>	<b>2,128</b>	<b>2,210</b>	<b>-4</b>
Television	794	878	-10
Radio	570	626	-9
New media	38	129	-71
Broadcast Network Operation Service	291	102	185
Joint operations	359	319	13
Additional income from agreements	35	35	-
Others	41	121	-66
<b>Total expenses</b>	<b>2,608</b>	<b>2,796</b>	<b>-7</b>
<b>Net profit (loss)</b>	<b>(389)</b>	<b>(477)</b>	<b>18</b>
EPS (loss)	(0.56)	(0.67)	17
<b>Parent Company Profit (loss)</b>	<b>(387)</b>	<b>(463)</b>	<b>17</b>
<b>Net Profit of Minority Interest (loss)</b>	<b>(2)</b>	<b>(14)</b>	<b>85</b>

### Overall Industry

Advertising spending in the media industry continuously dropped due to a decline continued from the previous quarter and the third-quarter seasonality. According to Nielsen Thailand, advertising spending in the industry in the nine-month period of 2017 totaled Baht 79,025 million, an 8.7% decrease compared to the last year. Printed media including newspapers and magazines were the least in advertising spending. Advertising on main media such as TV and radio decreased as well. Likewise, spending on analog TV dropped 16.6%. Meanwhile, spending on digital TV increased 3.3%. Radio advertising decreased 17.8%, compared to the same period of last year. However, a significant rise in advertising on out-of-home media including cinema, public transportation, outdoor and in-store media was found.



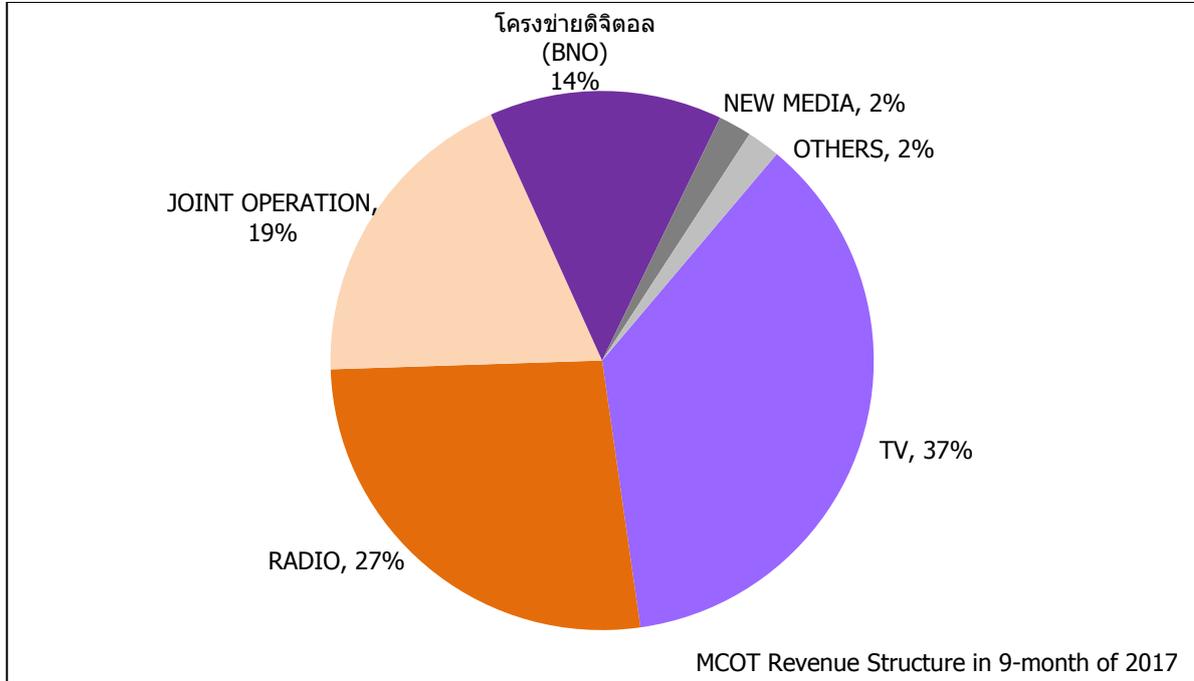
### Total revenue

The decrease in advertising spending on traditional media especially TV and radio considerably affected MCOT's performance. Revenue from TV and radio accounted for more than 64% of the total revenue. In the 9-month period of 2017, MCOT's total revenue was Baht 2,128 million, a 4% decrease compared to the same period of last year. Details of revenue structure are as follows:

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- TV (37%)
- Radio (27%)
- Joint Operations (19%)
- New Media (2%)
- Broadcast Network Operation Service (14%)
- Others (2%)



MCOT 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:

### **Television revenue**

In the 9-month period of 2017, TV revenue amounted to Baht 794 million, a 10% drop compared to the same period of last year. TV revenue in Q3-2017 was Baht 316 million, a 28% increase compared to the previous quarter. MCOT's TV revenue in the 9-month period comprised:

- Advertising (43%)
- Time-rental (10%)
- Special projects in collaboration with government and state enterprises (42%)
- Other operations (5%)

Despite a decrease in advertising time sold to agencies which was the major source of TV revenue, MCOT was able to generate additional revenue from public relations projects proposed to government agencies and state enterprises. Sales efficiency was improved and various strategies were implemented. More projects on public relations were offered to clients in the government sector. This effort was attributable to a 28% increase in TV revenue in the previous quarter.

In July 2017, 9 MCOT HD launched a programming reshuffle adding Asian series in different time blocks, for example; on weekdays at 13.30 – 15.00 hrs., on weekends at 14.00 – 16.00 hrs. and on weekends 22.00 – 23.30 hrs. Sports contents such as Carabao Cup were broadcast. On the other hand, the proportion of variety contents whose production cost was high was reduced. In September 2017, the rating of 9 MCOT HD moved up from

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the 13<sup>th</sup> place to the 10<sup>th</sup> place. The channel was aimed at achieving its 8 place in ratings in the near future.

MCOT was carrying out a brand rejuvenation of MCOT Family to seek more revenue for the channel. The newly rebranded "MCOT 14" will be on trial in the next quarter.

### **Radio revenue**

In the 9-month period of 2017, radio revenue amounted to Baht 570 million, a 9% drop, compared to the same period of last year. Despite the decrease, MCOT's radio outperformed the radio market that declined 17.8%. Radio revenue in Q3-2017 amounted to Baht 207 million, a 10% rise compared to the same period of last year, due to increased advertising spending on F.M.95 MHz and Active Radio F.M. 99 MHz as well acknowledgement of Mellow F.M. 97.5 revenue in July 2017. MCOT's radio revenue comprised:

- Central radio stations (69%)
- Regional radio stations (29%)
- Special projects in collaboration with government and state enterprises (2%)

F.M. 95 MHz was the highest revenue generating station, followed by F.M. 96.5 MHz and F.M. 100.5 and 107 MHz.

The radio network leveraged its business through broadcast of new contents on social media, for example; "Talk Together" broadcasted on facebook to reach the audience of all ages.

### **New Media**

Revenue from new media comprised satellite rental and online media businesses. In the 9-month period of 2017, new media revenue amounted to Baht 38 million, which dropped from the last year due to termination of contracts on Ku-Band satellite rental between MCOT and satellite TV operators in July 2017. In Q3-2017, new media revenue amounted Baht 17 million, a 90% increase, due to an ability to find new clients for C-Band satellite rental and increased revenue from broadcast of own contents on online platform.

### **Joint Operations**

MCOT's Joint operations revenue in the 9-month period of 2017 and Q3-2017 amounted to Baht 359 million and Baht 104 million, a 13% increase and a 2% decrease respectively, compared to the same period of last year due to a record of additional assets transferred from True Visions Plc.

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

In the 9-month period of 2017, MCOT's revenue from BNO amounted to Baht 291 million, a 185% increase compared to the same period of last year. In Q3-2017, BNO revenue was Baht 103 million, a 7% from Q2-2017, partly due to a subsidy for satellite transmission fee from the National Broadcasting and Telecommunication Commission (the NBTC) 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 9-month period of 2017, total expenses amounted to Baht 2,608 million, a 7% 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 70% or Baht 1,834 million. MCOT was able to effectively manage cost of program production and reduce cost of variety program production following programming reshuffle in July 2017. Therefore, production expenses decreased 7%, compared to the same period of last year. Due to the Company's ability in

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controlling expenses, a 27% decrease in sales expenses and a 5% decrease in sales expense were found, compared to the same period of last year.

### **Net (Loss) Profit**

Although total revenue in 2017 was lower than that in 2016, MCOT was able to better manage expenses, resulting in a deficit of Baht 389 million, which reduced 18% compared to the same period of last year. In Q3-2017, MCOT experienced a deficit of Baht 79 million, which reduced 69% compared to the same period of last year.

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

	Unit: Million Baht (Reviewed)	
	<b>September 30, 2017</b>	<b>December 30, 2016</b>
Assets	9,240	10,199
Liabilities	3,071	3,633
Shareholder's Equity	6,169	6,566

As of September 30, 2017 the Company had total assets of Baht 9,240 million, total liabilities of Baht 3,071 million and shareholder's equity of 6,169 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

Investor Relations  
Tel. 02 201 6388  
Fax 0 2245 1854

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