



Quarter 3, 2016

November 14, 2016

Management Discussion and Analysis

RS Public Company Limited

Overall Business

The overall business for television and radio media industry in the third quarter has improved slightly from the second quarter, which can be attributed to seasonal impact. Research results of AGB Nielsen Media Research (Thailand) shows that advertising expenditure for the television and radio media industry (ADEX) in the third quarter of 2016 dropped by 1,506 million baht, compared to the same period in 2015, as a result of the decrease in media spending on analog, satellite and cable televisions. Whereas the advertising expenditure for digital television rose by 427 million baht or 8.1 percent, and for radio increased by 20 million baht or 1.4 percent. The advertising expenditure for digital television for first nine-month of 2016, compared to the same period in 2015, rose by 889 million baht or 5.6 percent and for radio increased by 76 million baht or 1.9 percent.

Despite the decrease in advertising expenditure, when compared to the first nine-month of 2015, the number of nationwide television viewers in September 2016 for the television media business continue to increase by 4.7 percent, compared to the same period in 2015. The proportion of digital television viewers rose to 40.0 percent of overall viewers in September 2016, compared with 29.0 percent in September 2015.

Summary of Quarter 3/2016 Performance

The consolidated financial statements of the company for the three-month period ended September 30, 2016 (Quarter 3/2016) shows net loss of 61.0 million baht, a decrease by 78.6 million baht or 446.2 percent from a net profit of 17.6 million baht in the third quarter of 2015. This is mainly due to revenue shortfall from satellite television business, music distribution business, and event business. The marketing expenses for health and beauty products were relatively higher than that of the third quarter of 2015. According to the health and beauty business media spending plan, the expenses were

scheduled to decline resulted in a decrease of net loss in this quarter by 24 million baht or 28.3 percent comparing to the second quarter of 2016.

Unit: million baht	Quarter 3/2016		Quarter 3/2015		Quarter 2/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue	714.9	100	819.9	100	747.5	100	-12.8%	-4.4%
Gross margin	182.0	25.5	222.4	27.1	178.5	23.9	-18.2%	2.0%
Operating profit	(54.1)	-7.6	11.1	1.4	(95.1)	-12.7	-587.9%	43.2%
Net profit/(loss)	(61.0)	-8.5	17.6	2.1	(85.0)	-11.4	-446.2%	28.3%
Earnings per share	(0.0631)		0.0175		(0.0870)			

Revenue

Total revenue and service income for the three-month period ended September 30, 2016 amount of 714.9 million baht, decreased from the same quarter last year by 105.0 million baht, or 12.8 percent, and it decreased from the previous quarter by 32.6 million baht, or 4.4 percent. The sources of revenue can be broken down by business units, as follows:

Unit: million baht	Quarter 3/2016		Quarter 3/2015		Quarter 2/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from media business	532.5	74.5	545.1	66.5	529.0	70.8	-2.3%	0.7%
Revenue from music distribution business	57.3	8.0	85.7	10.5	68.6	9.2	-33.1%	-16.5%
Revenue from event business	75.5	10.6	102.6	12.5	96.6	12.9	-26.4%	-21.8%
Revenue from health and beauty business	49.5	6.9	72.5	8.8	53.1	7.1	-31.8%	-6.9%
Revenue from other services	0.1	0.0	14.1	1.7	0.1	0.0	-99.4%	-29.1%
Total revenue and services income	714.9	100	819.9	100	747.5	100	-12.8%	-4.4%

Revenue from Media Business

Revenue from the media business consists of revenue from television and radio. This quarter, total revenue from the media business amounted to 532.5 million baht, a decrease by 12.6 million baht, or 2.3 percent from the same quarter last year, but increased by 3.5 million baht or 0.7 percent from the second quarter this year as a result of the followings:

Television Media Business: consists of revenue from “Channel 8” which operates under digital television standard definition variety general license, and revenue from “Channel 2”, and “Sabaidee TV” which operates satellite television channels.

On July 6, 2016, “Channel 8” has introduced its new logo with its new concept of “Intense Story, Full Emotion”, accompanied by new television programs plans to expand its urban television viewership base. There was also a launch of a new prime time segment “The 8PISODE” at 10PM. featuring Korean series which can be seen live or on-demand at www.thaich8.com and via the CH8 application. “Channel 8” continues to strive for greater success in sports content with its key programs, namely, “8 Max Muay Thai”, “The Champion Muay Thai Dat Cheurk”, “HBO Boxing”, “Ultimate Fighting Championship (UFC)” and “Muay Thai Battle”, with an addition of another muay thai program, called “Muay Mun Super Max”, during Friday prime time following “Muay Thai Battle”. New drama series for the period include “Baap Ban-pa-garn”, “Buang Rak Sa-lak Kaen”, and “Mae Nak”. For news category “Kui Kao Chong 8” (morning news) has set a new ratings record for “Channel 8” which ranks number one in news program among new digital television operators and number three nationwide. With this progress in news category, it has expanded its program time of “Kui Kao Chong 8 Wan Yut” (weekend news) from 5AM. to 9.30AM., and added a variety-type news show, called “Sadut Kao Det”, presenting light-hearted news from local and overseas contents. In addition to that, “Channel 8” introduced a new comedy show called “Smile Ranger Kabuan-gan Ap Yim”. It also aired popular new Korean and Chinese series including “Doctors”, “Uncontrollably Fond”, “Let's Fight Ghost”, “Love In The Moonlight”, and “Zhen Ming Tian Zi - Son of Heaven”.

Radio Media Business: consists of revenue from the radio media business, or its “COOL Fahrenheit 93” radio channel. During this quarter, there were more events for its audience, including “Ink Eat All Around”, “One Life Vol.11: Luxury Safari in Southern Africa”, “COOL Music Alive P.O.P”, “COOL Music Alive Stamp 18+”, “COOL Outing @ Chieow Lan Dam” and “COOL Outing @ Krong Gan Bid Tong Lang Phra Seub Sarn Naew Phrarajdamri, Nan Province”. According to AGB Nielsen Media Research (Thailand), “COOL Fahrenheit 93” remains number one ranking for Easy Listening category and number two nationwide.

Revenue from Music Distribution Business

Revenue from the music distribution business consists of revenue from the digital segment and copyright collection. Since the first quarter of this year, the Company ceased its physical record production and distribution activities, responding to consumer behavior changes. The Company earned 57.3 million baht from the music distribution business, a decrease of 28.4 and 11.3 million baht, or 33.1 and 16.5 percent, from the same quarter last year and second quarter of 2016, respectively. The increase in revenue from music streaming services and YouTube has yet to compensate the decrease in revenue from other channels. Nonetheless, after a business restructuring and streamlining operating costs, its profitability has continued to improve.

Revenue from Event Business

Revenue from the event business consists of revenue from concerts and marketing events organization and artist management. In this quarter, revenue generated from event business totaling 75.5 million baht represented a decrease of 27.1 million baht, or 26.4 percent, from the same quarter last year. Compared to the revenue in the second quarter of 2016, this quarter shows a decline due to fewer contracts. However, the large-scale concert called “Love Laugh Cry with 9 Men” concert was successful and met its revenue target. The notable concerts include “Sabaidee Sunjorn Year 7” and “Channel 8 Pob Puen”.

Revenue from Health and Beauty Business

Revenue from the health and beauty business comprised revenue from the facial care, hair care, and the food supplements products. This quarter, the Company earned 49.5 million baht, a decrease of 23.0 million baht, or 31.8 percent, from the same period last year. This also marked a contraction of 3.6 million baht, or 6.9 percent, compared to the second quarter of 2016. This was due to the prolonged sluggish economy which affected purchasing decision of consumers, especially for newly launched products. However, the Company continued to exercise sales promotion activities in order to boost sales and to promote the product awareness in the market. Such activities included the Shock

Deal promotion and in store promotion with Watsons and EVEANDBOY. There was also an expansion of sales outlets to Tops Market, Gourmet Market and Home Fresh Mart.

Cost of Sales and Services

Cost of sales and services amounted to 532.9 million baht, a decrease of 64.6 and 36.1 million baht from that of the same quarter last year and the second quarter of 2016, or 10.8 and 6.3 percent, respectively. The total cost for “Channel 8” digital television operations increased, following the development in content and programming quality, investment in broadcasting equipment, and addition of new programs. Whilst, the cost for satellite television operations “Channel 2” and “Sabaidee TV” decreased, as a result of rigorous cost control to align with the diminishing revenue from satellite television during the slow economy. At any rate, when the economy recovers, the satellite television channel will again become important sources of revenue for the Company in the longer term, due to its flexibility in content management and clearly defined viewer base, coupled with lower operational costs compared to digital television. Another reason for lower cost was from event business, which showed a significant decrease in cost which was in line with its lowered revenue.

Selling and Administrative Expenses, Other Expenses and Finance Costs

Selling and administrative expenses and other expenses of 236.5 million baht increased by 24.8 million baht from the same quarter last year, or a 11.7 percent increase. This resulted from the increase in marketing expenses for the Company’s health and beauty products in an attempt to expand its distribution channels. However, the subject expenses this quarter decreased by 36.6 million baht, or 13.4 percent, when compared to the second quarter of 2016. This was attributed to the lowered marketing expenses for health and beauty products that were not as high as when they were initially launched into the market, which was considered necessary to build their widespread brand recognition.

Finance costs were 23.3 million baht, an increase of 3.3 and 5.2 million baht from the same quarter last year and the second quarter of 2016, or increased by 16.6 and 28.6 percent, respectively. This

was mainly due to higher interest expenses from long term loan associated with digital television business.

Plans and Future Outlook

Following the passing of His Majesty King Bhumibol Adulyadej on October 13, 2016, the television and radio media business of the Company ceased their regular programs and only presented news, and the feed from the public channel, from the request of Office of The National Broadcasting and Telecommunications Commission (NBTC), for 30 days. From November 13, 2016, regular programs will gradually be brought back. From November 21, 2016, full program will resume.

For the health and beauty business in the last quarter of the year and in 2017, the Company plans to introduce and increase the number of products (SKUs) to the market to better meet the needs of consumers. The Company also plans to expand its wholesale and retail sales channels. It will forge partnerships with leading department stores in order to host promotional activities and sell products during the end of the year.

(Darm Nana)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company