



INVESTORS' RELEASE – 31 October 2014
PT SURYA CITRA MEDIA Tbk.

SCM 9M 2014 RESULTS ANNOUNCEMENT

(All figures are un-audited and in Rupiah billion unless otherwise stated)

PT Surya Citra Media Tbk (“SCM”), its wholly owned television subsidiaries PT Surya Citra Televisi (“SCTV”) and PT Indosiar Visual Mandiri (“IVM”) and its 51% owned production subsidiary PT Screenplay Produksi (“Screenplay”) are pleased to announce their consolidated results for 9M 2014.

PT Indosiar Karya Media Tbk (“IKM”) was merged into SCM on 1 May 2013. Screenplay was acquired by SCM from PT Elang Mahkota Teknologi Tbk on 28 June 2013. In accordance with Indonesian accounting standards, the 2013* financial statements reflect the financial position and results of operations as if the transactions for the merger of IKM and the acquisition of Screenplay had occurred at the beginning of that presentation period.

Audience Share

SCTV’s All Time average audience share for the nine months ended 30 September 2014 increased by 0.3 points to 16.9% compared to the previous corresponding period. IVM’s average audience share increased by 4.0 points to 12.5%. The resulting combined average audience share for SCM was 29.4%, an increase of 4.3 points from 25.1% in the previous corresponding period. SCTV held the No. 1 All Time market position during 7 months in 9M 2014 and improved its average ranking from No. 2 to No. 1, and IVM has improved its average ranking from No. 6 to No. 3.

Figure 1: Average Audience Shares - All Demographics 5+

Channel/Year	9M 2013	9M 2014	% Change
SCTV	16.6	16.9	1.7
RCTI	18.2	14.8	-18.7
IVM	8.5	12.5	47.1
TRANS	11.4	11.6	1.9
MNCTV	11.6	9.3	-19.8
ANTV	6.5	11.0	68.1
TRANS7	11.7	8.4	-27.6
TVONE	4.6	4.8	4.6
GTV	7.2	6.2	-13.6
METRO	2.1	2.8	33.3

In the last six months of 2014, SCTV has experienced a substantial improvement in both audience share and market position, with most of the gains coming as a result of the drama series *Ganteng Ganteng Serigala*, which has been the top ranking show over the last six months, and the continuing good performance of *Diam Diam Suka* and *Emak Ijah Pengen Ke Mekah*. SCTV spent the last six consecutive months as the No. 1 ranking television station



in Indonesia for the All Time All 5+ Demographics, and also the last 5 consecutive months as No. 1 in Prime Time. IVM ranks a solid 3rd in both categories YTD on average.

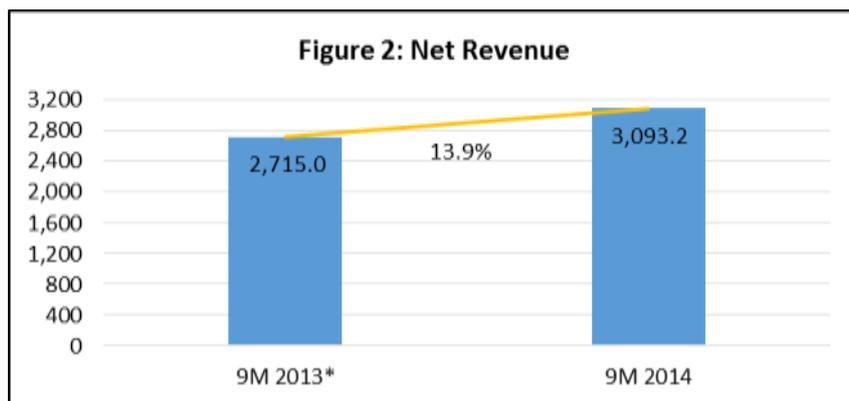
Revenue Growth

SCTV achieved net revenues of Rp. 2,013.4 billion for 9M 2014, growing by 5.5%, and IVM achieved revenues of Rp. 1,089.7 billion, up by 34.7% from 9M 2013. As SCTV contributed 64.5% of SCM’s television revenues the total net revenue grew 13.9%.

Whilst revenue growth generally trails audience share growth by approximately three months and the positive revenue impact of the improved Prime Time audience share by SCTV should therefore have been more noticeable in Q3 2014, this has been somewhat delayed as we focus on improving our revenue mix going into 2015.

Revenue growth at both SCTV and IVM is significantly lower than what might have been achieved had management opted to maximize revenue instead of taking the strategic decision to significantly reduce the number of adverts sold on a CPRP basis. With improved audience share across both channels for the entire 9M 2014, SCM sought to reduce the contribution of lower value CPRP advert sales and replace them with higher value spot advert sales. The strategy has enabled a higher net rate card in certain slots, although we experienced a drop in advertising volumes which we expect to re-coup during 2015.

Revenue growth has also been more challenging than expected in the third quarter because of the political and macro headwinds weighing on the FMCG sector continuing after the election. With President Jokowi’s government now in office, and the Cabinet appointed, we expect that underlying sentiment holding back advertising spend will turn more positive going into 2015.



Profit Growth

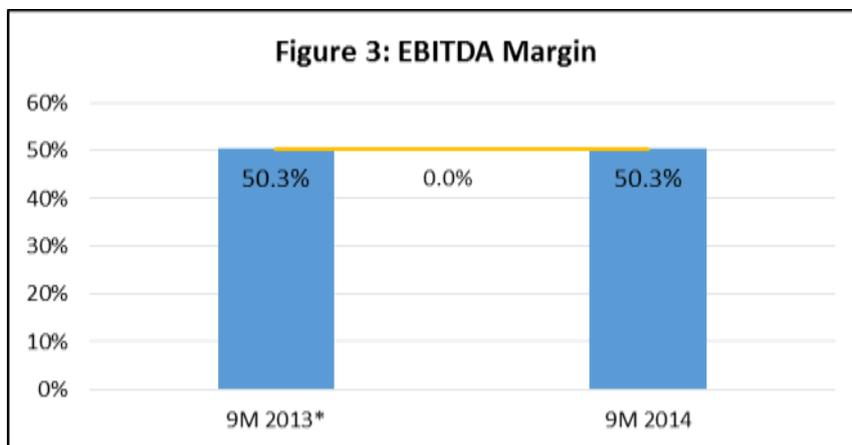
SCM’s gross profit in 9M 2014 increased to Rp. 1,980.0 billion, up 9.4% from 9M 2013. The increase in gross profit was lower than revenue growth due to the increased programming spending for SCM relative to the previous corresponding period. SCTV experienced higher program costs whilst IVM experienced a decline in program costs.



The increase in SCTV program costs relates to a combination of factors including: a) additional incentive payments for the strong performance of sinetron aired on SCTV; b) accounting policy change; and c) more hours of soccer content with an accompanying depreciation of the Rupiah against the USD (refer Costs and Expenses below).

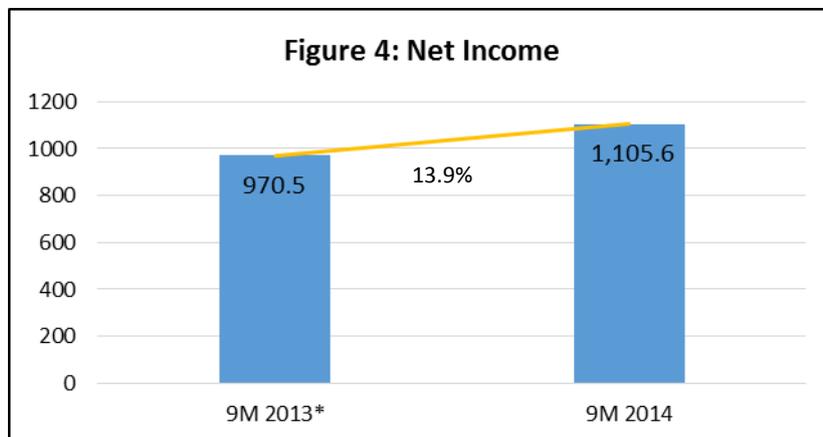
The effects of IVM's programming shift to in-house content enabled a reduction in cost of program at IVM.

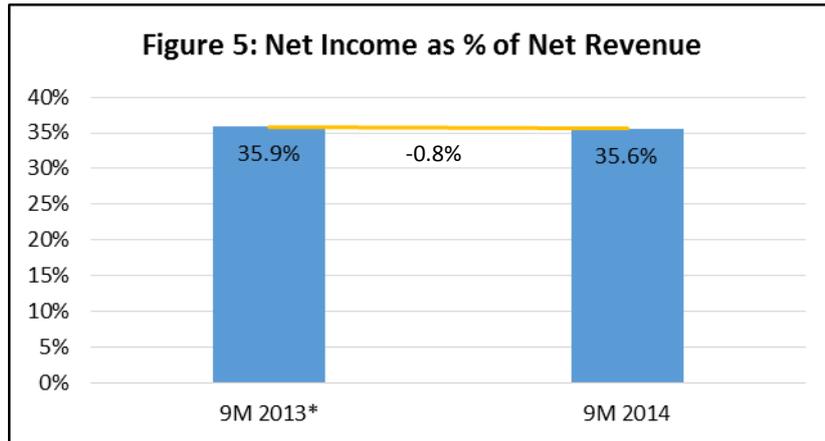
The gross margin achieved by SCTV was 59.9% and for IVM was 65.2% - an increase for IVM of 13.2 points since the end of 1Q 2014. EBITDA for 9M 2014 increased by 13.7% to Rp. 1,554.3 billion from Rp. 1,366.8 billion in 9M 2013. As shown in Figure 3, the achieved EBITDA margin was 50.3%, flat on 9M 2013.



Depreciation increased 2.4% to Rp. 81.5 billion with investment only Rp. 23.1 billion higher than depreciation year to date.

Net income attributable to the parent company grew by 13.9% year-on-year, as shown in Figure 4.



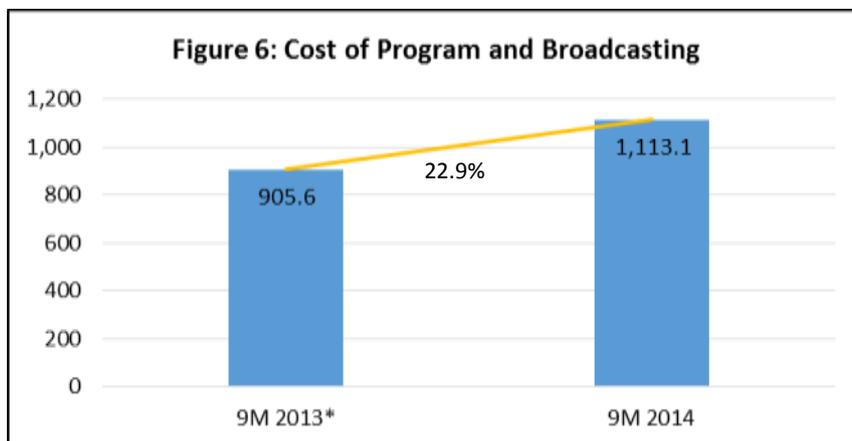


Costs and Expenses

As shown in Figure 6 below, Cost of Program and Broadcasting increased 22.9% year-on-year. SCTV had higher program costs mainly due to the introduction of more soccer programming to improve audience share including the Indonesian U-19 national soccer team, and the Barclays Premier League (with seven months of program in 2014 year to date versus two months in 2013). The international soccer content is USD cost and therefore was also adversely impacted by a weaker Rupiah which depreciated by over 25% between January 2013 and September 2014. Soccer costs increased by approximately two times over the nine months ended September 2014.

The policy change to increase the amortization of sinetron programs commencing in 2014 also increased programming costs relative to 2013, with sinetron representing most of SCTV's Prime Time programming. In addition, SCTV paid incentives for the strong performance of the drama series which increased the costs of that program by 11% for the period.

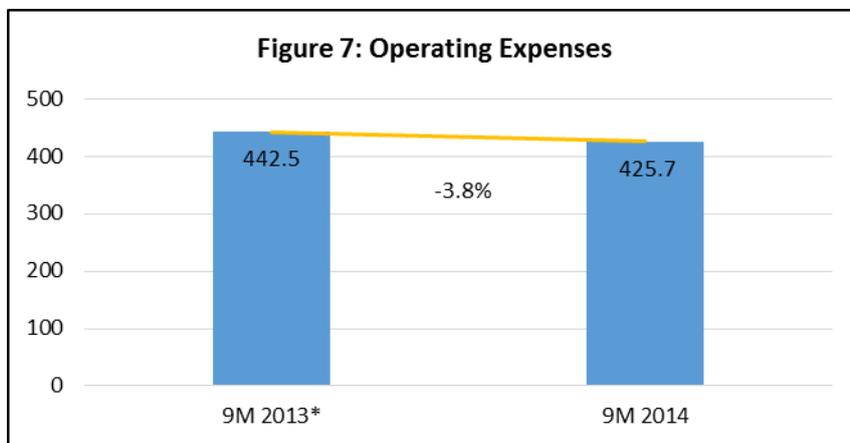
Finally, the change in accounting policy relating to production personnel costs in SCTV had the effect of increasing cost of program and decreasing operating expenditure. The change was made to align the accounting treatment of SCTV and Indosiar (refer Accounting Policy under Other Matters below).





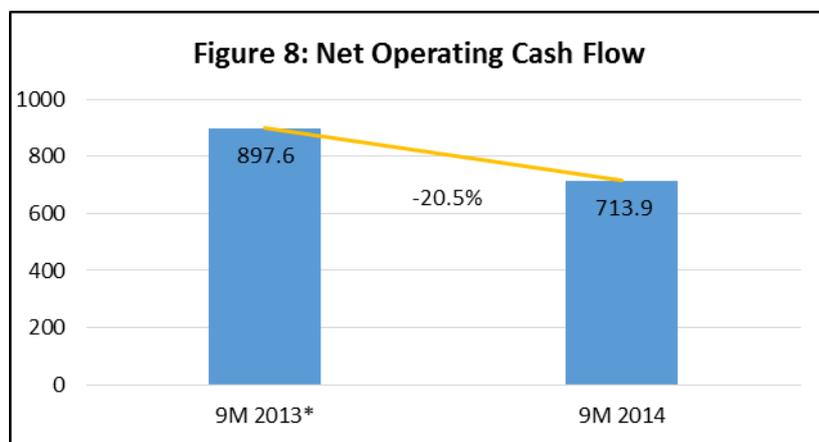
In Q2 and Q3 2014 IVM has been able to reduce its Cost of Program and Broadcasting as a result of changes to its program strategies, replacing more expensive drama sinetron in Prime Time with in-house produced talent, variety and entertainment shows with a lower cost base. With the current program strategy for IVM the lower Prime Time program costs are expected to continue in the fourth quarter. IVM has substantially improved its ability to produce high quality programs using international formats such as The Voice, and has more recently produced the No. 1 rating Prime Time television program, a talent show called *D Academy*, a spin-off variety show called *D'T3Rong* and *New Family 100*.

Operating expenses decreased by 3.8% year-on-year as shown below in Figure 7. Operating expenses as a percentage of net revenues decreased by 2.5 points to 13.8% primarily as the result of an accounting policy change to reallocate production employee expenses to the cost of programming. Employee salaries and benefits costs constitute over 60% of the operating expenses.



Cash Flow

Net Operating Cash Flow decreased by 20.5% year-on-year to Rp. 713.9 billion. The decrease primarily resulted from an increase in receivables from slower collections and increased payments to suppliers consistent with the increase in programming costs.





Investment cash outflows decreased by 23.1% to Rp. 104.6 billion, mostly due to a Rp. 50 billion payment in 2013 as part of the acquisition of a 51% majority stake in Screenplay.

Financing cash outflows of Rp. 766.0 billion primarily relate to dividends paid in Q3 2014.

The free cash flow for 9M 2014 was Rp. 609.3 billion resulting in a closing cash balance of Rp. 905.6 billion.

Dividends

SCM paid a final dividend for the 2013 financial year of Rp. 51 per share in September 2014. The total dividend paid for 2013 was Rp. 66 per share.

Other Matters

Update on Tax Case

In regard to the legal proceedings against the Director General of Tax (DGT) relating to the tax treatment of the merger of SCM and PT Indosiar Visual Mandiri Tbk (refer SCM's announcement of January 15, 2014), the Panel of Judges of the Administrative Court in the Hearing Session on July 3, 2014 decided in favor of SCM. Furthermore, the Panel of Judges of the Tax Court, in its Decision No. 54110/PPMXIV/9/2014, which was read in the Hearing Session on July 16, 2014, also decided in favor of SCM, thereby annulling the DGT Ruling and ordering the DGT to issue its approval on SCM's application to use the net book value on the assets transferred in relation to the merger ("Court Awards").

On September 18, 2014, DGT filed an appeal to the Administrative Court and SCM received the appeal notice on September 22, 2014. SCM submitted its response to the appeal to the Administrative High Court in Jakarta on October 17, 2014.

To date SCM has not been issued any notice of appeal from the decision of the Panel of Judges in the Tax Court.

Accounting Policy

SCM adjusted its program amortization policy for drama series in 2014, to a more conservative basis. Previously SCTV amortized 70% of its drama series on the first run. This increased to 90% from Q2 2014. Amortization of drama series broadcast on IVM will reduce from 100% amortization to 90%. The net impact increased the cost of drama in SCMs program schedule (on a constant cost basis). The FTV amortization schedule was also changed, reducing the first run from 70% to 50%, and extending the amortization period over three runs (*Correction: The 1H 2014 Investors' Release incorrectly stated that the new amortization period was over 3 years instead of 3 runs*). This change reflects the television networks' ability to rebroadcast FTV over time. The changes will primarily impact SCTV due



to the amount of drama series and FTV broadcast. Inventory balances will be impacted by the net effect of these changes to amortization.

Also, for further accounting alignment between SCTV and IVM, SCM has reallocated the costs of production personnel into the cost of program for SCTV. This has moved some of the employee costs from operating expenses to cost of program over the course of the year. The end result is that there has been a cost of programming increase in 2014 but a corresponding reduction in operating expenses.

Digital Television Broadcasting

On June 12, 2014, the Indonesian Association of Local Television (ATVJ) commenced proceedings against the Ministry of Communication and Information in relation to the issuance of multiplex licenses to operate digital terrestrial broadcast. The proceedings are before the State Administrative Court (PTUN) Jakarta.

On September 18, 2014, SCTV, ISI, IBT, SCPM, SCMK and IMT (SCM subsidiaries), as winners of multiplex licenses in various regions, were admitted by the Court to represent their interests in the legal proceedings. The outcome of the legal proceedings could impact the legal status of the multiplex licenses that are already issued. As of today the legal proceedings are still in process.



Figure 9:
PT Surya Citra Media tbk
Profit and Loss Statement
YTD 30 Sep 2014
(in Rp. million)

	9M 2013*	9M 2014	% change
Net revenue	2,714,951	3,093,160	13.9%
Program and Broadcasting	905,564	1,113,138	22.9%
Gross Profit	1,809,387	1,980,022	9.4%
<i>as% of Net Revenue</i>	66.6%	64.0%	
Operating Expenses	442,548	425,687	-3.8%
<i>as% of Net Revenue</i>	16.3%	13.8%	
EBITDA	1,366,839	1,554,335	13.7%
<i>as % of Net Revenue</i>	50.3%	50.3%	
Depreciation & Amortization	79,603	81,509	2.4%
EBIT	1,287,236	1,472,827	14.4%
<i>as % of Net Revenue</i>	47.4%	47.6%	
Interest Income/(Expenses)	3,247	1,398	-57.0%
Other Income/(Expenses)	49,112	(1,051)	-102.1%
EBT	1,339,595	1,473,173	10.0%
<i>as % of Net Revenue</i>	49.3%	47.6%	
Tax	335,136	370,929	10.7%
Net Incomes before effect of proforma adj	1,004,459	1,102,245	9.7%
<i>as % of Net Revenue</i>	37.0%	35.6%	
Proforma Adjustment	(30,059)	-	-100.0%
Net Income	974,400	1,102,245	13.1%
<i>as % of Net Revenue</i>	35.9%	35.6%	
Net Income attributable to :			
Parent Entity	970,549	1,105,566	13.9%
Non Controlling Interest	3,851	(3,321)	-186.2%
EPS (Rp. Per share)	66.38	75.61	13.9%
<i>* restated</i>			



Figure 10:
PT Surya Citra Media Tbk
Balance Sheet
as of 31 December 2013 and 30 September 2014
(in Rp. million)

	31 Dec 2013*	9M 2014
ASSETS		
Current Assets		
Cash & cash equivalents	1,043,283	905,570
Trade Receivables	995,301	1,370,914
Other Receivables	19,383	23,134
Inventories	374,639	446,691
Prepaid Expenses & advances	137,327	185,765
Other current assets	234	2,662
Total Current Assets	2,570,167	2,934,735
Non-Current Assets		
Due from related party	-	-
Advances for purchase of fixed assets	30,629	44,434
Deferred taxes	59,543	60,147
Fixed Assets - Net	724,970	725,746
Intangible assets	445,237	445,237
Prepaid long-term rent	142,969	140,811
Other non-current assets	36,650	67,700
Total Non-current Assets	1,439,999	1,484,075
TOTAL ASSETS	4,010,166	4,418,811
LIABILITIES & EQUITY		
LIABILITIES		
Current Liabilities		
Trade payables	197,641	227,306
Other payables	107,413	102,316
Accrued expenses	235,469	251,798
Taxes payable	91,904	129,440
Dividend payable	-	-
Current maturities of Long term liabilities	51,484	114,253
Other current liabilities	21,788	10,569
Financing payables		
Total Current Liabilities	705,699	835,681
Non-Current Liabilities		
Financing Payable	668	2,843
Due to Related Party	448,324	373,377
Liabilities for employees benefits	66,018	75,551
Total Non-Current Liabilities	515,010	451,771
TOTAL LIABILITIES	1,220,709	1,287,452
EQUITY		
Share capital-issued & fully paid	731,080	731,080
Additional paid-in capital	281,906	281,906
Retained earnings	1,724,867	2,084,744
Treasury stock	(41)	(41)
Proforma Equity	-	-
Non-controlling interest	51,645	33,670
TOTAL EQUITY	2,789,457	3,131,358
TOTAL LIABILITIES & EQUITY	4,010,166	4,418,811
<i>* restated</i>		



Figure 11:
PT Surya Citra Media Tbk
Cash Flow Statement
YTD 30 Sep 2014
(in Rp. million)

	9M 2013*	9M 2014	% change
Net Cash provided by Operating Activities	897,643	713,914	-20.5%
Net Cash Used in Investing Activities	(135,971)	(104,617)	-23.1%
Free cash Flow	761,672	609,297	-20.0%
Cash Flows from Financing Activities	(708,744)	(766,016)	8.1%
Net Increase in cash & cash Equivalent	52,928	(156,719)	-396.1%
Cash & Cash Equivalent Beginning of Year	1,065,760	1,043,283	-2.1%
Effect of exchange rate different on forex	-	19,006	0.0%
Cash & Cash Equivalent at End of Period	1,118,688	905,570	-19.1%

* restated

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