



Dear valued shareholders

On behalf of the Board of Directors, it is my great pleasure to present the Annual Report and Financial Statements of the Media Prima Berhad ("Media Prima/Group") for the financial year ended 31 December 2004.

CHAIRMAN'S

**YBHG DATO' ABDUL MUTALIB BIN
DATUK SERI MOHAMED RAZAK**

CHAIRMAN

I am extremely pleased with the progress that our Group has made since our Group's successful listing on the Main Board of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) on 22 October 2003. We have successfully established Media Prima as one of Malaysia's leading integrated media investment group with cross media interests in broadcasting via our equity interests in Sistem Televisyen Malaysia Berhad ("TV3"), and Metropolitan TV Sdn Bhd ("8TV"), newspaper publication via our associate stake in the New Strait Times Press (Malaysia) Berhad ("NSTP"), content creation, event management and outdoor advertising.

STATEMENT

During the year under review, Media Prima successfully executed the careful strategies formulated by the Board of Directors aimed at enhancing shareholders' value. 8TV, our second free-to-air television network was successfully launched on 8 January 2004 focusing primarily at the vernacular and young urban audience market, to enable the Group to compete more effectively in the highly competitive television industry.

Similarly, NSTP made a bold move to launch the New Straits Times compact edition initially in Klang Valley on 1 September 2004 and then nationwide the following month. We are pleased that the new and user-friendly newspaper format has gained wider acceptance which we hope will boost further the circulation of this newspaper.

The Group has continued with our strategy of building long term high value media brands, each strong, profitable and dominant within their own milieu, yet collectively capable of working together to deliver value added services to our clients and advertisers and distinctive content to our consumers.

In this context, TV3 remains the pillar of Media Prima's strength, reaffirming its position as the nation's leading free-to-air-television network. Supported by aggressive advertising and promotion campaigns, the Group has leveraged on TV3's branding and programming strategies built around the "best of breed" programming strategy to reach its key viewer segments more effectively.

Together with the strong start made by 8TV, collectively Media Prima's two television networks now have more than 53 per cent of the total television audience share, reaching over 3.25 million households and 15 million viewers daily.

NSTP's Malay publications continued with their strong performance shown in recent years and enjoyed significant increase in advertisement revenue and higher circulation, with total readership of nearly 2.7 million* daily. Its Malay tabloid, Harian Metro, and its Sunday version, Metro Ahad, continued to enjoy superlative growth with circulation and advertising revenue maintaining strong growth of 24% and 73% respectively in 2004.

By combining the operations of all our media assets, Media Prima is now better placed to realise increased operating efficiencies and synergies of content, revenue and resources within the Group. Further, it would enable Media Prima to provide a wider choice of media platforms and value added services to our clients and advertisers, and help them reach their target audience more effectively.

Going forward we will remain focus in expanding our media investment activities both at home and regionally. We will continue to explore new media platforms that we can invest in to complement our existing activities. In this regard, we are pleased to have recently announced our

* Source: AC Nielsen Media Index

entry into the radio industry via our acquisition of Perintis Layar Sdn Bhd, which owns a 75% equity stake in MAX Airplay Sdn Bhd, the company that has been appointed by Malaysia Airports (Sepang) Sdn Bhd ("MASSB") to operate and manage their radio station, Fly.FM.

Review of Operations

For the 12-month period ended 31 December 2004, the Group achieved a commendable performance with a consolidated pre-tax profit of RM49.4 million on the back of strong growth in group revenue of RM328.4 million. For the 16 month period ending 31 December 2003, Media Prima registered a pre-tax profit of RM178.3 million for the 16-month period ended 31 December 2003, which was mainly contributed by exceptional gains of RM145.4 million pursuant to the completion of TV3 Group's Debt Restructuring Scheme in August 2003.

This performance is attributed to the continued strong operational results of TV3, arising from strong growth in advertising revenue on the back of consistently high television audience viewership. Our investment in TV3 brand and best of breed content continued to bear dividends as TV3 managed to reinforce its leadership position among the free-to-air television networks, capturing 44 per cent share of the television audience in 2004. Accordingly, we are proud that TV3 has been able to secure 43 per cent of the television advertising expenditure (ADEX) against the backdrop of a highly competitive market environment where two new players entered into the market in 2004.

8TV has made great strides in its first year of operations and has quickly established its position as the hottest and most differentiated media brand in Malaysia. Our strategy to position 8TV to complement TV3 by super serving viewers under-served by TV3 was immediately successful where 8TV garnered more than 4% and 10% share in television audience and television ADEX respectively. Further, 8TV already established a very

strong platform in its two target markets (vernacular and urban youth segments) which we believe will provide a compelling proposition to advertisers targeting to reach these highly valued segment of consumers.

Accordingly, despite incurring the normal expected loss in the first year of operations, we expect 8TV to break even in the financial year ending 31 December 2005 and will be the future engine of growth for Media Prima in the medium term.

On the other hand, the year under review was a challenging period to NSTP, given the steep increase in newsprint prices, coupled with rising newsprint consumption arising from higher circulation achieved. NSTP however expeditiously took aggressive actions to address this challenging environment by investing in content and brand, reducing other overheads including undertaking a voluntary separation scheme and increasing cover price and advertising rates.

We are hopeful that these measures will be successful and NSTP's financial performance for the coming year will significantly improve.

Moving forward, Media Prima will build on its current success and strive for continued improvements in all aspects of its operations. We will also leverage on our strengths - internal synergies of content and resources - across all media platforms to better serve our clients.

Corporate Governance

Media Prima remains committed to ensuring that high standards of corporate governance are observed throughout the Group. In accordance with the Malaysian Code on Corporate Governance, the Board actively reviews and enhances the Group's systems of internal control and governance on a continuous basis to ensure that its business is managed ethically and conforms to accepted standards of best practice.

In this context, the Board adheres to three core values - transparency, accountability and integrity as the necessary platform to achieve strong corporate performance.

Media Prima operates in a constantly changing competitive environment where human creativity is paramount. In such environment, transparency, accountability and integrity at all levels of our organisation are critical to ensure that our Group is able to meet the expectations of all our stakeholders.

We will continue to improve on transparency and corporate governance processes and where possible surpass the expectations set in this area for the benefit of our shareholders.

Corporate Social Responsibility

Beyond enhancing our shareholders value, we are acutely aware that as one of Malaysia's most influential media group, Media Prima bears a huge responsibility in promoting and inculcating positive values towards our country's nation building process.

We will strive to fulfil that responsibility by upholding the highest integrity in our reporting, remaining true to our Malaysian culture and heritage within our programming whilst continuing to positively impact the lives of all Malaysians with our distinctive content.

We hope to educate as well as entertain and yet be fair in our reporting, by being innovative and exciting in producing our programmes.

In this context, I am pleased to report that we have continued this excellent corporate social responsibility tradition by continuing to promote important and just social causes. This is no better reflected than by the Group's effort during the recent Tsunami crisis where TV3, 8TV, NST and BH donation fund drive successfully collected approximately RM44.5 million for the victims.

Further NSTP, together with PricewaterhouseCoopers have successfully launched the NSTP-PwC Malaysian Humanitarian Award aimed at recognizing Malaysians who have performed acts of outstanding public service and gone beyond their normal call of duty to perform deeds of a humanitarian nature. TV3 Bersamamu Fund continued to receive strong support from the public with more than RM170,000.00 collected throughout all the Karnival Sure Heboh events during the year and will now be further expanded into a new reality programme, called *Bersamamu*.

In addition, TV3 continued to promote our strong heritage and cultural values through establishing events such as the Nyonya Kebaya and Songket projects.

Appreciation and Acknowledgement

As we end this financial year, on behalf of the Board, I would like to take this opportunity to thank my predecessor, YAM Dato' Seri Syed Anwar Jamalullail, who resigned from the Board on 12 March 2005. The Group has benefited greatly from his guidance and wise counsel throughout our recent transformative years, and the Board wishes him all the best in his future undertakings.

I would also like to express my gratitude and appreciation to the management team and all employees of the Group for their unfaltering commitment, dedication and contribution. I would like to also thank all our shareholders, our valued customers and business associates for the unending support and the trust you have placed in us.

DATO' ABDUL MUTALIB BIN DATUK SERI MOHAMED RAZAK