

## CHAIRMAN'S STATEMENT

### DEAR SHAREHOLDERS, PARTNERS, VALUED CLIENTS, FRIENDS AND COLLEAGUES,

The year under review was a year of change, challenge and achievement for Media Prima. The Group reported record revenue and profits and generated a record amount of cash flow from operations. We have transformed our business through our aggressive expansion strategy adopted by the Board of Directors three years ago and are now starting to enjoy the fruits of our labour. I couldn't be prouder of our accomplishments and achievements as we continue to affirm our position as one of Malaysia's leading integrated media investment group.

You will find that we have incorporated additional features in our Annual Report this year in promoting greater transparency as part of our continued effort to practice better corporate governance in our reporting methods. On behalf of the Board of Directors, I am pleased to present Media Prima's Annual Report and Audited Financial Statements of Media Prima Berhad for the financial year ended 31 December 2006.

Media Prima today has amongst the best mix of media assets in the business. Our investment now covers four television networks, TV3, 8TV, ntv7 and TV9, 2 new radio stations, Hot FM and Fly FM, the country's largest content creation house in Grand Brilliance and under our associate company, The New Straits Times Press (Malaysia) Berhad (NSTP), four thriving newspapers in the New Straits Times, Berita Harian, Harian Metro and the Malay Mail.

We also look forward to enjoying future contributions from outdoor advertising pursuant to our recent acquisitions of Big Tree Outdoor Sdn. Bhd. (BTO), the largest out of home advertising company in Malaysia, UPD Sdn Bhd (UPD) and The Right Channel Sdn Bhd (TRC).

We believe our strategy of building high value media brands, each strong, profitable and dominant within their own milieu, yet collectively capable of working together to deliver distinctive high quality content to our consumers and value add services to our clients have put us in a strong competitive position to deliver long term shareholder value.

### INCREASING GROWTH AND DELIVERING SHAREHOLDER VALUE

Across the board in financial year 2006, our established businesses performed admirably in the face of many challenges and our developing businesses made great strides towards sustained growth and profitability.

Despite the soft market conditions and intense competition within the industry where Malaysian advertising expenditure experienced a reported growth of 4 per cent, we are pleased with the strong revenue and earnings growth recorded by the Group.

For 2006, the Group achieved a record revenue and net profit of RM534.7 million and RM83.0 million, representing an increase of 34 per cent and 51 per cent from the RM399.7 million and RM54.8 million posted in 2005 respectively.

This commendable performance is attributable to continuing strong underlying performance by our television networks, led by TV3, which remains the leading television station in Malaysia and supported by 8TV, which is now very much profitable. Our strategy to consolidate the market through the acquisitions of ntv7 and TV9 has also borne positive results with ntv7 turning around and achieving profitability whilst TV9 has firmly established itself amongst its core viewers and we expect to achieve break even within our target 24-month period.



We are also pleased with the progress made by our two new radio networks which now combined has more than 3.5 million listeners, putting them amongst the top radio networks in the country.

Our associate company, NSTP continued to register improvements in its financial performance with net profit of RM24.6 million as compared to RM12.4 million recorded in 2005.

Given this strong performance, we are pleased to propose to you a higher gross dividend payout of 3.5 sen per share. This represents an estimated payout ratio of 25.7 per cent in line with the dividend policy announced by your Board last year.

Further as announced recently, we intend to distribute wholly the net proceeds arising from the divestment of our former Akademi TV3's property in Wangsa Maju estimated at approximately RM56 million as special dividends to shareholders.

We believe these dividend distribution indicates your Board's commitment to constantly looking at ways to provide additional value to all its shareholders.

We are pleased to note that the market has recognized the value created. In 2006, Media Prima shares has increased by more than 47 per cent from RM1.70 as at the beginning of the year to its closing price of RM2.50 as at 29 December 2006.

I am also happy to report here that Media Prima was selected as a component stock of the broad base Kuala Lumpur Composite Index (KLCI) with effect from 22 December 2006.

### **CORPORATE GOVERNANCE**

The Board recognizes and remains committed to ensuring that high standards of corporate governance are observed by the Group. Much work was done during the year to review and enhance the Group's systems of internal control and governance to ensure that our business is managed ethically and conforms to accepted standards of best practice.

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 promoting our country's nation building process.

We have over the years built a strong track record of promoting CSR based causes and events. I am pleased to report that this activity has expanded during the year, the details of which we set out in a dedicated section of this Annual Report.

More importantly we are proud that Media Prima was given the honour of leading the private sector initiatives to celebrate Malaysia's 50th Merdeka Celebration. This initiative which has been endorsed by the Prime Minister and themed "Embracing Malaysia, Embracing the World" is in line with our government's call for Malaysians to use the celebration to cherish our heritage and tradition, while at the same time take advantage of the opportunities offered by globalization.

### **OUTLOOK IN 2007**

Looking ahead prospects for the Group remain bright. The expected strong economic growth boosted by the government's Ninth Malaysian Plan activities will provide a conducive domestic environment for all our media assets to perform.

We expect our recent acquisition of BTO, UPD and TRC to be immediately earnings accretive. BTO will spearhead our drive into the out-of-home advertising market and provide another avenue for future revenue and earnings growth.

Further, we look forward to exploring the potential of what new technology can offer in terms of creating new revenue streams for the Group. We believe the recent development in new media is immensely exciting and if exploited well, can provide the catalyst for our next phase of growth.

### **ACKNOWLEDGEMENTS AND APPRECIATION**

I'm pleased to announce three new additions to the Media Prima Board of Directors; Dato' Seri Mohamed Jawhar, Dato' Ahmad Farid Ridzuan and Datuk Hj Kamarulzaman Hj Zainal. I wish to congratulate them on their appointments and look forward to their leadership within their various expertise, working together collectively to take the Media Prima group further and higher.

On behalf of my fellow directors, I wish to extend our sincere appreciation to the Government and especially our regulators, the Ministry of Energy, Water and Communications and the Malaysian Communications and Multimedia Commission.

I would also like to thank all our stakeholders, namely our shareholders, customers, business partners, and the investment community for their continued support and confidence in us.

My appreciation also goes to the management team and all employees for their undivided dedication and support, and hard work. And last but not least, I would like to extend my sincere gratitude to my fellow Board members for their guidance and wisdom.

**DATO' ABDUL MUTALIB BIN DATUK SERI MOHAMED RAZAK**  
Chairman, Media Prima Berhad