

review of operations

After the outstanding performance in 2007, 2008 was a much more challenging year. While the Group posted excellent results in the first half of the year, the soft advertising market affected the Group's performance during the second half of the financial year under review. The global credit crunch that affected much of the world's economy in 2008 started to make its presence felt in Malaysia towards the latter half of the year, with advertising expenditure growth, the main revenue driver for the Group, dropping sharply in tandem with the global and domestic economic slowdown during the period.

Despite this challenging environment, the Group managed to register growth with profit before tax increased by 7% to RM159 million from RM149.1 million recorded in 2007, while net revenue increased by 13.0% to reach RM781.3 million from RM691.3 million. Net profit after tax excluding results of investment acquired exclusively for sale was RM117.7 million which is line with the RM117.4 million recorded in 2007.

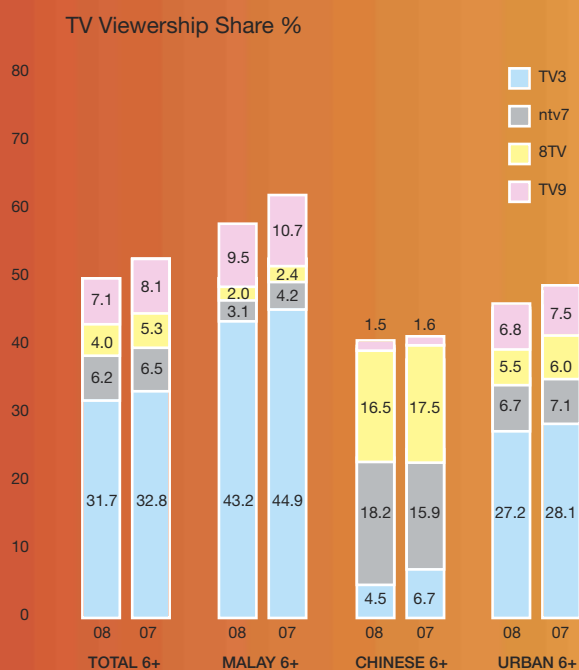
“It was a year of two halves where we recorded strong growth in advertising and earnings in the first half of the year but later were affected by the slowdown in advertising spending. But our strategy to diversify into other media assets such as radio and outdoor advertising has successfully enabled us to maintain a strong, stable and profitable revenue base.”



Our media assets continue to dominate the Malaysian media landscape with our radio networks and outdoor business in particular, contributing higher revenues. TV continued to be the main revenue generator, while our print operations showed significant improvements in its operational results. The New Media division however remains a work in progress with more work needing to be done to monetise our portals whilst we have taken our first steps towards expanding regionally via our initial investment in Philippines.

Television Networks

Media Prima's TV Networks maintained its industry leadership position with the four television networks, TV3, ntv7, 8TV and TV9, collectively achieving a combined audience share of 50% in 2008. Further, our television networks collectively garnered approximately 90% of the total FTA TV advertising spending in Malaysia.



Source: AGB Nielsen Media Research

Our TV Networks remained the main revenue and earnings generator for the Group and despite the economic downturn showed resilience with revenue growing by more than 7% arising from higher advertising spend attributable to strong domestic consumption and events such as the *Euro 2008* and the *Beijing Olympics* in the first half of 2008.

TV3 maintained its clear leadership position as the No.1 free-to-air (FTA) TV station in Malaysia, in both audience share and advertising revenue. As TV3 enters its silver jubilee year celebrating 25 years of operations, we are proud that the continued investment in the brand and in improving content has resulted in another successful year where the station delivered all of Malaysia's top 20 TV programmes.

Abdul Rahman Bin Ahmad
Group Managing Director /
Chief Executive Officer,
Media Prima Berhad

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Top 20 Programmes 2008 - Total 4+ Across All Channels (Total Individuals Universe:18,674,121)

No	Title	Channel	Genre	Viewership	TVR	Share
1	Anugerah Juara Lagu Ke 22 (L)	TV3	Musical/entertainment	4,707	25.4	62.5
2	Anugerah Bintang Popular BH (L)	TV3	Musical/entertainment	4,499	24.3	63.5
3	Anugerah Skrin (Live)	TV3	Musical/entertainment	3,915	20.7	55.5
4	CNY Movie Special	TV3	Movies	3,306	17.8	51.1
5	Pengumuman Hari Raya Aidil Fitri	TV3	Miscellaneous	3,026	16.0	54.1
6	Lestary	TV3	Drama/series (0401-)	3,024	16.2	44.0
7	Buletin Utama	TV3	News	2,948	15.8	49.0
8	Aksi	TV3	Drama/series (0401-)	2,879	15.4	41.7
9	Dunia Baru	TV3	Drama/series (0401-)	2,784	15.0	40.2
10	Doa Raya	TV3	Religious Programmes	2,684	14.2	47.7
11	Gangstarz Final (L)	TV3	Reality TV (0427-)	2,670	14.1	43.4
12	Mr. Mama	TV3	Drama/series (0401-)	2,649	14.3	40.7
13	Tain-3t	TV3	Drama/series (0401-)	2,498	13.2	40.5
14	Kisah Kaisara	TV3	Drama/series (0401-)	2,480	13.2	38.8
15	Seram	TV3	Drama/series (0401-)	2,367	12.7	35.0
16	999 (L)	TV3	Documentaries/magazines	2,317	12.4	34.9
17	Perutusan Hari Raya YAB PM	TV3	Miscellaneous	2,314	12.3	41.3
18	Fara	TV3	Drama/series (0401-)	2,309	12.4	35.4
19	Cerekarama	TV3	Movies	2,293	12.3	40.7
20	Muzik Muzik S.A.Pop Rock (L)	TV3	Musical/entertainment	2,276	12.1	33.2

Source: AGB Nielsen Media Research



ntv7 also performed creditably, cementing its position as the Number One channel amongst Chinese audience, with a growing 18.2% viewership share. The station also celebrated its 10th anniversary in 2008 with the *10 Feel Good Years* campaign which kicked-off in July via a series of major outdoor advertisements around the city centre, a line-up of programme favourites aired on the channel in the past decade, the *10 Feel Good Years* television commercials by acclaimed director Yasmin Ahmad and *The Big 10!* contest for viewers.

ntv7 is also proud that its high quality coverage of the *Euro 2008* was recognised with its live chat show *The Arena*, garnering the sole Malaysian nomination at the Asia-Pacific Broadcasting Union Prizes 2008 under the TV Sports category.

8TV continued to consolidate its position as the preferred television network of choice for the urban youth and Chinese market. With a focus on the best of Hollywood, Asian and local content, the station has consistently provided quality entertainment since its inception in 2004, winning awards and recognition at the *Phoenix Awards in Singapore*, *Promax/BDA Awards* and the *Anugerah Skrin 2008*.

The (R)evolution of TV9

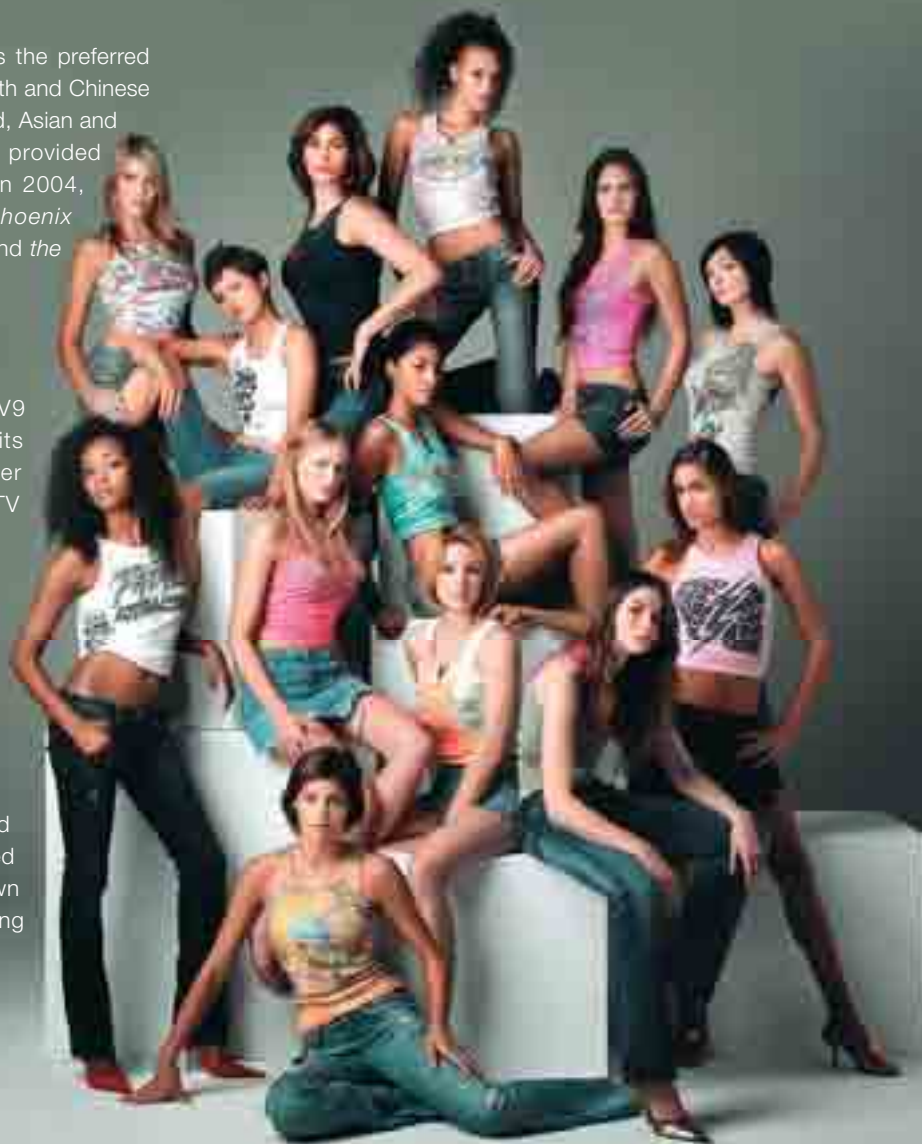
After achieving great strides in 2007, TV9 experienced growing pains in 2008 with its audience share and revenue growth under pressure given the intensely competitive TV market.

Accordingly we decided to re-fresh and re-brand TV9 during the third quarter of 2008, repositioning it as a more contemporary, energised and vibrant station targeting the young Malay mass audience whilst remaining true to its rooted and wholesome values.

Apart from a new logo, the exercise included changes in content, focusing on light hearted entertainment and drama around well-known local hosts and celebrities as well compelling variety, reality and magazine shows.

The impact of this exercise was virtually immediate with the station ending the year with a 13% viewership share amongst Malay 4+ audiences for all Malay channels and establishing the network as a clear No.2 television station after TV3.

Content development, quality programming and investment in our brands have been the core of our strategy in growing our TV business and maintaining our leadership position. In 2008, this continued to be the mainstay of our operations amidst a highly competitive market.



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In November, Media Prima presented to our advertisers and clients, new and returning programmes for 2009 at our annual Network Screenings event. Collectively, the four Media Prima stations committed to invest nearly RM250 million on local and foreign content to ensure we continue exceeding the expectations of Malaysians viewers. Local audiences can expect compelling and higher quality content as our TV Networks reinforce themselves as the preferred platform for advertisers.

Hand in hand with quality content and programming, 2008 saw a significant investment being made in a sophisticated Customer Relationship Management (CRM) tool. Our business model centres around the needs of our customers, and the CRM tool has helped us service our clients better whilst enhancing yield and revenue. While more work needs to be done, we are pleased that the investment has already shown dividend where an independent survey has ranked the service quality of the Media Prima Television Networks Sales Team within the top 30 percentile globally.

Radio Networks

Media Prima's Radio Networks (MPRN) continued to grow strongly in 2008, with its two stations - Hot FM and Fly FM – consolidating their position in the listenership stake.

Under the latest survey results by Nielsen Media Research (NMR), Hot FM's is now the No. 1 station overall in average audience, No. 1 in the under 34 demographic and No. 1 overall in the major market centres combined. The survey also showed an increase in the number of listeners from 2.9 million in 2006 to 4.3 million with the *Hot FM AM Krew* hosted by Fara Fauzana and Faizal Ismail now the number one breakfast show in Malaysia.

Fly FM meanwhile, has maintained its position as the No. 2 English Station in the under 34 demographic and among students. With a total listenership of 470,000 the radio network also leads amongst the Highest Household Income (HHI) Group.

LISTENERSHIP - RADIO NETWORK
Reach 000's all people 10+



Survey #2 2008

Hot FM Fly FM

Source: AGB Nielsen Media Research



The stellar performance is a result of MPRN's ability to tailor its content to meet with listeners' ever-growing needs and the passion of its youthful and committed workforce. The MPRN is projected to grow further in 2009 with the launch of One FM, a Chinese radio station which was launched at the beginning of 2009. Early results would seem to indicate that One FM will have similar success to Hot FM and Fly FM, which would further expand and strengthen Media Prima's radio operations.

Outdoor

With a 35% of the market share, our outdoor division consisting of Big Tree Outdoor Sdn. Bhd. (BTO), UPD Sdn. Bhd. and The Right Channel Sdn. Bhd., is now by far, Malaysia's largest outdoor advertising player. The outdoor division continued its strong growth in 2008 with its revenue increasing strongly by more than 20% and now contributes 13% and 18% of the Group's revenue and earnings respectively. This is in line with the target set in 2007 when Media Prima expanded into the out of home advertising business.



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In addition to its existing long-term concessions, BTO won the exclusive rights to market new major concessions, which include Maju Expressway (Kuala Lumpur-Putrajaya Highway), KL Monorail, KL Sentral External, and The Spring – a new lifestyle mall in Kuching.

With our concessions covering all of the major transit operations, highways and leading retails, we expect the outdoor business to provide revenue and earnings stability to the Group amidst the difficult advertising environment.

This is attributed to a combination of higher advertising revenue driven by the No.1 daily newspaper in Malaysia, *Harian Metro* and effective cost control measures adopted.

Total turnover grew by 3.5% to RM578.2 million, driven by continued strong performance by the No.1 daily newspaper in Malaysia, *Harian Metro*. *Harian Metro*'s circulation is currently more than 364,000 copies per day with readership reaching 2.26 million.



At the same time, BTO will aggressively explore suitable digital and ambient media opportunities to ensure its offerings to advertisers remain compelling and innovative.

Print

Our associate company, The New Straits Times Press (M) Berhad (NSTP) continued its trend of steadily improving operational results. For 2008, NSTP achieved a net profit for the year of RM47.4 million, representing a 40% increase from RM33.8 million recorded in 2007.

During the year, NSTP also took the bold step of converting *Berita Harian* from a traditional broadsheet following the steps of *the New Straits Times*. This move is aimed at ensuring the publication continues to appeal to its readers, especially the young, whilst at the same time, maintaining the strong editorial content and credibility that the newspaper has long been renowned for.

Content Development

In 2008, we were finally able to implement our long standing plan to consolidate all of Media Prima's content creation activities under one roof. Under this initiative, a fully owned but independent subsidiary of Media Prima, primeworks studios was born through the combination of all television networks in house production units together with our drama and feature films arm, Grand Brilliance.

The primary objective in the establishment of primeworks studios is to maximise the economies of scale in production as a means to increase productivity whilst at the same time enhancing the quality of our content produced for all our television networks as well as bringing them to a level where it can be exported to the international market.

2008 proved to be a busy first year for primeworks studios as it produced over 5,000 hours of content for Media Prima TV Networks, which include *Anugerah Juara Lagu 2008*, *Project SuperStar*, *Majalah 3*, *Cari Menantu*, *Pepaya* and *Susuk*.

primeworks studios Production Hours 2008

Department	Hours
Magazine & Documentary	2,464.0
Entertainment	1,952.2
Chinese Entertainment	363.5
Sports	216.0
Drama/Telemovies	207.5
Total	5,203.2

No. of movies released: 1) Local – 11, 2) Foreign – 11
 No. of movies where GB provided distribution services - 5
 No. of dramas – 12
 No. of telemovies – 17



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Grand Brilliance, now a brand under primeworks studios, expanded its roster of movie releases which included *Duyung*, *Evolusi KL Drift*, and *Money Not Enough 2* – the highest grossing Chinese film in 2008. However, the deteriorating economic climate during the year had resulted in a weak box office market and affected the box office performance of several of its productions, such as *Antoo Fighter*, *Kami The Movie*, and *Budak Kelantan*; as well as foreign movies it had acquired and distributed. This had adversely affected the overall financial performance of the division for the year.

Notwithstanding the creation of primeworks studios, our commitment to continue supporting the external content creation industry remains, and primeworks studios is expected to work with local producers to grow the industry together. The studio will also be making selective investments into higher quality production using HD and increasing its output of content, especially documentaries targeted towards the international market.

We envisage primeworks studios to evolve to be a truly *glocal* content creation house and to be a key driver to the Group's revenue in the near future.



New Media

Amidst stiff competition from local and foreign web-sites, Alt Media, the New Media division, started off strongly in 2008, with average monthly page views and unique visitors to its web portals climbing steadily from 30 million to 72 million and 3.1 million to 4.6 million respectively.

New Media Results

	Avg Monthly Page Views		Avg Monthly Unique Visitors		Avg Monthly Video Views
	Sep-07	Jan-Dec 08	Sep-07	Jan-Dec 08	Jan-Dec 08
TV3	3,900,000	40,966,017	220,000	2,363,301	19,758,791
8TV	1,700,000	10,626,860	100,000	519,132	2,484,929
ntv7	308,337	4,267,048	15,137	316,458	1,314,338
TV9	100,337	5,448,912	5,902	212,008	1,777,438
Hot FM	N/A	5,366,308	N/A	693,858	508,242
Fly FM	N/A	639,714	N/A	136,579	N/A
GUA	N/A	5,020,868	N/A	401,448	313,534
Total	6,008,674	72,335,727	341,039	4,642,784	27,104,014



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Our television networks' portals Catch Up TV service proved to be a massive success with an increase of over 400% in Video Views across all portals during the financial period under review. Collectively we currently record more than 27 million view views per month, making our portals by far the leading domestic video based web sites.

Gua.com, our lifestyle portal consolidated its position as one of the leading entertainment and lifestyle sites in Malaysia with successful initiatives such as the launch of *GuaMuzik* in April, with 300,000 local and international songs of a variety of genres to date and made for web only video series including *Kerana Karina 2* and *3* and *Jelma*. We also successfully launched our 3G video calls content services on Maxis and Celcom mobile networks.

Despite the success and support from online communities, unfortunately revenue monetisation remains a challenge with most advertisers still taking a "wait and see" attitude position before committing any substantial part of their media budget into online.

This coupled with higher bandwidth costs due to the high take-up of consumers usage of video services led to our new media division to continue to record gestation period

losses. However, with an expanded marketing team enhanced via our collaboration with Pixel Integrated Media Sdn. Bhd., one of the leading advertising networks in the region, we are confident to be able to secure more advertising support to help grow this business.

Events

Big Events, which took over the events business from Tiga Events, took a significant step in establishing itself as a major player in the entertainment industry by bringing in the highly acclaimed *High School Musical Ice Tour* in 2008. Held during the school term break in August, the show was based on the popular *High School Musical TV Movies* and proved a resounding success among young teens and school children.

In December, Big Events played an organizing role when the Global Brand Forum made its debut in Malaysia. Boasting of experts such as Jim Stengel, Global Chief Marketing Officer of Procter & Gamble, branding guru Martin Lindstrom and Oscar-winning Hollywood film director Oliver Stone, Global Brand Forum Kuala Lumpur 2008 provided invaluable insights to Malaysian business owners and professionals on the importance of branding.



International Investments

As mentioned in the Chairman's message, with media assets in Malaysia already close to saturation, we took the strategic decision to explore opportunities within the region. Key to the strategy was the establishment of the proposed MPB Strategic Media Fund Limited Partnership ("the Media Fund"), a private equity fund to be set up for the purpose of investing in media assets across South East Asia and other Asian emerging markets.

In 2008, as a potential seed asset for the Media Fund, we set up in the Philippines, MPB Primedia Inc. a company which entered into a block airtime and consultancy agreement with the ABC Development Corporation (ABC), that owns and operates ABC5 network, one of the television networks that operate nationwide in the Philippines.

We then helped ABC to undertake a comprehensive re-launch and re-positioning of the television network which included a name change to TV5, an enhanced transmitter and a completely revamped content schedule. Whilst it is still at an early stage, the initial results have been impressive with TV5 ratings increasing from 1% prior to launch to more than 7% in December 2008, making it the clear number 3 television network in the country. The challenge now is to continue on this strong start and significantly increase advertising revenue.

However due to the global financial crisis, the financial closing of the Media Fund has been delayed and consequently the Philippine investment was not able to be transferred to the Media Fund by year end. Accordingly to be consistent with prudent accounting standards, Media Prima has taken a net charge (excluding minority interests share) of RM31.7 million being the 2008 losses incurred by Primedia, pending the closing and transfer of the investment to the Media Fund.

Despite this and the challenging financial climate, we remain hopeful that this issue will be resolved this year and our plan to set up the Media Fund and transfer the Philippine investment to the Fund will materialise in 2009.

We are also pleased that the Group's investment in TV3 Ghana remains profitable and has finally received approval from the Ghana regulators to be listed on the Ghana Stock Exchange under an IPO exercise.

The listing is expected to take place by third quarter 2009 and is expected to allow Media Prima to crystallise some of its longstanding investment in TV3 Ghana as well as raise funds for expansion and further investments in other areas of media in Ghana.



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The Year Ahead

The year ahead will be a challenging one – given the continued deterioration in the global financial and economic climate which is now affecting all countries including Malaysia, it is difficult to predict with any degree of certainty on what the advertising expenditure outlook will be in 2009.

We are hopeful for the best but have planned for the worst to ensure that we are ready to face a situation where advertising expenditure may contract for the year. At the same time, all of us, be it government, businesses and individuals, have a role to play to ensure we keep consumers confidence and domestic demand strong to avoid the worst of the crisis.

Despite this uncertain outlook, we are confident that with our wide array of media assets we will be able to navigate through these challenging times. Our cashflow remains positive, our debt is relatively low and some part of our businesses continue to grow.



In addition, it is also important that we continue to develop the dominant brand positions of our media assets through continued investment in quality content and relevant programming to ensure we remain attractive to consumers and advertisers.

As mentioned earlier, we will be investing nearly RM250 million to further strengthen our TV brands with compelling and high quality content that will connect with the various viewer segments we are targeting. Similarly, we will continue to invest in our other divisions, such as print, radio and outdoor; and establish value-added incentive packages across all media platforms to help our business partners to cost effectively execute their communication plans.

We believe that during hard times, opportunities are aplenty for businesses to grow their business and we aim to provide the most cost effective way for them to achieve this. In this context, customer relations will play an even more important role as we seek to maintain and grow our relationship with all our existing customers as well as develop new ones.

On the operations side, our continuing consolidation and cost management measures will help improve efficiencies in operations, eliminate duplication and reduce unnecessary costs. With the completion of the migration of ntv7's operations to Sri Pentas and the consolidation of content creation activities under primeworks studios, we expect to realise significant cost savings through economies of scale.

We are quietly confident that we will be able to continue to build on the foundations that have been set these past few years. As one of the leading integrated investment media groups in the country, we have the track record and are well positioned to leverage on the strong media assets that we have to continue delivering value to all our stakeholders and take advantage of the current market situation to emerge stronger for the future.

Abdul Rahman Bin Ahmad

Group Managing Director / Chief Executive Officer,
Media Prima Berhad

