



chairman's statement

realising our dream

~integrating leading
media brands

Dear valued shareholders,

The year 2005 was an eventful and forward driven year for Media Prima Berhad and on behalf of the Board of Directors and Management, I am very pleased to present the annual report and audited financial statements of the Group for the year ended 31 December 2005.

During the year under review, Media Prima successfully reaffirmed its position as the nation's leading integrated media investment group with diversified interests in both the electronic (television and radio) and print media along with content development, event management and outdoor advertising.

In line with the aggressive growth strategies formulated by the Board, Media Prima further expanded its activities with the acquisition of two free-to-air television networks — ntv7 and TV9 – and two radio stations – Fly FM and Hot FM.

I am extremely pleased to note that Media Prima now controls all four private free-to-air television networks in Malaysia and is in the unique position to offer integrated cross media solutions to advertisers and distinctive and differentiated content to all viewers.

With the consolidation, Media Prima will also be in a position to extract significant economies of scale and leverage on synergies across its television platforms to compete more effectively in the highly competitive Malaysian media environment. Our long term strategy remains focused on building high value media brands – each strong, profitable and dominant within their own milieu; yet collectively capable of working together to deliver value added and cost effective services to our clients and provide high quality and distinctive content to our consumers. In this context, I am very pleased to report that TV3, our flagship television network, maintained its leadership position as the No. 1 free-to-air network in Malaysia and the most watched channel

even on ASTRO. The TV3 brand continues to remain strong and unrivalled as the network continues to invest in best-of-breed programming and content strategies, combining the best of local and international content to reach every viewer segment.

I am extremely proud of 8TV, which despite being only two years old has performed beyond expectations – achieving break-even within 18 months, six months ahead of schedule. In addition, 8TV has successfully established itself as the leading television network for its target segment, namely the urban youth and Chinese community.

Collectively, TV3 and 8TV garnered 54% share of television viewership, reaching over four million households and 16 million viewers.

Media Prima's associate company, The New Straits Times Press (Malaysia) Berhad, also registered strong improvement across its group of print publications despite rising newsprint prices. Berita Harian emerged as the leading mainstream Malay newspaper and Harian Metro is now the number one Malay tabloid. New Straits Times has also built on the success of its compact edition within the English newspaper market with significantly improved content, leading to a strong increase in circulation last year.

Moving forward, the Group will look towards consolidating the two new television networks, ntv7 and TV9 into its operations. We are particularly excited about our two new radio networks, Fly FM and Hot FM which we believe will develop into strong and



complementary media brands and enable us to take advantage of the significant opportunities provided by the strong growing radio industry.

Collectively with the expanded media platforms, Media Prima can now offer advertisers better cross media and cross marketing packages that will assist them in reaching and communicating to their targetted consumers in a more cost effective manner.

Further, the Group will continue to pursue its strategic direction of expanding its media investment activities in Malaysia as well as around the region to create greater shareholders' value as we position ourselves as the nation's leading media investment house.

Review of Operations

I am pleased to report that for the year ended 31 December 2005, the Group achieved record profits by registering a consolidated pre-tax profit of RM71.63 million, representing a 44% increase from RM49.43 million posted in 2004.

This significant performance is attributed to the continued positive operational results of TV3 and the significantly improved financial performance of 8TV. Media Prima's revenue also grew strongly, rising by 21.7% to RM399.69 million on the back of strong growth in advertising revenue for both TV3 and 8TV despite a challenging market environment where total advertising expenditure only grew by three per cent in 2005.

TV3 maintained its position as the No. 1 free-to-air television network in Malaysia, capturing 48% share of television viewership and 43% of gross television advertising expenditure (Adex).

As mentioned earlier, 8TV had a remarkable year, establishing itself as the leading station for the vernacular and urban youth segments. 8TV successfully increased its market share to six per cent of television viewership and registered an impressive 17% of the television Adex.

Our associate company, NSTP also registered stronger financial results with a pre-tax profit of RM29.31 million for the year ended 31 December 2005 compared to RM12.51 million recorded in 2004. This is attributable to a stronger operational performance arising from improved advertising and circulation revenue and write-back of diminution in value of fixed assets.

We however expect that, given continuing rising global newsprint prices, the environment will remain challenging for all print businesses. NSTP is, however, addressing this by taking aggressive action by investing in content and brand activities and reducing overheads, including undertaking a voluntary separation scheme and cutting down on other expenses.





MALAYSIAN
top host

Fly Fm

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We are hopeful that these measures will be successful and NSTP's financial performance will improve further in the medium to longer term.

Moving forward, Media Prima intends to build further on its current strong financial performance and strive for continued improvements in all aspects of its operations and deliver greater value to its shareholders.

In this context, I am happy to report that, after taking into account the capital funding and working capital requirements of the Group, your Board has proposed a maiden dividend of 2 sen per share (less 28% income tax). This represents a payout of more than 20% of the Group's profit after tax and minority interest and we hope to be able to progressively increase this payout ratio to higher levels in the future.

Corporate Governance

We remain fully committed to ensuring that high standards of corporate governance are observed by 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. We adhere to three core values – transparency, accountability and integrity – deemed necessary to achieve strong corporate governance. In the ever-changing landscape and competitive environment of our business, all three core values are critical to ensure the 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 promoting our country's nation building process.

We have over the years built a strong track record of promoting CSR-based causes and events. We are pleased to report that this tradition has continued. In 2005, we are especially proud of TV3's *Bersamamu* programme, which highlights the plight of the underprivileged and attracts significant donations from the public to alleviate their condition.

NSTP on the other hand has been at the forefront in promoting English as a second language through its School Sponsorship Programme. This programme successfully attracted a large number of corporate and individual patrons to sponsor English newspapers for rural schools, in line with the government's call for improved English proficiency amongst Malaysians.

NSTP and TV3 also continued its collaboration with PricewaterhouseCoopers to recognise Malaysians who have performed acts of outstanding public service under the annual NSTP-PWC Humanitarian Award.



Outlook in 2006

Moving forward and against the backdrop of the positive outlook for the Malaysian economy, the Group will continue to leverage on the strength of its wide ranging media platforms.

With four television networks under our belt, we have adopted a portfolio segmentation approach, leveraging on the strength and strong brand equity of each television network to reach the different market segments more effectively and better serve the media buyers and advertisers. In addition, we plan to invest significantly in new programmes to ensure consumers will receive high quality and differentiated content.

We also welcome the launch of TV9, which is targeted at Malays with core traditional values in line with its tagline "Dekat di Hati". We strongly believe that TV9 is set to become another important growth engine for the Group.

**DESPERATE
HOUSEWIVES**

Acknowledgements

On behalf of the Board of Directors, I would like to thank our shareholders, valued customers, business associates and the relevant authorities for their support. My appreciation also goes to the Management team and all employees for their undivided dedication, 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.

I would also like to extend our heartfelt gratitude to our previous Chairman YAM Dato' Seri Syed Anwar Jamalullail (who has resigned from the Media Prima Group effective 12 March 2005) for his guidance and leadership of the Group over the last three years. We wish him all the best for all his future endeavours.

Dato' Abdul Mutalib bin Datuk Seri Mohamed Razak
Chairman

Malaysia's

Most Beautiful

