

chairman's statement

Dear Stakeholders,
2008 was a challenging year for the country as global negative sentiments arising from the sub-prime crisis in the US made its way into the country's economy in the second half of the year. The financial meltdown of leading global economies has seen the effects of the financial crisis reaching out and impacting all economies across the globe; curtailing the development of smaller economies that are dependent on the manufacturing and exports sectors.

Coupled with rising crude oil prices throughout much of last year, organizations began tightening their belts and cutting back on their various expenditures, in anticipation of worse things to come. Many still remember the challenges we faced during the recession a decade ago, and understandably, corporate Malaysia took the safe and cautious approach, especially in the second half of 2008.

The country's GDP growth too recorded a marked decline towards the end of the year, although the Government's swift action to arrest and mitigate the impact of the global vagaries on the local economy by reducing petrol prices, introducing tax and other fiscal incentives, has helped in part to reassure a jittery domestic market.

Against this backdrop and on behalf of the Board of Directors of Media Prima Berhad ("Media Prima"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 December 2008.

Maintaining strong financial performance

Despite the difficult market conditions in the second half of 2008, Media Prima was resilient enough to continue registering strong revenue and profits to record another excellent financial result for the year under review.



For the year ended 31 December 2008, Media Prima posted a net profit after tax excluding results of investment acquired exclusively for sale, of RM117.7 million which is on par with the RM117.4 million recorded in 2007.

Net revenue increased strongly by 13.0% to RM781.3 million from RM691.3 million, while profit before tax (PBT) increased by 7% to RM159 million from FY2007. The results achieved are an affirmation of our strategies as the Group continues to register growth and maintaining profits amidst soft advertising market conditions.

It is interesting to note that only in 2002 was the Group was recording a revenue and net loss before tax of RM240.7 million and RM1.8 million respectively, reflecting how far the Group has grown over the last 7 years.

	GROUP				
	Year ended	Year ended	Year ended	Year ended	Year ended
	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	781,290	691,339	534,689	399,689	328,405
Profit Before Taxation	159,264	149,095	105,651	64,317	49,432
Net Profit After Taxation	72,446	117,440	82,994	54,794	33,856
Net Profit Attributable To Equity Holders	86,023	117,440	80,282	56,245	37,713
Minority Interests	13,577	–	(2,712)	1,451	3,857
Share Capital	853,811	842,183	763,852	600,109	540,658
Shareholders' Funds*	551,302	559,613	314,131	36,470	256,921
Earnings Per Share (sen) (Basic)**	10	14	11	9	7
Return On Shareholders' Funds (%)	13%	21%	26%	150%	13%
Net Assets Backing Per Share (RM)	0.64	0.66	0.41	0.06	0.48
Number Of Employees***	2,217	2,061	1,871	1,779	1,385

* Shareholders' Funds : Share Capital + Share Premium + Other Reserves + Accumulated Losses

** Earnings per Share (Basic) : Net Profit After Taxation and Minority Interests of RM86,023,000 (2007 : RM117,440,000) and the weighted average number of ordinary shares in issue of 845,483,000 (2007 : 817,212,000)

*** 2008 number of employees includes employees of MPB Primedia Inc.

More significantly, we have maintained our core objectives in creating value for our employees, customers, business associates and society as a whole. The impressive financial performance, amid trying circumstances, was a result of the hard work and commitment shown by our employees, support and advice of the Board which let to the successful execution of our strategies in creating strong brands across different media platforms.

While television continues to be the main income earner, outstanding performances by the radio and the outdoor divisions contributed significantly to the bottomline. Our associate company, New Straits Times Press (Malaysia) Berhad also performed creditably, increasing its net profit by 40% from RM33.8 million recorded in 2007 to RM47.4 million on the back of higher advertising revenue, especially from *Harian Metro* the No.1 daily newspaper in the country, and through its stringent control in operating expenses.

Dato' Abdul Mutalib Bin Datuk Seri Mohamed Razak
Chairman, Media Prima Berhad



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Given the satisfactory performance, and our favourable cash flow position, the Board is pleased to recommend a final gross dividend of 6.7 sen per share. Based on profit from continuing operations, this represents a dividend pay out ratio of 50% which meets the target set under the dividend policy announced by the Board to shareholders three years ago.

Growth through consolidation and regional expansion

The Group's media assets currently cover television, content creation, radio, print, outdoor and online/new media, making it one of the largest media investment groups in Malaysia.

After expanding aggressively organically and through acquisitions in the past three years, 2008 was a year of consolidation where we ensured that each of the media assets strived to be the best in its class for each of their target market.

At the same time, we remained opportunistic in our investment and took the opportunity to expand our radio operations by undertaking another acquisition of Radio Wanita Sdn. Bhd. which was announced in November 2008 and completed in January 2009. We then re-launched the station as One FM, a radio network targeted towards Chinese audience below the age of 30. We are confident that this will prove to be another successful acquisition similar to that of Fly FM and Hot FM and will enable us to expand our radio offerings to the advertisers.



As new investment opportunities domestically are already close to saturation, we embarked on an ambitious strategy to venture beyond our shores to seek opportunities within the region in early 2008.

This led to the proposed setting up of the 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. The Media Fund will be Media Prima’s vehicle for its regional expansion plans in line with its strategy to grow and diversify the Group’s earnings and enhance shareholders value.

The fund’s maiden investment will be in the Philippines, through MPB Primedia Inc. (currently a subsidiary of Media Prima), which entered into a block airtime and consultancy agreement with ABC Development Corporation one of the top three television networks in the Philippines. However, given the delay in the financial closing of the Media Fund due to the global financial crisis, and consistent with prudent accounting standards, Media Prima has taken a net charge (excluding minority interests share) of RM31.7 million, pending the closing and transfer of the investment to the proposed Media Fund.

In keeping with our efforts to go regional, we have also explored opportunities in Oman and Pakistan recently. The outcome of these initiatives has been successful to a large extent, where the areas of interest include co-operation in news content-gathering, joint production of programmes and the exchange of documentaries and drama shows. Media Prima, by virtue of its vast experience, will also be extending its expertise to help these countries further develop their respective media industries, by providing input on broadcast operations as well as personnel training.

In terms of content development, we have consolidated our operations to house the production teams of the respective television stations under new subsidiary Primeworks Studios Sdn. Bhd. (“primeworks studios”). This will enable us to capitalize on cost savings to off-set rising production costs and improve efficiencies through shared resources. primeworks studios will also be exploring opportunities to export content to other countries, including possible JV’s with foreign production houses.

Awards and recognition

Conducting business in a transparent and accountable manner has always been the hallmark of successful companies. At Media Prima, we pride ourselves in operating the business based on good corporate governance and on strong ethical values. Our achievements in 2007 have carried through to 2008, and I am pleased to announce that once again we have been duly recognised by a series of awards.



For the second consecutive year we have been voted as the best managed Malaysian company in the mid-cap category in Finance Asia’s 2008 poll for Asia’s best managed companies. In the annual exercise conducted by Finance Asia, over 200 fund managers and equity analysts across the region voted for Media Prima in terms of overall management, corporate governance, investors’ relations and commitment to paying dividends.

Media Prima also maintained its ranking by the Minority Shareholder Watchdog Group (MSWG) as the 7th best company for corporate governance among 690 public listed companies surveyed. This is a clear testimony of the responsibility and dedication of the team at Media Prima to ensure we are accountable for our actions. Moving forward, we will continue to uphold this strong governance culture to ensure our shareholders’ interests are always safeguarded.

The awards for corporate governance were further complemented by numerous achievements and recognition won at the corporate level as well as by individual brands. Among the more notable ones were the following:

- Media Prima was awarded the “Brand Laureate Awards 2008 for Corporate Branding in Electronic Media” from Asia Pacific Brand Foundation (APBF). Based on Brand Strategy/Identity, Brand Culture, Integrated Brand Communications, Brand Equity and Brand Performance, the award reaffirmed the market’s recognition of the Group’s efforts to create value for its shareholders;

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- TV3 was ranked in the top 15 among Malaysia's Most Valuable Brands by the Association of Accredited Advertising Agents (4As) Malaysia and The Edge. The valuation was conducted by world-renowned Interbrand and reflected TV3's position as one of the most watched television station.
- ntv7 received due recognition for *The Arena*, a live football chat show held during the *Euro 2008* finals. The show garnered the sole Malaysian nomination at the Asia-Pacific Broadcasting Union Prizes 2008 under the TV Sports category.



Corporate responsibility

Being a media owner, we are acutely aware that we bear a unique corporate responsibility (CR). We have the ability to influence the hearts and minds of Malaysians and we are committed to ensuring that our media platforms not only entertain but also enrich society as a whole.

Through our news and current affairs programmes, we take our role seriously to communicate issues that affect the lives of ordinary Malaysians, and we have in place editorial values, production guidelines and content policies to ensure that our programmes are of the highest quality, fair and accurate.



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In addition to socially responsible programming we, as a Group, have also embarked on various initiatives in an effort to do our part in enhancing the lives of our employees, customers, partners and the millions of Malaysians that make up the viewers, listeners and readers of our various media assets. Since 2007, our

corporate responsibility activities have revolved around three core areas – education; environment; and communities.

Our contribution to education currently focuses on two main initiatives - the 8TV Scholarship Fund and our involvement in the Government-led PINTAR project. The 8TV scholarship fund was set-up with the objective of providing opportunities to deserving students to further their studies beyond their secondary education. In 2008, the fund stood at RM1 million and has benefited 39 students in pursuing undergraduate degrees, diploma and foundation courses in various disciplines.

The PINTAR project, on the other hand, places emphasis on under-privileged schoolchildren and under-performing schools. As one of 32 companies participating in the project, Media Prima had adopted two schools in Penang in 2006 as part of the initial pilot project. Working hand-in-hand with NGOs and other interested partners, we have formulated various activities for the students of the two schools, which include workshops, career development programmes, motivational talks and family seminars. The results have been encouraging as seen by the marked improvement in the schools' PMR and SPM examination results.

On the environmental front, Media Prima has continued in its commitment to reduce its energy consumption and cut down on its solid waste production. Concerted efforts have been made to educate our employees on energy conservation as well as on recycling efforts in a bid to minimise the impact on the Malaysian environment. As a broadcast company, we continue to inform and educate the public on environmental causes through environment-themed programmes and editorial coverage on environmental issues.

We also strongly advocate CR among our subsidiaries and I am pleased to note that on their own initiatives, they initiated various programmes from raising awareness on issues affecting communities to contributions to the various charitable funds in the country. These have included raising funds for the unfortunate under TV3's *Tabung Bersamamu* as well as the victims of wars such as those in Darfur and natural disasters closer to home such as the flood in Pahang.

Although the outlook for 2009 remains uncertain, Media Prima will not compromise on its obligations as a responsible corporate citizen, as CR initiatives have always been and will always be an integral part of our operations. We are continuously looking to enhance our contributions to society and we aim to further improve on the efforts we have expanded in 2008, an account of which is detailed in the following pages.

Human resource – our most important asset

Amid the challenges we faced in 2008, the Group's creditable performance was in no small part due to the dedication and professionalism of the management and employees. As a media group, we recognise the importance of developing the people that work for the Group and have initiated various programmes to nurture and develop these talents. These include internship initiatives, management training and a progressive succession plan. The succession plan for top management and the continuing talent pool development are an integral part of our strategy and critical to the future success of Media Prima. We are also placing strong emphasis on employee welfare, where we have in place a number of initiatives to create a conducive and productive working environment.



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Facing the challenges in the year ahead

The outlook for 2009 remains uncertain with some predicting continued worsening of the global economic and financial crisis. We are entering uncharted territory which makes any sort of financial predictions for the year ahead extremely difficult.

We are hopeful that additional economic stimuli by the government will be introduced in 2009 to sustain foreign and private investments. Although GDP growth is expected to further soften and maybe even contract, it is important that we continue to play our role in boosting consumer confidence. I believe that Malaysia will be able to weather the storm if both the public and private sectors work together to rejuvenate the economy.

We are cognizant of the challenging market environment ahead and the impact that the anticipated slowdown in advertising spend will have on the industry and our own financial performance. However we are optimistic that with our diverse range of media assets we will be able to navigate through these challenging times. The Group's fundamentals remain strong and we have the right team in place to ensure that we continue to operate efficiently and prudently, given the present business conditions.

Television networks will continue to remain our main growth driver but we expect our radio networks and outdoor operations to pick up and build on what they achieved in 2008 and contribute significantly to the Group's revenue and earnings in 2009. We also expect to partly start monetizing our investment in New Media, which has shown progress in 2008.

We will also continue to explore opportunities abroad, but may shift our focus from just direct investments to more operational collaborations with media groups within the region. ASEAN and other parts of developing Asia collectively represent large untapped markets and such operational joint ventures will benefit all parties.

