

## **Management Discussion and Analysis**

### Financial Results for the year ended 2002 in comparison with the year ended 2001.

The Company's total revenues for the year 2002 was THB 1,467 million, increased by THB 535 million or 57% from THB 932 million in 2001. The Company's gross profit was THB 482 million, increased by THB 435 million or 931% from THB 47 million in the last year. After operation costs and concession fee, the company recorded a net loss of THB 770 million (or a loss of THB 0.70 per share), decreasing by THB 209 million or 21% from THB 979 million of the last year.

#### **1. Revenue**

Total revenues for the year 2002 was THB 1,467 million, comprising of advertising revenue of THB 1,146 million, airtime rental of THB 311 million and other revenues of THB 10 million.

Advertising income in the year 2002 increased by THB 488 million or 74% from THB 658 million in the last year. This is due to program improvements to address target groups resulting in a better TV rating perception from Agency/Media Buyer, and additional income from special events such as World Cup 2002, Miss Thailand Contest and Bangkok Countdown during the year 2002.

Airtime rental revenue also increased by THB 45 million or 17% from THB 266 million in the year 2002 as a result of more rental broadcasting hours in 2002.

Other revenues increased by approximately THB 2 million, mainly from an increase in interest income.

#### **2. Costs and Selling and Administrative Expenses**

Cost of services and selling and administrative expenses was THB 2,159 million, increasing by THB 327 million or 18% from THB 1,832 million in the previous year due to following reasons:

Concession fee rose to THB 750 million due to an increase of concession fee by THB 100 million for the period of July 2002 – June 2003 according to the concession agreement.

Cost of services was THB 985 million, increasing by THB 100 million or 11%, mainly from the higher cost of acquiring and producing programs to improve programs quality, especially Thai Drama program, and also expenses from special marketing events like Miss Thailand Contest 2002 and Bangkok Countdown.

Selling and administrative expenses in 2002 were THB 423 million, increasing by THB 127 million, or 43% from THB 296 million, mainly due to an increase in

marketing efforts to promote the TV programs in order to expand the audience base. Besides, there was a higher provision for bad debts in corresponding to an increase in revenues.

### 3. Interest payable

Interest payable was THB 78.5 million which was approximately the same amount as in the year 2001.

## Financial position analysis

### 1. Asset analysis

For the year ended December 31, 2002, total assets of the Company were THB 3,309 million, primarily consisting of assets under the concession agreement, which accounted for THB 2,410 million or 73% of total assets. This was down from 2001 by THB 138 million or 5% due to depreciation of assets. Additional investments in 2002 were insignificant as the company has nearly implemented nationwide coverage. Accounts receivable represent a 12% of total assets or THB 383 million, increasing by THB 189 million from 2001 as a result of an increase in advertising revenue. The remainder is cash in bank and promissory notes amounting to THB 312 million, from share capital issuance. This represents a 9% of total assets.

### 2. Liquidity

On December 31, 2002, net cash flow from operating activity improved from the negative amount of THB 340 in 2001 to the negative amount of THB 212 million, despite of a higher concession fee.

Cash flow from investing activities was THB 479 million:

- Purchase of programming rights and production costs amounting to THB 391 million.
- Investment in concession assets amounting to THB 86 million.
- Investment in the subsidiary company amounting to THB 1 million.

Cash flow from financing activities was THB 967 million.

- Net Proceeds from share capital issuance amounting to THB 1,800 million.
- Repayment of short-term loan in second quarter 2002 amounting to THB 768 million.
- Underwriting fee of THB 64 million.

The Company reported cash and cash equivalents amounting to THB 312 million as of December 31, 2002.

### 3. Capital Structure

In the year 2002, the company issued 300 new ordinary shares for initial public offering at THB 6 per share, totally amounting to THB 1,800 million. Proceeds from IPO were used to repay short-term loans, to support new investment and for working capital. Liquidity ratio improved from 0.26 at the end of 2001 to 1.24 at the end of 2002.

D/E (debt to equity) ratio improved from 2.41 at the end of 2001 to 0.81 at the end of 2002 as the result of partially repayment of debt by the proceeds from share capital issuance.