

ITV's prime time rating increased due to program rescheduling in April 2004, ranking the third in the industry

Company Overview

As a result of program rescheduling in April 2004, ITV received positive feedback from viewers across the country, causing a significant rating improvement, especially during prime time (18:00–22:30 hr.). The prime time rating continuously increased from 1.76 in March 2004 to 3.15 in September 2004. This represents a solid increase and taking ITV to the third ranking in the industry following Channel 7 and Channel 3.

During the third quarter of 2004, in order to maintain its position as a leading news channel, ITV made some adjustments to the existing news programs as follows :

- Morning news 6.00 – 9.00 hr. : Changing program content and style to match the new concept of “LIVE FAST FUN FACT”. The program was delivered in a quick, interesting, and reliable manner to target prospective audiences.
- News at noon 12.00 hr. : Extending broadcasting time from 1 hr. to 1.30 hrs. to deliver more comprehensive news content.
- ITV Hot News : Introducing new section, “Hot Sport” to the existing Hot News program. “Hot Sport” includes snapshots, and highlights of interesting sports events. The goal is to add variety to the program and increase viewer base.

The company reported a net profit of Baht 50 million this quarter, an increase of Baht 22 million or 78.3% from its previous quarter's. Even though total revenue slightly declined due to low season effect in the third quarter, the company was able to control costs and expenditure effectively and efficiently, resulting in a dramatic increase in net profit.

Operating Results (Consolidated)

Financial Highlight

Unit : million baht

| | 3Q04 | % Change QoQ | % Change YoY | 9M04 | % Change YoY |
|-------------------|------|--------------|--------------|-------|--------------|
| Total Revenue | 450 | -2.0% | 15.1% | 1,359 | 12.0% |
| Cost of Services | 240 | -5.8% | 0.8% | 730 | -12.5% |
| SG&A Expenses | 93 | -15.6% | 4.5% | 326 | 16.1% |
| Concession Fee | 58 | 0.0% | -74.4% | 173 | -72.4% |
| Net Profit (Loss) | 50 | 78.3% | 128.1% | 102 | 117.9% |
| EPS (Baht) | 0.04 | 0.02 | 0.19 | 0.08 | 0.57 |

Total Revenue

This quarter's total revenue was Baht 450 million, slightly decreased by 2.0% from the previous quarter due to the industry's low season effect in the third quarter. However; this represented a satisfactory growth of 15.1% compared to the same period of last year. The figures also outperformed the industry growth of 10.4% YoY.

The advertising revenue faced a slight decrease of 2% because of low season effect but was 22.6% higher than the same period of last year.

The company's total revenue comprises two primary sources as follows:

- Revenue from Advertising Sales

The company received Baht 355 million in revenue from its advertising sales in the third quarter which fell by 2.3% from the second quarter due to low season effect. However, when compared to last year, total revenue grew by as much as 22.6% due to the increase in the company's market share from 14% in 3Q03 to 16% in present quarter.

- Revenue from Airtime Rental

The company obtained Baht 95 million from its airtime rental revenue, remained stable from last quarter but was 6.3% lower than the same period of 2003. This is due to the increase in in-house and joint production programs since April 2004.

Total revenue of the first nine months in 2004 was Baht 1,359 million, increased by 12.0% from the same period of the previous year.

Total Costs

The company had total costs of Baht 333 million in 3Q04, decreased by 8.8% from 2Q04 but increased by 1.8% from 3Q03. Total costs for the period of 9 months was Baht 1,055 million, decreased by 5.3% from the same period of last year. This is due to the following reasons:

- Cost of Services

The cost of services in 3Q04 remained unchanged compared to last year. However, the figures decreased by Baht 15 million, or 5.8% from 2Q04. This is primarily due to the costs reduction from change in production scheme in "Family Time" (16:00-18:00 hrs.). ITV previously employed "Hired Production Basis" where the company outsourced programs from producers, absorbed all production costs, and received the advertising revenue in its entirety. With the new "Revenue Sharing Basis", producers absorbed all production costs but shared the advertising revenue with the company.

The cost of services incurred during the first 9 months of 2004 was Baht 730 million, fell by Baht 104 million or 12.5% from the same period of the previous year. This is due to the decrease in production costs of entertainment program after the company changed from the hired production basis to the revenue-and-airtime-sharing basis. In addition, the event costs decreased Baht 55 million or 76.2%

- Selling and Administrative Expenses

Selling and administrative expenses in this quarter reduced by Baht 17 million or 15.6%, from the previous quarter. In 2Q04, the company incurred Public Relations expense to promote new program schedule in April. However, the selling and administration expenses rose by 4.5% from the same period of last year, which was in line with revenue growth of the company.

The company incurred higher selling and administrative expenses for the period of 9 months this year, which was Baht 45 million or 16.1% increase from the same period of last year. This was caused by the increase in advertising sales commission paid to advertising agencies, as well as higher public relation expense due to new program schedule promotion. However, the increase in advertising sales commission was consistent with the company sales growth.

The production costs of Family Time Programs decreased due to the change in production scheme from hired production basis to revenue sharing basis

Concession Fee

The company recorded its quarterly concession fee of Baht 57.5 million according to the arbitration panel's decision on January 30, 2004. The decision stipulated that the concession fee is reduced to the minimum guarantee in the amount of Baht 230 million per year.

Interest Expenses

The interest expense increased by 11.1% from last quarter because of loan borrowing to repay the annual concession fee in July. Consequently, debt burden rose from Baht 823 million in the previous quarter to Baht 973 million this quarter.

Net Profit

The net profit in this quarter was Baht 50 million, rose by 78.3% from last quarter

In spite of the fact that total revenue fell slightly by 2.0% from last quarter, Net profit of this quarter increased by Baht 22 million or 78.3%. This is mainly due to the company's effective cost control program which reduced costs and expenses by 7.6%. Furthermore, Net profit dramatically increased from 3Q03, which had net loss of Baht 178 million.

In summary, the company had net profit of Baht 102 million for the period of 9 months in 2004, far better than Baht 570 million loss in the same period of 2003. The improvement on net profit was primarily due to a dramatic decrease in concession fee.

Analysis of Financial Position (Consolidated)

1. Assets

At the end of the third quarter in 2004, the company possessed total assets of Baht 3,136 million, which was Baht 53 million or 1.7% lower than the same period of 2003. Total assets were :

| | September 30, 2004 | | December 31, 2003 | |
|-----------------------------|--------------------|------------------|-------------------|------------------|
| | Amount (Btmn) | % of Total Asset | Amount (Btmn) | % of Total Asset |
| Cash and Cash Equivalents | 271 | 8.6% | 159 | 4.9% |
| Accounts Receivable | 341 | 10.9% | 384 | 12.0% |
| Other Current Assets | 190 | 6.0% | 184 | 5.8% |
| Net Assets under Concession | 2,323 | 74.1% | 2,447 | 76.7% |
| Other Non-current Assets | 12 | 0.4% | 14 | 0.4% |

The increase in cash on hand and cash equivalents from Baht 159 million at the end of the previous year to Baht 271 million was primarily due to the increase in cash flow from operations.

2. Liabilities

Total liabilities were Baht 1,591 million, dropped by Baht 181 million or 10.2% from last year. This is due to the repayment of long-term loan as well as the decrease in short-term liabilities caused by improved cash flow from operations. The company started to generate profit since the first quarter this year.

Liability components :

| | September 30, 2004 | | December 31, 2003 | |
|---------------------------|--------------------|------------------------|-------------------|------------------------|
| | Amount (Btmn) | % of Total Liabilities | Amount (Btmn) | % of Total Liabilities |
| Short-term Loan | 268 | 16.8% | 368 | 20.7% |
| Concession Payable | 393 | 24.7% | 450 | 25.4% |
| Other Current Liabilities | 225 | 14.2% | 216 | 12.2% |
| Long-term Loan | 705 | 44.3% | 738 | 41.7% |

3. Shareholders' Equity

At the end of the third quarter this year, Shareholders' equity were Baht 1,545 million, rose by Baht 128 million from last year. The increase was attributed to the accumulated profit of Baht 102 million obtained during the first 9 months and the Baht 24 million from shareholders exercising warrants into common shares (ESOP project). Consequently, the company's debt to equity ratio reduced from 1.25 at the end of 2003 to 1.03 as of 30 September 2004.

4. Liquidity

During the first nine month of 2004, the company's net cash flow rose Baht 132 million from the same period of the previous year due to the following reasons.

- ❑ Net cash flow from the operations grew by Baht 743 million because of the improvement of company performance and the decrease in concession fee.
- ❑ Net cash flow from investing activities decreased by Baht 294 million. The company invested a significant amount of capital in equipments for office relocation last year.
- ❑ Net cash flow from the financing activities decreased by Baht 751 million from the same period of the previous year. Even though ITV received some cash from the exercise of warrant, the company obtained a loan to pay for the concession fee.

This document contains certain forward-looking statements. They refer to future events and to the future financial performance of the Companies. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe" or "continue". Although the Companies believe that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.