
Overview

The Company posted remarkable results in 2004, by benchmarking its first profitable year with a net profit of Baht 205 million. It also improved its Prime Time TV rating from the fifth rank in 2003 to the third rank this year.

2004 was the ninth year milestone of the “ITV Television Station” operations. During the year, the Company undertook a series of changes and improvements in various aspects, in response to severe competitive threats in the local television broadcasting industry. Major developments included :

- A capital increase; through an increase of registered capital and an issuance of 300 million new common shares in the first quarter of the year, to support further expansion and required investments for creation of competitive strength. These shares were offered to two strategic partners; Mr. Tripop Limpapath and the Kantana Group Plc., on a private placement basis, in two equal lots of 150 million with an exercise period for purchase option expiring on 31 October 2005. These newly issued shares account for 20% of the Company’s current total paid up capital

- A launch of new program schedules in the second quarter of 2004 to provide viewers with alternatives of quality programs, including news, documentaries and entertainment varieties. With the co-operation of the Company’s strategic alliances, this program adjustment has been very well accepted by nation wide audiences.

- A modification of news programs in the third quarter of 2004 aiming to retain the Company’s leadership in latest and in–depth reporting of news. Presentation of the morning news program was fine-tuned. Broadcasting time for noon time news was extended for another half an hour. “Hot Sport” coverage was also added in the “ITV Hot News” program.

Other than achieving its business objectives, the Company is strongly aware of its responsive role to the general public in returning benefits to society. Its mission as a “people media” in offering help and assistance to the public could clearly be evidenced in the event of the December 2004 tsunami disaster. Not only did the station speedily follow the incident and provide 24 hour coverage of its news, ITV also acted as a relief center and raised public donations via its “ITV’s disaster relief fund”. The raised funds were promptly distributed to tsunami victims.

All the above mentioned developments which occurred consecutively in 2004 prompted a significant growth in its market share for advertisement spending, an increase in audience share and a higher public popularity rating for the station.

- Advertisement spending and audience share increased from 14% and 8% in 2003 to 16% and 12% in 2004.

- Television viewer rating notably jumped particularly during the 6.00-10.30 pm prime time from the average of 1.39 in 2003 to 2.83 in 2004. average. The station also accelerated its ranking from fifth rank in the industry to third.

2004 was also the benchmark year of profitability in which the Company posted its first year net profit of Baht 205 million which resulted from the 8.1% increase in revenues and a 30.6% decline in total expense from the previous year.

Analysis of Operation Results (Consolidated Financial Statements)

Financial Highlight :

Unit : Baht Million

	2004	2003	% Change
Total Revenue	1,839	1,701	8.1%
Cost of Services	949	1,085	-12.5%
SG&A Expenses	419	368	13.9%
Concession Fee	230	850	-72.9%
Interest Expenses	36	58	-37.3%
Net Profit (Loss)	205	(660)	131.0%
EPS (Baht)	0.17	(0.57)	0.74

Total Revenues

The Company's revenues continued to increase, showing a 8.1% rise between 2003 and 2004. Total revenues, generated from two major activities, which can be broken down to :

Revenue grew 8.1% from the previous year, caused by increasing market share which jumped from 14% to 16% in 2004

- Advertising Income

In 2004, the advertising income amounted to Baht 1,433 million, or a 7.6% increase from the previous year, caused by increasing market share from 14% to 16% in 2004.

- Airtime Rental

The Company's airtime rental totaled Baht 403 million, or a 12.4% increase from the previous year. Such increase resulted from a rise in airtime rate.

Costs

In 2004, the Company's cost of services and selling & administrative expenses totaled Baht 1,368 million decreased 5.9% from that of the previous year due to:

□ Costs of Services

In 2004, the Company's cost of services declined Baht 136 million, or 12.5% due to a reduction in entertainment programming costs brought by changes in production scheme from "Hired Production Basis" to "Revenue Sharing or Time Sharing Basis".

A huge reduction in programming costs brought by changes from hired production basis to Revenue Sharing or Time sharing basis

□ Selling & Administrative Expenses

Sales and administrative expenses increased by Baht 51 million, or 13.9% from the previous year due to both the increase in brokerage commission paid to advertisement, which was in line with the expanded advertisement sales, and the increase in marketing promotion expenses for the launch of new program schedule undertaken during the year.

Concession Expenses

The company recorded a concession charge of Baht 230 million, based on the required minimum return set in accordance with the verdict passed by the arbitrator on 30 January 2004 regarding the downward adjustment of required minimum concession compensation.

Interest Expenses

Interest expenses paid in 2004 reduced 37.3% from the previous year resulted from a decline in overall long-term loan interests. Repayments and early payments of some existing loans during the year also reduced the Company's total liabilities from Baht 1,106 million in 2003 to Baht 640 million in 2004.

Net Profit

The Company's performance for the year revealed a significant operating growth. It posted Baht 205 million in net profit for the year, compared to the previous year's loss of Baht 660 million. Thus 2004 is the Company's first benchmark of profitability. Profits for the year were mainly derived from an increase in revenues, a decline in costs of services and concession charge earlier explained.

Analysis of Financial Position (Consolidated Financial Statements)

1. Assets

At the end of 2004, the Company's total assets amounted to Baht 2,975 million, a reduction from year-end 2003 of Baht 215 million, or 6.7%. The ratio of current assets and non-current assets to total assets are 22.7% and 77.3% respectively. Assets comprised:

	December 31, 2004		December 31, 2003	
	Amount (Btmn)	% of Total Asset	Amount (Btmn)	% of Total Asset
Cash and Cash Equivalents	152	5.1%	159	5.0%
Accounts Receivable	340	11.4%	384	12.0%
Other Current Assets	183	6.1%	184	5.8%
Net Assets under Concession	2,288	76.9%	2,447	76.7%
Other Non-current Assets	11	0.4%	14	0.4%

□ Current Assets

At the end of 2004, the Company's current assets declined by Baht 53 million mainly because of a Baht 44 million declines in the accounts receivable due to improved efficiency in trading account monitoring and collection management.

□ Non - Current Assets

The Company's non-current assets as at year-end 2004 declined by Baht 162 million, mostly resulting from a decline in the net amount of concession assets after amortization.

2. Liabilities

Total liabilities stood at Baht 1,327 million, reflecting a drop of Baht 445 million, or 25.1%. The decline resulted from full repayments of short-term loans and reduced amounts of long-term loan outstanding caused by scheduled payments as well as early payments made possible by excess liquidity induced from profitable operation. Liabilities comprised :

	December 31, 2004		December 31, 2003	
	Amount (Btmn)	% of Total Liabilities	Amount (Btmn)	% of Total Liabilities
Short-term Loan	72	5.4%	368	20.7%
Concession Payable	450	33.9%	450	25.4%
Other Current Liabilities	238	17.9%	216	12.2%
Long-term Loan	568	42.8%	738	41.7%

The Company strengthened its capital structure and financial position with improved D/E Ratio of 1.25 in 2004 comparing to 0.81 in 2003.

3. Shareholders' Equity

At the end of 2004, the Company's total shareholders' equity was Baht 1,647 million, an increase of Baht 230 million from the previous year. The increase resulted from a net profit of Baht 205 million and a capital injection from the exercise of warrant under the employee stock options plan. The debt to equity ratio improved from 0.81 in 2003 to 1.25 in 2004.

4. Liquidity

At the end of 2004, the Company's net cash flow declined by Baht 6.8 million from the previous year due to:

- ❑ A Baht 765 million increase in cash inflow from operation due to a better operating performance and a reduced concession charge.
- ❑ A Baht 333 million decline in cash outflow from investments caused by lower production costs in 2004 whereas in 2003 there were large capital expenditures in equipment purchases and the relocation of the Company's head office .
- ❑ A Baht 951 million decline in net cash flow from financing due to significant loan repayments enhanced by the improved operating cash position during the year plus new capital injection from the exercise of warrant under the employee stock options plan whereas in 2003 the Company was compelled to borrow money to cover payment of its concession charges.

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.