

Management Discussion and Analysis: ITV

Overview

During the third quarter of 2006, the local media advertising industry showed a 5.7 % increase from the third quarter of 2005, whilst the television advertisement segment also experienced a 9.3% growth. Nevertheless, the total advertisement spending for all media as well as the television advertisement expenditures showed a slight decline of 1.2% and 1.6% from the previous quarter. The decline was due to the industry's low seasonal cycle.

Prime time rating jumped 33% due to a successful introduction of two new drama series.

As for its operations, the Company still retained its industrial third position with 18% of the TV advertising spending market share, a slight increase of 1% from the previous quarter. Its viewer market share also expanded 2% from the previous quarter to 14%, whereas its rating jumped by 33% to 3.59 this quarter, from 2.70 in the previous quarter. The station's increased popularity resulted mainly from program adjustments during the prime time (6.00 p.m. to 10.30 p.m.). Such adjustments included introductions of new kid drama series "Nor Ra Sing" in July and a Thai drama "Ngern Park Phee" in August, as well as a modification and renaming of an existing household favorite game show "Game Set-Thee The Team" in August. The success of all these entertainment programs also enhanced growing response from viewers in their continued support for the Station's news programs, particularly for the prime time news. The overall rating of the Station's prime time thus improved significantly.

Nevertheless, the Company's operating results were severely impacted by external factors namely the economic condition, political environment, and continued upward trend in both the oil prices and interest since the beginning of the year onwards. These factors coincided with the quarter's low seasonal cycle pushing the revenues for the quarter down to Baht 510 million, a drop of 12% from the previous quarter and from the same quarter of last year. The Company recorded a net profit of Baht 89 million in this quarter, a decrease of Baht 83 million or 49% from the previous quarter. It also dropped by Baht 79 million, or 47% from the same period of last year. The net profit margin for the quarter was 17% and net profit per share was Baht 0.07.

Analysis of Operation Results (Consolidated Financial Statements)

Key financial information:

Baht Million	3Q06	2Q06	%QoQ	3Q05	% YoY
Total Revenues	510	579	-11.9%	579	-11.9%
Cost of Services	263	234	12.5%	226	16.4%
Selling and Admin Exp.	94	109	-13.6%	122	-22.9%
Concession fee	58	58	0%	58	0%
EBIT	95	178	-46.9%	172	-45.1%
Interest Exp.	6	6	-0.6%	4	41.8%
Net Income	89	172	-48.5%	168	-47.3%

Total revenues dropped by 12% due to impacts of low seasonal cycle and other less favorable external factors of 2006 such as economic condition and political environment.

Total Revenues

The Company's total revenues for the third quarter of 2006 was Baht 510 million, drop by Baht 69 million or 12% from the previous quarter and also the same quarter of last year. Total revenues, generated from two major activities, which can be broken down to :

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- Advertising Income

The advertising income for the third quarter amounted to Baht 393 million, showing a Baht 67 million drop or 15% from the previous quarter. The drop resulted from low seasonal activities of the industry, high competition among major TV stations. Although, ITV's Q306 rating has been significantly improved, after the launch and revamp of new prime time programs, the station couldn't reap the benefits of those good figures in this period according to lagging indicator of the nature of TV industry. In addition, the second quarter revenue growth was obtained direct windfall from corporate promotional spending linked to the 2006 World Cup matches. The advertising income showed a year-on-year drop of 16% or Baht 76 million resulting from the adverse external effects of economic and political environments that have carried on since early 2006 and negatively impacted the Company's customers spending budgets.

- Airtime Rental

The Company's airtime rental totaled Baht 104 million, a slight decline of 3% from the previous quarter and from the same quarter of last year.

Total Costs

The Company's total costs was Baht 421 million, an increase of Baht 14 million or 3% from the previous quarter, and an increase of Baht 11 million or 3% from the same quarter of last year. The increase was due to:

Total costs slightly increase by 3%, caused by marketing events, whereas sales and administrative expenses declined due to an effective expenses control.

- In the third quarter of 2006, the Company's cost of services was Baht 263 million, an increase of 13 % from the previous quarter. The increase resulted from expenses incurred from marketing events especially from 2006 Miss Thailand Pageant, as well as an increase in impairment provision of Thai drama copy rights. The cost of services was up 16 % from the same quarter of last year due largely to increased marketing events during the quarter.

- Sales and administrative expenses for the quarter were Baht 94 million, a decline of 14% from the previous quarter and 23% from the same quarter of 2005. The drop came from a decline in agency commission that were in line with a drop in sales for the quarter, a fall in marketing and public relation expenses, and a reduction in other general expenses such as legal fees, allowance for bad debts and employee expenses.

- The concession fee for the quarter was Baht 58 million, showing no change from the previous quarter.

- Interest expenses for the quarter was Baht 6 million, showing no significant change from the previous quarter but posing a slight increase of Baht 2 million from the same period of 2005, due mostly to upward adjustments in market lending rates.

Net Profit

In this quarter the Company generated Baht 89 million in net profit, a 49% decline from the previous quarter, and a 47% from the same period of 2005. Net profit margin for the quarter was 17%.

Analysis of Financial Position (Consolidated Financial Statements)

1. Assets

As at 30 September 2006, the Company's total assets amounted to Baht 3,697 million, an increase from the year end 2005 of Baht 245 million, or 7%. Assets comprised:

Total assets increased 7% from year-end 2005 due to an increase in cash from operation.

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Baht Million	3Q06	% of Total Assets	4Q05	% of Total Assets
Cash and Cash Equivalent	1,234	33.4%	826	23.9%
Trade Receivables - Net	333	9.0%	354	10.3%
Other Current Assets	129	3.5%	149	4.3%
Concession Assets - Net	1,990	53.8%	2,112	61.2%
Other Non-Current Assets	11	0.3%	11	0.3%
Total Assets	3,697	100.0%	3,452	100.0%

As at the end of the quarter, the Company's current assets grew mainly because of operating profits, which increased in its cash and cash equivalent. While net account receivables declined in line with a drop in 2006 sales. Other current assets decreased due to declines in program rights and withholding tax receivables. Concession assets also recorded a drop from the previous quarter due to a decline in the net concession assets after depreciation.

2. Liabilities

Total liabilities stood at Baht 996 million, showing a decline of Baht 121 million, or 11% from the year end 2005. Liabilities comprised:

Baht Million	3Q06	% of Total Liability	4Q05	% of Total Liability.
Current portion of Long-term Loan	86	8.6%	81	7.2%
Concession Payable	392	39.4%	450	40.3%
Other Current Liabilities	268	26.9%	296	26.5%
Long-term Liabilities	250	25.1%	290	26.0%
Total Liabilities	996	100.0%	1,117	100.0%

Total liabilities as at the end of the quarter declined due to a reduction in outstanding loans caused by repayments made during 2006. Accrued concession fees also reduced due to payments made in July. Current liabilities declined due to lower amount of accrued expenses.

3. Shareholders' Equity

As at 30 September 2006, the Company's total shareholders' equity was Baht 2,701 million, an increase of Baht 366 million, or 16% from the year end 2005. The increase resulted mainly from net operating profit generated during the year, which helped to reduce the accumulated loss previously incurred.

D/E ratio was at 0.37X, showing an improvement from 0.48X as at the year end 2005 .

4. Liquidity and Capital Structure

During the quarter, the Company's liquidity position improved with the current ratio of 2.27X as compared to 1.61X as at the end of 2005. The Company's debt to equity ratio also improved from 0.48X as of the year end 2005 to 0.37X at the end of this quarter.

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Cash Flow

As at the end of the third quarter of 2006, the Company's cash position was Baht 1,234 million, a Baht 408 million, or 49% increase from the year end 2005. The increase came from:

- ❑ Net cash inflow from operating activities of Baht 597 million.
- ❑ Net cash outflow from investment activities of Baht 153 million, due to :
 - Baht 91 million spent for purchases of program copy rights and production costs
 - Baht 62 million investment in equipment
- ❑ Net cash outflow from financing activities of Baht 36 million resulting from repayments of long-term loan.

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