

Overview

The Company's prime time popularity rating jumped to 3.16 in 2006 from 2.85 in 2005.

In 2006, the local media advertising industry showed a 4.9% increase from 2005, Television advertisements remained the focal media that took the largest share of advertisement expenditures, and captured 59.3% of the aggregated market share, reflecting a slight increase from 58.4 % in 2005. The advertising expenditure on television industry in 2006 grew by 6.5% from 2005. As for its 2006 operations, the Company still retained its industrial third position with a 17.3% control of the TV advertising spending market share, showing a decrease from 18.5% in 2005. The drop resulted from intensified industrial competition in pricing, program schedule adjustments, which aimed to attract the advertisement purchasers' interest. In addition, external factors namely the uncertainty in political environment and a general economic slow-down, further posed adverse impacts to the spending decisions of the Company's advertisement clients. Nevertheless, the Company was able to expand its viewer market share from 12% in 2005 to 13% in 2006 whereas its primetime popularity rating (6.00 -10.30 p.m.) jumped from 2.85 to 3.16 this year or an increase of 11% from 2005. The station's increased popularity resulted mainly from program adjustments during the year. Its children drama, "Norasingh" was a great success while the insertion of Thai drama as a new slot during the prime time induced an expanded viewer base.

In 2006, the Company reported a net loss of Baht 1,783 million, caused mainly by a recognition of accrued concessionary fee incurred during 2004-2006

In 2006 the Company reported Baht 2,159 million in total revenues, a drop of 7.9% from 2005. and Baht 1,783 million in net loss, as compared to Baht 679 million in net profit in 2005. The huge net loss resulted mainly from the accounting recognition of the accrued differences in concession fee payable for the period of 2004 – 2006, and the penalty interest charges of the difference in concession fee payment. All these amounted to a total sum of Baht 2,506 million. The actions were take in accordance with the ruling of the Supreme Administrative Court on 13 December 2006, which ruled to uphold the judgment of the Central Administrative Court that effected on revocation of the Arbitration Award dated 30 January 2004. As a consequence of that ruling, the Company has to comply with the previous terms and conditions as specified in the Concession Agreement.

Nevertheless, the Company is in the process of negotiating the matter and proposing several alternatives to the Office of the Permanent Secretary, the Prime Minister's Office("PMO"). Due to the fact that the Company does not have sufficient cash in hand to repay all these payment charges (Please see more details in the Note to Financial Statements No.24 and No.25). The Company will later inform the outcomes of the negotiations and any further developments on the matters through the Stock Exchange of Thailand.

Analysis of Operation Results (Consolidated Financial Statements)

Financial Highlight

Baht Million	2006	2005	% Change
Total Revenues	2,159	2,343	(7.9%)
Cost of Services	994	941	5.7%
Selling and Admin Exp.	417	474	(12.3%)
Profit b/f Concession Fee, Interest, Taxes	748	928	(19.3%)
Concession fee	1,000	230	989.7%
Diff in Concession & interest	1,506		
Interest Exp.	25	19	30.3%
Net Profit / (Loss)	-1,783	679	(362.5%)

Total Revenues

Total revenues dropped by 7.9% from the previous year due mainly to lower advertisement income

The Company's total revenues for 2006 were Baht 2,159 million, or a drop of 7.9% or Baht 185 million from 2005. The drop mainly resulted from impacts of intensified industrial competitions in the television broadcasting business, uncertainty in the political environment, and general economic slow-down. Moreover, since mid of 2006 the Company has affected from the uncertainty of program schedule which would be finalized by the Supreme Administrative Court. This caused some clients delayed their decision on buying advertising with the Company. Total revenues, generated from major income sources, can be broken down into:

□ Advertising Income

In 2006 the advertising income amounted to Baht 1,685 million, showing a drop of Baht 1,900 million, or 11.3% from 2005. The drop resulted from the cut-down of advertisement budget of many major clients due to uncertainty in political and economic conditions, as well as the major flooding that affected many provinces.

□ Airtime Rental

The Company's airtime rental in 2006 totaled Baht 422 million, a decline of Baht 432 million or 2.4% from 2005. The decline was due to the reduction of rental airtime slots during weekends, and revised this particular timeslot with new programs produced on revenue and time sharing basis.

□ Other Incomes

Other incomes were interest incomes and general revenues. In 2006 other incomes amounted to Baht 52 million, increasing from Baht 11 million in 2005. The increase resulted from both a rise in additional cash from its operation and a higher interest trend during the year.

Total Costs

The Company's cost structure is mainly composed of:

□ Cost of services

The Company's cost of services for 2006 was Baht 994 million, an increase from Baht 53 million, or 5.7% from 2005. The increase was due to:

- An increase of Baht 38 million in marketing events mainly from 2006 Miss Thailand Pageant and the 2006 World Cup. This purpose of the activities was to boost its advertising sale.
- An increase of Baht 3 million in maintenance costs for broadcasting equipment.
- An increase of Baht 12 million, or 14.6% from 2005, in electricity charges, in response to the general increase in global energy prices, particularly for oil, during the year.

□ Sales and administrative expenses

The Company's sales and administrative expenses for 2006 were Baht 417 million, a decline of Baht 57 million, or 12.3%, from the previous year. The decline was due to:

- A drop in employee expenses of Baht 30 million. In 2005, a year earlier, the company paid compensations of Baht 25 million to 21 ex-employees as per the verdict of the Supreme Court. In addition, the employee bonus and severance pay expense for 2006 also declined by Baht 5 million.
- Sales and marketing expenses dropped by Baht 20 million. The drop came from a decline in agency commission amounting to Baht 8 million that were in line with a drop in advertisement income, a Baht 9 million falls in marketing research, and a Baht 3 million decline in program promotion expenses.
- General expenses dropped by Baht 7 million. The drop came from a Baht 3 million decline in allowance for bad debts and a Baht 4 million drop in office supplies.

The Company's cost of services and sales & administrative expenses (excluded concession fee and interest expenses) remained in line with the previous year, a slight decrease by Baht 5.2 million.

Concession fees

In 2006 the Company recognized Baht 2,506 million in concession fees, which comprised Baht 1,000 million in 2006 concession fee, the accrued differences in concession fees payable to the PMO for the period of 2004–2005, and the penalty interest charged at 15% p.a., as stipulated in the Concession Agreement, totaled Baht 1,506 million. The penalty interest was charged from 14 December 2006 onwards. The concession fee for the year, hence, significantly increased. In 2005, the company recorded a concession fee of Baht 230 million, according to the arbitration panels' ruling dated 30 January 2004.

Interest expenses

Interest expenses for 2006 was Baht 25 million, an increase of Baht 6 million or 30.3 % from 2005, due mostly to upward adjustments in market lending rates from 4-5.5 % in 2005 to 5.5-7.5% in 2006.

Net Profit

In 2006 the Company incurred a net loss of Baht 1,783 million, in contrast to a net profit of Baht 679 million in 2005; the loss resulted from the said matters related to the accrued concession fees.

Analysis of Financial Position (Consolidated Financial Statements)

1. Assets

As at 31 December 2006, the Company's total assets amounted to Baht 3,911 million, an increase from year-end 2005 of Baht 459 million, or 13.3%. Current and non-current assets accounted to 49.8%, and 50.2% of the total assets, respectively. Main items in the assets were:

Total assets mainly increased from to an increase of Baht 625 million in cash.

Unit : Baht Million	Dec. 2006	% of Total Assets	Dec. 2005	% of Total Assets
Cash and Cash Equivalent	1,451	37.1%	826	23.9%
Trade Receivable -Net	360	9.2%	354	10.3%
Other Current Assets	137	3.5%	149	4.3%
Concession Assets - Net	1,952	49.9%	2,112	61.2%
Other Non-Current Assets	11	0.3%	11	0.3%
Total Assets	3,911	100.0%	3,452	100.0%

□ Current assets

As at 31 December 2006, the Company's current assets amounted to Baht 1,948 million, an increase from year-end 2005 of Baht 619 million. The increase contributed mainly from an increase in Baht 625 million in cash and cash equivalent. Account receivables grew slightly by Baht 6 million from year-end 2005. Other current assets decreased by Baht 12 million due to declines in net programming rights and hired-production programs resulting from the Company's policy which encourages more program production on a time sharing and revenue sharing basis.

□ Non-current assets

Non-current liabilities were recorded at Baht 1,963 million, a decline of Baht 160 million from the previous year. The decline resulted from the depletion of assets under concessionary agreements and depreciation of equipments which amounted to Baht 250 million, whilst investments in assets under concessionary agreements and equipment were only Baht 90 million. At present the Company operates a network of 52 stations with a nationwide coverage area of 98% of the total national population. Therefore, additional investments are not currently required.

2. Liabilities

As at 31 December 2006, total liabilities stood at Baht 3,356 million, showing an increase of Baht 2,240 million, or 200.5% from year-end 2005. The increase was due to

the accrued concessionary fee payable for the period of 2004 – 2006, as well as its applicable penalty interest charges, which was ruled for payment by the ruling of the Supreme Administrative Court on 13 December 2006. Liabilities comprised:

Unit : Baht Million	Dec. 2006	% of Total Liab.	Dec. 2005	% of Total Liab.
Current Liabilities	337	10.0%	296	26.5%
Concession Payable	2,726	81.2%	450	40.3%
Current portion of Long-term Loan	94	2.8%	81	7.2%
Long-term Liabilities	199	5.9%	290	26.0%
Total Liabilities	3,356	100.0%	1,117	100.0%

Other current liabilities increased by Baht 41 million from 2005 due to Baht 17 million increases in account payables and Baht 23 million rises in accrued expenses. Long-term liabilities composed mostly of bank loans, at the rate of 3 month fixed deposits plus 2.75%, which currently is 7.25% p.a. Repayments are scheduled semi-annually in June and December, final maturity is in 2009.

3. Shareholders' Equity

As at 31 December 2006, the Company's total shareholders' equity was Baht 555 million, a decline of Baht 1,781 million from year end 2005. The decrease resulted from a net loss for the year of Baht 1,783 million. Debt to equity ratio increased to 6.05 from 0.48 as at year end 2005. The Company is in the process of seeking for additional capital from external sources to cover such liabilities.

4. Liquidity

As at year end 2006, the Company had Baht 1,451 million in cash on hand with an increase in a net cash flow position of Baht 625 million resulting from:

- Net cash inflow from operating activities of Baht 907 million, a decline of Baht 233 million from 2005 resulting from a drop in total revenues.
- Net cash outflow from investment activities of Baht 203 million, due to:
 - Baht 129 million spent for purchases of program copy rights and program production costs
 - Baht 73 million investment in equipment and fixed assets
 The amount of net cash outflow from investment activities was in the same level with 2005.
- Net cash outflow from financing activities of Baht 79 million resulting from repayments of long-term loans. The Company has outstanding debt of Baht 290 million at year end 2006. The net cash outflow from financing activities for the year declined by Baht 184 million from previous year as the Company made a prepayment of Baht 200 million for its long-term loan in 2005.

In 2006 the Company's current ratio was 0.62, a significant drop from 1.61 of the previous year. The drop was due to the earlier mentioned accrued concession fee obligations.

Financial position was significantly weakened, with D/E ratio at 6.05, as at the year end 2006, which was much higher than at 0.48 as at year end 2005.

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