Amsterdam, 01 August 2014

TMG 2014 Semi-annual figures

Advertising revenues lower than expected, cost reductions ahead of schedule

Key points for the first half of 2014

- The recurring EBITDA result declined from € 26.8 million (10% margin) in the first half of 2013 to € 21.1 million in the first half of 2014 (8.3% margin), primarily due to lower advertising and circulation revenues and higher sales costs.
- Revenues declined from € 268.0 million during the first half of 2013 to € 253.5 million during the same period of 2014 (- 5%).
- The roll-out of the cost-reduction programmes is ahead of schedule. Recurring operating expenses exclusive of depreciation and amortisation fell by 5% from € 241.2 million in the first half of 2013 to € 232.4 million in the first half of 2014 in spite of higher sales costs due to investments designed to reinforce key TMG brands, and acquire and retain circulation.
- A lower result from participating interests due to the sale of the interest in ProSiebenSat.1 Media AG (September 2013) and a negative result on the sale of participating interests (Zoomin.TV Netherlands and Ticketsplus with a one-time loss of € 4.6 million).

Geert-Jan van der Snoek, CEO of Telegraaf Media Groep: "TMG has taken further steps to reinforce its key brands over the past few months. The disappointing advertising revenues were partially offset by previously planned cost reductions. The focus on brands and on the changing consumer behaviour is the guideline for the future. We will be taking an even closer look at the options selected by our clients in searching for news and information. We have strong brands and an extensive and varied media platform. This provides us with an excellent starting position that enables us to reach our clients at any time of the day with relevant answers to their specific information needs."

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Trends in the first half of 2014

Telegraaf Media Groep N.V. continued to be faced with challenging conditions in the first half of 2014 due to persisting pressures on advertising and circulation revenues. To counteract these trends, TMG has invested in additional sales and promotional activities in line with the promotions announced at the end of last year, primarily in support of generating circulation revenues from national and regional media. Although in the first half of the year this has still been at the expense of margins, the company expects to be able to reap the rewards from this starting from the end of 2014.

The structural transformations that have been underway since 2013 are ahead of schedule. In the first half of 2014, cost reduction measures resulted in a 5% reduction in operating expenses in comparison to the first half of 2013. The total package of measures is expected to be rolled out prior to the end of 2014 and to be fully reflected in the 2015 annual results.

The strategy initiated last year to better profile brands and to provide greater room for entrepreneurship continues to take shape. For the **national media** this is in part manifesting in the conversion to combi-subscriptions; digital and printed newspapers combined with premium web content. For the De Telegraaf daily newspaper the intensive marketing efforts have resulted in a growth in subscriptions with a digital component and the rate of decline of the total paid printed circulation decreased in the first quarter in comparison to the same quarter last year. On 14 July it was announced that Sp!ts and Metro will be merged into a single newspaper making Metro the largest free daily newspaper in the Netherlands. The new, enriched Metro will appear for the first time in October 2014.

In **TMG's local and regional activities**, where the integration of the regional daily newspapers, the free local papers (distributed door-to-door) and Dichtbij.nl's hyper-local websites was completed in the first half of 2014, there is growth in digital subscriptions, which is the case for national media as well. This business unit, which is known as Holland Media Combinatie since 1 July, realised a higher result in spite of lower revenues, due to cost reduction measures and Dichtbij.nl's profit contribution. In addition, premium content payment initiatives are being developed for the regional daily newspapers following a successful trial with the Haarlems Dagblad in the first half of the year.

2014 is a transition year for **Sky Radio Group** with the recovery of Radio Veronica's market share for which various measures have been initiated, including the station's restyling through means of different programming and a change in the DJ line-up, in part with the arrival of Jeroen van Inkel. Sky Radio realised the highest listening figures since its inception. The result in the first half of the year was higher due to the book net profit on the sale of MyRadio (€ 1.9 million) .

In the first half of the year **Keesing Media Group** booked solid progress with its reorganisation. The integration of activities in France, including the closure of the printing plant, is completed. New distribution outlets will be added in Germany and Spain. Philip Alberdingk Thijm was appointed General Manager of Keesing Media Group effective 1 July 2014. Alberdingk Thijm managed Sky Radio Group in past years and will continue to do so in a dual position until no later than 1 October 2014.The net result in the first half of the year rose due to lower restructuring costs.

Financial performance to the first half of 2014
For the first six months of 2014 Telegraaf Media Groep N.V. realised a recurring EBITDA result of € 21.1 million, a decrease of 21.3% compared to the same period of 2013 (EBITDA result of € 26.8 million). The recurring EBITDA margin declined from 10.0% in the first half of 2013 to 8.3% in the same period of 2014.

The cost reductions were insufficient to offset the persisting pressure on revenues due to the additional sales costs incurred by the national media to promote increased circulation and the FIFA World Cup. The local and regional media, radio and puzzles business units realised a further improvement of their results.

The intellectual property and the international operations of MyRadio were sold, while the licence for activities in the Benelux continued to form part of Sky Radio Group. In the first half of the year National Media sold its interests in Zoomin.TV Netherlands and Ticketsplus.

Revenues

Circulation revenues for the first half of 2014 declined by € 5 million to € 133.6 million. The number of print subscriptions declined for national, as well as local and regional media. The conversion to combi-subscriptions, digital and printed newspapers combined with premium content on the website, was initiated. For the time being this was not enough to prevent a decrease in circulation revenues. Furthermore, consumers are increasingly less apt to purchase a single newspaper. The promotion involving a free iPad mini combined with a two-year subscription to the De Telegraaf daily newspaper is proceeding as expected. The circulation revenues of Keesing Media Group remained the same. Higher single copy sales in Spain and Denmark offset the decreased single copy sales in the Netherlands that were under pressure due to the elimination of a number of retail/sales outlets.

Advertising revenues declined by € 12 million to € 87.4

million (12.1%) in the first half of 2014. At 26.5% the decline was particularly pronounced for national media, primarily due to fewer large advertising agencies in the category National Brands and Services. The decline was far less pronounced for the local and regional media. On average, it was 7.7%, whereby the free local papers (distributed door-to-door) performed better during the past period. Sky Radio Group's advertising revenues declined, primarily due to Radio Veronica's lower listening figures. This station is currently being restyled. By contrast, Sky Radio realised the highest listening figures since its inception.

Digital advertising revenues rose by 7%, primarily on the De Telegraaf's website.

Revenues from distribution activities for third parties rose by € 1.7 million due to the distribution partnering previously initiated in 2013 with De Persgroep for the distribution of daily newspapers in the provinces of Noord-Holland, Zuid-Holland and Limburg. Part of the joint distribution activities is performed by Telegraaf Media Groep as a result of which there is a higher coverage of distribution activities.

Other revenues, which include video productions and e-commerce activities, such as the sale of tablets, travel packages and other consumer goods rose by € 0.6 million.

ExpensesThe € 120 million cost reduction programme (running from 2012 to the end of 2015) is ahead of schedule. The full impact should be evident in 2015. Up to the end of June 2014, € 86.4 million in savings was implemented.

The costs of **raw and auxiliary materials** declined by € 1.9 million (8.7%), primarily due to the lower daily newspaper circulation figures and the lower cost of paper.

Overall **personnel costs** decreased by € 10.7 million. A restructuring provision of € 2.9 million was made last year due to the closure of Keesing Media Group's Rotomega printing plant in France. The closure was completed in March 2014. Personnel costs include wages and salaries, social security contributions, pension premiums and the costs of temporary personnel. The costs of temporary personnel rose by € 0.8 million in the first half of 2014, primarily due to the transformation of IT to a standard working environment.

The number of employees on the basis of continued operations fell from 2,459 at year-end 2013 to 2,329 as at 30 June 2014; a reduction of 130 FTEs. The decline in the number of FTEs applies across TMG, exclusive of Sky Radio Group.

Other operating expenses increased by € 1.1 million in the first half of 2014. Sales costs rose by € 2.2 million due to De Telegraaf daily newspaper circulation promotion efforts, a new Telegraaf campaign, the FIFA World Cup promotion and Sky Radio Group's marketing costs. E-commerce-related procurement costs declined due to lower sales. Savings were achieved in other cost categories, such as distribution and accommodations.

Depreciation and amortisation charges in the first half of 2014 amounted to € 14.3 million and were € 0.3 million lower than in the comparable period last year.

Financial income and expenses In the first half of 2014, National Media sold its Zoomin.TV Netherlands and Ticketsplus activities. The sale produced a negative result on the sale of a participating interest in the amount of € 4.6 million.

The first half of 2013 a share in the result from associate includes Telegraaf Media Groep's 6% share in ProSiebenSat.1 Media AG amounting to € 11.5 million. The interest was sold on 6 September 2013.

The financial expenses are primarily related to the FM licensing fees paid for Sky Radio Group. The credit facility was not drawn down as at 30 June 2014.

Taxes
The variance between the effective tax burden (89%) and the nominal tax burden (25%) is due to the non-deductible book losses on participating interests sold. In 2013, this variance was due to the exempted results of the associate ProSiebenSat.1 Media AG.

Cash flow
Due to a reduction in the interest paid and personnel redundancy costs, the net cash flow from operational activities in the first half of 2014 was € 3.1 million higher than in the same period in 2013.

The conversion of the printing presses was virtually complete in the first half of 2014. Payment instalments were made in the first half of 2013 for the investments to create greater flexibility in printing options at the printing plants in Amsterdam and Alkmaar. In addition, a number of servers were purchased. The total cash flow from investment activities was € 3.4 million; € 9.1 million lower than in 2013. In addition, in the first half of 2014, the Zoomin.TV Netherlands and Ticketsplus activities were sold.

To finance the operational and investment activities an amount of € 29.9 million was withdrawn in the first half of 2013. However, the withdrawal of this long-term liability was redeemed in the second half of 2013. As at 30 June 2014, the existing credit facility was not used and the company had an amount of € 31.9 million in cash on hand.

Financial notes to the second quarter of 2014
For the second quarter of 2014 Telegraaf Media Groep N.V. realised a recurring EBITDA result of € 13.5 million, while the recurring EBITDA result realised in the same period of 2013 was € 16.9 million. The recurring EBITA margin was 10.4% in the second quarter of 2014 (second

quarter 2013: 12.3%).

Revenues declined by € 7.9 million in the second quarter, primarily due to lower advertising revenues derived from national daily newspapers. The FIFA World Cup campaign in June was unable to offset the decline. In addition, circulation revenues continued to be under pressure (-3.6%), although this pressure is currently abating. The iPad and the FIFA World Cup promotions were positively received and the number of digital subscriptions is experiencing continued growth. Revenues from distribution rose by € 0.4 million due to the joint distribution of dailies by TMG together with De Persgroep.

Cost reductions were realised on virtually all cost components, with the exception of sales costs for the FIFA World Cup promotion, the circulation promotion and the launch of a new advertising campaign for the De Telegraaf daily newspaper.

A restructuring provision of € 2.9 million was made in the second quarter of last year due to the closure of the Keesing Media Group's Rotomega printing plant in France. The restructuring costs have been adjusted.

Depreciation and amortisation charges declined by € 0.6 million in the second quarter in part due to the sale of Zoomin.TV Netherlands and Ticketsplus by National Media. A loss of 4.6 million was incurred on these disposals. In the second quarter of 2013, a positive result of over € 8 million was recognised from the 6% interest in ProSiebenSat.1 Media AG. The interest was sold in September 2013. Due to these results from participating interests, the net result of the Group over the second quarter of 2014 amounted to positive € 0.6 million compared to positive € 11.5 million in 2013.

Changes to management and supervision
During the AGM held in April 2014, Ms A. van den Belt and Ms S.G. Brummelhuis were appointed as members of the Supervisory Board for a four-year term. The Supervisory Board currently comprises Messrs M.A.M. Boersma, J.J. Nooitgedagt, A.R. van Puijenbroek, Ms A. van den Belt and Ms S.G. Brummelhuis.

Mr M.A.M. Boersma, Chairman of the Supervisory Board, stepped down as delegated supervisory board member effective 1 July, pursuant to the appointment of Mr Geert-Jan van der Snoek as CEO and Chairman of the Executive Board effective as of that date. The current CFO, Fred Arp, will, as previously announced, step down effective on 1 March 2015.

Subsequent events
On 14 July 2014, the company announced that the best segments of **Sp!ts** will be added to **Metro** to create a single newspaper. This creates a thicker and more complete newspaper that reaches an even larger target

group. With the De Telegraaf daily newspaper and Metro, Telegraaf Media Groep will become the publisher of the two largest newspapers in the Netherlands. The new, enriched Metro will appear for the first time in October.

Outlook

TMG continues to have a dominant presence in the rapidly changing media landscape due its broad media platform and brands. In terms of reinforcing its key brands, TMG will stick to investing in focused sales and promotional activities. At the same time the company will devote efforts to completing the previously announced cost reduction programmes by the end of 2014. TMG expects that the impact of these initiatives will be reflected in the 2015 annual results, barring any unforeseen circumstances.

It is expected that the advertising and circulation revenues of the national and regional daily newspapers in the Netherlands will continue to be under pressure in the second half of 2014. The impact of the current cost reductions and the reduction in the cost of paper are not expected to offset this drop in revenues. Ongoing cost reductions consequently will remain a part of business operations. Efforts will be made in the second half of 2014 to continue to promote the increased circulation of paid daily newspapers and to continue the IT standardisation process.

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1 The consolidated income statement is presented on the basis of continued operations. The result of discontinued activities or those held for sale are presented separately. This concerns the activities of the online non-print related segment. All of these activities were sold or discontinued, with the exception of Relatieplanet which continues to be classified as held for sale. This puts the focus almost entirely on the print-related online activities. The comparative 2013 figures have been adjusted accordingly*.

Attachments: Semi-annual Report

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