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Operational margin 2008 of TMG at the same level as 2007

CEO of TMG, A. J. Swartjes, mentioned in his New Year's speech that the effect of the worsening economy became increasingly tangible in the course of 2008. Nevertheless, TMG expects, to maintain the normalised operational margin on the level of 2007 (7,2%)by cost reductions. On the bases of 'continued operations', the margin will be approximately 9%.

The results of 2008 will be influenced by the exceptional charges caused by the participations in ProSiebenSat.1 Media AG (ProSiebenSat.1) and Expomedia Group PLC (Expomedia) as well as by a significant restructuring facility in the context of the personnel reduction announced. The exact amounts will be known when the annual figures are published in March.

Swartjes also mentioned that "on the basis of the preliminary figures, modestly lower revenue and modestly lower normalised operating result before amortisation (EBITA) were realised in comparison to 2007. With revenues of about €720 million, the normalised EBITA margin for 2008 will be near to the margin for 2007, which came to 7.2% with revenues of €739 million".

At the time of the publication of the semi annual results of 2008, a margin of at least 8% was assumed for the whole of 2008. In particular the disappointing advertising revenues during the last weeks of the year and the later than expected divestment of activities that are not profitable or not profitable enough are important reasons for not achieving the expected margin.

Exclusive of the results of business activities to be ceased or divested, such as Media Librium, a number of Dutch magazine titles, Carp's print activities and the activities in Sweden and Ukraine, the margin for the so-called 'continued activities' will come to almost 9% as in 2007 with revenues of about €680 million in 2008 and €700 million in 2007.

Autonomously, that is to say excluding the effect of

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changes to the portfolio, there was a modest decline in advertising revenues. This was especially visible in the segment job advertisements, classified advertisements and national brands and services and was also due to price pressure in a highly competitive media market. There was marginal autonomous growth in circulation revenues.

The following had a positive influence on the developments in revenues and operating result: an increase in both circulation revenues and revenues from online activities, acquisitions, cost reductions, and divestment of loss-making activities at the end of 2007 (including Sky Radio Hessen and Editions de Saxe in Lyon).

Among others, the following had a negative influence: the decline in advertising revenues in print media, the start-up losses of Media Librium, WebRegio.nl and Carp.

A limited number of relatively small acquisitions were also realised in 2008. The share buy back in 2008 amounted to €47 million.

The number of FTE across the group diclined, from more than 3,600 FTEs at year-end 2007 to about 3,550 FTE at year-end 2008 despite the expansion in new activities.

Publishing companies

Partly because of the establishment of Telegraaf Media Nederland, 2008 was the first year in which the result could clearly be seen of the course charted out to organise into several publishing companies, specifically Telegraaf Media Nederland, Sky Radio Group and Keesing Media Group. This way TMG is less dependent on newspapers than previously. From an economic perspective, 2008 was a year in which the effect of an ever-worsening economy became increasingly tangible during the course of the year. This factor and the structural trend in revenues and costs, particularly at Telegraaf Media Nederland and its related operating companies and staffs, prompted the announcement of rigorous cost cut of €40 to €50 million on an annual basis. This cost reduction consists of the divestment and ceasing of activities that are either loss making or not profitable enough, outsourcing non-core activities and reducing the workforce by almost 500 full-time jobs.

Telegraaf Media Nederland

The normalised EBITA result was lower than last year. This was due to a lower advertising revenue, limited higher circulation revenues (price increases), and through major cost savings. “Despite major cutbacks we produced beautiful, distinguished newspapers and magazines and won market share on various fronts. But the structural trend of declining circulation is unmistakeable”, says Swartjes. The growth in revenue from digital media throughout Western Europe was significantly lower than predicted. Revenue growth at Telegraaf Media Nederland was also lower than anticipated. Because of this development and due to the realisation that a more integral approach to digital would result in better and faster growth, the digital activities that had been unlinked earlier were once again bundled with print. This was done without detracting from TMG's digital ambitions in any way. Despite the disappearance of a competitor's free daily newspaper *DAG*, the competition among free newspapers for advertising revenue continues unabated. TMG is in negotiations with several parties on the sale of a number of Dutch magazine titles. More information on this is expected to be available soon. Activities in free local newspapers were expanded and the position in the western part of Holland (Randstad) was strengthened. Local information is becoming more and more important for the (digital) consumer and advertiser.

Sky Radio Group

It has been a successful year for Sky Radio Group. Every one of the Group's four radio stations, Sky Radio, Radio Veronica, Classic FM and TMF Radio, performed excellently and the Group even reinforced its position as the largest radio group in the Netherlands. Significant steps were taken on the path to digital during the past year. The new online stations The Christmas Station, Sky Radio Love Songs, The Number One station and Radio Veronica Top 1000 Allertijden were enthusiastically welcomed by the digital audience.

Keesing Media Group

In the past year Keesing Media Group was able to further implement it's strategy to focus on puzzles & games. The profitability of puzzle activities rose, primarily as a result of the acquisition of Sanoma puzzles and the divestment of loss-making activities. The market in France was under pressure. Acquisitions were also made in the area of digital games, which were available in the Netherlands and abroad.

International

Earlier, TMG issued ambitious international growth objectives, with spearheads being magazines, puzzles, free newspapers and digital activities. After a strategic analysis of the possibilities and considering the current economic developments, a decision was made to adjust the course that had been taken. That is why TTG Sweden was divested and the activities in Ukraine are up for sale. The international ambition remains; it is just that it will be shaped via puzzles & games and via other digital developments, which are almost always cross-border.

Operating companies

The goal and challenge for the printing division (Telegraaf Drukkerij Groep), distribution company (TMG Distributie) and Telegraaf Media ICT is to be simultaneously flexible, reliable, efficient and inexpensive and also to move along with developments in the rest of the company. A major strategic concern is the distribution of paid newspapers. Home delivery to subscribers is becoming increasingly difficult and expensive. The distribution company continues to undertake major efforts to cut back on costs and enable everything to run more efficiently, but in the long term, cooperation with third parties seems to be the only solution. We hope and expect that the government will not only see this inevitability but also accommodate for it in a more relaxed legislation. 2009 will be characterised by, among other things, attention to even better delivery quality and intensive consultation with market parties in order to achieve the necessary cooperation.

Participations

Television, and following on that of course the combination of television and internet, forms a strategically important part of media consumption. TMG is advancing in the area of internet television. But broadcast television is expected to remain important for a long time to come. That's why the participation of TMG in ProSiebenSat.1 is important. In 2007 the prospects for ProSiebenSat.1 were favourable; that year closed with a Pro Forma (including SBS) Recurring EBITDA result of more than € 700 million. In 2008 the world is changed and TMG has had to accept an impairment on the interest. In December a significant impairment was announced in connection with the recent result development at Expomedia. The extent of the impairments on both participations will be publiced together with the annual results of 2008. These will determine in a significant way the net result of TMG.

Outlook

Swartjes: "It is more irresponsible than ever to make a prediction of the results. We can however indicate a few ingredients that will affect this. With regard to advertising revenues, which continues to account for half of the group revenues, further deterioration is expected. In contrast to this, online revenues will increase further. Circulation revenues may stabilise, thanks to price increases. The expected price increases in general and increases incorporated in collective labour agreements will put the result under further pressure. On the other hand cost reductions will have a positive effect."

A number of measures have been announced to prevent further pressure on the operational margin and preferably enable it to grow. These measures consist on the one hand of the aforementioned large-scale restructuring, which envisions a personnel reduction of about 500 FTE through the end of 2010, and on the other hand of the divestment and/or cessation of activities that are not profitable enough. Of course TMG continues to work on acquisitions that could further strengthen its position in the media market both in print and online. In doing so TMG can make use of its healthy financial position. TMG will, however, safeguard its debt-free position and only make new acquisitions and enter into new obligations if these involve a clear profit potential.

Swartjes also mentioned during his New Year's speech that he "expects no major capex in 2009, the restructuring will be financed from the cash flow of normal operations and the slimmed down company will be able to create latitude to further build on its profitability and market position. With print, radio, puzzles & games and digital activities, both nationally and internationally".

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