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Speech to the General Meeting of Shareholders

You have been able to extensively acquaint yourselves with the course of events during the past financial year in the annual report over 2003, which was published two weeks ago. In addition, you have been able to follow the presentations at meetings with the media and analysts on 12 March, 2004, on our website. For this reason, we feel that we can suffice with a brief review of the previous year. Of course we shall also devote attention to the prospects for 2004.

Review of 2003

It was disappointing that the third consecutive year had to be concluded with a loss. On this occasion, the main cause was the downward value adjustment of our financial interests in the Brouwer Groep by a net amount of € 49 million. It is important, however, that for the first time in three years, the operating profit once again showed an increase of 10%, compared with 2002. The reorganizations which were started in 2002, caused a considerable reduction in personnel costs. In addition, higher income from circulation, savings in the remaining operating costs and lower costs for newsprint, resulted in a recovery of the operating profit, in spite of the decrease of € 25 million in advertising turnover.

In the group as a whole, advertising turnover has decreased by approximately 7% compared with 2002. It is encouraging that, in the last months of 2003, there was more or less a question of a stabilization of the brands and services advertisements at the daily newspapers. If we count the volume of the 'retail war', a slight growth can even be noted. However, after the decrease in 2002, personnel and classified advertisements were again considerably lower.

In addition, circulation also came under pressure again at the national and regional daily newspapers. The HOI, Institute for Media Auditing, reported a 2.5% decrease in paid circulation of all daily newspapers over the period of 1 October 2002 up to and including 30 September 2003, with regard to the comparable period of the year before. Within our group, the average decrease was limited to 2.1%.

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At the **daily newspaper De Telegraaf** 2003 continued to be another hard year. Only the segment of brands and services showed an increase in volume, by approximately 13% for national brands and services and 2% for local brands and services. The largest decreases were in personnel advertisements (-41%) and classified ads (-20%). Average paid circulation dropped by 2.4%. With the Saturday subscription, the regional supplement in Twente and the offer of a subscription for young people at a reduced price, all introduced in the course of 2003, steps have been taken to maintain circulation. Being permitted to publish radio and television programming would constitute a better remedy; however, this is still not in sight.

The joint delivery project (GBB) started in the province of Utrecht jointly with PCM and Wegener, was evaluated at the end of 2003. It was decided that De Telegraaf will not participate in a further national development, because the expected efficiency advantages in relation to one's own distribution organization could not be determined. The cooperation in the trial area will be continued.

The more aggressive market approach that was announced last year, has resulted in a further extension of the so-called verticals. By launching the bi-weekly AutoTelegraaf Magazine into the market and the purchase of boating, camper and caravan magazines, important steps forward were taken in, among other areas, the car market and the boating market.

In spite of savings in the Internet activities, the content supplied remained up to standard and the number of pageviews between December 2002 and December 2003 increased by no less than 600,000 to an average of 2.4 million a day. An increase therefore of 33%.

To improve the competitive position with regard to television advertising, a new advertising tariffs system was introduced in 2004. Here, among other matters, discounts are linked to turnover instead of volume and the extent of colour surcharges is dependent on the size of advertisements.

To further reinforce the position in both the circulation market and the advertising market, the Sunday paper of daily newspaper De Telegraaf was launched as of 21 March 2004. Subscribers receive this newspaper at home as part of their regular subscription. In addition, the paper is on sale at about 3,000 points of sales and as part of the weekend subscription, which was also introduced. First reactions from both readers and advertisers are very positive.

Splits has done better than in 2002 thanks to both a higher advertising turnover and cost reductions. Over the whole of 2003 a slight loss was sustained.

At the **regional daily newspapers, Media Groep Limburg** has managed to strongly improve its results compared with 2002, in spite of the decreased income

from advertising. This is the result of a combining of activities within the restrictions imposed by the NMa (the Netherlands Competition Authority) and maintaining continuous attention to improvements in efficiency.

On the other hand, **De Hollandse Dagbladcombinatie** performed to a considerably lesser extent than in 2002. Decreasing income from advertising and a portfolio with some badly performing activities, including the commercial printing facility, were the cause of this. Meanwhile, a reorganization was started in 2003 which provides for a staff reduction of 180 employees in the years 2003 up to and including 2005. Part of this plan is a further integration of the publishing companies in Noord- and Zuid-Holland in the course of 2004, whereby the Leidsch Dagblad, the Haarlems Dagblad and De Gooi- en Eemlander will be moved to the morning as from 19 April 2004. In addition, unprofitable activities, including the Dagblad van Almere and the Goois Weekblad were taken out of the market in 2003. The reorganization launched in 2003 will show a positive effect starting from 2004.

At the **door-to-door papers** division results came under pressure due to lower advertising turnovers at both the weekday editions and the Sunday editions. By keeping a firm grip on the ratio between advertising and editorial pages, costs could be reduced. At the HHC, the downturn of the result was somewhat compensated for by publishing Specials, among which trendy magazines, real estate newspapers and business publications. Via an additional digitisation of the so-called primary processes, costs will be further reduced.

At the **magazines** division, a result, considerably better than over 2002, was achieved in spite of decreased advertising turnover. Higher income from circulation, tight cost controls and disposing of unprofitable activities caused this improvement. The portfolio was increased with the title Esquire, while the magazine CosmoGirl! was successfully launched in a joint venture with Hearst; more than 90,000 copies of the first publication were sold.

At the magazine Privé the renewed editorial styling resulted in a clear increase in circulation in the course of 2003. Hitkrant also did well in the readers' market with an average paid circulation of more than 100,000. Residence went through a difficult year as a result of the economic reversal. At the beginning of 2004, the fine-tuned distribution of the TTG magazines was outsourced to Aldipress with a view to a further professionalization in marketing on the shop floor.

In 2003, **TTG Sweden** made a positive contribution to the group results for the first time, thanks to the increased income from Cosmopolitan in particular and cost reductions. To enforce the living cluster, two small titles were purchased in 2003. A further expansion is expected in 2004.

It was recently announced that a joint venture deal was

made with the **Kyiv Post Group** in the Ukraine, under which De Telegraaf will participate in a publishing company as a 70% share-holder. This publishing company will, in particular, be aimed at publishing consumer magazines in the Ukraine, and will be expected to launch about six titles into the market during the coming two years. The magazines *Stuff* and *Pink* have meanwhile been introduced.

DistriQ B.V., in which the distribution activities have been placed, has also performed better than in 2002, both in terms of results and in terms of quality. Further optimisation of processes has occurred by the implementation and harmonization of ICT systems, as well as a tight employment policy. It was recently announced that DistriQ will also take over the distribution of the PCM newspapers in as far as the transportation from the printing facilities to the distribution centres is concerned, as well as the primary transportation of all the magazine titles of Aldipress.

DataWire B.V. has been able to further develop in the areas of editing, distribution and sale of existing content from editorial departments and other sources during 2003. With regard to the product DigiDition, developed within DataWire, which enables the complete edition of a newspaper or a magazine to be put on the net, contracts with third parties have also been signed in the meantime. The year 2003 was concluded with a positive result.

The result from **participations** was, on the one hand, positively influenced by the higher result from the participation in SBS Broadcasting B.V., including non-recurring revenue of € 13 million as a result of the merger with Veronica. In this matter, the share of De Telegraaf in SBS diluted from 30% to 27%. On the other hand, the result from participations was negatively influenced by the share in the losses of the Brouwer Groep of € 15 million, in addition to the aforementioned net depreciation of € 49 million. Based on the capital position of the Brouwer Groep as of 31 December 2003, a total downward value adjustment of both the participation, the goodwill, as well as the financing provided to the Brouwer Groep was decided upon. The unfavourable economic climate and the overcapacity in the printing market caused a further decline in the results of the Brouwer Groep. With the exception of a loan to the Brouwer Groep of € 3 million, covered by sureties and supplied by De Telegraaf in January 2004, a further injection of capital was waived.

Our interest in Wegener was increased in 2003 from 21.8 % to 23.9 % by the purchase of ordinary certificates of shares at an attractive rate. The stock market value as of 31 December 2003 was € 12 million higher than the book value as from that date. This surplus value has not been taken into account in the figures over 2003.

The first consumer exhibitions have been satisfactorily organized in 2003 by the Telegraaf group in a joint venture

with **Expomedia**. Expomedia mainly supplies the know-how, while daily newspaper De Telegraaf, Sp!ts and the magazines take care of coverage. The portfolio will be further extended next year.

Prospects

Although it is not usual in these uncertain times – economically speaking – we have given a profit expectation over 2004 at the publication of the annual figures over 2003 12 March last. Barring unforeseen circumstances, a net profit of around € 20 million is expected for the entire group over 2004. This expectation includes an advertising turnover which is, on balance, 5% higher than in 2003, as well as about € 20 million in extra costs charged against the result of 2004 with regard to new initiatives, including De Telegraaf op Zondag.

Through this profit expectation and the proposal to maintain the dividend over 2003, confidence is being expressed in the strength of this group.

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