

14 January 2005

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Telegraaf group confirms net result of € 20 million

During the New Year's meeting of the Central Works Council with the Executive Board of the Telegraaf group, the board's chairman Ad Swartjes has announced that the net result of € 20 million for 2004 – predicted at the time of publication of the annual figures for 2003 – is expected to be realized.

However, the quality of the result differs from what was anticipated. At the time of the semi-annual report, it had already been indicated that the originally expected 5% growth in advertising turnover would not be attainable. In spite of an ultimately as good as equal advertising turnover in 2004 and a growth in circulation turnover of less than 2% (both including the new Sunday newspaper of De Telegraaf), further cost reductions have enabled the aforementioned result of € 20 million to be achieved. It is notable that the incidental earnings (book profits from participations) and expenditure (including reorganization provisions) have kept each other in balance.

The total advertising volume of the Dutch daily newspapers was lower in 2004 than in the previous year, particularly at the regional daily newspapers. The same applies to the magazines, while the door-to-door papers realized about the same volume as in 2003.

The circulation market was also under pressure to the fullest extent. The Dutch daily newspapers have again reported a limited decrease, while in the magazines' sector it is especially the single-copy sales of existing titles which are experiencing difficulties.

At daily newspaper De Telegraaf, both the advertising turnover and the circulation turnover were slightly higher than in 2003. With a higher volume in advertising, on average lower proceeds per page have been realized. The decline in circulation could be compensated by price increases. Because of higher costs, among others the delivery costs of the Sunday newspaper, the contribution was lower than in 2003.

For Splts, 2004 has become the year in which the figures were written in black for the first time and therefore, a

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contribution was made to the profits of the group.

At the group's regional daily newspapers, the past year was strongly marked by cost control. The reorganizations at HDC Media, which were started from 2002 onwards, will be completed in 2005. On 10 January 2005, Media Groep Limburg has as yet announced a further reduction in jobs by 35 FTEs. Discussions with the NMa, the Netherlands Competition Authority, about the cooperation between the two regional newspaper titles in the province of Limburg still continue.

The door-to-door papers can also not avoid reorganizations, particularly at Holland Combinatie, in addition, a broadening of the portfolio is being looked for.

In the advertising market of the magazines, there is still no question of a recovery. While newly introduced concepts perform relatively well in the circulation market, the pressure on the single-copy sales of already existing titles continues to exist.

The hoped-for economic recovery has failed to occur in 2004. After an improvement in the first half of the year, the last months did not show any positive advertising indexes on balance. It is unclear whether a recovery will present itself in 2005.

Apart from this economic pressure, there is also a question of structural pressure on the printed media. Therefore, further cost reductions for the Telegraaf group are unavoidable. At the same time, room must be made for investments in new products and in the further personal development of employees. Promising projects which were realized in 2004 are, among others, the Sunday newspaper of De Telegraaf and Speurders.nl. The Sunday newspaper performed better than estimated in both advertising and circulation. Speurders.nl, the on-line purchase and sales location, is developing in a successful way and now has a database of more than 750,000 products at its disposal.

In developing new sources of income, the Dutch publishers are experiencing a number of limitations from the government. Multifunctionality can only be sustained by financially healthy publishing companies which are permitted to follow the trends in media consumption without limitations. The Dutch government is not being helpful in this matter.

The television listings are still not free. The announced extension of possibilities for publishers to also realize income via other types of media, was soon toned down, even before the report of WRR (Dutch research board for government policy) on 'coherent media policy' has been published.

Prospects

The lowering of the printing tariffs for the magazines, the effects of earlier reorganizations and the introduction of IFRS, among others by the cancellation of the depreciation of goodwill, will have a positive influence on the results for 2005. On the other hand, allocations to reorganization provisions are again to be expected in 2005, and a sum of € 20 million has again been reserved for new projects.

At the time of publication of the annual figures for 2003, an announcement was made with regard to the profits expected over 2004. Considering the many uncertainties regarding the economy and the advertising market in particular, the conclusion is that, at present in any case, it is too early to make a pronouncement about the results to be expected over 2005.

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