

## **INDEPENDENT NEWS & MEDIA PLC**

### **APN NEWS & MEDIA LIMITED - RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003**

#### **Record profit – up 20% on prior year, with an 18% increase in final dividend**

APN News & Media Ltd (APN), in which Independent News & Media PLC has a 40.5% shareholding, today announced a record net profit for the 12 months ended December 31 2003 of A\$103.5 million, representing a 20% increase on the prior year, excluding non-recurring items.

Earnings per share were 22.9 cents, up 10% from 20.8 cents in 2002. The Directors have declared a final dividend of 11.8 cents, increasing the full year dividend by 14% to 18.3 cents per share. Group revenue before non-recurring items increased 11% to A\$1,143 million and EBIT before non-recurring items increased 17% to A\$235 million.

APN Chief Executive Officer Brendan Hopkins said: “We are very pleased with these results which demonstrate the strength of our core businesses and meet our stated objective of double-digit earnings growth. Strong trading conditions in the first half of the year continued into the second half, with particularly good outcomes achieved in the high growth regional economies of Queensland, and in New Zealand in Auckland and the Bay of Plenty.

“During the year we launched a number of strategic new initiatives to build on the market share and circulation gains made by The New Zealand Herald, our 23 regional daily newspapers and more than 90 non-dailies. APN’s newspapers now account for 72% of Group EBIT. In particular, the launch of magazines such as Canvas, Revive and Noosa that are inserted in our daily newspapers, as well as The Auckland network of community newspapers, has extended our penetration into key markets and provided value added products for our readers and advertisers.

“The Radio Division produced strong ratings results in 2003 and made significant gains in advertising market share, particularly with regard to agency advertising. It was pleasing to see the ratings gains continue in Australia with further positive results from survey 1 released last week.

“The Outdoor Division in Asia was restructured during the year. Today we are announcing the formation of APN Outdoor as a positive strategy for our growth in this industry. Mr Richard Herring has been appointed chief executive of APN Outdoor to oversee a unified structure for the Division.

“The Print and Specialist Publishing Division was fully restructured in 2003 and is now showing good progress in profitability.

“We have achieved a great deal operationally during the year and have matched this with an excellent result on our capital raising and refinancing, resulting in a reduction in our net debt levels by just under A\$200 million. We are in excellent shape to achieve significant further progress in 2004.”

## Divisional Summaries

<b>APN Group EBIT (A\$ million)</b>	<b>FY 2003</b>	<b>FY 2002</b>	<b>% var.</b>
Publishing	169.4	137.6	23%
<i>New Zealand Herald</i>	88.8	72.1	23%
<i>Regional Newspapers</i>	80.6	65.5	23%
Radio	56.2	49.9	13%
Outdoor	16.5	16.2	2%
Print & Specialist	7.6	8.0	(5%)
Corporate	(15.1)	(11.4)	33%
EBIT before Non-recurring Items	234.6	200.3	17%
Non-recurring Items	0.6	4.6	-
<b><i>Group EBIT</i></b>	<b>235.2</b>	<b>204.9</b>	<b>15%</b>

### **The New Zealand Herald**

New Zealand's largest circulating daily newspaper grew revenue by 18% to A\$280 million, and EBIT by 23% to A\$89 million. In the first half of 2003, the Herald grew advertising volumes by 11% and advertising yield by 3%. In the second half, overall revenues increased by 14% over the previous corresponding period, driven by advertising volume gains of 7.7% and advertising yield improvement of 6.4%.

The Auckland economy remained buoyant throughout 2003, producing good increases in employment and real estate advertising. The property market remained strong, with more than 11,000 new dwelling units approved for Auckland during the year. The readership survey for the 12 months to December 31 2003 showed an improved result for the Herald, with 603,000 New Zealanders aged 15 and above reading a copy of the paper on a typical day (up 10,000 readers), increasing to 723,000 on Saturdays for the Weekend Herald (up 12,000 readers).

The New Zealand Herald grew circulation revenue by 9% to NZ\$63 million, assisted by cover price increases in the first Quarter, while holding volume decreases to less than 2%. The subscriber base increased to 92,000, of which more than half are long-term subscriptions. The positive revenue outcome reflects the ongoing policy of reducing the sale of subsidised copies.

## **Regional Newspapers**

Regional newspapers in Australia and New Zealand continued to perform strongly in the second half. The main classified advertising pillars of real estate, motoring and employment showed good volume and yield gains. Advertising yields strengthened in the second half, increasing in Australia by 8.3% and in New Zealand by 6.1% on the corresponding period in the previous year. Divisional revenues were up 11% to A\$346 million and overall EBIT increased 23% to A\$81 million.

Circulation revenue increased 5% to A\$58 million, with particularly good circulation volume growth for the Sunshine Coast Daily (up 7%) and the Fraser Coast Chronicle (up 5%) in the six months to December 2003, the best circulation increases of all major Australian regional newspapers. In New Zealand, the Bay of Plenty Times increased circulation by 2.5% in the most recent survey, becoming the fastest growing daily newspaper in the country.

There were a number of small infill acquisitions, including the Bush Telegraph in the Hawke's Bay-Wairarapa region and the Waihi Leader, north of Whangamata.

## **Radio**

Australian and New Zealand radio operations performed well, both in terms of audience growth and profit improvement. Revenue for the Division was up 13% to A\$213 million, and EBIT increased 13% to A\$56 million.

In Australia, the second half was marked by good market share gains in agency advertising and local advertising sales. The final survey for 2003 produced strong gains in audience share for the commercially important 25-54 year-old demographic in the key markets of Sydney, Melbourne and Brisbane. In the first survey for 2004, released on February 24, APN now has the number 1 FM station in Melbourne, number 2 in Adelaide and number 3 in Sydney.

In New Zealand, APN's radio assets – operated through The Radio Network (TRN) – are the market leader in a majority of the 13 surveyed markets, including the key Auckland and Christchurch markets. In Auckland TRN has the most listeners with three stations in the top five – Newstalk ZB (number 1), Classic Hits (number 2) and ZM (number 4). In December, TRN secured 20 new licences at a cost of NZ\$9.5m, payable in 2004, to strengthen existing networks throughout the country, including one of two full market coverage FM frequencies in Auckland. TRN will launch a new brand stream by mid-2004.

By the end of the year, APN will operate 124 stations across Australia and New Zealand.

## **Outdoor**

Revenues of A\$186 million were achieved with EBIT up marginally on the prior year from A\$16.2 million to A\$16.5 million. The Outdoor Division in Asia was restructured during the year to enable the reorganisation of its broad mix of assets into a more efficient structure. Operations in Singapore and Thailand were closed, and operational improvements were put in place in Hong Kong, Malaysia and Indonesia.

At the end of the year, a number of Australian Posters assets were sold and the balance have since been integrated into existing operations. The new trans-Tasman structure for APN Outdoor will consist of a single operational function, with separate sales forces for the main Outdoor categories.

## **Print & Specialist Publishing**

The restructure of the Print & Specialist Publishing Division was completed in 2003, with the full benefit expected to be seen in 2004. The commercial print operations have been reorganised under a single brand – APN Print – which will bring additional efficiencies. Graphic Screen Print, a specialist large format printing business that was previously reported within the Outdoor Division, was transferred to APN Print at the half year. EBIT for the division in the second half increased to A\$5 million, up 19% over the same period in the prior year.

## **Dividends**

The final dividend for 2003 will be increased by 18% to 11.8 cents. As foreshadowed at the time of the interim result announcement, the strong performance of the New Zealand operations has resulted in Australian profits representing a lower proportion of total Group earnings, limiting the franking credits available for distribution to shareholders. Accordingly, the final dividend of 11.8 cents has been increased substantially over the 10 cents paid last year to recognise the impact of lower franking. The final dividend will be franked as to 30%. Based on the Group's current earnings mix and tax profile, we would expect that future levels of franking would not be less than 30%.

## **Taxation**

The company continues to be engaged in tax audits in both New Zealand and Australia. The Company remains satisfied that its treatment of the New Zealand Masthead Licensing Agreement complies with all relevant legislation.

As part of the Wilson & Horton acquisition in December 2001, APN received commercial warranties and indemnities from the vendor, Independent News & Media (IN&M), including an indemnity from IN&M covering all aspects of the Masthead Licensing Agreement (including the financial benefits of the Masthead Licensing Agreement).

## **Recapitalisation**

At the 2003 interim result, the company announced both a share issue and a review of its banking facilities. The share issue was heavily over-subscribed and the placement of 28 million new shares raised A\$103 million. The refinancing of APN's banking facilities was completed at the end of 2003, resulting in reduced margins and improved terms from a smaller number of highly supportive banks in a club-style facility.

These initiatives have significantly improved APN's balance sheet and will result in considerable interest savings in the coming year. The capital raising, together with the strong cash flows generated from core businesses, has resulted in net debt being reduced by just less than A\$200 million during the year.

APN confirms it is investigating a possible dual listing on the New Zealand Stock Exchange.

## Outlook

Our strong brands, leading market positions and geographic diversity place APN at the forefront of comparable media companies. Trading in 2004 has once again started positively and, given a continuation of current trading conditions, the Board remains confident of a meaningful improvement in profitability for the 2004 year.

The final dividend of 11.8 cents per share is payable on 22 April 2004. Registrable transfers received by the Company up to the close of business on 13 April 2004 will be registered before entitlements to dividends are determined. Books will close on 13 April 2004. Shareholders wishing to participate in the Dividend Reinvestment Plan (the current rate of discount of which is 2.5%) who have not already lodged their election must do so on or before 13 April 2004 in order to participate.

Ends

2 March 2004

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APN News & Media Ltd is the publisher of *The New Zealand Herald* and is the largest operator of regional newspapers, radio broadcasting and outdoor advertising in Australasia. APN has been listed on the Australian Stock Exchange since 1992.

**APN NEWS & MEDIA LIMITED**  
**PRELIMINARY PROFITS ANNOUNCEMENT**

	A\$000	A\$000	€000	€000
	31 December 2003	31 December 2002	31 December 2003	31 December 2002
Turnover – Continuing Operations	<u>1,117,451</u>	<u>1,004,391</u>	<u>642,693</u>	<u>577,734</u>
Operating Profit				
– Continuing Operations	234,613	200,315	134,936	115,223
– Exceptional Items	<u>557</u>	<u>4,597</u>	<u>320</u>	<u>2,644</u>
Profit on Ordinary Activities	235,170	204,912	135,256	117,867
Net Interest Charge	<u>(64,378)</u>	<u>(69,207)</u>	<u>(37,027)</u>	<u>(39,808)</u>
Profit on Ordinary Activities before Taxation	170,792	135,705	98,229	78,059
Taxation	<u>(39,371)</u>	<u>(20,682)</u>	<u>(22,644)</u>	<u>(11,896)</u>
Profit on Ordinary Activities after Taxation	131,421	115,023	75,585	66,163
Minority Interests	<u>(27,872)</u>	<u>(24,845)</u>	<u>(16,030)</u>	<u>(14,291)</u>
Profit for the Financial Year	<u>103,549</u>	<u>90,178</u>	<u>59,555</u>	<u>51,872</u>
Earnings per Share (cents)	<u>22.9</u>	<u>20.8</u>	<u>13.2</u>	<u>12.0</u>

Profit & Loss Accounts translated at Average Rates

Average Exchange Rate 2002 €1 = A\$1.7385

Average Exchange Rate 2003 €1 = A\$1.7387

**APN NEWS & MEDIA LIMITED**  
**GROUP BALANCE SHEET**

	A\$000	A\$000	€000	€000
	31 December	31 December	31 December	31 December
	2003	2002	2003	2002
<b>Fixed Assets</b>				
Intangible Assets	1,901,659	1,968,409	1,132,412	1,048,085
Tangible Assets	286,047	330,346	170,337	175,894
Financial Assets	<u>74,462</u>	<u>73,215</u>	<u>44,341</u>	<u>38,984</u>
	<u>2,262,168</u>	<u>2,371,970</u>	<u>1,347,090</u>	<u>1,262,963</u>
<b>Current Assets</b>				
Stocks	25,800	32,880	15,364	17,507
Debtors	287,971	300,813	171,483	160,169
Cash at bank and in hand	<u>160,475</u>	<u>37,142</u>	<u>95,560</u>	<u>19,776</u>
	<u>474,246</u>	<u>370,835</u>	<u>282,407</u>	<u>197,452</u>
Creditors – amounts falling due within one year	<u>(244,427)</u>	<u>(283,926)</u>	<u>(145,553)</u>	<u>(151,177)</u>
Net Current Assets	<u>229,819</u>	<u>86,909</u>	<u>136,854</u>	<u>46,275</u>
	<u>2,491,987</u>	<u>2,458,879</u>	<u>1,483,944</u>	<u>1,309,238</u>
Creditors – amounts falling due after more than one year	915,993	961,286	545,461	511,840
Provisions for Liabilities and Charges	<u>19,418</u>	<u>20,215</u>	<u>11,563</u>	<u>10,763</u>
	<u>935,411</u>	<u>981,501</u>	<u>557,024</u>	<u>522,603</u>
<b>Capital and Reserves</b>				
Share Capital	926,630	805,082	551,795	428,669
Capital Reserves	189,167	259,806	112,646	138,334
Profit & Loss Account	<u>170,538</u>	<u>140,303</u>	<u>101,554</u>	<u>74,705</u>
Equity Shareholders' Funds	<u>1,286,335</u>	<u>1,205,191</u>	<u>765,995</u>	<u>641,708</u>
Minority Interests in Subsidiaries	<u>270,241</u>	<u>272,187</u>	<u>160,925</u>	<u>144,927</u>
	<u>2,491,987</u>	<u>2,458,879</u>	<u>1,483,944</u>	<u>1,309,238</u>

Balance Sheets translated at closing rates

Closing Exchange Rate 2002 €1 = A\$1.8781

Closing Exchange Rate 2003 €1 = A\$1.6793