



Publishing and Broadcasting Ltd

Full Year Results 2005





- **A strong result, magazines and gaming performing well with solid growth in investment earnings**
 - **Earnings growth momentum**
 - **Increased dividend to annual 52 cps**
 - **A conservative financial structure, and opportunities for growth**
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INTRODUCTION



21% normalised earnings growth to \$541m

- Improved contribution from core businesses except television
- Operating margin of 27.9%
- Increase in equity accounted earnings

Reported earnings decline by \$188m to \$480m

- Negative impact from win rate variance and from non recurring items between the two years was \$283m
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GROUP RESULTS



Strong earnings growth, improved cash flow

	FY-04 (\$m)	FY-05 (\$m)	%
Normalised Profit *			
■ Revenue	2,818	3,398	20.6
■ Cost	2,023	2,450	21.1
■ EBITDA	795	948	19.3
■ NPAT	446	541	21.2
■ EBITDA MARGIN %	28.2	27.9	
 Cash Flow			
■ Operating Cash Flow	673	779	
■ Free cash flow	674	(97)	
■ Debt (reduction) increase	(479)	677	

* At theoretical and before non-recurring items



- **Revenue increased 4.8% to \$904 million**
 - Market share 38.7% (comparative 39.9%)
- **Costs increased 8.8% to \$634 million**
 - Unacceptable cost growth now being attacked
- **EBITDA decreased to \$270 million**
 - Margin 29.9% (comparative 32.5%)





■ Revenue increased 11.3% to \$824 million

- Circulation revenue increased 6%
- Increased cover prices + growth in copy sales
- Advertising revenue increased 17%
- Increased market share

■ Costs up 9.3% to \$579 million

- In part due to copy sale volume increases (like for like 5%)

■ EBITDA increased 16.2% to \$245 million

- Margin 29.7% (comparative 28.5%)





■ Revenue increased 27% to \$1531 million

- Increase in local gaming business and inclusion of Burswood
- Low win rate of 1.17% with VIP Program Play turnover increasing to \$22.5 bn (including Burswood)

■ Costs

- Strong cost control

■ EBITDA

- Reported **EBITDA** increased 11.6% to \$419 m
- Theoretical **EBITDA** increased 41.9% to \$457 m





Increased “costs” of \$5.7 million due to:

- Increased legal costs (mainly C7)
- Increased costs associated with implementation and investigation of investment opportunities

Equity Accounted



Solid improvement in second half of FY 05

	FY-04 (\$m)	FY-05 (\$m)	FY-05	
			H1 (\$m)	H2 (\$m)
■ Pay Television	(11.2)	(6.9)	(9.3)	2.4
■ ninemsn	7.2	11.3	4.6	6.7
■ Seek	2.6	4.8	2.1	2.7
■ Other	1.2	4.1	1.5	2.6
CONTINUING INVESTMENTS	(0.2)	13.3	(1.1)	14.4
■ AFIG (sold Nov '04)	7.6	4.5	4.5	-
TOTAL EQUITY ACCOUNTED	7.4	17.8	3.4	14.4

Non Recurring Items



	After Tax (\$m)
Profit on sale of Investments	67.1
- sale of Wizard and Media Nuigini	
Redundancy and Restructure Costs	(22.0)
- predominantly staff reductions at Nine Network	
Program Related Write-Downs	(79.6)
- movie inventory write-offs plus provision against onerous movie contracts and Commonwealth Games contract	
Non Recurring (Loss) after tax	<hr/> (34.5) <hr/>

Cash Flow



Significant improvement in operating cash flow to \$779 million

	FY-04 (\$m)	FY-05 (\$m)
Reported EBITDA	848	911
Non recurring cash impact	(7)	-
Dividend received	6	25
Working Capital Movements		
- ESP loan repayments	42	86
- Other	5	(16)
Cash Flow generated by Businesses	894	1,006
Interest payments	(113)	(117)
Income tax payments	(108)	(110)
Operating Cash Flow (per ASX “4E”)	673	779

Cash Flow



After acquisitions (BIR, Macau, UK, Superdome), capex and dividends; net debt increased \$677 m

	FY-04 (\$m)	FY-05 (\$m)
Operating Cash Flow (per ASX “4E”)	673	779
Capital Expenditure	(73)	(94)
Capital Expenditure (Superdome)	-	(26)
Capital Expenditure (Promenade Hotel)	(44)	-
Investments (net)	118	(756)
Free Cash Flow	674	(97)
Dividends paid	(192)	(368)
Other	(3)	(7)
Net Group Cash Flow	479	(472)
Acquired debt (Burswood)	-	(205)
Net Debt Decrease (Increase)	479	(677)

Impact of Adopting IFRS



■ Minimal impact on ongoing reported earnings

- largest potential impact is volatility in interest costs due to certain 'ineffective' derivative financial instruments

■ Minimal impact on the company's borrowing covenants, cash flows or ability to pay dividends

■ Major Balance Sheet impacts are:

	\$m
- write down certain magazine mastheads (under AGAAP mastheads were aggregated, now tested at cash generating unit level)	171
- provide for DITL on difference between tax and book cost base for certain investments and magazine mastheads	226
- reverse previous uplift in re-valued television licences	423
- other	5

Opening adjustment against Shareholder Equity	<u>825</u>
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