



**ASX / MEDIA RELEASE  
FOR IMMEDIATE RELEASE  
28 August 2003**

### **PBL ANNOUNCES RECORD FULL YEAR PROFIT**

- ❖ **PBL NPAT + 42.0%; Normalised NPAT + 20.0 % at theoretical**
- ❖ **Improvement in the 3 core businesses – Crown, ACP and Nine**
- ❖ **Outstanding result from ACP**
- ❖ **Strong growth in free cash flow from the core businesses**
- ❖ **PBL increases final dividend to 14 cents per share**

**SYDNEY: Publishing and Broadcasting Limited (ASX: PBL)** today announced a Net Profit after Tax ('NPAT') for the full year to June 30 2003 of \$380.8 million, a 42.0% increase over the prior year (prior year \$268.2 million). Normalised operating profit for the same period (ie at theoretical and before non-recurring items) was \$335.7 million (prior year \$279.7 million), an increase of 20.0%. Operating revenue increased 8.2% to \$2,677 million with normalised operating revenue increasing 6.0 % to \$2,640 million.

Cash flow generated by PBL's businesses increased to \$495 million for the year (prior year \$340 million). After net interest, company tax, capital expenditure, dividend payments, ecorp share buy back and net investment activity, PBL reduced net debt by \$210 million, to \$1,546 million at June 2003. PBL has \$837 million cash at bank .

Executive Chairman of PBL Mr James Packer said, "PBL has delivered the strong earnings growth flagged at the time of our half year results in March. This outcome has been driven by an improvement in the profitability of our core businesses in the second half, and demonstrates the advantages inherent in our diversified business model."

"We benefit significantly from our Group's structure and focus. Our core businesses are performing well in terms of both profitability and market position. We are harnessing our leading market position and scale to drive earnings growth," Mr Packer said.

"PBL's magazines business, ACP, has improved EBITDA by 58%, a record result for the business. This outstanding result is 39% higher than the previous best (1995 \$126m EBITDA) and has been achieved through a combination of operational initiatives and successful acquisitions. The work done to maximise the benefits of scale and efficiency at ACP is now paying off," Mr Packer said.

"The Nine Network has won 26 straight weeks of the official 2003 ratings season, making it the undisputed leader for the year. This strong ratings performance has led to a significant lift in market share in the second half to 40.2% for the PBL owned east coast stations compared to 38.6% for the 6 months to December, 2002. As flagged, John Alexander, David Gyngell and the management team have put in place a business improvement program at Nine," Mr Packer said.

“Crown outperformed its major competitors in both domestic and international markets. The business produced a strong result despite a year that included the introduction of smoking bans across the main gaming floor, the outbreak of SARS, the Iraq war and the Bali bombing, all of which had an adverse impact on patronage,” Mr Packer said.

“The next big step forward for Foxtel is the introduction of digital services in calendar 2004. While the costs of digitisation will have a negative impact on Foxtel earnings in the short term, we believe the transition will lead to an improvement in profitability in the medium term,” Mr Packer said.

Chief Executive Officer of PBL Mr Peter Yates said, “Our focus on increasing operating efficiency in our core businesses, and improving returns from PBL’s investment portfolio by restructuring assets and acquiring closely related businesses has paid off. Our profitability has improved and the market now has a clearer view of PBL’s structure and its earnings drivers.”

“In less than three years, John Alexander and the management team have built PBL’s magazines business, ACP, into one of Australia’s largest and most successful media businesses. The skills and experiences used to turn around and build our Magazine business are now being utilised within our television business. The key financial focus for Nine remains margin improvement and we are progressing well in this regard,” he said.

“Rowen Craigie and the management team at Crown acted decisively to strengthen its direct marketing programs and to realign its labour costs to mitigate the impact of the reduction in patronage levels associated with the introduction of smoking bans. The unique composition of Crown’s international VIP business meant that Crown was able to withstand the adverse effects of SARS and international travel safety concerns,” Mr Yates said.

“During the past year PBL and its partners have completed a number of transactions including the approval by the ACCC to supply Optus with the Foxtel service, the acquisition of TV Week, the sale of ecorp’s stake in eBay, the selective capital reduction of ecorp, the recapitalisation of TMS, the closure of online gaming, the sale of PBL’s PUMA shares, exiting Monster A&NZ, and the agreement to acquire 25% of SEEK,” Mr Yates said.

“PBL’s investment portfolio now comprises a leading group of investments primarily focussed in the Pay Television, Internet, and Television / Film Production business sectors,” Mr Yates said.

“The management teams across all of our businesses and functions have performed extremely well throughout the year, and the record result for the PBL reflects this. We will continue to drive our earnings growth through improvements in our core businesses, monetising non-core investments to pay down debt and investing in closely related businesses,” Mr Yates said.

## **PBL MEDIA**

### **Magazines**

ACP magazines have continued their outstanding performance with year on year earnings growth of 58% underpinned by the ongoing benefits of four years of structural reform, and the successful acquisition of Liberty Press and TV Week. EBITDA increased by \$63.8 million to \$175.0 million. Underlying earnings, excluding acquisitions grew by 48%. The magazine business has now doubled its earnings in the last two years.

Revenue for the year increased by 18.4%, or 8.7% on a like for like basis excluding the acquisitions of TV Week and Liberty Press. Circulation revenue increased by 14%, or 5% on a like for like basis, reflecting strong copy sales and the benefits of retail sales programs. Advertising revenue increased by 21%, or 13% on a like for like basis, showing the benefits of an improving advertising market and continued market share gains.

Costs increased by 9.1%, however only 0.5% on a like for like basis. This reflects the benefits of the ongoing cost reduction and efficiency program capturing the benefits of scale and using technology to reform internal processes.

## **Television**

The Nine Network improved its ratings performance through the first half of calendar 2003, further increasing its lead over the nearest competitor. The PBL owned stations (TCN, GTV, QTQ) have had a clean sweep of the official 2003 ratings season to date and there is a strong slate of programs for the remainder of the year, including established performers like *Backyard Blitz*, *Friends*, *E.R* and *Getaway*, plus new shows like *DIY Rescue*, *CSI: Miami* and *Without a Trace*. *CSI: Miami* had the strongest debut of any drama program to date in 2003.

The stand out program for calendar 2003 has been Nine's new Lifestyle/Reality program *The Block* which averaged 2.3 million viewers over its 13 week run. The final episode drew over 4 million viewers across Australia, becoming the most watched show for 2003, and the most watched regular program since 1998. The program was developed in-house at Nine and has been sold to overseas markets, a first for the Network.

The division reported an EBITDA of \$217.7 million, an increase of 13.5% on the prior year, and a 5.7% increase in revenue for the period offset by a 2.8% cost increase.

The television advertising market improved significantly from the beginning of the 4<sup>th</sup> quarter and remains relatively robust. Nine sees the current trend continuing for at least the medium term.

Total revenue increased by 5.7% to \$764.6 million, while gross advertising revenue for our 3 major television stations increased 5.4%, leading to an improvement in Nine's East Coast market share. While Nine's market share finished flat for the year at 39.4%, there was strong market share growth in the second half (40.2% second half to June 30, 38.6% first half to December 31). Nine's ratings position has continued to improve through the first quarter of the new financial year.

The increase in costs largely reflects coverage of a full season of the AFL (against a half season in FY2002). As flagged at the half-year results a long-term business improvement program is now in place. The implementation of the program commenced in late 2002 and while some benefits emerged in the second half it is expected that further results will be demonstrated through an improvement in margins over the coming years.

## **GAMING**

### **Crown**

Crown reported a record EBITDA for the year of \$330.9 million, which is a \$43.6 million or 15.2% increase over the prior year result of \$287.3 million. This was primarily due to an above theoretical VIP Program win rate of 1.47% compared with the prior year win rate of 1.22%. The above theoretical win rate had a \$29.5 million positive impact on Crown's EBITDA this year. Prior year EBITDA was negatively impacted by a \$12.5 million below theoretical VIP Program Play result. Adjusting actual EBITDA to the theoretical win rate of 1.28% for VIP Program Play, the current year underlying EBITDA of \$301.4 million is \$1.6 million or 0.5% higher than last year's \$299.8 million.

Crown's revenue for the period of \$1,148.8 million increased by \$35.6 million or 3.2% over the previous period. VIP Program turnover of \$20.4 billion was 11% less than the prior year, which was significantly boosted by increased visitation from Asia following the September 11 terrorist attacks. Despite widespread concerns associated with the recent outbreak of the SARS virus, Crown's longstanding focus on high-end international business effectively insulated VIP turnover levels from an otherwise potentially adverse result. Since the outbreak of the SARS virus in March, Crown has been successful in increasing VIP Program turnover compared to the prior year period.

The introduction of smoking bans in Victorian gaming venues on 1 September has had a significant impact on Crown's gaming machine revenue. Prior to the bans, Crown's gaming machine revenue was growing strongly year on year. Subsequent to the bans, Crown's gaming machine revenue fell by 0.6% compared to the comparable prior year period (1 September to 30 June). This resulted in gaming machine contribution falling below the level of the previous year for that 10 month period.

Costs (excluding gaming taxes and VIP Program Play commissions, rebates, and complimentary, which have all moved proportionately with VIP revenue) were lower than last year. During the course of the year, Crown re-aligned its labour costs to mitigate the impact of the reduction in patronage levels associated with the introduction of the smoking bans.

## **INVESTMENTS – PBL Enterprises**

### **PAY TELEVISION**

#### **Foxtel**

Foxtel has approximately 1,058,000 subscribers comprising Foxtel, and Optus wholesale subscribers. Subscriber growth has increased over the past few months as a result of a substantial marketing campaign across three delivery platforms.

The ACCC approval of bundling Foxtel services provides a better base from which to build long-term profitability for this business. However, the impact of introducing a digital cable offering and the costs of an expected increase in subscriber growth, on the back of digitisation (acquisition costs are expensed) will see an increase in losses in the short term.

PBL has included an equity accounted loss of \$16.5 million (tax effected in the current year but not the prior year).

#### **Fox Sports**

PBL has a 50% interest in Fox Sports, a supplier of Sports channels to Australia's leading Pay TV distributor Foxtel, Austar and to Optus Vision. PBL has included an equity accounted profit of \$16.0 million (tax effected in the current year but not the prior year).

#### **Sky News Australia**

This Australian Pay TV news channel, in which PBL has a one third interest, supplies product to Foxtel, Optus and Austar, and is trading profitably.

## **INTERNET BUSINESSES**

PBL's portfolio of leading internet businesses includes – Ninemsn (a 50:50 joint venture with Microsoft), Ticketek (100% PBL), SEEK (25%) and the Trader Group websites such as Carpoint which sit within the ACP business.

### **ecorp**

The shareholders of ecorp Limited approved a selective capital reduction at a Shareholders Meeting on Tuesday March 11, 2003. ecorp was subsequently delisted on March 26, and all shares cancelled on 9 April 2003. ecorp is now 100% owned by the PBL group.

PBL has extended its thanks to Alison Deans the former CEO of ecorp, for her work developing the ecorp businesses and finalising the selective capital reduction.

Ticketek and ecorp reported an EBITDA of \$7.4 million in the year compared to \$0.1 million for the prior year.

During the year ecorp sold its 50% stake in eBay Australia and New Zealand to joint venture partner eBay Inc for US \$65 million (approximately A\$118 million) realising a pre-tax profit of A\$112 million.

### **ninemsn**

ninemsn moved into profitability in the second half of this financial year. Throughout 2003 ninemsn invested in the next generation MSN services in Australia. Hotmail Extra-Storage was introduced in March and has experienced an encouraging response from customers. The newest addition to the subscriber services offer - MSN Premium, was introduced to the market yesterday.

PBL has recorded an equity accounted loss of \$2.9 million for the ninemsn business (before non-recurring losses relating to the closure of Monster A&NZ), which includes a \$2.1 million loss attributed to Ninemsn's share of Monster's A&NZ's operating losses. The Monster A&NZ business closed on July 31, 2003.

### **SEEK**

PBL announced an agreement to acquire 25 percent of the unlisted company SEEK in early August 2003. SEEK is Australia's leading online recruitment business and has achieved consistent growth over the past 5 years and is in its second year of profitability. This acquisition has further strengthened the Group's internet business base.

### **AFIC (formerly Wizard Mortgage Corporation)**

AFIC has grown its loan book by 42% to \$13.8 billion capturing approximately 4.5% of new loans written. The AFIC group recorded an after tax profit of \$18.3 million in FY03 and PBL has included an equity accounted profit of \$4.7 million.

## **PRODUCTION RELATED BUSINESSES**

### **New Regency**

Television and movie production company New Regency experienced strong operating growth off the back of improvement in the quality and depth of its film library, including the ongoing success of its television joint venture with Fox, particularly with *Malcolm in the Middle*.

New Regency sold its 37% stake in PUMA during the year.

PBL recently increased its stake in New Regency to 25.4% (formerly 20.7%) at a cost of A\$14m.

### **TMS**

The recapitalisation of TMS was successfully concluded in May 2003. PBL now owns 24 % of TMS.

## **NON-RECURRING ITEMS**

In the first half PBL reported an after tax non-recurring gain of \$2.3 million. The second half includes a non-recurring gain of \$31.7 million from the sale of our PUMA stake, offset by a provision for diminution of investments of \$5.0 million (Monster A&NZ and Distra), and restructuring costs of \$3.4 million (closedown costs re the online gaming business, Monster A&NZ and ecorp). Refer to Attachment "C" for a detailed summary of non-recurring items.

## **FINANCIAL**

Net operating cash flow was \$495 million, an improvement of \$155 million for the year. Earnings growth from the core businesses and an above theoretical win rate at Crown contributed to the improvement.

After capital expenditure of \$129 million (including \$78 million for the second hotel at Crown) and net investment activity which generated \$86 million of cash (mainly the eBay and PUMA sale proceeds offset by the purchase of TV Week / New Regency) the group generated free cash flow of \$452 million, an improvement of \$324 million. After dividend payments of \$146 million, and buyback of ecorp minorities of \$95 million, PBL reduced net debt by \$210 million, to \$1,546 million.

## **CORPORATE**

Corporate costs have increased \$12 million reflecting costs associated with business development projects, increased legal costs and donations.

## **DIVIDEND**

The Directors have announced today an increased fully franked final dividend on ordinary shares of 14 cents per share payable on 15 October 2003 to shareholders registered on the books close date at 5.00pm on 30 September 2003.

## **CONCLUSION**

Executive Chairman of PBL Mr James Packer said, "We've started fiscal '04 in excellent shape. Earnings momentum for the group will now come from a much larger base than in previous years."

"PBL has a conservative financial structure and remains focused on paying down debt for the near term. As we look to the future we will analyse how to best use the group's cash flow to benefit our shareholders," Mr Packer said.

## **ENDS**

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## **COPIES OF RELEASES**

Copies of previous media and ASX announcements issued by PBL are available on the company website at [www.pbl.com.au](http://www.pbl.com.au). After accessing the site click on "Investor Info" at the top of the home page and then on Media Releases.





**PBL DIVISIONAL RESULTS**  
**Twelve Months ended 30 June 2003**

<b>Normalised Results<sup>(1)</sup></b>			<b>Actual Results</b>		
Year ended June 2002	Year ended June 2003	% movement on Normalised	Year ended June 2002	Year ended June 2003	% movement on Actual
\$ M	\$ M		\$ M	\$ M	
<b>REVENUE</b>					
723.7	764.6	5.7%	723.7	764.6	5.7%
581.6	688.4	18.4%	581.6	688.4	18.4%
1,127.5	1,110.5	(1.5)%	1,113.2	1,148.8	3.2%
53.9	67.1	24.5%	53.9	67.1	24.5%
2.5	8.1	-	0.5	6.9	-
1.2	0.9	-	1.2	0.9	-
<u>2,490.4</u>	<u>2,639.6</u>	6.0%	<u>2,474.1</u>	<u>2,676.7</u>	8.2%
<b>EXPENDITURE</b>					
531.9	546.9	2.8%	531.9	546.9	2.8%
470.4	513.4	9.1%	470.4	513.4	9.1%
827.7	809.1	(2.2)%	825.9	817.9	(1.0)%
53.8	59.7	11.0%	53.8	59.7	11.0%
10.3	15.9	-	10.3	15.9	-
23.5	35.5	51.1%	23.5	35.5	51.1%
<u>1,917.6</u>	<u>1,980.5</u>	3.3%	<u>1,915.8</u>	<u>1,989.3</u>	3.8%
<b>EBITDA</b>					
191.8	217.7	13.5%	191.8	217.7	13.5%
111.2	175.0	57.4%	111.2	175.0	57.4%
299.8	301.4	0.5%	287.3	330.9	15.2%
0.1	7.4	-	0.1	7.4	-
(7.8)	(7.8)	-	(9.8)	(9.0)	-
(22.3)	(34.6)	-	(22.3)	(34.6)	-
<u>572.8</u>	<u>659.1</u>	15.1%	<u>558.3</u>	<u>687.4</u>	23.1%
23.0%	25.0%		22.6%	25.7%	
<b>EBITDA / REVENUE</b>					

(1) Adjusted to show underlying EBITDA; ie. excludes the impact from above or below theoretical win rate on VIP Program Play at Crown and Online Gaming, with theoretical win calculated at 1.28%

(2) Ticketek result and ecorp Head Office costs

(3) Business closed on 5th May 2003

**NON-RECURRING ITEMS**  
**Twelve Months ended 30 June 2003**

	\$ M		
	Full Year	H1	H2
▪ Profit on sale of investments (eBay, PUMA, PMP)	146.8	115.0	31.8 (1)
▪ Provision for diminution of investments (TMS, Cosmos, Monster A&NZ, Distra)	(20.9) *	(15.9)	( 5.0) (2)
▪ Deferred costs expensed			
○ "upfront" financing costs	(32.6) *	(32.6)	-
○ online gaming software	(12.1) *	(12.1)	-
▪ Restructure costs (ACP, Crown, Nine, ecorp, online gaming, and Monster A&NZ redundancies)	(18.7)	(15.3)	( 3.4) (3)
▪ Program costs expensed (Predominantly prior year costs now expensed)	(13.5) *	(13.5)	-
	49.0	25.6	23.4
Less:			
Minority interests (eBay)	(26.8)	(26.6)	(0.2)
Tax shelter	3.5	3.3	0.2
<b>Net Non recurring Items</b>	<b>25.7</b>	<b>2.3</b>	<b>23.4</b>

\*Primarily non-cash write offs/provisions in this period

Second Half Items

- (1) PUMA sale  
(2) Monster Aust & NZ, Distra  
(3) Online gaming, Monster, ecorp