



**ASX / MEDIA RELEASE  
FOR IMMEDIATE RELEASE  
5 March 2003**

## **PBL ANNOUNCES FIRST HALF PROFIT**

- **Solid Result in a challenging environment**
- **Outstanding performance by ACP magazines continues**
- **Increased interim dividend**
- **PBL reiterates profit guidance**

**SYDNEY: Publishing and Broadcasting Limited (ASX: PBL)** today announced a 17.2% increase in Net Profit after Tax ('NPAT') for the half year to end December 2002 to \$187.8 million (prior period \$160.2 million). Normalised operating profit for the same period (ie at theoretical and before non-recurring items) was \$182.8 million (prior period \$182.7 million). Operating revenue increased 7.1% to \$1,359 million with normalised operating revenue increasing to \$1,353 million (+4.6%). Cash flow generated by PBL businesses has increased to \$348 million for the period (prior period \$283 million). After net interest, company tax, capital expenditure, dividend payments and net investment activity (which generated \$66 million), PBL reduced net debt by \$180 million, to \$1,576 million.

Executive Chairman of PBL Mr. James Packer said, "This is a solid result in a challenging market which demonstrates the strength of the PBL diversified business model. Moreover, our well positioned core businesses, low capital expenditure requirements and strong cash flow position the company well in what is an uncertain time for world markets".

"PBL is Australia's premier media and entertainment company. ACP is now in its own right one of the country's largest media businesses. Channel 9 is the top rating free to air television network. Crown is the pre-eminent Casino and entertainment facility in this country and remains Victoria's most significant tourist destination. PBL has market leadership in the segments in which we operate and earnings momentum," Mr. Packer said.

"Our magazine business has improved EBITDA by 50% during this half and is now a larger and more efficient business. The success of the ACP business demonstrates that building both scale and efficiency brings with it a host of opportunities. This result has been achieved off the back of a combination of operational initiatives and successful acquisitions," Mr. Packer said.

"Channel 9 (TCN, GTV, QTQ) has started the year well with a clean sweep of the first 3 weeks of the 2003 official ratings season and we have a strong slate of programs ready to air throughout this calendar year. We believe that John Alexander, David Gyngell and the team at 9 will achieve our objectives for the television business and we expect to see an improvement in operational performance over the medium term," Mr. Packer said.

"Crown improved its EBITDA by 13% despite the impact of smoking bans introduced by the Victorian Government on 1 September. This result was principally due to the performance of

Crown's international VIP business which experienced an improved win rate over the previous period," Mr. Packer said.

"The recent approval from the ACCC to supply Optus with Foxtel service was a major step forward for the pay television industry. While it is early days we believe this move will allow Foxtel to grow its subscriber base and place it well on the path to profitability," Mr. Packer said.

Chief Executive Officer of PBL Mr. Peter Yates said, "Over the past 12 months our strategy has focused on increasing operating efficiency and improving returns from PBL's large investment portfolio by restructuring or selling underperforming assets, and acquiring closely related businesses."

"The outstanding result from ACP reflects the outcome of 3 years of focus on operational efficiencies along with a number of successful acquisitions. These skills and experiences are now being utilised within our television business. When operational improvements are achieved, combined with an upturn in the advertising cycle we expect to see improved margins in our television business."

"The team at Crown has dealt well with the impact on patronage of smoking bans on the main gaming floor. Crown implemented a number of targeted marketing programs aimed at lessening the impact of the ban on patron visitation. Reductions in labour costs were also implemented to realign the cost structure with the new patron activity levels," Mr. Yates said.

"We said at our full year results last year that we expected the normalised earnings pattern for PBL this year to be a flattish first half followed by improved earnings momentum in the second half. This remains our expectation," Mr. Yates said.

"In relation to PBL's continued review of corporate governance practices, I would like to advise that we have now separated the functions of the Finance and Audit Committee and I have stepped down from the Audit Committee. We have also decided to pay the interim dividend 30 days earlier," Mr. Yates said.

## **MEDIA**

### **Magazines**

ACP magazines have continued their run of outstanding performance with growth underpinned by the successful acquisitions of Liberty Press and TV Week. EBITDA increased by 49.5% to \$85.5 million for this half. This is a significant achievement given the mixed trading conditions in the broader market. We expect to deliver similar growth in the second half.

Revenue increased by 18.3% on the previous period. This strong growth included a contribution from new acquisitions, TV Week and Liberty Press, however, the underlying business also recorded revenue growth of 7.2%. Advertising revenue was up 23.2% or 11.0% on a like for like basis. Circulation revenue increased by 10.8% or 3.9% on a like for like basis, with many titles recording strong copy sales growth.

Strong cost control continues to be a feature of the ACP business. Costs decreased 0.5% on a like for like basis. This reduction reflects the continuing benefits of a 3 year reform and cost management program which has been driven by technological innovation, internal process improvements and supply cost reductions.

## **Television**

Nine Network improved its ratings performance throughout 2002 increasing its lead over the nearest competitor. Our stations (TCN, GTV, QTQ) have had a clean sweep in winning the first 3 weeks of the official 2003 ratings season and have a strong slate of programs for the remainder of the year including established performers like *Backyard Blitz*, *Friends and Getaway* plus new shows like *CSI Miami* and *Without a Trace* which are the two top rating drama programs in the United States.

The division reported an EBITDA of \$126.2 million, a decrease of 3.7% on the corresponding period, reflecting a 3.0% increase in revenue for the period offset by a 6.4% cost increase.

Revenue increased by 3.0% to \$401 million, while gross advertising revenue for our 3 major television stations increased 2.5%. The group's East Coast market share is 38.6%. Nine's ratings position improved through calendar 2002 and history has shown that improved ratings performance usually translates into improved revenue share. We expect that continued ratings success through 2003 will lead to improved revenue share.

The increase in costs of 6.4% largely reflected the initial cost of AFL coverage. Following a thorough analysis of the television business a long term cost management initiative is now in place. The implementation of the program commenced in December 2002 and it is expected that the benefits will emerge through an improvement in margins over the next few years.

## **GAMING**

### **Crown**

Crown's EBITDA for the period was \$157.0 million, an increase of \$18.5 million, driven by a significant improvement in the VIP Program Play win rate from 1.09% to 1.35%. At theoretical win rate (1.28%), Crown's EBITDA was \$152.6 million compared to \$161.8 million in the previous period.

The introduction of smoking bans in Victoria on 1 September reduced gaming machine revenue by 1.7% over the comparable period for the previous year (1 September to 31 December). Prior to the ban, Crown's gaming machine revenue was growing in excess of GDP year on year. Crown has taken action to reduce its labour costs in light of the impact of the smoking bans on patronage levels on the main gaming floor.

The improvement in win rate in Crown's international VIP business was accompanied by a fall in turnover in comparison to the prior period which was significantly inflated by increased visitation from Asia post September 11.

### **Online Gaming**

The PBL Group recorded an EBITDA loss of \$5.6 million in the period (\$3.8 million at theoretical) from its online gaming operations, which were launched in January 2002. The Vanuatu based online operation is a joint venture between PBL and ecorp.

## **ECORP**

The wholly owned parts of ecorp (including Ticketek and Corporate) reported an EBITDA of \$3.8 million in the 6 months compared to a loss of \$1.2 million for the corresponding period. ecorp's partly owned businesses are included in PBL's equity accounted results.

Ticketek and Wizard were both profitable for the period. ninemsn lost approximately \$4.2 million (ecorp's share \$2.1 million) following the decision by ecorp and Microsoft to invest in the next generation of MSN services in Australia, which has deferred ninemsn's targeted full year profitability to Financial Year 2004. The group would like to thank Steve Vamos for his contribution to ninemsn over the past 5 years and wish him well in his new role as Managing Director of Microsoft Australia.

During the period 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.

ecorp limited (ASX: ECP) shareholders will vote on a proposed selective capital reduction at a Shareholders Meeting next Tuesday 11 March. The independent expert report concluded that the 55 cents per share proposal is fair and reasonable to the minority shareholders of ecorp and PBL. If the proposal is approved, ecorp will become 100% owned by PBL.

## **INVESTMENTS**

### **Foxtel**

Foxtel now has approximately 1,050,000 subscribers with over 800,000 Foxtel subscribers plus the Optus wholesale subscribers. Recent growth has largely come from increasing the average revenue per subscriber and the inclusion of Optus wholesale subscribers (as of 1 December 2002). While it is still early days the recent approval from the ACCC to supply Optus with Foxtel service provides a better base from which to build the profitability of this business.

PBL has included an equity accounted loss of \$8.2 million (tax effected in the current period but not the prior period).

### **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 \$8.9 million (tax effected in the current period but not the prior period).

### **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.

### **New Regency**

Television and movie production company New Regency experienced strong growth off the back of improvement in the quality and depth of its film library, including the recent release of "Daredevil", the ongoing success of its television joint venture with Fox, particularly with "Malcolm in the Middle", and the increased value of its approximately 37% stake in PUMA.

## **NON-RECURRING ITEMS**

Net non-recurring items contributed a \$2.3 million after tax gain. The group recorded a gain on the sale of investments of \$115 million (primarily from the sale of eBay and PMP shares), offset by previously deferred upfront financing costs of \$33 million and online gaming software of \$12 million now written off, a provision for diminution of investments of \$16 million (mainly Television and Media Services and Cosmos), restructuring costs of \$15 million (principally redundancies spread across the 3 core businesses), and programming costs of \$13 million (principally prior years costs, previously capitalised and now expensed). Refer Attachment "C" for detailed summary.

## **FINANCIAL**

Net operating cash flow was \$244 million, an improvement of \$71 million for the period. Earnings growth from ACP and Crown (actual results) and a reduction in working capital requirements all contributed to the improvement.

After capital expenditure of \$59 million, dividend payments of \$73 million and net investment activity which generated \$66 million, PBL reduced net debt by \$180 million to \$1,576 million.

## **DIVIDEND**

The Directors have announced today an increased fully franked interim dividend on ordinary shares of 11 cents per share payable on 15 April 2003 to shareholders registered on the books close date at 5.00pm on 31 March 2003.

## **OUTLOOK**

Executive Chairman of PBL Mr. James Packer said, "Despite the current challenging environment we have had a good early start to the second half of the financial year across our businesses."

"As we flagged at the time of our full year results last year we expect full year NPAT growth for this financial year of 10% (on theoretical) and today we reiterate that expectation," Mr. Packer said.

"While we will of course ensure the market is fully informed, going forward we do not intend to issue profit forecasts. Our businesses require long term decision making and we believe short term forecasts can lead to short term decision making, which is not in the best interests of our shareholders," Mr. Packer said.

## **ENDS**

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**PBL GROUP RESULT**  
Six Months ended 31 December 2002

<b>Normalised Results</b>			<b>Actual Results</b>		
6 mths ended Dec 2001( 1) At theoretical \$ M	6 mths ended Dec 2002( 1) At theoretical \$ M		6 mths ended Dec 2001 Actual \$ M	6 mths ended Dec 2002 Actual \$ M	% movement on Actual
<u>1,294.0</u>	<u>1,353.4</u>	OPERATING REVENUE	<u>1,268.3</u>	<u>1,358.8</u>	7.1%
338.1	349.0	EARNINGS BEFORE INTEREST, TAX & DEPRECIATION	314.8	351.7	11.7%
<u>61.4</u>	<u>63.1</u>	Depreciation & Amortisation	<u>61.4</u>	<u>63.1</u>	
276.7	285.9	EARNINGS BEFORE INTEREST & TAX	253.4	288.6	13.9%
<u>52.3</u>	<u>54.4</u>	Net Interest	<u>52.3</u>	<u>54.4</u>	
224.4	231.5	PROFIT BEFORE TAX	201.1	234.2	16.5%
<u>34.4</u>	<u>44.8</u>	Taxation	<u>34.4</u>	<u>44.8</u>	
190.0	186.7	PROFIT AFTER TAX	166.7	189.4	13.6%
(8.5 )	0.0	Equity Accounted Loss <sup>(2)</sup>	(8.5 )	0.0	
<u>1.2</u>	<u>(3.9 )</u>	Minority Interests	<u>1.2</u>	<u>(3.9 )</u>	
182.7	182.8	NET PROFIT BEFORE NON RECURRING ITEMS	159.4	185.5	16.4%
<u>0.8</u>	<u>2.3</u>	Non recurring Profit/(Loss) after tax	<u>0.8</u>	<u>2.3</u>	
<u>183.5</u>	<u>185.1</u>	NET PROFIT/(LOSS) AFTER NON RECURRING ITEMS	<u>160.2</u>	<u>187.8</u>	17.2%

(1) Adjusted to show underlying NPAT, ie. excluding above theoretical win rate on VIP Program Play of \$2.6 million in 2002 and adjusting for below theoretical win rate of \$23.3 million in 2001; with theoretical win calculated at 1.28%.

(2) Includes:  
 25% of Foxtel  
 50% of Fox Sports  
 50% of ninemsn  
 25.0% of Wizard Financial Services (37.5% for 2001)  
 0% of eBay (50% in 2001)  
 0% of Charles Schwab (50% for five months in 2001)  
 0% of Acxiom (50% in 2001)



**PBL DIVISIONAL RESULTS**  
Six Months ended 31 December 2002

<b>Normalised Results</b>			<b>Actual Results</b>		
6 Mths ended Dec 2001( 1) At theoretical	6 Mths ended Dec 2002( 1) At theoretical		6 Mths ended Dec 2001 Actual	6 Mths ended Dec 2002 Actual	% movement on Actual
\$ M	\$ M		\$ M	\$ M	
		<b>REVENUE</b>			
389.2	401.0	Television	389.2	401.0	3.0%
291.8	345.2	Magazines	291.8	345.2	18.3%
586.1	564.1	Crown	560.4	571.2	1.9%
26.4	35.5	ecorp <sup>(2)</sup>	26.4	35.5	-
0.0	5.6	Online Gaming	0.0	3.9	-
0.5	2.0	Unallocated	0.5	2.0	-
<u>1,294.0</u>	<u>1,353.4</u>		<u>1,268.3</u>	<u>1,358.8</u>	7.1%
		<b>EXPENDITURE</b>			
258.2	274.8	Television	258.2	274.8	6.4%
234.6	259.7	Magazines	234.6	259.7	10.7%
424.3	411.5	Crown	421.9	414.2	(1.8)%
27.6	31.7	ecorp <sup>(2)</sup>	27.6	31.7	-
0.0	9.5	Online Gaming	0.0	9.5	-
11.2	17.2	Unallocated	11.2	17.2	-
<u>955.9</u>	<u>1,004.4</u>		<u>953.5</u>	<u>1,007.1</u>	5.6%
		<b>EBITDA</b>			
131.0	126.2	Television	131.0	126.2	(3.7)%
57.2	85.5	Magazines	57.2	85.5	49.5%
161.8	152.6	Crown	138.5	157.0	13.4%
(1.2)	3.8	ecorp <sup>(2)</sup>	(1.2)	3.8	-
0.0	(3.9)	Online Gaming	0.0	(5.6)	-
(10.7)	(15.2)	Unallocated	(10.7)	(15.2)	-
<u>338.1</u>	<u>349.0</u>		<u>314.8</u>	<u>351.7</u>	11.7%
26.1%	25.8%	<b>EBITDA / REVENUE</b>	24.8%	25.9%	

(1) Adjusted to show underlying EBITDA; ie. excluding above theoretical win rate on VIP Program Play, with theoretical win calculated at 1.28%.

(2) Excludes results from ecorp's associated entities.



**NON RECURRING ITEMS**  
**Six Months ended 31 December 2002**

	\$m	
• Profit on sale of investments (eBay, PMP)	115.0	
• Provision for diminution of investments (TMS, Cosmos)	(15.9)	*
• Deferred costs expensed		
• “upfront” financing costs	(32.6)	*
• online gaming software	(12.1)	*
• Restructure costs (ACP, Crown, Nine redundancies)	(15.3)	
• Program costs expensed (predominantly prior years costs now expensed)	(13.5)	*
	25.6	
Less:		
Minority interests (eBay)	(26.6)	
Tax shelter	3.3	
<b>Net Non Recurring Items</b>	<b>2.3</b>	

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