

# Annual Report 1997



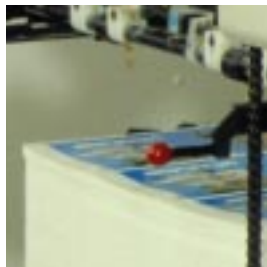
**N.V. Holdingmaatschappij De Telegraaf**



## **N.V. Holdingmaatschappij De Telegraaf**



Rotogravure



Sheet-offset



Web-offset



After-press



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## **Managing Board**

L.G. van Aken

F.Th.J. Arp

J. Olde Kalter

H. Schor

A.J. Swartjes

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## Supervisory Board Members

A.J. van Puijenbroek, Chairman	<p><i>Age:</i> 50. <i>Nationality:</i> Dutch. <i>Position:</i> Director of N.V. Exploitiemaatschappij Van Puijenbroek. <i>Supervisory Board memberships:</i> a few subsidiaries of N.V. Holdingmaatschappij De Telegraaf. <i>Initial appointment:</i> 15-05-1975. <i>Current term:</i> 1995 - 1999.</p>
W. H. Charles, Vice-Chairman	<p><i>Age:</i> 64. <i>Nationality:</i> Dutch. <i>Position:</i> former member of the Managing Board of N.V. Holdingmaatschappij De Telegraaf. <i>Supervisory Board memberships:</i> a few subsidiaries of N.V. Holdingmaatschappij De Telegraaf. <i>Initial appointment:</i> 15-06-1994. <i>Current term:</i> 1994 - 1998.</p>
J. A. Brewer-de Koster, Secretary	<p><i>Age:</i> 60. <i>Nationality:</i> Dutch. <i>Initial appointment:</i> 17-06-1992. <i>Current term:</i> 1994 - 1998.</p>
W. Overmars	<p><i>Age:</i> 65. <i>Nationality:</i> Dutch. <i>Supervisory Board memberships:</i> Campina A.G., Dico N.V., ABN • Amro Bank N.V., CHV N.V., Bavaria N.V., VAM N.V. <i>Initial appointment:</i> 05-06-1996. <i>Current term:</i> 1996 - 2000.</p>
W. van Voorden	<p><i>Age:</i> 55. <i>Nationality:</i> Dutch. <i>Position:</i> Professor of economics at the Erasmus University and the Catholic University of Brabant. <i>Supervisory Board memberships:</i> Batenburg Beheer N.V., Instituut voor Onderzoek van Overheidsuitgaven (IOO B.V.). <i>Initial appointment:</i> 04-06-1997. <i>Current term:</i> 1997 - 2001.</p>
H. L. Weenen	<p><i>Age:</i> 53. <i>Nationality:</i> Dutch. <i>Position:</i> Director of Tandem Computers N.V./S.A. <i>Supervisory Board memberships:</i> Twinsoft N.V./S.A. <i>Initial appointment:</i> 26-06-1980. <i>Current term:</i> 1996 - 2000.</p>

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## **Report of the Supervisory Board to the shareholders**

We are pleased to present you with the report, the balance sheet as at 31 December 1997, and the profit and loss account for 1997 with the notes thereto, as drawn up by the Managing Board.

The annual accounts have been audited and approved by Deloitte & Touche Registeraccountants of Leiden, as shown by the auditor's report included in this report.

The annual accounts were reviewed with the auditor at the Supervisory Board. The annual accounts were subsequently adopted by us.

In accordance with the proposal, Mr W. van Voorden was appointed to the Supervisory Board with the approval of the General Meeting of Shareholders of 21 May 1997.

We intend to reappoint Mrs J.A. Brewer-de Koster and Mr W.H. Charles to the Supervisory Board if the General Meeting of Shareholders does not object to the proposed appointments and if the General Meeting does not nominate anyone else for a position on the Supervisory Board. The Works Councils of our company have given a positive advice in respect of the proposed reappointments.

During the past year, the Supervisory Board met seven times to discuss such general matters as strategy, business risks, and the development of new activities. Specific attention was paid to the establishment of the printing group, acquisitions (including De Gooi- en Eemlander), the development of new special-interest magazines, the integration of De Courant Nieuws van de Dag and De Telegraaf, and the report of the 'commissie-Peters' on Corporate Governance.

During the year under review, members of the Supervisory Board attended a few consultative meetings of the Works Council of the Amsterdam businesses.

At the beginning of 1998, the Supervisory Board laid down rules and regulations providing for the Board's division of responsibilities and work method, as well as the Board's relation with the Managing Board and the Works Councils. Also, in consultation with the Managing Board, a profile was drawn up which is available for inspection at the company's office.

We would like to express our appreciation to the Managing Board and the staff for the way in which they performed their tasks in 1997.

We recommend:

1. That the annual accounts for 1997 be approved in accordance with the documents presented to you.
2. That the dividend per share of NLG 0.50 par value for the financial year 1997 be fixed at NLG 0.84 in cash (1996: NLG 0.68 in cash per share of NLG 0.50 par value).
3. That the dividend be made payable on 9 June 1998 at ABN•Amro Bank N.V., Amsterdam.

**On behalf of the Supervisory Board**  
A.J. van Puijenbroek, Chairman.

Amsterdam, 28 April 1998.

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## N.V. Holdingmaatschappij De Telegraaf

### Consolidated key figures

(Amounts in thousands of guilders, unless otherwise stated)

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1996

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1997

1,283,228	Net turnover	1,357,754
143,429	Operating profit	173,323
– 5,579	Financial revenue and charges	12,257
137,850	Pre-tax result from ordinary trading	185,580
	Company tax	
51,845	(net of Investment Account Act grant)	65,110
– 1,403	Extraordinary result after tax	4,200
84,602	<b>Result after tax</b>	124,670
	Profit appropriation:	
48,902	Other reserves	80,571
35,700	Profit distribution	44,099
42.2%	Pay out ratio	35.4%
190,477	Cash flow	238,340
	Per share of NLG 0.50:	
NLG 1.61	Profit	NLG 2.37
NLG 3.63	Cash flow	NLG 4.54
NLG 0.68	Dividend	NLG 0.84
4,599	Number of employees at year-end	4,901



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## **Report for the year 1997 of Stichting Administratiekantoor van aandelen N.V. Holdingmaatschappij De Telegraaf**

In the year 1997, the total number of convertible depositary receipts in N.V. Holdingmaatschappij De Telegraaf issued by our foundation increased by 235,040, amounting to 24,483,584 (of NLG 0.50 par value) as at 31 December 1997, and representing a nominal amount of NLG 12,241,792. These depositary receipts were matched by an equal number of shares held at the trust office.

At the Board meeting of 22 April 1997, Mr J.S. Dienske was appointed as Board Member in connection with the retirement of our Chairman, Mr H.J.M. van Steijn on reaching the age limit laid down in the Articles of Association. Mrs J.A. Brewer-de Koster has been reappointed to the Board by Stichting Beheer van prioriteitsaandelen N.V. Holdingmaatschappij De Telegraaf. Messrs G.A. van Hasselt and A. Harms have been appointed Chairman and Vice-Chairman, respectively, of our Board.

The Annual Meeting of Shareholders of N.V. Holdingmaatschappij De Telegraaf was held in Amsterdam on 21 May 1997. Our foundation, represented by its Chairman Mr G.A. van Hasselt, cast its vote in respect of the recommendations made by the Supervisory Board to adopt the balance sheet as at 31 December 1996, the 1996 profit and loss account and the profit appropriation.

Our foundation supported the extension of the powers of the priority and the Managing Board of the Company under the Articles of Association. The appointment of Mr W. van Voorden to the Supervisory Board was supported by our foundation in accordance with the Board's recommendation.

**Stichting Administratiekantoor van aandelen  
N.V. Holdingmaatschappij De Telegraaf**  
G.A. van Hasselt, Chairman  
Mrs J.A. Brewer-de Koster, Secretary  
M.E. Borrius Broek  
J.S. Dienske  
A. Harms

Amsterdam, April 1998.

## **Declaration of independence**

The Managing Board of N.V. Holdingmaatschappij De Telegraaf and the members of the Board of Stichting Administratiekantoor van aandelen N.V. Holdingmaatschappij De Telegraaf hereby declare that, in their joint opinion, the requirements made in respect of the independence of the members of the Board of Stichting Administratiekantoor van aandelen N.V. Holdingmaatschappij De Telegraaf in Annex X to the Listing and Issuing Rules of Amsterdam Exchanges N.V., Amsterdam, have been met.

**Managing Board of N.V. Holdingmaatschappij De Telegraaf**  
  
**Board of Stichting Administratiekantoor van aandelen  
N.V. Holdingmaatschappij De Telegraaf**

Amsterdam, April 1998.

## THE COMPANY

In 1997, the company achieved a new record high, realising a net profit of NLG 124.7 million, up 47.4% compared with the 1996 result of NLG 84.6 million. In 1995, the net profit amounted to NLG 101.3 million.

The rise in net profit is attributable to both higher operating profit and lower initial losses sustained by participating interests outside the core activities and mainly relating to commercial TV.

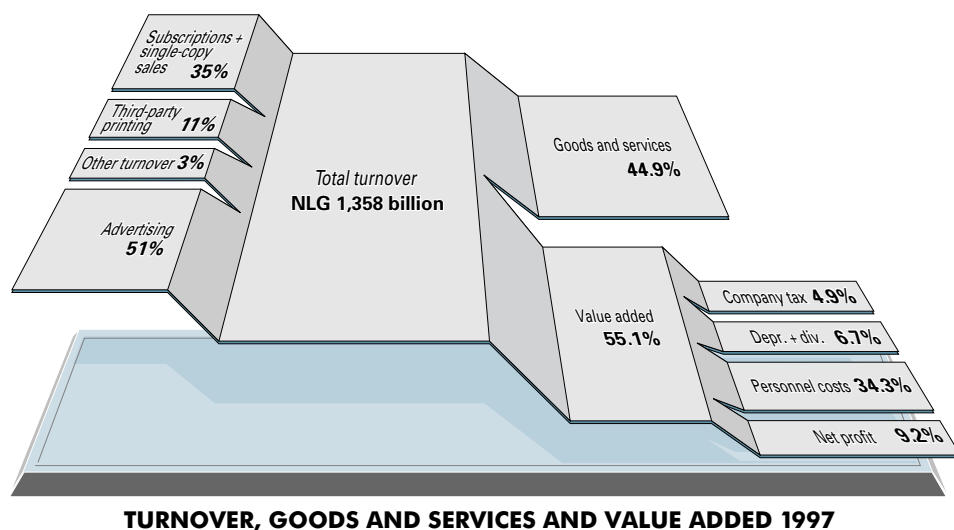
Operating profit was affected by the loss of the TrosKompas contract on the one hand, and by the consolidation of De Gooi- en Eemlander, which was taken over on 1 January 1997, on the other. The rise in operating profit is attributable in particular to the increased turnover relating to advertising volume and third-party printing. Personnel expenses rose as a result of the autonomous increase and, in particular, the growth in number of staff following the takeover of De Gooi- en Eemlander and De Kempen Pers. Provisions for reorganisation, charged to the operating profit, have been made in connection with the effect on the staffing level following the creation in 1998 of the printing division and the costs of the integration of De Courant Nieuws van de Dag and De Telegraaf.

The falling away of TrosKompas did not involve any compulsory redundancies.

Newsprint prices were lower in 1997 than in 1996.

Depreciation of tangible fixed assets fell slightly as a result of book profits realised, inter alia, on the sale of property at Leiden and in 't Gooi.

From 1998 on, depreciation is bound to rise again as a result of investment projects currently in progress in Amsterdam, Heerlen and Alkmaar.



Depreciation of intangible fixed assets increased mainly as a result of the write-off of goodwill paid on the acquisition of the share capital of De Gooi- en Eemlander.

All group companies performed better than expected. The newspaper businesses, the national as well as the regional ones, realised better results than in 1996. The result of both the magazine publishing business and the door-to-door group increased. The results of the printing/after-press firms of Biegelaar en Jansen and Franken were lower than in 1996 though higher than projected.

The 1996 cash dividend from Wegener Arcade N.V. less the pro rata portion of the initial loss incurred in 1997 by the participating interest in SBS6 is shown under participation income. The provisions for severance liabilities in respect of participating interests in Sport7 and Planet Internet, made in 1996 and charged to this item, proved adequate.

Notwithstanding the slight rise in interest rates in the second six-month period of 1997, interest income was lower than in 1996 due to the acquisition of De Gooi- en Eemlander and long-term investment projects currently in progress. Interest income will be improved through investment in government bonds of liquid assets not required in the short term. A modest start was made with this in 1997.

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The balance of financial charges and revenue rose by NLG 17.8 million from a negative result of NLG 5.6 million for 1996 to a positive result of NLG 12.2 million for 1997.

The pre-tax result from ordinary trading increased by 34.6% from NLG 137.9 million in 1996 to NLG 185.6 million in 1997.

The corporate tax burden on the result from ordinary trading is affected by the fact that depreciation of goodwill and initial losses sustained by participating interests are not eligible for fiscal set-off. The expiration as at 1 January 1997 of the cost allowances under the 'Oort' tax regulations had a favourable effect on the amount of company tax payable. In 1997, the difference of opinion with the tax authorities about the application of the base stock system in respect of raw materials, a dispute that has been running since 1994, continued to be unresolved. In February 1998, the tax authorities stated their point of view, which the company does not share. As in previous years, the annual accounts are based on the expectation that the valuation principles will be left fully intact. The key principle of the base stock system is the deferral of tax payment and does not affect the published result.

The after-tax result from ordinary trading rose by 40.1% from NLG 86.0 million in 1996 to NLG 120.5 million in 1997.

The extraordinary result after tax rose from NLG 1.4 million negative in 1996 to NLG 4.2 million positive in 1997. Extraordinary revenue included, amongst other things, the minority interest in the result of Media Groep West B.V. and the one-off release of a portion of the provision for supplementary payment of amounts in excess of the wage level under the Collective Labour Agreement following a change in early retirement regulations. A provision for out-of-pocket expenses relating to the integration of De Courant Nieuws van de Dag and De Telegraaf in February 1998 is shown as an item of extraordinary expenditure.

After allowing for the extraordinary result, the net profit rose by 47.4% from NLG 84.6 million in 1996 to NLG 124.7 million in 1997. Net earnings per share of NLG 0.50 par value rose from NLG 1.61 in 1996 to NLG 2.37 in 1997. The cash flow increased from NLG 190.5 million in 1996 to NLG 238.3 million in 1997.

## **Corporate Governance**

The company's vision on the recommendation by the 'commissie-Peters' regarding Corporate Governance has been included in this annual report (page 55 ff.).

## **Shareholders' equity**

Shareholders' equity increased from NLG 767.5 million at the end of 1996 to NLG 852.6 million at the end of 1997.

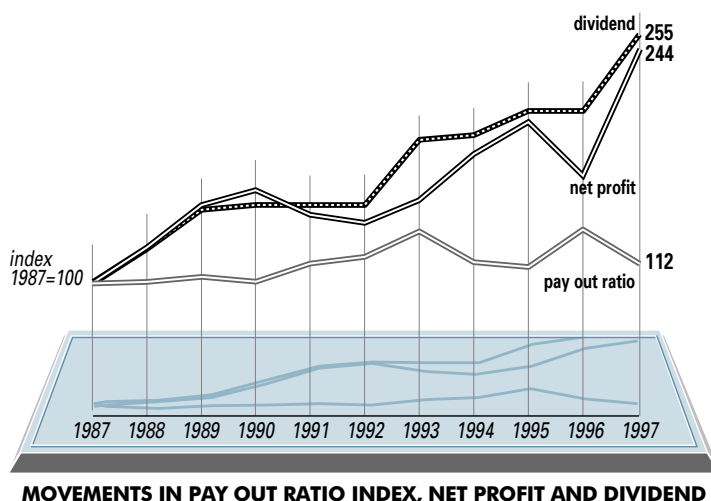
The NLG 85.1 million increase in shareholders' equity resulted from:

- the addition to the other reserves as proposed in the 1997 profit appropriation;
- the addition to the other reserves of the group's share in the increase of shareholders' equity of Wegener Arcade N.V.

Shareholders' equity per share of NLG 0.50 par value rose from NLG 14.62 at year-end 1996 to NLG 16.24 at year-end 1997.

The share capital amounts to 52,499,200 ordinary shares and 960 priority shares of NLG 0.50 par value. As at 31 December 1997, 24,483,584 ordinary shares (46.6%) were certified. As at year-end 1996, 46.2% of the share capital was certified.

There are no intentions of repurchasing group shares.



## Dividend proposal

We propose to declare a dividend for 1997 of NLG 0.84 per share of NLG 0.50 par value, representing a pay out ratio of 35.4%.

The 1996 dividend amounted to NLG 0.68 per share of NLG 0.50 par value, representing a pay out ratio of 42.2%. The expected temporary decline in the net profit for 1996 did not affect the company's dividend policy, a one-off pay out ratio of more than 40% being considered acceptable.

## Company Strategy

### General

The group's core activity has earlier been described as the publication of newspapers, weeklies and magazines in Dutch. All necessary disciplines connected with this belong to the core activity, including technical production. The publishing function is not limited to paper, other types of information carriers, such as electronic and audiovisual systems, being included as well.

In 1997, the decision was made to add a second core activity to the existing one, namely third-party technical production, which up to then had been a derivative activity associated with the technical production of group products. The creation of the Biegelaar Groep has given shape to this expansion in core activities. The Biegelaar Groep aims to be one of the Netherlands' leading suppliers of printed matter in terms of turnover volume. Further reinforcement of the printing division in the future by means of one or more takeovers or strategic alliances in or outside the Netherlands is not ruled out. In view of the preservation of the company's character, the contribution of the printing activities will constitute a minority percentage of company turnover.

With these core activities the company aims to realise steady growth in turnover and result. This growth strategy will initially be pursued in the Netherlands through both organic and external growth. In addition, the company will study the scope for expansion outside the Netherlands in the form of takeovers and/or joint ventures in those areas where the company has gained experience.

In addition, the company seeks to increase its profitability by optimising activities and realising synergy. Examples during the past financial year include the joint delivery of a couple of newspapers published by the group and the integration of De Gooi- en Eemlander into the group.

### Financing policy

The company's policy is aimed at self-financing. Investments and takeovers are financed with the company's own financial resources, which is the reason for the maintenance of a relatively strong liquidity position. These liquid assets are invested in risk-free time deposits (partly short-term and partly long-term), and/or bonds. Expansion of the share capital or the repurchase of company shares is not being considered.

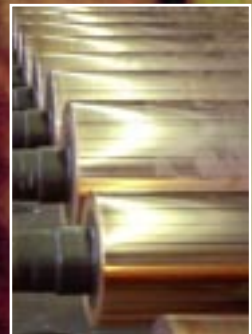
### Dividend policy

The dividend policy is aimed at realising stable distributions in cash, and a gradual percentage increase in dividend. The dividend proposal takes into account the results expected for the next year. Consequently, a temporary drop in profit need not directly affect the dividend for any particular year.



**R**otogravure is a printing process in which, as the name suggests, the image to be printed is engraved on a copper cylinder.

The prepress operations are the same as for other printing processes, although the specifications are different. The entire preparation process, including production of the matrix (i.e. the cylinder) is digitised. Thanks to the 'endless' cylinder, its high wear resistance and good reproduction, this process can print a very large number of pages in a single run, making it ideal for large volume printing.



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## **Increase in scale**

In 1997, the group's activities were expanded by:

- the acquisition on 1 January of the shares in Houdstermaatschappij De Gooi- en Eemlander B.V., a publisher of a regional newspaper and door-to-door papers in 't Gooi and at Almere, and an operator of cable TV information services in 't Gooi;
- the takeover on 1 February of De Kempen Pers B.V. by Uitgeversmaatschappij De Trompetter B.V., a subsidiary of Limburgs Dagblad-groep. De Kempen Pers is a publisher of door-to-door papers in the Eindhoven region;
- the acquisition on 1 July of door-to-door papers Het Nieuws- en Advertentieblad voor Alphen aan den Rijn en omgeving and De Proosdijlander in the Ronde Venen district by Hollandse Huis-aan-huisbladen Combinatie B.V.;
- the takeover on 1 September of door-to-door Sunday papers at Beverwijk, IJmuiden, Haarlem, Haarlemmermeer and Amstelland. On 2 January 1998, Uitgeverij HET B.V., established at Leiden, was taken over. HET publishes a door-to-door Sunday paper in the Leiden region.
- development of the new special-interest magazines BuitengeWoon and Personal Finance, which, after the test issues in 1997, will appear five or six times each in 1998.

Disposals included:

- The door-to-door activities of Handelspost Beheer B.V. were sold to Wegener Arcade N.V. on 1 July 1997.

## **Printing division**

On 1 January 1998, the combination of third-party printing companies became operational under the name of Biegelaar Groep, Maarssen. Biegelaar Groep comprises Biegelaar en Jansen B.V. of Maarssen, Franken B.V. of Deventer, Drukkerij Van Ketel B.V. of Schagen and Eldee Offset of Heerlen, which all used to belong to the Company. Drukkerij Van Ketel was part of Hollandse Huis-aan-Huisbladen Combinatie B.V., and Eldee Offset was an activity of Uitgeversmaatschappij Limburgs Dagblad B.V. At the beginning of 1998, a letter of intent was signed concerning the takeover of Nederlands Drukkerij Bedrijf B.V. of Zoeterwoude; this enterprise will be added to the printing division. Eldee Offset will be closed; the printing orders relating to company publications will eventually be transferred to Nederlands Drukkerij Bedrijf.

Biegelaar Groep's supply for the third-party printing market consists of the following activities (reflecting a strategic balance): rotary gravure, heatset, sheet offset and after-press.

Biegelaar Groep aims to be one of the Netherlands' major suppliers of printed matter in terms of turnover volume. Further reinforcement of the printing division in the future by means of one or more takeovers or alliances in or outside the Netherlands is not ruled out.

## **The Environment**

While the newspaper production business, in principle, does not put the environment under undue strain, a careful attitude towards the environment is important and calls for a structural policy. An environmental policy declaration has been drawn up for this purpose.

In 1997, environmental policy was mainly directed towards:

- waste recording;
- recording of energy consumption by means of an Energy Management System;
- inspection and alteration of the sewage system;
- inspection of underground storage tanks;

- determination of NOx content in burner emissions;
- replacement of printing press detergents;
- reduction of CFKs in refrigeration equipment.

A next step in the company's environmental policy is the distribution of product information sheets on the various materials used in the various departments.

Great care is being devoted to energy-saving features in the new office building, amongst other things by installing a total energy system.

Foreign newsprint manufacturers have been made subject to a ban on the use of trees from virgin forests in the manufacture of newsprint. The government, paper-manufacturing and processing industries, waste-paper businesses and publishers have concluded a covenant aimed at stepping up waste-paper recycling. If the cost price of collecting waste paper were to exceed the market price, this would result in a substantial increase in the price of newsprint.

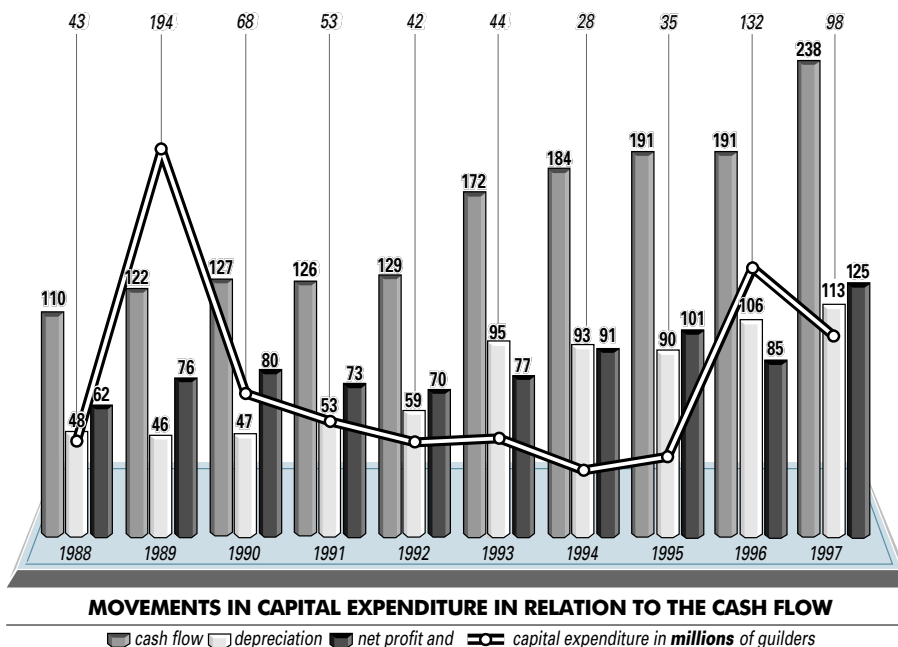
## Investment

In 1997, the company pressed ahead with the investment plans started in previous years.

A programme of inspection and preparation for the adjustment of essential business systems in connection with the transition to the year 2000 was set in motion at all operating companies.

### Amsterdam

The former printing works on Donauweg was converted and occupied. Named 'Amerika building' (after one of the former presses on Nieuwezijds Voorburgwal), the building now mainly houses workshops and auxiliary services.



Construction of the new office building is nearing completion. The building will be ready for occupation by mid-1998. Departments that have been accommodated in rented spaces elsewhere will then be housed again in the company's own building, which will bring presently separated activities together again. The removal of the departments housed in the present office building will create scope for a whole new layout. In 1998, a list of requirements will be drafted in respect of the necessary major maintenance work.

### Heerlen

Construction work on a new printing plant on the site of Limburgs Dagblad is now at such an advanced stage that a beginning was made in early 1998 with the installation of the new press, which will be operational in the course of this year. During the ordering period, the press was extended with two printing units. Part of De Telegraaf, mainly newspapers for the readership abroad and in the south of the country, will eventually be printed on this press.

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At the end of 1997, a new electronic editorial text-editing and pagination system was contracted, which will be operational by the end of 1999.

#### **Alkmaar**

The extension of the newspaper press was completed at the beginning of 1998, creating greater colour capacity, amongst other things. The land and building of Energiebedrijf Noord-West (the former PEN), adjacent to the building of Verenigde Noordhollandse Dagbladen, were purchased at the end of 1997, which enables Drukkerij Noordholland and publisher Noorderpers (presently established at Hoorn) to move to the complex. Completion of the electronic pagination and text-editing system has met with some delay as a result of software problems. The system will be operational by mid-1998.

#### **Leiden/Hilversum**

The Witte Singel complex at Leiden and several redundant buildings in 't Gooi were sold. New accommodation has been found for Dagblad De Gooi- en Eemlander B.V.; at the beginning of 1998, a building at Hilversum was leased for a term of at least five years. The present buildings will eventually be sold.

#### **Hoorn**

Plans have been made to move Hoorn-based B.V. Drukkerij Noordholland to the site of the printing works of Hollandse Dagbladcombinatie B.V. somewhere around the turn of the century. This relocation is intended to remedy the firm's stand-alone situation as well as to create synergy. The investment plans are being worked out; the Works Council of B.V. Drukkerij Noordholland/B.V. Noorderpers has been requested to give its formal opinion, which it is presently considering.

#### **Maarsssen**

At the end of 1997, agreement was reached about the purchase of an adjacent site, which will be delivered and ready for construction in 1998. This expansion is needed for making future strategic investments in press and after-press activities.

### **Commitments**

In 1997, capital expenditure commitments totalling NLG 97.6 million (excl. VAT) were entered into. Of this amount, NLG 41.7 million will be due and payable in 1998 and following years. Payments in respect of commitments entered into in 1997 and previous years amounted to NLG 120.0 million (excl. VAT) in 1997.

### **Turnover**

Consolidated group turnover rose by 5.8% from NLG 1,283.2 million in 1996 to NLG 1,357.8 million in 1997. The newly acquired activities have been consolidated with effect from the takeover date. Handelspost Beheer B.V. was consolidated up to 1 July. The loss of TrosKompas and TV-krant had a major impact, which was largely offset by the acquisition of De Gooi- en Eemlander. Autonomous turnover growth of the activities that were already part of the group in 1996 amounted to 6.1%.

Of the rise in turnover, NLG 63.4 million related to advertising income, and NLG 23.7 million to third-party printing, while circulation income was NLG 11.3 million lower. Other income, including third-party distribution, declined by NLG 1.2 million.

Of 1997 group turnover, NLG 688.4 million (51%) related to advertising income, NLG 471.3 million (35%) to circulation income. Third-party printing contributed NLG 150.1 million (11%), and other income NLG 48.0 million (3%) to the company profit.

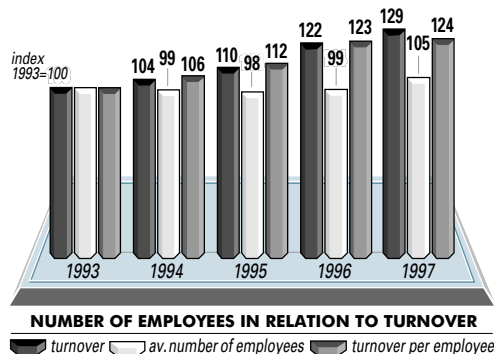


In 1996, the corresponding figures were NLG 625.0 million (49%), NLG 482.6 million (37%), NLG 126.4 million (10%), and NLG 49.2 million (4%), respectively.

Sources of turnover:  
(x NLG 1 million)

	1996		1997	
Newspapers	840.3	66%	915.9	68%
Door-to-door papers	119.7	9%	136.9	10%
Magazines	143.9	11%	100.8	7%
Third-party printing	126.4	10%	150.1	11%
Other activities	52.9	4%	54.1	4%
	1,283.2	100%	1,357.8	100%

Partly owing to the addition of De Gooi- en Eemlander, turnover from newspapers rose by 9%. Turnover from door-to-door papers rose by 14.4%, from printing activities by 18.8%, and from other activities by 2.2%. Due to the loss of TrosKompas/TV-krant, turnover from magazines declined by 30%. In 1997, 1.3% of group turnover related to exports to EU countries as compared to 1.7% in 1996. In 1997, the group also exported products worth NLG 12.6 million to European countries not belonging to the EU.



In 1997, the number of employees - translated into full-time equivalents - averaged 4,350. In 1996, the corresponding figure stood at 4,129 FTEs. Growth in 1997 is largely attributable to the addition of De Gooi- en Eemlander to the group; the staff involved in the production of TrosKompas/TV-krant were redeployed within the group.

The average turnover per employee rose by 0.4% from NLG 310,800 in 1996 to NLG 312,100 in 1997.

Movements in turnover, average amount of FTEs and average turnover per employee during the last five years were as follows:

	1993	1994	1995	1996	1997
Group turnover x NLG 1 million	1,049	1,093	1,152	1,283	1,358
Average FTEs	4,157	4,100	4,083	4,129	4,350
Average turnover per employee x NLG 1,000	252.3	266.5	282.0	310.8	312.1

## Employment

As at 31 December 1997, the number of employees amounted to 4,901. The number of part-time employees in the work force amounted to 1,125. Translated into full-time equivalents, employment throughout the group amounted to 4,384. As at the end of 1996, the work force totalled 4,599, of whom 1,053 were employed part-time. Translated into FTEs, the figure comes to 4,125.

The net growth of the work force is largely attributable to the addition to the company of Dagblad De Gooi- en Eemlander B.V., De Kempen Pers B.V., and several door-to-door Sunday papers, less the employees of Handelspost.

Partly due to the reorganisation relating to De Courant Nieuws van de Dag in early 1998 and the measures taken by De Telegraaf Tijdschriften Groep B.V., the company will be forced to pursue a very modest staff employment policy.

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## **Collective Labour Agreements**

On 1 February 1997, various collective labour agreements were brought under the scope of one master labour agreement (the Grafimedia-CAO), with specific agreements relating to individual sectors. Basic conditions of employment will continue to be centrally regulated, other matters will be handled decentrally. One of the most radical changes at the corporate level is the HIF plan (providing for the reclassification and redescription of all jobs in the company).

The Grafimedia collective labour agreement provides for structural pay increases of 3% and 2.5% on 1 February 1997 and 1 February 1998, respectively. The collective labour agreement for newspaper journalists provided for a 2.5% pay increase with effect from 1 September 1997. Door-to-door paper journalists were entitled to two 1.25% pay increases: on 1 January 1997 and 1 July 1997.

The early retirement scheme provided for in the collective labour agreements was radically overhauled. Subject to a transitional period of twenty years up to the year 2017, the existing scheme, under which employees are eligible for early retirement at the age of 60 and retain close to 100% of their net income, has been changed to a scheme under which employees may retire at the age of 62, retaining a maximum of 70% of their net income if they have been employed in this industry for a period of forty years.

## **AMSTERDAM OPERATIONS**

### **Pension fund**

The moderate inflation rate and rising share prices combined to make 1997 a financially good year for Stichting-Telegraafpensioenfonds 1959. In 1997, the invested capital rose by NLG 100 million to NLG 627 million. The reserve for unrealised exchange differences increased from NLG 94 million to NLG 148 million.

Pensions and pension rights were increased by 2.1%, equal to the inflation rate for 1996.

Pension contributions were maintained at 4.5% of pensionable salary. In 1998, retired employees will receive a special allowance of 9% of their annual pension.

### **ARBO (Health and Safety at Work)**

In addition to the group's policy in respect of absenteeism due to illness (now operational) and the industrial health consultancy in collaboration with KLM Arbo Services, Risico-Inventarisatie en Evaluatie (RIE) (Risk Survey and Evaluation) has been given a central place. At the beginning of 1998, the RIEs of several branches and the printing works on Plimsollweg were completed. The RIEs are subject to the approval of the ARBO-dienst (Health and Safety at Work Service).

Absenteeism due to illness increased from 4.9% in 1996 to 5.4% in 1997 due to an influenza epidemic in the final quarter of 1997.

A beginning has been made with the set-up of a mandatory BedrijfsHulpVerleningsorganisatie (BHV) (Industrial Emergency Organisation). A BHV is designed to respond to internal or external calamities. The in-house training centre, called TOTC, is qualified to give the staff the necessary training.

### **Works Council**

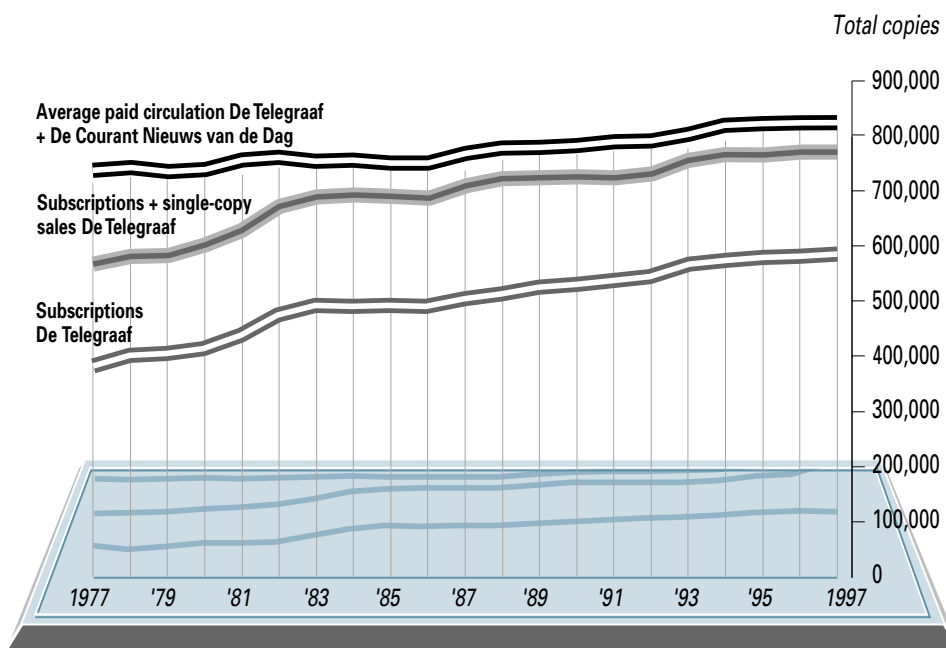
Partly as a result of the introduction of the new Grafimedia Collective Labour Agreement, the influence and activities of the Works Council will increase, the Works Council being the most suitable organ to deal with matters referred to decentralised consultations.

Consultations in 1997 continued to be positive and constructive, based on the relationship of trust which has existed between the Board and the Council for many years.

## NEWSPAPER BUSINESS

### Paid circulation

At the beginning of 1998, the integration of De Courant Nieuws van de Dag and De Telegraaf was announced. De Courant was established in 1893 and merged with Het Nieuws van den Dag in 1923. Since 1985, De Courant Nieuws van de Dag came out in morning and afternoon editions in the greater Amsterdam region and in Almere. Over the years, total circulation of the morning edition began to eclipse that of the afternoon edition. On 30 September 1997, the annual publication of the circulation figures for the advertising market reported a 2,250 drop in circulation to 53,600. After a process of attrition lasting many years, the morning edition was no longer able to make up for the decline of the afternoon edition.



**MOVEMENTS IN PAID CIRCULATION**

On 16 February 1998, De Courant Nieuws van de Dag readers were offered a subscription to De Telegraaf. The conversion process has progressed in line with expectations; as at 31 March 1998, paid circulation of De Telegraaf totalled more than 800,000.

As at 30 September 1997, paid circulation relating to De Telegraaf was reported at 762,400, an increase of 2,400 compared to the corresponding figure in September 1996. This increase was wholly attributable to an increase in subscriptions. Partly due to one-off factors, single-copy sales continued to be depressed in 1997.

On 30 September 1997, paid circulation of De Telegraaf/De Courant Nieuws van de Dag, on aggregate, totalled 816,000, an increase of 150. At year-end 1997, paid circulation was higher than the year before.

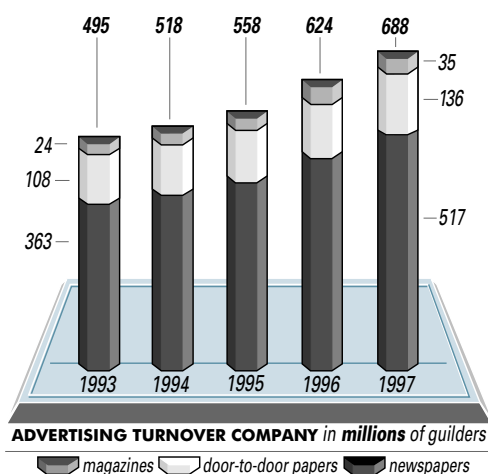
According to figures published by CEBUCO on 30 September 1997, aggregate paid circulation of the Dutch newspapers was virtually static, falling by 1,020 to 4,752,791. It is expected that agreement will be reached in 1998 about a change in the publication of circulation figures.

Including the regional newspapers published by subsidiaries, the group's share in total paid circulation amounted to 25.4% as at 30 September 1997. This compares to 25.5% in 1996.

### Distribution and delivery

The Labour Inspection carried out a number of checks on the legality and age of delivery boys/girls. In 1998, these inspections and checks on whether delivery agencies meet the requirements under the Health and Safety at Work Act will be made more frequently, which will be an important area of attention and concern on the part of the newspaper companies.

The system of central registration and co-ordination of delivery-related complaints was made operational in 1997. The information gained from this will enable the company to conduct a more alert and responsive policy. A study is being carried out into the possibilities of joint transport and distribution of De Telegraaf and Noordhollands Dagblad. Joint transport to the island of Texel has already been realised.



## Advertisements

Advertising turnover of De Telegraaf/De Courant Nieuws van de Dag rose by 8.7% to NLG 394.4 million. This increase was attributable to volume growth and a rise in prices in line with costs and circulation. Also, a limited price differentiation was effected between the Saturday and weekday issues. Colour use in advertising again increased. Advertising volume of De Telegraaf rose by 1.6%, mainly owing to a 26.8% increase in staff advertising and a 1.2% rise in the category of national brands and services. In 1996, these types of advertisements increased by 16.7% and 10.3%, respectively. The category of local brands and services again lagged behind in 1997.

The total volume of classified Speurder ads fell by 4.8% to 906,635; the volume of classified Speurder pages was down by 1.0%, boosting the average number of lines inserted per classified ad. Classified Speurder ad turnover rose by 4.3%. Classified ad volume of all national newspapers combined fell off by 2.5%. De Telegraaf/De Courant Nieuws van de Dag have a 47.8% share in this market segment.

In 1997, the combined advertising volume of the national newspapers grew by 3.9%, which was mainly attributable to the increase in staff advertising.

Advertising volume of De Courant Nieuws van de Dag fell by 2.6%. Classified Speurder ads inserted in combination with De Telegraaf make up 67.2% of the advertising volume of De Courant Nieuws van de Dag.

The combined advertising volume of the Dutch national and regional newspapers increased by 3.3%. According to an estimate by the Groep Nederlandse Dagbladpers of Nederlands Uitgeversverbond, the gross advertising turnover of the newspapers, on aggregate, rose by approximately 10% to NLG 2,046 million.

According to the estimate, the share of the Telegraaf group in the aggregate advertising turnover for 1997 amounted to 25.3% versus 25.5% in 1996.

On 1 January 1998, advertising rates were raised collectively by 2.25%.

## Price policy

Competition law forbids collective price regulations. Four years ago, the Dutch newspapers applied for an exemption, a collective price adjustment policy being considered crucial to the preservation of their pluriformity as competition will, of necessity, centre on the editorial formulas and angles of the various newspapers. The newspapers have shown demonstrable care over the past decades regarding the collective price adjustment policy.

On 13 October 1997, following a negative advice of the Commissie Economische Mededinging (Economic Competition Committee), the Minister of Economic Affairs granted a temporary exemption from the ban on horizontal price-fixing in respect of newspaper subscriptions until 1 July 1999.

No exemption was granted for horizontal price regulations regarding advertisements, including the internationally accepted 15% scheme for advertising agencies recognised by ROTA. Under pressure from the Lower House of Parliament, the Minister has granted an exemption from the ban on vertical price-fixing with effect from 1 January 1998 until 2003.

The Nederlands Uitgeversverbond (Netherlands Publishers' Association) has lodged a notice of objection against the Minister's decision. This appeal procedure has a suspensory effect, so that the current price regulations will remain effective for the time being.

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## **De Telegraaf-i**

In 1997, De Telegraaf's Internet edition developed into one of the Netherlands' most popular sites. In December 1997, De Telegraaf-i attracted thrice as many visitors as the year before. Advertising turnover showed corresponding growth. The rise is attributable, on the one hand, to the increasing number of Internet connections in the Netherlands and, on the other, to the editorial expansion of De Telegraaf-i, including De Weerkamer, a meteorological service set-up in collaboration with KNMI (Royal Dutch Meteorological Institute).

Growth in the number of pages called up has continued in the first months of 1998.

## **Editorial developments**

In the course of 1997, the weekly Weekeinde section was expanded with two pages giving information about films on TV programmed for the week. A survey amongst the readership has shown that readers are pleased with this service.

The intention of including TV programme details of NOS and HMG for the whole week could not yet be realised. On 2 January 1998, De Telegraaf lodged a complaint with the NMa (Nederlandse Mededingingsautoriteit, Netherlands Competition Authority) against NOS and HMG on the grounds of abuse of a dominant economic position. In its preliminary report the NMa concluded that the present situation does constitute a dominant economic position. Legal actions are pending.

In 1997, the number of editorial pages saw a further increase. The layout of a few weekly pages was changed, with the news in question placed together in a concentrated form.

Digital photo technology was further improved and expanded. In November, the first news photographs were beamed via satellite directly to our Amsterdam picture desk.

## **DE TELEGRAAF TIJDSCHRIFTEN GROEP**

Despite the loss of the TrosKompas/TV-krant contract in 1997, De Telegraaf Tijdschriften Groep B.V. (TTG) achieved a better result, the net effect of higher income on the one hand and cost reductions in respect of the other titles on the other.

### **Privé**

In 1997, Privé celebrated its 20th anniversary. Partly owing to cost reductions relating to technical changes in the production process, the result of Privé improved considerably in 1997. The total number of Privé subscriptions increased. Single copy sales continued to contract slightly. Privé reinforced its share of the declining entertainment magazine market. The Flemish edition for the Belgian market was discontinued on 1 January 1997 and replaced again by the Dutch edition. In comparison to the special Flemish edition, single-copy sales, while lower, held up fairly well.

### **Special-interest magazines**

In the second year of operation, the result of the special-interest magazines improved owing in particular to an increase in advertising income. The design of Autovisie was restyled. In collaboration with SBS6, thirteen instalments of the TV-programme 'De zesde versnelling' ('Sixth Gear') were produced, an initiative that met a positive response on the viewers' market as well as the advertisers' market. Similar initiatives will be set up with a number of different TTG titles. The strong position of 'Elegance' on the glossy magazine market was further strengthened.

The restyling of the design of MAN elicited a positive response in particular from the advertising market. Paid circulation was stable. MAN celebrated its 25th anniversary with a jubilee issue.

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Hitkrant, the magazine for the young, held its own very well in this turbulent market segment. Hitkrant celebrated its 20th anniversary in 1997. For music magazine OOR, the recession in the CD market was reflected in a decline in advertising income. Residence celebrated its 10th anniversary in 1997 and performed well on all fronts. In 1997, Personal Finance was developed by the Company and enclosed as a supplement with Elegance, MAN, and Residence. In 1998, the magazine will appear as an independent publication. In 1997, Body & Beauty was restyled into a glossy magazine. However, its performance lagged behind expectations, causing the title to be taken off the market in 1998.

### **Sports magazines**

In 1997, the results of the sports magazines group necessitated organisational changes aimed at achieving a structurally different cost pattern that will enable this sector to realise a better result in 1998.

At the beginning of 1998, the contract with NEVOBO/TVN about Volleybal Magazine expired and was not prolonged. The issue frequency of Tennis Magazine, produced in collaboration with KNLTB, was stepped up to 12 times a year. Collaboration with KNVB was intensified by the free distribution to all KNVB members of eight issues of Voetbal Totaal magazine in addition to the regular publication of Voetbal Magazine for subscribers. The contract with KNHB in respect of Hockey Magazine will expire on 1 July 1998; this publication will not be continued. The market for Surf Magazine continues to shrink. In 1998, the issue frequency will be reduced to four. The magazine will be given a more glossy character. In 1997, the glossy-type magazine Deep, targeting snowboarders, was published successfully as an independent title. In collaboration with ANWB, Schaatsen '98 was launched. If the publication proves successful, it will come out on a yearly basis.

### **Basis Media**

In addition to the realisation of a few new, sponsored magazines, the garden magazine BuitengeWoon was introduced in 1997. Results of this publication were encouraging. In 1998, the magazine will appear six times.

## **AUDIOVISUAL ACTIVITIES AND ELECTRONIC MEDIA**

In addition to De Telegraaf-*i*, which may be considered a core activity, the company also engages in activities relating to the audiovisual field.

### **Commercial television**

In 1996, the company acquired a 30% stake in SBS6, a commercial TV station which has been operational since September 1995. The station's share of the viewers' and advertisers' market, crucial to its survival as a commercial TV station, has been growing steadily.

Initial losses for 1997 were considerably lower than expected. The station is expected to realise a positive result in 1998, which means that overall initial losses have remained well within the budget laid down in the business plan.

### **Regional television**

Hollandse Dagbladcombinatie B.V. and Limburgs Dagblad participate in TV West (a private/public TV station) and TV8 Limburg (a commercial TV station), respectively. Due to the station's disappointing performance, TV West's liquidity position became critical in February 1998. In consultation with shareholders, local and provincial authorities are seeking ways of keeping the station afloat.

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## **Media Groep West**

A joint venture between N.V. Holdingmaatschappij De Telegraaf (75%) and A2000 (25%), Media Groep West B.V. operates, inter alia, NieuwsNet 9, a cable TV information service in Amsterdam and neighbouring municipalities with a reach of more than 500,000 households. So far, the results of this joint venture have lagged behind the projected figures, partly because the supplementary services are still underdeveloped. For the operation of Teletext (teletext), amongst other things, Media Groep West is collaborating with SBS6.

## **Radio**

The position of local station Radio Amsterdam on the radio market has stabilised, but the supply of commercials did not meet expectations. The station's future is being discussed with several parties. In mid-1998, a number of local/regional commercial radio frequencies will be given out by the Minister of Transport and Public Works. Access to a strong radio frequency for commercial use would reinforce Radio Amsterdam's position on the local market and, possibly, provide scope for profitable operation.

## **Planet Internet**

The option on a maximum 15% interest in the capital of World Access/Videotex Nederland was not utilised, the principal reason being the conclusion that the provision of information on the Internet would be better served by the company's own input than by collaboration with World Access/Videotex Nederland.

## **Telegraaf Elektronische Media**

Telegraaf Elektronische Media (TEM) is a practical laboratory in which electronic publishing concepts, based on presently available information, are designed and subsequently put into operation. During the year under review, the Internet versions of Autovisie and Privé were published. Collaboration with the KNMI resulted in a new product called 'De Weerkamer'.

# **OTHER ACTIVITIES**

## **Hollandse Huis-aan-huisbladen Combinatie**

In 1997, Hollandse Huis-aan-huisbladen Combinatie B.V. implemented a number of strategic changes: several publications were rearranged, some were sold while other ones were acquired in order to strengthen the market position in the various areas of distribution.

On 1 July 1997, the activities of Handelspost (door-to-door papers in the provinces of Utrecht and Gelderland) were transferred to WUMN, a Wegener Arcade subsidiary. The building of Handelspost at Hoevelaken was leased to WUMN. Het Nieuws- en Advertentieblad and De Proosdijlander, door-to-door papers distributed in the Alphen aan den Rijn area and Ronde Venen district, respectively, were acquired on 1 July 1997. These publications were integrated with the Witte Weekbladen, which are distributed in the same regions.

On 1 September 1997, the door-to-door Sunday papers appearing at Beverwijk, IJmuiden, Haarlem, Haarlemmermeer and Amstelland were taken over. These publications connect almost perfectly with present publications in these areas. Together with these editions, a combination of door-to-door Sunday papers has developed with a circulation of over 615,000 in Noord-Holland and Almere.



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Partly as a result of the above-mentioned rearrangement, and the various purchases and disposals, total third-party turnover of Hollandse Huis-aan-huisbladen Combinatie increased marginally; the results of almost all operating companies showed a substantial improvement. The result of B.V. Drukkerij Noordholland lagged slightly behind the corresponding 1996 figure.

In 1998, Drukkerij Noordholland will be added to Hollandse Dagbladcombinatie B.V. and, in the not too distant future, will be relocated at Alkmaar. Schagen-based Drukkerij Van Ketel B.V. has been part of the Biegelaar Groep since 1 January 1998.

De Hollandse Huis-aan-huisbladen Combinatie B.V. will then consist of four publishers:

B.V. Noorderpers, of Hoorn, Uitgeverij De Echo, of Amsterdam, Uitgeverij Van Groenigen B.V., of Nieuw-Vennep, and B.V. Reclame 't Gooi, of Hilversum.

On 2 January 1998, Leiden-based Uitgeverij HET B.V. was taken over. The publication of Het op Zondag has been merged with the publications operated at Leiden by Uitgeverij Van Groenigen.

## **Hollandse Dagbladcombinatie**

Since 1 January 1997, De Gooi- en Eemlander is part of Hollandse Dagbladcombinatie B.V., which also operates Noordhollands Dagblad, Haarlems Dagblad, IJmuider Courant and Leidsch Dagblad. The contribution of the daily and weekly newspaper operations and cable TV information services in 't Gooi has boosted considerably HDC's result. Also without this contribution, the result of HDC recorded a significant increase.

The integration of De Gooi- en Eemlander into the HDC organisation went swiftly and smoothly. At the beginning of January 1997, the printing orders of all publications of De Gooi- en Eemlander were placed in Amsterdam. The printing presses at Hilversum were dismantled and the employees of the printing works and mailroom were redeployed at the Amsterdam technical facility.

Joint paid circulation of the HDC newspapers (Noordhollands Dagblad, Haarlems Dagblad, IJmuider Courant, Leidsch Dagblad, De Gooi- en Eemlander, and Dagblad van Almere), which is measured every year in September as part of a DOS survey, declined by 2.2%. A slight advance by the Noordhollands Dagblad (0.2%) was offset by losses experienced by publications with an area of distribution closer to the western urban part of the country: the Damiate publications lost 2.5% and De Gooi- en Eemlander 8.9%. In respect of the latter figure, it should be noted that a substantial part of the decline was the one-off effect of a change in policy and adjustment to HDC standards. Advertising volume of the HDC newspapers remained virtually at a par with the 1996 level.

In the course of 1997, the rotary gravure press in Alkmaar was extended; the new press components were put into operation in January 1998. The company also worked energetically on the replacement of most of the computer equipment and software used for pagination and text-editing, and the administrative systems for circulation and advertisements, the first of which were also put into operation in early 1998.

In November 1997 it was announced that Drukkerij Noordholland will again become part of HDC. The Hoorn-based printing works, which is unable to realise the necessary replacement of its presses at its present location, will be moved to Alkmaar around the turn of the century. Integration into the HDC organisation will already be effected in 1998.

## **Limburgs Dagblad**

The result of B.V. Gemeenschappelijk Bezit van Aandelen Uitgeversmaatschappij Limburgs Dagblad was lower than in 1996, which is partly attributable to one-off charges and a higher corporate tax burden due to the fact that the goodwill paid on the acquisition of De Kempen Pers is not eligible for fiscal set-off.



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The advertising volume of Limburgs Dagblad, including insertions in Limburgs Dagblad Extra, rose by 6.6%. Last year's growth in paid circulation was not sustained. Published twice a week, the tabloid supplement of Limburgs Dagblad Extra was integrated into the newspaper at the beginning of 1998. The current printing orders in respect of the foreign newspapers Asahi Shimbun and Nihon Keizai Shimbun were extended; the printing order for Marca was cancelled with effect from 1 April 1998. In November 1997, a five-year contract was concluded for part of the foreign circulation of the Spanish newspaper EL PAIS.

In 1997, Uitgeversmaatschappij De Trompetter B.V. realised an operating result lower than in 1996. The result was subsequently affected by the write-off of goodwill paid on the acquisition of De Kempen Pers B.V. on 1 February 1997. This activity (door-to-door papers in and around Eindhoven) performed in line with expectations. The printing order of De Kempen Pers was at once transferred to Limburgs Dagblad.

Advertising distribution agency Spiral B.V. booked a considerable increase in turnover as a result of the takeover of the distribution activities of Jansen Pers in Limburg and De Kempen Pers in the eastern Brabant area. The increased turnover was not yet reflected in the result. The margin for the whole of the distribution operations was under downward pressure.

The participating interest in the regional commercial TV station (TV8 Limburg) is weighed down by initial losses. The amount paid for the participating interest has been charged to the result.

In the course of 1998, the new shaftless offset printing press will be commissioned. During the ordering period, the press was upgraded from four to six printing units partly in connection with the takeover of De Kempen Pers and the acquisition of the printing order for EL PAIS. At the end of 1997, a new electronic text and page editing system was contracted, which will be operational by the year 2000.

The rise in depreciation will put the result of Limburgs Dagblad under pressure.

From 1 January 1998 on, Eldee Offset will be part of Biegelaar Groep. In the medium term, this activity will be transferred to a new business location.

## **Biegelaar en Jansen**

The share of group orders in the turnover of Maarssen-based Biegelaar en Jansen B.V. declined, which was offset by a sharp rise in commercial orders. Partly due to market prices and the nature of the acquired orders, realised added value was lower than in 1996. The result lagged behind due to a rise in operating expenses and depreciation attributable to investments adjusted to the strategy. The matrix manufacture process is now entirely digital and after-press activities in respect of single-supplement products take place on-line directly behind the press.

The main change in strategy in 1997 was that third-party printing businesses were grouped into one active (sub)holding company operating under the name of Biegelaar Groep B.V. Rotogravure printer Biegelaar en Jansen is the core of the new group, which aims to become one of the major providers of printing capacity in the Netherlands. In 1998, the group will be reinforced with the acquisition of Nederlands Drukkerij Bedrijf B.V. (NDB) of Zoeterwoude. As a result, the capacity of the various printing techniques will reach a balance reflecting market conditions.

## **Franken**

The number of group orders in the turnover of Deventer-based Franken B.V. fell off sharply, both as a result of the falling away of the complete after-press for TrosKompas and TV-krant and the comprehensive stapling of single-supplement products by the printer. The released capacity was partly utilised through the acquisition of new third-party orders in a highly price-competitive market.

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Besides being engaged in such conventional after-press activities as stapling and finishing high-volume printed matter, Franken will need to seek further development in specialised productions, notably the direct-mail market. A start has been made with the investment in a third foil-wrapper. Owing to the expansion of services and the client base, the negative result expected for 1997 was limited considerably. The cash flow position was more than positive. Franken B.V. has been part of the Biegelaar Groep printing division since 1 January 1998.

## **PARTICIPATING INTERESTS**

### **Wegener Arcade**

As at 31 December 1997, the interest in Wegener Arcade N.V. amounted to 7,295,570 depositary receipts of NLG 0.50 par value. As at 31 December 1996, the interest amounted to 1,459,114 depositary receipts of NLG 2.50 par value. In 1997, the holding of depositary receipts did not change as a result of buying or selling. The interest in Wegener Arcade declined from 21.8% at year-end 1996 to 21.3% at year-end 1997 as a result of, inter alia, the expansion of the share capital of Wegener Arcade when the dividend was partly distributed in shares.

1996 the dividend of NLG 3.65 per depositary receipt was received in cash, totalling NLG 5.3 million and shown under participation income.

## **PROSPECTS**

In the first quarter of 1998, the trading result showed a marked uptrend partly reflecting growth in advertising turnover, particularly in the area of staff advertising, which is sensitive to cyclical fluctuations. In assessing this trend, it should be taken into account that 1997 had a poor start. The advertising stimulus is not being felt with equal force by the regional newspapers and the national newspapers. There are also considerable differences from region to region.

The integration of De Courant Nieuws van de Dag and De Telegraaf proceeded in a satisfactory manner. The positive effects on the profit and loss account will show in the second half of 1998. On the debit side, the publication of TV weekprogramme information will initially generate extra costs. The Biegelaar Groep has been operational since 1 January 1998 and, following the drafting of a Social Plan, has received a positive advice from the Works Councils involved.

Prices of paper, both for newspapers and magazines, are higher in 1998 than they were in 1997. The result for 1997 was affected by non-recurring income and an extremely good final quarter. If the trend marking the first months of 1998 continues, a result for the whole of 1998 at least equal to that achieved in 1997 may be expected.

### **Managing Board**

L.G. van Aken  
F.Th.J. Arp  
J. Olde Kalter  
H. Schor  
A.J. Swartjes

## CONSOLIDATED BALANCE SHEET (after distribution of profit)

31 December 1996		31 December 1997
	<b>Fixed assets</b>	
98,984,980	Intangible fixed assets	172,882,964
458,888,851	Tangible fixed assets	478,373,319
61,417,674	Financial fixed assets	67,562,709
619,291,505	Total fixed assets	718,818,992
	<b>Current assets</b>	
27,718,767	Inventories	22,598,014
135,231,190	Receivables	155,120,122
2,517,000	Securities	7,780,094
380,540,586	Liquid assets	393,151,649
546,007,543	Total current assets	578,649,879
345,625,734	<b>Current liabilities</b>	391,014,315
	<b>Current assets net of current liabilities</b>	
200,381,809		187,635,564
819,673,314		906,454,556
	<b>Long-term liabilities</b>	
260,000	Provisions	1,714,000
51,863,777	Shareholders' equity	52,117,835
767,549,537		852,622,721
819,673,314		906,454,556

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

1996		1997
1,283,526,060	Turnover	1,357,669,948
– 297,776	Changes in work-in-progress	84,180
1,283,228,284	<b>Net turnover</b>	1,357,754,128
251,523,802	Raw and auxiliary materials	224,929,763
355,118,249	Wages and salaries	393,325,029
61,803,326	Social security charges	71,971,547
104,419,606	Depreciation of tangible and intangible fixed assets	110,177,093
366,934,072	Other operating costs	384,027,620
1,139,799,055	<b>Total operating expenditure</b>	1,184,431,052
143,429,229	<b>Operating profit</b>	173,323,076
– 16,152,979	Participation income	2,371,185
12,423,852	Interest income	10,435,992
224,720	Income from securities	326,662
– 2,074,353	Interest charges	– 876,741
– 5,578,760	<b>Balance of financial revenues and charges</b>	12,257,098
137,850,469	<b>Pre-tax result from ordinary trading</b>	185,580,174
51,845,056	Tax on the result from ordinary trading	65,110,366
86,005,413	<b>After-tax result from ordinary trading</b>	120,469,808
518,116	Extraordinary revenue	8,962,043
– 2,677,450	Extraordinary expenditure	– 2,500,000
– 2,159,334	<b>Extraordinary items before tax</b>	6,462,043
755,767	Tax on extraordinary result	– 2,261,715
– 1,403,567	<b>Extraordinary result after tax</b>	4,200,328
84,601,846	<b>Result after tax</b>	124,670,136
	Profit distribution:	
48,902,366	Other reserves	80,570,784
35,699,480	Dividend	44,099,352
84,601,846		124,670,136

**S**heet offset is similar to web offset. However, the paper to be printed is fed into the press in separate sheets, instead of from a roll as in web offset and rotogravure.

As with other printing processes, it is possible to obtain printing in more than one colour by using several printing presses in series.

Sheet offset is mostly used for advertising printing in smaller runs.



## PRINCIPLES OF CONSOLIDATION, VALUATION AND DETERMINATION OF THE RESULT

### 1. Consolidation criteria

The consolidated accounts combine the financial data for N.V. Holdingmaatschappij De Telegraaf and its group companies.

Consolidation is effected in accordance with the principles of valuation and determination of the result of the parent company. The financial data of the group companies have been fully included in the consolidated annual accounts after elimination of intercompany relations and transactions. Minority interests in shareholders' equity and in the result of group companies are shown separately in the consolidated annual accounts. The results of newly acquired group companies are included in the consolidation from the date of acquisition. The results of participating interests disposed of by the company are included in the consolidation up to the disposal date. Companies in which N.V. Holdingmaatschappij De Telegraaf has an interest of less than 50% are not included in the consolidation.

In respect of the company profit and loss account of N.V. Holdingmaatschappij De Telegraaf use has been made of the exemption provided for in section 402, Book 2, of the Dutch Civil Code.

### 2. Translation of foreign currencies

The balance sheet items and results relating to Belgian francs, where it concerns current assets and current liabilities as at 31 December of any year, are valued at the exchange rate prevailing on that date.

1997: B.frs 100 = NLG 5.44

1996: B.frs 100 = NLG 5.45

The translation of fixed assets or long-term liabilities is based on the exchange rate ruling during the year in which they were acquired or incurred. Any exchange rate differences are taken to the profit and loss account.

### 3. Valuation

#### Intangible fixed assets

Goodwill, being the amount paid in excess of the net asset value determined in accordance with the valuation principles of N.V. Holdingmaatschappij De Telegraaf, and arising on the acquisition of participating interests, business activities and publishing rights, is shown in the annual accounts as follows:

- In case of acquisitions within the company's core activities, goodwill is charged to the result or the reserves over a maximum period of twenty years; depreciation charged to the reserves only relates to goodwill in respect of subsidiaries on which no significant influence can be exercised and where the share in undistributed profit is taken directly to the reserves.
- The goodwill arising on acquisitions outside the core activities is charged directly to shareholders' equity.

#### Tangible fixed assets

These assets are valued at cost less straight-line depreciation generally calculated on the basis of depreciation rates permitted under tax law.

These rates are:

- 4 to 5% a year on buildings depending on their nature or purpose.
- 10 to 20% a year on plant and machinery.
- Generally 20% a year on all other operational fixed assets.
- Operational fixed assets subject to rapid technical and/or economic obsolescence are written off over a period of three years.
- Ground rent bought off is written off over the ground lease term in question.
- Land is not subject to depreciation.

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Fixed assets under construction:

– This item relates to the amounts contracted for construction projects, plant and machinery.

### **Financial fixed assets**

Participating interests on which N.V. Holdingmaatschappij De Telegraaf is able to exert significant influence are valued at their proportion of the net asset value, calculated in accordance with the parent company's accounting principles.

Participating interests on which the company is unable to exert significant influence, but which are strategically important, are valued in accordance with the equity method based on the most recently available figures, with the valuation reflecting as much as possible the parent company's valuation principles. Dividends received are shown as participation income; the other changes in value are credited or debited directly to shareholders' equity.

Long-term receivables are stated at their nominal value less any provisions deemed necessary.

### **Inventories**

Inventories of paper, where it concerns quantities that were also in stock in previous years, are valued at the lower of cost price prevailing during those years and market price as at the balance sheet date and, where it concerns the surplus, at the lower of cost price and market price. The other inventories are valued at the lower of purchase price and market value.

A provision is being set up for unsaleable stocks.

The item work-in-progress relates to printed matter in production, valued at predetermined cost. This includes labour costs, material consumption, machinery costs, plus a surcharge for indirect costs.

### **Receivables**

Receivables are shown at nominal amounts less provisions for bad debts where necessary.

### **Securities**

Securities are shown at the lower of cost and market price as at the balance sheet date.

### **Liquid assets**

These are stated at nominal amounts.

### **Current liabilities**

These liabilities are stated at nominal amounts.

### **Provisions**

Deferred taxation:

This item relates to the deferred tax liability arising from the difference between the valuation of assets and liabilities for commercial and tax purposes. Any deferred tax receivables are offset against deferred tax commitments.

Calculation of this liability, which is shown at nominal value, is based on the current company tax rate.

Early retirement:

This item relates to the actuarial present value, based on a 7% interest rate (1996: 7%), in respect of the obligation of supplementary payment of amounts in excess of the Early Retirement benefit limit for those less than fifteen years under Early Retirement age.

This concerns a period of three to five years up to age 65.



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Pension allowance supplement:

This provision relates to the actuarial present value of pension commitments and pension premiums payable in respect of employees absent due to illness for a protracted period of time, using a 4% interest rate, as well as the share in pensioners' health insurance payable by the company, using a 7% interest rate (1996: 7%).

Disability benefit supplement:

This item relates to a provision for the payment of a supplement to the salary of employees whose employment was terminated on their becoming the recipients of a permanent disability allowance.

#### **4. Determination of the result**

The result is determined as the difference between the net turnover and the costs thereof during the year in accordance with the above-mentioned valuation principles.

The net turnover is the proceeds charged to third parties and arising from services provided to third parties during the financial year after allowing for VAT and discounts and after adjustment for movements in work-in-progress.

Profits are taken only insofar as they are realised as at the balance sheet date.

Costs and risks incurred before the end of the financial year are taken into account insofar as they can be anticipated.

The share in the result for the financial year is shown under 'participation income' where it concerns participating interests on which the company is able to exert significant influence. In respect of the other participating interests, dividend received is also shown under participation income.

Company tax is calculated on the result, taking into account tax allowances, including the substantial holding exemption, and allowing for amounts that are not tax-deductible. The difference with the amount in tax payable according to the profit calculation for tax purposes is shown in the provision for deferred taxation.

Extraordinary income and expenditure:

Extraordinary income and expenditure are generated by actions and events that are not associated with the company's normal business operations and that, as a result, bear a non-recurrent character.

#### **5. Accounting principles of the consolidated cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. The liquid funds in the cash flow statement consist of liquid assets and securities.

The securities may be regarded as highly liquid investments. Cash flows in foreign currencies are translated at an estimated average exchange rate.

Income and expenditure relating to interest, dividends received and income tax are stated under cash flow from operational activities. Paid dividends are shown under cash flow from financing activities.

The acquisition price of group companies is shown under cash flow from investment activities insofar as payment has been made in cash. The liquid funds held by newly acquired group companies are deducted from the acquisition price.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### Fixed Assets

#### Intangible fixed assets

31 December 1996		31 December 1997
<u>98,984,980</u>	Goodwill	<u>172,882,964</u>
	Changes in intangible fixed assets:	
14,628,222	Position at beginning financial year	98,984,980
113,200,951	Add: – Goodwill paid on acquisition or expansion of participating interests	109,558,897
– 24,958,993	Less: – Depreciation charged to the result	– 33,655,313
– 3,885,200	– Depreciation charged to reserves	– 2,005,600
<u>98,984,980</u>	Position at end financial year	<u>172,882,964</u>

#### Tangible fixed assets

This item includes:

Financial year 1996	Purchase cost up to 1996	Depreciation up to 1996	Book value 31-12-1996
Land and buildings*	417,609,676	242,580,710	175,028,966
Plant and machinery	598,420,366	445,307,493	153,112,873
Other fixed assets	172,067,057	137,585,381	34,481,676
Fixed assets under construction	96,265,336	—.	96,265,336
	<u>1,284,362,435</u>	<u>825,473,584</u>	<u>458,888,851</u>
Financial year 1997	Purchase cost up to 1997	Depreciation up to 1997	Book value 31-12-1997
Land and buildings*	433,870,520	259,893,095	173,977,425
Plant and machinery	611,804,955	488,516,660	123,288,295
Other fixed assets	184,164,656	148,822,137	35,342,519
Fixed assets under construction	145,765,080	—.	145,765,080
	<u>1,375,605,211</u>	<u>897,231,892</u>	<u>478,373,319</u>

\*These items include the ground rent bought off in respect of the business sites of the group companies in Amsterdam. As at 31 December 1997, the book value of this amounts to NLG 11,818,004 (previous year: NLG 12,202,166).

Changes in tangible fixed assets:

	Land and buildings	Plant and machinery	Other fixed assets	Fixed assets under construction	Total
Book value 1-1-1997	175,028,966	153,112,873	34,481,676	96,265,336	458,888,851
Acquisitions	3,889,384	600,466	488,760	—.—	4,978,610
Investment	2,780,192	10,463,639	17,933,752	66,398,605	97,576,188
Divestment	— 1,922,995	— 1,078,173	— 54,712	—.—	— 3,055,880
Depreciation	— 17,703,934	— 44,783,605	— 17,526,911	—.—	— 80,014,450
Assets occupied and under construction	11,905,812	4,973,095	19,954	— 16,898,861	—.—
Book value 31-12-1997	<u>173,977,425</u>	<u>123,288,295</u>	<u>35,342,519</u>	<u>145,765,080</u>	<u>478,373,319</u>

Buildings are insured on the basis of reinstatement value, the other assets on the basis of the cost of new construction.

The amount covered by insurance is NLG 1,374 million (previous year: NLG 1,318 million).

The annual ground rent for two parcels of land amounts to NLG 28,999 with a remaining term of approximately 19 years.

The item fixed assets under construction relates to buildings and/or plant and machinery at B.V. Rotatiedrukkerij Voorburgwal, Biegelaar en Jansen B.V., Franken B.V., Hollandse Dagbladcombinatie B.V., De Telegraaf Transport B.V. and Uitgeversmaatschappij Limburgs Dagblad B.V.

### Financial fixed assets

31-12-1996	Non-consolidated participating interests	31-12-1997
	Wegener Arcade N.V.,	
48,063,000	Apeldoorn (21.3%, previous year 21.8%)	54,571,000
25,500	Regionale Uitgevers Zuid-Holland West (17%)	8,500
	Scandinavian Broadcasting System	
12,299,200	SBS6 B.V., Amsterdam (30%)	10,445,000
119,625	TV Krant Nederland (12.7%, previous year 9.6%)	130,077
	Hollands Omroepbedrijf Holding B.V.,	
175,230	Den Haag (9%, previous year 14%)	109,230
<u>60,682,555</u>		<u>65,263,807</u>
	As at 31 December 1997, the market value of the package of Wegener Arcade N.V. shares amounted to approximately NLG 270 million.	
	<b>Other receivables</b>	
735,119	Other long-term receivables	2,298,902
<u>61,417,674</u>	<b>Total financial fixed assets</b>	<u>67,562,709</u>

Movements in financial fixed assets:

Position at 1 January 1997	61,417,674
Add: – Share in the undistributed net income of Wegener Arcade N.V.	6,508,000
– Movements in other receivables	1,563,783
Less: – Movements in other participating interests	– 1,926,748
Position at 31 December 1997	<u>67,562,709</u>

## Current assets

### Inventories

31-12-1996	This item consists of:	31-12-1997
23,031,804	Raw materials	18,288,871
2,076,993	Auxiliary materials	1,719,641
2,608,922	Work in progress	2,589,502
1,048	Finished product	—
<u>27,718,767</u>		<u>22,598,014</u>

The purchase cost of the stock of raw materials amounts to NLG 19,411,263 (previous year: NLG 27,548,303).

### Accounts receivable

31-12-1996	Specification:	31-12-1997
114,784,308	Trade receivables	138,672,123
1,286,038	Other receivables	1,844,615
19,115,762	Accrued income	14,260,189
45,082	Minority interest	343,195
<u>135,231,190</u>		<u>155,120,122</u>

### Securities

31-12-1996		31-12-1997
<u>2,517,000</u>	Government bonds	<u>7,780,094</u>

### Liquid assets

31-12-1996		31-12-1997
51,803,299	Cash and bank balances	88,475,466
311,248,034	Short-term deposits	296,926,183
17,489,253	Medium-term deposits	7,750,000
<u>380,540,586</u>		<u>393,151,649</u>

Freely available liquid assets amount to NLG 385,401,649 (previous year: NLG 363,051,333)

## Current liabilities

31-12-1996	This item includes:	31-12-1997
53,486,254	Prepaid subscriptions	53,018,358
87,707,707	Suppliers	91,698,036
32,181,193	Taxes and social insurance premiums	36,918,824
9,986,246	Company tax	19,537,750
– 693,640	Pension liabilities	503,339
35,699,480	Dividend	44,099,352
—	Other liabilities	2,908,000
127,258,494	Accruals and deferred income	142,330,656
<u>345,625,734</u>		<u>391,014,315</u>

## Long-term liabilities

31-12-1996		31-12-1997
<u>260,000</u>	This relates to a 7% subordinated loan (NLG 260,000), repayable in full in 2006, and a loan of former shareholders of De Gooi- en Eemlander Group (NLG 1,454,000) at a variable interest rate, repayment in full in June 1999 at the latest.	<u>1,714,000</u>

## Provisions

31-12-1996	This item includes:	31-12-1997
5,654,798	Deferred taxation	8,574,962
29,815,776	Early retirement	25,428,000
8,642,951	Pension allowance supplements	9,951,098
7,750,252	Disability benefit supplements	8,163,775
<u>51,863,777</u>		<u>52,117,835</u>

Short-term commitments amount to approximately NLG 3,925,400 (previous year: NLG 3,923,000).

The item deferred taxation consists of deferred company tax payable in respect of:

1,253,700	Provision for uninsured business risks	1,298,850
– 1,657,249	Fixed assets	1,047,064
4,764,209	Inventories	5,153,788
1,294,138	Pensions	1,075,260
<u>5,654,798</u>		<u>8,574,962</u>

## Shareholders' equity

For the notes to shareholders' equity, please refer to the balance sheet of N.V. Holdingmaatschappij De Telegraaf.

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1996	<b>Net turnover</b>	1997
	1. Breakdown of the net turnover by business segment:	
840,316,843	Newspapers	915,900,174
119,746,867	Door-to-door papers	136,933,077
143,913,740	Magazines	100,765,362
126,438,730	Third-party printing	150,107,721
52,812,104	Other activities	54,047,794
<u>1,283,228,284</u>		<u>1,357,754,128</u>
	2. Breakdown of the net turnover by geographical area:	
1,261,263,842	The Netherlands	1,327,489,488
21,964,442	EU countries	17,681,640
<u>—</u>	Other European countries	<u>12,583,000</u>
<u>1,283,228,284</u>		<u>1,357,754,128</u>
1996	<b>Raw and auxiliary materials</b>	1997
235,805,996	Paper and ink	209,440,316
15,717,806	Auxiliary materials	15,489,447
<u>251,523,802</u>		<u>224,929,763</u>
1996	<b>Wages and salaries</b>	1997
<u>355,118,249</u>	In 1997 and 1996, the average work force totalled 4,850 and 4,593, respectively. Breakdown of the work force by operating company as at year-end:	<u>393,325,029</u>
2,031	Amsterdam businesses	2,037
1,055	Hollandse Dagbladcombinatie B.V., Haarlem	1,283
685	Hollandse Huis-aan-huisbladen Combinatie B.V., Amsterdam	696
551	Limburgs Dagblad-concern, Heerlen	602
191	Biegelaar en Jansen B.V., Maarssen	195
76	Franken B.V., Deventer	70
7	De Telegraaf Belgium, Brussels	7
3	Media Groep West B.V., Amsterdam	11
<u>4,599</u>		<u>4,901</u>

In 1997, the remuneration (including pension and early retirement benefits) of the members of the Managing Board included in the wages and salaries amounted to NLG 3,729,886 (previous year: NLG 3,668,217).

Remuneration amounting to NLG 179,650 in 1997 (previous year: NLG 143,480) for Supervisory Board members is also shown under this heading.

As at 31 December 1997, members of the Supervisory Board held a total of 22,016 shares/depositary receipts, members of the Managing Board held a total of 10,943 shares/depositary receipts in N.V. Holdingmaatschappij De Telegraaf.

1996	Social insurance contributions	1997
30,815,993	Pension charges	35,685,028
30,987,333	Other social security charges	36,286,519
<u>61,803,326</u>		<u>71,971,547</u>
	<b>Depreciation of tangible and intangible fixed assets</b>	
1996		1997
18,286,977	Land and buildings	17,703,934
45,671,789	Plant and machinery	44,783,605
16,957,548	Other fixed assets	17,526,911
24,958,993	Intangible fixed assets	33,655,313
105,875,307		113,669,763
– 1,455,701	Result disposed tangible fixed assets	– 3,492,670
<u>104,419,606</u>		<u>110,177,093</u>
	<b>Tax on result from ordinary trading</b>	
1996		1997
52,717,034	Company tax	65,110,366
– 871,978	Investment grants released	–
<u>51,845,056</u>		<u>65,110,366</u>
	<b>Extraordinary result before tax</b>	
1996		1997
518,116	Extraordinary revenue	8,962,043
– 2,677,450	Extraordinary expenditure	– 2,500,000
<u>– 2,159,334</u>		<u>6,462,043</u>

Extraordinary revenue includes, amongst other things: third-party minority interest in the result of Media Groep West B.V., a refund of foreign VAT relating to previous financial years and a release from the provision for supplementary payment of amounts in excess of the wage level under the Collective Labour Agreement following a change in early retirement regulations.

A provision for out-of-pocket expenses relating to the integration of De Courant Nieuws van de Dag and De Telegraaf in February 1998 is shown as an item of extraordinary expenditure.

**I**n the web offset printing process, the image is carried on a flat sheet of aluminium with a light-sensitive layer on one side.

The image is exposed on this light sensitive layer, which becomes hard as a result. The plate is then developed, and the non-hardened parts are washed away, leaving the image.

The printing process itself is based on the phenomenon of grease attracting the ink and water repelling it. During printing, the ink is transferred (offset) to a rubber blanket mounted on a cylinder, and then from the rubber blanket to the paper.

After printing, the web (continuous strip of paper) is force-dried in an oven (usually gas-fired), and then folded into 'signatures' by a folding machine. With forced drying, the process is known as 'heat set' and without it as 'cold set'.





## CASH FLOW STATEMENT (consolidated)

(amounts in thousands of guilders)

1996		1997
	<b>Cash flow from operational activities</b>	
143,429	Operating profit	173,323
	Adjustments for:	
105,875	– depreciation	113,670
– 9,730	– changes in short-term receivables	– 13,921
7,233	– changes in inventories	5,371
20,057	– changes in debts to suppliers and other current liabilities	31,054
2,430	– changes in provisions	– 2,950
269,294	Cash flow from business operations	306,547
878	Dividend received from participating interests	5,508
10,574	Interest received/paid	9,886
503	Paid/received in respect of extraordinary result	6,462
– 62,798	Tax on profit	– 54,939
218,451	Cash flow from operational activities	273,464
	<b>Cash flow from investment activities</b>	
– 113,201	Investment in intangible fixed assets	– 5,740
– 73,573	Acquisition/divestment of group companies and other financial fixed assets	– 101,330
– 132,174	Capital expenditure	– 97,575
55,697	Changes in investment creditors	– 18,301
2,113	Divestments of tangible fixed assets	3,056
– 261,138	Cash flow from investment activities	– 219,890
– 42,687		53,574
	<b>Cash flow from financing activities</b>	
– 35,437	Dividend paid	– 35,699
260	Changes in long-term liabilities	–
– 35,177	Cash flow from financing activities	– 35,699
– 77,864	<b>Changes in liquid assets and securities</b>	17,875



## BALANCE SHEET

31 December 1996		31 December 1997
	<b>Fixed assets</b>	
89,172,800	<b>Intangible fixed assets</b>	66,879,600
	<b>Financial fixed assets</b>	
759,895,872	Group companies	904,955,860
12,299,200	Other holdings	10,445,000
772,195,072		915,400,860
861,367,872	Total fixed assets	982,280,460
	<b>Current assets</b>	
	<b>Receivables</b>	
9,366,376	Accrued income	631,250
9,366,376	Total current assets	631,250
	<b>Current liabilities</b>	
9,566,246	Company tax	19,105,785
	Tax and premiums	
1,369,400	social insurance contributions	2,898,000
460,000	Pension liabilities	425,300
35,699,480	Dividend	44,099,352
24,290,829	Accrued liabilities	35,572,627
71,385,955		102,101,064
	<b>Current assets net of</b>	
	<b>current liabilities</b>	
– 62,019,579		– 101,469,814
799,348,293		880,810,646
	<b>Provisions</b>	
1,982,980	Deferred taxation	2,759,925
29,815,776	Early retirement	25,428,000
31,798,756		28,187,925
	<b>Shareholders' equity</b>	
26,250,080	Issued capital	26,250,080
25,000	Statutory reserves	25,000
741,274,457	Other reserves	826,347,641
767,549,537		852,622,721
799,348,293		880,810,646

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## PROFIT AND LOSS ACCOUNT

1996		1997
120,002,150	<b>Net participation income</b>	164,041,115
– 35,400,304	Other net income and expenditure	– 39,370,979
<u>84,601,846</u>	<b>Result after tax</b>	<u>124,670,136</u>

## NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

For the general accounting principles and the principles for the valuation of assets and liabilities and the determination of the result, reference is made to the notes to the consolidated balance sheet and profit and loss account.

Group companies are shown at their net asset value.

### Fixed Assets

#### Intangible fixed assets

1996	Goodwill	1997
—.—	Book value as at 1 January	89,172,800
111,466,000	Capital expenditure	—.—
– 22,293,200	Depreciation charged to the result	– 22,293,200
<u>89,172,800</u>	Book value as at 31 December	<u>66,879,600</u>

#### Financial fixed assets

##### Group companies with registered offices

This item includes the following group of companies and receivables in respect of these group companies.

B.V. Rotatiedrukkerij Voorburgwal, Amsterdam  
 B.V. Dagblad De Telegraaf, Amsterdam  
 B.V. De Courant Nieuws van de Dag, Amsterdam  
 B.V. Beleggingsmaatschappij Voorburgwal, Amsterdam  
 Hollandse Huis-aan-huisbladen Combinatie B.V., Amsterdam  
 B.V. Drukkerij Noordholland, Hoorn  
 B.V. Noorderpers, Hoorn  
 Drukkerij Van Ketel B.V., Schagen  
 Uitgeverij Van Groenigen B.V., Haarlemmermeer  
 B.V. Uitgeverij De Echo, Amsterdam  
 B.V. Reclame 't Gooi, Hilversum  
 Uitgeverij Hoevelaken Beheer B.V., Hoevelaken  
 Uitgeverij Hoevelaken B.V., Hoevelaken  
 Uitgeverij Zeist B.V., Zeist  
 Keistad B.V., Amersfoort  
 Handelspost Arnhem B.V., Arnhem  
 Uitgeversmaatschappij Hollands Noorderkwartier B.V., Amsterdam  
 De Telegraaf Tijdschriften Groep B.V., Amsterdam  
 De Telegraaf Transport B.V., Amsterdam  
 B.V. Agentenadministratiekantoor 't Gooi, Hilversum  
 Biegelaar en Jansen B.V., Maarssen  
 B.V. Gemeenschappelijk Bezit van Aandelen Uitgeversmaatschappij Limburgs Dagblad, Heerlen  
 Uitgeversmaatschappij Limburgs Dagblad B.V., Heerlen  
 Eolus B.V., Heerlen  
 Uitgeversmaatschappij De Trompetter B.V., Roermond  
 Reclameverspreidbureau Spiral B.V., Horst  
 De Kempen Pers B.V., Hapert

Franken B.V., Deventer  
 Media Groep West B.V., Amsterdam (75%)  
 Hollandse Dagbladcombinatie B.V., Haarlem  
 Dagbladuitgeverij Damiat B.V., Haarlem  
 Verenigde Noordhollandse Dagbladen B.V., Alkmaar  
 InterHolland Verspreiders B.V., Alkmaar  
 Houdstermaatschappij De Gooi- en Eemlander B.V., Hilversum  
 Dagblad De Gooi- en Eemlander B.V., Hilversum  
 Exploitatiemaatschappij G en E Vastgoed B.V., Hilversum  
 Goois Weekblad B.V., Hilversum

The annual accounts of these group companies  
 are included in the consolidated balance sheet  
 and profit and loss account.

31-12-1996	<b>Group companies</b>	31-12-1997
269,791,817	Disclosed equity capital	337,558,136
490,104,055	Receivables and liabilities on balance	567,397,724
759,895,872		904,955,860
<b>P.M. liabilities</b>		
Pursuant to section 403, paragraph 1, sub f, Book 2 of the Dutch Civil Code, the company has assumed liability for any legal acts arising from debts of the above-mentioned consolidated group companies excluding Media Groep West B.V. and Uitgeverij Hoevelaken Beheer B.V.		
<b>Other holdings</b>		
12,299,200	This item relates to the minority interest in: SBS6 B.V., Amsterdam (30%)	10,445,000
772,195,072	Total financial fixed assets	915,400,860

Movements in financial fixed assets:

Position at 1 January 1997	772,195,072
Add: – Net result participating interests	164,041,115
– Participating interests acquired	40,000
– Share in the increase in shareholders' equity of Wegener Arcade N.V.	<u>4,502,400</u>
	940,778,587
Less: – The balance of the amounts paid and received by the group companies, the receivables and liabilities of which have been included in N.V. Holdingmaatschappij De Telegraaf, excluding settlement of results.	<u>– 25,377,727</u>
Position at 31 December 1997	<u><u>915,400,860</u></u>

## Provisions

31-12-1996	Deferred taxation	31-12-1997
	This item consists of deferred company tax in respect of:	
1,253,700	Provisions for uninsured business risks	1,298,850
– 3,635,200	Fixed assets	– 3,535,155
3,070,343	Inventories	3,920,970
1,294,137	Provisions for early retirement, etc.	<u>1,075,260</u>
<u>1,982,980</u>		<u><u>2,759,925</u></u>

## Shareholders' equity

31-12-1996		31-12-1997
	<b>Issued capital</b>	
	The authorised capital amounts to NLG 100,000,000 divided into shares of NLG 0.50 par value	
	Issued:	
480	Priority shares	480
26,249,600	Ordinary shares	26,249,600
26,250,080		26,250,080
	<b>Statutory reserves</b>	
19,859,105	Position at beginning of financial year	25,000
– 19,834,105	Share in the decrease in shareholders' equity of Wegener Arcade N.V.	—.—
25,000	Position at end of financial year	25,000
	<b>Other reserves</b>	
743,028,789	Position at beginning of the financial year	741,274,457
– 38,920,711	Less: – Goodwill	—.—
– 11,735,987	– Share in the change in shareholders' equity of Wegener Arcade N.V.	4,502,400
692,372,091		745,776,857
48,902,366	Profit allocation	80,570,784
741,274,457	Position at end of the financial year	826,347,641
767,549,537	Total shareholders' equity	852,622,721

## SURVEY OF PUBLICATIONS AND ACTIVITIES OF THE TELEGRAAF COMPANY (as at beginning 1998)

### NEWSPAPERS

De Telegraaf  
De Courant Nieuws van de Dag (up to 14 Febr. '98)  
Limburgs Dagblad  
Haarlems Dagblad  
Ijmuiden Courant  
Leidsch Dagblad  
Noordhollands Dagblad  
waarin begrepen:  
- Alkmaarsche Courant  
- Schager Courant  
- Enkhuizer Courant  
- Dagblad voor West-Friesland  
- Helderse Courant  
- Dagblad Kennemerland  
- Dagblad Zaanstreek  
- Nieuwe Noordhollandse Courant  
De Gooi- en Eemlander  
Dagblad van Almere

### MAGAZINES

#### **Entertainment**

Privé

#### **Sports magazines**

Surf Magazine  
Deep  
Tennis Magazine  
Hockey Magazine (up to June '98)  
Voetbal Magazine  
Voetbal Totaal

#### **Special-interest magazines**

Elegance  
MAN  
Residence  
Hitkrant  
OOR  
Autovisie  
BuitengeWoon  
Personal Finance

### INTERNET

De Telegraaf-  
Leidsch Dagblad  
De Weerkamer  
Surf Magazine  
Autovisie  
OOR  
Privé  
Personal Finance

### SPONSORED MEDIA

#### **Basis Media**

Editorial support, including  
Internet, marketing (market and  
readership surveys), promotion,  
design, lay-out, composing, printing,  
canvassing of advertisements,  
canvassing of subscribers,  
single-copy sales and subscription  
records, including direct debit.

### DOOR-TO-DOOR PAPERS AND NEWS JOURNALS

#### **Greater Amsterdam area**

Stadsblad De Echo  
Amstelveens Nieuwsblad  
Zondagochtendblad

#### **Amstelland/Haarlemmermeer**

Witte Weekbladen  
Autojournaal  
Zondagochtendblad

#### **'t Gooi and surrounding area**

De Gooi- en Eembode  
Laarder Courant De Bel  
Nieuwsblad voor Huizen  
Weesper Weekblad  
Baarns Weekblad  
Woonbode  
Goois Weekblad  
De Nieuwe Weesper

#### **Flevoland**

De Almare  
't Groene Weekblad  
Zondagochtendblad

#### **Haarlem and surrounding area**

Nieuwsblad De Kennemer  
Haarlems Weekblad  
Heemsteedse Courant  
Nieuwsblad IJmuiden  
Nieuwsblad Santpoort & Velsersbroek  
Zondagochtendblad

#### **Leiden and surrounding area**

Leidse Post  
Zuid-Holland Post  
Het op Zondag  
Autojournaal  
Witte Weekblad



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***Alphen a/d Rijn and surrounding area***

Witte Weekblad  
Witte Weekblad Weekend

***Zaanstreek/Purmerend***

Noordhollands Weekblad  
De Zaankanter  
De Krommenieër  
Het Gezinsblad  
Zondagochtendblad

***West-Friesland***

Westfries Weekblad  
Noordhollands Weekblad

***Alkmaar and surrounding area***

Alkmaars Weekblad  
De Koerier  
De Duinstreek  
Nieuwsblad voor Castricum  
Noordhollands Weekblad  
Zondagochtendblad

***North Holland North***

Helders Weekblad  
Schager Weekblad  
CTR/De Polderbode  
Noordhollands Weekblad  
Wieringer Courant  
Wieringermeerbode  
Zondagochtendblad

***North Brabant East***

De Trompetter (3 editions)  
De Schakel  
Veldhovens Weekblad  
Oirschots Weekjournaal  
Kempener Koerier  
De Kempenaer

***Limburg***

De Trompetter (11 editions)

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**AUDIOVISUAL ACTIVITIES**

Cable TV information services  
Radio Amsterdam  
Telephone information services  
Participating interests in national  
commercial TV and public/private and/or  
commercial regional TV activities in  
South Holland and Limburg  
Service company De Amsterdammer  
Teletext activities

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**PRINTING COMPANIES**

B.V. Rotatiedrukkerij Voorburgwal  
Biegelaar en Jansen B.V.  
Eldee Offset  
B.V. Drukkerij Noordholland  
Drukkerij Van Ketel B.V.

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**AFTER-PRESS**

Franken B.V.

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**DELIVERY/DISTRIBUTION*****The Netherlands***

Stuffers in newspapers, both subscription  
and single-copy, and in special subareas.  
Door-to-door delivery throughout the  
Netherlands or targeted areas.  
Newspaper delivery to subscribers as  
well as distribution through approximately  
15,000 single-copy points-of-sale.  
Once a week distribution of magazines  
to around 10,000 points-of-sale.  
Once a week collection of unsold  
newspapers and magazines  
at approximately 12,500 points-of-sale.  
Third-party distribution.

***North and South Holland***

InterHolland Verspreiders B.V.  
Reclameverspreiding 't Gooi

***Limburg***

Reclameverspreidbureau Spiral B.V.

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**PARTICIPATING INTERESTS**

Wegener Arcade N.V. (21.3%)  
SBS6 B.V. (30%)  
Media Groep West B.V. (75%)  
Hollands Omroepbedrijf Holding B.V. (9%)  
VOF TV8 Limburg (15%)

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## AUDITOR'S REPORT

### Introduction

We have audited the accompanying 1997 financial statements of N.V. Holdingmaatschappij De Telegraaf, Amsterdam. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements of N.V. Holdingmaatschappij De Telegraaf give a true and fair view of the financial position of the company as of 31 December 1997 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the legal requirements for financial statements as included in Part 9, Book 2 of the Netherlands Civil Code.

Leiden, 28 April 1998.

Deloitte & Touche  
Registeraccountants

## DIVIDEND PROPOSAL

We propose to declare a dividend for 1997 of NLG 0.84 in cash per share of NLG 0.50 par value.

A dividend of NLG 0.68 a share of NLG 0.50 par value was paid out for 1996.

The pay out ratio for 1997 amounts to 35.4%. The comparable figure for 1996 was 42.2%.

1996	Distribution of profit:	1997
48,902,366	Other reserves	80,570,784
35,699,480	Dividend	44,099,352
<u>84,601,846</u>		<u>124,670,136</u>

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## **EVENTS AFTER THE BALANCE SHEET DATE**

- The takeover with retroactive effect from 1 January 1998 of Nederlands Drukkerij Bedrijf B.V. of Zoeterwoude.
- The takeover on 2 January 1998 of Uitgeverij HET B.V. of Leiden.
- The takeover on 1 February 1998 of advertising distribution agency ARGUS by InterHolland Verspreiders B.V., a Hollandse Dagbladcombinatie B.V. subsidiary.
- The integration of De Courant Nieuws van de Dag and De Telegraaf on 16 February 1998.

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## **PROFIT APPROPRIATION AS PROVIDED FOR IN THE ARTICLES OF ASSOCIATION**

Pursuant to article 34 of the articles of association of N.V. Holdingmaatschappij De Telegraaf, the following rules apply to the appropriation of profits:

1. Subject to the approval of the Supervisory Board and Stichting Beheer van prioriteits aandelen N.V. Holdingmaatschappij De Telegraaf, the Managing Board shall decide every year what percentage of the profit - the positive balance of the profit and loss account - is to be added to the reserves.
2. Out of the profits, after addition to the reserves in accordance with the preceding paragraph, a dividend shall be paid on the amount paid in on the preference shares, the percentage of which shall be equal to the average yield of Dutch medium-term government bonds as at the beginning of the financial year to which the distribution relates, increased by one per cent. The average yield is determined by the Managing Board subject to the approval of the Supervisory Board.
3. A primary dividend amounting to five per cent of the nominal amount of their shares or - if the profit is not sufficient for this - as high a percentage as possible, is then paid out to the holders of ordinary shares and priority shares. Where it concerns priority shares, the percentage of the above-mentioned dividend may not exceed the percentage of the legal interest rate prevailing on the last day of the financial year in question.
4. If the distribution of dividend on preference shares, as referred to in paragraph 2, cannot be effected or not in full because the profit is not sufficient, the deficit shall be paid out of the distributable portion of shareholders' equity. The dividend is determined over the paid-up portion of the nominal amount.
5. The remaining profit shall be at the disposal of the General Meeting provided that no further dividend is to be distributed on priority shares and preference shares.

## **SPECIAL RIGHTS UNDER THE ARTICLES OF ASSOCIATION**

### **Priority shares:**

The priority shares are held by the Stichting Beheer van prioriteits aandelen N.V. Holdingmaatschappij De Telegraaf, the Board of which consists of Mrs J.A. Brewer-de Koster and Messrs M.E. Borrius Broek, E.F.M. Kok, A.J. van Puijenbroek and E.H. van Puijenbroek.

The goal of the foundation is to acquire and manage the priority shares in the company and, partly by means this, to ensure continuity in the management of the company, to defend against influences on the management that could prejudice the company's independence and would be contrary to the company's interest, and to further a good policy in the company's interest.

The powers attached to the priority shares consist, amongst other things, of the right of granting approval for resolutions for the issue of shares, of fixing the number of Managing Board and their remuneration, of fixing the number of Supervisory Board of the company, and of taking the initiative for an amendment to the articles of association and dissolution of the company before the General Meeting of Shareholders can make a decision on that.

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### **Preference shares:**

1. The goal of Stichting Preferente Aandelen De Telegraaf is:
  - a. To look after the interests of the company limited by shares N.V. Holdingmaatschappij De Telegraaf, established in Amsterdam, hereinafter called: 'the company', the companies associated with it and all those involved, by defending the company as much as possible against influences that could threaten its continuity, independence or identity and would be contrary to these interests;
  - b. Defending the company against influences of third parties that could impair editorial independence, as well as the principles underlying editorial policy concerning news publications of enterprises within the group.
2. The foundation seeks to achieve this goal by acquiring preference shares in the company and by exercising the rights attached to these shares. In doing so, the foundation takes into account the purpose for which preference shares may be issued.
3. This purpose does not include the sale, encumbrance or any other way of disposing of shares except in case of:
  - sale to the company itself or to a company associated with it within the group and designated by the company;
  - collaboration in the repayment on and the cancellation of shares.

The right to issue preference shares of N.V. Holdingmaatschappij De Telegraaf has been granted by Stichting Beheer van prioriteitsaandelen N.V. Holdingmaatschappij De Telegraaf.

The Board consists of one Chairman and four members.

Composition of the Board as at 31 December 1997:

G.G. Witsen Elias (Chairman), M.E. Borrius Broek, S.E. de Jong,  
H. de Groot and A.J. van Puijenbroek.

As at the balance sheet date no preference shares had been issued.

### **Declaration of independence**

The Managing Board of N.V. Holdingmaatschappij De Telegraaf and the Board of Stichting Preferente Aandelen De Telegraaf hereby declare that, in their joint opinion, the requirements in respect of the independence of the Board of Stichting Preferente Aandelen De Telegraaf, set out in Annex X to the Listing and Issuing Rules of Amsterdam Exchanges N.V., Amsterdam have been fully satisfied.

**Managing Board N.V. Holdingmaatschappij De Telegraaf**  
**Board of Stichting Preferente Aandelen De Telegraaf**

Amsterdam, April 1998.

## KEY FIGURES AS AT THE BALANCE SHEET DATE

	1988	1989	1990	1991	1992
Shareholders' equity x NLG 1,000	401,395	458,676	516,590	563,487	610,755
Shareholders' equity as a percentage of total assets	61.2%	55.4%	59.6%	63.9%	71.2%
Current assets: short term liabilities	1.31 : 1	1.07 : 1	1.15 : 1	1.11 : 1	1.33 : 1
Shareholders' equity: borrowed capital	1.57 : 1	1.24 : 1	1.47 : 1	1.77 : 1	2.48 : 1
Net turnover x NLG 1,000	709,011	748,088	774,957	790,058	803,589
Cash flow x NLG 1,000	110,298	121,617	126,557	125,657	128,964
Net profit x NLG 1,000	62,218	75,717	80,074	72,621	70,057
Net profit as a percentage of net turnover	8.8%	10.1%	10.3%	9.2%	8.7%
Operating profit as a percentage of net turnover	10.3%	12.5%	12.1%	10.6%	10.1
Average net turnover per employee	257,300	270,900	277,700	277,800	281,900
Work force at year-end	2,984	2,990	3,067	3,103	3,079
Return on shareholders' equity	15.5%	16.5%	15.5%	12.9%	11.5%
Pay out ratio	32.0%	32.9%	32.1%	35.4%	36.7%
Per share of NLG 0.50 par value: (rounded off to full cents)					
Shareholders' equity	8.05	8.74	9.84	10.73	11.63
Cash flow	2.21	2.32	2.41	2.39	2.46
Profit	1.25	1.44	1.53	1.38	1.34
Dividend	0.40*	0.48	0.49	0.49	0.49
Price: low	5.13	9.75	9.63	9.75	10.13
Price: high	9.88	12.49	13.38	12.94	11.81

\* Excluding a 5% bonus in shares charged to the other reserves.

\*\* Including a jubilee dividend.

1993	1994	1995	1996	1997	
658,536	722,404	789,138	767,550	852,623	Shareholders' equity x NLG 1,000
68.2%	69.1%	70.3%	65.9%	65.7%	Shareholders' equity as a percentage of total assets
1.43 :1	1.87 : 1	2.25 : 1	1.58 :1	1.48 : 1	Current assets: short term liabilities
2.15 :1	2.23 : 1	2.37 : 1	1.93 : 1	1.92 : 1	Shareholders' equity: borrowed capital
1,048,712	1,092,584	1,151,505	1,283,228	1,357,754	Net turnover x NLG 1,000
172,137	184,581	191,785	190,477	238,340	Cash flow x NLG 1,000
77,006	91,425	101,312	84,602	124,670	Net profit x NLG 1,000
7.3%	8.4%	8.8%	6.6%	9.2%	Net profit as a percentage of net turnover
9.3%	11.3%	11.8%	11.2%	12.8%	Operating profit as a percentage of net turnover
252,300	266,500	282,000	310,800	312,100	Average net turnover per employee
4,573	4,551	4,528	4,599	4,901	Work force at year-end
11.7%	12.7%	12.8%	11.0%	14.6%	Return on shareholders' equity
41.9%	35.9%	35.0%	42.2%	35.4%	Pay out ratio
					Per share of NLG 0.50 par value: (rounded off to full cents)
12.54	13.76	15.03	14.62	16.24	Shareholders' equity
3.28	3.52	3.65	3.63	4.54	Cash flow
1.47	1.74	1.93	1.61	2.37	Profit
0.62**	0.63	0.68	0.68	0.84	Dividend
11.50	18.85	21.50	32.25	36.00	Price: low
19.88	25.06	30.75	42.40	48.50	Price: high



**A**fter-press comprises a package of specialised operations carried out after printing. These may include binding and cutting brochures and magazines, shrink wrapping, banding, data handling, logistical distribution, addressing by means of inkjet printing, and producing mailings.

In the case of large mailings, the printed matter is addressed and sorted according to area, so that the postal delivery route is taken into account already at the finishing stage.



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## **Summary of the recommendations by the 'commissie-Peters' on Corporate Governance and the views of N.V. Holdingmaatschappij De Telegraaf.**

- Recommendation 1.** The Supervisory Board should draw up a profile of itself which it should update from time to time. The profile should be available for inspection at the company's office.
- View This recommendation is endorsed. The profile drawn up by the Supervisory Board of N.V. Holdingmaatschappij De Telegraaf is available for inspection at the company's office.
- Recommendation 2.** The composition of the Supervisory Board should be such that the members operate independently and critically vis-à-vis one another and vis-à-vis the Board of Management.
- View This recommendation is endorsed. The composition of the Supervisory Board of N.V. Holdingmaatschappij De Telegraaf meets the requirements made in this recommendation.
- Recommendation 3.** The annual report should contain the information indicated by the Commission concerning the Supervisory Board members.
- View This recommendation is endorsed. Information on Supervisory Board members, as referred to in the recommendation, is included in the annual report of N.V. Holdingmaatschappij De Telegraaf.
- Recommendation 4.** Not more than one former member of the company's Board of Management may sit on the Supervisory Board. In this connection it should be considered to what extent former membership of the Managing Board would affect a person's performance on the Supervisory Board, the Supervisory Board's own performance, and the Managing Board's performance. This is particularly relevant where a former chairman of the Managing Board is nominated for appointment as Chairman of the Supervisory Board.
- View This recommendation is endorsed in principle. Former members of the Supervisory Board can have a positive effect on the expertise and judgement of the Board as a whole.
- Recommendation 5.** Supervisory Board members appointed on the basis of a specific nomination, too, must perform their duties without any mandate from those by whom they were nominated and independently of any partial interests connected with the company. This implies that, like the other Supervisory Board members, they may not commit themselves to a specific partial interest while ignoring the other interests involved.
- View This recommendation is endorsed.
- Recommendation 6.** The reappointment of Supervisory Board members should always be carefully considered and may never be done automatically. Even in the case of companies that fail to meet the criteria relating to companies with two-tier status, the Supervisory Board members must always be appointed for a limited period. The Supervisory Board must draw up a schedule of retirement by rotation in order to prevent an unnecessarily large number of reappointments having to be made at any one time.
- View This recommendation is endorsed.
- Recommendation 7.** Supervisory Board members must retire before the expiry of their normal term of office if this is necessary on account of inadequate performance of duties, a fundamental difference of opinion, conflict of interests or for any other reason.
- View This recommendation is endorsed.
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- Recommendation 8.** A Supervisory Board member finding himself involved in a conflict of interests must immediately notify the Chairman of the Supervisory Board of this fact.
- View This recommendation is endorsed.
- Recommendation 9.** The number of Supervisory Boards of (listed) companies that a person may sit on must be limited in such a way as to ensure proper performance of the Supervisory Board member's duties. Companies must allow officers actively employed with them to sit on the Supervisory Boards of other companies.
- View This recommendation is endorsed.
- Recommendation 10.** A Supervisory Board member must not be hindered in the independent performance of his supervisory duties by occupying a subordinate hierarchical position within a group, by cross-relationships or by any other relationships with the person whom he is supervising.
- View This recommendation is not endorsed because the link between the Supervisory Board members of N.V. Holdingmaatschappij De Telegraaf and the Supervisory Board of a subsidiary leads to efficient supervision of the subsidiary and understanding of the conditions in which a subsidiary is operating.
- Recommendation 11.** The shares owned by a Supervisory Board member in the company of which he is a Supervisory Board member should be a long-term investment. The total holdings of shares and depositary receipts and the total option rights of the joint Supervisory Board members should yearly be disclosed in the annual report.
- View This recommendation is endorsed.
- Recommendation 12.** The remuneration of a Supervisory Board member does not depend on the company's results. Every business relationship with the company is to be disclosed in the notes to the annual accounts.
- View This recommendation is endorsed.  
Remuneration of the members of the Supervisory Board of N.V. Holdingmaatschappij De Telegraaf is set by the General Meeting of Shareholders and does not depend on the company's result. None of the Supervisory Board members has a business relation with N.V. Holdingmaatschappij De Telegraaf other than through his seat on the Supervisory Board.
- Recommendation 13.** Any semblance of a conflict of interests between the company and the Supervisory Board members should be avoided.
- View This recommendation is endorsed.

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- Recommendation 14.** The allocation of duties and the work method of the Supervisory Board and its Chairman should be laid down in a set of rules and regulations. The Supervisory Board should consider in this connection whether it is desirable to include a provision in the rules to cover the Board's dealings with the Board of Management, the Works Council and those supplying capital. The rules and regulations should be referred to in the Supervisory Board's report in the annual report.
- View This recommendation is endorsed. The Supervisory Board of N.V. Holdingmaatschappij De Telegraaf has laid down rules and regulations providing for the allocation of responsibilities and the work method of the Board. These rules and regulations have been referred to in the Supervisory Board's report in the annual report.
- Recommendation 15.** The Supervisory Board should consider appointing from its number a selection and appointment committee as well as an audit committee and a remuneration committee. These committees should be referred to in the Supervisory Board's report in the annual report.
- View Setting up special committees would not be useful in view of the number of Supervisory Board members on the Board.
- Recommendation 16.** The meetings of the Supervisory Board should be held according to a fixed schedule. Any Supervisory Board member who is frequently absent should be asked to explain his conduct.
- View This recommendation is endorsed.
- Recommendation 17.** The Supervisory Board must discuss company strategy and the risks associated with the business, as well as the results of the Managing Board's assessment of the internal control systems at least once a year. Such meeting must be referred to in the Supervisory Board's report in the annual report.
- View This recommendation is endorsed.
- Recommendation 18.** At least once a year, at a meeting closed to the Managing Board, the Supervisory Board must discuss its own performance, the relationship with the Managing Board, the composition of the Managing Board, and its assessment of the Managing Board, including matters concerning succession and remuneration. Such meeting must be referred to in the Supervisory Board's report in the annual report.
- View This recommendation is endorsed.  
With effect from 1998, the Supervisory Board of N.V. Holdingmaatschappij De Telegraaf will hold a meeting closed to the Managing Board at least once a year. The meeting in question will be referred to in the Supervisory Board's report in the annual report.
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- Recommendation 19.** There should be a division in the agenda of the annual General Meeting of Shareholders between, on the one hand, adoption (approval) of the annual accounts and, on the other, approval of the policies conducted by the Managing Board and of the supervision exercised by the Supervisory Board, such approval constituting a discharge of the members of the Board of Management and Supervisory Board in respect of their management during the previous financial year.
- View This recommendation is endorsed. For the annual General Meeting of Shareholders for the financial year 1997, the provision in the articles of association will be adhered to.
- Recommendation 20.** It is not desirable to have a permanent delegate member on the Supervisory Board.
- View This recommendation is endorsed.
- Recommendation 21.** The Managing Board should report in writing to the Supervisory Board concerning business objectives, strategy, corresponding risks and financial risk-control mechanisms. The main points reported on should have a fixed place in the annual report. Quantification can help provide a clearer picture of objectives and strategy. If objectives and strategy are quantified, the resulting figures should be used as benchmarks for comparison with actual performance figures.
- View The Managing Board of N.V. Holdingmaatschappij De Telegraaf reports to the Supervisory Board on the items referred to in this recommendation.
- Recommendation 22.** The total amount of remuneration shown in the annual report should be broken down into remuneration in respect of present members of the Managing Board and remuneration in respect of former members.
- View This recommendation is endorsed.
- Recommendation 23.** The securities held by a member of the Managing Board in a company where he also serves as a member of the Managing Board should be a long-term investment. The securities owned by the members of the Managing Board, on aggregate, at the end of a financial year should be disclosed in the annual report, divided into:
- shares/depositary receipts;
  - convertible debentures;
  - rights of option negotiable on the stock exchange;
  - rights of option granted by the company, plus the principal conditions to which these securities are subject.
- View This recommendation is endorsed.
- Recommendation 24.** A staff option scheme serves to strengthen the staff's long-term commitment (at least 3 years) to the company. Staff options are a form of remuneration that should be related to the degree of success of the efforts of those involved, as reflected in the market value of the business. The conditions under which the options are granted must reflect this purpose. The rights of option granted by the company in a financial year to the members of the Managing Board as a whole and to the other employees as a whole, along with the most important conditions governing the scheme, should be disclosed in the annual report.
- View This recommendation is endorsed. Here it should be noted that no option scheme is in force in respect of Managing Board members and/or other employees.

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- Recommendation 25.** Any semblance of entanglement of interests between the company and the members of the Managing Board should be avoided.
- View This recommendation is endorsed.
- Recommendation 26.** Based on the principle that the function of providing finance and the function of having control of a business should be an extension of each other, companies and suppliers of capital are asked to revalue the capital factor relating to each individual enterprise.
- View The idea that the function of providing finance and the function of having control of a business should be an extension of each other is endorsed in principle, as not only suppliers of capital, but other interested parties, including the employees and Stichting Beheer van prioriteitsaandelen N.V. Holdingmaatschappij De Telegraaf, within the legal framework set up for this, can exercise influence on corporate policy as well. As to the factor of capital, we feel that revaluation is not necessary in view of the fact that holders of depositary receipts in N.V. Holdingmaatschappij De Telegraaf are able to convert their depositary receipts into ordinary voting shares without any restrictions.
- Recommendation 27.** For every enterprise the General Meeting of Shareholders must be the forum where the Supervisory Board and the Managing Board report on and account for the manner in which they have performed their duties.
- View This recommendation is endorsed and conforms to daily practice at N.V. Holdingmaatschappij De Telegraaf.
- Recommendation 28.** The Managing Board and the Supervisory Board must have the confidence of the Meeting of Shareholders. This should be taken into account in the policy governing the appointment of Board Members.
- View This recommendation is endorsed in the sense that the rules and regulations of a company with statutory two-tier status are complied with in the company's operations, with the influence of the Works Council within the legal framework created for this also taken into account.
- Recommendation 29.** On the basis of the review items set out in section 5.5 of the report, the management must evaluate the situation as regards the nature and degree of influence exercised by suppliers of capital, differentiated into type and degree of influence, in what respects the management considers it desirable that this influence should increase and, if applicable, what measures the management should wish to take to effect same. The management should report on this at the General Meeting of Shareholders in 1998. The report should be put on the agenda and duly considered at the meeting.
- View According to the notes to the report, areas in which the suppliers of capital should be able to exercise influence include:
1. The company's strategic policy, e.g. in respect of growth perspective, sectors in which it operates, risk profile, profit level targeted.
  2. Major changes in the nature and size of the company.
  3. Dividend policy (amount of the dividend and the form in which the dividend is distributed).
  4. Size and composition of the share capital, e.g. types of shares/depositary receipts, proposed issues, repurchase of company shares, option schemes, negotiability aspects and preferential right of subscription.
  5. Amendment to the articles of association.
  6. Adoption and/or approval of the annual accounts.
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According to the notes, the emphasis in review items 1 and 2 lies on the information to be provided. In review items 3 to 6 the emphasis is placed on the influence to be exercised. Formal rights of control are assigned to the General Meeting of Shareholders. In De Telegraaf's opinion, the strategic policy and the determination of the nature and size of the company are, in principle, the remit of the Managing Board.

**Recommendation 30.** Applications by suppliers of capital who, singly or jointly, represent 1 per cent of the issued capital or whose shares or depositary receipts have a market value of at least NLG 500,000 as at the date of the notice calling the meeting, for items to be placed on the agenda for the General Meeting of Shareholders should be accepted, provided that such applications have been submitted to the Managing Board or the Chairman of the Supervisory Board at least thirty days before the date of the meeting, unless, in the opinion of the Supervisory Board and the Managing Board, the inclusion of such items on the agenda would be against the material interests of the company.

**View** Applications by suppliers of capital representing, either singly or jointly, 1 per cent of the issued capital for items to be placed on the agenda for the General Meeting of Shareholders will be taken into consideration by De Telegraaf unless, in the opinion of the Supervisory Board and/or the Managing Board, inclusion of such items on the agenda would be against the material interests of the company. The criterion of having a market value of at least NLG 500,000 is considered too low by N.V. Holdingmaatschappij De Telegraaf.

**Recommendation 31.** The quality and specialisation of investment analysis, particularly in respect of each individual sector, should be improved.

**View** This recommendation is taken note of.

**Recommendation 32.** A system of proxy solicitation should be introduced to help increase the involvement of suppliers of capital in the decision-making process at the General Meeting of Shareholders.

**View** Pending further studies the company has not yet taken a view.

**Recommendation 33.** Parties controlling a listed company by holding 50% or more of the shares should make an offer for the remaining shares and/or depositary receipts within a reasonable time and subject to fair conditions.

**View** This recommendation is taken note of.

**Recommendation 34.** The main principles of Corporate Governance observed within the company should be set out in the annual report. The company should give specific information in the annual report on the extent to which it has complied with the recommendations.

**View** This recommendation is endorsed. In the opinion of the Supervisory Board and the Managing Board of N.V. Holdingmaatschappij De Telegraaf, the main lines of Corporate Governance within the company, and the way in which the recommendations in this respect have been complied with, have been correctly highlighted in the annual report and this annex, in the manner indicated in this recommendation.



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**Recommendation 35.** The Supervisory Board must consider whether the external auditors should verify reported compliance with verifiable recommendations.

View N.V. Holdingmaatschappij De Telegraaf does not see a role for external auditors in respect of the question whether individual enterprises are complying with the recommendations made in respect of Corporate Governance.

**Recommendation 36.** The audit of the annual accounts is one of the cornerstones of a good system of Corporate Governance.

View This recommendation is endorsed. However, audit, advice and identification are all part and parcel of the auditor's statutory controlling task. No separate and additional task should therefore be implied.

**Recommendation 37.** The Supervisory Board or the Audit Committee should have a meeting with the external auditors at least once a year.

View A meeting between the Supervisory Board of N.V. Holdingmaatschappij De Telegraaf with the external auditor is held at least once a year. In this connection, the reader is referred to the report of the Supervisory Board in the annual report.

**Recommendation 38.** Reports by rating agencies should be discussed by the Supervisory Board.

View This recommendation is taken note of.

**Recommendation 39.** The Commission proposes that there should be a one-off procedure for monitoring compliance with its recommendations following the 1998 annual report season, to be arranged in further detail by the responsible parties concerned.

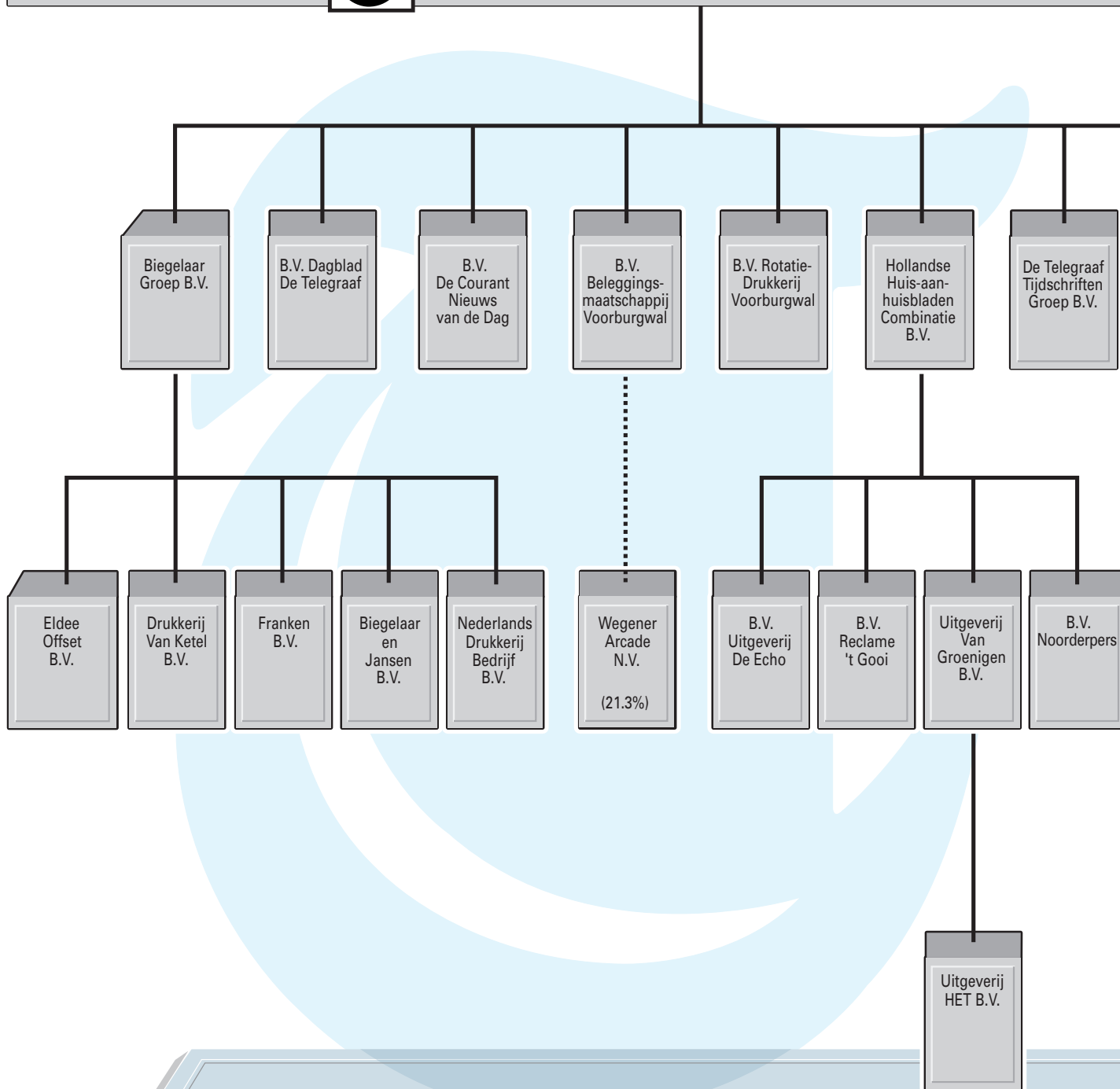
View This recommendation is taken note of.

**Recommendation 40.** The repurchase by a company of its own shares should be possible in the Netherlands without fiscal objections.

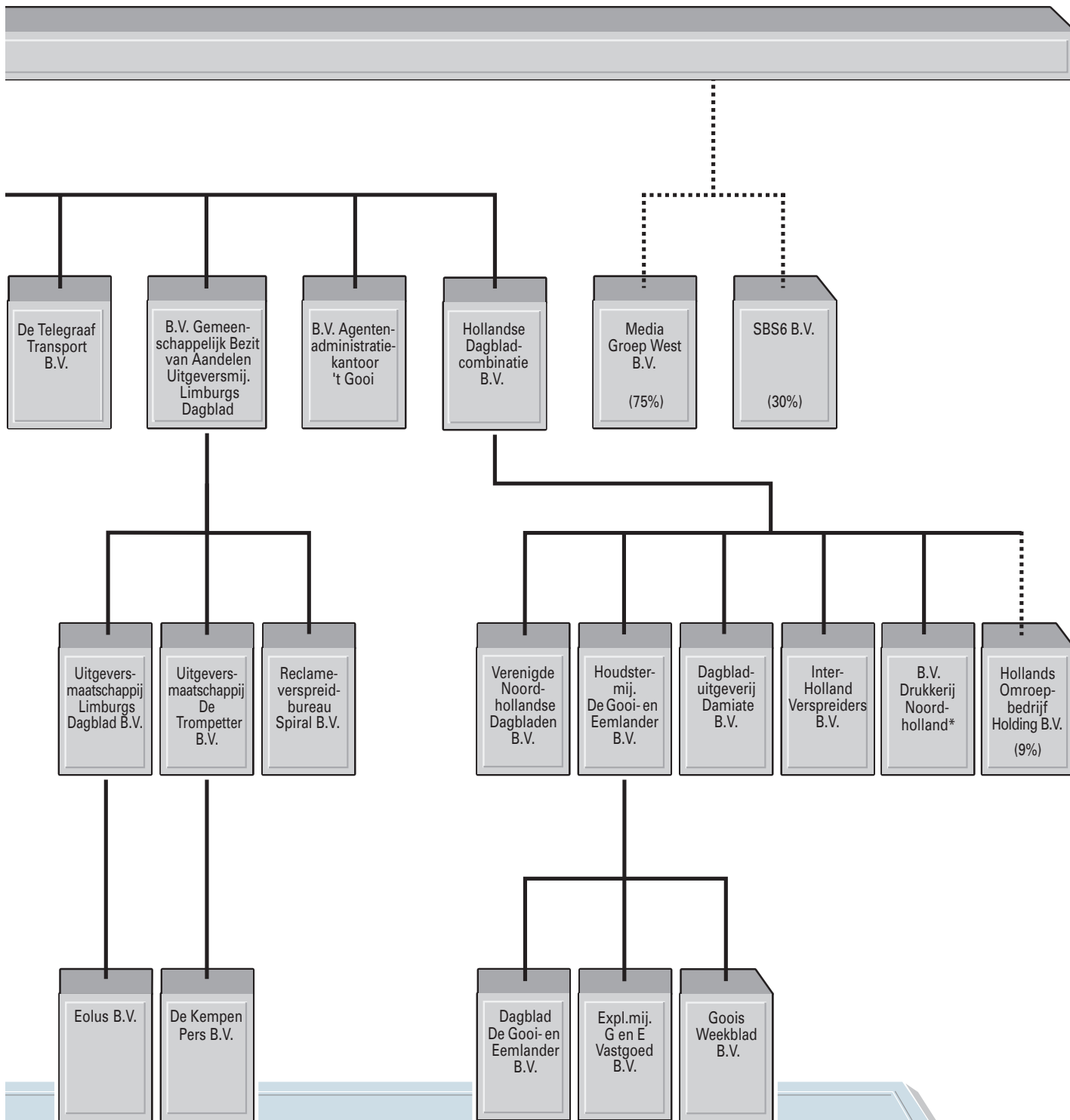
View This recommendation is endorsed.



## N.V. Holdingmaatschappij De Telegraaf



\* Request for the formal opinion of the Works Council in question.



## STRUCTURE OF THE TELEGRAAF COMPANY AS AT APRIL 1998

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