

Trinity Mirror plc

# Annual General Meeting

13 May 2010



# Overview

- We said that '09 would be tough, and it was
- We can't control the economic environment or defy gravity of the ad market
- We have focused relentlessly on what is in our control
  - removed £70m of costs
  - so despite revenues falling by £108m, the fall in profits was mitigated
  - delivered profits of £105m
- Strong cash generation contributed to net debt falling by over £60m
- Management actions have steered us through the economic gloom
- Our continued focus on investing in and developing the business will ensure a strong post-recession future

# Managing the business through recession

- Put in place a package of self help measures to significantly reduce our fixed cost base
- Group-wide recruitment and salary freeze
- All areas of discretionary spend have been tightly managed
- Closed or sold 30 unprofitable regional titles
- Changes to regional titles' format and frequency to improve revenue and profitability
- Investment in our printing presses has enabled us to win print contracts
- Largest contract printer of newspapers in the UK
- Strategy of diversifying revenues has resulted in a more resilient mix of revenues across the Group

# Regionals

- Regionals business hit hard by recession, with its reliance on a higher proportion of advertising than circulation revenue
- Significant pressure on recruitment and property particularly, reflecting rising unemployment and fragile housing market
- However, recruitment and property now represent a smaller proportion of regionals ad revenues with a growing proportion of these categories coming from digital



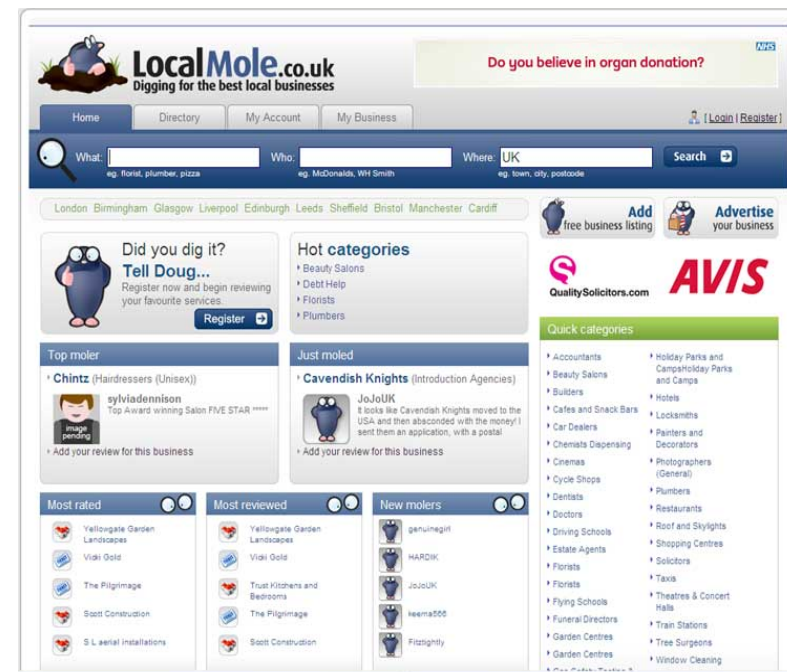
# Regionals

- Recruitment and property advertising categories remain challenging in the short term but their impact on overall business is much reduced
- Better placed to benefit from combination of recovery and the benefits of our digital portfolio



# Regionals Digital

- Continued to invest in regionals business
- Extending reach into local markets through launch of new digital products
  - new business directories - LocalMole.co.uk
  - mobile sites
  - social media tools for our newspaper companion sites to increase interactivity and usage



# Regionals Digital

- Digital audience continues to grow
- Average monthly unique users increased by 13% in the first quarter of 2010 to 7.9 million per month
- Despite harsh revenue environment continued to execute strategy of building a regional multimedia business of scale
- Our combined audience reach across print and digital grew by 5% in 2009
- Digital revenue represented 10% of revenues in '09 and over 18% of operating profit – a strong position from which to see future revenue and profit growth

# Nationals

- Nationals performed strongly in 2009 showing resilience through downturn
- Policy of not chasing short term circulation revenue through cover price discounting
- Our titles have a higher proportion of full rate sales than any competitors
- Ad market remained difficult throughout 2009 however all five titles increased advertising volume market share
- Testament to the strength and appeal of our titles to readers and advertisers



# Nationals - circulation

- Circulation volumes have been under pressure but revenue performance was supported by cover price increases
- Nationals circulation strategy is the appropriate balance of volume, revenue, marketing investment and profit



# Nationals Digital



- Average monthly unique users grew by 44% in the first quarter of 2010 to 10 million
- Over 50% of Mirror Group website users are from the UK - the highest proportion from within the peer group, a characteristic highly prized by advertisers

# New operating model

- Newspaper publishing model had to change
- Required a step change in what and how we publish to significantly and permanently reduce the cost base
- Goal – to develop a more efficient publishing model across all platforms
  - enhance operating margins
  - generate more cash for re-investment
  - deliver better returns for shareholders
- Make our working methods more efficient
- Reduce costs but without compromising quality

# New operating model

- Analysed every element of the business – editorial, advertising and production
- Costs reduced by in excess of £40 million
- Leaner, fitter, business - modernised and operationally well equipped to deliver our multi-media strategy
- Highly geared to benefit from any improvement in trading

# Charging for online content

- Possible to charge for unique, high-value content which is difficult for consumers to access elsewhere
- Not possible to successfully charge for general online news content
  - why would a consumer pay when they can get the same thing for free, eg. BBC?
  - consumers always one click away from any number of news sites
  - online consumption – multiple news sites
  - choice is key attraction of the web
- So how do we generate revenue and profit online?
- Starting point driven by what customers want - not by what we want

# Charging for online content

- Think about customers first – be they consumers or business
  - what services do they want?
  - what products meet those needs?
  - national or local need?
  - what is the revenue model?
  - who will pay for what.... and how much?
- Our regionals business is developing strong and sustainable digital revenues and profits
- We're producing a portfolio of regional products which local consumers value and advertisers will pay for

# Charging for online content

- Regionals have never been a cover price driven model so we don't have to replicate that revenue stream online
- Regionals is an ad-driven business model which works online as well as in print
- Our regionals online model:
  - diversified revenue streams across multiple ad categories
  - low cost base
- Key challenge is scale:
  - grow digital revenues
  - grow proportion of digital revenues compared to print

# Charging for online content

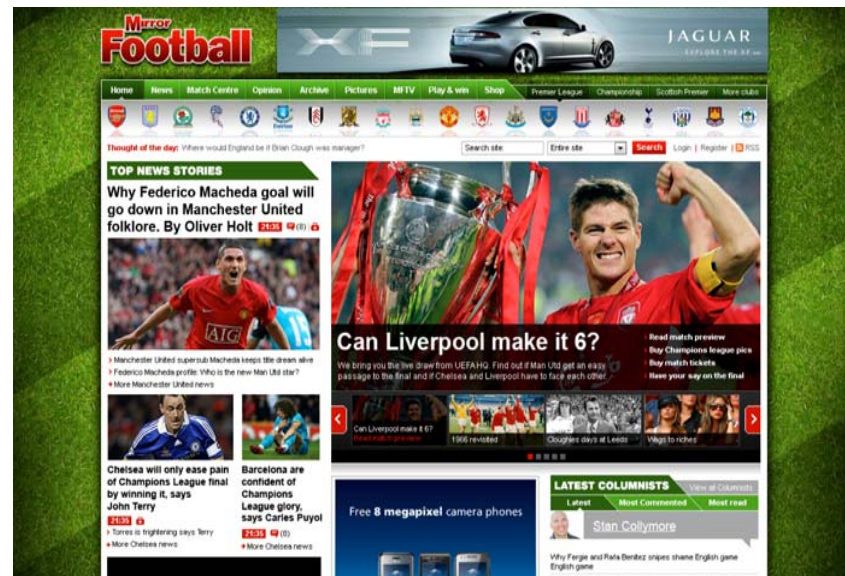
- Regionals digital revenue growth dependent on delivering an attractive and growing audience to advertisers
- No plans to introduce a paywall to regional sites
- Will continue to develop market insight
- Some trials of specific, paid online content
- Regionals business will remain primarily an ad-driven model with no plans to change that

# Charging for online content

- Nationals digital model is different
- Cover-price-driven model in print, high cost of content generation, very little classified
- Nationals print model doesn't translate as successfully online
- Needs a different approach
- We're developing new, specific content brands with diversified revenue streams
- [Mirrorfootball.co.uk](http://Mirrorfootball.co.uk) is first example

# Mirrorfootball.co.uk

- Commercial model built around multiple revenue streams:
  - gaming and interactive competitions eg. Fantasy football
  - content and section sponsorship
  - e-tailing of merchandise with iconic football photographs from archive
  - display advertising

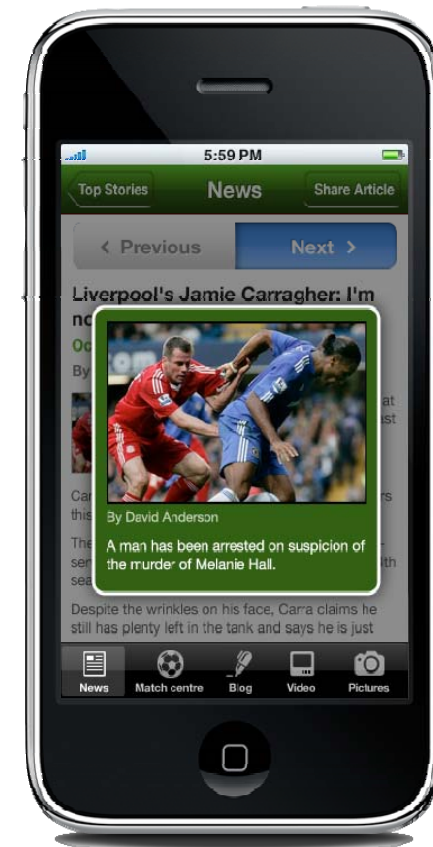


# Mirrorfootball.co.uk

- A site built specifically for a passionate, self-defining audience
- Content remains king but we are also exploiting technology to enrich content and further engage our audience
  - real-time interactive match centre
  - live commentary, immediate reaction and real-time betting odds
- Delivers what advertisers want - a truly passionate and engaged audience
- Audience engagement is at the heart of our digital publishing strategy
- Delivering an audience of almost 2 million unique users per month
- Mirrorfootball.co.uk forecast to be profitable in 2010

# Mirrorfootball.co.uk - iPhone App

- Launched a paid for iPhone app for Mirrorfootball.co.uk
- Early signs encouraging with 4,000 downloads in the first month and a half
- An online product that audiences will pay for and a fanatical fanbase to sell to advertisers
- Plans for further apps across the portfolio



# Building our digital business

- Consumer-driven approach
- Some opportunities to charge for specific content
- A paywall is not the right strategy
- Successful digital business
  - strong consumer-driven propositions
  - diversified revenue streams
  - cost base reflects revenues

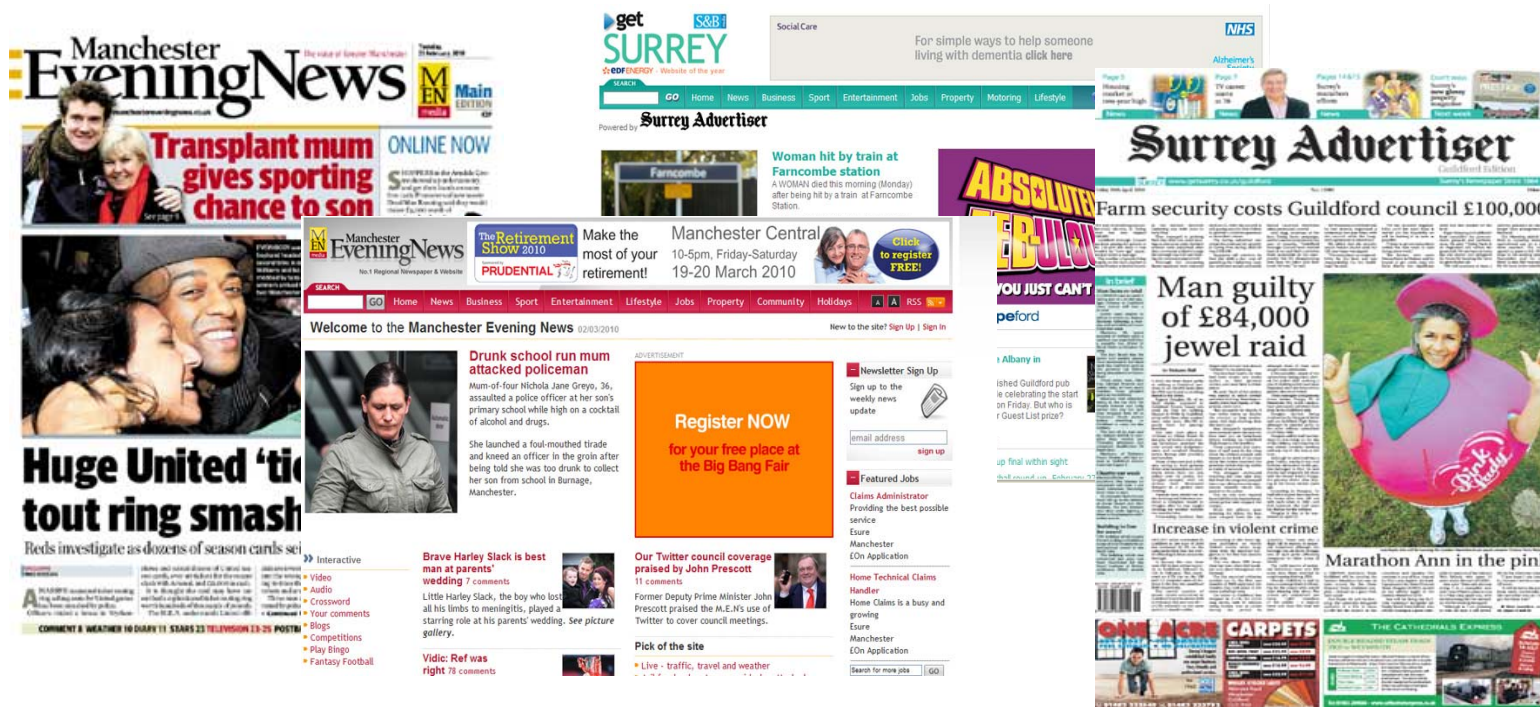
# GMG Regional Media

- Acquisition completed on March 28<sup>th</sup>
- A perfect strategic fit for our business
- Trusted, well-established brands
- Increases our reach into new attractive geographies across print and online



# GMG Regional Media

- Multimedia portfolio, publishing 32 newspapers and associated websites
  - MEN Media publishes 22 titles including flagship Manchester Evening News in the North West
  - S&B Media in the South includes the Surrey Advertiser and Reading Post



# GMG Regional Media

- Clear about characteristics we value in regional media
  - operate in well-defined geographical areas
  - strong brands which sit at the heart of their markets
  - strong growth potential across print and digital
  - best-in-class margin potential
- MEN and S&B media have all of these



# GMG Regional Media

- Performing ahead of expectations and will be profitable this year
- We expect a similar margin to the rest of our regionals portfolio in the medium term
- A great deal for us and our shareholders
- Underlines our commitment to regional media
- Confident in GMG having a successful future with our Group

# In conclusion

- Resilience of brands and commitment of staff ensured delivery of profits ahead of expectations
- Continued to manage cost base tightly, this coupled with our more resilient circulation revenues played a crucial role in supporting profits
- Reaping benefits of investment in cutting edge IT systems and implementation of new operating model
- Strategy of diversifying revenues strengthens the business and positions it for cyclical recovery and digital growth
- Remain on course to deliver the targeted £20 million reduction in the cost base
- Decisive management action coupled with appropriate investment
- Trinity Mirror will emerge from the downturn, profitable and cash generative – modernised, improved, leaner, fitter and growing