Trinity Mirror

31st July 2002

Interim Results for the 26 weeks ended 30th June 2002

Trinity Mirror plc, the UK's largest newspaper publisher, announces the Group's interim results for the 26 weeks ended 30th June 2002.

The results are stated after the adoption in 2002 of FRS 17 "Retirement benefits" and all comparatives have been restated accordingly

Financial highlights

	2002 £m	2001 £m *restated*	change %
Turnover			
- Actual	**559.6**	581.4	-3.7%
- Like-for-like (1)	**554.8**	575.6	-3.6%
Group operating profit (2)			
- Actual	**96.3**	101.1	-4.7%
- Like-for-like (1)	**95.9**	100.5	-4.6%
Profit before tax (3)	**78.4**	80.6	-2.7%
Earnings per share (3)	**18.4p**	19.4p	-5.2%
Dividend per share	**5.3p**	5.3p	-

(1) Adjusted to exclude the results of Post Publications Limited and Ethnic Media Group Limited which were disposed of in June 2002 (the "disposed businesses")
(2) Excludes operating exceptional items of £6.4 million pre tax (2001: £7.6 million)
(3) Excludes net exceptional items of £6.3 million pre tax (2001: £7.6 million)

Operational highlights

- **Implementation of "from Biggest to Best" strategy and cost reduction plans in regional newspaper operations delivering ahead of expectations** – realisation of £6.5 million structural cost benefits and £6.6 million revenue enhancements in the period.

- **Invested incremental £6.5 million** in implementation of integrated marketing strategy for Mirror titles, including the impact of cover price cuts.

- **Delivered £14.6 million from cost saving initiatives across the Group** – on target to achieve £32 million in the full year.

- **Sale of Sunday Business Post and Ethnic Media Group** for £6.5 million and £10.2 million respectively.

Sir Victor Blank, Chairman of Trinity Mirror plc, commented:

"In the first six months of the year, against a backdrop of difficult economic conditions, we have further demonstrated the strength of our businesses.

The regional newspapers' "from Biggest to Best" strategy continues to exceed expectations and management has identified further benefits beyond those originally planned. Our national strategy still in its early stages is progressing as expected with the improvements in the quality of our main titles, and strengthening of our brand and promotional activity to increase readership. In Scotland, the advertising improvement strategy of the Daily Record is already delivering positive results. Our business also remains highly cash generative in these tough markets.

The immediate future of the marketplace remains uncertain. However, we continue the successful implementation of the Group's strategy and this underpins the Board's expectation of a satisfactory outcome for the year."

An interview with Philip Graf, Chief Executive, on Trinity Mirror's results and the financial results presentation will be available on Trinity Mirror's website at http://www.trinity-mirror.co.uk/interview0702 and http://www.trinity-mirror.co.uk/interimresults02 respectively .

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Chairman's Statement

Financial highlights(4)

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	£m	£m	%
		restated	
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(2) Excludes operating exceptional items of £6.4 million pre tax (2001: £7.6 million)
(3) Excludes net exceptional items of £6.3 million pre tax (2001: £7.6 million)
(4) Accounting policies used in the preparation of the unaudited financial information for the 26 weeks ended 30th June 2002 are consistent with those set out in the Group's financial statements for the 52 weeks ended 30th December 2001, as amended by the adoption this year of financial reporting standard, FRS 17: "Retirement Benefits". FRS 17 requires the full service cost of pension provision to be charged to operating profit and results in a charge to operating profit for the 26 week period to 30th June 2002 of £12.8 million (2001: £11.0 million), an increase of £7.0 million (2001 : £5.7 million) over the previous SSAP 24 charge. The adoption of FRS 17 has required the restatement of the profit and loss account, balance sheet, statement of total recognised gains and losses, reconciliation of movements in consolidated shareholders' funds and associated notes for the 26 weeks ended 1st July 2001 and the 52 weeks ended 30th December 2001. Notes 8 and 11 to the unaudited interim financial statements summarise the implications of the adoption of FRS 17. There is no impact on the Group's underlying operations.

Within the following financial summary and the review of operations, all figures are presented on a 'like-for-like' basis unless otherwise stated.

Financial Summary

Group revenue decreased by 3.6% to £554.8 million (2001: £575.6 million), reflecting a fall of 4.0% in advertising revenue to £312.9 million, a 1.3% decline in circulation revenue to £191.1 million, (including £7.5 million reduction in respect of the Daily Mirror cover price discount compared to £3.6 million in 2001) and a 9.3% decline in other revenue to £50.8 million (2001: £56.0 million).

Group operating profit before exceptional items decreased by 4.6% to £95.9 million (2001: restated £100.5 million). The £8.7 million incremental investment in marketing, editorial and product support of the Group's titles and the £20.8 million fall in revenue have been partially offset by cost savings of £14.6 million and £10.3 million reduced net investment in digital media activities. The Group remains on track to deliver targeted cost savings of £32 million in the full year.

Profit before tax (including disposed businesses) and before exceptional items declined by 2.7% to £78.4 million. This decline reflects the reduction in operating profit of 4.6% partially offset by a £1.9 million reduction in financing costs (net interest payable and other finance income).

Operating exceptional items of £6.4 million have been incurred during the 26 week period, primarily in respect of the ongoing implementation of the Group's strategies and cost reduction plans. It is anticipated that a further £9 million will be incurred during the second half of the year.

Earnings per share (including disposed businesses) before exceptional items decreased by 5.2% from 19.4p (restated) to 18.4p, reflecting both the decline in profit before tax and the increase in the estimated effective tax rate from 30.0% in 2001 to 31.3% in 2002.

The *interim dividend* is being held at the same level as the 2001 interim dividend, 5.3p. It will be paid on 31 October 2002 to shareholders on the register at 4 October 2002.

Strong operating cash flow of £101.0 million (2001: £88.9 million) contributed to *net debt* falling by £31.1 million from £735.0 million at 30th December 2001 to £703.9 million at 30th June 2002.

Net assets at 30th June 2002 were £1,323.8 million (2001: restated £1,345.0 million), supported by intangible fixed assets of £1,849.8 million (2001: £1,866.9 million). Included within net assets is a net pension fund deficit of £84.1 million (2001: £25.9 million), as required to be recorded under FRS 17. The increase in the net pension fund deficit of £58.2 million has been offset against the accumulated profit and loss reserve.

Review of Operations

Regional newspapers and digital media

The turnover and operating profit of the Group's regional newspapers and Metros, excluding digital media, is as follows:-

	2002 £m	2001 £m *restated*	Change %	**Margin 2002**	Margin 2001
Turnover					
Regionals excluding Metros	**258.1**	263.5	-2.0%		
Metros	**4.4**	4.1	7.3%		
Regionals including Metros	**262.5**	267.6	-1.9%		
Operating profit					
Regionals excluding Metros	**63.5**	64.2	-1.1%	**24.6%**	24.4%
Metros	**(1.1)**	(2.4)	54.2%		
Regionals including Metros	**62.4**	61.8	1.0%	**23.8%**	23.1%

During the past six months, significant progress has been made in implementing the "from Biggest to Best" strategy for the regional newspaper division. The pace and achievement of the strategy to date are extremely encouraging, with significant change and innovative projects being undertaken in each of the regional businesses, with a high level of commitment across the business. As the change programme is implemented, it has become clear that the potential performance improvement opportunities are greater than first identified and can be achieved at a faster pace.

Key performance indicators have been established across a broad range of measures and are being used to increase the efficiency and effectiveness of all functions, including pre-press, advertising sales, editorial, administration, etc. Processes are being scrutinised in detail, business by business, to ensure that best practice performance is achieved in all operations.

Significant effort has been directed to the short to medium term performance based activities. At the same time, we have been investing to secure the long term health of revenues. The division continues to pursue the other three elements of the from Biggest to Best strategy – scale, excellence and growth. For example, we have invested in brand and readership research and have developed the advertising best practice model. Several other key projects - best practice in editorial and standardised advertising classification – have already been completed. Although it is early days this work will drive our goal of achieving industry leading performance by 2005.

The Group has continued to invest in the regional operations (in the form of capital projects, particularly the press replacement programme and product and promotional support, including the relaunch of the Birmingham Evening Mail). Losses at the Metro titles have been halved mainly due to the increase in advertising revenues.

Businesses in the North East, North West, Cardiff and Ireland have achieved robust performances. Trading has been more difficult in the Midlands and a very difficult trading environment experienced in London and the South East during the latter part of 2001 has continued into 2002. Overall advertising revenues, excluding those of the three Metro titles is down 2.5% on last year. However, offsetting this, the continued implementation of the strategy will ensure that exposure to profit downturn during this current economic cycle is minimised, and the businesses are leaner and fitter to benefit from an economic recovery.

Advertising

Advertising revenues within the regional newspaper operations declined 2.2% to £202.9 million (2001: £207.5 million). Excluding Metros, advertising revenue declined by 2.5%. Outside London and the South East where advertising revenue fell by 12.6%, the division (excluding Metros) achieved growth of 1.8%.

Excluding the Metros, recruitment advertising was the key driver of the decline in advertising revenues, with a 5.4% (£3.6 million) fall to £63.3 million in the period, again influenced by a 23.7% decline in the South East compared to 2.9% growth throughout the rest of the division. In the first quarter, the division saw a decline of 8.8% in recruitment advertising revenue (compared to 17.7% growth in the same period in 2001), with a decline of 1.7% in the second quarter (2001: increase of 14.5%). Property advertising revenue also declined by 3.4%, motors 3.1% and display 1.5%. These declines were partially mitigated by a 2.7% increase (£0.9 million) in "other" classified advertising.

Circulation

Circulation revenue of the regional newspapers remained stable at £41.2 million (2001: £41.3 million), as cover price increases applied to certain titles offset volume declines. The Group's titles remain amongst the highest "actively purchased" within the regional newspaper industry. The division is in the midst of prioritising improvement of its circulation performance, including undertaking the UK regional press's largest readership research project involving 34,000 one-to-one interviews during the period January to November.

Digital Media

Digital media operations achieved revenue of £0.3 million (2001: £0.6 million) and a loss of £4.4 million (2001: £14.7 million, including the costs of the central portals, closed from March 2001).

Disposals

As part of our strategy to divest non-core assets, the Group completed the disposals of Post Publications Limited (the Sunday Business Post) and Ethnic Media Group Limited for considerations of £6.5 million and £10.2 million (including £1 million deferred consideration, receivable in June 2004) respectively. During the 26 week period to 30 June 2002, the Sunday Business Post contributed £2.6 million revenue (2001: £3.9 million) and a net loss of £0.1 million (2001: profit £0.2 million) and Ethnic Media Group contributed £2.2 million revenue (2001: £1.9 million) and an operating profit of £0.5 million (2001: £0.4 million) to the results of the regional newspaper division.

National newspapers

The turnover and operating profit of the Group's national newspapers is as follows:-

	2002 £m	2001 £m *restated*	Change %	**Margin 2002**	Margin 2001
Turnover	**249.7**	262.9	-5.0%		
Operating profit	**26.7**	42.9	-37.8%	**10.7%**	16.3%

The fall in the national newspapers operating profit is a reflection of a difficult advertising environment, which saw a 8.4% decline in advertising revenues, and the impact of £7.6 million additional investment in editorial, marketing and product support of the strategies for the UK and Scottish national titles.

Research undertaken last year clearly indicated that there was an opportunity, over the medium to long term, to increase frequency of purchase amongst existing Daily Mirror readers and to improve the title's share of young people entering the tabloid market.

An integrated marketing strategy, developed for the two Mirror titles, has been designed to sharpen the Mirror brand image and, over time, achieve a change in readers' habits. As announced in February, an incremental £20 million is to be invested this year (plus a reallocation of annual marketing spend, including the withdrawal from bulk sales) in the marketing, product and editorial support of the Mirror titles' strategy.

The relaunch of the Daily Mirror brand commenced in April. This included changing the masthead, a brand campaign, product changes and strengthening the editorial team. Early research on the product changes and the branding campaign are extremely positive.

The brand relaunch was followed in May by a national cover price cut – another component of the strategy – and specific regional price cuts from June. During the early stages of this strategy, price is being used as a stimulus to get occasional and infrequent readers to sample the product more often and to build a readership habit. The results are in line with our expectations. The editorial repositioning of the Daily Mirror has been widely acclaimed and is reinforced by the two Newspaper of the Year Awards.

In Scotland, the Daily Record and Sunday Mail's advertising improvement strategy is delivering positive results. The content of the two newspapers has also been strengthened with the introduction of new and revised sections aimed at deepening the appeal to target segments of readership. This activity has been backed by a strong branding campaign combined with targeted grass roots level promotional activity designed to increase reader loyalty by re-establishing the connections with local communities.

Circulation

Circulation revenue of the Group's five national titles (and related businesses) declined by 3.0% to £134.6 million (2001: £138.8 million) partly due to cover price discounts of £8.0 million (2001: £4.0 million) which offset the benefit of cover price increases implemented in 2001.

The Daily Mirror saw a 3.0% year-on-year decline in circulation. Adjusted to exclude bulk sales (discontinued from 30th April), the decline is 1.9%.

The Sunday Mirror's circulation declined, year-on-year, by 3.9%. Adjusted to eliminate bulk sales the decline was 2.9%.

Following a restructuring of its editorial team at the beginning of the year, the Sunday People's circulation decline has slowed to its best rate for four years – 5.5% (adjusted to eliminate bulk sales the decline was 4.9%).

During the six months to 30th June, the Daily Record and Sunday Mail have performed broadly in line with expectations. The Daily Record's and the Sunday Mail's circulation in Scotland declined by 4.5% and 3.5% respectively. The overall ABC figures for both titles show a higher rate of decline due to the decision to reduce the level of bulk sales.

Advertising

Despite a significant improvement in advertising revenues during May and June (with growth of 0.4%) advertising revenues of the national newspaper operations declined by 8.4%. It has been a difficult six months, particularly for the UK Nationals.

The three UK national titles experienced a decline of 10.2% for the six months, reflecting a decline of 15.3% for the first four months (compared to growth of 5.4% in the same period in 2001) offset by a decline of only 1.1% in May and growth of 1.5% in June. In recent months, an improving trend has been seen in retail, travel and entertainment advertising, whilst finance, mail order, telecoms and computing have remained weak.

Advertising revenue declines within the two Scottish national titles and their related businesses have been limited to only 2.3%. Local advertising revenue has performed above expectations, reflecting the stronger local advertising market and the benefits of the implementation of the titles' strategy. National advertising continues to be more volatile but is showing signs of recovery.

Sports newspapers

The sports division's operating profit increased by 80.0% to £6.3 million (2001: £3.5 million). This improvement reflects in part the recovery from the foot and mouth epidemic that negatively impacted the first half of 2001, resulting in a loss of profit contribution in 2001 of £0.8 million. Advertising revenue has grown by 35.0% over the same period whilst Racing Post circulation volumes have improved by 10.1%.

The development of the division's websites, racingpost.co.uk and smartbet.co.uk, has progressed encouragingly with revenue growth of £0.3m to £0.6 million.

Leading bookmakers have announced turnover growth of approximately 50%, which is at the upper range of expectation following the abolition of betting duty. The racing industry has recently secured a licensing contract to replace the betting levy, expected to result in approximately 100% increase in funding to the industry. The recent launch of the *Attheraces* channel will help provide greater media exposure for the sport. Collectively these industry developments provide a positive environment for the Group's betting related publications and sites.

Other businesses

The new management appointed at the end of 2001 has continued the progress made in reshaping and refocusing the magazines and exhibitions business. A major achievement during the period was the agreement of a new 11 year contract with the Chartered Institute of Housing for the endorsement of Inside Housing. In addition the division has expanded The National Boat, Caravan and Leisure Show following the successful 2002 show and exhibitor demand for more space.

However, advertising revenues, particularly in recruitment, have been tough and many of the exhibitions and events have come under significant revenue pressure. During the 26 week period revenue has declined by 4.1% to £18.8 million (2001: £19.6 million) and operating profit decreased by 13.0% to £4.0 million (2001: £4.6 million).

Voice Media, the Group's interactive telephone services company, achieved operating profit of £0.9 million (2001: £2.4 million) despite a fall in revenue of £4.5 million which is largely attributable to the loss of the This Morning contract in the second half of 2001. Among its recent successes are viewer interaction services for Carlton Television's The *Vault* gameshow.

Communications Bill

The draft Communications Bill is generally neutral with regard to newspapers, although it has a number of welcome features. We continue to press our case for a fairer and deregulatory regime.

Board changes

The Board welcomes Mr Ric Piper who joins as Group Finance Director in mid September.

Mr Piper is currently Group Finance Director at W S Atkins plc, a position he has held since 1993. A Chartered Accountant, his previous companies have included ICI, Citicorp and Logica. He is a non-executive director of Synstar plc and a member of the Urgent Issue Task Force of the Accounting Standards Board.

Outlook

The performance over the last six months reveals the underlying strength of the Group's operations.

The immediate future of the marketplace remains uncertain. However, we continue the successful implementation of the Group's strategy and this underpins the Board's expectation of a satisfactory outcome for the year.

Sir Victor Blank, Chairman
31st July 2002

Consolidated profit and loss account (unaudited)

	notes	26 weeks to 30 June 2002 Before exceptional items £m	Exceptional items (note 4) £m	After exceptional items £m	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Turnover	2	**559.6**	**-**	**559.6**	581.4	1,131.1
Group operating profit	3	**96.3**	**(6.4)**	**89.9**	93.5	22.5
Share of results of associated undertakings		**0.8**	**-**	**0.8**	0.1	0.3
Total operating profit		**97.1**	**(6.4)**	**90.7**	93.6	22.8
Profit on disposal of subsidiary/associated undertakings	4	**-**	**0.1**	**0.1**	-	1.2
Profit on ordinary activities before interest		**97.1**	**(6.3)**	**90.8**	93.6	24.0
Net interest payable		**(21.4)**	**-**	**(21.4)**	(25.9)	(49.2)
Other finance income		**2.7**	**-**	**2.7**	5.3	11.0
Profit/(loss) on ordinary activities before taxation		**78.4**	**(6.3)**	**72.1**	73.0	(14.2)
Tax on profit/(loss) on ordinary activities	5	**(24.6)**	**2.0**	**(22.6)**	(21.7)	(41.1)
Profit/(loss) on ordinary activities after taxation		**53.8**	**(4.3)**	**49.5**	51.3	(55.3)
Non-equity minority interest		**(0.1)**	**-**	**(0.1)**	(0.1)	(0.3)
Profit/(loss) for the financial period		**53.7**	**(4.3)**	**49.4**	51.2	(55.6)
Ordinary dividends on equity shares	6			**(15.5)**	(15.4)	(51.2)
Retained profit/(loss) for the financial period				**33.9**	35.8	(106.8)
Earnings per share (pence)	7					
Before digital media activities				**19.5**	23.0	42.1
Digital media activities				**(1.1)**	(3.6)	(5.6)
Underlying earnings per share				**18.4**	19.4	36.5
Exceptional items				**(1.5)**	(1.8)	(55.6)
Earnings/(loss) per share – basic				**16.9**	17.6	(19.1)
Earnings/(loss) per share – diluted				**16.9**	17.6	(19.1)

All turnover and results arose from continuing operations.

Statement of total recognised gains and losses (unaudited)

	26 weeks to 30 June 2002 **£m**	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Profit/(loss) for the financial period	33.9	35.8	(106.8)
Difference between actual and expected return on pension scheme assets	(81.0)	(90.6)	(145.1)
Experience gains arising on pension scheme liabilities	-	-	20.6
Effects of changes in assumptions underlying the present value of pension scheme liabilities	-	44.4	(22.8)
Deferred tax asset associated with loss on pension asset	24.3	13.9	44.2
Total recognised gains and losses in the period	**(22.8)**	**3.5**	**(209.9)**

The statement of total recognised gains and losses for the 26 weeks to 1 July 2001 and 52 weeks to 30 December 2001 has been restated for the adoption of FRS 17 (see note 11).

Consolidated balance sheet (unaudited)

	notes	**30 June 2002 £m**	1 July 2001 (restated) £m	30 December 2001 (restated) £m
Fixed assets				
Intangible assets		**1,849.8**	2,017.7	1,866.9
Tangible assets		**383.9**	393.0	389.7
Investments		**14.2**	15.4	17.9
		2,247.9	2,426.1	2,274.5
Stocks		**7.2**	7.2	8.7
Debtors		**167.3**	173.7	153.9
Cash at bank and in hand		**49.4**	49.6	43.5
		223.9	230.5	206.1
Creditors: amounts falling due within one year				
Bank loans, loan notes and overdrafts		**(243.5)**	(134.0)	(119.3)
Obligations under finance leases		**(4.2)**	(7.0)	(6.3)
Other creditors		**(238.4)**	(255.5)	(257.8)
		(486.1)	(396.5)	(383.4)
Net current liabilities		**(262.2)**	(166.0)	(177.3)
Total assets less current liabilities		**1,985.7**	2,260.1	2,097.2
Creditors: amounts falling due after more than one year				
Bank loans and loan notes		**(470.1)**	(643.4)	(613.7)
Obligations under finance leases		**(35.5)**	(37.0)	(39.2)
		(505.6)	(680.4)	(652.9)
Provisions for liabilities and charges		**(68.5)**	(64.2)	(69.7)
Non-equity minority interest		**(3.7)**	(3.7)	(3.7)
Net assets excluding pension (liabilities)/assets		**1,407.9**	1,511.8	1,370.9
Pension scheme assets	8	**16.7**	57.0	28.8
Pension scheme liabilities	8	**(100.8)**	(13.0)	(54.7)
Net assets including pension (liabilities)/assets		**1,323.8**	1,555.8	1,345.0
Equity capital and reserves				
Called up share capital		**29.2**	29.0	29.1
Share premium account		**1,080.5**	1,075.7	1,078.7
Revaluation reserve		**5.0**	5.0	5.0
Profit and loss account		**209.1**	446.1	232.2
Equity shareholders' funds	11	**1,323.8**	1,555.8	1,345.0
Gearing		53.2%	49.6%	54.6%

Consolidated cash flow statement (unaudited)

	notes	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 £m	52 weeks to 30 December 2001 £m
Net cash inflow from operating activities	9	**101.0**	88.9	204.9
Dividends received from associated undertakings		**4.3**	0.7	2.6
Interest received from associated undertakings		**-**	-	0.4
Cash inflow from associated undertakings		**4.3**	0.7	3.0
Returns on investments and servicing of finance				
Interest received		**0.5**	0.5	2.0
Interest paid		**(25.9)**	(27.1)	(49.8)
Interest element of finance lease rental payments		**(1.0)**	(1.2)	(2.1)
Net cash outflow from returns on investments and servicing of finance		**(26.4)**	(27.8)	(49.9)
Taxation paid		**(13.3)**	(13.4)	(40.1)
Net cash inflow before investing activities		**65.6**	48.4	117.9
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(16.6)**	(10.1)	(28.9)
Sale of tangible fixed assets		**0.8**	-	0.9
Net cash outflow from capital expenditure and financial investment		**(15.8)**	(10.1)	(28.0)
Net cash inflow before acquisitions and disposals		**49.8**	38.3	89.9
Acquisitions and disposals				
Purchase of subsidiary and associated undertakings		**-**	(7.4)	(7.4)
Sale of subsidiary/associated undertakings		**15.7**	-	0.6
Net cash inflow/(outflow) from acquisitions and disposals		**15.7**	(7.4)	(6.8)
Dividends paid		**(36.0)**	(35.8)	(51.4)
Net cash inflow/(outflow) before financing		**29.5**	(4.9)	31.7
Financing				
Issue of shares		**1.6**	1.3	3.9
New unsecured loans		**181.3**	20.0	258.8
Repayment of unsecured loans		**(211.3)**	(19.5)	(288.7)
Principal payments under finance leases		**(5.8)**	(3.7)	(4.6)
Net cash (outflow) from financing		**(34.2)**	(1.9)	(30.6)
(Decrease)/increase in cash	10	**(4.7)**	(6.8)	1.1
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the period		**(4.7)**	(6.8)	1.1
Cash outflow movement in debt and lease financing		**35.8**	3.2	34.5
Change in net debt resulting from cash flows		**31.1**	(3.6)	35.6
New finance leases		**-**	-	(2.4)
Movement in net debt in the period		**31.1**	(3.6)	33.2
Opening net debt		**(735.0)**	(768.2)	(768.2)
Closing net debt		**(703.9)**	(771.8)	(735.0)

Notes to the financial statements

1. Basis of preparation

The accounting policies used in the preparation of the interim financial statements for the 26 weeks to 30 June 2002 are as set out in the Group's financial statements for the 52 weeks to 30 December 2001 as amended by the adoption in this period of a new financial reporting standard, FRS 17, 'Retirement Benefits'.

The profit and loss account, statement of total recognised gains and losses, balance sheet and reconciliation of movements in consolidated shareholders' funds have been amended to reflect the adoption of FRS 17. The prior period figures have been restated to reflect the removal of the pension costs, prepayment and provisions under SSAP 24 and to include the cost, liability and asset position under FRS 17. There is no impact on the cash flow due to the adoption of FRS 17.

Under FRS 17 pension schemes are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and, the statement of total recognised gains and losses.

2. Turnover

The analysis of the Group's turnover is as follows:

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 £m
By geographical destination:			
United Kingdom and Republic of Ireland	**556.9**	578.4	1,126.0
Continental Europe	**2.4**	2.7	4.7
Rest of the World	**0.3**	0.3	0.4
	559.6	581.4	1,131.1
By type:			
Circulation	**192.0**	194.6	393.7
Advertising	**316.6**	330.6	634.1
Other	**51.0**	56.2	103.3
	559.6	581.4	1,131.1
By division:			
Regional newspapers*	**267.3**	273.4	530.7
National newspapers	**249.7**	262.9	519.7
Sports newspapers and websites**	**19.7**	16.6	34.9
Magazines and exhibitions	**18.8**	19.6	32.5
Other	**3.8**	8.3	12.4
Digital media**	**0.3**	0.6	0.9
	559.6	581.4	1,131.1

* Regional newspapers includes turnover relating to Post Publications Limited of £2.6 million (26 weeks to 1 July 2001 £3.9 million; 52 weeks to 30 December 2001 £6.9 million) and Ethnic Media Group Limited of £2.2 million (26 weeks to 1 July 2001 £1.9 million; 52 weeks to 30 December 2001 £4.0 million), which were sold on 19 June 2002 and 28 June 2002 respectively. Regional newspapers also includes turnover relating to the three Metro titles of £4.4 million (26 weeks to 1 July 2001 £4.1 million; 52 weeks to 30 December 2001 £8.3 million).

**26 weeks to 1 July 2001 has been restated to incorporate revenue of Racing Post Online (£0.3 million) within sports newspapers and websites. This was previously reported within digital media and is now aligned to the disclosure reported in the 2001 annual accounts.

Notes to the financial statements
continued

3. Group operating profit

The analysis of the Group's operating profit (before exceptional items) is as follows:

By division:	**26 weeks to 30 June 2002 £m**	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Regional newspapers*	**62.8**	62.4	113.3
National newspapers	**26.7**	42.9	81.9
Sports newspapers**	**6.3**	3.5	8.4
Magazines and exhibitions	**4.0**	4.6	6.4
Other	**0.9**	2.4	4.0
Digital media**	**(4.4)**	(14.7)	(23.5)
	96.3	101.1	190.5

* Regional newspapers includes losses relating to Post Publications Limited of £0.1million (26 weeks to 1 July 2001 profit of £0.2 million; 52 weeks to 30 December 2001 loss of £0.2 million) and profits relating to Ethnic Media Group Limited of £0.5 million (26 weeks to 1 July 2001 £0.4 million; 52 weeks to 30 December 2001 £0.8 million) which were sold on 19 June 2002 and 28 June 2002 respectively. Regional newspapers also includes losses of £1.1 million (26 weeks to 1 July 2001 £2.4 million; 52 weeks to 30 December 2001 £4.5 million) relating to the three Metro titles.

**26 weeks to 1 July 2001 has been restated to incorporate the net costs of Racing Post Online (£0.3 million) within sports newspapers and websites. This was previously reported within digital media and is now aligned to the disclosure reported in the 2001 annual accounts.

4. Exceptional items

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 £m	52 weeks to 31 December 2001 £m
Operating exceptional items			
Impairment of carrying value of publishing rights and titles (a)	**-**	-	150.0
Restructuring costs (b)	**6.4**	7.6	20.0
Recovery from Maxwell Works Pension Scheme (c)	**-**	-	(2.0)
Total exceptional items charged against operating profit	**6.4**	7.6	168.0
Profit on disposal of subsidiary undertakings (d)	**(0.1)**	-	-
Profit on sale of investment in associated undertakings (e)	**-**	-	(1.2)
Net exceptional items before taxation	**6.3**	7.6	166.8

a) An annual impairment review of the carrying value of the Group's publishing rights and titles, undertaken in accordance with FRS 10, at 30 December 2001, indicated that an impairment charge of £150.0 million was required. The impairment reduced the carrying value of the former Mirror Group's publishing rights and titles to the net present value of future cashflows to be derived from these assets, discounted at 7.3%.

b) Restructuring costs in the 26 weeks to 30 June 2002 relate to the ongoing restructuring arising from implementation of the Group's strategic plans. In 2001 (the 26 weeks to 1 July 2001 and 52 weeks to 30 December 2001) restructuring costs related to the closure of the central digital media sites and integration of the regional sites with the regional newspaper businesses, ongoing restructuring of the Group's finance systems and costs incurred in the formulation and implementation of strategic and profit improvement plans, including cost reduction measures.

c) In 1992 Mirror Group lent the Trustees of the Maxwell Works Pension Scheme sufficient money to pay the benefits due under that scheme. Mirror Group was the principal company under the scheme's trust. The terms of the loan specified that it would only be repaid when the scheme had settled all of its other debts, including monies owed to the Government. Mirror Group wrote off the loan in 1992. In December 2001 a repayment of £2.0 million was made by the scheme.

d) In June 2002 the Group disposed of Post Publications Limited for cash consideration of £6.5 million, realising a loss of £0.3 million and Ethnic Media Group Limited for total consideration of £10.2 million, of which £9.2 million was paid in cash and £1.0 million is deferred for two years, realising a profit of £0.4 million. The results of the companies to the date of disposal have been included in continuing operations.

Notes to the financial statements
continued

4. Exceptional items (continued)

e) In August 2001, the Group disposed of its investment in Reed Aviation, realising a profit on disposal of £0.5 million. In October 2001 the Group disposed of its investment in PA Sporting Life realising a profit on disposal for the Group of £0.7 million. No material tax liability arose on these disposals.

5. Tax on profit/(loss) on ordinary activities

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Profit before tax on ordinary activities before exceptional items	**78.4**	80.6	152.6
Corporation Tax			
Corporation tax charge for the period	**25.7**	23.5	40.5
Prior year adjustment	**-**	-	(1.8)
Total current tax charge	**25.7**	23.5	38.7
Deferred Tax			
Deferred tax charge for the period	**(1.1)**	0.5	3.3
Prior year adjustment	**-**	-	4.3
Total deferred tax	**(1.1)**	0.5	7.6
Total tax on profit on ordinary activities before exceptional items	**24.6**	24.0	46.3
Exceptional			
UK corporation tax on exceptional items	**(2.0)**	(2.3)	(5.2)
Tax on profit/(loss) on ordinary activities	**22.6**	21.7	41.1

Reconciliation of current tax charge
The current tax rate for the period is more than the statutory rate of 30% (2001: statutory rate 30%) for the reasons set out in the following reconciliation:

	26 weeks to 30 June 2002 %	26 weeks to 1 July 2001 %	52 weeks to 30 December 2001 %
Standard rate of corporation tax	**30.0**	30.0	30.0
Permanent items	**1.4**	(2.5)	(2.0)
Depreciation in excess of capital allowances for the period	**0.6**	2.4	1.0
Deferred tax on short term and other timing differences	**0.8**	(0.7)	(2.5)
Prior year adjustment corporation tax	**-**	-	(1.1)
Total current tax charge rate	**32.8**	29.2	25.4
Deferred tax (credit)/charge rate	**(1.4)**	0.6	5.0
Effective rate before exceptional items	**31.4**	29.8	30.4

The prior period figures have been restated to reflect the adoption of FRS 17.

6. Dividends

The Directors have declared the payment of an interim dividend of 5.3p (2001: 5.3p) per 10p ordinary share to be paid on 31 October 2002 to shareholders on the register on 4 October 2002. The total dividend in 2001 was 17.6p per 10p ordinary share.

Notes to the financial statements
continued

7. Earnings per ordinary share

The calculation of earnings per share is based on the profit for the financial period, using the weighted average number of shares in issue (basic) increased by the number of share options in issue (diluted) as shown below:

	26 weeks to 30 June 2002 No. of shares	26 weeks to 1 July 2001 No. of shares	52 weeks to 30 December 2001 No. of shares
Basic (millions)	291.6	290.1	290.6
Diluted (millions)	292.3	291.0	291.0

The implementation of FRS 17 has affected the earnings per ordinary share as follows:

	26 weeks to 30 June 2002	26 weeks to 1 July 2001 (restated)	52 weeks to 30 December 2001 (restated)
Underlying earnings per share before digital media activities			
- as previously reported	**20.5**	23.1	43.0
Effect of implementation of FRS 17	**(1.0)**	(0.1)	(0.9)
Underlying earnings per share before digital media activities			
- as restated	**19.5**	23.0	42.1
Digital media activities	**(1.1)**	(3.6)	(5.6)
Underlying earnings per share – restated	**18.4**	19.4	36.5
Exceptional items	**(1.5)**	(1.8)	(55.6)
Basic – as restated	**16.9**	17.6	(19.1)
Diluted – as previously reported	**17.9**	17.7	(18.2)
Effect of implementation of FRS 17	**(1.0)**	(0.1)	(0.9)
Diluted – as restated	**16.9**	17.6	(19.1)

8. Pensions

In November 2000 the Accounting Standards Board issued FRS 17, ‘Retirement Benefits’, replacing SSAP 24, ‘Accounting for Pension Costs’. FRS 17 is fully effective for periods ending on or after 22 June 2003, however the Group has adopted FRS 17 in full for the year ending 29 December 2002.

The Group operates a number of funded final salary pension schemes including two executive arrangements, all of which have been set up under Trusts that hold their financial assets separately from those of the Group. In addition, a number of defined contribution arrangements are currently operated, however, the cost of these is immaterial and is not separately disclosed within the pension costs for the Group.

Two of the schemes, namely the Mirror Group Pension Scheme (the “Old Scheme”) and the MGN Past Service Pension Scheme (the “Past Service Scheme”) cover the liabilities in respect of service up to 13 February 1992, the date when the Old Scheme was closed. The Past Service Scheme was established to meet the liabilities for service up to 13 February 1992 for employees and former employees, who worked regularly on the production and distribution of Mirror Group’s newspapers, which are not satisfied by payments from the Old Scheme or by Guaranteed Minimum Pensions provided by the State.

In addition to the above schemes, the Group operates a further eight final salary schemes.

Formal valuations of the schemes are carried out every three years, the actuarial methods and assumptions used to calculate each scheme’s assets and liabilities varying according to the actuarial and funding policies adopted by their respective trustees.

Valuations have been performed in accordance with the requirements of FRS 17 as at 30 June 2002. Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the schemes’ assets at their 30 June 2002 market value.

Notes to the financial statements
continued

8. Pensions (continued)
Based on actuarial advice, the financial assumptions used in calculating the schemes' liabilities, the total value of those liabilities under FRS 17, and the total market value of assets are:

	Assumptions as at 30 June 2002 (%)	Assumptions as at 1 July 2001 (%)	Assumptions as at 30 December 2001 (%)
Discount rate	**5.75**	6.2	5.75
Inflation rate	**2.50**	2.50	2.50
Pension increases:			
Pre 6 April 1997 pensions	**2.50 to 5.00**	2.50 to 5.00	2.50 to 5.00
Post 6 April 1997 pensions	**2.50 to 3.00**	2.50 to 3.00	2.50 to 3.00
Salary Progression	**4.25**	4.25	4.25

	Total as at 30 June 2002 £m	Total as at 1 July 2001 £m	Total as at 30 December 2001 £m
Actuarial value of scheme liabilities	**1,065.5**	964.3	1,036.9
Total market value of assets	**945.4**	1,027.1	999.9
Net (deficit)/surplus	**(120.1)**	62.8	(37.0)

The overall net deficit between the assets of the Group's defined benefit pension schemes and the actuarial liabilities of those schemes included in the accounts at 30 June 2002, under FRS17, is as follows:

	Defined benefit assets £m	**Defined benefit liabilities £m**	**Total as at 30 June 2002 £m**	Total as at 1 July 2001 £m	Total as at 30 December 2001 £m
Fair value of schemes' assets			**945.4**	1,027.1	999.9
Actuarial value of schemes' liabilities			**(1,065.5)**	(964.3)	(1,036.9)
Scheme surpluses/(deficits)	**23.8**	**(143.9)**	**(120.1)**	62.8	(37.0)
Deferred tax	**(7.1)**	**43.1**	**36.0**	(18.8)	11.1
Net schemes' assets/(liabilities)	**16.7**	**(100.8)**	**(84.1)**	**44.0**	**(25.9)**

The contributions made during the period totalled £8.0 million (26 weeks to 1 July 2001 £7.5 million; 52 weeks to 30 December 2001 £14.5 million).

The future contribution rates for the Group's most significant schemes range from 9% to 12% of pensionable salaries. Under the above projected unit method of valuing scheme liabilities, the cost of the Group's closed schemes will increase as the schemes' membership matures.

The amounts included within operating profit for the period under FRS 17 are as follows:

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 £m	52 weeks to 30 December 2001 £m
Current service cost	12.0	11.0	22.4
Past service costs	0.8	-	-
Total included within operating profit	**12.8**	**11.0**	**22.4**

Notes to the financial statements
continued

8. Pensions (continued)

The amounts included as other finance income for the period under FRS 17 are as follows:

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 £m	52 weeks to 30 December 2001 £m
Expected return on pension schemes assets	**(32.3)**	(34.0)	(67.8)
Interest cost on pension schemes liabilities	**29.6**	28.7	56.8
Net finance income	**(2.7)**	(5.3)	(11.0)

The movement in the (deficit)/surplus during the period is analysed below:

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 £m	52 weeks to 30 December 2001 £m
Opening (deficit)/surplus in the pension schemes	**(37.0)**	107.2	107.2
Current service cost	**(12.0)**	(11.0)	(22.4)
Contributions	**8.0**	7.5	14.5
Past service costs	**(0.8)**	-	-
Finance income	**2.7**	5.3	11.0
Actuarial losses	**(81.0)**	(46.2)	(147.3)
Closing (deficit)/surplus in the pension schemes	**(120.1)**	62.8	(37.0)

The profit and loss reserves are analysed below:

	As at 30 June 2002 £m	As at 1 July 2001 £m	As at 30 December 2001 £m
Profit and loss reserve excluding pension reserve	**293.2**	402.1	258.1
Pension reserve	**(84.1)**	44.0	(25.9)
Profit and loss reserve	**209.1**	446.1	232.2

9. Consolidated cash flow statement

The following information is supplementary to the consolidated cash flow statement:

Reconciliation of operating profit to net cash flow from operating activities	**26 weeks to 30 June 2002 £m**	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Operating profit	**89.9**	93.5	22.5
Depreciation	**21.7**	21.4	43.4
Amortisation/impairment of goodwill and publishing rights and titles	**3.0**	0.7	151.5
Profit on disposal of fixed assets	**(0.7)**	-	(0.5)
Decrease in stocks	**1.5**	0.5	1.1
(Increase)/decrease in trade and other debtors and prepayments	**(14.6)**	(7.4)	8.3
(Decrease) in trade and other creditors and accruals	**(4.6)**	(23.3)	(29.3)
Decrease in pension asset	**4.8**	3.5	7.9
Net cash inflow from operating activities	**101.0**	88.9	204.9

Notes to the financial statements
continued

10. Analysis of net debt

	At 30 December 2001 £m	Cash Flow £m	Loans repaid £m	Loan notes Issued £m	Other non-cash changes £m	**At 30 June 2002 £m**
Cash at bank and in hand	43.5	5.9	-	-	-	**49.4**
Bank overdrafts	(9.2)	(10.6)	-	-	-	**(19.8)**
Net cash balances	34.3	(4.7)	-	-	-	**29.6**
Debt due within one year	(110.1)	30.0	181.3	-	(324.9)	**(223.7)**
Debt due after one year	(613.7)	-	-	(181.3)	324.9	**(470.1)**
Finance leases	(45.5)	5.8	-	-	-	**(39.7)**
Bank loans, loan notes and finance leases	(769.3)	35.8	181.3	(181.3)	-	**(733.5)**
Net debt	(735.0)	31.1	181.3	(181.3)	-	**(703.9)**

11. Reconciliation of movements in consolidated shareholders' funds

	26 weeks to 30 June 2002 £m	26 weeks to 1 July 2001 (restated) £m	52 weeks to 30 December 2001 (restated) £m
Profit for the financial period attributable to shareholders -as previously reported	**52.4**	51.4	(53.0)
Effect of implementation of FRS 17 on the operating profit for the period (a)	**(7.0)**	(5.7)	(13.9)
Effect of implementation of FRS 17 on the interest charge for the period (a)	**2.7**	5.3	11.0
Effect of implementation of FRS 17 on the tax charge for the period (a)	**1.3**	0.2	0.3
Profit for the financial period attributable to shareholders as restated	**49.4**	51.2	(55.6)
Dividends	**(15.5)**	(15.4)	(51.2)
Retained earnings – as restated	**33.9**	35.8	(106.8)
Other net recognised gains and losses in the period (b)	**(56.7)**	(32.3)	(103.1)
New share capital subscribed	**1.9**	1.3	4.4
Effect of share option expenses incurred by parent company	**(0.3)**	-	(0.5)
Net increase in shareholders' funds	**(21.2)**	4.8	(206.0)
Opening shareholders' funds - as previously reported	**1,362.1**	1,462.4	1,462.4
Effect of implementation of FRS 17 (c)	**(17.1)**	88.6	88.6
Opening shareholders' funds - as restated	**1,345.0**	1,551.0	1,551.0
Closing shareholders' funds - as restated	**1,323.8**	1,555.8	1,345.0

(a) The net decrease in profit attributable to shareholders for the 26 weeks to 30 June 2002 of £3.0 million, for the 52 weeks to 30 December 2001 of £2.6 million and for the 26 weeks to 1 July 2001 of £0.2 million arises as a result of the implementation of FRS 17, which requires the full service cost of the pension provision relating to the period to be charged to operating profit and the net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets to be charged/credited to other finance costs. Under SSAP 24 any surplus or liability in a pension scheme is amortised over the remaining service lives of the employees. However, under FRS 17 the surplus or deficit on a scheme (net of deferred tax) must be recognised on the balance sheet.

FRS 17 requires two new items to be recognised in the profit and loss account under other financing costs. These are a charge equal to the expected increase in the present value of the scheme liabilities netted against a credit equal to the Group's expected return on scheme assets.

(b) Under FRS 17 any difference between the expected return on assets and that actually achieved is charged through the statement of total recognised gains and losses (STRGL). Similarly, any differences that arise from experience or assumption changes are also charged through the STRGL.

Notes to the financial statements
continued

11. Reconciliation of movements in consolidated shareholders' funds (continued)

(c) The decrease in opening shareholders' funds for the 26 weeks to 30 June 2002 of £17.1 million and the increase in opening shareholders' funds for the 52 weeks to 30 December 2001 and the 26 weeks to 1 July 2001 of £88.6 million, arise as a result of the implementation of FRS 17. FRS 17 requires the full service cost of the pension provisions relating to the period to be charged to operating profit, the net impact of the unwinding of the discount rate on scheme liabilities and the expected return on the scheme assets to be charged/credited to other financing costs, and requires scheme assets and liabilities to be revalued at the balance sheet date with any surplus/(deficit) net of deferred tax to be recognised in the statement of total recognised gains and losses.

12. Sale of subsidiary undertakings

The Group disposed of its subsidiary undertakings, Post Publications Limited and Ethnic Media Group Limited on 19 and 28 June 2002 respectively. The results of the companies up to the date of disposal have been included in continuing operations.

Net assets disposed of:	**Post Publications Limited 2002 £m**	**Ethnic Media Group Limited 2002 £m**	**Total 2002 £m**
Intangible fixed assets	5.0	9.1	14.1
Tangible fixed assets	0.4	0.2	0.6
Current assets	2.7	0.8	3.5
Creditors falling due within one year	(1.4)	(0.6)	(2.0)
	6.7	9.5	16.2
Costs of disposal	0.1	0.3	0.4
(Loss)/Profit on disposal	(0.3)	0.4	0.1
	6.5	10.2	16.7
Satisfied by:			
Cash	6.5	9.2	15.7
Deferred consideration	-	1.0	1.0
	6.5	10.2	16.7
Analysis of the net cash inflow in respect of the disposals of subsidiary undertakings:			
Cash consideration	6.5	9.2	15.7

13. Statutory information

The financial statements for the 26 weeks to 30 June 2002 do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985 and have not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the 52 weeks ended 30 December 2001 has been extracted from the statutory accounts for this period which have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The auditors have carried out a review of the interim report and their report is set out on page 19. The interim report was approved by the Directors on 31 July 2002.

This announcement is being sent to shareholders and will be made available at the Company's registered office at One Canada Square, Canary Wharf, London, E14 5AP.

Independent review report to Trinity Mirror plc

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 30 June 2002, which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and related notes 1 to 13, together with the reconciliation of net cash flow to movement in net debt. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 week period ended 30 June 2002.

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

31 July 2002