

Interim

Results 2004

Sir Victor Blank,
Chairman



Vijay Vaghela,
Finance Director



Financial highlights

26 weeks to 27th June 2004

Turnover⁽¹⁾ up 5.6% to £572.7m (2003: £542.1m)

Operating profit⁽¹⁾⁽²⁾ up 20.6% to £120.2m (2003: £99.7m)

Profit before tax⁽³⁾ increased by 26.6% to £101.8m (2003: £80.4m)

Earnings per share⁽³⁾ up 25.3% to 23.8p (2003: 19.0p)

Dividends per share increased by 7.3% to 5.9p (2003: 5.5p)

⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m)

⁽²⁾ Excludes operating exceptional items of £3.5m pre tax (2003: £1.1m)

⁽³⁾ Excludes net exceptional items of £1.0m pre tax (2003: £1.0m)

Progress on announced benefits

26 weeks to 27th June 2004

- Targeted net costs savings of £30.0m in 2005 with incremental £18.0m in 2004
Delivered net incremental savings of £11.0m in period and on target to deliver at least £20.0m in 2004
Target for 2005 increased by £5.0m to £35.0m
- A policy to increase dividends progressively
Interim dividend increased by 7.3%
- Commitment to reduce debt
Net debt reduced by £81.6m to £523.5m

Exceptional items

26 weeks to 27th June 2004

	2004 £m	2003 £m
Restructuring costs	4.3	2.2
Profit on disposal of land and buildings	(0.8)	(1.1)
Profit on disposal of subsidiary undertakings	(2.5)	(0.1)
Total	1.0	1.0

Defined benefit pension schemes

26 weeks to 27th June 2004

- FRS17 operating charge increased from £11.9m to £15.8m with finance charge falling by £0.1m to £1.6m
- FRS17 operating profit charge for the full year expected to be £32.6m with finance charge of £2.9m
- Cash funding of pension schemes (excluding past service enhancement) increased from £9.9m to £13.7m. Expected cash funding of £36.0m in 2004 with further increase in 2005
- Net scheme liabilities reduced to £234.4m from £248.1m

Regionals division

26 weeks to 27th June 2004

Revenues up 5.5% to £270.4m (2003 : £256.3m)

Operating profit* up 24.4% to £75.0m (2003 : £60.3m)

Operating margins* up 4.2% to 27.7% (2003 : 23.5%)

Metros achieved profits* of £0.5m (2003 : £0.2m loss)

Digital media loss* reduced significantly to £0.2m (2003 : £2.6m loss)

* Like for like, pre exceptional items

Regionals division –

Advertising performance

26 weeks to 27th June 2004

- Advertising revenues* increased by 6.0% with:
 - *Newspapers (excluding Metros) up 5.3%*
 - *Digital up 66.7%*
 - *Metros up 16.3%*
- Increase in newspapers advertising driven by:
 - *Increased volumes*
 - *Increased yields for recruitment*
- Increase in Metros driven by increased display
- Increase in Digital driven by introduction of tailored charging for advertising on the internet

* Like for like, pre exceptional items

Regionals division –

Circulation performance

26 weeks to 27th June 2004

- Circulation revenues* increased by 3.9% to £39.6m (2003 : £38.1m)
- Benefits of ‘little and often’ cover price policy coming through
No discernible impact on circulation volumes
- Circulation volume performance still remains challenging

* Like for like, pre exceptional items

Nationals division

26 weeks to 27th June 2004

- Turnover up 5.6% to £257.9m (2003 : £244.3m)
- Operating profit* up 7.6% to £41.1m (2003 : £38.2m)
- Operating margin* up 0.3% to 15.9% (2003 : 15.6%)
- UK Nationals operating profit* up 11.4% to £29.3m (2003 : £26.3m)
- Scottish Nationals operating profit* down 0.8% to £11.8m (2003 : £11.9m)

* Like for like, pre exceptional items

UK Nationals

26 weeks to 27th June 2004

- Advertising revenues up 2.6% to £73.9m (2003 : £72.0m)
 - Core Display up 9.4%
 - Classified down 4.0%
 - Magazines down 16.5%
- Circulation revenues up 8.0% to £109.8m (2003 : £101.7m)
 - Daily Mirror up 7.3%
 - Sunday Mirror up 15.4%
 - The People up 0.6%
- Re-investment in additional marketing and supplements funded from increased circulation revenues

Scottish Nationals

26 weeks to 27th June 2004

- Advertising revenues up 2.9% to £25.1m (2003 : £24.4m)
 - National display up 5.9% and recruitment up over 26%
 - Retail, motors and property were all down
- Circulation revenues up 1.8% to £27.6m (2003 : £27.1m)
 - Daily Record down 1.9%
 - Sunday Mail up 10.4%
- Re-investment in additional marketing and product enhancement

Sports division

26 weeks to 27th June 2004

- Operating profit* up 21.1% to £8.6m (2003 : £7.1m)
- Operating margin* up 2.8% to 36.3% (2003 : 33.5%)
- Advertising revenues up 19.6% to £6.7m (2003 : £5.6)
Excluding benefit of additional publishing days advertising revenues up 18.1%
- Circulation revenues up 9.2% to £15.5m (2003 : £14.2m)
Excluding benefit of additional publishing days circulation revenues up 5.0%
- On line revenues up 19.9% to £0.9m and operating profit up 58.1% to £0.3m

* Like for like, pre exceptional items

Magazines and Exhibitions division

26 weeks to 27th June 2004

- Revenues up 4.9% to £19.4m (2003 : £18.5m)
- Operating profit* up 46.9% to £4.7m (2003 : £3.2m)
- Operating margin* up 6.9% to 24.2% (2003 : 17.3%)
- Exhibitions revenues up 7.0% to £9.2m (2003: £8.6m)
- Circulation revenues up 9.5% to £2.3m (2003 : £2.1m)
- Advertising revenues up 2.7% to £7.5m (2003 : £7.3m)

* Like for like, pre exceptional items

Arrow Interactive

26 weeks to 27th June 2004

- Operating losses* of £0.6m (2003 : £0.2m)
- Operations being restructured during third quarter
- Future focus on internal revenues only
- Further losses of £0.4m expected in second half before operations are fully restructured and embedded within the core newspaper divisions
- Restructuring costs of £0.7m incurred in first half

* Like for like, pre exceptional items

Trading Outlook

26 weeks to 27th June 2004

- Tougher comparatives in the second half
- Regionals:
 - Continued growth in Advertising revenues
 - Circulation revenue growth at similar level to first half
- Nationals:
 - Advertising revenue growth similar level to first half
 - Circulation revenue growth reduced
- Extra week profit of between £5m to £6m
- Performance in 2004 is expected to be in line with expectations

Sly Bailey,
Chief Executive



Immediate objectives

- Focus on margins
- Improve earnings growth
- Costs reduced by £25m (05)
- Reduce debt
- Maintain dividend growth

Raising the bar

- Feb 04: increased cost savings target by £5m
- Increase of £10m since July 2003
- Solid progress against objectives

Regionals

- Revenues up 5.5%
- Profit up 24.4%
- Margin improved to 27.7%
- Strong performance
- Reflects implementation of Stabilise Revitalise Grow strategy

Regionals

- Strong sales performance from AMRA
- Better yield management across division
- Digital break even in 04 and profit in 05
- Circulation revenues reflect pricing policy

Regionals

- Continued focus on costs
- Flatter management structures
- Increased pace of regionalisation
- All businesses showing profit growth

Regionals - South

- Year-on-year profit growth
- Highly competitive marketplace
- New MD and management structure
- Taking advantage of scale
- Better shape than ever before

Nationals

- Key metric market share
- Reduced rate of decline
- First five months market share stabilised at 20.3%
- Improved performance

Nationals - Daily Mirror

- May and June disappointing
- Fake pictures hurt sales
- Decisive management action
- New Editor Richard Wallace

Nationals - Daily Mirror

- Brighter, more consistent and balanced
- Addressing needs of female readers
- More real life and human interest
- Focus on what readers want
- Editor first choice candidate

Nationals

- Change in management structure
- Refining formula for commercial success
- Sustainable success

Scottish Nationals

- Daily Record regaining ground
- Improved circulation trend
- Ended damaging competition with Mirror
- Editorial reflects readers' values

Sports

- Continued strong performance
- Profit up 21.1%
- Seven-day publishing
- Leveraging revenues – digital, related products

Magazines and Exhibitions

- Major restructure
- Strong performance
- Growth in revenue, profit and margin
- Cross promotion benefit to new shows

Supply chain

- Largest wholesale tendering process in UK
- Detailed group-wide negotiations
- No options “off limits”

Supply chain

- More than just a margin negotiation
- Driving sales
- Ease of purchase
- Control of information
- New systems

Procurement

- Thinking and acting as a Group
- Immediate, significant benefits

Manufacturing

- Key plank of strategy
- Creation of manufacturing network
- Improve products, reduce costs
- Reduce level of capital expenditure

Manufacturing

- Real progress
- Sites reduced from 11 to 9
- Network hub at Birmingham
- Significantly reduced level of Capex

Growth story

- More than just reducing costs
- Unique combination of assets
- New Advertising Board
- Euro 2004 Dixons deal
- Group-wide integrated advertising system

Growth story

- Product collaboration
- Scotcareers: new recruitment website



- Unbeatable package
- Launched from Innovation Fund

Summary

- Driving growth
- Great assets
- Improved performance
- Meeting objectives
- Fundamentally stronger group

Appendices

Financial summary

26 weeks to 27th June 2004

	2004 statutory £m	2003 ⁽¹⁾ statutory £m
Group turnover	572.7	550.2
Group operating profit	116.7	100.3
Pre exceptional items	120.2	101.4
Exceptional items	(3.5)	(1.1)
Share of results of associates	0.7	0.6
Total operating profit	117.4	100.9
Profit before taxation	100.8	79.4
Ordinary activities	120.9	102.0
Exceptional items	(1.0)	(1.0)
Net interest payable	(17.5)	(19.9)
Other finance charge	(1.6)	(1.7)
Earnings per share (p)		
Underlying earnings per share	23.8	19.0
Exceptional items	0.0	(0.1)
Basic earnings per share	23.8	18.9

⁽¹⁾ Turnover has been restated to reflect Arrow Interactive revenues net of commission payable to third parties. This change in accounting policy has no impact on the Group operating profit for 2003.

Consolidated net assets

26 weeks to 27th June 2004

	27th June 2004 £m	28th Dec 2003 £m	Movement
Fixed assets	1,985.0	2,033.3	(48.3)
Net current liabilities	(89.3)	(109.1)	19.8
Creditors falling due after more than 1 year	(491.7)	(577.7)	86.0
Provisions for liabilities and charges	(68.9)	(68.8)	(0.1)
Non-equity minority interest	(3.7)	(3.7)	0.0
Net assets (excluding pension assets and liabilities)	1,331.4	1,274.0	57.4
Net pension scheme liabilities	(234.4)	(248.1)	13.7
Net assets	1,097.0	1,025.9	71.1

Analysis of revenue by activity

26 weeks to 27th June 2004

	2004 statutory £m	2003 ⁽¹⁾ statutory £m	Change	2004 like for like £m	2003 ⁽¹⁾ like for like ⁽²⁾ £m	Change
Regionals division ⁽¹⁾	270.4	264.5	2.2%	270.4	256.4	5.5%
Nationals division	257.9	244.3	5.6%	257.9	244.3	5.6%
Sports division	23.7	21.2	11.8%	23.7	21.2	11.8%
Magazines & exhibitions	19.4	18.5	4.9%	19.4	18.5	4.9%
Other	1.3	1.7	(23.5)%	1.3	1.7	(23.5)%
Total turnover	572.7	550.2	4.1%	572.7	542.1	5.6%

⁽¹⁾ Turnover has been restated to reflect Arrow Interactive revenues net of commission payable to third parties. This change in accounting policy has no impact on the Group operating profit for 2003.

⁽²⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Analysis of revenue by type

26 weeks to 27th June 2004

	2004 statutory £m	2003⁽¹⁾ statutory £m	Change	2004 like for like £m	2003⁽¹⁾ like for like⁽²⁾ £m	Change
Circulation	194.8	185.9	4.8%	194.8	183.2	6.3%
Advertising	324.2	313.4	3.4%	324.2	308.4	5.1%
Other revenues	53.7	50.9	5.5%	53.7	50.5	6.3%
Total turnover	572.7	550.2	4.1%	572.7	542.1	5.6%

⁽¹⁾ Turnover has been restated to reflect Arrow Interactive revenues net of commission payable to third parties. This change in accounting policy has no impact on the Group operating profit for 2003.

⁽²⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Analysis of revenue by activity & type

26 weeks to 27th June 2004

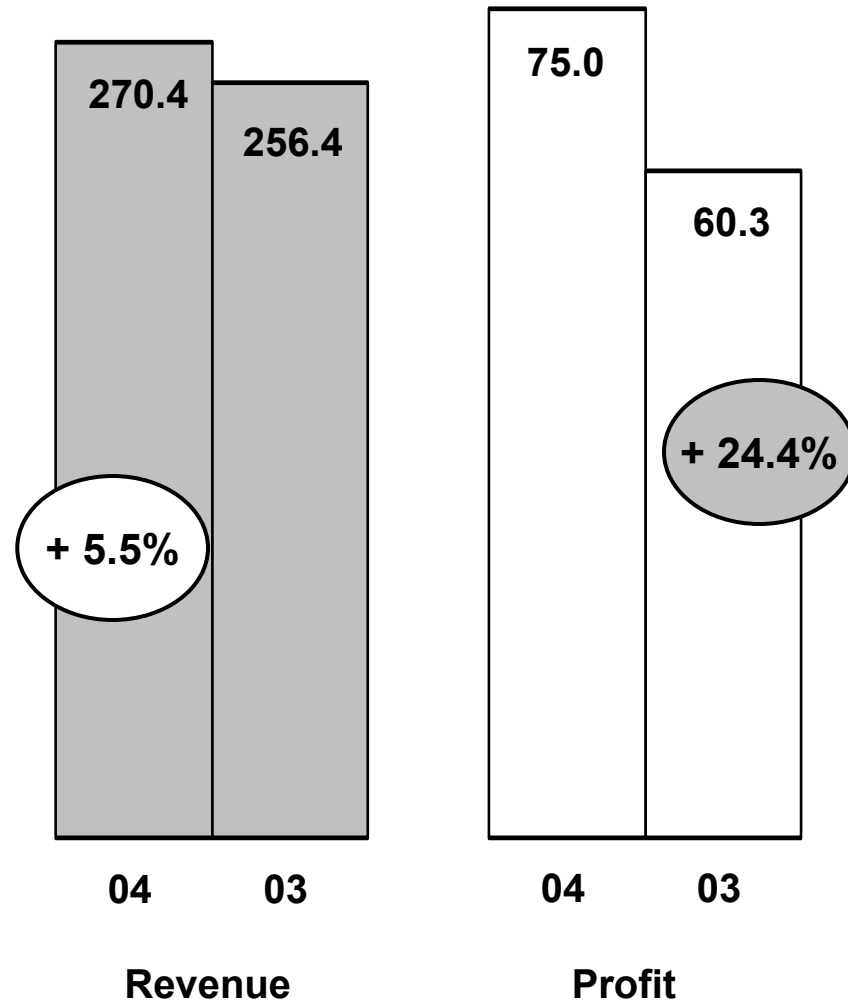
	Regionals £m	Nationals		Sports £m	Magazines £m	Other £m	Total £m	% of total
		UK £m	Scotland £m					
Circulation	39.6	109.8	27.6	15.5	2.3	0.0	194.8	34.0%
Advertising	211.0	73.9	25.1	6.7	7.5	0.0	324.2	56.6%
Other	19.8	18.5	3.0	1.5	9.6	1.3	53.7	9.4%
Total turnover	270.4	202.2	55.7	23.7	19.4	1.3	572.7	
% of total	47.3%	35.3%	9.7%	4.1%	3.4%	0.2%		

Regionals division

(£m)

Like for like ⁽¹⁾

Margin:
up from 23.5% to 27.7%



⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Analysis of revenue

Regionals division

26 weeks to 27th June 2004

Like for like ⁽¹⁾	2004 £m	2003 £m
Revenue	270.4	256.4
Profit	75.0	60.3
Margin	27.7%	23.5%

⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Analysis of revenue

Regionals division

26 weeks to 27th June 2004

Like for like ⁽¹⁾	2004 £m	2003 £m	Change
Circulation	39.6	38.1	3.9%
Advertising	211.0	199.1	6.0%
Other	19.8	19.2	3.1%
Total	270.4	256.4	5.5%

⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Analysis of revenue

Regionals division

26 weeks to 27th June 2004

Like for like ⁽¹⁾	Change
Gross advertising by category	
Display	5.6%
Recruitment	7.9%
Property	6.5%
Motors	2.9%
Other classified	3.8%
Total net advertising	6.0%

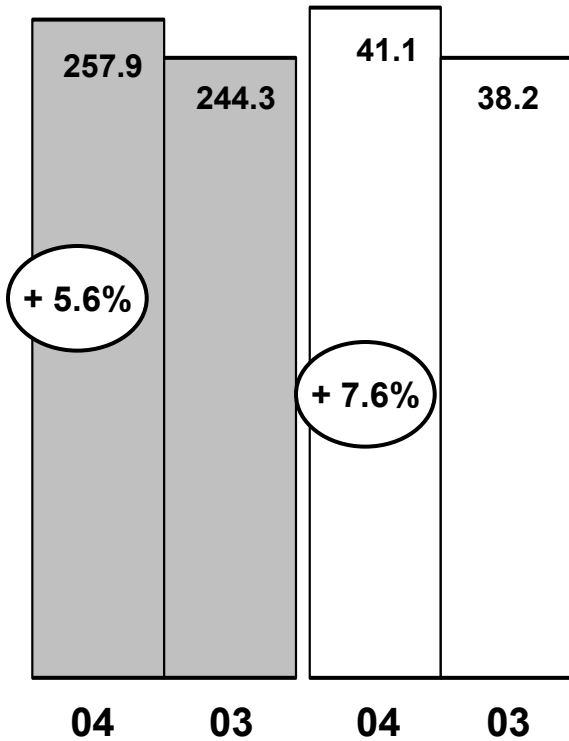
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Nationals division

(£m)

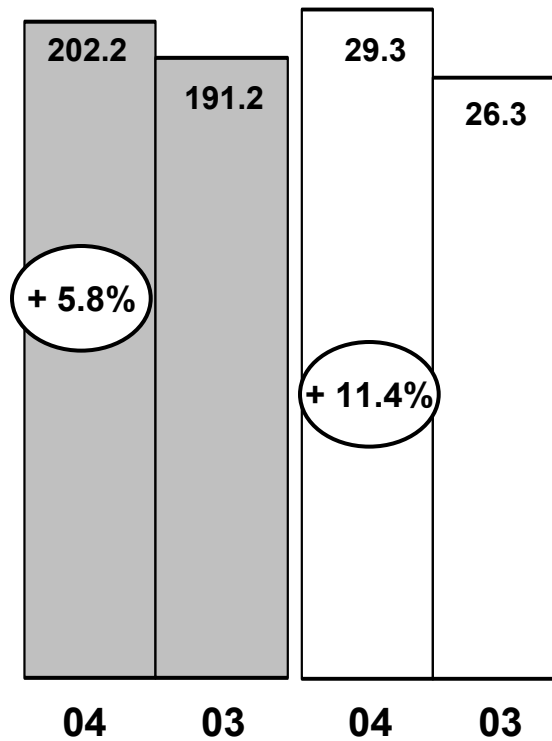
■ Revenue
□ Profit

Nationals



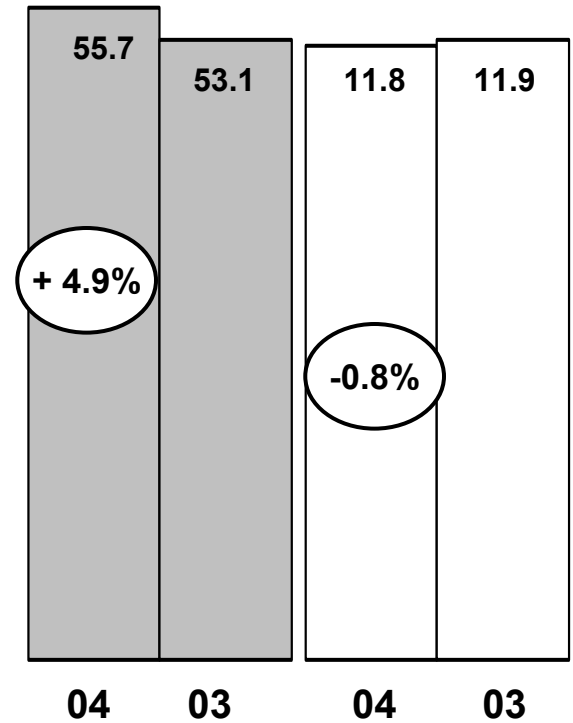
Margin:
up from 15.6% to 15.9%

UK Nationals



Margin:
up from 13.8% to 14.5%

Scottish Nationals



Margin:
down from 22.4% to 21.2%

Analysis of revenue by activity & type

UK Nationals

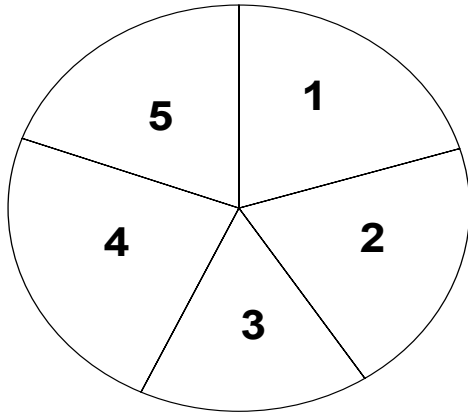
26 weeks to 27th June 2004

	2004 £m	2003 £m	Change
Circulation	109.8	101.7	8.0%
Advertising	73.9	72.0	2.6%
Other	18.5	17.5	5.7%
Total	202.2	191.2	5.8%

UK nationals

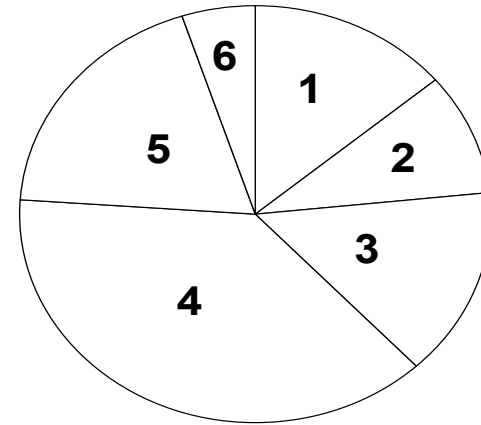
Advertising market share (volumes – 6 monthly average)

26 weeks to 27th June 2004



Dailies

1	Mirror	20.2%
2	Sun	20.7%
3	Star	16.0%
4	Mail	23.6%
5	Express	19.5%



Sundays

1	Sunday Mirror	13.9%
2	People	9.5%
3	News of the World	14.6%
4	Mail on Sunday	38.2%
5	Express	18.8%
6	Daily Star Sunday	5.0%

Analysis of revenue by activity & type

Scottish nationals

26 weeks to 27th June 2004

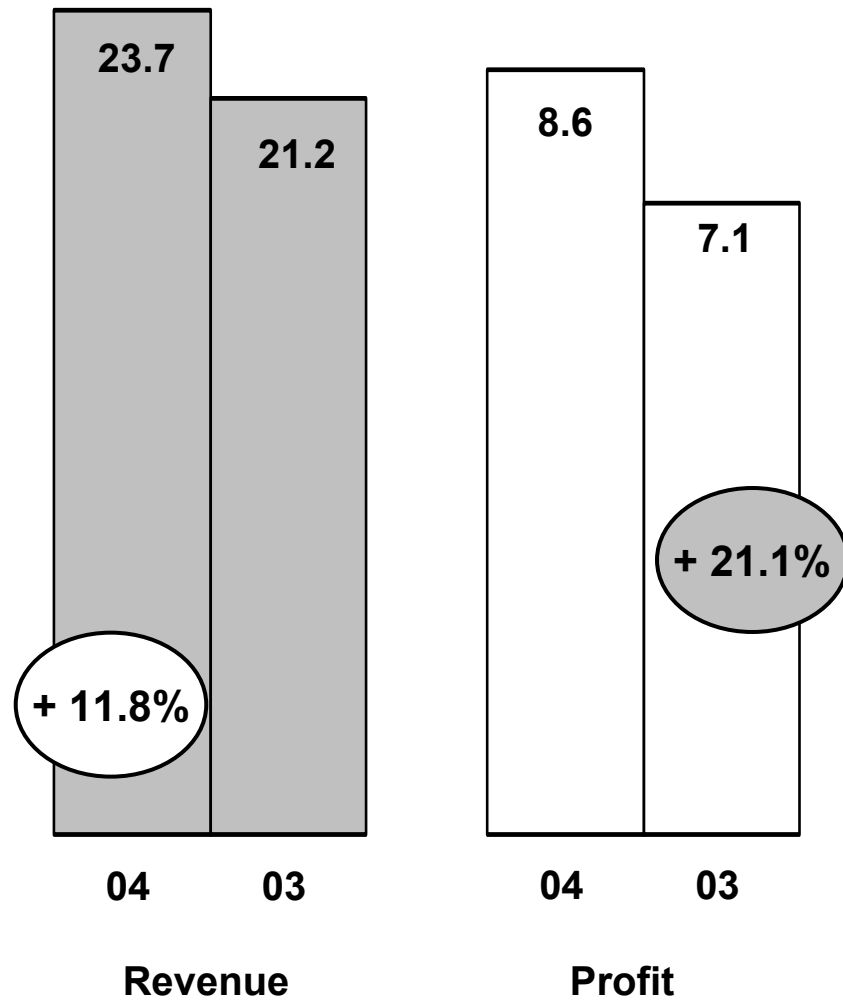
	2004 £m	2003 £m	Change
Circulation	27.6	27.1	1.8%
Advertising	25.1	24.4	2.9%
Other	3.0	1.6	87.5%
Total	55.7	53.1	4.9%

Analysis of revenue

Sports division

26 weeks to 27th June 2004

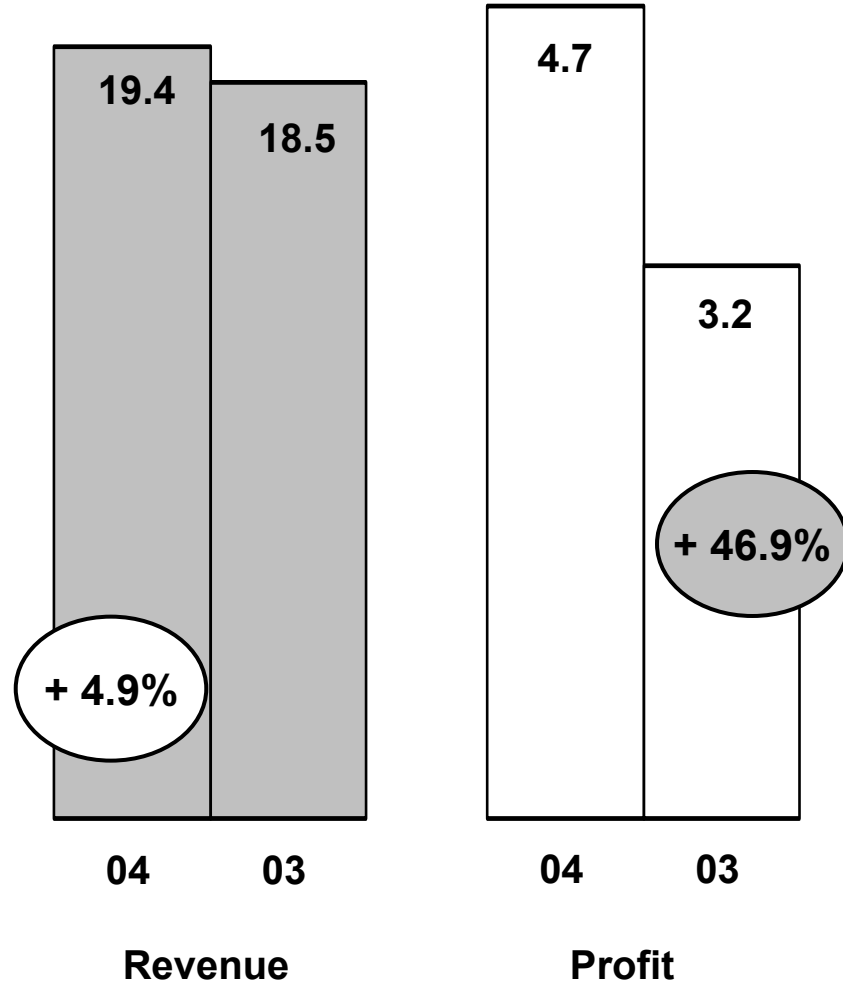
Margin:
up from 33.5% to 36.3%



Analysis of revenue

Magazines and exhibitions
26 weeks to 27th June 2004

Margin:
up from 17.3% to 24.2%



Group operating profit by activity

26 weeks to 27th June 2004

	2004 statutory £m	2003 statutory £m	Change	2004 like for like £m	2003 like for like ⁽¹⁾ £m	Change
Regionals division	75.0	62.0	21.0%	75.0	60.3	24.4%
Nationals division	41.1	38.2	7.6%	41.1	38.2	7.6%
Sports division	8.6	7.1	21.1%	8.6	7.1	21.1%
Magazines	4.7	3.2	46.9%	4.7	3.2	46.9%
Other	(0.6)	(0.2)	(200.0%)	(0.6)	(0.2)	(200.0%)
Central costs	(8.6)	(8.9)	3.4%	(8.6)	(8.9)	3.4%
Total	120.2	101.4	18.5%	120.2	99.7	20.6%

⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Margins by activity

26 weeks to 27th June 2004

	2004 like for like	2003 ⁽¹⁾ like for like ⁽²⁾
Regionals division	27.7%	23.5%
UK nationals	14.5%	13.8%
Scottish nationals	21.2%	22.4%
Sports division	36.3%	33.5%
Magazines and exhibitions	24.2%	17.3%
Other	(46.2)%	(11.8)%
Total operating profit	21.0%	18.4%

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⁽²⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).

Operating costs

26 weeks to 27th June 2004

Like for like ⁽¹⁾	2004 £m	2003 £m	Change
Labour	170.8	170.0	(0.5)%
Newsprint	72.1	73.0	1.2%
Depreciation	20.1	21.1	4.7%
Other	189.5	178.3	(6.3)%
Total	452.5	442.4	(2.3)%

Excludes exceptional items

⁽¹⁾ Like for like adjusted to exclude results of Wheatley Dyson & Son Limited which was disposed of in February 2003 and the Irish regional newspaper titles in Belfast, Derry and Donegal which were disposed of in January 2004. During the 26 weeks ended 27 June 2004 these businesses achieved turnover of £nil (2003: £8.1m) and operating profit of £nil (2003: £1.7m).