

Interim Results 2003

Chairman

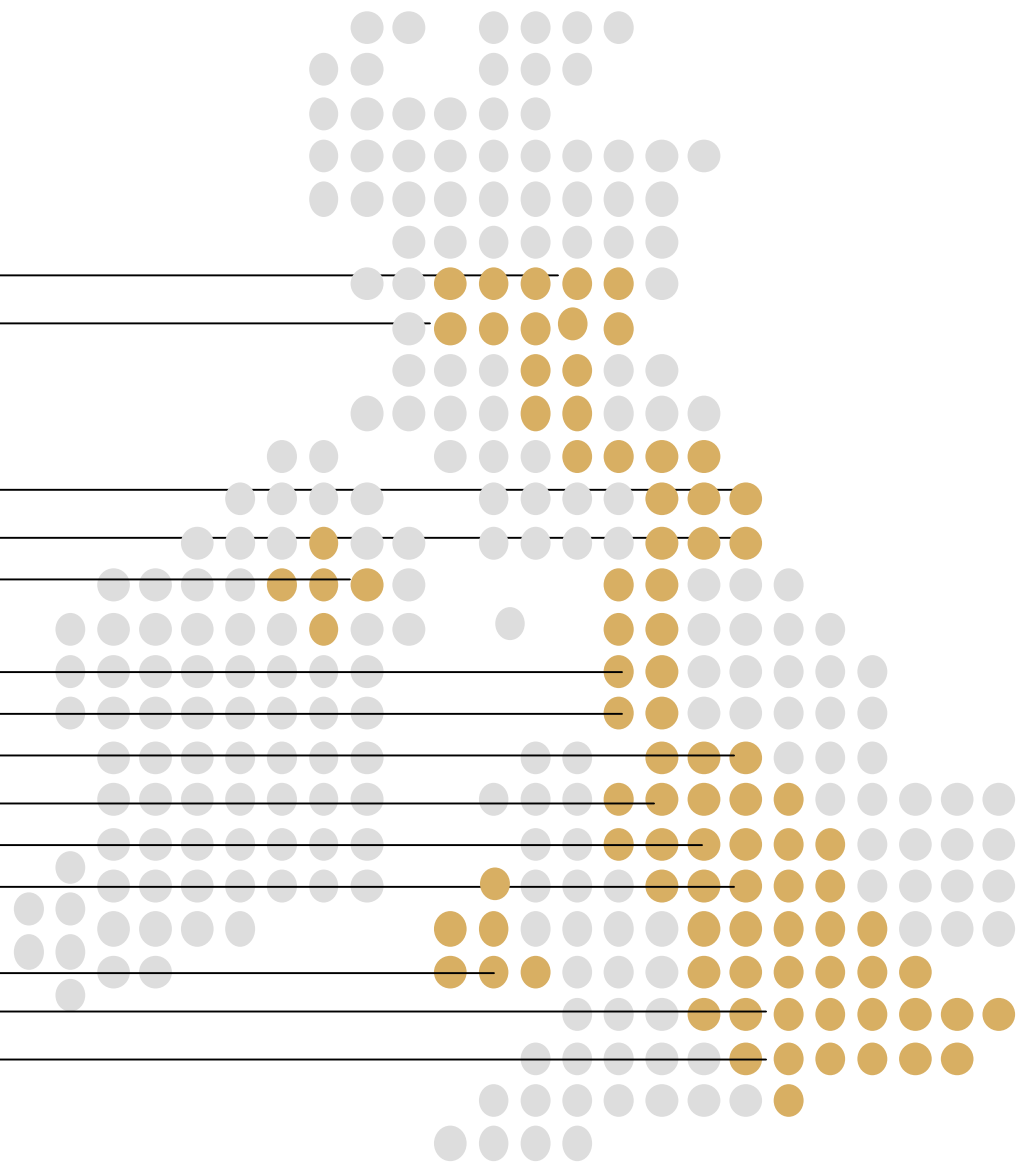
Sir Victor Blank

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Scottish Nationals

Newcastle
Teesside
Belfast & Derry

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Finance Director

Vijay Vaghela

S&UN

Scottish Nationals

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DAILY POST



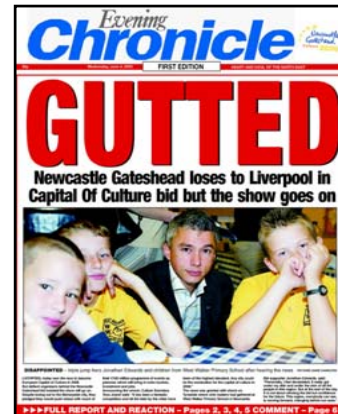
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Financial highlights



Financial highlights

26 weeks to 29th June 2003

Turnover ⁽¹⁾ down 0.4% to £551.5m

Operating profit ^{(1) (2)} up 5.8% to £101.4m

Earnings per share ^{(1) (3)} up 3.3% to 19.0p

Net debt down 2.5% to £649.2m

Delivered £5.6m incremental cost savings. This is in addition to £32.8m cost savings achieved in 2002

Net exceptional items of £1.0m

Interim dividend per share increased by 3.8% to 5.5p

⁽¹⁾ like for like adjusted to exclude results of Post Publications Limited and Ethnic Media Group Limited which were disposed of in June 2002, Channel One which ceased trading in November 2002 and Wheatley Dyson & Son Limited which was disposed of in February 2003.

⁽²⁾ excludes operating exceptional items of £1.1m pre tax (2002: £6.4m).

⁽³⁾ excludes net exceptional items of £1.0m pre tax (2002: £6.3m).

Consolidated net assets

26 weeks to 29th June 2003

	29th June 2003 £m	29th Dec 2002 £m	30th June 2002 £m
Fixed assets	2,126.2	2,124.5	2,247.9
Net debt	(649.2)	(666.1)	(703.9)
Other net liabilities	(131.5)	(155.1)	(136.1)
Net assets (excluding pension scheme assets and liabilities)	1,345.5	1,303.3	1,407.9
Net pension scheme liabilities	(215.1)	(163.1)	(84.1)
Net assets	1,130.4	1,140.2	1,323.8

Strong cash flow

26 weeks to 29th June 2003

	2003 £m	2002 £m
Net cash inflow from operations	116.7	101.0
Net cash inflow before acquisitions and disposals	52.3	49.7 ⁽¹⁾
Net cash inflow before financing	16.2	29.5
Net increase / (decrease) in cash	6.2	(4.7)
Reduction in net debt	16.9	31.1

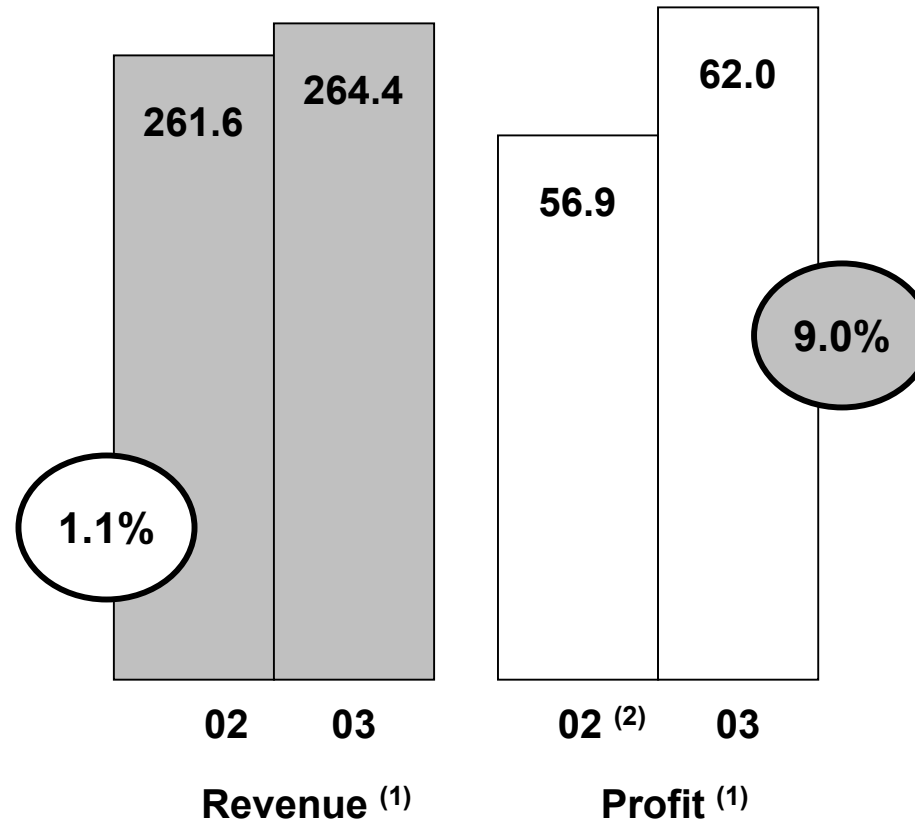
⁽¹⁾ restated to reclassify the dividend paid to non-equity minority interest shareholders (£0.1m) within returns on investments and servicing of finance. This was previously reported within dividends paid.

Regionals division

(including Metros and Digital Media)

(£m)

Margin:
up from 21.8% to 23.4%



(1) like for like adjusted to exclude results of Post Publications Limited and Ethnic Media Group Limited which were disposed of in June 2002, Channel One which ceased trading in November 2002 and Wheatley Dyson & Son Limited which was disposed of in February 2003.

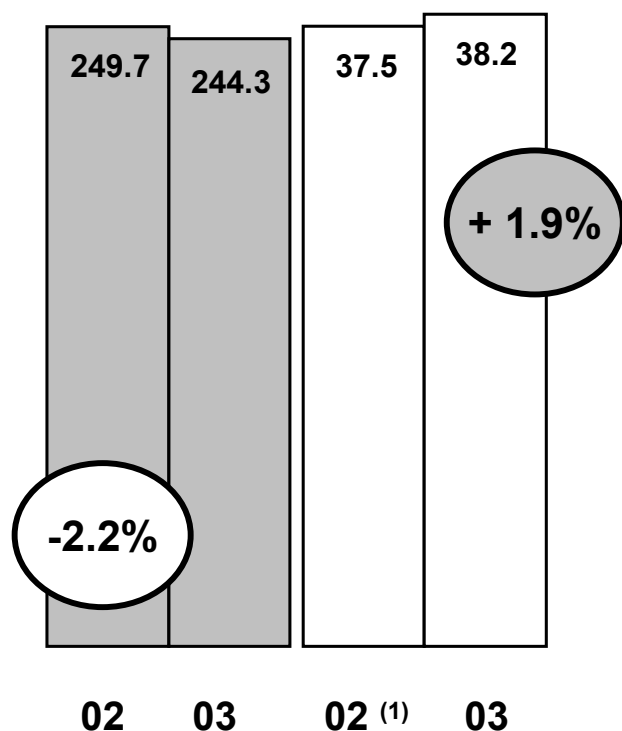
(2) restated to reflect the separate disclosure of central costs.

Nationals division

(£m)

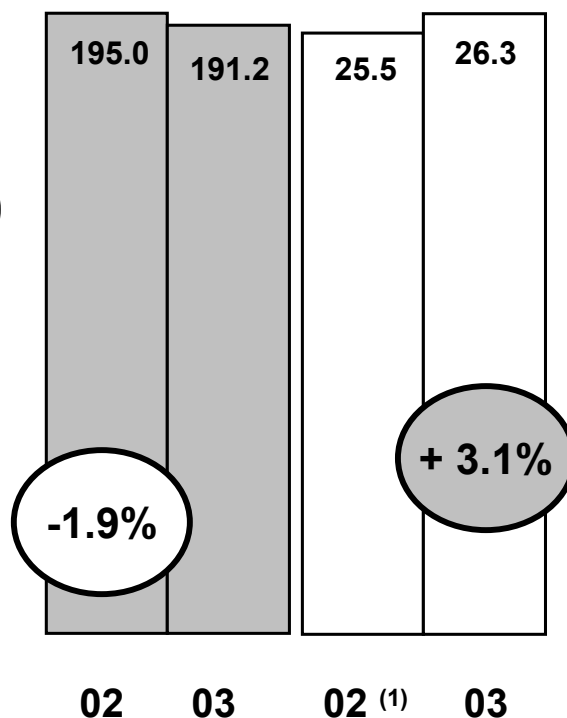
■ Revenue
□ Profit

Nationals



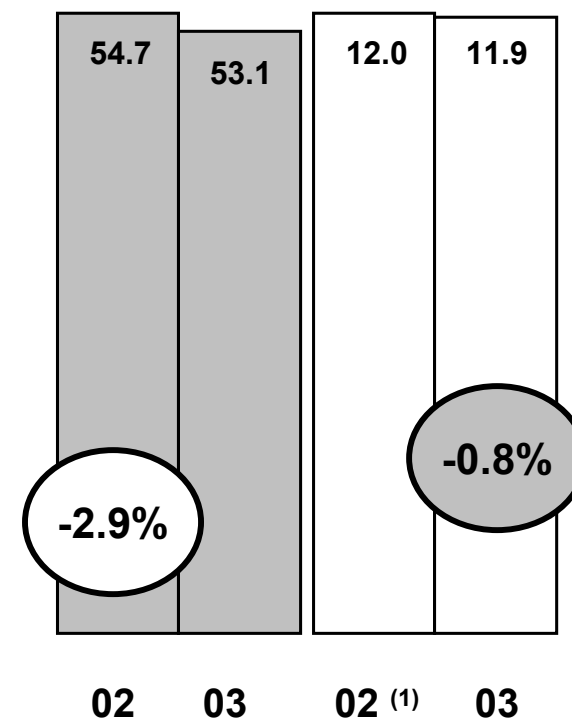
Margin:
up from 15.0% to 15.6%

UK Nationals



Margin:
up from 13.1% to 13.8%

Scottish Nationals



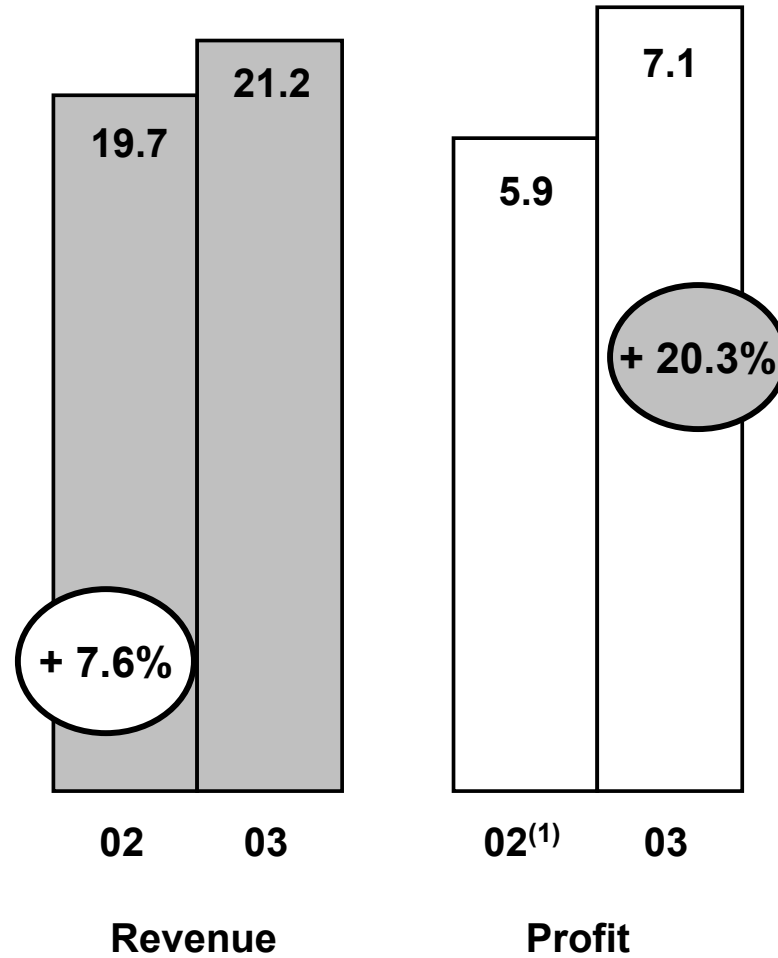
Margin:
up from 21.9% to 22.4%

(1) restated to reflect the separate disclosure of central costs.

Sports division

(£m)

**Margin:
up from 29.9% to 33.5%**

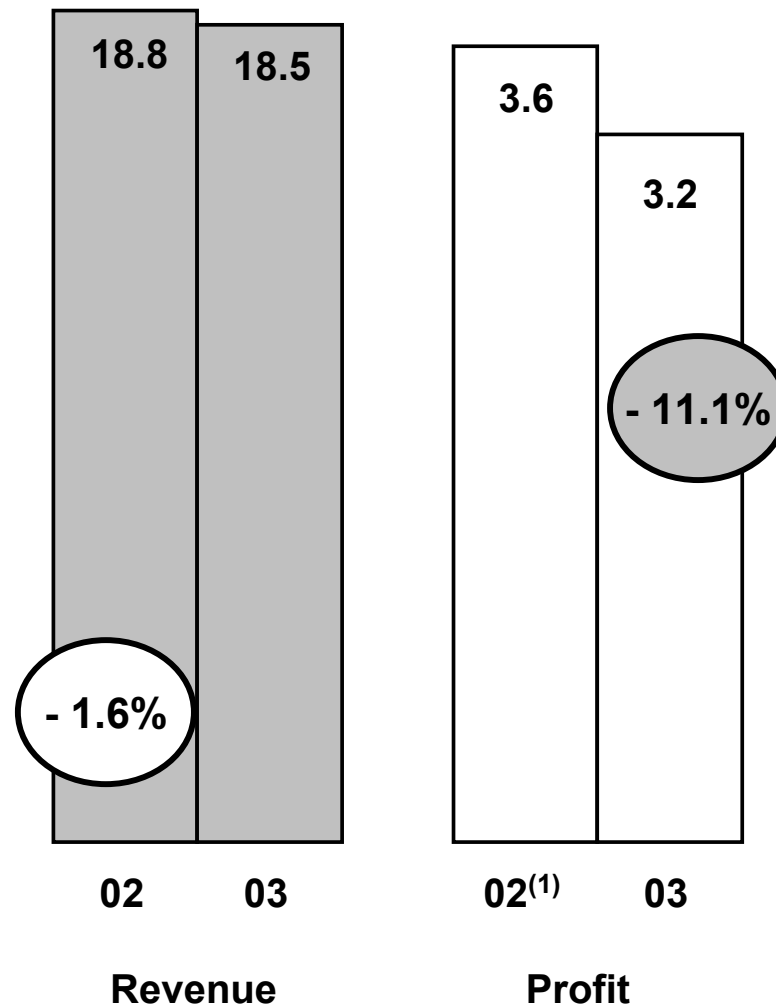


⁽¹⁾ restated to reflect the separate disclosure of central costs.

Magazines and exhibitions

(£m)

**Margin:
down from 19.1% to 17.3%**



⁽¹⁾ restated to reflect the separate disclosure of central costs.

Current trading and outlook

- Advertising continues to be volatile and uncertain
- Difficult trading conditions to continue for remainder of year
- Satisfactory outturn for the year underpinned by Group strategies

Finance Director

Vijay Vaghela

S&UN

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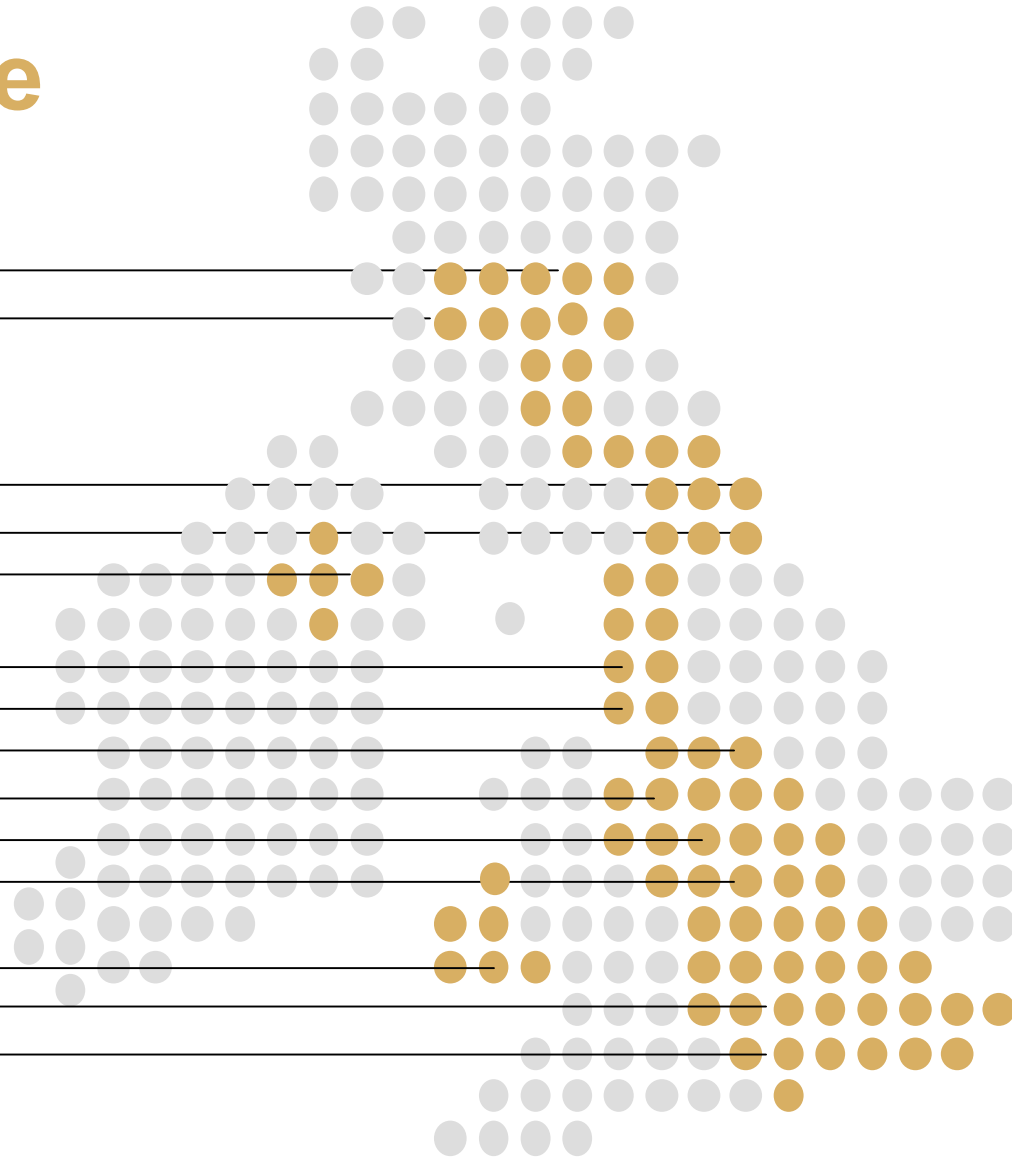
Chief Executive Sly Bailey

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Overview

- Vision
- Recent history
- Key findings & actions
- Performance expectations



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Vision

Regionals division

- Close performance gap
- Create a business with stronger margin potential
- Robust growing cash flows
- Cyclically resistant performance
- Best in class work place



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Vision

National newspapers

- Leading portfolio of great media brands
- Clearly positioned & differentiated
- Quality of journalism
- Innovation record
- Customer focus
- Generate strong profit and cashflows



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SUNDAY Mirror

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sunday mail

Vision Group

- Benefits of scale, yet to be realised
- Interventionist approach
- Co-ordinated management
- Drive innovation
- Transformation – whole greater than sum of parts



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Recent history

- Initial courtship
- Momentum slowed
- Separation
- No central control
- Unfulfilled potential

DAILY
Mirror

The Western Mail

Daily
Record

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Mirror

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Recognised risk

- Risk business might under perform in '03
- Over ambitious revenue targets and lack of focus on costs
- First action to strip out costs
- Implemented a more focused publishing approach
- Deliver satisfactory year for '03 ✓ On track

DAILY Mirror

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Daily Record

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Key findings

Regionals division

- Strong brands
- Steady profit growth
- 'From Biggest to Best' good, but can do even better
- Significant potential



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Actions

Regionals division

- Improve circulation performance
- Aggressive cover price management
- Driving revenue out of core business
- Innovate - products and services
- Cost reduction
- Accelerate pace of change of 'from Biggest to Best'



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Key findings

National newspapers

- Nationals need to be stronger
- Changes to management
- Improve publishing skills
- Redirect resources



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Actions

National newspapers

- Closed 'M' Saturday magazine
- Product, Promotion, Price and Place
- Portfolio management
 - Daily Mirror, Daily Record
 - Differentiate brands - Sundays



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Actions

Daily Mirror

- Tone and content evolved
- Seriously good popular journalism
- 'What matters'



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DAILY Mirror

The Western Mail

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DAILY POST

LIVERPOOL ECHO

Evening Mail

SUNDAY Mirror

South London Press

sunday mail

Actions

National newspapers

- Closed 'M' Saturday magazine
- Product, Promotion, Price and Place
- Portfolio management
 - Daily Mirror, Daily Record
 - Differentiate brands - Sundays
- Consistent delivery
- New management – Ellis Watson



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Key findings

Group

- Potential for improvement
- Role ill defined
- Risk averse culture
- Costs too high



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Actions

Group

- Strengthen key management processes
- Maximising benefits of scale
 - Manufacturing, procurement, supply chain, content sharing, cross promotion and ad sales
 - Effective and efficient provision of key functional services



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Stabilisation

Appointed new management team

✓ On track

Reduce costs

✓ On track

Centralise 'expert' functions

✓ On track

Headcount reduction of 550

✓ On track

Dispose of titles in Ireland

✓ On track

Sharpen title propositions

✓ On track

Improved strategic planning and budgeting processes

✓ On track



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Revitalisation

- Refreshing our brands
- Driving innovation to build profitability
- Growth in core business
- Leverage brands in new ways
- Central innovation fund
- Revitalise internal approaches
- Realise merger benefits

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Growth

- Build momentum
- Create financial freedom
- Lean machine



Performance expectations

- Focus on margins and improved earnings growth
- Reduce costs by at least £25m by end 2005
 - £4m in '03
 - + £16m in '04
- Reduce net debt
- Continue to grow dividend

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Summary

- Benefit from our size and scale
- Embrace radical transformation – stabilise, revitalise, grow
- Commitment; cost reduction and dividends
- Focus on margins, profit growth and debt reduction
- Stronger and highly performing company

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Appendices

Financial summary

26 weeks to 29th June 2003

	2003 actual £m	2002 actual £m
Group turnover	551.6	559.6
Group operating profit	100.3	89.9
Pre exceptional items	101.4	96.3
Exceptional items	(1.1)	(6.4)
Share of results of associates	0.6	0.8
Total operating profit	100.9	90.7
Profit before taxation	79.4	72.1
Operating activities	102.0	97.1
Exceptional items	(1.0)	(6.3)
Net interest payable	(19.9)	(21.4)
Other finance (charge)/ income	(1.7)	2.7
Earnings per share (p)		
Underlying earnings per share	19.0	18.4
Exceptional items	(0.1)	(1.5)
Basic earnings per share	18.9	16.9

Analysis of revenue by activity

26 weeks to 29th June 2003

	2003 actual £m	2002 actual £m	Change	2003 like for like ⁽¹⁾ £m	2002 like for like ⁽¹⁾ £m	Change
Regionals division ⁽²⁾	264.5	267.6	(1.2)%	264.4	261.6	1.1%
Nationals division	244.3	249.7	(2.2)%	244.3	249.7	(2.2)%
Sports division	21.2	19.7	7.6%	21.2	19.7	7.6%
Magazines	18.5	18.8	(1.6)%	18.5	18.8	(1.6)%
Other	3.1	3.8	(18.4)%	3.1	3.8	(18.4)%
Total turnover	551.6	559.6	(1.4)%	551.5	553.6	(0.4)%

⁽¹⁾ like for like adjusted to exclude results of Post Publications Limited and Ethnic Media Group Limited which were disposed of in June 2002, Channel One which ceased trading in November 2002 and Wheatley Dyson & Son Limited which was disposed of in February 2003.

⁽²⁾ includes Metro titles £5.0m (2002: £4.4m) and Digital Media £1.8m (2002: £0.3m).

Analysis of revenue by type

26 weeks to 29th June 2003

	2003 actual £m	2002 actual £m	Change	2003 like for like £m	2002 like for like £m	Change
Circulation	185.9	192.0	(3.2)%	185.9	191.1	(2.7)%
Advertising	313.4	316.6	(1.0)%	313.4	312.9	0.2%
Other	52.3	51.0	2.5%	52.2	49.6	5.2%
Total turnover	551.6	559.6	(1.4)%	551.5	553.6	(0.4)%

Analysis of revenue by activity & type

26 weeks to 29th June 2003

Like for like	Regionals ⁽¹⁾ £m	Nationals			Sports £m	Magazines £m	Other £m	Total £m	% of total
		UK £m	Scotland £m						
Circulation	40.8	101.7	27.1	14.2	2.1	-	185.9	33.7%	
Advertising	204.1	72.0	24.4	5.6	7.3	-	313.4	56.8%	
Other	19.5	17.5	1.6	1.4	9.1	3.1	52.2	9.5%	
Total turnover	264.4	191.2	53.1	21.2	18.5	3.1	551.5	100.0%	
% of total	47.9%	34.7%	9.6%	3.8%	3.4%	0.6%	100.0%		

⁽¹⁾ includes Metro titles and Digital Media.

Analysis of revenue

Regionals division ⁽¹⁾

26 weeks to 29th June 2003

Like for like	2003 £m	2002 £m	Change
Circulation	40.8	41.2	(1.0)%
Advertising	204.1	202.9	0.6%
Other	19.5	17.5	11.4%
Total	264.4	261.6	1.1%

⁽¹⁾ includes Metro titles and Digital Media.

Analysis of revenue

UK nationals

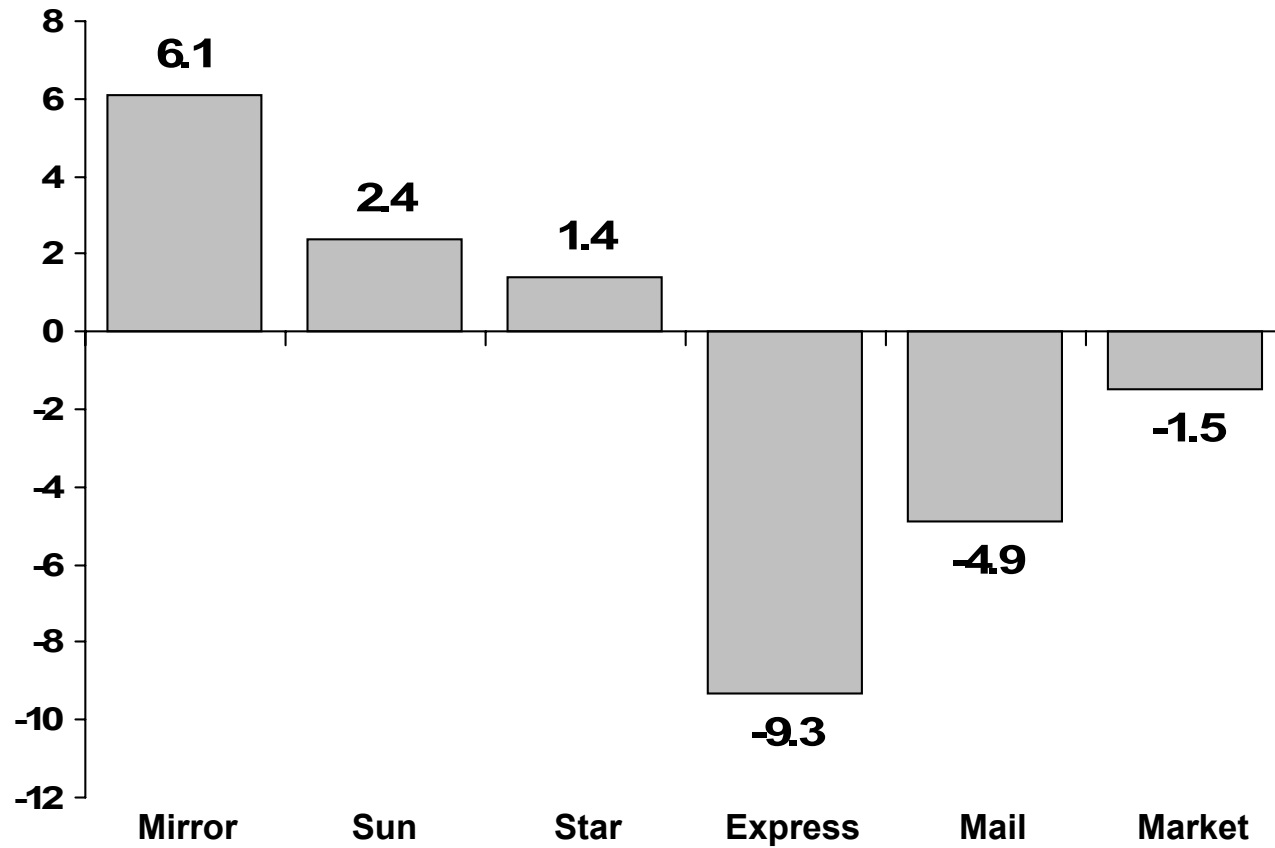
26 weeks to 29th June 2003

	2003 £m	2002 £m	Change
Circulation	101.7	106.9	(4.9)%
Advertising	72.0	72.0	0.0%
Other	17.5	16.1	8.7%
Total	191.2	195.0	(1.9)%

UK nationals

Advertising volumes – Daily market
26 weeks to 29th June 2003

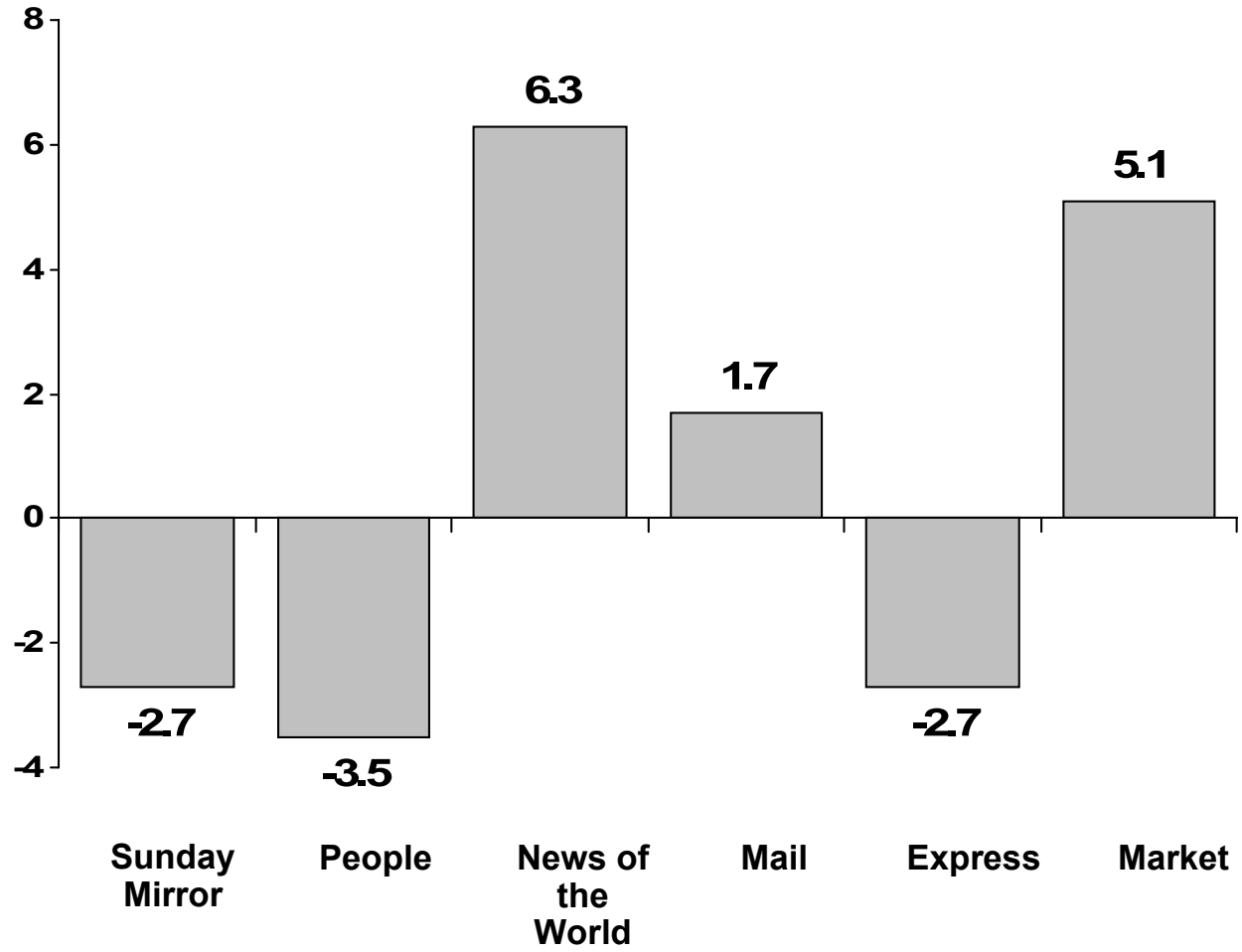
Year on year growth (%)



UK nationals

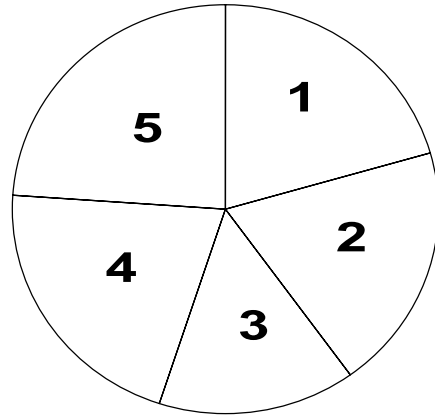
Advertising volumes – Sunday market
26 weeks to 29th June 2003

Year on year growth (%)



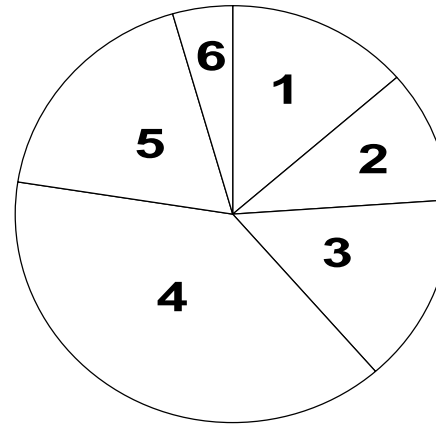
UK nationals

Advertising market share (volumes)
26 weeks to 29th June 2003



Dailies

1	Mirror	20.6%
2	Sun	19.5%
3	Star	14.9%
4	Express	21.2%
5	Mail	23.8%



Sundays

1	Sunday Mirror	13.6%
2	People	10.2%
3	News of the World	14.9%
4	Mail on Sunday	38.8%
5	Express	18.0%
6	Daily Star Sunday	4.5%

Analysis of revenue by activity & type

Scottish nationals

26 weeks to 29th June 2003

	2003 £m	2002 £m	Change
Circulation	27.1	27.7	(2.2)%
Advertising	24.4	25.1	(2.8)%
Other	1.6	1.9	(15.8)%
Total	53.1	54.7	(2.9)%

Group operating profit by activity

26 weeks to 29th June 2003

	2003 actual £m	2002 ⁽¹⁾ actual £m	Change	2003 like for like £m	2002 ⁽¹⁾ like for like £m	Change
Regionals division	62.0	57.4	8.0%	62.0	56.9	9.0%
Regional newspapers	64.8	62.9	3.0%	64.8	62.4	3.8%
Metros	(0.2)	(1.1)	81.8%	(0.2)	(1.1)	81.8%
Digital Media	(2.6)	(4.4)	40.9%	(2.6)	(4.4)	40.9%
Nationals division	38.2	37.5	1.9%	38.2	37.5	1.9%
Sports division	7.1	5.9	20.3%	7.1	5.9	20.3%
Magazines	3.2	3.6	(11.1)%	3.2	3.6	(11.1)%
Other	(0.2)	0.8	(125.0)%	(0.2)	0.8	(125.0)%
Central costs	(8.9)	(8.9)	0.0%	(8.9)	(8.9)	0.0%
Total⁽²⁾	101.4	96.3	5.3%	101.4	95.8	5.8%

(1) restated to reflect the separate disclosure of central costs.

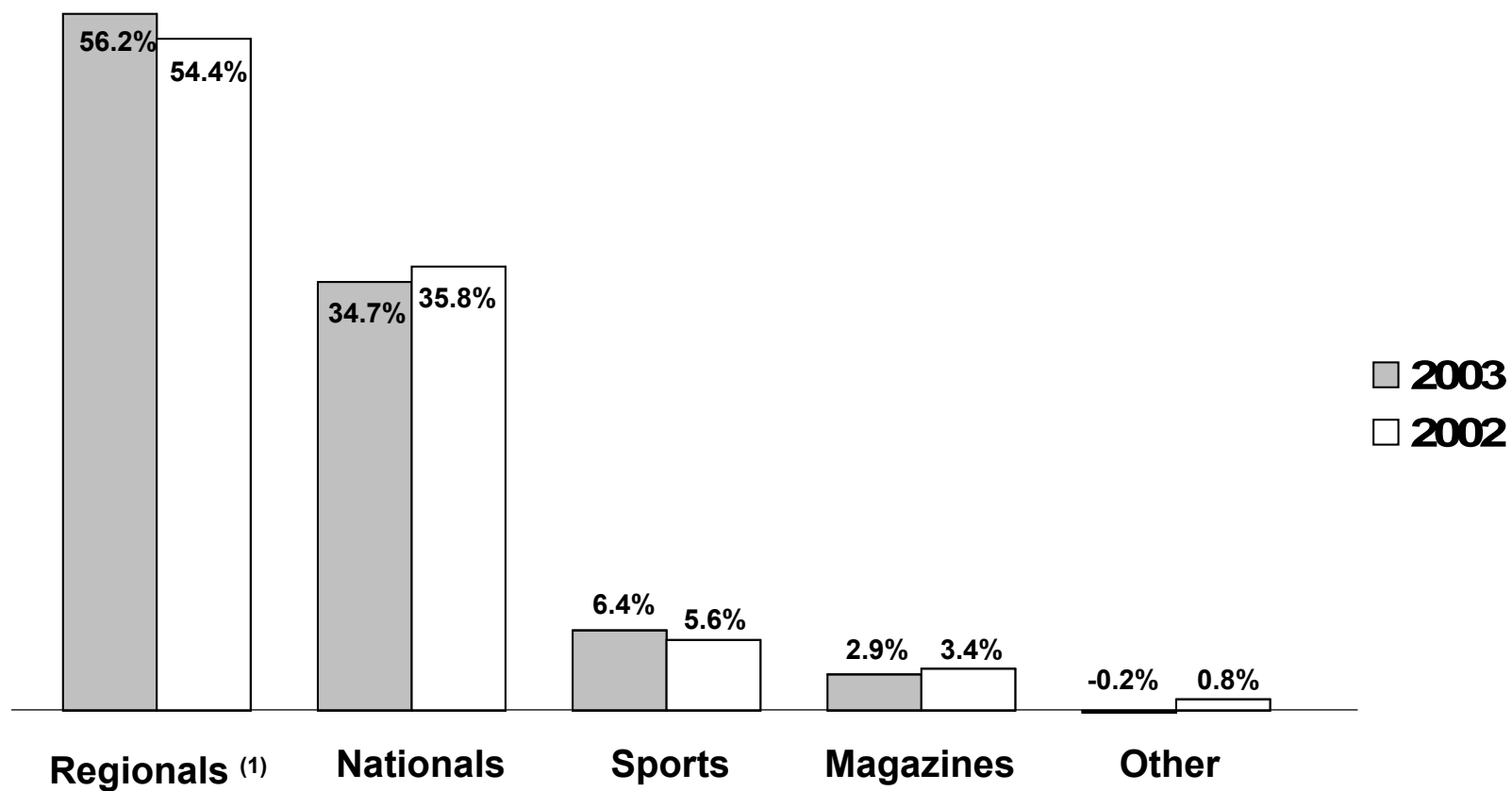
(2) excludes exceptional items.

Share of group operating profit by activity

26 weeks to 29th June 2003

Excludes central costs and exceptional items

Like for like



(1) includes Metro titles and Digital Media.

Margins by activity

26 weeks to 29th June 2003

	2003 like for like	2002 ⁽¹⁾ like for like
Regionals division ⁽²⁾	23.4%	21.8%
UK nationals	13.8%	13.1%
Scottish nationals	22.4%	21.9%
Sports division	33.5%	29.9%
Magazines	17.3%	19.1%
Other	(6.5)%	21.1%
Group	18.4%	17.3%

⁽¹⁾ restated to reflect the separate disclosure of central costs.

⁽²⁾ includes Metro titles and Digital Media.

Operating costs

26 weeks to 29th June 2003

Like for like	2003 £m	2002 £m	Change
Employment costs (incl FRS 17 adj)	173.5	168.6	(2.9)%
Newsprint	73.9	83.0	11.0%
Depreciation	21.4	21.2	(0.9)%
Other	181.3	185.0	2.0%
Total	450.1	457.8	1.7%

excludes exceptional items.

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