

BRINGING INFORMATION TO LIFE

Trinity Mirror plc Interim report 2001



Financial Highlights

Results for the 26 Weeks Ended 1 July 2001



	2001	2000 ⁽³⁾	% change
Turnover			
– actual	£581.4m	£559.9m	+3.8%
– like for like ⁽²⁾	£581.4m	£575.3m	+1.1%
Group operating profit ⁽¹⁾			
– before digital media activities			
– actual	£121.8m	£130.3m	(6.5)%
– like for like ⁽²⁾	£121.8m	£128.1m	(4.9)%
– investment in digital media	£(15.0)m	£(12.8)m	(17.2)%
Profit before tax ⁽¹⁾	£80.9m	£89.6m	(9.7)%
Earnings per share ⁽¹⁾			
– before digital media activities	23.1p	24.9p	(7.2)%
– underlying	19.5p	21.8p	(10.6)%
Dividend per share	5.3p	5.3p	

(1) excludes exceptional items

(2) excludes Belfast Telegraph Newspapers (sold July 2000) and includes Southnews (acquired November 2000) on a "pro forma" basis in 2000

(3) restated to reflect the adoption this year of FRS 19 "Deferred Taxation"

- 1 Strategic highlights
- 2 Chairman's statement
- 8 Consolidated profit and loss account
- 9 Consolidated balance sheet
- 10 Consolidated cash flow statement
- 11 Notes to the financial statements
- 20 Independent review report to Trinity Mirror plc
- IBC Interim results at a glance



Comprehensive review of the business undertaken to maximise growth and address current trading conditions

Strong and robust platform for growth in regional newspapers

Aim to be industry leader not only in size but also in readership, circulation and financial performance by 2005 through:

- driving continuous improvement in performance of all businesses
- capturing the benefits of scale by reconfiguring the regional newspaper organisation
- investing in improving the quality of our proposition to readers, advertisers and staff
- exploiting opportunities for further growth through selective acquisitions and new media platforms

Reducing costs and investing in the national titles

Management intend, as a minimum, to optimise value by maintaining each title's share of circulation market by:

- continuing to invest in product enhancements, editorial, marketing and promotional activity
- ongoing process of re-examining the UK Nationals' business model, thereby reducing costs
- Scottish nationals adopting similar approach to regional best practice principles

Review will sharpen focus on short-term profit and should deliver

- £25 to £28 million of gross cost savings in 2002, increasing to £30 to £35 million per annum in 2003
- increased growth in revenue – assuming current market conditions continue
- one-off costs of implementation of approximately £10 million in both 2001 and 2002
- an element of the cost saving will be reinvested in product, editorial and marketing to ensure we retain competitive position and strength of brands

Victor Blank

Sir Victor Blank



FINANCIAL SUMMARY

Group revenue increased by 3.8% to £581.4 million (2000: £559.9 million). On a like-for-like basis, adjusting to eliminate from 2000 the revenues of Belfast Telegraph Newspapers (sold on 30 July 2000) and include the revenues of Southnews (acquired 28 November 2000), revenue increased by 1.1%.

Operating profit, before the net investment in digital media activities and exceptional items, decreased by 6.5% to £121.8 million. On a like-for-like basis, the decrease was 4.9%, reflecting the difficult advertising market in the second quarter and a 12% increase in the price of newsprint from the beginning of the year. During the 26 week period, the Group invested £15.0 million (2000: £12.8 million) in digital media activities.

Interest costs of £26.0 million (2000: £27.8 million) reflect lower interest rates. Before exceptional costs, profit before tax has decreased 9.7% on the previous year to £80.9 million.

Exceptional costs of £5.3 million have been incurred during the 26 week period in respect of the closure of the central digital media sites and ongoing restructuring of the Group's finance systems. In addition, the formulation and implementation of strategic and profit improvement plans, including cost reduction measures, across the Group has incurred exceptional costs of £2.3 million in the first half of the year. It is anticipated that £8.0 million additional costs of implementation will be incurred during the latter half of the year, with a further £10.0 million in 2002. The strategic and profit improvement plans will give rise to an estimated £9.0 million gross cost saving in the second half of the year, increasing to £25.0 to £28.0 million in 2002

and £30.0 to £35.0 million per annum in 2003. This is in addition to any potential reduction in the level of the Group's ongoing investment in its digital media activities. It is also before any reinvestment in product, editorial and marketing activity to ensure the Group's newspapers retain their competitive position and brand strength.

Earnings per share, before exceptional items, have decreased from 21.8p to 19.5p. The interim dividend is being held at the same level as the 2000 interim dividend, 5.3p. It will be paid on 31 October 2001 to shareholders on the register at 5 October 2001.

Net debt at 1 July 2001 was £771.8 million, an increase of £3.6 million since the year end. This increase reflects primarily the additional digital media investment of £15.0 million, the final payment of deferred consideration for Thomson Regional Newspapers of £5.0 million and £2.4 million of further costs in respect of the acquisition of Southnews.

REGIONAL NEWSPAPERS

Performance

The Group's regional newspapers business, including the three Metro titles, achieved a 10.9% increase in revenue (from £246.6 million to £273.4 million) and 0.8% increase in operating profit (from £64.8 million to £65.3 million). On a like-for-like basis, adjusting for the effects of Belfast Telegraph Newspapers and Southnews, revenue grew by 4.4% (from £262.0 million to £273.4 million) and operating profit increased 4.3% (from £62.6 million to £65.3 million).

During the 26 weeks, advertising revenues, on a like-for-like basis, have grown by 6.5% to £212.1 million. Excluding £4.0 million (2000: £0.5 million) of advertising revenue



achieved by the three Metro titles, the growth was 4.7% to £208.1 million (2000: £198.7 million), with growth of 7.8% in the first quarter compared to 2.2% in the second quarter. This increase was driven by recruitment advertising revenue, which remained strong throughout the period, increasing 17.5% overall (to £68.1 million), with growth of 20.4% in the first quarter easing to 14.6% for the second quarter. This rate of growth in the second quarter was relatively constant throughout the three months and has continued at this level into July. This easing of recruitment in the second quarter was most evident in Trinity Mirror South (“TMS” – the merged operations of the former Southnews and Trinity Newspapers Southern businesses), which experienced a marked slow-down in recruitment advertising growth as a result of vacancies in the hi-tech sector declining significantly. However, the Board remains confident that the integration of Southnews will realise at least £4 million of cost savings in the first full year of ownership.

Property advertising revenue grew by 5.9% (to £24.2 million), with a clear north-south divide being evident. Cardiff, TMS and Birmingham each achieved growth in property advertising in excess of 11.0% during the period, whilst an aggressive competitive property publication was launched in Newcastle and tougher property markets were seen in Liverpool and Scotland. Motors advertising remains weak and a flat Easter and May bank holiday (rather than the expected uplift previously experienced) affected display advertising, particularly national display. The foot and mouth epidemic adversely affected the performance of a number of the Group’s regional titles throughout the UK (with an estimated £1.0 million adverse effect on operating profit).

Circulation has continued to decline, however, the rate of decline has reduced. The Group’s titles remain amongst the highest “actively purchased” within the regional newspaper industry. Circulation revenue, on a like-for-like basis, decreased by 0.5% to £42.3 million.

Strategic direction

Sound management and strong underlying markets have delivered a healthy financial performance for the regional newspaper division over the past five years. A judicious acquisition strategy has created the UK’s largest regional newspaper business. The acquired businesses operate under an umbrella structure within the Group but continue to have considerable local autonomy.

The result of this is that the Group has been unable to take full advantage of its scale. The division is characterised by a range of systems, cultures, performance measures and standards and, therefore, cannot act as a single coherent entity.

During the past three months, management has undertaken a comprehensive “bottom up” review of the regional newspaper division involving all aspects of the operations. This review has led to a full understanding of the opportunity to reconfigure and closely align the operations and move the portfolio onto a fundamentally stronger footing.

By 2005 the Group’s regional newspaper business will be the industry leader, not only in terms of size but also in terms of readership, circulation and financial performance. Subject to the relaxation of appropriate regulatory restrictions, the Group will seek to grow market share (organically and by selective acquisitions) and achieve revenue and profit growth ahead



of the industry average through the economic cycle.

Clearly defined milestones, financial and operational targets and key performance indicators and measurements have been developed to support the delivery of this strategy. The key activities that underpin it include:

(i) driving continuous improvement – the Group's regional newspaper businesses currently have a wide spread of performance. By applying best practice and moving the performance of our less strongly performing businesses up to the current average performance within the Group, both a significant cost reduction and increase in revenues can be achieved. To ensure these benefits are captured as quickly and effectively as possible, the division is implementing an improved performance management system;

(ii) reconfiguring the regional newspaper organisation into a clearly structured, single and cohesive division will allow the Group to capture the benefits of scale and is critical to the delivery of the division's vision. The division will move from vertically integrated local business units to businesses configured around regional clusters, with appropriate sharing of activities and expertise across the individual local businesses (which will remain very locally focused). There will also be strong divisional co-ordination, policy and strategy formulation and driving of performance;

(iii) investing in quality for key stakeholders by developing an enhanced level of insight into reader perceptions of value and advertiser needs, thereby improving products and services (e.g. a more co-ordinated management approach to key

advertising categories and avenues to market). This investment, although not significant in value, will form an essential part of the integrated change programme within the division. In addition, the £100 million press replacement programme currently underway within the regional newspaper division will improve the quality of the newspapers and provide enhanced value for advertisers;

(iv) exploiting opportunities for growth beyond that which can be generated by our existing regional division through selective acquisitions and appropriate participation in new media platforms that help to preserve the Group's leading position in the local media franchise.

As previously indicated, the Group anticipates achieving between £30.0 and £35.0 million of gross cost saving per annum by 2003. Implementation of the activities underlying the regional newspaper division's strategy will give rise to a significant contribution to the Group's total cost saving. Improvements in advertising yields and category management, as a result of the application of benchmarks and best practice, will lead to robust growth in revenues (assuming no further deterioration in the advertising market). This strategy will also provide revenue protection should the market decline further.

This strategy and these actions will place the regional newspaper division on a stronger platform for growth, providing a business model that is more scaleable and flexible for the future. The Group's regional business will also be in a fundamentally stronger position to meet the increasingly competitive challenges of new media technologies and to afford and integrate further newspaper businesses.

NATIONAL NEWSPAPERS

Performance

During the 26 week period to 1 July 2001, operating profit declined by £9.7 million (17.5%) to £45.7 million. This decrease in operating profit reflects a decline in revenue of 2.2% (£6.0 million) to £262.9 million (due primarily to increased promotional Mirror cover price cutting), a £3.7 million increase in newsprint costs and a loss of £2.5 million net contribution from Independent News & Media for services previously provided by the Group. The overall operating margin of the Group's national newspaper business remains the highest in the industry.

Circulation revenue of the UK titles fell by 3.4% during the 26 week period to £109.2 million. The circulation performance of The Mirror improved from a year on year decline of 5.3% in January to 1.6% in June, driven primarily by the improved performance of the Saturday edition following the move of M magazine to Saturday. Despite heavy promotional spend by the major competitor, the Sunday Mirror's share of the popular circulation market at the end of June remained identical to that of June 2000. The Sunday People continues to be a significant profit and cash contributor despite circulation volumes and total revenues declining by 8.0% and 3.5% respectively.

For the 26 week period, the three UK titles achieved a 2.3% growth in advertising revenue. A 7.5% increase in the first quarter was followed by a decline of 2.9% in the second quarter, including a 7.0% decline in June. All three titles have achieved volume growth (The Mirror 5.3%, Sunday Mirror 3.6% and Sunday People 3.4%) and an improved share of the tabloid display advertising market. Increases of 11.6% and 6.0% in retail and classified advertising

respectively during the period have been offset by sharp declines in motors, finance, travel and FMCG display advertising during the second quarter. Growth of 2.0% is anticipated in July.

A tough economic and competitive local market meant that revenue of the Scottish national newspaper operations fell by 1.5% leading to a fall of 6.4% in operating profit (to £11.7 million) during the period. The difficulties within the national display advertising market during the second quarter of the year have led to a 2.6% fall in advertising revenue to £25.8 million for the 26 week period. The Daily Record's circulation in Scotland declined by 3.9% (which is a slower rate of decrease than experienced last year). The Sunday Mail also reduced its rate of circulation decline to 4.2%.

Strategic direction

Over the past five years, despite participating in an extremely competitive and mature market, the Group's national titles have remained highly profitable, with good margins and strong cashflows. The Mirror's relative circulation performance over this period has been robust, marginally outperforming its main competitor in spite of a significant disadvantage in terms of marketing spend. The Board has determined that the optimal approach to managing the value of these titles is, as a minimum, to maintain share of the circulation market.

The Group will continue to invest prudently in product enhancements, editorial, marketing and promotional activity to maintain circulation market share of its national titles. Cost savings from within the business will fund any incremental investment above current levels.



Managing the national titles (and in particular the Mirror titles) and keeping margins at current levels will require an ongoing process of re-examining the business model, thereby seeking to reduce the structural level of costs.

An integrated marketing strategy review for The Mirror and Sunday Mirror is to be completed. This will encompass brand, product, pricing, promotion and distribution.

Similar management rigour will be applied to the Sunday People to drive its performance.

The two Scottish national titles outsell all other tabloid titles in Scotland and have a level of household penetration that is higher than that of any other newspaper in Europe. However, over recent years, competition in the Scottish tabloid market has intensified and circulation of the two titles has been under pressure. Consequently, operating margins have not been maintained at a level to be expected from a business with such a strong position in a local market.

To address these issues of the Scottish national newspapers, to ensure that full advantage is taken of the scale and leadership position of the titles and to improve performance, the Group is adopting a similar approach to that being adopted in the regional newspaper division. Appropriate benchmarks will be created and best practice applied. Recent cost reduction initiatives will form the base of further enhancing performance.

This strategy for management of the Scottish national newspaper operations will improve revenue and profit performance over the next two to three years and secure the titles' leadership position in Scotland.

Sports newspapers

The division's operating profit decreased by 7.3% to £3.8 million despite an 11.4% growth in advertising revenue. This reflects the effect of the foot and mouth epidemic on the racing industry and calendar. Circulation sales of all titles were affected by an estimated £0.8 million of revenue lost during the 26 weeks (total circulation revenue for the period being £11.4 million) and circulation volume of the Racing Post declining by 6.0%. During recent weeks the division has seen a significant improvement in circulation performance as the industry recovers from the effects of the epidemic.

In June, smartbet.co.uk, the interactive virtual "betting ring", was launched with five major bookmakers supplying smartbet with a live odds feed direct from their own betting engines. The response to the product has been encouraging given the very early stage of development. Additional bookmakers are being recruited and are expected to join the service in the autumn.

On 17 July, "The Budd" report on gambling was released by the Government. The conclusions of the report were favourable to the gambling industry with a broad range of deregulation recommended, which combined with zero tax is setting the scene for the further development of the gaming industry.

Digital media

The Group announced in March the closure of its central vertical icShowbiz and icSports sites, the discontinuance of the icChoice site development and the realignment and refocusing of its investment in digital media activities. 13 regional ic sites have since been launched, integrated and aligned with the Group's regional newspaper operations, further strengthening the regional franchises, ensuring the Group's ability to participate in



digital and other new media platforms and improving its position as the dominant provider of local information in the areas in which it operates.

The net cost of investment in the first half of the year was £13.2 million. On an annual basis, the net cost of maintaining the current digital media activities will be approximately £12.0 million (excluding the investment in Fish4). The Group continues to review the possibility of reducing the net cost whilst ensuring that the sites and infrastructure meet the strategic needs and opportunities for growth of its regional newspaper operations.

The Group has continued to invest (£1.8 million during the 26 weeks) in Fish4, one of the leading national on-line providers of jobs, motors and property classified advertising, thereby strengthening the regional franchise proposition available to customers and protecting its regional classified revenue streams.

Other businesses

The smaller businesses in the Group's portfolio continue to make sound, profitable contributions to overall performance.

Voice Media, the Group's telephone service operator, has improved operating profit from £1.4 million to £2.4 million during the period, primarily as a result of the continued provision of the premium phone line service to the "This Morning" TV show, the current series having finished on 12 July 2001.

The sales process undertaken in respect of the magazine and exhibitions business indicated that an appropriate price for this business could not be achieved, given the current condition of the market. There is no requirement for the Group to dispose of this business. Consequently, the magazines and

exhibitions business will be retained and developed to improve its value. During the 26 week period, revenue has declined by 6.7% and operating profit decreased by 2.1% to £4.6 million.

The sale process in respect of the Group's and The Press Association's interests in PA Sporting Life is continuing.

On 24 July the Group agreed to the sale of the subscribers to the ISP, ic24, to Brightview Ltd for a cash consideration of £4.5 million.

Outlook

Current advertising conditions remain volatile and visibility is limited. Whilst classified advertising has held up reasonably well there are signs of a tightening in the recruitment advertising market and a more general slowdown in growth rates in other categories of classified advertising. The market for display advertising has been weak throughout the second quarter of the year. However, while this has continued into July, there are currently no signs of acceleration in decline.

The current cost saving initiatives should mitigate part of the profit shortfall arising from the difficult advertising market. These savings and the early implementation of the strategic plans of the regional and national newspaper operations should ensure that:

- (i) the adverse impact on the Group of these conditions is minimised;
- (ii) the Group is well placed to benefit from any improvement in the market; and
- (iii) the Group has good medium to long term growth prospects.

Sir Victor Blank, Chairman
27 July 2001

Consolidated profit and loss account

(unaudited)

	Notes	26 weeks to 1 July 2001 Before exceptional items £m	Exceptional items (note 4) £m	After exceptional items £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 (restated) £m
Turnover	2					
Continuing operations		581.4	–	581.4	559.1	1,079.1
Discontinued operations		–	–	–	0.8	1.2
		581.4	–	581.4	559.9	1,080.3
Operating profit						
Continuing operations		106.8	(7.6)	99.2	105.8	166.4
Discontinued operations		–	–	–	(0.2)	0.7
Group operating profit	3	106.8	(7.6)	99.2	105.6	167.1
Share of results of associated undertakings		0.1	–	0.1	(0.1)	–
Total operating profit						
Ordinary activities before exceptional items	3	106.9	–	106.9	117.4	201.4
Exceptional items	4	–	(7.6)	(7.6)	(11.9)	(34.3)
		106.9	(7.6)	99.3	105.5	167.1
Share of exceptional items of associated undertakings (continuing)	4	–	–	–	–	17.5
Profit on sale of operations	4	–	–	–	–	164.5
Profit on ordinary activities before interest		106.9	(7.6)	99.3	105.5	349.1
Net interest payable		(26.0)	–	(26.0)	(27.8)	(47.3)
Profit on ordinary activities before taxation		80.9	(7.6)	73.3	77.7	301.8
Tax on profit on ordinary activities	5	(24.2)	2.3	(21.9)	(24.1)	(46.8)
Profit on ordinary activities after taxation		56.7	(5.3)	51.4	53.6	255.0
Ordinary dividends on equity shares	6			(15.4)	(14.9)	(51.2)
Retained profit for the financial period				36.0	38.7	203.8
Earnings per share (pence)	7					
Before digital media activities				23.1	24.9	48.5
Digital media activities				(3.6)	(3.1)	(10.4)
Underlying earnings per share				19.5	21.8	38.1
Exceptional items				(1.8)	(3.3)	49.9
Earnings per share – basic				17.7	18.5	88.0
Earnings per share – diluted				17.7	18.4	87.4

Notes	1 July 2001 £m	2 July 2000 (restated) £m	31 December 2000 (restated) £m
Fixed assets			
Intangible assets	2,017.7	1,781.1	2,018.4
Tangible assets	393.0	419.1	404.3
Investments	15.4	7.0	16.0
	2,426.1	2,207.2	2,438.7
Current assets			
Stocks	7.2	14.7	7.7
Debtors	186.7	173.7	179.3
Cash at bank and in hand	49.6	29.9	57.7
	243.5	218.3	244.7
Creditors: amounts falling due within one year			
Bank loans, loan notes and overdrafts	(134.0)	(222.6)	(259.4)
Obligations under finance leases	(7.0)	(8.0)	(5.8)
Other creditors	(255.5)	(245.4)	(294.4)
	(396.5)	(476.0)	(559.6)
Net current liabilities	(153.0)	(257.7)	(314.9)
Total assets less current liabilities	2,273.1	1,949.5	2,123.8
Creditors: amounts falling due after more than one year			
Bank loans and loan notes	(643.4)	(506.5)	(518.8)
Obligations under finance leases	(37.0)	(47.3)	(41.9)
Other creditors	–	(3.8)	–
	(680.4)	(557.6)	(560.7)
Provisions for liabilities and charges	(89.3)	(95.4)	(97.0)
Non-equity minority interest	(3.7)	–	(3.7)
Net assets	1,499.7	1,296.5	1,462.4
Equity capital and reserves			
Called up share capital	29.0	29.2	29.1
Share premium account	1,075.7	1,073.7	1,074.3
Revaluation reserve	5.0	5.5	5.0
Profit and loss account	390.0	188.1	354.0
Equity shareholders' funds	1,499.7	1,296.5	1,462.4
Gearing	51.5%	58.2%	52.5%

Consolidated cash flow statement

(unaudited)

	Notes	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 £m	52 weeks to 31 December 2000 £m
Net cash inflow from operating activities	8	88.9	105.2	219.9
Dividends received from associated undertakings		0.7	3.0	8.7
Returns on investments and servicing of finance				
Interest received		0.5	0.3	5.6
Interest paid		(27.2)	(22.3)	(42.7)
Investment income		–	–	0.1
Interest element of finance lease rental payments		(1.2)	(2.4)	(3.7)
Net cash outflow from returns on investments and servicing of finance		(27.9)	(24.4)	(40.7)
Taxation paid		(13.4)	(9.6)	(41.6)
Net cash inflow before investing activities		48.3	74.2	146.3
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(10.1)	(12.0)	(38.9)
Sale of tangible fixed assets		–	–	1.4
Net cash outflow from capital expenditure and financial investment		(10.1)	(12.0)	(37.5)
Net cash inflow before acquisitions and disposals		38.2	62.2	108.8
Acquisitions and disposals				
Purchase of subsidiary and associated undertakings (including deferred consideration)		(7.4)	(6.7)	(275.2)
Net overdraft acquired		–	–	(0.2)
Sale of subsidiary undertakings, net of loan repaid		–	–	169.6
Net cash outflow from acquisitions and disposals		(7.4)	(6.7)	(105.8)
Equity dividends paid		(35.7)	(32.9)	(48.3)
Net cash (outflow)/inflow before financing		(4.9)	22.6	(45.3)
Financing				
Issue of shares		1.3	1.4	2.4
New unsecured loans		20.0	–	65.1
Repayment of unsecured loans		(19.5)	(29.9)	–
Principal payments under finance leases		(3.7)	(2.1)	(5.3)
Net cash (outflow)/inflow from financing		(1.9)	(30.6)	62.2
(Decrease)/increase in cash	9	(6.8)	(8.0)	16.9
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the period		(6.8)	(8.0)	16.9
Cash movement in debt and lease financing		3.2	32.0	(59.8)
Change in net debt resulting from cash flows		(3.6)	24.0	(42.9)
Debt acquired with Southnews		–	–	(40.1)
Debt disposed with Belfast Telegraph Newspapers		–	–	120.4
New loan notes issued on acquisition of subsidiary		–	–	(27.1)
Movement in net debt in the period		(3.6)	24.0	10.3
Opening net debt		(768.2)	(778.5)	(778.5)
Closing net debt		(771.8)	(754.5)	(768.2)

1 Basis of preparation

The accounting policies used in the preparation of the interim financial statements for the 26 weeks to 1 July 2001 are as set out in the Group's financial statements for the 52 weeks ended 31 December 2000, as amended by the adoption in this period of two new financial reporting standards, FRS 18, Accounting Policies, and FRS 19, Deferred Taxation, which the Group will adopt in its full year accounts to 30 December 2001. The Group has elected not to discount the deferred tax assets and liabilities.

The profit and loss account, balance sheet and reconciliation of movements in consolidated shareholders' funds have been amended to reflect the adoption of FRS 19. The prior period figures have been restated to reflect the full provision for deferred tax on timing differences and no provision for deferred tax on investment revaluations. Adjustments amounting to £36.7 million have been made to goodwill to reflect the effect of the implementation of FRS 19 for acquisitions in prior periods. Due to impairment at the date of acquisition, this goodwill has been written off – £23.2 million has been written off in 1999 and the balance remaining of £13.5 million (of which £4.2 million relates to the 26 weeks to 2 July 2000) has been written off during 2000.

The adoption of FRS18 has not had an impact on the profit and loss account or balance sheet.

2 Turnover

The analysis of the Group's turnover is as follows

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 £m
By geographical destination:			
United Kingdom and Republic of Ireland	578.4	**557.3	**1,074.4
Continental Europe	2.7	2.3	5.3
Rest of the World	0.3	0.3	0.6
	581.4	559.9	1,080.3
By type:			
Circulation	194.6	203.4	396.8
Advertising	330.6	296.8	574.8
Other	56.2	**59.7	**108.7
	581.4	559.9	1,080.3
By division:			
Regional newspapers*	273.4	246.6	465.3
National newspapers	262.9	268.9	532.4
Sports newspapers	16.3	15.6	31.6
Magazines and exhibitions	19.6	21.0	35.3
Digital media	0.9	1.2	2.5
Other	8.3	**6.6	**13.2
	581.4	559.9	1,080.3

* the comparatives for the 26 weeks to 2 July 2000 have been restated to incorporate revenue of the Metro titles (£0.5 million) and regional new media (£0.8 million) within regional newspapers. These were previously reported as developing activities.

** includes £0.8 million for the 26 weeks to 2 July 2000 and £1.2 million for the 52 weeks to 31 December 2000 in relation to discontinued operations.

3 Group operating profit

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

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 £m
By division:			
Regional newspapers*	65.3	64.8	114.8
National newspapers	45.7	55.4	111.0
Sports newspapers	3.8	4.1	8.2
Magazines and exhibitions	4.6	4.7	6.8
Digital media	(15.0)	(12.8)	(42.3)
Other	2.4	1.3	2.9
	106.8	117.5	201.4

- * the comparatives for the 26 weeks to 2 July 2000 have been restated to incorporate operating profit of the Metro titles (£2.5 million loss) and regional new media (£0.4 million profit) within regional newspapers. These were previously reported as developing activities.

4 Exceptional items

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 (restated) £m
Operating exceptional items			
Restructuring costs (a)	7.6	7.7	13.3
Impairment of goodwill arising from the implementation of FRS 19 (b)	–	4.2	13.5
Accelerated depreciation in respect of press impairment (c)	–	–	7.5
Total exceptional items charged against operating profit	7.6	11.9	34.3
Profit on sale of operation (d)	–	–	(164.5)
Share of exceptional item of associated undertaking (e)	–	–	(17.5)
Net exceptional items before taxation	7.6	11.9	(147.7)

- a) Restructuring costs of £5.3 million (26 weeks to 2 July 2000: £7.7 million; 52 weeks to 31 December 2000: £13.3 million) relate primarily to the closure of the central digital media sites (£2.3 million) and ongoing restructuring of the Group's finance systems (£3.0 million). In addition, costs have been incurred in 2001 relating to the formulation and implementation of strategic and profit improvement plans, including cost reduction measures, amounting to £2.3 million.
- b) Goodwill of £36.7 million arising on the implementation of FRS 19 has been written off due to an impairment in its value (see note 10).
- c) Following an assessment of the Group's future press policy undertaken during 2000, accelerated depreciation of £7.5 million was applied to certain press facilities reflecting their impairment as at 31 December 2000.
- d) The sale of Belfast Telegraph Newspapers in July 2000 resulted in a net profit on disposal of £164.5 million.
- e) The share of associated undertaking's exceptional item relates to the net profit on disposal of businesses during 2000 by The Press Association.

5 Tax on profit on ordinary activities

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 (restated) £m
The charge for taxation is as follows:			
Underlying:			
UK corporation tax at 30% (2000: 30%)	23.5	25.0	43.2
Deferred taxation	0.7	1.4	0.6
	24.2	26.4	43.8
Exceptional:			
UK corporation tax on exceptional items	(2.3)	(1.9)	3.8
Deferred taxation on exceptional items	–	(0.4)	(0.8)
	21.9	24.1	46.8

The taxation charge for the period has been calculated by applying the Directors' best estimate of the annual effective tax rate to the taxable profit for the period. The statutory tax rate for the period is 30%.

The increase in UK corporation tax charge for the 26 weeks to 2 July 2000 of £0.4 million and the decrease for the 52 weeks to 31 December 2000 of £0.2 million from that previously reported arises as a result of the implementation of FRS 19, which requires deferred tax to be provided on a full provision basis.

Included in the UK corporation tax charge on exceptional items for the 52 weeks to 31 December 2000 is £4.5 million in respect of the profit on disposal of Belfast Telegraph Newspapers. The tax charge in respect of the profit on disposal is less than the UK corporation tax rate of 30% due to the tax effective disposal of this subsidiary.

6 Dividends

The Directors have declared the payment of an interim dividend of 5.3p (2000: 5.3p) per 10p ordinary share. The total dividend in 2000 was 17.6p.

7 Earnings per ordinary share

The calculation of earnings per share is based on the profit on ordinary activities after taxation, 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 1 July 2001 No. of shares	26 weeks to 2 July 2000 No. of shares	52 weeks to 31 December 2000 No. of shares
Basic (millions)	290.1	289.6	289.8
Diluted (millions)	291.0	290.6	291.9

The implementation of FRS 19 has affected the earnings per ordinary share as follows:

	26 weeks to 1 July 2001 pence	26 weeks to 2 July 2000 pence	52 weeks to 31 December 2000 pence
Underlying earnings per share before digital media activities – as previously reported	23.1	25.8	48.4
Effect of implementation of FRS 19	–	(0.9)	0.1
Underlying earnings per share before digital media activities – as restated	23.1	24.9	48.5
Digital media activities	(3.6)	(3.1)	(10.4)
Underlying earnings per share	19.5	21.8	38.1
Exceptional items – as restated	(1.8)	(3.3)	49.9
Basic – as restated	17.7	18.5	88.0
Diluted – as previously reported	17.7	20.0	92.0
Effect of implementation of FRS 19	–	(1.6)	(4.6)
Diluted as restated	17.7	18.4	87.4

8 Consolidated cash flow statement

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

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 (restated) £m	52 weeks to 31 December 2000 (restated) £m
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	99.2	105.6	167.1
Depreciation	21.4	20.2	47.3
Amortisation/impairment of goodwill	0.7	4.5	14.1
Profit on disposal of fixed assets	–	–	(0.8)
Decrease/(increase) in stocks	0.5	(1.0)	1.5
Decrease/(increase) in trade and other debtors and prepayments	(7.4)	(11.0)	(7.4)
Decrease in trade and other creditors and accruals	(25.5)	(13.1)	(1.9)
Net cash inflow from operating activities	88.9	105.2	219.9

9 Analysis of net debt

	At 31 December 2000 £m	Cash flow £m	Other non- cash changes £m	At 1 July 2001 £m
Cash at bank and in hand	57.7	(8.1)	–	49.6
Bank overdrafts	(24.5)	1.3	–	(23.2)
Net cash balances	33.2	(6.8)	–	26.4
Debt due within one year	(234.9)	–	124.1	(110.8)
Debt due after one year	(518.8)	(0.5)	(124.1)	(643.4)
Finance leases	(47.7)	3.7	–	(44.0)
Bank loans, loan notes and finance leases	(801.4)	3.2	–	(798.2)
Net debt	(768.2)	(3.6)	–	(771.8)

10 Reconciliation of movements in consolidated shareholders' funds

	26 weeks to 1 July 2001 £m	26 weeks to 2 July 2000 £m	52 weeks to 31 December 2000 £m
Profit for the financial period attributable to shareholders			
– as previously reported	51.4	58.2	268.3
Goodwill arising as a result of implementation of FRS 19 written off to the profit and loss account following its implementation (c)	–	(4.2)	(13.5)
Effect of implementation of FRS 19 on the tax charge for the period (a)	–	(0.4)	0.2
Profit for the financial period attributable to shareholders			
– as restated	51.4	53.6	255.0
Dividends	(15.4)	(14.9)	(51.2)
Retained earnings	36.0	38.7	203.8
New share capital subscribed	1.3	1.9	2.4
Effect of share option expenses incurred by parent company	–	(0.3)	–
Net increase in shareholders' funds	37.3	40.3	206.2
Opening shareholders' funds – as previously reported	1,503.2	1,283.7	1,283.7
Effect of implementation of FRS 19 (b)	(4.1)	(4.3)	(4.3)
Goodwill created on implementation of FRS 19 written off to the profit and loss account in 1999 (c)	(36.7)	(23.2)	(23.2)
Opening shareholders' funds – as restated	1,462.4	1,256.2	1,256.2
Closing shareholders' funds	1,499.7	1,296.5	1,462.4

- (a) The increase in profit attributable to shareholders for the 52 weeks to 31 December 2000 of £0.2 million and the decrease for the 26 weeks to 2 July 2000 of £0.4 million arises as a result of the implementation of FRS 19, which requires deferred tax to be provided on a full provision basis for these periods.
- (b) The fall in opening shareholders' funds for the 52 weeks to 31 December 2000 and the 26 weeks to 2 July 2000 of £4.3 million, and for the 26 weeks to 1 July 2001 of £4.1 million, arises as a result of the implementation of FRS 19, which requires a prior year adjustment to make full provision for deferred tax in prior periods.
- (c) Goodwill totaling £36.7 million resulted from the implementation of FRS 19. Due to the impairment of this goodwill at the date of acquisition and following revisions to the provisional fair value adjustments on acquisition, £23.2 million has been written off to the profit and loss account in 1999 and a further £13.5 million (£4.2 million for the 26 weeks ended 2 July 2000) has been written off in 2000.

11 Statutory information

The financial statements for the 26 weeks to 1 July 2001 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 31 December 2000 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 20. The interim report was approved by the Directors on 27 July 2001.

This announcement is being sent to shareholders and will be made available at the Company's registered office at Kingsfield Court, Chester Business Park, Chester, CH4 9RE.

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 1 July 2001, which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 11, set out on pages 8 to 19. 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

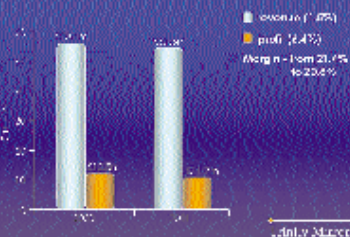
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 week period ended 1 July 2001.

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

27 July 2001

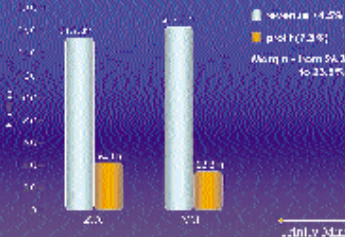
Interim results

Sunday national newspapers 26 weeks to 1st July 2010



Interim results

Sunday newspapers 26 weeks to 1st July 2010



09 10

Interim results

Digital assets 26 weeks to 1st July 2010

- Re-focused strategy in March
- Closed several key portals
- Launched 10 regional sites - closely aligned with regional newspapers
- Continued investment in R&D
- Total cost £1.85m

Interim results

Other assets

- Agreed sale of certain Midlands assets to John's for Press for £13.5m
- Agreed sale of ISE, ISE4, for £4.0m cash
- Magazines and exhibitions - stable in growth
- PA Sporting Life sale across continents

11 12

Interim results

Trading outlook

- Stable and consistent advertising market remains difficult - limited visibility
- All businesses under active cost reduction initiatives
- Early implementation of strategic plans

Strategic direction

Overview

- Strategy: practical "nuts and bolts"
- Full leadership of UK newspaper industry
- Regionally: a very strong platform for the future
- Nationally: continue to do, maintain circulation market share
- Growth: new business development approach

IMPACT → 2009: -0.5% p.a. gross cost reduction by 2003
 Revenue growth projected depending on market conditions

13 14

Strategic direction

A challenging environment for regionals

- Intensifying competition from existing and new entrants
- Outgoing industry consolidation
- Immediate outlook for advertising uncertain
- Continued challenge for declines

Strategic direction

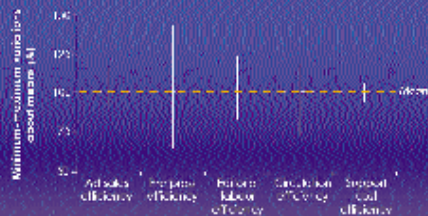
Four cornerstones of the regional strategy



15 16 >

Strategic direction

Regions - variation in key cost benchmarks for major CoCos



Strategic direction

Creating the benefits of increased regional coordination



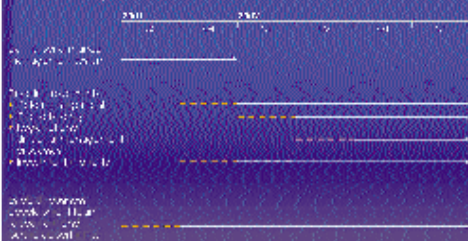
Strategic direction

Investing in quality in the regions

- Production**
 - Cost-effective production and use of local and mobile assets
 - Investment in automation capability
 - Control over production cost basket
- Advertising**
 - Effective management of inventory
 - Investment in content and/or creative solutions
 - Content creation and new product development
- Sell**
 - Reduction of agency costs
 - Client acquisition

Strategic direction

Risks for implementation



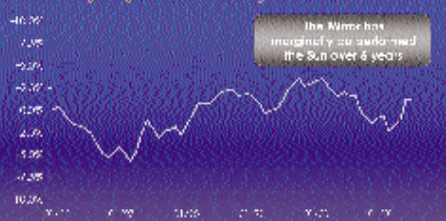
Strategic direction

Strength of the national titles

- Excellent cost/line
- Optimised for Trinity Mirror
- High margins

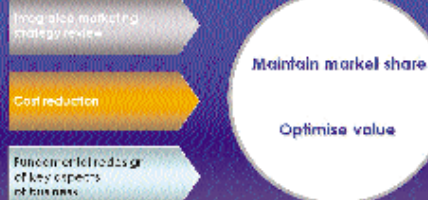
Strategic direction

Printers vs. The Sun circulation



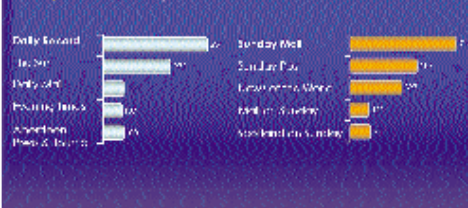
Strategic direction

The Mirror and Sunday Mirror Strategic priorities



Strategic direction

Strength of the British titles



Trinity Mirror plc



Exercising the Right to Grow

2001 interim results presentation

27 July 2001

Interim results

Financial highlights
26 weeks to 31 July 2001

- Turnover grown 3.6% to £261.4m, Eps for Eps growth +1.1%
- Operating profit up 21.6% to £10.1m, down 6.6% Eps, after-for-fee down 1.3%
- Investment in digital media £15.0m (2000: £12.5m)
- Earnings per share 19.5p ↑, down from 21.5p
- Dividend per share 5.3p – same as 2000

Trinity Mirror plc

Trinity Mirror plc

01 02

Interim results

Exceptional news and profit improvement
26 weeks to 31 July 2001

Strategic and profit improvement plans

- Cost 41 £2.5m (incl. estimated 4P 55c)
- Saving 10.29.0m (incl. 2002 estimated 1.26m) after

implementation of digital media strategy

- Cost 41 £2.5m – reduced ongoing annual investment £1.0m (including investment in Hong

Kong) reducing group finance systems – to support strategy

- Cost 11 £3m

Trinity Mirror plc

Interim results

Consolidated net assets

	26 weeks to 31 July 2001 £m	26 weeks to 31 July 2000 £m	31 July 2000 £m
Fixed assets			
• Intangible	2,017.4	2,015.4	1,787.1
• Tangible	1,428.4	1,490.5	1,221.1
Net debt	2,425.1	2,439.7	2,300.2
Minoror liabilities	173.8	173.9	173.9
Net assets	1,499.7	1,462.4	1,259.6
Coverage	51.5%	51.5%	50.2%

Trinity

Trinity Mirror plc

03 04

Interim results

Strong cash flow
26 weeks to 31 July 2001

	2001 £m	2000 £m
Net cashflow from operations	55.7	126.4
• To maintain assets	(4.1)	(5.1)
• Enhance assets (incl. Leasing, Financial)	1.2	32.9
• Maintain intangible	(3.4)	(4.0)
• Finance costs	(21.4)	(95.7)
• Cash held from	3.7	1.2
• Cash held from	3.7	1.2

Trinity Mirror plc

Interim results

Performance highlights

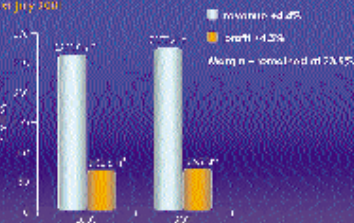
- Cover: 4mp
 - Strong growth first quarter – July 2001 was 7th record quarter (classified) remains strong but market tightening
 - M&A: 1.1m Eps
- Circulation: trend of decline continued – minimised by activity
- Newsprint: 12% increase from 1st January 2001

Trinity Mirror plc

05 06

Interim results

Regional newspapers
26 weeks to 31 July 2001

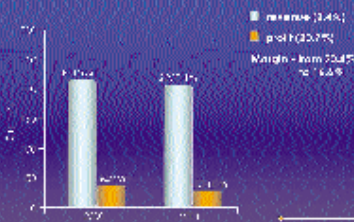


Trinity Mirror plc

Trinity Mirror plc

Interim results

UK regional newspapers
26 weeks to 31 July 2001



Trinity Mirror plc

07 08 >

