

Northcliffe Newspapers

The communities which Northcliffe serves continue to have a healthy demand for the printed word. Each week, Northcliffe sells around 7 million copies of its paid-for titles and distributes 2.4 million copies of its free newspapers. In addition, Northcliffe publishes highly targeted niche titles covering a variety of interests and geographically targeted advertising only products. On average, 650,000 copies of these are distributed each week.

Chairman
Ian Park

Managing Director
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Despite increasing globalisation, greater social mobility and ever more exposure to international culture through travel and television, individuals and their families continue to anchor themselves firmly in the communities in which they live. In general, people work, shop and seek entertainment within just a few miles of their homes. Against this backdrop, it is no accident that those local newspapers, which remain in tune with the needs and aspirations of readers and advertisers, continue to enjoy high household penetrations and market shares. This is the context in which all of Northcliffe's daily, weekly and niche publications, together with its comprehensive range of web channels, work.

During 2002, Northcliffe embarked upon a programme of additional substantial investment in editorial, marketing and circulation, which will be sustained so as to publish better and more relevant newspapers and deliver more potential customers for advertisers. This investment contributed to an improvement in the sales trend of the daily newspapers which was down just under 3% in the January to June 2002 ABC period against a decline of 4.7% the previous year. The sale of weekly titles continues to go from strength to strength, recording an increase of 1.5%. Northcliffe's sale was marginally ahead of the regional press industry in the January to June 2002 period.

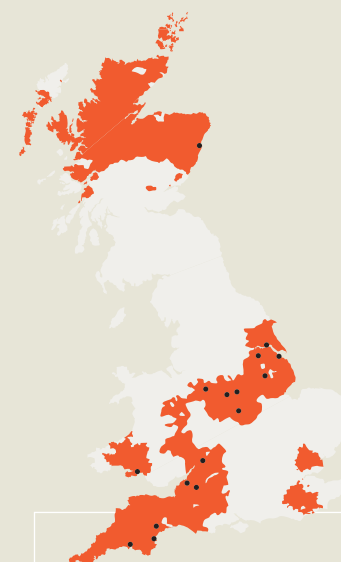
Profits were down 4% in 2002 due to a lower contribution from contract printing and additional investment in the newspapers. Advertising revenues were up by 1.3% with growth from property, motors and other classifieds offset in part by a decline of 3% in recruitment advertising. Nationally booked revenues proved to be particularly resilient with growth of 4%. Only new homes' advertising

was down year-on-year. Geographically, advertising revenue growth was robust in the Midlands, the West country and Humberside. However, the titles in the south east showed no growth and Bristol, Bath and Aberdeen recorded year-on-year declines.

Given an ever evolving and demanding media landscape in the UK, Northcliffe has continued to address how it serves its advertising customers. During the year, there was further progress in providing clients with creativity and innovation through the advertising design studio. This is an electronic library of finished advertisements, visuals, photographs and advertisements created throughout the group. It is accessed by advertising staff through the group's intranet. This creativity played a part in Northcliffe winning almost 50% of the creative awards at this year's Newspaper Society Advertising Conference.

Northcliffe also recognises that advertising supplements and platforms must appeal to readers. During the year, two new platforms were launched using quality editorial provided by Associated Newspapers: thisismoney and thisstravel. They add to readers' enjoyment of the newspapers and thus the reaction from advertisers has been encouraging. During 2003, further investments will be made in additional editorial for the important advertising platforms of jobs, motors and property.

Commercially, greater focus was given to building advertising revenues on the web. For a relatively modest additional charge, recruitment advertisers can elect to have their advertisements published on Northcliffe's network of 'thisis' websites. Customers have responded positively with over 70% of local advertisers opting for this package.



Northcliffe Daily Newspaper Centres ■ Regional Coverage	Aberdeen	Gloucester	Plymouth
	Bath	Grimsby	Scunthorpe
	Bristol	Hull	Stoke
	Cheltenham	Leicester	Swansea
	Derby	Lincoln	Torquay
	Exeter	Nottingham	

Community Spirit
Local newspapers remain in tune with the needs and aspirations of readers and advertisers.



Successful relaunch of 'thisis'
resulted in the number of visits per week increasing – it currently enjoys 400,000 visits per week.



Award-winning publishing
Northcliffe titles were, again, successful in winning some of the industry's most coveted awards for editorial, advertising, circulation, promotions and electronic publishing.



A further development is a joint venture with Associated Newspapers in establishing 'thisisclassifieds', to sell on-line recruitment listings to recruitment consultancies and specific direct clients.

During the first quarter of the year, Northcliffe's 'thisis' internet sites were re-launched with a new look and feel resulting in increased usage by their local communities. The number of unique visits doubled alongside a 50% increase in page impressions. The sites currently enjoy 400,000 visits per week. Local content on each site enables the local newspaper to extend its service to readers whilst enticing non-readers. The websites are complementary to the newspapers and offer users the facility of sending letters to the editor, voting on opinion polls and ordering photographs or subscription copies of the paper on-line. Traffic is driven through joint campaigns and promotions with the newspapers. Much has been achieved in 2002 whilst at the same time reducing the cost of running the internet operation by around 35%.

Contract printing profits fell in 2002 as other large publishers of regional newspapers withdrew work from some of Northcliffe's presses so as to fill their own spare capacity. This resulted in the decision to rationalise production capacity by closing the ageing press in Chelmsford in October 2002 and reducing Lincoln to one shift from December 2002. All of the work from these presses has been accommodated at other Northcliffe sites. Closure costs were provided in the 2002 results. Despite this loss of third party printing, Northcliffe's presses continue to be heavily utilised.

Production quality and service remain paramount. IFRA Colour Club membership, acknowledging exceptional

printing standards, has been awarded to Plymouth and Exeter, the only regional printers in the country to be so recognised. Service standards for Northcliffe's own publications have improved resulting in newspapers being delivered consistently on time to readers. This contributes to the drive to improve circulation.

The project to provide enhanced capacity at Stoke and Derby for DMGT's national titles is slightly ahead of schedule and on budget. These presses will come on line progressively from January 2003. Readers and advertisers of the Stoke Sentinel and the Derby Evening Telegraph will also benefit from access to more colour. Projects to add colour capacity, to meet advertising demands in Aberdeen and Swansea, are also on target for completion by the end of December 2002.

At the end of July, one of Northcliffe's titles, the Sentinel, which serves the community of Stoke on Trent, acquired the Leek Post and Times for just over £6 million. This acquisition will be earnings' enhancing from 2003.

In Hungary, the group's two regional daily newspapers and three 'Loot-type' classified publications all performed strongly in 2002. Profits were ahead of the previous year by over 50%. Northcliffe continues to look for suitable acquisition opportunities in the area.

The start to the new financial year has so far been encouraging. Circulation trends continue to improve despite recent price increases on seven daily titles. Advertising revenues are up 6% with all categories, except retail, showing growth.