

I am pleased to report an increase in the Group's profit before goodwill amortisation, exceptional items and tax from £182.5 million to £185.5 million in the year to September 2003. This is a good result given the tough trading conditions that many of our businesses faced, as well as the effects of the Iraq war and SARS.

Particularly pleasing were the steady rise in the profits of Northcliffe, our regional newspaper division, and the higher contributions from some of our newer businesses. Newspapers remain at the heart of DMGT and our first priority is always to grow Associated and Northcliffe. We know that we have to invest in order to increase our revenues and have continued to put money into our products and titles, both new and long-established. Nowhere is this more true than in our flagship UK national titles, the *Daily Mail* and *The Mail on Sunday*. Both have again increased their circulations in a generally falling market and our regional titles have won a stream of awards for their excellence.

However, our strategy of investing in non-newspaper businesses has provided diversity and some stability during the last three years of harsh advertising markets.

The Group's star performer last year was Risk Management Solutions, ably led by Hemant Shah. Its growth has been exceptional, as its insurance company clients seek to improve their portfolio risk analysis. We look forward to revenues continuing to grow rapidly. We should also congratulate DMG Information's property information businesses, EDR in the United States and Landmark in the UK, on a strong performance.

DMG Radio has achieved outstanding operational success in Australia. An excellent team, headed by Paul Thompson, has taken our Sydney station, *Nova 969*, to the number one FM rating less than three years after launch. We paid a high price for our metropolitan licences, but now we have the base to generate a good return on our investment.

I turn now to the changing regulatory picture in the UK. The Broadcasting Act is about to come into force and Ofcom will shortly take over much of the regulation of the UK media industry. In the past year we have seen the two main ITV companies allowed to merge, yet the Competition Commission has turned down a number of small deals in the radio and regional newspaper sectors on local competition grounds. We now hope for increased consistency from the various regulatory bodies to allow UK media companies to plan with more certainty.

The forthcoming AGM will see two directors retire from the Board. Niilo Hakkarainen joined the Board in 1990 after standing down as Chief Executive of United Paper Mills in Finland. He is a wonderful character and has been an exemplary independent member of the Board. His enthusiasm and his perception will be missed.

Earlier this year, we celebrated the 50th anniversary of Sir Patrick Sergeant joining our Group. He was the revered City Editor of the *Daily Mail* from 1960 to 1984 and created *Money Mail*. In 1969, he founded Euromoney and has been instrumental in growing it into the international publishing business it is today. He has been a non-executive director of DMGT since 1983 and has been a constant source of wisdom and experience throughout that time. Patrick was a great friend and adviser to my grandfather and father and has been a marvellous support to me since I became Chairman in 1998. I shall miss immensely his wit and continuing wisdom at our Board meetings, but am delighted that he will remain as a director and president of Euromoney Institutional Investor.

In their place the Board has recommended two individuals as directors from the end of the AGM. Tom Gillespie is a senior Canadian lawyer who has worked with the Group over a long period. David Verey is a merchant banker by trade, formerly with Lazards and then Cazenove. I believe their different skills will prove to be of great value to the Board.

Finally I should like to mention Roger Gilbert, who retires in April 2004. Roger has been with the Group for 32 years, starting as Group Accountant, and then responsible for running and ultimately selling our non-media division. Latterly he has been responsible for growing some of our newer businesses as chairman of our Teletext, radio and exhibitions divisions which in the last year delivered 14% of our operating profits. His has been a most valuable contribution to the Group's development and I wish him a long and happy retirement.

The last three years have been a difficult period for many of our businesses and for our employees. We have continued to build up our businesses and, almost without exception, they have stronger market positions now than three years ago. This is substantially due to the skills and dedication of our employees who have once more shown themselves to be the Group's greatest asset. I thank them all on behalf of shareholders for their efforts and commitment but most of all for their results. Now that we are at last seeing some encouraging signs of renewed growth in some parts of the Group, I hope they all enjoy an easier year ahead.

The Viscount Rothermere
Chairman

This has been a successful year given the tough trading conditions that many of our businesses faced.



Newspapers remain at the heart of DMGT and the successes of Associated and Northcliffe are particularly pleasing.

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