

# CHAIRMAN'S STATEMENT

OUR STRATEGY OF CONTINUING TO INVEST IN MARKET-LEADING BUSINESSES THROUGH TOUGH TRADING CONDITIONS HAS CONTRIBUTED TO A STRONG UPTURN IN OUR PERFORMANCE.



## Key points

- Newspapers remain at the heart of DMGT.
- Continued growth by our newer businesses means that 40% of this year's adjusted operating profit has been generated by our non-newspaper divisions.

I am pleased to report good results. The Group's adjusted profit\* before tax rose 27% from £185 million to £234 million in the year to 3 October 2004. Net debt fell by £93 million to £780 million, despite spending £214 million on acquisitions to nurture our businesses.

The year saw some important developments.

We spent much time and money considering an acquisition of the Telegraph Group. At the right price, this would have been a good deal for DMGT but the price went beyond what we thought was right. A consequence of the sale of the Telegraph was the departure of Murdoch MacLennan, Managing Director of Associated Newspapers for the last 10 years. I thank Murdoch for his achievements and wish him well in his new role. I am pleased that we have such able replacements in Kevin Beatty, who has moved across from Northcliffe Newspapers to Associated, and Michael Pelosi, who takes over as MD of Northcliffe. I am confident that they will lead their divisions to new heights.

The year also saw two broadsheet titles become tabloids creating new challenges for our newspapers. To their credit, the Daily Mail and The Mail on Sunday maintained their circulations, thereby again increasing their market shares.

We are just completing a £90 million programme of investment in our press facilities in London, Stoke, Derby and Bristol. So far, everything has been finished ahead of time, under budget and is working well. John Bird, and his team at Harmsworth Quays, and Mark Ellington, and his team at Northcliffe, deserve much of the credit. As a result we look forward to better papers and higher advertising revenues.

Our broadcasting division faced major decisions. Even though our shareholding will be diluted from 29.9% to 14.3%, we decided to support the proposed merger between GWR and Capital Radio, because it seemed the best way of increasing the value of our investment. The OFT is considering whether to refer the merger to the Competition Commission but we hope it will be cleared without too many conditions. If it is not, the good intentions of the 2003 Broadcasting Act will be further diluted.

\* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets)



**Number one FM stations**  
We now have the number one FM station in both Sydney and Melbourne and will complete our Nova network during 2005.

**+50%**

**DMG Information: the fastest growing division**  
DMG Information was again the fastest growing division with a further 50% increase in operating profit. Risk Management Solutions was again the largest contributor to this growth.



**£90 million investment**  
We have completed a £90 million programme of investment in our press facilities in London, Stoke, Derby and Bristol. This was finished ahead of time and under budget.

In Australia, DMG Radio was successful in bidding for further licences in Adelaide, Brisbane, Sydney and Melbourne. These acquisitions were neatly balanced by the sale of our chain of regional radio stations for an excellent price. We now have the number one FM station in both Sydney and Melbourne and will complete our Nova network during 2005.

Among our other divisions, dmg world media had a strong trading year and continued to make small fill in acquisitions which generate high marginal returns. DMG Information was still the fastest growing division with a further 50% increase in operating profit. Risk Management Solutions was again the largest contributor to this growth.

Convinced that the internet will become more and more important in our lives, I am encouraging our consumer publishing enterprises to increase their investments in it with the aim of building a leading presence in key channels.

Klaus Schwab has this month retired from the Board after six years' service. He has a busy schedule as President of the World Economic Forum and I am grateful for his advice and guidance during his time as a Director.

After five years marking time in difficult markets, it is good to see a big growth in profits properly reflecting the strength of the Group. These results are largely due to the skill and dedication of our excellent employees. I thank them and hope to report good figures again next year.

**The Viscount Rothermere**  
Chairman