

NORTHCLIFFE NEWSPAPERS

ANOTHER RECORD YEAR FOR PROFITS WITH ADVERTISING REVENUES INCREASING BY 5.9%. CIRCULATION OF THE DAILY TITLES OUTPERFORMED THE INDUSTRY.



Northcliffe Newspapers Financial highlights

Turnover

2004: £519m

Operating profit*

2004: £101m

% of Group turnover

2004: 25%

* Adjusted operating profit (before amortisation and impairment of intangible assets)

→ 11% growth in property advertising, 10% growth in recruitment revenues and 5% increase in readership of evening titles.

→ Two profitable Metro editions launched in the East Midlands and Bristol areas.

→ Electronic publishing moves to break even with 1.3m unique users.

Northcliffe enjoyed another record year in 2004, achieving growth in adjusted operating profit* of 7%. Most publishing centres reported progress including Aberdeen and Bristol. Their performances were particularly encouraging following difficult market conditions in 2003. Other notable performances were from titles in Nottingham, Derby, Tamworth, Devon and Hungary and from electronic publishing.

In the UK, advertising revenues recorded growth of 5.9% with recruitment up by 10% and property improving by 11% on the back of a buoyant housing market. However, motors advertising reflected the overall marketplace and, despite a number of initiatives, declined by 1%.

Newspaper sales revenues grew by 1.5%. A limited number of titles increased their cover prices during the year but this was partly offset by continued gentle declines in circulation, particularly by the evening titles.

Much emphasis continues to be placed on a drive to stabilise the circulation of the 17 evening titles. A programme of evaluating and improving the circulation basics of distribution, canvassing, home delivery, street vending and retail has provided some positive results. The drive to reduce bulk sales continued so as to reach our internal target of actively purchased sales of between 98% and 100% for all titles. Northcliffe's morning and evening titles, which recorded declines of 1.9% and 2.5% respectively, and its weekly titles, which showed an increase of 0.1%, outperformed the industry in the July to December 2003 ABC period. During the January to June 2004 ABC period, the mornings and evenings continued this trend. However, the weekly titles fell below the industry average by 0.7%, despite 14 of the group's 24 weekly titles showing increases.

In a broader context readership has increased. Comprehensive audience research has reported an increased audience reach to seven in ten adults over the course of a week for evening titles.

After 257 years, the Press & Journal, Northcliffe's much respected morning title published from Aberdeen, and its only daily broadsheet, launched a compact format in August for the Saturday edition. Initial results seem promising, although further research is required before extending this initiative across the week.

In June, Northcliffe launched two editions of the popular and successful free distribution morning title, Metro; one in the East Midlands; and the other in Bristol, Bath and Gloucestershire. Both these titles are already profitable.

Northcliffe Electronic Publishing continued to grow its offering and its audience. Registered users increased by approximately 60% over the year. Unique users totalled in excess of 1.3 million.



New format a success
 After 257 years, the Press & Journal changed from broadsheet to a compact edition on Saturdays. Initial reader reactions have been very positive and sales figures have increased.

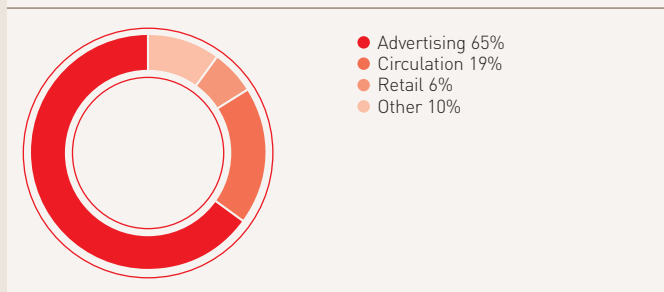


Revamped this websites
 Throughout 2004 Northcliffe Electronic Publishing have successfully revamped and updated the 22 this websites within the electronic publishing portfolio. thisisderbyshire.co.uk was the first relaunch in March 2004. The division has had its most successful trading year to date breaking even in September.

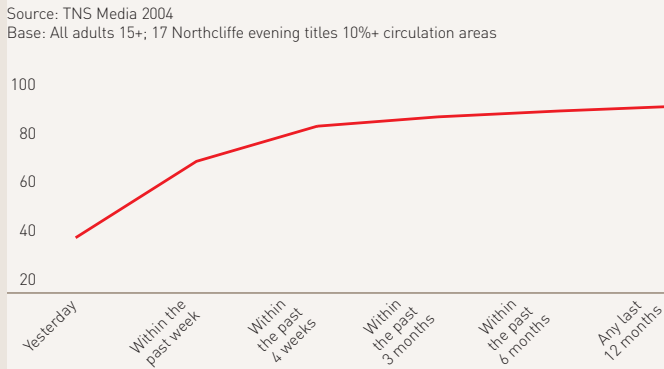


New presses in Stoke and Derby
 The recently extended Colorliner 80 press at Stoke is one of the largest single press lines in the country. At full capacity it is capable of running 192 pages of back to back colour.

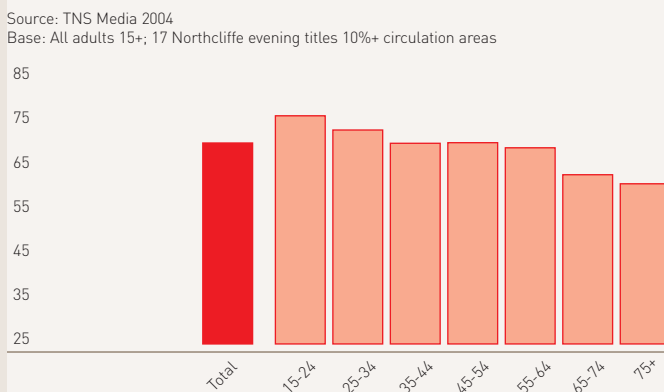
Northcliffe Newspapers
 Turnover analysis 2004



Northcliffe Newspapers
 Readership build – adults claiming to read a Northcliffe evening title within each period (% reach)



Northcliffe Newspapers
 Weekly penetration of evening titles by age (%)



Extra services like online booking of classified advertisements and letters to the Editor have all helped to enhance the benefits to the users. Breakeven was achieved in September and this performance is expected to improve in 2005.

The press enhancements at Stoke and Derby were completed ahead of schedule and on budget. This project was part of a wider group initiative to provide additional colour for the Daily Mail and The Mail on Sunday. Our other major engineering project – adding extra colour to Plymouth’s press – has progressed smoothly and will be completed before the end of this year. Titles in Devon and Cornwall, plus The Mail on Sunday, will benefit from this investment. During 2005, Northcliffe plans to start its next major printing development so as to provide enhanced colour and publishing opportunities for titles in Lincolnshire and Humberside.

Once again, the Hungarian business reported encouraging growth and a new profit record, assisted by the acquisition of Avizo, a classified publication in Slovakia. Overall, strong advertising revenues and buoyant contract printing led to profit growth in excess of 30%. We continue to seek acquisition opportunities in Hungary, Slovakia and neighbouring countries.

In the UK, we completed the acquisition in September of Bargain Pages, a classified publication circulating in Birmingham, Coventry and The Black Country. Bargain Pages sells in excess of 45,000 copies per week. Existing management has been retained and a link with our successful East Midlands operation, Ad-Mag, promises both operational and commercial synergies.

We are aware of the need to listen to the views and concerns of staff. For the first time a synchronised staff opinion survey was conducted in every centre. Such surveys are not new, but doing them everywhere at the same time greatly increases their use because it enables appreciation of common attitudes. They also form part of a series of initiatives aimed at reducing staff turnover at a time when competition for staff is ever increasing. Not unsurprisingly, a number of deficiencies were highlighted and are currently being addressed. We plan a follow-up survey in late 2005.

The new financial year has continued the momentum recently established. Advertising revenues, driven by strong demand for property advertising, are showing a 5% increase. However, recent evidence of a slowdown in the housing market makes it difficult to forecast the prospects for property advertising beyond the near-term. Recent interest rate rises appear to be having a calming impact on consumer expenditure and business confidence. Therefore, at this stage, we take a cautious view of prospects for 2005.