

THE FOLLOWING PAGES SHOW HOW EACH OF OUR BUSINESS DIVISIONS IS PERFORMING AND EXPLAIN THE KEY ASPECTS OF THEIR ACTIVITY.

ASSOCIATED NEWSPAPERS



Kevin Beatty
Managing Director (left)
Lord Rothermere
Chairman (centre)
Paul Dacre
Editor-in-Chief (right)

Financial highlights

Turnover

£878m

Operating profit*

£95m

Operating margin*

13%

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



Metro continued to show strong growth in 2005 with circulation rising to an average of 1,006,000 a day.

Associated Newspapers achieved its highest profit* ever, despite one less week's trading than last year. This result was particularly commendable in a year which saw a significant slowdown in the advertising market in the second half and increased newsprint prices.

The Daily Mail average daily circulation for the year came in at 2,385,000. Although this represents a decline of 1.8%, the overall sales of national daily newspapers fell by 2.3% leading to an increased market share of 19.2%. The quality of the newspaper was again recognised with the accolade of Daily Newspaper of the Year in the 2005 London Press Club Awards.

The Mail on Sunday circulation at 2,351,000 was only 0.4% down year on year in a market which declined by 3.1%. Once more it increased its market share, reaching 17.2%, against last year's 16.7%, which is the highest ever recorded. The cover price increased in May by 10p. Readership of The Mail on Sunday also rose to an all-time high of 6.56 million, and its supplements, Financial Mail on Sunday and You Magazine also enjoyed readership increases.

The Evening Standard launched an innovative new free 'Lite' edition of the paper in December 2004. Distribution quickly reached 77,000 per day with minimal effect on the paid-for editions where circulation was down 8.25% over the April to September period. This compares favourably to the year on year decline of 9.5% in the July – December period, prior to the launch of Lite. The average daily circulation over the twelve months, including Standard Lite, was 403,000. Further cost reductions were made during the year, the major benefits of which will flow through in the next financial year.

Metro continued to show strong growth in profit and return on sale. Circulation has risen to an average of 1,006,000 per day, consolidating its position as the fourth largest Monday to Friday daily newspaper. Metro's investment in its staff was recognised both by its inclusion in 'Britain's Top Employers' book and accreditation by Investors in People.

Ireland on Sunday's circulation fell 8.6% as we reined in promotional expenditure.

After adjusting for the extra week last year, total advertising revenues increased by only 0.5%, as a result of the difficult market conditions in the second half of the year. Display was down 0.7%, Classified was down 6.2%, but internet-related revenue was up 74% (including Find a property, which was acquired in November 2004). The Daily Mail was down 3.4%, whilst The Mail on Sunday was down 2%, but Metro was up 13.8%. The Evening Standard was down 7.1%, mainly due to the continued weakness of its recruitment advertising, and Loot was down 5.4%. Both Irish titles were up – Ireland on Sunday by 14.3% and Buy and Sell by 9.1%. Colour advertising was up 7.5%.

On the production front, the DMGT Board approved a major investment to facilitate colour on every page of Associated's titles. The project is proceeding well and due for completion in the last quarter of 2007. Part of the investment is a new production facility purchased in Didcot, for which planning permission has been obtained and presses ordered. This will be supported by enhancements at Harmsworth Quays and other sites around the U.K. During the year higher productivity and a reorganisation of resources at Harmsworth Quays allowed the reduction of production capacity at sites in Dundee, Southampton, Newcastle and Derby. Significant cost savings were achieved by transferring production of supplements to a new printer in June. This new contract also allows Associated to enhance the quality of its supplements and further develop revenue streams.

Associated New Ventures (ANV), which manages the digital activities of Associated Newspapers, made good progress in the year, strengthening its position in jobs and expanding into property. Jobsite continued to show strong growth and traded ahead of expectations. During the year it launched three new niche sites for the pharmaceutical and secretarial markets and for jobs in



Find a property was acquired in November 2004, as part of the continuing strategy to develop a powerful portfolio of digital media properties.



In November 2004, the 2001/04 press enhancement project at Harmsworth Quays was completed.

Scotland. In August, ANV acquired Top Consultant and Office Recruit, underlining this expansion into niche online recruitment sectors. Find a property also showed strong growth, trading ahead of expectations and extending its market position in London and the South East. It is now poised for its next phase of growth. The performance of the established websites all improved, enhancing relationships with both advertisers and visitors.

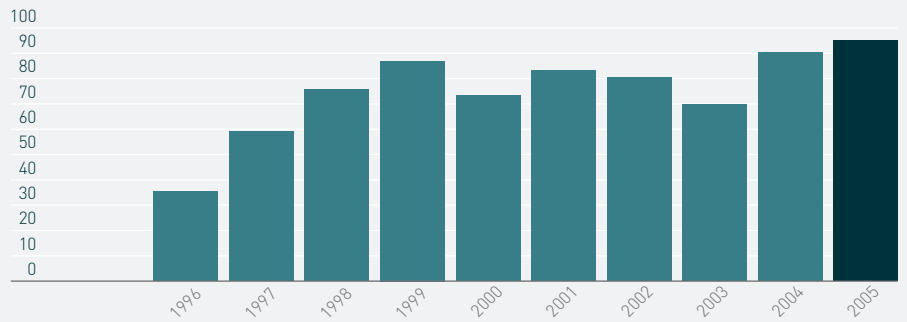
Ireland on Sunday continued to improve its trading performance and in its fourth year of operation is now well established as the number three Irish Sunday newspaper. Although circulation was down 8.5% at 139,000, readership has reached 469,000 per week, 55% of which are female. This is the highest proportion of female readership of any newspaper in the Irish Market. Trading losses were reduced by over 20% for the second year running.

Loot had a difficult year, with advertising revenue down 5% and circulation falling by 24%, much in line with the market. Strict cost control and restructuring of the paper's layout and distribution yielded significant cost savings which, together with a significant investment in Loot.com, should return this business to profit growth next year. Buy and Sell, Loot's sister paper in Ireland, had a good year, increasing profit* by 13%.

The new financial year has started as the old one ended, with a newspaper advertising market showing little sign of recovery and fierce competitive circulation activity. However, with strong readership and market share figures, a thriving online division and strict control of costs, Associated is best placed to trade through these difficult times and so take full advantage of any recovery in the market later in the financial year.

Associated Newspapers

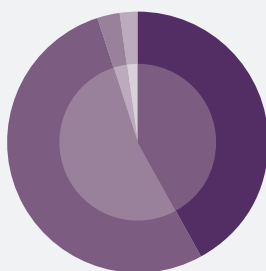
Growth in adjusted operating profit* over 10 years (£ million)



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Revenue by source

- Circulation 42%
- Advertising 53%
- Internet 3%
- Other 2%



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Circulation performance vs the market trend 1994/95 – 2004/05 (%)

- Daily Mail +33.2%
 - - - The Mail on Sunday +18.9%
 - Other Daily Nationals -20.4%
 - - - Other Sunday Nationals -24.6%
- Source: ABC October – September
Index (1994/05 = 100)

