

# I AM PLEASED TO REPORT A RECORD PROFIT FOR THE GROUP AGAIN, DESPITE HARSH TRADING CONDITIONS FOR OUR U.K. CONSUMER PUBLISHING BUSINESSES IN THE SECOND HALF OF THE YEAR.

The Viscount Rothermere  
Chairman



## Key points

The Group's record results owe much to our decision a decade ago to diversify the Group's activities.

We will continue to invest in the internet as we believe this area will show strong growth.

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

Adjusted profit\* before tax rose 8% to £253 million on revenues up 1% to £2,138 million. These results owe much to our decision a decade ago to diversify the Group's activities.

DMG Information, again, and Euromoney Institutional Investor both flourished. DMGI's business-to-business companies continue to grow strongly and we would like to have more of them. Euromoney's conference, training and database businesses performed well.

DMG World Media's trade exhibitions also had a good year, particularly those in the Middle East. However, their consumer exhibitions found it hard to maintain attendances. DMG Radio in Australia has completed its last three station launches and will now be looking to build on the encouraging profitability of the first Nova stations. Teletext has shown us how fast technological change can happen, in this case the move from analogue to digital television. They had a tough year and were forced to restructure. The initial response to their digital services is encouraging.

Both our U.K. newspaper businesses began the year strongly, but saw advertising revenues fall away at the time of the General Election in May. The national newspaper market remains as competitive as ever. This year's challenge was from some broadsheet titles becoming compact and attacking the rich advertising markets of the Mail titles. Unusually, our circulation performances have been only slightly better than the market as a whole and we are attending to this.

Our Northcliffe regional division was hit by a decline in recruitment advertising, as both private and public sectors reduced their costs and did not increase staffing. Northcliffe has begun its own drive to improve operating efficiency under the title "Aim Higher".

This is progressing well but we have decided that the shareholders' interests require us to choose soon between the effort and expense of growing Northcliffe's business and profits and of selling Northcliffe's U.K. operations as a whole. For me, personally, a decision to sell would be most painful since Northcliffe has been an integral part of DMGT almost since its foundation in 1922.

Five years ago I outlined our strategy for the internet. I am glad to report that the Group's profit from our consumer internet sites now amounts to £6 million. We will continue to invest as we believe this area will show strong growth, aided by the dissemination of broadband. DMGT has a long record of investing in and working well with entrepreneurs. This skill will serve us in developing our internet portfolio.

For many of our businesses, the internet has been a boon, for example, enabling cheaper and quicker delivery of EDR's environmental reports and of Euromoney's Euroweek magazine. For our consumer businesses, it is a challenge and an opportunity. Associated has developed a new division based on the acquisition of leading national recruitment and property advertising sites. Jobsite, in particular, has taught us much about doing business on the internet. Northcliffe is making good progress in developing local internet offerings to defend and grow its markets. To date, they have seen little or no sign of migration of advertising to the internet, not surprising given the local nature of much of their advertising.

Pensions are much in the news. We have restructured the defined benefit schemes that operate in our newspaper divisions in order both to control our costs and to target them on those who stay with the Group. However, new legislation means that it is becoming increasingly difficult to offer defined benefit schemes. We are looking at the whole question of pensions very carefully.

Our people and our brands are the two best assets we have. As I travel round the Group, I am always impressed by the enthusiasm, the loyalty and the skills of our people regardless of whether their business is growing strongly or confronting difficult markets. On behalf of shareholders, I thank them all.

**Rothermere**