

NORTHCLIFFE NEWSPAPERS



Lord Rothermere
Chairman (left)
Michael Pelosi
Managing Director (right)

Financial highlights

Turnover

£520m

Operating profit*

£102m

Operating margin*

20%

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

Northcliffe achieved operating profit* of £102 million in 2005, 1.5% ahead of last year notwithstanding an increasingly challenging advertising market.

This was before charging £10 million in restructuring costs as we embark on a programme to reduce Northcliffe's cost base.

Advertising got off to an encouraging start, particularly in the recruitment and property categories. However, a slowing economy and a decline in public sector spending have had an adverse impact in the second half of the financial year. In aggregate, advertising revenues grew by 2% to £329 million. Property had another strong year recording growth of 13%; retail generated growth of 3%; motors declined by a similar amount. Recruitment was down 4%, but down 16% in the last quarter. Given these figures, Northcliffe appears to be outperforming its regional newspaper peers.

The downturn in advertising affected most of our publishing centres but there were a couple of notable performances. Aberdeen saw its profit* rise by 18% on the back of a buoyant local economy and Bristol was up by 10% driven by cost savings.

Northcliffe's titles continued to show declining circulations. Nevertheless, the evenings marginally outperformed the industry reporting declines of 4.3% in July to December 2004 and 3.7% in January to June 2005, compared to industry declines of 4.5% and 3.9% respectively. Northcliffe's weeklies showed declines of 2.2% and 2.5% over the two periods compared to industry reductions of 1.3% and 2.5%. These gentle declines look set to continue but, together with our wider portfolio of products and services, we maintain the highest reach of any media in our core market places.

The internet remains a key area of focus. We are determined to provide customers with effective advertising channels, whether these be in print, online or a combination of the two. Almost 70% of all local recruitment advertising is being upsold to our websites

and a CV matching service has recently been introduced. Over 1,200 estate agency branches now upload their entire property inventories. Attention has now been turned to motors clients. They are being offered, free of charge, thisismotors.net, an inventory management system which facilitates the upload of all stock held by a dealer directly to our websites.

Innovation across our thisis network of local websites continues with initiatives such as Bid4it, an online and in-print auction and Stuff4Sale, a website that enables users to bid for an item at auction or buy it now. Website users can now upload comments and feedback on any story in real time and Northcliffe is one of the first regional publishers to provide video streaming of news on its websites.

Our local websites continue to deliver a growing audience, presently standing at 1.7 million unique users and 28 million page views, representing year-on-year growth of 31% and 66% respectively. A major contribution to the growth in page views was property, where search engine optimisation and marketing has driven a substantial increase since the summer.

The Northcliffe Press, our print division, had another year of decline on the back of lost contracts and the withdrawal of the Daily Mail production from the Plymouth print facility. Northcliffe has responded by reducing capacity through the closure of its Exeter and Swansea printing presses, neither of which provided sufficient colour for today's publishing environment.

Clearly, the local media landscape is changing and Northcliffe recognises that the disparity in margin performance when compared to its peers, combined with long-term circulation trends which are only slightly ahead of the industry, necessitated a radical review of the group's cost base.



Bid4it, a print and online auctions initiative, has exceeded revenue expectations and attracted 928 advertisers in our test areas. 50% of these advertisers had not previously advertised either in print or online with Northcliffe.

A major cost reduction programme has been launched and six months into this project we have made significant progress. Our target now is to reduce Northcliffe's cost base by at least £30 million by 2007 which is £10 million more than envisaged at the outset. A further exceptional cost of £10 million is expected in 2005/06, £3 million higher than originally estimated.

So far in the new financial year, advertising revenues are running behind last year because of a significant downturn in recruitment. We do not envisage that the situation will stabilise until well into 2006. However, substantial savings from the cost reduction programme will help to mitigate this revenue decline.

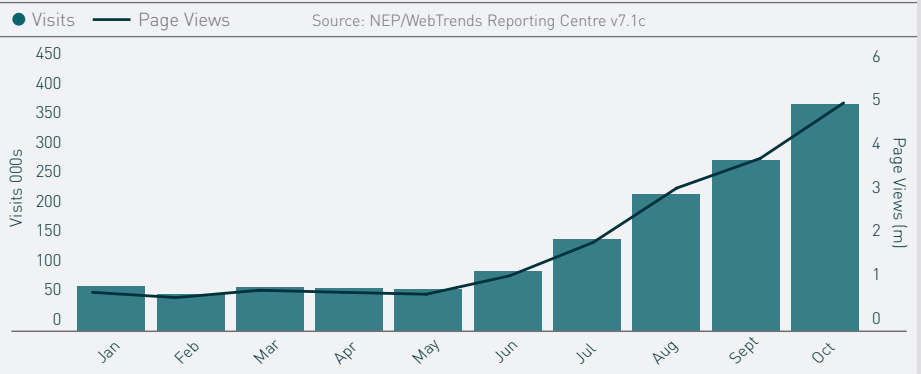
Northcliffe's international division continues to deliver good growth with an increase in profit* of 13% to £4.5 million. During 2005, four businesses were added to the portfolio, including a leading jobs board in Slovakia. We anticipate continued acquisition activity in Europe during 2006.

+63%

The thisis network of sites have seen a 63% increase in page views year on year.

Northcliffe Newspapers

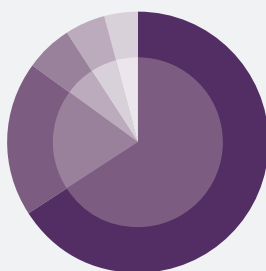
Visits and page views for thisis property sites 2005



Northcliffe Newspapers

Turnover analysis 2005

- Advertising 66%
- Circulation 19%
- Northcliffe Retail 6%
- Contract Printing 5%
- Other 4%



Northcliffe Newspapers Average issue readership of Northcliffe titles vs national titles in Northcliffe evening title areas (% adult reach)

Source: TNS 2003
Base: Adults 15+ in 17 Northcliffe Evening title 10%+ areas

