

NORTHCLIFFE MEDIA

LORD ROTHERMERE
CHAIRMAN (LEFT)
MICHAEL PELOSI
MANAGING DIRECTOR (RIGHT)



KEY FIGURES

REVENUE

£447m

(2006: £455m)

OPERATING PROFIT*

£93m

(2006: £89m)

OPERATING MARGIN*

21%

(2006: 20%)

KEY DEVELOPMENTS: 1_NORTHCLIFFE MEDIA HAD A GOOD YEAR 2_IT HAS BEEN REVITALISED AS AN INTEGRATED PROVIDER OF LOCAL MEDIA SERVICES 3_UK DIGITAL PUBLISHING REVENUES ROSE BY 77% 4_MARGINS ARE IMPROVING 5_OPERATIONAL CASH GENERATION HAS BEEN STRONG 6_IT CONTINUES TO INVEST IN REVENUE GENERATION

Northcliffe's operating profit* climbed to £92.5 million, which included £1.5 million from newly acquired titles in the South of England. These titles are rapidly being integrated into Northcliffe and are performing in line with expectations. This was a record result after excluding Aberdeen Journals (sold March 2006), Northcliffe Retail (sold in June) and the contribution from acquired businesses.

In the UK, operating profits* grew by 6% on a similar basis. Operating margin increased to 21%, up by over 1% on 2006. Total revenues were flat. However, costs declined by almost £10 million due to the continued implementation of Northcliffe's business improvement programme, which commenced in the summer of 2005. In aggregate, this programme has achieved savings of £45 million. Northcliffe has been revitalised as an integrated provider of local media services.

In Central Europe, where we also have a combined print and online strategy, Northcliffe International grew its profits by 53% to £6.9 million. Newly acquired businesses accounted for £1.5 million whereas organic growth in profits* was 19%.

UK

Trading conditions in the UK continued to be challenging. Advertising revenues fell by £2 million (0.7%) mainly due to weak performances from the motors and retail categories. Motors declined by 10% due to a combination of migration to online advertising and the continuing consolidation of dealerships in the UK. Northcliffe is addressing online migration with the launch of motors.co.uk. Retail revenues fell by 6% but showed an improving trend by the third quarter.

Recruitment advertising continued to trend downwards for the first half of the year (falling by 3%) but this reversed in the second half (increasing by 6%) resulting in an overall increase of just under 2%. Property advertising was the star performer in 2007, growing by 7% on the back of a buoyant housing market.

2007 was a year of real progress for online publishing as Northcliffe focused all of its operating centres on becoming integrated local media publishers. Responsibility for online publishing has been handed back to local editorial departments and has been enthusiastically embraced by all. Centres no longer think purely print. Instead, editorial departments consider what is the best channel for news. Stories are broken online when they are ready and not to suit print deadlines.

The family of 'This is' sites now incorporate video, readers' comments and photographs. There has been a major increase in interaction with users and this is set to develop rapidly over the coming twelve months. In September, the number of UK unique users reached 2.5 million, an increase of 42% on the year before.

The relevance of local media was appropriately demonstrated by Hull and Gloucestershire during the summer floods which hit both these areas. www.thisishullandeastriding.co.uk and www.thisisgloucestershire.co.uk provided regular updates to the respective communities. They also carried videos and a substantial number of photographs submitted by readers. Users and page views rose significantly during this period. In Gloucestershire, unique users on Monday 22nd July increased to almost 40,000, a rise

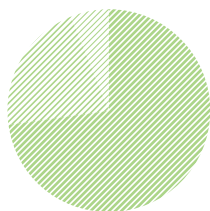
* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

**NORTHCLIFFE MEDIA
REVENUE ANALYSIS (£M)**

	2007	2006
ADVERTISING	304	298
CIRCULATION	88	86
OTHER	23	21
	415	405
EX-TRINITY TITLES	6	
ABERDEEN/RETAIL	26	50
	447	455

2007 REVENUE ANALYSIS (%)

- ADVERTISING 73%
- CIRCULATION 21%
- OTHER 6%



of over 300% on the previous week. The site is continuing to attract a higher level of users. However, this did not have an adverse impact on the sale of the local titles.

Our commercial teams have also been active in growing digital revenues, mainly on the back of the compelling combination of local print and online. UK digital revenues increased by 77% over the previous year. 75% of all jobs which appeared in print were also posted online and, for this, the customer enjoys an entry on the local 'This is' site as well as on the national Jobsite board.

Feedback from local motor dealers who are now using our online automotive platform, www.motors.co.uk, is positive. All sites have reached critical mass in terms of the number of local vehicles available for search. Encouragingly, this digital proposition is allowing us to engage with a number of lapsed advertisers who no longer buy print advertising. Almost all online inventory is now generating revenue and we expect this category to show further progress in 2008.

All Northcliffe centres have been active in presenting our online property websites to local estate agents and providing clients with activity reports. The response from estate agents has been positive. A high proportion of local branches now post their entire inventory on our 'This is' sites. A further development over the next few months will be the roll out of the platform developed by FindaProperty which has excellent functionality. This should make our proposition of local print and online an even stronger route to market for clients.

Currently, FindaProperty technology is in use in the South East and feedback is encouraging.

Newspaper circulation revenues fell by 1% to £76 million. Circulations continue to trend downwards. The most recent figures covering the January to June 2007 period showed that our daily evening titles were down by 5.4%, which was slightly better than the industry performance for this category. Disappointingly, our weeklies were down by 5.2%, which is behind the industry average of 3.3%. This decline was most apparent in our larger weekly titles with circulations above 30,000 copies. The reasons are not obvious and, therefore, research is being commissioned to provide pointers which will allow us to address this trend.

Despite this downward trend in the sale of our titles, our portfolios of local media products – paid for, free weeklies, monthly magazines, websites and niche products – still have significant reach in each of the communities which we serve.

In addition to our focus on digital activities, we continue to innovate in print. Towards the end of September, the Bath Chronicle was converted from a daily to a weekly paid for title. Circulation of this title had declined to less than 12,000 copies each day. Profitability was marginal. The new weekly has retained all of its important advertising platforms of recruitment, property, motors, retail and leisure. Since publication, sales of the new titles have exceeded 22,000 each week, thus providing improved reach and response for advertisers. New free titles have also been launched in Essex and Leicestershire

**NORTHCLIFFE MEDIA
TOTAL UNDUPLICATED REACH**



Source: JICREG/IMS 2007

THE GRAPH SHOWS THE IMPACT OF THE DISPOSAL OF ABERDEEN JOURNALS (2006) AND THE ACQUISITION OF TITLES FROM TRINITY MIRROR PLC (2007) ON THE REACH OF NORTHCLIFFE MEDIA'S PORTFOLIO.

giving extended coverage for existing advertisers, as well as attracting new customers. This type of focused product innovation will continue throughout 2008.

CENTRAL EUROPE

Northcliffe International delivered profits' growth of 53%. In Hungary, our two regional titles, Kisalföld and Délmagyarország, both performed well, as did our classified titles. Online, we launched a jobs board, which is currently fifth in the market. Extensive marketing efforts are planned in 2008. Our motors websites, Autó Bazar and Hasznaltauto, make us the number one for online vehicles. We are now focusing on the online market for property.

In Slovakia, Pravda's first full year of ownership performed in line with expectations. Pravda is a national daily, which is number two in the market. The portfolio of classified publications continued to grow revenues and profits. Profesia, our online jobs board, is the number one online recruitment site in the country and has launched jobs boards into Hungary and the Czech Republic. Profits* grew by 70%. In March, we acquired Autovia. This site is now the number one website for motor vehicles in Slovakia.

In March, we entered the Croatian marketplace with the acquisition of the market-leading jobs website, MojPosao. In addition, we have acquired interests in new but fast-growing property, motors and buy and sell websites, which have quickly become number two sites in the market. These new acquisitions are trading in line with expectations.

OUTLOOK

Market conditions in the UK are difficult to forecast for the rest of the new financial year. There has been a recent slowing of the property market and the impact of the liquidity squeeze has yet to manifest itself fully across the wider economy. Northcliffe is, therefore, cautious on the outlook for local media in 2008. However, this will not deter our development plans as we position our local media businesses to be at the heart of all things local and to be the market-leading information providers to their local communities.

* GROWING OUR ONLINE USER GENERATED CONTENT



OUR FAMILY OF 'THIS IS' SITES HAS SEEN A MAJOR INCREASE IN USER INTERACTION. THE FIGURES SHOW VOLUME OF VOTES, STORY COMMENTS AND BULLETIN BOARD POSTINGS MADE IN SEPTEMBER OF THE RELEVANT YEAR.

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