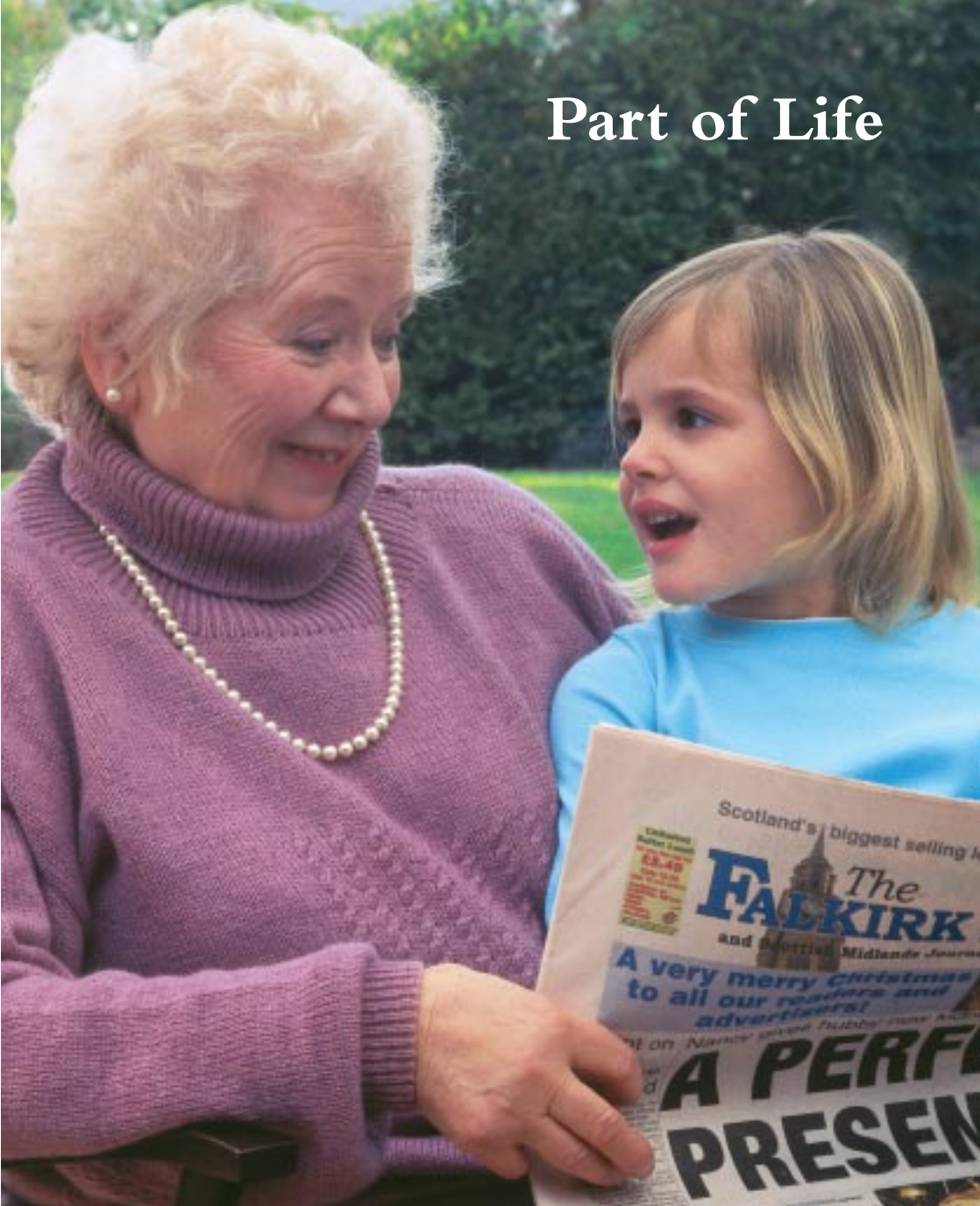




Johnston Press plc
Interim Report 2004

Part of Life



Scotland's biggest selling M
The FALKIRK
and Scottish Midlands Journal
A very merry Christmas
to all our readers and
advertisers!
A PERFECT
PRESENT

Life is local

Our aim is to serve our local communities related print publications and websites that platform for advertisers to reach their target

Johnston Press is the only quoted UK newspaper publishing group that solely focuses on local and regional markets.

by publishing quality newspapers,
attract readers and provide an effective
audience.

Directors

R G Parry (Chairman)
T J Bowdler
S R Paterson
Sir Harry Roche - resigned 30 April 2004
P E B Cawdron
F P M Johnston, CBE
H C M Johnston
Lord Gordon of Strathblane, CBE
M A King
S J Waugh

Secretary

P R Cooper, ACA

Financial Calendar

August 2004	Interim Results
November 2004	Payment of Interim Dividend
March 2005	Annual Results
April 2005	Annual General Meeting
May 2005	Payment of Final Dividend

Chief Executive's HALF YEAR STATEMENT

The six months to 30 June 2004 have been a good trading period for Johnston Press. The rate of underlying advertising revenue growth was above our expectations and this, when combined with the Group's ongoing focus on managing an efficient business, has produced an excellent result.

Operating profit before operating exceptionals increased by 9.5% to £92.0 million. Strong cash generation resulted in borrowings falling to £378 million at 30 June 2004 and a reduced interest charge of £13.8 million, down by 17.5%. Headline earnings per share rose from 16.82p to 19.45p, an increase of 15.6%. The interim ordinary dividend payable on 5 November 2004 will be 2.4p, an increase of 20%.

The Board has been aware that over recent years the growth of earnings has been consistently ahead of the growth in dividends, resulting in an increased level of dividend cover. The increased interim dividend is designed to address this whilst still providing sufficient financial flexibility for the Group going forward.

Trading review

For the period under review, advertising revenue for the Group increased on an actual and a like-for-like basis by 6.0%. Volume growth was the principal driver behind this strongly improved performance with an increase of 4.6%. Part of this improvement came from new revenue initiatives, primarily re-publishing classified

advertisements in the form of complementary specialist advertising-only publications. Employment advertising revenues grew strongest, up by 13.3%, partly reflecting improved trading conditions in the South of the country. Being the highest yielding category, this more than offset the lower yields of the newly launched publications such that overall yields increased by 1.4%. Increasing volumes of colour advertising, which carries a price premium, also continued to assist yield growth.

All categories of advertising grew revenue over the six months. Whilst employment advertising was strongest, property advertising also continued to perform well, especially when bearing in mind the strong comparatives from the previous period. Growth in motors advertising revenue was modest but other classifieds were comfortably ahead. Display advertising recovered, demonstrating good growth against weak comparatives which were affected by depressed national advertising at the time of the Iraq war and as a result of the Competition Commission inquiry into the acquisition of Safeway. In overall terms, consumer sentiment in the markets where we

operate has remained positive, underpinning the Group's improved performance.

Increased emphasis has been placed throughout the business on driving top-line growth. This has included a number of notable successes, such as the launch of stand-alone recruitment publications which complement and extend our internet search engine branding, further development of our lifestyle and exclusive homes magazines and a greater use of the Group's scale to share ideas and best practice. Work has also progressed on the creation of a common approach to advertising supplements in order to attract additional national display advertising.

The operating profit margin in the period, before operating exceptionals, increased from 33.8% to 35.2% with every publishing division increasing its operating profit. We continue to invest heavily in new IT systems in order to improve customer service and operating efficiency and the continuing improvements in performance owe much to these initiatives.

Profitability of the Printing division improved despite internal Group-work replacing some external contract printing. Costs were well controlled and assisted by increased volumes, printing efficiencies have seen a further improvement.

The two ongoing large projects to increase colour availability on our presses in Leeds and Sunderland are progressing to plan

with the former already in production and the latter due for completion before the year-end. Progress has also been made in identifying and securing a suitable site for our planned new print works in Sheffield, which remains on schedule for completion by the end of 2006.

Newspaper sales revenues increased again by 1.7% underlining the strength of our paid-for weekly titles where circulation grew by 0.3% and which comprise half of our total newspapers. Changes in the Audit Bureau of Circulation's rules, which resulted in a faster than planned reduction in bulk sales, contributed to a fall of 4.9% in the average circulations of our daily titles. This masked a number of improved underlying performances in which the Scarborough Evening News stood out with a marginal increase in its full-price base sale. A number of initiatives are in place, underpinned by a substantial market research programme, aimed at securing a further improvement in performance.

All categories of advertising grew revenue over the six months. Whilst employment advertising was strongest, property advertising also continued to perform well.

Chief Executive's HALF YEAR STATEMENT

Our electronic media activities continued to develop making a contribution of £2.1 million to Group profitability, reflecting the growing success and importance of the 167 websites which we operate. All three of our key classified sites have been redesigned, upgraded and relaunched in recent months and work continues on further enhancements to their functionality.

A number of important initiatives have been implemented to further improve our staff development and retention programmes. In anticipation of new UK regulations next year, we have also improved our employee communications by introducing a formal Group-wide staff information and consultation process.

Borrowings

The Group continues to be strongly cash generative and this, combined with good control of working capital, resulted in net debt reducing by £46 million to £378 million. At 30 June 2004, there was £173 million unutilised in our bank facility. Interest cover for the period increased to 6.9 times.

Board

After eleven years on the Board, Sir Harry Roche retired at the AGM in April. Harry's extensive industry experience and wise counsel have been of immense value to the Board and we wish him well for a long and happy retirement.

Our Board structures remain compliant with all aspects of the Combined Code.

Outlook

We have made a good start to the second half. Whilst we expect continued advertising revenue growth, the rate of increase is likely to slow due to the stronger comparatives in the second half of 2003. Newsprint prices remain stable and the Group continues to maintain a tight control of costs, giving the Board confidence about the prospects for the remainder of 2004 and of achieving good progress for the year as a whole.



T J BOWDLER
Chief Executive
25 August 2004

Independent REVIEW REPORT

26 Weeks to 30 June 2004

Introduction

We have been instructed by the company to review the financial information for the 26 weeks to 30 June 2004 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks to 30 June 2004.



DELOITTE & TOUCHE LLP
Chartered Accountants, Edinburgh
25 August 2004

Group Profit and Loss

ACCOUNT

26 Weeks to 30 June 2004

	Notes	26 weeks to 30.6.04 Unaudited £'000	26 weeks to 30.6.03 Unaudited £'000	52 weeks to 31.12.03 Audited £'000
Turnover	2	261,228	248,456	491,843
Operating profit before operating exceptionals		92,044	84,069	163,033
Operating exceptionals	4	(1,058)	(882)	(2,452)
Operating profit	3	90,986	83,187	160,581
Share of associates' operating profit		142	231	581
Profit on ordinary activities before interest and taxation		91,128	83,418	161,162
Net interest	5	(13,789)	(16,719)	(33,210)
Profit on ordinary activities before taxation		77,339	66,699	127,952
Taxation on profit on ordinary activities	6	(22,977)	(19,834)	(38,264)
Profit for the financial period		54,362	46,865	89,688
Dividends	7	(6,911)	(5,740)	(17,173)
Retained profit for the period		47,451	41,125	72,515
Earnings per Share	11			
Headline		19.45p	16.82p	32.36p
Headline diluted		19.27p	16.72p	32.13p
Basic		19.10p	16.51p	31.57p
Basic diluted		18.92p	16.42p	31.35p

Group BALANCE SHEET

At 30 June 2004

	Notes	At 30.6.04 Unaudited £'000	Restated (Note 1c) At 30.6.03 Unaudited £'000	At 31.12.03 Audited £'000
Fixed Assets				
Intangible		927,557	927,557	927,557
Tangible		152,847	153,812	156,972
Investments		3,619	4,299	3,980
		1,084,023	1,085,668	1,088,509
Current Assets				
Stocks		2,834	2,219	2,961
Debtors: due within one year		75,920	74,202	59,734
due after more than one year		13,176	6,704	13,984
Cash at bank and in hand	9	10,482	7,176	9,944
		102,412	90,301	86,623
Creditors: amounts falling due within one year		(163,992)	(134,454)	(151,123)
Net current liabilities		(61,580)	(44,153)	(64,500)
Total assets less current liabilities		1,022,443	1,041,515	1,024,009
Creditors: amounts falling due after more than one year		(322,545)	(426,983)	(372,750)
Provisions for liabilities and charges		(16,530)	(12,070)	(16,327)
Net assets		683,368	602,462	634,932
Capital and Reserves				
Called-up share capital	8	29,561	29,463	29,505
Reserves		653,807	572,999	605,427
Shareholders' funds	10	683,368	602,462	634,932

The Interim Report was approved by the Board of Directors on 25 August 2004.

Group

CASH FLOW STATEMENT 26 Weeks to 30 June 2004

	26 weeks to 30.6.04 Unaudited £'000	26 weeks to 30.6.03 Unaudited £'000	52 weeks to 31.12.03 Audited £'000
Operating profit	90,986	83,187	160,581
Exceptional items	(42)	(536)	(669)
Depreciation	9,374	8,397	18,016
Amount written off employee share option trust	233	147	287
Loss/(profit) on sale of fixed assets	50	(7)	31
Profit on sale of business	—	—	(338)
Increase in working capital	(12,248)	(9,306)	(10,635)
Decrease in unfunded pension provision	—	—	300
Net cash inflow from operating activities	88,353	81,882	167,573
Income from fixed asset investments	627	811	1,197
Net interest paid	(12,941)	(15,955)	(31,894)
Preference dividends paid	(76)	(76)	(152)
Returns on investment and servicing of finance	(12,390)	(15,220)	(30,849)
Taxation	(11,745)	(7,732)	(23,548)
Purchase of tangible fixed assets	(8,502)	(9,211)	(19,103)
Sale of tangible fixed assets	1,089	51	1,015
Sale of investment	—	—	35
Purchase of investment - Employee share option trust	(791)	(238)	(238)
Capital expenditure and financial investment	(8,204)	(9,398)	(18,291)
Sale of subsidiary undertaking/business	—	608	608
Acquisitions and disposals	—	608	608
Equity dividends paid	(11,366)	(10,195)	(15,863)
Net cash inflow before financing	44,648	39,945	79,630
Issue of ordinary share capital	1,543	449	1,390
Repayment of loan capital - net (note 9)	(42,278)	(52,147)	(93,607)
Finance leases	(13)	(11)	(24)
Financing	(40,748)	(51,709)	(92,241)
Increase/(decrease) in net cash	3,900	(11,764)	(12,611)

Notes to the ACCOUNTS

26 Weeks to 30 June 2004

1. Basis of Preparation

- a) The Interim Reports for the six months ended 30 June 2004 and 30 June 2003 are unaudited, but have been prepared on the basis of accounting policies expected to be adopted in the annual accounts for the year ending 31 December 2004. These are consistent with those set out in the audited accounts for the year ended 31 December 2003. The results for the year ended 31 December 2003 are an abridged version of the Company's full accounts, which carried an unqualified auditors' report and which have been filed with the Registrar of Companies.
- b) The Group continues to apply the provisions of FRS10 in respect of the valuation of intangible fixed assets. In the assessment of the value of publishing titles, shown as intangible assets, it has been decided that these should not be depreciated since they have an indefinite life, and impairment tests, in accordance with FRS11, support this treatment.
- c) The publication of UITF Abstract 38 amended the accounting treatment of shares held in an Employee Share Trust. The value of shares at 30 June 2003, £609,000, has been re-categorised from investments to a reduction from shareholders' funds.

2. Turnover

	26 weeks to	26 weeks to	52 weeks to
	30.6.04	30.6.03	31.12.03
	£'000	£'000	£'000
Turnover represents:			
Newspapers and contract printing			
Continuing operations	261,228	248,456	491,843

3. Operating Profit

	26 weeks to	26 weeks to	52 weeks to
	30.6.04	30.6.03	31.12.03
	£'000	£'000	£'000
Operating profit represents:			
Newspapers and contract printing			
Continuing operations	90,986	83,187	160,581

Notes to the ACCOUNTS

26 Weeks to 30 June 2004

4. Operating Exceptional Items

	26 weeks to 30.6.04 £'000	26 weeks to 30.6.03 £'000	52 weeks to 31.12.03 £'000
Redundancy and restructuring costs	1,058	882	2,790
Profit on sale of business	—	—	(338)
	1,058	882	2,452

5. Net Interest

	26 weeks to 30.6.04 £'000	26 weeks to 30.6.03 £'000	52 weeks to 31.12.03 £'000
Interest receivable and similar income	(596)	(373)	(1,114)
Interest paid	14,031	16,727	33,599
	13,435	16,354	32,485
Exceptional item:			
Provision for impairment of investment in Mirago	354	365	725
	13,789	16,719	33,210

6. Taxation

The taxation charge for the six months to 30 June 2004 has been provided on the basis of the estimated effective tax rate for the year to 31 December 2004. The charge for the six months to 30 June 2004 includes a tax credit of £423,000 (26 weeks to 30 June 2003 - £374,000) in respect of the exceptional items in notes 4 and 5.

7. Dividends

	26 weeks to 30.6.04 £'000	26 weeks to 30.6.03 £'000	52 weeks to 31.12.03 £'000
Preference	76	76	152
Ordinary	6,835	5,664	17,021
	6,911	5,740	17,173

The interim ordinary dividend of 2.4p per share (2003 - 2p) is payable on 5 November 2004 to shareholders on the register at close of business on 15 October 2004.

8. Share Capital

	At 30.6.04 000's	At 30.6.03 000's	At 31.12.03 000's
Ordinary shares of 10p each	284,555	283,574	283,994
13.75% Cumulative Preference shares of £1 each	756	756	756
13.75% "A" Preference shares of £1 each	350	350	350

The increase from 31 December 2003 in the number of Ordinary shares arose from the exercise of 560,105 share options under the Group's Sharesave and Executive Share Option Schemes.

9. Analysis of Net Debt

	31 December 2003 £'000	Cash flow £'000	Other non-cash changes £'000	30 June 2004 £'000
Cash at bank and in hand	9,944	538	—	10,482
Overdrafts	(15,032)	3,362	—	(11,670)
(Decrease)/increase in net cash	(5,088)	3,900	—	(1,188)
Bank loans	(247,933)	41,964	—	(205,969)
Senior notes	(132,785)	—	—	(132,785)
Loan stock	(41,778)	314	—	(41,464)
Finance leases	(66)	13	—	(53)
Term debt issue costs	4,478	—	(675)	3,803
Net debt	(423,172)	46,191	(675)	(377,656)
Interest cover (excluding exceptional items)	5.0 times			6.9 times

Of the £10,482,000 cash at bank and in hand, £1,577,000 is held on deposit to guarantee the 1999/2006 Loan Stock interest for one year.

Notes to the ACCOUNTS

26 Weeks to 30 June 2004

10. Reconciliation of Movements in Shareholders' Funds

	26 weeks to 30.6.04 £'000	Restated (Note 1c)	
		26 weeks to 30.6.03 £'000	52 weeks to 31.12.03 £'000
Profit for the financial period	54,362	46,865	89,688
Dividends	(6,911)	(5,740)	(17,173)
Movement in own shares	(558)	(77)	62
Share issues (net)	1,543	449	1,390
Net increase in shareholders' funds	48,436	41,497	73,967
Opening shareholders' funds	634,932	560,965	560,965
Closing shareholders' funds	683,368	602,462	634,932

11. Earnings per Share

The calculation of earnings per share is based on the following profits and weighted average number of shares:

	Headline		Basic/Diluted	
	June 2004 £'000	June 2003 £'000	June 2004 £'000	June 2003 £'000
Profit for the financial period	54,362	46,865	54,362	46,865
Exceptional items (notes 4 and 5)	1,412	1,247	—	—
Tax effect of exceptional items	(423)	(374)	—	—
Preference dividend	(76)	(76)	(76)	(76)
	55,275	47,662	54,286	46,789

	June 2004 No. of shares	June 2003 No. of shares
Weighted average number of shares		
For headline/basic earnings per share	284,202,948	283,423,426
Exercise of share options	2,688,173	1,597,148
For diluted earnings per share	286,891,121	285,020,574

Headline figures are presented to show the effect of excluding exceptional items from earnings per share.

Divisional STRUCTURE

Newspaper Publishing

Johnston Newspapers (Scotland)

Johnston (Falkirk) Ltd
Strachan & Livingston Ltd
The Tweeddale Press Group Ltd

Isle of Man Newspapers Ltd

Johnston Newspapers (Northeast)

Northeast Press Ltd

Johnston Newspapers (North)

Yorkshire Post Newspapers Ltd
Ackrill Newspapers Ltd
The Halifax Courier Ltd
Yorkshire Weekly Newspaper Group Ltd
Yorkshire Regional Newspapers Ltd

Johnston Newspapers (Northwest)

Lancashire Evening Post Ltd
Lancashire Publications Ltd
Blackpool Gazette & Herald Ltd
Lancaster & Morecambe Newspapers Ltd
East Lancashire Newspapers Ltd

Johnston Newspapers (North Midlands/South Yorkshire)

Sheffield Newspapers Ltd
Wilfred Edmunds Ltd
North Notts Newspapers Ltd
South Yorkshire Newspapers Ltd

Johnston Newspapers (East Midlands)

East Midlands Newspapers Ltd
Welland Valley Newspapers Ltd
Lincolnshire Newspapers
Anglia Newspapers Ltd

Johnston Newspapers (South Midlands)

Northamptonshire Newspapers Ltd
Premier Newspapers Ltd
Central Counties Newspapers Ltd
Heart of England Newspapers
Bedfordshire Newspapers Ltd

Johnston Newspapers (South)

Portsmouth Publishing & Printing Ltd
TR Beckett Ltd
Sussex Newspapers Ltd

Web Printing

Peterboro' Web Ltd
Northampton Web Ltd
Hartlepool Web
Sunderland Web
Portsmouth Web
Leeds Web
Sheffield Web

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