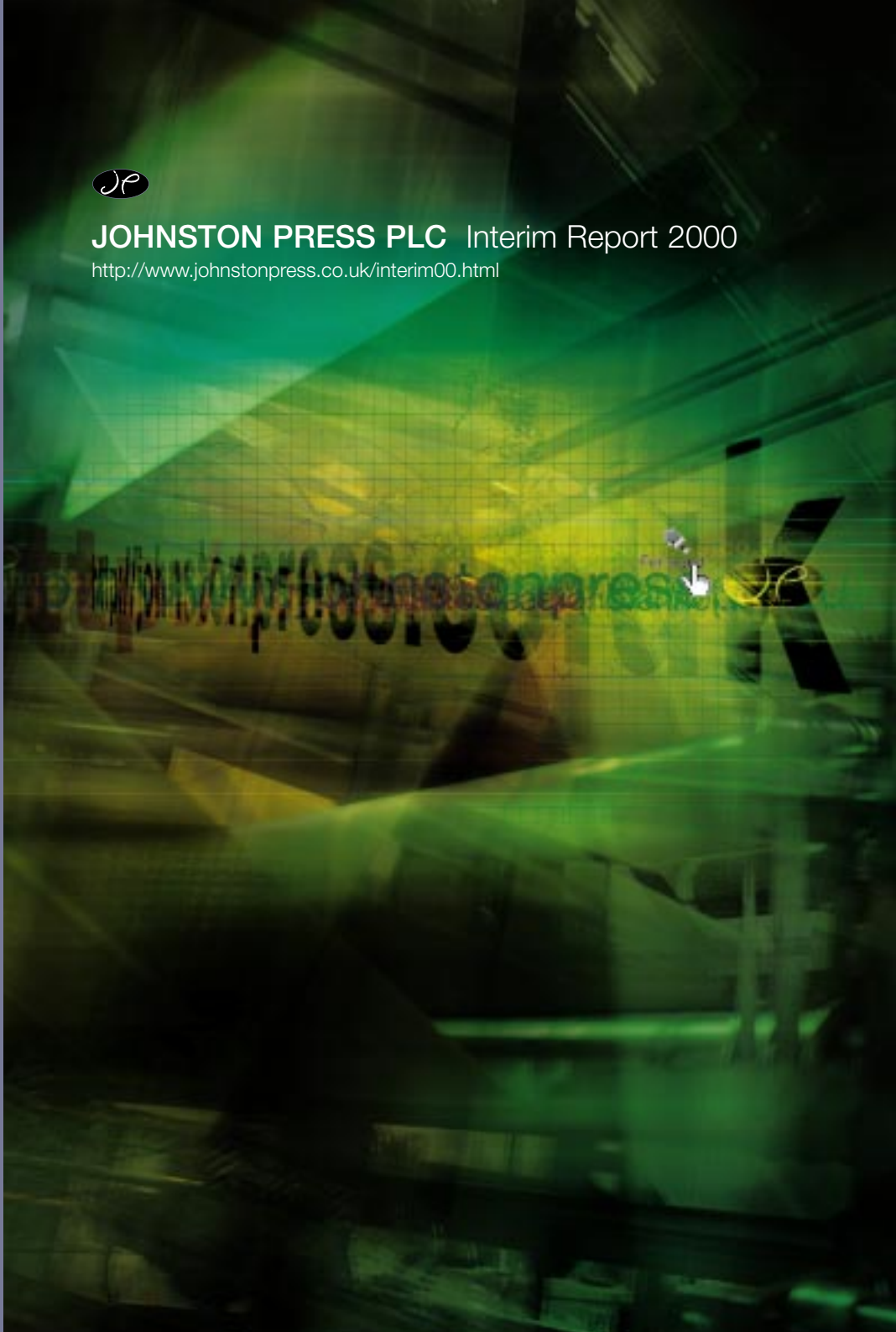




JOHNSTON PRESS PLC Interim Report 2000

<http://www.johnstonpress.co.uk/interim00.html>



Directors

F P M Johnston, CBE (Chairman)

T J Bowdler

M L A Chiappelli

N B Rudd-Jones (appointed 1 May 2000)

H C M Johnston

Sir Harry Roche

Lord Gordon of Strathblane, CBE

R G Parry

P E B Cawdron

Secretary

P R Cooper, ACA

Financial Calendar

August: Interim Results

November: Payment of Interim Dividend

Web Site: <http://www.johnstonpress.co.uk>

Registered Number 15382

CHAIRMAN'S HALF YEAR STATEMENT

Building on the strong results in 1999, the Company forged ahead in the half year to 30 June and recorded further excellent profit growth.

Substantial benefits continue to stem from the acquisition of Portsmouth & Sunderland Newspapers at the end of June 1999, and advertising revenues remain healthy, boosted by the general buoyant state of the national economy. Operating profit rose from £29.4 million to £44.0 million, an increase of 50%. On a like-for-like basis, operating profit increased by 14%. Earnings per share before exceptional items were 12.18p (1999 – 9.29p) an increase of 31%.

The interim ordinary dividend payable on 3 November 2000 will be 1.5p, an increase of 20%.

Trading Review

Total advertising revenue for the half year grew on a like-for-like basis by 9% with increased volumes and greater yields both contributing to the improvement. Whilst every division achieved year-on-year revenue increases, the southern half of the country witnessed much stronger market conditions than the North, with double digit growth in the East and South Midlands and the South of England divisions.

All categories of advertising were ahead of the previous period on a like-for-like basis. However, the principal driver was a 28% increase in situations vacant advertising with every division benefiting. National display advertising was also much improved with 17% growth, although this was achieved against a relatively modest performance in this category during the corresponding prior half year period.

All of the Company's principal publishing centres reported increased earnings with particularly strong growth from the East and South Midlands and South of England divisions, reflecting the buoyant market conditions referred to earlier. Nevertheless, the considerable progress in the more northerly divisions demonstrated management's ability to improve performance even where market conditions were less helpful. The Printing Division also benefited from the growth

CHAIRMAN'S HALF YEAR STATEMENT CONTINUED

of in-house publishing volumes and the integration of the presses at Hartlepool, Portsmouth and Sunderland.

The performance of recently acquired businesses during the first six months of 2000 has been stronger than anticipated. Following reorganisation, The Tweeddale Press made an excellent contribution, Sunderland performed well and the progress at Portsmouth has been exceptional. As a result of the improvements in both existing and newly acquired businesses, the Company's operating margin has again increased, rising from 29.1% to 29.8%.

The circulations of our weekly titles continue to grow as they have for several years now. Performance of our nine evening titles was however disappointing with an overall decline. Two factors influenced this outcome; firstly, our policy of reducing bulk sales which are already at levels below the industry average and, secondly, the temporary disruption experienced at several press rooms during the current substantial investment programme to provide greater colour capability which is scheduled for completion in mid 2001.

New Media

The Company continues to develop its Internet presence and now has 54 web sites from Scotland to the South Coast of England. Page impressions are running at over 3 million per month and are expected to rise strongly. Johnston's sites are all locally branded, building on the market strength of its local newspapers, and provide extensive content to the local communities they serve. During the period, a number of important developments have taken place including the launch of Johnston Press branded on-line classified search services. Internet revenues for the six months were £1.25 million, substantially ahead of the comparable half year period.

In July, the Company made a strategic investment of £3.5 million for a 17.5% stake in Mirago plc, which operates a U.K. Internet search service identifying sites of specific U.K. interest with software based entirely on technology developed and owned by Mirago. A joint project has been initiated to enable users of Johnston Press web sites to search the Internet from the perspective of the area in which they live.

Acquisitions

Johnston Press regards further industry consolidation as inevitable and the Company remains determined to play an active part in that process. It is expected that this will involve both smaller tactical acquisitions and also more substantial opportunities.

An example of the former was provided by our acquisition in June 2000 from Southnews plc of 14 titles in Lincolnshire, Nottingham and South Yorkshire. These titles are largely contiguous to our existing operations in those regions which will permit economies as well as the possibility of expanded revenues.

In respect of more substantial opportunities, we have applied for clearance under the Fair Trading Act 1973 to acquire the titles of Regional Independent Media Holdings Ltd, which has substantial regional and local newspaper interests in Lancashire and Yorkshire. Two other companies have also applied for similar clearance and the Secretary of State is expected to announce his decision later in the year.

We have the management and financial resources to be a leading player in further industry consolidation. Our determination to do so will be dependent upon the relative attractiveness of any potential target and the overriding need to create shareholder value, a combination which decided us against pursuing our interest in News Communications & Media plc.

Borrowings and Gearing

The Group's total borrowings were £275 million at 30 June 2000. The increase in bank borrowings is shown under note 9, page 11, of the interim accounts and was principally due to acquisitions in the last six months. The Group's balance sheet remains strong with interest cover at a healthy 4.9 times.

CHAIRMAN'S HALF YEAR STATEMENT CONTINUED

Directors and Management

Nicholas Rudd-Jones was appointed to the Board as an Executive Director as from 1 May 2000 when he became Group Managing Director – Publishing. He has extensive experience in newspaper management and his appointment strengthens our senior management team. Additionally, he brings considerable expertise in the development of Internet-related activities.

Outlook

The second half of the year has started well. Not only are revenues continuing to grow but the Company is also gaining from ongoing operational improvements.

While we do not believe that the business cycle has been abolished, the general outlook remains positive with UK interest rates close to their peak and inflationary pressures remaining subdued.

Costs remain under close control and given the continuing buoyant market conditions, the remainder of 2000 looks healthy. Despite an anticipated increase in the cost of newsprint from 2001, the medium-term outlook also remains positive.

A handwritten signature in blue ink, appearing to read 'Fred Johnston', with a long horizontal line extending to the left.

F P M Johnston, Chairman

29 August 2000

INDEPENDENT REVIEW REPORT TO JOHNSTON PRESS PLC

SIX MONTHS TO 30 JUNE 2000

Introduction

We have been instructed by the company to review the financial information set out on pages 6 to 12 and 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.

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 and applicable United Kingdom accounting standards. The Listing Rules require that the accounting policies and presentation applied to the interim figures should be 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 guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. 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 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 six months ended 30 June 2000.

Arthur Andersen
Chartered Accountants
18 Charlotte Square
Edinburgh EH2 4DF
29 August 2000

GROUP PROFIT AND LOSS ACCOUNT

SIX MONTHS TO 30 JUNE 2000

	Notes	26 weeks to 30.6.00 £'000	26 weeks to 30.6.99 £'000	53 weeks to 31.12.99 £'000
Turnover				
Continuing operations		147,465	100,437	239,873
Discontinued operations		—	2,691	2,691
Total turnover	2	147,465	103,128	242,564
Operating profit				
Continuing operations		43,957	29,245	65,807
Discontinued operations		—	107	107
Total operating profit	3	43,957	29,352	65,914
Share of profits of associated undertaking		203	123	310
Exceptional items	4	—	(749)	(5,230)
Profit on ordinary activities before interest and taxation		44,160	28,726	60,994
Net interest		(8,994)	(2,875)	(11,160)
Profit on ordinary activities before taxation		35,166	25,851	49,834
Taxation	5	(10,668)	(8,107)	(15,272)
Profit for the financial period		24,498	17,744	34,562
Dividends	6	(3,084)	(2,582)	(8,171)
Retained profit		21,414	15,162	26,391
Earnings per Share				
Headline	11	12.18p	9.29p	19.20p
Headline diluted		12.09p	9.24p	19.08p
Basic		12.18p	8.81p	17.16p
Diluted		12.09p	8.77p	17.06p

GROUP BALANCE SHEET

AT 30 JUNE 2000

	Notes	At 30.6.00 £'000	At 30.6.99 £'000	At 31.12.99 £'000
Fixed Assets				
Intangible	7	419,769	391,524	403,440
Tangible		99,599	91,780	91,846
Investments		1,748	1,694	1,821
		521,116	484,998	497,107
Current Assets				
Stocks		1,673	2,005	2,232
Debtors: due within one year		44,552	47,307	37,207
due after more than one year		2,532	6,300	2,549
Cash at bank and in hand	9	8,786	62,609	11,853
		57,543	118,221	53,841
Creditors: amounts falling due within one year		(75,738)	(268,925)	(71,512)
Net current liabilities		(18,195)	(150,704)	(17,671)
Total assets less current liabilities		502,921	334,294	479,436
Creditors: amounts falling due after more than one year		(262,808)	(6,707)	(260,790)
Provisions for liabilities and charges		(5,995)	(6,348)	(5,806)
Net assets		234,118	321,239	212,840
Capital and Reserves				
Called-up share capital	8	21,156	21,154	21,154
Reserves		212,962	180,276	191,686
Shareholders' funds	10	234,118	201,430	212,840
Minority interest		—	119,809	—
Total capital employed		234,118	321,239	212,840

The accounts were approved by the Board of Directors on 29 August 2000.

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS TO 30 JUNE 2000

	26 weeks to 30.6.00 £'000	26 weeks to 30.6.99 £'000	53 weeks to 31.12.99 £'000
Operating profit	43,957	29,352	65,914
Exceptional items	—	(86)	(4,550)
Depreciation	5,699	3,423	9,709
Development grant amortisation	—	—	(13)
(Gain)/loss on sale of tangible fixed assets	(98)	18	30
Increase in working capital	(8,375)	(5,838)	(2,495)
Net cash inflow from operating activities	41,183	26,869	68,595
Income from fixed asset investments	578	375	555
Net interest paid	(10,590)	(3,838)	(8,871)
Preference dividends paid	(76)	(76)	(152)
Term debt issue costs	—	(1,710)	(3,420)
Returns on investment and servicing of finance	(10,088)	(5,249)	(11,888)
Taxation	(9,791)	(1,445)	(19,226)
Purchase of tangible fixed assets	(13,414)	(3,605)	(9,892)
Sale of tangible fixed assets	546	339	866
Capital expenditure and financial investment	(12,868)	(3,266)	(9,026)
Purchase of subsidiary undertakings	(14,969)	(35,850)	(208,941)
Net cash acquired with subsidiary undertakings	(61)	59,121	59,245
Sale of subsidiary undertakings	—	1,592	1,576
Acquisitions and disposals	(15,030)	24,863	(148,120)
Equity dividends paid	(5,513)	(4,711)	(7,217)
Net cash (outflow)/inflow before financing	(12,107)	37,061	(126,882)
Issue of ordinary share capital	31	1	16
Additional loan capital - net	8,954	11,386	129,810
Finance leases	(9)	—	(65)
Financing	8,976	11,387	129,761
(Decrease)/increase in net cash	(3,131)	48,448	2,879

NOTES TO THE ACCOUNTS

SIX MONTHS TO 30 JUNE 2000

1. Basis of Preparation

The accounts for the six months ended 30 June 2000 and 30 June 1999 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 2000. These are consistent with those set out in the audited accounts for the year ended 31 December 1999. The results for the year ended 31 December 1999 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.

The Group has adopted the provisions of FRS10 in respect of the valuation of intangible fixed assets. In our assessment of the value of our publishing titles, shown as intangible assets, it has been decided that these should not be depreciated since they have a life expectancy of more than 20 years, and impairment tests, in accordance with FRS11, support this treatment.

On 13 June 2000 the Group acquired, through its subsidiary company, Johnston Publishing Ltd, the Lincolnshire Standard Group Ltd and Four Counties Newspapers Ltd. The post acquisition turnover and operating profit are immaterial and are therefore not disclosed separately.

2. Turnover

26 weeks to	26 weeks to	53 weeks to
30.6.00	30.6.99	31.12.99
£'000	£'000	£'000

Turnover represents:

Continuing operations			
Newspapers and contract printing	147,465	100,437	239,873
Discontinued operations			
Wholesale stationery	—	2,691	2,691
Total turnover	147,465	103,128	242,564

NOTES TO THE ACCOUNTS CONTINUED**3. Operating Profit**

26 weeks to	26 weeks to	53 weeks to
30.6.00	30.6.99	31.12.99
£'000	£'000	£'000

Operating profit represents:

Continuing operations			
Newspapers and contract printing	43,957	29,245	65,807
Discontinued operations			
Wholesale stationery	—	107	107
Total operating profit	43,957	29,352	65,914

4. Exceptional Items

26 weeks to	26 weeks to	53 weeks to
30.6.00	30.6.99	31.12.99
£'000	£'000	£'000

Loss on disposal of businesses	—	(663)	(680)
Closure of Web Offset presses	—	—	(988)
Fundamental reorganisation			
following acquisition of new titles	—	(86)	(3,562)
	—	(749)	(5,230)

5. Taxation

The taxation charge for the six months to 30 June 2000 has been provided on the basis of the estimated effective tax rate for the year to 31 December 2000. The charge for the six months to 30 June 1999 includes a tax charge of £199,000 on the exceptional items.

6. Dividends

26 weeks to	26 weeks to	53 weeks to
30.6.00	30.6.99	31.12.99
£'000	£'000	£'000

Preference	76	76	152
Ordinary	3,008	2,506	8,019
	3,084	2,582	8,171

The interim dividend of 1.5p per share (1999 – 1.25p) is payable on 3 November 2000 to shareholders on the register at close of business on 20 October 2000.

7. Intangible Assets

The increase in intangible assets arises from the acquisition of the Lincolnshire Standard Group Ltd and Four Counties Newspapers Ltd as follows:

	£'000
Cost of investment	14,969
Fair value of net liabilities acquired	1,360
	16,329

8. Share Capital

	At 30.6.00 000's	At 30.6.99 000's	At 31.12.99 000's
Ordinary shares of 10p each	200,508	200,478	200,487
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 1999 in the number of Ordinary shares arose from the exercise of share options totalling 21,093 shares under the Company's Sharesave and Executive Share Option Schemes.

9. Analysis of net debt

	31 December 1999 £'000	Cash flow £'000	Acquisition £'000	Other non-cash charges £'000	30 June 2000 £'000
Cash at bank and in hand	11,853	(3,067)	—	—	8,786
Overdrafts	—	(64)	—	—	(64)
	11,853	(3,131)	—	—	8,722
Bank loans	(212,521)	(9,859)	—	—	(222,380)
Loan stock	(65,170)	905	—	—	(64,265)
Finance leases	(167)	9	(9)	—	(167)
Term debt issue costs	2,995	—	—	(342)	2,653
Net debt	(263,010)	(12,076)	(9)	(342)	(275,437)

Gearing	124%	118%
Interest Cover	5.5 times	4.9 times

NOTES TO THE ACCOUNTS CONTINUED**10. Reconciliation of Movements in Shareholders' Funds**

	26 weeks to 30.6.00 £'000	26 weeks to 30.6.99 £'000	52 weeks to 31.12.99 £'000
Profit for the financial period	24,498	17,744	34,562
Dividends	(3,084)	(2,582)	(8,171)
Other recognised gains and losses (net)	(167)	—	167
Share issues net	31	1	16
Goodwill written back	—	1,330	1,329
Net increase in shareholders' funds	21,278	16,493	27,903
Opening shareholders' funds	212,840	184,937	184,937
Closing shareholders' funds	234,118	201,430	212,840

11. Earnings per share

Earnings per share are based on profits on ordinary activities after taxation and preference dividends and have been calculated on a weighted average of 200,497,980 shares (1999 - 200,478,147). Diluted earnings per share are based on a weighted average of 201,937,166 shares (1999 - 201,541,041).

Headline earnings per share in prior periods excluded the effects of exceptional items, but as there are no exceptional items in the period to 30 June 2000, headline and basic earnings per share are the same.

12. Regional Independent Media Holdings Limited

On 30 June 2000 the Group applied to the Secretary of State for Trade and Industry for consent to acquire the newspaper titles of Regional Independent Media Holdings Limited. A decision from the Secretary of State is expected in the latter part of October.

DIVISIONAL STRUCTURE

Newspaper Publishing

Johnston Newspapers (Scotland)

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

Johnston Newspapers (Northeast)

Northeast Press Ltd

Johnston Newspapers (North of England)

The Halifax Courier Ltd
Yorkshire Weekly Newspaper Group Ltd
South Yorkshire Newspapers Ltd
Yorkshire Regional Newspapers Ltd

Johnston Newspapers (North Midlands)

Wilfred Edmunds Ltd
North Notts Newspapers Ltd
Four Counties Newspapers Ltd

Johnston Newspapers (East Midlands)

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

Johnston Newspapers (South Midlands)

Northamptonshire Newspapers Ltd
Premier Newspapers Ltd
Central Counties Newspapers Ltd
Bedfordshire Newspapers Ltd

Johnston Newspapers (South)

Portsmouth Publishing & Printing Ltd
TR Beckett Ltd
West Sussex Newspapers Ltd

Isle of Man Newspapers Ltd

Web Printing

Peterboro' Web Ltd
Southern Web Offset Ltd
Northampton Web Ltd
Hartlepool Web
Sunderland Web
Portsmouth Web

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