

JOHNSTON PRESS PLC INTERIM REPORT 2001



Directors

R G Parry (Chairman)

T J Bowdler

S R Paterson (appointed 1 June 2001)

M L A Chiappelli (resigned 16 July 2001)

N B Rudd-Jones (resigned 21 March 2001)

F P M Johnston, CBE

H C M Johnston

Sir Harry Roche

Lord Gordon of Strathblane, CBE

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

CHIEF EXECUTIVE'S HALF YEAR STATEMENT

Against a background of increasingly difficult economic conditions which prevailed throughout the period under review, the Company continued to perform strongly, recording further excellent profit growth in the half year to 30 June 2001. This performance has been achieved as a result of continued though more modest advertising revenue growth, despite slowing markets, and excellent control over operating costs throughout the Group.

Operating profits for the period rose from £44.0 million to £48.1 million, an increase of 9.3%, and combined with a reduced interest charge, led to profit before non-operating exceptional items growing by 14.3% to £40.2 million (2000 - £35.2 million). On a like-for-like basis, newspaper publishing operating profit increased by 9.7%. Earnings per share before exceptional items were 14.22p (2000 - 12.18p), an increase of 16.7%. As outlined in the 2000 annual report and accounts, an exceptional charge of £5.0 million has been taken in the half year to 30 June against the restructuring of our printing operations on the South coast resulting in the closure of our pressroom at Burgess Hill in West Sussex.

The interim ordinary dividend payable on 2 November 2001 will be 1.65p per share, an increase of 10%.

Trading Review

Total advertising revenue for the half year grew on a like-for-like basis by 3.2%, as a result of increased yields. In difficult market conditions, advertising revenues fell marginally in the Northeast and were static in Scotland. Elsewhere there was modest growth, strongest in the North Midlands and on the South coast.

Continued revenue growth was achieved in all categories of advertising other than motors which declined in virtually all marketplaces and in aggregate by 5.5%. Job advertising remained the strongest growth category with revenues up by 13.0% over the corresponding prior half year, though the rate of growth year-on-year declined as the period progressed, falling to 11.3% in the second quarter. Property advertising grew by 3.4% and within a marginal increase in overall display advertising, national display grew by 3.1%, whilst local display was unchanged from the previous corresponding half-year.

CHIEF EXECUTIVE'S HALF YEAR STATEMENT Continued

Almost all of the Company's principal publishing centres reported increased earnings with particularly encouraging performances from the recently acquired Tweeddale Press and also from Bedfordshire Newspapers and Portsmouth. Stronger than average profit growth was achieved in parts of Yorkshire, the North Midlands and by T R Beckett in East Sussex. The Printing Division performed well, although operating profit fell back as a result of changes to internal transfer pricing and the replacement of external contracts with Group work, especially on the South coast where the closure of the Burgess Hill pressroom is proceeding satisfactorily.

The integration of recently acquired businesses, primarily in Lincolnshire, has been successfully completed and, after including these businesses, the Company's overall operating margin has again increased, rising from 29.8% to 31.2%.

The circulations of our weekly titles were unchanged in overall terms from the first half of 2000. A decline of 2.3% in our evening circulations is due in part to continuing reductions in bulk sales, which now represent just 1.5% of the total sale, and periodic lateness as a result of the ongoing press development programme. The major press re-build project at Peterborough is now complete and work at Northampton is scheduled for completion before the year end. The new presses for Peterborough and Portsmouth will be installed during the first half of 2002 and the necessary building work is underway at both sites.

Total internet revenues in the first half were £1.3 million, almost double that of a year ago on a like-for-like basis. Costs are well controlled and we anticipate a breakeven performance for the year as a whole. We are also on schedule with our programme to upgrade all of our websites with new generation software which is due for completion before the year end.

Acquisitions

The acquisition of titles in Lincolnshire and East Glasgow early in 2001 has been followed by our announcement in July of the proposed acquisition of eight free newspapers from Trinity Mirror which are distributed in and around Peterborough, Northampton and Derby. Our application for the transfer is being considered by the DTI and a decision is expected shortly. These titles are an excellent fit with our existing businesses in these areas and we expect the acquisition to be earnings enhancing in its first full year.

We remain confident that industry consolidation in the regional newspaper industry is set to continue despite the disappointment of the Government's delay to the introduction of a new Communications Bill. However, if this ensures that the changes we seek to the newspaper merger regime are included alongside the various other measures proposed, the wait will be worthwhile. Meanwhile we continue to seek suitable acquisition opportunities and remain committed to playing a leading role in the consolidation process.

Borrowings and Gearing

The Group's total borrowings were £253 million at 30 June 2001. The reduction in bank borrowings of almost £7 million was the result of strong operating cash flows partially offset by the continuing cost of the press development programme and acquisitions made during the period. The reduction in borrowings, together with falling interest rates, have resulted in interest cover exceeding 5 times.

Directors and Management

As noted in the Report and Accounts for 2000, Roger Parry was appointed non-executive Chairman on 27 April at the Company's annual general meeting, succeeding Freddy Johnston. In May, Danny Cammiade was appointed Assistant to the Chief Executive with responsibility for the publishing operations of the Group. Danny joined T R Beckett in August 1978 prior to the company being acquired by Johnston Press in 1992. His previous position was as Managing Director of Portsmouth Publishing and Divisional Managing Director, South of England.

Stuart Paterson joined the Board on 1 June 2001 and was appointed Finance Director on 16 July, succeeding Marco Chiappelli who has retired after 27 years with the Company. Marco's contribution to the growth of Johnston Press over many years has been outstanding and the Board would like to take this opportunity to express its gratitude and to wish him a long and happy retirement. Stuart, aged 43, joined the Company from Intense Photonics Ltd, a start-up in the optoelectronics sector, having previously been Finance Director at Aggreko plc.

CHIEF EXECUTIVE'S HALF YEAR STATEMENT Continued

Outlook

We have made a satisfactory start to the second half with continued modest revenue growth and costs remaining under close control. Given the uncertain market outlook and the clear evidence of a slowdown in the economy as a whole, we have taken steps to ensure that our businesses are in good shape to accommodate any downward pressure on revenues.

As publishers of the market leading titles in numerous and widespread local communities around the UK we believe that we are strongly placed.

Despite the current mood of economic uncertainty, which makes it difficult to comment on longer term prospects, present indications suggest that further progress should be made in the second half, resulting in 2001 being another satisfactory year.



T J Bowdler
Chief Executive

29 August 2001

INDEPENDENT REVIEW REPORT TO JOHNSTON PRESS PLC

SIX MONTHS TO 30 JUNE 2001

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 which 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 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 six months ended 30 June 2001.

Arthur Andersen
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2DB
29 August 2001

GROUP PROFIT AND LOSS ACCOUNT

SIX MONTHS TO 30 JUNE 2001

	Notes	26 weeks to 30.6.01 £'000	26 weeks to 30.6.00 £'000	52 weeks to 31.12.00 £'000
Turnover				
Existing operations		153,118	147,465	292,174
Acquisitions		817	—	—
Total turnover - continuing operations	2	153,935	147,465	292,174
Trading profit		48,289	43,957	84,984
Operating exceptionals		(237)	—	(1,088)
Operating profit		48,052	43,957	83,896
Existing operations		48,033	43,957	83,896
Acquisitions		19	—	—
Total operating profit - continuing operations	3	48,052	43,957	83,896
Share of associates' operating profit		224	203	380
Exceptional items	4	(5,014)	—	—
Profit on ordinary activities before interest and taxation		43,262	44,160	84,276
Net interest		(8,067)	(8,994)	(18,819)
Profit on ordinary activities before taxation		35,195	35,166	65,457
Taxation on profit on ordinary activities	5	(10,199)	(10,668)	(19,322)
Profit for the financial period		24,996	24,498	46,135
Dividends	6	(3,395)	(3,084)	(9,202)
Retained profit for period		21,601	21,414	36,933
Earnings per Share	11			
Headline		14.22p	12.18p	23.29p
Headline diluted		14.14p	12.09p	23.14p
Basic		12.39p	12.18p	22.91p
Diluted		12.32p	12.09p	22.76p

GROUP BALANCE SHEET

AT 30 JUNE 2001

	Notes	At 30.6.01 £'000	At 30.6.00 £'000	At 31.12.00 £'000
Fixed Assets				
Intangible	7	425,219	419,769	419,483
Tangible		106,104	99,599	102,495
Investments		5,177	1,748	5,224
		536,500	521,116	527,202
Current Assets				
Stocks		2,038	1,673	2,966
Debtors: due within one year		47,461	44,552	36,375
Debtors: due after more than one year		3,287	2,532	3,181
Cash at bank and in hand	9	7,194	8,786	9,147
		59,980	57,543	51,669
Creditors: amounts falling due within one year		(87,620)	(75,738)	(78,054)
Net current liabilities		(27,640)	(18,195)	(26,385)
Total assets less current liabilities		508,860	502,921	500,817
Creditors: amounts falling due after more than one year		(228,734)	(262,808)	(242,429)
Provisions for liabilities and charges		(7,726)	(5,995)	(7,655)
Net assets		272,400	234,118	250,733
Capital and Reserves				
Called-up share capital	8	21,219	21,156	21,217
Reserves		251,181	212,962	229,516
Shareholders' funds	10	272,400	234,118	250,733

The accounts were approved by the Board of Directors on 29 August 2001.

GROUP CASH FLOW STATEMENT

SIX MONTHS TO 30 JUNE 2001

	26 weeks to 30.6.01 £'000	26 weeks to 30.6.00 £'000	52 weeks to 31.12.00 £'000
Operating profit	48,052	43,957	83,896
Exceptional items	(160)	—	—
Depreciation	5,755	5,699	11,534
Development grant amortisation	—	—	(14)
Profit on sale of tangible fixed assets	(25)	(98)	(145)
Increase in working capital	(10,194)	(8,375)	(2,317)
Net cash inflow from operating activities	43,428	41,183	92,954
Income from fixed asset investments	1,239	578	789
Net interest paid	(9,342)	(10,590)	(19,280)
Preference dividends paid	(76)	(76)	(152)
Returns on investment and servicing of finance	(8,179)	(10,088)	(18,643)
Taxation	(6,190)	(9,791)	(22,937)
Purchase of tangible fixed assets	(10,830)	(13,414)	(21,058)
Sale of tangible fixed assets	571	546	1,166
Purchase of unlisted investment	—	—	(3,513)
Capital expenditure and financial investment	(10,259)	(12,868)	(23,405)
Purchase of businesses and subsidiary undertakings	(5,935)	(14,969)	(16,387)
Net cash acquired with subsidiary undertakings	—	(61)	74
Sale of subsidiary undertakings	225	—	225
Acquisitions and disposals	(5,710)	(15,030)	(16,088)
Equity dividends paid	(6,034)	(5,513)	(8,529)
Net cash inflow/(outflow) before financing	7,056	(12,107)	3,352
Issue of ordinary share capital	33	31	1,037
(Repayment of)/additional loan capital - net	(10,440)	8,954	(7,069)
Finance leases	(9)	(9)	(26)
Financing	(10,416)	8,976	(6,058)
Decrease in net cash	(3,360)	(3,131)	(2,706)

NOTES TO THE ACCOUNTS

SIX MONTHS TO 30 JUNE 2001

1. Basis of Preparation

The accounts for the six months ended 30 June 2001 and 30 June 2000 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 2001. These are consistent with those set out in the audited accounts for the year ended 31 December 2000. The results for the year ended 31 December 2000 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 8 January 2001, the Group acquired the Glasgow East News, a free newspaper, and, on 2 February, four paid-for newspapers in Lincolnshire from Mortons Media Limited.

2. Turnover

	26 weeks to 30.6.01 £'000	26 weeks to 30.6.00 £'000	52 weeks to 31.12.00 £'000
Turnover represents:			
Continuing operations			
Newspapers and contract printing			
Existing operations	153,118	147,465	292,174
Acquisitions	817	—	—
Total turnover	153,935	147,465	292,174

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

	26 weeks to	26 weeks to	52 weeks to
	30.6.01	30.6.00	31.12.00
	£'000	£'000	£'000

Operating profit represents:

Continuing operations			
Newspapers and contract printing			
Existing operations	48,033	43,957	83,896
Acquisitions	19	—	—
Total operating profit	48,052	43,957	83,896

4. Exceptional Items

	26 weeks to	26 weeks to	52 weeks to
	30.6.01	30.6.00	31.12.00
	£'000	£'000	£'000

Closure of Southern Web operation	5,014	—	—
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£237,000 of other exceptional items are included within operating profit (26 weeks to 30 June 2000 - £nil)

5. Taxation

The taxation charge for the six months to 30 June 2001 has been provided on the basis of the estimated effective tax rate for the year to 31 December 2001. The charge for the six months to 30 June 2001 includes a tax credit of £1,575,000 in respect of the exceptional items.

6. Dividends

	26 weeks to	26 weeks to	52 weeks to
	30.6.01	30.6.00	31.12.00
	£'000	£'000	£'000

Preference	76	76	152
Ordinary	3,319	3,008	9,050
	3,395	3,084	9,202

The interim dividend of 1.65p per share (2000 – 1.5p) is payable on 2 November 2001 to shareholders on the register at close of business on 19 October 2001.

7. Intangible Assets

The increase in intangible assets arises from the acquisition of the Glasgow East News and four titles from Mortons Media Limited

	£'000
Cost of investments	5,949
Fair value of net assets acquired	213
	5,736

8. Share Capital

	At	At	At
	30.6.01	30.6.00	31.12.00
	000's	000's	000's

Ordinary shares of 10p each	201,134	200,508	201,116
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 2000 in the number of Ordinary shares arose from the exercise of share options totalling 17,792 shares under the Company's Sharesave and Executive Share Option Schemes.

9. Analysis of Net Debt

	31 December	Cash flow	Other	30 June
	2000	£'000	non-cash	2001
	£'000	£'000	charges	£'000
			£'000	

Cash at bank and in hand	9,147	(1,953)	—	7,194
Overdrafts	—	(1,407)	—	(1,407)

	9,147	(3,360)	—	5,787
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Bank loans	(207,381)	10,000	—	(197,381)
Loan stock	(63,241)	440	—	(62,801)
Finance leases	(150)	9	—	(141)
Term debt issue costs	2,311	—	(342)	1,969

Net debt	(259,314)	7,089	(342)	(252,567)
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Gearing	103%	93%
Interest Cover	4.5 times	5.4 times

NOTES TO THE ACCOUNTS Continued

10. Reconciliation of Movements in Shareholders' Funds

	26 weeks to 30.6.01	26 weeks to 30.6.00	52 weeks to 31.12.00
	£'000	£'000	£'000
Profit for the period	24,996	24,498	46,135
Dividends	(3,395)	(3,084)	(9,202)
Other recognised gains and losses (net)	33	(167)	(77)
Share issues net	33	31	1,037
Net increase in shareholders' funds	21,667	21,278	37,893
Opening shareholders' funds	250,733	212,840	212,840
Closing shareholders' funds	272,400	234,118	250,733

11. Earnings per share

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

	Headline		Basic/Diluted	
	June 2001	June 2000	June 2001	June 2000
	£'000	£'000	£'000	£'000
Profit for the period	24,996	24,498	24,996	24,498
Exceptional items (note 4)	5,251	—	—	—
Tax effect of exceptional items	(1,575)	—	—	—
Preference dividend	(76)	(76)	(76)	(76)
	28,596	24,422	24,920	24,422
			June 2001	June 2000
			No. of shares	No. of shares
Weighted average number of shares				
For headline/basic earnings per share			201,126,735	200,497,980
Exercise of share options			1,107,791	1,439,186
For diluted earnings per share			202,234,526	201,937,166

12. Post Balance Sheet Event

On 3 July 2001, the Group announced the purchase of eight free weekly newspapers and their related editions from Trinity Mirror plc for a cash consideration of £16 million. The deal is subject to the approval of the Secretary of State for Trade and Industry.

DIVISIONAL STRUCTURE

Newspaper Publishing

Johnston Newspapers (Scotland)

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

Isle of Man Newspapers 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

Johnston Newspapers (East Midlands)

East Midlands Newspapers Ltd
Welland Valley Newspapers Ltd
Anglia Newspapers Ltd

Johnston Newspapers (South Midlands)

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

Johnston Newspapers (South of England)

Portsmouth Publishing & Printing Ltd
TR Beckett Ltd
Sussex Newspapers Ltd

Web Printing

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

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