

DMGT Half Year Results 2010

Martin 00.00.01 Well good morning everybody, and welcome to the DMGT Half Year Results presentation. With me today, I'm Martin Morgan, the Chief Executive, I have Peter Williams, our Finance Director on my left. It's customary to ask you, please, to just check your mobiles phones so, as we are being broadcast live. Today, because we have had a recent trading update and an extensive investor presentation, Peter and I have striven to give you a more concise presentation, but you still have the full set of information that we normally provide.

 00.00.51 So our agenda will be very straightforward, I will give you a brief overview, Peter will take you through a more in-depth look from a financial perspective, and then I will round out with some brief comments about the outlook.

 00.01.08 So as you've heard us say on a number of occasions, at DMGT we've been very focused on outstanding execution over the last eighteen months or so, as we navigated through the recession. And I believe that these results for the first half are testament to why that

was such a wise thing to do, the reorganisation of our portfolio, the so called focus on the fundamentals and getting cost out of the business. And with somewhat improved economic circumstances, we've had a sharp improvement in the results of our consumer businesses.

00.01.44 And B2B which, of course, demonstrated tremendous resilience through 2009, has continued to perform very well and produce excellent results and margins. And talking about margins overall for the group, very pleased to see that our margin has risen to 15% from 11%, and speaking personally, I think there's hardly a better measure of the health and robustness of a business than operating margin.

00.02.14 We have, of course, targeted to reduce our debt and I'm pleased to say that our debt is continuing to fall. And when you take all the results together, the board yesterday felt sufficiently confident that we could put through a dividend increase.

00.02.31 I do want, just for a few moments, to come back to the Investor Day and for those of you there, just to remind you of what I believe are some of the key messages we were

- striving to get over, and to link those messages in the Investor Day to, in fact, the half year results. But as you recall, we spent time focusing on the Daily Mail in particular, and to get it over that the Daily Mail is a very powerful business, with a very commanding position in its marketplace. And in these results we have continued to improve our market share, in a declining market, our circulation has been stabilising, the paper, of course, I believe continues to be brilliantly edited. And the Daily Mail being very hard to buy around, given our large mid-Britain readership, is benefits obviously from the improving market for advertising.
- 00.03.02 We talked about Mail Online, the online version, perhaps that's the wrong word, the online product that's come out of the Daily Mail. We've carved out a very distinctive strategy for that business, that we are growing a very large audience rapidly, that we are not embracing a pay wall model, quite deliberately, because we are going for a large audience of people, if you like, you
- 00.03.32 type in Mail Online and our heavy users. And we believe that in
- 00.03.57

advertising, sponsorship service model will serve us well financially. And we are, in conjunction both with the print and the online products, are building a very powerful marketing database that we're increasingly selling an array of products and services to.

00.04.23 We didn't actually talk about Metro in the Investor Day, but Metro has produced a really outstanding set of results, it's a very strong title. And it's worth remembering, for those of us who are in London, that this actually is a national newspaper.

00.04.37 Turning to the B2B side, we heard that RMS had picked up its growth rate, as we expected it would, and has a whole array of growth drivers. Also embarking on a very important investment programme to renew its software platform, but one that shouldn't prejudice margins.

00.04.58 Euromoney, you've heard about, from them directly. And we heard what a powerfully well run, aggressive business that is, with clear investment criteria, and we at DMGT, of course, are benefiting strongly from their performance, and it remains a core business.

- 00.05.19 In events, we heard that the reorganisation of the portfolio, the changes to the management team are behind us. We heard that visitor attendance is looking quite positive, that won't translate, we think, into increasing exhibitor numbers and PNL until 2011, but the trend there is encouraging. And DMGI, another set of good results. I would just summarise that as saying DMGI very much on track. And I think I'm right in saying that the whole B2B group, talking of margins, produced a margin of 27%, which I think is pretty spectacular.
- 00.06.00 You saw a lot of our talent on display at Investor Day. Of course we haven't got time to show you all of our top talent, I hope you're convinced that we have depth and talent, we have a powerful operating model in being decentralised, we are benefiting from our diversification and, as we had hoped, with the recovery in the consumer division, that proportion of consumer to B2B has moved from 20:80, back to 70:30.
- 00.06.33 And we don't set a particular target for the proportion of B2B in consumer, what we were focused on is

all the businesses in DMGT should be performing well.

- 00.06.44 One key business we didn't talk about at Investor Day was Northcliffe and we've had some feedback from some of you, you'd like to hear a little bit about Northcliffe. And so I'm going to just say a few words about that part of the group. Well it won't be any surprise to you that we continue to focus on cost, and cost continues to fall, a number of major actions, such as taking out another print plant and so on. But this morning I want to say something a bit more about the revenue line, if you like, about the customer side of the business. The way I think about Northcliffe is, we're very focused on being more relevant to our
- 00.07.23 customers and being more effective. And if you think about that from a reader perspective, we have moved to provide more stories, more relevant stories for our readers, redesigning our papers, standardising where that makes sense, because readership, of course, is ultimately the key thing.
- 00.07.45 And I think on a relative basis, our circulation and performance has been satisfactory.

- 00.07.51 And turning to advertisers, we've been setting up new service centres, call centres, enabling our advertisers to interact with us in an easier manner, through self service processes, and also to move the advertising sales stories, increasingly, to one where they're performance based, rather than just take a page of advertising and we're done. In that connection, just to remind you, of course Northcliffe has strong and increasingly effective working relationships with the Circle Pure Play Vertical Classified Businesses which sit within Associated Northcliffe Media, in the areas of recruitment, property and motors. And motors is an interesting note here as we have new leadership at the motors
- 00.08.42 business and we have been doing a lot of innovation there, and the conjunction between our motors.co.uk operation and Northcliffe is increasingly effective and increasingly competitive.
- 00.08.55 And finally, you know, its DMGT, we are a pretty entrepreneurial business, we believe in innovation, even in a division like this, which is challenged, and we continue to develop our local people, brands and

operation, which are new hyper-local sites. So I just wanted to leave you the message that, you know, Northcliffe is doing well in a somewhat improving market and we are focusing on revenue, as well as just cost reduction. So that includes my introduction, and I have pleasure to hand over to Peter, to take you through the financials.

Peter 00.09.34 Brilliant, thank you. Thank you Martin. Right I'll start off showing you the summary numbers, which Martin has already referred to quite a few of them. I would make the point these are our, what we call our adjusted numbers, we think these are our, the numbers that should give you a true indication of the financial, you know, the ongoing operations of the group I suppose. I'm, I'm quite intrigued, maybe proud, that you won't actually find, the only one of these numbers you'll find in our actuary statutory accounts is the dividend figure, everything else has changed, which says something about the relevance of statutory accounts. Sorry to our auditors.

 00.10.19 Revenue down 10% in total, on an underlying basis, that's taking out

the effect of sort of disposals and exchange rates and so, we think we're down 3%. Operating profit up 26% on this line, on these numbers, underlying again, we think we're up about 20%, so, and hence the improvement in the margin that Martin's talked about.

00.10.43 Pre-tax profit has risen, risen by even more, by 42%, the beneficial side of gearing. Earnings per share up a little bit more again, and that's because, I'll come back to the tax rate, it's probably a bit lower than you were expecting. And then the dividend up by 4%.

00.11.05 One comment I would make is exchange rates are quite important to us. Exchange rates have actually gone against us in the first half of this year, compared with the first half of last year. The key one is the US dollar rate, we've used an average rate of 1.59, as opposed to 1.51 in the first half of last year. Now, as you're well aware, the pound is currently sitting around 1.43 or something, and has been since the end of the half year, so our average rate is going down all the time.

00.11.34 And so by the time we get to the end of the year, if we stay where we are now, we're probably going to be

using an average rate of about 1.50. So what we've included in here, in our first half year results, will be worth more to us in Sterling, by the time we report our full year results, that's the way it's likely to work.

00.11.57 RMS. Well again, Martin's made general comments around all the business, so I will be pretty brief. Underlying revenue, here we estimate up 9%, excluding exchange, all the revenue here is US dollars, almost entirely. Operating profit underlying, up 15%. Very satisfactory performance, very much on track. Key aspects, the capital markets, cat bonds issuance has reopened, it was hardly there at all in the first half last year, and RMS has substantially increased its market share of the work done by the cat modeller for cat bond issuance.

00.12.37 Software licence renewals are looking good and a key point, we did see what we thought was an abnormal level of cancellations from, as we described them, the first half last year, that seems to be the case, renewal rates are now back to their customary, somewhere up well above 95%.

- 00.13.00 DMG Information. In terms of the two halves, property and the rest, in a way. Property is recovering modestly, but pretty highly geared. Underlying revenue on property, we think, is up, is up 12%, that's across Landmark and EDR, operating profit up 70%. So you can see the affect of, we've always know these were businesses that once the transactions started coming back, it would fall very much to the bottom. Interestingly we're seeing in Landmark in the UK, especially on the residential side, the first quarter, from January to March, has been a little bit softer, whereas the quarter to December was sort of showing good growth, and now it's been a little bit more choppy in the
- 00.13.45 first quarter. Whereas EDR, in the States, has actually picked up a bit more, so they're sort of two areas moving slightly differently.
- 00.13.54 In the non-property businesses, pretty satisfactory most of them. Underlying revenue only up 2%, but frontline operating profit up 56%. Trepp, Genscape, Hobsons, the ones which have been growing, continue to grow strong. Sanborn high, quite a lot of revenue, but very low margin, is in a tough environment, so it

- does a lot of business for the Federal and for the States and so on, within America, and they haven't got any money basically, so they're cutting back on their work. So not much effect on the bottom line, but certain some effect on the revenue.
- 00.14.33 Events. It's always been a complicated picture this year, because of all that was going on, but this is very much on track with our expectation, little bit, it's operating somewhat ahead of our expectations, which may be as a truer indication of how it's going, so big declines in revenue. We think underlying revenue is down 13% and profit down 17%, that reflects the late cycle nature of exhibitions and events, as Martin's referred to.
- 00.15.02 We didn't have one big biannual event in the first half year, but attendance figures are improving. We've got two big shows in the second half year, which will make up a disproportionate amount of the profits, the Global Petroleum Show in Calgary, all looking very good, the energy sector is still going pretty strongly, despite what's happening in the Gulf Of Mexico.
- 00.15.25 And New York Gift, well it's a bit early, to be perfectly honest, a lot

of the bookings do tend to come in reasonably late for that show, but certainly the attendance at the January show was markedly up on the previous year, and that all goes well for that show.

- 00.15.44 Euromoney. Well they announced their results last week. Mr Fallon, the Chairman, told me beforehand that he was going to be pretty downbeat in the meeting, I saw an analyst's report afterwards which said it was the most upbeat meeting they'd seen in the last five years, so I said to him, "God help us when you're positive." Yeah, astonishing performance by Euromoney again. As I was saying to somebody before, I don't think people appreciate what a flexible cost base they have on the
- 00.16.12 elements of their business which are cyclical, that's one of the keys to Euromoney being able to sort of keep the bottom line so well up. But there is some nice improving revenue trends there as they've referred to.
- 00.16.27 So I'll move on to the consumer businesses, and this is where you're seeing the real growth in profitability. Operating profit at Associated up 135%, actually I didn't say it at the time, this is the first time I've ever been able

to refer to RMS as one of the laggards in our group, what a happy situation that is.

00.16.52 Improving Advertising Trends, definitely. Retail has been the key driver, but other sectors are actually doing reasonably well, all sectors have done better in advertising terms in Q2 than they did in Q1 for us, so improvement, either we're less down or we're up. The entertainment and media sector has done particularly well, lots of advertising for iPhones and all that sort of thing, that's been pretty positive for us.

00.17.21 I don't think we will refer to it anywhere else, so on the theme of government advertising, we don't, it is not a very big issue for us. Our total take of COI advertising, that strict bit on, you know, all the sort of campaigns the government does, is actually very small, we think it's less than 1% of the government's budget. Our total, interestingly our total government revenues in the UK, we reckon, is about 3% of our total revenues worldwide, it's just under 4%. We do a lot of work with outsourcing

00.17.56 for governments as well, so if anything governments, for having a

shortage of money, they're looking to cut costs, but they're also looking to outsource some of their work. On balance, it's probably as much a positive for DMGT overall as it is a negative, so this is not something which enormously concerns us.

00.18.17 Circulation. We've still seen some decline, which is disappointing, but we are still increasing market share, Metro doing particularly well.

AND, all the businesses are showing improved trends, certainly property is definitely in growth already, the online recruitment was, the declines were slowing rapidly, and it is just going into growth now. I think those are the major items. I think the other thing on associated, obviously it's the restructuring, it's the changes in the portfolio mix which have also had a big beneficial effect - Teletext, Evening Standard, London Light.

00.18.57 Northcliffe. Again 121% operating profit up, so again very pleasing, albeit still well below where we were a couple of years ago. All major categories, we're seeing improvements, the trend is gradually improving, and I'll show you a

couple of the graphs in a minute. You have heard comments from others about April being a bit sort of choppy, yeah, May looks to be sort of perfectly okay again, and it does look at though there was a little bit of effect from the General Election, but we haven't seen any marked difference in trends, so I'll show you some of those graphs in a minute.

00.19.42 I think Martin's already talked about the other key elements in Northcliffe, I'll leave you to read the detail that we've got on here. Central Europe is a little bit behind the game, in terms of, you know, we're about six months behind where we are in the UK, so we have taken quite a lot of cost out, and we're still seeing, that's beginning to recover now, but only just beginning to recover, in terms of profitability, now.

00.20.07 So here's one or two graphs. Again we've shown you a little bit more on Northcliffe than we have on the other divisions, because we haven't talked about it at the Investor Day. This is our head count reduction over the last couple of years, this is purely within Northcliffe, this

00.20.19 actually excludes the printing

- operations. You will see from this that we have been through the big declines, and being perfectly honest, I'm highly suspicious of that little blip in May '09, I can't believe that's right. Anyway, so
- 00.20.35 sorry about. But in the last six months, you'll have seen, we are about sort of a hundred and fifty, two hundred people down. I think you have seen, you will continue to see some cost savings, and that will, inevitably, be some people, in Northcliffe as well, but I do think you've seen very much the worst of that.
- 00.20.56 Here's one or two of the traditional graphs we've shown you, this is recruitment, this is our traditional rollercoaster graph of our moving annual total recruitment revenues. Our revenues is the black line, so all this talk about sort of strategic, or structural change, from online to, you know, from print to online and so on, well on the face of these graphs, we're still performing, you know, we're not too far away from the underlying trends.
- 00.21.24 What we always graph it against is, we invert the employment claimant graph of statistics from the government, so we are still

performing very much in line, things are beginning to get back on the upturn there. And then another one, this is property. Again we've graphed it here against mortgage advances, and you can see very much the curve of our property

00.21.48 advertising, and these are our print property revenues, certainly showing the right sort of trends and we are now back into growth in print property revenues in Northcliffe. Right so, adjusted operating profit by division overall. Well I've been through all the individual numbers here. One I will refer to here is there's a line towards the bottom which says unallocated central costs, which may have been a little bit of a surprise, going from -4 to

00.22.19 -18, that looks alarmingly large. If you have a look back, that -4,000,000 figure last year was very, very low, historically. There were a couple of items in there, I'm sure I told you about them this time last year, and I hope nobody's got the transcript. There was an element of translation profits being taken through that line of about five million this time last year, and we

00.22.45 also had to release quite a few of provisions we had made previously

for option schemes, where the options were so far underwater that we had to release provisions we'd previously made, and that was another two or three million. So we had about sort of seven or eight million of exceptional items going through there last year. In addition to that, this year, we've got an effect from our pension charges. But basically what I'm saying is, there is, the underlying figures here are, we are only seeing a very slight increase in underlying central costs, our full year estimate for that central cost line is going to be something in the order of low thirties millions, whereas if you have a look at last year, I think we were up to about sort of, it was a much higher figure in the second half, and we were about eighteen, nineteen, I think, for the full year. So just to try and make some sense of that for you.

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Right next, finance costs. We now have two elements in here, we've got our net interest payable which has gone down, as our net debt, our average net debt has fallen, and we now include in here our IS19 pension adjustment. It's -1,000,000 I'm afraid. This is a bit of a

surprise, this is less than we were indicating previously, we have recalculated it, I will show you.

- 00.24.10 Right, what I'm going to show you is just to emphasise what is happening here, now this is going to be on a full year basis, okay, rather than what's on the half year. So we've changed this twice now as we've gone through the year. We said to you in November, when we announced our full year results, that we were expecting to make a charge in our finance costs of about fifteen million pounds. When we did the trading update at the end of March, we said actually no, we're having to revamp that a little bit, we're going to split it, about five million's going through central costs and ten
- 00.24.48 million's going to go through the finance costs line. We have now, that we've got the half year figures and we've been able to incorporate into our pension figures a lot to do with the actual membership changes in the scheme. There's a phrase in our press release which talks about experience gains, or pensions
- 00.25.09 experience gains. That means, what's actually happened in terms of the membership of the scheme. For all sorts of complicated reasons, we

- weren't able to bring that into the figures we used at the full year. We've now been able to incorporate that into all our figures, the net result is, instead of that total fifteen million, the charge is going to be -6 for the full year, and
- 00.25.29 that's going to be split two million in the central costs and four million in the net finance costs. So I hope that now makes sense, this should not now move for the rest of the year. Okay?
- 00.25.44 Interestingly, this change of bringing it down into our net finance costs, we thought this was bringing us into line with the majority of companies, it's very much split in the UK, but more do this. The new proposed changes to IS19, this is actually the preferred, the proposed presentation in that new standard, so we are actually ahead of things, we actually have come into line with what they're now proposing we have to do in due course.
- 00.26.12 Right, adjusted profit. I'll go straight down to adjusted profit before taxation, we've actually come out with a tax rate of 17%, we believe that will be roughly the full year rate as well. We do have

- a lot of losses and this is all to do with the timing of recognition of losses, in this case in America, rather than in the UK. We do expect that tax rate to trend upwards as we use our losses, as we eventually move back into actually having to pay tax in one or two jurisdictions.
- 00.26.45 So that will trend back up towards, well ultimately mid twenties, over the next two or three years, we would guess. This is a very difficult number to come up with and I'm sorry it keeps moving around.
- 00.27.01 Right, exceptional items, inevitably there are some. We have another reorganisation redundancy charge, of that thirty three million only about fourteen million is cash, the rest of it is write downs of plant equipment and so on, principally to do with closing the Plymouth Printing Plant. We've got a small profit of dispose of businesses, that's really, the rest of it is sort of pretty routine stuff that you have every year, amortisation of goodwill, which just goes through on a normal basis.
- 00.27.35 So cash flow. DMGT doesn't generate much net cash in the first half of the year normally, we pay our dividend, we pay our yearend profit

shares, we pay a lot of our bond interest, all sorts of things like that, so it was very pleasing, we've actually reduced net debt in the first half year. Key items on here, reorganisation costs, I just talked about the full team, capital expenditure down considerably from the first half of last year, I think that sort of doubling that figure for the full year is, you know, something in the order of fifty million is probably going to be where we're going to be. The debt servicing has moved, looks as though its moved up a lot, that's to do with the timing of when our year end is, we actually pay quite a bit of, one or two of the big bond interest payments are paid in the first three days of April, and so it's fallen into the first half year. So other than that, don't worry about it. Taxation, as you can see, it's a very small number, the actual tax paid likely to be a bit bigger in the second half year, but not materially so, and so we're generating good free cash flow.

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There's a funny, there's a line there that says own share purchases. What we have is some of our share option schemes in subsidiaries where

they route through. This is effectively buying in those schemes, but done through DMGT shares, so that's all that's happening there.

00.28.57 Disposals was principally the radio disposal in November. Acquisitions is almost all earn out payments, a lot of it was in Euromoney and they talked about they, a number of their sort of gradual acquisitions have been finished, the only new acquisition in the period by DMGT is Globrix, which is about three million pounds, so in sense there's not too much new happening. So net debt has reduced again, we would expect it now to reduce really quite sharply over the next six months, which is what usually happens with us.

00.29.33 Pensions, our IAS19 deficit at April has come in at two hundred and fifty one million, that's down from four hundred and thirty million at the end of the year. The assets are up about a hundred and twenty million in the period, so they're performing pretty well. We've got this, what we call experience gain, that I talked about, which is about a hundred and forty, and from that, you can work out there's a negative

00.29.56 about eighty, which is all due to the use of particular discount rates

and inflation rates that you have to put in. We do have an actuarial valuation as at the 31st of March, we're just beginning that process, these things take quite a lot time, the agreement has to be in place with the trustees by June next year, so a long way to go there.

Martin 00.30.19 The overall outlook from the group, I'm sure you've got the, should have the impression that we're quietly confident and position about the outlook for the next six months. We see good earnings growth prospects for the rest of the year. B2B, where we have typically more visibility because of the business models, the instant subscription models, than we do on the consumer side, is tracking very nicely towards our expectations. On consumers, as Peter has laid out, there has been and continues to be a somewhat better advertising trend on the nationals, with Northcliffe we do see us beginning to show positive year on year figures by the end of the year, so there's modest

00.31.13 underlying improvement, we expect to continue. Having said that, I think we do have to remain somewhat wary about the outlook in the UK. You've

heard us say this before, take no comfort in the fact that since Investor Day, the turmoil in the markets and concern about sovereign debt issues has moved into view, so I think that wary stance, unfortunately in a way, has been justified. And that stance just really means continued focus on tight cost control, making sure that we continue to apply our investment disciplines, but we are expecting, in fact, to produce good, solid growth in earnings, despite those circumstances. So I don't want to continue any further, that wraps up the formal part of the presentation, and we look forward to your questions, thank you. And we would like, if you could please, to obviously introduce yourselves and wait for the microphone to come, thank you.

Peter 00.32.16 And this is also being webcast and we actually have the ability to take questions from the web, for anybody's who's watching as well. So we may, apparently, get the odd question up here in front of us, we'll tell you what they are.

Martin 00.32.31 Start on the right here, thank you.

- Edward 00.32.36 Hi, good morning, it's Edward Hillwood at Morgan Stanley. Couple of questions please. Firstly, national advertising, you said the trends have continued into May, I was just wondering if you could give us an update sort of exactly where we are, particularly in display in April and May, and maybe a little bit of colour around that? Secondly, on Landmark, you said it's a little bit softer in your Q2, I was just wondering why that would be the case? And finally, on the dividends, 4% increase, I was just wondering if you could explain the thinking behind the scale of increase, or whether it was just a nice round number, the 5?
- Martin 00.33.14 I think the dividend consideration is that we've got a pretty good set of results here, and as I said in my conclusion, you know, we have a good forward, you know, we had plenty of momentum in the group, the B2B looks pretty solid, borrowing in major unforeseen accident in the economy between now and the end of the year, you know, we think that the improving trends on the consumer side, both in national and the

- regional's, will continue. So I think that the board, therefore, feels reasonably confident that we're going to produce an overall solid, good result in earnings for the year as a whole. Dealing with
- 00.33.53 Landmark, as you know that Landmark is a business where its revenues are driven by transactions, and transactions are the number of properties that are being bought and sold, both on the residential side and on the commercial side, it's just a fact that there were less transactions going through the system. So the property market would appear to have had a rather better final quarter of last year than it actually did in the first quarter of this year, so that's the
- 00.34.21 reason for that. I'm not sure what more we can say on the national advertising side.
- Peter 00.34.26 Can I just add on the dividend, I'm always grateful when the numbers are nice round ones as well, maths has never been my strongpoint. On nationals, I think the only think we could say, it's very difficult to take March and April in isolation, because of all the sort of difficulties of timing of Easter and

just in terms of government advertising, you mentioned it's a very small part of the group. Can you just perhaps, on the regional newspapers, just outline how much it is as a percentage of regional newspaper advertising, and how much it is specifically recruitment.

Martin 00.36.08 Okay, I'll deal with the acquisition side. As you know, we never completely the close the bank, DMGT, for acquisitions, we just focused on small bolt on deals that had low risk and high return characteristics. That is a focus that we're continuing with, but we are encouraging our Chief Executives to build the pipeline more actively, so I don't anticipate us yet, given where our debt is, and although it is falling fast, we want to see that continue to fall. I think we said before that we feel that we'll hit our debt ratio of 2.5, you know, fairly soon, all being well, so we want to see that definitely behind us. And the M&A market is picking up, so I think my message is, we

00.37.03 want to be ready for it, but we continue to give priority to internal investment around innovation, that is our number one

priority. Peter, do you want to deal with interest?

Peter 00.37.12 Yeah, well interest, as Martin said the debt is falling, therefore logically you would expect the interest charge to be somewhat, you know, modestly lower in the second half year, I would expect. Government advertising. It's interesting, actually when we've gone in, because for obvious reasons we were looking at this quite carefully, it's actually less than even we thought. Our estimate of our government recruitment revenues this year is one third of what it was two years ago, so we've already taken most of that hit. So the

00.37.47 total government advertising in Northcliffe is going to be something like 7% or 8% of Northcliffe's total advertising revenues and that takes in recruitment, and it takes in what we call notices. And quite a lot of those notices, they're going to still be there, they are a statutory requirement, unless they are actually going to change some of those things as well. So you know, this is getting quite small bill,

00.38.12 we've taken the hit already, quite honestly, for a lot of this.

the second half, I think, about 23p of earnings. I can see that currency is an issue in there, tax and interest working the other way, I mean presumably you'd be pretty disappointed to do an absolute earnings figure smaller, this half, than you did in the comparable half last year? So can we add 23p plus to the 21p you've just reported?

Martin 00.39.57 The year on year comparison of events is still pretty complicated, given the number of disposals we're going through. I don't think I've got an exact, have you got an exact figure?

Peter 00.40.08 The problem is, the two big shows we've got, in New York Gift we would expect, we would hope to see an uplift from last year. But GPS, the Global Petroleum Show, wasn't held last year, we had another big show last year, so you can't even do any point of comparison there, so I'm sorry, those sort of trends really don't apply. We make something like, 50% of the events profits come from only five or six shows.

Martin 00.40.34 I think it would be fair to say the Global Petroleum Show performance

this year is going to be pretty similar to what it was two years ago, so that's a very solid performance. Whereas the New York International Gift Show won't be where it would have been a year ago, but it's on an upward trend.

Peter 00.41.00 The earnings figure, the consensus thing, well cutting to the chase, in your words, I think our, we're not quite sure which of you have quite taken in the sort of pensions effect of all this financing charge, and so we can see that what we told you today is an improvement from what some of you have taken in, but I don't think some of you have taken in. So there is an element there. Beyond that, our general feeling has

00.41.28 been that your expectations of advertising performance which, at the end of the day, is probably the thing which is going to move the number at a margin, that we can't predict, that your expectations have generally been running ahead of ours, and so far we've well lived up to those expectations, and we're still being a bit wary about the second half year, which is a very blunt way of saying, we're not expecting your estimates to run away

from where they are today, quite honestly.

Martin Having adjusted for the pension.

Peter 00.42.01 Yeah, that's the one sort of factor, we think, comes out of today's results which may be new. I think with luck, the rest of what we've announced today is, you know, we're probably at the top end of your expectations, but so far we're delivering very much on what you would have hoped, we're ahead of what we thought we would be at the beginning of the year.

Martin Shall we go to the back of the room just for a change? How about in the middle?

Nick 00.42.31 Yeah, hi, it's Nick Dempsey from Barclays Capital. Two questions please. The first one, just looking at your appendices here on events, it looks like sponsorship and advertising has come back to a very modest growth in this quarter. Can you talk about the trends that you're seeing in shows for events around those particular revenue streams? And the second question, on circulation at the nationals, the

3% underlying decline, does that include the charge against revenues that relates to the scheme you're doing or not, and perhaps just talk about how that particular impact will change, going through the year?

Peter 00.43.12 Yeah, the latter one's almost worked through the system now, because we'd started doing this last year. So, you know, if there's something going through then it's still there, and if anything it's slightly, you know, on occasions we've seen it unwinding slightly, but I think broadly we're on a par now, so it's a genuine, underlying figure.

Martin 00.43.33 I'll deal with the events side. Yes, within the events business we have some activities that are more conference in nature than traditional trade shows, in and iMedia, and actually the trends there have been good. We've had stronger events during 2010 than we had in the comparable period of 2009, so that element of the business has seen some good growth, we've had a number of launches. I think that's dealt with the two questions.

Peter 00.44.08 Shall we deal with an online question, just to show we can do it?

Martin This is a difficult question I think.

Peter This has come from Mr Anthony

Martin Alright, two questions please. Newspaper companion sites, how does the advertising revenue per unique visitor compare with the print editions? And two, do you see any evidence of substitution between print and online consumption within your consumer media segment? Well as far as the first question is concerned.

Peter 00.44.36 On the first question we are way below, we get so much more value, at the moment, from our print editions, you know, we have a very focused audience there. The online revenues are growing quite fast on Mail Online, for instance, but we've got a vast audience there and monetising that audience is going to be one of our challenges, and we think we'll be able to do it over a period, but it will take a while.

Martin 00.45.04 On the second one, substitution, I think what Peter said earlier on in his presentation is interesting with respect to the local news in Northcliffe, but on the advertising side it is interesting that trends so far, say on recruitment advertising, is such that you don't really see any accelerating substitution. And I don't think we really do on property either actually. Now as far as the circulation is concerned, we all know that local newspaper circulations have been trending down for a long time, and they continue to trend down. So if I was to interpret this question from a point of view of copy sales, what exactly

00.45.45 is the mix between the, that the reason is online versus, unfortunately there's been a trend away from purchasing a local news service because of television and radio and changing consumption habits? I don't know, I'm very keen to know if anybody can really figure that out, it's extremely hard to pick apart. So why don't we go

00.46.02 back to the room? Yeah, sure, front again.

- Alex 00.46.07 Thank you, it's Alex at
 Two quick questions,
 both on B2C please. Firstly, just
 on nationals advertising, any sort
 of updated thoughts on whether or
 not you're taking a fairly material
 volume share from your peers? That
 would be the fairly obvious read
 across. And secondly, just on
 Northcliffe, pretty evident swing in
 Q2 in terms of recruitment
 advertising, looks as though it
 could trend positive any time soon.
 What would be the implications for
 Northcliffe's margin of positive
 revenue growth in terms of
 recruitment revenue?
- Peter 00.46.43 Upwards. National advertising.
 It's quite difficult to know, quite
 honestly, because this isn't
 publicly available information,
 you've only got one comparator out
 there to read against, which is
 presumably what you're doing. You
 know, maybe the Mail's in the sweet
 spot at the moment, you know, cos
 retail has been the area that's been
 driving the growth and you know,
 the audience of the Mail is the
 00.47.10 audience the retailers want to get
 to, so maybe that's why. But
 certainly it would appear the Mail

titles are performing somewhat better than the one public comparator that's out there, but the honest truth is, it's very difficult even for us to know, I think we'd be very disappointed if we're not gaining market share, quite honestly. Effect on margins? You know, it's certainly true to say, what we have done by taking a lot of cost out of the regional's is to increase the operational gearing of that business, there is no question about that. Northcliffe has made margins in the first half year of just under 10%, well we'll certainly be disappointed if the four year margins aren't some way, you know, nicely into double digits. Perhaps that's enough.

Martin 00.48.09 Or put another way round, as recruitment revenues recover, we've got quite a way to go before we need to add additional resources to handle it.

Peter 00.48.19 Maybe that's a general comment actually, even in the nationals, do bear in mind, you know, yes we're seeing big increases in advertising, we are still below 2008, we are some

way below 2008, in advertising volumes.

Martin

I think I saw a hand towards the back on my left? Yep, thank you.

Rakesh

00.48.37

Hi there, it's Rakesh Patel from Goldman's. Just a couple of questions if I could. Can you give us your latest thoughts on cover price increases, both on the Mail and at Northcliffe? And then secondly, any colour around the promotions on the Mail On Sunday, because I think you started to scale that back a little bit, but it appears to be coming through again? Thanks.

Martin

00.49.02

Cover price increases, yes. In terms of the nationals, this is where I think the sort of caution and wariness comes in, that we're not convinced that the time is yet right, in terms of the consumer confidence and the general trends in the market, to be looking at cover price increases. And on the regional's, I think probably it's a similar story, I don't, even if we

00.49.34 do have the odd cover pricing increase coming through, it's going to be small percentages, I don't

think it's really very material. In terms of promotions, yes, I can see where you might have got the impression on the promotions, we've had some very effective promotions on the Mail On Sunday, but there will be some lumpiness in this promotional campaign. We never said that we were never going to do CD's or DVD's, so I think you have to look at it over a longer period of time, and the intention to wean ourselves off what was the sort of incessant use of these products is still in place. Do you want to add to that?

Peter 00.50.11 There's a lot more to do, you know, there's a limited number of quality ones that you can do, and I think that's what we're trying to do, is to say okay, we will do them occasionally, but the number we will do this year will be considerably lower than the number last year, but they'll be much better quality on average.

Martin 00.50.25 So if you can find a Phil Collins CD that was terrifically successful, for example. But I think we've mentioned this before, the reservoir of really good stuff that you can

satisfactorily and provide the information you need. So thank you very much.