

14<sup>th</sup> January 2010

## **MECOM GROUP PLC**

### **Pre-close trading update**

The Board of Mecom Group plc (“Mecom” or the “Group”) issues the following trading update for the year ended 31<sup>st</sup> December 2009 in advance of its results announcement scheduled for 17<sup>th</sup> March 2010.

#### **Highlights**

The key highlights of the year were:

- Following improved revenue performance in the last two months of the year in much of the Group, and continuing benefits from cost reduction programmes, EBITDA in the second half of the year improved considerably from that in the first half, resulting in a preliminary estimate of full-year total EBITDA of approximately €123 million;
- The decline in advertising in all of our markets has slowed. Total advertising declined by 8 per cent in the two-month period to 31<sup>st</sup> December, compared to a full-year decline of 18 per cent;
- Underlying circulation revenues increased slightly during the year;
- A reduction in costs of approximately €140 million, exceeding the Group’s previous expectations (and original target of €75 million) and offsetting nearly 80 per cent of the decline in total revenues during the year;
- Net cashflow in the second half of the year, excluding the effect of the residual fundraising and disposal proceeds, was approximately break-even compared to an outflow in the first half of the year of €56 million; and
- Year-end net debt was approximately €380 million, lower than both market expectations of approximately €400 million and the October net debt figure (€425 million) announced in our Interim Management Statement on 17<sup>th</sup> November 2009. The decrease since the end of October included normal seasonal working capital movements, in particular the effect of quarterly subscription receipts.

## Outlook for 2010

Although the short-term prospects for advertising in the Group's markets remain uncertain, our current expectation is that there will be a continuing, but more modest, decline in print advertising revenues in the first half of 2010, which should be offset over the full year by significant growth in digital revenues. On this basis, we anticipate that revenues in 2010 will be broadly similar to 2009, absent any material change in momentum in our print advertising markets.

The full-year effect of cost reduction programmes in our traditional print business completed or initiated in 2009, together with new programmes planned for 2010 and the benefit of weakening newsprint prices, should see an improvement in EBITDA of at least 10 per cent from the Group's ongoing businesses in 2010. The impact of the Group's capital structure on our profit and loss account means that any improvement in EBITDA will result in a substantial increase in the Group's earnings per share. Any meaningful recovery in advertising markets generally would also have a materially positive impact on the Group's earnings per share in 2010.

Finally, the Group expects to be in a position to meet its term debt repayment obligations (€20 million in December 2010) from trading cashflows. On the basis of its current forecasts for 2010, the Group will be well within the headroom of all of the covenants agreed with its lending banks in May 2009.

Commenting on the outlook for 2010, David Montgomery, Chief Executive, said:

"The Group is now entering the second full year of a three-year programme which will see it move from being a publisher of, primarily, printed newspapers to a provider of an increasingly wide range of content to consumers through many different media channels. This means a business model that demands much greater productivity from a continually reducing cost base in the traditional print business. The Board acknowledges that this will mean further major upheaval for our staff and is grateful for their increasingly enthusiastic implementation of a new operating model.

"The Group is weathering the storm of a major recession well and enters 2010 in good shape with both robust and enduring historic brands and a widening portfolio of new products. GDP is expected to grow in all of our markets in 2010, although it remains to be seen whether the traditionally close correlation between GDP growth and increases in newspaper advertising will be evident as the current recession comes to an end. The Board is confident that its strategy of refocusing the Group as a provider of consumer content across multiple outlets rather than solely printed newspapers gives it an attractive and sustainable future, measured by margin improvement and cashflow generation. We intend to announce details of our medium-term strategic and financial targets with the Group's results in March."

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