

BLOOMSBURY PUBLISHING PLC
Interim results for the six months ended 30 June 2004

- Turnover up 6.7% to £30.94m (2003, £29.00m)
- Pre-tax profit before goodwill amortisation and exceptional gain increased 4.5% to £3.72m (2003, £3.56m)
- Basic earnings per share before goodwill amortisation and exceptional gain increased 2.5% to 3.74p (2003, 3.65p)
- Interim dividend up 10.1% to 0.522p (2003, 0.474p)
- Good progress made in improving operational efficiencies and identifying new revenue opportunities
 - International publishing programme producing clear benefits. *Jonathan Strange and Mr Norrell* has hit Number 3 on *The New York Times* bestseller list and *Schott's Original Miscellany* Number 9 on the *Der Spiegel* bestseller list in Germany.
 - Investment in children's list continues with the introduction of a baby and pre-school lists and the expansion of the picture book and fiction lists
 - Outsourcing of A&C Black distribution now complete and operating smoothly
- Strong second half and 2005 publishing lists
- Well positioned for further growth. Board confident of a satisfactory outcome to the year

Commenting on the results and prospects for Bloomsbury, Nigel Newton, Chairman, said:

“With the groundwork laid in the first half, Bloomsbury is entering a very busy phase for the second half of 2004 and into 2005. The Group is benefiting from a number of publishing initiatives undertaken in recent years and all of our divisions have strong publishing programmes with advance orders indicating that we could potentially have a number of bestsellers, particularly *Jonathan Strange and Mr Norrell*. We have now clearly developed strong revenue streams in both the UK and internationally. Consequently, the Board remains confident of a satisfactory outcome to the year and beyond into 2005.”

For further information, please contact:

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OVERVIEW OF RESULTS

January to June was a good first half with a number of publishing successes, including a new novel by Joanna Trollope and a striking new talent in Jennifer Donnelly with *A Gathering Light*. During the first half of 2004 we finalised the launch plans for a particularly strong programme of titles for the second half of the year and for 2005. We also implemented our plans for the next phase of Bloomsbury's organic growth, focusing on new revenue streams and improved operating efficiencies to reduce costs.

Turnover for the first six months increased 6.7% to £30.94m (2003, £29.00m). Gross profit decreased 4.8% to £14.05m (2003, £14.76m). The gross margin percentage, as forecast, decreased from 50.9% in the first half of 2003 to 45.4% in the first half of 2004. The 2003 margin benefited from the publication in hardback of the new *Harry Potter* title.

Marketing and distribution costs were 20.5% lower at £4.07m (2003, £5.12m) and as a percentage of turnover they decreased to 13.1% (2003, 17.7%). Higher distribution costs were incurred in June 2003 in connection with the publication of *Harry Potter and the Order of the Phoenix*. Administrative expenses increased 5.0% to £6.83m (2003, £6.50m) but as a percentage of turnover decreased slightly to 22.1% (2003, 22.4%). These higher expenses were due to increased salary costs and the costs of additional office space for expansion.

Net interest increased 33.3% to £0.56m (2003, £0.42m) due to higher average cash balances and the increase in prevailing interest rates. Pre-tax profit before goodwill amortisation and exceptional gain increased 45% to £3.72m (2003, £3.56m). The effective rate of corporation tax of 23.2% (2003, 33.1%) reflects goodwill on consolidation, which is not deductible in calculating the corporation tax liability, the profit on share options exercised, which can be set against the corporation tax liability, and an exceptional gain on disposal of A&C Black's distribution centre at Eaton Socon, which is not liable to tax due to indexation allowances.

In May we closed A&C Black's distribution centre at Eaton Socon and moved to Bloomsbury's existing distributor, Macmillan Distribution Limited. The new arrangement is now working smoothly. The exceptional gain of £0.56m (2003, £nil) takes account of the net gain on disposal of the freehold warehouse of £1.09m, less reorganisation costs of £0.45m. The figure includes an additional £0.08m relating to the loss on the sale of the Blue Guides. Basic earnings per share before goodwill amortisation and exceptional gain increased 2.5% to 3.74 pence (2003, 3.65 pence).

Net cash inflow from operating activities for the Group for the first six months of the year was £1.76m (30 June 2003, outflow £1.87m). £1.42m was received from the disposal of A&C Black's distribution centre at Eaton Socon, resulting in a net increase in cash for the period of £2.92m (30 June 2003, outflow £3.73m). Net cash balances at 30 June increased 10.6% to £31.32m (31 December 2003, £28.33m).

INTERIM DIVIDEND

The directors have declared a 10.1% increase in the interim dividend to 0.522 pence per share (2003, 0.474 pence per share), which will be paid on 19 November 2004 to shareholders on the register at close of business on 5 November 2004. The increase in the dividend takes account of the profit growth and cash-generating capability of the Group, as well as the need to retain funds to respond to opportunities for future expansion and acquisition growth. Dividend cover was 8.2 times (2003, 5.9 times).

OPERATIONAL REVIEW

One of the fundamental principles of our business model for growth in both the children's and adult divisions is the close link between Bloomsbury UK, Bloomsbury USA and Berlin Verlag. The ability to share authors across these major markets and exploit rights in-house gives us greater control over the exploitation of those rights. With successful books this can lead to significantly better margins, up to four times greater than from licences. *Jonathan Strange and Mr Norrell* and *Schott's Original Miscellany* are two good current examples, and both children's and adult titles are being acquired on this basis for future publication.

Children's

At the end of 2003 we carried out a review of the children's book market in the US and the UK. We concluded that there was still considerable potential for growth in children's book publishing – an area where we are already well established. The key area of development for Bloomsbury is the fiction market for the age ranges 6 to 18. This has been underpinned by the success of *A Gathering Light* by Jennifer Donnelly, which recently won the Carnegie Medal, the most prestigious award in children's book publishing in the UK. To increase the rate of organic growth in the children's division, we are putting in place a larger editorial, marketing and design infrastructure in both the UK and USA. The recruitment process is currently underway. The objectives are to increase our market share in the young fiction and picture book markets and to provide a comprehensive publishing programme of titles for children from birth to 18 years of age. As well as aiming to build a more significant list of picture books, we have also started a new line of baby and pre-school books. The first books in the list were presented to foreign publishers at the Bologna Children's Book Fair earlier this year and received a very positive response.

The paperback of *Harry Potter and the Order of the Phoenix* was published in July. The sales of the paperback edition have been very good and according to Booktrack it is the best selling children's book in 2004, in line with our own management estimates.

Adult division

The Adult division has been working closely with Bloomsbury USA and Berlin Verlag to develop an international list of bestselling authors. Bloomsbury USA and Bloomsbury UK have especially been acquiring titles and exploiting the German rights through Berlin Verlag's new imprint, Bloomsbury Berlin. The financial and operational benefits of the tripartite arrangement will start to come through this month, when we publish across all three countries *Jonathan Strange & Mr Norrell* by Susanna Clarke. To date we have sold rights in 22 other countries.

We have continued to add established writers to our current stable of authors. In the first half these included Chang-rae Lee, Patrick McGrath, Ronan Bennett and Whitbread winner Justin Cartwright.

We are currently preparing ourselves for a strong Autumn list launch with the publishing programme including Sheila Hancock's memoir of her life with John Thaw, *The Two Of Us*.

Reference and Electronic Media

The extensive re-branding of the former Peter Collin dictionary list is now in place. We have now databased and updated fifteen subject dictionaries, four English Language Teaching ("ELT") dictionaries and five ELT Vocabulary titles. We have agreed new sales distribution arrangements in the USA for the reference list, which up until now has only been sold to third party licensees on a small scale. The first books in the US publishing programme will be launched in the Autumn.

The *Macmillan English Dictionary* range continues to expand. The *Macmillan School Dictionary* was published in the Spring and is already being reprinted by Macmillan. Sales of this series continue to perform well.

The lead title for 2004 is the *Bloomsbury English Dictionary*, the fully revised and updated second edition of the *Encarta World English Dictionary*, which will be published in October. This flagship volume includes over 12,000 new words and senses and detailed help with spelling, grammar and language use. An extensive marketing and publicity campaign is planned for the launch. Electronic rights in this new edition have been licensed to Microsoft.

A&C Black

In the first half of 2004, A&C Black took a number of steps to increase profitability and prepare for future growth.

In April, the loss-making Blue Guide travel list was sold to Somerset Travel Guides Ltd. The sale of the list is not material to the Group but the disposal has freed up resources within the company to allow it to concentrate on core subject areas where it has a major market share.

In May, A&C Black's distribution was transferred to Bloomsbury's distributor Macmillan Distribution Ltd, in order to allow for future growth. This has been completed with minimal disruption to the business. Macmillan has a technologically advanced operation and we are already seeing benefits through improved service to customers. Back-office sales functions and accounts, which had previously been located at the Cambridgeshire warehouse, have been relocated to head office.

Considerable cost savings have also been made by transferring to electronic databases all our major reference works, including *Who's Who*, *Whitaker's Almanack* and *Black's Medical Dictionary*.

INTERNATIONAL ACTIVITIES

Bloomsbury USA

As Bloomsbury USA increases its presence in the American market, it has greater leverage to acquire more rights in the books it buys. A steady stream of additional rights is being acquired and we have appointed a US-based Rights Director to ensure that the maximum value is obtained from sub-licences.

We have been working to increase the operating efficiency of the US business as it expands. The US sales and distribution contract was up for renewal earlier this year and, due to the increased volumes of business now going through Bloomsbury USA, we will receive better terms from the second half of this year.

In gearing up for the next phase of growth in children's publishing, Bloomsbury USA has taken on extra staff to build its presence in the trade and school and library markets.

Berlin Verlag

The German market experienced difficult conditions in the first half of the year, and our main focus at Berlin Verlag has been to continue to drive future top-line growth and reduce overheads. We have now signed an agreement with a new distributor from the end of the year which will reduce distribution fees.

The children's list performed to budget in the first half of the year, which bodes well for future growth in this market. We have expanded the list for the Autumn and have in the pipeline an even more substantial list for 2005.

The new Bloomsbury Berlin list has just been launched with 10 new titles including *Schott's Original Miscellany* and Susanna Clarke's *Jonathan Strange & Mr Norrell*. *Schott's Original Miscellany* has already reached No. 9 on *Der Spiegel* bestseller list and No. 8 on the Amazon Deutschland bestseller list.

From 1 July, Bloomsbury UK moved its German export business from a third-party sales force to the new Berlin Verlag sales force. This will enable us to exercise more control over the sale of books and also to retain part of the sales commission, previously paid to the agent.

Berlin Verlag is now firmly re-established as an independent operation in the German book publishing market. While the company continues to require investment, we are confident that with increasing revenues and reduced costs it will begin to contribute to Group profit.

BOARD CHANGES

As of today, to comply with market best practice, the Board of Bloomsbury Publishing Plc has been reduced in number from twelve to six members comprising three executive directors, Nigel Newton, Colin Adams, Liz Calder, and three non-executives, Paul Scherer, Michael Mayer and Charles Black. Paul Scherer, who was recently appointed as Senior Non-Executive Director, is also appointed as Vice Chairman of Bloomsbury Publishing Plc. A Nominations Committee has also been appointed. The six executives moving from the Plc Board have been appointed to directorships of a new management

board, Bloomsbury Book Publishing Company Limited, which also includes the Plc Directors. They are Jill Coleman, Minna Fry, Sarah Odedina, Alexandra Pringle, Kathy Rooney and David Ward. On the expiry of my current three-year contract, I intend to sign a new service contract with a rolling one-year notice period from either party.

The Remuneration Committee recently asked external remuneration consultants (New Bridge Street Consultants LLP) to advise on the creation of a new share incentive plan to replace our previous share option schemes, which have now closed. The new plan will be set up for executive directors and employees. It was discovered that, due to a misinterpretation of the previous scheme rules, some options had been granted in excess of the option scheme limits. Options held by executive directors equal to the number of excess options were cancelled today for no consideration, details of which are to be found in the notes to the Accounts.

OUTLOOK

With the groundwork laid in the first half, Bloomsbury is entering a very busy phase for the second half of 2004 and into 2005. The Group is benefiting from a number of publishing initiatives undertaken in recent years, and all of our divisions have strong publishing programmes with advance orders indicating that we could have a number of bestsellers. We now have clearly developed strong revenue streams in both the UK and internationally. Consequently, the Board remains confident of a satisfactory outcome to the year and beyond into 2005.

Nigel Newton
Chairman
21 September 2004

RESULTS

The consolidated unaudited profit and loss account for the six months ended 30 June 2004 was as follows:

| | 6 months ended 30 June 2004 (unaudited) £'000 | 6 months ended 30 June 2003 (unaudited) £'000 | Year ended 31 December 2003 (audited) £'000 |
|--|--|--|--|
| Turnover | 30,937 | 29,000 | 83,114 |
| Cost of sales | <u>(16,883)</u> | <u>(14,241)</u> | <u>(39,632)</u> |
| Gross profit | 14,054 | 14,759 | 43,482 |
| Marketing and distribution costs | (4,065) | (5,120) | (13,147) |
| Administrative expenses | (6,830) | (6,502) | (15,729) |
| Goodwill amortisation | <u>(337)</u> | <u>(685)</u> | <u>(1,751)</u> |
| Operating profit | 2,822 | 2,452 | 12,855 |
| Profit on sale of fixed assets in continuing operations | 1,091 | - | - |
| Loss on sale of publishing assets | (79) | - | - |
| Reorganisation costs in continuing operations | <u>(456)</u> | <u>-</u> | <u>-</u> |
| Profit on ordinary activities before interest | 3,378 | 2,452 | 12,855 |
| Net interest receivable | <u>556</u> | <u>418</u> | <u>775</u> |
| Profit on ordinary activities before taxation | 3,934 | 2,870 | 13,630 |
| Taxation | <u>(914)</u> | <u>(949)</u> | <u>(3,915)</u> |
| Profit on ordinary activities after taxation | 3,020 | 1,921 | 9,715 |
| Dividends | <u>(369)</u> | <u>(325)</u> | <u>(1,516)</u> |
| Retained profit for the period | <u>2,651</u> | <u>1,596</u> | <u>8,199</u> |
| Basic earnings per share | <u>4.28p</u> | <u>2.82p</u> | <u>14.10p</u> |
| Diluted earnings per share | <u>4.15p</u> | <u>2.73p</u> | <u>13.56p</u> |
| Basic earnings per share before goodwill amortisation and exceptional gain | <u>3.74p</u> | <u>3.65p</u> | <u>16.45p</u> |
| Diluted earnings per share before goodwill amortisation and exceptional gain | <u>3.63p</u> | <u>3.54p</u> | <u>15.82p</u> |

CONSOLIDATED BALANCE SHEET

| | 30 June 2004 (unaudited) £'000 | 30 June 2003 (unaudited) £'000 | 31 December 2003 (audited) £'000 |
|---|--------------------------------------|--------------------------------------|--|
| Fixed assets | | | |
| Intangible assets | 11,029 | 8,817 | 11,359 |
| Tangible assets | <u>822</u> | <u>1,242</u> | <u>1,218</u> |
| | 11,851 | 10,059 | 12,577 |
| Current assets | | | |
| Stocks | 14,735 | 18,368 | 12,484 |
| Debtors due within one year | 20,104 | 33,132 | 26,706 |
| Debtors due after more than one year | 5,133 | 5,429 | 3,707 |
| Cash at bank and in hand | <u>32,388</u> | <u>15,443</u> | <u>29,472</u> |
| | 72,360 | 72,372 | 72,369 |
| Creditors: amounts falling due within one year | <u>21,406</u> | <u>31,364</u> | <u>25,173</u> |
| Net current assets | <u>50,954</u> | <u>41,008</u> | <u>47,196</u> |
| Total assets less current liabilities | 62,805 | 51,067 | 59,773 |
| Creditors: amounts falling due after more than one year | 723 | 425 | 883 |
| Provisions for liabilities and charges | <u>3</u> | <u>278</u> | <u>69</u> |
| | <u>62,079</u> | <u>50,364</u> | <u>58,821</u> |
| Capital and reserves | | | |
| Called up share capital | 884 | 857 | 876 |
| Share premium account | 34,626 | 32,088 | 33,967 |
| Capital redemption reserve | 20 | 20 | 20 |
| Profit and loss account | <u>26,549</u> | <u>17,399</u> | <u>23,958</u> |
| Total shareholders' funds | <u>62,079</u> | <u>50,364</u> | <u>58,821</u> |

CONSOLIDATED CASH FLOW STATEMENT

| | 6 months ended 30 June 2004 (unaudited) £'000 | 6 months ended 30 June 2003 (unaudited) £'000 | Year ended 31 December 2003 (audited) £'000 |
|---|---|---|---|
| Net cash inflow / (outflow) from operating activities | 1,759 | (1,867) | 14,650 |
| Returns on investments and servicing of finance | | | |
| Interest paid | (6) | (12) | (64) |
| Interest received | <u>857</u> | <u>430</u> | <u>839</u> |
| Net cash inflow from returns on investments and servicing of finance | 851 | 418 | 775 |
| Taxation | | | |
| Tax paid | (1,624) | (1,784) | (4,283) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | (90) | (223) | (389) |
| Sale of tangible fixed assets | <u>1,415</u> | <u>10</u> | <u>18</u> |
| | 1,325 | (213) | (371) |
| Acquisitions and disposals | | | |
| Purchase of subsidiary undertakings | (7) | (144) | (859) |
| Purchase of publishing assets | - | (520) | (537) |
| Sale of publishing assets | <u>111</u> | <u>-</u> | <u>-</u> |
| | 104 | (664) | (1,396) |
| Equity dividends paid | - | - | (1,274) |
| Financing | | | |
| Repayment of loans | (83) | (65) | (122) |
| Share options exercised | 584 | 444 | 2,319 |
| Net cash inflow | <u>501</u> | <u>379</u> | <u>2,197</u> |
| Increase / (decrease) in cash | <u>2,916</u> | <u>(3,731)</u> | <u>10,298</u> |

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 6 months ended 30 June 2004 (unaudited) £'000 | 6 months ended 30 June 2003 (unaudited) £'000 | Year ended 31 December 2003 (audited) £'000 |
|---|--|--|--|
| Operating profit | 2,822 | 2,452 | 12,855 |
| Depreciation of tangible fixed assets | 162 | 160 | 344 |
| Goodwill amortisation | 337 | 685 | 1,751 |
| Profit on disposal of tangible fixed assets | - | (3) | (5) |
| Reorganisation costs | (456) | - | - |
| Increase in stocks | (2,368) | (6,460) | (836) |
| Decrease / (increase) in debtors | 5,138 | (11,903) | (5,382) |
| (Decrease) / increase in creditors | (3,876) | 13,202 | 5,923 |
| | <hr/> | <hr/> | <hr/> |
| Net cash inflow / (outflow) from operating activities | 1,759 | (1,867) | 14,650 |
| | <hr/> | <hr/> | <hr/> |

RECONCILIATION TO NET FUNDS

| | 6 months ended 30 June 2004 (unaudited) £'000 | 6 months ended 30 June 2003 (unaudited) £'000 | Year ended 31 December 2003 (audited) £'000 |
|---|--|--|--|
| Increase / (decrease) in net cash in the period | 2,916 | (3,731) | 10,298 |
| Decrease / (increase) in debt | 83 | 65 | (553) |
| | <hr/> | <hr/> | <hr/> |
| Movements in net funds in the period | 2,999 | (3,666) | 9,745 |
| Net funds at 1 January | 28,325 | 18,580 | 18,580 |
| | <hr/> | <hr/> | <hr/> |
| Net funds at 30 June / 31 December | 31,324 | 14,914 | 28,325 |
| | <hr/> | <hr/> | <hr/> |

ANALYSIS OF NET FUNDS

| | 1 January 2004 (audited) £'000 | Cash flow (unaudited) £'000 | 30 June 2004 (unaudited) £'000 |
|------------------------|---|--|---|
| Cash at bank | 29,472 | 2,916 | 32,388 |
| Debt due within 1 year | (1,147) | 83 | (1,064) |
| Total | <u>28,325</u> | <u>2,999</u> | <u>31,324</u> |

Debt due within one year comprises the loan notes in connection with the acquisition of A&C Black and Reed's Almanac Limited.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 6 months ended 30 June 2004 (unaudited) £'000 | 6 months ended 30 June 2003 (unaudited) £'000 | Year ended 31 December 2003 (audited) £'000 |
|--|--|--|--|
| Profit on ordinary activities after taxation | 3,020 | 1,921 | 9,715 |
| Dividends | (369) | (325) | (1,516) |
| Share options exercised | 667 | 444 | 2,342 |
| Currency translation differences | (60) | 44 | - |
| Net addition to shareholders' funds | <u>3,258</u> | <u>2,084</u> | <u>10,541</u> |
| Opening shareholders' funds | <u>58,821</u> | <u>48,280</u> | <u>48,280</u> |
| Closing shareholders' funds | <u>62,079</u> | <u>50,364</u> | <u>58,821</u> |

NOTES TO THE ACCOUNTS:

1. The earnings per ordinary share for the six months to 30 June 2004 is based on the profit after taxation of £3,020,000 (2003 - £1,921,000) and on a weighted average number of ordinary shares in issue of 70,534,904 (2003 - 68,134,915). The earnings per ordinary share for the twelve months to 31 December 2003 is based on the profit after taxation of £9,715,000 and a weighted average number of ordinary shares in issue of 68,901,851. The diluted earnings per share for the six months to 30 June 2004 has been calculated by reference to a weighted average number of Ordinary Shares of 72,707,392 (2003 – 70,285,779, year ended 31 December 2003 – 71,654,541) which takes account of share options. Basic and diluted earnings per share excluding goodwill and exceptional gain and the tax effect thereof for the six months to 30 June 2004 have been calculated by reference to earnings of £2,641,000 (2003 – £2,485,000, year ended 31 December 2003 – £11,337,000). The diluted earnings per share for the six months to 30 June 2004 after the cancellation of 4,395,671 shares under option as detailed in note 2 below is 4.20 pence per Ordinary Share and has been calculated by reference to a weighted average number of Ordinary Shares of 71,925,976. Diluted earnings per share excluding goodwill and exceptional gain and the tax effect thereof is 3.67 pence per Ordinary Share.
2. The number of share options that were cancelled under the 1994 approved executive share option scheme and 1994 unapproved executive share option scheme is as follows: Nigel Newton 884,222, Colin Adams 498,227, Liz Calder 496,611, Kathy Rooney 496,611, Sarah Odedina 400,000, David Ward 360,000, Minna Fry 420,000, Alexandra Pringle 420,000 and Jill Coleman 420,000. The total number of share options cancelled is 4,395,671. Following the cancellation of these options, the executives still hold the following number of options: Nigel Newton 798,778, Colin Adams 139,389, Liz Calder 419,389, Kathy Rooney 139,389, Sarah Odedina 96,768, David Ward 40,000, Minna Fry 70,000 and Alexandra Pringle 70,000. Jill Coleman does not currently hold any share options outstanding.
3. The figures for the six months ended 30 June 2004 do not comprise full accounts. The financial information included in this document has been approved by the Directors and prepared on a consistent basis with the accounts for the year ended 31 December 2003. Accounts for the year ended 31 December 2003, which received an unqualified audit report, have been lodged with the Registrar of Companies. This announcement is being sent to shareholders and will be made available at our registered office.