BLOOMSBURY PUBLISHING PLC

INTERIM REPORT 2006

"Bloomsbury has made good progress in the first six months of 2006. Our international businesses are clearly established and performing well. The benefits of our prior investment in authors and new business initiatives are coming through as planned."

"The Group's publishing programme for the second half of the year is one of the strongest to date and includes books from some of our bestselling authors and potential bestsellers from new authors. The second half has started well with trading in line with our expectations, and the Board remains confident of a satisfactory outcome to the year."

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Overview

Bloomsbury has made good progress in the first six months of 2006. Bloomsbury USA has shown very satisfactory growth, driven by continued re-orders for autumn 2005 titles and strong sales of a number of 2006 titles. Berlin Verlag has performed well compared to the first half of 2005, with top line sales growth and continued focus on the cost base. In the UK, we had three books recommended on television by the Richard and Judy Book Club, and the recent acquisition of Methuen Drama is being successfully integrated.

Revenue for the first six months increased 6.5% to £37.66m (2005, £35.37m). Gross profit increased 6.4% to £18.71m (2005, £17.58m), with the gross margin unchanged at 49.7% (2005, 49.7%).

Marketing and distribution costs were 4.9% higher at £6.81m (2005, £6.49m), but as a percentage of turnover they decreased slightly to 18.1% (2005, 18.3%). The increase in marketing spend was due to a higher number of lead titles in the first half publishing programme. The increase in distribution costs was primarily a function of the increased turnover. Administrative expenses increased 15.9% to £8.88m (2005, £7.66m), largely due to additional office costs and increased salary costs as the Group continues to grow its publishing programme. As a percentage of turnover, administrative expenses increased to 23.6% (2005, 21.7%).

Interest income increased by 83.6% to £1.23m (2005, £0.67m) primarily as a result of higher average cash balances.

Profit before tax increased 3.4% to £4.22m (2005, £4.08m.). The effective rate of corporation tax for the six months was 29.4% (2005, 29.8%).

Basic earnings per share increased 2.3% to 4.08 pence (2005, 3.99 pence).

The exchange adjustments recognised in reserves of £1.08m loss (2005, £0.13m profit) arise from retranslation of foreign subsidiaries' assets and liabilities and reflect principally the weakening of the dollar against sterling since the end of 2005 and the increase in the underlying net asset values.

Net cash outflow for the Group for the first six months of the year was £22.4m (30 June 2005, inflow £4.88m). The cash outflow related primarily to royalties paid to authors in March. In the first six months of 2006 the Group also paid corporation tax of £2.28m (2005, £2.62m) and the 2005 final dividend of £2.19m (2005, nil. The final dividend in respect of 2004 was paid in July 2005). In addition, £2.35m was paid for the acquisition of Methuen Publishing. Net cash balances at 30 June decreased 41.8% to £31.12m (31 December 2005, £53.51m).

At 30 June 2006 the Group had under contract 1,113 titles (31 December 2005, 1,062) for future publication with a gross investment excluding reference databases of £31.24m (31 December 2005, £22.41m). After payment of the initial tranches of advances to authors, our liability for future cash payments on these contracted titles at that date was £18.57m (31 December 2005, £12.05m).

"In the UK, we had three books recommended on television by the Richard and Judy Book Club, and the recent acquisition of Methuen Drama is being successfully integrated."

Chairman's statement

Interim Dividend

The directors have declared a 10% increase in the interim dividend to 0.66 pence per share (2005, 0.60 pence per share), which will be paid on 17 November 2006 to shareholders on the register at close of business on 3 November 2006. 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.

Operational Review

Children's

In the first half of 2006 we published our first full pre-school list programme. Sixteen titles were released, and we had strong support from book clubs, special and international sales channels. We are now working hard to build critical mass in this area.

The new novel, *Small Steps*, by the bestselling author of *Holes*, Louis Sachar, was published during the first half of this year. Other significant publications so far this year have been the second in the *Septimus Heap* series, *Flyte*, by Angie Sage and the third in the series of books by Sue Limb, *Girl 16*. Both Angie Sage and Sue Limb are writing a series of books featuring the characters Araminta Spook and Ruby Rogers respectively. The first of these titles will be published in the second half of this year.

In June, we published the paperback edition of *Harry Potter and The Half-Blood Prince,* with copies of the adult and children's paperback editions of this bestselling book released internationally.

In October, we are publishing the highly anticipated *Larklight* by Philip Reeve simultaneously in the UK, Germany and the USA and for which we already have twelve foreign publishers partnering with us, as well as a substantial confirmed film deal.

"We have continued to buy major titles for publication this autumn which should create the strongest publishing list in the Adult division in Bloomsbury's history."

We will also broaden out into the film and TV tie-in market and this autumn will be publishing four titles tying in with the big cinematic children's release *Open Season*. In the second half we are also publishing a series of in-house originated titles, *Mermaid S.O.S.*, participating in the current successful trend of long series titles for young female readers.

Adult

The first half of this year got off to a good start with the publication of Joanna Trollope's new novel, *Second Honeymoon*, which went to No. 1 in the hardback bestseller list. We also had three Richard & Judy Book Club selections in the first half of the year: *Moondust* by Andrew Smith, *Empress Orchid* by Anchee Min and *The Highest Tide* by Jim Lynch. Sales of *The Kite Runner* continued to build and it remains one of our core backlist titles. We also brought Douglas Coupland to our UK list with his new novel, *JPod*.

We hired a new editor, Richard Atkinson, who specialises in food, lifestyle and TV tie-in books. He brought with him the bestselling food writer, Hugh Fearnley-Whittingstall. He has also made a number of significant TV tie-in purchases, including the book to accompany David Dimbleby's forthcoming BBC series on the buildings of Britain and also a book to tie-in with a major TV series about human anatomy. The appointment of Richard Atkinson and the purchase of these books mark an important move for Bloomsbury into TV-led bestsellers.

We have continued to buy major titles for publication this autumn which should create the strongest publishing list in the Adult division in Bloomsbury's history. The fiction list includes *So Many Ways to Begin*, the second novel from bestselling author Jon McGregor; a major new novel, *Restless*, from William Boyd who has just joined Bloomsbury (in the UK, US and Germany); a collection of stories from Man Booker Prize winner Margaret Atwood; and a collection of stories from the author of the bestselling *Jonathan Strange & Mr Norrell*, Susanna Clarke. We also have one of America's most distinguished novelists, Richard Ford, on the list, and a twice Booker shortlisted Irish writer, Patrick McCabe. Both Jon McGregor's new novel, *So Many Ways to Begin*, and Nadine Gordimer's *Get a Life* have been longlisted for the 2006 Man Booker Prize. Kiran Desai's shortlisted novel, *The Inheritance*, will be published by Berlin Verlag.

In non-fiction for the second half of this year, we have autobiographies from Take That's singer/songwriter Gary Barlow and the boxer Amir Khan; food books by Hugh Fearnley-Whittingstall and Heston Blumenthal; history from the bestselling William Dalrymple (author of *White Mughals*); and, as previously announced, books by Gordon Brown and David Blunkett. Finally, Ruth Badger, who was one of the contestants in the successful TV series, The Apprentice, signed with Bloomsbury.

Reference & Electronic Media

On 1 June 2006, A&C Black purchased the prestigious theatre list, Methuen Drama, with over 700 titles in print and excellent back-list sales. This list includes works by playwrights such as Caryl Churchill, Willy Russell, Bertold Brecht and Tennessee Williams, as well as famous theatre practitioners such as Stanislavsky and Patsy Rodenburg. A&C Black already has a well-established theatre list which will in future be published under the Methuen Drama imprint, creating the largest drama list in the UK. A&C Black's sales and marketing team has much greater reach into bookshops in the UK and internationally as well as to schools and universities than with Methuen's previous arrangement. We have recently signed a number of agreements for important new drama titles and expect a significant increase in sales over the next five years. A&C Black has had considerable success in acquiring properties to become the dominant players in its niche markets. It is a strategy that has worked well for the business and we are continuing to look for similar acquisition opportunities that will continue to add critical mass.

Other highlights in the first six months include a record year for sales of *Wisden Cricketers' Almanac*, for which we act as sales agents, and another successful collaboration with the RSPB to produce *My First Garden Bird Book*. In the second half of the year, we will be publishing the second edition of the Bloomsbury reference title *Business*, which will be underpinned by a major marketing campaign in association with our partners. We also celebrate the 100th anniversary of our bestselling annual reference book *The Writers' and Artists' Yearbook* with a nationwide marketing campaign which includes a launch at the Edinburgh Book Festival.

Major new print and electronic reference database projects are at an advanced planning stage. These follow the Company's successes with the *Encarta World English Dictionary* and the ELT database partnership with Macmillan. Future database projects may benefit from the surge in online advertising and the increased use of the internet as a research tool.

"A&C Black has had considerable success in acquiring properties to become the dominant players in its niche markets. It is a strategy that has worked well for the business and we are continuing to look for similar acquisition opportunities that will continue to add critical mass."

Chairman's statement

International

Bloomsbury USA and Walker Publishing Company, Inc.

Bloomsbury USA sales for the first six months of the year were up 46.3% to £6.79m (2005, £4.64m). The strong increase in title sales for the period was driven by a number of factors. Titles published in the autumn of 2005 continued to sell well in 2006. These included *Don't Try This at Home, How to Survive a Robot Uprising*, Man Booker Prize winner *The Line of Beauty*, Newberry Award winner *Princess Academy* and *Nanny McPhee*. Advance orders on a number of our 2006 titles were also strong, including *The Nasty Bits* by Tony Bourdain, *Field Notes from a Catastrophe* by Elizabeth Kolbert and *The Highest Tide* by Jim Lynch. The operation made a loss of £0.43m (2005, £0.08m profit) due to continued planned investment in staff and office and to fund its expansion. It is expected to make an operating profit for the full year.

Bloomsbury USA moved into mass market publishing with the launch of mass market editions of Susanna Clarke's *Jonathan Strange & Mr Norrell* and with Herbie Brennan's *Faerie Wars*. Sales are comfortably ahead of budget and the success of these titles will determine the strategy for future growth of this new revenue stream.

In June, we appointed Peter Ginna as Publisher of a new imprint. He will concentrate on developing a list of high profile non-fiction projects to start in September. In July, Nick Trautwein joined the Bloomsbury Adult editorial team where he will develop a list of popular titles on sports, politics and current events. We are looking to appoint a new publisher for our Children's division as we seek to grow this area of our US business more aggressively.

We are still focusing on reducing the cost base in the US, and in May we signed a new two-year contract on more favourable terms with our primary US printer which will result in additional production savings.

We have a very strong list for the autumn including the US edition of Ben Schott's *Almanac*, Melissa Fay Greene's *There Is No Me Without You* and William Boyd's *Restless*. Pre-orders are already strong for these titles.

Berlin Verlag

Berlin Verlag continued to show good growth in the first six months of 2006, with revenues increasing 24.3% to £2.51m (2005, £2.02m).

Particular successes included *Der Teppichhändler* by the American author Meg Mullins which was featured on the influential TV show Lesen! in June. Ben Schott's *Sammelsurien* continues to perform strongly, and on publication of the third volume, *Schotts Sammelsurium Sport, Spiel und Müßiggang*, in the Spring all three titles appeared together in Der Spiegel bestseller list. The repositioning of the paperback list with its new cover design style has been very well received and the performance of this list continues to improve. We are particularly delighted at the success of Khaled Hosseini's *Der Drachenläufer (The Kite Runner)* where sales are greater than ever and the book appeared in the paperback bestseller list for the first time in May.

"The benefits of the comprehensive and ongoing review of costs, especially on production, continue to bear fruit and to help margins."

The autumn list highlights include *Erbin des Verlorenen Landes* by Kiran Desai, *Die Kommende Welt* by Dara Horn and *Impuls*, Robert Frenay's book on bionics. Bloomsbury Berlin's lead titles are the German edition of *Schott's Almanac* which will appear in November, fully reworked for the German market, and Benjamin Kunkel's *Unentschlossen*.

Our first Children's non-fiction list launches in October. The two lead titles on this new list, *101 Dinge* and *Das 1-2-3 Kinderkochbuch*, are both titles shared with Bloomsbury UK and US, and together with the continuing successes in Germany of Ben Schott, Khaled Hosseini and Susanna Clarke bear testimony to the advantages of Bloomsbury's strategy of publishing joint titles globally in order to maximise benefits to the Group as a whole.

Sales by Berlin Verlag of Bloomsbury's English-language titles into the German market continue to grow and reach more shops directly rather than through wholesalers. The paperback edition of *Harry Potter and the Half-Blood Prince* performed particularly well.

The benefits of the comprehensive and ongoing review of costs, especially on production, continue to bear fruit and to help margins.

Outlook

The Group's publishing programme for the second half of the year is one of the strongest to date, and includes books from some of our bestselling authors and potential bestsellers from new authors. We continue to build on the success of our US and German operations and benefits of our strategy of publishing joint titles globally are coming through as expected. We also continue to move into new areas of publishing within our divisions. The second half has started well with trading in line with our expectations. As a result, the Board remains confident of a satisfactory outcome to the year.

Nigel Newton
Chairman
19 September 2006

> "We continue to build on the success of our US and German operations and benefits of our strategy of publishing joint titles globally are coming through as expected."

Consolidated income statement
for the six months ended 30 June 2006

	Notes	6 months ended 30 June 2006 (unaudited) £'000	6 months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Revenue	2	**37,659**	35,367	109,108
Cost of sales		**(18,949)**	(17,789)	(53,514)
Gross profit		**18,710**	17,578	55,594
Marketing and distribution costs		**(6,812)**	(6,486)	(18,107)
Administrative expenses		**(8,883)**	(7,656)	(18,681)
Profit before investment income	2	**3,015**	3,436	18,806
Investment income		**1,232**	666	1,392
Finance costs		**(28)**	(18)	(71)
Profit before taxation		**4,219**	4,084	20,127
Income tax expense		**(1,241)**	(1,219)	(5,481)
Profit for the period		**2,978**	2,865	14,646
Basic earnings per share	3	**4.08p**	3.99p	20.30p
Diluted earnings per share	3	**4.01p**	3.91p	19.93p

Consolidated statement of recognised income and expense
for the six months ended 30 June 2006

	6 months ended 30 June 2006 (unaudited) £'000	6 months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Profit for the period	**2,978**	2,865	14,646
Exchange adjustments recognised in reserves	**(1,076)**	131	640
Total recognised income for the period	**1,902**	2,996	15,286

Consolidated balance sheet
at 30 June 2006

	30 June 2006 (unaudited) £'000	30 June 2005 (unaudited) £'000	31 December 2005 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	2,613	1,233	1,615
Intangible assets	17,528	15,559	15,511
Deferred tax assets	1,746	772	1,238
Total non-current assets	21,887	17,564	18,364
Current assets			
Inventories	15,876	17,513	15,129
Trade and other receivables	40,742	52,101	48,630
Cash and cash equivalents	31,117	24,242	53,511
Total current assets	87,735	93,856	117,270
Total assets	109,622	111,420	135,634
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	913	900	911
Share premium	38,392	36,848	38,123
Capital redemption reserve	20	20	20
Share-based payment reserve	743	298	453
Translation reserve	(434)	133	642
Retained earnings	49,423	37,298	48,634
Total equity	89,057	75,497	88,783
Non-current liabilities			
Employee benefits	141	97	130
Other payables	225	337	163
Total non-current liabilities	366	434	293
Current liabilities			
Trade and other payables	18,350	33,750	43,974
Short-term borrowings	-	353	-
Current tax payable	1,849	1,386	2,584
Total current liabilities	20,199	35,489	46,558
Total liabilities	20,565	35,923	46,851
Total equity and liabilities	109,622	111,420	135,634

Statement of changes in equity

The Group	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balances at 1 January 2005	**894**	**35,763**	**20**	**217**	**2**	**36,206**	**73,102**
Exchange differences on translating foreign operations	-	-	-	-	131	-	131
Profit for the period	-	-	-	81	-	2,865	2,946
Dividends	-	-	-	-	-	(1,773)	(1,773)
Share issues	6	1,085	-	-	-	-	1,091
Balances at 30 June 2005	**900**	**36,848**	**20**	**298**	**133**	**37,298**	**75,497**
Exchange differences on translating foreign operations	-	-	-	-	509	-	509
Profit for the period	-	-	-	155	-	11,781	11,936
Dividends	-	-	-	-	-	(445)	(445)
Share issues	11	1,275	-	-	-	-	1,286
Balances at 31 December 2005	**911**	**38,123**	**20**	**453**	**642**	**48,634**	**88,783**
Exchange differences on translating foreign operations	-	-	-	-	(1,076)	-	(1,076)
Profit for the period	-	-	-	290	-	2,978	3,268
Dividends	-	-	-	-	-	(2,189)	(2,189)
Share issues	2	269	-	-	-	-	271
Balances at 30 June 2006	**913**	**38,392**	**20**	**743**	**(434)**	**49,423**	**89,057**

Consolidated cash flow statement
for the six months ended 30 June 2006

	6 months ended 30 June 2006 (unaudited) £'000	6 months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Cash flows from operating activities			
Net profit before tax	**4,219**	4,084	20,127
Adjustments for:			
Depreciation of property, plant and equipment	**228**	152	400
Amortisation of publishing relationships	**18**	18	35
Profit on sale of property, plant and equipment	**(1)**	(3)	(3)
Share-based payment charges	**290**	81	236
Investment income	**(1,232)**	(666)	(1,392)
Finance costs	**28**	18	71
	3,550	3,684	19,474
Increase in inventories	**(779)**	(5,910)	(3,442)
Decrease / (increase) in trade and other receivables	**6,782**	(10,158)	(6,353)
(Decrease) / increase in trade and other payables	**(25,343)**	9,631	21,460
Cash (used in) / generated from operations	**(15,790)**	(2,753)	31,139
Income taxes paid	**(2,278)**	(2,618)	(5,898)
Net cash (outflow) / inflow from operating activities	**(18,068)**	(5,371)	25,241
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,226)**	(607)	(1,268)
Proceeds from sale of property, plant and equipment	**-**	-	33
Purchase of businesses	**(2,350)**	(33)	(33)
Interest received	**1,232**	666	1,392
Net cash (used in) / generated from investing activities	**(2,344)**	26	124
Cash flows from financing activities			
Share options exercised	**271**	510	1,796
Equity dividends paid	**(2,189)**	-	(2,218)
Interest paid	**(28)**	(18)	(118)
Repayment of loans	**-**	(26)	(445)
Net cash (used in) / generated from financing activities	**(1,946)**	466	(985)
Net (decrease) / increase in cash and cash equivalents	**(22,358)**	(4,879)	24,380
Cash and cash equivalents at beginning of period	**53,511**	29,120	29,120
Unrealised exchange (loss) / gain on cash and cash equivalents	**(36)**	1	11
Cash and cash equivalents at end of period	**31,117**	24,242	53,511

Accounting policies

The accounting policies used in the preparation of the accounts for the six months ended 30 June 2006 are consistent with those used in the statutory accounts for the year ended 31 December 2005.

Notes to the accounts

1. Interim accounts

The figures for the six months ended 30 June 2006 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 2005. The statutory accounts for the year ended 31 December 2005, which received an unqualified audit report, have been lodged with the Registrar of Companies.

2. Segmental analysis

The Group considers that as the main thrust of its growth is to develop its international publishing strategy, the primary segmental reporting should be based on geographical segments. The analysis by geographical segment is shown below.

External revenue	**6 months ended 30 June 2006 (unaudited) £'000**	6 months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
United Kingdom	**28,355**	28,708	92,616
North America	**6,793**	4,638	11,027
Continental Europe	**2,511**	2,021	5,465
	37,659	35,367	109,108

Segment result	**6 months ended 30 June 2006 (unaudited) £'000**	6 months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
United Kingdom	**3,503**	3,487	17,856
North America	**(430)**	83	478
Continental Europe	**18**	(44)	642
	3,091	3,526	18,976
Unallocated central costs	**(76)**	(90)	(170)
Profit before investment income	**3,015**	3,436	18,806

The revenues for the United Kingdom and North America for the six months ended 30 June 2005 have been restated to show a more accurate comparison with the current period figures.

3. Earnings per share

The earnings per share for the six months to 30 June 2006 is based on the profit after taxation of £2,978,000 (2005 - £2,865,000) and on a weighted average number of Ordinary Shares in issue of 72,918,862 (2005 – 71,878,716). The earnings per share for the twelve months to 31 December 2005 is based on the profit after taxation of £14,646,000 and a weighted average number of Ordinary Shares in issue of 72,134,014. The diluted earnings per share for the six months to 30 June 2006 has been calculated by reference to a weighted average number of Ordinary Shares of 74,280,812 (2005 – 73,293,754, year ended 31 December 2005 – 73,493,581) which takes account of share options.

4. Post balance sheet events

The directors have proposed an interim dividend of 0.66 pence per share (2005, 0.60 pence per share), which will be paid on 17 November 2006 to shareholders on the register at close of business on 3 November 2006. Based on the number of shares in issue at 30 June 2006, the interim dividend will be £482,000 (2005, £445,000).

Independent Review Report to Bloomsbury Publishing Plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the income statement, statement of recognised income and expense, balance sheet, statement of changes in equity, cash flow statement, accounting policies and related notes set out on pages 6 to 11. 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.

This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, therefore in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

The accounting policies are consistent with those that the directors use in the annual financial statements.

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 disclosed accounting policies 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 and therefore provides a lower level of assurance. 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 2006.

Baker Tilly

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