

## **INDEPENDENT NEWS & MEDIA PLC (“INM”)**

**(NOT FOR RELEASE OR DISTRIBUTION IN THE US)**

### **AUSTRALIAN SUBSIDIARY COMPANY RESULTS FOR THE HALF YEAR TO 30 JUNE 2003**

#### **INM’S APN NEWS & MEDIA INTERIM NET PROFIT UP 24 PER CENT TO \$44.7 MILLION**

APN News & Media Ltd (APN), (43% owned by Independent News & Media PLC) today announced a net profit after tax for the six months ended June 30 2003 of \$44.7 million, up 24% on the prior year.

Earnings per share were 10.2 cents, up 21% from 8.4 cents in 2002.

Group revenue before non-recurring items increased 14% to \$542 million. EBIT before non-recurring items increased 20% to \$103.6 million.

APN Chief Executive Brendan Hopkins said: “The result shows an excellent first half for APN and reflects a continuation of the improved trading conditions experienced in the last quarter of 2002. The outcome was underpinned by particularly good performances from our Australian and New Zealand newspapers.

“Our 24 daily newspapers, clear leaders in their individual markets, and more than 90 non-daily publications continue to produce strong returns and now account for more than 70% of group EBIT.

“The Radio division produced a strong second quarter, with forward bookings improving into the second half, and accounted for 20% of group EBIT.

“Our other divisions are undergoing restructuring to be better positioned for future growth. The results from our core Outdoor assets exceeded the 2002 first half divisional profit contribution by 8%. The newly formed Print and Specialist Publishing division completed a challenging six months, during which a number of the businesses were restructured.

“We are confident that our divisions are well managed and each is well placed for ongoing revenue and profit growth.

“Given a continuation of current trading conditions and the continuing strength of the New Zealand dollar, the company is on target to meet the double-digit consensus profit growth forecasts

for recurring earnings for the 2003 full year.”

## Divisional Summaries

|                                 | <b>June 30<br/>2003</b> | <b>June 30<br/>2002</b> | <b>% var.</b> |
|---------------------------------|-------------------------|-------------------------|---------------|
| <b>APN Group EBIT</b>           |                         |                         |               |
| Publishing                      | 76.6                    | 60.5                    | 27%           |
| <i>New Zealand Herald</i>       | 40.5                    | 32.1                    | 26%           |
| <i>Regional Newspapers</i>      | 36.1                    | 28.4                    | 27%           |
| Radio                           | 21.5                    | 19.7                    | 9%            |
| Transit & Outdoor               | 7.8                     | 7.2                     | 8%            |
| Printing                        | 2.6                     | 3.8                     | (32%)         |
| Corporate                       | (4.9)                   | (4.6)                   | (7%)          |
| EBIT before non-recurring items | 103.6                   | 86.6                    | 20%           |
| Non-recurring items             | 1.6                     | -                       | -             |
| <b>Group EBIT</b>               | <b>105.2</b>            | <b>86.6</b>             | <b>21%</b>    |

## The New Zealand Herald

New Zealand’s largest circulating daily newspaper has continued to trade well in the second quarter of 2003, following a good performance in the first quarter. In the first six months the Herald increased EBIT by 26% to \$A40.5 million. Auckland remains New Zealand’s largest and most buoyant regional economy, with real estate and employment markets continuing to exhibit excellent growth. This has flowed through to good advertising levels in the Herald. Real Estate, Local Retail and National advertising revenues grew 26%, 16% and 21% respectively over last year’s corresponding period. Advertising yield management will be a key focus for the second half, with rate increases effective from July expected to deliver significant yield growth.

New Zealand’s economic outlook, forecast to slow in the second half, has brightened in recent weeks with a lift in consumer confidence and a further reduction in interest rates. The Auckland economy is forecast to grow at 3% in 2003, compared with 2.5% for New Zealand as a whole.

The Weekend Herald launched Canvas magazine on March 3, New Zealand's first weekend gloss newspaper magazine. Canvas continues to attract reader and advertiser support. Herald circulation increased marginally in the March circulation audit.

## Regional Newspapers

The regional newspapers in Australia and New Zealand have continued to trade well. EBIT for the Division for the period increased 27% to \$36.1 million. The main revenue pillars of National Retail, Government, Local Real Estate, Motoring and Employment have each performed above expectations.

In both Australia and New Zealand, National advertising has achieved double-digit percentage growth on the prior year. Strong performances across all our major Regional markets have enabled the Division to achieve double-digit growth in Local advertising.

Circulation of APN's Australian Regionals was up 1.2% in the six-monthly ABC audit to June 2003, the fifth successive survey period of circulation growth. The Fraser Coast Chronicle (up 6.4%), and The Sunshine Coast Daily (up 6.2%) were the best performing APN titles, and the best circulation results of all major Australian regional newspapers.

## **Radio**

Both Australian and New Zealand radio operations achieved budget targets for the first half and experienced further growth in revenue market shares in both markets. EBIT for the Division was up 9% to \$21.5 million. Whilst National advertising growth in Australian markets has been inconsistent for the radio industry as a whole, ARN's strength in Local advertising sales has ensured good results. In New Zealand, markets have experienced good growth, helped in the first quarter by the America's Cup. Both markets recorded pleasing growth over the prior period.

The most recent survey in Australia showed a steady result in the commercially important 25-54 year-old demographic. Survey results in New Zealand performed well with our stations leading the ratings in Auckland, Wellington and Christchurch.

Forward bookings for the third quarter are encouraging in both markets with Australia looking particularly positive.

## **Outdoor**

EBIT for the Outdoor Division increased 8% to \$7.8 million. Following an internal review, the Division has been restructured to focus on categories that offer the greatest growth potential. This has resulted in the closure of some Asian markets and a decision to rationalise the Australian Posters business unit. Restructure and closure costs have been treated as non-recurring and have been offset against gains from the disposal of non-current assets. The Division will now consist of:

- APN Supersites – Cody Australia and Hong Kong, Rainbow (Indonesia), and Kurnia (Malaysia)
- APN Transit – Buspak Australia, New Zealand and Hong Kong
- APN Street Furniture – Adshel in Australia and New Zealand and Look Outdoor in New Zealand.

Trading in Australia firmed in the second quarter, particularly in Supersites and Street Furniture. In New Zealand, Transit, Adshel and Look all performed well. In Asia, difficult market conditions prevailed in Hong Kong; however, Rainbow (Indonesia) and Kurnia (Malaysia) performed to

expectations.

In general, Outdoor revenues remain less buoyant than Press and Radio and we continue to believe that conditions should improve in 2004 when we should also see benefit from the restructure.

### **Print and Specialist Publishing**

Considerable restructuring work has been undertaken in the Print and Specialist Publishing Division. Work is ongoing to merge the operations of Comprint and Webprint under a single business unit. Strong demand from catalogue producers has helped increase print sales in recent months. Internal reviews are ongoing for the Division's directories and security printing operations.

### **Board Appointments**

Mr Donal Buggy and Mr Pierce Cody will be invited to join the company as non-executive directors as part of an ongoing process to broaden the expertise on the APN Board.

Mr Buggy is a chartered accountant and was appointed Chief Financial Officer and a director of Independent News & Media PLC in 2002. He joined INM in 1996 as Group Finance Manager and was appointed Group Financial Controller in 1999. He was previously audit manager with PricewaterhouseCoopers.

Mr Cody is the founder of the highly successful Cody Outdoor advertising businesses in Australia and Hong Kong. He has 24 years' experience in the advertising industry, and was until recently the CEO of APN Outdoor.

Mr Vincent Crowley, previously CEO of APN, retired from the Board effective August 11, 2003. Mr Crowley has been a director of APN since December 1994 and the APN Board expresses its gratitude for his nine years of service to the company.

### **Dividends**

The Directors have announced a fully franked interim dividend of 6.5 cents per share, up from 6 cents the previous year.

At the time of the acquisition of Wilson & Horton, shareholders were advised in the independent expert's report that Wilson & Horton would continue to pay tax on its taxable income in New Zealand and any tax paid in New Zealand would not be available to frank dividends paid by APN to its shareholders.

In examining the question of future Australian tax franking credits, the Board has been made aware of a miscalculation in the franking account as reported in last year's audited annual accounts. The 2002 Annual Report, which converted from the previous method of disclosing capacity to pay franked dividends to the current basis of disclosure, namely tax credits available to

frank future dividends, should have read \$21.5 million, and not \$48.9 million as reported.

As previously stated, whilst it was anticipated that APN would continue to pay fully franked dividends for the first few years after the Wilson & Horton acquisition, and to date it has done so, APN's ability to fully frank future dividends would be dependent upon its financial performance, source and mix of taxable income and dividend policy. This remains the position and is not affected by the miscalculation.

In reviewing the company's capacity to fully frank dividends in the future, the strong performance of the New Zealand assets since the acquisition of Wilson & Horton has resulted in Australian profits representing a lower than forecast proportion of the total Group earnings. Based on current estimates, it is likely that the April 2004 final dividend will be less than fully franked.

### **Refinancing**

The company's continued strong performance means that it is now in a very favourable position to review the company's overall financing structure. A review of the company's banking facilities is underway and is expected to be completed by the end of the year. Due to the favourable market conditions in domestic and international debt markets, Directors expect that significant benefits in pricing, maturity and terms can be achieved.

As part of the refinancing initiatives, Directors have also decided to undertake a placement of 28.0 million shares, representing 6.3% of current issued shares, to raise a minimum of \$99.4 million (before costs) which will be used to reduce debt levels as part of an overall refinancing. The placement of new equity will be achieved through an underwritten bookbuild. JBWere Ltd has underwritten the placement at a minimum price of \$3.55 per share. The new shares issued through the placement will not be eligible to receive the 6.5 cent fully franked dividend payable on 30 September 2003. The final price of the placement is expected to be announced prior to the resumption of trading on Wednesday 13 August.

The equity placement is an integral part of the company's overall refinancing initiative and will significantly increase financing flexibility and efficiency.

### **Outlook**

APN Chief Executive Officer Brendan Hopkins said: "Trading for the first half of 2003 has been very positive, and the start of the second half has been encouraging. The major trading divisions continue to trade in line with or above expectation. Given a continuation of current trading conditions, the company is on target to meet the double-digit consensus profit growth forecasts for recurring earnings for the 2003 full year."

An interim fully franked dividend of 6.5 cents per share has been declared and is payable on 30 September 2003. Books will close on 16 September 2003. Shareholders wishing to participate in

the Dividend Reinvestment Plan (the current rate of discount of which is 2.5%) who have not already lodged their election must do so on or before 8 September 2003 in order to participate. Registrable transfers received by the Company up to the close of business on 16 September 2003 will be registered before entitlements to the dividends are determined.

This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States without registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or an exemption from registration. This announcement is not for distribution or release in the United States.

Any shares offered in the placement have not been, and will not be, registered under the Securities Act and may not be offered or sold in the United States without registration or an exemption from registration.

ENDS

12<sup>th</sup> August 2003

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APN News & Media Limited is the publisher of The New Zealand Herald and is the largest operator of regional newspapers, radio broadcasting and outdoor advertising in Australasia. The Company also has significant specialist publishing and printing operations. APN has been listed on the Australian Stock Exchange since 1992.

## **APN NEWS & MEDIA LIMITED PRELIMINARY PROFITS ANNOUNCEMENT**

| 30 June<br>2003 | 30 June<br>2002 | 30 June<br>2003 | 30 June<br>2002 |
|-----------------|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|-----------------|

|  | A\$000          | A\$000          | €000            | €000            |
|--|-----------------|-----------------|-----------------|-----------------|
| Turnover - Continuing Operations                 | <u>541,538</u>  | <u>466,785</u>  | <u>302,181</u>  | <u>278,146</u>  |
| Operating Profit                                 |                 |                 |                 |                 |
| -Continuing Operations                           | 103,631         | 86,582          | 57,827          | 51,592          |
| -Exceptional Items                               | <u>1,624</u>    | <u>---</u>      | <u>906</u>      | <u>-</u>        |
| Profit on Ordinary Activities                    | 105,255         | 86,582          | 58,733          | 51,592          |
| Net Interest Charge                              | <u>(34,382)</u> | <u>(34,294)</u> | <u>(19,185)</u> | <u>(20,435)</u> |
| Profit on Ordinary Activities<br>before Taxation | 70,873          | 52,288          | 39,548          | 31,157          |
| Taxation   | <u>(14,996)</u> | <u>(7,504)</u>  | <u>(8,368)</u>  | <u>(4,471)</u>  |
| Profit on Ordinary Activities after<br>Taxation  | 55,877          | 44,784          | 31,180          | 26,686          |
| Equity Minority Interests                        | <u>(11,200)</u> | <u>(8,753)</u>  | <u>(6,249)</u>  | <u>(5,215)</u>  |
| Profit for the Period                            | <u>44,677</u>   | <u>36,031</u>   | <u>24,931</u>   | <u>21,471</u>   |
| Earnings per Share (cents)                       | <u>10.2</u>     | <u>8.4</u>      | <u>5.7</u>      | <u>5.0</u>      |

Profit and Loss Accounts translated at average rates  
 Average Exchange Rate to June 2002 €1 = A\$1.6782  
 Average Exchange Rate to June 2003 €1 = A\$1.7921

## **APN NEWS & MEDIA LIMITED**

### **GROUP BALANCE SHEET**

|                   | 30 June<br>2003<br>A\$000 | 30 June<br>2002<br>A\$000 | 30 June<br>2003<br>€000 | 30 June<br>2002<br>€000 |
|-------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| Fixed Assets      |                           |                           |                         |                         |
| Intangible Assets | 1,903,039                 | 1,805,413                 | 1,106,868               | 1,019,144               |
| Tangible Assets   | 291,802                   | 321,633                   | 169,721                 | 181,560                 |
| Financial Assets  | <u>73,498</u>             | <u>79,402</u>             | <u>42,749</u>           | <u>44,822</u>           |
|                   | <u>2,268,339</u>          | <u>2,206,448</u>          | <u>1,319,338</u>        | <u>1,245,526</u>        |
| Current Assets    |                           |                           |                         |                         |
| Stocks            | 27,190                    | 28,434                    | 15,815                  | 16,051                  |

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Debtors  | 261,750          | 193,563          | 152,242          | 109,266          |
| Cash at Bank and in Hand                       | <u>42,026</u>    | <u>40,396</u>    | <u>24,444</u>    | <u>22,803</u>    |
|  | 330,966          | 262,393          | 192,501          | 148,120          |
| <b>Creditors</b>                               |                  |                  |                  |                  |
| (Amounts falling due within one year)          | <u>(200,263)</u> | <u>(161,599)</u> | <u>(116,479)</u> | <u>(91,222)</u>  |
| Net Current Assets                             | <u>130,703</u>   | <u>100,794</u>   | <u>76,022</u>    | <u>56,898</u>    |
|  | <u>2,399,042</u> | <u>2,307,242</u> | <u>1,395,360</u> | <u>1,302,424</u> |
| <b>Creditors</b>                               |                  |                  |                  |                  |
| (Amounts falling due after more than one year) | 919,479          | 983,119          | 534,798          | 554,964          |
| Provisions for Liabilities and Charges         | <u>58,678</u>    | <u>60,306</u>    | <u>34,130</u>    | <u>34,043</u>    |
|  | <u>978,157</u>   | <u>1,043,425</u> | <u>568,928</u>   | <u>589,007</u>   |
| <b>Capital and Reserves</b>                    |                  |                  |                  |                  |
| Share Capital                                  | 816,615          | 796,403          | 474,969          | 449,564          |
| Capital Reserves                               | 199,769          | 116,186          | 116,192          | 65,587           |
| Profit & Loss Account                          | <u>141,139</u>   | <u>86,171</u>    | <u>82,091</u>    | <u>48,643</u>    |
| Equity Shareholders Funds                      | <u>1,157,523</u> | <u>998,760</u>   | <u>673,252</u>   | <u>563,794</u>   |
| Equity Minority Interests                      | <u>263,362</u>   | <u>265,057</u>   | <u>153,180</u>   | <u>149,623</u>   |
|  | <u>2,399,042</u> | <u>2,307,242</u> | <u>1,395,360</u> | <u>1,302,424</u> |

Balance Sheets translated at closing rates

Closing Exchange Rate at 30 June 2002 €1 = A\$1.7715

Closing Exchange Rate at 30 June 2003 €1 = A\$1.7193