



Independent News & Media PLC

Interim Results 2008



About Independent News & Media PLC



Corporate Profile

Independent News & Media PLC (INM) is a leading international newspaper and communications group, with its main interests in Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. Spanning four continents, 10 major markets and 22 individual countries, INM has market-leading newspaper positions in Australia (regional), India, Indonesia, Ireland, New Zealand and South Africa. In the United Kingdom, it publishes the flagship national title, *The Independent*, as well as being the largest newspaper group in Northern Ireland.

Across these regions, the Group publishes over 200 newspaper and magazine titles, delivering a combined weekly circulation of 33 million copies, with a weekly audience of over 100 million consumers and includes the world's largest read newspaper, *Dainik Jagran*, in India. The Group has established a strong and growing online presence, with over 100 editorial, classified and transactional sites.

INM is the largest radio operator – over 130 stations and an audience of almost six million people – and outdoor advertising operator in Australasia and also has leading outdoor advertising positions in Hong Kong, Malaysia, India, Indonesia and across Africa.

The Group has grown consistently over the last 15 years by building a geographically unique and diverse portfolio of market-leading brands, and today manages gross assets of €4.4 billion, revenue of €1.9 billion and employs approximately 10,100 people worldwide. Further information is available on the Group's website www.inmplc.com.

Interim Management Report

INM is pleased to announce its interim results for the six months ended 30 June 2008.

Financial Highlights

	2008 €m	2007 €m	% Change	% Change Constant FX
Revenue	780.4	810.5	-3.7%	+3.0%
EBITDA	174.0	173.5	+0.3%	+3.2%
Operating Profit	134.8	127.0	+6.1%	+8.9%
Operating Profit*	153.8	154.6	-0.5%	+2.1%
Profit After Tax	80.5	76.2	+5.6%	+7.9%
Net Profit	48.7	38.0	+28.2%	+31.1%
Basic Earnings Per Share	6.0c	5.0c	+20.0%	+23.6%
Adjusted Earnings Per Share **	7.5c	8.0c	-6.3%	-3.8%
Interim Dividend Per Share	4.57c	4.57c	-	-

* before exceptional items

** diluted EPS, before exceptional items

Overview

The Group's first half results for the six months ended 30th June 2008 represent a very good performance in a global market that is experiencing adverse economic pressures and advertising volatility.

Reported revenue for the first half in euro terms (including acquisitions), at €780.4 million, was down 3.7% on the comparative period last year. This was mainly due to adverse currency movements as underlying[†] revenue increased 3.0% in the period. Excluding acquisitions, underlying revenue was up 1.5% on the comparative period last year.

While the global media advertising market has been directly impacted by the current economic down-turn, the Group's advertising revenue (including acquisitions) was up 2.8% in underlying terms. Excluding the impact of the acquisitions, underlying Group advertising revenue increased 0.6%.

† "Underlying" = in constant currency terms

Interim Management Report (continued)

Overview (continued)

In the Group's Publishing division, underlying advertising revenues declined by 0.9% (or c. €4.0 million). Circulation revenues for the first half of 2008, although down on euro translation, were up 2.0% in underlying terms. The Group's Online operations continue to expand at a rapid pace, with underlying revenues up 23.3%. Including the Group's share of online associates' revenue, the growth rate was strong at 57.1%. The Group's Outdoor division reported a strong revenue uplift of 23.6%, reflecting a very good performance by APN Outdoor and the acquisition of CCI in Africa from the end of March. APN's Radio operations experienced very competitive market conditions and underlying revenue was down 3.9%, but good market share gains were achieved in the second quarter.

During the period under review, the Group proactively managed the weak global advertising environment by implementing advertising yield increases where prudent to do so, targeted cover price increases and further focusing on achieving cost efficiencies across all operations. Total underlying Group costs (excluding acquisitions) were up 1.4%. These cost increases were mainly driven by the strong outdoor advertising revenue performance (specifically, site rental costs), depreciation, energy costs, continuing investment in marketing, new product innovation and online, and increases in wage rates. Cost increases were moderated by the benefits of headcount restructurings (both this year and last year), improved processes (via new technology and outsourcing) and newsprint price decreases in certain markets.

Operating Profit before exceptionals was marginally down on the first half of 2007, but was up 2.1% in underlying terms, with the Group operating margin increasing by 60bps to 19.7%. This margin increase was assisted by the Group's South African Rand foreign exchange hedge. The Exceptional Charge of €19.0 million in the period primarily relates to headcount restructuring charges (€13.1 million) across all regions and to certain online and education start-up development costs (€6.0 million). INM remains committed to continuously assessing and streamlining workflows to ensure the most efficient and modern work practices exist throughout its businesses and this is particularly relevant in the current weak economic environment. The restructuring charge of €13.1 million represents a headcount reduction of 189, of which 143 had departed by 30 June 2008. The expected payback on these redundancies is approx. 2.5 years.

Operating Profit after exceptionals increased by 6.1% (8.9% in underlying terms) to €134.8 million and Profit After Tax increased 5.6% (7.9% in underlying terms) for the six months to 30th June, reflecting the resilient operating performance and lower exceptional charges.

Interim Management Report (continued)

Overview (continued)

Basic Earnings Per Share was up 20.0% on 2007, with the 28.2% increase in Net Profit after Minority Interests partly offset by the increase in shares in issue. Average shares in issue increased by 6.0% on last year mainly as a result of the conversion of the New Zealand CEPS in November 2007 (largely offset by Treasury shares bought back during the second half of 2007) and the issue of shares in March 2008 for the CCI and *The Sligo Champion* acquisitions. Excluding the impact of exceptional items year-on-year, Adjusted EPS, at 7.5 cent, was down 6.3%.

Group Net Debt increased by €88.2 million since 31 December 2007, primarily driven by acquisitions, capital expenditure on print plants and the timing of interest and dividend payments.

Significantly, INM has just completed a new 4-year bank facility for €105 million. This will be used to fund the redemption of the €112.6 million outstanding under the Group's €125 million Bond on maturity in December 2008.

Since 30th June, the Group has continued to expand its global reach and diversity, and recently announced the completion of its 20% investment in PT Abdi Bangsa Tbk., publisher of "Republika" one of Indonesia's largest circulating national daily newspapers. PT Abdi Bangsa Tbk. also has interests in online publishing, radio, magazine publishing and outdoor advertising.

Dividend

The Board is recommending an interim dividend of 4.57 cent per share, which is flat on last year, reflecting the Group's solid performance in the current challenging economic environment. This dividend will be paid on 7th November 2008 to ordinary shareholders registered at the close of business on 12th September 2008. A scrip dividend alternative will also be available.

Interim Management Report (continued)

Operations Review

Australasia

OVERVIEW	2008 €m	2007 €m	Change	Change Constant FX
Revenue	362.1	365.6	-1.0%	+2.7%
Operating Profit*	82.3	85.1	-3.3%	+0.1%

APN News & Media Ltd ["APN"], in which INM holds a 39.1% shareholding, is listed on the Australian and New Zealand Stock Exchanges. Underlying revenue and operating profit before exceptionals increased by 2.7% and 0.1% respectively for the first six months of 2008.

The Regional Publishing division, which publishes 23 regional daily newspapers and more than 100 non-daily and community titles across Australia and New Zealand, reported first half revenues up 2%. In Australia, the continued strong resources sector in the Queensland markets and good growth in rural commodities provided a backdrop for solid trading conditions, with classified advertising in property and recruitment again returning double-digit growth. Northern Queensland, a key growth market for APN titles, was affected by widespread floods in the first quarter, whilst in New Zealand, local economic conditions remained subdued. The major press re-equipment programme has now been completed, facilitating full colour and gloss capability for all of APN's major titles.

The New Zealand National Publishing division comprises *The New Zealand Herald*, *Herald on Sunday*, *The Aucklander* and New Zealand magazines. The division leads the Auckland market, with more than 70% of Aucklanders aged 15+ reading at least one APN title each week. General economic conditions remain challenging in New Zealand and underlying revenues contracted by 5% on the same period last year. The advertising environment was acutely competitive and, while national advertising performed well, other pillars (most notably, retail, property and recruitment) experienced continuing weakness. Paid circulation in *The New Zealand Herald* was stable and there were good circulation gains for the *Herald on Sunday*. There was also good growth in readership in the most recent survey period (April 2007 – March 2008), with *The New Zealand Herald* (+6%) and the *Herald on Sunday* (+13%) the fastest growing paid newspapers in the country.

APN continues to invest in its Online division, which is achieving good organic revenue growth. Its flagship site, *nzherald.co.nz*, New Zealand's largest news website, was recently named best news site at the Qantas Media Awards. In New Zealand, the *finda* online business directory continues to generate record traffic levels, up 37% in the first half. *Finda* remains New Zealand's largest online business directory. In Australia, the division's regional strategy was launched with the community-based *finda* websites in Toowoomba and the Sunshine Coast. The sites integrate existing online newspaper content with events, mapping and local business listings to build comprehensive local web resources.

The Radio division, which comprises the Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand, is Australasia's largest radio broadcaster. Together ARN and TRN reach almost 6 million listeners each week. In Australia, good gains were made in the second quarter in terms of commercial market share. Despite challenging market conditions in New Zealand, TRN remains the market leader in New Zealand radio, with the number 1 talk station in Auckland, Wellington and Christchurch.

APN Outdoor is the market leader in each of the main outdoor advertising categories in Australia and New Zealand, as well as being a major player in large format in Indonesia and Malaysia and in transit and large format in Hong Kong. The division delivered a very strong operating result, with particularly good growth in Australia and Asia with underlying revenues ahead by 14%. Since the half year, APN has acquired the operations of Media1, the third largest billboard company in New Zealand, further consolidating its position as the leading outdoor operator in New Zealand.

Interim Management Report (continued)

Operations Review (continued)

Ireland

OVERVIEW	2008 €m	2007 €m	Change
Revenue	199.3	198.3	+0.5%
Operating Profit*	47.0	48.9	-3.9%

Overall revenues increased by 0.5% to €199.3 million, with good increases in circulation and distribution revenues partly offset by reduced advertising revenues. Advertising revenues declined 5.7% year-on-year, with significantly reduced property and recruitment advertising revenues, offset in part by strong ROP, retail and online performances.

Despite a marginal decline in first half operating profit before exceptionals to €47.0 million, operating margins remain very strong at 23.6%. The reduced operating profit reflects the increased investment in online activities and marketing in the first half and the impact of reduced advertising revenues, which was partly offset by increased revenues from the lower margin distribution business and stringent control of costs across all business units.

Distribution revenues increased by 6.1% in the first six months of 2008, driven by cover price increases and a number of magazine contract wins in the previous year. The ongoing market-leading strength of the Group's distribution business will be further underpinned by the installation of a new state-of-the-art SAP distribution system, which will be completed around year-end.

In one of the most competitive newspaper markets in the world, INM's circulation revenues grew by an impressive 5.9% in the first half of 2008. This excellent performance was underpinned by selective cover price increases, together with solid circulation volumes. *The Irish Independent* continues to be the clear number one newspaper in Ireland, recording an ABC of 159,363 copies in the January to June 2008 ABC period. The *Sunday Independent*, the largest selling Sunday newspaper in the Republic of Ireland, delivered another solid result, with a sale of 283,024 copies in the six month ABC period, while the *Evening Herald* continues to show the strength and resilience of its brand in a Dublin market which shows an ever increasing volume of freesheets, in returning an ABC for the January to June 2008 period of 79,447 copies.

The *Sunday World* continued its excellent growth of the recent past and consolidated its position as the largest selling newspaper on the island of Ireland, recording an ABC of 292,124 copies, up 3.3% on the same period last year. The Group's joint venture publication, the *Irish Daily Star* continued its circulation growth and delivered a daily sale of 109,413 copies in the January to June ABC period, an increase of 3.2% over the same period last year. Its sister publication, the *Irish Daily Star Sunday* continues to perform well, achieving a January to June 2008 ABC of 61,376 copies.

The Group continued to expand its online footprint during the first half of 2008, with the launch of the *yourlocal.ie* and *herald.ie* websites. The launch of these sites and further good progress across the remainder of the Group's online publishing and classified platforms helped to drive an impressive 19.7% increase in online revenues.

In other activities, the Group continued its national rollout of its local telephone-services directories, *Independent Directory*, with the successful launch of a new directory in the Galway region, bringing the number of regional directories to seven.

Good progress also continues to be made at Independent Colleges with new, excellently located, central Dublin premises, the awarding of gold status by ACCA after only eight months in operation, and degree validation for its LLB (Hons) course by the University of West England.

Interim Management Report (continued)

Operations Review (continued)

South Africa

OVERVIEW	2008 €m	2007 €m	Change	Change Constant FX
Revenue	103.4	112.0	-7.7%	+13.7%
Operating Profit*	26.3	20.0	+31.5%	+34.6%

The South African operation performed extremely well in a somewhat tougher trading environment, which has not been entirely immune to the global economic down-turn. The lagged effect of the upward interest rate cycle (with interest rates having increased by 450bps since June 2006), increased inflationary pressures and adverse currency shifts have impacted consumer sentiment somewhat, with ongoing infrastructural development now underpinning current economic growth.

Total revenue and operating profit before exceptionals were up 13.7% and 34.6% respectively in the first half of 2008. Excluding the CCI acquisition, revenue and operating profit before exceptionals grew 3.4% and 18.5% respectively, demonstrating the strong operational leverage and ever-strong cost containment that is a feature of our South African division. Overall, the underlying operating profit margin expanded by 320bps to 21.1%. In Euro terms, the margin was assisted by the South African Rand currency hedge and increased to 25.4%.

Against record prior year comparators, publishing advertising revenue grew by a more modest 2.3%, with display and classified advertising market shares maintained, despite very aggressive competition and price discounting in a highly competitive trading climate. Circulation revenue grew by 7.0%, driven by cover price increases across all titles. The Group's leading Zulu-language daily newspaper, *Isolezwe* continues to show good circulation sales growth, with a January to June 2008 ABC of 96,920 copies and regularly selling well over 100,000 copies on Mondays and Fridays. A separate Sunday edition of *Isolezwe (Isolezwe ngeSonto)* was successfully launched on 30th March – and has exceeded launch expectations.

Full control of the Group's Outdoor Advertising business, Clear Channel Independent, was acquired with effect from 27th March 2008 and will soon be rebranded as *INM Outdoor*. In addition to its market-leading South African division (a country which will host the 2010 FIFA World Cup), a strong presence in high-growth markets outside South Africa has enhanced the profit contribution. Further expansion opportunities are being considered and the business has recently expanded into Madagascar; the division now operates in 13 countries outside of South Africa.

The wholly-owned Magazine division (Condé Nast Independent Magazines) produced a good first half trading profit improvement with "*House & Garden*" celebrating its 10th Anniversary in March and continuing its market-leading number one position in the South African Home Décor market.

Development of the Group's Online presence remains on course with the re-launch of South Africa's largest property website, *iolproperty.co.za*, which is now the clear market leader in terms of volumes, search capability and functionality.

Interim Management Report (continued)

Operations Review (continued)

United Kingdom

OVERVIEW	2008 €m	2007 €m	Change	Change Constant FX
Revenue	115.6	134.6	-14.1%	-1.3%
Operating Profit*	4.7	7.3	-35.6%	-26.9%

Against a background of challenging trading conditions and poor consumer sentiment, underlying revenues declined by 1.3% in the first half. Underlying operating profit before exceptionals fell by Stg£1.3 million in the period (or €2.6 million, including adverse exchange rate movements).

In Northern Ireland, lower-than-expected government expenditure and the sharp reversal in the property sector (Northern Ireland recorded the biggest rise in house prices anywhere in the UK in the first half of 2007), affected business confidence and consumer spending. Recruitment and property advertising were below the record levels reported in the comparable period last year. The launch of a new car website, *nicarfinder.co.uk*, co-ordinated with a revitalised print offering, resulted in a strong performance in motors. All other areas of advertising performed well. *The Belfast Telegraph* continues to be the clear number one newspaper in Northern Ireland, recording an ABC (Mon – Fri) of 78,656 copies in the January to June 2008 ABC period, which is 1% ahead of the preceding six month period for July to December 2007. It also remains Northern Ireland's largest newspaper portal with its award-winning website, *belfasttelegraph.co.uk*, achieving strong increases in page views and unique users (+14% in July).

Northern Ireland's contract print division, the largest on the island of Ireland, commissioned its new heatset capacity in Newry which allows the in-house printing of *The Independent Saturday* magazine, along with magazines for the Group's Irish titles. Long-term print contracts have been secured to print most of the UK national newspapers, notably The Sun, Times, Telegraph and Express, and this will provide a buffer against any further deterioration in the classified advertising market.

The Independent appointed a new editor, Roger Alton (previously the award-winning editor of the Observer), in June, replacing Simon Kelner who was appointed managing director of *The Independent* titles in London. The UK titles move to new full-colour presses in September, making them more competitive in a market which has seen circulation declines across the board.

The flagship *independent.co.uk* site was re-launched at the start of the year and page impressions have more than doubled to 27.5 million in June 2008. In August, they are running in excess of 30 million a month. The new *BelfastTelegraph.co.uk* site followed in July and with *propertynews.com*, *LoadzaJobs.co.uk* and *nicarfinder.co.uk*, the Group now has by far the strongest portfolio of websites in Northern Ireland.

The recruitment magazine division, which has been affected by the downturn in the London recruitment market, has been downsized and restructured.

The Group's ongoing focus on efficiencies has resulted in reduced costs right across the UK operation, including printing and editorial, and this is continuing in the second half. The Group is determined to further reduce its fixed cost base through greater use of synergies, technology, outsourcing and new streamlined work practices.

Interim Management Report (continued)

Operations Review (continued)

India

Jagran Prakashan Limited ["JPL"], INM's 20.8% owned Indian associate – which is listed on the Mumbai Stock Exchange – reported a 25.3% increase in operating revenues and a 36.7% increase in EBITDA in its financial year ended 31st March 2008. This strong performance continued into the first quarter of their 2008/09 financial year, with operating revenues in the three months to the end of June increasing by 12.6% year-on-year.

JPL's *Dainik Jagran* is the largest read newspaper in the world, with a total readership of 56.6 million readers, while its weekly English 'freeshet' newspaper, *Cityplus*, now has a total of 11 editions distributed in Delhi and Bangalore. Its bilingual daily newspaper, *I-Next*, which targets the youth, continues to increase in popularity and now has nine editions. JPL recently entered into a joint venture with Television Eighteen India Limited to launch a dedicated business daily newspaper in Hindi and other Indian languages across the country.

Jagran Engage, JPL's Outdoor advertising division, continues its rapid expansion across Northern India, while *Solutions*, which offers below-the-line marketing solutions for a growing list of prestigious global clients, continues to expand. J9, JPL's mobile information-services provider, has just successfully launched its new classified portal, *khajle.in*, allowing advertisers to reach their target audience through a revolutionary, integrated internet and SMS platform.

Radio Mantra (in which INM has a 20% stake) continues to expand and now operates eight radio stations in eight cities.

Outlook

Commenting on these results, Sir Anthony O'Reilly, Group Chief Executive Officer, made the following outlook statement:

"The current economic climate presents a challenge to all media companies throughout the world. It also presents opportunities, not least the potential for joint ventures, shared investments, mergers and divestments which may change perceptions of the structure and nature of media.

"The pattern of these unusual structural opportunities will, we believe, be of benefit to shareholders, and bring renewed confidence back to the sector as the global economy goes through its present recessionary period.

"While it is difficult to forecast advertising revenues reliably for the second half – as we have only experienced the two traditionally quiet summer months – trading in the next three months leading up to Christmas, will be critical in determining the full year result. However, as second half comparators are easier and, assuming a continuation of the first half advertising trends, INM believes that it will achieve profits in line with consensus forecasts for the full year.

"The Group's core business model – global diversification, exposure to multi-media platforms, leading brands and striving to be the low cost operator – continues to provide resilience against the current economic downturn and positions your Company well to benefit from any improvements in general market conditions."

27th August 2008

Condensed Interim Group Financial Statements

Group Income Statement (unaudited)

	Notes	Six months ended 30 June 2008 €m	Six months ended 30 June 2007 €m
Revenue	4	780.4	810.5
Operating profit before exceptional items	4	153.8	154.6
Exceptional items	5	(19.0)	(27.6)
Operating profit after exceptional items		134.8	127.0
Share of results of associates and joint ventures		6.9	6.9
Finance costs:			
- Interest receivable and similar income		5.3	3.6
- Interest payable and similar charges		(50.4)	(43.4)
Profit before taxation		96.6	94.1
Taxation		(16.1)	(17.9)
Profit for the period		80.5	76.2
Attributable to:			
Minority interests		31.8	38.2
Equity holders of the parent		48.7	38.0
		80.5	76.2
Earnings per ordinary share (cent)			
- Basic	7	6.0c	5.0c
- Diluted	7	6.0c	4.9c

Group Statement of Recognised Income and Expense (Unaudited)

	Six months ended 30 June 2008 €m	Six months ended 30 June 2007 €m
Items of income/(expense) recognised directly in equity		
Currency translation adjustments	(110.0)	42.6
Retirement benefit obligations:		
- Actuarial (losses)/gains	(30.3)	35.6
- Movement on deferred tax asset	3.5	(4.9)
IFRS 3 revaluation reserve	(3.5)	-
(Losses)/gains relating to cash flow hedges	(2.1)	2.1
Net (expense)/income recognised directly in equity	(142.4)	75.4
Profit for the period	80.5	76.2
Total recognised income and expense for the period	(61.9)	151.6
Attributable to:		
Minority interests	7.7	62.6
Equity holders of the parent	(69.6)	89.0
	(61.9)	151.6

Group Balance Sheet

	30 June 2008 unaudited	31 Dec 2007 audited (IFRS Balance Sheet)	30 June 2007 unaudited	30 June 2008 unaudited (Note 3)
	€m	€m	€m	€m
Assets				
Non-Current Assets				
Intangible assets	1,805.1	1,805.4	1,927.9	3,417.7
Property, plant and equipment	376.0	376.5	393.0	376.0
Investments in associates and joint ventures	71.3	90.0	86.2	106.7
Deferred tax assets	53.6	54.7	83.3	54.5
Available-for-sale financial assets	31.8	37.0	34.2	31.8
Derivative financial instruments	-	-	0.3	-
Trade and other receivables	23.9	45.9	46.7	23.9
	2,361.7	2,409.5	2,571.6	4,010.6
Current Assets				
Inventories	14.0	16.7	17.4	14.0
Trade and other receivables	295.8	298.1	279.2	295.8
Current income tax assets	3.1	3.5	22.5	3.1
Derivative financial instruments	2.1	0.9	10.9	2.1
Cash and cash equivalents	76.1	147.5	123.2	76.1
	391.1	466.7	453.2	391.1
Total Assets	2,752.8	2,876.2	3,024.8	4,401.7
Liabilities				
Current Liabilities				
Trade and other payables	237.1	274.3	257.8	237.1
Current income tax liabilities	18.3	20.1	8.4	18.3
Compound financial instruments	-	-	128.4	-
Borrowings	377.9	221.7	98.8	377.9
Derivative financial instruments	3.0	3.3	1.9	3.0
Provisions for other liabilities and charges	25.3	27.1	40.7	25.3
	661.6	546.5	536.0	661.6

Group Balance Sheet (continued)

	30 June 2008 unaudited	31 Dec 2007 audited (IFRS Balance Sheet)	30 June 2007 unaudited	30 June 2008 unaudited (Note 3)
	€m	€m	€m	€m
Non-Current Liabilities				
Borrowings	1,102.1	1,241.5	1,263.2	1,102.1
Retirement benefit obligations	122.6	100.4	87.9	122.6
Deferred taxation liabilities	207.6	233.5	286.6	-
Other payables	5.9	6.4	7.3	5.9
Provisions for other liabilities and charges	0.7	0.8	1.4	0.7
	1,438.9	1,582.6	1,646.4	1,231.3
Total Liabilities	2,100.5	2,129.1	2,182.4	1,892.9
Net Assets	652.3	747.1	842.4	2,508.8
Equity				
Capital and Reserves Attributable to Company's Equity Holders				
Share capital	263.5	249.2	233.0	263.5
Other reserves	359.1	377.9	377.8	1,708.4
Retained earnings	(504.4)	(454.9)	(402.0)	(352.3)
	118.2	172.2	208.8	1,619.6
Minority Interests	534.1	574.9	633.6	889.2
Total Equity	652.3	747.1	842.4	2,508.8

Group Cash Flow Statement (unaudited)

	Notes	Six months ended 30 June 2008 €m	Six months ended 30 June 2007 €m
Cash generated from operations (before cash exceptional items)	8	149.0	145.2
Exceptional expenditure (including restructuring payments)		(20.8)	(24.5)
Cash generated from operations		128.2	120.7
Income tax paid		(23.9)	(26.0)
Cash generated by operating activities		104.3	94.7
Cash flows from investing activities			
Purchases of property, plant and equipment		(22.7)	(41.2)
Proceeds from sale of property, plant and equipment		3.7	12.1
Purchases of intangible assets		(10.3)	(63.4)
(Purchases)/sales of available-for-sale financial assets		-	(4.8)
Receipts/(advances) from/to joint ventures and associates		0.3	(1.2)
Purchases of associates and joint ventures		-	(1.1)
Purchases of subsidiary undertakings (net of cash acquired)	12	(7.7)	-
Interest received		5.7	4.0
Dividends received		1.5	5.1
Net cash used in investing activities		(29.5)	(90.5)
Cash flows from financing activities			
Interest paid		(61.7)	(52.5)
Proceeds from borrowings		76.7	246.6
Repayment of borrowings		(4.7)	(48.3)
Dividends paid to shareholders of the Parent		(58.0)	(39.2)
Payments of finance lease liabilities		(43.4)	(23.6)
Purchases of treasury shares		-	(51.6)
Repayment of compound financial instrument		-	(1.9)
Dividends paid to minority interests		(49.8)	(44.4)
Issue of equity ordinary shares		0.3	8.3
Issue of minority interests by subsidiary undertaking		1.1	5.4
Net cash used in financing activities		(139.5)	(1.2)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts in the period		(64.7)	3.0
Balance at beginning of the year		145.9	100.7
Exchange (losses)/gains		(11.9)	0.9
Cash and cash equivalents and bank overdrafts at end of period		69.3	104.6

Notes to the Condensed Interim Group Financial Statements (Unaudited)

1. Basis of Preparation of Condensed Interim Group Financial Statements

The condensed interim Group financial statements for the half year ended 30 June 2008, which should be read in conjunction with the 2007 Annual Report, have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as adopted by the European Union. The accounting policies and methods of computation and presentation adopted in the preparation of the condensed interim Group financial statements are consistent with those applied in the Annual Report for the year ended 31 December 2007 and are described in those financial statements on pages 53 to 60.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008, and are either not relevant to the Group or they do not have any significant impact on the condensed interim Group financial statements:

- IFRIC 11, Group and Treasury Share Transactions;
- IFRIC 12, Service Concession Arrangements; and
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Certain new standards, Interpretations and Amendments to published Standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted. Details of these are in note 40 to the 2007 Annual Report.

The condensed interim Group financial statements for the six months ended 30 June 2008 and the comparative amounts have not been audited or reviewed by auditors.

The condensed interim Group financial statements are not the statutory accounts of the Company. A copy of the statutory accounts is required to be annexed to the Company's annual return to the Companies Registration Office in Ireland in respect of the year ended 31 December 2007 and has been so annexed.

2. Risks and Uncertainties

The principal risks and uncertainties faced by the Group were outlined in the Directors' Report and in note 34 of the 2007 Annual Report and include liquidity risk, interest rate risk, foreign exchange risk and economic risk. These continue to be considered the most relevant risks and uncertainties for the current financial year. They could have an impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ from expected or historical results.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

2. Risks and Uncertainties (continued)

The key risk specific to the remaining six month period is the global advertising environment which could be affected by slowing economies driven by the impact of inflationary cost increases and the wider implications of the current uncertainty in the credit markets. Slowing economies and the uncertain outlook has already impacted consumer advertising markets and this could continue or possibly worsen as the Group proceeds through the remainder of the year. As regards refinancing requirements in the remaining six month period, the maturity of the €125m 8% Subordinated Fixed Rate Bond in December 2008 (of which €112.6m is outstanding) will be funded by the €105m bank facility recently signed plus cash on hand and thus the related risk and uncertainty has been addressed.

3. Intangible Assets

(i) Value of Mastheads – Supplementary Information

The "IFRS Balance Sheet" reports the carrying value of newspaper mastheads at their acquired cost; where these assets have been acquired through a business combination, cost will be the fair value allocated in acquisition accounting. The value of internally generated newspaper mastheads or post-acquisition revaluations are not permitted to be recognised in the IFRS Balance Sheet and, as a result, no value for certain of the Group's internally generated newspaper mastheads (e.g. the three main Irish titles, the *Irish Independent*, the *Evening Herald* and the *Sunday Independent*) is reflected in the IFRS Balance Sheet.

In the opinion of the Directors, the presentation of the value of both acquired and internally generated mastheads is useful information for Shareholders, as it more accurately reflects the value of the Group's newspaper mastheads. As a result, the Group has presented an "Alternative Balance Sheet" which includes all of the Group's newspaper mastheads at their revalued amounts, including those mastheads that have been created internally with a corresponding adjustment to equity.

At 30 June 2008, the Group's newspaper mastheads had a valuation of €2,798.2m compared to a carrying value under IFRS of €1,185.6m (included within intangible assets of €1,805.1m). All newspaper mastheads are regularly valued/revalued by expert valuers, Grant Samuel & Associates Pty Limited. The most recent valuation was undertaken as at 31 December 2007 and the value of €2,798.2m included in the Alternative Balance Sheet is consistent with the most recent valuation by the expert.

No provision has been made for Deferred Tax in respect of the Group's intangible assets (both internal and acquired) in the Alternative Balance Sheet as the Group believes this deferred tax liability will not arise because it is the Board's intention to retain these assets. However, in accordance with the requirements of IFRS, a deferred tax liability of €208.5m has been recognised in respect of the Group's intangible assets in the IFRS Balance Sheet as at 30 June 2008.

(ii) Impairments

The Group's indefinite life intangible assets (including goodwill) are tested annually for impairment or whenever there is an indication of impairment. As at 30 June 2008 there has been no impairment in the carrying value of the Group's intangible assets.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

4. Segmental Reporting

For management purposes, the Group is primarily organised into four geographical regions. These regions are Ireland, the United Kingdom, South Africa and Australasia. These regions are the basis on which the Group reports its primary segment information. This global diversity across both hemispheres helps insulate total Group revenues from the impact of seasonality.

By Geographical Segment

	Revenue (3rd Party)		Operating Profit (Before Exceptionals)	
	30 June 2008 €m	30 June 2007 €m	30 June 2008 €m	30 June 2007 €m
Ireland	199.3	198.3	47.0	48.9
United Kingdom	115.6	134.6	4.7	7.3
South Africa	103.4	112.0	26.3	20.0
Australasia	362.1	365.6	82.3	85.1
Common/Unallocated	-	-	(6.5)	(6.7)
	780.4	810.5	153.8	154.6
			Exceptional Items	
			2008 €m	2007 €m
Ireland			(6.5)	(19.9)
United Kingdom			(3.2)	(5.3)
South Africa			(0.6)	-
Australasia			(7.2)	(1.4)
Common/Unallocated			(1.5)	(1.0)
			(19.0)	(27.6)
Operating profit after exceptional items				
Ireland			40.5	29.0
United Kingdom			1.5	2.0
South Africa			25.7	20.0
Australasia			75.1	83.7
Common/Unallocated			(8.0)	(7.7)
			134.8	127.0

The taxation charge for the period comprises €2.3m (2007: €1.4m) in respect of Irish taxation and €13.8m (2006: €16.5m) in respect of overseas taxation.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

4. Segmental Reporting (continued)

By Class of Business	Revenue (3rd Party)		Operating Profit (Before Exceptionals)	
	30 June 2008 €m	30 June 2007 €m	30 June 2008 €m	30 June 2007 €m
Printing, publishing, online, distribution and commercial printing	632.2	673.1	129.0	135.3
Radio	67.1	71.8	20.3	22.2
Outdoor advertising	81.1	65.6	11.0	3.8
Common costs	-	-	(6.5)	(6.7)
	780.4	810.5	153.8	154.6

5. Exceptional Items

	30 June 2008 €m	30 June 2007 €m
Gains/(losses) on sale of assets, net of transaction costs	0.1	3.3
Restructuring charges ⁽ⁱ⁾	(13.1)	(29.0)
Online and education start-up and other development costs ⁽ⁱⁱ⁾	(6.0)	(1.9)
	(19.0)	(27.6)

(i) Restructuring charges relating to the Group's Irish, Australasian, South African and United Kingdom operations (2007: Restructuring charges relating to the Group's Irish, Australasian and United Kingdom operations).

(ii) Relates mainly to start-up and other development costs in respect of online in Australasia and Ireland and education in Ireland (2007: Relates mainly to online development costs in Australasia).

6. Dividends

	30 June 2008 €m	30 June 2007 €m
Dividends on equity shares		
Final (2007) ordinary dividend of €0.0913 per share on 830,961,054 shares (2006: €0.083 per share on 767,618,005 shares)	75.9	63.7

An Interim ordinary dividend of €0.0457 (Interim 2007: €0.0457) per share – total dividend payable of €38.3m (2006: €34.1m) – has been declared subsequent to 30 June 2008.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

7. Earnings Per Share

	30 June 2008 €m	30 June 2007 €m
Profit attributable to the parent	48.7	38.0
Exceptional items (note 5)	19.0	27.6
Tax credit on exceptional items	(3.0)	(4.0)
Minority interest share of exceptional items	(3.6)	0.4
Profit before exceptional items	<u>61.1</u>	<u>62.0</u>
Weighted average number of shares outstanding during the period (excluding treasury shares)	811,591,910	765,553,168
Effect of:		
Conversion of options	<u>610,284</u>	6,729,095
Diluted number of shares	<u>812,202,194</u>	<u>772,282,263</u>
Basic earnings per share	<u>6.0c</u>	5.0c
Basic earnings per share before exceptional items	<u>7.5c</u>	8.1c
Diluted earnings per share	<u>6.0c</u>	4.9c
Diluted earnings per share before exceptional items	<u>7.5c</u>	8.0c

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potential dilutive options over ordinary shares and dilutive cumulative exchangeable preference shares. The cumulative exchangeable preference shares were not dilutive in 2007. The cumulative exchangeable preference shares matured on 30 November 2007.

Basic and diluted earnings per share before exceptional items are presented in order to give a better understanding of the Group's financial performance.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

8. Reconciliation of Operating Profit before Exceptional Items to Cash Generated by Operating Activities

	30 June 2008 €m	30 June 2007 €m
Operating profit before exceptional items	153.8	154.6
Depreciation/amortisation	18.8	17.6
Non-cash share option charge	1.4	1.3
	<hr/>	
Earnings before Interest, Tax, Depreciation and Amortisation	174.0	173.5
Unrealised foreign exchange movements	(9.9)	(7.0)
Decrease/(increase) in inventories	3.1	(1.8)
Decrease/(increase) in short term and medium term receivables	11.5	(6.8)
Decrease in short term and long term payables	(29.1)	(12.4)
Decrease in provisions (excluding restructuring payments)	(0.6)	(0.3)
	<hr/>	
Cash generated from operations (before cash exceptional items)	149.0	145.2
Exceptional expenditure (including restructuring payments)	(20.8)	(24.5)
	<hr/>	
Cash generated from operations	128.2	120.7
Income tax paid	(23.9)	(26.0)
	<hr/>	
Cash generated by operating activities	104.3	94.7

9. Retirement Benefits

The retirement benefit obligation as at 30 June 2008 in the Balance Sheet has increased by €22.2m to €122.6m compared to €100.4m at 31 December 2007. This increase is driven predominately by the actuarial loss of €30.3m as disclosed in the Group Statement of Recognised Income and Expense. This €30.3m actuarial loss arose mainly on the fair value of the plan assets in the period.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

10. Analysis of Changes in Equity

	2008 €m Parent	2008 €m Minority	2008 €m Total	2007 €m Parent	2007 €m Minority	2007 €m Total
At 1 January	172.2	574.9	747.1	199.0	519.2	718.2
Issue of share capital	87.8	1.1	88.9	35.0	97.2	132.2
Share based payment	1.2	0.2	1.4	1.1	0.2	1.3
Dividends (including minority interests)	(75.9)	(49.8)	(125.7)	(63.7)	(44.4)	(108.1)
Re-issue/(purchase) of treasury shares	2.5	-	2.5	(51.6)	-	(51.6)
Acquisition of minority interest	-	-	-	-	(1.2)	(1.2)
Total recognised income and expense for the period	(69.6)	7.7	(61.9)	89.0	62.6	151.6
At 30 June	118.2	534.1	652.3	208.8	633.6	842.4

A negative currency translation adjustment of €110.0m has been booked in the Group Statement of Recognised Income and Expense for the half year to 30 June 2008. This has arisen due to the weakening of the South African Rand, New Zealand Dollar and Sterling exchange rates at 30 June 2008 compared to the rates at 31 December 2007 used in the translation of the balance sheets of subsidiaries with a functional currency different to that of the Parent Company.

11. Related Party Information

There have been no:

- related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
- changes in the related party transactions described in the last Annual Report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

12. Acquisition of Subsidiary Undertakings

The Group acquired the following subsidiaries during the period, which resulted in them all becoming 100% owned subsidiaries: APN Finda (8 January), Sell-Me-Free (16 March), Clear Channel Independent (27 March) and *The Sligo Champion* (27 March).

The Group previously held 50% interests in Clear Channel Independent, APN Finda and Sell-Me-Free, which were equity accounted for up to their dates of acquisition.

The carrying amounts of the assets and liabilities acquired, determined in accordance with IFRS before completion of the business combinations, together with the fair value adjustments made to those carrying values were as follows:

	2008 €m	2008 €m	2008 €m
	Clear Channel Independent	Other	Total
Mastheads, radio licences, transit and electronic systems and brands	-	2.3	2.3
Property, plant and equipment	12.2	0.9	13.1
Inventories	0.3	0.1	0.4
Trade and other receivables	9.2	1.7	10.9
Trade and other payables	(4.8)	(1.6)	(6.4)
Provisions for other liabilities and charges	-	(0.1)	(0.1)
Current taxation	(2.2)	-	(2.2)
Deferred taxation	0.2	0.9	1.1
Book value of assets acquired	14.9	4.2	19.1
Fair Value Adjustments			
Mastheads, radio licences, transit and electronic systems and brands	8.0	20.6	28.6
Deferred taxation	0.4	-	0.4
Property, plant and equipment	-	(0.3)	(0.3)
Net assets acquired at fair values	23.3	24.5	47.8
Conversion of associate and joint venture interests held *	(27.6)	(4.0)	(31.6)
IFRS 3 revaluation reserve	3.5	-	3.5
Goodwill arising on acquisition	59.6	2.6	62.2
Consideration	58.8	23.1	81.9
Satisfied by:			
Consideration paid in cash**	-	24.6	24.6
Cash and cash equivalents acquired on acquisition**	(12.9)	(4.0)	(16.9)
Shares in INM issued as consideration	71.7	2.5	74.2
	58.8	23.1	81.9

* including loans to associates and joint ventures

** net €7.7m

Notes to the Condensed Interim Group Financial Statements (Unaudited) (continued)

12. Acquisition of Subsidiary Undertakings (continued)

Shares in INM Issued as Consideration

INM issued 40.4m ordinary shares with a fair value of €74.2m as part consideration for the acquisitions. The fair value of the shares was based on the closing price on the Irish Stock Exchange on the date of acquisition. Of these 40.4m shares, 39.0m were issued to Clear Channel Outdoor (CCO) to acquire the 50% interest in Clear Channel Independent (CCI) owned by CCO. INM had owned CCI as a joint venture with CCO since 2001. The remaining 1.4m shares were treasury shares that were re-issued as part consideration for the acquisition of *The Sligo Champion*.

Recognition of Fair Value and Goodwill

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis with any amendments to these fair values to be finalised within the twelve month timeframe from the dates of acquisition.

The principal factors contributing to the recognition of goodwill on the business combinations entered into by the Group are the highly profitable nature of the acquired businesses and the realisation of cost savings and synergies with existing Group entities.

Impact of Acquisitions

The acquisitions during the period contributed €12.5m to revenues and €3.0m to operating profit before exceptional items.

Had all business combinations effected during the year occurred at the beginning of the year, total Group revenue for the six months would be €790.5m and total Group operating profit before exceptional items would be €157.8m.

Statement of Directors' Responsibility for the Six Months Ended 30 June 2008

The Directors (being the persons responsible within INM for making this statement) confirm that to the best of their knowledge:

- (1) the condensed interim Group financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, being the international accounting standard applicable to interim financial reporting adopted pursuant to the procedure provided for under Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- (2) the condensed interim Group financial statements includes a fair review of:
 - (a) the important events that have occurred during the first six months of the financial year, and their impact on the condensed interim Group financial statements;
 - (b) the principal risks and uncertainties for the remaining six months of the financial year;
 - (c) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
 - (d) any changes in the related party transactions described in the last Annual Report, that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

On behalf of the Board

Sir Anthony O'Reilly
Group Chief Executive

Dónal J Buggy
Group Chief Financial Officer



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