



Independent News & Media PLC

INM REPORTS STRONG FIRST HALF OPERATING PROFIT* GROWTH OF 29.2%

Ticker: (Bloomberg) INM.ID/ INM.LN and (Reuters) INME.I/ INME.L

Dublin/London 27 August 2010: The Board of Independent News & Media PLC ('INM' or the 'Group') today announced the Group's first half results for the six months ended 30 June 2010. These results, as well as a detailed investor presentation on the results, are available on the Group's website www.inmplc.com.

RESULTS	2010 €m	2009 €m	Change
Revenue	656.5	608.8	+7.8%
EBITDA	115.6	91.7	+26.1%
Operating Profit*	94.6	73.2	+29.2%
Operating Profit/(Loss)	104.3	(13.6)	+866.9%
Operating Margin	14.4%	12.0%	+240bps
Profit Before Tax*	53.3	38.3	+39.2%
Profit/(Loss) Before Tax	63.0	(48.5)	+229.9%

* Before net exceptional gain in 2010 and net exceptional charge in 2009

SUMMARY HIGHLIGHTS

- Revenues up 7.8%, with year-on-year advertising revenue performance improving progressively through first half.
- Strong Operating Profit* and EBITDA of €94.6 million and €115.6 million, up 29.2% and 26.1% respectively on 2009, with Island of Ireland, South Africa and Australasia all contributing positively.
- Improving revenue trends and strong cost management helped all markets to deliver operating profit growth on the prior year.
- Earnings accretive disposal of the UK titles, *The Independent* and *Independent on Sunday*, successfully completed in April.
- Further cost-efficiencies increased Operating Margin to 14.4%, or 15.2% on a like-for-like basis.
- Improved trading, strong cash conversion and asset disposals delivered a 38.1% improvement in operating cash flow and a €65.9 million reduction in Net Debt, before currency movements.
- Remaining stake in JPL (India) sold in March (7.8%) and August (5.7%) this year, successfully raising combined proceeds of €74 million. JPL has yielded a return of greater than 250% for INM on its total investment.
- Since June 2009, Net Debt has been reduced by €360.1 million to €978.5 million (net of JPL proceeds of €32.6 million in August 2010), of which €510.6 million has recourse to INM.
- Full compliance with Combined Code on Corporate Governance achieved following Board and Committee changes.

– 2010 OUTLOOK –

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

“After an extremely difficult 2009, we’ve had a very good start to 2010, achieving a number of important milestones in revenue growth, market share, profitability and further deleveraging. As there have been a number of changes to our asset base, it is most pleasing to note an underlying 1% increase in advertising and an improving trendline occurring in all of our markets, albeit at different speeds.”

“All of our segments have contributed positively to our strong operating performance in the first half, with substantial operating leverage delivering double-digit year-on-year improvements in operating profit. That growth has delivered further reductions in Net Debt, which has reduced by €360 million since June 2009 as part of our continuing focus on deleveraging.”

“Positive year-on-year advertising trends, as well as solid performances in circulation and other revenues, have continued to improve through the opening months of the second half. Profits for H2 to date continue to be well ahead of last year. This gives us confidence for the balance of 2010, and assuming a continuation of these positives, we are targeting an improved operating performance for the year, in line with current market expectations.”

INTERIM MANAGEMENT REPORT

– 2010 FIRST HALF PERFORMANCE OVERVIEW –

The Group's first half results for the six months ended 30 June ('H1') 2010 represent a robust performance in a global market that is emerging from the depths of the global financial crisis. Group revenue of €656.5 million was up 7.8%, with Operating Profit* increasing 29.2% to €94.6 million.

Stripping out the impact of favourable foreign exchange ('FX') rate movements, exceptional items and disposals, to compare the like-for-like** ('LFL') underlying trend, Revenues grew 1.0% and Operating Profit increased by 12.7%. These achievements in the current challenging environment show the Group's relentless focus on driving both revenues and cost efficiencies.

LFL revenue showed a steadily improving performance through the first half, with June ahead of last year and this positive trend has continued into July and August. Total advertising for the Group mirrored this promising trend and, in LFL terms, was 1% up on last year, led by an initial recovery in Australasia and an improving trend across the other regions. Circulation revenues were up 2.7% on last year and broadly in line, in LFL terms – a robust performance in these ever competitive markets.

Strong cost control ensured that INM achieved a reduction in LFL costs, although stronger FX rates increased reported costs by 4.9%. INM's consistent aim to improve efficiency and tighten cost control delivered an improved operating performance, with a margin of 14.4%, up 240bps on H1 2009. On a LFL basis, the operating margin was higher, at 15.2%.

There was a net exceptional gain of €9.7 million in H1 2010, principally representing the gain from the sale of 7.8% of the issued share capital of Jagran Prakashan Limited ('JPL') in March and a fair value gain on the remaining stake. These gains were partly offset by asset impairments and costs associated with the disposal of *The Independent* and *Independent on Sunday*. The disposal of these UK titles was completed in April 2010 and will be earnings accretive for the Group going forward. Following the

** Like-for-like ('LFL') = underlying performance adjusted for Disposals and at constant exchange rates. Disposals comprise of INM Outdoor in South Africa, *The Independent* titles in the UK, Kurnia Outdoor in Malaysia and the cancellation of certain outdoor contracts taken in-house by transit companies in New Zealand and Hong Kong.

disposal, INM's market-leading publications continue to benefit from full access to the award-winning editorial copy of *The Independent* and *Independent on Sunday*.

A net increase of €3.8 million in finance charges to €42.7 million was driven principally by a stronger Australian dollar. The tax charge for the six months to 30 June 2010 was €11.7 million. This reflects an effective tax rate of 23.2% which was marginally up on H1 2009, due to increased profits in the higher tax jurisdictions of Australia and New Zealand. Profit After Tax, of €51.3 million for H1, increased significantly (248%) on the corresponding period in 2009. Basic Earnings per Share for the first half of the year was 5.4 cent.

– NET DEBT REDUCTION –

Following the significant net debt reduction in 2009, INM deleveraged further in H1 2010, with Net Debt reducing by €65.9 million in constant currency terms (€32.9 million net of adverse FX movements). In the 12 months to 30 June 2010, the Group reduced its Net Debt by €327.5 million, delivering on its commitment to actively reduce leverage. INM's capital structure continues to benefit from an enhanced maturity profile out to 2014 and improved financial flexibility under the new Group bank facilities signed in November 2009. The Group's remaining 5.7% stake in JPL was sold subsequent to the half year, resulting in a further €32.6 million being paid off debt in August 2010. Following this repayment, Net Debt has been reduced to €978.5 million, of which €510.6 million has recourse to INM. This represents a 42% reduction in Recourse Net Debt since 30 June 2009.

– DIVIDEND & SHARE CONSOLIDATION –

Consistent with INM's immediate focus on cash conservation and further meaningful debt reduction, the Directors do not propose recommending an interim dividend for 2010.

A 1-for-7 share consolidation was approved at the 2010 AGM and became effective on 14 June 2010. Consolidation of the share capital is expected to improve the performance of the share price over time by reducing price volatility and increasing marketability.

– OPERATIONS REVIEW –

PRODUCT DEVELOPMENT AND INNOVATION

Over many years, the Group has a proven track record in developing its operations and publications in an innovative manner, reflecting the needs of its customers and with a focus on profit. Examples have included: the outsourcing and centralising of major elements of its operations to specialised operators; the introduction of the compact newspaper format in many of the Group products (being the first to do so with *The Independent* in London); the launch of new vernacular titles; the investment in revolutionary combined heatset/coldset newspaper production facilities and leading-edge investments in multimedia.

This track record of innovation and efficiency was again evident in H1 2010, with a range of new product developments around the Group, many of which are highlighted in the regional operation reviews below. Innovation and product development are evident in all areas of the Group's activities, including:

- Online – *The New Zealand Herald* iPad application and the *Irish Independent's* latest iPhone applications and development of strategic online relationships such as the commercial link-up between our leading Australian regional newspapers and the Fairfax group's national online classified sites.
- Product – new supplements and magazines in many of the Group's titles.
- Outsourcing – further outsourcing of additional editorial and finance back-office activities by the *Belfast Telegraph*.

ISLAND OF IRELAND

OVERVIEW	2010	2009	Change	Change
	€m	€m		Like-for-like*
Revenue	204.1	210.1	-2.9%	-3.3%
Operating Profit before Exceptional Items	26.5	26.3	+0.8%	+0.1%
Operating Margin	13.0%	12.5%		

* In constant currency ('LFL')

The Island of Ireland division combines all of INM's operations in the North and South of Ireland. Revenue of €204.1 million was down 3.3% on 2009 on a LFL basis in what continued to be tough, but improving, market conditions. Despite the challenging economic backdrop, the business delivered an increase in Operating Profits to €26.5 million, up €0.2 million on 2009, thanks to vigilant cost controls, which saw costs down €6.2 million or 3.4%.

Full management and operational integration has been the key ingredient in driving the Island of Ireland trading performance. An integrated reporting structure has facilitated detailed benchmarking and resultant revenue and cost benefits. Full integration of all major IT systems, management of the Group's print facilities across all of Ireland as a single business unit, and Island of Ireland advertising sales are indicative of consolidated initiatives that will continue to benefit the trading performance into the future. In addition, Newsprint, the Group's distribution company, has benefited significantly from synergies arising from operating on an Island of Ireland basis.

Following the dramatic contraction in advertising revenues in 2009 – which carried on into Q1 2010 – the Group's market-leading publishing brands (*Irish Independent*, *Sunday Independent*, *Evening Herald*, *Sunday World* and 13 regional titles) experienced a 12.6% reduction in advertising revenues. Property advertising continues to be one of the hardest hit categories due to the continued standstill that exists across the entire property market, with no indication of any improvement. All other advertising categories also tracked behind last year, although, run-of-paper display, retail and national brand advertising were comparatively resilient categories. The *Belfast Telegraph* Group's advertising revenues declined by 2.2% year-on-year (LFL) with a mixed result by category. Whilst online, local and property saw growth year-on-year, recruitment and national advertising continued to decline, largely due to cyclical factors. Good market share gains were recorded by the majority of the Group's titles, as advertisers consolidated their advertising investment in the Group's market-leading titles.

Against this difficult backdrop, and in what continues to be an extremely competitive market, circulation revenues for the Island of Ireland remained solid, with revenues for H1 2010 less than 1% below last year. This performance reflects a combination of some selective and tactical cover price increases, solid circulation volumes, better yield management and market share gains against challenged competitors.

The Group's titles maintained their market-leading positions in the first six months of the year. The *Irish Independent* remains the clear No. 1 quality daily newspaper. With an ABC¹ of 144,896 copies (a 48.7% market share) and an average daily readership of 560,000 readers², it continues to dominate the quality morning market and was the only daily title to increase its readership. Ireland's largest selling Sunday quality newspaper, the *Sunday Independent*, extended its market share whilst delivering a strong performance during 2010, recording an ABC¹ figure of 265,455 copies, only 2.5% down on the same period in 2009 and significantly ahead of the market. It continues to be the Republic of Ireland's most-read newspaper and, in attracting 992,000 readers² every Sunday, has by far the largest regular audience in Ireland across any advertising medium.

The *Evening Herald* continues to show the strength of its brand in the challenging evening market and attracted a very strong 260,000 readers² in 2010, thereby maintaining its place as Dublin's most read newspaper, helped by the launch of the heatset *Dubliner* magazine every Thursday. The *Sunday World*

¹ January to June 2010 ABC period

² JNRS 2010

continues to be Ireland's largest-selling newspaper, whilst maintaining its position as Ireland's most-read tabloid newspaper, delivering an ABC¹ of 267,130 copies and attracting 843,000 readers² every Sunday.

The *Belfast Telegraph* continues to be the clear No. 1 newspaper in Northern Ireland, recording an ABC¹ (Mon – Sat) of 67,352 (a decline of less than 1% on the 2009 ABC period). The *Sunday Life* ABC¹ of 64,119 is only 2% down year-on-year, a creditable performance.

The trading conditions experienced by the Group's 13 paid-for weekly regional titles (in counties Cork, Kerry, Dublin, Louth, Wexford, Wicklow, Carlow and Sligo) continued to be more demanding than that of the Group's national business due to the more difficult economic backdrop prevalent in regional Ireland. However, despite this, the Group's regional operations remain very profitable. The recently launched *24Seven* glossy magazine is an exciting new addition to the regional titles, further diversifying the weekly offering available to their readers and delivering a strong new advertising platform for national advertisers.

The recently launched *metro herald*, a joint venture publication with the Irish Times and DMGT, is Dublin's only daily free newspaper and continues to make very good financial progress just eight months after its launch. The Group's other joint venture publication, the *Irish Daily Star*, delivered another solid result in a particularly challenging tabloid market and recorded an ABC¹ of 93,729 copies. Its sister publication, the *Irish Daily Star Sunday*, continues to perform well, recording an ABC¹ of 54,224 copies.

In online, the *www.independent.ie* suite of publishing platforms continues its expansion, attracting 2.5 million unique users and over 34.4 million page impressions in January 2010 (its most recent ABCe), showing growth of 10.3% and 19.1% respectively on March 2009. *www.independent.ie* further consolidated its position as the No. 1 newspaper site in the country and continued to innovate, with a number of first-to-market initiatives targeted at improving advertiser return. These included the first 'paid-for' iPhone application and an ongoing paid-for trial across our regional titles. The Group's online property portal, *www.globrix.ie*, now has the second highest stock coverage in Ireland and its new mobile application has continued to attract new users. The Group has recently moved to 100% ownership of its online directory business, *www.yourlocal.ie*, thereby leading to greater opportunities for the Group in the growing online local search market.

The Group also owns Northern Ireland's largest online newspaper portal, with its award-winning website, *www.belfasttelegraph.co.uk* (with an average of 1.2 million monthly unique users and 13.8 million monthly page impressions over the first half of 2010) and the leading classified portals: *www.propertynews.com*, *www.NIjobfinder.co.uk* and *www.NICarfinder.co.uk*. These classified portals are all integrated with the print products to enhance cross-selling opportunities and are well positioned for future growth.

The contract print division, the largest on the Island of Ireland, continues to trade successfully in line with expectations, delivering a steady increase in revenues, underpinned by substantial long-term contracts with most of the major UK national newspapers.

In education, Independent Colleges (74%-owned by INM) continued to make good progress with a further widening of its professional and academic programmes in 2010. After less than three years in operation, Independent Colleges is on target for circa 5,000 student registrations this year, offering over 70 courses across five faculties, including seven Higher Education and Training Awards Council ('HETAC') validated academic programmes and two degree programmes from the University of the West of England. The college has the largest student body for professional accountancy courses in the country and the professional law school continues to be the market leader.

The overall €6.0 million reduction in Revenue for the Island of Ireland was more than offset by cost savings across all areas of the business, including payroll costs, tighter newsprint management, lower supplier and production costs – the latter as a result of enhanced Island of Ireland synergies.

UNITED KINGDOM

OVERVIEW	2010	2009	
	4 months	6 months	
	€m	€m	Change
Revenue	20.8	34.8	-40.2%
Operating Loss before Exceptional Items	(5.2)	(9.5)	+45.3%

The United Kingdom segment represents the results for the businesses of *The Independent* and *Independent on Sunday*. These titles were sold to Independent Print Limited, a company controlled by the family of Mr. Alexander Lebedev on 30 April 2010. Therefore, the 2010 results only include 4 months' trading.

The resulting elimination of all future trading liabilities, obligations and future losses incurred by *The Independent* titles is immediately earnings accretive for INM and is an important strategic step that focuses the Group solely on its market-leading, cash-generative businesses going forward.

SOUTH AFRICA

OVERVIEW	2010	2009	Change	Change
	€m	€m	Change	Like-for-like*
Revenue	99.6	102.5	-2.8%	-2.0%
Operating Profit before Exceptional Items	21.0	20.8	+1.0%	+12.9%
Operating Margin	21.1%	20.3%		

* Excludes the impact of the disposal in 2009 of INM Outdoor and in constant currency ('LFL')

In Euro terms, the 2010 South African results were aided by the strengthening of the Rand since H1 2009 but this currency benefit was more than offset by the lost contribution from the sale of INM Outdoor in December 2009.

Revenue of €99.6 million was down 2.0% on 2009 on a LFL basis. The recessionary climate, subdued consumer activity and the generally weak trading environment which prevailed during the second half of 2009 continued into the current period, with generally low levels of confidence driving a slowdown in advertising volumes. The start of the 2010 World Cup during the last two weeks of June, while providing some positive impetus at a macro level, did not deliver any material overall lift to revenues.

Advertising revenue declined by 2.2%, driven chiefly by lower classified advertising volumes. However, both display and classified advertising market shares were up despite the highly competitive and challenging trading climate.

Circulation revenue declined by 2.1% primarily due to the discontinuation of costly bulk/discounted volume sales. The Zulu-language *Isolezwe* franchise (both daily and Sunday) recorded another period of impressive growth, with the daily title's average sales consistently exceeding 100,000 copies per day and the Sunday sale nearing 70,000 copies. The *Sunday Independent*, under a new editor, showed volume growth of over 2,000 copies. South Africa's largest quality daily, *The Star*, continued to innovate with new zoned editions in key growth areas in the greater Johannesburg area, such as Soweto, as well as launching new supplements such as *The Migrant*, targeted at emerging demographic groups. In addition, its formerly weekly soccer supplement, *Shoot*, was published daily during the very successful World Cup. Supporting these market-leading brands, the *www.iol.co.za* portal remains a leading news, current affairs and classified website, and has just successfully launched *www.wegotads.co.za*, enabling internet-based upload of classified adverts into print.

Condé Nast Independent's high-end niche magazine titles performed well in an ever-competitive magazine market, with *House & Garden* continuing to be the No. 1 magazine in the South African home decor market and *Glamour* retaining its market position as the second-largest selling fashion and beauty magazine in South Africa.

Operating Profits of €21.0 million increased by 12.9% (LFL) driven by further cost-saving initiatives and ongoing tight cost controls across all disciplines of the core business, where costs were reduced by 5.2% year-on-year in an environment where inflation stood at over 6.0%.

AUSTRALASIA

OVERVIEW	2010	2009	Change	Change Like-for-like*
	€m	€m		
Revenue	332.0	261.4	+27.0%	+5.4%
Operating Profit before Exceptional Items	57.8	41.1	+40.6%	+19.4%
Operating Margin	17.4%	15.7%		

* Excludes the impact of the sale of Kurnia Outdoor in Malaysia in 2009 and the cancellation of outdoor contracts taken in-house by their respective transit companies in New Zealand and Hong Kong, and in constant currency (LFL)

APN News & Media Ltd ('APN') is listed on the Australian and New Zealand Stock Exchanges with a current market capitalisation of A\$1,108 million (€773 million). INM has a 32.0% shareholding in APN with a market value of €247 million.

APN showed strong growth in the first half, with Revenues up 27% to €332.0 million and Operating Profit growing by 40.6% to €57.8 million. This performance was driven by a recovery in advertising revenue and favourable foreign currency movements. On a LFL basis, APN delivered strong growth in both Revenue and Operating Profit (+5.4% and +19.4% respectively).

In the Australian Regional Publishing division, advertising revenues recovered well, with May and June particularly strong. National advertising recorded double-digit revenue growth and recruitment volumes rebounded strongly. Property volumes experienced double-digit growth as confidence returned to the real estate market in Queensland. The online Regional News Network substantially increased traffic to its sites during H1 2010, with more than double the number of unique browsers accessing the network than for the same period in 2009.

After a tentative start to the year, trading in the New Zealand Publishing division improved across H1 2010, with a particularly good second quarter performance in national and retail advertising. *The New Zealand Herald* and the *Herald on Sunday* both achieved milestone readership results in the 12 months to June 2010. Readership for the daily newspaper reached 602,000 people aged over 15, its best result in seven years and an increase of 5.1% over the prior 12 months. Circulation volumes remained strong at 170,523³, with full paid sales increasing year-on-year, driven by a number of successful subscription initiatives. The *Herald on Sunday* recorded its highest readership result, up 6.5% to 396,000, as well as its highest circulation outcome since its launch in 2004, of 95,762³, up 6.1% on 2009. The www.nzherald.co.nz website remains the No. 1 news site and continues to improve clients' advertising reach and effectiveness, reaching an average weekly audience of one million people, up 28% on 2009. The *Herald's* iPad app was the first news application on the New Zealand market and achieved 10,000 downloads in its first weeks of launch.

The Radio division had a positive first half, with growth in revenues and operating profit. In Australia, advertising market share has stabilised and trading in the opening weeks of the second half has been strong, particularly in national advertising, with good growth in the finance, entertainment and supermarket categories. Radio in New Zealand has experienced extremely difficult trading conditions for the past 24 months and the beginning of this year was no exception. However, trading in the initial weeks of the second half has been more positive, with a resurgence in national advertising in particular. Growth in the banking, insurance, retail and supermarkets categories has been positive and bookings are beginning to lengthen.

APN is the market leader in outdoor advertising in Australia and New Zealand, with a sizeable presence also in Asia, and this division showed a very strong result. The Australian outdoor market rebounded in

³ January to June 2010 ABC period

H1 2010, with revenues up 15% on the prior corresponding period, with double-digit growth in each of the major formats. There were significant increases in bookings from retail advertisers, as well as from travel and government. The division continues to benefit from the cost management undertaken in 2009, with strong growth in operating profit. The Kurnia outdoor business in Malaysia was sold in 2009 and certain bus advertising contracts in New Zealand and Hong Kong were terminated after being taken in-house by their respective transit operators. Allowing for these changes, the division reported double-digit growth in revenue on a LFL basis and operating profit improved almost five-fold.

Note Regarding Forward-Looking Statements

Some statements in this announcement are forward-looking. They represent our expectations for our business and involve risks and uncertainties. We have based these forward-looking statements on our current expectations and projections about future events. We believe that our expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond our control, our actual results or performance may differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and no obligation is undertaken, save as required by law or by the Listing Rules of the Irish Stock Exchange and/or the UK Listing Authority, to reflect new information, future events or otherwise.

ENDS

27 August 2010

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ABOUT INDEPENDENT NEWS & MEDIA PLC

– CORPORATE PROFILE –

Independent News & Media PLC (INM) is a leading international newspaper and communications group. Its main interests are located in Australia, the Island of Ireland, New Zealand and South Africa.

The Group has market-leading newspaper positions in Australia (regional), the Island of Ireland, New Zealand and South Africa and has established a strong and growing online presence, including market-leading online positions in each of our main markets and over 100 editorial and classified sites.

In Australasia, INM is the largest outdoor advertising operator and also the leading radio operator, with over 140 stations and an audience of almost six million people. It also has leading outdoor advertising positions in Hong Kong and Indonesia and is the largest newspaper contract printer on the Island of Ireland. The Group has a number of investments including Imprezzeo (Australia), Truphone (UK) and Mahaka Media (Indonesia).

From its newspaper origins in Ireland, INM has grown and evolved to become a geographically and media diverse group, with market-leading brands and today manages gross assets of €2.2 billion, revenue of €1.3 billion and employs approximately 7,800 people worldwide.

INDEPENDENT NEWS & MEDIA PLC

CONDENSED INTERIM GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT (unaudited)

	Notes	Six months ended 30 June 2010			Six months ended 30 June 2009		
		Before Exceptional Items €m	Exceptional Items* €m	Total €m	Before Exceptional Items €m	Exceptional Items* €m	Total €m
Revenue	3	656.5	-	656.5	608.8	-	608.8
Operating profit/(loss)	3	94.6	9.7	104.3	73.2	(86.8)	(13.6)
Share of results of associates and joint ventures		1.4	-	1.4	4.0	-	4.0
Finance income/costs:							
- Finance income		1.1	-	1.1	0.9	-	0.9
- Finance costs		(43.8)	-	(43.8)	(39.8)	-	(39.8)
Profit/(loss) before taxation		53.3	9.7	63.0	38.3	(86.8)	(48.5)
Taxation (charge)/credit		(12.3)	0.6	(11.7)	(8.5)	22.3	13.8
Profit/(loss) for the period		41.0	10.3	51.3	29.8	(64.5)	(34.7)
Attributable to:							
Non-controlling interests		24.5	(0.2)	24.3	17.7	1.4	19.1
Equity holders of the parent		16.5	10.5	27.0	12.1	(65.9)	(53.8)
		41.0	10.3	51.3	29.8	(64.5)	(34.7)
Earnings/(loss) per ordinary share (cent)							
- Basic	6			5.4c			(28.2c)
- Diluted	6			5.4c			(28.2c)

* Note 4

The notes to the condensed interim Group financial statements on pages 14 to 24 form an integral part of this financial information.

GROUP STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Six months ended 30 June 2010 €m	Six months ended 30 June 2009 €m
Profit/(loss) for the period	<u>51.3</u>	<u>(34.7)</u>
Other comprehensive income		
Currency translation adjustments	86.0	119.5
Retirement benefit obligations:		
- Actuarial (losses)/gains	(36.3)	(2.0)
- Movement on deferred tax asset	3.2	-
(Losses)/gains relating to cash flow hedges/available-for-sale financial assets	<u>(2.5)</u>	<u>6.5</u>
Other comprehensive income for the period, net of tax*	<u>50.4</u>	<u>124.0</u>
Total comprehensive income for the period	<u>101.7</u>	<u>89.3</u>
Attributable to:		
Non-controlling interests	71.4	62.7
Equity holders of the parent	<u>30.3</u>	<u>26.6</u>
	<u>101.7</u>	<u>89.3</u>

* See note 8 for tax effect

The notes to the condensed interim Group financial statements on pages 14 to 24 form an integral part of this financial information.

GROUP BALANCE SHEET

	Notes	30 June 2010 unaudited €m	31 Dec 2009 audited €m	30 June 2009 unaudited €m
Assets				
Non-Current Assets				
Intangible assets		1,515.1	1,408.9	1,313.8
Property, plant and equipment		341.9	339.0	344.0
Investments in associates and joint ventures		30.4	48.1	61.4
Deferred tax assets		25.2	21.2	24.5
Available-for-sale financial assets		55.2	22.4	19.9
Derivative financial instruments		0.4	-	0.5
Trade and other receivables		6.5	11.5	20.1
		<u>1,974.7</u>	<u>1,851.1</u>	<u>1,784.2</u>
Current Assets				
Inventories		13.0	15.8	14.2
Trade and other receivables		202.0	193.5	207.5
Current income tax assets		0.6	0.5	0.8
Derivative financial instruments		1.3	0.6	0.1
Cash and cash equivalents		38.0	54.8	55.8
		<u>254.9</u>	<u>265.2</u>	<u>278.4</u>
Non-current assets classified as held for sale		<u>-</u>	<u>12.6</u>	<u>130.3</u>
Total Assets		<u>2,229.6</u>	<u>2,128.9</u>	<u>2,192.9</u>
Liabilities				
Current Liabilities				
Trade and other payables		188.4	169.9	232.7
Current income tax liabilities		5.9	17.9	12.4
Borrowings	9	43.1	29.0	934.0
Derivative financial instruments		4.5	0.5	4.2
Provisions for other liabilities and charges		32.2	28.7	27.8
		<u>274.1</u>	<u>246.0</u>	<u>1,211.1</u>
Liabilities directly associated with non-current assets classified as held for sale		<u>-</u>	<u>14.0</u>	<u>10.3</u>
Non-Current Liabilities				
Borrowings	9	1,006.0	1,069.8	460.4
Retirement benefit obligations	8	161.7	128.2	153.6
Deferred taxation liabilities		127.2	114.8	104.7
Other payables		4.3	4.5	4.9
Derivative financial instruments		2.0	-	-
Provisions for other liabilities and charges		18.0	6.2	4.8
		<u>1,319.2</u>	<u>1,323.5</u>	<u>728.4</u>
Total Liabilities		<u>1,593.3</u>	<u>1,583.5</u>	<u>1,949.8</u>
Net Assets		<u>636.3</u>	<u>545.4</u>	<u>243.1</u>
Equity				
Capital and Reserves Attributable to Company's Equity Holders				
Share capital	5	176.9	396.6	263.6
Other reserves		690.9	398.1	312.7
Retained losses		(882.2)	(849.5)	(854.2)
		(14.4)	(54.8)	(277.9)
Amounts recognised in other comprehensive income and accumulated in equity related to non-current assets held for sale		-	9.6	(5.5)
		(14.4)	(45.2)	(283.4)
Non-Controlling Interests		<u>650.7</u>	<u>590.6</u>	<u>526.5</u>
Total Equity		<u>636.3</u>	<u>545.4</u>	<u>243.1</u>

The notes to the condensed interim Group financial statements on pages 14 to 24 form an integral part of this financial information.

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)

Group	Share Capital	Share Premium	Share Option Reserve	Capital Redemption Reserve	Capital Conversion Reserve	Currency Translation Reserve	Other*	Retained Losses	Equity Interest of Parent	Non- Controlling Interests	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 31 December 2008	263.6	492.9	6.9	-	4.5	(301.2)	(6.2)	(738.5)	(278.0)	411.0	133.0
Total comprehensive income/(expense)	-	-	-	-	-	100.7	6.5	(80.6)	26.6	62.7	89.3
Issue of equity non-controlling interest (note 8)	-	-	-	-	-	2.5	-	(35.1)	(32.6)	80.1	47.5
Share based payment	-	-	0.6	-	-	-	-	-	0.6	-	0.6
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(27.3)	(27.3)
At 30 June 2009	263.6	492.9	7.5	-	4.5	(198.0)	0.3	(854.2)	(283.4)	526.5	243.1
At 31 December 2009	396.6	572.8	8.6	-	4.5	(189.4)	11.2	(849.5)	(45.2)	590.6	545.4
Total comprehensive income/(expense)	-	-	-	-	-	75.1	(12.1)	(32.7)	30.3	71.4	101.7
Issue of equity non-controlling interest (note 8)	-	-	-	-	-	-	-	-	-	5.4	5.4
Cancellation of deferred shares	(219.7)	-	-	219.7	-	-	-	-	-	-	-
Share based payment	-	-	0.5	-	-	-	-	-	0.5	-	0.5
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	(16.7)	(16.7)
At 30 June 2010	176.9	572.8	9.1	219.7	4.5	(114.3)	(0.9)	(882.2)	(14.4)	650.7	636.3

*Other of (€0.9m) includes cash flow hedging (€4.8m) and available-for-sale financial assets €3.9m reserves

The notes to the condensed interim Group financial statements on pages 14 to 24 form an integral part of this financial information.

GROUP CASH FLOW STATEMENT (unaudited)

	Notes	Six months ended 30 June 2010	Six months ended 30 June 2009 (restated)
		€m	€m
Cash generated from operations (before cash exceptional items)	7	112.0	81.1
Exceptional expenditure		<u>(15.1)</u>	<u>(26.2)</u>
Cash generated from operations		96.9	54.9
Income tax paid		<u>(24.3)</u>	<u>(14.5)</u>
Cash generated by operating activities		72.6	40.4
Cash flows from investing activities			
Purchases of property, plant and equipment		(9.3)	(12.4)
Proceeds from sale of property, plant and equipment		1.2	1.3
Purchases of intangible assets		(1.0)	(4.0)
Purchases of available-for-sale financial assets		(0.1)	(1.6)
Receipts/(advances) from/to joint ventures and associates		0.1	0.3
Sales/Purchases of associates/joint ventures		43.3	(0.5)
Sale of subsidiary undertaking		-	7.2
Interest received		1.2	0.8
Dividends received		<u>2.9</u>	<u>0.6</u>
Net cash generated by/(used in) investing activities		38.3	(8.3)
Cash flows from financing activities			
Interest paid		(32.8)	(39.0)
Proceeds from borrowings		46.5	66.3
Repayment of borrowings		(134.3)	(150.2)
Payments/receipts relating to finance lease liabilities		(1.6)	30.4
Dividends paid to non-controlling interests		(11.3)	(23.6)
Issue of non-controlling interests by subsidiary undertaking		—	<u>55.5</u>
Net cash used in financing activities		(133.5)	(60.6)
Net decrease in cash and cash equivalents and bank overdrafts in the period		(22.6)	(28.5)
Balance at beginning of the year		52.6	71.6
Exchange gains		<u>4.2</u>	<u>4.2</u>
Cash and cash equivalents and bank overdrafts at end of period		34.2	47.3

The notes to the condensed interim Group financial statements on pages 14 to 24 form an integral part of this financial information.

NOTES TO THE INTERIM STATEMENT (unaudited)

1. Basis of Preparation and Going Concern

The condensed interim Group financial statements for the six months ended 30 June 2010, which should be read in conjunction with the 2009 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.

In December 2009 the Group entered into new Senior Bank Debt Facilities (€745m) based upon a 4 ½ year maturity and new covenants. The Board has reviewed the Group's forecasts and associated risks, for a period one year after the date of release of these condensed interim financial statements. The extent of this review reflects the still-uncertain economic outlook.

After making due enquiries, the Directors have a reasonable expectation that the Group and Company will be able to operate within the terms and conditions of the Group's financing facilities and has and will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing this financial information.

Accounting Policies

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 2009 and are described in those financial statements on pages 54 to 64.

The following interpretations or amended standards are mandatory for the first time for the financial year beginning 1 January 2010, and are either not relevant to the Group or they do not have any significant impact on the condensed interim Group financial statements:

- IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement;
- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IFRIC 18, Transfers of Assets from Customers;
- IAS 39 (Amendment) Eligible Hedged Items;
- IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards;
- IFRIC 9 and IAS 39 (Amendment) Embedded Derivatives; and
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions.

The Group has also adopted the "Improvements to IFRS", (effective for financial periods beginning on or after 1 January 2010). The IASB has issued the 'Improvements to IFRS' standard which amends a number of standards, basis of conclusions and guidance. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. These amendments do not have a significant impact on the condensed interim Group financial statements.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

1. Basis of Preparation and Going Concern (Cont'd)

The condensed interim Group financial statements for the six months ended 30 June 2010 and the comparative amounts have not been audited or reviewed by the 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 2009 and has been so annexed.

2. Risks and Uncertainties

The principal risks and uncertainties which could impact the Group's future results were outlined in the Directors' Report and in note 33 of the 2009 Annual Report and include liquidity risk, economic risk, interest rate risk and foreign exchange risk. The key risk specific to the remaining six month period is the economic risk for the global advertising environment. A significant proportion of the Group's revenue is derived from advertising which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. The global advertising environment continues to be volatile due to weak economic activity and therefore the outlook for consumer advertising in the Group's markets remains uncertain.

3. Segmental Reporting

Segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM'). The CODM has been identified as the Board of Directors. The reportable segments based on the internal reporting information provided are listed in the table below. The key performance measure that is reviewed for these segments is operating profit/(loss) before exceptional items. Exceptional items are reviewed at a level higher than these operating segments and appear as a reconciling item from the key performance measure reviewed by the CODM to the IFRS result. Interest income and expense, share of result of associates and joint ventures and taxation are reviewed and considered by the CODM at a Group level only.

The Group continues to report its revenues and operating profit before exceptional items by geographical areas with a further analysis of the geographical areas by class of business also provided. The Group's subsidiaries operate in four geographical areas: Island of Ireland; United Kingdom (disposed on 30 April 2010); South Africa; and Australasia. The components of the Group that are considered by the CODM, whose operating results are regularly reviewed by the Board of Directors to make decisions about the allocation of resources, and in performance assessment are contained in the table below. The Group's Northern Irish operations were previously reported to the Board of Directors as part of the United Kingdom component. However, with effect from 1 January 2010, the Group's operations in the Republic of Ireland and Northern Ireland are reported to and considered by the Board of Directors as a single component as part of a combined Island of Ireland strategy. Thus the results of the Group's Northern Ireland and Republic of Ireland operations are reported as part of the Group's Island of Ireland operations, and therefore form a reportable segment. Comparatives for 2009 have been restated on a consistent basis.

The Group's global diversity across both hemispheres helps insulate total Group revenues from the impact of seasonality.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

3. Segmental Reporting (Cont'd)

	Revenue (3 rd Party)				Operating Profit/(Loss) (Before Exceptional Items)			
	30 June 2010	30 June 2010	30 June 2009 (restated)	30 June 2009 (restated)	30 June 2010	30 June 2010	30 June 2009 (restated)	30 June 2009 (restated)
	€m	€m	€m	€m	€m	€m	€m	€m
Island of Ireland - Publishing	201.8		205.9		27.5		28.0	
Island of Ireland - Non-Publishing*	<u>2.3</u>		<u>4.2</u>		<u>(1.0)</u>		<u>(1.7)</u>	
Island of Ireland - Total		204.1		210.1		26.5		26.3
United Kingdom - Publishing	<u>20.8</u>		<u>34.8</u>		<u>(5.2)</u>		<u>(9.5)</u>	
United Kingdom - Total		20.8		34.8		(5.2)		(9.5)
South Africa - Publishing	99.6		82.9		21.0		14.8	
South Africa - Outdoor	—		<u>19.6</u>		—		<u>6.0</u>	
South Africa - Total		99.6		102.5		21.0		20.8
Australasia – New Zealand Publishing	106.1		84.3		22.4		14.3	
Australasia – Australian Publishing	91.9		68.0		19.4		13.7	
Australasia – Radio	65.0		51.0		16.6		14.7	
Australasia – Outdoor	68.7		57.9		4.2		1.4	
Australasia – Unallocated	<u>0.3</u>		<u>0.2</u>		<u>(4.8)</u>		<u>(3.0)</u>	
Australasia – Total		332.0		261.4		57.8		41.1
Common/Unallocated		—		—		(5.5)		(5.5)
		<u>656.5</u>		<u>608.8</u>		<u>94.6</u>		<u>73.2</u>

* Island of Ireland – Non-Publishing contains the directory and education businesses.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

3. Segmental Reporting (Cont'd)

	30 June 2010 <u>€m</u>	30 June 2009 <u>€m</u>
Operating profit before exceptional items	94.6	73.2
Exceptional items (note 4)	<u>9.7</u>	<u>(86.8)</u>
Operating profit/(loss) after exceptional items	104.3	(13.6)
Share of results of associates and joint ventures	1.4	4.0
Net finance costs	<u>(42.7)</u>	<u>(38.9)</u>
Profit/(loss) before taxation	63.0	(48.5)
Taxation (charge)/credit	<u>(11.7)</u>	<u>13.8</u>
Profit/(loss) for the period	51.3	<u>(34.7)</u>

The taxation charge for the period comprises a credit of €0.8m (2009: charge of €0.1m) in respect of Irish taxation and a charge of €12.5m (2009: credit of €13.9m) in respect of overseas taxation.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

4. Exceptional Items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance.

	30 June 2010	30 June 2009
	€m	€m
Included in profit/(loss) before taxation are the following:		
Impairment of assets and gains on sale of assets, net of transaction costs	(i) 7.3	(66.8)
Restructuring credit/(charges)	(ii) 2.4	(10.8)
Online and education start-up and other development costs	(iii) -	(0.8)
Costs associated with financing arrangements	(iv) -	<u>(8.4)</u>
Total exceptional items	9.7	(86.8)
Net exceptional tax credit	0.6	22.3
Non-controlling interest share of exceptional items (net of tax)	0.2	<u>(1.4)</u>
Exceptional items net of taxation and non-controlling interests	10.5	<u>(65.9)</u>

(i) Primarily relates to the following:

- a. A €42.1m gain which arose on the disposal of a 7.8% stake in Jagran Prakashan Limited (India) in March 2010 and the resulting gain arising from the loss of significant influence under the provisions of IAS 28, and the resulting requirement to measure the Group's remaining 5.7% holding in Jagran Prakashan Limited at fair value, on classification as an available-for-sale asset;
- b. A €16.6m net loss on the Group's disposal of the *The Independent* and the *Independent on Sunday* in the United Kingdom. This net loss includes a credit of €6.7m arising on amounts recycled from the foreign currency translation reserve on disposal;
- c. €13.5m due to an accelerated depreciation charge, on reassessment of the useful economic life on certain property, plant and equipment and a provision for onerous contracts;
- d. €4.9m due to the impairment of intangible assets; and
- e. a net gain of €0.2m arising on other items.

2009 primarily relates to non-cash impairment charges of €71.8m. These arose on intangible assets (€69.9m) in the United Kingdom and on investments (€1.9m) in Australasia. It also includes a gain on the sale of a business in Australasia.

(ii) Relates to restructuring charges arising in Island of Ireland (€1.2m), Australasia (€1.3m), South Africa (€0.9m). It also includes a credit of €5.8m in relation to a negative past service cost arising on the Group's retirement benefit obligations. The negative past service arose due to a permanent reduction in retirement benefits being provided to executive Directors and certain senior executives. (2009: restructuring of operations in Ireland (€1.1m), United Kingdom (€3.7m), Australasia (€2.8m), South Africa (€0.8m) and also includes €2.4m in payments to Sir Anthony O' Reilly (on his retirement) in settlement of all his contractual rights as a Director/employee of the Company).

(iii) 2009 relates mainly to start-up and other development costs in respect of online in Australasia.

(iv) 2009 relates to costs (mainly professional fees) incurred by the Group in the period as part of the re-negotiation of its financing arrangements.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

5. Share Capital and Dividends

The Directors are not proposing an interim dividend for 2010. There was no dividend paid in 2009.

At the Company's AGM on 2 June 2010, resolutions were passed consolidating the authorised and issued share capital of the Company on a one-for-seven basis and cancelling 878,775,439 Deferred Shares of €0.25 each. These Deferred Shares had no voting rights and they did not entitle the holder to receive any dividends or distributions. Following these changes the authorised share capital of the Company is 658,017,542 Ordinary Shares of €0.35 each and the issued share capital of the Company is 505,468,508 Ordinary Shares of €0.35 each.

6. Earnings Per Share

	30 June 2010 €m	30 June 2009 €m
Profit/(loss) attributable to the parent	27.0	(53.8)
Exceptional items (note 4)	(9.7)	86.8
Tax credit on exceptional items	(0.6)	(22.3)
Non-controlling interest share of exceptional items	<u>(0.2)</u>	<u>1.4</u>
Profit before exceptional items	<u>16.5</u>	<u>12.1</u>
Weighted average number of shares outstanding during the period (excluding treasury shares)*	499,871,432	190,708,212
Effect of:		
Conversion of options	-	-
Diluted number of shares*	<u>499,871,432</u>	<u>190,708,212</u>
Basic earnings/(loss) per share	<u>5.4c</u>	<u>(restated) (28.2c)</u>
Basic earnings per share before exceptional items	<u>3.3c</u>	<u>6.3c</u>
Diluted earnings/(loss) per share	<u>5.4c</u>	<u>(restated) (28.2c)</u>
Diluted earnings per share before exceptional items	<u>3.3c</u>	<u>6.3c</u>

* The average number of shares outstanding for 2009 has been adjusted to reflect the bonus element of the Rights Issue which took place in December 2009. The average number of shares outstanding for both 2010 and 2009 has been adjusted to reflect the share consolidation (on a one-for-seven basis) which took place in June 2010.

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 once the adjustment does not reduce a loss per share.

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 INTERIM STATEMENT (unaudited) (Cont'd)

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

	30 June 2010	30 June 2009 (restated)
	<u>€m</u>	<u>€m</u>
Operating profit before exceptional items	94.6	73.2
Depreciation/amortisation	20.5	17.9
Non-cash share option charge	<u>0.5</u>	<u>0.6</u>
Earnings before Interest, Tax, Depreciation and Amortisation	115.6	91.7
Decrease in inventories	3.6	2.1
Decrease in short term and medium term receivables	13.0	9.1
Decrease in short term and long term payables	(17.3)	(17.7)
Decrease in provisions	<u>(2.9)</u>	<u>(4.1)</u>
Cash generated from operations (before cash exceptional items)	112.0	81.1
Exceptional expenditure	<u>(15.1)</u>	<u>(26.2)</u>
Cash generated from operations	96.9	54.9
Income tax paid	<u>(24.3)</u>	<u>(14.5)</u>
Cash generated by operating activities	<u>72.6</u>	<u>40.4</u>

The 2009 Cash Flow Statement has been restated to show the total effect of exchange rate changes of €4.2m which arose on cash and cash equivalents held €7.8m, and unrealised gains and losses arising from changes in foreign currency exchange rates (€3.6m), in the statement of cash flows, reconciling cash and cash equivalents at the beginning and the end of the year.

8. Other Items

a. Retirement Benefits

The retirement benefit obligations as at 30 June 2010 in the Balance Sheet have increased by €33.5m to €161.7m compared to €128.2m at 31 December 2009. This comprises a defined benefit pension obligation of €128.9m (2009: €98.1m) and medical aid liability of €32.8m (2009: €30.1m). This increase in the defined benefit pension obligation is driven predominately by an actuarial loss of €36.3m (as disclosed in the Group Statement of Comprehensive Income). This actuarial loss arose mainly due to a reduction in the discount rate (from 6.0% at 31 December 2009 to 5.25% at 30 June 2010 in respect of the Group's largest defined benefit pension schemes) used to value the schemes' liabilities. It also reflects a negative past service cost of €5.8m (due to a reduction in the defined benefit pension obligation) arising in the period (see note 4).

b. Statement of Comprehensive Income

A positive currency translation adjustment of €86.0m has been booked in the Group Statement of Comprehensive Income for the half year to 30 June 2010. This has arisen due to the strengthening of the South African Rand, Australian Dollar and Sterling Pound exchange rates at 30 June 2010 compared to the rates at 31 December 2009 used in the translation of the balance sheets of subsidiaries with a functional currency different to that of the Parent Company.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

8. Other Items (Cont'd)

c. Transactions within Equity

2010

The €5.4m issue of equity non-controlling interest reflects the issue of shares by APN News & Media Limited (APN) to the non-controlling interests in lieu of dividend payments.

2009

The Group's shareholding in APN decreased from 39.1% to 32.2% during the six months ended 30 June 2009. The decrease in this shareholding arose as a result of the Group's non-participation in APN's 1 for 5 accelerated non-renounceable pro-rata entitlement offer, announced in May 2009, and completed in June 2009. As a result of the non-participation, the Group's shareholding was diluted from 39.1% to 32.2%.

Prior to the non-renounceable entitlement offer, and dividend reinvestment plan by APN, the Group held 39.1% of the shares in APN. The number of shares held by the Group did not change as a result of the share issue by APN in June 2009, but the Group's shareholding was diluted from 39.1% to 32.2%. The percentage of shares, held by the 'non-controlling interest' in APN, therefore increased from 60.9% to 67.8%.

The deemed loss of €32.6m (including currency translation adjustments), included within equity in accordance with the provisions of IAS 27R is the difference between the carrying value of the Group's share of net assets in APN, prior to the dilution (i.e. at 39.1%), and the assessment of the Group's share of net assets in APN after the dilution (i.e. at 32.2%) having adjusted for the proceeds of the issue of non-controlling interests.

d. Acquisition of Subsidiary Undertakings

There were no business combinations during the six months ended 30 June 2010 or during the six months ended 30 June 2009.

e. Disposals

On 30 April 2010, INM completed the disposal of *The Independent* and the *Independent on Sunday* to Independent Print Limited ("IPL"), a company controlled by the family of Mr. Alexander Lebedev. IPL acquired all rights to *The Independent*, the *Independent on Sunday* and the related website, *www.independent.co.uk* (the "Titles"). The consideration payable by IPL was Stg£1. As part of the transaction, INM will pay IPL Stg£9.25m over the ten months post completion for use within the Titles, in exchange for IPL assuming all future trading liabilities and obligations. The Titles will continue to be printed by Trinity Mirror under a new five year contract agreed between IPL and Trinity Mirror and INM will continue to print certain Trinity Mirror publications in INM's Northern Ireland production facilities under an adjusted print contract. The total net loss to the Group arising on the disposal of these titles was €16.6m. This includes the costs of the disposal process itself, as well as some redundancy costs incurred. It also includes a credit of €6.7m arising on amounts recycled from the foreign currency translation reserve on disposal (see note 4).

On 8 March 2010, INM announced it had disposed of 7.8% of Jagran Prakashan Limited (India) realising net proceeds of approximately €41.4m which were applied towards debt reduction.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

8. Other Items (Cont'd)

f. Tax Effect on Items in Statement of Comprehensive Income

	30 June 2010	30 June 2009
	<u>€m</u>	<u>€m</u>
Currency translation adjustments	-	-
Retirement benefit obligations	3.2	-
(Losses)/gains relating to cash flow hedges/available-for-sale financial assets	<u>(0.4)</u>	<u>0.1</u>
Total Tax Effect	<u>2.8</u>	<u>0.1</u>

9. Borrowings

Group	June 2010	June 2010	June 2010	December 2009	December 2009	December 2009
	Loans & Overdrafts €m	Finance Lease Liabilities €m	Total €m	Loans & Overdrafts €m	Finance Lease Liabilities €m	Total €m
Repayable as follows:						
Between one and two years	290.5	1.6	292.1	252.6	2.4	255.0
Between two and five years	681.3	31.3	712.6	783.6	30.0	813.6
More than five years	1.3	-	1.3	1.2	-	1.2
Total due after one year	<u>973.1</u>	<u>32.9</u>	<u>1,006.0</u>	1,037.4	32.4	1,069.8
Due within one year or on demand	40.5	2.6	43.1	26.7	2.3	29.0
Total borrowings	<u>1,013.6</u>	<u>35.5</u>	<u>1,049.1</u>	1,064.1	34.7	1,098.8
Split of total borrowings between:						
- Secured	552.2	35.5	587.7	606.3	34.7	641.0
- Unsecured	461.4	-	461.4	457.8	-	457.8
Total borrowings	<u>1,013.6</u>	<u>35.5</u>	<u>1,049.1</u>	1,064.1	34.7	1,098.8
Cash and cash equivalents			<u>(38.0)</u>			<u>(54.8)</u>
Net debt			<u>1,011.1</u>			<u>1,044.0</u>

Of the total net debt of €1,011.1m (2009: €1,044.0m), €543.2m (2009: €573.8m) has recourse to INM, with the balance of €467.9m (2009: €470.2m) relating to APN. Independent News & Media PLC and its subsidiaries (excluding APN) have no legal responsibility for APN's debt.

The following are included in Loans and Overdrafts:

- €550.9m drawn under the 2009 multicurrency term and revolving bank facility* repayable up to May 2014; and
- €461.3m (A\$687.4m) representing syndicated bank loans repayable up to October 2012.

Of the €292.1m debt in the category between one and two years above, €260.1m is in respect of APN. APN is well advanced in its plans for these 2011 debt maturities and extensions are expected to be completed by the year-end.

* Certain material subsidiaries in the Group, as defined in the Senior Bank Debt Facilities, have granted fixed and floating charges over certain Group assets in connection with the above facility. An Intercreditor Agreement also exists in relation to this facility. This agreement provides that, in a liquidation situation, all intergroup debt within those companies which have signed up to the agreement is subordinated to the facility until such time as this debt has been discharged in full. All subsidiaries with material intergroup debt within the Group have signed up to this agreement, with the exception of APN and any Group company incorporated in South Africa.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

10. Intangible Assets

The carrying value of the Group's intangible assets increased by €106.2m from €1,408.9m at 31 December 2009 to €1,515.1m at 30 June 2010. This increase is primarily driven by favourable foreign exchange rate movements in the period.

Impairment Reviews and Supplementary Non-IFRS Information

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 2010, due to indications of impairment, certain intangible assets were tested for impairment, and as a result, an impairment charge of €4.9m (2009: €69.9m) arose on certain intangible assets in the Island of Ireland. When testing for impairment, the recoverable amounts for the Group's cash-generating units (CGUs) are measured at their value in use by discounting future expected cash flows. These calculations use cash flow projections based on management approved projections which reflect management's current experience and future expectations of the markets in which the CGU operates. The detailed methodology (updated for changes in any of the key assumptions to reflect past experience and also consistent with external sources of information) as used by the Group for impairment testing is as outlined in the 2009 annual report.

The 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 Balance Sheet in accordance with IFRS 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 Balance Sheet.

While impairment charges have been recorded during the current and prior periods on certain of the Group's intangible assets, the Directors are of the view that the Group has many other intangible assets which have substantial value that is not reflected on the Group's Balance Sheet. This is because these intangible assets are carried in the Group's Balance Sheet at a nil value or a value which is much less than their recoverable amount. The Directors are of the view that if these intangible assets were allowed to be carried on the Group's Balance Sheet then the Group's intangible assets would be greater than currently reported.

NOTES TO THE INTERIM STATEMENT (unaudited) (Cont'd)

11. Related Party Information

Sir Anthony O'Reilly, the former Chief Executive, serves as President Emeritus of the Group. During the period, the Group incurred costs of €74,000 relating directly to international travel and accommodation costs, as well as the provision of secretarial services provided to the office of President Emeritus.

Except for the above, there have been no other:

- 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.

12. Subsequent Events

On 4 August 2010, INM announced it had disposed of its remaining 5.7% of Jagran Prakashan Limited (India) realising net proceeds of approximately €32.6m which were applied towards debt reduction.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 include 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

Gavin K O'Reilly
Group Chief Executive Officer

Dónal J Buggy
Group Chief Financial Officer