

24<sup>th</sup> March 2004

**INDEPENDENT NEWS & MEDIA PLC**  
**ANNOUNCES PRELIMINARY RESULTS FOR 2003**

The Board of Independent News & Media PLC ['INM'] today presented the Group's preliminary results for the year ended 31<sup>st</sup> December 2003. INM's focus on its core operations, investment in innovative product development and vigorous marketing saw its market-leading titles deliver important market share gains in advertising, circulation and readership. Solid performances from each division grew aggregate operating profit from continuing operations before exceptionals by 7.5%.

<b><u>RESULTS</u></b>	<b>2003</b>	<b>2002</b>	
	<b><u>€m</u></b>	<b><u>€m</u></b>	<b><u>%</u></b>
<b>Turnover</b>	<b>1,388.2</b>	<b>1,310.3</b>	<b>+5.9%</b>
<b>Operating Profit from Continuing Operations **</b>	<b>232.6</b>	<b>216.3</b>	<b>+7.5%</b>
<b>Profit Before Tax and Exceptionals</b>	<b>154.6</b>	<b>129.0</b>	<b>+19.8%</b>
<b>Net Exceptional Items</b>	<b>(32.6)</b>	<b>(106.8)</b>	<b>+69.5%</b>
<b>Profit Before Tax</b>	<b>122.0</b>	<b>22.2</b>	<b>+449.5%</b>
<b>Earnings/(Loss) Per Share (incl. exceptionals)</b>	<b>6.81c</b>	<b>(6.58c)*</b>	<b>+203.5%</b>
<b>Adjusted Earnings Per Share ***</b>	<b>12.63c</b>	<b>11.40c*</b>	<b>+10.8%</b>
<b>Dividend per Share</b>	<b>7.90c</b>	<b>7.34c*</b>	<b>+7.6%</b>

\* Restated for 2003 Rights Issue

\*\* Before exceptional items

\*\*\* Fully diluted EPS, before exceptional items and amortisation

**SUMMARY HIGHLIGHTS FOR FULL YEAR 2003**

- Profit before tax and exceptionals increases by 19.8% to €154.6 million.
- Strong trading performance drives Adjusted Earnings Per Share to 12.63 cent – up 10.8% on 2002.
- Solid advances achieved in both circulation and advertising revenues – up 6.9% and 5.5% respectively in constant currencies.
- Successful completion of recapitalisation programme raising €363 million in 2003, primarily used to reduce net debt by €245 million and redeem Preference Shares.
- Revolutionary launch of the new 'compact' format in the UK delivers impressive results.
- Worldwide restructuring plan initiated to enhance core profitability through significant cost efficiencies.
- Proposed final dividend up 8.9% to 5.15 cent.

**Commenting on these announcements, Sir Anthony O'Reilly, Independent News & Media PLC's Executive Chairman, said:**

*"2003 was all about repositioning the Group for sustainable growth, after a period of heavy strategic investment.*

*"The over-achievement of the recapitalisation programme over the past three years, the unrelenting focus on the individual operations, the objective of producing patently superior products and of targeting above-market revenue growth by a combination of robust sales and marketing, and the commitment to be the low cost operator has enhanced each of the underlying core operations and positioned them well for the future.*

*"Trading in 2004 has started positively, and given a continuation of current trading conditions, the Board remains confident of further improvement in underlying profitability for 2004, and we believe that our shareholders can look forward with confidence to the future."*

**PRELIMINARY ANNOUNCEMENT OF RESULTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2003**

Independent News & Media PLC ['INM'] today announced preliminary results for the year ended 31<sup>st</sup> December 2003.

Turnover, at €1,388.2 million, was up 5.9% on 2002 and up 7.6% in constant currencies. Circulation and advertising gains were driven by enhanced yield and volumes, with both circulation cover price and advertising rate card increases successfully implemented during the year.

Operating profit before exceptionals continued to grow, showing a 7.5% increase on 2002 (up 8.2% in constant currencies), with robust performances from each division. As ever, strong cost control was achieved throughout the year, with further savings expected in the coming years on implementation of the Group's worldwide restructuring, announced last December.

Substantial exceptional profits were realised on the sale of a number of INM's assets, under the now completed recapitalisation programme. These exceptional profits were principally offset by the exceptional provision for the worldwide restructuring plan, which will reposition and benefit the Group going forward. Following the year-end, INM agreed to the sale of its 50% interest in Princes Holdings Limited (trading as Chorus) to Liberty Media and the Group's investment has been fully provided for at the year-end.

Profit before tax and exceptionals improved by 19.8% to €154.6 million, driven by the strong operating performances and a lower interest charge, reflecting the Group's structured reduction in net debt to €978.2 million at year-end.

The Board is proposing to increase the Group's final dividend by 8.9% over last year to 5.15 cent per share, making a total dividend for the year of 7.90 cent per share – an increase of 7.6% on 2002. This reflects the Board's confidence in the Group's ongoing operations. The final dividend will be paid on 2<sup>nd</sup> July 2004 to ordinary shareholders registered at the close of business on 7<sup>th</sup> May 2004. A scrip dividend alternative will also be available.

**- OPERATIONS REVIEW -**

**AUSTRALASIA**

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APN News & Media Ltd ['APN'] – in which INM has a 40.5% shareholding – reported strong trading results for 2003. Turnover at €639.0 million was up 10.6% on 2002, with EBIT up 10.7% at €130.7 million. In constant currencies, both turnover and EBIT were up 11.3%.

EBIT in APN's publishing division grew by 23% and now accounts for 72% of APN's total EBIT. *The New Zealand Herald* – New Zealand's largest circulating daily newspaper – grew revenue by 18% to A\$280 million and EBIT by 23% to A\$89 million, as a result of strong advertising, readership and circulation gains. Regional newspapers in Australia and New Zealand continued to perform strongly, with the main classified advertising pillars of real estate, motoring and employment producing notably good volume and yield gains. Divisional revenues were up 11% to A\$346 million, and overall EBIT increased 23% to A\$81 million.

The Radio division grew revenues by 13% to A\$213 million, with strong audience ratings delivering significant gains in advertising market share, particularly with regard to agency advertising. Full year 2003 EBIT increased by 13% to A\$56.2 million on a like-for-like basis.

Revenues and EBIT (including APN's share of associates) for the Outdoor division were up 1.9% and 2% to A\$186.7 million and A\$16.5 million respectively. The Outdoor business in Asia was restructured during the year to enable the reorganisation of its broad mix of assets into a more efficient selling structure, with operations in Singapore and Thailand closed, and new operational structures implemented in Hong Kong, Malaysia and Indonesia. Australian Posters was also restructured and integrated into existing operations in Australia.

In a competitive marketplace, the Print & Specialist division grew revenues by 2% to A\$103.1 million, with EBIT down a marginal A\$0.4 million to A\$7.6 million. The previously announced restructuring of the Print & Specialist division into a single brand – APN Print – was fully completed in 2003, with the full benefit expected to be seen in 2004.

## **IRELAND**

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Turnover for the Irish operation, at €379.2 million was up 3.7% on 2002, largely driven by improving advertising revenues in the second half and further strong revenue growth in Newsread, the group's wholesaling division. EBIT grew to €75.3 million, a modest €0.4 million increase on the prior year, with core newspaper margins being maintained at 2002 levels.

Advertising revenues improved steadily in the second half, after a weak first half, and the Irish titles maintained or grew market share in each of the major advertising categories. Circulation revenues grew by 2.7% on the back of cover price increases and there is a continuing focus on driving core volumes and yield per copy.

The continuing strength of the group's titles was reaffirmed in the recently released JNRS readership results, which showed most titles growing in readership, with the *Sunday Independent's* readership expanding to 1,064,000 – an audience reach unrivalled by any other publication and/or programme in the market. The recent launch (in February 2004) of a 'compact' version of the *Irish Independent* has reinforced its leadership position and has widened its appeal (particularly among younger readers, females and commuters). Very good core volume growth has been recorded in the areas in which the 'compact' has been rolled out.

Costs continue to be tightly controlled, with a number of headcount reductions achieved prior to the year-end. Further headcount reductions are planned for 2004, as part of the restructuring plan.

## **SOUTH AFRICA**

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The South African operation performed extremely well in a strong and stable economic and trading environment. Revenues were up a strong 17.3% to €159.5 million, with EBIT up 19.8% to €23.5 million and with operating margins improving to 14.75%. In constant currencies, turnover was up 13.8% and EBIT was up 16.2%.

This result reflects a progressive improvement in revenue growth, most notably in the 4<sup>th</sup> quarter, combined with strict cost management. Advertising growth during 2003 was

underpinned by product development and good yield management, which saw the group achieve a >50% share in the all-important classified market, and maintain its strong share of the display advertising market, which was less robust due to a softening in the manufacturing sector as a result of the stronger Rand. The magazine division, Conde Nast Independent Magazines, produced another record year, and subsequent to the year-end extended its reach with the launch of *Glamour*.

Circulation performed very well, with 14 of the group's 15 leading metropolitan titles showing year-on-year growth in a market where most of the group's direct competitors showed ongoing declines. Circulation of *Isolezwe* – the group's daily Zulu language newspaper – which was launched in April 2002, has increased to over 55,000 copies per day in the second half of 2003 (vs 34,000 copies in 2002).

The Outdoor division, in which the group has a 40.3% interest, delivered a substantial increase in profit contribution, through a combination of new product innovation and a rationalisation of its other African operations.

## **UNITED KINGDOM**

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The UK operation recorded revenue of €210.5 million, which was flat in constant currency terms, reflecting good performances from the Belfast operations and growing circulation revenues from *The Independent*, offsetting the prolonged tough advertising market. EBIT of €18.2 million was marginally behind 2002 in constant currency terms.

Despite negative advertising growth in the overall UK market, the *Belfast Telegraph* continued to make sustained progress, with a strong performance in the classified and recruitment categories. On the back of improved circulation and product innovation, *The Independent* title increased advertising market share. The specialist London-based magazine division continued to achieve further cost efficiencies and is well placed to benefit from any improvement in London secretarial and financial recruitment advertising, which continues to be in a depressed state.

The major event of the year (and indeed, for the industry) was the revolutionary and successful launch of *The Independent* in 'compact' form on 30<sup>th</sup> September, which has resulted in the highest ABC circulation figures since 1997 (total ABC sales in February up 15.2% year-on-year, with 'core' UK Newstrade up 25%) in a market where all other competing titles have fallen. This produced the highest market share (at 11.7%) since April 1996. The 'compact' launch and incisive coverage of the Iraqi war culminated in *The Independent* being named as the National Newspaper of the Year.

During 2003, the group also completed both the sale of its London regional newspapers division to Archant and the sale of its 19.1% stake in Lusomundo Media, the Portuguese newspaper publisher, to Cofina.

### **- RECAPITALISATION -**

During 2003, the Group completed the significant restructuring of its balance sheet and debt profile, which has resulted in total Group net debt falling by €245 million (or 20%) to €978.2 million. At 31<sup>st</sup> December 2003, INM's recourse net debt (i.e. excluding APN's net debt which has no recourse to INM) – was €644 million, a reduction of more than €714 million (more than halved) over the last three years.

**- RESTRUCTURING -**

INM announced a worldwide restructuring plan in December 2003, designed to sustainably enhance the core profitability of the Group. This plan leverages the scale of the Group's cross operations in clerical and back-office activities, while extending the application of new information and production technologies in all functional areas. It is expected that the plan – when fully implemented – will yield a permanent 5% reduction in worldwide staffing numbers and will generate additional annualised savings of up to €18.9 million – on a phased basis. Progress on the plan has been made in the year to date and is on target.

**- OUTLOOK -**

Strong brands, leading market positions, and geographic diversity place INM at the forefront of comparable media companies worldwide. In improving – yet still tentative – global markets, INM continues to grow its operations' market share, increase its yield, and efficiently reduce its cost base.

Trading in 2004 has started positively, and given a continuation of current trading conditions, the Board remains confident of further improvement in underlying profitability for 2004.

**- BOARD CHANGES -**

Mr. Hugh Hamilton and Mr. James Parkinson have informed the company of their intention to retire from the Board from the date of the next Annual General Meeting.

**- ANNUAL GENERAL MEETING -**

The Annual General Meeting will be held at 12.00 noon on Monday, 28<sup>th</sup> June 2004 at the Citywest Hotel, Saggart, Co. Dublin, Ireland.

**ENDS**

**24<sup>th</sup> March 2004**

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**ABOUT INDEPENDENT NEWS & MEDIA PLC  
- CORPORATE PROFILE -**

Independent News & Media PLC ['INM'] is a leading media and communications group, operating primarily in Australia, Ireland, New Zealand, South Africa and the United Kingdom.

Spanning four continents and eight individual countries, INM has market-leading newspaper positions in Australia (regional), New Zealand, Ireland and South Africa. In the UK, it owns the largest newspaper group in Northern Ireland and the flagship Independent titles. The Group publishes over 165 newspaper and magazine titles with a weekly circulation of 13.5 million copies and operates 53 online sites, achieving 95 million page impressions per month in aggregate.

The Group is also the largest radio and outdoor advertising operator in Australasia, and has leading outdoor advertising operations in South Africa, Hong Kong, Malaysia and Indonesia.

The Group has grown consistently over the last ten years by building a geographically diverse portfolio of market-leading brands, and today manages gross assets of over €3.4 billion, turnover of €1.6 billion and employs over 11,500 people worldwide.

**INDEPENDENT NEWS & MEDIA PLC**

**PRELIMINARY ANNOUNCEMENT OF RESULTS**

<b>GROUP PROFIT AND LOSS ACCOUNT</b>	<b>2003</b>	<b>2002</b>
	<b>€m</b>	<b>€m</b>
Turnover - continuing operations	1,363.4	1,283.3
- discontinued operations	<u>24.8</u>	<u>27.0</u>
	<u>1,388.2</u>	<u>1,310.3</u>
Operating profit		
- Continuing operations	232.6	216.3
- Exceptional items	<u>(82.3)</u>	<u>(25.9)</u>
Operating profit from continuing operations	150.3	190.4
- Discontinued operations	<u>6.1</u>	<u>6.9</u>
	156.4	197.3
Exceptional items	<u>57.7</u>	<u>(80.9)</u>
Profit on ordinary activities	214.1	116.4
Net interest charge	(84.1)	(94.2)
Exceptional finance charge	<u>(8.0)</u>	—
Profit on ordinary activities before taxation	122.0	22.2
Taxation on profit on ordinary activities	<u>(14.6)</u>	<u>(9.7)</u>
Profit on ordinary activities after taxation	107.4	12.5
Minority interests (including non-equity minority interests)	<u>(60.5)</u>	<u>(54.0)</u>
Profit/(loss) on ordinary activities after taxation and minority interests	46.9	(41.5)
Dividends paid	(20.2)	(16.3)
Dividends proposed	<u>(38.0)</u>	<u>(29.7)</u>
Retained loss for the Group and its share of joint ventures and associates	<u>(11.3)</u>	<u>(87.5)</u>
Earnings/(loss) per share	<u>6.81c</u>	<u>(6.58c)</u>
Fully diluted earnings/(loss) per share	<u>6.81c</u>	<u>(6.58c)</u>
Fully diluted earnings per share before exceptional items and amortisation	<u>12.63c</u>	<u>11.40c</u>

## RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2003	2002	2003	2002
	<u>€m</u>	<u>€m</u>	(Inc. Mastheads) <u>€m</u>	(Inc. Mastheads) <u>€m</u>
Profit/(loss) on ordinary activities after taxation and minority interests	46.9	(41.5)	46.9	(41.5)
Dividends paid	(20.2)	(16.3)	(20.2)	(16.3)
Dividends proposed	<u>(38.0)</u>	<u>(29.7)</u>	<u>(38.0)</u>	<u>(29.7)</u>
	(11.3)	(87.5)	(11.3)	(87.5)
New share capital subscribed (including share premium)	114.2	5.2	114.2	5.2
Currency translation differences on foreign currency net investments	(28.0)	(13.9)	(27.9)	(14.7)
Related foreign tax charge on currency translation differences	-	(0.1)	-	(0.1)
Disposal of UK regional mastheads	-	-	(28.2)	-
Movement in treasury shares	<u>19.5</u>	<u>(15.8)</u>	<u>19.5</u>	<u>(15.8)</u>
Net movement in equity shareholders' funds	94.4	(112.1)	66.3	(112.9)
Opening equity shareholders' funds	<u>145.8</u>	<u>257.9</u>	<u>866.8</u>	<u>979.7</u>
Closing equity shareholders' funds	<u>240.2</u>	<u>145.8</u>	<u>933.1</u>	<u>866.8</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003	2002	2003	2002
	<u>€m</u>	<u>€m</u>	(Inc. Mastheads) <u>€m</u>	(Inc. Mastheads) <u>€m</u>
Profit/(loss) on ordinary activities after taxation and minority interests	46.9	(41.5)	46.9	(41.5)
Currency translation differences on foreign currency net investments	(28.0)	(13.9)	(27.9)	(14.7)
Related foreign tax charge on currency translation differences	-	(0.1)	-	(0.1)
Profit on sale of treasury shares	<u>0.9</u>	<u>1.0</u>	<u>0.9</u>	<u>1.0</u>
Total recognised gains/(losses) relating to the year	<u>19.8</u>	<u>(54.5)</u>	<u>19.9</u>	<u>(55.3)</u>

## GROUP BALANCE SHEET

	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<u>€m</u>	<u>€m</u>	(Inc. Mastheads) <u>€m</u>	(Inc. Mastheads) <u>€m</u>
<b>Fixed assets</b>				
Intangible assets	1,662.4	1,655.8	2,346.2	2,367.7
Tangible assets	338.3	384.8	338.3	384.8
Financial assets				
Investment in joint ventures				
- share of gross assets	30.5	28.0	39.6	37.1
- share of gross liabilities	<u>(7.0)</u>	<u>(8.7)</u>	<u>(7.0)</u>	<u>(8.7)</u>
	23.5	19.3	32.6	28.4
Investment in associates	57.8	79.2	57.8	79.2
Other investments	<u>18.2</u>	<u>19.3</u>	<u>18.2</u>	<u>19.3</u>
	<u>99.5</u>	<u>117.8</u>	<u>108.6</u>	<u>126.9</u>
	<u>2,100.2</u>	<u>2,158.4</u>	<u>2,793.1</u>	<u>2,879.4</u>
<b>Current assets</b>				
Stocks	24.3	26.4	24.3	26.4
Debtors	307.5	270.1	307.5	270.1
Cash at bank and in hand	<u>188.9</u>	<u>75.3</u>	<u>188.9</u>	<u>75.3</u>
	520.7	371.8	520.7	371.8
<b>Creditors</b> - amounts falling due within one year	<u>(306.5)</u>	<u>(524.3)</u>	<u>(306.5)</u>	<u>(524.3)</u>
<b>Net current assets/(liabilities)</b>	<u>214.2</u>	<u>(152.5)</u>	<u>214.2</u>	<u>(152.5)</u>
<b>Total assets less current liabilities</b>	<u>2,314.4</u>	<u>2,005.9</u>	<u>3,007.3</u>	<u>2,726.9</u>
<b>Creditors</b> - amounts falling due after more than one year	1,286.6	1,142.3	1,286.6	1,142.3
<b>Provisions for liabilities and charges</b>	<u>72.5</u>	<u>46.1</u>	<u>72.5</u>	<u>46.1</u>
	<u>1,359.1</u>	<u>1,188.4</u>	<u>1,359.1</u>	<u>1,188.4</u>
<b>Capital and reserves</b>				
Called up share capital	221.3	172.7	221.3	172.7
Capital conversion reserve fund	4.5	4.5	4.5	4.5
Share premium account	251.6	185.1	251.6	185.1
Revaluation reserve	(73.7)	(79.6)	619.2	641.4
Other reserves	(241.9)	(189.0)	(241.9)	(189.0)
Profit and loss account	<u>78.4</u>	<u>52.1</u>	<u>78.4</u>	<u>52.1</u>
<b>Equity shareholders' funds</b>	<u>240.2</u>	<u>145.8</u>	<u>933.1</u>	<u>866.8</u>
<b>Minority interests</b>				
Equity minority interests	542.3	443.7	542.3	443.7
Non-equity minority interests	<u>172.8</u>	<u>228.0</u>	<u>172.8</u>	<u>228.0</u>
	<u>715.1</u>	<u>671.7</u>	<u>715.1</u>	<u>671.7</u>
	<u>2,314.4</u>	<u>2,005.9</u>	<u>3,007.3</u>	<u>2,726.9</u>

## GROUP CASH FLOW STATEMENT

	2003		2002	
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
<b>Net cash inflow from operating activities</b>		267.7		283.1
<b>Dividends received from joint ventures</b>		0.9		1.6
<b>Returns on investments and servicing of finance</b>				
Interest received - Group	14.4		8.9	
Interest paid - Group	(96.5)		(106.4)	
Dividends and other payments to equity minority shareholders	(23.4)		(20.3)	
Dividends and other payments to non-equity minority shareholders	(14.8)		(15.0)	
Debt issue costs	<u>(13.9)</u>		<u>(1.1)</u>	
<b>Net cash outflow from returns on investments and servicing of finance</b>		(134.2)		(133.9)
<b>Net cash outflow from taxation</b>		(37.2)		(17.5)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets and titles	(22.1)		(28.9)	
Sale of tangible fixed assets, titles and investments	60.1		6.1	
Purchase of investments/advances to investees	(11.0)		(27.7)	
Increase in investment in joint ventures and associates	(2.3)		(4.4)	
Advances to/repaid by associates	(1.0)		(1.5)	
Other capital expenditure	<u>(12.1)</u>		<u>(6.9)</u>	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		11.6		(63.3)
<b>Acquisitions and disposals</b>				
Purchase of equity minority interests	(3.2)		(1.3)	
Disposal of assets and business of subsidiary undertaking	77.0		-	
Purchase of subsidiary undertakings	-		(3.5)	
Cash acquired with subsidiary undertakings	<u>-</u>		<u>0.2</u>	
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		73.8		(4.6)
<b>Equity dividends paid</b>		<u>(40.8)</u>		<u>(41.2)</u>
<b>Cash inflow before management of liquid resources and financing</b>		141.8		24.2

## GROUP CASH FLOW STATEMENT (continued)

	2003		2002	
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
<b>Cash inflow before management of liquid resources and financing (brought forward)</b>		141.8		24.2
<b>Management of liquid resources</b>				
Movement in short term deposits	<u>-</u>		<u>-</u>	
<b>Net cash flow from management of liquid resources</b>		-		-
<b>Financing</b>				
Issue of shares	108.3		1.0	
Share issue costs	(4.8)		-	
Issue of equity minority interests	59.9		4.0	
Sale/purchase of treasury shares	19.5		(15.8)	
Issue of non-equity minority interests	66.9		-	
Redemption of non-equity minority interests	(131.8)		-	
Sale of convertible notes	-		65.3	
Receipt of long term loans	690.7		16.8	
Receipt of short term loans	258.0		-	
Repayment of long term loans	(510.2)		-	
Repayment of short term loans	(537.7)		(275.0)	
Capital element of finance lease rental payments	<u>(33.7)</u>		<u>(30.3)</u>	
<b>Net cash outflow from financing</b>		<u>(14.9)</u>		<u>(234.0)</u>
<b>Increase/(decrease) in cash</b>		<u>126.9</u>		<u>(209.8)</u>

## SEGMENTAL REPORT

The Group operates mainly in Ireland, the United Kingdom, South Africa and Australasia. The following is an analysis of the Group's results by geographical market.

### (A) BY GEOGRAPHICAL SEGMENTS

	TURNOVER		OPERATING PROFIT	
	2003	2002	2003	2002
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
Turnover (By origin):				
Group and share of joint ventures and associates	1,470.7	1,378.3		
Less: share of joint ventures' turnover	(17.3)	(18.2)		
share of associates' turnover	<u>(65.2)</u>	<u>(49.8)</u>		
Group turnover	<u>1,388.2</u>	<u>1,310.3</u>		
Ireland	379.2	365.6	75.3	74.9
United Kingdom				
-continuing operations	185.7	204.0	12.1	13.4
-discontinued operations	24.8	27.0	6.1	6.9
South Africa	159.5	136.0	23.5	19.7
Australasia	639.0	577.7	130.7	118.1
	<u>1,388.2</u>	<u>1,310.3</u>	247.7	233.0
Exceptional items			(78.3)	(10.6)
Group share of joint ventures	<u>17.3</u>	<u>18.2</u>	2.3	1.7
Group share of associates	<u>65.2</u>	<u>49.8</u>	(3.0)	(16.0)
Common costs			(12.3)	(10.8)
Exceptional items			57.7	(80.9)
Net interest charge			(84.1)	(94.2)
Exceptional finance charge			<u>(8.0)</u>	<u>-</u>
Group profit on ordinary activities before taxation and minority interests			<u>122.0</u>	<u>22.2</u>

Turnover by origin has been shown above and does not differ materially from turnover by destination. Turnover significantly relates to external customers. The minority interest share of operating profit for the financial year is €77.3 million (2002: €65.5 million).

## SEGMENTAL REPORT (continued)

### (B) BY CLASS OF BUSINESS

The Group has three main classes of business:

- Printing, publishing and distribution of newspapers and magazines and commercial printing
- Radio
- Outdoor advertising

The following is an analysis of the Group's results by class of business.

	TURNOVER		OPERATING PROFIT	
	2003 €m	2002 €m	2003 €m	2002 €m
Turnover:				
Group and share of joint ventures and associates	1,470.7	1,378.3		
Less: share of joint ventures' turnover	(17.3)	(18.2)		
share of associates' turnover	<u>(65.2)</u>	<u>(49.8)</u>		
Group turnover	<u>1,388.2</u>	<u>1,310.3</u>		
Printing, publishing, distribution and commercial printing				
-continuing operations	1,131.3	1,067.9	206.9	189.6
-discontinued operations	24.8	27.0	6.1	6.9
Radio	127.4	113.2	28.2	26.9
Outdoor advertising	104.7	102.2	6.5	9.6
	<u>1,388.2</u>	<u>1,310.3</u>	<u>247.7</u>	<u>233.0</u>
Exceptional items			(78.3)	(10.6)
Group share of joint ventures	<u>17.3</u>	<u>18.2</u>	2.3	1.7
Group share of associates	<u>65.2</u>	<u>49.8</u>	(3.0)	(16.0)
Common costs			(12.3)	(10.8)
Exceptional items			57.7	(80.9)
Net interest charge			(84.1)	(94.2)
Exceptional finance charge			<u>(8.0)</u>	<u>-</u>
Group profit on ordinary activities before taxation and minority interests			<u>122.0</u>	<u>22.2</u>

The minority interest share of operating profit for the financial year is €77.3 million (2002: €65.5 million).

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

### 1. Basis of Preparation

This preliminary announcement has been prepared on a consistent basis with the accounting policies set out in the audited financial statements for the year ended 31<sup>st</sup> December 2002.

### 2. Pension Fund Position

At year-end, the Group's defined benefit pension funds had a net deficit of €69.6 million (2002: net deficit of €66.4 million) as measured under FRS 17 – Retirement Benefits. As permitted by FRS 17 this amount has not been provided for in the Group's Balance Sheet.

### 3. Earnings Per Share

	<b>2003</b>	<b>2002</b>
	<b>€m</b>	<b>€m</b>
Profit/(loss) attributable to Independent News & Media PLC	46.9	(41.5)
Exceptional items net of taxation and minority interests	29.2	106.4
Amortisation of mastheads/goodwill/development expenditure	11.0	7.4
Fully diluted profits before exceptional items and amortisation	<u>87.1</u>	<u>72.3</u>
Weighted average number of shares in issue during the year	688,208,464	631,690,310
Effect of:		
Conversion of options	1,320,360	2,287,082
Fully diluted number of shares	<u>689,528,824</u>	<u>633,977,392</u>
Earnings/(loss) per share*	<u>6.81c</u>	<u>(6.58c)</u>
Fully diluted earnings/(loss) per share*	<u>6.81c</u>	<u>(6.58c)</u>
Fully diluted earnings per share before exceptional items and amortisation	<u>12.63c</u>	<u>11.40c</u>

Earnings/(loss) per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For fully diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares. The cumulative exchangeable preference shares were not dilutive in either 2003 or 2002.

Fully diluted earnings per share before exceptional items and amortisation is presented in order to give a better indication of the underlying performance of the Group.

Prior year comparative share numbers have been restated to take account of the effects of the rights issue in 2003.

\*Earnings/(loss) per share and fully diluted earnings/(loss) per share are identical because the exercise of share options is not dilutive on the result from continuing operations.

## NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)

### 4. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	<b>2003</b>	<b>2002</b>
	<b>€m</b>	<b>€m</b>
Operating profit from operations	156.4	197.3
Non-cash operating exceptional items	43.6	-
Operating profit (net of non-cash exceptional items)	<u>200.0</u>	<u>197.3</u>
Share of profit of joint ventures	(2.3)	(1.7)
Share of loss of associates	3.0	16.0
Depreciation and amortisation charges	56.5	53.2
Loss on sale of fixed assets	-	0.7
Decrease/(increase) in stocks	4.1	(2.0)
Decrease in short term and medium term debtors	3.7	23.5
Increase in creditors	15.6	4.6
Net movement in provisions	(9.6)	(4.6)
Effects of foreign exchange rate changes	(3.3)	(3.9)
Net cash inflow from operating activities	<u>267.7</u>	<u>283.1</u>

### 5. Exceptional Items

	<b>2003</b>	<b>2002</b>
	<b>€m</b>	<b>€m</b>
Included in profit on ordinary activities before taxation are the following:		
Continuing operations		
Restructuring charges (i)	(56.0)	-
Exceptional start-up and product development costs (ii)	(16.6)	(15.2)
Other rationalisation charges and asset write-downs (iii)	(9.7)	(10.7)
	<u>(82.3)</u>	<u>(25.9)</u>
Gain on sale of assets of UK regional newspapers (iv)	51.7	-
Gain on sale of tangible fixed assets (iv)	16.4	-
Gain on sale of investment in Lusomundo Media (iv)	3.7	-
Write- down of investment in Chorus Communications	(9.9)	(82.5)
Other exceptional (charges)/gains (v)	(4.2)	1.6
	<u>57.7</u>	<u>(80.9)</u>
Exceptional finance charge (vi)	(8.0)	-
Total exceptional items	(32.6)	(106.8)
Tax credit on exceptional items	3.6	0.4
Minority interest share of exceptional items	(0.2)	-
Exceptional items net of taxation and minority interests	<u>(29.2)</u>	<u>(106.4)</u>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT (continued)

### 5. Exceptional Items (continued)

- (i) The 2003 restructuring charges relate to a number of cost reduction initiatives, including the restructuring of the APN Outdoor business, undertaken by the Group during the year, culminating in the worldwide restructuring programme announced in December 2003. Of the total charge of €56.0 million, €6.0 million is in respect of a non-cash write-down of tangible fixed assets.

The worldwide restructuring programme followed an extensive intra-group exercise performed by management in conjunction with the international consulting firm, Booz Allen Hamilton – which identified significant opportunities for further cost efficiencies and savings.

This restructuring programme is designed to sustainably enhance the core profitability of the Group by taking advantage of the Group's unique common language and global business reach. Its objective is to leverage the scale of the Group's cross operations in clerical and back-office activities, while extending the application of new information and production technologies in all functional areas. It is expected that the restructuring will yield a 5% reduction in worldwide staffing numbers on completion.

- (ii) The 2003 charge primarily relates to iTouch plc and to fully expensed product development initiatives across the Group's titles.

The charge relating to iTouch plc is in respect of the Group's share of iTouch plc's losses for the half year to 30 June 2003, while iTouch plc was still in its start-up phase.

Product development expenditure was incurred across a number of the Group's titles in order to enhance the product offering to customers (both advertisers and readers). These provide market share and revenue generating opportunities for the future. The new products developed during 2003 include the highly successful launch of *The Independent's* dual format offering (both broadsheet and compact) in the UK, which has produced the highest market share since the Group's ownership. In addition, further product development included the launch of new magazines in the Group's newspaper titles and other product initiatives.

- (iii) The 2003 charge mainly relates to rationalisation costs and includes onerous contract provisions and other asset write-downs which have enabled the Group to reduce its cost base going forward.
- (iv) The gains on disposal of the Group's UK regional newspaper assets, other tangible fixed assets and the Group's investment in Lusomundo Media were all part of the Group's recapitalisation programme which was completed in 2003.
- (v) The 2003 charge primarily relates to the write-off of certain new media investments and other assets.
- (vi) The exceptional finance charge in 2003 relates to the non-cash write-off of unamortised deferred bank costs on the Group's old bank facility, which has been replaced by a new club facility.