

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the course of action to be taken, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser (being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations 2007 Nos. 1 to 3 (as amended) or the Investment Intermediaries Act 1995 and, in the case of Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom and, in the case of Shareholders in a territory outside Ireland and the United Kingdom, from another appropriately authorised independent financial adviser).

If you have sold or otherwise transferred your entire holding of ordinary shares in Independent News & Media PLC, please forward this document, together with the enclosed Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee as soon as possible.

For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the Resolution, see Part II of this document.



## Independent News & Media PLC

*(Incorporated and registered in Ireland, registered number 2936)*

# Proposed Disposal of INM Outdoor and Notice of Extraordinary General Meeting

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Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 3 to 14 of this document, which contains the recommendation of the Board to Shareholders to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below. You should read this document in its entirety and consider whether or not to vote in favour of the Resolution in light of the information contained in this document.

**Notice of an Extraordinary General Meeting to be held at The Normandy Suite, Green Isle Hotel, Newlands Cross, Dublin 22, Ireland on 26 November 2009 at 11.00 a.m. is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed which, if you wish to validly appoint a proxy, should be completed and signed in accordance with the instructions printed thereon, and returned by post to the Company's Registrars, Capita Registrars, P.O. Box 7117, Business Reply, Dublin 2, Ireland or by hand to Capita Registrars, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland as soon as possible but in any event so as to be received by the Company's Registrars no later than 11.00 a.m. on 24 November 2009. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting, or any adjournment thereof, should you wish to do so.**

Electronic proxy appointment is available for the Extraordinary General Meeting. This facility enables a Shareholder to lodge its proxy appointment by electronic means by logging on to the website of the Registrars, Capita Registrars: [www.capitaregistrars.ie](http://www.capitaregistrars.ie). Shareholders should select "Login to Shareholder Services" from the ONLINE SERVICES menu. Alternatively, for those who hold Ordinary Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Registrars (CREST participant ID 7RA08). In each case the proxy appointment must be received by no later than 11.00 a.m. on 24 November 2009. The completion and return of either an electronic proxy appointment notification or a CREST Proxy Instruction (as the case may be) will not prevent you from attending and voting in person at the Extraordinary General Meeting, or any adjournment thereof, should you wish to do so.

J&E Davy, which is regulated in Ireland by the Financial Regulator, is acting exclusively for Independent News & Media PLC in connection with the requirements of the Irish Stock Exchange and the UK Listing Authority relating to the Disposal and for no one else (including the recipients of this document) and will not be responsible to any other person for providing the protections afforded to customers of J&E Davy or for providing advice in connection with the Disposal or any other arrangement referred to in this document.

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### OUTLINE TIMETABLE<sup>(i)(ii)</sup>

|  |                                |
|--|--------------------------------|
| Date of issue of this document   | 2 November 2009                |
| Latest time and date for receipt of Forms of Proxy and<br>CREST Proxy Instructions for the Extraordinary General Meeting | 11.00 a.m. on 24 November 2009 |
| Time and date of Extraordinary General Meeting <sup>(iii)</sup>  | 11.00 a.m. on 26 November 2009 |

#### Notes

- (i) References to times and dates in this document are to times and dates in Dublin, Ireland.
- (ii) The dates set out above and mentioned throughout this document may be adjusted by the Company, in which event details of new dates will be notified via a Regulatory Information Service and to the Irish Stock Exchange.
- (iii) The Extraordinary General Meeting is being held at The Normandy Suite, Green Isle Hotel, Newlands Cross, Dublin 22, Ireland.

## PART I – LETTER FROM THE CHAIRMAN



# Independent News & Media PLC

*(Incorporated and registered in Ireland, registered number 2936)*

### *Directors*

Dr Brian Hillery (Chairman)  
GK O'Reilly\* (Chief Executive Officer)  
DJ Buggy\* (Chief Financial Officer)  
L Buckley  
K Clarke (UK)  
P Connolly  
L Gaffney  
Baroness M Jay (UK)  
B Mulronev (Canada)  
F Murray

\* denotes executive director

### *Head and Registered Office*

Independent House  
2023 Bianconi Avenue  
Citywest Business Campus  
Naas Road  
Dublin 24  
Ireland

2 November 2009

*To the Shareholders of Independent News & Media PLC and, for information only, to Option Holders*

### **Proposed Disposal of INM Outdoor and Notice of Extraordinary General Meeting**

Dear Shareholder,

#### **1. INTRODUCTION**

The Board announced on 28 August 2009 that the Group had conditionally agreed to dispose of its entire shareholding in INM Outdoor for gross sale proceeds of ZAR1,100 million (approximately €98 million). The Group's initial investment in INM Outdoor was made in 2001 and it acquired 100% ownership of it in 2008. INM Outdoor is the largest outdoor advertising company in South Africa, and also has significant operations in sub-Saharan Africa.

By virtue of the size of the Disposal relative to the size of the Company, completion of the Disposal is conditional on the approval by Shareholders of the Disposal in accordance with the Listing Rules. Approval of the Disposal by Shareholders is also a condition precedent to the provision of proposed new senior debt facilities to the Group under the Restructuring. Shareholder approval will be sought at an extraordinary general meeting of the Company to be held at The Normandy Suite, Green Isle Hotel, Newlands Cross, Dublin 22, Ireland on 26 November 2009 at 11.00 a.m. The Disposal is also subject to a number of other conditions, which are summarised in section 3 below.

**Shareholder approval of the Disposal is very important as it is a condition of the proposed new debt facilities to be available to the Group under the Restructuring. The purpose of this document is to provide details on the Disposal, to set out the reasons for the Disposal, to explain why your Board considers the Disposal to be in the best interests of the Shareholders as a whole and to recommend that Shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. A notice convening the EGM, at which the Resolution will be proposed as an ordinary resolution, is set out at the end of this document.**

#### **2. BACKGROUND TO AND REASONS FOR THE DISPOSAL**

The decision to initiate a process seeking to dispose of INM Outdoor was made by the Group in February 2009. This followed a number of developments, as outlined below, which supported a

material deleveraging of the Group. Those developments comprised indications that the Group's ability to fund the then forthcoming repayment of the Bonds (May 2009) and to comply with trading covenants under its core bank debt facilities (details of which are included in section 6 of Part V of this document), were in significant doubt. In particular, the deterioration in global economic conditions meant that financing the repayment of the Bonds by means of bank debt (as had occurred in August 2008 with respect to the bonds which had been due for repayment in December 2008) was not an option. The Group had also sought to finance the repayment of the Bonds by way of a replacement debt instrument but this proposal was not successful due to insufficient demand. Following the receipt of unsolicited approaches, the Group had sought to dispose of its stake in APN News & Media Limited ("APN"). This disposal did not proceed due primarily to an inability of potential buyers to finance large media asset acquisitions in the then prevailing environment. Accordingly, a number of smaller assets of the Group were identified as potential candidates for disposal, having regard to the key priorities of retaining core newspaper assets and only selecting assets likely to generate a good price in the prevailing weak market and of a more modest magnitude than APN, so that the availability of acquisition financing would not likely be an impediment to potential purchasers. The Group's resultant targeted divestiture strategy (the disposal of non-core, non-publishing assets of the Group) therefore focused on its 18.1% interest in Cashcade (sold in July 2009 for net €15.2 million), INM Outdoor, Verivox (the disposal process of which is ongoing and expected to be completed by the end of 2009) and part of the Group's stake in JPL (7.3% of JPL was sold in July 2009 for €21.7 million), with the intention of realising, in aggregate, approximately €150 million in sale proceeds.

The sale of INM Outdoor is consistent with the Group's divestiture strategy and was considered a more attractive asset (as well as being key to achieving the overall sale proceeds target described above) to sell at this time for a number of reasons, outlined below.

The Soccer World Cup is being hosted by South Africa in 2010. While INM Outdoor would be expected to benefit from an enhanced trading performance in South Africa in the period leading up to the World Cup, precedent (including the Group's own experience with its Australian outdoor advertising interests held through APN following the Sydney Olympics in 2000) indicates that the significant additional capacity installed prior to a major sporting event results in significant over-capacity after the event, which is expensive to remove from the market. As a result, a subsequent, significant and commonly prolonged slump in outdoor advertising trading performance tends to follow major sporting events. Additionally, and consistent with general global trends, a number of the African countries in which the INM Outdoor Group operates are beginning to show signs of a slow down in the exceptional economic growth rates recorded by them over recent years, which pointed towards some mitigation of the Group's related risks by reducing its South African interests. Generally, outdoor advertising markets in Africa, but outside South Africa, have been subject to very little regulation in the past. Increasing economic activity (amongst other factors) has resulted in authorities in these jurisdictions creating regulatory regimes or adding to existing regimes. This increased regulatory complexity in a number of developing African countries, and the historical trend of devaluation of the South African Rand (ZAR) as a currency, were also considerations in the Board's decision to seek to sell INM Outdoor at this time.

As discussions with the Group's senior creditors have continued during the financial restructuring discussions, and the trading conditions faced by the Group have, in common with companies in the media sector generally, continued to be difficult, the importance to the Group of effecting a significant debt reduction has increased. The Banks have consistently stated to the Company that they consider the disposal of INM Outdoor and its contribution to the pool of disposal proceeds to be a key component to reaching a consensual outcome in the ongoing financial restructuring discussions. Furthermore, as referred to below and in section 7 of this Part I, the approval of the Disposal by Shareholders is a condition precedent to the provision of proposed new senior debt facilities to the Group as part of the Restructuring.

The Sale Agreement entered into with the proposed buyer of INM Outdoor, RZT Zelpy 5508 (Proprietary) Limited, on 28 August 2009 followed a competitive auction process conducted by the Group's advisers, Compass Advisers Limited, over a number of months, from which the Purchaser emerged as the highest bidder. The consideration of ZAR 1,100 million (approximately €98 million) represents a multiple of approximately 5.8 times' INM Outdoor's EBITDA in FY 2008.

As further detailed in this document, the Group is currently seeking to implement the Restructuring, which will address the Group's outstanding indebtedness. The Restructuring includes, *inter alia*, the

settlement of amounts due under the Bonds and the revision of the Group's core bank debt facilities. The Group's divestiture strategy (which includes the proposed disposal of INM Outdoor, which has received the support of both Banks and the Ad Hoc Committee of Bondholders), will play an integral part in the Restructuring and the Company's stated strategy of substantially reducing its debt. In addition, the provision of proposed new senior debt facilities, as part of the Restructuring, is conditional on the approval by Shareholders of the Disposal.

For the reasons described above, the Board believes that the Disposal is in the best interests of the Shareholders as a whole.

Further information on the Group's indebtedness and a summary of the Restructuring and its status is set out in section 7 below.

### 3. PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

Under the terms of the Sale Agreement, the Seller has conditionally agreed to sell 100% of the issued share capital of INM Outdoor to the Purchaser for gross proceeds of ZAR1,100 million (approximately €98 million) in cash payable in full on Completion. As part of the Disposal, the Purchaser will acquire all loans made by the Seller to INM Outdoor. The Purchaser will also pay an additional amount to the Seller calculated by reference to the amount of cash in excess of a certain specified minimum amount held by INM Outdoor and certain subsidiaries of INM Outdoor on the date of Completion and taking account of certain amounts paid or payable as a dividend and certain amounts owed to third parties. The additional amount payable by the Purchaser to the Seller will not exceed ZAR50 million (approximately €4.5 million). The additional amount payable will be calculated by the Seller within 10 business days following Completion. The auditors of INM Outdoor have 10 business days from delivery of a schedule reflecting the calculation and the cash position of the INM Outdoor Group to certify that the bank balances used to calculate the additional amount were correct, and deliver that certificate to the Purchaser. That auditor's certification will be binding on the parties, and payment of the additional amount must be made by the Purchaser within five business days of the date on which that certification is delivered to it.

#### *Principal Conditions*

The Sale Agreement provides that completion of the Disposal is subject to satisfaction of the following conditions:

- (i) **Competition approval:** Approval of the Disposal by the South African Competition Authorities under the South African Competition Act, 1998. This is expected to be received by no later than 31 December 2009, assuming that there are no delays or extensions in the process.
- (ii) **Shareholder approval and related Circular:** The issue of this Circular and the approval of the Disposal by Shareholders in general meeting, as required by the Listing Rules. This is being sought at the EGM, notice of which is set out at the end of this document.
- (iii) **Creditor approval:** Approval of the Disposal by Creditors. As announced by the Group on 28 September 2009, the Creditors have approved the Disposal.
- (iv) **South African Reserve Bank approval:** Approval by the Financial Surveillance Department of the South African Reserve Bank of the funding to be provided by the shareholders of the Purchaser to finance the acquisition of INM Outdoor. Application for approval by the South African Reserve Bank has been made and approval is expected to be granted on or before the date of the EGM.
- (v) **Consent of the Airports Company South Africa Limited:** Consent of the Airports Company South Africa Limited to the change of control in Merafe Outdoor (Proprietary) Limited arising by virtue of the Merafe Restructuring (as referred to in sub-paragraph (vi) below) and the change of control in the ownership of INM Outdoor. This consent remains outstanding as at the Latest Practicable date but is expected to be received on or before 16 November 2009.
- (vi) **Merafe Restructuring:** Execution of an agreement (approved by the Purchaser acting reasonably) whereby Kagiso Outdoor (Proprietary) Limited becomes legally and beneficially owned by INM Outdoor, or a subsidiary of INM Outdoor, and fulfilment of any conditions under such agreement save for any condition that the Sale Agreement be unconditional. This condition was satisfied on 19 October 2009.

- (vii) **Purchaser Funding:** Execution of funding agreements between the Purchaser and Investec and between the Purchaser and its shareholders and those agreements becoming unconditional save for any condition that the Sale Agreement be unconditional. This condition was satisfied on 19 October 2009.
- (viii) **INMSA approval:** Approval of the Disposal by INMSA (the holding company of the Seller) by the passing and registration of a special resolution. That resolution was passed on 15 October 2009 and its registration by the registrar of companies became effective on 21 October 2009.
- (ix) **Consent Identification:** Identification by the Company of further creditor consents, if any, required for the Disposal. This condition was fulfilled on 8 October 2009.

### ***Warranties and Indemnities***

In the Sale Agreement, the Seller and INMSA have given the Purchaser certain warranties, which are customary for a transaction of this nature, subject to certain limitations on their liability. The Seller and INMSA have indemnified the Purchaser in respect of any liabilities arising as a result of a breach of those warranties and in respect of the consequences of certain specific disclosures made by the Seller to the Purchaser.

### ***Non-Compete***

For a period of two years from Completion, the Continuing Group is prevented from carrying on, or being interested in, any business in South Africa or 13 other countries in Sub-Saharan Africa which would directly compete with the business carried on by the INM Outdoor Group in those jurisdictions at Completion.

### ***Other***

The Seller and INMSA have given a number of customary undertakings to the Purchaser regarding the conduct of the business of the INM Outdoor Group in the period from the execution of the Sale Agreement to Completion.

As mentioned in sub-paragraph (vii) above, part of the Purchaser's funding arrangements has been arranged with Investec. As at the Latest Practicable Date, the only unsatisfied condition of that funding agreement was the condition that the Sale Agreement be unconditional. However the funding agreement also contains material adverse change and market disruption clauses which can be invoked by Investec at any time prior to drawdown of funds if a material adverse change or market disruption occurs. The effect of an invocation of one or other of those clauses would be to prevent drawdown of the funds or to terminate the Investec funding agreement. Accordingly, the Purchaser was given the right to terminate the Sale Agreement in the event that Investec invoked the material adverse change and/or the market disruption clauses contained in its funding agreement with the Purchaser.

For Investec to invoke the 'market disruption' clause, a material adverse change from the circumstances existing at the date of signature of the Investec funding agreements (being 16 October 2009) must have occurred in local or international financial, banking or capital markets during the period from 16 October 2009 to the Advance Date. That market disruption must have arisen from a material adverse change which has had or may have an adverse effect on Investec and would either make continued commitment or drawdown by Investec impossible or economically unviable or result in the imposition of unreasonable hardship on Investec.

For Investec to invoke the material adverse change clause, a material adverse change in the circumstances existing at 16 October 2009 in the business condition, operations, performance or prospects of the Purchaser, the borrower (a subsidiary of the Purchaser) or INM Outdoor ("Obligors") must have occurred during the period from 16 October 2009 until the Advance Date which, in Investec's opinion (exercised reasonably and in good faith) has or will have a material adverse effect on the relevant entity or the ability of the relevant entity to perform its obligations under financing agreements or on the enforceability of certain documentation.

A material adverse change is defined as one which has had or is reasonably expected to have a financial impact on an Obligor equal to at least 10% of consolidated EBITDA or revenues of the Obligor (in each case, on an annualised basis), or the incurrence of a liability by an Obligor or impairment of an asset of at least ZAR50 million (approximately €4.5 million).

### **Break fee**

The Seller and INMSA have undertaken that, if the Sale Agreement fails to become unconditional as a result of the non-fulfilment of the conditions relating to approval of the Shareholders and/or the Seller shareholders, the Purchaser will be paid a break fee of US\$1.5 million by the Seller and INMSA.

## **4. FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

The net proceeds of the Disposal, being approximately ZAR1,076.4 million (approximately €95.9 million) after expenses of the Disposal (approximately ZAR44.4 million (approximately €4.0 million)), and an estimate of the additional amount which may become payable to the Continuing Group, as described in section 3 above, of ZAR20.8 million (approximately €1.9 million), will be used to repay part of the Group's senior indebtedness as part of the Restructuring.

The operating profit before exceptional items of the Company for the financial year ended 31 December 2008 included €10.3 million in relation to INM Outdoor and the operating profit before exceptional items of the Company for the six months ended 30 June 2009 included €6.0 million in relation to INM Outdoor.

As at 30 June 2009 INM Outdoor had a carrying value of €109.0 million in the balance sheet of the Company, made up of assets of €115.8 million, liabilities of €10.9 million and €4.1 million in relation to amounts carried within the foreign currency translation reserve.

Following Completion, the Company will no longer account for INM Outdoor as a subsidiary undertaking. As the net proceeds will be used to reduce the Group's net debt, the Board expects the Disposal to have a positive impact on the net profits of the Continuing Group over the medium term.

As part of the Restructuring (as outlined in section 7 below), the Banks and the Ad Hoc Committee of Bondholders have consented to the disposal of certain businesses of the Group, including INM Outdoor, for an aggregate sum of approximately €150 million. The disposal of INM Outdoor is an important step for the Group, in the short term, to fulfil the disposals element of the Restructuring and Shareholder approval of the Disposal is a pre-condition to the provision of the proposed new senior debt facilities, to be provided to the Continuing Group as part of the Restructuring.

Part IV of this document contains a pro forma balance sheet illustrating the impact which the Disposal would have had on the unaudited consolidated balance sheet of the Company as at 30 June 2009 if the Disposal had been completed by that date. The pro forma balance sheet illustrates, *inter alia*, that the Disposal will result in an exceptional loss of €13.1 million to the Group on Completion, based on the assumptions set out in that pro forma balance sheet.

## **5. INFORMATION ON INM OUTDOOR**

### **Introduction**

INM Outdoor is South Africa's largest outdoor advertising company and operates in an additional 13 countries in Sub-Saharan Africa through various subsidiaries. It has a portfolio of approximately 36,000 outdoor advertising panels, which consists of 25,500 in South Africa and 10,500 in Sub-Saharan Africa. INM Outdoor is owned by INMSA, a wholly-owned indirect subsidiary of the Company.

For the financial year ended 31 December 2008, INM Outdoor generated operating profit of ZAR154.6 million (approximately €12.8 million) and profit before income taxes of ZAR166.5 million (approximately €13.8 million) from revenues of ZAR464.4 million (approximately €38.5 million) and had gross assets of ZAR1,329.5 million (approximately €101.2 million) at 31 December 2008. Certain financial information on INM Outdoor is set out in Part III of this document.

## **History and Development**

INM Outdoor's roots date back to media company CorpCom Ltd. ("CorpCom"), which was originally controlled by the CorpGro Group ("CorpGro"), a conglomerate holding company listed on the Johannesburg Securities Exchange. Founded in 1996, CorpCom was an early consolidator in the African outdoor advertising market and had built a network across 17 African countries and Eastern Europe.

CorpCom's major acquisitions included Rent-a-Sign in 1996, an outdoor advertising business acquired prior to liquidation, and Suburban and Industrial Sign Design in 1999, a retail outdoor advertiser in South Africa. By 2000, CorpCom generated turnover and EBITDA of ZAR240 million (approximately €21.4 million) and ZAR58 million (approximately €5.2 million), respectively.

In 2001 INMSA and Clear Channel International Holdings BV ("CCH"), the subsidiary of an international media company, formed a joint venture (Clear Channel Independent Media (Proprietary) Limited ("CCIM")) to acquire a 66.66% stake in the CorpCom business for approximately ZAR470 million (approximately €41.9 million). CorpGro eventually sold its remaining stake in the CorpCom business to CCIM by exercising a number of put and call options it held with CCIM.

In January 2008, the Company, through INMSA, acquired CCH's 50% interest in CCIM, thereby increasing its ownership to 100%. At the same time, the main operating company of the former CorpCom business was renamed as INM Outdoor (Proprietary) Limited. As consideration for the acquisition, the Company issued 39 million ordinary shares to CCH, which were valued at approximately €71.7 million at the date of acquisition. A summary of the acquisition agreement is included at section 6.1.2 of Part V of this document.

## **Operations**

INM Outdoor's objective is to market and sell advertising space: it finds suitable sites for erecting advertising signs and leases the space to an advertiser. This involves the acquisition of potential sites (as well as renewal of existing site rights), obtaining occupancy rights (a process which entails the preparation of bid tenders and negotiation of agreements with landlords), marketing sites to advertisers (developing advertising campaigns and pricing proposals), and overseeing sign construction.

INM Outdoor's operations can be broadly split into three categories, comprising billboards, transport and retail advertising:

- Billboard products include ctilites and supersigns as well as traditional billboard systems. The size and format of INM Outdoor's billboards vary across its network, and are governed by local regulations.
- The transport segment comprises advertising opportunities in airports, and road networks and limited advertising on taxis. Transport margins tend to be the lowest of all outdoor advertising businesses, generally offset by lower capital intensity.
- Retail advertising includes advertising on litter bins, industrial pylons, shopping centre pylons, suburban signs, street direction signage and lamp poles.

INM Outdoor is organised along the following geographic divisions:

### **South Africa**

South Africa is INM Outdoor's largest outdoor advertising market and generated approximately 55% of its revenue and 51% of its EBITDA in FY 2008, corresponding to ZAR253 million (approximately €21.0 million) and ZAR98 million (approximately €8.1 million), respectively. In South Africa, INM Outdoor has its head office in Johannesburg, and has branch offices in Cape Town, Durban and Port Elizabeth. In addition, INM Outdoor's South African business conducts part of its business through Merafe Outdoor (Proprietary) Limited, a joint venture with the South African black economic empowerment investor Kagiso Outdoor (Proprietary) Limited, in which joint venture INM Outdoor holds a 49.9% shareholding.

## **Africa**

INM Outdoor's Africa division comprises the 13 Sub-Saharan African countries outside of South Africa: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. In contrast to the relatively more mature South African market, these other Sub-Saharan African markets are less developed and less structured. INM Outdoor's African subsidiaries produced revenue and EBITDA of ZAR211 million (approximately €17.5 million) and ZAR93 million (approximately €7.7 million), respectively in FY 2008. Key markets for INM Outdoor's Africa division are Angola, Botswana, Mozambique, Tanzania and Zambia.

## **6. CURRENT TRADING AND PROSPECTS OF THE CONTINUING GROUP**

The Company released its unaudited interim results for the six months ended 30 June 2009 on 28 August 2009. The Directors believe that the Interim Results represented a resilient performance in a global market that is experiencing adverse economic pressures and unprecedented advertising weakness. Although advertising revenue was weak in the period, the trend was reasonably steady and the outlook remains consistent with that trend. Despite a weak economic environment, the Group's circulation revenues were flat in the period, reflecting cover price increases on selected titles, which were offset by marginal volume declines. Strong, effective and ongoing cost management across all the Group's markets and divisions partially offset the pronounced contraction in advertising spend.

On 13 October 2009, APN issued an updated statement confirming the expectations of the APN board that if current market conditions continued, APN was likely to end the year ending 31 December 2009 with earnings before interest and tax ("EBIT") in the range of A\$180-A\$190 million and a net profit after tax ("NPAT") in the range of A\$90-A\$95 million. APN also advised in that announcement that the consensus for APN's NPAT for FY 2009 of nine leading media analysts was A\$94 million. Chief Executive of APN, Brendan Hopkins, also commented: *"Overall trading continues to show improvements, especially in Publishing and Outdoor and although, as should be expected, some weeks remain inconsistent, we are pleased to see overall quarter four trading returning to normal trends"*.

On 29 October 2009 the Company issued its Interim Management Statement in respect of the period from 1 July 2009 to 28 October 2009 and commented that in the 43 weeks to 23 October 2009, the Company's total revenues in constant currency are estimated to be approximately 14% behind last year, with Group advertising revenue down by approximately 19% and Group circulation revenue down by approximately 2%. This marginally improved year-to-date revenue performance compared to the trend for the first half of 2009 demonstrates a stabilising advertising revenue trend, with each region experiencing similar advertising trends to the first half of 2009.

Group operating profit before exceptional items (in constant currency) for the year to date is estimated to be approximately 37% behind last year, compared to 44.8% down in the first half of 2009. This improved operating profit performance on the first half resulted from the stabilisation in advertising revenue and continued strong cost management across all regions. Year to date operating costs (in constant currency) are estimated to be down approximately 9% on the same period last year, compared to 7.5% down in the first half of 2009.

Based on still limited visibility, the advertising trends experienced in September and October 2009 remain challenging and are expected to continue for the remainder of 2009. As a result, assuming a continuation of these trends and seasonal factors, the full year operating profit before exceptionals forecast for 2009 is expected to be in the range €170 million to €190 million.

This statement in relation to the expected operating profit before exceptionals for 2009 constitutes a profit forecast in respect of the period to 31 December, 2009. This forecast is not included in this document to meet any requirement under the Listing Rules but is provided as additional information. This profit forecast has not been the subject of an independent review for the purposes of this Circular.

Further information on the status of ongoing restructuring discussions and their potential impact on the Group is set out in section 7 below.

## **7. RESTRUCTURING**

### ***Introduction***

As referred to in section 2 above, due to the difficult credit markets and ongoing economic turbulence, the Group was unable to meet its repayment obligations in relation to the maturity of the Bonds on 18 May 2009. In addition, as at 30 June 2009, the Group was unable to comply with certain covenant tests contained within its core bank debt facilities (core bank debt comprises €390 million under a floating rate multicurrency bank facility, €200 million under a floating rate revolving bank facility and €105 million under a multicurrency revolving bank facility) relating to net debt to EBITDA and EBITDA to net interest ratios. Failure by the Group to, amongst other matters, repay the Bonds and comply with a covenant test renders these facilities in default and liable to be repaid on demand at the option of the lenders, unless an amendment or waiver is granted by its Banks.

On 16 May 2009, in advance of the maturity of the Bonds, and in advance of the covenant testing date in respect of the Group's core debt facilities, the Company agreed a financial standstill with the Ad Hoc Committee of Bondholders and its Banks, whereby the Banks and the Ad Hoc Committee of Bondholders agreed (by way of the Standstill Agreement) to forbear from taking any action to enforce any claim for any payment during the financial standstill period. It was also agreed that, during the standstill period, interest due on the Bonds, including the payment which had been due on 18 May 2009, and on the core bank debt facilities (and certain related bilateral facilities), would continue to accrue but would not be paid. This initial financial standstill period extended until 26 June 2009. It was subsequently extended on a number of occasions and the current standstill period extends until 23 December 2009 (but it can be terminated by the Majority Lenders or the Majority Bondholders prior to that date subject to certain conditions including if the Bondholders reject the Bondholder Resolution to be considered at the Bondholder Meeting convened for 10 November, 2009, if the First Equity Issue does not occur prior to 13 November 2009 or if Shareholders do not approve the Resolution at the EGM). As part of the financial standstill, the Banks provided a temporary waiver of the covenant breach as at 30 June 2009 and certain other identified defaults, which arose as a consequence of the failure to repay the Bonds and the entry into the financial standstill, which extends for the duration of the standstill period only. While the Group remains both profitable (before exceptional items) and cash generative, given the continued difficult trading conditions within which the Group is currently operating, the Group will be in breach of its financial covenants on expiry of the standstill unless new financial covenants are agreed with the Banks in advance.

During the period of the financial standstill, the Company has been engaged in discussions with its Banks, the Ad Hoc Committee of Bondholders and representatives of its two main shareholders with the objective of agreeing a consensual restructuring solution, capable of implementation outside of a court-administered process, and which would recognise the economic interests of, and preserve value for, all stakeholders in the business.

### ***Outline Agreement on Restructuring Reached***

On 28 September 2009 the Company announced that it had reached an agreement in principle with the Ad Hoc Committee of Bondholders in relation to the proposed financial restructuring ("Restructuring") of the Group's balance sheet and that the Board had agreed to proceed with the Restructuring on the terms outlined in the announcement (summarised below). The Banks have indicated that they are supportive of the Company pursuing that Restructuring. The key features of the Restructuring (upon which further, more detailed, information will be sent to Shareholders in due course in the form of the Share Capital EGM Circular) include:

- Approximately €123 million, being a portion of the outstanding principal amount of the Bonds together with accrued interest, are to be exchanged for 723.2 million new Ordinary Shares (representing the extent of the available authorised but unissued share capital of the Company), amounting to approximately 46% of the then enlarged issued share capital, with the balance of the Bondholders' claim (including accrued and accruing but unpaid interest) being discharged from the proceeds of a rights issue to be effected by the Company prior to 31 December 2009 and which is to be underwritten by the Bondholders;
- Existing Shareholders are to be offered an opportunity to participate in the Restructuring through participation in the rights issue at a rights issue price of €0.05 per rights issue share. New Ordinary Shares issued in connection with the First Equity Issue will carry an entitlement to participate in the proposed rights issue;

- Existing Shareholders will hold approximately 52% of the enlarged share capital of the Company after the proposed rights issue (if they take up their full entitlement under the proposed rights issue);
- Proposed new senior debt facilities are to be based upon a 4½ year maturity and will contain revised financial covenants which are expected to provide adequate headroom to accommodate prevailing trading conditions and expectations; and
- The Banks and the Ad Hoc Committee of Bondholders have consented to the disposal of certain businesses (including INM Outdoor) for an aggregate sum of approximately €150 million.

### **Conditions of Restructuring**

The Restructuring involves a number of conditions and steps to implementation, further information on which will be contained in the Share Capital EGM Circular. The Restructuring is conditional, *inter alia*, upon Bondholder consent (approval by Bondholders representing at least 75% by value of the aggregate principal amount of Bonds held by persons attending a meeting (in person or by proxy) of Bondholders which satisfies the quorum requirements for the passing of an extraordinary resolution). This consent will be sought at a meeting of Bondholders to be held on 10 November 2009. The Ad Hoc Committee of Bondholders, whose holdings represent in aggregate approximately 39% of the outstanding principal of Bonds, is supportive of the Restructuring and entered into a conditional restructuring agreement (the key terms of which are set out in section 6 of Part V of this document) with the Company and the Bond Issuer on 7 October 2009 (the “Restructuring Agreement”). The Restructuring Agreement provides for a number of actions to be taken by the Company and the Bond Issuer, and by the members of the Ad Hoc Committee of Bondholders, with respect to the consummation of the Restructuring. A number of other agreements will also be entered into with respect to the Restructuring (including the facility agreement relating to the provision of the proposed new senior debt facilities), details of the principal terms of which will be contained in the Share Capital EGM Circular.

The Restructuring is conditional upon Bank credit committee approvals and subsequent facility agreements having been entered into, which in turn are conditional on the approval by Shareholders of the Resolution. The Disposal has received the support of both Banks and the Ad Hoc Committee of Bondholders and the proceeds of the Disposal will play an integral part in the Restructuring and the Company’s stated strategy to reduce substantially its debt. The Restructuring is also conditional on the approval of the Share Capital Resolutions to be proposed at the Share Capital EGM. It is expected that the Share Capital EGM Circular will be despatched to Shareholders on 3 November 2009.

The Restructuring represents, in the view of the Board, the best outcome for the Group and its Shareholders, having regard to the financial circumstances of the Company and the stated position of the stakeholders as ascertained over the past number of months in the Restructuring discussions. The Company’s continued existence outside of a formal insolvency process has been entirely dependent upon the agreement of both the Banks and Bondholders, by way of the Standstill Agreement, not to take any enforcement action against the Company in relation to the defaults under their respective creditor claims. The Board notes that, absent a restructuring solution acceptable to both the Banks and Bondholders, such creditors might, in the opinion of the Board, seek, without delay, to have an examiner appointed to the Company or to initiate another enforcement or court-administered insolvency process (receivership or liquidation). While the precise outcome of an examinership, receivership or liquidation cannot be predicted with any degree of certainty, the Board believes it would severely impair Company and Shareholder value. The Board believes, based on the advice of its financial and legal advisers, that the Restructuring represents a substantially better outcome for Shareholders than they would obtain in an examinership, receivership or other court-administered insolvency process.

The Board further notes that, following the implementation of the Restructuring, the Company will have a significantly reduced debt burden (the combination of the exchange of some of the Bonds for Ordinary Shares, the proposed rights issue and the Group’s previously-announced disposal programme (which includes INM Outdoor) resulting in deleveraging of approximately €350 million, with further net debt reduction anticipated in FY 2010), and a stabilised financial position. With economic fundamentals expected to recover over the medium-term, the Board believes that the Restructuring (with the resulting simplified capital structure), coupled with the significant operating cost reductions

undertaken over the past two years and continuing business process improvements, will leave the Group well positioned to benefit from any economic recovery.

## **8. ADDITIONAL INFORMATION**

Your attention is drawn to Parts II to V of this document, each of which provides additional information on the matters referred to in this letter. **For a discussion of certain risk factors in relation to the Disposal which should be taken into account when considering whether or not to vote in favour of the Resolution, see section (E) of Part II of this document.**

## **9. EXTRAORDINARY GENERAL MEETING**

A notice convening the Extraordinary General Meeting to be held at The Normandy Suite, Green Isle Hotel, Newland's Cross, Dublin 22, Ireland on 26 November 2009 at 11.00 a.m. is set out at the end of this document. The purpose of the meeting is to consider, and if thought fit, to approve the Resolution. The Resolution is an ordinary resolution to approve the Disposal (as it is a Class 1 transaction in accordance with the Listing Rules), and gives authority to the Directors to complete the Disposal.

The total number of Ordinary Shares in issue on the date of this document, (excluding treasury shares), is 839,595,903. On a vote by a show of hands every Shareholder who is present has one vote and every proxy has one vote (but no individual shall have more than one vote). On a poll every Shareholder who is present in person or by proxy has one vote for every Ordinary Share of which he is the holder. The Resolution is an ordinary resolution and therefore requires a simple majority of Shareholders voting in person or by proxy to vote in favour in order to be passed.

## **10. ACTION TO BE TAKEN**

At the EGM, the resolution set out in the Notice on page 47 of this document will be proposed as an ordinary resolution, requiring approval of a majority of those voting in person or by proxy at the meeting. A Form of Proxy for use at the Extraordinary General Meeting is enclosed.

**Whether or not you wish to attend the Extraordinary General Meeting, you should complete and sign the Form of Proxy and return it to the Company's Registrars, Capita Registrars, by post to P.O. Box 7117, Business Reply, Dublin 2, Ireland or by hand to Capita Registrars, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland so as to arrive no later than 11.00 a.m. on 24 November 2009. The return of the Form of Proxy will not prevent you from attending and voting in person at the EGM, or any adjournment thereof, should you wish to do so.**

Electronic proxy appointment is available for the Extraordinary General Meeting. This facility enables a Shareholder to lodge its proxy appointment by electronic means by logging on to the website of the Registrars: [www.capitaregistrars.ie](http://www.capitaregistrars.ie). Shareholders should select "Login to Shareholder Services" from the ONLINE SERVICES menu. Alternatively, for those who hold Ordinary Shares in CREST, a Shareholder may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Registrars (CREST participant ID 7RA08). In each case the proxy appointment must be received by no later than 11.00 a.m. on 24 November 2009. The completion and return of either an electronic proxy appointment notification or a CREST Proxy Instruction (as the case may be) will not prevent you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, should you wish to do so.

## **11. WORKING CAPITAL**

**The Company is of the opinion that, having regard to existing cash resources, the Continuing Group does not have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.**

As set out above, the Group is, by way of the Standstill Agreement (a summary of the key terms of which are set out in section 6 of Part V of this document), currently reliant on the forbearance of its Banks and Bondholders. The Group was unable to meet its repayment obligations in relation to the maturity of the Bonds on 18 May 2009 and, as at 30 June 2009, the Group was unable to comply with certain covenant tests contained within its core bank debt facilities. Failure to comply with a

covenant test renders these facilities in default and liable to be repaid on demand at the option of the lenders unless an amendment or waiver is granted by the Banks. In the absence of a continuation of the forbearance (by way of an extension of the Standstill Agreement), and assuming the Group's Banks exercised rights to call their outstanding debt immediately repayable in full, the Group would have an immediate cash demand of approximately €934 million, being the aggregate of the amount outstanding in respect of the Bonds, including accrued interest (approximately €215 million) and its core bank debt facilities, including accrued interest (approximately €719 million). The current standstill period extends until 23 December 2009 but can be terminated by the Majority Lenders or Majority Bondholders in certain circumstances, including if the Resolution is not passed by Shareholders.

The Restructuring will address the Group's outstanding indebtedness and will include the settlement of amounts due under the Bonds, including accrued interest, and the revision of the Group's core bank debt facilities by way of proposed new senior debt facilities (to include extended maturity and revised covenants). As part of the Restructuring, and in accordance with the provisions of the proposed new senior debt facilities, the Group will use the net proceeds of certain asset disposals, including INM Outdoor, to reduce its outstanding debt. The application of net proceeds to reduce indebtedness will improve the Continuing Group's working capital position but not to the extent that it would have sufficient working capital for its present requirements. The sufficiency of the Group's working capital is therefore contingent on the successful implementation of the Restructuring proposals outlined above. The Board notes that, absent a restructuring solution acceptable to both the Banks and Bondholders, such creditors might seek, without delay, to have an examiner appointed to the Company or to initiate another enforcement or court-administered insolvency process (receivership or liquidation). It should also be noted that under the terms of the Standstill Agreement, the Majority Lenders or Majority Bondholders can terminate the standstill if certain conditions relating to the Restructuring are not satisfied. Whilst the precise outcome of an examinership, receivership or liquidation cannot be predicted with any degree of certainty it would severely impair Company and Shareholder value. The Board believes, based on the advice of its financial and legal advisers, that the Restructuring represents a substantially better outcome for Shareholders than they would obtain in an examinership, receivership or other court-administered insolvency process.

The Restructuring represents, in the view of the Board, the best outcome for the Group and its Shareholders having regard to the financial circumstances of the Company and the stated position of the stakeholders as ascertained over the past number of months in the Restructuring discussions. Accordingly, while there remain a number of conditions precedent to the implementation of the Restructuring (including, *inter alia*, approval by Shareholders of the Share Capital Resolutions at the Share Capital EGM (which is expected to be convened to be held on the same date and at the same venue as the EGM) and approval by Shareholders of the Resolution at the EGM), the Directors are confident that, given the progress achieved to date, the Restructuring will be completed. Section 12 below outlines the importance of approval of the Resolution for the implementation of the Restructuring.

### ***After the Restructuring***

The Group remains both profitable (before exceptional items) and cash generative. A statement in relation to the working capital position of the Group assuming that the Restructuring, as described in section 7 above, is implemented, will be contained in the Share Capital EGM Circular.

## **12. IMPORTANCE OF APPROVAL OF THE RESOLUTION**

The provision of the proposed new senior debt facilities, which is an essential component of the Restructuring, as outlined in section 7 above, is conditional on the approval of the Resolution by Shareholders. If the Resolution is not passed, the Disposal will not proceed and the proposed new senior debt facilities will not be provided and, accordingly, the Restructuring will fail. The approval by Shareholders of the Resolution will not of itself ensure the implementation of the Restructuring, as there remain a number of conditions precedent to the implementation of the Restructuring (including, *inter alia*, approval by Shareholders of the Share Capital Resolutions at the Share Capital EGM). The likely consequences for the Company if the Restructuring does not proceed are set out in section 11 above.

### **13. RECOMMENDATION**

**The Board believes that the Disposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolution. The Directors, other than the O'Brien Directors, intend to vote in favour of the Resolution in respect of their own respective beneficial holdings, which amount, at the date of this Circular, in aggregate to 1,480,110 Ordinary Shares, representing approximately 0.18 per cent of the Existing Issued Share Capital.**

Yours sincerely,

**DR. BRIAN HILLERY**  
Chairman

## PART II – RISK FACTORS

The businesses of the Company and INM Outdoor are subject to a number of common sectoral and respective company specific risks. Accordingly, Shareholders should consider carefully all of the information set out in this document, including, in particular, the risks described below, prior to making any decisions on whether or not to vote in favour of the Resolution. Additional risks and uncertainties not currently known to the Board, or which the Board currently considers to be immaterial, may also have an adverse effect on the Group and/or INM Outdoor.

The business, financial condition or results of operations of the Group could be materially and adversely affected by any of the risks described below. In such a case, the market price of the Ordinary Shares may decline and Shareholders may lose all or part of their investment.

### (A) WORKING CAPITAL POSITION, IMPORTANCE OF THE VOTE AND RESTRUCTURING PROPOSALS

#### *Working Capital*

**The Company is of the opinion that, having regard to existing cash resources, the Continuing Group does not have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.**

As set out in section 7 of Part I, the Group is, by way of the Standstill Agreement (a summary of the key terms of which are set out in section 6 of Part V of this document), currently reliant on the forbearance of its Banks and Bondholders. The Group was unable to meet its repayment obligations in relation to the maturity of the Bonds on 18 May 2009 and, as at 30 June 2009, the Group was unable to comply with certain covenant tests contained within its core bank debt facilities. Failure to comply with a covenant test renders these facilities in default and liable to be repaid on demand at the option of the lenders unless an amendment or waiver is granted by the Banks. In the absence of a continuation of the forbearance (by way of an extension of the Standstill Agreement), and assuming the Group's Banks exercised rights to call their outstanding debt immediately repayable in full, the Group would have an immediate cash demand of approximately €934 million, being the aggregate of the amount outstanding in respect of the Bonds, including accrued interest (approximately €215 million) and its core bank debt facilities, including accrued interest (approximately €719 million). The current standstill period extends until 23 December 2009 but can be terminated by the Majority Lenders or the Majority Bondholders in certain circumstances, including if the Resolution is not passed by Shareholders.

The Restructuring will address the Group's outstanding indebtedness and will include the settlement of amounts due under the Bonds, including accrued interest, and the revision of the Group's core bank debt facilities by way of proposed new senior debt facilities (to include extended maturity and revised covenants). As part of the Restructuring, and in accordance with the provisions of the proposed new senior debt facilities, the Group will use the net proceeds of certain asset disposals, including INM Outdoor, to reduce its outstanding debt. The application of net proceeds to reduce indebtedness will improve the Continuing Group's working capital position but not to the extent that it would have sufficient working capital for its present requirements. The sufficiency of the Group's working capital is therefore contingent on the successful implementation of the Restructuring proposals outlined above. The Board notes that, absent a restructuring solution acceptable to both the Banks and Bondholders, such creditors might seek, without delay, to have an examiner appointed to the Company or to initiate another enforcement or court-administered insolvency process (receivership or liquidation). It should also be noted that under the terms of the Standstill Agreement, the Majority Lenders or the Majority Bondholders can terminate the standstill if certain conditions relating to the Restructuring are not satisfied. Whilst the precise outcome of an examinership, receivership or liquidation cannot be predicted with any degree of certainty it would severely impair Company and Shareholder value. The Board believes, based on the advice of its financial and legal advisers, that the Restructuring represents a substantially better outcome for Shareholders than they would obtain in an examinership, receivership or other court-administered insolvency process.

The Restructuring represents, in the view of the Board, the best outcome for the Group and its shareholders having regard to the financial circumstances of the Company and the stated position of the stakeholders as ascertained over the past number of months in the Restructuring discussions.

Accordingly, while there remain a number of conditions precedent to the implementation of the Restructuring (including, *inter alia*, approval by Shareholders of the Share Capital Resolutions at the Share Capital EGM (which is expected to be convened to be held on the same date and at the same venue as the EGM) and approval by Shareholders of the Resolution at the EGM), the Directors are confident that, given the progress achieved to date, the Restructuring will be completed. Section 12 of Part I of this document outlines the importance of approval of the Resolution for the implementation of the Restructuring.

### ***Importance of Approval of the Resolution***

The provision of the proposed new senior debt facilities, which is an essential component of the Restructuring, as outlined in section 7 of Part I of this document, is conditional on the approval of the Resolution by Shareholders. If the Resolution is not passed, the Disposal will not proceed and the proposed new senior debt facilities will not be provided and, accordingly, the Restructuring will fail. The approval by Shareholders of the Resolution will not of itself ensure the implementation of the Restructuring, as there remain a number of conditions precedent to the implementation of the Restructuring (including, *inter alia*, approval by Shareholders of the Share Capital Resolutions at the Share Capital EGM). The likely consequences for the Company if the Restructuring does not proceed are set out in section 11 of Part I of this document and in the section above entitled "*Working Capital*".

### ***Implementation of the Restructuring***

The Restructuring involves a number of conditions and steps to implementation.

It is conditional, *inter alia*, upon Bondholder consent (approval by Bondholders representing at least 75% by value of the aggregate principal amount of Bonds held by persons attending a meeting (in person or by proxy) of Bondholders which satisfies the quorum requirements for the passing of an extraordinary resolution). This consent will be sought at a meeting of Bondholders to be held on 10 November 2009. The Ad Hoc Committee of Bondholders, whose holdings represent in aggregate approximately 39% of the outstanding principal of Bonds, are supportive of the Restructuring and entered into a conditional agreement with the Company and the Bond Issuer on 7 October 2009. The key terms of the Restructuring Agreement are set out in section 6 of Part V of this document.

The Restructuring is also conditional upon Bank credit committee approvals and subsequent facility agreements having been entered into on or before the date of First Equity Issue. Approval by Shareholders of the Disposal is also a condition precedent to the provision of the proposed new senior debt facilities.

The proposed rights issue, which forms part of the Restructuring, will require Shareholder approval. This Shareholder approval will be sought at the Share Capital EGM.

To the extent that these approvals are not forthcoming or materially delayed or the other conditions of the Restructuring are not met, the Restructuring may not be capable of successful implementation in the requisite timescales. Failure to successfully implement a consensual restructuring solution in a timely manner may result in examinership, receivership or other court administered insolvency process.

## **(B) GENERAL RISK FACTORS**

### ***Forward Looking Statements and the Risks Associated With Them***

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "may", "will", "would" or "should" or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth strategies and the markets in which the Group operates.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ

materially from those expressed or implied by the forward-looking statements, including, but without limitation: conditions in the markets, the market position of the Group, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effect of the events described in this Circular on the Company and the Group. Forward-looking statements contained in this document based on these trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Except as may be required by law or the Listing Rules, the Prospectus Rules, the Transparency Rules, the Market Abuse Rules or the Disclosure and Transparency Rules or by the rules of any applicable regulatory body, the Company disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this Circular to reflect any changes in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### ***Past Performance is not a Reliable Indication for Future Performance***

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to future performance. Aims, targets, plans and intentions referred to in this Circular are no more than that and do not imply forecasts.

## **(C) RISKS RELATING TO THE GROUP'S OPERATIONS**

### ***Basis of preparation of accounts for the six months ended 30 June 2009***

In the Interim Results, the Directors advised that they considered that they did not face an imminent cash flow or balance sheet insolvency event while the financial standstill continued and therefore it was appropriate to adopt the going concern basis in preparing the financial statements. This determination was reached on the basis of (i) the ongoing Bank and Bondholder support; (ii) the Group's then current and forecasted cash generative position; (iii) the proceeds already received from asset disposals; and (iv) ongoing asset sale processes (including the Disposal). Whilst agreement on a refinancing package had not been reached, and there was no clear consensus solution at the time of the issue of the Interim Results, the Banks and Ad Hoc Committee of Bondholders had confirmed to the Company that they were committed to the process and the Directors believed that an agreement would be reached, which would be acceptable to the Group. Consequently, having made due enquiries and considering the uncertainties described above, the Directors determined that they had, at the time of issue of the Interim Results, a reasonable expectation that the Group and Company had and would have adequate resources to continue in operational existence for the foreseeable future.

Failure to conclude on some of the above cited initiatives, in particular, the implementation of a final comprehensive refinancing proposal (further details of which are set out in section 7 of Part I of this document), could compromise the Group's ability to continue as a going concern.

### ***Debt Service Obligations***

Following the successful implementation of the Restructuring the Group's ability to meet its debt service obligations in the longer term will depend on the Group's future operating and financial performance, which will be affected by the Group's ability to implement successfully its business strategy (focusing on the ownership of strategically valuable publishing assets, whilst containing Group overheads) and operational restructuring plans (if any), as well as general economic, financial, competitive, regulatory, technical and other factors beyond its control. If the Group cannot generate sufficient cash to meet its debt service obligations, it may, among other things, need to refinance all or a portion of its debt, obtain additional financing, delay planned capital expenditure or sell further material assets. If the Group is not able to refinance any or all of its debt, obtain additional financing or sell assets on commercially reasonable terms or at all, it may not be able to satisfy its obligations with respect to its debt. In that event, repayment of the Group's facilities may be accelerated or become payable on demand and the Group may not have sufficient funds to repay all of its debts.

While the Directors believe that following the completion of the Restructuring there will be sufficient working capital for present requirements, there can be no assurance that the Group will have sufficient debt financing to pursue its business strategy in the longer term. This risk factor relates to a period commencing more than 12 months from the publication of this document.

### ***Importance of circulation and advertising revenues***

The Group derives a significant portion of its revenues from print media circulation and advertising. Both of these sources of income are sensitive to economic trends, with advertising revenues generally being somewhat more sensitive than circulation revenues depending, however, on the market in question and economic conditions. Those publications whose revenues are more heavily dependent on advertising revenues (free papers being the most heavily dependent) are most affected by changes in the economic climate which are beyond the control of the Group, however revenues from free papers constitute only a small proportion of the Group's revenues.

The Group's print media advertising revenues declined 17.7% (8.5% on a constant currency basis) in FY 2008 compared to FY 2007, with notable declines in the Group's key markets in Ireland, New Zealand, Northern Ireland and London. The Group's revenues produced from property, motoring and recruitment advertising were down sharply over the period, partially offset by a strong performance in retail and brand advertising segments. The overall decline in print media advertising revenues reflects the deterioration in the economic environment in which the Group operates and the Group's sensitivity to economic trends.

### ***Exposure of results of operations and sales to changes in exchange rates***

The Group's reporting currency for its consolidated financial statements is Euro. The Group has substantial assets, liabilities, revenues and costs denominated in currencies other than Euro, including Australian dollars, New Zealand dollars, Sterling and South African Rand. In 2008 approximately 74% of the Group's audited consolidated revenue was denominated in currencies other than Euro and, as at 31 December 2008, approximately 39% of the Group's gross financial liabilities were denominated in currencies other than Euro. To prepare its consolidated financial statements, the Group must translate those assets, liabilities, revenues and expenses into Euro at the then-applicable exchange rates.

Consequently, increases and decreases in the value of the Euro against certain currencies will affect the amount of those items in the Group's consolidated financial statements, even if their value has not changed in their original currency. Although management monitors the Group's exposure to foreign exchange rate movements on a continuous basis and if it is considered necessary and cost effective it attempts to hedge against any significant exposures, there can be no assurance that such monitoring or hedging will prove effective. Foreign exchange rates are by their nature volatile and therefore the Group's results could be impacted negatively by future changes in exchange rates.

### ***Political, economic and social risks***

The markets in which the Group operates may be affected by numerous factors, many of which are beyond the Group's control and the exact effect of which cannot be accurately predicted. Within geographical markets, such factors include general economic and political conditions, including the extent of any governmental regulation and taxation. The Group could be adversely affected by changes in economic, political, administrative, taxation or other regulatory factors, whether under Irish law or in any other jurisdictions in which the Group may operate now or in the future.

A portion of the Group's operations are based in South Africa, with approximately 25% of the Group's FY 2008 consolidated operating profit (before exceptional items) sourced from such operations. While the Disposal will reduce the Group's exposure to South Africa, political, economic or social instability in South Africa, or in any other region in which the Group operates, could adversely affect the operations and results of the Group.

### ***Risks associated with the print media industry***

In a number of markets, print media operations have been facing gradually declining circulation numbers for some time due to factors including, but not limited to, the proliferation of internet use over recent years. This decline is not a feature of all the print media sectors in which the Group operates, and, where required, the Group's management has attempted to address this decline through upgrading editorial content, producing value added products, increasing promotional activities and by adopting alternative distribution media, such as via the internet. Whilst the Group's management believes that these measures, together with the Group's operational diversity in both mature and developing markets, will provide the Group with some protection against the global trend of declining

circulations, there cannot be any assurance that such measures will be effective, or that these changes in print media circulation will not have an adverse effect on the Group's financial results or operations.

### ***Environmental, Health and Safety Laws, Regulations and Standards***

The Group is subject to a broad range of laws, regulations and standards, including those relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the storage and handling of hazardous substances and waste materials. These regulations and standards are becoming increasingly stringent. It is the Group's policy to require that all of its subsidiaries comply with applicable laws, regulations and standards. However, violations of such laws, regulations and standards, in particular environmental and health and safety laws, could result in restrictions on the operations of the Group's sites, damages, fines or other sanctions and increased costs of compliance with potential reputational damage.

### ***Changes in technology and reliance on IT infrastructure***

The Group operates in highly competitive environments that can be subject to rapid change. The Group's products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity and changing customer behaviour. A structural change in advertising markets resulting in significant advertising moving away from traditional products to the internet may affect the Group's results, both positively and negatively. Also, print media operations have been facing declining circulation numbers for some time due to a number of factors, including the proliferation of internet use. The Group continues to develop online strategies to complement its products.

The Group's businesses are dependent on technology. Information systems are critical for the effective management and provision of services within the Group. Disruption to the Group's information technology infrastructure could result in lost revenue. Business continuity plans are in place for all significant businesses within the Group.

### ***Competition***

Within the Group's largest industry segment, newspapers, magazines and commercial printing, all newspapers compete to varying degrees with other newspapers having national, regional or local circulations and advertising periodicals, as well as magazines, radio, direct mail, television and other advertising media, including new media such as the internet. Competition varies according to the location and demographics of individual local markets and the number of available media alternatives in them. The Group's competitors differ from geographic market to geographic market and within its industry segments.

The Group's competitors have varying abilities to withstand changes in market conditions. The Group's ability to compete effectively will require continuous efforts by the Group in, amongst other things, sales and marketing, cost rationalisation and investment in technology. There cannot be any assurance that the Group will have sufficient financial resources to respond to these competitive pressures or that it will be successful in otherwise realising or maintaining any competitive advantages. Although the Group currently holds significant market leadership positions in each of its key markets, which should assist the Group in responding to any further or new competition, there cannot be any assurance that the Group can maintain these positions or that these positions, either alone or in combination with other factors, will enable the Group to compete effectively.

In FY 2008, the Group earned approximately 66% of its revenues from advertising. In common with other media and communications companies, the Group competes for advertising revenues with newspaper and other print media publishers, broadcast and cable television, radio, outdoor advertising operators and electronic media (including the internet). The impact of the growth of other media on the Group's ability to generate advertising revenues is uncertain, but it may have a material adverse effect on the results of operations of the Group.

Competition for advertising among publishers is largely based upon circulation and readership levels, both of which are directly affected by cover price and the quality of the content. The Group's ability to compete effectively with other forms of media in meeting consumer demands in the future will affect the volume of advertising revenues.

### ***Newsprint price volatility and supply risk***

Newsprint accounted for approximately 11% of the Group's total operating costs in FY 2008 and the Group's consumption of newsprint currently exceeds 220,000 tonnes per annum. Newsprint price volatility is a factor facing all operators in the print media industry and can influence profitability significantly, depending on the prevailing economic conditions at a particular time. In some instances it is possible that cover prices can be increased to offset newsprint price increases and thereby maintain margins, although there cannot be any assurance that cover prices can be effectively increased. As the price of newsprint affects all such operators in broadly equal terms, it does not tend to result in competitive advantage or disadvantage for any one participant in that market.

Newsprint prices are subject to volatility arising from variations in supply and demand. Generally, these variations are not large, but from time to time increases may be significant. The Group's newsprint requirements are monitored closely and, where deemed advantageous, long-term arrangements are agreed with suppliers to limit the potential for price volatility. The Group has a number of newsprint suppliers to reduce dependency on any specific supplier.

### ***Senior management and skilled personnel***

The Group is dependent on members of its senior management team and skilled personnel and believes its future success will depend, in part, on its ability to attract and retain highly skilled management and personnel. If the Group does not succeed in attracting and retaining skilled personnel, it may not be able to grow its businesses as anticipated. Further, the departure of any of the executive Directors or any significant change in senior management could, in the short term, have a material adverse effect on the Group's businesses.

### ***Employee retirement benefits obligations***

The Group maintains a number of defined benefit pension plans and a post retirement medical aid scheme, the largest of which is the Group's Irish pension plan. As at 31 December 2008, the Group's employee retirement benefits obligations had a combined net deficit of €148.8 million, as calculated pursuant to IAS 19 – Employee Benefits. Based on current estimates and assumptions, this would require Group cash funding of approximately €7 million per annum for a period of 15 years, before a number of mitigating initiatives. The Group's defined benefit pension plans are effectively closed to new members. The members' contributions have been increased and in addition the Group has increased contributions to these pension funds based on actuarial advice received. Reported earnings may be adversely affected by changes in pension costs and funding requirements due to lower than expected investment returns, changes in demographics and longer life expectancy. Although these are carefully monitored and there are regular reviews with trustees, there are a number of factors which are outside the Group's control, including interest rates, inflation rates, mortality and regulatory change.

### ***Litigation***

From time to time, by the nature of their business, newspapers are subject to libel or other types of litigation. Although the Group's newspaper titles have procedures in place to attempt to limit the nature and extent of any exposure in this area and the Group also makes provisions, where necessary, in this regard on an annual basis, there can be no assurance that litigation which may be taken against the Group in the future will not have a material adverse effect on the Group's business, results of operations or financial condition.

### ***Position of Mr. Denis O'Brien***

Mr. Denis O'Brien has notified the Company that he is interested in 221,327,367 Ordinary Shares, representing approximately 26.36% of the Existing Issued Share Capital.

In March 2009, an alignment between Mr. O'Brien and the Company was reached following a number of years of sustained criticism of the Company by Mr. O'Brien. As part of that alignment, Mr. O'Brien agreed to the composition of the Board as currently constituted. In addition to Sir Anthony O'Reilly's decision to resign as director and Chief Executive of the Company, and the resignation/retirement of an additional nine directors from the Board, the O'Brien Directors representing 30% of the resultant ten

member Board, were also appointed. At the time of the appointment of the O'Brien Directors to the Board, Mr. O'Brien also confirmed his support for the Group's deleveraging strategy and for the sale of INM Outdoor.

Since then Mr. O'Brien has taken a number of actions which the Board believes are an attempt to interfere with the Board's valid authority to conduct the normal business of the Group and which seek to undermine the Board's efforts to pursue a consensual financial restructuring. These include publicly, and without prior notice to the Company, overturning his original support for the Disposal and declaring his opposition to it. In the context of the Restructuring, the current position of Mr. Denis O'Brien in relation to the sale of INM Outdoor is unknown.

### ***Taxation Risk***

The Group operates within many jurisdictions and its earnings are therefore subject to taxation at differing rates across these jurisdictions. Whilst endeavouring to manage its tax affairs in an efficient manner, due to a more complex international tax environment there will always be a level of uncertainty when provisioning for the Group's tax liabilities. There is also a risk of tax laws being amended in the different jurisdictions in which the Group operates which could have an adverse effect on the Group's results. The Group continually takes the advice of external experts to help minimise this risk.

## **(D) RISKS RELATING TO INM OUTDOOR**

### ***Changes in economic conditions***

The financial performance of INM Outdoor could be affected by changes in economic conditions in South Africa and elsewhere in sub-Saharan Africa. Such changes include:

- changes in levels of economic activity and the resultant impact on advertising market conditions;
- changes in inflation, interest rates and foreign currency exchange rates;
- changes in employment levels and labour costs, which will affect the cost structure of the INM Outdoor Group;
- changes in aggregate investment and economic output; and
- other changes in economic conditions which may affect the revenue or costs of the INM Outdoor Group.

### ***Changes in government policy***

INM Outdoor may be affected by changes in government policy or legislation applicable to companies in the advertising industry. As noted in section 2 of Part I of this document, increased complexity of regulation in a number of the countries in which INM Outdoor operates has already occurred.

### ***Changes in technology***

Technology plays an increasingly important role in the delivery of advertising services to customers in a cost-effective manner. INM Outdoor's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

### ***Political, economic and social risks***

The markets in which INM Outdoor operates may be affected by numerous factors, many of which are beyond INM Outdoor's control and the exact effect of which cannot be accurately predicted. Within geographical markets, such factors include general economic and political conditions, including the extent of any governmental regulation and taxation. INM Outdoor could be adversely affected by changes in economic, political, administrative, taxation or other regulatory factors, whether under South African law or in any other jurisdictions in which the INM Outdoor Group may operate now or in the future.

### ***Black Economic Empowerment***

Black Economic Empowerment (“BEE”) is a programme launched by the South African government to redress the inequalities of apartheid by giving previously disadvantaged racial groups economic opportunities previously not available to them. It includes measures such as employment equity, skills development, ownership, management, socio-economic development and preferential procurement. This policy has seen the development and acquisition of businesses by persons who were marginalised under apartheid, including through the use of quotas for black ownership of companies across various significant economic sectors in South Africa.

Failure to meet the BEE measures referred to above may result in a company operating in South Africa being materially disadvantaged in, or even precluded from, tendering for certain contracts, especially contracts with government and government controlled entities, but also in the private sector. Implementation of the BEE measures may result in adverse consequences for INM Outdoor, including the dilution of equity ownership at a discount and additional costs associated with compliance.

### ***Environmental, Health and Safety Laws, Regulations and Standards***

INM Outdoor is subject to a broad range of laws, regulations and standards, including those relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the storage and handling of hazardous substances and waste materials. These regulations and standards are becoming increasingly stringent. Violations of such laws, regulations and standards, in particular environmental and health and safety laws, could result in restrictions on the operations of the INM Outdoor Group’s sites, the imposition of damages, awards, fines or other sanctions and increased costs of compliance with potential reputational damage.

## **(E) RISKS RELATING TO THE DISPOSAL**

### ***The Continuing Group will be smaller and less diversified***

The operations of the Continuing Group will be smaller and less diverse. Should any one or more of its operations underperform this may have a larger impact on the Continuing Group than it would have had prior to the Disposal.

### ***Risks relating to the Disposal not completing***

There are a number of conditions to which Completion remains subject, including, *inter alia*, the approval of the Resolution by Shareholders, approval by the South African Competition Authorities under the South African Competition Act, 1998, approval by the Financial Surveillance Department of the South African Reserve Bank of the funding to be provided by the shareholders of the Purchaser, and consent of the Airports Company South Africa Limited to the change of control as a result of the Disposal and the Merafe Restructuring. There can be no certainty that all of the conditions will be satisfied and the Disposal completed.

Furthermore, as outlined in section 3 of Part I, the funding agreement between the Purchaser and Investec contains material adverse change and market disruption clauses which can be invoked by Investec at any time prior to drawdown of funds if a material adverse change or market disruption occurs. The effect of an invocation of one or other of those clauses would be to prevent drawdown of the funds or to terminate the Investec funding agreement, entitling the Purchaser to terminate the Sale Agreement.

### ***Sale Agreement***

The Sale Agreement contains certain warranties and indemnities given by members of the Continuing Group in favour of the Purchaser which could cause the Continuing Group to incur liabilities and obligations to make payments which would not have arisen had the Disposal not taken place. Further details of indemnities and warranties given in the Sale Agreement are set out in section 3 of Part I of this document.

**Break Fee**

The Seller and INMSA have undertaken that, if the Sale Agreement fails to become unconditional as a result of the non-fulfilment of the conditions relating to approval of the Shareholders and/or the Seller shareholders, the Purchaser will be paid a break fee of US\$1.5 million by the Seller and INMSA.

**The risks noted above are those which the Board believes to be material to the Group, to INM Outdoor and to the Disposal. Additional risks and uncertainties which are not known to the Board at the date of this document, or which the Board currently does not consider to be material, may also have a material adverse effect on the Continuing Group if they materialise.**

## **PART III – FINANCIAL INFORMATION ON INM OUTDOOR**

The financial information contained in this Part III does not constitute statutory financial statements.

### ***Income Statements***

Information in respect of the income statements of INM Outdoor for each of the financial years ended 31 December 2008, 2007 and 2006 has been extracted without material adjustment from the audited consolidated financial statements of INM Outdoor in respect of those years and, further, in the case of FY 2007, from the restated audited consolidated financial statements of INM Outdoor for the financial year ended 31 December 2007.

The audited consolidated financial statements of INM Outdoor for the financial year ended 31 December 2007 were restated to show the effects of a business, which was discontinued in FY 2008, as discontinued in FY 2007. In addition, a minor reclassification adjustment was made between operating profit and finance expense to ensure the consistent treatment with the financial statements of INM Outdoor for the financial year ended 31 December 2008. Neither of these adjustments changed the net profit of INM Outdoor.

The financial information in respect of the income statements contained in this Part III was prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SA GAAP") and the Companies Act, 1973 of South Africa. SA GAAP applies IFRS locally and, as a result, INM Outdoor effectively applies IFRS in all material respects. The accounting policies applied by INM Outdoor are therefore the same accounting policies as applied by the Company.

The auditors to INM Outdoor for each of the years for which financial information is presented were KPMG and they reported without qualification and without reference to any matter of fundamental uncertainty in respect of each of the relevant years.

### ***Net Assets***

Information in respect of the net assets of INM Outdoor as at 30 June 2009 and 31 December 2008 has been extracted without material adjustment from the consolidation schedules used in the preparation of the consolidated unaudited interim financial statements and audited annual financial statements of the Company.

The financial information in respect of the net assets of INM Outdoor contained in this Part III is prepared in accordance with IFRS.

**INM Outdoor**

**Net Assets as at 30 June 2009 and as at 31 December 2008**

|   | <u>Unaudited<br/>30-Jun-09</u> | <u>Unaudited<br/>31-Dec-08</u> |
|---|--------------------------------|--------------------------------|
|   | ZAR million                    | ZAR million                    |
| <b>Assets</b>   |                                |                                |
| <b>Non-Current Assets</b>   |                                |                                |
| Intangible assets .....   | 964.8                          | 940.7                          |
| Property, plant and equipment .....   | 166.6                          | 171.9                          |
| Investment in associates and joint ventures .....                                     | 0.6                            | 1.0                            |
| Trade and other receivables .....   | (6.5)                          | (6.0)                          |
|   | <u>1,125.5</u>                 | <u>1,107.6</u>                 |
| <b>Current Assets</b>   |                                |                                |
| Inventories .....   | 1.8                            | 1.6                            |
| Trade and other receivables .....   | 124.6                          | 119.1                          |
| Cash and cash equivalents .....   | 48.2                           | 101.2                          |
|   | <u>174.6</u>                   | <u>221.9</u>                   |
| <b>Total Assets</b> .....   | <u><b>1,300.1</b></u>          | <u><b>1,329.5</b></u>          |
| <b>Liabilities</b>  |                                |                                |
| <b>Current Liabilities</b>  |                                |                                |
| Trade and other payables .....  | 79.0                           | 65.3                           |
| Current tax liabilities .....   | 38.7                           | 52.2                           |
|   | <u>117.7</u>                   | <u>117.5</u>                   |
| <b>Non-current liabilities</b>  |                                |                                |
| Deferred taxation liabilities .....   | 40.0                           | 39.7                           |
|   | <u>40.0</u>                    | <u>39.7</u>                    |
| <b>Total Liabilities</b> .....  | <u><b>157.7</b></u>            | <u><b>157.2</b></u>            |
| <b>Net assets before currency translation reserve and minority interests</b> ....     | <u><b>1,142.4</b></u>          | <u><b>1,172.3</b></u>          |
| Currency translation reserve .....  | 44.1                           | 7.2                            |
| Minority interests .....  | 0.3                            | 0.2                            |
| <b>Net assets including currency translation reserve and minority interests</b> ..... | <u><b>1,186.8</b></u>          | <u><b>1,179.7</b></u>          |

**INM Outdoor**  
**Income Statements**  
**For the years ended 31 December 2008, 2007 and 2006**

|   | Audited      |             |             |             |
|---|--------------|-------------|-------------|-------------|
|   | 2008         | 2007*       | 2007        | 2006        |
|   | ZAR million  | ZAR million | ZAR million | ZAR million |
| Revenue .....   | 464.4        | 430.6       | 441.6       | 372.0       |
| Operating profit .....                                      | 154.6        | 133.0       | 128.4       | 103.9       |
| Net Finance income / (expense) .....                        | 11.8         | 6.5         | 9.4         | 2.9         |
| Finance income .....  | 22.7         | 9.7         | 9.7         | 4.1         |
| Finance expense .....                                       | (10.9)       | (3.2)       | (0.3)       | (1.2)       |
| Share of profit/ (loss) of equity accounted investees ..... | 0.1          | 0.0         | 0.0         | (1.6)       |
| Profit before income tax .....                              | 166.5        | 139.5       | 137.8       | 105.2       |
| Income tax expense .....                                    | (49.3)       | (45.9)      | (45.3)      | (26.3)      |
| Profit from continuing operations .....                     | 117.2        | 93.6        | 92.5        | 78.9        |
| Result from discontinued operations .....                   | 0.6          | (1.1)       | 0.0         | 0.0         |
| <b>Profit for the year</b> .....                            | <b>117.8</b> | <b>92.5</b> | <b>92.5</b> | <b>78.9</b> |
| <b>Attributable to</b>                                      |              |             |             |             |
| Equity holders of the company .....                         | 117.9        | 92.5        | 92.5        | 78.9        |
| Minority interest .....                                     | (0.1)        | 0.0         | 0.0         | 0.0         |
|   | <b>117.8</b> | <b>92.5</b> | <b>92.5</b> | <b>78.9</b> |

\* restated income statement of INM Outdoor for the financial year ended 31 December 2007

## PART IV – PRO FORMA BALANCE SHEET OF THE GROUP AND ACCOUNTANTS REPORT ON PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma balance sheet of the Group has been prepared under IFRS and on the basis of the notes set out below to illustrate how the Disposal might have affected the balance sheet of the Group as shown in its unaudited interim financial statements for the six months to 30 June 2009 had it been undertaken at that date. The pro forma balance sheet has been prepared for illustrative purposes only and does not constitute statutory consolidated financial statements of the Company. Because of its nature, the pro forma balance sheet addresses a hypothetical situation, and therefore does not represent what the Group's actual financial position or results will be following completion of the Disposal.

| NOTES  | The Group as<br>at 30 June 2009 | Adjustments<br>to reflect<br>Disposal | Pro forma as<br>at 30 June 2009 |
|--|---------------------------------|---------------------------------------|---------------------------------|
|  | € million<br>(1)                | € million<br>(2)                      | € million<br>(3)                |
| <b>ASSETS</b>  |                                 |                                       |                                 |
| <b>Non-Current Assets</b>  |                                 |                                       |                                 |
| Intangible assets .....  | 1,313.8                         |                                       | 1,313.8                         |
| Property plant and equipment .....   | 344.0                           |                                       | 344.0                           |
| Investments in associates and joint ventures .....   | 61.4                            |                                       | 61.4                            |
| Deferred tax assets .....  | 24.5                            |                                       | 24.5                            |
| Available-for-sale financial assets .....  | 19.9                            |                                       | 19.9                            |
| Derivative financial instruments .....   | 0.5                             |                                       | 0.5                             |
| Trade and other receivables .....  | 20.1                            |                                       | 20.1                            |
|  | <u>1,784.2</u>                  | <u>0.0</u>                            | <u>1,784.2</u>                  |
| <b>Current Assets</b>  |                                 |                                       |                                 |
| Inventories .....  | 14.2                            |                                       | 14.2                            |
| Trade and other receivables .....  | 207.5                           |                                       | 207.5                           |
| Current income tax assets .....  | 0.8                             |                                       | 0.8                             |
| Derivative financial instruments .....   | 0.1                             |                                       | 0.1                             |
| Cash and cash equivalents .....  | 55.8                            |                                       | 55.8                            |
|  | <u>278.4</u>                    | <u>0.0</u>                            | <u>278.4</u>                    |
| <b>Non-current assets classified as held for<br/>sale .....</b>                                      | <u>130.3</u>                    | <u>(111.4)<sup>2(i)</sup></u>         | <u>18.9</u>                     |
| <b>Total Assets .....</b>  | <u>2,192.9</u>                  | <u>(111.4)</u>                        | <u>2,081.5</u>                  |
| <b>LIABILITIES</b>   |                                 |                                       |                                 |
| <b>Current liabilities</b>   |                                 |                                       |                                 |
| Trade and other payables .....   | 232.7                           | 1.8 <sup>2(v)</sup>                   | 234.5                           |
| Current income tax liabilities .....   | 12.4                            | (2.4) <sup>2(vi)</sup>                | 10.0                            |
| Borrowings .....   | 934.0                           | (91.5) <sup>2(iv)(a)</sup>            | 842.5                           |
| Derivative financial instruments .....   | 4.2                             |                                       | 4.2                             |
| Provisions for other liabilities and charges .....   | 27.8                            |                                       | 27.8                            |
|  | <u>1,211.1</u>                  | <u>(92.1)</u>                         | <u>1,119.0</u>                  |
| <b>Liabilities directly associated with non-current<br/>assets classified as held for sale .....</b> | <u>10.3</u>                     | <u>(10.3)<sup>2(ii)</sup></u>         | <u>0.0</u>                      |

|  | The Group as at<br>30 June 2009 | Adjustments to<br>reflect Disposal | Pro forma as at<br>30 June 2009 |
|--|---------------------------------|------------------------------------|---------------------------------|
| NOTES  | € million<br>(1)                | € million<br>(2)                   | € million<br>(3)                |
| <b>Non-Current Liabilities</b>   |                                 |                                    |                                 |
| Borrowings .....   | 460.4                           |                                    | 460.4                           |
| Retirement benefit obligations .....   | 153.6                           |                                    | 153.6                           |
| Deferred taxation liabilities .....  | 104.7                           |                                    | 104.7                           |
| Other payables .....   | 4.9                             |                                    | 4.9                             |
| Provisions for other liabilities and charges .....   | 4.8                             |                                    | 4.8                             |
|  | <u>728.4</u>                    | <u>0.0</u>                         | <u>728.4</u>                    |
| <b>Total Liabilities</b> .....   | <u>1,949.8</u>                  | <u>(102.4)</u>                     | <u>1,847.4</u>                  |
| <b>Net Assets</b> .....  | <u>243.1</u>                    | <u>(9.0)</u>                       | <u>234.1</u>                    |
| <b>Equity</b>  |                                 |                                    |                                 |
| <b>Capital and reserves attributable to<br/>Company's equity holders</b>   |                                 |                                    |                                 |
| Share capital .....  | 263.6                           |                                    | 263.6                           |
| Other reserves .....   | 312.7                           |                                    | 312.7                           |
| Retained losses .....  | (854.2)                         | (13.1) <sup>2(ix)</sup>            | (867.3)                         |
|  | <u>(277.9)</u>                  | <u>(13.1)</u>                      | <u>(291.0)</u>                  |
| Amounts recognised in other comprehensive<br>income and accumulated in equity related to<br>non-current assets held for sale ..... | (5.5)                           | 4.1 <sup>2(iii)</sup>              | (1.4)                           |
|  | <u>(283.4)</u>                  | <u>(9.0)</u>                       | <u>(292.4)</u>                  |
| <b>Minority Interests</b> .....  | 526.5                           |                                    | 526.5                           |
| <b>Total Equity</b> .....  | <u>243.1</u>                    | <u>(9.0)</u>                       | <u>234.1</u>                    |

#### Notes

The pro forma balance sheet has been prepared on the basis set out in the notes below:

- (1) The assets and liabilities of the Group as at 30 June 2009 have been extracted without material adjustment from the unaudited consolidated balance sheet included in the Interim Results.
- (2) This column represents the adjustments made to show how the Disposal might have affected the balance sheet of the Group as shown if the sale took place as at 30 June 2009. The net carrying value of assets and liabilities to be disposed is as follows:

|   | €m         |
|---|------------|
| (i) Non-current assets classified as held for sale .....  | 111.4      |
| (ii) Liabilities directly associated with non-current assets classified as held for sale .....  | (10.3)     |
| (iii) Amounts recognised in other comprehensive income and accumulated in equity related to<br>non-current assets held for sale ..... | 4.1        |
| (iv) Cash balances sold as part of sale .....   | (a) 4.4    |
| (v) Trade and other payables .....  | (b) 1.8    |
| (vi) Current income tax liabilities .....   | (b) (2.4)  |
| (vii) Total carrying value of assets and liabilities subject to the Disposal .....  | 109.0      |
| (viii) Net proceeds of Disposal .....   | (c) (95.9) |
| (ix) Loss on Disposal .....   | (d) (13.1) |

- (a) Cash balances of €4.4 million within INM Outdoor which are being disposed of as part of the Disposal (net proceeds of €95.9 million on sale, less cash disposed of €4.4 million, gives €91.5 million net cash which is used to repay borrowings).
  - (b) Reclassification adjustments to figures within liabilities directly associated with non-current assets classified as held for sale to reflect actual liabilities being disposed of.
  - (c) The net proceeds of sale of €95.9 million represent the Euro equivalent of the aggregate of (i) the gross proceeds of ZAR1,100 million (approximately €98.0 million); less (ii) estimated disposal costs of ZAR44.4 million (approximately €4.0 million); plus (iii) an estimate of the additional amount payable to the Company in relation to cash in excess of a certain specified minimum of ZAR20.8 (approximately €1.9 million).
  - (d) The total net proceeds of Disposal (including an estimate of the additional amount payable, in relation to cash in excess of a certain specified minimum amount held by INM Outdoor and certain subsidiaries of INM Outdoor on the date of Completion and net of disposal costs) are €95.9 million and after deducting the carrying value of the total INM Outdoor assets and liabilities of €109.0 million, there is an exceptional loss of €13.1 million on the Disposal.
- (3) This column is the sum of column (1) and column (2) and represents the consolidated balance sheet as at 30 June 2009 based on the assumption that INM Outdoor was disposed of on 30 June 2009.
  - (4) No account has been taken of trading results subsequent to 30 June 2009 or any tax consequences in repatriating the net proceeds of the Disposal to the Company.

The Directors,  
Independent News & Media PLC,  
Independent House,  
2023 Bianconi Avenue,  
Citywest Business Campus,  
Naas Road,  
Dublin 24.

The Directors,  
J&E Davy,  
Davy House,  
49 Dawson Street,  
Dublin 2.

2 November 2009

Ladies and Gentlemen

**Independent News & Media PLC (the “Company”)**

We report on the pro forma financial information (the “Pro Forma financial information”) set out in Part IV of the Company’s circular to shareholders dated 2 November 2009 (the “Circular”) which has been prepared on the basis described in the notes to the Pro Forma financial information, for illustrative purposes only, to provide information about how the proposed disposal of INM Outdoor might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the unaudited financial statements for the six months ended 30 June 2009.

This report is required by item 10.5.31 of the Listing Rules of the Irish Stock Exchange (the “Listing Rules”) and item 13.5.31 of the Listing Rules of the UK Listing Authority (the “UK Listing Rules”) and is given for the purpose of complying with those rules and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma financial information in accordance with item 10.5.31 of the Listing Rules and item 13.5.31 of the UK Listing Rules.

It is our responsibility to form an opinion, as required by item 10.5.31 of the Listing Rules and item 13.5.31 of the UK Listing Rules as to the proper compilation of the Pro Forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma financial information nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 10.4.1(6) of the Listing Rules and item 13.4.1(6) of the UK Listing Rules, consenting to its inclusion in the Circular.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and published by the Institute of Chartered Accountants in Ireland. The work that we performed for the purpose of making this report, which

involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the Pro Forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

**PricewaterhouseCoopers**  
**Chartered Accountants**

## PART V – ADDITIONAL INFORMATION

### 1. THE COMPANY

The Company was incorporated and registered in Ireland on 31 December 1904 pursuant to the Companies Acts of Ireland, 1862 to 1900, under the name Independent Newspapers, Limited (registered number 2936). On 6 February 1985, the company re-registered as a public limited company under the Companies Acts 1963 to 1983 under the name Independent Newspapers, Public Limited Company. On 9 June 1999, the Company changed its name to Independent News & Media Public Limited Company. The Company's registered office is at Independent House, 2023 Bianconi Avenue, Citywest Business Campus, Naas Road, Dublin 24, Ireland (Telephone +353 (1) 4663200).

### 2. RESPONSIBILITY

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 3. DIRECTORS AND OTHER INTERESTS

- (i) (a) As at close of business on the Latest Practicable Date, the interests (all of which are beneficial unless otherwise stated) of the Directors which have been notified by each Director to the Company pursuant to sections 53 or 64 of the Companies Act 1990 or which are required pursuant to section 59 of the Companies Act 1990 to be entered into the register referred to therein were:

| <u>Directors</u>                            | <u>Ordinary Shares</u> | <u>% of Existing Issued Share Capital</u> |
|---|------------------------|---|
| Dr Brian Hillery (Chairman) .....           | 50,419                 | 0.006                                     |
| GK O'Reilly (Chief Executive Officer) ..... | 1,044,824              | 0.124                                     |
| DJ Buggy (Chief Financial Officer) .....    | 318,950                | 0.038                                     |
| L Buckley .....                             | -                      | -   |
| K Clarke .....                              | 9,389                  | 0.001                                     |
| P Connolly .....                            | -                      | -   |
| L Gaffney .....                             | -                      | -   |
| Baroness M Jay (UK) .....                   | 11,528                 | 0.001                                     |
| B Mulroney (Canada) .....                   | 35,000                 | 0.004                                     |
| F Murray .....                              | 10,000                 | 0.001                                     |

- (b) As at the Latest Practicable Date, the interests of the Directors in Options (all of which are beneficial unless otherwise stated) were:

| <u>Director</u>   | <u>Options</u> | <u>Weighted Average Exercise Price (€)</u> | <u>Exercisable Up to</u> |
|-------------------|----------------|--|--------------------------|
| GK O'Reilly ..... | 3,638,395      | 2.38                                       | 18 December 2017         |
| DJ Buggy .....    | 3,371,940      | 2.43                                       | 18 December 2017         |

These Options are exercisable at prices ranging from €1.41 to €2.95 per share.

Save as set out in paragraphs 3(i)(a) and 3(i)(b) above, no Director (nor any of their spouses or minor children) has any interest, whether beneficial or non beneficial, in the issued share capital of the Company or any of its subsidiaries.

- (c) Directors' Service Contracts

No benefit, payment or compensation of any kind is payable to any Director upon termination of his or her employment under the terms of any service contract entered into with a Director.

(ii) *Substantial Interests*

As at the Latest Practicable Date in so far as is known to the Company, the following persons, other than a Director, were directly or indirectly interested in 3% or more of the Existing Issued Share Capital of the Company:

| <u>Name</u>                     | <u>Number of Ordinary Shares</u> | <u>% of Existing Issued Share Capital</u> |
|---------------------------------|----------------------------------|---|
| Sir Anthony O'Reilly .....      | 235,141,030                      | 28.01                                     |
| Denis O'Brien .....             | 221,327,367                      | 26.36                                     |
| Marathon Asset Management ..... | 46,807,466                       | 5.57                                      |
| Clear Channel C.V. ....         | 39,000,000                       | 4.65                                      |

Save as disclosed in this section 3(ii) of this Part V, the Company is not aware of and has not been notified of any shareholding representing, directly or indirectly, 3% or more of the share capital of the Company. The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise, control over the Company.

#### **4. DETAILS OF KEY INDIVIDUALS IMPORTANT TO INM OUTDOOR**

The following persons are key individuals who are important to INM Outdoor:

##### ***Bazil Lauryssen, Managing Director of INM Outdoor***

Mr. Lauryssen has been involved in the outdoor advertising industry in a number of roles (including that of finance director, operations director and general manager) since 1993. Mr. Lauryssen joined CorpCom in 1996 as Operations Director. In September 2000, he was appointed Managing Director of the South African business and, in 2002, he was appointed to the board of the main trading company, INM Outdoor. Mr. Lauryssen became the Group Managing Director of INM Outdoor in 2006, which position he currently occupies

##### ***James Scott, Chief Financial Officer of INM Outdoor***

Mr. Scott has been Chief Financial Officer of INM Outdoor since January 2003. Prior to his current role as CFO, Mr. Scott served as the Divisional Financial Director at the Company's KwaZulu Natal Division from 1998 to 2002. Before joining the Company, Mr. Scott was the Divisional Financial Director of the wholesale Division of Tiger Brands (the largest food company in South Africa).

Mr. Scott holds a Bachelor of Commerce and CTA from Rhodes University and is certified as a Chartered Accountant (South Africa) since 1988.

##### ***Adelaide McKelvey, Sales & Marketing Director of INM Outdoor***

Ms. McKelvey has been Sales & Marketing Director at INM Outdoor since 2005. Prior to that role, she was Divisional Sales Director from 2001 to 2005 and General Sales Manager from 2000 to 2001. Since 2007, Ms. McKelvey has also served as an alternate Director to the main board of INM Outdoor. She originally joined CorpCom as a Sales Executive in 1997.

Ms. McKelvey holds a Business Development Diploma from the Institute of Marketing Management (Damelin School of Business and Management), South Africa.

#### **5. WORKING CAPITAL**

**The Company is of the opinion that, having regard to existing cash resources, the Continuing Group does not have sufficient working capital for its present requirements, that is for at least the 12 month period from the date of this document.**

As set out in section 7 of Part I, the Group is, by way of the Standstill Agreement (a summary of the key terms of which are set out in section 6 below), currently reliant on the forbearance of its Banks and

Bondholders. The Group was unable to meet its repayment obligations in relation to the maturity of the Bonds on 18 May 2009 and, as at 30 June 2009, the Group was unable to comply with certain covenant tests contained within its core bank debt facilities. Failure to comply with a covenant test renders these facilities in default and liable to be repaid on demand at the option of the lenders unless an amendment or waiver is granted by the Banks. In the absence of a continuation of the forbearance (by way of an extension of the Standstill Agreement), and assuming the Group's Banks excused rights to call their outstanding debt immediately repayable in full, the Group would have an immediate cash demand of approximately €934 million, being the aggregate of the amount outstanding in respect of the Bonds, including accrued interest (approximately €215 million) and its core bank debt facilities, including accrued interest (approximately €719 million). The current standstill period extends until 23 December 2009 but can be terminated by the Majority Lenders or Majority Bondholders in certain circumstances, including if the Resolution is not passed by Shareholders.

The Restructuring will address the Group's outstanding indebtedness and will include the settlement of amounts due under the Bonds, including accrued interest, and the revision of the Group's core bank debt facilities by way of proposed new senior debt facilities (to include extended maturity and revised covenants). As part of the Restructuring, and in accordance with the provisions of the proposed new senior debt facilities, the Group will use the net proceeds of certain asset disposals, including INM Outdoor, to reduce its outstanding debt. The application of net proceeds to reduce indebtedness will improve the Continuing Group's working capital position but not to the extent that it would have sufficient working capital for its present requirements. The sufficiency of the Group's working capital is therefore contingent on the successful implementation of the Restructuring proposals outlined above. The Board notes that, absent a restructuring solution acceptable to both the Banks and Bondholders, such creditors might seek, without delay, to have an examiner appointed to the Company or to initiate another enforcement or court-administered insolvency process (receivership or liquidation). It should also be noted that under the terms of the Standstill Agreement, the Majority Lenders or Majority Bondholders can terminate the standstill if certain conditions relating to the Restructuring are not satisfied. Whilst the precise outcome of an examinership, receivership or liquidation cannot be predicted with any degree of certainty it would severely impair Company and Shareholder value. The Board believes, based on the advice of its financial and legal advisers, that the Restructuring represents a substantially better outcome for Shareholders than they would obtain in an examinership, receivership or other court-administered insolvency process.

The Restructuring represents, in the view of the Board, the best outcome for the Group and its shareholders having regard to the financial circumstances of the Company and the stated position of the stakeholders as ascertained over the past number of months in the Restructuring discussions. Accordingly, while there remain a number of conditions precedent to the implementation of the Restructuring (including, *inter alia*, approval by Shareholders of the Share Capital Resolutions at the Share Capital EGM (which is expected to be convened to be held on the same date and at the same venue as the EGM) and approval by Shareholders of the Resolution at the EGM), the Directors are confident that, given the progress achieved to date, the Restructuring will be completed. Section 12 of Part I of this document outlines the importance of approval of the Resolution for the implementation of the Restructuring.

### ***After the Restructuring***

The Group remains both profitable (before exceptional items) and cash generative. A statement in relation to the working capital position of the Group assuming that the Restructuring, as described in section 7 of Part I of this document, is implemented, will be contained in the Share Capital EGM Circular.

## 6. MATERIAL CONTRACTS

### 6.1 Continuing Group

The following is a summary of all material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Continuing Group within the two years immediately preceding the date of this document and which are or may be material to the Continuing Group, and all other contracts (not being a contract entered into in the ordinary course of business), which contain any provision under which any member of the Continuing Group has any obligation or entitlement which is or may be material to the Continuing Group at the date of this document:

6.1.1 The Sale Agreement which is summarised in section 3 of Part I of this document.

6.1.2 Acquisition of 50% of INM Outdoor:

Under the terms of an agreement dated 17 January 2008 between Clear Channel International Holdings BV ("CCH"), Clear Channel South Africa Investments (Proprietary) Limited ("CCSA") and the Company, the Seller (as nominee of the Company) acquired from CCH the entire issued share capital of CCSA (which in turn held the 50% of the issued share capital of CCIM not held by the Seller). As part of the acquisition, CCH agreed to assign to the Seller the right to receive certain loans owing to CCH by CCIM. The total consideration for the purchase of the shares and assignment of the loans was satisfied by the issue by the Company of 39 million Ordinary Shares to CCH. CCH entered into a non-compete covenant for a period of two years from completion. Limited warranties and indemnities were given by CCH to the Company and the Company also gave certain limited warranties to CCH. The maximum aggregate liability of each of CCH and the Company for breach of warranty under the agreement is capped at €90 million.

6.1.3 Other agreements:

- (a) *€200,000,000 5.75 per cent. Guaranteed Bonds due May 2009 issued by Independent News & Media (Finance) Limited (the "Bond Issuer") ("Guaranteed Bonds")*

On 17 May 1999, the Bond Issuer issued the €200,000,000 5.75 per cent. Guaranteed Bonds due May 2009. The payment of principal and interest in respect of the bonds is guaranteed by the Company.

Save as provided for in the terms and conditions of the Guaranteed Bonds, the Guaranteed Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the issuer and rank *pari passu* without preference among themselves. The payment obligations of the issuer rank at least equally with all other present and future unsecured and unsubordinated obligations of the issuer.

The Bond Issuer and the Company were unable to refinance the Guaranteed Bonds prior to their maturity date. As a consequence, the Company, the Bond Issuer and certain other members of the Group entered into a financial standstill agreement (see sub-paragraph (b) below).

- (b) *Standstill Agreement dated 16 May 2009 (as amended and restated on 26 June 2009, 24 July 2009, 27 August 2009, 25 September 2009, and 30 October 2009) ("Standstill Agreement")*.

In order to facilitate negotiations and information exchange aimed at arriving at a consensual financial restructuring and to avoid the immediate negative financial impact of the failure to repay the Guaranteed Bonds and consequential cross-default and cross-acceleration of the Group's main bank facilities (see further sub-paragraphs (c), (d) and (e) below), the Company, the Bond Issuer and certain other Group companies entered into a financial standstill arrangement pursuant to the Standstill Agreement.

The Standstill Agreement provides for, amongst other matters, (i) temporary waivers from the Group's main bank lenders of the events of default arising as a result of or in connection with the non-payment of the Guaranteed Bonds and related matters; (ii) an agreement by certain of the bondholders to forbear from taking enforcement action against the Bond Issuer and the Company for failing to make payments on the maturity date for the Guaranteed Bonds; (iii) certain covenants from Group companies, including in relation to not discharging any indebtedness, not granting any further security and not paying dividends; (iv) provisions protecting the Bond Issuer and the Company and other Group

companies from unilateral creditor action by its bank lenders and certain bondholders; and (v) an agreement by the banks to maintain existing facilities, including those available under the facility agreements listed under sub-paragraphs (c), (d) and (e) below.

The current financial standstill period runs until 23 December 2009. It can be terminated by the Majority Lenders or the Majority Bondholders prior to that date subject to certain conditions including if the Bondholders fail to approve the Bondholder Resolution at the Bondholder Meeting, if the First Equity Issue has not occurred prior to 13 November 2009 or if Shareholders do not approve the Disposal at the EGM.

- (c) *Facility Agreement dated 9 September 2005 (as amended on 30 July 2007, 5 September 2008 and 30 December 2008) between a syndicate of Irish and international banks as original lenders, certain members of the Group as original borrowers and/or guarantors and Lloyds TSB Bank PLC as facility agent ("2005 Facility Agreement")*

The Company and certain of its wholly-owned subsidiaries are borrowers under a term loan facility of up to €220,000,000 (Facility A) and a revolving loan facility of up to €220,000,000 (Facility B) which is available to them under the 2005 Facility Agreement.

All borrowings under these facilities are guaranteed by the Company and a number of its wholly-owned subsidiaries. The first repayment of €50,000,000 of Facility A was repaid on 30 September 2008. A subsequent repayment of €50,000,000 due on 30 September 2009 has not been repaid and is the subject of a temporary waiver under the terms of the Standstill Agreement. The final repayment date for all borrowings under the facilities is 9 September 2010 (being the fifth anniversary of the date of the entry into of the 2005 Facility Agreement). Monies drawn under the facilities were used initially to refinance borrowings under a previous syndicated committed facilities agreement made available to the Company and certain Group members. Subsequent borrowings have been made for general corporate purposes.

The 2005 Facility Agreement is based on a standard internationally accepted market document and contains customary as well as certain bespoke representations and warranties, affirmative and negative covenants and events of default (including material adverse effect and cross-default). Interest is paid by reference to a standard calculation of margin, EURIBOR (LIBOR) and mandatory costs (if any), with the margin being determined by reference to a ratchet based on net debt to EBITDA. There are two financial condition covenants required to be met: an interest cover requirement and a net debt to EBITDA ratio.

In connection with the 2005 Facility Agreement, the Company and certain other members of the Group are a party to a subordination agreement dated 9 September 2005 (the "2005 Subordination Agreement") whereby they have each agreed (in certain circumstances) to subordinate their rights in respect of certain intra-Group loans to the rights of the lenders under the 2005 Facility Agreement.

The current amount drawn under the 2005 Facility Agreement is €390,000,000. In accordance with the terms of the Standstill Agreement, the lenders under the 2005 Facility Agreement have agreed to maintain the facilities thereunder for the duration of the standstill period. No payments of interest or principal have been made during the period of the financial standstill.

- (d) *€200,000,000 Facility Agreement dated 18 July 2007 (as amended on 30 July 2007, 5 September 2008 and 30 December 2008) between a syndicate of Irish and international banks as lenders, certain members of the Group as borrowers and/or guarantors and Lloyds TSB Bank PLC as facility agent ("2007 Facility Agreement")*

The Company and certain of its wholly-owned subsidiaries have a €200,000,000 committed revolving loan facility available to them under the 2007 Facility Agreement. All borrowings under this facility are guaranteed by the Company and a number of its wholly-owned subsidiaries.

The final repayment date for all borrowings under this facility is 9 September 2010 (being the fifth anniversary of the date of the entry into of the 2005 Facility Agreement). Monies drawn under the 2007 facility are to be used for general corporate purposes.

The terms of the 2007 Facility Agreement are based substantially on those of the 2005 Facility Agreement.

In connection with the 2007 Facility Agreement, the Company and certain other members of the Group are a party to a subordination agreement dated 5 September 2008 (the "2007 Subordination Agreement") whereby they have each agreed (in certain circumstances) to subordinate their rights in respect of certain intra-Group loans to the rights of the lenders under the 2007 Facility Agreement.

The current amount drawn under the 2007 Facility Agreement is €200,000,000. In accordance with the terms of the Standstill Agreement, the lenders under the 2007 Facility Agreement have agreed to maintain the facilities thereunder for the duration of the standstill period. No payments of interest or principal have been made during the period of the financial standstill.

- (e) *€105,000,000 Facility Agreement dated 26 August 2008 (as amended on 30 December 2008) between a syndicate of Irish and international banks as lenders, certain members of the Group as borrowers and/or guarantors and Allied Irish Banks, p.l.c. as agent ("2008 Facility Agreement")*

The Company and certain of its wholly-owned subsidiaries have a €105,000,000 committed multicurrency revolving loan facility available to them under the 2008 Facility Agreement. All borrowings under this facility are guaranteed by the Company and a number of its wholly-owned subsidiaries.

The final repayment date for all borrowings under the 2008 Facility is 26 August 2012 (being the fourth anniversary of the date of entry into of the 2008 Facility Agreement). The monies drawn under the facility were used to repay in part the €125,000,000 8 per cent. Guaranteed Subordinated Notes due 2008 issued by Independent News & Media Finance (Ireland) plc. Monies borrowed under the facility may also be used for general corporate purposes.

The terms of the 2008 Facility Agreement are based substantially on those of the 2005 and 2007 Facility Agreements.

In connection with the 2008 Facility Agreement, the Company and certain other members of the Group are a party to a subordination agreement dated 26 August 2008 (the "2008 Subordination Agreement") whereby they have each agreed (in certain circumstances) to subordinate their rights in respect of certain intra-Group loans to the rights of the lenders under the 2008 Facility Agreement.

The current amount drawn under the 2008 Facility Agreement is €105,000,000. In accordance with the terms of the Standstill Agreement, the lenders under the 2008 Facility Agreement have agreed to maintain the facilities thereunder for the duration of the standstill period. No payments of interest or principal have been made during the period of the financial standstill.

- (f) *Restructuring Agreement dated 7 October 2009 between the Company, the Bond Issuer and the Participating Creditors ("Restructuring Agreement")*

The Restructuring Agreement was entered into on 7 October 2009 between the Company, the Bond Issuer and certain participating creditors, being members of the Ad Hoc Committee of Bondholders ("Participating Creditors") in order to implement a long term restructuring solution for the Group. The Restructuring Agreement has appended to it a term sheet setting out the detailed financial provisions of the restructuring ("Term Sheet"). The key terms of the Restructuring Agreement are set out below.

**(i) Conditions Precedent.** All conditions precedent to the Restructuring Agreement (which included the provision of certified copies of constitutional documents and board minutes of the relevant companies to the Participating Creditors) have been fulfilled such that the Restructuring Agreement is binding on all parties. However, in addition to the conditions precedent the Restructuring Agreement contains a number of participation conditions which must be fulfilled on an ongoing basis, and breach of which will allow the Participating Creditors to terminate the agreement. These are set out in more detail at paragraph (iv) below.

**(ii) Obligations on the Group Companies.** Subject to the provision that the Company and the Bond Issuer shall not be required to take any action which is prohibited by law, the Company and the Bond Issuer are obliged, up to the earlier of the Effective Date and the Termination Date, to perform all acts reasonably necessary to consummate the Restructuring (and to procure that each member of the Group carries out certain actions). These actions include, *inter alia*, cooperating with the Participating Creditors; soliciting the Bondholders and Shareholders to support the Restructuring; consultation and information provision and negotiating and delivering the documents required for implementing the Restructuring.

**(iii) Obligations on the Participating Creditors.** The Participating Creditors have undertaken severally to perform all acts reasonably necessary to consummate the Restructuring, including agreeing and delivering the documents required for implementing the Restructuring; assisting the Company to effect the Restructuring, instructing the Trustee to effect the Restructuring and voting in favour of the Bondholders Resolution, Share Capital Resolutions and the Rights Issue Resolution.

**(iv) Termination.** The Restructuring Agreement may be terminated by those Participating Creditors constituting Majority Bondholders upon the occurrence of a termination event. Termination events (each with reference to an agreed date) include, *inter alia*, the Banks failing to obtain relevant credit approvals; an alternative offer being made which the Participating Creditors view as more attractive and capable of consensual implementation; an injunction against the Restructuring having been sought or obtained; the Participating Creditors not being materially satisfied with due diligence; a material adverse change; a termination of the Standstill Agreement or relevant authorities/consents not having been obtained. The occurrence of any termination event under the Standstill Agreement is also a termination event for the purpose of the Restructuring Agreement.

A number of other agreements will also be entered into with respect to the Restructuring (including the facility agreement relating to the provision of the proposed new senior debt facilities), details of the principal terms of which will be contained in the Share Capital EGM Circular.

## **6.2 INM Outdoor**

The following is a summary of all material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the INM Outdoor Group within the two years immediately preceding the date of this document and which are or may be material, and all other contracts (not being a contract entered into in the ordinary course of business) which contain any provision under which a member of INM Outdoor has an obligation or entitlement which is, or may be, material to INM Outdoor as at the date of this document:

6.2.1 The Sale Agreement which is summarised in section 3 of Part I of this document.

## **7. SIGNIFICANT CHANGE**

### **7.1 Continuing Group**

There has been no significant change in the financial or trading position of the Continuing Group since 30 June 2009, the date to which the Company's unaudited financial statements for the six months ended 30 June 2009 were prepared.

### **7.2 INM Outdoor**

There has been no significant change in the financial or trading position of the INM Outdoor Group since 30 June 2009, the date to which the financial information set out in Part III was prepared.

## **8. LITIGATION**

### **8.1 Continuing Group**

No member of the Continuing Group is or has been engaged in, or (so far as the Company is aware) has pending or threatened by or against it, any governmental, legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document a significant effect on the Continuing Group's financial position or profitability.

## 8.2 INM Outdoor

No member of the INM Outdoor Group nor its subsidiaries is or has been engaged in, or (so far as the Company is aware) has pending or threatened by or against it, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the twelve months preceding the date of this document), a significant effect on INM Outdoor's financial position or profitability.

## 9. RELATED PARTY TRANSACTIONS

Save as set out below, there are no related party transactions entered into by the Group in the three financial years ended 31 December 2006, 2007 and 2008 or in 2009 up to the Latest Practicable Date. Information in this section in relation to the financial years ended 31 December 2006, 2007 and 2008 is extracted from the annual reports of the Company in respect of that year. Information in this section in respect of 2009 to date is extracted from the internal accounting records of the Company.

### (a) Joint Ventures and Associates

Under IAS 24, Related Party Disclosures, the Group has a related party relationship with its joint ventures and associates. Details of transactions during the financial years ended 31 December 2008, 2007 and 2006 and to the Latest Practicable Date with Group joint ventures and associates include both trade and loan transactions:

|                             | Sale of Goods |      |      |      | Purchase of Goods |      |      |      |
|-----------------------------|---------------|------|------|------|-------------------|------|------|------|
|                             | YTD*          | 2008 | 2007 | 2006 | YTD*              | 2008 | 2007 | 2006 |
|                             | €m            | €m   | €m   | €m   | €m                | €m   | €m   | €m   |
| <b>Associates</b> .....     | 10.6          | 10.9 | 12.8 | 18.2 | 9.2               | 12.1 | 13.0 | 4.8  |
| <b>Joint ventures</b> ..... | 8.0           | 10.1 | 9.2  | 8.0  | 22.1              | 28.6 | 27.1 | 25.2 |

  

|                             | Amounts owed by related parties |      |      |      | Amounts owed to related parties |      |      |      |
|-----------------------------|---------------------------------|------|------|------|---------------------------------|------|------|------|
|                             | YTD*                            | 2008 | 2007 | 2006 | YTD*                            | 2008 | 2007 | 2006 |
|                             | €m                              | €m   | €m   | €m   | €m                              | €m   | €m   | €m   |
| <b>Associates</b> .....     | 13.6                            | 14.5 | 24.6 | 21.3 | 0.1                             | 1.3  | 0.5  | 0.3  |
| <b>Joint ventures</b> ..... | 6.9                             | 7.3  | 19.3 | 19.3 | 0.2                             | 3.4  | 4.7  | 4.0  |

\* YTD or "year to date" means the period from 1 January 2009 to 30 October 2009 (being the Latest Practicable Date)

Interest income from associates of the Group amounted to €0.4 million (2007: €0.7 million, 2006: €1.4 million) during the financial year to 31 December 2008. In the year to date, interest income from associates amounted to €0.1 million.

The Group owns a 44.9% stake in PrimeLearning Group Limited, a company in which the previous Chief Executive, Sir Anthony O'Reilly, has a 2.5% beneficial interest. During the financial year ended 31 December 2008 €0.1 million (FY 2007: €0.3 million, FY 2006: €0.3 million) was advanced by the Group to PrimeLearning Group Limited. In the period from 1 January 2009 to the Latest Practicable Date, €60,000 was advanced by the Group to PrimeLearning Group Limited.

During the financial year ended 31 December 2008, the Group purchased €0.1 million (FY 2007: €0.1 million, FY 2006: €0.1 million) of consultancy services from Cansult Communications Inc., a company in which B. Mulroney, a non-executive director, has a beneficial interest. In the period from 1 January 2009 to the Latest Practicable Date, the Group purchased €0.1 million of consultancy services from Cansult Communications Inc.

In FY 2006, the Group rented one property from "The Independent Newspapers (Ireland) Limited Contributory Pension Plan". The rent payable for the year was €0.1 million.

### (b) Company

During the financial year ended 31 December 2008 the Company received €191.4 million (FY 2007: €102.4 million, FY 2006: €169.9 million) in dividends from its subsidiaries and paid €18 million (FY 2007: €21.3 million, FY 2006: €19 million) in management fees to its subsidiaries. The Company charged subsidiaries €1.8 million (FY 2007: €2.0 million, FY 2006: €2.1 million) for the surrender of tax

losses during the year. In the period from 1 January 2009 to the Latest Practicable Date, the Company received €28.8 million in dividends from its subsidiaries and paid no management fees to its subsidiaries. The Company made no charge to subsidiaries for the surrender of tax losses during that period.

### (c) Key Management Personnel

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. Key management personnel comprises the Board of Directors which manages the business and affairs of the Company. The remuneration of key management personnel during the years ended 31 December 2006, 2007 and 2008 was as follows:

|                                | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------------------|-------------|-------------|-------------|
|                                | € Million   | € Million   | € Million   |
| Short-term benefits .....      | 6.6         | 10.2        | 9.3         |
| Post-retirement benefits ..... | 1.3         | 1.5         | 1.2         |
| Share based payment .....      | <u>0.9</u>  | <u>1.5</u>  | <u>1.1</u>  |
|                                | <u>8.8</u>  | <u>13.2</u> | <u>11.6</u> |

In the period from 1 January 2009 to the Latest Practicable Date the remuneration of key management personnel amounted to €3.2 million, comprising short term benefits (salary, accrued bonus and incentives) of €2.2 million, post employment benefits (accrued pension contributions) of €0.6 million and equity based compensations (share option expenses) of €0.4 million. Details of Ordinary Shares and Options held by the Directors are disclosed in section 3 of this Part V.

Sir Anthony O'Reilly retired as a director and as Chief Executive of the Company with effect from 7 May 2009. The Company made a compensation payment of €1.4m to Sir Anthony O'Reilly and a contribution of €1.0m to his pension scheme in settlement of all his contractual rights as a director/employee of the Company.

### (d) Loan Balances Due to/from Subsidiaries

As at 31 December 2008 loans of €417.5 million (FY 2007: €419.8 million, FY 2006: €433 million) were owed by the Company to its subsidiaries. As at 31 December 2008 loans owed by its subsidiaries to the Company totalled €732.3 million (FY 2007: €853.5 million, FY 2006: €701 million). As at the Latest Practicable Date loans owed by the Company to its subsidiaries were €423.6 million and loans owed by its subsidiaries to the Company totalled €607.3 million. All such loans are interest free.

## 10. CONSENT

- (a) J&E Davy, of Davy House, 49 Dawson Street, Dublin 2, Ireland, which is regulated in Ireland by the Financial Regulator, has given and has not withdrawn its written consent to the inclusion in this document of its name and references thereto in the form and context in which it appears.
- (b) PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1, Ireland has given and has not withdrawn its written consent to the inclusion in this document of its report as set out in Part IV of this document, and references to its report and its name in the form and context in which they appear.

## 11. ROUNDING

Certain financial information in this document has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic aggregation of the figures that precede them.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the documents referred to below will be available for inspection in physical form during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of McCann FitzGerald at Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland and the

offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS, United Kingdom, from the date of this document up to and including 26 November 2009, being the date of the Extraordinary General Meeting.

- (a) the Memorandum and Articles of Association of the Company;
- (b) the consolidated audited accounts of the Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008;
- (c) the Sale Agreement;
- (d) the Interim Results;
- (e) the consolidated audited accounts of the INM Outdoor Group for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008;
- (f) the PricewaterhouseCoopers report on the pro forma financial information set out in Part IV of this document;
- (g) the consent letters referred to in section 10 above;
- (h) the Form of Proxy; and
- (i) this document.

Dated: 2 November 2009

## DEFINITIONS

*In this document and in the Form of Proxy the following expressions have the following meanings, unless the context otherwise requires, or unless it is otherwise specifically provided in this Circular:*

|                                   |  |
|-----------------------------------|--|
| “Act”                             | the Companies Act 1963 of Ireland (as amended);  |
| “Ad Hoc Committee of Bondholders” | the committee of Bondholders formed for the purposes of participating in the restructuring discussions;  |
| “Advance Date”                    | the date of first disbursement under the Investec facilities contemplated in the Investec funding agreement referred to in section 3 of Part I of this document;   |
| “APN”                             | APN News & Media Limited, a company listed on the Australian Stock Exchange in which the Company holds 32%, and whose board of directors is controlled by the Company;   |
| “Banks”                           | the eight banks providing core bank debt facilities to the Group (excluding APN News & Media Limited);   |
| “BEE”                             | Black Economic Empowerment;  |
| “Board” or “Director(s)”          | the board of directors of the Company, or, as the context may require, any member thereof, whose names are set out on page 3;  |
| “Bondholder Meeting”              | the meeting of the Bondholders to consider the Restructuring which has been convened to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS, United Kingdom on 10 November 2009 at 11.00 a.m. or any adjournment thereof; |
| “Bondholder(s)”                   | holders of the Group’s May 2009 €200 million 5.75% Bond, or any one of them as the context may require;  |
| “Bondholder(s) Resolution”        | means, in the context of the Restructuring Agreement, the resolution or resolutions of Bondholders to approve the Restructuring;   |
| “Bond(s)”                         | the Group’s May 2009 €200 million 5.75% Bond;  |
| “Bond Issuer”                     | Independent News & Media (Finance) Limited, a Jersey incorporated indirect wholly-owned subsidiary of the Company;   |
| “business day(s)”                 | any day on which banks are open for business in Dublin, not being a Saturday or Sunday or bank holiday;  |
| “Capita Registrars”               | Capita Registrars (Ireland) Limited;   |
| “Cashcade”                        | Cashcade Limited;  |
| “CCH”                             | Clear Channel International Holdings BV;   |
| “CCIM”                            | Clear Channel Independent Media (Proprietary) Limited;   |
| “CCSA”                            | Clear Channel South Africa Investments (Proprietary) Limited;  |

|   |       |   |
|---|-------|---|
| “Circular”  | ..... | this document dated 2 November 2009, which comprises a circular to Shareholders pursuant to the Listing Rules;  |
| “Company”   | ..... | Independent News & Media PLC;   |
| “Completion”  | ..... | completion of the Disposal;   |
| “Continuing Group”                                      | ..... | the Company, its subsidiary undertakings and associates following Completion;   |
| “core bank debt facilities”                             | ..... | debt facilities provided to the Group by the Banks, excluding non-recourse APN debt;  |
| “CorpCom”   | ..... | CorpCom Ltd.;   |
| “CorpGro”   | ..... | CorpGro Group;  |
| “Creditors”   | ..... | the members of an informal ad hoc committee of the Bondholders relating to the Bonds and certain bank lenders which have made available loan facilities to members of the Continuing Group, with whom the Company and certain of its subsidiaries have entered into a standstill agreement dated 16 May 2009 (as amended and restated); |
| “CREST”   | ..... | the relevant system in respect of which Euroclear is the operator (as defined in the Regulations);  |
| “CREST Proxy Instruction”                               | ..... | the appropriate CREST message for a Shareholder holding Ordinary Shares in CREST to appoint a proxy or proxies utilising the relevant procedures described in the CREST Manual;   |
| “CTA”   | ..... | Certificate in Theory of Accounting;  |
| “Davy”  | ..... | J&E Davy, trading as Davy, including its affiliate Davy Corporate Finance;  |
| “Disclosure and Transparency Rules”                     | ..... | the disclosure and transparency rules made under Part 6 of FSMA (as set out in the FSA Handbook) as amended from time to time;  |
| “Disposal”  | ..... | the proposed disposal by the Seller, a subsidiary of the Company, of the entire issued share capital of INM Outdoor, and all amounts owing to the Seller by INM Outdoor on the terms and subject to the conditions of the Sale Agreement;   |
| “EBITDA”  | ..... | earnings before interest, tax, depreciation and amortisation;   |
| “Effective Date”  | ..... | means, in the context of the Restructuring Agreement, the date on which all steps and other acts reasonably necessary to consummate the Restructuring have been completed, as determined by the Company acting reasonably and in good faith and the Participating Creditors, jointly;   |
| “Euroclear”   | ..... | Euroclear UK & Ireland Limited;   |
| “EURIBOR”   | ..... | Euro Interbank Offered Rate;  |
| “Existing Issued Share Capital” or<br>“Existing Shares” | ..... | 839,595,903 Ordinary Shares (excluding treasury shares) in issue in the Company as at the Latest Practicable Date;  |
| “Existing Shareholders”                                 | ..... | holders of Existing Shares;   |

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|--|---|
| “Extraordinary General Meeting” or “EGM” ..... | the extraordinary general meeting of the Company to be held at The Normandy Suite, Green Isle Hotel, Newlands Cross, Dublin 22, Ireland on 26 November 2009 at 11.00 a.m., including any adjournment thereof, and notice of which is set out at the end of this document; |
| “€” or “Euro” .....                            | the single currency of member states of the European Communities that adopt or have adopted the euro as their currency in accordance with legislation of the European Union relating to European Economic and Monetary Union;   |
| “Financial Regulator” .....                    | Irish Financial Services Regulatory Authority;  |
| “First Equity Issue” .....                     | the issue of 723,200,000 new Ordinary Shares in exchange for €122.9 million of the outstanding Bond;  |
| “Form(s) of Proxy” .....                       | the form of proxy for use by Shareholders in connection with the EGM;   |
| “FSMA” .....                                   | the UK Financial Services and Markets Act 2000, as amended;   |
| “FY” .....                                     | financial year ended 31 December;   |
| “Group” .....                                  | the Company and its subsidiaries;   |
| “IFRS” .....                                   | International Financial Reporting Standards;  |
| “INMSA” .....                                  | Independent News & Media (South Africa) (Proprietary) Limited, registration number 1991/005270/07, a limited liability private company duly incorporated in the Republic of South Africa, the holding company of the Seller;  |
| “INM Outdoor” .....                            | INM Outdoor (Proprietary) Limited, registration number 2001/011631/07, a limited liability private company duly incorporated in the Republic of South Africa;   |
| “INM Outdoor Group” .....                      | INM Outdoor and its subsidiaries;   |
| “Interim Results” .....                        | the report of the Group in respect of the six months ended 30 June 2009, as published on 28 August 2009;  |
| “Ireland” .....                                | the island of Ireland, excluding Northern Ireland, and the word “Irish” shall be construed accordingly;   |
| “Irish Stock Exchange” .....                   | The Irish Stock Exchange Limited;   |
| “Investec” .....                               | Investec Bank Limited;  |
| “JPL” .....                                    | Jagran Prakashan Limited, an Indian publishing company in which the Company holds a 13.5% shareholding;   |
| “Latest Practicable Date” .....                | 30 October 2009, the latest practicable date prior to the publication of this document;   |
| “LIBOR” .....                                  | London Interbank Offered Rate;  |
| “Listing Rules” .....                          | the listing rules of the Irish Stock Exchange and/or where appropriate, of the UK Listing Authority;  |

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| “Majority Bondholders” .....           | means, in the context of the Restructuring Agreement, Bondholders who together hold 30% or more of the aggregate principal value of Bonds;   |
| “Majority Lenders” .....               | a group of the Banks who together represent more than 66 <sup>2</sup> / <sub>3</sub> % of the aggregate of the exposures of the Banks under certain facility agreements entered into with the Group;   |
| “Market Abuse Rules” .....             | the Market Abuse Rules of the Financial Regulator issued under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005;  |
| “Merafe Restructuring” .....           | the restructuring of Merafe Outdoor (Proprietary) Limited, (as outlined in section 3 of Part I of this document), consent to which is a principal condition of the Disposal;   |
| “net debt” .....                       | means short term and long term debt net of cash and cash equivalents;  |
| “Notice” .....                         | the notice of Extraordinary General Meeting set out at the end of this document;   |
| “O’Brien Directors” .....              | Messrs. Paul Connolly and Leslie Buckley and Ms. Lucy Gaffney, being the three Directors nominated to the Board by Mr. Denis O’Brien, a shareholder in the Company;  |
| “Option Holders” .....                 | holders of Options;  |
| “Options” .....                        | options granted pursuant to the terms of the Share Option Schemes;   |
| “Ordinary Shares” .....                | the issued and fully paid ordinary shares of nominal value €0.05 each in the capital of the Company;   |
| “Participating Creditors” .....        | certain participating creditors which are party to the Restructuring Agreement, being, as at the date of this document, members of the Ad Hoc Committee of Bondholders;  |
| “Prospectus Rules” .....               | the Prospectus Rules of the Financial Regulator issued under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005;  |
| “Purchaser” .....                      | RZT Zelpy 5508 (Proprietary) Limited, registration number 2008/015619/07, a limited liability private company duly incorporated in the Republic of South Africa;   |
| “Registrars” .....                     | Capita Registrars (Ireland) Limited, trading as Capita Registrars, being the registrars of the Company;  |
| “Regulations” .....                    | the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 (S.I. No. 68 of 1996);  |
| “Regulatory Information Service” ..... | one of the regulatory information services authorised by the Irish Stock Exchange and/or the UKLA to receive, process and disseminate regulated information from listed companies;   |
| “Resolution” .....                     | the ordinary resolution to approve the Disposal set out in the Notice, to be considered and voted on at the EGM;   |
| “Restructuring” .....                  | the proposed restructuring which includes, <i>inter alia</i> , the settlement of amounts due under the Bonds, the revision of the Group’s core bank debt facilities and the disposal of certain assets of the Group, including INM Outdoor, to address the Group’s outstanding indebtedness; |

|                              |  |
|------------------------------|--|
| “Restructuring Agreement”    | the restructuring agreement dated 7 October 2009 between the Company, the Bond Issuer and the Participating Creditors, a summary of the principal terms of which is set out in section 6.1 of Part V of this document;   |
| “Rights Issue Resolution”    | a special resolution to be proposed by the Company at the Share Capital EGM to approve the disapplication of Shareholders’ pre-emption rights;   |
| “Sale Agreement”             | the sale agreement between the Seller, the Purchaser, INMSA and INM Outdoor, dated 28 August 2009, a summary of the principal terms of which is contained in section 3 of Part I of this document;   |
| “Seller”                     | INM Outdoor Media (Proprietary) Limited, registration number 2001/011580/07, a limited liability private company duly incorporated in the Republic of South Africa, being the owner of the entire issued share capital of INM Outdoor;   |
| “Share Capital EGM”          | the extraordinary general meeting of the Company to be held on 26 November 2009 at 11.15 a.m. (or immediately following the conclusion or adjournment of the EGM, convened to be held at 11.00 a.m. on the same day and at the same location), including any adjournment thereof, to consider the Share Capital Resolutions and the Rights Issue Resolution;                                   |
| “Share Capital EGM Circular” | a circular to Shareholders containing a notice to convene the Share Capital EGM;   |
| “Share Capital Resolutions”  | the resolution(s) to be proposed by the Company at the Share Capital EGM (expected to be resolutions 1 and 2 set out in the notice of extraordinary general meeting of the Company to be included in the Share Capital EGM Circular) to approve an increase in the Company’s authorised share capital, to authorise the directors of the Company to allot all of that increased share capital; |
| “Shareholder(s)”             | a holder or holders of Ordinary Shares;  |
| “Share Option Schemes”       | the INM Share Option Scheme 1999, the Independent News & Media PLC Employee Share Scheme 2008 and the Independent News & Media PLC Share Option Scheme 2009 for the Directors and full time executives of the Company;   |
| “Standstill Agreement”       | the standstill agreement between the Banks, the Ad Hoc Committee of Bondholders and certain members of the Group dated 16 May 2009 (as amended and restated on 26 June 2009, 24 July 2009, 27 August 2009, 25 September 2009 and 30 October 2009) a summary of the principal terms of which is set out in section 6.1 of Part V of this document;  |
| “subsidiary”                 | shall be construed in accordance with the Act;   |
| “subsidiary undertakings”    | shall have the meaning given by the European Communities (Companies: Group Accounts) Regulations 1992 (SI No. 201 of 1992);  |
| “Termination Date”           | means, in the context of the Restructuring Agreement, the close of business on the day on which the Restructuring Agreement is validly terminated;   |
| “Term Sheet”                 | the term sheet appended to the Restructuring Agreement setting out the detailed provisions of the Restructuring;   |
| “Transparency Rules”         | the transparency rules of the Financial Regulator;   |

|  |  |
|--|--|
| “Trustee” .....                        | means, in the context of the Restructuring Agreement, the Bank of New York Mellon (as successor to Chase Manhattan Trustees Limited) as trustee of the Bonds under a trust deed between the Bond Issuer, the Company as guarantor and the Trustee; |
| “UK Listing Authority” or “UKLA” ..... | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of the United Kingdom;   |
| “UK” or “United Kingdom” .....         | the United Kingdom of Great Britain and Northern Ireland;  |
| “US” .....                             | the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America;                                |
| “Verivox” .....                        | Verivox GmbH; and  |
| “ZAR” .....                            | South African Rand.  |

**Notes:**

- (i) Unless otherwise stated in this document, all references to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, consolidation, re-enactment or extension thereof.
- (ii) Words importing the singular shall include the plural and vice versa, and words importing the masculine shall include the feminine or neutral gender.
- (iii) Unless otherwise stated, amounts referred to throughout this document have been converted as follows:
  - a. In respect of amounts extracted from INM Outdoor’s income statement for the financial year ended 31 December 2008, €1:ZAR12.0638, the average exchange rate throughout FY 2008.
  - b. In respect of amounts extracted from the net assets consolidation schedule set out in Part III, €1:ZAR13.1351, the exchange rate prevailing on 31 December 2008.
  - c. In respect of all other amounts, €1:ZAR11.2221, the exchange rate prevailing on 26 October 2009.

# INDEPENDENT NEWS & MEDIA PLC

(Incorporated and registered in Ireland – registered number 2936)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Independent News & Media PLC ("the Company") will be held at The Normandy Suite, Green Isle Hotel, Newland's Cross, Dublin 22, Ireland on 26 November 2009 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution:

### ORDINARY RESOLUTION

THAT the proposed disposal by INM Outdoor Media (Proprietary) Limited ("**Seller**"), a subsidiary of the Company of the entire issued share capital of INM Outdoor (Proprietary) Limited ("**INM Outdoor**"), and all amounts owing to the Seller by INM Outdoor on the terms and subject to the conditions of the Sale Agreement (the "**Disposal**"), as such capitalised terms are defined in the circular dated 2 November 2009 sent to shareholders of the Company describing the Disposal, of which this notice forms a part, be and is hereby approved, subject to such waivers, extensions, non-material amendments or variations to the Disposal as the directors of the Company (or a committee of the directors of the Company) may determine and the directors of the Company (or a committee of the directors of the Company) and the Seller be and are hereby authorised to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Disposal and any matters incidental to the Disposal.

BY ORDER OF THE BOARD

**ANDREW DONAGHER**  
Company Secretary

#### *Registered Office:*

Independent House  
2023 Bianconi Avenue  
Citywest Business Campus  
Naas Road  
Dublin 24  
Ireland

Dated: 2 November 2009

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#### **Notes:**

#### **Entitlement to attend and vote**

- (i) Only those Shareholders registered on the Company's register of members at:
- 6.00 pm on 24 November 2009; or
  - if the Extraordinary General Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned Extraordinary General Meeting, shall be entitled to attend and vote at the Extraordinary General Meeting, or, if relevant, any adjournment thereof.

#### **Website giving information regarding the meeting**

- (ii) Information regarding the Extraordinary General Meeting, including the information required by section 133 A(4) of the Companies Act 1963, is available from [www.inmplc.com](http://www.inmplc.com).

#### **Attending in person**

- (iii) The Extraordinary General Meeting will be held at The Normandy Suite, Green Isle Hotel, Newland's Cross, Dublin 22, Ireland. If you wish to attend the Extraordinary General Meeting in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Extraordinary General Meeting to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the shareholder registration desk before the commencement of the Extraordinary General Meeting.

## Appointment of proxies

- (iv) A Shareholder who is entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy to attend and vote instead of him. A Shareholder may appoint more than one proxy to attend and vote at the Extraordinary General Meeting in respect of shares held in different securities accounts. A Shareholder acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different shares held by that Shareholder. A proxy need not be a Shareholder of the Company. If you wish to appoint more than one proxy then please contact the Company's Registrars, Capita Registrars, on +353 1 810 2400.
- (v) A Form of Proxy for use by Shareholders is enclosed with this Notice of Extraordinary General Meeting (or is otherwise being delivered to Shareholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a shareholder from attending the Extraordinary General Meeting and voting in person should they wish to do so.
- (vi) To be valid, a Form of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged with the Company's Registrar, Capita Registrars, of Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland not later than 48 hours before the Extraordinary General Meeting or adjourned Extraordinary General Meeting or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Meeting or adjourned Extraordinary General Meeting) at least 48 hours before the taking of the poll at which it is to be used.
- (vii) To appoint a proxy electronically log on to the website of the Registrars, Capita Registrars: [www.capitaregistrars.ie](http://www.capitaregistrars.ie). Shareholders should select "Login to Shareholder Services" from the ONLINE SERVICES menu. Shareholders will need their Shareholder Investor Code (or IVC) as printed on the face of the accompanying Form of Proxy. Full details of the procedures are given on the website.
- (viii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting and any adjournment(s) thereof by following the procedures laid down in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
- (ix) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Company's Registrars, Capita Registrars, as issuer's agent (ID Number 7RA08) by the latest time(s) for receipt of proxy appointments specified in this Notice of Extraordinary General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (x) CREST members and where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (xi) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996.

## Issued shares and total voting rights

- (xii) The total number of issued Ordinary Shares on the date of this notice of Extraordinary General Meeting is 839,595,903 (excluding treasury shares). On a vote by show of hands every Shareholder who is present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every Shareholder shall have one vote for every share carrying rights of which he is the holder. The Resolution is an ordinary resolution and requires a simple majority of Shareholders voting in person or by proxy to be passed.

## Questions at the Extraordinary General Meeting

- (xiii) Under section 134C of the Companies Act 1963, the Company must answer any question you ask relating to the business being dealt with at the Extraordinary General Meeting unless:
  - answering the question would interfere unduly with the preparation for the Extraordinary General Meeting or the confidentiality and business interests of the Company;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it appears to the Chairman of the Extraordinary General Meeting that it is undesirable in the interests of good order of the meeting that the question be answered.

## Other resolutions

- (xiv) The Extraordinary General Meeting is being convened to consider the resolution set out in this Notice of Extraordinary General Meeting. Section 133B of the Companies Act 1963 (which provides that a member or members meeting the prescribed qualification criteria may table a draft resolution for an item on the agenda of an extraordinary general meeting) is accordingly inapplicable.







