



Independent News & Media PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30th JUNE 2006

BROAD BASED GROWTH DRIVES 10.8% INCREASE IN PROFIT BEFORE TAX AND EXCEPTIONALS

Dublin/London 19th September 2006: The Board of Independent News & Media PLC [‘INM’ or the ‘Group’] (ticker: INWS.I; INWS.L) today announced the Group’s interim results for the six months ended 30th June 2006.

<u>RESULTS</u>	<u>2006</u> <u>€m</u>	<u>2005</u> <u>€m</u>	<u>Change</u> <u>%</u>
Revenue	796.7	769.2	+3.6%
Operating Profit Before Exceptionals	147.9	141.0	+4.9%
Operating Margin	18.56%	18.33%	+23bps
Profit Before Tax and Exceptionals	114.1	103.0	+10.8%
Profit After Tax Before Exceptionals	91.7	84.4	+8.6%
Profit After Tax After Exceptionals*	87.3	124.1	-29.7%
Adjusted Earnings Per Share**	7.43c	6.71c	+10.7%
Earnings Per Share*	6.89c	12.09c	-43.0%
Interim Dividend Per Share	4.15c	3.75c	+10.7%

* 2005 includes large once-off exceptional gain of €62.7 million on sale of iTouch

** Diluted EPS, before exceptional items

SUMMARY HIGHLIGHTS

- Record results with all regions contributing to growth in both revenues and profits.
- Double-digit adjusted EPS (like-for-like, excluding exceptionals) growth of 10.7% to 7.43c.
- Better than expected Group circulation revenue growth of 5.5% driven by cover price increases, reflecting the strength of INM’s franchise in growth markets.
- Strong underlying trading performances across the Group, especially South Africa, delivered a 4.9% improvement in Operating Profit Before Exceptionals.
- Operating margin increased to 18.56% reflecting growth in revenues and effective cost management.
- Broad based growth drives 10.8% increase in profit before tax and exceptionals.
- Interim dividend up 10.7% to 4.15c per share, reflecting the strong half year operating performance and confidence in the Group’s ability to sustain superior earnings growth.
- Excellent performance from the Group’s recently listed Indian investment, Jagran Prakashan Limited [‘JPL’] (20.8% owned), with further expansion in Indian outdoor now taking place. A number of Indian radio licences also recently secured.
- Strong online performance, with portfolio enhanced by the acquisition of 100% of *PropertyNews.com*, the largest online property website on the island of Ireland, and the acquisition of 20% of Cashcade Limited, a leading UK online gaming company.

– OUTLOOK –

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

“INM’s geographically diversified portfolio of market-leading assets, across diverse multi-media platforms, continues to underpin INM’s clear and compelling international growth strategy.

“With INM’s ongoing focus on product innovation, its stated policy to be the industry’s low cost operator and its strong spread of assets worldwide, the Board is confident of reporting yet another year of superior earnings growth for 2006, in line with current market expectations.

“This performance and these prospects continue to distinguish the Group from its international peers.”

– OVERVIEW –

Revenue increased by 3.6% to €796.7 million. This growth was primarily driven by the Publishing division (+4.2%), with good underlying increases in both circulation (+5.5%) and advertising (+3.8%) revenues.

Operating Profit Before Exceptionals increased by 4.9% to €147.9 million, with the operating margin increasing from 18.33% in the prior corresponding period to 18.56% this period.

Stripping out exceptionals (including the one time benefit of the €62.7 million exceptional gain from the sale of iTouch in 2005), underlying Profit Before Tax increased by 10.8% to €114.1 million.

Net Interest Costs reduced by 3.8% to €40.1 million, reflecting the benefit of the successful refinancing of the Group’s core syndicated bank facility completed in September 2005.

Exceptional Items accounted for a net charge of €5.5 million in the 6 months to June 2006, compared to a net exceptional gain of €37.7 million in 2005. The net charge of €5.5 million in 2006 mainly related to employee restructuring costs in Northern Ireland, whereas the net gain in 2005 was primarily due to the successful disposal of the Group’s investment in iTouch plc.

Adjusted Earnings Per Share increased to 7.43 cent (+10.7%) due to the Group’s strong operating performance and reduced interest costs.

In February 2006, the Group’s Indian investment, JPL, completed a successful initial public offering of shares on the Mumbai Stock Exchange. Also in February 2006, the Group acquired a 20% investment in Cashcade Limited, a leading UK online gaming company, which owns the *getminted.com* gaming portal, providing services ranging from casino to bingo. In May 2006, the Group completed the acquisition of 100% of *PropertyNews.com*, the largest online property website on the island of Ireland. Already the clear market-leader in Northern Ireland, *PropertyNews.com* is rapidly expanding into the Republic of Ireland, with a very compelling low cost, high volume advertising model complementing our printed

products. Subsequent to half year-end, the Group agreed to acquire Wholesale Newspaper Services Limited (WNS), Northern Ireland's major newspaper and magazine distribution company. This acquisition is subject to regulatory approval.

The Board is recommending an interim dividend of 4.15 cent per share, an increase of 10.7% on 2005, reflecting the strong half year operating performance and confidence in the Group's ability to sustain superior earnings growth. This dividend will be paid on 20th November 2006 to ordinary shareholders registered at the close of business on 29th September 2006. A scrip dividend alternative will also be available.

– OPERATIONS REVIEW –

AUSTRALASIA

APN News & Media Ltd ['APN'], in which INM has a 41.8% shareholding, is listed on the Australian Stock Exchange with a current market capitalisation of €1.4 billion.

After three years of strong growth, APN again increased operating profit to €83.2 million, an increase of 2%. APN continues to invest in New Product Initiatives in its core publishing division and this period also saw significant investment in its Online division, with the launch of a number of new initiatives.

The Regional Publishing division performed well, growing operating profit by 6% following on from strong growth in the prior year. Continued population growth associated with the resources/commodity boom in Queensland supported growth in real estate advertising, particularly in Toowoomba, Mackay and Rockhampton, growing 13% in the first half, following double-digit increases in each of the prior three years. Similarly, in New Zealand the regional property market remains buoyant, with real estate advertising up 17%. Circulation revenue grew in both countries, up 4% in Australia and up 3% in New Zealand, with co-ordinated marketing campaigns delivering circulation gains for key titles. The new printing centre at Yandina on Queensland's Sunshine Coast is due to commence operations in October 2006. This plant will enhance APN's colour printing capacity and drive further revenue growth.

The New Zealand National Publishing (NZNP) division includes *The New Zealand Herald*, the *Herald on Sunday*, *The Aucklander* and New Zealand Magazines. The division has a co-ordinated strategy to increase its market share in Auckland, New Zealand's largest market. The combined portfolio of titles has achieved strong penetration into Auckland, with eight out of every 10 Aucklanders aged 15+ reading a copy of an APN daily or weekly newspaper or magazine title each week. The New Zealand publishing business has built its subscriber database to 170,000 homes. *The New Zealand Herald* retained its leading position as New Zealand's most read daily newspaper, with 547,000 readers on a typical day and reaching six out of 10 Aucklanders every week. Circulation revenue was up 7% for the first half of 2006. *The Herald on Sunday*, which was launched in October 2004, is now the most read Sunday newspaper in Auckland and in the Northern region and is on track to achieve forecast profitability in 2007. NZNP grew advertising volume share in five advertising pillars (retail, agency, automotive, employment and general classified), while share in real estate remained stable.

The Radio division consolidated earnings after successive periods of strong performance, with operating profit up 2% for the first half. In Australia, the Australian Radio Network (ARN) built on the success of its performance in the commercially important 25-54 demographic, growing its share of agency advertising revenue by 15% over the same period last year. In New Zealand, The Radio Network (TRN) continued to lead the industry, growing market share across the country. TRN operates the top three stations in the major Auckland market and the number one station in both Wellington and Christchurch.

The Outdoor division (including associates) produced a 49% increase in operating profit, reflecting the ongoing benefit of the restructuring undertaken in 2004. APN Outdoor secured a number of major contract wins, including Railcorp in New South Wales, Sydney Transit, Sydney Airport and Perth Rail. The successful tenders have enhanced the quality of the division's asset base in each of the key industry formats. The outdoor industry grew by 12% in the first half of 2006 and APN brands continue to be market share leaders in all of the major outdoor advertising formats in Australia and New Zealand. In Asia, APN's Hong Kong, Indonesian and Malaysian businesses all increased market share with new contract wins. APN, under the Buspak brand, is now the largest bus advertising operator in Hong Kong.

At the beginning of the year, APN separated its Online operations into a dedicated division. Already, the *nzherald.co.nz* website is the most visited news website in New Zealand and the third most popular site in the country. The online jobs site *search4jobs.co.nz* was launched in May and has quickly become the number two jobs site in the market, in both traffic and job volumes. In Australia, *worksearch.com.au* has continued to expand and is already the largest regional employment website.

IRELAND

The Irish group achieved 4.5% growth in operating profit to €46.7 million in the first six months of 2006, reflecting good circulation and strong advertising revenues, combined with ongoing and effective cost control. Revenues increased by 2.3% year-on-year despite the transfer of contract print income to Belfast following the closure of the Terenure print plant in mid 2005. Advertising growth was in line with the market and circulation was ahead of last year, driven by good volumes and cover price increases.

Advertising revenue was driven by notably strong ROP, features and recruitment revenue, together with innovative new revenue streams such as "*ibid*", an online auction complementing ROP advertising in the *Evening Herald* – and *Polski Herald*, a pullout Polish language supplement published on Fridays. Magazine revenue was also well up year-on-year.

LoadzaJobs.ie, the group's online recruitment site, launched in September 2005, recorded impressive revenue growth and is now the number two employment site in Ireland. *PropertyNews.com*, already the number one property site in Northern Ireland, is being aggressively rolled out in the Republic of Ireland, with the number of Irish properties on the site growing rapidly and revenues increasing.

The *Irish Independent* confirmed its pre-eminent position as the nation's number one quality daily newspaper, with a resilient circulation sales figure of 162,582 copies per day for the January to June 2006 period, despite an increasingly competitive morning market.

The *Sunday World* increased its January to June circulation volumes to 274,143 copies, a strong performance in a competitive marketplace.

The continuing success of the *Sunday Independent* as the nation's top selling newspaper is reflected in the recently released industry readership research, which confirmed that the title now has a remarkable 1.13 million readers, over one third of the adult population of the country, and 77,000 up on the comparable period last year.

The strength of the *Sunday Independent Life* and the *Irish Independent Weekend* magazines was highlighted by their separate inclusion for the first time on the JNRS readership survey. *Life* is now officially the best read magazine in Ireland with 757,000 readers, closely followed by *Weekend* in second place with 728,000 readers and the Star's "*Star Time*" in third with 471,000 readers.

The group's daily free newspaper, *herald am* – launched in October 2005 – continued to outperform its Metro rival, with more than 60,000 copies distributed daily at key points around Dublin and showed encouraging growth in advertising revenue in the period.

Overall, operating margin improved by 50bps to 23.2%, reflecting the continued focus on costs and profitable revenue growth.

SOUTH AFRICA

The South African group delivered another excellent performance, benefiting from the ongoing strength in the economy. The strong trading environment continued to be driven by buoyant consumer spending (underpinned by the burgeoning middle class) and all confidence indicators, particularly retail activity, remained positive.

Revenue growth of 16.4%, driven by a strong advertising market and supported by an ongoing vigilance around containing fixed overheads, delivered a 22.0% increase in operating profits to €18.3 million. Operating margin improved to 15.0% from 14.3% in 2005.

All of the group's titles performed strongly in a very favourable advertising market and recorded improvements in market share in both the display and classified categories. Circulation copy sales of each of the 16 titles also performed well in the January to June 2006 period, despite competitive market conditions. Circulation revenue growth was driven by the further strong increase in copy sales of *Isolezwe* – the group's Zulu language newspaper launched in 2003 – which have increased to over 94,000 copies per day, up approximately 25% on the prior comparative period. In addition, the group's weekly title, *Post*, aimed at the Indian market, grew its sale by 5.2% on the prior year. The red-top *Daily Voice* – which was launched in March 2005 and is focused on the popular end of the mass-market – has gained a very strong foothold in the Cape Town market, providing a solid platform to extend its geographic reach beyond Cape Town.

The wholly-owned Magazine division (Condé Nast Independent Magazines), in a very competitive trading environment, produced a strong first half trading profit improvement, underpinned by *Glamour*, in its second year, now selling in excess of 100,000 copies per month.

The 50% owned Outdoor Advertising division, Clear Channel Independent, reported a 23% increase in operating profit, benefiting from the strong local trading environment and a much improved contribution from its 13 African operations.

UNITED KINGDOM

The United Kingdom reported revenue of €107.8 million for the first six months of 2006, which represents an increase of 3.4% over the same period last year. This was attributable to strong circulation revenue growth driven by cover price increases and additional contract print revenues in Belfast.

In a competitive circulation market, both Independent titles performed strongly. The *Independent on Sunday* recorded the best circulation performance of any British newspaper in 2006, with a 9% gain in the latest 6-month period (March-August). Latest figures show *The Independent's* readership at a 9-year high, up 24.1% in the 12 months to June 2006, mostly in the areas most attractive to advertisers: young, female, ABC1 readers, while the Sunday's readership was up 9%.

The continuing weak UK classified advertising market – particularly in Government and NHS spending – affected both Belfast and the Magazines division. However, overall UK group advertising was only 5.8% down in the period. After a very strong advertising performance last year, *The Independent* continued to buck the negative market trend and has shown 1% growth in advertising revenue for the first half, compared to significant declines reported by most of its UK national newspaper peers.

The overall revenue growth, coupled with a further focus on tight cost control, helped produce a 5.2% increase in operating profit across the UK group.

Online revenues for the UK group have continued to grow at a significant rate. This growth will be further accelerated following the recent acquisition of *PropertyNews.com*, the largest website in Northern Ireland.

With the continued difficult UK advertising market, the focus has been on reducing costs further through operational efficiencies, improved systems and outsourcing across all areas of the business. This year has seen a major restructuring of the Belfast operations, resulting in significant headcount and cost reductions across all publishing functions.

Belfast's contract print division, the largest on the island of Ireland, performed strongly and is currently being expanded with the addition of a new full-colour Goss printing press facility in Newry. This additional capacity will be operational in early 2007 and will cater for both internal and external print contracts.

Further developments in Belfast include the purchase, subject to regulatory approval, of WNS, Northern Ireland's major newspaper and magazine distribution company.

INDIA

JPL, INM's 20.8% owned associate, was floated on the Mumbai Stock Exchange in February 2006.

In its financial year ended 31st March 2006, JPL reported a 28% increase in total revenue. Advertising revenue increased by 32%, with increases in both local and colour advertising, while circulation volumes increased by 8.8% compared to the prior year. The increase in revenue resulted in a very strong improvement in both margins and net profits – with margins increasing from 7.0% in the prior year to 15.8%, while net profits increased by over 2,500%.

This strong 12 month performance to March 2006 continued into the first quarter of its 2006/2007 financial year, with the three months ended 30th June 2006 showing a 420% increase in net profits, when compared to the same period in 2005. This extremely strong performance was again driven by increased revenues, up 19.8% on 2005 levels. This increase was due to strong advertising and circulation revenues, with advertising showing growth of 21.5% (mainly due to increased colour advertising).

Capitalising on the strong economic growth in India, JPL has recently expanded into outdoor advertising with a number of prominent sites secured in major cities such as Mumbai, Lucknow, Bangalore and Delhi. In a separate venture, INM, in conjunction with the Gupta family in India, has recently secured eight radio licences and expects to have these licences operational in 2007.

ENDS

19th September 2006

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ABOUT INDEPENDENT NEWS & MEDIA PLC

– CORPORATE PROFILE –

Independent News & Media PLC [‘INM’] is a leading international newspaper and communications group, with its main interests in Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. Spanning four continents and 21 individual countries, INM has market-leading newspaper positions in Australia (regional), India, Ireland, New Zealand and South Africa. In the United Kingdom, it publishes the flagship national title, *The Independent*, as well as being the largest newspaper group in Northern Ireland.

Across these regions, the Group publishes over 175 newspaper and magazine titles, delivering a combined weekly circulation of over 31 million copies with a weekly audience of over 100 million consumers and includes the world’s largest read newspaper, *Dainik Jagran*, in India. The Group has established a strong and growing online presence, with over 70 editorial and classified sites.

INM is the largest radio operator – 132 stations and an audience exceeding five million people – and outdoor advertising operator in Australasia and also has leading outdoor advertising positions in Hong Kong, Malaysia, India, Indonesia and across Africa.

The Group has grown consistently over the last 15 years by building a geographically unique and diverse portfolio of market-leading brands, and today manages gross assets of €4.0 billion, revenue of €1.8 billion and employs approximately 10,300 people worldwide. Further information is available on the Group’s website www.inmplc.com.

INDEPENDENT NEWS & MEDIA PLC
INTERIM ANNOUNCEMENT

GROUP INCOME STATEMENT (unaudited)

	Notes	Six months ended 30 June 2006 €m	Six months ended 30 June 2005 €m
Revenue		796.7	769.2
Operating profit before exceptional items		147.9	141.0
Exceptional items	4	(5.5)	37.7
Operating profit after exceptional items		142.4	178.7
Share of results of associates and joint ventures		6.3	3.7
Net finance costs:			
- Interest receivable and similar income		4.4	9.4
- Interest payable and similar charges		(44.5)	(51.1)
Profit before taxation		108.6	140.7
Taxation		(21.3)	(16.6)
Profit for the period		87.3	124.1
Attributable to:			
Minority interests		35.2	33.9
Equity holders of the parent		52.1	90.2
		87.3	124.1
Earnings per ordinary share (cent)			
- Basic	5	6.89c	12.09c
- Diluted	5	6.85c	11.83c

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE (unaudited)**6 months ended 30 June**

	2006	2005
	<u>€m</u>	<u>€m</u>
		(as restated)
Items of income/(expense) recognised directly in equity		
Currency translation adjustments	(153.2)	80.6
Retirement benefit obligations:		
- Actuarial gains/(losses)	27.6	(24.4)
- Movement on deferred tax asset	(2.8)	2.6
Gains relating to cash flow hedges	21.1	1.6
Net (expense)/income recognised directly in equity	<u>(107.3)</u>	<u>60.4</u>
Profit for the period	87.3	124.1
Total recognised income and expense for the period	<u><u>(20.0)</u></u>	<u><u>184.5</u></u>
Attributable to:		
Minority interests	(31.0)	73.5
Equity holders of the parent	11.0	111.0
	<u>(20.0)</u>	<u>184.5</u>

GROUP STATEMENT OF CHANGES IN EQUITY (unaudited)

	2006	2005
	<u>€m</u>	<u>€m</u>
		(as restated)
Balance at 1 January	796.4	621.0
Effect of change in accounting policy (note 1)	(45.0)	(18.7)
As restated	751.4	602.3
Issue of share capital	17.8	19.0
Share based payment	1.8	1.1
Dividends (including minority interests)	(82.1)	(77.8)
Items of income/(expense) recognised directly in equity		
Currency translation adjustments	(153.2)	80.6
Retirement benefit obligations:		
- Actuarial gains/(losses)	27.6	(24.4)
- Movement on deferred tax asset	(2.8)	2.6
Gains relating to cash flow hedges	21.1	1.6
Buyback of shares held by minority	(37.5)	(12.8)
Profit for the period	87.3	124.1
At end of period	<u><u>631.4</u></u>	<u><u>716.3</u></u>

GROUP BALANCE SHEET (unaudited)

	30 June 2006	31 Dec 2005 (IFRS Balance Sheets)	30 June 2005	30 June 2006 (Note 2)
	€m	(as restated) €m	(as restated) €m	€m
Assets				
Non-Current Assets				
Intangible assets	1,682.8	1,842.1	1,829.2	2,758.0
Property, plant and equipment	332.8	363.1	364.3	332.8
Investments in associates and joint ventures	70.0	60.0	56.6	105.9
Deferred tax assets	93.8	96.7	86.5	93.8
Available-for-sale financial assets	11.4	15.7	12.1	11.4
Derivative financial instruments	-	9.4	7.5	-
Trade and other receivables	49.6	54.4	61.6	49.6
	2,240.4	2,441.4	2,417.8	3,351.5
Current Assets				
Inventories	17.6	21.9	19.5	17.6
Trade and other receivables	264.5	264.2	271.6	264.5
Current income tax assets	14.4	17.1	10.7	14.4
Derivative financial instruments	16.0	-	0.9	16.0
Cash and cash equivalents	148.0	132.8	181.9	148.0
	460.5	436.0	484.6	460.5
Total Assets	2,700.9	2,877.4	2,902.4	3,812.0
Liabilities				
Current Liabilities				
Trade and other payables	240.1	266.1	240.7	240.1
Current income tax liabilities	12.0	16.1	12.0	12.0
Borrowings	68.3	64.7	63.7	68.3
Derivative financial instruments	0.7	6.6	2.2	0.7
Provisions for other liabilities and charges	23.7	27.0	42.7	23.7
	344.8	380.5	361.3	344.8
Non-Current Liabilities				
Borrowings	1,104.2	1,045.2	1,090.4	1,104.2
Compound financial instruments	206.8	234.8	278.6	206.8
Retirement benefit obligations	130.9	167.3	151.5	130.9
Deferred taxation liabilities	264.4	292.3	289.8	21.5
Derivative financial instruments	11.8	-	3.7	11.8
Other payables	3.8	2.2	7.8	3.8
Provisions for other liabilities and charges	2.8	3.7	3.0	2.8
	1,724.7	1,745.5	1,824.8	1,481.8
Total Liabilities	2,069.5	2,126.0	2,186.1	1,826.6
Net Assets	631.4	751.4	716.3	1,985.4
Equity				
Capital and Reserves Attributable to Company's Equity Holders				
Share capital	227.9	225.9	224.5	227.9
Other reserves	292.3	325.5	329.0	1,313.9
Retained earnings	(375.6)	(378.4)	(418.8)	(192.5)
	144.6	173.0	134.7	1,349.3
Minority interests	486.8	578.4	581.6	636.1
Total Equity	631.4	751.4	716.3	1,985.4

GROUP CASH FLOW STATEMENT (unaudited)

	6 months ended 30 June	
	Notes	
	2006	2005
	<u>€m</u>	<u>€m</u>
Net cash generated from operations		
Cash generated from operations	7 144.7	146.7
Income tax paid (net of refund)	(26.6)	(10.7)
Net cash generated from operating activities	<u>118.1</u>	<u>136.0</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(22.4)	(32.4)
Construction in progress pending resale	(12.7)	-
Proceeds from sale of property, plant and equipment	9.3	1.5
Purchases of intangible assets	(4.9)	(3.4)
Sales/(purchases) of available-for-sale financial assets	3.6	(0.2)
Proceeds from sale of associate	-	92.8
Receipts/(advances) to/from joint ventures and associates	1.2	(0.7)
Purchases of associates and joint ventures	(5.7)	(28.5)
Purchase of subsidiary	(10.1)	-
Interest received	5.1	8.0
Dividends received	0.5	0.7
Net cash (used in)/generated from investing activities	<u>(36.1)</u>	<u>37.8</u>
Cash flows from financing activities		
Interest paid	(49.0)	(56.3)
Proceeds from borrowings	167.7	197.3
Repayment of borrowings	(46.0)	(204.6)
Proceeds from short-term construction financing	12.7	-
Dividends paid to company's shareholders	(46.2)	(40.1)
Payments of finance lease liabilities	(21.3)	(0.7)
Purchases of equity minority interests	(50.2)	(6.4)
Dividends paid to minority interests	(29.0)	(27.3)
Proceeds from issuance of ordinary shares	6.9	3.1
Debt issue costs	-	(2.5)
Issue of equity minority interests	5.1	1.7
Net cash used in financing activities	<u>(49.3)</u>	<u>(135.8)</u>
Net increase in cash and bank overdrafts	32.7	38.0
Cash and bank overdrafts at beginning of the year	127.6	123.8
Exchange (losses)/gains on cash and bank overdrafts	(20.2)	8.4
Cash and bank overdrafts at end of period	<u>140.1</u>	<u>170.2</u>

NOTES TO THE INTERIM STATEMENT (unaudited)

1. Basis of Preparation

The interim results for the period to 30 June 2006 have been prepared in accordance with the Listing Rules of the Irish Stock Exchange. The Group's financial information has been prepared in accordance with the accounting policies that the Group expects to adopt for the 2006 year-end, which are consistent with the principal accounting policies which were set out in the Group's 2005 consolidated financial statements except for the change in accounting policy in relation to employee benefits noted below. The principal accounting policies adopted by the Group for the 2005 year-end, as set out in the Group's 2005 consolidated financial statements, were consistent with IFRSs issued by the IASB as adopted by the European Commission for use in the European Union.

In 2006, the Group has adopted the amendment to International Accounting Standard No. 19 "Employee Benefits" (IAS 19 – Revised). A prior year adjustment arose on the implementation of IAS 19 – Revised. Previously, in relation to its retirement benefit obligations the Group applied the "corridor approach" to actuarial gains and losses arising on its defined benefit post-employment schemes. The "corridor approach" refers to a threshold being the higher of 10% of the fair value of the plan assets or 10% of the present value of the defined benefit obligations at the end of the previous reporting period. Actuarial gains and losses at the end of the previous reporting period in excess of this threshold are recognised as income or expense over the average remaining service lives of employees participating in the plan. Other than these, the actuarial gain or loss arising was not recognised. In applying IAS 19 – Revised, the Group is choosing the option to recognise all actuarial gains and losses in the period that they occur. Such gains and losses will now be recognised in the Statement of Recognised Income and Expense. The Group believes that the election to recognise all the actuarial gains and losses immediately more fully reflects the net asset position of the Group. As a result of applying IAS 19 – Revised, the Group has restated its results for the six months ended 30 June 2005 with the following consequences:

- An amount of €21.8m is reflected as a charge in the statement of recognised income and expense which represents the actuarial gains and losses (net of deferred taxation) arising in the six months ended 30 June 2005. In the balance sheet this €21.8m results in an increase in retirement benefit obligations of €24.4m and an increase in deferred tax assets of €2.6m.
- An amount of €18.7m is reflected as a charge to opening retained earnings in the Statement of Changes in Equity as at 1 January 2005 (1 January 2006: €45.0m) which reflects the previously unrecognised actuarial gains and losses (net of deferred taxation) as at 1 January 2005. In the balance sheet this €18.7m results in an increase in retirement benefit obligations of €20.8m and an increase in deferred tax assets of €2.1m. The charge to retained earnings at 1 January 2006 of €45.0m arises from an increase in retirement benefit obligations of €51.9m and an increase in deferred tax assets of €6.9m.
- Profit and cashflows for the six months ended 30 June 2005 remain as previously reported.

The comparative figure for revenue for the six months ended 30 June 2005 has been restated to reflect the presentation of advertising revenues on a net basis as explained in the financial statements for the year ended 31 December 2005.

NOTES TO THE INTERIM STATEMENT (unaudited) (Continued)

2. Value of Mastheads – Supplementary Information

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

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

At 30 June 2006, the Group’s newspaper mastheads had a valuation of €2,278.2m compared to a carrying value under IFRS of €1,203.0m. All newspaper mastheads are regularly valued/revalued by expert independent valuers, Grant Samuel & Associates Pty Limited. The most recent independent valuation was undertaken as at 31 December 2004.

No provision has been made for Deferred Tax in respect of the Group’s intangible assets (both internal and acquired) in the Alternative Balance Sheet as the Group believes this deferred tax liability will not arise because it is the Board’s intention to retain these assets. In accordance with the requirements of IFRS, deferred tax of €242.9m has been provided in respect of the Group’s intangible assets in the IFRS Balance Sheet at 30 June 2006.

3. Segmental Report

By Geographical Segment

	Revenue		Operating Profit	
	2006	2005	2006	2005
	€m	€m	€m	€m
Ireland	201.1	196.5	46.7	44.7
United Kingdom	107.8	104.3	6.1	5.8
South Africa	121.8	104.6	18.3	15.0
Australasia	366.0	363.8	83.2	81.6
Common costs	-	-	(6.4)	(6.1)
	<u>796.7</u>	<u>769.2</u>	147.9	141.0
Exceptional items			<u>(5.5)</u>	<u>37.7</u>
Operating profit after exceptional items			<u>142.4</u>	<u>178.7</u>

NOTES TO THE INTERIM STATEMENT (unaudited) (Continued)

3. Segmental Report (continued)

By Class of Business

	Revenue		Operating Profit	
	2006	2005	2006	2005
	<u>€m</u>	<u>€m</u>	<u>€m</u>	<u>€m</u>
Printing, publishing, online, distribution and commercial printing	659.5	632.8	130.0	124.6
Radio	70.5	71.6	21.7	21.2
Outdoor advertising	66.7	64.8	2.6	1.3
Common costs	<u>-</u>	<u>-</u>	<u>(6.4)</u>	<u>(6.1)</u>
	<u>796.7</u>	<u>769.2</u>	<u>147.9</u>	<u>141.0</u>
Exceptional items			<u>(5.5)</u>	<u>37.7</u>
Operating profit after exceptional items			<u>142.4</u>	<u>178.7</u>

The taxation charge for the year comprises €2.4m in respect of Irish taxation and €18.9m in respect of overseas taxation.

4. Exceptional Items

	2006	2005
	<u>€m</u>	<u>€m</u>
Gain on sale of iTouch plc, net	-	62.7
Gain on sale of assets (i)	4.0	-
Restructuring charges and asset writedowns (ii)	(7.5)	(22.7)
Product launch costs, development and other promotional expenditure (iii)	(2.0)	(2.3)
	<u>(5.5)</u>	<u>37.7</u>

(i) Gain on sale of non-current assets.

(ii) Restructuring charges relating to the Group's Northern Ireland operations in 2006 (2005: Primarily related to the closure of the printing operations of the Sunday World print facility).

(iii) Relates to product launch costs, development and other promotional expenditure incurred across the Group.

NOTES TO THE INTERIM STATEMENT (unaudited) (Continued)

5. Earnings Per Share

	2006 <u>€m</u>	2005 <u>€m</u>
Profit attributable to Independent News & Media PLC	52.1	90.2
Adjustment for conversion of cumulative exchangeable preference shares*	-	5.5
	<u>52.1</u>	<u>95.7</u>
Exceptional items net of taxation and minority interests	4.4	(39.7)
Diluted profits before exceptional items	<u>56.5</u>	<u>56.0</u>
Weighted average number of shares in issue during the period	756,305,659	745,634,666
Effect of:		
Conversion of options	4,742,920	6,888,477
	<u>761,048,579</u>	<u>752,523,143</u>
Conversion of cumulative exchangeable preference shares*	-	56,250,000
Diluted number of shares	<u>761,048,579</u>	<u>808,773,143</u>
Earnings per share	<u>6.89c</u>	12.09c
Basic earnings per share before exceptional items	<u>7.47c</u>	6.77c
Diluted earnings per share*	<u>6.85c</u>	11.83c
Diluted earnings per share before exceptional items*	<u>7.43c</u>	6.71c

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive options over ordinary shares and dilutive cumulative exchangeable preference shares.

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

* The cumulative exchangeable preference shares were not dilutive in 2006 for both Diluted Earnings Per Share and Diluted Earnings Per Share Before Exceptional Items. In 2005, the cumulative exchangeable preference shares were dilutive for the purposes of calculating Diluted Earnings Per Share but were not dilutive for the purposes of calculating Diluted Earnings Per Share Before Exceptional Items. Therefore, in calculating the Diluted Earnings Per Share Before Exceptional Items for 2005, the "Adjustment for conversion of cumulative exchangeable preference shares" (see above) is excluded from Diluted profits before exceptional items and the "Conversion of cumulative exchangeable preference shares" (see above) is excluded from the Diluted Number of Shares.

NOTES TO THE INTERIM STATEMENT (unaudited) (Continued)

6. Dividends

	2006 <u>€m</u>	2005 <u>€m</u>
Dividends on equity shares		
Final (2005) ordinary dividend of €0.07 per share on 758,300,511 shares (2004: €0.06 per share on 745,767,939 shares)	<u>53.1</u>	<u>44.7</u>

An Interim ordinary dividend of €0.0415 (Interim 2005: €0.0375) per share – total dividend payable of €31.6m (2005: €28.2m) – has been declared subsequent to 30 June 2006.

7. Reconciliation of Operating Profit to Net Cash Generated from Operations

	2006 <u>€m</u>	2005 <u>€m</u>
Operating profit before exceptional items	147.9	141.0
Depreciation/amortisation	18.5	22.3
Non-cash share based payment	1.8	1.1
Cash exceptional items	(2.0)	(2.5)
Unrealised foreign exchange movements	(7.1)	(7.5)
Cash generated from operations before changes in working capital and provisions	159.1	154.4
Decrease/(increase) in stocks	3.1	(1.1)
Increase in short term and medium term debtors	(3.4)	(1.6)
Decrease in short term and long term creditors	(2.4)	(0.9)
(Decrease)/increase in provisions (excluding restructuring payments)	(1.7)	0.1
Restructuring payments	(10.0)	(4.2)
Net cash generated from operations	144.7	146.7