

Interim Report 1998

INDEPENDENT NEWSPAPERS ANNOUNCES RECORD RESULTS

The Board of Independent Newspapers, PLC today announced interim results for the half year ended 30th June 1998. Independent Newspapers, PLC operates mainly in Ireland, the United Kingdom, France, South Africa, Australia and New Zealand and has three main classes of businesses: printing, publishing and distribution of newspapers and magazines; outdoor advertising; and electronic media.

HIGHLIGHTS FOR THE HALF YEAR TO 30th JUNE 1998

- Group Turnover up 9% to a record IR£312 million.
- All Geographical Divisions recorded strong increases on 1997.
- Group Operating Profits up 12% to a record IR£55 million.
- Group Attributable Profits up 16.6% to a record IR£21.8 million.
- Earnings Per Share (EPS) up 19% to 10.08p.
- Interim Dividend Per Share (DPS) up 15% to 3.0p.
- Group on target for improved 1998 results.

27th August, 1998

Dear Shareholder,

Attached is a copy of the Interim Statement of Independent Newspapers, PLC for the half year ended 30th June 1998.

Strong advances in all geographical divisions worldwide have pushed operating profits up by 12% to a record IR£55 million, continuing the Group's mission of securing double-digit earnings growth for its shareholders. All divisions reported increases in their core business operations, with total group turnover advancing by 9% to a record IR£312 million.

Profit attributable to shareholders after taxation and minority interests at IR£21.8 million was 16.6% up on 1997. Fully diluted earnings per share – excluding rationalisation costs and goodwill amortisation – rose by 19% to 10.08p. As a result, the Board of Independent Newspapers, PLC is recommending a 15% increase in the interim dividend to 3.0p per share. This dividend (which also offers a scrip alternative) will be payable on 30th October 1998 to Ordinary Shareholders registered at the close of business on 18th September 1998.

Commenting on the results for the half year, Group Chief Executive, Liam P Healy, said: "Our performances were strong worldwide and our brands everywhere showed a worthwhile increase in market share. But for the weakness of southern hemisphere currencies this would have been even more evident in the results. At constant currency exchange rates, profits attributable to shareholders after taxation and minority interests would have been up 26% to IR£23.6 million and fully diluted earnings per share excluding exceptional items and goodwill amortisation up 28% to 10.78p".

Ireland

The continued buoyancy of the Irish economy led to record performances across all operating divisions, with total turnover advancing by 10% and exceeding IR£100 million for the first time. Operating profit at IR £23 million was up 14% reflecting enhanced operating margins.

Advertising growth accelerated on 1997 levels, with first half performances in line with market trends. Key advertising sectors of recruitment, retail, financial and property all contributed significantly to record increases in advertising revenues for all five Irish titles – the Sunday Independent, Irish Independent, Evening Herald, Sunday World and The Star. The launch of the Irish Independent "Weekend" Saturday magazine boosted colour availability and was critical in meeting the expanding use of colour across all categories of the advertising market.

All titles consolidated their circulation market leadership in their respective segments, morning – broadsheet, morning – tabloid, evening, Sunday – broadsheet and Sunday – tabloid.

The highly successful launch of "Weekend" has generated a 20% increase in the Irish Independent's Saturday circulation sale. Consistent circulation growth and unrivalled daily readership in the all important ABC1 advertising market, confirms the Irish Independent's position as Ireland's leading National Quality Daily.

The Sunday Independent maintained its unrivalled position as Ireland's leading advertising medium – print or electronic – reaching over 1.1 million readers, and offering twice the audience of all other Irish Sunday broadsheets combined. Constituting over 50% of all ABC1s, the Sunday Independent now commands its highest quality ABC readership in over a decade. We will shortly be adding to the size and content of the Sunday paper.

The Evening Herald remains Dublin's most popular daily newspaper, with over 30% market penetration and a circulation of 110,000. The Evening Herald's lively cocktail of strong Dublin news, opinion and features – and unrivalled classified platform – has been further strengthened in August through the launch of EH2 – a pullout second section, providing comprehensive entertainment listings, classified and TV Guide.

The Sunday World – Ireland's leading Sunday tabloid – continued to set the pace in the popular tabloid market, with continuing circulation increases and a readership approaching 1 million.

The strength of the Star's readership has been underscored over the last two months as it retained its circulation in the face of predatory pricing from the Sun and the Mirror. Both these titles have now reverted to their traditional price levels. Significantly, The Star commands second place in the daily

readership market, some one third greater than the third largest selling Irish newspaper.

Circulation is ahead at all three of our Provincial Newspaper Groups reflecting continued investment in the editorial products and vigorous marketing activity. Advertising is also buoyant, and profits are ahead by 26%.

The successful integration of our telephone directory (The Independent Directory) and telephone information audiotex service (IIS) into Independent Communications Limited leaves Independent Newspapers well positioned to avail of communication and new media opportunities for the next millennium. The company is presently exploring a number of opportunities in this area.

The transition to electronic pagination of the Abbey Street titles is on course for completion by the end of this month. It is the largest pagination project ever undertaken in Ireland. It combines the complete screen pagination of all display and classified advertising and all editorial pages, as well as electronic receipt and production of images and pictures.

The Irish Independent's internet site, www.independent.ie, has been further developed and is now one of the fastest growing sites in Ireland, having won a number of awards.

United Kingdom

During March your company made an offer to acquire the outstanding shareholding in Newspaper Publishing. The offer was accepted by the majority of shareholders including the Mirror Group which held 46% and Prisa of Spain which held 7%.

This acquisition which was completed in April has led to a reorganisation of the Group's UK interests with the formation of Independent Newspapers (UK), which manages the national titles, the regional titles and the magazine and exhibition business.

Since acquiring control of the national Independent titles, your company has embarked on a revitalisation of the business, appointing new editors and senior writers to both titles. Results to date are encouraging and in line with expectations, with both circulation and advertising revenue showing significant improvement. During the first three months of full ownership, circulation of the daily title grew by 4% to 225,000 and the Sunday title by 4% to 256,000. In addition, market share has increased in each month since the acquisition. Further circulation gains are anticipated following the successful introduction of the newly formatted Monday to Friday paper on 9th June and newly formatted Saturday and Sunday titles on 15th/16th August. The improvements have been very well received by readers, advertisers and media commentators.

Losses incurred in the first half of the year on a like for like basis have been reduced despite significant investment in the newly formatted products.

In addition to the progress made on the national titles, record performances have been achieved in both the regional and magazine businesses. The acquisition of Kentish Times completed last September has now been successfully integrated and has significantly expanded the Regional Newspaper business which is now rated in the top twenty in the UK.

The magazine business has also enjoyed a record half year and has further developed its internet and highly profitable exhibition business.

France

The strong second half performance in 1997 achieved by Sirocco continued into the first half of the current year and the company recorded a 19% increase in operating profits to FF10.5 million. The French economy is at last showing growth, which is predicted to continue and this has increased demand for our outdoor advertising sites throughout the country.

Sirocco's joint venture with France's largest media group Havas Media Communications, continues to develop satisfactorily.

The recent acquisition by Clear Channel of the More Group in the UK gives us great confidence in the underlying value of our French Outdoor advertising asset.

South Africa

Independent Newspapers Holdings Limited achieved a 12.4% increase in half year turnover from continuing operations to R549 million with stronger operating margins – up from 11.9% to 12.0% - lifting continuing operating profits by 13.4% to R66.1 million.

Building the strength and quality of our editorial product is a core objective of Independent Newspapers Holdings. This is reflected in the fact that ten of the group's fourteen papers showed an increase in circulation in the period. In Durban, our Saturday paper was recently relaunched as The Independent on Saturday. Plans are at an advanced stage for the further expansion of Business Report which is carried in our metropolitan newspapers throughout South Africa.

The recent weakening in the Rand exchange rate and resultant increase in interest rates has had a dampening effect on consumer spending. However, steps are being taken to tighten costs and the results of the group for the full year are expected to show improvement over 1997.

Australia

Independent Newspapers' Australian associated company, APN News and Media, reported an operating profit for the half year of A\$29.9 million, up 7% on the prior year. This was achieved on a turnover from continuing operations of A\$182 million, up 15%.

The strong, steady growth at APN for the first half is in line with budgets and reflects the strengths of the core divisions of the group in newspapers, outdoor, radio and TV. This performance maintains the company's consistent annual earnings growth since it was listed in 1992. The results were achieved in very challenging trading conditions in Australia, New Zealand and Asia.

New Zealand

Operating profits from continuing operations at Wilson & Horton are up 6% to NZ\$43.6 million, compared

to the same period last year. This was achieved on a turnover of NZ\$213 million, up 2.2%. This was an impressive performance given the atmosphere of uncertainty in New Zealand, which has led to a general lack of business confidence. The New Zealand Herald performed well, showing a 2% increase in revenue, boosted by strong growth in national advertising spend. The Herald won the New Zealand "Newspaper of the Year" award, reflecting the transformation of the paper under your Group's management since the acquisition in 1996.

The Wilson & Horton regional newspapers are expected to benefit from an upsurge in farming exports which will flow from the recent reduction in the exchange rate. In our commercial printing operations, a newly installed press is contributing strongly to profits. Our bank print and security print operations are improving their contributions and security plastics has experienced strong demand from a substantial card order from China.

Tight cost control remains a focus of our management so that Wilson & Horton can immediately benefit from any increase in economic activity. Our position as New Zealand's largest newspaper publisher, our shareholding in the country's biggest commercial radio operation and our position as the largest commercial printer in New Zealand will position us well for economic recovery.

Princes Holdings Limited

Princes Holdings has achieved its first ever pre-tax profit in the half year to June 1998. This was aided by the strong growth in the number of subscribers which currently stand at over 143,000.

During the half year, agreement was reached whereby TCI will purchase UIH's shareholding in the company. Princes Holdings will then be jointly owned by Independent Newspapers and TCI, the largest TV Cable operator in the world.

Acquisitions and Disposals

Since the beginning of the current financial year IR£81 million has been invested in the development of the Group worldwide. The outstanding shareholding in Wilson & Horton was acquired and the Group also increased its shareholding in Independent Newspapers Holdings Limited of South Africa to 73%.

The Group also purchased the outstanding shareholdings in Newspaper Publishing to give it total ownership of the two important UK national newspaper titles, The Independent and The Independent on Sunday.

The positive effects of these investments are clear from the increase in Earnings Per Share and the reduction in profits attributable to minority interests. All these transactions were tax effective and result in a significantly lower tax charge for the Group.

Year 2000

Independent Newspapers, PLC has undertaken a structured approach to the issue of Year 2000 compliance throughout the Group. The project commenced in early 1997 under the supervision of a special purpose Year 2000 committee with each subsidiary retaining responsibility for compliance. Each subsidiary has evaluated the risks, identified the methods of resolving any problems and designed a

programme to ensure full compliance. This programme includes complete testing of each system prior to it being deemed compliant. The Group's objective is to be fully compliant by 31st December 1998 and it is currently on target to achieve this objective. In so far as it is possible the Group is in the process of ascertaining that its suppliers will also be compliant.

Implementation of FRS 10

Independent Newspapers, PLC is a large group with extensive international operations and as a result the implementation of Financial Reporting Standard 10 – Goodwill and Intangibles (FRS 10) is detailed and complex. While work on implementing FRS 10 is ongoing, it is not yet complete and as a result FRS 10 has not been implemented in the Group's results for the 6 months ended 30th June 1998.

Prospects

The results for the Group for the full year are expected to show an improvement over 1997.

LP Healy
Chief Executive
27th August 1998

For reference:

Liam Healy	Jim Milton	John Coyle
Chief Executive	Murray Consultants	Chris Skyrme
Independent	353-1-661 4666	Basham & Coyle
Newspapers, PLC		44-171-253-3300
353-1-475 8432		

ABOUT INDEPENDENT NEWSPAPERS, PLC

Worldwide Operations

Independent Newspapers around the World now print and publish over 15 million newspapers per week. Its subsidiary and associated companies include: the number one newspaper company in Ireland; New Zealand; South Africa; and the number four publishing house in Australia. We own the London Independent and Independent on Sunday and also have a strategic investment in Jornalgeste, the largest publisher in Portugal. In addition, through APN's 50% ownership of the Australian Radio Network (ARN) and our ownership of The Radio Network in New Zealand, we have the largest radio broadcasting group in Australasia. ARN has nine stations and a daily audience of over three million in cities which include Sydney and Melbourne. The Group is also involved in pay TV in Australia and in cable TV in Ireland.

Group Strategy

The strategy of the Group is to continue to expand and develop its products in print, electronic media and outdoor advertising throughout the world.

The Group's goal is to provide shareholders with a stake in a range of dynamic and expanding economies where shareholder value can be built over the long term.

INDEPENDENT NEWSPAPERS, PLC

INTERIM STATEMENT - (UNAUDITED FIGURES)

GROUP PROFIT AND LOSS ACCOUNT

	Half Year ended	Half Year ended
	30 June 1998	30 June 1997
	<u>IR£000</u>	(as restated) <u>IR£000</u>
Turnover		
- Continuing operations	288,847	276,360
- Acquisitions	23,429	-
	_____	_____
- Turnover from continuing operations	312,276	276,360
- Discontinued operations	-	9,447
	_____	_____
	312,276	285,807
	=====	=====
Operating profit		
- Continuing operations	55,138	49,077
- Exceptional items	<u>(2,665)</u>	<u>(1,178)</u>
	52,473	47,899
- Acquisitions	(670)	-

- Exceptional items	<u>(7)</u>	<u> </u>
Operating profit from continuing operations	51,796	47,899
Discontinued operations	<u> </u>	<u>704</u>
Profit on ordinary activities before interest	51,796	48,603
Net interest charge	<u>(17,681)</u>	<u>(9,583)</u>
Profit on ordinary activities before taxation	34,115	39,020
Taxation on profit on ordinary activities	<u>(8,182)</u>	<u>(10,363)</u>
Profit on ordinary activities after taxation	25,933	28,657
Minority interests	<u>(4,113)</u>	<u>(9,952)</u>
Profit for the half year	21,820	18,705
Dividends proposed	<u>(7,508)</u>	<u>(6,435)</u>
Retained profit for the half year	14,312	12,270
	=====	=====
STATEMENT OF RETAINED PROFITS		
Retained profit at beginning of year	117,956	80,751
Retained profit for the half year	14,312	12,270
Exchange and other adjustments	<u>(7,281)</u>	<u>9,350</u>
Retained profit at end of half year	124,987	102,371
	=====	=====
Earnings per share	<u>8.78p</u>	<u>7.58p</u>
Fully diluted earnings per share	<u>8.72p</u>	<u>7.76p</u>
Fully diluted earnings per share before exceptional items and goodwill amortisation	<u>10.08p</u>	<u>8.45p</u>

GROUP BALANCE SHEET

	30 June	30 June
	1998	1997
		(as restated)
	<u>IR£000</u>	<u>IR£000</u>
FIXED ASSETS		
Intangible assets	898,176	709,523

Tangible assets	185,673	208,954
Financial assets	116,230	168,693
	<u>1,200,079</u>	<u>1,087,170</u>
CURRENT ASSETS		
Stocks	15,346	18,836
Debtors	128,266	113,208
Cash at bank and in hand	94,688	74,159
	<u>238,300</u>	<u>206,203</u>
CREDITORS		
(Amounts falling due within one year)	(215,603)	(130,454)
	<u>22,697</u>	<u>75,749</u>
NET CURRENT ASSETS		
	<u>1,222,776</u>	<u>1,162,919</u>
	=====	=====
CREDITORS		
(Amounts falling due after more than one year)	500,125	444,525
Provisions for liabilities and charges	2,003	7,211
	<u>502,128</u>	<u>451,736</u>
	<u>518,138</u>	<u>427,260</u>
CAPITAL AND RESERVES		
Called up share capital	62,336	61,874
Capital reserves	330,815	263,015
Profit and loss account	124,987	102,371
	<u>518,138</u>	<u>427,260</u>
MINORITY INTERESTS		

Equity minority interests	66,534	150,987
Non-equity minority interests	135,976	132,936
	<u>202,510</u>	<u>283,923</u>
	1,222,776	1,162,919
	=====	=====

GROUP CASH FLOW STATEMENT

	Half Year ended		Half Year ended	
	30 June 1998		30 June 1997	
			(as restated)	
	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		43,786		66,469
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	4,296		3,017	
Interest paid	(26,329)		(21,043)	
Dividends paid to minority shareholders	(4,032)		(10,678)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(26,065)		(28,704)
NET CASH OUTFLOW FROM TAXATION		(8,529)		(8,731)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of tangible fixed assets and titles	(11,711)		(9,119)	
Sale of tangible fixed assets and investments	1,008		939	
Deferred expenditure	(230)		(114)	
Purchase of investments	(16)		(138)	
Increase in investment in associated undertakings	-		(67)	
Advances to associated undertakings	(5,338)		(4,116)	
Advances repaid by associated undertakings	251		-	
Other capital expenditure	(13)		(1)	

NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(16,049)	(12,616)
ACQUISITIONS AND DISPOSALS		
Purchase of equity minority interests	(75,996)	(5,283)
Purchase and redemption of non-equity minority interests	(44,292)	(47,912)
Purchase of subsidiary undertakings	(4,726)	(13,019)
(Overdraft)/cash acquired with subsidiary undertakings	(815)	69
Disposal of subsidiary undertaking	1,311	-
	(124,518)	(66,145)
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		
EQUITY DIVIDENDS PAID	(11,700)	(10,356)
CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(143,075)	(60,083)
MANAGEMENT OF LIQUID RESOURCES		
(Increase)/decrease in short term deposits	(724)	1,927
NET CASH (OUTFLOW)/INFLOW FROM MANAGEMENT OF LIQUID RESOURCES	(724)	1,927
FINANCING		
Issue of shares	1,200	889
Issue of non-equity minority interests	85,000	-
Receipt of short term loans	35,088	270
Repayment of short term loans	(34,105)	-
Receipt of long term loans	104,224	57,000
Repayment of long term loans	(187)	(3,672)
Capital element of finance lease rental payments	(348)	(339)
NET CASH INFLOW FROM FINANCING	190,872	54,148
INCREASE/(DECREASE) IN CASH	47,073	(4,008)
	=====	=====

SEGMENTAL REPORT

The Group operates mainly in Ireland, the United Kingdom, France, South Africa, Australia and New

Zealand. The Group has three main classes of business:

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

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

BY GEOGRAPHICAL SEGMENTS

	Turnover		Operating Profit	
	1998	1997	1998	1997
	(as restated)		(as restated)	
	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>
Ireland	100,012	91,478	23,083	20,313
United Kingdom				
- continuing operations	16,923	14,240	4,601	2,231
- acquisitions	23,429	-	(677)	-
France	9,435	8,369	1,247	994
South Africa				
- continuing operations	77,480	69,559	8,938	8,061
- discontinued operations	-	5,891	-	(176)
New Zealand				
- continuing operations	84,997	92,714	16,277	18,004
- discontinued operations	-	3,556	-	880
	-----	-----	-----	-----
	312,276	285,807	53,469	50,307
	=====	=====	-----	-----
Associated undertakings Group share:				
Ireland			440	(12)
United Kingdom			(2,940)	(2,558)
South Africa			3	(23)
Australia			4,720	4,521

New Zealand	<u>(984)</u>	<u>(609)</u>
	<u>1,239</u>	<u>1,319</u>
Common costs	(2,912)	(3,023)
Net interest charge	<u>(17,681)</u>	<u>(9,583)</u>
Group profit on ordinary activities before taxation and minority interests	<u>34,115</u>	<u>39,020</u>

Turnover by origin has been shown above and does not differ materially from turnover by destination.

BY CLASS OF BUSINESS

	Turnover		Operating Profits	
	1998	1997	1998	1997
		(as restated)		(as restated)
	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>	<u>IR£000</u>
Printing, publishing, distribution and commercial printing				
- continuing operations	279,412	267,991	52,899	48,609
- acquisitions	23,429	-	(677)	-
- discontinued operations	-	9,447	-	704
Outdoor advertising	9,435	8,369	1,247	994
	-----	-----	-----	-----
	312,276	285,807	53,469	50,307
	=====	=====	-----	-----

Associated undertakings Group share:

Printing, publishing, distribution and commercial printing	1,907	1,703
Outdoor advertising	48	31
Electronic media	<u>(716)</u>	<u>(415)</u>
	<u>1,239</u>	<u>1,319</u>
Common costs	(2,912)	(3,023)
Net interest charge	<u>(17,681)</u>	<u>(9,583)</u>

Group profit on ordinary
activities before taxation and
minority interests

34,115 39,020

===== =====

[Web Links](#)