

DEAR SHAREHOLDER

I am again pleased to report good performances from each of our individual operations for the six months ended 30th June 2003. In firming global markets, these results once again underscore the strength and vitality of our leading titles, our geographic spread of businesses and our relentless focus on cost efficiencies across all our operations.

Group turnover – from its globally-diversified operating base, centred in its five primary markets of Australia, Ireland, New Zealand, South Africa and the United Kingdom – of €659.6 million was up 3.9% on 2002 and in constant currencies was up 8.4%. This follows a progressive enhancement through the first half in advertising volumes and rate, with particular advertising strength in each of the Southern Hemisphere operations.

To further augment core revenue expansion, the Group has launched several new products within its publishing division, which have gained good market traction. The Group continues to make good progress in market share, with strength in the core classifieds of property, motors and retail, as well as buoyant colour ROP, more than off-setting an ongoing weakness in recruitment/financial advertising. In addition, circulation revenues – across all our titles – continue to show good advances on 2002, reflecting the full flow through of cover price increases on the prior year.

Operating profit (before exceptionals) for the six months, at €106.6 million, was up 3.8% on the corresponding period in 2002 and was up 8.2% in constant currencies. Each of the main operating sectors – publishing, radio and outdoor – were ahead of last year in constant currencies. Strong revenues and tight cost control (cost increases maintained at below the rate of inflation) drove this good operating performance.

Profit after tax, at €47.7 million, was up 8.4% on 2002 driven by increased operating profits and reduced interest and tax charges. As a result, adjusted earnings per share, at 6.09c, were up 7.0% on 2002.

The Board is recommending an interim dividend of 2.75c per share, an increase of 5.4% on 2002, reflecting the Board's confidence in the strength of the Group's operations. This dividend will be paid on 14th November 2003 to ordinary shareholders registered at the close of business on 26th September 2003. A scrip dividend alternative will also be available.

OPERATIONS

Australasia

APN News & Media Ltd (APN), (41% owned by Independent News & Media PLC ('INM')) reported a net profit after tax and minorities for the six months ended 30th June 2003 of A\$44.7 million, up 24% on the prior year. Earnings per share were 10.2 cents, up 21% from 8.4 cents in 2002. Group revenue before non-recurring items increased 16% to A\$542 million. EBIT before non-recurring items increased 20% to A\$103.6 million.

The result reflects a continuation of the improved trading conditions experienced in the last quarter of 2002 and the outcome was underpinned by particularly good performances from APN's Australian and New Zealand newspapers.

The New Zealand Herald increased EBIT by 26% to A\$40.5 million. Auckland remains New Zealand's largest and most buoyant regional economy, with real estate and employment markets continuing to exhibit excellent growth. Regional newspapers in Australia and New Zealand have continued to trade well with EBIT for the period increasing by 27% to A\$36.1 million. Strong performances across the regional markets enabled the division to achieve double-digit growth in local and national advertising. Circulation of APN's Australian regionals was up 1.2% in the six-monthly ABC audit to June 2003, the fifth successive survey period of circulation growth.

The Radio division produced a strong second quarter, with forward bookings improving into the second half. New Zealand Radio performed well in the first half. Australian Radio started the year more slowly, but has picked up well and is expected to perform well in the second half.

The results from core Outdoor assets (including Adshel) exceeded the 2002 first half divisional profit contribution by 8%. The division has been restructured and this should benefit the business going forward.

Overall, trading for the first half of 2003 has been very positive, and the start of the second half has been encouraging. The major trading divisions continue to trade in line with or above expectations.

Ireland

Turnover for the Irish division, at €176.3 million, was up 2.1% on 2002, largely as a result of the strong revenue increases in the group's wholesaling division, Newsprint, which more than offset the weaker advertising market seen in the first half, and particularly in the first quarter.

Operating profits at €37.7 million were slightly down on 2002, reflecting the tougher advertising environment. Overall, operating margins were marginally down to 21.4%, reflecting the strong, but lower-margin sales from Newsread. However, good cost management in the newspaper divisions lifted core publishing operating margins.

While overall advertising was down over 4% in the first half, Independent's performance was in line with the market, and the group's titles maintained or grew their share in the key advertising categories. Following a 10% market decline in the first quarter, the recent National Newspaper of Ireland industry figures confirmed that advertising expenditure grew by 1.4% in the second quarter, and our titles benefited from this improving trend, with a noted improvement in property, colour and run-of-paper. However, recruitment/financial and government advertising still remain depressed.

Circulation revenues showed good growth and were up 3.2% on 2002, reflecting the full flow through of cover price increases implemented in 2002/3. The group's focus and effort remains on effective yield per copy, and the recently-announced ABC circulation headline numbers reflect decreased bulk activity, with a strong focus on driving core volumes. The Irish market remains ever competitive – especially as a number of competitors pursue loss-making activities – and the group will continue to prudently invest in new product development.

This new product development – allied to the market-leading strategies adopted by the group – has helped to reinforce the continuing pre-eminence of each of the group's titles, which lead all key newspaper categories as recorded in the recently issued JNRS readership results. Despite new British entrants into this survey, the *Sunday Independent* continues to deliver unrivalled coverage, registering over one million readers in this latest survey. The impact of the new entrants into this survey has only served to further fragment the bottom end of the market, and increase the relative strength of each of the group's titles.

Good cost control has continued throughout the first half, despite the impact of the PPF on wage rates, and our group purchasing function continues to deliver incremental benefits. The group will continue to proactively pursue cost efficiencies across all divisions.

South Africa

The South African operation performed well in a healthy economic and trading environment with the stronger Rand benefiting inflation and the reversal of the 2002 interest rate increases driving higher retail activity.

Overall, the group produced excellent results with revenue growth of 11.2% in constant currencies. This, combined with ongoing strict cost management, delivered a 13.5% increase in operating profits and an increase in operating margins to 10.8%.

Press advertising in South Africa showed good growth in the first half of 2003 with the group's titles improving their market share. Circulation performed very well, with 14 of the group's 15 titles showing year-on-year growth, in a market where most competitors showed ongoing declines. Circulation of *Isolezwe* – the group's Zulu language daily newspaper – which was launched last year, has increased to 44,500 copies per day.

In outdoor advertising, the group's 40.3% interest in Clear Channel Independent – South Africa's leading outdoor advertising company which commands a 56% market share – showed a further substantial increase in its contribution through new product innovations and rationalisation of its African operations.

United Kingdom

In a prolonged tough advertising market, the UK recorded profits of Stg£5.7 million, Stg£0.7 million down on 2002. Revenues were Stg£1.2 million lower at Stg£72.6 million. Advertising revenue was 3.3% below last year with poor national advertising being partly compensated for by robust classified revenues in Belfast.

In the nationals division, *The Independent* achieved further increases in both circulation and readership market shares. Its coverage of the Gulf War was considered by most commentators to be the most authoritative amongst the British press. *The Independent on Sunday*, with the highly acclaimed London magazine, *Talk of the Town*, was re-launched in February and has made good progress.

The Northern Ireland division continued to perform well, on the back of good advertising, particularly recruitment, and strong circulation revenues. *The Belfast Telegraph* and *Sunday Life*, have further consolidated their position as Northern Ireland's leading newspaper titles. In addition, subsequent to the half year, the Northern Ireland division has secured a new long-term contract to print the Trinity Mirror group's newspaper titles in Belfast, replacing contracts lost in 2002.

The London-based magazine division continued to experience a weak UK recruitment advertising market, consistent with its competitors. Further cost efficiencies leave this division well placed to benefit from any improvement in recruitment advertising.

The Department of Trade and Industry is expected to announce its decision on the proposed sale of the London Regional Newspapers division in the coming weeks.

RECAPITALISATION PROGRAMME

The Group continues to make excellent progress in implementing the €315 million recapitalisation programme (announced 26th March 2003) and to date has completed €210 million (67%) from a combination of share issues and certain non-core asset disposals. Further updates on the balance of the recapitalisation programme will be made in the coming months.

On 6th June 2003, INM announced the successful completion of a new 5-year “Club” bank facility with its core banks, which was 48% over-subscribed. At that time, INM also announced that it had refinanced in full its New Zealand (NZ\$181.8 million) Cumulative Exchangeable Preference Shares [‘CEPS’]. These new CEPS are due to mature in November 2007. In addition, the Group redeemed its €107.9 million Redeemable Preference Shares on 26th June 2003, in accordance with the terms of that instrument.

OUTLOOK

Following further revenue improvements in quarter 2, advertising visibility has improved and circulation revenues remain buoyant. The Group continues its strong focus on revenue growth, cost control and cash generation within each of its operating units. The Group’s lower debt levels, coupled with lower interest rates, will deliver a reduced interest charge for the year.

Assuming a continuation of current trading conditions, the Group’s uniquely strong brands, leading market positions, geographic diversity and enhanced balance sheet leave INM well positioned to deliver a meaningful improvement in earnings for 2003, in line with market consensus forecasts.



Sir Anthony O'Reilly
Executive Chairman
Independent News & Media PLC

10th September 2003

GROUP PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Six months ended 30th June 2003	Six months ended 30th June 2002
	€m	€m
Turnover - continuing operations	659.6	635.1
Operating profit		
- continuing operations	106.6	102.7
- exceptional items	(9.6)	(8.9)
Operating profit from continuing operations	97.0	93.8
Exceptional items	5.0	-
Profit on ordinary activities	102.0	93.8
Net interest charge	(41.6)	(42.1)
Exceptional finance charge	(8.0)	-
Profit on ordinary activities before taxation	52.4	51.7
Taxation on profit on ordinary activities	(4.7)	(7.7)
Profit on ordinary activities after taxation	47.7	44.0
Minority interests (including non-equity minority interests)	(25.5)	(22.1)
Profit on ordinary activities after taxation and minority interests	22.2	21.9
Dividends proposed	(20.2)	(16.6)
Retained profit for the six months for the Group and its share of joint ventures and associates	2.0	5.3
Earnings per share	3.47c	3.46c
Fully diluted earnings per share	3.46c	3.43c
Fully diluted earnings per share before exceptional items and amortisation	6.09c	5.69c

STATEMENT OF RETAINED PROFITS (UNAUDITED)

	Six months ended 30th June 2003	Six months ended 30th June 2002
	€m	€m
Retained profit at beginning of year as previously stated	52.1	147.9
Retained profit for the six months	2.0	5.3
Treasury shares movement	18.5	1.7
Exchange rate adjustments	18.7	(16.8)
Retained profit at end of June	91.3	138.1

GROUP BALANCE SHEET (UNAUDITED)

	30th June 2003	30th June 2002	30th June 2003 (Inc. Mastheads)	30th June 2002 (Inc. Mastheads)
	€m	€m	€m	€m
Fixed Assets				
Intangible assets	1,627.3	1,655.3	2,336.4	2,366.0
Tangible assets	361.5	390.4	361.5	390.4
Financial assets				
Investment in joint ventures				
- Share of gross assets	33.0	25.2	42.1	34.3
- Share of gross liabilities	(9.5)	(8.1)	(9.5)	(8.1)
	23.5	17.1	32.6	26.2
Investment in associates	76.1	86.9	76.1	86.9
Other investments	18.2	22.1	18.2	22.1
	117.8	126.1	126.9	135.2
	2,106.6	2,171.8	2,824.8	2,891.6
Current Assets				
Stocks	23.8	23.6	23.8	23.6
Debtors	279.8	241.1	279.8	241.1
Other current assets	3.8	75.4	3.8	75.4
Cash at bank and in hand	163.7	81.1	163.7	81.1
	471.1	421.2	471.1	421.2
Creditors - amounts falling due within one year	(506.8)	(338.7)	(506.8)	(338.7)
Net Current (Liabilities)/Assets	(35.7)	82.5	(35.7)	82.5
Total Assets Less Current Liabilities	2,070.9	2,254.3	2,789.1	2,974.1

GROUP BALANCE SHEET (UNAUDITED) *continued*

	30th June 2003	30th June 2002	30th June 2003 (Inc. Mastheads)	30th June 2002 (Inc. Mastheads)
	€m	€m	€m	€m
Creditors - amounts falling due after more than one year	1,172.1	1,303.7	1,172.1	1,303.7
Provisions for Liabilities and Charges	43.0	53.9	43.0	53.9
	1,215.1	1,357.6	1,215.1	1,357.6
Capital and Reserves				
Called up share capital	220.4	172.2	220.4	172.2
Capital reserves	(80.6)	(66.1)	637.6	653.7
Profit and loss account	91.3	138.1	91.3	138.1
Equity Shareholders' Funds	231.1	244.2	949.3	964.0
Minority Interests				
Equity minority interests	452.4	422.2	452.4	422.2
Non-equity minority interests	172.3	230.3	172.3	230.3
	624.7	652.5	624.7	652.5
	2,070.9	2,254.3	2,789.1	2,974.1

GROUP CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30th June 2003		Six months ended 30th June 2002	
	€m	€m	€m	€m
Net Cash Inflow from Operating Activities		127.3		158.9
Dividends Received from Joint Ventures		0.5		0.3
Returns on Investments and Servicing of Finance				
Interest received – Group	3.4		3.4	
Interest paid – Group	(56.1)		(73.4)	
Debt issue costs	(8.8)		-	
Dividends and other payments to equity minority shareholders	(8.8)		(6.5)	
Dividends and other payments to non-equity minority shareholders	(9.9)		(6.8)	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(80.2)		(83.3)
Net Cash Outflow from Taxation		(16.8)		(12.9)
Capital Expenditure and Financial Investment				
Purchase of tangible fixed assets and titles	(8.0)		(13.9)	
Sale of tangible fixed assets and investments	15.8		2.2	
Purchase of investments/advances to investees	(4.8)		(13.5)	
Advances to joint ventures	(0.1)		-	
Advances to associates	-		(0.7)	
Increase in investment in associates	(4.6)		(1.7)	
Advances repaid by associates	1.2		-	
Other capital expenditure	(7.8)		-	
Net Cash Outflow from Capital Expenditure and Financial Investment		(8.3)		(27.6)

GROUP CASH FLOW STATEMENT (UNAUDITED) *continued*

	Six months ended 30th June 2003		Six months ended 30th June 2002	
	€m	€m	€m	€m
Acquisitions and Disposals				
Purchase of equity minority interests		<u>(1.3)</u>		<u>-</u>
Net Cash Outflow from Acquisitions and Disposals		(1.3)		-
Equity Dividends Paid		<u>(23.9)</u>		<u>(23.1)</u>
Cash (Outflow)/Inflow before Management of Liquid Resources and Financing		(2.7)		12.3
Management of Liquid Resources		<u>-</u>		<u>-</u>
Net Cash Flow from Management of Liquid Resources		-		-
Financing				
Issue of shares		108.3		0.2
Share issue costs		(4.7)		-
Issue of equity minority interests		0.5		3.3
Treasury shares movement		19.8		2.7
Repayment of short term loans		(279.6)		(224.0)
Repayment of long term loans		(260.2)		-
Receipt of long term loans		335.9		15.5
Receipt of short term loans		258.0		-
Issue of non-equity minority interests		43.4		-
Redemption of non-equity minority interests		(107.9)		-
Capital element of finance lease rental payments		<u>(17.7)</u>		<u>(15.5)</u>
Net Cash Inflow/(Outflow) from Financing		<u>95.8</u>		<u>(217.8)</u>
Increase/(Decrease) in Cash		<u>93.1</u>		<u>(205.5)</u>

SEGMENTAL REPORT (UNAUDITED)

The Group operates mainly in Ireland, the United Kingdom, South Africa and Australasia.

The following is an analysis of the Group's results by geographical market for the six months ended 30th June.

By Geographical Segments

	Turnover		Operating Profit	
	2003 €m	2002 €m	2003 €m	2002 €m
Turnover (By origin):				
Group and share of joint ventures and associates	693.4	660.0		
Less: Share of joint ventures' turnover	(8.0)	(7.6)		
Share of associates' turnover	(25.8)	(17.3)		
Group turnover	659.6	635.1		
Ireland	176.3	172.7	37.7	38.2
United Kingdom	105.8	118.6	8.4	10.2
South Africa	75.3	65.7	8.1	6.9
Australasia	302.2	278.1	57.2	52.1
	659.6	635.1	111.4	107.4
Exceptional items			(6.0)	-
Group share of joint ventures			1.3	0.8
Group share of associates			(4.3)	(9.5)
			(3.0)	(8.7)
Common costs			(5.4)	(4.9)
Exceptional items			5.0	-
Net interest charge			(41.6)	(42.1)
Exceptional finance charge			(8.0)	-
Group profit on ordinary activities before taxation and minority interests			52.4	51.7

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

SEGMENTAL REPORT (UNAUDITED) *continued*

By Class of Business

The Group has three main classes of business:

- Printing, publishing and distribution of newspapers and magazines and commercial printing
- Electronic media (principally radio)
- Outdoor advertising

The following is an analysis of the Group's results by class of business for the six months ended 30th June.

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	Turnover		Operating Profit	
	2003 €m	2002 €m	2003 €m	2002 €m
Turnover:				
Group and share of joint ventures and associates	693.4	660.0		
Less: Share of joint ventures' turnover	(8.0)	(7.6)		
Share of associates' turnover	(25.8)	(17.3)		
Group turnover	659.6	635.1		
Printing, publishing, distribution and commercial printing	552.6	530.1	96.1	91.5
Electronic media	57.6	54.6	10.9	10.5
Outdoor advertising	49.4	50.4	4.4	5.4
	659.6	635.1	111.4	107.4
Exceptional items			(6.0)	-
Group share of joint ventures			1.3	0.8
Group share of associates			(4.3)	(9.5)
			(3.0)	(8.7)
Common costs			(5.4)	(4.9)
Exceptional items			5.0	-
Net interest charge			(41.6)	(42.1)
Exceptional finance charge			(8.0)	-
Group profit on ordinary activities before taxation and minority interests			52.4	51.7

NOTES TO THE INTERIM ANNOUNCEMENT (UNAUDITED)

1. Basis of Preparation

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

2. Earnings Per Share

	2003	2002
	€m	€m
Profit attributable to Independent News & Media PLC	22.2	21.9
Adjustment for conversion of cumulative exchangeable preference shares	-	-
Fully diluted profit	22.2	21.9
Exceptional items net of taxation and minority interests	12.5	8.9
Amortisation of mastheads/goodwill/development expenditure	4.3	5.5
Fully diluted profits before exceptional items and amortisation	39.0	36.3
Weighted average number of shares in issue during the period	640,118,312	633,817,747
Effect of:		
Conversion of options	406,380	4,603,206
Conversion of cumulative exchangeable preference shares	-	-
Fully diluted number of shares	640,524,692	638,420,953
Earnings per share	3.47c	3.46c
Fully diluted earnings per share	3.46c	3.43c
Fully diluted earnings per share before exceptional items and amortisation	6.09c	5.69c

NOTES TO THE INTERIM ANNOUNCEMENT (UNAUDITED)

2. Earnings Per Share *continued*

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.

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

3. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2003 €m	2002 €m
Operating profit from continuing operations	97.0	93.8
Share of profit of joint ventures	(1.3)	(0.8)
Share of loss of associates	4.3	9.5
Depreciation and amortisation charges	26.4	26.4
Decrease in stocks	3.5	1.7
(Increase)/decrease in short term and medium term debtors	(0.7)	24.8
(Decrease)/increase in creditors	(3.0)	0.8
Net movement in provisions	(3.7)	(0.3)
Effects of foreign exchange rate changes	4.8	3.0
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Net cash inflow from operating activities	127.3	158.9

