



Independent News & Media PLC

Interim Report

2005

Interim Statement

Independent News & Media PLC is pleased to announce record interim results for the six months ended 30th June 2005. These results were prepared under International Financial Reporting Standards ['IFRS'] for the first time.

Financial Highlights

	2005 €m	2004 €m	Change %
Revenue	800.8	733.0	+ 9.2%
Operating Profit Before Exceptionals	141.0	125.4	+ 12.4%
Profit Before Tax	140.7	77.9	+ 80.6%
Profit After Tax	124.1	68.3	+ 81.7%
Earnings Per Share	12.09c	4.53c	+ 166.9%
Adjusted Earnings Per Share*	6.71c	5.85c	+ 14.7%
Dividend Per Share	3.75c	3.00c	+ 25.0%

* Fully diluted EPS, before exceptional items

Overview

Revenue increased by 9.2% to €800.8 million. This growth was primarily driven by the Publishing division (advertising + 12.4% and circulation + 5.5%) with the Radio and Outdoor divisions also reporting good underlying growth.

Operating Profit Before Exceptionals increased by 12.4% to €141.0 million, with margins increasing from 17.1% to 17.6%. The first half benefited greatly from the cost restructuring plan implemented last year, which largely mitigated the newsprint price and other inflationary cost pushes in the business. With the Group's stated commitment to be the 'low-cost operator', further efficiencies have been identified which will enhance operating margins, whilst providing the resource to enhance further the competitive position of the Group's titles.

Net Exceptional Items accounted for a positive €37.7 million in the 6 months to June 2005, compared to an exceptional charge of €11.3 million in 2004. This net gain was primarily due to the successful and advantageous disposal of the Group's investment in iTouch plc for €100.0 million, which generated a net gain on disposal of €62.7 million. This gain was partly offset by the redundancy and other costs associated with the closure of the Group's Sunday World print/production facility in Dublin and product launch costs in Belfast and South Africa.

Due to the timing of the implementation of IAS 32 and 39 (under the transition to IFRS), Finance Costs include dividends on the New Zealand Cumulative Exchangeable Preference Shares in 2005, whereas they are included as part of Minority Interests in 2004. Excluding these dividends, Net Interest Costs decreased by 6.0% to €36.2 million on a like-for-like basis.

Profit Before Tax increased by 80.6% to €140.7 million and Profit After Tax was up 81.7%. Basic Earnings Per Share increased to 12.09 cent (+ 166.9%) on the back of the strong operating performance and the successful disposal of the Group's stake in iTouch plc.

The Group has recently refinanced its core bank facility and replaced it with a new 5-year, €440.0 million unsecured facility. This new facility extends the maturity of the Group's bank debt to 2010 on improved terms and pricing.

At the end of June 2005, Independent concluded the acquisition of 26% of Indian newspaper publisher, Jagran Prakashan Private Limited ['JPPL']. This investment in the publisher of *Dainik Jagran*, which has the world's largest daily readership (21.1 million readers), is a very exciting opportunity for the Group and represents a compelling initial presence in one of the world's fastest growing newspaper markets.

The Board is recommending an interim dividend of 3.75 cent per share, an increase of 25% on 2004, reflecting the strong half year operating performance, the significant return realised on the disposal of the stake in iTouch plc and continued confidence in the Group's ability to sustain superior earnings growth. This dividend will be paid on 14th November 2005 to ordinary shareholders registered at the close of business on 23rd September 2005. A scrip dividend alternative will also be available.

Operations Review

Australasia

APN News & Media Limited ['APN'] – in which INM holds a 39.7% shareholding – is listed on the Australian Stock Exchange (since 1992) and has a current market capitalisation of over A\$2.4 billion (€1.5 billion).

The Australasian operations reported record results for the six months to 30th June 2005, with revenue increasing by 8.6% to €384.8 million and operating profit growing by 8.4% to €81.6 million. This result is after a significant investment in a range of new product initiatives ['NPIs'] and APN reported an EBIT increase of 15% before NPIs. Key to the result was the strong first half performance from the Newspaper and Radio divisions.

The New Zealand National Publishing division, which includes *The New Zealand Herald*, the 10-month-old *Herald on Sunday*, *The Aucklander* and New Zealand Magazines, increased overall revenue by 9% and EBIT by 14% on a like-for-like basis. Readership penetration of APN products in the Auckland market increased from 56% in 2002 to 68% at June. *The New Zealand Herald*, with a total weekly readership of 1 million people, is read by 70% of Aucklanders aged 15+. The *Weekend Herald* is New Zealand's best read newspaper with a readership of 635,000. *The Herald on Sunday*, launched in October 2004, has already become Auckland's best read Sunday newspaper and has achieved an audited circulation in its first six months of 101,355. During the half year to June 2005, the *Herald on Sunday* has grown Auckland Sunday newspaper readership by 30%.

The Regional Newspaper division operates 23 regional daily newspapers and more than 100 non-daily titles across Queensland and New Zealand. This division continued to trade well in the first half. Excluding NPIs, revenue increased by 8% and EBIT by 16%. The advertising pillars of employment and real estate/property recorded strong revenue increases in both markets. The A\$35 million new full-colour printing/production facility announced last year on Queensland's Sunshine Coast at Yandina, is on target to be fully operational in the second half of 2006.

The Radio division continues to show good growth. In the six months to June 2005, total revenues increased by 13.7% and EBIT increased by a very satisfactory 28.3%. In Australia, the Australian Radio Network continued to benefit from strong ratings in its target 25-54 demographic. The Radio Network in New Zealand enjoyed good success with the launch of the new formats, *Coast* and *Flava*, into the Auckland market last year. *Coast* is already number 3 and *Flava* number 4.

The restructuring of APN Outdoor continued to deliver improved results in the first half. Revenue, excluding NPIs, grew by 8% to A\$106.2 million and EBIT grew by 8% to A\$6.7 million. The Outdoor division remains on-track for further improvement in 2006 following recent contract wins in Sydney and Melbourne.

Ireland

Operating profit grew by 16.4% to €44.7 million reflecting a combination of strong advertising growth, good circulation figures for all titles and the benefit of the successful restructuring of the cost base of the main Irish operation in mid-2004.

First half revenue for the Irish operations increased by 9.2% to €207.1 million. Advertising revenue grew by 14.6%, with real estate/property buoyant, recruitment recovering strongly, and general retail and motors well up on the prior year.

The successful rollout of the *Irish Independent* compact edition during the first half of 2004, together with cover price increases on the *Sunday World*, along with most of the group's regional titles, boosted circulation revenues by 2.7% year-on-year.

Recently released readership figures confirm the strength of the group's Irish titles, with the *Sunday Independent* attracting 1.056 million readers, far in excess of all its competitors combined, and the *Irish Independent* remains Ireland's largest selling daily. All of the group's other titles remain clear leaders in their respective markets both in terms of copy sales and readership.

The restructuring of the cost base of the main Irish publishing operations in 2004 yielded a significant step change reduction in the group's costs through the outsourcing and rationalisation of telesales and clerical functions. That process continued in 2005, with further process improvements and cost savings for the broader Irish group. In June 2005, the decision was taken to cease printing operations at the *Sunday World* print facility in Terenure, Dublin. The *Sunday World* print facility closed in July, with a reduction of 115 permanent and 44 casual positions.

The impact of the strong advertising revenue growth and reductions in the cost base have increased operating margins by 130bps to 21.6% in 2005.

South Africa

The South African operations produced an excellent result in a strong trading environment (especially in the retail sector), with business and consumer confidence maintaining the all time highs set in 2004. Ongoing historically low interest rates, moderating inflation levels and the emergence of a rapidly growing "new middle class" provide a platform for sustaining the favourable economic conditions.

Overall, the group produced solid year-on-year growth, with operating margins showing an improvement from 13.0% to 14.3% in 2005. Revenue growth of 17.7%, combined with the benefit of cost containment initiatives undertaken in the latter part of 2004, delivered a 29.3% increase in operating profits to €15.0 million.

Newspaper advertising in South Africa showed strong growth in the first half of 2005 with the group's titles benefiting from this and maintaining their strong market share in both the display and classified advertising markets. Circulation copy sales and revenue of all 15 titles remained positive, despite more competitive market conditions. Circulation of *Isolezwe* – the group's Zulu language newspaper launched in 2003 – has increased by nearly 30% in the last 12 months to over 75,000 copies per day (last year nearly 59,000 copies). A new tabloid – *Daily Voice* – aimed at the popular end of the market was successfully launched in Cape Town in March 2005. This publication offers further rollout opportunities to other metropolitan areas in which the group operates.

The wholly-owned Magazine division (Condé Nast Independent Magazines) had a good first half, with particular benefits from *Glamour*, which was launched in March 2004, and is now the second largest selling women's magazine in South Africa. The Magazine division continues to expand its offering and reach, and added a new publication in 2004, *GQ Cars*, which will be published three times a year.

In Outdoor Advertising, the impact of owning 50% of Clear Channel Independent against an effective 46.3% in the prior year, combined with strong organic growth from new product innovations and ongoing improvement in the performance of operations in the rest of Africa provided further strong growth in its profitability.

United Kingdom

The United Kingdom reported revenue of €104.3 million for the first six months of 2005, which represents an increase of 4.2% over the same period last year. Strong advertising growth from the Nationals division was partly offset by a further decline in recruitment advertising within the Magazines division. In common with other regional titles, *The Belfast Telegraph*, after a good first quarter, has been affected by the second quarter downturn, as well as a slowing of economic activity in Northern Ireland. Overall, UK 'like-for-like' advertising grew by 5.5% in the period.

This revenue growth, coupled with a further focus on tight cost control, helped produce an overall increase of 8% in local currency operating profit for the first half across the UK group.

The UK advertising market in general has had a mixed first half of the year, with the first quarter showing modest year-on-year growth followed by a difficult second quarter. Despite this volatile market, *The Independent* has bucked this trend and has shown strong growth in advertising revenues (+ 18.5%), capitalising on the substantial uplift in core circulation copy sales in 2004 as a result of the success of the compact newspaper, which was pioneered by *The Independent*.

The circulation success of *The Independent*, following the conversion to compact last year, continued through the first half of 2005, with year-on-year ABC growth for each month of the period.

Following on from this success, the Saturday edition of *The Belfast Telegraph* was launched as a compact in February, and a new morning compact edition of the Monday to Friday *Belfast Telegraph* was launched in March. Both initiatives were well received and as a result *The Belfast Telegraph* was the best performing evening regional newspaper in the UK (ABC period January-June 2005).

During the period, Belfast Telegraph Newspapers secured a new 15-year contract print agreement with News International for its Northern Ireland copies. This long-term contract underpins the contract print business of the group's Northern Ireland operations and has facilitated the upgrade of the print plant in Belfast.

International Financial Reporting Standards

These results have been prepared under IFRS and all comparative financial information for 2004 has been restated. A summary of the impact of IFRS on the 2005 Interim Results is detailed in Note 9 of this interim report and a detailed IFRS Restatement Document was released simultaneously with the Group's interim results, and is available on the Group's website at www.inmplc.com.

Whilst the first time adoption of IFRS results in some adjustments to the Group's results, it is important to appreciate that the adoption of IFRS does not impact the Group's operations, cash flows or its capacity to pay dividends.

The earnings impact of IFRS on the Group Income Statement is not significant – only €1.0 million on Net Profit for the half year. This includes a €2.9 million charge for a holiday pay accrual, which reverses in the second half and will have no impact on the full year result.

The impact on the Group Balance Sheet is more significant – reducing Net Assets by €311.8 million. The two main adjustments relate to deferred taxation (€279.8 million) and the inclusion of the deficit on the Group's defined benefit pension schemes (€75.2 million).

A deferred taxation adjustment is required under IFRS where the book value of certain assets (mainly acquired mastheads) exceeds their tax bases. In conjunction with a number of other media companies, the Group believes that this is an illogical adjustment. It does not take into account the Board's future intention, which is to retain these assets, and the Group considers that the recognition of these liabilities under IFRS is not in line with the type of liability, if any, that might crystallise if a disposal of these assets were to occur. Also, the Group does not currently have a constructive or legal obligation for any tax liability associated with these assets and therefore the required deferred tax liability in this case is inconsistent with the required accounting treatment for other provisions.

Outlook

Commenting on these record results, Sir Anthony O'Reilly, Chief Executive, made the following Outlook Statement:

"We are pleased to announce another set of record results for the first half.

"Because of the geographically diversified nature of the Group's asset base in strongly growing economies, its market leading brands and a commitment to be the low-cost operator, the Board remains confident of your Group's ability to deliver double-digit full year earnings growth for 2005 and to sustain superior earnings growth into the future."

14th September 2005

Corporate Profile

Independent News & Media PLC ['Independent'] is a leading international newspaper and communications group, with interests in Australia, India, Ireland, New Zealand, South Africa and the United Kingdom. Spanning four continents and nine individual countries, Independent 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 – including the world's largest read newspaper, *Dainik Jagran*, in India – delivering a combined weekly circulation of over 29 million copies. The Group's titles are also well represented online with over 70 editorial and classified sites.

Independent is the largest radio and outdoor advertising operator in Australasia and has leading outdoor advertising positions in South Africa, Hong Kong, Malaysia and Indonesia. 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 over €1.8 billion and employs approximately 11,000 people worldwide.

Income Statement (unaudited)

	Notes	Six months ended 30 June 2005 €m	Six months ended 30 June 2004 €m
Revenue		800.8	733.0
Operating profit before exceptional items		141.0	125.4
Exceptional items	4	37.7	(11.3)
Operating profit after exceptional items		178.7	114.1
Share of results of associates and joint ventures		3.7	2.3
Finance costs:			
– Net interest costs	5	(36.2)	(38.5)
– Cumulative exchangeable preference shares dividend	5	(5.5)	–
Profit before taxation		140.7	77.9
Taxation		(16.6)	(9.6)
Profit for the period		124.1	68.3
Attributable to:			
Minority interests:			
– Cumulative exchangeable preference shares dividend	5	–	5.2
– Other minority interests		33.9	29.7
Equity holders of the parent		90.2	33.4
		124.1	68.3
Earnings per ordinary share (cent)			
– Basic	6	12.09c	4.53c
– Fully diluted	6	11.83c	4.51c

Group Balance Sheet (unaudited)

	30 June 2005	31 Dec 2004	30 June 2004	30 June 2005 (Alternative – Note 2)
	€m	€m	€m	€m
Assets				
Non-Current Assets				
Intangible assets	1,829.2	1,701.6	1,719.7	2,904.1
Property, plant and equipment	364.3	341.7	331.3	364.3
Investments in associates and joint ventures	56.6	46.4	50.9	92.5
Deferred tax assets	81.8	89.3	81.7	81.8
Investments	–	15.0	14.8	–
Derivative financial instruments	7.5	–	–	7.5
Available-for-sale financial assets	12.1	–	–	12.1
Trade and other receivables	61.6	64.5	56.0	61.6
	2,413.1	2,258.5	2,254.4	3,523.9
Current Assets				
Inventories	19.5	16.9	16.1	19.5
Trade and other receivables	271.6	252.5	261.5	271.6
Current income tax assets	10.7	9.6	1.6	10.7
Derivative financial instruments	0.9	–	–	0.9
Cash and cash equivalents	181.9	123.8	99.1	181.9
	484.6	402.8	378.3	484.6
Total Assets	2,897.7	2,661.3	2,632.7	4,008.5
Liabilities				
Current Liabilities				
Trade and other payables	240.7	230.7	201.3	240.7
Derivative financial instruments	2.2	–	–	2.2
Current income tax liabilities	12.0	12.0	12.5	12.0
Borrowings	63.7	58.1	150.8	63.7
Dividends	–	–	38.0	–
	318.6	300.8	402.6	318.6
Non-Current Liabilities				
Borrowings	1,090.4	1,046.9	942.5	1,090.4
Compound financial instruments	278.6	141.9	141.8	278.6
Derivative financial instruments	3.7	–	–	3.7
Other creditors	7.8	8.8	7.4	7.8
Retirement benefit obligations	106.3	106.5	104.3	106.3
Deferred taxation liabilities	289.8	279.9	281.9	10.0
Provisions for other liabilities and charges	45.7	34.2	47.7	45.7
	1,822.3	1,618.2	1,525.6	1,542.5
Total Liabilities	2,140.9	1,919.0	1,928.2	1,861.1
Net Assets	756.8	742.3	704.5	2,147.4

Group Balance Sheet (unaudited) continued

	30 June 2005	31 Dec 2004	30 June 2004	30 June 2005 (Alternative – Note 2)
	€m	€m	€m	€m
Equity				
Capital and Reserves Attributable to Company's Equity Holders				
Share capital	224.5	223.3	221.3	224.5
Other reserves	329.0	275.4	299.9	1,355.2
Retained earnings	(378.3)	(414.6)	(451.5)	(178.4)
	175.2	84.1	69.7	1,401.3
Minority interests	581.6	658.2	634.8	746.1
Total Equity	756.8	742.3	704.5	2,147.4

Group Cash Flow Statement (unaudited)

	Notes	6 months ended 30 June	
		2005	2004
		€m	€m
Cash flows from operating activities			
Cash generated from operations	8	146.7	110.6
Income tax paid (net of refund)		(10.7)	(17.9)
Net cash generated from operating activities		136.0	92.7
Cash flows from investing activities			
Purchases of property, plant and equipment		(32.4)	(23.8)
Proceeds from sale of property, plant and equipment		1.5	4.2
Purchases of intangible assets		(3.4)	(3.1)
Purchases of available-for-sale financial assets		(0.2)	(0.2)
Proceeds from sale of associate		92.8	–
(Advances)/receipts to/from joint ventures and associates		(0.7)	0.7
Purchases of associates and joint ventures		(28.5)	(6.1)
Interest received		8.0	3.6
Dividends received		0.7	0.5
Net cash generated from/(used in) investing activities		37.8	(24.2)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		3.1	–
Debt issue costs		(2.5)	–
Interest paid		(56.3)	(54.0)
Proceeds from borrowings		197.3	–
Repayment of borrowings		(204.6)	(56.6)
Dividends paid to company's shareholders		(40.1)	–
Payments of finance lease liabilities		(0.7)	(17.7)
Purchases of equity minority interests		(6.4)	–
Issue of equity minority interests		1.7	1.1
Dividends paid to minority interests		(27.3)	(25.3)
Net cash used in financing activities		(135.8)	(152.5)
Net increase/(decrease) in cash and bank overdrafts		38.0	(84.0)
Cash and bank overdrafts at beginning of the year		123.8	188.9
Exchange gains/(losses) on cash and bank overdrafts		8.4	(7.0)
Cash and bank overdrafts at end of period		170.2	97.9

Statement of Changes in Shareholders' Equity for the Six Months Ended 30 June 2005 (unaudited)

	Share Capital €m	Other Reserves €m	Retained Earnings €m	Minority Interests €m	Total Equity €m
At 31 December 2004	223.3	275.4	(414.6)	658.2	742.3
Adoption of IAS 32/39 on 1 January 2005	–	(5.3)	(0.9)	(115.1)	(121.3)
At 1 January 2005	223.3	270.1	(415.5)	543.1	621.0
Profit for the period	–	–	90.2	33.9	124.1
Dividends	–	–	(44.7)	(33.1)	(77.8)
Issue of share capital	1.2	7.4	–	10.4	19.0
Share based payment	–	0.6	–	–	0.6
Buyback of shares held by minority	–	–	–	(12.8)	(12.8)
Cash flow hedges	–	1.6	–	–	1.6
Currency translation adjustments	–	49.3	(8.3)	40.1	81.1
At 30 June 2005	224.5	329.0	(378.3)	581.6	756.8

Statement of Changes in Shareholders' Equity for the Six Months Ended 30 June 2004 (unaudited)

	Share Capital €m	Other Reserves €m	Retained Earnings €m	Minority Interests €m	Total Equity €m
At 1 January 2004	221.3	256.2	(435.1)	629.5	671.9
Profit for the period	–	–	33.4	34.9	68.3
Dividends	–	–	(38.0)	(29.9)	(67.9)
Issue of share capital	–	–	–	9.6	9.6
Share based payment	–	0.3	–	–	0.3
Currency translation adjustments	–	43.4	(11.8)	(9.3)	22.3
At 30 June 2004	221.3	299.9	(451.5)	634.8	704.5

Notes to the Interim Statement (unaudited)

1. Basis of Preparation of Financial Information under IFRS

The European Union (EU) requires all EU listed companies to prepare consolidated financial statements in accordance with IFRS for accounting periods commencing on or after 1 January 2005. Accordingly, Independent has prepared these interim results for the period to 30 June 2005 on this basis.

The Group's transition date from Irish GAAP to IFRS is 1 January 2004 and the comparative financial information for the year ended 31 December 2004 and for the six months ended 30 June 2004 have been restated on a consistent basis with those accounting policies expected to be applied by the Group in preparing its first full financial statements in accordance with IFRS at 31 December 2005, except where otherwise required or permitted by IFRS 1 "First time adoption of International Accounting Standards".

This financial information is based on the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group prepares its first set of financial statements in accordance with IFRS issued by the IASB and adopted for use by the EU as of 31 December 2005. However, IFRS standards and interpretation of those standards by the International Financial Reporting Interpretations Committee are subject to ongoing review and possible amendment or interpretative guidance and therefore all financial information prepared under IFRS is subject to change.

The transition to IFRS is accounted for in accordance with IFRS 1. This standard sets out how to adopt IFRS for the first time and mandates that most IFRS are to be fully applied retrospectively. There are certain limited exemptions from this requirement.

The Group has availed of the exemption contained in IFRS 1 to only apply IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" from 1 January 2005. The comparative financial information in relation to financial instruments for 2004 is presented in accordance with Irish GAAP.

This Interim Statement has been prepared on the historical cost basis, except for certain fixed assets where the fair value was regarded as deemed cost on transition to IFRS and the measurement at fair value of certain financial instruments on adoption of IAS 32 and IAS 39 on 1 January 2005.

A separate document has been issued simultaneously with this Interim Statement on 14 September 2005 detailing the impact of IFRS on the Group's financial statements for the year ended 31 December 2004 and the six months ended 30 June 2004. That document also contains a full list of the Group's provisional IFRS Accounting Policies and exemptions availed of under IFRS. The IFRS Restatement Document is available on the Group's website at www.inmplc.com or from the Company Secretary at, 2023 Bianconi Avenue, Citywest Business Campus, Naas Road, Dublin 24.

2. Alternative Balance Sheet Presentation

The value of internally generated mastheads are not included on the Balance Sheet under IFRS. An alternative balance sheet has been presented as at 30 June 2005 which includes the Group's mastheads at their revalued amounts. All mastheads are regularly valued/revalued by expert independent valuers Grant Samuel & Associates Pty Limited. The Group believes this alternative presentation more correctly reflects the true value of the assets employed by the business. Also, in this alternative balance sheet, the Group has reversed the deferred tax adjustment on the Group's intangible assets arising on transition to IFRS as the Group believes this deferred tax liability will not arise.

Notes to the Interim Statement (unaudited) continued

3. Segmental Report

By Geographical Segment

	Revenue		Operating Profit	
	2005	2004	2005	2004
	€m	€m	€m	€m
Ireland	207.1	189.6	44.7	38.4
United Kingdom	104.3	100.1	5.8	5.8
South Africa	104.6	88.9	15.0	11.6
Australasia	384.8	354.4	81.6	75.3
Common costs	-	-	(6.1)	(5.7)
	800.8	733.0	141.0	125.4
Exceptional items			37.7	(11.3)
Operating profit after exceptional items			178.7	114.1

By Class of Business

	Revenue		Operating Profit	
	2005	2004	2005	2004
	€m	€m	€m	€m
Printing, publishing, distribution and commercial printing	658.6	606.5	124.6	111.9
Radio	76.0	67.1	21.2	16.6
Outdoor advertising	66.2	59.4	1.3	2.6
Common costs	-	-	(6.1)	(5.7)
	800.8	733.0	141.0	125.4
Exceptional items			37.7	(11.3)
Operating profit after exceptional items			178.7	114.1

4. Exceptional Items

	2005	2004
	€m	€m
Gain on sale of iTouch plc, net (i)	62.7	-
Restructuring charges and asset writedowns (ii)	(22.7)	(1.6)
Product launch costs and development expenditure (iii)	(2.3)	(9.7)
	37.7	(11.3)

- (i) Gain arising on the sale of the Group's shareholding in iTouch plc in June 2005.
- (ii) Restructuring charges and asset writedowns primarily relating to the closure of the printing operations of the Sunday World print facility in Ireland.
- (iii) Relates to new product launches in Northern Ireland and South Africa in 2005.

Notes to the Interim Statement (unaudited) continued

5. Finance Costs

	2005 €m	2004 €m
Interest receivable and similar income	(9.4)	(5.2)
Interest payable and similar charges	45.6	43.7
Net interest costs	36.2	38.5
Cumulative exchangeable preference shares dividend	5.5	5.2
Total finance costs (on a like-for-like basis)*	41.7	43.7
Total finance costs (based on IFRS transitional provisions)	41.7	38.5

* The comparative numbers for the six months ended 30 June 2004 have been restated on an IFRS basis, with the exception of IAS 32 and IAS 39, which were implemented from 1 January 2005. As a result, the Cumulative Exchangeable Preference Shares dividend is shown within finance costs in the six months to 30 June 2005, but is shown within minority interests on the face of the Income Statement in the 2004 comparative numbers. On a comparable basis, the total finance costs for the six months ended 30 June 2005 were €41.7m, compared to €43.7m for the six months ended 30 June 2004.

6. Earnings Per Share

	2005 €m	2004 €m
Profit attributable to Independent News & Media PLC	90.2	33.4
Adjustment for conversion of cumulative exchangeable preference shares*	5.5	–
Fully diluted profits	95.7	33.4
Exceptional items net of taxation and minority interests	(39.7)	10.0
Fully diluted profits before exceptional items	56.0	43.4
Weighted average number of shares in issue during the period	745,634,666	737,785,086
Effect of:		
Conversion of options	6,888,477	4,131,425
Conversion of cumulative exchangeable preference shares*	56,250,000	–
Fully diluted number of shares	808,773,143	741,916,511
Earnings per share	12.09c	4.53c
Fully diluted earnings per share*	11.83c	4.51c
Fully diluted earnings per share before exceptional items*	6.71c	5.85c

Notes to the Interim Statement (unaudited) continued

6. 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 is presented in order to give a better indication of the underlying performance of the Group.

* The cumulative exchangeable preference shares were not dilutive in 2004 for both Fully Diluted Earnings Per Share and Fully Diluted Earnings Per Share Before Exceptional Items. In 2005, the cumulative exchangeable preference shares were dilutive for the purposes of calculating Fully Diluted Earnings Per Share but were not dilutive for the purposes of calculating Fully Diluted Earnings Per Share Before Exceptional Items. Therefore, in calculating the Fully Diluted Earnings Per Share Before Exceptional Items for 2005, the "Adjustment for conversion of cumulative exchangeable preference shares" (see above) is excluded from Fully diluted profits before exceptional items and the "Conversion of cumulative exchangeable preference shares" (see above) is excluded from the Fully Diluted Number of Shares.

7. Dividends

	2005	2004
	€m	€m
Dividends on equity shares		
Declared final (2004) ordinary dividend of €0.06 per share on 745,767,939 shares (2003: €0.0515 per share on 737,785,086 shares)	44.7	38.0

An interim ordinary dividend of €0.0375 per share has been declared subsequent to 30 June 2005 (2004: €0.03 per share).

Notes to the Interim Statement (unaudited) continued

8. Reconciliation of Operating Profit to Net Cash Provided by Operating Activities

	2005	2004
	€m	€m
Operating profit before exceptional items	141.0	125.4
Depreciation/amortisation	22.3	21.1
Non-cash share based payment	1.1	0.7
Unrealised foreign exchange movements	(7.5)	(1.4)
Cash exceptional items	(2.5)	(11.3)
	<hr/>	
Profit from operations before changes in working capital and provisions	154.4	134.5
(Increase)/decrease in stocks	(1.1)	2.4
Increase in short term and medium term debtors	(1.6)	(4.6)
(Decrease)/increase in short term and long term creditors	(0.9)	0.9
Increase in provisions (excluding restructuring payments)	0.1	0.9
Restructuring payments	(4.2)	(23.5)
	<hr/>	
Net cash provided by operating activities	146.7	110.6
	<hr/>	

Notes to the Interim Statement (unaudited) continued

9. Reconciliation of 2005 Interim Results from Irish GAAP to IFRS

This summary provides a high level overview of the impact of IFRS on the Group's 2005 interim statements.

IFRS adjustments identified in this report have no impact on the Group's Operations, Cash Flows or capacity to pay Dividends.

Impact on Income Statement for six months ended 30 June 2005

	Notes	Adjustment €m	Total €m	Per Share cent
Profit after tax and minority interests under Irish GAAP			91.2	12.23c
IFRS Adjustments – Summary				
Employee benefits – pensions	1	(0.9)		
Employee benefits – holiday pay	2	(2.9)		
Goodwill amortisation	3	3.8		
Share options	4	(0.8)		
Other adjustments		(0.2)		
Total IFRS Adjustments – Half Year 2005		(1.0)	(1.0)	
Basic EPS Impact – Half Year 2005				(0.14c)
Profit after tax and minority interests under IFRS			90.2	12.09c
Adjusted EPS* under Irish GAAP				7.35c
Goodwill amortisation excluded from adjustments above		(3.8)		
Total IFRS adjustments – half year 2005 (excluding amortisation)		(4.8)		
Adjusted EPS* impact – half year 2005				(0.64c)
Adjusted EPS* under IFRS – half year 2005				6.71c

* Fully diluted earnings per share excluding exceptional items

Notes to the Interim Statement (unaudited) continued

9. Reconciliation of 2005 Interim Results from Irish GAAP to IFRS (continued)

Extrapolated Impact of IFRS on Adjusted EPS* for Full Year 2005			
	Notes	Adjustment €m	Impact Per Share cent
Total IFRS adjustments – half year 2005 (excluding amortisation)		(4.8)	
Exclude holiday pay adjustment (see above)	2	2.9	
Impact of IFRS adjustments (excluding holiday pay) – half year 2005		(1.9)	
Extrapolated impact of IFRS adjustments for full year 2005		(3.8)	
Extrapolated impact on adjusted EPS* for full year 2005 (compared to Irish GAAP)			(0.50c)
* Fully diluted earnings per share excluding exceptional items			

Notes:

1. Reflects increase in defined benefit pension scheme charges.
2. Accrual for holiday pay at half year. This charge will reverse completely in the second half of the year and will have no impact on the full year 2005 result.
3. Reflects cessation of amortisation of goodwill.
4. Reflects the charge for share options to be booked in the income statement.

Impact on Balance Sheet as at 30 June 2005

	Notes	Adjustment €m	Total €m
Total equity under Irish GAAP			1,068.6
IFRS Adjustments – Summary			
Employee benefits – pensions	1	(75.2)	
Employee benefits – holiday pay	2	(2.9)	
Deferred taxation	3	(279.8)	
Dividends	4	28.1	
Business combinations/intangibles	5	24.0	
Other adjustments		(6.0)	
Total IFRS adjustments at 30 June 2005			(311.8)
Total equity under IFRS			756.8

Notes to the Interim Statement (unaudited) continued

9. Reconciliation of 2005 Interim Results from Irish GAAP to IFRS (continued)

Notes:

1. Recording of actuarial pension fund deficits (net of related deferred tax assets) arising on the Group's defined benefit pension schemes.
2. Accrual for holiday pay at half year. This charge will reverse completely in the second half of the year and will have no impact on the full year 2005 result.
3. Recognition of deferred taxation liabilities on the Group's assets (mainly acquired mastheads) where the book value of these assets exceeds their tax bases. While this adjustment is required under IFRS, the Group believes it is an illogical adjustment as it does not take into account the Board's future intention, which is to retain these assets, and the Group considers that the recognition of these liabilities under IFRS is not in line with the type of liability, if any, that might crystallise if a disposal of these assets were to occur. Also, the Group does not currently have a constructive or legal obligation for any such tax liability associated with these assets and therefore the required deferred tax liability in this case is inconsistent with the required treatment for other provisions.
4. Dividends proposed are no longer recognised as a liability until they have been approved.
5. Reflects cessation of amortisation of goodwill from 1 January 2004, write back of negative goodwill to retained earnings and the reversal of a previous revaluation deficit.

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