

## MECOM GROUP PLC

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2010

#### STRONG EBITDA GROWTH, OUTPERFORMING MARKET FORECASTS

Mecom Group plc ('Mecom' or 'the Group') announces its interim financial results for the six months ended 30<sup>th</sup> June 2010.

#### HIGHLIGHTS

- Adjusted EBITDA of €70.1 million (2009: €47.4m), well ahead of market expectations
- Adjusted EBITDA margin of 10 per cent, up from 7 per cent in 2009
- Circulation revenue up 2 per cent - subscription performance improves from 2009
- Advertising revenue down 3 per cent
  - print advertising decline of 5 per cent but,
  - online newspaper advertising up 47 per cent
- Operating costs reduced by 6 per cent
- Timing of advertising recovery uncertain, so costs remain key focus
- Adjusted earnings per share of 14.8 euro cents (2009: loss of 71.5 euro cents)
- Net debt of €354.9 million (30<sup>th</sup> June 2009: €443.8m; 31<sup>st</sup> December 2009: €373.4m)
- Gearing (net debt / adjusted EBITDA) reduced to less than 2.5 times
- Good progress towards achieving 2012 targets set in March 2010

## FINANCIAL HIGHLIGHTS

	<b>Six months to 30<sup>th</sup> June 2010</b>	Six months to 30 <sup>th</sup> June 2009 <sup>1</sup>	2010 vs. 2009
Advertising revenue	<b>334.7</b>	346.5	(3)%
Circulation revenue	<b>280.0</b>	275.1	2%
Other revenue	<b>93.6</b>	103.2	(9)%
<b>Total revenue</b>	<b>708.3</b>	724.8	(2)%
<b>Costs</b>	<b>(638.2)</b>	(677.4)	6% lower
<b>Adjusted EBITDA<sup>2</sup></b>	<b>70.1</b>	47.4	48%
<b>Adjusted earnings per share (cents)<sup>2</sup></b>	<b>14.8 cents</b>	(71.5) cents	n/a
Operating loss, after exceptional items and intangibles amortisation	<b>(14.1)</b>	(25.2)	44%
Loss per share, after exceptional items and intangibles amortisation	<b>(28.4) cents</b>	(417.8) cents	n/a
<b>Net debt</b>	<b>€354.9m</b>	€443.8m	€88.9m lower

### Notes

- 1 2009 revenue, costs and adjusted EBITDA figures presented in constant currencies and relate to ongoing businesses.
- 2 Adjusted EBITDA and adjusted earnings per share stated before exceptional items and the amortisation of acquired intangibles.

Alasdair Locke, Chairman, said:

‘This set of interim results continues the good progress made in the second half of 2009 and emphasises the stability and security of these businesses. Given continuing advertising uncertainty, the Group continues to exercise tight cost discipline while the operating model is being transformed to meet the competitive trends in the media sector.’

David Montgomery, Chief Executive, said:

‘The circulation and cost performance in these six months demonstrates the robustness of our business and its assets. We are especially pleased with the reduced rates of attrition in subscription volumes and the related growth in revenues. Management and staff continue to focus on extracting new revenues from the wider consumer market, particularly online.’

## Contacts

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A briefing and webcast for analysts and investors will take place today at 9:30 am (BST) on the following details:

Telephone conference call: + 44(0)20 7138 0835 (for registration)

Pass code: 1604068#

The live webcast will be available at [www.mecom.com/financial-results.aspx](http://www.mecom.com/financial-results.aspx).. Please allow a few minutes to register online before the webcast is due to begin.

The presentation slides used at this briefing and a recording of the webcast will be available on the 'Investors' section of the Mecom Group website.

## Chief Executive's Statement

The first six months of 2010 demonstrate the benefits from the introduction of a more efficient operating model plus the first indications of accelerating online newspaper growth. Print advertising markets in the first six months continued to be difficult. However, circulation volumes have performed well and circulation revenue is up. We have also continued to restructure the business to reduce costs, resulting in first-half EBITDA that was up considerably on the same period last year. We also continued the transformation of the Group into a multi-media content business well-positioned to benefit across a number of platforms as the economic position improves.

Overall the Group's advertising revenue was down 3 per cent with the most significant falls in our largest markets, the Netherlands at 4 per cent and Denmark at 5 per cent. These falls compound the decline of 22 per cent we experienced across the Group in the first half of 2009. Towards the end of the six month period, the first signs of recovery may have been seen in Norway and the national Polish market. We expect that the Dutch, Danish and the Polish regional markets will be uncertain well into the second half of the year.

The Group has responded to this uncertain advertising environment by reducing the cost base further. Costs were down 6 per cent after full-year reductions in 2009 of 10 per cent. As a result, the financial performance of the first six months was encouraging, considerably ahead of this time last year and also ahead of market expectations. We have made good progress towards the strategic operating and financial targets we set out in March this year.

But we should not allow the effects of the economic crisis on advertising and our response in cost reduction to distract attention from the underlying strength of our print franchises or from the significant progress being made in extending the Group's reach and revenue base across a number of different media platforms.

The Group's sales of printed newspapers have been good and circulation revenue was up in the six months. Subscriptions in our Dutch daily papers fell by circa 2 per cent in the first six months, compared with circa 2.5 per cent in the first half of 2009. In Norway, subscriptions fell by circa 3 per cent compared with circa 3.5 per cent in 2009. Subscriptions were similarly stable in our flagship titles in Denmark (*Berlingske Tidende*) and Poland (*Rzeczpospolita*). The enthusiasm of readers for our newspapers, in most cases delivered to readers' homes each morning for a cost of less than a euro a day, is clearly robust. The pursuit of quality and innovation in print is as strong as ever within Mecom.

At the same time, our online reach grew considerably. Group average monthly unique users were 37 million in the first six months, up from 28 million in the first half of 2009. Online revenue grew by 13 per cent, but this single figure masks two distinct effects. The largely classified vertical websites experienced a small advertising revenue decline, of 1 per cent, in the face of the economic conditions, including the effect of further falls in recruitment advertising. The newspaper websites on the other hand saw strongly growing revenue, by over 40 per cent, driven by advertising growth. Online represented 5.7 per cent of Group revenues, up from 5.0 per cent in the first half of 2009.

It is becoming increasingly clear that successful publishers in the digital age will differentiate content and segment advertising markets across all media in a far more innovative and sophisticated manner than before. The radical reshaping of the Mecom businesses to achieve this continues in a determined manner.

In the Netherlands, where the previous focus had been cost rationalisation in the Wegener business, digital development has been at the forefront of the entire organisation from the start of 2010 and is set to deliver impressive revenue growth this year.

In Denmark, focus has been on intense product innovation and developing our strong market positions together with changes to management structures. These have been overhauled to focus on the further consumer revenue opportunities from our high quality reader base through a new 'customer centric' development programme across the entire business.

In Norway, a pilot programme to accelerate growth in online revenues by shifting significant editorial and sales resource away from the printed product has produced dramatic results, with total advertising growing and the share coming from online increasing dramatically. This now provides a blue-print for change elsewhere in the Group.

In Poland, our title *Rzeczpospolita* has an enviable market position as the leading financial and legal newspaper with a distinct and attractive readership, allowing us to target growth in consumer and advertising revenues.

The benefits of leading business development and innovation across the entire Mecom Group are clear. Cross-market teams, under the leadership of members of the European management group, now spearhead change in content and product development, new revenue growth and cost innovation to maximise synergistic benefits.

## **Outlook**

EBITDA growth is now expected to be at least 15 per cent from the ongoing 2009 base, rather than at least 10 per cent as stated previously. However, the advertising revenue outlook for the remainder of 2010 remains uncertain, as noted above, and as a consequence we now project total revenues for the year to be lower than in 2009. The resilience of our circulation revenues and our success in cost-cutting continues. We also anticipate the reduction in net debt to be around €40 million, rather than at least €20 million as previously. Finally, we forecast a substantial increase in earnings per share and significant headroom against all bank covenants.

## RESULTS OVERVIEW

	Six months to 30 <sup>th</sup> June 2010	Six months to 30 <sup>th</sup> June 2009	2010 vs. 2009
<b>Revenue by country</b>			
The Netherlands	<b>309.9</b>	316.5	(2)%
Denmark	<b>200.3</b>	206.4	(3)%
Norway	<b>130.4</b>	133.4	(2)%
Poland	<b>67.7</b>	68.5	(1)%
<b>Total</b>	<b>708.3</b>	724.8	(2)%
<b>Revenue by category</b>			
Advertising	<b>334.7</b>	346.5	(3)%
Circulation	<b>280.0</b>	275.1	2%
Printing and other	<b>93.6</b>	103.2	(9)%
<b>Total</b>	<b>708.3</b>	724.8	(2)%
<b>EBITDA by country</b>			
The Netherlands	<b>48.0</b>	42.3	5.7
Denmark	<b>9.7</b>	0.9	8.8
Norway	<b>13.8</b>	6.7	7.1
Poland	<b>4.6</b>	3.1	1.5
Corporate	<b>(6.0)</b>	(5.6)	(0.4)
<b>Total</b>	<b>70.1</b>	47.4	22.7
<b>Operating profit by country</b>			
The Netherlands	<b>37.5</b>	30.0	7.5
Denmark	<b>0.1</b>	(8.3)	8.4
Norway	<b>9.0</b>	0.6	8.4
Poland	<b>1.8</b>	(0.1)	1.9
Corporate	<b>(6.2)</b>	(5.9)	(0.3)
<b>Total</b>	<b>42.2</b>	16.3	25.9

*The results set out above and in the tables in the Divisional Review are presented before exceptional items and the amortisation of intangibles. In the case of operations in non-euro currencies, the results are presented in euro on a constant currency basis, being the exchange rates prevailing in the first six months of 2010.*

### Revenue, costs and operating result

The financial information in the table above has been presented to include the Group's ongoing businesses only, that is, excluding businesses sold in 2009, and to be on a constant currency basis. A reconciliation between this basis and the reported results is set out in Note 4 to the interim financial statements. The commentary below relates to the ongoing businesses only.

Total revenue in the six months to 30<sup>th</sup> June 2010 was €6.5 million or 2 per cent lower than in 2009 at €708.3 million, the reduction being caused primarily by further falls in advertising revenue. With circulation revenue up 2 per cent and costs reduced by €39.2 million, or 6 per cent, 2010 EBITDA was considerably ahead of that in 2009, with a consequent increase in margin to 10 per cent. Net debt was €18.5 million lower than at 31<sup>st</sup> December 2009, with gearing at just under 2.5 times.

Advertising revenue was 3 per cent down year-on-year. The Dutch and Danish businesses continued the negative experience of 2009, albeit at reduced rates, with falls of 4 per cent and 5 per cent respectively. In Poland, a 2 per cent year-on-year decline included the effect of better experience in our national business than in the regional titles. In Norway, however, advertising was up very marginally in the six months, including the effect of very strong online growth in the newspaper sites.

Recruitment advertising continued to be the main driver of the falls, down 14 per cent, with display and other classified advertising down only marginally at 2 per cent. Print advertising was down 5 per cent, with online newspaper websites up 47 per cent and online classified sites, which include a substantial proportion of recruitment advertising, down 1 per cent.

Circulation revenue was up 2 per cent, continuing the strong performance in the second half of 2009. Volume attrition in the subscription markets in the Netherlands and Norway was better than in the equivalent period in 2009. The effect of price increases more than offset volume decline.

Print and other revenue were down, together by almost ten per cent, with the effects spread broadly across the Group's businesses.

The Group announced targets for growth in online revenues and monthly unique users at the time of the final results presentation for 31<sup>st</sup> December 2009. Growth in online newspaper revenue was 43 per cent in the first six months, driven by advertising growth. These growth rates are consistent with those needed to achieve the Group's strategic targets. Revenue from the online classified websites was down however by 5 per cent in the first six months of 2010. We expect that as the effect of the economic crisis on these classified sites abates, overall growth rates will be consistent with achieving the strategic targets.

The Group's success in reducing costs continued, with total costs down 6 per cent, following the 9 per cent reduction in the first half of 2009 (and 10 per cent reduction in full year 2009). The main drivers of the cost reduction were lower staff numbers, with average FTEs to 30<sup>th</sup> June 2010 almost 500 lower than in the six months to 30<sup>th</sup> June 2009, and lower direct costs, including benefit from lower paper prices. An increase in the Group's accounting share-based payment expense recorded in corporate masked an underlying cost reduction of circa 10 per cent in these costs. Enterprise contributed €1.9 million of EBITDA in the first half of 2010, at the same level as in 2009.

These benefits from cost reductions led to an increase in EBITDA of €2.7 million, resulting in a six month EBITDA to 30<sup>th</sup> June 2010 of €70.1 million. The associated EBITDA margin was 9.9 per cent, up 3.4 percentage points from the first half of 2009. The depreciation charge was €7.9 million in the six months to 30<sup>th</sup> June 2010, down from the 2009 charge of €31.1 million in part because of the effects of IT outsourcing arrangements. As a result, operating profit was €12.2 million, over double the 2009 comparative of €6.3 million. Operating margin was 6.0 per cent, up from 2.2 per cent in 2009.

### **Net profit, cash flow and financial position**

The Group's adjusted net interest charge (that is, before exceptional finance items) was €12.8 million, which was very much lower than the charge of €24.4 million in 2009. The main reason for this is the effect on absolute net debt of the significant disposals made in 2009 and the proceeds from the rights issue of June 2009. The Group also benefited from a reduction in the margin on its term bank borrowings from 350 basis points to 300 basis points as the Group's gearing fell below 3 times (measured as net debt divided by adjusted EBITDA) from 31<sup>st</sup> March 2010. Gearing was below 2.5 times for the twelve months ended 30<sup>th</sup> June 2010 and the Group will therefore benefit from a further 50 basis point reduction, certainly until the next quarterly test at 30<sup>th</sup> September 2010. The Group's effective tax rate on adjusted profit before tax was 32.6 per cent, being higher than the blended statutory rate because of the non-recognition of certain tax losses. Tax paid in the first half of 2010 was again minimal, as previous tax loss positions, especially in the Netherlands, have been applied to profits.

Exceptional charges before tax recorded in the six months to 30<sup>th</sup> June 2010 were €30.4 million (2009: €41.9 million) as set out in Note 5 to the interim financial statements. These charges included restructuring costs of €1.4 million, mark-to-market movements on interest rate swaps of €2.8 million and a liability for a fine from the Netherlands Competition Authority and related costs of €2.3 million, which will be contested vigorously as explained in Note 5 and which the Group expects after appeal ultimately to be settled at a significantly lower amount.

Adjusted earnings per share for the first half of 2010 were 14.8 cents per share, compared with a loss of 71.5 cents per share in 2009. The dramatic increase highlights the very considerable leverage of the Group's earnings per share to movements in EBITDA.

Net debt at 30<sup>th</sup> June 2010 was €54.9 million, down from €73.4 million at 31<sup>st</sup> December 2009. Cash outflow before acquisitions and disposals of €2.6 million (2009: outflow of €6.1 million) was after exceptional operating cash charges of €26.0 million (2009: €35.1 million) and net capital expenditure and other investments of €19.1 million (2009: €25.9 million). Deferred proceeds from previous disposals of €3.0 million contributed to net cash generation of €20.4 million. The Group's leverage was just under 2.5 times, well within the covenant in the Group's bank facility agreement of 5.25 times; other financial covenants tested at 30<sup>th</sup> June also had comfortable headroom.

## DIVISIONAL REVIEW

### Netherlands

<i>€m unless otherwise indicated</i>	<b>Six months to 30<sup>th</sup> June 2010</b>	Six months to 30 <sup>th</sup> June 2009	2010 vs. 2009
Advertising	<b>160.2</b>	167.6	(4)%
Circulation	<b>127.7</b>	124.7	2%
Print and other revenue	<b>22.0</b>	24.2	(9)%
<b>Total revenue</b>	<b>309.9</b>	316.5	(2)%
<b>Total costs</b>	<b>(261.9)</b>	(274.2)	4% lower
<b>EBITDA</b>	<b>48.0</b>	42.3	13%
<i>EBITDA margin</i>	<b>15.5%</b>	13.4%	2.1 pts
<b>Operating profit</b>	<b>37.5</b>	30.0	25%
<i>Operating profit margin</i>	<b>12.1%</b>	9.5%	2.6 pts

Advertising in the Netherlands was down 4 per cent in the six months to 30<sup>th</sup> June 2010, at €160.2 million. The weekly free newspapers and, in particular, newspaper websites were up year-on-year. In the case of the free weekly newspapers, the increase in advertising included the effect of the re-introduction of newspapers into the Limburg region after a two-year period of restriction (following the disposal of the Trompetter business in early 2008) and of new weekly titles in the Amsterdam region as well as the effect of the 2009 acquisition of PLM. These positive effects were more than offset by declines in print advertising in the daily newspapers. Recruitment advertising continued to be the major cause of the decline, down 22 per cent year-on-year.

Circulation revenues were up 2 per cent year-on-year at €127.7 million. Subscription volumes were down circa 2 per cent, compared with circa 2.5 per cent this time in 2009. Total revenue was down 2 per cent, with reductions in print and other revenue.

Costs were down 4 per cent, at €261.9 million. The main driver was reduced staff costs, with average FTEs down over 5 per cent in the six month period compared with the first six months of 2009. Paper costs were also lower, resulting from lower newsprint prices, which was the case in all divisions following successful negotiations in late 2009 and early 2010.

EBITDA was €48.0 million, up €5.7 million from 2009. EBITDA margin was 15.5 per cent, up 2.1 percentage points from 13.4 per cent in 2009. Depreciation was €1.8 million lower than in 2009, including the effect of the closure of the Nijmegen print plant in June 2009, resulting in operating profit of €37.5 million, up 25 per cent from the 2009 result of €30.0 million.

Both the extreme judgement and disproportionate €19.1 million fine by the NMa will be comprehensively challenged by Wegener's supervisory and management boards. The appeal process, which relates to a business with sales of just €12 million, will take at least a year and probably several years.

## Denmark

<i>€m unless otherwise indicated</i>	<b>Six months to 30<sup>th</sup> June 2010</b>	Six months to 30 <sup>th</sup> June 2009	2010 vs. 2009
Advertising	<b>78.4</b>	82.6	(5)%
Circulation	<b>83.0</b>	81.2	2%
Print and other revenue	<b>38.9</b>	42.6	(9)%
<b>Total revenue</b>	<b>200.3</b>	206.4	(3)%
<b>Total costs</b>	<b>(190.6)</b>	(205.5)	7% lower
<b>EBITDA</b>	<b>9.7</b>	0.9	978%
<i>EBITDA margin</i>	<b>4.8%</b>	0.4%	4.4 pts
<b>Operating profit</b>	<b>0.1</b>	(8.3)	101%
<i>Operating profit margin</i>	<b>0.0%</b>	(4.0)%	4.0 pts

Advertising in Denmark was down 5 per cent in the six months to 30<sup>th</sup> June 2010, at €78.4 million. Print advertising and the stand-alone websites were both down year-on-year, affected especially by lower recruitment advertising (down 15 per cent for both). Newspaper website advertising grew, but in a primarily national and intensely competitive market for online, this growth was only modest compared with the progress in other countries at 5 per cent.

Circulation revenue was up 2 per cent, at €83.0 million. Volume and revenue development were best in the *Berlingske Tidende* title (volumes down 2 per cent but revenue up 6 per cent), whereas sales of the second largest title, the tabloid *B.T.*, were under pressure (volumes down 10 per cent, largely reflecting lower single-copy sales, with revenue broadly flat). Printing revenue was down €3.5 million, largely resulting from the ending of third party printing contracts with JP / Politiken in March 2009. Total revenue was down 3 per cent at €200.3 million.

Costs were down 7 per cent to €190.6 million. Cost reductions were seen in all categories, including the cost benefit from lower third party printing noted above and an average FTE count that was 5 per cent lower than in 2009.

EBITDA for the six months to 30<sup>th</sup> June 2010 was €9.7 million, dramatically higher than the €0.9 million result in 2009, with an EBITDA margin of 4.8 per cent. After depreciation of €0.6 million, operating profit was €0.1 million compared with an operating loss of €8.3 million in 2009. The positive operating profit result in the first half of 2010 reflects the benefits of the recent restructuring of the Danish business.

## Norway

<i>€m unless otherwise indicated</i>	<b>Six months to 30<sup>th</sup> June 2010</b>	Six months to 30 <sup>th</sup> June 2009	2010 vs. 2009
Advertising	<b>70.6</b>	70.3	0%
Circulation	<b>35.0</b>	34.2	2%
Print and other revenue	<b>24.8</b>	28.9	(14)%
<b>Total revenue</b>	<b>130.4</b>	133.4	(2)%
<b>Total costs</b>	<b>(116.6)</b>	(126.7)	8% lower
<b>EBITDA</b>	<b>13.8</b>	6.7	106%
<i>EBITDA margin</i>	<b>10.6%</b>	5.0%	5.6 pts
<b>Operating profit</b>	<b>9.0</b>	0.6	1,400%
<i>Operating profit margin</i>	<b>6.9%</b>	0.4%	6.5 pts

Advertising in Norway was up marginally in the six months to 30<sup>th</sup> June 2010, by €0.3 million or 0.4 per cent to €70.6 million. The growth in online newspaper advertising was 56 per cent, with over ten per cent of advertising revenue in the local newspapers coming from online in the six month period (2009: 6.8 per cent). The stand-alone online businesses also saw advertising growth, up 5 per cent. These effects were mitigated by continued declines in print advertising. In contrast with the Group's other businesses, recruitment advertising was up, in both print and online, with the main declines being in other classified categories rather than display, which was broadly flat year-on-year.

Circulation revenue was up 2 per cent, at €35.0 million. The year-on-year volume declines in the newspapers were circa 3 per cent, compared with circa 3.5 per cent in 2009. These declines were more than offset by increases in subscription prices.

Print and other revenue was down €4.1 million, including the effect of the disposal in 2009 of a small mobile-phone-based marketing company as well as lower third-party printing and distribution. Total revenue was down 2 per cent, at €130.4 million.

Costs in the six months to 30<sup>th</sup> June 2010 were 8 per cent lower than in 2009 at €116.6 million. Reductions in average FTEs of almost 140 compared with the equivalent period in 2009 compounded cost reductions from lower other revenue noted above.

EBITDA for the six months to 30<sup>th</sup> June 2010 was €13.8 million, over twice the result of €6.7 million recorded in 2009. EBITDA margin was 10.6 per cent, compared with 5.0 per cent in 2009. After depreciation reductions resulting in part from an IT outsource arrangement (depreciation in 2010 of €4.8 million compared with €6.1 million in 2009) operating profit was €9.0 million, compared with €0.6 million in 2009.

## Poland

<i>€m unless otherwise indicated</i>	<b>Six months to 30<sup>th</sup> June 2010</b>	Six months to 30 <sup>th</sup> June 2009	2010 vs. 2009
Advertising	<b>25.5</b>	26.0	(2)%
Circulation	<b>34.3</b>	35.0	(2)%
Print and other revenue	<b>7.9</b>	7.5	5%
<b>Total revenue</b>	<b>67.7</b>	68.5	(1)%
<b>Total costs</b>	<b>(63.1)</b>	(65.4)	4% lower
<b>EBITDA</b>	<b>4.6</b>	3.1	48%
<i>EBITDA margin</i>	<b>6.8%</b>	4.5%	2.3 pts
<b>Operating profit</b>	<b>1.8</b>	(0.1)	1,900%
<i>Operating profit margin</i>	<b>2.7%</b>	(0.1)%	2.8 pts

The experiences of the two operations within the Group's Polish division were quite distinct in the first six month period. All revenue categories were up year-on-year within the Presspublica business, which publishes the national *Rzeczpospolita* and business *Parkiet* titles. In the case of advertising, this included positive market effects from the withdrawal of a competitor title in late 2009. Circulation revenue was also marginally higher, with price increases more than offsetting volume declines. Within the Media Regionalne regional operations, both advertising and circulation were down. The effects of the economic crisis had yet to be felt fully in the first half of 2009, leading to relatively tougher comparative figures here than for other Mecom operations. In the case of circulation, the declines seen in the Media Regionalne business were comparable with other publishers' experiences and included the effect of some reductions in the activity of third-party distributors.

Costs were 4 per cent down as a whole at €63.1 million, leading to EBITDA of €4.6 million, up 48 per cent from the €3.1 million in the first six months of 2009. EBITDA margin in the six months to 30<sup>th</sup> June 2010 was 6.8 per cent, up by 2.3 percentage points from in 2009. With depreciation also lower in 2010 than in 2009, operating profit was €1.8 million, up from an operating loss of €0.1 million in 2009.

## **GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Interim Financial Statements.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on pages 20 and 21 of the 2009 Annual Report, a copy of which is available on the Company's website at [www.mecom.com](http://www.mecom.com). These risks and uncertainties could have an impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ from expected or historical results.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors confirm to the best of their knowledge, that the condensed set of financial statements for the six months to 30<sup>th</sup> June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the interim management report herein includes a fair review of the information required by:

- (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

**David Montgomery**  
Chief Executive

**Henry Davies**  
Group Finance Director

27<sup>th</sup> July 2010

The directors of Mecom are listed on page 27 of the Mecom 2009 Annual report and accounts.

This Interim Management Report contains certain forward-looking statements in relation to the principal risks and uncertainties facing the Group. The events or circumstances contemplated by these forward-looking statements may or may not occur in the future, and accordingly actual results or developments may differ in material respects from those expressed in or implied by these forward-looking statements. Although the forward-looking statements reflect the knowledge and information available at the date of this report, no assurance is given as to their reasonableness or probability.

## CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010

Unaudited

	Note	Six months ended 30 June 2010			Six months ended 30 June 2009		
		Before exceptional items and amortisation of acquired intangibles €m	Exceptional items and amortisation of acquired intangibles (see Note 5) €m	After exceptional items and amortisation of acquired intangibles €m	Before exceptional items and amortisation of acquired intangibles €m	Exceptional items and amortisation of acquired intangibles (see Note 5) €m	After exceptional items and amortisation of acquired intangibles €m
<b>Continuing operations</b>							
Revenue	4	708.3	-	708.3	749.6	-	749.6
Cost of sales		(200.1)	-	(200.1)	(229.3)	-	(229.3)
<b>Gross profit</b>		<b>508.2</b>	<b>-</b>	<b>508.2</b>	<b>520.3</b>	<b>-</b>	<b>520.3</b>
Operating costs		(467.0)	(56.3)	(523.3)	(501.5)	(43.9)	(545.4)
Share of results of associates		1.0	-	1.0	(0.1)	-	(0.1)
<b>Operating profit/(loss)</b>	4	<b>42.2</b>	<b>(56.3)</b>	<b>(14.1)</b>	<b>18.7</b>	<b>(43.9)</b>	<b>(25.2)</b>
Finance income	6	2.0	-	2.0	2.4	-	2.4
Finance expense	6	(14.8)	(3.5)	(18.3)	(26.8)	(28.9)	(55.7)
Gain/(loss) on disposal of businesses and investments		0.1	(2.0)	(1.9)	(0.1)	(0.6)	(0.7)
<b>Profit/(loss) before tax</b>		<b>29.5</b>	<b>(61.8)</b>	<b>(32.3)</b>	<b>(5.8)</b>	<b>(73.4)</b>	<b>(79.2)</b>
Income tax (expense)/credit	7	(9.3)	9.1	(0.2)	(4.3)	7.0	2.7
<b>Profit/(loss) for the period from continuing operations</b>		<b>20.2</b>	<b>(52.7)</b>	<b>(32.5)</b>	<b>(10.1)</b>	<b>(66.4)</b>	<b>(76.5)</b>
<b>Discontinued operations</b>							
Loss for the period from discontinued operations		-	(0.4)	(0.4)	(0.4)	(0.9)	(1.3)
<b>Profit/(loss) for the period</b>		<b>20.2</b>	<b>(53.1)</b>	<b>(32.9)</b>	<b>(10.5)</b>	<b>(67.3)</b>	<b>(77.8)</b>
<b>Attributable to:</b>							
Mecom Group plc shareholders		16.3	(48.0)	(31.7)	(13.1)	(64.7)	(77.8)
Minority interest		3.9	(5.1)	(1.2)	2.6	(2.6)	-

Loss per share		Euro cents per share		(restated)
				Euro cents per share
<b>From continuing operations</b>				
Basic	8		(28.4)	(417.8)
Diluted	8		(28.4)	(417.8)
<b>From continuing and discontinued operations</b>				
Basic	8		(28.8)	(424.9)
Diluted	8		(28.8)	(424.9)

There are no dividends paid or proposed for either of the periods presented.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the six months ended 30 June 2010

<b>Unaudited</b>	<b>Six months ended 30 June 2010</b>	<b>Six months ended 30 June 2009</b>
	<b>€m</b>	<b>€m</b>
<b>Loss for the period</b>	<b>(32.9)</b>	<b>(77.8)</b>
<b>Other comprehensive (loss)/income for the period:</b>		
Changes in fair value of cash flow hedges	<b>(0.1)</b>	(4.6)
Tax effect	-	0.3
	<b>(0.1)</b>	<b>(4.3)</b>
Transfer from cash flow hedge reserve to the consolidated income statement of cumulative losses on certain interest rate swaps on ending of hedge relationship	-	13.0
Tax effect	-	(2.3)
	-	10.7
Transfer from currency translation reserve to the consolidated income statement of cumulative exchange differences on write-off of unamortised debt issue costs	-	(1.0)
Transfer from currency translation reserve to the consolidated income statement of cumulative exchange differences on disposal of foreign operations	-	3.4
Exchange differences on retranslation of foreign operations	<b>4.9</b>	(12.3)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>4.8</b>	<b>(3.5)</b>
<b>Total comprehensive loss for the period, net of tax</b>	<b>(28.1)</b>	<b>(81.3)</b>
<b>Attributable to:</b>		
Mecom Group plc shareholders	<b>(27.0)</b>	(80.2)
Minority interest	<b>(1.1)</b>	(1.1)

**CONSOLIDATED BALANCE SHEET**  
at 30 June 2010

	Note	30 June 2010 Unaudited €m	31 December 2009 Audited €m	(restated) 30 June 2009 Unaudited €m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		185.2	183.1	178.2
Other intangible assets		638.3	672.5	677.4
Property, plant and equipment		226.5	240.4	252.4
Employee benefit assets		4.2	4.1	2.1
Interests in associates		40.2	39.3	36.6
Investments		0.4	0.7	0.9
Other financial assets		0.4	12.0	2.3
Deferred tax assets		26.8	30.6	27.5
<b>Total non-current assets</b>		<b>1,122.0</b>	<b>1,182.7</b>	<b>1,177.4</b>
<b>Current assets</b>				
Inventories		8.4	9.3	8.5
Trade and other receivables		155.1	175.0	234.0
Cash and cash equivalents	9,10	68.4	104.6	205.3
Current tax assets		1.0	1.5	2.9
Derivative financial instruments		-	-	0.2
<b>Total current assets</b>		<b>232.9</b>	<b>290.4</b>	<b>450.9</b>
Assets held for sale		-	-	69.2
<b>Total assets</b>		<b>1,354.9</b>	<b>1,473.1</b>	<b>1,697.5</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	10	(377.4)	(416.0)	(429.1)
Other payables		(5.1)	(5.0)	(5.2)
Provisions		(20.0)	(28.2)	(15.9)
Employee benefit obligations		(65.6)	(69.9)	(59.9)
Deferred tax liabilities		(159.3)	(166.2)	(176.4)
Obligations under finance leases	10	(2.4)	(4.8)	(7.7)
Derivative financial instruments		(1.4)	(4.0)	(1.7)
<b>Total non-current liabilities</b>		<b>(631.2)</b>	<b>(694.1)</b>	<b>(695.9)</b>
<b>Current liabilities</b>				
Borrowings	10	(38.6)	(53.0)	(198.7)
Trade and other payables		(394.3)	(398.0)	(389.3)
Provisions		(22.2)	(34.6)	(46.4)
Current tax liabilities		(2.8)	(0.7)	(3.1)
Obligations under finance leases	10	(4.9)	(4.2)	(3.4)
Derivative financial instruments		(10.1)	(10.4)	(14.1)
<b>Total current liabilities</b>		<b>(472.9)</b>	<b>(500.9)</b>	<b>(655.0)</b>
Liabilities directly associated with assets classified as held for sale		-	-	(43.5)
<b>Total liabilities</b>		<b>(1,104.1)</b>	<b>(1,195.0)</b>	<b>(1,394.4)</b>
<b>Net assets</b>		<b>250.8</b>	<b>278.1</b>	<b>303.1</b>
<b>EQUITY</b>				
Issued share capital		83.2	81.3	81.3
Share premium		1,530.2	1,526.5	1,526.7
Retained earnings		(1,382.3)	(1,350.6)	(1,317.5)
Other reserves		(13.3)	(13.5)	(22.7)
<b>Equity attributable to Mecom Group plc shareholders</b>		<b>217.8</b>	<b>243.7</b>	<b>267.8</b>
Minority interest		33.0	34.4	35.3
<b>Total equity</b>		<b>250.8</b>	<b>278.1</b>	<b>303.1</b>

The restatement of the consolidated balance sheet at 30 June 2009 relates to an adjustment arising from the change in presentation currency to euros from sterling in 2009. €0.5m has been reclassified between retained earnings and other reserves, with no effect on net equity or the consolidated income statement for the six months ended 30 June 2009.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the six months ended 30 June 2010

	Other reserves								Equity attributable to Mecom Group plc shareholders	Minority interest	Total equity
	Issued share capital	Share premium	Retained earnings	Cash flow hedge reserve	Share-based payment reserve	Own shares	Revaluation reserve	Currency translation reserve			
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
<b>Balance at 1 January 2010 (audited)</b>	<b>81.3</b>	<b>1,526.5</b>	<b>(1,350.6)</b>	<b>(3.1)</b>	<b>6.9</b>	-	<b>0.7</b>	<b>(18.0)</b>	<b>243.7</b>	<b>34.4</b>	<b>278.1</b>
Loss for the period	-	-	(31.7)	-	-	-	-	-	(31.7)	(1.2)	(32.9)
Other comprehensive (loss)/income:											
Changes in fair value of cash flow hedges	-	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Exchange differences on retranslation of foreign operations	-	-	-	-	-	-	-	4.8	4.8	0.1	4.9
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>(31.7)</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.8</b>	<b>(27.0)</b>	<b>(1.1)</b>	<b>(28.1)</b>
Issue of share capital held by the EBT <sup>1</sup>	1.9	3.7	-	-	-	(5.6)	-	-	-	-	-
Credit in respect of share-based payments	-	-	-	-	1.1	-	-	-	1.1	-	1.1
Partial disposal of business	-	-	-	-	-	-	-	-	-	0.3	0.3
Minority interest dividend paid	-	-	-	-	-	-	-	-	-	(0.6)	(0.6)
<b>Balance at 30 June 2010 (unaudited)</b>	<b>83.2</b>	<b>1,530.2</b>	<b>(1,382.3)</b>	<b>(3.2)</b>	<b>8.0</b>	<b>(5.6)</b>	<b>0.7</b>	<b>(13.2)</b>	<b>217.8</b>	<b>33.0</b>	<b>250.8</b>
<b>Balance at 1 January 2009 (audited)</b>	<b>13.9</b>	<b>1,438.4</b>	<b>(1,239.7)</b>	<b>(10.0)</b>	<b>8.4</b>	-	<b>0.7</b>	<b>(22.5)</b>	<b>189.2</b>	<b>36.9</b>	<b>226.1</b>
Loss for the period	-	-	(77.8)	-	-	-	-	-	(77.8)	-	(77.8)
Other comprehensive (loss)/income:											
Changes in fair value of cash flow hedges	-	-	-	(4.3)	-	-	-	-	(4.3)	-	(4.3)
Transfer from cash flow hedge reserve to the income statement of cumulative losses on certain interest rate swaps on repayment of hedged debt	-	-	-	10.7	-	-	-	-	10.7	-	10.7
Transfer from currency translation reserve to the consolidated income statement of cumulative exchange differences on write-off of unamortised debt issue costs	-	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Transfer from currency translation reserve to the consolidated income statement of cumulative exchange differences on disposal of foreign operations	-	-	-	-	-	-	-	3.4	3.4	-	3.4
Exchange differences on retranslation of foreign operations	-	-	-	-	-	-	-	(11.2)	(11.2)	(1.1)	(12.3)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(77.8)</b>	<b>6.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8.8)</b>	<b>(80.2)</b>	<b>(1.1)</b>	<b>(81.3)</b>
Issue of share capital for cash	67.4	98.7	-	-	-	-	-	-	166.1	-	166.1
Transaction costs relating to the issue of share capital for cash	-	(10.4)	-	-	-	-	-	-	(10.4)	-	(10.4)
Credit in respect of share-based payments	-	-	-	-	3.1	-	-	-	3.1	-	3.1
Minority interest disposed of	-	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Minority interest dividend paid	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
<b>Balance at 30 June 2009 (unaudited)</b>	<b>81.3</b>	<b>1,526.7</b>	<b>(1,317.5)</b>	<b>(3.6)</b>	<b>11.5</b>	<b>-</b>	<b>0.7</b>	<b>(31.3)</b>	<b>267.8</b>	<b>35.3</b>	<b>303.1</b>

<sup>1</sup> Refer to Note 15 for further details.

**CONSOLIDATED CASH FLOW STATEMENT**  
for the six months ended 30 June 2010

<b>Unaudited</b>		<b>Six months ended 30 June 2010</b>	Six months ended 30 June 2009
	Note	€m	€m
<b>Operating activities</b>			
Cash generated from operations	14	32.3	6.9
Income tax paid		(1.0)	(1.4)
<b>Net cash from operating activities</b>		<b>31.3</b>	<b>5.5</b>
<b>Investing activities</b>			
Proceeds from sale of other intangible assets		0.2	0.2
Proceeds from sale of property, plant and equipment		1.1	0.1
Proceeds from sale of investments		0.1	-
Capital expenditure on:			
other intangible assets		(2.8)	(4.4)
property, plant and equipment		(7.1)	(21.2)
Purchase of publishing rights		(10.2)	-
Purchase of interests in associates and investments		(0.4)	(0.6)
Acquisition of subsidiary, net of cash acquired		(0.1)	-
Divestment of businesses, net of cash sold	11	23.0	198.8
Interest received		2.1	2.9
Dividends received		1.8	3.1
<b>Net cash from investing activities</b>		<b>7.7</b>	<b>178.9</b>
<b>Financing activities</b>			
Proceeds from issue of share capital		-	117.4
Transaction costs of issue of shares		-	(0.2)
Proceeds from borrowing drawdowns		135.5	115.4
Repayment of borrowings		(169.1)	(310.3)
Repayment of obligations under finance leases		(2.0)	(4.4)
Interest and other finance expenses paid		(17.6)	(29.8)
Fees paid on renegotiation of Group's bank facilities		(0.4)	(11.8)
Dividends paid to minority interests		(0.6)	(0.1)
<b>Net cash used in financing activities</b>		<b>(54.2)</b>	<b>(123.8)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(15.2)</b>	<b>60.6</b>
Net foreign exchange difference		0.7	0.8
Cash and cash equivalents at beginning of the period		75.1	112.4
<b>Cash and cash equivalents at end of the period</b>	9	<b>60.6</b>	<b>173.8</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2010

## 1. Corporate information

Mecom Group plc (the “Company”) is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is 70 Jermyn Street, London, SW1Y 6NY. Its ordinary shares are traded on the London Stock Exchange (LSE).

These condensed consolidated financial statements for the six months ended 30 June 2010 were approved by the Board of Directors on 27 July 2010.

## 2. Definition of terms

The Group uses the following terms, with the definition given, in these condensed consolidated financial statements and in its internal monitoring of financial performance:

### *Adjusted EBITDA/Adjusted EBITDA margin*

The Group monitors the performance of its segments on an earnings before interest, tax, depreciation and amortisation (“adjusted EBITDA”) basis. This measure includes any profit or loss from associates but excludes any exceptional items. Adjusted EBITDA margin (expressed as a percentage) is defined as adjusted EBITDA for a period divided by external revenue for the same period.

### *Adjusted operating profit/Adjusted operating profit margin*

Adjusted operating profit or loss is stated before exceptional items and amortisation of acquired intangibles. Adjusted operating profit margin (expressed as a percentage) is defined as adjusted operating profit for a period divided by external revenue for the same period.

### *Exceptional items*

The Group presents as exceptional items on the face of the consolidated income statement those material items of income and expense which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods.

### *Net debt*

The Group presents as ‘net debt’ the net of cash and cash equivalents, borrowings and obligations under finance leases. The Group also includes in net debt any of the above items that have been classified as held for sale.

## 3. Basis of preparation

### **Significant accounting policies**

These condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules (“DTR”) of the Financial

Services Authority and International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

### **Adoption of new, revised, amended and improved Standards and Interpretations**

From 1 January 2010, the Group has adopted the following revisions and amendments to Standards and new and amended IFRICs:

#### *IFRS 3 Business Combinations (Revised)*

The revised Standard requires changes to certain aspects of the acquisition method of accounting for business combinations. Acquisition-related costs and post-acquisition changes to the fair value of contingent consideration must be written-off immediately to the income statement (previously these were included within goodwill); the requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating the portion of goodwill arising on each step has been removed and instead goodwill is measured as the difference at acquisition date between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired; and for a business combination in which the acquirer achieves control without buying all of the equity of the acquiree, the remaining (minority) equity interests are measured either at fair value or at the minority interests’ proportionate share of the acquiree’s net identifiable assets (previously, only the latter was permitted). The revised Standard has been applied prospectively from 1 January 2010. These changes will affect how the Group reports future business combinations and is a change to accounting policy, although no changes are included in these condensed consolidated financial statements as no business combinations have occurred in the six months ended 30 June 2010.

#### *Amendments to IAS 27 Consolidated and Separate Financial Statements*

The revised Standard sets out, amongst other things, new requirements in the way changes in a parent’s ownership interest that do, or do not, result in loss of control of a subsidiary and, where a minority interest remains, requires this to be remeasured to its fair value on the date control is lost. The revised Standard has been applied prospectively from 1 January 2010.

### 3. Basis of preparation (continued)

The Group has also adopted the following Standards and Interpretations in the period, with no impact on the financial position or performance of the Group:

Amendments to IFRS 1 *Additional Exemptions for First-time Adopters*;

Amendments to IFRS 2 *Group Cash-Settled Share-based Payment Transactions*;

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*;

Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*;

Improvements to IFRSs 2009;

IFRIC 17 *Distributions of Non-Cash Assets to Owners*; and

IFRIC 18 *Transfers of Assets from Customers*.

#### Other

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The condensed consolidated financial statements are unaudited but have been reviewed by the auditors. The financial information presented herein does not amount to full statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures for the year ended 31 December 2009 have been extracted from the 2009 Annual report and accounts which has been filed with the Registrar of Companies. The audit report on the 2009 Annual report and accounts was unqualified and did not contain an adverse statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated financial statements are presented in euros and all values are shown in

millions, rounded to the nearest one hundred thousand euros, except when otherwise stated. The significant exchange rates for the Group applied during the current and prior periods are as follows:

	Average rate for the six months ended 30 June (against EUR)		Spot rate at 30 June (against EUR)	
	2010	2009	2010	2009
NOK	<b>8.05</b>	9.02	<b>7.97</b>	9.03
DKK	<b>7.44</b>	7.45	<b>7.45</b>	7.45
PLN	<b>4.01</b>	4.48	<b>4.14</b>	4.46
GBP	<b>0.87</b>	0.90	<b>0.82</b>	0.85

Differences in spot rates from 31 December 2009 to 30 June 2010 have caused the Group's non-euro denominated assets and liabilities (primarily comprising amounts denominated in NOK and PLN) to increase (on a net basis) in value when retranslated into euros, resulting in foreign exchange differences of €4.9m being credited to reserves in the six months ended 30 June 2010 (six months ended 30 June 2009: debit of €12.3m).

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. At 30 June 2010, such estimates and underlying assumptions are the same as set out on pages 60 and 61 of the 2009 Annual report and accounts. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period only, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 4. Operating segments

For management and therefore internal reporting purposes, the directors have organised the Group into divisions based on geographical location. For internal reporting purposes, any significant operations that have been disposed of during the period are separated from the results of the “ongoing” businesses (regardless of whether they are accounted for as “discontinued operations” under IFRS in these accounts) and are shown separately, in aggregation, as “Mecom disposed”. This allows the Board to focus on the financial performance of the continuing businesses, the total of which is shown in the Group’s internal financial reports as “Mecom ongoing”.

The Group’s reportable operating segments included within “Mecom ongoing” are:

- The Netherlands (excluding the results of the disposed AD NieuwsMedia (“AD”) business in 2009);
- Denmark;
- Norway (excluding the results of the disposed north-western Norway (“NWN”) business in 2009); and
- Poland.

“Corporate” is also part of “Mecom ongoing” and comprises the Group’s head-office activities, which are primarily located in the UK, together with the costs of certain Group-wide functions including IT strategy, revenue development and Group internal audit. No operating segments have been aggregated to form the above reportable operating segments.

The Group’s directors (being the chief operating decision maker) monitor the operating results of its divisions separately for the purpose of making decisions about resource allocation and performance assessment. The Group’s financial performance is based on an assessment of the results, which are measured consistently with operating profit or loss in the condensed consolidated income statement, of the above segments. Such monitoring and assessment of an individual division’s financial performance is done primarily at the adjusted EBITDA level.

All of the Group’s reportable operating segments derive their revenue from the following revenue streams: advertising, circulation and other (comprising principally third-party printing, distribution and enterprises). Revenue from external customers is attributed to individual operating segments on an origin basis. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. Transactions between operating segments represented less than 1% of both total Group revenue and operating costs.

Exceptional items (comprising amounts recorded in operating costs, finance exceptional items and gains/losses on disposal of businesses and investments) are also monitored and assessed, in aggregate, by the directors at the operating segment level. Amortisation of acquired intangibles is also monitored and assessed by the directors at the operating segment level.

Regular, non-exceptional finance income and expense and income taxes are managed on a Group basis and are not provided to the chief operating decision-maker at the operating segment level. These items are therefore not allocated to operating segments.

Operating assets and liabilities comprise all classes of assets and liabilities, respectively.

Digital revenue comprises revenue earned from either newspaper websites or stand-alone websites and is recorded against the relevant revenue category. Capital expenditure excludes any items purchased via a business combination or the separate purchase of publishing rights and, for the purposes of this Note, includes both property, plant and equipment additions and software additions. Additions to non-current assets comprises additions to goodwill, other intangibles assets, property, plant and equipment, interests in associates, investments and other financial assets arising from capital expenditure and business combinations but excludes such additions to employee benefit assets and deferred tax assets.

Financial information as internally reported to the Board for the six months ended 30 June 2009 is shown as restated because, for internal reporting purposes, certain prior period figures are stated at the current period foreign exchange rates.

#### 4. Operating segments (continued)

The following tables present (i) financial information as internally reported to the directors for the six months ended 30 June 2010 and 2009 in respect of the Group's reportable operating segments and (ii) reconciliations of financial information as internally reported to financial information as reported under IFRS.

##### (i) Financial information as internally reported to the Board for six months ended 30 June 2010

Unaudited	The Netherlands €m	Denmark €m	Norway €m	Poland €m	Corporate €m	Eliminations €m	Mecom ongoing €m	Mecom disposed <sup>1</sup> €m	Mecom Group total €m
<b>Revenue:</b>									
External sales:									
Advertising	160.2	78.4	70.6	25.5	-	-	334.7	-	334.7
Circulation	127.7	83.0	35.0	34.3	-	-	280.0	-	280.0
Other	22.0	38.9	24.8	7.9	-	-	93.6	-	93.6
<b>Total external revenue</b>	<b>309.9</b>	<b>200.3</b>	<b>130.4</b>	<b>67.7</b>	-	-	<b>708.3</b>	-	<b>708.3</b>
Inter-segment sales	-	-	0.4	-	-	(0.4)	-	-	-
<b>Total revenue as internally reported</b>	<b>309.9</b>	<b>200.3</b>	<b>130.8</b>	<b>67.7</b>	-	<b>(0.4)</b>	<b>708.3</b>	-	<b>708.3</b>
Total costs (including share of results of associates, excluding depreciation)	(261.9)	(190.6)	(117.0)	(63.1)	(6.0)	0.4	(638.2)	-	(638.2)
<b>Adjusted EBITDA as internally reported</b>	<b>48.0</b>	<b>9.7</b>	<b>13.8</b>	<b>4.6</b>	<b>(6.0)</b>	-	<b>70.1</b>	-	<b>70.1</b>
Depreciation (including amortisation of software)	(10.5)	(9.6)	(4.8)	(2.8)	(0.2)	-	(27.9)	-	(27.9)
<b>Adjusted operating profit/(loss) as internally reported</b>	<b>37.5</b>	<b>0.1</b>	<b>9.0</b>	<b>1.8</b>	<b>(6.2)</b>	-	<b>42.2</b>	-	<b>42.2</b>
Total exceptional items <sup>2</sup>	(23.9)	(0.4)	(0.2)	(1.3)	(2.9)	-	(28.7)	(2.1)	(30.8)
<b>Segment result as internally reported</b>	<b>13.6</b>	<b>(0.3)</b>	<b>8.8</b>	<b>0.5</b>	<b>(9.1)</b>	-	<b>13.5</b>	<b>(2.1)</b>	<b>11.4</b>
<b>Assets and liabilities</b>									
Operating assets	761.2	224.7	233.8	111.9	23.3	-	1,354.9	-	1,354.9
Operating liabilities	(579.8)	(161.0)	(102.4)	(23.7)	(237.2)	-	(1,104.1)	-	(1,104.1)
<b>Other information</b>									
Digital revenue	11.6	10.8	14.7	3.3	-	-	40.4	-	40.4
Amortisation of acquired intangibles	(21.6)	(4.4)	(4.6)	(0.8)	-	-	(31.4)	-	(31.4)
Impairment charges in respect of property, plant and equipment and acquired intangibles	(0.4)	-	-	(0.8)	-	-	(1.2)	-	(1.2)
Adjusted EBITDA margin	15.5%	4.8%	10.6%	6.8%	n/a	n/a	9.9%	n/a	9.9%
Adjusted operating profit margin	12.1%	-	6.9%	2.7%	n/a	n/a	6.0%	n/a	6.0%
Interests in associates	6.8	3.1	30.3	-	-	-	40.2	-	40.2
Capital expenditure on property, plant and equipment and software <sup>3</sup>	3.6	0.9	1.1	0.3	0.1	-	6.0	-	6.0
Additions to non-current assets	4.9	0.9	1.3	0.5	0.1	-	7.7	-	7.7

1 For the six months ended 30 June 2010, "Mecom disposed" comprised Mecom Germany and AD.

2 For internal reporting purposes, total exceptional items include both operating and finance exceptional items together with all gains/losses on disposal of businesses and investments.

3 Capital expenditure in this instance relates to book amounts.

#### 4. Operating segments (continued)

##### (i) Financial information as internally reported to the Board for six months ended 30 June 2009 (restated)

Unaudited	The Netherlands €m	Denmark €m	Norway €m	Poland €m	Corporate €m	Eliminations €m	Mecom ongoing €m	Mecom disposed <sup>1</sup> €m	Mecom Group total €m
<b>Revenue:</b>									
External sales:									
Advertising	167.6	82.6	70.3	26.0	-	-	346.5	32.1	378.6
Circulation	124.7	81.2	34.2	35.0	-	-	275.1	37.3	312.4
Other	24.2	42.6	28.9	7.5	-	-	103.2	9.9	113.1
<b>Total external revenue</b>	<b>316.5</b>	<b>206.4</b>	<b>133.4</b>	<b>68.5</b>	-	-	<b>724.8</b>	<b>79.3</b>	<b>804.1</b>
Inter-segment sales	-	-	0.5	-	-	(0.5)	-	-	-
<b>Total revenue as internally reported</b>	<b>316.5</b>	<b>206.4</b>	<b>133.9</b>	<b>68.5</b>	-	<b>(0.5)</b>	<b>724.8</b>	<b>79.3</b>	<b>804.1</b>
Total costs (including share of results of associates, excluding depreciation)	(274.2)	(205.5)	(127.2)	(65.4)	(5.6)	0.5	(677.4)	(73.8)	(751.2)
<b>Adjusted EBITDA as internally reported</b>	<b>42.3</b>	<b>0.9</b>	<b>6.7</b>	<b>3.1</b>	<b>(5.6)</b>	-	<b>47.4</b>	<b>5.5</b>	<b>52.9</b>
Depreciation (including amortisation of software)	(12.3)	(9.2)	(6.1)	(3.2)	(0.3)	-	(31.1)	(1.8)	(32.9)
<b>Adjusted operating profit/(loss) as internally reported</b>	<b>30.0</b>	<b>(8.3)</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(5.9)</b>	-	<b>16.3</b>	<b>3.7</b>	<b>20.0</b>
Total exceptional items <sup>2</sup>	(3.2)	(5.5)	(0.4)	(0.3)	(33.5)	-	(42.9)	(1.0)	(43.9)
<b>Segment result as internally reported</b>	<b>26.8</b>	<b>(13.8)</b>	<b>0.2</b>	<b>(0.4)</b>	<b>(39.4)</b>	-	<b>(26.6)</b>	<b>2.7</b>	<b>(23.9)</b>
<b>Assets and liabilities</b>									
Operating assets	872.6	259.1	251.2	105.3	209.3	-	1,697.5	-	1,697.5
Operating liabilities	(635.7)	(170.3)	(95.6)	(23.0)	(469.8)	-	(1,394.4)	-	(1,394.4)
<b>Other information</b>									
Digital revenue	9.5	10.8	13.0	2.6	-	-	35.9	-	35.9
Amortisation of acquired intangibles	(21.7)	(4.4)	(4.7)	(0.7)	-	-	(31.5)	-	(31.5)
Impairment charges in respect of property, plant and equipment	(0.8)	-	-	-	-	-	(0.8)	-	(0.8)
Adjusted EBITDA margin	13.4%	0.4%	5.0%	4.5%	n/a	n/a	6.5%	6.9%	6.6%
Adjusted operating profit margin	9.5%	(4.0%)	0.4%	(0.1%)	n/a	n/a	2.2%	4.7%	2.5%
Interests in associates	6.8	2.6	27.2	-	-	-	36.6	-	36.6
Capital expenditure on property, plant and equipment and software <sup>3</sup>	16.2	4.9	2.4	1.9	-	-	25.4	0.2	25.6
Additions to non-current assets	16.7	4.9	2.5	1.9	-	-	26.0	0.2	26.2

1 For the six months ended 30 June 2009, "Mecom disposed" comprised Mecom Germany, NWN and AD.

2 For internal reporting purposes, total exceptional items include both operating and finance exceptional items together with all gains/losses on disposal of businesses and investments.

3 Capital expenditure in this instance relates to book amounts.

#### 4. Operating segments (continued)

##### (ii) Reconciliations of financial information as internally reported to financial information as reported under IFRS for the six months ended 30 June 2010 and 2009

- a) Reconciliation of “Mecom ongoing” as internally reported to operating loss for the six months ended 30 June 2010 from continuing operations as reported under IFRS

Unaudited	Total of “Mecom ongoing” €m	Reverse finance exceptional items €m	Reverse loss on sale of businesses €m	Amortisation of acquired intangibles €m	Amounts as reported for continuing operations under IFRS €m
<b>Adjusted operating profit</b>	<b>42.2</b>	-	-	-	<b>42.2</b>
Exceptional items	(28.7)	3.5	0.3	-	(24.9)
Amortisation of acquired intangibles	-	-	-	(31.4)	(31.4)
<b>Operating profit/(loss)</b>	<b>13.5</b>	<b>3.5</b>	<b>0.3</b>	<b>(31.4)</b>	<b>(14.1)</b>

- b) Reconciliation of “Mecom ongoing” as internally reported to operating loss for the six months ended 30 June 2009 from continuing operations as reported under IFRS

Unaudited	Total of “Mecom ongoing” €m	Add back results of operations disposed of but not classified as discontinued under IFRS <sup>1</sup> €m	Reverse finance exceptional items €m	Reverse loss on sale of businesses €m	Foreign exchange adjustments and amortisation of acquired intangibles €m	Amounts as reported for continuing operations under IFRS €m
<b>Revenue:</b>						
Advertising	346.5	15.6	-	-	(10.3)	351.8
Circulation	275.1	23.8	-	-	(7.3)	291.6
Other	103.2	6.9	-	-	(3.9)	106.2
<b>Total revenue</b>	<b>724.8</b>	<b>46.3</b>	<b>-</b>	<b>-</b>	<b>(21.5)</b>	<b>749.6</b>
Total costs (including share of results of associates, excluding depreciation)	(677.4)	(42.2)	-	-	20.7	(698.9)
<b>Adjusted EBITDA</b>	<b>47.4</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>50.7</b>
Depreciation (including amortisation of software)	(31.1)	(1.9)	-	-	1.0	(32.0)
<b>Adjusted operating profit</b>	<b>16.3</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>18.7</b>
Exceptional items	(42.9)	-	28.9	0.6	1.0	(12.4)
Amortisation of acquired intangibles	-	-	-	-	(31.5)	(31.5)
<b>Operating (loss)/profit</b>	<b>(26.6)</b>	<b>2.2</b>	<b>28.9</b>	<b>0.6</b>	<b>(30.3)</b>	<b>(25.2)</b>

<sup>1</sup> These items related to the Group’s NWN and AD operations which were disposed of during 2009.

- c) Reconciliations of “Mecom disposed” as internally reported to loss for the six months ended 30 June 2010 and 2009 from discontinued operations as reported under IFRS

	Six months ended 30 June	
	2010 €m	2009 €m
Segment result as internally reported for “Mecom disposed”	(2.1)	2.7
Reverse operating profit of operations not classified as discontinued operations under IFRS	-	(2.2)
Reverse loss on disposal of business not classified as discontinued operations under IFRS	1.7	-
Net finance expense before exceptional items	-	(1.8)
<b>Loss from discontinued operations</b>	<b>(0.4)</b>	<b>(1.3)</b>

#### 5. Exceptional items and amortisation of acquired intangibles

The Group presents as exceptional items separately on the face of the consolidated income statement those material items of income and expense which, because of their nature and/or the infrequency of the events giving rise to them, merit separate presentation. This allows shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods. The Group also separates the amortisation of acquired intangibles on the face of the consolidated income statement since, whilst accounting standards require the recognition of this amortisation as an expense, it is not an underlying operating expense of the Group’s businesses.

## 5. Exceptional items and amortisation of acquired intangibles (continued)

The exceptional items and amortisation charges are summarised as follows:

Unaudited	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Exceptional items	Amortisation of acquired intangibles	Total	Exceptional items	Amortisation of acquired intangibles	Total
	€m	€m	€m	€m	€m	€m
<b>Continuing operations</b>						
<b>Restructuring costs</b>						
Staff redundancy costs	(0.8)	-	(0.8)	(7.7)	-	(7.7)
Share-based payment expense	-	-	-	(2.4)	-	(2.4)
Other	(0.6)	-	(0.6)	(1.5)	-	(1.5)
<b>Total restructuring costs</b>	<b>(1.4)</b>	<b>-</b>	<b>(1.4)</b>	<b>(11.6)</b>	<b>-</b>	<b>(11.6)</b>
<b>Fine imposed by Netherlands Competition Authority</b>						
	(22.3)	-	(22.3)	-	-	-
<b>Amortisation and impairment charges</b>						
Amortisation of acquired intangibles	-	(31.4)	(31.4)	-	(31.5)	(31.5)
Impairment of other intangible assets	(0.4)	-	(0.4)	-	-	-
Impairment of property, plant and equipment	(0.8)	-	(0.8)	(0.8)	-	(0.8)
<b>Total amortisation and impairment charges</b>	<b>(1.2)</b>	<b>(31.4)</b>	<b>(32.6)</b>	<b>(0.8)</b>	<b>(31.5)</b>	<b>(32.3)</b>
<b>Total recognised in operating loss</b>	<b>(24.9)</b>	<b>(31.4)</b>	<b>(56.3)</b>	<b>(12.4)</b>	<b>(31.5)</b>	<b>(43.9)</b>
<b>Costs of renegotiating Group's bank facilities</b>						
	-	-	-	(7.1)	-	(7.1)
<b>Finance asset impairments and other accounting items</b>						
Interest rate swaps accounting: mark-to-market	(2.8)	-	(2.8)	-	-	-
Interest rate swaps accounting: equity recycling	-	-	-	(13.2)	-	(13.2)
Unamortised debt issue costs	-	-	-	(6.9)	-	(6.9)
Share-based payment expense for share warrants	-	-	-	(0.5)	-	(0.5)
Notional interest on unwinding of exceptional provisions	(0.7)	-	(0.7)	(1.2)	-	(1.2)
<b>Total finance asset impairments and related accounting items</b>	<b>(3.5)</b>	<b>-</b>	<b>(3.5)</b>	<b>(21.8)</b>	<b>-</b>	<b>(21.8)</b>
<b>Total recognised in finance expense</b>	<b>(3.5)</b>	<b>-</b>	<b>(3.5)</b>	<b>(28.9)</b>	<b>-</b>	<b>(28.9)</b>
Loss on disposal of businesses	(2.0)	-	(2.0)	(0.6)	-	(0.6)
<b>Total recognised in loss before tax</b>	<b>(30.4)</b>	<b>(31.4)</b>	<b>(61.8)</b>	<b>(41.9)</b>	<b>(31.5)</b>	<b>(73.4)</b>
Exceptional income tax credit/(expense)	1.5	7.6	9.1	(1.0)	8.0	7.0
<b>Total recognised in loss for the period</b>	<b>(28.9)</b>	<b>(23.8)</b>	<b>(52.7)</b>	<b>(42.9)</b>	<b>(23.5)</b>	<b>(66.4)</b>
<b>Discontinued operations</b>						
<b>Restructuring costs</b>						
Staff redundancy costs	-	-	-	(0.3)	-	(0.3)
<b>Total recognised in operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.3)</b>	<b>-</b>	<b>(0.3)</b>
<b>Finance asset impairments and other accounting items</b>						
Unamortised debt issue costs	-	-	-	(1.5)	-	(1.5)
<b>Total recognised in finance expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.5)</b>	<b>-</b>	<b>(1.5)</b>
(Loss)/gain on disposal of business	(0.4)	-	(0.4)	0.9	-	0.9
<b>Total recognised in loss for period</b>	<b>(0.4)</b>	<b>-</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>-</b>	<b>(0.9)</b>

### Continuing operations

#### Restructuring costs

Restructuring costs of €1.4m were recorded in the six months ended 30 June 2010 (six months ended 30 June 2009: €1.6m). Staff redundancy costs of €0.8m in the current period included a credit of €4.8m arising in the Netherlands due to a recalculation of provisions for redundancy and early retirement plans. Excluding the effect of this, staff redundancy costs for the six months ended 30 June 2010 were €5.6m (six months ended 30 June

## 5. Exceptional items and amortisation of acquired intangibles (continued)

2009: €7.7m) and related mainly to staff redundancy costs associated with cost reduction programmes in the Netherlands. The exceptional share-based payment expense of €2.4m in the six months ended 30 June 2009 represented the acceleration of accounting charges on share options granted under the Executive Share Option Plan (“ESOP”) which were cancelled early.

### **Fine imposed by Netherlands Competition Authority**

On 14 July 2010, Mecom announced that the Netherlands Competition Authority (Nederlandse Mededingingsautoriteit, “NMa”), having concluded an investigation into alleged breaches of undertakings given in March 2000 by Koninklijke Wegener N.V. (“Wegener”) related to maintaining the mutual independence of two Dutch newspaper titles, had published its decision which included a fine on Wegener of €19.1m. On the same date, Mecom also announced that neither Mecom nor Wegener accepted the conclusions of the NMa and that Mecom and Wegener would therefore vigorously challenge the decision of the NMa.

Wegener can initially request an independent administrative review, which might take six months or more, and, if Wegener does not agree with the outcome of this review, it can appeal to the Dutch courts for a full judicial review of the decision, which might take a further 12 months or more. The payment of the fine is suspended during both appeal processes but is subject to legal interest in the event it is upheld. Finally, Wegener can appeal against the decision of any judicial review to the Dutch Enterprise Court.

The application of IFRS in the case of regulatory fines is that, notwithstanding the right of a company to appeal and regardless of the likelihood of such an appeal being successful, these fines constitute a current liability of the Group and should therefore be recognised in full as an expense. The prospect of an appeal decision which either overturns the original decision or reduces any fines represents a contingent asset which can only be recognised when its recovery is ‘virtually certain’. For this reason, an exceptional charge of €19.1m has been recognised in the six months ended 30 June 2010, together with related costs. However, the directors of both Mecom and Wegener believe that the two newspapers concerned have complied with the undertakings given in 2000 and that in any event the fine is unwarranted and completely disproportionate to both the alleged breaches of undertakings and to the very small size of the businesses concerned.

### **Amortisation and impairment charges**

In the six months ended 30 June 2010, the Group recorded an amortisation charge of €1.4m (six months ended 30 June 2009: €1.5m) in respect of its acquired intangibles. Note 4 above analyses the amortisation of acquired intangibles by operating segment. Impairment charges of €1.2m were recognised in the six months ended 30 June 2010 (six months ended 30 June 2009: €0.8m). These related mainly to certain property, plant and equipment which had become fully or partially disused as a result of the rationalisation of the Group’s operations.

### **Costs of renegotiating Group’s bank facilities**

In May 2009, the Group renegotiated its bank facilities, incurring amendment fees paid to the Group’s bank syndicate and related professional fees totalling €7.1m that did not confer any future benefits and so were expensed immediately. No such fees were incurred in the six months ended 30 June 2010.

### **Finance asset impairment and other accounting items**

Mark-to-market movements in interest rate swaps not accounted for as hedges resulted in a charge of €2.8m in the six months ended 30 June 2010 (six months ended 30 June 2009: €nil). The Group will continue to treat any mark-to-market movement of existing interest rate swaps that are not accounted for as hedges as exceptional items in its consolidated income statement until the instruments expire in March 2011. Other finance accounting exceptional items in the six months ended 30 June 2010 related to the unwinding of notional interest on exceptional provisions of €0.7m (six months ended 30 June 2009: €1.2m).

The renegotiation of the Group’s bank facilities agreement in May 2009 resulted in a charge of €6.9m in the six months ended 30 June 2009 to impair the remaining capitalised debt issue costs from the October 2007 facility agreement. In addition, an accounting charge of €3.2m was recorded in the six months ended 30 June 2009 to transfer previously recognised changes in the fair value of interest rate hedges from the cash flow hedge reserve to the consolidated income statement. A share-based payment expense for share warrants of €0.5m was also recorded in the six months ended 30 June 2009.

### **Loss on disposal of businesses**

During the first half of 2010, the Group renegotiated certain terms of the sale of its 37% stake in the Dutch AD NieuwsMedia (“AD”) national newspaper business which was completed in 2009. The result of the revised agreement was that the Group accelerated the receipt of its deferred consideration receivable (see Note 11 for further details). In addition, the Group entered into an extended print contract and released the purchaser from a lease contract on a building, causing the Group to increase its onerous lease provision previously set up in 2009 by €1.7m which has been recognised as a further loss on disposal in the current period.

## 5. Exceptional items and amortisation of acquired intangibles (continued)

In the six months ended 30 June 2010, the Group agreed to dispose of certain minor Ukrainian operations accounted for within the Group's Polish division, resulting in a loss of disposal of €0.3m. The cash proceeds for these disposals will be received in the second half of 2010.

In the six months ended 30 June 2009, the Group disposed of its north-western Norway operations within continuing operations, resulting in a loss on disposal of €0.6m (after the effect of recycling of foreign exchange differences).

### Exceptional income tax credit/(expense)

An exceptional income tax credit of €0.1m was recorded in the six months ended 30 June 2010 (six months ended 30 June 2009: €7.0m). €7.6m (six months ended 30 June 2009: €8.0m) of this is due to deferred tax credits arising on the amortisation of the Group's acquired intangibles and €1.5m (six months ended 30 June 2009: €0.4m) related to exceptional tax credits recorded on exceptional operating and finance items. No exceptional tax credit has been recognised on the fine imposed by the NMA. In the six months ended 30 June 2009, the Group also incurred an exceptional tax charge of €1.4m on the disposal of its north-western Norway operations.

### Discontinued operations

In the six months ended 30 June 2010, the Group settled its completion adjustments obligation (which the Group had accrued €3.0m for at 31 December 2009) in respect of its disposal of Mecom Germany by way of a €3.5m payment to the purchaser and also agreed any final fees directly attributable to the transaction, resulting in a net charge of €0.4m being recorded. Refer to Note 11 for further details. Exceptional charges recorded in the six months ended 30 June 2009 related to staff redundancy costs resulting from the discontinued operation's cost reduction programmes through the reduction of full-time equivalent employee numbers and the write-off of unamortised debt issue costs, representing the portion of previously prepaid debt issue costs associated with repaid debt.

## 6. Finance income and expense

Below is an analysis of the Group's finance income and expense (for continuing operations only) split between regular and exceptional items. The prior period comparative figures are shown as restated, arising from the directors opting to provide a more detailed breakdown of amounts recorded in 2009 to match with the current period's presentation.

### Unaudited

	Six months ended 30 June 2010 €m	(restated) Six months ended 30 June 2009 €m
Bank interest receivable	1.3	2.0
Notional interest on unwinding of discounted receivable	0.5	-
Other	0.2	0.4
<b>Total finance income before exceptional items</b>	<b>2.0</b>	<b>2.4</b>
Interest payable on bank loans and overdrafts	(11.4)	(21.9)
Accreted interest on convertible loan notes	-	(0.6)
Amortisation of debt issue costs	(1.0)	(1.3)
Finance charges payable under finance leases	(0.2)	(0.6)
Notional interest on unwinding of discounts	(0.2)	(0.2)
Commitment fees on bank loans and overdrafts	(0.9)	(1.6)
Charges on interest rate swaps	(1.1)	(0.6)
<b>Total finance expense before exceptional items</b>	<b>(14.8)</b>	<b>(26.8)</b>
<b>Net finance expense before exceptional items</b>	<b>(12.8)</b>	<b>(24.4)</b>
<b>Total exceptional finance expense (see Note 5)</b>	<b>(3.5)</b>	<b>(28.9)</b>
<b>Total finance income</b>	<b>2.0</b>	<b>2.4</b>
<b>Total finance expense</b>	<b>(18.3)</b>	<b>(55.7)</b>

In the six months ended 30 June 2009, interest payable on bank loans and overdrafts and total exceptional finance expense relating to discontinued operations were €1.8m and €1.5m, respectively. After these charges, the Group's total finance expense before and after exceptional items in the six months ended 30 June 2009 were €28.6m and €9.0m, respectively.

## 7. Tax

The adjusted tax charge on continuing operations for the six months ended 30 June 2010 of €9.3m (six months ended 30 June 2008: €4.3m) represents an effective tax rate on adjusted profit before tax (excluding the share of results of associates) of 32.6% (six ended 30 June 2009: (75.4)%). The current period effective tax rate remains higher than the blended tax rate of the Group's operations due largely to the continued non-recognition of deferred tax losses in Denmark where the Group has taken a prudent view regarding the timing of future taxable profits.

The total tax charge on continuing operations for the six months ended 30 June 2010 of €0.2m (six months ended 30 June 2009: credit of €2.7m) included an exceptional tax credit of €9.1m (six months ended 30 June 2009: €7.0m). Refer to Note 5 for further details of exceptional tax items. The adjusted and total tax charge on discontinued operations for the six months ended 30 June 2010 and 2009 was €nil.

## 8. Earnings per share

Basic earnings per share is calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, excluding own shares held by the EBT, which are treated as cancelled (see Note 15 for further details).

Basic adjusted earnings per share is calculated by dividing adjusted earnings for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Adjusted earnings are the profit/(loss) for the period attributed to ordinary equity holders of the parent adjusted to exclude exceptional items and amortisation of acquired intangibles (net of related tax and minority interests).

Diluted earnings per share and diluted adjusted earnings per share are calculated after assessing the effect of potentially dilutive shares issued under warrants and the Group's share-based payment awards. The potential shares did not give rise to a decrease in profit per share or an increase in loss per share. As such, potential shares were considered anti-dilutive and did not lead to adjustments in diluted earnings per share or diluted adjusted earnings per share.

On 23 July 2009, there was a 100-for-1 share consolidation. Accordingly, the weighted average number of shares for the six months ended 30 June 2009 has been recalculated as if the share consolidation occurred at the beginning of 2009, meaning the prior period comparative figures are shown as restated.

<b>Unaudited</b>	<b>Six months ended 30 June 2010 000s</b>	<i>(restated)</i> Six months ended 30 June 2009 000s
Weighted average number of ordinary shares for basic and diluted earnings per share and adjusted basic and adjusted diluted earnings per share	<b>110,039</b>	18,311
	<b>Euro cents per share</b>	<i>(restated)</i> Euro cents per share
<b>(Loss)/earnings per share:</b>		
<b>IFRS measures</b>		
Basic and diluted:		
continuing operations	<b>(28.4)</b>	(417.8)
discontinued operations	<b>(0.4)</b>	(7.1)
continuing and discontinued operations	<b>(28.8)</b>	(424.9)
<b>Non-IFRS measures</b>		
Adjusted basic and diluted:		
continuing operations	<b>14.8</b>	(71.5)
discontinued operations	<b>-</b>	2.2
continuing and discontinued operations	<b>14.8</b>	(69.3)

## 8. Earnings per share (continued)

The earnings per share for continuing operations exclude the discontinued German operations in the six months ended 30 June 2010 and 2009.

### Adjusted earnings per share

The directors believe that the presentation of adjusted earnings per share, being the basic earnings per share adjusted for exceptional items and amortisation of acquired intangibles (and any related tax effects) and the minority interest share of those items, helps to explain the underlying performance of the Group. A reconciliation of basic to adjusted earnings per share is as follows:

#### Unaudited

	Six months ended		Six months ended	
	30 June 2010		30 June 2009	
	€m	Euro cents per share	€m	Euro cents per share
Basic earnings	(31.7)	(28.8)	(77.8)	(424.9)
Add back exceptional items (see Note 5)	30.8	28.0	42.8	233.8
Add back amortisation of acquired intangibles (see Note 5)	31.4	28.5	31.5	172.0
Deduct exceptional tax credits for year (see Note 7)	(9.1)	(8.3)	(7.0)	(38.2)
Deduct minority interest share of above	(5.1)	(4.6)	(2.6)	(14.2)
<b>Adjusted earnings/(loss)</b>	<b>16.3</b>	<b>14.8</b>	<b>(13.1)</b>	<b>(71.5)</b>
Add back adjusted loss of discontinued operations	-	-	0.4	2.2
<b>Adjusted earnings – continuing operations only</b>	<b>16.3</b>	<b>14.8</b>	<b>(12.7)</b>	<b>(69.3)</b>

## 9. Cash and cash equivalents

	30 June 2010	31 December 2009	30 June 2009
	€m	€m	€m
Note	Unaudited	Audited	Unaudited
Cash at bank and in-hand	61.6	100.7	200.7
Short-term deposits	6.8	3.9	4.6
<b>Cash and cash equivalents per the balance sheet</b>	<b>68.4</b>	<b>104.6</b>	<b>205.3</b>
Bank overdrafts	(7.8)	(29.5)	(31.5)
<b>Cash and cash equivalents per the cash flow statement</b>	<b>60.6</b>	<b>75.1</b>	<b>173.8</b>

Cash and cash equivalents at 30 June 2009 included €13.7m of proceeds from the Group's rights issue which were received on 26 June 2009 and applied to the Group's bank borrowings in early July 2009, together with the remaining €39.2m of net proceeds from the rights issue received on 1 July 2009.

## 10. Borrowings

	30 June 2010	31 December 2009	30 June 2009
	€m	€m	€m
Note	Unaudited	Audited	Unaudited
Bank overdrafts	(7.8)	(29.5)	(31.5)
Bank borrowings	(398.9)	(429.3)	(553.1)
Convertible loan notes	-	-	(36.0)
Other	(9.3)	(10.2)	(7.2)
<b>Total</b>	<b>(416.0)</b>	<b>(469.0)</b>	<b>(627.8)</b>

Shown in the balance sheet as:

Non-current	(377.4)	(416.0)	(429.1)
Current	(38.6)	(53.0)	(198.7)

## 10. Borrowings (continued)

The Group's net debt is as follows:

		<b>30 June 2010</b>	31 December 2009	30 June 2009
		<b>€m</b>	€m	€m
	Note	<b>Unaudited</b>	Audited	Unaudited
Cash and cash equivalents	9	<b>68.4</b>	104.6	205.3
Borrowings		<b>(416.0)</b>	(469.0)	(627.8)
Borrowing included within liabilities directly associated with assets classified as held for sale		-	-	(10.2)
Obligations under finance leases		<b>(7.3)</b>	(9.0)	(11.1)
<b>Total</b>		<b>(354.9)</b>	(373.4)	(443.8)

The Group's average net debt for the six months ended 30 June 2010 was €384.2m (six months ended 30 June 2009: €17.9m). Whilst there have been large gross drawdowns and repayments of borrowings in the six months ended 30 June 2010, net debt has reduced by €18.5m. This is primarily due to €1.3m of net cash from operating activities, a €23.0m cash inflow from divestment of businesses less a total cash outflow of €24.1m from net interest paid and capital expenditure and an outflow of €10.2m from the purchase of publishing rights.

From 10 May 2010, the Group's margin on its term loan bank borrowings decreased by 50 basis points to 3.00% as a consequence of the Group's leverage ratio, expressed as the ratio of net debt to adjusted EBITDA for "Mecom ongoing" (see Note 4 for explanation of this term), being equal to or less than 3.0 times (but greater than 2.5 times).

In July 2010, the Group, further to its policy, entered into forward-starting interest rate swaps to hedge approximately €100m of underlying floating rate bank borrowings for a period of 24 months starting in March 2011, when existing interest rate swaps expire.

## 11. Cash proceeds from divestment of businesses

### AD NieuwsMedia

On 30 June 2010, the Group reached an agreement with de Persgroep Nederland B.V. (the new owner of PCM Uitgevers B.V.) over the settlement of the deferred consideration receivable in respect of the disposal of AD. As part of the agreement the Group received cash proceeds of €15.4m, representing settlement of a €14.9m receivable from 31 December 2009 and €0.5m of interest accrued in the six months ended 30 June 2010.

### Mecom Germany

On 9 April 2010, the Group reached an agreement with M. DuMont Schauberg Expedition der Kölnischen Zeitung GmbH & Co KG ("Du Mont"), the purchaser of its German operations ("Mecom Germany"), on the resolution of certain issues relating to the completion of the transaction. As a result, the Group received gross proceeds of €12.0m which had previously been held in escrow, settled its completion adjustments obligation by way of a €3.5m payment to Du Mont and incurred directly attributable costs of €0.4m (€0.2m of which remained unpaid at 30 June 2010 but which were settled in July 2010). In the six months ended 30 June 2009, the net cash inflow associated with this disposal was €134.3m.

### North-western Norway

In 2009, the Group agreed to repay €1.0m to Polaris ASA, the purchaser of its north-western Norway operations, due to certain post-disposal adjustments. This was settled in February 2010. In the six months ended 30 June 2009, the net cash inflow associated with this disposal was €60.5m.

### Other

In the six months ended 30 June 2010, the Group sold a minority stake in one of its businesses for aggregate cash proceeds of €0.3m. In the six months ended 30 June 2009, the Group disposed of a joint-venture interest for net cash consideration of €4.0m.

## 12. Capital commitments

Capital commitments contracted but not provided at 30 June 2010 were €5.0m (30 June 2009: €7.5m).

## 13. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions are disclosed below.

### Transactions with joint ventures and associates

The following table summarises the sales, purchases and amounts owed to and by the Group's associated undertakings and joint ventures.

### 13. Related party transactions (continued)

Unaudited	Sales to related parties €m	Purchases from related parties €m	Amount owed by related parties €m	Amount owed to related parties €m
<b>Associates</b>				
Six months to 30 June 2010	1.3	4.8	1.6	0.1
Six months to 30 June 2009	1.5	1.4	3.9	0.1
<b>Joint ventures</b>				
Six months to 30 June 2010	5.3	13.7	2.1	0.2
Six months to 30 June 2009	8.4	15.0	3.5	1.5

Sales of goods and services to related parties were made at the usual list prices, less average volume discounts. Purchases were made at market prices. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

### 14. Reconciliation of loss for the period to cash generated from operations

The table below relates to amounts within both continuing and discontinued operations, unless otherwise stated.

Unaudited	Note	Six months ended 30 June 2010 €m	Six months ended 30 June 2009 €m
Loss for the period		(32.9)	(77.8)
Adjusted for:			
Depreciation of property, plant and equipment		18.9	23.2
Amortisation of software		9.0	8.8
Amortisation of acquired intangibles	5	31.4	31.5
Impairment of other intangible assets	5	0.4	-
Impairment of property, plant and equipment	5	0.8	0.8
Share-based payment expense		1.1	2.6
Loss/(gain) on disposal of businesses		2.4	(0.3)
Gain on disposal of property, plant and equipment		(0.1)	(0.1)
(Gain)/loss on disposal of investments		(0.1)	0.1
Finance income	6	(2.0)	(2.4)
Finance expense	6	14.8	28.6
Exceptional finance expense		3.5	30.4
Tax charge/(credit) on continuing operations		0.2	(2.7)
Share of results of associates		(1.0)	0.1
<b>Operating cash flow before changes in working capital, provisions and pensions</b>		<b>46.4</b>	<b>42.8</b>
Decrease/(increase) in trade and other receivables		2.1	(0.2)
Increase/(decrease) in trade and other payables		9.0	(20.5)
Decrease in inventories		1.0	5.6
Decrease in provisions and pensions		(26.2)	(20.8)
<b>Cash generated from operations</b>		<b>32.3</b>	<b>6.9</b>

### 15. Called up share capital

On 30 June 2010, 2,511,444 ordinary shares were issued to the Mecom Employee Benefit Trust ("EBT") under a joint ownership award at an issue price of £1.84, or €2.25, per share with the amount in euros based upon the GBP/EUR spot rate on the transaction date. As a result, credits of €1.9m and €3.7m were recorded in the issued capital and share premium accounts, respectively, with a corresponding debit of €5.6m also being recorded within equity. These shares will vest from the EBT in 2012 if certain conditions are met. Until this happens, they are treated as own shares held by the EBT and have no effect on net equity.

Subsequent to this transaction, the Company's issued share capital comprised 112,550,580 ordinary shares (although for earnings per share purposes the shares held by the EBT are treated as cancelled) with a nominal value of 60.85888 pence (equivalent to €3.2m).

# INDEPENDENT REVIEW REPORT TO MECOM GROUP PLC

## Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related Notes 1 to 15. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 4 of the 2009 Annual report and accounts, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union.

## Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
London  
27 July 2010