

## Independent News & Media Warns It Can't Pay Debt

Written by Rudi Prinsloo

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Ireland's major newspaper publisher, Independent News & Media, warned Thursday it is likely to default on a €200 million (US265 million) debt due for repayment next month and is seeking a possible bailout from its top two shareholders.

The Dublin-based global media and advertising company, which publishes the Independent newspapers in Ireland and Britain, made its disclosure in its full-year 2008 results, which recorded net losses of €159.4 million (US212 million) versus a profit of €195.7 million in 2007.

Sales fell 11.8 percent to €1.48 billion, reflecting the company's loss of advertising and circulation revenue throughout its newspaper empire, which stretches from Ireland to Britain, South Africa, Australia, New Zealand and India.

The company did increase its income from on-line advertising and billboards.

Shares in Independent News slumped eight percent to €0.23 in morning trade on the Irish Stock Exchange.

Analysts said the losses were expected, but the company's plea for a break from bondholders was not.

Independent News said it could not pay back a €200 million bond due to mature May 18 because it could not secure new borrowings from international creditors.

"The group currently does not have sufficient financial headroom available under its existing facilities in order to meet this maturity and service its debt obligations," it said.

The company warned of "a strong likelihood of a breach" and appealed to creditors to agree to "an amendment or waiver" that would buy time for a bailout.

It said the company was in negotiations with those creditors and Independent News' two biggest shareholders, Irish billionaires Anthony O'Reilly and Denis O'Brien.

Both men own around 25 percent of the company's battered shares.

O'Reilly -- who is stepping down as Independent News' chief executive May 7 to be succeeded by his son Gavin -- has already lost more than €200 million in his failed fight to defend his other major Irish business, Waterford Wedgwood PLC.

That bankrupt company was sold off to US venture capitalists in February.

Telecoms tycoon O'Brien, who recently overtook O'Reilly on the list of Ireland's richest people, has sunk hundreds of millions of his own wealth into building a pivotal stake in Independent News & Media, Ireland's dominant newspaper publisher.

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He has repeatedly clashed with O'Reilly and, as part of a recent boardroom shakeup, has succeeded in appointing three allies to the Independent board.

The company's Irish division -- which publishes Ireland's top-circulation tabloid the Sunday World, the highest-circulation broadsheets Independent and Sunday Independent, and 13 regional newspapers -- saw sales slide 6 percent to €373 million.

In the United Kingdom, sales slumped 19.8 percent to €215 million. That reflected deepening red ink at the company's London flagship, the Independent, and falling ad revenues at the Belfast Telegraph, the top paper in Northern Ireland.

The company declined to comment Thursday on continuing speculation that it is seeking a buyer for the London newspaper and its sister title, the Independent on Sunday.

They have been the company's poorest-performing assets since Independent News bought them 11 years ago.

The company's 39.2 percent stake in APN News & Media, which owns more than a dozen newspapers and radio stations in Australia and New Zealand, saw sales fall 12.7 percent to €671.8 million.

Sales in the South African division, which owns several newspapers and magazines as well as billboard advertising, fell 9.5 percent to €212.5 million.

The company's lone bright spot was India, where its 20.8 percent stake in the Jagran Prakashan newspaper group recorded an 11.2 percent gain in sales to €130.5 million, driven by the success of India's top-selling newspaper, Dainik Jagran.

Independent News said it now published 37 editions in 11 Indian states with a weekly readership of 55.7 million -- the biggest newspaper audience in the world.

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