

# MARKET ANNOUNCEMENT

# Publishing remains challenging while outdoor and radio outperform

- Net Profit After Tax before exceptional items of \$19m in line with guidance
- Non-cash impairment drives post exceptional loss of \$319m
- Publishing restructure continues
- Active strategic agenda including APN Outdoor joint venture and brandsExclusive acquisition
- Net debt reduced by \$168m
- Australian Radio Network revenue up 8%
- Adshel EBITDA up 42%
- Digital strategy on track with revenue up 81%

**SYDNEY, 17 August 2012** – APN News & Media [ASX, NZX: APN] today released its result for the six months ending 30 June 2012. Revenue was down 6% to \$477m and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was down 12% to \$75m. Net Profit After Tax (NPAT) before exceptional items was down \$3m to \$19m in line with guidance provided at the Annual General Meeting in May 2012.

APN has significantly reduced net debt by \$168m.

The Company today announced a non-cash impairment charge of \$485m, associated with APN's New Zealand publishing assets. This accounting charge follows an extensive review of carrying values by the APN Board of Directors and reflects the impact of prevailing industry conditions. APN continues to make operational improvements within its publishing business in New Zealand and remains confident of its ongoing strong contribution to the group.

Taking into account the publishing impairment charge and the gain on the formation of the APN Outdoor joint venture, the Company reported a Net Loss After Tax of \$319m.

The Company announced an interim dividend of 1.5 cents, of which 0.5 cents is franked payable 26 September 2012.

#### **APN FINANCIAL RESULT H1 2012**

AUD million	H1 2012	H1 2011
Revenue	477.1	508.1
ЕВПОА*	74.9	85.0
ЕВП*	57.5	66.5
Net profit after tax pre-exceptionals	19.1	21.8
Exceptional items (including impairment)	(338.5)	(120.1)
Statutory net loss after tax	(319.4)	(98.3)

<sup>\*</sup> before exceptional items based on segment reporting

APN Chief Executive Officer, Brett Chenoweth said: "It has been a tough first half for our publishing businesses, particularly in New Zealand. While it is clearly a difficult result, our newspapers have remained very profitable and relevant despite difficult advertising markets and structural challenges.

"Newspapers continue to set the local and national news agenda each day and this content is now reaching a broader audience through our digital platforms. We are evolving our business model to capitalize on the shifting audiences and are well placed to do this from within our existing businesses and also through new digital plays that leverage our core assets and market reach.

"Our publishing divisions have undertaken substantial work to reduce our cost base and to rejuvenate our products to adapt to a changing media context. We have accelerated these reforms.

"APN's other media assets have delivered a robust performance, with two achieving stand out results. The Australian Radio Network increased revenue well ahead of the market, improved share and had the best audience ratings in its target audience in more than 5 years. Adshel's earnings jumped 42% as it made impressive share gains in both Australia and New Zealand."

# **APN SEGMENT RESULT H1 2012**

AUD millions	Revenue Local		EBITDA Local			
(YoY Growth %)	H1 2012	currency	As reported	H1 2012	currency	As reported
Australian Regional Media	125.2	(7%)	(7%)	21.2	(9%)	(9%)
New Zealand Media	141.0	(6%)	(3%)	21.7	(23%)	(20%)
Australian Radio Network	68.1	8%	8%	23.8	11%	11%
The Radio Network	41.7	(1%)	3%	6.5	(10%)	(6%)
APN Outdoor Group	89.8	(26%)	(26%)	11.5	(29%)	(29%)
APN Digital Group	11.4	245%	257%	(0.6)	75%	75%
Corporate	-	-	-	(9.2)	(19%)	(18%)
Total	477.1	(7%)	(6%)	74.9	(13%)	(12%)

<sup>\*</sup> APN Outdoor Group statutory reporting result has been impacted by the formation of the Quadrant Outdoor Joint Venture further detail of APN Outdoor Group result provided in APN's interim results presentation available on www.apn.com.au

### **Publishing remains challenging**

For the six months to June 2012, ARM's revenue was down 7% and EBITDA down 9% on the prior corresponding period.

Core publishing was in line with the previous year due to strong cost management (7% below prior year) and improved sales performance in retail advertising. The earnings decline was due to the contraction in commercial printing and some incremental investment in the transition to digital.

A digital first approach in Coffs Harbour and Tweed has resulted in profit improvement with both sites trading ahead of last year. The combined EBITDA improvement for H1 is \$1m on a smaller revenue base.

The markets in which Australian Regional Media (ARM) operates have recently been impacted by the slowing resources sector and continuing weakness in tourism and real estate. As a result we have accelerated our reforms.

Our focus on strong cost management continues and we expect ARM's 2012 cost profile to be materially lower than the prior corresponding period. Publishing headcount has been reduced by approximately 5% in the six months to June – over and above the reductions made in 2011. Further savings will be made during the course of H2 and into 2013 as we continue our transformation of the business into a leaner, more productive news media company.

We will continue to pursue productivity gains through the centralisation of services, outsourcing non-core activities, better technology and smarter operating practices. Our sales transformation project will improve sales effectiveness and commercial printing is being restructured to enhance contributions.

As indicated at our Annual General Meeting, New Zealand Media (NZM) had a difficult start to the year and although revenue declines moderated in Q2, revenue for the first half was down 6% and EBITDA was down 23% on the prior corresponding period, on a local currency basis.

Our brand audiences continue to grow with The New Zealand Herald's daily brand audience up 7% on last year. The number of consumers connecting with The New Zealand Herald exclusively online is up by almost 40% on last year, while The New Zealand Herald's print audience of 566,000 consumers on a typical day remains unchanged.

NZM has responded decisively on two fronts:

A major rejuvenation program is well underway, including:

- the re-launch of the New Zealand Herald (Monday to Friday) in compact form on 10 September 2012, with a new approach in design and content as well as deeper digital integration;
- creation of a multi-media sales team with advertising solutions across print, online, radio, outdoor and magazines; and
- the conversion of our regional titles to compact format and morning delivery. All titles will be converted by Q1 2013.

NZM will drive further efficiencies, including:

- strong cost management, including reducing headcount by an additional 100 in 2012, on top of the reduction of 400 made over the last three years;
- further refinement of our centralised and outsourced production models to lower costs; and
- continuing to pursue flexibility in our cost base.

### Strong radio performance

The Australian Radio Network (ARN) strongly outperformed the market in H1 with revenue growth of 8% compared to a market decline of 1%. ARN outperformed the market again in July. ARN gained share in all metropolitan markets in which it operates. Ratings continue to trend upwards with the largest audience in its target 25-54 demographic in over 5 years. ARN has best in class margins and strong cash flows.

In New Zealand, both the market and The Radio Network (TRN) returned to growth in Q2 after a difficult first quarter. The market continued to grow in July. Overall for the half, total market revenue was up 1% while TRN revenue was down 1% (on a local currency basis). In the first audience survey of the year, Newstalk ZB remained the number one 10+ station in all three of the main metro markets, as well as the number one station nationally. Jane Hastings has been appointed CEO of TRN, commencing in September 2012 and we look forward to Jane's contribution to the business.

#### Outdoor group ahead of the market

APN's outdoor group comprises 50% interest in each of APN Outdoor (APNO), Adshel and Hong Kong Outdoor. These businesses have total revenues of \$400m and over \$70m of EBITDA per annum. In H1, the Australian outdoor market was up 3% and APN's outdoor group in aggregate outperformed the market with total revenue up 7% and total EBITDA up 7% on the prior corresponding period.

Adshel, which operates in the street furniture segment in Australia and New Zealand, delivered an outstanding result for the period, with revenue up 22% to \$67m and EBITDA up 42% to \$14.1m. It also made significant gains in market share, increasing 3.5 points in Australia and increasing 4.5 points in New Zealand. Under new CEO Rob Atkinson, Adshel is maximizing the benefits of the Yarra Trams win in H2 2011 and the strong performance of the street furniture segment.

APNO operates in the Transit and Billboard segments in Australia and New Zealand. This entity became a joint venture with the sale of 50% to Quadrant Private Equity in May 2012. Revenue for H1 was down 3% to \$96.5m and EBITDA was down 19% to \$10.6m driven primarily by the weak market in New Zealand. APNO increased market share in June and July in a market which continues to grow.

APNO has reinforced its position as the leader in Transit advertising in Australia, renewing exclusive advertising contracts for bus fleets with the NSW State Transit Authority, the South Australian Government and the Brisbane City Council.

Hong Kong Outdoor, which operates in the Transit and Billboard segments, also produced strong results and new contract wins, with revenue up 16% to \$18.2m and EBITDA up 3%.

## Digital ventures build revenue and earnings momentum

APN continues to execute its digital strategy of connecting audiences and advertisers in innovative ways. Our digital portfolio positions APN for the shifts occurring within the advertising industry where advertisers are looking for data rich, more accountable advertising and marketing solutions. We now have a portfolio with significant digital audiences across Australia and New Zealand, with growing profits which augmenting our traditional broadcast media properties. Ownership of these businesses will strengthen our existing brands, build powerful new digital brands and drive new revenue.

During H1, we acquired 82% of leading ecommerce business brandsExclusive and increased our ownership of GrabOne from 75% to 100%. GrabOne New Zealand continues to have approximately 75% market share. The acquisition prices for both investments includes earn out payments which will only be paid if strict earnings targets are achieved. We do not anticipate any significant additional digital investments in the next 12 months.

Revenue from our digital ventures is growing strongly up 81% to \$11.4m.

Earnings for our digital ventures is also gaining momentum. GrabOne New Zealand EBITDA has increased substantially to \$1.2m and is expected to double in H2. CC Media EBITDA has doubled to \$1m and brandsExclusive is expected to drive further EBITDA growth in 2013.

## Strategic review of all APN assets in New Zealand

APN announced its strategic review at the Annual General Meeting in May 2012. The review, being conducted by Deutsche Bank is ongoing and we will update the market in respect of further progress at the appropriate time.

#### **Outlook for H2**

Net Profit After Tax (NPAT) in H2 is expected to be affected by:

- the impact of the recent deterioration in our July and August publishing revenues in Australia. If
  these conditions were to continue, we would expect our combined publishing EBITDA result
  (Australia and New Zealand) to report declines over the prior corresponding period broadly
  similar to the 17% fall experienced in H1; and
- the NPAT dilution arsing from the formation of the APNO joint venture with Quadrant Private Equity. The annualised impact is estimated to be negative \$8m, virtually all of which impacts H2 due to the seasonality of outdoor earnings.

Our other divisions continue to perform well and results from these divisions are expected to be ahead of or in line with the same period last year.

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