# MARKET ANNOUNCEMENT

## 2013 Interim Results

- Net profit after tax before exceptional items up $1.0m to $16.2m
- Statutory net profit after tax of $12.8m compared to a loss of $319.4m in the prior corresponding period
- On track to reduce net debt by $40m to $50m by year end
- Publishing cost initiatives ahead of plan with $25m already secured and targeting in excess of $35m for full year
- Publishing conditions remain challenging however revenue declines stabilising
- Australia and New Zealand radio businesses take market share
- Adshel and GrabOne continue to outperform their markets, outdoor market growing
- Divestment options for brandsExclusive to be explored

**SYDNEY, 16 August 2013** – APN News & Media Limited [ASX, NZX: APN] today released its results for the six months ending 30 June 2013. Revenue was up 5% to $426.5m and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before exceptional items was down 4% to $65.0m. Net Profit After Tax (NPAT) before exceptional items was up $1.0m to $16.2m.

During the half the Company has reduced net debt by $17m and is on track to deliver on its commitment to reduce debt by $40m to $50m by the end of 2013.

Cost savings across APN's publishing divisions are ahead of plan, with the original target of $25m already secured. The Company is now expecting to achieve publishing savings in excess of $35m for the full year. In addition, the Company has reduced corporate costs by $3m during the half through the disbanding of the Business Development Office and other efficiencies.

Consistent with APN's debt reduction strategy, the Board has decided not to pay an interim dividend.

## APN FINANCIAL RESULT H1 2013

| AUD million | H1 2013 | H1 2012** |
|---|---|---|
| Revenue from continuing operations | 426.5 | 405.5 |
| EBITDA* | 65.0 | 68.1 |
| EBIT* | 48.5 | 53.2 |
| Net profit after tax before exceptional items | 16.2 | 15.2 |
| Profit from discontinued operations | - | 3.9 |
| Exceptional items (including impairment) | (3.4) | (338.5) |
| Statutory net profit / (loss) after tax | 12.8 | (319.4) |

* Before exceptional items based on segment reporting
** H1 2012 restated to exclude discontinued operations (APN Outdoor)

APN Board and management renewal continued during the first half of the year, with Anne Templeman-Jones appointed as a non-executive Director in June and Michael Miller commencing as Chief Executive Officer in June.

Michael Miller said:

“Despite a mixed advertising market, APN has delivered an acceptable result in difficult circumstances. The first six months of 2013 was a challenging period for APN. On the plans we have, I am confident that the team can deliver a better second half result.

“I am particularly pleased that the publishing business is well ahead of its plan on reducing costs, with a new targeted figure of $35m for the full year, having already secured $25m. Our focus on the balance sheet requires some tough decisions and as such we have started to explore possible divestment options for brandsExclusive. This is a good business, however our aspirations here cannot be met without making further investment commitments. Whilst APN will consider merge and sale options we also reserve the right to retain the business if it is the best outcome for shareholders.

“Stabilising the revenues across the publishing divisions is my principal focus. I am a big believer that these businesses do have long-term and sustainable business models. There is no silver bullet but we are on the right track and are preparing to launch digital subscriptions for our flagship newspaper, The New Zealand Herald, next year.

“Radio has had a stellar half, increasing market share in both Australia and New Zealand and the recent launch of iHeartRadio in both these markets will provide new and larger audiences.

“Adshel’s outperformance continued in the first half, whilst APN Outdoor has had a difficult six months due to increased rental costs and a new competitive landscape.

“GrabOne remains a market success story on every measure; we have 80% of the group buying market in New Zealand and a terrific platform to build on, including new product launches.”

APN SEGMENT RESULT H1 2013

| AUD million (YoY growth %) | Revenue | | | EBITDA | | |
|---|---|---|---|---|---|---|
| | H1 2013 | Local currency | As reported | H1 2013 | Local currency | As reported |
| Australian Regional Media | **107.8** | (14%) | (14%) | **12.7** | (40%) | (40%) |
| New Zealand Media | **136.7** | (8%) | (3%) | **23.0** | 1% | 6% |
| Australian Radio Network | **73.2** | 7% | 7% | **27.0** | 14% | 14% |
| The Radio Network (NZ) | **47.3** | 8% | 14% | **8.7** | 27% | 34% |
| Outdoor Group | **19.5** | 5% | 7% | **2.0** | (58%) | (57%) |
| Digital Group | **42.0** | 260% | 270% | **(0.4)** | 34% | 35% |
| Corporate | **-** | - | - | **(8.1)** | 14% | 13% |
| **Total** | **426.5** | 2% | 5% | **65.0** | (6%) | (4%) |

**Publishing**

For the six months to June 2013, Australian Regional Media's (ARM) revenue was down 14% and EBITDA was down 40% on the prior corresponding period.

ARM's advertising revenue continued to be significantly impacted by the ongoing tough conditions in the local employment and retail segments. However, the business has had a more positive start to H2 with some moderation of the H1 revenue declines and government spending starting to return.

ARM achieved $9m of cost savings during the course of H1 through a range of initiatives such as the restructure of its northern NSW operations, resizing of its head office and rationalisation and outsourcing of support functions. Further consolidation of ARM's print plant operations has also occurred with the closure of its Ballina site earlier this month. ARM will continue to explore other cost saving opportunities.

ARM's new management team under CEO Neil Monaghan is focusing on stabilising the business. The team is simplifying and centralising aspects of its sales functions and introducing new products across ARM's print and digital assets, such as its recently launched integrated local jobs product suite.

New Zealand Media (NZM) saw revenue declines accelerate in Q2. Total H1 revenue was 8% down on the prior year (on a local currency basis), with display advertising slightly weaker, down 11%. However, other than the employment segment, classified revenues were in line with 2012.

Despite the revenue result, continued cost base reductions enabled NZM to deliver EBITDA 1% ahead of the prior year (on a local currency basis). Cost savings in H1 exceeded $9m and were primarily achieved through key projects such as the consolidation of printing to a single owned site in Ellerslie and the outsourcing of infrastructure, including advertising production and IT activities.

NZM reaffirmed its strategic focus on the north of the North Island via the sale of its Wellington, Christchurch and Oamaru newspapers. The sale of these newspapers impacted the revenue decline by approximately 1% in local currency terms.

NZM's product transition project is now complete, with:

- the rejuvenation and relaunch of the Herald on Sunday and Weekend Herald;
- all titles now compact format (Monday – Friday) and morning delivery (following the conversion of NZM's final three regional titles during the half); and
- the rationalisation of NZM's newspaper inserted magazines.

The New Zealand Herald's total brand audience has been growing at 3% per year over the past three years. As print readership continues to hold at 1 million, this growth is almost entirely through its digital readership. NZM has embarked on a project to implement digital subscriptions for The New Zealand Herald in 2014 in order to capitalise on this growth.

**Radio**

Australian Radio Network (ARN) continued to outperform the market in H1, with revenue growth of 7% compared to market growth of 3%. EBITDA was up 14% to $27.0m.

ARN gained market share in H1 and recently achieved its best 10+ audience in nine years, with a total of 3.7 million listeners and its best 25-54 audience in seven years. ARN remains the number one 25-54 network in Adelaide and the number two 25-54 network in Sydney, Melbourne and Brisbane.

Sydney's Mix 106.5 breakfast and drive shows, which were both launched earlier in the year, continue to rise in the ratings. ARN's digital investments are driving strong uplifts in both traffic and revenue.

In New Zealand, both the market and The Radio Network (TRN) delivered strong growth, up 7% and 8% respectively (on a local currency basis). EBITDA was $8.7m, up 27% (on a local currency basis). TRN gained market share in every month during the half. Newstalk ZB remains the number one 10+ share radio and talk station nationally and Coast remains the number one 10+ share music station nationally.

TRN CEO Jane Hastings' program of change is ongoing and delivering good results. Radio Hauraki has increased listeners in its key 25-44 demographic following its relaunch in early 2013 and TRN is continuing to focus on growing its younger audience. The securing of new key talent, including Rachel Smalley, Carl Fletcher and Vaughan Smith is a significant win in this regard. Further, investment in the business' digital capabilities is driving strong traffic and revenue growth, with the latter being up 73%.

ARN and TRN launched the international digital music platform iHeartRadio earlier this month, which will broaden the demographic appeal of both businesses and offer advertisers another way to connect with their expanded audiences.

**Outdoor**

In H1, the Australian outdoor market was up 4%, while the New Zealand market was up 19% after a weak 2012.

APN Outdoor, APN's joint venture with Quadrant Private Equity, operates in the transit and billboard segments in Australia and New Zealand. Revenue in the period was up 1% to $97.8m, with large format performing particularly well in a soft billboard market, which was down 6%. EBITDA was down 20% to $8.4m and was significantly impacted by increased rental costs on strategically important transit contracts that were renewed in 2012. APN Outdoor is now the first to market with both an Australia-wide national digital billboard pack and a trans-Tasman digital billboard pack, which will provide a differentiated large format offering for advertisers looking to connect with consumers in a more dynamic way.

Adshel, which operates in the street furniture segment in Australia and New Zealand, delivered another solid result, with revenue up 5% to $70.2m and EBITDA up 18% to $16.8m. Adshel pursued cost savings during H1 through key initiatives including insourcing of maintenance, posting and cleaning services across five major operational regions in Australia and targeting operational efficiencies. Adshel is also investing in its digital offering, with the expansion of near field communication locations across Australia and the trialling of WiFi on its Sydney CBD inventory.

Hong Kong Outdoor, which operates in the transit and billboard segments, produced disappointing results, with revenue up $1m to $19.5m and EBITDA down $1.5m to $0.8m. Bus exterior performed well with revenue up 5%; however billboard revenue was down 16% primarily due to a lost contract and a weak market after a strong 2012.

Although integrated bus exterior, Webus (in-bus WiFi network) and Buzplay (on board multi-media platform) advertising campaigns delivered revenue growth, Buzplay's standalone revenue performance was well below expectations. A detailed review of Buzplay has therefore commenced.

**Digital**

In New Zealand, GrabOne again delivered impressive results, with revenue of $8.1m, up 26% and EBITDA of $1.9m, up 45% (on a local currency basis). GrabOne's market share increased to 80% of the group buying market, with over 350 purchases made every day. The business' focus on mobile over the last 12 months has seen GrabOne's mobile penetration increase by 100%, with 20% of all transactions now occurring this way. Focus areas for the rest of the year include launching GoBook, a transactional website that enables consumers to browse for and book travel and other activities directly with operators and introducing further new categories and businesses into the GrabOne network.

iNC Network (formerly CC Media) produced a disappointing result with revenue of $1.9m, down $0.7m and EBITDA of $0.3m, down by $0.7m. iNC Network's core product offering is relatively dependent upon a small number of key clients and these results were primarily due to two clients reducing their spend during the first half of the year. In response, iNC Network is diversifying its product range and capabilities, including online analytics, performance advertising, new ecommerce catalogue capabilities, mobile and video offerings and has a solid pipeline with a broader client base in H2.

brandsExclusive continued its strong revenue growth at 30%, which was primarily driven by increased membership and average order value over the prior year. Investments in domestic and international product sourcing, logistics and customer experience have been made to maintain brandsExclusive's position in an increasingly competitive market. Mobile now accounts for 40% of traffic and sales.

Despite this positive momentum, brandsExclusive incurred an EBITDA loss of $2.6m. We are investigating a number of initiatives to rightsize the cost base to market conditions and current revenue run rates. We are also in the position of either making further investment to maintain revenue growth or seeking a new partner or owner who can capitalise on the work undertaken to date. We have chosen to explore the latter as the best outcome for APN shareholders and we have engaged Grant Samuel to look at divestment options.

**Trading Update**

- H2 has begun as H1 ended, with mixed results
- Revenue declines have stabilised in publishing
- Radio delivered double digit revenue growth in July
- Outdoor forward bookings ahead of prior year
- Digital revenues ahead of last year
- The benefit of first half cost saving programmes is still flowing through
- Overall group EBITDA for July is ahead of prior year

Michael Miller said:

"Our priorities for H2 are to review the opportunities already identified for our existing businesses and asset mix, and implement where appropriate. We will continue to improve our balance sheet; our goal is to have a balance sheet that positions us to have options to pay dividends, invest for growth, or pay down debt. The businesses are achieving on many key metrics and I am very optimistic about our future."

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