INTERIM REPORT 2013

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

FROM THE CEO

Dear Shareholder,

I commenced as Chief Executive Officer of APN on 17 June of this year and am glad to state that many of my observations from my first two months in the role align with my reasons for joining APN in the first place. The Company has a diverse spread of different media trans-Tasman and beyond and many of our brands lead in their respective categories.

The strength of APN's asset mix has assisted the Company to deliver an acceptable interim result in difficult circumstances, which were typified by the mixed advertising markets. This report provides you with a high-level summary of those results.

Net profit after tax (pre-exceptionals) was $16.2m and statutory net profit after tax was $12.8m, compared to a loss of $319.4m in the prior corresponding period.

Radio enjoyed an impressive six months, increasing market share in both Australia and New Zealand. The recent launch of iHeartRadio in both these markets will provide new and larger audiences.

Adshel's outperformance from 2012 continued in the first half of 2013 and GrabOne remains a market success story – it now has an 80% share of the group buying market in New Zealand.

The half year figures confirm that our publishing businesses are well ahead of our cost reduction plans. Having already secured $25m, the target for the full year is now $35m. Stabilising the revenues across APN's publishing divisions is a key priority. Our plans in this regard include preparing to launch digital subscriptions for New Zealand Media's flagship newspaper, *The New Zealand Herald*, next year.

Our focus on the balance sheet requires that we make some tough decisions and as such, we have started to explore possible divestment options for brandsExclusive. This is a good business, however our aspirations for it cannot be met without making further investment commitments.

The search for new Board members has been a key focus for APN over the last six months and has provided a new non-executive director in Anne Templeman-Jones, who was appointed in June. The Board is actively searching for a sixth Board member based out of New Zealand.

There has been a lot of great work undertaken by management and staff at APN to date and I thank all of APN's teams for their substantial contributions. I also thank you, our shareholders, for your ongoing support. APN's businesses are achieving on many key metrics and we will continue to improve our balance sheet in order to have more options for APN's future.

MICHAEL MILLER
Chief Executive Officer
30 August 2013

KEY FINANCIAL RESULTS

APN has reported its key financial 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 before exceptional items was up $1.0m to $16.2m.

APN reduced net debt by $17m during the first half of the year 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. Such cost savings enabled APN's New Zealand publishing business to deliver an EBITDA 1% ahead of the prior corresponding period. 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.

KEY FINANCIAL RESULTS FOR 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)

AUSTRALIAN REGIONAL MEDIA

Australian Regional Media (ARM) publishes over 70 daily, non-daily and community titles and over 30 websites across northern NSW and Queensland. Revenue for the half was $107.8m, down 14% and EBITDA was $12.7m, 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 better start to the second half of the year with some moderation of the revenue declines and the return of some government spending.

ARM's new management team under CEO Neil Monaghan is focusing on stabilising the business and ensuring that key customers and clients are retained so that ARM is in a position to grow in 2014.

The team is simplifying and centralising aspects of its sales functions, such as the release of a new self-service classified advertising portal and introducing new products across ARM's print and digital assets, including the recently launched integrated local jobs product suite.

Modular advertising is also being implemented across ARM's titles, which will make it easier for advertisers to engage with its products and book campaigns from on a single title to across the entire ARM portfolio.

$9m of cost savings have been achieved over the last six months through a range of initiatives, including the restructure of ARM's northern NSW operations, the resizing of the business' head office and the rationalisation and outsourcing of support functions. Further consolidation of print plant operations has also occurred with the closure of ARM's Ballina site in August. ARM will continue to explore other cost-saving opportunities.

NEW ZEALAND MEDIA

New Zealand Media's (NZM) revenue was $137.6m, down 8% on the prior corresponding period on a local currency basis. Despite this result, continued cost base reductions enabled NZM to deliver EBITDA of $23.0m, 1% ahead of the prior corresponding period on a local currency basis.

NZM saw revenue declines accelerate towards the end of the first half, with display advertising down 11% in the period. Excluding the employment segment, classified revenues were in line with 2012.

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

NZM's cost savings in the half 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. The focus on cost savings will continue into the second half, with distribution systems and potential partnering opportunities under review.

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

- the rejuvenation and relaunch of the *Herald on Sunday* and *Weekend Herald*;
- all titles now being 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 magazine portfolio.

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

APN's radio group consists of a 50% interest in both the Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand. These businesses had revenue growth of 7% and 8% respectively on the prior corresponding period.

ARN continued to outperform the market in the first half of the year, with revenue of $73.2m, up 7% compared to market growth of 3%. EBITDA was up 14% to $27.0m. ARN's margins improved over the period and the business gained share. ARN 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 is currently the number one 25-54 network in Adelaide and Brisbane and the number two 25-54 network in Sydney and Melbourne. Sydney's Mix 106.5 breakfast and drive shows, which were both launched earlier in the year, continue to rise in the ratings.

TRN delivered strong growth, with revenue of $47.3m up 8% on a local currency basis, compared with market growth of 7%. TRN gained share in every month during the first half and EBITDA was $8.7m, up 27% on a local currency basis. Newstalk ZB remains the number one 10+ radio and talk station nationally and Coast remains the number one 10+ music station nationally.

Radio Hauraki 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 in August, which will broaden the demographic appeal of both businesses and offer advertisers another way to connect with expanded audiences.

OUTDOOR

APN has three jointly-owned outdoor advertising businesses that span across the Tasman and beyond, being APN Outdoor, Adshel and Hong Kong Outdoor.

The Australian outdoor advertising market was up 4% in the half, while the New Zealand market was up 19% after a weak 2012.

APN Outdoor operates in the transit and billboard segments in Australia and New Zealand. Revenue was up 1% to $97.8m, with billboards performing particularly well in a weak market segment. 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 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 for the period, with revenue up 5% to $70.2m and EBITDA up 18% to $16.8m. Adshel pursued cost savings during the first half through key initiatives, including insourcing of maintenance, posting and cleaning services across five major operational regions in Australia.

Adshel is also investing in digital, with the expansion of near field communication locations across Australia and the trialling of WiFi on Sydney CBD inventory in the second half of the year.

Hong Kong Outdoor, which operates in the transit and billboard segments, produced disappointing results, with revenue up $1.0m 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.

DIGITAL

There is a significant amount of ongoing work on the digital aspects of APN's existing publishing, radio and outdoor businesses. APN's digital portfolio also consists of strong stand alone assets, which offer support and new revenue opportunities to our existing businesses.

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 has seen GrabOne's mobile penetration increase by 100% over the last 12 months, with 20% of all transactions now occurring this way.

iNC Network (formerly CC Media) produced a disappointing result with revenue of $1.9m, down $0.7m and EBITDA of $0.3m, down $0.7m. These results were primarily due to two key clients reducing their spend during the half. In response, iNC Network is diversifying its product range and capabilities, including online analytics, performance advertising and mobile and video offerings.

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. The business has recently undertaken some restructuring, with a greater focus on quality, sales and maintaining current revenue run rates. We are also considering our position of either making further investment to maintain revenue growth, or divesting the business to a new partner or owner who can capitalise on the positive work undertaken to date. We have engaged Grant Samuel to look at divestment options and the best outcome for shareholders.

SHAREHOLDER INFORMATION

This is a high level summary of APN's results for the six months ending 30 June 2013.

The complete results, including the market announcement, presentation and the half-year report and accounts are available under 'ASX Announcements' in the Investor Relations section of our website: apn.com.au

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