

### MARKET ANNOUNCEMENT

### **Supplemental Disclosure Information**

**SYDNEY, 4 September 2014 –** APN News & Media Limited [ASX, NZX: APN] is releasing to the market the attached "Supplemental Disclosure Information" document that includes information relating to its business, results of operations and financial condition, as well as risk factors that is being provided to prospective investors in the offering of the US\$250 million aggregate principal amount of Senior Unsecured Notes (the "Notes") as announced earlier today.

This notice does not constitute an offer to sell, or the solicitation of any offer to buy, the Notes or any other securities. Any offer of the Notes will be made only by means of a private offering circular. The Notes are not being registered under the U.S. Securities Act of 1933 (the "Securities Act"), or the securities laws of Australia or any other jurisdiction. The Notes may not be offered or sold in the United States without registration under the Securities Act or an applicable exemption from such registration requirements.

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# APN News & Media Limited Supplemental Disclosure Information

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You should not assume that the information contained herein is accurate as of any date other than the date on the front cover of this supplemental disclosure information. This supplemental disclosure information does not constitute any offer to sell or a solicitation to buy any securities.

#### CERTAIN DEFINITIONS

In this supplemental disclosure information (the "Information"), references to:

- the "Issuer" are to Biffin Pty. Limited;
- the "Parent Guarantor" are to the Issuer's parent company, APN News & Media Limited;
- the "Subsidiary Guarantors" are to certain of the Parent Guarantor's subsidiaries listed in Annex A to this Information:
- the term "Note Guarantors" refer collectively to the Parent Guarantor and the Subsidiary Guarantors;
- the terms "APN," "the Group," "we," "us" or "our" refer interchangeably to the Parent Guarantor and its subsidiaries on a collective basis;
- "Clear Channel" are to Clear Channel Communications, Inc. or direct or indirect subsidiaries of Clear Channel Communications, Inc.;
- the term "Senior Secured Revolver" are to our A\$630 million secured revolving multi-option credit facility described in the Section entitled "Description of Other Financing Arrangements";
- the term "Refinancing" mean, first, the early prepayment of the New Zealand bond (plus early prepayment fees), which will be prepaid with drawings under our existing facilities, and second, the repayment of all current and non-current interest-bearing liabilities (with the exception of certain unsecured current bank loans) with drawings under the Senior Secured Revolver and the cancellation of all available limits thereon:
- the term "audience share" or "ratings share" are to estimates of the number of people who were listening to a particular radio station as a percentage of the total number of people who were listening to the radio within a particular timeframe;
- the term "audience share on an aggregated basis" are to the audience share of Australian Radio Network's
  radio network across Sydney, Melbourne, Brisbane and Adelaide, as calculated by a third party data
  provider by aggregating data from each of the first five GfK radio ratings surveys released in 2014 prior
  to the date of this Information; and
- the term "Notes" and "offering of the Notes" means our proposed offering of US\$250 million aggregate principal amount of Senior Unsecured Notes to be guaranteed by the Note Guarantors that we announced on September 3, 2013.

Our fiscal year ends on December 31 of each year. In this Information, "fiscal 2013" means the twelvemonth period ended December 31, 2013, and other fiscal years are referred to in a corresponding manner. The term "LTM Period ended June 30, 2014" means the twelve-month period ended June 30, 2014. The term "Financial Statements" means our audited consolidated annual financial statements for fiscal 2013, fiscal 2012 and fiscal 2011 that are included in this Information. The term "2014 Interim Financial Statements" means our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2014 and the corresponding prior fiscal period that are included in this Information.

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Information includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "seeks," "projects," "intends," "plans," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Information and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, contracts, strategies and the industry in which APN operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. APN believes that these risks and uncertainties include, but are not limited to, those listed below, as more fully described in the "Risk Factors" section of this Information.

These factors include, among others:

- industry conditions, including competition;
- risks associated with economic conditions in Australia, New Zealand and Hong Kong;
- our ability to implement our business strategies;
- technological changes and innovations;
- changing consumer preferences and the impact of the shift from traditional media formats to digital media choices;
- fluctuations in operating costs;
- the risk that our cost savings initiatives may not be entirely successful or that any cost savings and revenue achieved from those initiatives may not persist;
- changes in labor conditions, including on-air talent, program hosts and management;
- changes in interest rates;
- fluctuations in exchange rates and currency values;
- legislative or regulatory requirements;
- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- our ability to generate sufficient cash from operations or other liquidity-generating transactions and our need to allocate significant amounts of our cash to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;
- the outcome of pending and future disputes and litigation;
- taxes;
- · shifts in population and other demographics;
- · access to capital markets and borrowed indebtedness;
- the risk that we may not be able to integrate the operations of acquired businesses successfully or successfully complete divestiture transactions and achieve the expected price and value projected to be

realized following completion of such transactions and that management time may be diverted as a result of these activities and business interruption may be greater than expected; and

• other factors referred to in "Risk Factors" and elsewhere in this Information.

Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this Information. Other factors are discussed under "Operating and Financial Review."

Although APN bases these forward-looking statements on assumptions that APN believes are reasonable when made, APN cautions you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the outlook of the industry in which APN operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Information. In addition, even if our results of operations, financial condition and liquidity, and the outlook of the industry in which APN operates, are consistent with the forward-looking statements contained in this Information, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that APN makes in this Information speak only as of the date of those statements, and APN undertakes no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. APN does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. APN urges you to read the sections of this Information entitled "Risk Factors," "Operating and Financial Review" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which APN operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Information may not occur.

#### MARKET AND INDUSTRY DATA

This Information contains estimates regarding market and industry data, which are based on APN's internal estimates and surveys, the good faith estimates of management, independent industry publications, reports by market research firms and/or other published independent sources. In particular, we have referenced information published by Commercial Economic Advisory Service of Australia, Enhanced Media Metrics Australia, New Zealand Advertising Standards Authority, Commercial Radio Australia, TNS New Zealand, Audited Media Association of Australia, the New Zealand Audit Bureau of Circulations, GfK, Outdoor Media Association and Standard Media Index. In each case, APN believes those estimates and information are reasonable. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling data. Market and industry data are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process and other limitations and uncertainties inherent in any statistical survey of market data. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. APN has not independently verified any of the data from third-party sources, nor has APN ascertained the underlying economic assumptions relied upon therein. While APN is not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this Information. APN cannot guarantee the accuracy or completeness of such information contained in this Information. As a result, you should be aware that market and industry data set forth herein, and estimates and beliefs based on such data, may not be reliable.

#### FINANCIAL STATEMENT PRESENTATION

#### **Accounting Standards**

Our consolidated financial statements included in this Information have been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board.

Australian Accounting Standards and IFRS differ from generally accepted accounting principles in the United States ("U.S. GAAP") and such differences could be material. In making an investment decision, investors must rely on their own examination of APN and consult with their own professional advisors for an understanding of the differences between Australian Accounting Standards and IFRS, and U.S. GAAP and how those differences might affect the financial information contained in this Information. This Information does not include a reconciliation of our financial statements to financial statements that would be prepared in accordance with U.S. GAAP.

See "Independent Auditors" for a summary of PricewaterhouseCoopers' limitation of liability under a professional limitation on liability scheme in Australia.

#### **Basis of Preparation**

Our financial statements included in this Information are general purpose financial statements for fiscal 2011, fiscal 2012 and fiscal 2013.

In the six months ended June 30, 2014, we changed the way that we classified a component of our Digital segment. Previously, we had included our results for iNC Digital in our Digital segment. We now include the results for iNC Digital in our Australian Radio Network segment. This change has been reflected for the six months ended June 30, 2014 and June 30, 2013, fiscal 2013, fiscal 2012 and fiscal 2011 in the financial statements in this Information.

We evaluate segment performance based on Adjusted EBITDA, which excludes the effects of exceptional items such as restructuring costs and impairment of intangible assets, and is the measure used internally by management in assessing our operating businesses. Adjusted EBITDA is referred to as the "segment result" in our annual and interim financial statements included elsewhere in this Information. We manage our depreciation and amortization, finance costs, taxes and certain other items on a Group basis. We exclude exceptional items because we believe doing so gives us a better sense of the underlying performance of our business.

The consolidated financial information included in this Information for the LTM Period ended June 30, 2014 has been calculated by adding the consolidated financial information for the fiscal year ended December 31, 2013 and the consolidated financial information for the six months ended June 30, 2014, and then subtracting the consolidated financial information for the six months ended June 30, 2013.

In the period-on-period comparisons in "Operating and Financial Review—Results of Operations", Group income and expense items are calculated on a "constant currency" basis by translating the corresponding prior comparable period functional currency amounts at the current period exchange rates as set out in "Operating and Financial Review—Results of Operations—Segments". In addition, where we discuss income and expense items of TRN and NZM on a "local currency basis", we have used the underlying New Zealand dollar income and expense items in the local accounts of TRN and NZM.

Individual figures in tables may not sum to totals due to rounding.

#### Non-IFRS/Non-GAAP Financial Measures

Certain "non-GAAP financial measures," as defined in Regulation G under the Securities Act, and "non-IFRS financial measures" have been included in this Information, including:

- "Adjusted EBITDA," which is defined as EBITDA before exceptional items;
- "EBIT," which is defined as profit/(loss) from continuing operations before net finance costs and income tax:
- "EBITDA," which is defined as profit/(loss) from continuing operations before net finance costs, income tax, depreciation and amortization;
- "EBITDA margin," which is defined as EBITDA as a percentage of revenue from continuing operations;
   and
- "net debt," which is defined as total interest bearing liabilities less cash and cash equivalents and excluding net borrowing costs.

For more information on EBIT, EBITDA, Adjusted EBITDA and EBITDA margin, including a reconciliation of EBIT, EBITDA and Adjusted EBITDA to profit/(loss) from continuing operations, see "Summary Historical Consolidated Financial Information" and "Operating and Financial Review."

#### **CURRENCY PRESENTATION AND EXCHANGE RATES**

We record our transactions and prepare and will publish our consolidated financial statements in Australian dollars. In this Information, references to "A\$" are to Australian dollars and references to "US\$" or "U.S. dollars" are to United States dollars.

The following table sets forth, for the periods and dates indicated, information concerning the rates of exchange of A\$1.00 into U.S. dollars based on the noon buying rate in New York City for cable transfers in Australian dollars as certified by the Federal Reserve Bank of New York.

|   | At Period<br>End | Average<br>Rate(1) | High   | Low    |
|---|------------------|--------------------|--------|--------|
| Fiscal year ended December 31,            |                  |                    |        |        |
| 2009                                      | 0.8979           | 0.7988             | 0.9369 | 0.6301 |
| 2010                                      | 1.0122           | 0.9201             | 1.0153 | 0.8172 |
| 2011                                      | 1.0251           | 1.0449             | 1.1026 | 0.9453 |
| 2012                                      | 1.0393           | 1.0378             | 1.0806 | 0.9688 |
| 2013                                      | 0.8929           | 0.9579             | 1.0579 | 0.8858 |
| Six months ended                          |                  |                    |        |        |
| June 30, 2014.                            | 0.9427           | 0.9160             | 0.9430 | 0.8715 |
| Month ended                               |                  |                    |        |        |
| March 31, 2014                            | 0.9275           | 0.9089             | 0.9275 | 0.8929 |
| April 30, 2014                            | 0.9282           | 0.9315             | 0.9424 | 0.9219 |
| May 31, 2014                              | 0.9298           | 0.9305             | 0.9382 | 0.9215 |
| June 30, 2014                             | 0.9427           | 0.9365             | 0.9430 | 0.9250 |
| July 31, 2014                             | 0.9301           | 0.9389             | 0.9488 | 0.9301 |
| August 31, 2014 (through August 22, 2014) | 0.9309           | 0.9303             | 0.9330 | 0.9263 |

<sup>(1)</sup> For the fiscal years and the six-month period indicated, the average of the noon buying rates on the last business day of each month during the period. For the months indicated, the average of the noon buying rates on each business day during the month.

For your convenience, this Information contains translations of certain Australian dollar amounts into U.S. dollars at the rate or rates indicated. Unless otherwise stated, the translations of Australian dollar amounts into U.S. dollars in this Information have been made at the noon buying rate on June 30, 2014, which rate was A\$1.00 = US\$0.9427. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

#### SUMMARY

The following is a summary of certain information contained elsewhere in this Information. It does not contain all the information that may be important to you and is qualified in its entirety by the more detailed information appearing elsewhere in this Information. You should read this entire Information, including the sections entitled "Risk Factors," "Operating and Financial Review," "Business" and "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" and the financial statements and related notes included in this Information.

#### Overview

We are a market leading diversified media company with operations in Australia, New Zealand and Hong Kong with a combination of radio broadcasting, newspaper publishing, outdoor advertising and digital media assets. We broadcast to over 6.3 million radio listeners every week and reach a news audience of over 3.4 million people. In Australia, we are the number one ranked FM radio network by audience share on an aggregated basis and we are a leading newspaper publisher in regional Queensland and northern New South Wales based on market share. In New Zealand, we are a leading radio broadcaster with approximately 49% of the audience share of the ranked networks, we are the leading newspaper publisher and we own the leading daily deals website. In Hong Kong, we are the leading operator of bus exterior and on-board advertising on the Hong Kong Island mass transit bus system. We also own a 50% interest in Adshel, one of the largest transit street furniture and digital advertising businesses in Australia and New Zealand.

We are listed on the Australian Securities Exchange (ASX: APN) and the New Zealand NZX Main Board securities market ("NZX") with a market capitalization of A\$761.5 million as at August 29, 2014. For the LTM Period ended June 30, 2014, we generated revenues from continuing operations of A\$828.5 million, EBITDA of A\$156.8 million and Adjusted EBITDA of A\$163.4 million. Our head office is located in Sydney, Australia.

The following chart provides an overview of our four business divisions and their respective percent of our Adjusted EBITDA for the LTM Period ended June 30, 2014.

#### Australian Radio Network

- Owns eight, and has 50% investments in four, radio stations in six key capital cities
- Two core radio networks
- iHeartRadio—digital radio platform

#### Australian Regional Media

- Leading portfolio of regional newspapers across Queensland and northern New South Wales
- Multiplatform media footprint

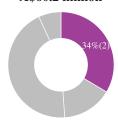
### New Zealand<sup>(1)</sup>

- The Radio Network— seven core radio networks
- New Zealand Media country's leading newspaper publisher
- GrabOne—country's leading daily deals business
- iHeartRadio—digital radio platform

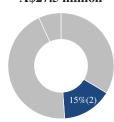
#### Outdoor

- Hong Kong Outdoor bus exterior and multimedia in-bus advertising and premium billboard operator
- Adshel—50% joint venture interest in Adshel, which has street furniture and digital advertising panels in Australia and New Zealand

# EBITDA: A\$60.2 million



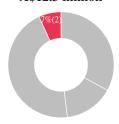
EBITDA:
A\$27.5 million



LTM ADJUSTED EBITDA:
A\$79.4 million



# EBITDA: A\$12.3 million



- (1) We now manage our New Zealand businesses as one division, which comprises our three reported operating segments of The Radio Network, New Zealand Media and Digital. Our Digital segment is comprised of GrabOne and, for the six months ended June 30, 2014, our interest in Soprano Design Pty Limited ("Soprano"), an Australian based multinational provider of mobile messaging and wireless application infrastructure, which we consider as having an immaterial impact on Adjusted EBITDA.
- (2) Adjusted EBITDA is for the LTM Period ended June 30, 2014 and excludes unallocated costs.

We believe our platforms, along with our extensive local content, provides an attractive integrated multimedia offering for our advertising customers.

#### **Business Divisions**

#### Australia Radio Network ("ARN")

ARN is a leading Australian metropolitan commercial radio broadcaster that owns eight radio stations and has 50% investments in four radio stations. ARN is the number one ranked FM radio network across Australia by audience share on an aggregated basis and, through the radio stations it owns or has investments in, it has the number one or number two ranked FM radio station by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth, as at the most recent ratings surveys of 2014. ARN broadcasts to over 4.6 million listeners each week through two core, predominantly FM radio networks, the KIIS + Mix Network and Classic Hits Pure Gold

*Network*, as well as through *The Edge 96.1* station. ARN also streams music through the digital radio platform, iHeartRadio. Our *KIIS* + *Mix Network* is targeted at the female 25 to 44 year old demographic, and *Classic Hits Pure Gold Network* is targeted at the 40 to 54 year old demographic.

In February 2014, ARN secured an exclusive ten-year distribution and services agreement with Clear Channel to operate iHeartRadio, a digital radio platform that provides free music streaming and live radio services with customized radio stations, in Australia and New Zealand. At August 2014, iHeartRadio had secured approximately 274,000 registered users in Australia. In the six months ended June 30, 2014, iHeartRadio had an average of 7.2 million page views per month in Australia and 360,000 app downloads in Australia. iHeartRadio has a strong position in the custom and live radio market with a large service offering and is a powerful tool to grow audiences and awareness of our radio brands and promote live events.

#### Australian Regional Media ("ARM")

ARM is a leading publisher in regional Queensland and northern New South Wales based on market share. It owns 12 daily newspapers, 58 community, special publications and non-daily newspapers and an online regional news network of 36 websites. ARM's newspapers represent over half of all regional daily newspaper circulation in Queensland and its newspapers and websites reach over 1.4 million readers every week. Most of ARM's daily titles are the sole daily regional newspaper in their region. ARM's focus on local content, strong brands, multi-platform delivery and audience reach means it is attractive to local and national advertisers. Around 75% of Queensland's population lives outside of the capital city of Brisbane, which means ARM's regional offering is valuable to its advertiser customers and reaches key regional markets in Australia. ARM is focused on building scale at a local level which allows it to more effectively compete for advertising spend and enables its customers to reach a large proportion of our local markets. ARM has also continued to execute on its strategy to increase its digital offerings. In fiscal 2013, ARM almost doubled its average monthly online audience across mobile and desktop platforms and in July 2014 received an average of approximately 2.8 million monthly unique visitors.

#### New Zealand

Our New Zealand businesses are comprised of The Radio Network, New Zealand Media and GrabOne.

The Radio Network ("TRN"). TRN operates seven core radio networks including the top two national radio networks in New Zealand by ratings share. TRN broadcasts to approximately 1.7 million listeners each week across New Zealand with approximately 49% of the audience share of the ranked networks. TRN has one principal competitor in the New Zealand radio market, and audience share has generally been evenly split between them. TRN owns the number one and two ranked stations in New Zealand by audience share, being NewsTalkZB, a national talk radio station, and Coast, a national music station. TRN operates the iHeartRadio digital radio platform in New Zealand, with approximately 220,000 registered users at August 2014, as well as websites for all of its brands, smartphone applications and brand representation through social media. TRN has recently invested in new talent and refreshed key brands to target a younger audience demographic. In August 2014, TRN was awarded the Media/Publishing TVNZ marketing award for the launch of iHeartRadio in New Zealand.

New Zealand Media ("NZM"). NZM is the leading newspaper publisher in New Zealand by circulation with its principal masthead, The New Zealand Herald, being the only major daily newspaper publication in Auckland, New Zealand's largest city, with a population of approximately 1.4 million people. This gives NZM a key competitive advantage in New Zealand, with Auckland being critical to any national advertising campaign and capturing a significant proportion of all national advertising spend. The New Zealand Herald is also the country's most popular daily newspaper with almost twice the circulation of the second largest daily newspaper. The New Zealand Herald's website, nzherald.co.nz is one of the most visited news websites in New Zealand with

1.3 million unique visits every week. We also publish six other daily newspapers, 25 non-daily newspapers and over 20 websites, mobile sites and apps. Our daily newspapers are generally the sole local newspaper publications in their local area. NZM's audience includes over 2.1 million people every week via print, desktop and mobile. NZM's flagship publication, *The New Zealand Herald*, was recognized in 2013 as "Newspaper of the Year" and "Best News Website" at the Canon Media Awards. In 2014, nzherald.co.nz was recognized as the "Best Digital Breaking News Coverage" and the Weekend Herald was recognized as the "Best Weekly Newspaper of the Year" at the Canon Media Awards.

*GrabOne*. Our GrabOne business was launched in July 2010 and is the leading daily deals website in New Zealand, with a revenue market share of approximately 80%. GrabOne has a current database of over 1.5 million members and over 16,000 merchants. In fiscal 2013, the website generated an average of 6.1 million sessions per month, sent an average of 35 million emails per month and posted an average of approximately 300 deals per day.

#### Outdoor

Our Outdoor business segment is comprised of our Hong Kong Outdoor businesses and a 50% interest in Adshel.

Hong Kong Outdoor. Our Hong Kong Outdoor businesses comprise Buspak Advertising (Hong Kong) Limited ("Buspak") and Cody Outdoor International (HK) Limited ("Cody"), which is owned by Buspak. Cody specializes in premium billboard advertising which currently covers two high-traffic volume tunnels, the Eastern and Western Harbor Tunnels, as well as other prime locations throughout Hong Kong. Buspak is the leading operator of multimedia, exterior and on-board advertising on the mass transit bus systems on Hong Kong Island. Buspak also pioneered the successful Webus WiFi initiative which provides free wireless internet access to commuters on buses.

Adshel. We have a 50% joint venture in Adshel Street Furniture Pty Limited ("Adshel") with Clear Channel holding the other 50%. Adshel is a leading outdoor street furniture and digital advertising company in Australia, as well as New Zealand. Adshel currently has over 19,000 advertising panels in Australia and over 3,000 advertising panels in New Zealand within transport shelters and railway networks. It is currently implementing a significant roll out in the Australian outdoor advertising market in Sydney, having won a five-year contract with Sydney Trains in December 2013 covering 51 train stations, principally in metropolitan Sydney, including major digital advertising infrastructure in premium Sydney central business district train station concourses.

#### **Radio Acquisitions**

In February 2014, we acquired the remaining 50% interest of the ARN and TRN joint ventures from Clear Channel for A\$246.7 million. As a part of this transaction, we secured an exclusive ten-year distribution and services agreement with Clear Channel to operate the iHeartRadio digital radio platform in Australia and New Zealand. The impact of this acquisition on our reported results after February 19, 2014 has been to reduce the profit attributable to non-controlling interests and increase the profit attributable to APN shareholders.

#### **Our Competitive Strengths**

Leading positions in the Australian and New Zealand media markets—We are a leading diversified media company in Australia and New Zealand with strong competitive positions in large and valuable markets, including Sydney, Melbourne, regional Queensland, northern New South Wales and Auckland.

• We are the number one ranked FM radio network by audience share on an aggregated basis and, through the radio stations we own or have investments in, we are the number one or number two ranked FM radio

stations by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth as at the most recent ratings surveys of 2014, with a total average weekly listening audience of approximately 4.6 million people.

- We are a leading newspaper publisher in regional Queensland and northern New South Wales. Most of our Australian daily titles are the sole daily regional newspaper in their region.
- We own the number one and two ranked FM radio stations in New Zealand by audience share, being *NewsTalkZB*, a national talk radio station, and *Coast*, a national music station.
- We are the leading newspaper publisher in New Zealand with our principal masthead, *The New Zealand Herald*, being New Zealand's highest circulated newspaper, which has more than twice the circulation of its nearest daily competitor.
- We own the leading daily deals website in New Zealand.
- We are the leading operator of Hong Kong Island mass transit bus exterior and on-board advertising with Buspak having pioneered the Webus initiative, which provides free wireless internet access to commuters on buses.
- Adshel is one of the largest transit street furniture and digital advertising businesses in Australia and New Zealand.

Diversified across businesses, geographies, markets and formats—We are a multi-media business offering cross-platform advertising solutions through our publishing, radio, outdoor and digital assets. Our service combination enables us to deliver integrated advertising campaigns to advertising agencies and national and local businesses. Integrated advertising solutions are increasingly becoming the strategy of choice for advertisers seeking to maximize impact, audience reach, frequency of message and interactivity through a "one-stop shop". Our ability to target specific audiences through a combination of these mediums allows advertisers to deliver their messages more effectively. By offering advertising clients multiple channels to consumers, we are able to create value as well as build upon our competitive strengths. Our advertiser customers are a combination of advertising agencies and businesses and are diversified across the automotive, retail, telecommunications, financial services and other industries. Our largest advertiser represented an immaterial percentage of our revenue from continuing operations in fiscal 2013. We are also geographically diversified with operations in metropolitan and regional Australia, New Zealand and Hong Kong which, combined with our diversified service base, provides resilience against specific industry cycles affecting advertisers in the diverse markets in which we operate.

We create compelling and reliable news and entertainment content that delivers us large audiences across our platforms—Our businesses include strong, trusted brands that consistently deliver high quality entertainment and news content on a timely basis. We have invested in talent and programming across our radio businesses to create appealing news and entertainment content, which has resulted in consistent ratings success and increased our audience share. Newspapers remain the medium that sets the news agenda and provides analysis, insights and a high level of research and rigorous fact checking which supports the high quality content and journalism on which readers rely. The local focus of the content we provide ensures that our news and entertainment remain engaging to core audiences.

Strong track record of effectively managing our publishing cost base—We have a strong track record of adjusting the cost base of our publishing businesses to ensure that we are operating our businesses efficiently, whilst maintaining our commitment to investing in high-quality content and achieving our long-term strategy. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our ARM segment were reduced by A\$23.2 million and A\$6.5 million, respectively, compared to the comparable periods. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our NZM segment were reduced by NZ\$35.8 million (including NZ\$8.5 million reduction relating to assets sold) and NZ\$17.5 million (including NZ\$11.0 million reduction relating to assets sold), respectively, compared to the comparable periods. Cost-saving measures

included closing costly print plants, outsourcing printing and support functions, centralizing sales, sending advertising production offshore and restructuring certain senior leadership teams. We continue to assess the cost base of the print businesses to drive operational efficiencies.

We have high levels of cash flow generation—We have a high and stable cash generating business. During the years ended December 31, 2013 and 2012, we have achieved Adjusted EBITDA margins of 19.9% and 18.4%, respectively, which have been delivered in challenging market conditions through a combination of market share growth and cost base management. Over the same reporting periods, capital expenditures represented 2.0% and 2.8%, respectively, of our total revenue. Our strong operating margins and low capital expenditure requirements have enabled us to generate free cash flow conversion rates of 89.8% for fiscal 2013 and 88.9% for the LTM Period ended June 30, 2014, which is calculated as Adjusted EBITDA less capital expenditure divided by Adjusted EBITDA. We maintain a disciplined approach towards debt reduction and are committed to maintaining balance sheet strength and appropriate levels of leverage. Consistent with this approach, we are focused on cash generation, and in fiscal 2013 we generated A\$63.1 million of net cash inflows, which were applied to debt reduction.

Highly experienced management team—We are led by a management team that has many years' experience in the media industry and has been refreshed over the last few years in line with the strategic focus of the business. Michael Miller was appointed as our Chief Executive Officer in June 2013, having been in numerous executive roles with News Limited since 1997. Jane Hastings was appointed as Chief Executive Officer of TRN in September 2012, and has served as Chief Executive Officer of APN New Zealand since May 2014. Ciaran Davis joined ARN as its Chief Executive Officer in 2010 and has over 25 years' experience in the radio industry. Jeff Howard was appointed as our Chief Financial Officer in December 2012 and has over 20 years' experience in banking and audit roles, including focusing on telecommunications and media sectors. Neil Monaghan was appointed as Chief Executive Officer of ARM in April 2013 and has over 25 years' experience in procurement and operations including in the media industry. Rob Atkinson was appointed as Chief Executive Officer of Adshel in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Yvette Lamont, our Group General Counsel and Company Secretary, has extensive experience in the media industry and is a member of the Media and Communications Committee of the Law Council of Australia.

#### **Our Strategies**

Focus on maximizing audience growth and engagement to drive revenue—As product boundaries of radio, publishing, outdoor and online have become increasingly blurred with the introduction of digital media, we have adapted our business to be less focused on formats and more focused on audiences. Large and highly engaged audiences across multiple platforms deliver an attractive value proposition to advertisers. We plan to continue to grow our audience by creating unique, accessible and innovative content and by remaining a trusted, relevant and enjoyable source of news and entertainment. We intend to actively cross-promote our business brands and talent and continue to seek to maximize audience engagement through increasing dialogue and two-way communications with our audiences and by increasing our digital platforms and access points.

We plan to invest in growing our digital business offerings in our core business brands—A growing digital presence is integral in each of our core business brands. We are focused on creating additional revenue opportunities from innovative digital products within these brands. Examples include:

- Adshel's roll-out of the Sydney Trains contract thereby increasing interaction with consumers through the
  installation of cameras, touchscreens and WiFi; and Buspak's Webus initiative increasing interaction
  through in-bus WiFi service;
- focusing on social media channels to allow our audience to reach and interact with our products, an
  example of which is that the Sunshine Coast Daily has one of the highest numbers of Facebook 'likes' of
  any newspaper in Australia;

- implementing and continuing to explore programmatic sharing opportunities in our businesses;
- leveraging our GrabOne platform;
- leveraging our online radio platform through iHeartRadio;
- · the roll-out of centrally co-ordinated print and digital bundles in our publishing businesses; and
- developing mobile applications for tablets and smartphones to enrich our business brands.

Continue to adapt quickly to changing market dynamics—We continue to focus on a range of potential revenue generating opportunities in order to diversify beyond the traditional channels of advertising and circulation, in recognition of the continuing evolution that is occurring in the markets in which we operate. We will continue to introduce a range of initiatives across our business segments in relation to content marketing, mobile, online video, customer data collection and e-commerce in order to achieve greater brand leverage. It will remain our priority to adapt quickly to changing consumer preferences by expanding our digital presence and increasing the choices for our customers who are expecting a 'news brand anywhere' relationship and an 'always on' news source that can be accessed throughout the day across a range of mediums.

Committed to international best practice for our publishing businesses—Publishers worldwide have sought to address falling print circulation and subscriptions through a variety of initiatives, such as paywalls, mobile additions and partnering local with national content. We will continue to actively consider a number of these initiatives and how they may be used to stabilize and ultimately grow the audience for our various publications. Initiatives we are currently considering, based on strategies adopted by our international peers, include partnering local with national content in our Australian regional publishing business thereby creating stronger, higher value local products and the introduction of a digital paywall for paid content from The New Zealand Herald.

The integration of our New Zealand assets presents cross-selling opportunities—We recently announced the appointment of Jane Hastings to a newly created role of Chief Executive Officer of APN New Zealand with responsibility for APN's New Zealand publishing, radio and digital businesses. This appointment will enable more strategic collaboration across our New Zealand businesses, including greater cross-selling opportunities for our media brands to better meet the needs of our advertising clients, cross-promotion of our media platforms, improved efficiency through removal of duplication and maximization of our digital audience. We have also created an integrated advertising planning and sales function in our New Zealand businesses to provide major national and agency clients with a seamless group-wide advertising solution. We will continue to offer advertisers the opportunity to communicate with consumers across trusted news and information media, entertainment platforms and outdoor assets. Aligned with this will be the extensive data and technology opportunity that GrabOne further provides with its current database of 1.5 million subscribers.

**Position the business to take advantage of acquisition opportunities**—The Australian Government is currently considering potential changes to the existing media ownership laws which could provide acquisition opportunities within the sector. As a result, we are aiming to position ourselves strategically such that we are able to assess and participate in any attractive opportunities that present themselves. We will also opportunistically consider acquisitions which allow us to utilize our key strengths.

Continue to manage our publishing cost base—We continue to identify further opportunities to rationalize the cost base of our newspaper publishing businesses and are targeting cost savings of A\$20 million in fiscal 2014, including cost savings of A\$10 million in the six months ended December 31, 2014.

**Pursue a conservative financial policy**—We are committed to pursuing and maintaining a prudent and sustainable capital structure that will allow us to maintain financial and operational flexibility. We have continued to strengthen our liquidity position by reducing debt over the last couple of years. We are committed to

maintaining balance sheet strength and levels of leverage appropriate for a business with strong operating margins, and we will maintain a disciplined approach towards debt reduction. We have not paid dividends since September 2012, and we raised equity to help fund the purchase in February 2014 of the remaining 50% of ARN and TRN.

#### **Industry Overview**

We primarily operate in the Australian and New Zealand radio broadcasting, newspaper publishing and outdoor advertising industries, as well as the Hong Kong outdoor advertising industry. Our revenue is principally derived from advertising expenditure, and to a lesser extent, publication sales.

Estimates in this section are based on reports by Commercial Economic Advisory Service of Australia ("CEASA") and the New Zealand Advertising Standards Authority ("ASA") unless stated otherwise. Information is for the calendar year ending December 31 of the year indicated. See "Industry Overview" and "Market and Industry Data" for further information.

#### Australia

The Australian media industry generated A\$13.4 billion in advertising revenue in 2013. Total advertising revenue in Australia has remained relatively consistent over the last three years. In 2013, the largest segments in which we operate, radio broadcasting and newspaper publishing, represented approximately 25.5% or A\$3.4 billion of overall media advertising revenue in Australia.

The Australian radio industry generated A\$1.0 billion in advertising revenue in 2013, representing 7.7% of total advertising revenue. Radio advertising in Australia has remained stable at approximately 7.6% of total media advertising revenue in Australia over the last three years. The Australian commercial radio industry is comprised of four major operators, with the metropolitan market accounting for approximately 67.5% of total advertising revenue in the Australian radio industry. The radio stations that we own or have 50% investments in have a strong market position as the number one or number two ranked FM broadcaster by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth.

The Australian newspaper industry generated A\$2.4 billion in advertising revenue in 2013. Total advertising expenditure in the Australian newspaper industry has declined over recent years. Despite this decline, newspaper advertising remains the second largest form of media advertising in Australia, representing 17.8% of total advertising revenue in 2013. Ownership of the Australian newspaper market is highly concentrated with the four largest newspaper publishing companies accounting for approximately 96.6% of newspaper agency bookings in 2013. In addition, in the majority of the regional markets in which we operate, we face no direct local newspaper competition from any of our major competitors and publish the only daily regional newspaper in the region.

Outdoor advertising revenue in Australia has grown at an annual average rate of 5.0% since 2011. Outdoor advertising generated A\$544 million in revenue in 2013 and represents 4.1% of total media advertising revenue in Australia. Finance, retail and entertainment and leisure companies are the largest advertisers in the outdoor industry. Like the other industries in which we operate in Australia, the outdoor industry is highly concentrated. The top four operators in the industry accounted for approximately 79.2% of industry revenue in 2013. Adshel is the third largest operator in Australia with a revenue market share of approximately 17.0% based on agency bookings.

### New Zealand

The New Zealand media industry generated NZ\$2.3 billion in total revenue in 2013. The radio and newspaper industries represented 33.5% or NZ\$0.8 billion of total New Zealand media advertising revenue. Total revenue in the New Zealand media industry has grown at an average annual rate of 2.2% from 2011 to 2013.

The New Zealand radio industry generated NZ\$267 million in advertising revenue in 2013, representing 11.7% of total advertising revenue in the New Zealand media industry. Radio advertising revenue in New Zealand has grown at an annual average rate of 4.0% from 2011 to 2013. The New Zealand radio industry consists of two major broadcasters, TRN and MediaWorks New Zealand Limited. Each broadcaster has an approximate 50% share of the national New Zealand commercial radio market.

Newspapers generated NZ\$494 million in advertising revenue in New Zealand in 2013. Newspaper advertising revenue has declined at an average annual rate of 7.9% from 2011 to 2013. As with the New Zealand radio industry, the newspaper market consists of two major operators, NZM and Fairfax Media Limited. We have the leading position within the New Zealand newspaper publishing market based on circulation. In Auckland, the major market in which we operate, we own New Zealand's leading publication by circulation, *The New Zealand Herald*. Auckland represents 33.4% of New Zealand's total population and accounted for a significant amount of national advertising expenditure in New Zealand in 2013.

#### Hong Kong

In Hong Kong, we primarily operate in the transit and billboard outdoor advertising segments. The outdoor industry in Hong Kong has grown at an average annual rate of 23.5% from 2011 to 2013. The share of advertising revenue for outdoor advertising in Hong Kong has remained stable at approximately 12.7% of total advertising revenue.

#### **Recent Developments**

#### Senior Secured Revolver Refinancing

On August 19, 2014, we entered into the Senior Secured Revolver as part of the Refinancing. We expect this to be completed on or about September 25, 2014. For further information on the Senior Secured Revolver and our refinancing, see "Operating and Financial Review—Liquidity and Capital Resources—Debt, Gearing and Other Financing Arrangements."

#### Recent Acquisition

In July 2014, we acquired full beneficial ownership of Buspak and its subsidiary Cody, acquiring the remaining 50% interest from Clear Channel for a total of A\$17.0 million (which includes a A\$3.0 million settlement for an outstanding shareholder receivable and a 50% share of cash on the balance sheet prior to the acquisition).

#### Potential NZ Transaction

We announced on September 1, 2014 that we are considering strategic options with regards to our APN New Zealand businesses ("APN NZ"), which comprise our assets in NZM, TRN and GrabOne, with a listing on the NZX in an initial public offering of APN NZ (the "Potential NZ Transaction") being a consideration.

The Potential NZ Transaction is one of several opportunities that we are considering and is dependent on market conditions and a satisfactory valuation of APN NZ, amongst other factors. At this stage, it is uncertain whether we will proceed with the Potential NZ Transaction and, if we do, what our ownership interest in APN NZ will be following any such transaction.

If we decide to proceed with the Potential NZ Transaction, our ownership interest in APN NZ may be reduced by approximately 60%. The consideration we ultimately receive through the Potential NZ Transaction will be based on the final pricing of APN NZ's shares in its initial public offering at the time. The price of such shares would be determined by negotiation among APN NZ, us and the managers and underwriters of the

offering and would be based on a number of factors, including market conditions at the time of any sale. For illustrative purposes, we have included certain pro forma financial information in Annex B of this Information regarding the Potential NZ Transaction. However, we may decide not to proceed with the Potential NZ Transaction or it could be modified in significant ways. In any case, the pro forma financial information contained herein is based on certain assumptions that may not actually occur. For example, the proceeds to APN from the Potential NZ Transaction assumed in the pro forma financial information are based on the carrying value of the net assets of APN NZ, not the fair value of that business. On this basis, pro forma gross proceeds to APN from the Potential NZ Transaction would be A\$308 million. We anticipate using any proceeds from the Potential NZ Transaction to temporarily reduce amounts outstanding under our Senior Secured Revolver pending identification of potential future growth initiatives. Although the pro forma information in Annex B to this Information does not give effect to the payment of any dividend from APN NZ, we assume that APN NZ will adopt an initial dividend payout policy following the Potential NZ Transaction of targeting dividends to ordinary shareholders of 75% of net profit after tax.

If we cease to own a majority ownership interest in APN NZ following the Potential NZ Transaction, the guarantees of the Notes by APN NZ's subsidiaries will be released. In addition, our interest in our New Zealand businesses would no longer be consolidated and, at our currently anticipated ownership level, would be accounted for using the equity method of accounting, in which case the contributions from the segments of TRN, NZM and Digital would be excluded in future periods.

See "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" and "Risk Factors—Risks Relating to the Potential NZ Transaction" for more information on the impact of the Potential NZ Transaction.

#### **Corporate Information**

APN News & Media Limited is incorporated in Australia. Our principal executive offices are located at Level 4, 100 William Street, Sydney, New South Wales, Australia 2011, and our telephone number at that address is +61 2 9333 4999. Our website is located at www.apn.com.au. Our website and the information contained on our website is not part of this Information, and you should rely only on the information contained in this Information when deciding whether to invest in the Notes.

#### **Risk Factors**

There are several risks related to our business that are described under "Risk Factors" and elsewhere in this Information.

#### SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The summary historical consolidated financial information set forth below as of and for the years ended December 31, 2011, 2012 and 2013 have been derived from, and are qualified in their entirety by reference to, our audited consolidated annual financial statements and related notes that are included elsewhere in this Information.

The summary historical consolidated financial information as of and for the six months ended June 30, 2013 and 2014 set forth below have been derived from our unaudited condensed consolidated interim financial statements and related notes which are included elsewhere in this Information and include, in the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary to present fairly the data for such periods. Results for an interim period should not be considered indicative of results for the full fiscal year.

The summary historical consolidated statement of profit or loss information for the LTM Period ended June 30, 2014 has been calculated by adding the summary consolidated statement of profit or loss information for the fiscal year ended December 31, 2013 and the summary consolidated statement of profit or loss information for the six months ended June 30, 2014, and then subtracting the summary consolidated statement of profit or loss information for the six months ended June 30, 2013.

The other financial information set forth below for the LTM Period ended June 30, 2014, the six months ended June 30, 2013 and 2014, and the years ended December 31, 2011, 2012 and 2013 have been derived from internal records and management accounts.

Our consolidated financial statements included in this Information have been prepared in accordance with Australian Accounting Standards and also comply with IFRS. Australian Accounting Standards and IFRS differ from U.S. GAAP in respects that may be material to the financial information contained in this Information.

The summary historical consolidated financial information should also be read in conjunction with, and is qualified in its entirety by reference to, the sections captioned "Financial Statement Presentation," "Risk Factors," "Operating and Financial Review," "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" and our consolidated financial statements included elsewhere in this Information.

|  | Year e            | nded Decemb | er 31,           | Six month<br>June |             | LTM<br>Period<br>ended<br>June 30, |
|--|-------------------|-------------|------------------|-------------------|-------------|------------------------------------|
|  | 2011              | 2012        | 2013             | 2013              | 2014        | 2014                               |
|  |                   |             | (A\$ in the      | ousands)          |             |                                    |
| Summary income statement information:              |                   |             |                  |                   |             |                                    |
| Revenue from continuing operations                 | 706.260           | COO 400     | 60 <b>7.00</b> 0 | 220.207           | 242.017     | 600 150                            |
| Advertising revenue                                | 706,360           | 690,489     | 687,228          | 330,287           | 342,217     | 699,158                            |
| Circulation revenue  Total revenue from continuing | 135,782           | 132,475     | 129,998          | 64,318            | 63,680      | 129,360                            |
| operations   | 842,142           | 822,964     | 817,226          | 394,605           | 405,897     | 828,518                            |
| Other revenue and income                           | 25,722            | 7,208       | 16,233           | 7,601             | 10,072      | 18,704                             |
| Total revenue and other income                     | 867,864           | 830,172     | 833,459          | 402,206           | 415,969     | 847,222                            |
| Expenses from continuing operations before         | 007,004           | 050,174     | 033,737          | 402,200           | 413,707     | 041,444                            |
| finance costs(1)                                   |                   |             |                  |                   |             |                                    |
| Employee benefits expense                          | (328,417)         | (330,397)   | (322,119)        | n.a.              | n.a.        | n.a.                               |
| Selling and production expense                     | (238,103)         |             | (233,990)        | n.a.              | n.a.        | n.a.                               |
| Rental and occupancy expense                       | (54,746)          | (62,846)    | (65,820)         | n.a.              | n.a.        | n.a.                               |
| Depreciation and amortization                      |                   |             |                  |                   |             |                                    |
| expense  | (29,874)          | (30,728)    | (33,003)         | (16,086)          | (16,470)    | (33,387)                           |
| Redundancies and associated costs                  | (17,332)          | (8,434)     | (10,682)         | (8,154)           | (4,886)     | (7,414)                            |
| Asset write-downs and business                     | (10.000)          | (= 0.44)    | (15.40%)         | (2.406)           |             | (5.00 <del>5</del> )               |
| closures   | (18,298)          | (7,344)     | (12,485)         | (8,136)           | (1,648)     | (5,997)                            |
| Other(2)   | (57,551)          | (57,391)    | (51,650)         | <u>n.a.</u>       | <u>n.a.</u> | <u>n.a.</u>                        |
| Total expenses from continuing                     |                   |             |                  |                   |             |                                    |
| operations before finance costs                    | (744,321)         | (734,821)   | (729,749)        | (362,433)         | (366,343)   | (733,659)                          |
| Impairment of intangible assets(3)                 | (159,495)         | (689,948)   |                  |                   |             |                                    |
| Finance costs                                      | (57,190)          | (44,413)    | (38,516)         | (18,699)          | (19,519)    | (39,336)                           |
| Share of profit of associates                      | 5,807             | 9,037       | 10,565           | 3,784             | 3,658       | 10,439                             |
| Profit/(loss) before income tax                    | (87,335)          | (629,973)   | 75,759           | 24,858            | 33,765      | 84,666                             |
| Income tax credit/(expense)                        | 48,696            | 66,711      | 758              | (887)             | (3,989)     | (2,344)                            |
| Profit/(loss) from continuing                      |                   |             |                  |                   |             |                                    |
| operations   | (38,639)          | (563,262)   | 76,517           | 23,971            | 29,776      | 82,322                             |
| Profit/(loss) from discontinued operations         | 19,703            | 79,719      | (48,840)         | 629               | (2,562)     | (52,031)                           |
| Profit/(loss) for the period                       | (18,936)<br>===== | (483,543)   | 27,677           | 24,600            | 27,214      | 30,291                             |

| Summary balance sheet information:  Cash and cash equivalents  Receivables  Investments accounted for using equity method  Property, plant and equipment  Assets held for sale  Intangible assets  Total assets  Interest-bearing liabilities(4)  Total liabilities |  | 23,885<br>170,601<br>43,331<br>233,066           | 5 20,3<br>1 156,5<br>1 102,2                   | 20<br>6 in thousan<br>38 1<br>05 12<br>98 5 | 013                               | s at June 30,<br>2014<br>24,957       |  |
|---|--|--|--|---|-----------------------------------|---------------------------------------|--|
| Cash and cash equivalents Receivables Investments accounted for using equity method Property, plant and equipment Assets held for sale Intangible assets Total assets Interest-bearing liabilities(4)   |  | 23,885<br>170,601<br>43,331<br>233,066           | (A\$ 5 20,3 1 156,5 1 102,2                    | 38 1<br>05 12<br>98 5                       | 9,956<br>0,961                    |                                       |  |
| Cash and cash equivalents Receivables Investments accounted for using equity method Property, plant and equipment Assets held for sale Intangible assets Total assets Interest-bearing liabilities(4)   |  | 170,601<br>43,331<br>233,066                     | 5 20,3<br>1 156,5<br>1 102,2                   | 38 1<br>05 12<br>98 5                       | 9,956<br>0,961                    | 24,957                                |  |
| Cash and cash equivalents Receivables Investments accounted for using equity method Property, plant and equipment Assets held for sale Intangible assets Total assets Interest-bearing liabilities(4)   |  | 170,601<br>43,331<br>233,066                     | 1 156,5<br>1 102,2                             | 05 12<br>98 5                               | 0,961                             | 24,957                                |  |
| Receivables   |  | 170,601<br>43,331<br>233,066                     | 1 156,5<br>1 102,2                             | 05 12<br>98 5                               | 0,961                             | ,                                     |  |
| Investments accounted for using equity method Property, plant and equipment Assets held for sale Intangible assets Total assets Interest-bearing liabilities(4)   |  | 43,331<br>233,066<br>—                           | 102,2  | 98 5  |                                   | 133,688                               |  |
| Property, plant and equipment. Assets held for sale Intangible assets Total assets. Interest-bearing liabilities(4)   |  | _  | 5 171,5  | 41 14                                       | 0,011                             | 50,542                                |  |
| Assets held for sale Intangible assets  Total assets Interest-bearing liabilities(4)  |  |  | _  | 71 17                                       | 9,381                             | 142,229                               |  |
| Total assets  |  | 1 456 952  |  | - 11  | 9,236                             | _                                     |  |
| Interest-bearing liabilities(4)   |  | 1,456,952 723,20                                 |  | 65 714,855                                  |                                   | 724,280                               |  |
|   |  | 1,996,505  | 5 1,293,7                                      | 86 1,25                                     | <b>4,901</b> 1                    | 1,151,908                             |  |
| Total liabilities   |  | 661,030  | 479,1  | 17 45                                       | 2,435                             | 504,553                               |  |
|   |  | 886,869  | 708,2  | 87 64                                       | 4,356                             | 637,942                               |  |
| Total equity  |  | 1,109,636  | 585,4  | 99 61                                       | 0,545                             | 513,966                               |  |
|   |  |  |  |   |                                   | Y (T) A                               |  |
|   |  |  |  |   |                                   | LTM<br>Period                         |  |
|   | Voor on  | ided December                                    | r 31   | Six montl<br>June                           |                                   | ended<br>June 30,                     |  |
|   | 2011   | 2012   | 2013   | 2013  | 2014                              | 2014                                  |  |
|   |  |  | (A\$ in thou                                   |   |                                   |                                       |  |
| Summary cash flow data:   |  |  | (114 111 11101                                 | .541145)                                    |                                   |                                       |  |
| Net cash inflow (outflow) from:   |  |  |  |   |                                   |                                       |  |
| Operating activities  | 123,063  | 87,274   | 88,382   | 28,948                                      | 15,615                            | 75,049                                |  |
| Investing activities  | (38,514)                                       | 149,242  | 6,056  | 1,154                                       | 64,656                            | 69,558                                |  |
| Financing activities  | (124,315)                                      |  | (94,181)                                       | (24,507)                                    | (74,820)                          |                                       |  |
| C   |  |  |  |   |                                   |                                       |  |
|   |  |  |  |   |                                   | As at and for                         |  |
|   |  |  |  |   |                                   | LTM<br>Period                         |  |
|   | ***  | As at and for                                    | 21   |   | ths ended                         | ended                                 |  |
|   | 2011   | nded December<br>2012                            | er 31,<br>2013                                 | 2013  | e 30,<br>2014                     | June 30,<br>2014                      |  |
|   |  |  | (A\$ in thou                                   |   |                                   |                                       |  |
| Other financial data:   |  |  | (πφ in thot                                    | isanus)                                     |                                   |                                       |  |
|   | 52,729   | 44.787   | 33,176   | 15,718                                      | 17.074                            | 34,532                                |  |
|   |  |  |  | 15,372                                      |                                   | 33,936                                |  |
|   | 33,895   | 23,228   |  | 6,388                                       |                                   | 18,069                                |  |
| Capital expenditures  | 33,073   |  |  | ,   |                                   |                                       |  |
| Capital expenditures  |  |  |  | 59,356                                      | 69,514                            | 156,815                               |  |
| EBITDA(6)   | (1,533)  | (555,756)  | 146,657  | 59,356<br>70,149                            | 69,514<br>70,725                  | 156,815<br>163,371                    |  |
| EBITDA(6)   |  | (555,756)<br>151,383                             | 146,657<br>162,795                             | 70,149                                      | 70,725                            | 163,371                               |  |
| EBITDA(6)   | (1,533)<br>171,129<br>20.3%                    | (555,756)<br>151,383                             | 146,657<br>162,795                             | 70,149                                      | 70,725<br>% 17.49                 | 163,371<br>% 19.79                    |  |
| EBITDA(6) Adjusted EBITDA(6) Adjusted EBITDA margin(7) Net debt(8)  | (1,533)<br>171,129                             | (555,756)<br>151,383<br>18.4%                    | 146,657<br>162,795<br>19.9%                    | 70,149<br>6 17.89<br>n.a.                   | 70,725                            | 163,371                               |  |
| EBITDA(6)   | (1,533)<br>171,129<br>20.3%<br>645,565         | (555,756)<br>151,383<br>18.4%<br>465,188         | 146,657<br>162,795<br>19.9%<br>436,854         | 70,149<br>6 17.89<br>n.a.                   | 70,725<br>% 17.49<br>n.a.         | 163,371<br>% 19.79<br>482,644         |  |
| EBITDA(6) Adjusted EBITDA(6) Adjusted EBITDA margin(7) Net debt(8) Ratio of net debt to Adjusted EBITDA(8)  | (1,533)<br>171,129<br>20.3%<br>645,565<br>3.8x | (555,756)<br>151,383<br>18.4%<br>465,188<br>3.1x | 146,657<br>162,795<br>19.9%<br>436,854<br>2.7x | 70,149<br>6 17.89<br>n.a.<br>n.m.           | 70,725<br>% 17.49<br>n.a.<br>n.m. | 163,371<br>% 19.79<br>482,644         |  |
| Other financial data: Cash interest expense, gross(5) Cash interest expense, net(5)   | 52,729<br>51,459<br>33,895                     | 44,787<br>43,702<br>23,228                       | 33,176<br>32,476<br>16,663                     | 15,<br>15,                                  | 718                               | 718 17,074<br>372 16,832<br>388 7,794 |  |

|  | Year e             | nded Decem | ber 31,  | Six mont |         | LTM<br>Period<br>ended<br>June 30, |
|--|--------------------|------------|----------|----------|---------|------------------------------------|
|  | 2011               | 2012       | 2013     | 2013     | 2014    | 2014                               |
|  | (A\$ in thousands) |            |          |          |         |                                    |
| Selected segment data:                   |                    |            |          |          |         |                                    |
| Revenue from continuing operations:      |                    |            |          |          |         |                                    |
| Australian Radio Network                 | 135,180            | 145,180    | 152,961  | 75,136   | 81,223  | 159,048                            |
| Australian Regional Media                | 276,002            | 248,760    | 216,981  | 107,841  | 98,998  | 208,138                            |
| The Radio Network                        | 86,712             | 86,708     | 102,277  | 47,325   | 56,932  | 111,884                            |
| New Zealand Media                        | 301,289            | 287,360    | 282,584  | 136,665  | 135,623 | 281,542                            |
| Outdoor                                  | 33,488             | 39,040     | 44,099   | 19,458   | 24,106  | 48,747                             |
| Digital(10)                              | 8,951              | 15,895     | 18,324   | 8,180    | 9,015   | 19,159                             |
| Unallocated                              | 520                | 21         | _        | _        | _       | _                                  |
| Total revenue from continuing operations | 842,142            | 822,964    | 817,226  | 394,605  | 405,897 | 828,518                            |
| Adjusted EBITDA(6):                      |                    |            |          |          |         |                                    |
| Australian Radio Network                 | 48,076             | 52,287     | 58,486   | 27,336   | 29,029  | 60,179                             |
| Australian Regional Media                | 55,105             | 38,532     | 29,706   | 12,692   | 10,475  | 27,489                             |
| The Radio Network                        | 16,917             | 15,130     | 19,969   | 8,723    | 10,099  | 21,345                             |
| New Zealand Media                        | 61,534             | 47,810     | 52,995   | 23,007   | 22,698  | 52,686                             |
| Outdoor(11)                              | 8,026              | 12,636     | 12,320   | 4,609    | 4,617   | 12,328                             |
| Digital(10)                              | (537)              | 3,644      | 4,743    | 1,860    | 2,452   | 5,335                              |
| Unallocated                              | (17,992)           | (18,656)   | (15,424) | (8,078)  | (8,645) | (15,991)                           |
| Total Adjusted EBITDA                    | 171,129            | 151,383    | 162,795  | 70,149   | 70,725  | 163,371                            |

<sup>(1)</sup> Certain of our expenses are not broken out in our financial statements for the six months ended June 30, 2014 and 2013.

We believe that EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present EBITDA and Adjusted EBITDA when reporting their results. However, EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered either in isolation or as a substitute for analysis of our results as reported under Australian Accounting Standards and IFRS. Some of these limitations are as follows: they do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; they do not reflect changes in, or cash requirements for, our working capital needs; they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

<sup>(2) &</sup>quot;Other" comprises the line items other expenses, loss on sale of property and New Zealand Herald relaunch costs.

<sup>(3)</sup> Impairment of intangible assets is a non-cash item and relates to the impairment of goodwill, software, mastheads, radio licenses, transit and outdoor advertising systems, brands and/or lease intangibles.

<sup>(4)</sup> Includes net borrowing costs.

<sup>(5)</sup> Cash interest expense is calculated as interest expense less non-cash interest, including the accretion of principal, amortization of discounts on debt and the amortization of deferred financing fees for the indicated period.

<sup>(6)</sup> We define EBITDA as profit/(loss) from continuing operations before net finance costs, income tax, depreciation and amortization. We define Adjusted EBITDA as EBITDA before exceptional items. See "Operating and Financial Review—Results of Operations—Adjusted EBITDA" for further information. Although EBITDA and Adjusted EBITDA are non-GAAP/non-Australian Accounting Standards and non-IFRS financial measures, management believes that they are useful supplemental measures in evaluating the performance of our operating business and provide greater transparency into our results of operations.

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

You are encouraged to evaluate each adjustment we make to compute Adjusted EBITDA and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that we may incur expenses and changes in the future similar to these adjustments. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by exceptional items.

The following table reconciles our profit/(loss) from continuing operations for the period, the most directly comparable Australian Accounting Standard and IFRS financial measure, to EBITDA and Adjusted EBITDA for the periods indicated:

TTM

| Year ei        | nded Deceml  | ber 31,  |   |  | Period<br>ended<br>June 30,  |
|----------------|--|--|---|--|--|
| 2011           | 2012   | 2013   | 2013  | 2014   | 2014   |
|                |  | (A\$ in thou   | isands)   |  |  |
|                |  |  |   |  |  |
| (38,639)       | (563,262)  | 76,517   | 23,971  | 29,776   | 82,322   |
| 55,928         | 43,489   | 37,895   | 18,412  | 19,279   | 38,762   |
| (48,696)       | (66,711)   | (758)  | 887   | 3,989  | 2,344  |
| (31,407)       | (586,484)  | 113,654  | 43,270  | 53,044   | 123,428  |
| 29,874         | 30,728   | 33,003   | 16,086  | 16,470   | 33,387   |
| (1,533)        | (555,756)  | 146,657  | 59,356  | 69,514   | 156,815  |
| 172,662        | 707,139  | 16,138   | 10,793  | 1,211  | 6,556  |
| <u>171,129</u> | 151,383  | <u>162,795</u>   | 70,149  | 70,725   | 163,371  |
|                | (38,639)<br>55,928<br>(48,696)<br>(31,407)<br>29,874<br>(1,533)<br>172,662 | 2011 2012<br>(38,639) (563,262)<br>55,928 43,489<br>(48,696) (66,711)<br>(31,407) (586,484)<br>29,874 30,728<br>(1,533) (555,756)<br>172,662 707,139 | (38,639) (563,262) 76,517<br>55,928 43,489 37,895<br>(48,696) (66,711) (758)<br>(31,407) (586,484) 113,654<br>29,874 30,728 33,003<br>(1,533) (555,756) 146,657<br>172,662 707,139 16,138 | Year ended December 31,         June           2011         2012         2013         2013           (A\$ in thousands)         (A\$ in thousands)           (38,639)         (563,262)         76,517         23,971           55,928         43,489         37,895         18,412           (48,696)         (66,711)         (758)         887           (31,407)         (586,484)         113,654         43,270           29,874         30,728         33,003         16,086           (1,533)         (555,756)         146,657         59,356           172,662         707,139         16,138         10,793 | 2011         2012         2013         2013         2014           (A\$ in thousands)           (38,639) (563,262) 76,517 23,971 29,776           55,928         43,489 37,895 18,412 19,279           (48,696) (66,711) (758) 887 3,989           (31,407) (586,484) 113,654 43,270 53,044           29,874 30,728 33,003 16,086 16,470           (1,533) (555,756) 146,657 59,356 69,514           172,662 707,139 16,138 10,793 1,211 |

- (7) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue from continuing operations.
- (8) Net debt comprises total interest-bearing liabilities less cash and cash equivalents, and excludes net borrowing costs.
- (9) As adjusted to give effect to the Refinancing and to give effect to the offering of the Notes and the application of the proceeds thereof described under "Use of Proceeds" as if the transactions had occurred on June 30, 2014. Net debt comprises total interest bearing liabilities less cash and cash equivalents, and excludes net borrowing costs.
- (10) Digital segment comprises GrabOne and, for the six months ended June 30, 2014, our interest in Soprano, which we consider as having an immaterial impact on Adjusted EBITDA. Soprano is accounted for using the associate accounting treatment and our share of net income only contributed A\$0.6 million to Adjusted EBITDA in the six months ended June 30, 2014.
- (11) Adjusted EBITDA for our outdoor businesses includes our share of profit from associates.
- (12) Net finance costs comprise finance costs less finance income.
- (13) We define EBIT as earnings/(loss) before finance income, finance costs and tax benefit/(expense).
- (14) During each of fiscal 2011, 2012, 2013, and the six months ended June 30, 2013 and 2014, we recorded a number of items that are identified as "exceptional items" in our financial statements. These items include items such as gains or disposals of businesses, redundancies and associated costs, impairment of intangible assets, foreign exchange gains, New Zealand Herald relaunch costs and gains on insurance claims. In accordance with Australian Accounting Standards and IFRS, these gains or losses are separately disclosed in

Note 4 to our Financial Statements for fiscal 2011, 2012 and 2013 and Note 3 to our interim financial statements for the six months ended June 30, 2013 and 2014. The following table sets out the exceptional items we recorded for the periods indicated.

|   | Year ended December 31, |                  |          | Six montl<br>June | LTM<br>Period<br>ended<br>June 30, |                |
|---|-------------------------|------------------|----------|-------------------|------------------------------------|----------------|
|   | 2011                    | 2012             | 2013     | 2013              | 2014                               | 2014           |
|   |                         | (1               | ands)    |                   |                                    |                |
| Net gain/(loss) on disposal of properties and businesses(1)     | 788                     | (528)            | (727)    | 1,240             | 5,323                              | 3,356          |
| Gains on derecognition of contingent consideration provision(2) | _                       | _                | 4,710    | 4,257             | _                                  | 453            |
| associate(3)  | _                       |                  | 3,046    |                   |                                    | 3,046          |
| Redundancies and associated costs(4)                            | (17,332)                | (8,434)          | (10,682) | (8,154)           | (4,886)                            | (7,414)        |
| Asset write-downs and business closures(5)                      | (18,298)                | (7,344)          | (12,485) | (8,136)           | (1,648)                            | (5,997)        |
| Gains on insurance claims(6)                                    | 4,377                   | 2,054            |          |                   | _                                  |                |
| New Zealand Herald relaunch costs                               |                         | (2,939)          | _        |                   | _                                  | _              |
| Impairment of intangible assets                                 | (159,495)               | (689,948)        | _        |                   |                                    |                |
| Fair value adjustment on acquisition of                         |                         |                  |          |                   |                                    |                |
| associate(7)  | 8,307                   |                  |          |                   |                                    |                |
| Gains on equity instruments                                     | 3,652                   | _                | _        | _                 | _                                  | _              |
| Foreign exchange gains  | 5,339                   |                  |          |                   |                                    |                |
| Total exceptional items   | (172,662)               | <u>(707,139)</u> | (16,138) | (10,793)          | (1,211)                            | <u>(6,556)</u> |

<sup>(1)</sup> Gains in the six months ended June 30, 2014 and June 30, 2013 relate mainly to the sale of NZM's magazine's consumer titles and South Island and Wellington newspaper titles, respectively. Losses in fiscal 2013 and fiscal 2012 were from the disposal of ARM and NZM properties. The gain in fiscal 2011 was on the sale of two ARM properties and of our equity interest in Eventfinder business.

- (3) Reversal of impairment of investment in associate relates to the investment in Soprano Design Pty Limited.
- (4) Redundancies and associated costs relate to ongoing restructuring of our publishing divisions, and redundancy payments to our former chief executive officer and chief development officer in fiscal 2013.
- (5) Asset write-downs and business closures relate mainly to print and publishing properties and equipment, as well as in fiscal 2011 certain loss making magazines in ARM and the move to a digital first approach in the Tweed and Coffs Coast markets.
- (6) Gains on insurance claims for fiscal 2012 relate to claims made against damage to property, plant and equipment and lost earnings as a result of the Christchurch earthquakes and Queensland floods during 2011.
- (7) The fair value adjustment on acquisition of associate is the uplift in fair value that arose on the acquisition in February 2011 of a further 25% of Idea HQ Limited.

<sup>(2)</sup> Gains on derecognition of contingent consideration for fiscal 2013 relate to adjustments to amounts due under earn-out and put option arrangements in relation to the acquisition of Idea HQ Limited and iNC Digital Media.

#### **RISK FACTORS**

You should carefully consider the risks described below and all of the information contained in this Information. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements".

#### Risks Relating to Our Business and Industry

A decline in customer advertising expenditures in our businesses could cause our revenues and operating results to decline significantly.

Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. Our revenues and earnings are predominantly derived from advertising sales in newspaper publishing, advertising sales in radio broadcasting and outdoor advertising and through advertising and transactions on digital platforms, as well as cover price sales. Therefore, we are highly leveraged to fluctuations in the advertising markets in Australia and New Zealand and, to a lesser degree, in Hong Kong. This in turn is influenced, in part, by the general condition of the economies in which we operate which by their nature are cyclical and subject to change. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. In addition to economic conditions, other factors such as consolidation across various industries may also reduce our overall advertising revenue. Demand for our offerings is also a factor in determining advertising rates. As a result of economic conditions and general levels of consumer and business confidence, businesses in Australia have reduced their advertising spend in recent years and are making shorter term decisions in relation to how they spend their advertising budget. Accordingly, we have reduced visibility as to the likely future advertising spend in the media industries in Australia. A prolonged downturn in the advertising market could adversely affect our operating and financial performance. Moreover, such a downturn could result, and has in the past resulted in us, being required to recognize an impairment to the carrying value of goodwill and other intangible assets. During fiscal 2012 and 2011, we recognized impairment losses of A\$689.9 million and A\$159.5 million, respectively in connection with the goodwill and mastheads of our publishing assets which resulted from continuing economic weakness in the Australian and New Zealand regional economies as well as structural changes which impacted the advertising market.

In addition to the broader advertising market, our advertising revenue is also influenced by the composition of advertising spend between different media platforms, including publishing, radio broadcasting, television broadcasting, outdoor advertising, digital and direct marketing. As we do not operate across all these media platforms, our advertising revenue can be volatile as a result of advertisers' desired composition of spending changing.

#### Global economic conditions may have a continuing adverse effect on our business.

Current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy, including the markets in which we participate. Adverse changes may occur as a result of soft global economic conditions, geopolitical events, such as political instability in the Middle East and the Ukraine, volatile oil prices, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, adverse natural phenomena, such as floods, or other factors affecting economic conditions in general. Global and economic conditions may have direct and consequential adverse effects for the Australian, New Zealand and parts of the Asian economy at large, including, but not limited to:

- the level of economic activity and the resultant impact on advertising market conditions;
- unemployment levels and the amount of consumer discretionary spend;

- consumer and business sentiment;
- interest rates, inflation and currency exchange rates;
- labor costs;
- · aggregate investment and economic output; and
- government fiscal policy and monetary policy of central banks.

Advertising spending, which drives a significant portion of our revenues, is sensitive to economic conditions. Global, Australian, New Zealand and Hong Kong national and local economic conditions affect the levels of our advertising revenues. Our level of advertising sales in any period are affected by advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand and general economic conditions. Changes in spending patterns and priorities, including shifts in marketing strategies and budget cuts of key advertisers, in response to economic conditions, depresses our advertising revenues. In recent years, a slowing economy in Australia resulted in a decline in advertising revenues across our Australian businesses. Because a substantial portion of our revenues are derived from local advertisers, our ability to generate advertising revenues in specific markets could be adversely affected by local or regional economic downturns or extraordinary events in local markets, such as the Queensland floods in 2011 and 2013, which had a material impact on our operating and financial performance as our operations in Queensland were disturbed and local advertising markets contracted, and the 2011 earthquakes in Christchurch, New Zealand which affected NZM's financial performance. In addition, our traditional publishing businesses have relatively fixed cost bases which limits our ability to scale our overall cost structure up or down in response to changing economic conditions.

#### We operate in a highly competitive industry for our newspaper, radio and outdoor advertising business.

The media industry is highly competitive, with a number of operators competing for market share through the same or substitutable products. We face competition from both existing media groups and other potential new media companies utilizing new technologies including digital and other distribution platforms, which potentially provide advertisers with richer data and insights. The actions of an existing competitor, the entry of new competitors or the issue of new broadcasting licenses in a media segment in which we operate, a competing media segment or generally in the media sector may have a material adverse effect on our business and results of operation. The media sector is increasingly fragmented as a result of this heightened competition and there is a shifting share of advertising revenue between the different media platforms.

Our newspapers compete for advertising and circulation revenue with other newspapers, websites, digital applications, magazines, television, radio, direct mail and other media. The proliferation of the Internet and expansion of digital media and communications, particularly social media, mobile applications and the development of tablet and mobile devices has increased some consumers' preferences to receive all or part of their news and information digitally. Websites such as seek.com.au, domain.com.au and carsales.com.au provide a cost-efficient platform for reaching wide but targeted audiences for classified advertisements. Websites such as Facebook, Twitter, Google and Yahoo! are successful in gathering national, local and entertainment news and information from multiple sources and attracting a broad readership base.

Our radio stations compete for audiences and advertising revenue with other radio stations and station groups, as well as with other media. Shifts in population, demographics, audience tastes, consumer use of technology and forms of media and other factors beyond our control could cause us to lose market share. Any adverse change in a particular market, or adverse change in the relative market positions of the stations located in a particular market, could have a material adverse effect on our revenue or ratings, could require increased promotion or other expenses in that market, and could adversely affect our advertising revenue. Other radio broadcasting companies may enter the markets in which we operate or may operate in the future. These companies may be larger and have more financial resources than we have. Our radio stations may not be able to maintain or increase their current audience ratings and advertising revenue in the face of such competition. We routinely use market research to review the competitive position of our stations in their respective markets. If we determine that a station could improve its operating performance by serving a different demographic within its

market, we may change the format of that station. Our competitors may respond to our actions by more aggressive promotions of their stations or by replacing the format we vacate, limiting our options if we do not achieve expected results with our new format. From time to time, other stations may change their format or programming, a new station may adopt a format to compete directly with our stations for audiences and advertisers, or stations might engage in aggressive promotional campaigns. These tactics could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Any failure by us to respond, or to respond as quickly as our competitors, could also have an adverse effect on our business and financial performance.

The outdoor advertising industry in Australia and Hong Kong consists of several large companies, as well as smaller regional and local companies operating a limited number of displays. We compete with these companies for both customers and display locations. If our competitors offer advertising displays at rates below the rates we charge our customers, we could lose potential customers, and we could be pressured to reduce our rates below those we currently charge to retain customers, which could have an adverse effect on our business, financial condition and results of operations. Our display locations are leased and from time to time those leases come up for renewal. If our competitors offer to lease display locations at rental rates higher than the rental rates we offer, we could lose display locations and we could be pressured to increase our rental rates above those we currently pay to site landlords, which could have an adverse effect on our business, financial condition and results of operations. We also compete with other media, including broadcast and cable television, radio, print media, the Internet and direct mail marketers, within their respective markets. In addition, we compete with a wide variety of outdoor media, including advertising in shopping centers, airports, movie theaters, supermarkets and taxis. In competing with other media, the outdoor advertising industry relies on its ability to reach specific markets, geographic areas and/or demographics. If we are unable to compete on these terms, we could lose potential customers and we could be pressured to reduce our rates below those we currently charge to retain customers, which could have an adverse effect on our business, financial condition and results of operations.

### Advertising, circulation and audience share for newspapers may continue to decline as consumers adopt other media alternatives to access content.

Revenue in the newspaper industry is dependent primarily upon advertising revenue, subscription fees and sales of copies. We, and the newspaper industry as a whole, are challenged to maintain and grow printed circulation volume. Overall daily newspaper circulation, including national and regional newspapers, has declined in recent years. The newspaper sector is undergoing significant changes with the migration of advertising from traditional print to digital media choices. A significant portion of our revenues are currently from traditional print products where advertising revenues have been declining and have been impacted by the shift to alternative media options, including the Internet. There can be no assurance that our circulation and advertising revenue will not continue to decline in the future.

The use of alternative means of delivery, such as free Internet sites, for news and other content has increased significantly in recent years. Should significant numbers of customers choose to receive content using these alternative delivery sources rather than through our product offerings, we may face a long-term decline in circulation, which may adversely impact our results of operations and financial condition. Newer technologies, including new downloading capabilities via the Internet, digital distribution models for books and other devices and technologies are increasing the number of media choices available to audiences. These technological developments may cause changes in consumer behavior that could affect the attractiveness of our offerings shifting preferences among some consumers to receive all or a portion of their news other than from a newspaper.

## We must respond to changes in consumer behavior as a result of new technologies in order to remain competitive.

The media sector is subject to rapid and significant change in technology and subsequent consumer adoption. Our ability to compete in the media industry effectively in the future is impacted by our ability to maintain or develop appropriate technology platforms for the efficient delivery of our services.

Technological advancements have driven changes in consumer behavior and have empowered consumers to seek more control over when, where and how they consume digital content. Content owners are increasingly delivering their content directly to consumers over the Internet, often without charge, and innovations in distribution platforms have enabled consumers to view such Internet-delivered content on portable devices and televisions. There is a risk that our responses to these changes and strategies to remain competitive, including distribution of our content on a "pay" basis, may not be adopted by consumers. In addition, enhanced Internet capabilities and other new media may reduce the demand for newspapers, which has and could continue to negatively affect our revenues. The trend toward digital media may drive down the price consumers are willing to spend on our offerings disproportionately to the costs associated with generating content. Our failure to protect and exploit the value of our content, while responding to and developing new products and business models to take advantage of advancements in technology and the latest consumer preferences, could have a significant adverse effect on our businesses, asset values and results of operations.

Several new technologies are being developed and/or utilized that may compete with our radio stations, including:

- audio programming by personal communications and wireless systems, Internet content providers and other digital audio broadcast formats, including the ability to create personalized formats and content;
- wireless Internet technology in the automobile and satellite digital audio radio services, with enhanced sound quality comparable to that of compact discs and that provide numerous niche formats;
- in-band on-channel digital radio, which could improve the quality of existing AM and FM stations, including stations owned by us;
- Internet radio stations and Internet radio services;
- expanded approval of low-power FM radio, which could result in additional FM radio broadcast outlets designed to serve small, localized areas;
- enhanced capabilities of smart phones, MP3 players, tablet devices, electronic readers and other mobile devices; and
- portable digital devices and systems that permit users to listen to programming on a time-delayed basis.

These new technologies have the potential to introduce new market competitors or change the means by which radio advertisers can most efficiently and effectively reach their target audiences. While we have an exclusive ten year distribution and services agreement with Clear Channel to operate the iHeartRadio digital radio platform in Australia and New Zealand, as well as the option to act as implementation partner in certain other countries within the Asia Pacific region (excluding, without limitation, China, India, Japan, Taiwan and South Korea), we may not be successful in competing against other similar platforms, such as Pandora, Spotify, iTunes Radio and TuneIn Radio which offer competitive content and services.

The cost of implementing emerging and future technologies or introducing new services that could compete with these evolving technologies could be significant. The development or anticipated development of new technology, or use by consumers, or anticipated use of existing technology by consumers may have a material adverse effect on our operating and financial performance. No assurance can be given that we will have the resources to acquire or the ability to develop new competitive technologies. In addition, maintaining or developing appropriate technologies may require significant capital investment by us.

## We have invested in growing our digital capability, but such investments may not be as successful as expected which could adversely affect our results of operations.

Our publishing businesses have been impacted by the shift to alternative media options, including the Internet. We have sought to address this issue by investing in a portfolio of digital businesses and expanding our digital capabilities. Our future growth depends upon the development and management of our digital businesses,

including successfully adding, retaining and engaging digital subscribers, introducing a new range of digital initiatives through content marketing, mobile, online video and e-commerce; a digital paywall for The New Zealand Herald; and integrating digital components in our core businesses. Our ability to retain and grow our digital audience for our digital products depends on many factors, including market acceptance of our evolving digital paywall model for The New Zealand Herald, consumer habits, pricing, available alternatives from current and new competitors, delivery of high-quality journalism and content that is interesting and relevant to users, development and improvement of digital products across platforms, an adequate and adaptable digital infrastructure, access to delivery platforms on acceptable terms and other factors. Our digital user or traffic levels may also flatten or decline as a result of, among other factors, the failure to successfully manage changes in search engine optimization and social media traffic. Even if we successfully maintain or increase our digital audience, the market position of our brands may not be enough to counteract a significant downward pressure on advertising rates as digital advertising inventory increases across multiple platforms. We may also incur additional expenses for increased marketing and other digital acquisition and retention efforts. Accordingly, there can be no guarantee that growth in our digital businesses will offset declines in our publishing businesses, which could adversely affect our operating and financial performance. Further, our digital ventures include early stage investments, which (although comparatively small) are inherently higher risk.

## The success and profitability of our radio businesses are dependent upon audience acceptance of our content and radio programs, which is difficult to predict.

Radio content production and distribution is an inherently risky business because the revenues derived from the associated intellectual property depend primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a radio program also depends upon the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. Rating points are also factors that are weighed when determining the advertising rates that we receive. The use of new ratings technologies and measurements, and listenership on new platforms or devices that is not being measured, could have an impact on our program ratings. Low public acceptance of our content will have an adverse effect on our results of operations. In addition, any decreased popularity of programming for which we have incurred significant commitments could have an adverse effect on our profitability.

#### The loss of key talent could adversely affect our revenues.

The publishing, broadcasting, outdoor and digital advertising industries are highly dependent on the talent, creative abilities and technical skills of the personnel of the service providers. We have established a reputation in the industry that attracts talented personnel. However, we compete with other companies in the media sector to recruit and retain key executives and professional staff. Entertainment personalities are sometimes significantly responsible for the audience share and consequent ranking of a radio station and, therefore the ability of the station to sell advertising. In 2014, we added Sydney's then number one morning show team, to our new rebranded station, KIIS1065. Competition for entertainment personalities is intense. Key entertainment personalities generally have contracts with an average term of one to three years, some of which are coming up for renewal. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. There can be no assurance that we will be able to recruit or retain skilled and experienced employees on acceptable terms or that our key talent will retain their current audiences. If we fail to retain or attract these entertainment personalities or they lose their current audiences or readership, our revenues could be adversely affected.

# We are dependent on our management team, and the loss of our senior executive officers or other key employees could have an adverse effect on our business, financial condition and results of operations.

We believe our future success depends on the continued service and skills of our existing management team and other key employees with experience and business relationships within their respective segments. The loss of one or more of these key personnel or the inability to attract key personnel in the future could have an adverse effect on our business, financial condition and results of operations because of their skills, knowledge of the market, years of industry experience and the difficulty of finding qualified replacement personnel. If any of these personnel were to leave and compete with us, it could have an adverse effect on our business, financial condition and results of operations.

# If we are unable to successfully develop and execute our strategic growth initiatives, or if they do not adequately address the challenges or opportunities we face, our business, financial condition and prospects may be adversely affected.

Our success is dependent on our ability to identify, develop and execute appropriate strategic growth initiatives that will enable us to achieve sustainable growth in the long term. The implementation of our strategic initiatives is subject to both the risks affecting our business generally and the inherent risks associated with implementing new strategies. These strategic initiatives may not be successful in generating revenues or improving operating profit and, if they are, it may take longer than anticipated. As a result and depending on evolving conditions and opportunities, we may need to adjust our strategic initiatives, and such changes could be substantial, including modifying or terminating one or more of the initiatives. Transition and changes in our strategic initiatives may also create uncertainty to our employees, customers and partners that could adversely affect our business and revenues. In addition, we may incur higher than expected or unanticipated costs in implementing our strategic initiatives, attempting to attract revenue opportunities or changing our strategies. There is no assurance that the implementation of any strategic growth initiative will be successful, and we may not realize anticipated benefits at levels we project or at all, which would adversely affect our business, financial condition and results of operations.

# If we are unable to execute cost-control measures successfully, operating costs in our newspaper publishing businesses may be greater than expected, which would adversely affect our profitability.

Over the last several years, we have significantly reduced operating costs in our newspaper publishing businesses through staff redundancies, selling non-core assets and implementing general cost-control measures across these businesses, and we plan to continue these cost management efforts. If we do not achieve expected savings or operating costs increase in our newspaper publishing businesses, our total operating costs would be greater than anticipated. In addition, if we do not manage our overall costs properly, such efforts may affect the quality of our product offerings and our ability to generate future revenues. Staff redundancies could also adversely affect our ability to attract and retain key employees. Significant portions of our expenses are fixed costs that neither increase nor decrease proportionately with revenues. If we are not able to implement further cost-control efforts or reduce our fixed costs sufficiently in response to a decline in our revenues, net income from continuing operations and cash flows may decline.

### We have and may continue to make strategic acquisitions and divestments that could introduce significant risks and uncertainties.

We evaluate strategic opportunities both within and outside our existing lines of business. We expect from time to time to pursue additional acquisitions and may decide to dispose of certain businesses. These acquisitions or dispositions could be material. Our acquisition and disposition strategy involves numerous risks, including:

- our acquisitions may prove unprofitable and fail to generate anticipated cash flows;
- our acquisitions or dispositions may cause a disruption to our ongoing businesses, distract our management and other resources and make it difficult to maintain our standards, internal controls and other procedures;
- we may encounter difficulties in the integration or disposition of operations and systems;
- we may need to recruit additional senior management as we cannot be assured that senior management of
  acquired businesses will continue to work for us and we cannot be certain that our recruiting efforts will
  succeed;

- we may need to expand corporate infrastructure to facilitate the integration of our operations with those of
  acquired businesses, because failure to do so may cause us to lose the benefits of any expansion that we
  decide to undertake due to disruptions in our ongoing businesses or by distracting our management;
- we may enter into markets and geographic areas where we have limited or no experience;
- · we may assume unforeseen liabilities and exposures; and
- we may pay for goodwill which we may have to impair.

Future acquisitions also could result in the incurrence of significant additional debt, contingent liabilities and amortization expenses related to goodwill and other intangible assets, all of which could have a material adverse effect on our financial condition and results of operations.

#### We could suffer losses due to asset impairment and restructuring charges.

As a result of adverse developments in our industry and challenging economic and market conditions, we may recognize impairment charges for write-downs of goodwill and other intangible assets, as well as restructuring charges relating to the reorganization of our businesses, which would negatively impact our financial results. Under Australian Accounting Standards, intangible assets that have an indefinite useful life are not subject to amortization and are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an individual asset may not be recoverable. Assets which are considered to have indefinite lives include goodwill, mastheads and Australian radio licenses. Changes to the carrying amounts of our assets (for example our mastheads) could have an adverse impact on our financial performance in the period that any impairment provision is recorded.

During fiscal 2012 and 2011, a review of the carrying amount of our intangible assets led to the recognition of an impairment loss of A\$689.9 million and A\$159.5 million, respectively, in connection with the goodwill and mastheads for our publishing assets. Although we believe we have made reasonable estimates and used appropriate assumptions to calculate the fair value of goodwill and intangible assets, it is possible a material change could occur. If actual market conditions and operational performance for the respective cash-generating units underlying the intangible assets were to deteriorate, or if facts and circumstances change that would more likely than not reduce the estimated fair value of the indefinite-lived assets or goodwill for these cash-generating units below their adjusted carrying amounts, we may also be required to recognize additional impairment charges in future periods. Any such charge could be material to our reported results of operations. We may also incur additional restructuring charges in the future if we are required to further realign resources in response to significant shortfalls in revenue or other adverse trends.

#### Government policy, regulation and legislation may affect our profitability.

We are affected by government policy and legislation applicable to companies in the media sector in various geographies, such as regulations regarding radio broadcasting licenses and future allocation by the Australian Communications and Media Authority of radio frequency spectrum. A loss of one or more broadcasting licenses or the issue of new broadcast licenses could have a material adverse effect on our business and prospects. There are currently no time restrictions for advertising on commercial radio in Australia but any changes to this could adversely affect our business. We are subject to time restrictions for advertising on multimedia screens in buses in Hong Kong which negatively impacted the returns on the BuzPlay contract prior to its renegotiation.

Any changes to laws relating to libel or contempt or other statutory publishing restrictions could affect our compliance costs and affect our potential civil and criminal liability under the current legislative regimes. Similarly our business could be affected by changes to classification laws and the legislative regime governing online content.

Current restrictions on media ownership and control affect the ability of Australian media businesses to acquire one another. The potential de-regulation of current laws could change the media landscape in Australia

with potential impact on our profitability. Such changes may be beneficial to us due to increased acquisitions in the marketplace however the outcome of any proposed changes remains uncertain and the possibility of a negative outcome cannot be excluded. Similarly, our business may be affected by changes to Australian foreign acquisitions and takeovers law, and changes to general restrictions on merger and acquisitions.

In New Zealand, the Ministry of Business, Innovation and Employment is currently reviewing the Radiocommunications Act 1989, which regulates radio broadcasting licenses. This review is not anticipated to generate material changes in current radio spectrum management policy in New Zealand, but changes in spectrum management policy could have an impact on our future operations in New Zealand and business. The New Zealand Government intends to auction approximately 100 AM and FM licenses for sound broadcasting in late 2014. These licenses will be commercial radio broadcasting licenses expiring in 2031. The majority of these licenses are outside major metropolitan areas but may allow for some additional broadcasting coverage. While a draft list of licenses has been made available, the final list of available licenses and the date for auction is yet to be determined.

Regulation of the outdoor advertising industry varies by municipality, region and country, but generally limits the size, placement, nature and density of outdoor displays as well as in some cases restrictions on the number of advertising minutes on digital screens on outdoor digital displays. Other regulations limit the subject matter and language of outdoor displays. Regulations relating to allowable content in outdoor advertising may be introduced or change in the markets in which we operate. Our failure to comply with these or any regulations with respect to our outdoor advertising could have an adverse impact on the effectiveness of our displays or their attractiveness to clients as an advertising medium and may require us to make significant expenditures to ensure compliance. As a result, we may experience a significant impact on our operations, revenue, international client base and overall financial condition. The success and profitability of our outdoor advertising business will be affected by government approval processes and future changes to planning laws.

The ability to increase the number of digital advertising displays in our outdoor portfolio is subject to governmental laws and regulations. As technology for converting traditional static billboard displays to digital billboard displays has only recently been developed and introduced into the market on a large scale, existing regulations that currently do not apply to digital advertising displays by their terms could be revised to impose specific restrictions on digital advertising displays. In addition, implementation of digital advertising displays at a rate that exceeds the ability of the market to derive new revenues from those displays could have an adverse effect on our financial condition and results of operations.

We must also comply with various federal, state and local environmental, health, safety and land use laws and regulations. We are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety as well as zoning restrictions. Historically, we have not incurred significant expenditures to comply with these laws. However, additional laws which may be passed in the future, or a finding of a violation of or liability under existing laws, could require us to make significant expenditures and otherwise limit or restrict some of our operations.

The success of our and Adshel's street furniture and transit outdoor advertising businesses is dependent on obtaining key municipal concessions and licenses, which we or Adshel may not be able to obtain on favorable terms.

Our and Adshel's street furniture and transit outdoor advertising businesses require us and Adshel to obtain and renew contracts with local councils, municipalities, other governmental entities and private land owners. Many of these contracts, which require us to participate in competitive bidding processes at each renewal, have fixed terms and have revenue share and/or fixed payment components. When these contracts expire, we or Adshel generally must participate in highly competitive bidding processes in order to renew or obtain new contracts. The inability to successfully obtain or renew these contracts on favorable economic terms or at all could have an adverse effect on our financial condition and results of operations. In addition, the loss of a key contract in one location could adversely affect the ability to compete in other locations by reducing scale and ability to offer customers multiregional and national advertising campaigns. These factors could have an adverse effect on our financial condition and results of operations.

Regulations and consumer concerns regarding privacy and data protection, or any failure to comply with these regulations, could hinder our operations.

We collect and utilize demographic and other information, including personally identifiable information, from and about our listeners, consumers, business partners and advertisers as they interact with us. For example: (1) our broadcast radio station websites and the iHeartRadio digital radio platform collect personal information as users register for our services, fill out their listener profiles, post comments, use our social networking features, participate in polls and contests, and sign up to receive email newsletters; (2) we use tracking technologies, such as "cookies," to manage and track our listeners' interactions with us so that we can deliver relevant music content and advertising; and (3) we collect credit card or debit card information from consumers, business partners and advertisers who use our services. We are subject to numerous Australian and New Zealand and foreign laws and regulations relating to consumer protection, information security, data protection and privacy, among other things. Many of these laws are still evolving, new laws may be enacted, and any of these laws could be amended or interpreted in ways that could harm our business. There is currently mixed case law in Australia regarding the existence of a common law right to privacy. Some cases suggest there is such a cause of action and others are to the contrary. This will ultimately be resolved by the High Court of Australia. Recent consideration has been given by the Australian Law Reform Commission to the introduction of a statutory tort of privacy and it is possible that such a tort will be introduced in the future. Similarly, recent discussion has contemplated the introduction of a "right to be forgotten" into Australian privacy law, however there is no current government proposal to implement such a change. There is an ongoing risk that significant changes to privacy regulation in Australia and/or New Zealand could result in increased compliance costs for our business. In addition, changes in consumer expectations and demands regarding privacy and data protection could restrict our ability to collect, use, disclose and derive economic value from demographic and other information related to our listeners, consumers, business partners and advertisers. Such restrictions could limit our ability to provide customized music content to our listeners, interact directly with our listeners and consumers, and offer targeted advertising opportunities to our business partners and advertisers. Although we have implemented policies and procedures designed to comply with these laws and regulations, any failure or perceived failure by us to comply with our policies or applicable regulatory requirements related to consumer protection, information security, data protection and privacy could result in a loss of confidence in us, damage to our brands, and the loss of listeners, consumers, business partners and advertisers, as well as proceedings against us by governmental authorities or others, which could hinder our operations and adversely affect our business.

If our technology systems fail or our security measures are breached, our services may be interrupted and we may face liability and public perception of our services could be diminished, which would negatively impact our ability to attract listeners, business partners and advertisers.

Failure of, or interruption to, any of our technology systems (including as a result of computer hackers, computer viruses, malicious software or codes, cyber attacks or unauthorized users), such as those relied upon by our broadcasting businesses, could result in business interruption, the loss of customers and revenue, damaged reputation and weakening of competitive position and could adversely affect our operating and financial performance.

Although we have implemented physical and electronic security measures to protect against the loss, misuse and alteration of our websites, digital assets and proprietary business information as well as listener, consumer, business partner and advertiser personally identifiable information, no security measures are perfect and impenetrable and we may be unable to anticipate or prevent unauthorized access. A security breach could occur due to the actions of outside parties, employee error, malfeasance or a combination of these or other actions. If an actual or perceived breach of our security occurs, we could lose competitively sensitive business information or suffer disruptions to our business operations. In addition, the public perception of the effectiveness of our security measures or services could be harmed; we could lose listeners, consumers, business partners and advertisers, and we could suffer financial exposure in connection with remediation efforts, investigations and legal proceedings and changes in our security and system protection measures.

## Our interest in Adshel and certain radio stations are held through joint ventures for which we may experience disputes or difficulties with our joint venture partners.

Ownership of Adshel is 50% shared with Clear Channel, although Clear Channel has effective control and consolidates Adshel. We also have a 50% interest in one Brisbane radio station, one Perth radio station and two Canberra radio stations. Our interest in Adshel and the radio station joint ventures are subject to the risks normally associated with the conduct of joint ventures. Strategic, financial and operational decisions for Adshel and the radio station joint ventures are made using a shared decision-making process between us and the joint venture partners. As a result, we are constrained in implementing any operational or strategic changes in this business. Further, our ability to undertake transactions or restructures with the joint venture partners are constrained by change of control and pre-emption clauses in our joint venture arrangements.

## We are exposed to the risk of potential legal and regulatory action and other claims or disputes in the course of our business, which may result in substantial expense and may divert our attention from our business.

We are exposed to the risk of potential legal action and other claims or disputes in the course of our business, including litigation from employees, regulators and other third parties. Furthermore, the media industry involves particular risks associated with defamation litigation and litigation to protect media and intellectual property rights. Some of our employees are engaged in labor that entails risk of workplace accidents and incidents. In the event that an APN employee is injured in the course of their employment, we may be liable for penalties or damages. Any of these claims or actions could result in substantial expense and divert management's attention away from operating our business. In addition, the conduct or outcome of litigation, disputes or regulatory actions or investigations may result in delays, increase our costs or otherwise adversely impact our assets, operations, prospects, reputation, profitability or our ability to operate or pursue our operations or opportunities.

We are involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The dispute involves tax of NZ\$56 million for the period up to December 31, 2013. The IRD is seeking to impose penalties of between 10% and 50% of the tax in dispute and interest in addition to the tax claimed. In the event we are unsuccessful in the dispute, we have tax losses available to offset any amount of tax payable to the extent of NZ\$40 million. Any fines or penalties imposed by the IRD would be capable of being offset by such tax losses but interest is not. On February 22, 2013, the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, we were issued with Notices of Assessment denying deductions in relation to interest claimed on certain financing transactions. In response to this step, we have commenced litigation in the High Court of New Zealand. In addition, the IRD has commenced its audit of an arrangement pertaining to withholding tax associated with a financing transaction. There is no indication as to any likely outcome.

#### We are susceptible to advertising agency counterparty risk.

As we sell a significant portion of advertising through advertising agencies, we are exposed to collection risk with agencies (rather than individual clients) in circumstances where agencies encounter financial difficulties.

#### Fluctuations in foreign exchange rates could have an adverse effect on our results of operations.

Broadly speaking, our Australian operations are Australian dollar denominated, our New Zealand operations are New Zealand dollar denominated and our Hong Kong operations are Hong Kong dollar denominated. Therefore for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus other currencies. Because our consolidated financial results are reported in Australian dollars, if we generate revenue or earnings or have assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those revenue or earnings and our net assets. For the six months ended June 30, 2014, fiscal 2013 and fiscal 2012, respectively, we generated

56%, 55% and 52% of our total revenue in functional currencies other than the Australian dollar. We do not generally hedge our translated foreign currency exchange rate exposure. Fluctuations in foreign currency exchange rates may also make period to period comparisons of our results of operations difficult.

#### **Risks Relating to our Indebtedness**

### Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under the Notes.

We have significant debt obligations. As of June 30, 2014, on an as-adjusted consolidated basis giving effect to the Refinancing, the issuance of the Notes and the use of the net proceeds of the Notes to repay outstanding indebtedness, we would have had outstanding A\$279.4 million of senior unsecured indebtedness, including A\$265.2 million of indebtedness outstanding under the Notes, A\$241.6 million of senior secured indebtedness under the Senior Secured Revolver and hedging arrangements. Depending upon market conditions and our financial condition at the time any of our indebtedness matures, we may be unable to refinance such indebtedness on commercially favorable terms or at all.

Our substantial debt could have important consequences for us. For example, it could:

- make it more difficult for us to service our debt;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing cash available for other purposes, including to fund operations and capital expenditures, invest in new technology and pursue other business opportunities;
- limit our liquidity and operational flexibility and limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- place us at a competitive disadvantage compared to those of our competitors that have less debt than we do;
- increase our vulnerability in the event of general or industry-specific adverse economic conditions and limit our ability to adjust to changing economic, business and competitive conditions; and
- limit our ability to borrow additional funds or increase the cost of any such borrowing, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt.

If compliance with the debt obligations materially hinders our ability to operate our business and adapt to changing industry conditions, we may lose market share, our revenue may decline and our operating results may suffer.

### Despite restrictions in the indenture governing the Notes, we will still be able to incur substantial additional indebtedness.

We may be able to incur substantial additional indebtedness in the future, including additional secured indebtedness. Although covenants under the indenture governing the Notes (the "Indenture") will, and the Senior Secured Revolver and certain other debt arrangements do, limit our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. The Indenture will also allow any subsidiaries that we designate as unrestricted subsidiaries under the Indenture to incur unlimited additional debt, all of which would be structurally senior in right of payment to the Notes. In addition, the Indenture will not prohibit us from incurring obligations that do not constitute indebtedness as defined therein. If we incur additional indebtedness, the related risks would be increased, and we may not be able to meet all of our debt obligations, including the obligations of the Issuer to repay the Notes in whole or in part.

# We cannot assure you that we will be able to maintain or improve our leverage position.

An element of our business strategy involves maintaining a disciplined approach to financial management. However, implementation of our business strategies may require the incurrence of additional indebtedness. Although we will seek to maintain or improve our leverage position, our ability to maintain or reduce our level of indebtedness depends on a variety of factors, including future performance and our future debt financing needs. General economic conditions, competitive conditions and financial, business and other factors will also affect our ability to maintain or improve our leverage position. Many of these factors are beyond our control.

# We may not be able to successfully refinance our expiring debt facilities on commercially favorable terms, or at all.

We expect that we will need to refinance our outstanding debt on or prior to its maturities. Our ability to refinance our maturing debt may be detrimentally impacted if global credit markets tighten or if there is a resultant shortage of available credit. Beginning in 2008, global credit markets experienced a shortage in overall liquidity, and there was a resulting disruption in the availability of credit. Future disruptions in the global financial marketplace, including the bankruptcy or restructuring of financial institutions or instability as a result of geopolitical events, could make debt markets less accessible and adversely affect the availability of credit already arranged and the availability and cost of credit in the future. Any limitations on our access to external capital, including limitations caused by volatility in the credit markets, may impair our ability to refinance our maturing debt facilities on favorable terms or at all. If we are unable to refinance our maturing debt in a timely manner and on commercially favorable terms or at all, our financial results would be materially adversely affected and, if alternative funding is not available, we may become insolvent.

# We require a significant amount of cash to service our debt, and our ability to generate sufficient cash in the future depends on many factors beyond our control.

Our ability to make payments on or to refinance our debt and to fund our other liquidity needs will depend on our future operating performance and ability to generate sufficient cash. Our operating performance and cash flow both depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond our control.

If our capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional debt or equity capital; or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. However, we may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing and future debt, including the Notes, may limit our ability to pursue any of these alternatives.

#### Our debt agreements contain significant restrictions limiting our flexibility in operating our business.

Various covenants contained in our debt instruments, including the Indenture and Senior Secured Revolver, limit or may limit our ability to, among others:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make certain other restricted payments and investments;
- create or incur liens;
- create restrictions on our ability to receive dividends or other payments from our subsidiaries;
- transfer or sell assets;
- · merge or consolidate with other entities; and
- enter into transactions with affiliates.

These restrictions could hinder our ability to finance our future operations (including working capital requirements and capital expenditure), limit our strategic initiatives and restrict our ability to grow. Therefore, these restrictions may adversely affect our ability to make payments of principal or interest on our debt, including the Notes.

We are required to maintain certain financial ratios under our debt arrangements, including specified leverage and interest cover ratios. These covenants could materially adversely affect our ability to finance our future operations and capital needs. Furthermore, these ratios may restrict our ability to conduct and expand our business and pursue our business strategies. Our ability to meet these ratios can be affected by events beyond our control, including changes in general economic and business conditions, and we cannot assure you that we will maintain the ratios in the future.

A breach of any of the covenants applicable to our debt could result in a default under one or more of our credit or other agreements, including as a result of cross default provisions. Upon the occurrence of an event of default under the any of our debt arrangements, the relevant lenders under the applicable debt arrangement could elect to declare all amounts outstanding thereunder to be immediately due and payable and terminate all commitments to extend further credit. Even if those lenders do not declare an event of default, they may be able to cause all of our available cash to be applied to reduce their loans to us. Any such actions by those lenders could cause defaults under our other indebtedness. We will grant security over substantially all of our assets as collateral under the Senior Secured Revolver and certain other debt and hedging arrangements, and if we were unable to repay any outstanding amounts in relation to those arrangements, the relevant finance parties could proceed against such collateral. If the relevant finance parties accelerate the repayment of our outstanding borrowings under our debt arrangements and/or terminate and close out our hedging arrangements, we cannot assure you that we will have sufficient assets to repay the amounts borrowed under tour debt arrangements, amounts owing under our hedging arrangements and our other debt, including the Notes.

A failure to comply with the obligations contained in the Indenture could result in an event of default under the Indenture, which would permit acceleration of payment of the Notes and could permit acceleration of our other indebtedness that contain cross-acceleration or cross-default provisions. In the event any such accelerations occur, we cannot assure you that we will have sufficient assets to repay such indebtedness.

# Interest rate fluctuations could negatively affect our financial condition and results of operations.

Most of our borrowings carry interest at floating rates. As a result, our finance costs, and therefore our results of operations, are exposed to volatility as a result of fluctuations in interest rates. In addition to the effect on our results of operations, a substantial increase in our finance costs could affect our ability to comply with interest cover covenants in our debt instruments.

# Risks Relating to the Potential NZ Transaction

Our pro forma financial information may not be representative of our results in the future if we successfully complete the Potential NZ Transaction.

Our unaudited pro forma condensed consolidated financial information presented in this Information is presented for illustrative purposes only and has assumed that our ownership interest in APN NZ will be reduced by approximately 60% in an initial public offering. It is uncertain whether we will proceed with the Potential NZ Transaction and, if we do, what our ownership interest in APN NZ will be following any such transaction. The unaudited pro forma condensed consolidated financial information presented in this Information is not necessarily indicative of what our actual financial condition or results of operations would have been had the Potential NZ Transaction been completed on the dates indicated and does not purport to be indicative of the future financial position or operating results. Our unaudited pro forma condensed consolidated financial information is based in part on preliminary estimates and certain assumptions regarding the Potential NZ Transaction and intercompany eliminations. In particular, the unaudited pro forma condensed financial information assumes a reduction in our interest in APN NZ at the carrying value in our financial statements of the net assets divested. However, the actual sales price of shares in APN NZ's initial public offering will be

determined by negotiation between APN NZ, us and the managers and underwriters of the IPO and would be based on a number of factors, including market conditions at the time. Consequently, the actual initial public offering price is unknown and may be different from the price assumed in the unaudited pro forma condensed consolidated financial information and the assumed pro forma gross proceeds listed in "Summary—Recent Developments—Potential NZ Transaction."

Accordingly, the final divestiture accounting adjustments may differ materially from the pro forma adjustments reflected in this Information. Neither the underlying pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed by our accountants in accordance with Australian Auditing Standards. In addition, the Potential NZ Transaction does not currently meet the requirements to be classified as an asset held for sale or as discontinued operations in our financial statements. If the Potential NZ Transaction occurs or when it otherwise meets the criteria to be classified as assets held for sale, the results of APN NZ will be restated and classified as discontinued operations in our historical financial statements which would have a material impact on the presentation of those financial statements.

# If we complete the Potential NZ Transaction, we will no longer control our New Zealand businesses and will not control the dividend policy of APN NZ

As a part of the Potential NZ Transaction, we may no longer hold a majority controlling ownership interest in APN NZ, in which case our interest in our New Zealand businesses would no longer be consolidated and would, at our current anticipated ownership level, be accounted for using the equity method of accounting. In such circumstance, we would no longer have control over APN NZ's board or dividend policy. There is no assurance that APN NZ will pay dividends at the level expected or at all, which could adversely affect our business, financial condition, results of operation and cash flow.

# If we complete the Potential NZ Transaction, our New Zealand businesses will cease to be restricted subsidiaries and will cease to guarantee the notes, and we will not be entitled to the cash flow from those businesses.

The Indenture governing the Notes will permit us, subject to certain conditions, to sell significant assets. We are currently considering the Potential NZ Transaction, which if consummated will result in the transfer of our New Zealand businesses to a publicly traded entity that, together with its subsidiaries that own our New Zealand businesses, will not be controlled by us, will not be restricted subsidiaries under the Indenture and will not guarantee the Notes. Therefore, holders of the Notes will no longer benefit from guarantees from those businesses nor will these businesses be subject to the covenants in the Indenture applicable to our restricted subsidiaries. Moreover, we will no longer be entitled to 100% of the cash generated by those business but will only have the right to our pro rata share of dividends (if any) declared by the board of directors of the new publicly traded entity.

The Potential NZ Transaction may not generate the cash proceeds assumed in the unaudited pro forma condensed consolidated financial information, in which case we may not repay as much debt as set forth in that pro forma financial information and we may have less cash to use for business opportunities.

Alternatively, we may decide not to complete the Potential NZ Transaction, in which case we would not reduce our outstanding debt or have any additional cash to use for business opportunities.

Although we are currently considering the Potential NZ Transaction, the market value of our New Zealand businesses is uncertain and will be subject to market conditions at the time of any initial public offering. If our ownership interest is reduced by a smaller portion of these businesses than we have assumed or if the initial public offering price is lower than assumed in the unaudited pro forma condensed consolidated financial information, the gross proceeds that we may ultimately receive would be less than the amount assumed in that pro forma financial information and described in this Information. As a result, we may not repay as much secured debt as we assumed in that pro forma financial information, and we may have less cash available to us to use for future business opportunities. Alternatively, we may ultimately decide not to pursue the Potential NZ Transaction, which would mean that we will not repay any significant debt in the near term, and we would not have the additional cash available to us to use for future business opportunities.

# **USE OF PROCEEDS**

The estimated net proceeds of the offering of the Notes, after deducting discounts and the estimated expenses of this offering, are expected to be approximately US\$242.9 million.

We intend to use the net proceeds from the offering of the Notes to repay outstanding indebtedness and to cancel certain commitments under the Senior Secured Revolver.

#### **CAPITALIZATION**

The following table sets forth the cash and cash equivalents and capitalization of APN as of June 30, 2014:

- on an actual basis as at June 30, 2014; and
- on an as adjusted basis to give effect to the offering of the Notes and the application of the proceeds thereof as described under "Use of Proceeds" and the Refinancing, as if the transactions had occurred on June 30, 2014.

You should read this table in conjunction with the sections captioned "Use of Proceeds," "Selected Historical Consolidated Financial Information," "Operating and Financial Review," "Summary Recent Developments—Potential NZ Transaction" and "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" and the consolidated financial statements and related notes included elsewhere in this Information.

|   | As of , | June 30, 2014   |
|---|---------|---|
|   | Actual  | As adjusted for<br>Refinancing and<br>Note<br>Offering(2) |
|   | (A\$ i  | n thousands)  |
| Cash and cash equivalents                             | 24,957  | 24,957  |
| Current interest-bearing liabilities                  |         |   |
| Bank loans—unsecured(1)                               | 14,160  | 14,160  |
| Lease liabilities                                     | 37,572  | _   |
| Other financing                                       | 1,527   | _   |
| Total current interest-bearing liabilities(2)         | 53,259  | 14,160  |
| Non-current interest-bearing liabilities              |         |   |
| Bank loans—unsecured                                  | 359,636 | _   |
| New Zealand Bond                                      | 92,851  | _   |
| Other financing                                       | 1,855   | _   |
| Senior Secured Revolver                               | _       | 241,552   |
| Notes offered hereby(3)                               | _       | 265,196   |
| Total non-current interest-bearing liabilities(2),(4) | 454,342 | 506,748   |
| Total equity  | 513,966 | 510,532   |
| Total capitalization(5)                               | 996,610 | 1,006,483   |

<sup>(1)</sup> The Refinancing does not include a facility that matures in December 2014, of which A\$14.2 million was outstanding as at June 30, 2014.

<sup>(2)</sup> On August 19, 2014, we entered into a A\$630 million secured revolving multi-option credit facility (the "Senior Secured Revolver"). We are in the process of effecting the Refinancing. We did not make any material drawings subsequent to June 30, 2014, other than a drawing of A\$16.6 million for the acquisition of the remaining 50% share of Buspak in July 2014.

<sup>(3)</sup> The aggregate principal amount of the Notes has been calculated using the U.S. dollar aggregate principal amount translated to Australian dollars at the noon buying rate on June 30, 2014, which was A\$1.00 = US\$0.9427.

<sup>(4)</sup> Excludes net borrowing costs.

<sup>(5)</sup> Net of cash and cash equivalents.

#### SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected historical consolidated financial information set forth below as of and for the years ended December 31, 2011, 2012 and 2013 have been derived from, and are qualified in their entirety by reference to, our audited consolidated annual financial statements and related notes that are included elsewhere in this Information.

The selected historical consolidated financial information as of and for the six months ended June 30, 2013 and 2014 set forth below have been derived from our unaudited condensed consolidated interim financial statements and related notes which are included elsewhere in this Information and include, in the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary to present fairly the information for such periods. Results for an interim period should not be considered indicative of results for the full fiscal year.

The selected historical consolidated statement of profit or loss information for the LTM Period ended June 30, 2014 has been calculated by adding the selected consolidated statement of profit or loss for the fiscal year ended December 31, 2013 and the selected consolidated statement of profit or loss information for the six months ended June 30, 2014, and then subtracting the selected consolidated statement of profit or loss information for the six months ended June 30, 2013.

Our consolidated financial statements included in this Information have been prepared in accordance with Australian Accounting Standards and also comply with IFRS. Australian Accounting Standards and IFRS differ from U.S. GAAP in respects that may be material to the financial information contained in this Information.

The selected historical consolidated financial information should also be read in conjunction with, and is qualified in its entirety by reference to, the sections captioned "Financial Statement Presentation," "Risk Factors," "Operating and Financial Review" and "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" and our consolidated financial statements included elsewhere in this Information.

|  |  | Year e    | nded Decemb | per 31,       | Six month<br>June |               | LTM<br>Period<br>ended<br>June 30, |
|--|--|-----------|-------------|---------------|-------------------|---------------|------------------------------------|
| Revenue from continuing operations           Advertising revenue         706,360         69,489         687,228         33,287         342,217         699,180           Circulation revenue         135,782         132,475         129,998         64,318         63,680         129,306           Total revenue from continuing         821,142         82,964         817,226         394,605         405,897         828,518           Other revenue and income         25,722         7,208         16,233         7,601         10,072         18,704           Expenses from continuing operations before framace costs (1)         83,489         33,499         n.a.         <   |  | 2011      | 2012        | 2013          | 2013              | 2014          | 2014                               |
| Revenue from continuing operations         706,360         690,489         687,228         30,287         342,217         699,188           Circulation revenue         135,782         132,475         129,998         64,318         63,680         129,360           Total revenue from continuing operations         842,142         82,964         817,225         394,605         405,897         828,518           Other revenue and income         25,722         7,08         16,233         7,601         10,072         18,704           Total revenue and other income         867,864         80,172         833,499         40,206         415,969         87,222           Expenses from continuing operations before finance costs(1)         1         1,000 <th></th> <th></th> <th></th> <th>(A\$ in the</th> <th>ousands)</th> <th></th> <th></th>   |  |           |             | (A\$ in the   | ousands)          |               |                                    |
| Advertising revenue         706,300         690,489         67,2728         330,278         342,217         699,188           Circulation revenue remue         135,782         132,775         129,988         64,318         63,680         129,360           Total revenue from continuing operations         842,142         822,964         817,225         394,605         405,879         828,518           Total revenue and other income         867,844         830,772         833,459         402,206         415,969         847,222           Expenses from continuing operations before finance costs(1)         1         n.a.   | •  |           |             |               |                   |               |                                    |
| Circulation revenue         135,782         132,475         129,986         64,318         63,680         129,308           Total revenue from continuing operations         842,142         822,964         817,226         394,605         405,897         828,518           Other revenue and income         25,722         7,208         16,233         7,601         10,072         18,704           Total revenue and other income         87,864         830,172         833,459         402,206         415,969         847,222           Expenses from continuing operations before finance costs(1)         (328,417)         (330,397)         322,119         n.a.         n.a.         n.a.         n.a.           Selling and production expense         (238,103)         (237,681)         (233,909)         n.a.         n.a.         n.a.         n.a.         n.a.           Selling and production expense         (29,874)         (30,728)         (33,009)         n.a.         n.a.         n.a.         n.a.           Depreciation and amortization expense         (29,874)         (30,728)         (33,009)         (16,48)         (5,979)         (62,48)         (83,15)         (81,68)         (7,414)         (16,88)         (81,36)         (16,410)         (38,978)         (30,08)         (16,812)  |  |           |             |               |                   |               |                                    |
| Total revenue from continuing operations         842,142         822,964         817,263         394,605         405,897         828,786           Other revenue and income         25,722         7,208         16,233         7,601         10,072         18,704           Total revenue and other income         867,864         830,172         833,459         402,206         415,969         847,222           Expenses from continuing operations before finance costs(1)         638,403         (33,397)         (322,119)         n.a.  | _  |           |             |               |                   |               |                                    |
| Other revenue and income         25,722         7,208         16,233         7,601         10,072         18,709           Total revenue and other income         867,864         80,172         833,459         402,00         415,969         847,222           Expenses from continuing operations before finance costs(1)         septenses from continuing operations before finance costs(1)         septenses from continuing operations before finance costs(1)         n.a.         n.a. </td <td></td> <td>135,782</td> <td>132,475</td> <td></td> <td>64,318</td> <td>63,680</td> <td>129,360</td>   |  | 135,782   | 132,475     |               | 64,318            | 63,680        | 129,360                            |
| Total revenue and other income   867,864   830,172   833,459   402,206   415,969   847,222   Expenses from continuing operations before finance costs(1)   Employee benefits expense.   (328,417)   (330,397)   (322,119)   n.a.   n.a.   n.a.   n.a.   Selling and production expense   (238,103)   (237,681)   (233,990)   n.a.   n.a.   n.a.   n.a.   n.a.   Selling and production expense   (54,746)   (62,846)   (65,820)   n.a.   n  |  | 842,142   | 822,964     | ,             |                   | 405,897       | 828,518                            |
| Expenses from continuing operations before finance costs(1)         Case of the profit of the profit of associates         (328,417)         (330,397)         (321,119)         n.a.         n.a. </td <td>Other revenue and income</td> <td>25,722</td> <td>7,208</td> <td>16,233</td> <td>7,601</td> <td>10,072</td> <td>18,704</td>  | Other revenue and income                   | 25,722    | 7,208       | 16,233        | 7,601             | 10,072        | 18,704                             |
| Selling and production expense         (238,103)         (237,681)         (233,990)         n.a.         n.  | Expenses from continuing operations before | 867,864   | 830,172     | 833,459       | 402,206           | 415,969       | 847,222                            |
| Selling and production expense         (238,103)         (237,681)         (233,990)         n.a.         n.  | Employee benefits expense                  | (328,417) | (330,397)   | (322,119)     | n.a.              | n.a.          | n.a.                               |
| Depreciation and amortization expense   (29,874   (30,728   (33,003   (16,086   (16,470   (33,387 ) Redundancies and associated costs   (17,332   (8,434   (10,682   (8,154   (4,886   (7,414   4,885   (7,414   4,885   (17,414   4,885   (17,414   4,885   (17,414   4,885   (17,414   4,885   (17,414   4,885   (17,414   4,885   (17,414   4,885   (18,545   (16,485   (17,414   4,885   (16,485   (17,414   4,885   (16,485   (17,414   4,885   (16,485   (17,414   4,885   (16,485   |  | (238,103) | (237,681)   | (233,990)     | n.a.              | n.a.          | n.a.                               |
| Redundancies and associated costs         (17,332)         (8,434)         (10,682)         (8,154)         (4,886)         (7,414)           Asset write-downs and business closures         (18,298)         (7,344)         (12,485)         (8,136)         (1,648)         (5,997)           Other(2)         (57,551)         (57,591)         (51,500)         n.a.         n.a.         n.a.           Total expenses from continuing operations before finance costs         (744,321)         (734,821)         (729,749)         (362,433)         (366,343)         (733,659)           Impairment of intangible assets(3)         (159,495)         (689,948)         —         <   | Rental and occupancy expense               | (54,746)  | (62,846)    | (65,820)      | n.a.              | n.a.          | n.a.                               |
| Asset write-downs and business closures   (18,298)   (7,344)   (12,485)   (8,136)   (1,648)   (5,997)   (0ther(2))   (57,551)   (57,391)   (51,650)   (1,650)   (1,648)   (1,6 | Depreciation and amortization expense      | (29,874)  | (30,728)    | (33,003)      | (16,086)          | (16,470)      | (33,387)                           |
| Other(2)         (57,551)         (57,391)         (51,650)         n.a.         n.b.         n.b.         n.b.         n.b.         n.b.         n.b.         n.b.         n.b.         p.b.  |  | (17,332)  | (8,434)     | (10,682)      | (8,154)           | (4,886)       | (7,414)                            |
| Total expenses from continuing operations before finance costs         (744,321) (734,821) (729,749) (362,433) (366,343) (733,659)           Impairment of intangible assets(3).         (159,495) (689,948)         — </td <td>closures</td> <td>(18,298)</td> <td>(7,344)</td> <td>(12,485)</td> <td>(8,136)</td> <td>(1,648)</td> <td>(5,997)</td>  | closures                                   | (18,298)  | (7,344)     | (12,485)      | (8,136)           | (1,648)       | (5,997)                            |
| operations before finance costs         (744,321)         (734,821)         (729,749)         (362,433)         (366,343)         (733,659)           Impairment of intangible assets(3)         (159,495)         (689,948)         —   | Other(2)                                   | (57,551)  | (57,391)    | (51,650)      | n.a.              | n.a.          | n.a.                               |
| operations before finance costs         (744,321)         (734,821)         (729,749)         (362,433)         (366,343)         (733,659)           Impairment of intangible assets(3)         (159,495)         (689,948)         —   |  |           |             |               |                   |               |                                    |
| Impairment of intangible assets(3)   (159,495)   (689,948)   | _  | (744.321) | (734.821)   | (729,749)     | (362,433)         | (366.343)     | (733,659)                          |
| Finance costs         (57,190)         (44,413)         (38,516)         (18,699)         (19,519)         (39,336)           Share of profit of associates.         5,807         9,037         10,565         3,784         3,658         10,439           Profit/(loss) before income tax         (87,335)         (629,973)         75,759         24,858         33,765         84,666           Income tax credit/(expense).         48,696         66,711         758         (887)         (3,989)         (2,344)           Profit/(loss) from continuing operations         (38,639)         (563,262)         76,517         23,971         29,776         82,322           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         629         (2,562)         (52,031)           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298  | _  |           |             |               | _                 | —             | _                                  |
| Share of profit of associates.         5,807         9,037         10,565         3,784         3,658         10,439           Profit/(loss) before income tax.         (87,335)         (629,973)         75,759         24,858         33,765         84,666           Income tax credit/(expense).         48,696         66,711         758         (887)         (3,989)         (2,344)           Profit/(loss) from continuing operations.         (38,639)         563,262)         76,517         23,971         29,776         82,322           Profit/(loss) from discontinued operations.         19,703         79,719         (48,840)         629         (2,562)         (52,031)           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Summary balance sheet information:         Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298  |  |           |             | (38.516)      | (18,699)          | (19.519)      | (39,336)                           |
| Profit/(loss) before income tax         (87,335)         (629,973)         75,759         24,858         33,765         84,666           Income tax credit/(expense).         48,696         66,711         758         (887)         (3,989)         (2,344)           Profit/(loss) from continuing operations.         (38,639)         (563,262)         76,517         23,971         29,776         82,322           Profit/(loss) from discontinued operations.         19,703         79,719         (48,840)         629         (2,562)         (52,031)           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Summary balance sheet information:         Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         —         —         119,236         —           In  |  |           |             |               |                   |               |                                    |
| Income tax credit/(expense)  | _  | (87 335)  | (629 973)   |               | 24 858            |               |                                    |
| Profit/(loss) from continuing operations.         (38,639)         (563,262)         76,517         23,971         29,776         82,322           Profit/(loss) from discontinued operations.         19,703         79,719         (48,840)         629         (2,562)         (52,031)           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Summary balance sheet information:         Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables.         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553   | · · ·                                      |           |             |               | ,                 | ,             | *                                  |
| Profit/(loss) from discontinued operations         19,703         79,719         (48,840)         629         (2,562)         (52,031)           Profit/(loss) for the period.         (18,936)         (483,543)         27,677         24,600         27,214         30,291           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553           Total liabilities         886,869         708,287         644,356         637,942  | • • •                                      |           |             |               |                   |               |                                    |
| Profit/(loss) for the period.         (18,936) (483,543) 27,677         24,600         27,214         30,291           As at June 30, 2011         2012         2013         2014           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities         661,030   |  |           |             |               |                   | ,             |                                    |
| As at December 31.         As at June 30,           2011         2012         2013         2014           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553           Total liabilities         886,869         708,287         644,356         637,942  |  |           |             |               |                   |               |                                    |
| Z011         Z012         Z013         Z014           (A\$ in tburstands)           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553           Total liabilities         886,869         708,287         644,356         637,942  | Profit/(loss) for the period               | (18,936)  | (483,543)   | <u>27,677</u> | <u>24,600</u>     | <u>27,214</u> | 30,291                             |
| (A\$ in thousands)           Summary balance sheet information:           Cash and cash equivalents         23,885         20,338         19,956         24,957           Receivables         170,601         156,505         120,961         133,688           Investments accounted for using equity method         43,331         102,298         50,811         50,542           Property, plant and equipment         233,066         171,541         149,381         142,229           Assets held for sale         —         —         119,236         —           Intangible assets         1,456,952         723,265         714,855         724,280           Total assets         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553           Total liabilities         886,869         708,287         644,356         637,942   |  |           |             | As at Dece    | mber 31,          | As            | at June 30,                        |
| Summary balance sheet information:         Cash and cash equivalents       23,885       20,338       19,956       24,957         Receivables       170,601       156,505       120,961       133,688         Investments accounted for using equity method       43,331       102,298       50,811       50,542         Property, plant and equipment       233,066       171,541       149,381       142,229         Assets held for sale       —       —       119,236       —         Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942  |  |           | 2011        | 201           | 2 2               | 013           | 2014                               |
| Cash and cash equivalents       23,885       20,338       19,956       24,957         Receivables       170,601       156,505       120,961       133,688         Investments accounted for using equity method       43,331       102,298       50,811       50,542         Property, plant and equipment       233,066       171,541       149,381       142,229         Assets held for sale       —       —       119,236       —         Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942   |  |           |             | (,            | A\$ in thousar    | nds)          |                                    |
| Receivables       170,601       156,505       120,961       133,688         Investments accounted for using equity method       43,331       102,298       50,811       50,542         Property, plant and equipment       233,066       171,541       149,381       142,229         Assets held for sale       —       —       119,236       —         Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942   |  |           | 22.6        | 205           | 220 1             | 0.056         | 24.057                             |
| Investments accounted for using equity method       43,331       102,298       50,811       50,542         Property, plant and equipment.       233,066       171,541       149,381       142,229         Assets held for sale       —       —       119,236       —         Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942  | *  |           |             |               | *                 |               |                                    |
| Property, plant and equipment.       233,066       171,541       149,381       142,229         Assets held for sale       —       —       119,236       —         Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942   |  |           |             |               |                   |               |                                    |
| Assets held for sale       —   | C 1 2                                      |           |             |               |                   |               | *                                  |
| Intangible assets       1,456,952       723,265       714,855       724,280         Total assets       1,996,505       1,293,786       1,254,901       1,151,908         Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942   |  |           | ,           | 1/1 טטכ       |                   |               | 142,229                            |
| Total assets.         1,996,505         1,293,786         1,254,901         1,151,908           Interest-bearing liabilities(4)         661,030         479,117         452,435         504,553           Total liabilities         886,869         708,287         644,356         637,942  |  |           |             | —<br>)52 722  |                   | *             | 724 290                            |
| Interest-bearing liabilities(4)       661,030       479,117       452,435       504,553         Total liabilities       886,869       708,287       644,356       637,942  | 6  |           |             |               |                   |               |                                    |
| Total liabilities  |  |           | , ,         | /             |                   |               |                                    |
|  |  |           |             |               | *                 |               |                                    |
|  |  |           |             |               | *                 | *             |                                    |

|                                 | Year ei   | nded Decembo | er 31,      | Six montl<br>June |          | LTM<br>Period<br>ended<br>June 30, |
|---------------------------------|-----------|--------------|-------------|-------------------|----------|------------------------------------|
|                                 | 2011      | 2012         | 2013        | 2013              | 2014     | 2014                               |
|                                 |           |              | (A\$ in tho | usands)           |          |                                    |
| Summary cash flow data:         |           |              |             |                   |          |                                    |
| Net cash inflow (outflow) from: |           |              |             |                   |          |                                    |
| Operating activities            | 123,063   | 87,274       | 88,382      | 28,948            | 15,615   | 75,049                             |
| Investing activities            | (38,514)  | 149,242      | 6,056       | 1,154             | 64,656   | 69,558                             |
| Financing activities            | (124,315) | (240,239)    | (94,181)    | (24,507)          | (74,820) | (144,494)                          |

<sup>(1)</sup> Certain of our expenses are not broken out in our financial statements for the six months ended June 30, 2014 and 2013.

<sup>(2) &</sup>quot;Other" comprises the line items other expenses, loss on sale of property and New Zealand Herald relaunch costs.

<sup>(3)</sup> Impairment of intangible assets is a non-cash item and relates to the impairment of goodwill, software, mastheads, radio licenses, transit and outdoor advertising systems, brands and lease intangibles.

<sup>(4)</sup> Includes net borrowing costs.

#### **OPERATING AND FINANCIAL REVIEW**

You should read the following Operating and Financial Review together with the consolidated financial statements and related notes thereto of APN included elsewhere in this Information. Certain statements in this section are "forward-looking statements" and are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the sections of this Information titled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" for more information.

#### Overview

This Operating and Financial Review is divided as follows:

- **Description of APN**—a general description of our business activities, key income statement items and the factors affecting our business and results of operations.
- Recent Developments—a summary of certain material developments after June 30, 2014 relating to our business.
- *Results of Operations*—a discussion and analysis of our consolidated and segment results of operations for the six months ended June 30, 2014 and 2013 and for fiscal 2013, fiscal 2012 and fiscal 2011.
- Liquidity and Capital Resources—an analysis of our cash flows and sources and uses of cash.
- Contractual Obligations and Other Commitments—a summary of our debts and contractual obligations.
- Quantitative and Qualitative Disclosures about Market Risk—disclosures regarding our market risk.
- Critical Accounting Policies—a discussion of our accounting policies that require critical judgments and estimates.

#### **Description of APN**

#### **Overview**

We are a market leading diversified media company with operations in Australia, New Zealand and Hong Kong with a combination of radio broadcasting, newspaper publishing, outdoor advertising and digital media assets. We broadcast to 6.3 million radio listeners every week and reach a news audience of over 3.4 million people. We are listed on the ASX (ASX: APN) and the NZX with a market capitalization of A\$761.5 million as at August 29, 2014. For the LTM Period ended June 30, 2014, we had revenue from continuing operations of A\$828.5 million, EBITDA of A\$156.8 million and Adjusted EBITDA of A\$163.4 million. Our head office is located in Sydney, Australia.

Australian Radio Network ("ARN"), including the iHeartRadio digital radio platform in Australia and New Zealand, is a leading Australian metropolitan commercial radio broadcaster. ARN owns eight radio stations and has 50% investments in four radio stations, including the number one or number two ranked FM radio station by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth. Australian Regional Media ("ARM") is a leading publisher in regional Queensland and northern New South Wales. It owns 12 daily newspapers, 58 community, special publications and non-daily newspapers and an online regional news network of 36 websites.

Our New Zealand businesses are comprised of The Radio Network ("TRN"), New Zealand Media ("NZM") and GrabOne, which is currently part of our Digital segment. TRN operates seven core radio networks including the top two national radio networks in New Zealand by ratings share and also operates the iHeartRadio digital radio platform in New Zealand. NZM is the leading publisher in New Zealand by circulation with its principal masthead, *The New Zealand Herald*, being the country's most popular newspaper with approximately twice the

circulation of the second largest daily newspaper. Its portfolio also includes six other daily newspapers, 25 non-daily/community newspapers and over 20 websites, mobile sites and apps. GrabOne is the leading daily deals website in New Zealand.

Our Outdoor businesses are comprised of Hong Kong Outdoor and a 50% joint venture interest in Adshel Street Furniture Pty Limited ("Adshel"). Hong Kong Outdoor comprises Buspak Advertising (Hong Kong) Limited ("Buspak") and Cody Outdoor International (HK) Limited ("Cody"), which is owned by Buspak. Cody specializes in premium billboard advertising currently covering two high-traffic volume tunnels, the Eastern and Western Harbor Tunnels, as well as other prime locations throughout Hong Kong. Buspak is the leading operator of multimedia, exterior and on-board advertising on the mass transit bus systems on Hong Kong Island. Adshel is a 50% joint venture with Clear Channel and is an outdoor street furniture and digital advertising company in Australia, as well as New Zealand.

Our Digital businesses are comprised of GrabOne and Soprano Design Pty Limited ("Soprano"). GrabOne is the leading daily deals website in New Zealand. For the six months ended June 30, 2014, our Digital business also included our 25% interest in Soprano, an Australian based multinational provider of mobile messaging and wireless application infrastructure, which we consider as having an immaterial impact on Adjusted EBITDA.

In 2014, we have undertaken a number of transformative transactions to consolidate our growth businesses of radio, outdoor and digital and to divest certain assets. We acquired the remaining 50% interest of our ARN and TRN joint ventures from Clear Channel for A\$246.7 million on February 19, 2014. As a part of this transaction, we secured an exclusive ten-year distribution and services agreement with Clear Channel to operate the iHeartRadio digital radio platform in Australia and New Zealand, as well as the option to act as the implementation partner of iHeartRadio in certain countries in Asia (excluding China, India, Japan, Taiwan and South Korea, among others). The impact of this acquisition on our reported results after February 19, 2014 has been to reduce the profit attributable to non-controlling interests and increase the profit attributable to APN shareholders. In addition, on July 18, 2014, we acquired full beneficial ownership of Buspak through the acquisition of the remaining 50% share from Clear Channel for a total of A\$17.0 million (which includes a A\$3.0 million settlement for an outstanding shareholder receivable and a 50% share of cash on the balance sheet prior to the acquisition).

The following table provides a summary of revenue from continuing operations and profit/(loss) from continuing operations, as calculated under Australian Accounting Standards and IFRS, and EBITDA and Adjusted EBITDA.

|  | Year e   | nded Decemb        | Six months ended June 30, |         |         |  |  |
|--|----------|--------------------|---------------------------|---------|---------|--|--|
|  | 2011     | 2012               | 2013                      | 2013    | 2014    |  |  |
|  |          | (A\$ in thousands) |                           |         |         |  |  |
| Revenue from continuing operations       |          |                    |                           |         |         |  |  |
| Advertising revenue                      | 706,360  | 690,489            | 687,228                   | 330,287 | 342,217 |  |  |
| Circulation revenue                      | 135,782  | 132,475            | 129,998                   | 64,318  | 63,680  |  |  |
| Total revenue from continuing operations | 842,142  | 822,964            | 817,226                   | 394,605 | 405,897 |  |  |
| Profit/(loss) from continuing operations | (38,639) | (563,262)          | 76,517                    | 23,971  | 29,776  |  |  |
| EBITDA                                   | (1,533)  | (555,756)          | 146,657                   | 59,356  | 69,514  |  |  |
| Adjusted EBITDA                          | 171,129  | 151,383            | 162,795                   | 70,149  | 70,725  |  |  |

# **Key Income Statement Items**

Revenue from Continuing Operations

Our revenue from continuing operations consists of advertising revenue and circulation revenue.

Our revenues and earnings are predominantly derived from cover price sales in newspaper publishing, from advertising sales in newspaper publishing, radio broadcasting, outdoor advertising and from advertising and

transactions on digital platforms. Competition for advertising is generally based upon audience levels and demographics, advertising rates, volumes, services, targeting capabilities and advertising results. Our revenues are affected primarily by the advertising rates we are able to charge and the volume of advertising. These rates are in large part based on conditions in the economy, conditions in our markets, and our ability to attract audiences over the medium and in the demographic groups targeted by advertisers.

Our radio advertising revenue is derived primarily from selling advertising time, or spots, on our radio stations and digital platforms. Advertising is sold either via advertising agencies, who place advertisements on behalf of customers, or directly to advertisers. Radio advertising time is typically sold through advertising campaigns of a duration of weeks rather than under fixed term contracts. The programming formats of our radio stations are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. We monitor average advertising rates, which are principally based on the length of the spot and how many people in a targeted audience listen to our stations, as measured by an independent ratings service. Advertising rates are also influenced by the time of day the advertisement airs, with morning and evening drive-time hours typically priced the highest. We also provide streaming content via the Internet, mobile and other digital platforms which derive revenues primarily from selling advertising time by campaign. In New Zealand, the Radio Bureau represents New Zealand's commercial radio industry at a national level and conducts marketing for all New Zealand commercial radio stations for national advertising campaigns and local advertising is primarily sold directly to advertisers as opposed to through advertising agencies. We recognize radio advertising revenue when the advertisement is broadcast or displayed.

Newspaper advertising revenue can be divided into three main categories: national, retail and classified, and is derived from advertising in newspapers, as well as over news websites, mobile and other digital platforms. Advertising is sold either via advertising agencies, who place advertisements on behalf of customers, or directly to advertisers. National advertising is principally from advertisers promoting national products or brands, such as financial institutions and major corporations. Retail advertising is generally associated with regional and national chains that sell in the local market. Classified advertising includes the major categories of motoring, real estate, employment, and other. We recognize newspaper advertising revenue when a newspaper is published.

Our circulation revenue is based on the number of copies of the printed newspaper through home-delivery subscriptions and single-copy and bulk sales and the rates charged to our respective customers. Circulation revenue is typically billed to customers at the beginning of the subscription period and is recognized on a straight-line basis over the term of the subscription.

Outdoor advertising revenue is derived from selling advertising space on the displays (both traditional and digital) that we operate in Hong Kong, consisting primarily of billboards and transit displays. Outdoor advertising revenue does not include revenue derived from Adshel because we do not consolidate Adshel. Outdoor advertising displays are located on sites that are leased or licensed. Advertising is primarily sold via advertising agencies. Our advertising rates are based on a number of different factors including location, competition, size of display, illumination, market and audience measurement. Management typically monitors our outdoor advertising business by reviewing the average rates, average revenue per display, occupancy, and inventory levels of each of our display types by market. We recognize advertising revenue from outdoor over the period when displayed.

We also derive revenue from our digital business, GrabOne, which arises from transactions in which we are acting as a third-party marketing agent and consists of the net amount we retain from the sale of coupons after paying an agreed upon portion of the purchase price to the featured merchant, excluding applicable taxes and net of estimated refunds for which the merchant's share is recoverable.

# Expenses

Our expenses from continuing operations primarily consist of employee benefits expense and selling and production expense.

Employee benefits expense is the cost of the compensation we pay all of our employees, including key talent. These costs include annual and long service leave and superannuation entitlements for employees and payroll related tax and insurance obligations.

Selling and production expense is comprised of:

- printing materials, external printing charges, distribution and delivery in our publishing businesses;
- radio license fees in our radio businesses;
- · content expenses in our publishing and radio businesses; and
- direct and indirect production costs, agency commissions, marketing expenses, telecommunications expenses and commercial vehicles expenses across our businesses.

In addition, we have rental and occupancy expense, depreciation and amortization expense, redundancies and associated costs, asset write-downs and business closures, the loss on the sale of property, New Zealand Herald relaunch costs (which was a one-off cost in fiscal 2012) and other expenses:

- Rental and occupancy expense is charged on a straight line basis over the period of our leases and is typically for properties on which our operations are located, as well as outdoor advertising sites.
- Depreciation is calculated on our tangible property, plant and equipment using the straight line method to
  allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Our
  current New Zealand radio licenses have been renewed to 2031 and are being amortized on a straight line
  basis to that date. Our Australian radio licenses are non-amortizing.
- Asset write-downs and business closures are one-off or non-recurring costs, which typically have been associated with our print businesses.
- Loss on sale of property is associated with gains or losses on the sale of property, which typically have been associated with our print and publishing businesses.
- New Zealand Herald relaunch costs, which were a one-off expense to relaunch *The New Zealand Herald* newspaper in a compact form.
- Other expenses include insurance, listing fees, share registry costs, audit fees, professional fees, directors
  fees, travel, entertainment, office administrative expenses and hardware and software maintenance
  expenses.

#### Finance Costs

Finance costs consist of the interest and finance charges payable on our outstanding indebtedness and amortized borrowing costs.

#### Impairment of Intangible Assets

Our intangible assets include goodwill, mastheads, radio licenses, transit and outdoor advertising systems, brands and software. Impairment of intangible assets principally relates to goodwill and other non-amortizing intangible assets being reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

# Share of profits of associates

We have a 50% interest in Adshel, with Clear Channel holding the other 50%. Since we do not control Adshel, our interest is accounted for using the equity method of accounting and our share of Adshel profits or

losses is recognized in profit or loss and our share of movements in Adshel reserves is recognized in other comprehensive income. We have a 25% interest in Soprano for which our interest is also accounted for using the equity method of accounting.

#### Factors Affecting Our Results of Operations

The following section describes certain factors and trends which have a material impact on our financial condition and drive our results of operations.

#### Economic conditions

Advertising spending, which drives a significant portion of our revenues, is sensitive to economic conditions. Global, Australian, New Zealand and Hong Kong national and local economic conditions affect the levels of our advertising revenues. Our level of advertising sales in any period is affected by advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand and general economic conditions. Changes in spending patterns and priorities, including shifts in marketing strategies and budget cuts of key advertisers in response to economic conditions, depresses our advertising revenues. Over the last 24 months, a slowing economy in Australia has resulted in a decline in advertising revenues across key parts of our business, in particular for our Queensland businesses which have been affected by the flow on effects of weakened conditions in the mining sector. This reduction in advertising revenues has had an adverse effect on our revenue, profit margins, cash flow and liquidity.

#### Consumer demand and audience share

Our level of advertising sales in any period is affected by advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand. Large and highly engaged audiences across our platforms deliver an attractive value proposition to advertisers which drives advertising revenue. Over the last 12 months, we have focused on investing in content and key radio talent in Australia and New Zealand to grow audience share. In fiscal 2014, ARN invested in key talent and marketing of that talent, refreshed some of its radio brands, launched *KIIS1065* in Sydney and increased its digital presence which was significantly bolstered through iHeartRadio. This has driven ratings success and increased audience share, which has led to stronger revenue in the second quarter of fiscal 2014, as well as increased expenses for the new talent and content. Similarly, TRN has secured leading talent, launched new programming on Radio Sport, refreshed brands and focused on growing its digital presence through iHeartRadio. Adshel also won a five-year contract in December 2013 with Sydney Trains requiring a significant roll out of display advertising infrastructure, covering 51 train stations, principally in metropolitan Sydney, including major digital advertising infrastructure in premium Sydney central business district train station concourses, which we expect will have a significant audience. Advertising revenue is expected to be generated by Adshel in fiscal 2015.

# Shift to digital media choices

The newspaper sector is undergoing significant changes with the migration of advertising from traditional print to digital media choices. This has resulted in falling circulation and subscriptions for newspapers, as well as competition for advertising revenues in various markets intensifying as a result of the continued development of digital media technologies and platforms.

We have expanded and will continue to expand our digital offerings; however, a significant portion of our revenues are currently from traditional print products where advertising revenues have been declining. While we have experienced declining newspaper advertising revenue, our NZM business has performed better than the market due to its primary masthead, *The New Zealand Herald*, being the only major newspaper publication in Auckland, New Zealand's largest city, and we believe that the decline in Australia in regional newspaper

advertising expenditure appears to be softer than the decline in metropolitan newspapers. We believe that the shift from traditional media formats to a growing number of digital media choices and changing consumer behavior have contributed to, and are likely to continue to contribute to, a decline in print advertising.

The digital advertising marketplace has become increasingly complex and fragmented, particularly as digital advertising networks and exchanges, real-time bidding and other programmatic-buying channels that allow advertisers to buy audience at scale play a more significant role. Competition from a wide variety of digital media and services and a significant increase in inventory in the digital marketplace have affected, and we expect will continue to affect, our ability to attract and retain advertisers and to maintain or increase our advertising rates. In addition, advances in technology have led to an increasing popularity in the distribution of news and other content through mobile phones, tablets and other mobile devices, reshaping consumer behavior and expectations for consuming news and information. The digital advertising model is still evolving to address these rapid technological changes.

# Currency fluctuations

We denominate our consolidated financial statements in Australian dollars. Broadly speaking, our Australian operations are Australian dollar denominated, our New Zealand operations are New Zealand dollar denominated and our Hong Kong operations are Hong Kong dollar denominated. Therefore for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus other currencies. As our consolidated financial results are reported in Australian dollars, if we generate revenue or earnings or have assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those revenue or earnings and our net assets. For the six months ended June 30, 2014, fiscal 2013 and fiscal 2012, respectively, we generated 56%, 55% and 52% of our total revenue in functional currencies other than the Australian dollar. On average, the Australian dollar has depreciated significantly against both the New Zealand dollar and Hong Kong dollar over the fiscal 2011 to fiscal 2013 period, which had a significant effect on the translation of the results of our New Zealand businesses and Hong Kong Outdoor business into Australian dollars. We do not generally hedge our translated foreign currency exchange rate exposure. Fluctuations in foreign currency exchange rates may also make period to period comparisons of our results of operations difficult.

The following table sets forth the average exchange rates and period end exchange rates for one Australian dollar that we used to translate items into Australian dollars in our financial statements.

|                    | Average rate, year ended<br>December 31, |       |       | month | rate, six<br>s ended<br>e 30 | Rate as | Rate as at June 30, |       |       |
|--------------------|--|-------|-------|-------|------------------------------|---------|---------------------|-------|-------|
|                    | 2011                                     | 2012  | 2013  | 2013  | 2014                         | 2011    | 2012                | 2013  | 2014  |
|                    |  |       |       |       | (A\$)                        |         |                     |       |       |
| New Zealand Dollar | 1.306                                    | 1.278 | 1.179 | 1.225 | 1.078                        | 1.314   | 1.259               | 1.084 | 1.077 |
| Hong Kong Dollar   | 8.041                                    | 8.038 | 7.504 | 7.874 | 7.097                        | 7.934   | 8.139               | 6.916 | 7.310 |

In the period-on-period comparisons below in "—Results of Operations", Group income and expense items are calculated on a "constant currency" basis by translating the corresponding prior comparable period functional currency amounts at the current period exchange rates as set out in the above table.

In addition, where we discuss income and expense items of TRN and NZM on a "local currency basis", we have used the underlying New Zealand dollar income and expense items in the local accounts of TRN and NZM.

#### Transformative acquisitions and disposals

We have undertaken a number of transformative transactions to consolidate our growth businesses of radio, outdoor and digital and divest certain assets.

We acquired the remaining 50% interest in the ARN and TRN joint ventures from Clear Channel for A\$246.7 million on February 19, 2014. The impact of this acquisition on our reported results after February 19, 2014 has been and will be to reduce the profit attributable to non-controlling interests and to increase the profit attributable to our APN shareholders, and payments to non-controlling interests in the cash flow have and will also decrease. Prior to December 31, 2013, ARN and TRN were operated as joint ventures with Clear Channel and were fully consolidated in our financial statements. During fiscal 2013, fiscal 2012 and fiscal 2011, the profit attributable to non-controlling interests in ARN and TRN was A\$22.0 million, A\$18.1 million and A\$20.5 million and the cash payments to non-controlling interests was A\$21.1 million, A\$19.6 million and A\$16.6 million.

In 2014, we also sold our interest in the APN Outdoor joint venture to Quadrant Private Equity for A\$69.0 million and our interest in brandsExclusive to Aussie Commerce Group for A\$2.0 million and an equity interest in the Aussie Commerce Group. APN Outdoor and brandsExclusive have been treated as discontinued operations and assets held for sale. In February 2014, we sold several New Zealand magazine titles to Bauer Media Group ("Bauer"). The assets and liabilities associated with the titles sold to Bauer have been treated as assets held for sale.

#### Managing expenses

We have focused on realigning our cost base to reflect the low revenue growth environment for our publishing businesses. For the six months ended June 30, 2014, we continued to rationalize our printing businesses, including support functions, reducing redundancies associated with ongoing restructuring and centralizing sales. In fiscal 2013, to achieve cost reductions, our NZM business outsourced printing, centralized sales, implemented offshore advertising production, and rationalized and outsourced support functions to achieve cost reductions. Our ARM business closed the Ballina print plant, restructured its senior leadership team and rationalized support functions. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our ARM segment were reduced by A\$23.2 million and A\$6.5 million, respectively, compared to the comparable prior periods. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our NZM segment were reduced by NZ\$35.8 million (including NZ\$8.5 million reduction relating to assets sold) and NZ\$17.5 million (including NZ\$11.0 million reduction relating to assets sold), respectively, compared to the comparable prior periods.

# Impact of impairments in intangibles

During fiscal 2012 and 2011, a review of the carrying amount of our intangible assets led to the recognition of an impairment loss of A\$689.9 million and A\$159.5 million, respectively, in connection with the goodwill and mastheads for our publishing assets.

# Seasonality of revenue

We generally experience seasonality in earnings which historically has resulted in stronger revenue generation in the six months ending December 31 compared to the six months ending 30 June as a result of increased advertising in the six months ending December 31 due to the ramp up in advertising leading into Christmas and summer.

# **Recent Developments**

# Hong Kong Outdoor

On July 18, 2014, we acquired full beneficial ownership of Buspak and its subsidiary Cody through the acquisition of the remaining 50% share from Clear Channel for a total of A\$17.0 million (which includes a A\$3.0 million settlement for an outstanding shareholder receivable and a 50% share of cash on the balance sheet prior to the acquisition).

# Senior Secured Revolver Refinancing

On August 19, 2014, we entered into the Senior Secured Revolver as part of the Refinancing. We expect this to be completed on or about September 25, 2014. For further information on the Senior Secured Revolver and refinancing, see "—Liquidity and Capital Resources—Debt, Gearing and Other Financing Arrangements."

#### Potential NZ Transaction

See "Summary—Recent Developments—Potential NZ Transaction," "Risk Factors—Risks Relating to the Potential NZ Transaction" and "Annex B—Unaudited Pro Forma Financial Information for Potential NZ Transaction" for information on the Potential NZ Transaction.

# **Results of Operations**

This section discusses and analyses our results of operations for the six months ended June 30, 2014 compared to the six months ended June 30, 2013, as well as fiscal 2013 compared to fiscal 2012, and fiscal 2012 compared to fiscal 2011. We discuss our results of operations on both a consolidated and a segmental basis.

# Selected Financial Information for APN

The following is selected financial information for APN for the periods indicated.

| Year ended December 31, |  |  | Six months ended June 30   |   |  |
|-------------------------|--|--|--|---|--|
| 2011                    | 2012   | 2013   | 2013   | 2014  |  |
|                         |  | (A\$ in thous  | ands)  |   |  |
|                         |  |  |  |   |  |
| 706,360                 | 690,489  | 687,228  | 330,287  | 342,217   |  |
| 135,782                 | 132,475  | 129,998  | 64,318   | 63,680  |  |
| 842,142                 | 822,964  | 817,226  | 394,605  | 405,897   |  |
| 25,722                  | 7,208  | 16,233   | 7,601  | 10,072  |  |
| 867,864                 | 830,172  | 833,459  | 402,206  | 415,969   |  |
|                         |  |  |  |   |  |
| (328,417)               | (330,397)  | (322,119)  | n.a.   | n.a.  |  |
| (238,103)               | (237,681)  | (233,990)  | n.a.   | n.a.  |  |
| (54,746)                | (62,846)   | (65,820)   | n.a.   | n.a.  |  |
| (29,874)                | (30,728)   | (33,003)   | (16,086)   | (16,470)  |  |
| (17,332)                | (8,434)  | (10,682)   | (8,154)  | (4,886)   |  |
| _                       | (2,353)  | (2,015)  | n.a.   | n.a.  |  |
| _                       | (2,939)  | _  | n.a.   | n.a.  |  |
| (18,298)                | (7,344)  | (12,485)   | (8,136)  | (1,648)   |  |
| (57,551)                | (52,099)   | (49,635)   | n.a.   | n.a.  |  |
|                         |  |  |  |   |  |
| (744,321)               | (734,821)  | (729,749)  | (362,433)  | (366,343)   |  |
| (159,495)               | (689,948)  | _  | _  |   |  |
| (57,190)                | (44,413)   | (38,516)   | (18,699)   | (19,519)  |  |
| 5,807                   | 9,037  | 10,565   | 3,784  | 3,658   |  |
| (87,335)                | (629,973)  | 75,759   | 24,858   | 33,765  |  |
| 48,696                  | 66,711   | 758  | (887)  | (3,989)   |  |
| (38,639)                | (563,262)  | 76,517   | 23,971   | 29,776  |  |
| 19,703                  | 79,719   | (48,840)   | 629  | (2,562)   |  |
| (18,936)                | (483,543)  | 27,677   | 24,600   | 27,214  |  |
|                         | 706,360 135,782 842,142 25,722 867,864  (328,417) (238,103) (54,746) (29,874) (17,332) (18,298) (57,551)  (744,321) (159,495) (57,190) 5,807 (87,335) 48,696 (38,639) 19,703 | 2011         2012           706,360         690,489           135,782         132,475           842,142         822,964           25,722         7,208           867,864         830,172           (328,417)         (330,397)           (238,103)         (237,681)           (54,746)         (62,846)           (29,874)         (30,728)           (17,332)         (8,434)           —         (2,353)           —         (2,353)           —         (2,939)           (18,298)         (7,344)           (57,551)         (52,099)           (744,321)         (734,821)           (159,495)         (689,948)           (57,190)         (44,413)           5,807         9,037           (87,335)         (629,973)           48,696         66,711           (38,639)         (563,262)           19,703         79,719 | 2011         2012         2013<br>(A\$ in thous)           706,360         690,489         687,228           135,782         132,475         129,998           842,142         822,964         817,226           25,722         7,208         16,233           867,864         830,172         833,459           (328,417)         (330,397)         (322,119)           (238,103)         (237,681)         (233,990)           (54,746)         (62,846)         (65,820)           (29,874)         (30,728)         (33,003)           (17,332)         (8,434)         (10,682)           —         (2,353)         (2,015)           —         (2,939)         —           (18,298)         (7,344)         (12,485)           (57,551)         (52,099)         (49,635)           (744,321)         (734,821)         (729,749)           (159,495)         (689,948)         —           (57,190)         (44,413)         (38,516)           5,807         9,037         10,565           (87,335)         (629,973)         75,759           48,696         66,711         758           (38,639)         (563,262) | 2011         2012         2013 (A\$ in thousands)           706,360         690,489         687,228         330,287           135,782         132,475         129,998         64,318           842,142         822,964         817,226         394,605           25,722         7,208         16,233         7,601           867,864         830,172         833,459         402,206           (328,417)         (330,397)         (322,119)         n.a.           (238,103)         (237,681)         (233,990)         n.a.           (54,746)         (62,846)         (65,820)         n.a.           (29,874)         (30,728)         (33,003)         (16,086)           (17,332)         (8,434)         (10,682)         (8,154)           —         (2,353)         (2,015)         n.a.           (18,298)         (7,344)         (12,485)         (8,136)           (57,551)         (52,099)         (49,635)         n.a.           (744,321)         (734,821)         (729,749)         (362,433)           (159,495)         (689,948)         —         —           (57,190)         (44,413)         (38,516)         (18,699)           5,807 |  |

<sup>(1)</sup> Certain of our expenses are not broken out in our financial statements for the six months ended June 30.

<sup>(2)</sup> Other expenses include insurance, listing fees, share registry costs, audit fees, professional fees, directors fees, travel, entertainment, office administrative expenses and hardware and software maintenance expenses.

# Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA before the impact of exceptional items. EBITDA is defined as profit or loss from continuing operations before net finance costs, income tax, depreciation and amortization expense. Although Adjusted EBITDA is not a measure of performance that is recognized under Australian Accounting Standards or IFRS, management believes that it is useful to an investor in evaluating us because it eliminates exceptional items considered by management to be material due to their size or nature and subject to volatility that may distort a year-to-year comparison of the operating results of the business. Adjusted EBITDA, as calculated by us, may differ from similarly titled measures reported by other companies. Adjusted EBITDA does not purport to represent operating income, net income or cash generated by operating activities, and should not be considered in isolation or as a substitute for measures of performance in accordance with Australian Accounting Standards or IFRS. In addition, because Adjusted EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies.

We believe that EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present EBITDA and Adjusted EBITDA when reporting their results. However, EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered either in isolation or as a substitute for analysis of our results as reported under Australian Accounting Standards and IFRS. Some of these limitations are as follows: they do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; they do not reflect changes in, or cash requirements for, our working capital needs; they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The following table shows our EBIT, EBITDA, and Adjusted EBITDA, in each case as reconciled to profit/ (loss) from continuing operations for fiscal years 2011, 2012, 2013, and the six months ended June 30, 2013 and 2014.

|  | Year ended December 31, |           |              | Six months ended<br>June 30, |        |
|--|-------------------------|-----------|--------------|------------------------------|--------|
|  | 2011                    | 2012      | 2013         | 2013                         | 2014   |
|  |                         | (A\$ i    | n thousands) |                              |        |
| Profit/(loss) from continuing operations | (38,639)                | (563,262) | 76,517       | 23,971                       | 29,776 |
| Net finance costs(1)                     | 55,928                  | 43,489    | 37,895       | 18,412                       | 19,279 |
| Income tax (credit)/expense              | (48,696)                | (66,711)  | (758)        | 887                          | 3,989  |
| EBIT                                     | (31,407)                | (586,484) | 113,654      | 43,270                       | 53,044 |
| Depreciation and amortization            | 29,874                  | 30,728    | 33,003       | 16,086                       | 16,470 |
| EBITDA                                   | (1,533)                 | (555,756) | 146,657      | 59,356                       | 69,514 |
| Exceptional items                        | 172,662                 | 707,139   | 16,138       | 10,793                       | 1,211  |
| Adjusted EBITDA                          | 171,129                 | 151,383   | 162,795      | 70,149                       | 70,725 |

<sup>(1)</sup> Net finance costs comprise finance costs less finance income.

# Exceptional items

During each of fiscal 2011, 2012, 2013, and the six months ended June 30, 2013 and 2014, we recorded a number of items that are identified as "exceptional items" in our financial statements, which we refer to in this Information as "exceptional items." Exceptional items include gains or losses on disposals of businesses, redundancies and associated costs, impairment of intangible assets, foreign exchange gains, New Zealand Herald

relaunch costs and gains on insurance claims. In accordance with Australian Accounting Standards and IFRS, these gains or losses are separately disclosed in Note 4 to our Financial Statements for fiscal 2011, 2012 and 2013 and Note 3 to our Interim Financial Statements for the six months ended June 30, 2013 and 2014.

The following table sets forth the exceptional items we recorded for fiscal years 2011, 2012, 2013, and for the six months ended June 30, 2013 and 2014.

|   | Year ei   | nded Decembe     | Six month<br>June |                 |         |
|---|-----------|------------------|-------------------|-----------------|---------|
|   | 2011      | 2012             | 2013              | 2013            | 2014    |
|   |           | (A\$ iı          | thousands)        |                 |         |
| Net gain/(loss) on disposal of properties and businesses(1) | 788       | (528)            | (727)             | 1,240           | 5,323   |
| Gains on derecognition of contingent consideration          |           |                  |                   |                 |         |
| provision(2)  |           | _                | 4,710             | 4,257           | _       |
| Reversal of impairment of investment in associate(3)        | _         | _                | 3,046             | _               | _       |
| Redundancies and associated costs(4)                        | (17,332)  | (8,434)          | (10,682)          | (8,154)         | (4,886) |
| Asset write-downs and business closures(5)                  | (18,298)  | (7,344)          | (12,485)          | (8,136)         | (1,648) |
| Gains on insurance claims(6)                                | 4,377     | 2,054            | _                 | _               | _       |
| New Zealand Herald relaunch costs                           |           | (2,939)          | _                 | _               | _       |
| Impairment of intangible assets                             | (159,495) | (689,948)        | _                 | _               | _       |
| Fair value adjustment on acquisition of associate(7)        | 8,307     | _                | _                 | _               | _       |
| Gains on equity instruments                                 | 3,652     | _                | _                 | _               | _       |
| Foreign exchange gains                                      | 5,339     |                  |                   |                 |         |
| Total exceptional items                                     | (172,662) | <u>(707,139)</u> | (16,138)          | <u>(10,793)</u> | (1,211) |

- (1) Gains in the six months ended June 30, 2014 and June 30, 2013 relate mainly to the sale of NZM's magazine's consumer titles and South Island and Wellington newspaper titles, respectively. Losses in fiscal 2013 and fiscal 2012 were from the disposal of ARM and NZM properties. The gain in fiscal 2011 was from the sale of two ARM properties and of our interest in Eventfinder business.
- (2) Gains on derecognition of contingent consideration for fiscal 2013 relate to adjustments to amounts due under earn-out and put option arrangements in relation to the acquisition of Idea HQ Limited and iNC Digital Media.
- (3) Reversal of impairment of investment in associate relates to the investment in Soprano Design Pty Limited.
- (4) Redundancies and associated costs relate to ongoing restructuring of our publishing divisions, and redundancy payments to our former chief executive officer and chief development officer in fiscal 2013.
- (5) Asset write-downs and business closures relate mainly to print and publishing properties and equipment, as well as in fiscal 2011 certain loss making magazines in ARM and the move to a digital first approach in the Tweed and Coffs Coast markets.
- (6) Gains on insurance claims for fiscal 2012 relate to claims made against damage to property, plant and equipment and lost earnings as a result of the Christchurch earthquakes and Queensland floods during 2011.
- (7) The fair value adjustment on acquisition of associate is the uplift in fair value that arose on the acquisition in February 2011 of a further 25% of Idea HQ Limited

#### **Segments**

We report the following six operating segments for our business based on the internal reports reviewed by our board of directors and our key management personnel that are used by our board of directors and key management personnel to make strategic decisions:

- Australian Radio Network ("ARN")—has metropolitan radio networks in Australia;
- Australian Regional Media ("ARM")—provides newspaper and online publishing in Australia;
- The Radio Network ("TRN")—has radio networks throughout New Zealand;

- New Zealand Media ("NZM")—provides newspaper, magazine and online publishing in New Zealand;
- · Outdoor—has roadside billboard, transit, street furniture, digital and other outdoor advertising; and
- Digital—digital businesses, which comprise GrabOne and, for the six months ended June 30, 2014, our interest in Soprano, a provider of mobile messaging and wireless application infrastructure.

We evaluate segment performance based on Adjusted EBITDA, which excludes the effects of exceptional items such as restructuring costs and impairment of intangible assets, and is the measure used internally by management in assessing our operating businesses. Adjusted EBITDA is referred to as the "segment result" in our annual and interim financial statements included elsewhere in this Information. We manage our depreciation and amortization, finance costs, taxes and certain other items on a Group basis. These expenses and exceptional items are discussed below under "Group" for each of the reporting periods presented. We exclude exceptional items because we believe doing so gives us a better sense of the underlying performance of our business.

The following tables shows revenue and Adjusted EBITDA on a segmental basis for the periods indicated. In the segmental discussion that follows, except where stated, we discuss segmental results excluding transfers between segments. Transfers between segments are carried on at arm's length and are eliminated on consolidation. Segmental results do not include any discontinued operations.

The following table sets forth our segmental results for fiscal 2011, fiscal 2012 and fiscal 2013 and the six months ended June 30, 2014 and 2013, as well as our segmental results for those periods for TRN and NZM in local currency and the average exchange rates that we used to translate the local currency into Australian dollars in our financial statements.

|   | Year e   | nded Decemb | Six montl<br>June |         |         |
|---|----------|-------------|-------------------|---------|---------|
|   | 2011     | 2012        | 2013              | 2013    | 2014    |
|   |          | (thousa     | ands unless s     | tated)  |         |
| Revenue from continuing operations (A\$ reported    |          |             |                   |         |         |
| currency):  |          |             |                   |         |         |
| Australian Radio Network                            | 135,180  | 145,180     | 152,961           | 75,136  | 81,223  |
| Australian Regional Media                           | 276,002  | 248,760     | 216,981           | 107,841 | 98,998  |
| The Radio Network.                                  | 86,712   | 86,708      | 102,277           | 47,325  | 56,932  |
| New Zealand Media                                   | 301,289  | 287,360     | 282,584           | 136,665 | 135,623 |
| Outdoor   | 33,488   | 39,040      | 44,099            | 19,458  | 24,106  |
| Digital   | 8,951    | 15,895      | 18,324            | 8,180   | 9,015   |
| Unallocated   | 520      | 21          |                   |         |         |
| Total revenue from continuing operations            | 842,142  | 822,964     | 817,226           | 394,605 | 405,897 |
| Adjusted EBITDA (A\$ reported currency):            |          |             |                   |         |         |
| Australian Radio Network                            | 48,076   | 52,287      | 58,486            | 27,336  | 29,029  |
| Australian Regional Media                           | 55,105   | 38,532      | 29,706            | 12,692  | 10,475  |
| The Radio Network                                   | 16,917   | 15,130      | 19,969            | 8,723   | 10,099  |
| New Zealand Media                                   | 61,534   | 47,810      | 52,995            | 23,007  | 22,698  |
| Outdoor   | 8,026    | 12,636      | 12,320            | 4,609   | 4,617   |
| Digital   | (537)    | 3,644       | 4,743             | 1,860   | 2,452   |
| Unallocated   | (17,992) | (18,656)    | (15,424)          | (8,078) | (8,645) |
| Total Adjusted EBITDA                               | 171,129  | 151,383     | 162,795           | 70,149  | 70,725  |
| Revenue from New Zealand operations (NZ\$):         |          |             |                   |         |         |
| The Radio Network                                   | 113,246  | 110,812     | 120,584           | 57,973  | 61,372  |
| New Zealand Media                                   | 393,483  | 367,246     | 333,167           | 167,415 | 146,202 |
| Average exchange rate (NZ\$/A\$)                    | 1.306    | 1.278       | 1.179             | 1.225   | 1.078   |
| Adjusted EBITDA from New Zealand operations (NZ\$): |          |             |                   |         |         |
| The Radio Network                                   | 22,093   | 19,336      | 23,543            | 10,686  | 10,887  |
| New Zealand Media                                   | 80,363   | 61,101      | 62,481            | 28,184  | 24,468  |
| Average exchange rate (NZ\$/A\$)                    | 1.306    | 1.278       | 1.179             | 1.225   | 1.078   |

In the period-on-period comparisons below, where we discuss income and expense items of TRN and NZM on a "local currency basis", we have used the underlying New Zealand dollar income and expense items in the local accounts of TRN and NZM.

# Six Months Ended June 30, 2014 Compared with Six Months Ended June 30, 2013

# Group

#### Revenue

Revenue increased by A\$11.3 million (or 2.9%) to A\$405.9 million for the six months ended June 30, 2014 from A\$394.6 million for the six months ended June 30, 2013. On a constant currency basis, revenue was 4.0% lower than the prior period. The decrease in revenue on a constant currency basis was primarily due to challenging advertising conditions and declines in circulation across our Australian and New Zealand publishing

businesses. These declines offset growth in our Australian and New Zealand radio businesses, which benefited from an increase in radio advertising expenditure and improved market share as a result of investment in talent, content and marketing in previous periods.

Advertising revenue increased by A\$11.9 million (or 3.6%) to A\$342.2 million for the six months ended June 30, 2014 from A\$330.3 million for the six months ended June 30, 2013. On a constant currency basis, revenue was 2.8% lower than the prior period. This decrease in advertising revenue on a constant currency basis was driven by declines in the levels of advertising revenue generated in our ARM and NZM businesses, which were particularly impacted by lower levels of national advertising expenditure. This was partially offset by the positive performance of our radio businesses in Australia and New Zealand which improved market share and benefitted from growing levels of radio advertising expenditure.

Circulation revenue decreased by A\$0.6 million (or 1.0%) to A\$63.7 million for the six months ended June 30, 2014 from A\$64.3 million for the six months ended June 30, 2013. On a constant currency basis, circulation revenue was 9.9% lower than the prior period. Circulation revenue for the period was impacted by the sale of the South Island and Wellington newspapers in November 2013 and the sale of several magazine titles to Bauer in February 2014, as well as a decline in circulation rates in our ARM and NZM businesses. Lower levels of circulation were partially offset by a price increase on our flagship publication, *The New Zealand Herald*, in the NZM business.

#### Expenses

Expenses from continuing operations before finance costs increased by A\$3.9 million (or 1.1%) to A\$366.3 million in the six months ended June 30, 2014 from A\$362.4 million in the six months ended June 30, 2013. On a constant currency basis, expenses were 5.5% lower than the prior period. The decrease on a constant currency basis was primarily driven by cost base reduction programs, where our operating costs in our ARM segment were reduced by A\$6.5 million and our operating costs in our NZM segment were reduced by NZ\$17.5 million (including NZ\$11.0 million reduction relating to assets sold), compared to the prior period. This was partially offset by increased expenses as a result of investments in radio talent, content and marketing. Expenses also benefitted from the divestments described above in our NZM business.

#### Impairment of intangibles

There was no impairment of intangibles for the six months ended June 30, 2014 or the six months ended June 30, 2013.

#### Finance Costs

Finance costs increased by A\$0.8 million (or 4.4%) to A\$19.5 million in the six months ended June 30, 2014 from A\$18.7 million in the six months ended June 30, 2013, reflecting foreign exchange effects and an increase in our level of drawn debt following the acquisition of the remaining 50% of ARN and TRN.

#### Income Tax Expense

Income tax expense increased to A\$4.0 million in the six months ended June 30, 2014 from A\$0.9 million for the six months ended June 30, 2013. The increase in income tax expense was driven by the net tax payable on the gain of the sale of our interest in the APN Outdoor joint venture and an increase in both our earnings and our estimated average annual tax rate for the six months ended June 30, 2014, which was partially offset by the loss on the sale of brandsExclusive.

# EBITDA and Adjusted EBITDA

EBITDA increased by A\$10.2 million (or 17.1%) to A\$69.5 million in the six months ended June 30, 2014 from A\$59.4 million in the six months ended June 30, 2013. On a constant currency basis, EBITDA was 8.7% higher than the prior period. This was primarily the result of revenue growth in our radio businesses, as well as cost savings in our publishing businesses.

Adjusted EBITDA for the six months ended June 30, 2014 increased by A\$0.6 million to (or 0.8%) to A\$70.7 million after adjusting for exceptional items from A\$70.1 million for the six months ended June 30, 2013. On a constant currency basis, Adjusted EBITDA was 5.5% lower than the prior period. The decline on a constant currency basis was driven by higher costs associated with the continued investment in talent, content and marketing in our radio businesses, which were partially offset by cost savings achieved in our publishing businesses in the six months ended June 30, 2014.

#### Profit/Loss for the Period

As a result of the above, we obtained a profit of A\$27.2 million in the six months ended June 30, 2014 compared to a profit of A\$24.6 million in the six months ended June 30, 2013. Our profit for the period was impacted by a loss incurred on our discontinued operations for the period. Excluding discontinued operations, we obtained a profit of A\$29.8 million in the six months ended June 30, 2014, compared to a profit of A\$24.0 million in the six months ended June 30, 2013. Profit attributable to APN shareholders was A\$22.6 million in the six months ended June 30, 2014 compared to A\$12.8 million in the six months ended June 30, 2013.

# Segment Analysis

ARN

#### Segment Revenue

Revenue for the ARN segment increased by A\$6.1 million (or 8.1%) to A\$81.2 million for the six months ended June 30, 2014 from A\$75.1 million for the six months ended June 30, 2013. The increase was principally due to an increase in market share. This growth has been driven by the improved ratings performance of the business as a result of investment in the talent, content and marketing.

# Segment Adjusted EBITDA

Adjusted EBITDA for the ARN segment increased by A\$1.7 million (or 6.2%) to A\$29.0 million for the six months ended June 30, 2014 from A\$27.3 million for the six months ended June 30, 2013. The increase was principally due to the increase in revenues achieved over the period, partially reduced by our continued investment in talent, marketing and content.

#### ARM

#### Segment Revenue

Revenue for the ARM segment decreased by A\$8.8 million (or 8.2%) to A\$99.0 million for the six months ended June 30, 2014 from A\$107.8 million for the six months ended June 30, 2013. The decrease was principally due to declines in advertising markets, in particular a significant decline in agency expenditure on national advertising campaigns. Revenue was also impacted by declines in circulation rates over the period.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the ARM segment decreased by A\$2.2 million (or 17.5%) to A\$10.5 million for the six months ended June 30, 2014 from A\$12.7 million for the six months ended June 30, 2013. The decrease was

principally due to the decline in revenue for the period. Cost base management initiatives in our newspaper publishing businesses implemented in previous periods generated cost savings in the period, although the reduction in the cost base was not sufficient to offset the decline in revenue.

# TRN

# Segment Revenue

Revenue for TRN segment increased by A\$9.6 million (or 20.3%) to A\$56.9 million for the six months ended June 30, 2014 from A\$47.3 million for the six months ended June 30, 2013. On a local currency basis, segment revenue was 5.9% higher than the prior period. The increase was principally due to growth in radio advertising expenditure in New Zealand while maintaining market share. The majority of the growth in advertising expenditure was driven by growth in direct sales.

# Segment Adjusted EBITDA

Adjusted EBITDA for TRN segment increased by A\$1.4 million (or 15.8%) to A\$10.1 million for the six months ended June 30, 2014 from A\$8.7 million for the six months ended June 30, 2013. On a local currency basis, Adjusted EBITDA was 1.9% higher than the prior period. The increase on a local currency basis was principally due to the growth in revenue, with these gains moderated by the increased costs associated with further investment in talent, content and marketing.

#### NZM

# Segment Revenue

Revenue for the NZM segment decreased by A\$1.0 million (or 0.8%) to A\$135.6 million for the six months ended June 30, 2014 from A\$136.7 million for the six months ended June 30, 2013. On a local currency basis, segment revenue was 12.7% lower than the prior period. Revenue was impacted by the sale of our South Island and Wellington newspaper titles in fiscal 2013 and the sale of various magazine brands to the Bauer Media Group in fiscal 2014. Revenue was also impacted by a significant decline in advertising expenditure, in particular spending on national advertising campaigns, and declines in circulation revenue. Declines in circulation revenue were partially offset by an increase the price of *The New Zealand Herald* from NZ\$2.00 per newspaper to NZ\$2.20 per newspaper in April 2013.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the NZM segment decreased by A\$0.3 million (or 1.3%) to A\$22.7 million for the six months ended June 30, 2014 from A\$23.0 million for the six months ended June 30, 2013. On a local currency basis, Adjusted EBITDA was 13.2% lower than the prior period. The decrease on a local currency basis was principally due to the decline in revenue associated with the assets sales, the performance of the national advertising market and lower circulation rates. Cost base reductions realized throughout the period were not significant enough to offset the decline in revenue.

#### Outdoor

#### Segment Revenue

Revenue for the Outdoor segment increased by A\$4.6 million (or 23.9%) to A\$24.1 million for the six months ended June 30, 2014 from A\$19.5 million for the six months ended June 30, 2013. The increase was primarily due to foreign exchange effects, market improvements as well as billboard contract wins in late 2013/early 2014.

While outdoor segment revenue does not incorporate revenue from Adshel, as it is categorized as an associate for accounting purposes and is not consolidated for reporting purposes, revenue growth in Adshel was impacted by the divestment of the infrastructure manufacturing businesses, Adshel Infrastructure and Town & Park, as well as reduced levels of expenditure from a number of key customers.

# Segment Adjusted EBITDA

Adjusted EBITDA for the Outdoor segment remained flat at A\$4.6 million for the six months ended June 30, 2014.

Adjusted EBITDA of our Hong Kong Outdoor business was up 106.9% to A\$1.6 million as a result of revenue growth and the improved performance of our BuzPlay contract which was renegotiated with a lower annual rental in the six months ending June 30, 2014.

Our share of profit from Adshel, which is reported as part of our EBITDA, declined A\$0.7 million to A\$3.0 million. In the six months ending June 30, 2014, Adshel EBITDA declined by 19.2% to A\$13.5 million (on a 100% basis) as a result of rental payments commencing several months prior to the roll out of digital advertising infrastructure under the Sydney Trains contract.

#### Digital

#### Segment Revenue

Revenue for the Digital segment increased by A\$0.8 million (or 10.2%) to A\$9.0 million for the six months ended June 30, 2014 from A\$8.2 million for the six months ended June 30, 2013. The increase is primarily due to foreign currency effects, partially offset by lower conversion rates and a reduced number of transactions in GrabOne as a result of declining email open rates and a faster transition from desktop to mobile and tablet devices, along with increased competition.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the Digital segment increased by A\$0.6 million (or 31.8%) to A\$2.5 million for the six months ended June 30, 2014 from A\$1.9 million for the six months ended June 30, 2013 primarily as a result of foreign currency effects and recognizing our share of net profit after tax of Soprano offset by the decline in revenue in GrabOne over the period.

# Fiscal 2013 Compared with Fiscal 2012

#### Group

#### Revenue

Revenue from continuing operations remained broadly flat, decreasing by A\$5.7 million (or 0.7%) to A\$817.2 million in fiscal 2013 from A\$823.0 million in fiscal 2012. On a constant currency basis, revenue was 4.8% lower than the prior period. The decline on a constant currency basis was a result of challenging advertising market conditions across the Australian and New Zealand publishing industries. This offset revenue growth in our radio businesses delivered through gains in our market share.

Advertising revenue decreased by A\$3.3 million (or 0.5%) to A\$687.2 million in fiscal 2013 from A\$690.5 million in fiscal 2012. On a constant currency basis, advertising revenue was 4.3% lower than the prior period. The decline was primarily due to the challenging national sales environment with the decline in advertising revenue in our ARM and NZM businesses, offsetting advertising market growth in our radio and digital businesses.

Circulation revenue decreased by A\$2.5 million (or 1.9%) to A\$130.0 million in fiscal 2013 from A\$132.5 million in fiscal 2012. On a constant currency basis, circulation revenue was 7.4% lower than the prior period. This was a result of the combination of lower circulation rates across both the ARM and NZM businesses.

# Expenses

The following table shows expenses from continuing operations before finance expenses for fiscal 2012 and fiscal 2013.

|  | Year ended l | Year ended December 31, |                      |  |
|--|--------------|-------------------------|----------------------|--|
|  | 2012         | 2013                    | Percentage<br>Change |  |
|  | (A\$ in th   | ousands)                |                      |  |
| Employee benefits expense                                | 330,397      | 322,119                 | (2.5)%               |  |
| Selling and production expense                           | 237,681      | 233,990                 | (1.6)%               |  |
| Rental and occupancy expense                             | 62,846       | 65,820                  | 4.7%                 |  |
| Depreciation and amortization expense                    | 30,728       | 33,003                  | 7.4%                 |  |
| Redundancies and associated costs                        | 8,434        | 10,682                  | 26.7%                |  |
| Asset write-downs and business closures                  | 7,344        | 12,485                  | 70.0%                |  |
| Loss on sale of property                                 | 2,353        | 2,015                   | (14.4)%              |  |
| New Zealand Herald relaunch costs                        | 2,939        |                         | n.m.                 |  |
| Other expenses   | 52,099       | 49,635                  | (4.7)%               |  |
| Expenses from continuing operations before finance costs | 734,821      | 729,749                 | (0.7)%               |  |

Expenses from continuing operations before finance costs remained broadly flat, decreasing by A\$5.1 million (or 0.7%) to A\$729.7 million in fiscal 2013 from A\$734.8 million in fiscal 2012. On a constant currency basis, expenses were 4.8% lower than the prior period.

#### Key Changes in Expenses

- Employee benefits expense decreased by A\$8.3 million (or 2.5%) to A\$322.1 million in fiscal 2013 from A\$330.4 million in fiscal 2012 as a result of a reduced head count due to the ongoing restructuring of our publishing businesses.
- Selling and production expense decreased by A\$3.7 million (or 1.6%) to A\$234.0 million in fiscal 2013 from A\$237.7 million in fiscal 2012. The decrease was due to continued costs saving initiatives in the publishing businesses, particularly the rationalization and outsourcing of support functions, centralization of sales functions, closure of certain print plants and divestment of non-core operations. Reduced revenue for fiscal 2013 also contributed to lower agency costs. These costs savings were partially offset by increased costs in our radio businesses as a result of continued marketing and investment in key talent and content.
- **Rental and occupancy expense** increased by A\$3.0 million (or 4.7%) from A\$62.8 million in fiscal 2012 to A\$65.8 million in fiscal 2013.
- **Depreciation and amortization expense** increased by A\$2.3 million (or 7.4%) to A\$33.0 million in fiscal 2013 from A\$30.7 million in fiscal 2012. This increase was predominantly due to foreign exchange effects, as well as an increase in the amortization of software and radio licenses used in the business.
- **Redundancies and associated costs** increased by A\$2.2 million (or 26.7%) to A\$10.7 million in fiscal 2013 from A\$8.4 million in fiscal 2012 as a result of payments made to outgoing NZM management as a result of ongoing restructuring in our publishing business.
- Asset write-downs and business closures expense increased by A\$5.1 million (or 70.0%) to A\$12.5 million in fiscal 2013 from A\$7.3 million in fiscal 2012 as a result of the sale of print and publishing properties and equipment.

• Other expenses decreased by A\$2.5 million (or 4.7%) to A\$49.6 million in fiscal 2013 from A\$52.1 million in fiscal 2012 as a result of cost saving initiatives, a focus on reducing discretionary spending as well as the disposal of the South Island and Wellington newspapers in November 2013.

# Impairment of Intangibles

During fiscal 2012, a review of the carrying amount of our intangible assets led to the recognition of an impairment loss of A\$689.9 million in connection with the goodwill and mastheads for our publishing assets. There was no impairment of intangibles in fiscal 2013.

#### Finance Costs

Finance costs decreased A\$5.9 million (or 13.3%) to A\$38.5 million in fiscal 2013 from A\$44.4 million in fiscal 2012 as a result of the impact of foreign exchange effects, lower interest rates and a further reduction in debt in fiscal 2013 compared with fiscal 2012.

#### Income Tax Credit

Income tax credit declined to A\$0.8 million in fiscal 2013 from a A\$66.7 million credit (on a continuing operations basis) in fiscal 2012 due to the Group generating a loss before income tax of A\$630.0 million in fiscal 2012.

# EBITDA and Adjusted EBITDA

EBITDA increased by A\$702.4 million to A\$146.7 million in fiscal 2013 from a loss of A\$555.8 million in fiscal 2012, principally due to no impairment charges being recognized in fiscal 2013. On a constant currency basis, EBITDA increased by A\$741.5 million over the prior period.

Adjusted EBITDA increased by A\$11.4 million (or 7.5%) to A\$162.8 million in fiscal 2013 after adjusting for exceptional items, from A\$151.4 million in fiscal 2012. This was primarily the result of strong earnings growth in both of our radio businesses, as they increased market share, a record result for Adshel and the benefit of cost savings achieved in both of our publishing businesses. On a constant currency basis, Adjusted EBITDA was 3.3% higher than the prior period.

# Profit/Loss for the Period

As a result of the above, we obtained a profit of A\$27.7 million in fiscal 2013 compared to a loss of A\$483.5 million in fiscal 2012, principally due to increased EBITDA and no impairment charges recognized for the period. Excluding discontinued operations, we obtained a profit of A\$76.5 million in fiscal 2013, compared to a loss of A\$563.3 million in fiscal 2012. Profit attributable to APN shareholders was A\$2.6 million in fiscal 2013 compared to a loss attributable to APN shareholders of A\$507.4 million in fiscal 2012.

#### Segment Analysis

ARN

# Segment Revenue

Revenue for the ARN segment increased by A\$7.8 million (or 5.4%) to A\$153.0 million for fiscal 2013 from A\$145.2 million for fiscal 2012. The increase in revenue was driven by approximately 2% growth in the Australian advertising radio market and an increase in our revenue market share. Our revenue market share gains were a result of our increased listener market share.

# Segment Adjusted EBITDA

Adjusted EBITDA for the ARN segment increased by A\$6.2 million (or 11.9%) to A\$58.5 million for fiscal 2013 from A\$52.3 million for fiscal 2012. The increase was principally due to revenue growth and a focus on cost containment. Expenses increased in fiscal 2013 by only a small amount despite significant investment in key talent and content and increased marketing expense.

# ARM

#### Segment Revenue

Revenue for the ARM segment decreased by A\$31.8 million (or 12.8%) to A\$217.0 million for fiscal 2013 from A\$248.8 million for fiscal 2012. The decrease was a result of national retail conditions being particularly challenging. Advertising revenue was adversely impacted by a reduction in retail advertising as well as the floods in Queensland. Lower levels of investment in the mining sector in Queensland also contributed to lower levels of employment and motoring classifieds expenditure. Circulation revenue was impacted by the return to a 52-week year in fiscal 2013, as opposed to fiscal 2012 which included 53 weeks.

# Segment Adjusted EBITDA

Adjusted EBITDA for the ARM segment decreased by A\$8.8 million (or 22.9%) to A\$29.7 million for fiscal 2013 from A\$38.5 million for fiscal 2012. The decrease was principally due to moderations in both advertising and circulation revenue. The declines in revenue were partially offset by the benefits of cost-saving initiatives implemented during the period. These initiatives included the rationalization and outsourcing of support functions, centralizing sales functions and continued print plant optimization.

#### TRN

#### Segment Revenue

Revenue for TRN increased by A\$15.6 million (or 18.0%) to A\$102.3 million for fiscal 2013 from A\$86.7 million for fiscal 2012. A strong appreciation of the New Zealand dollar over the period had a positive impact on revenue when translated into Australian dollars. On a local currency basis, revenue was 8.8% higher than the prior period. This increase in revenue on a local currency basis was driven by growth in the overall radio market of 7.7%, improvements in market share achieved through the continued investment in talent, content and marketing, the launch of new programming and refreshed brands as well as growth in digital revenue.

# Segment Adjusted EBITDA

Adjusted EBITDA for TRN increased by A\$4.8 million (or 32.0%) to A\$20.0 million for fiscal 2013 from A\$15.1 million for fiscal 2012. A strong appreciation of the New Zealand dollar over the period had a positive impact on Adjusted EBITDA when translated into Australian dollars. On a local currency basis, Adjusted EBITDA was 21.8% higher than the prior period. The increase on a local currency basis was principally due to revenue growth. Expenses in fiscal 2013 increased reflecting the investment made by TRN in talent, content and marketing.

# NZM

# Segment Revenue

Revenue for the NZM segment decreased by A\$4.8 million (or 1.7%) to A\$282.6 million for fiscal 2013 from A\$287.4 million for fiscal 2012. On a local currency basis, revenue was 9.3% lower than the prior period. The decrease on a local currency basis was principally due to lower advertising and circulation revenues. The challenging conditions in the national advertising market were a significant reason for the decline in advertising

revenue. Advertising revenues were also impacted by lower levels of employment classifieds. Circulation revenues were impacted by lower volumes, partially offset by an increase in the price of *The New Zealand Herald* from NZ\$2.00 per newspaper to NZ\$2.20 per newspaper in April 2013. More generally, revenue was also impacted by the divestment of the South Island and Wellington newspaper titles and magazine titles in fiscal 2013.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the NZM segment increased by A\$5.2 million (or 10.8%) to A\$53.0 million for fiscal 2013 from A\$47.8 million for fiscal 2012. On a local currency basis, Adjusted EBITDA was 2.3% higher than the prior period. The increase on a local currency basis was principally due to cost saving initiatives in NZM introduced in fiscal 2013, including outsourced printing, a franchised newspaper delivery network, centralized sales functions and offshore advertising production.

#### Outdoor

# Segment Revenue

Revenue for the Outdoor segment increased by A\$5.1 million (or 13.0%) to A\$44.1 million for fiscal 2013 from A\$39.0 million for fiscal 2012. Our Hong Kong Outdoor business revenue grew as a result of an improving bus exterior advertising market and a full year effect of the BuzPlay contract. The growth in the Hong Kong Outdoor business was partially offset by a decline in billboard revenue following the loss of a key contract in fiscal 2012 and foreign currency effects.

While outdoor segment revenue does not incorporate revenue from Adshel as it is categorized as an associate for accounting purposes and is not consolidated for reporting purposes, advertising revenue growth in Adshel outperformed growth in the Australian and New Zealand outdoor markets, reflecting the continuing trend towards smaller outdoor advertising formats such as street furniture.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the Outdoor segment decreased by A\$0.3 million (or 2.5%) to A\$12.3 million for fiscal 2013 from A\$12.6 million for fiscal 2012. The decrease was principally due to the poor performance of our BuzPlay contract and the loss of a key billboard contract in 2012 in our Hong Kong Outdoor business. In addition, the rental costs on the BuzPlay contract were greater than revenue (we have subsequently renegotiated this contract). This was partially offset by an increase in our share of profit from Adshel by 16.9% to A\$10.6 million in fiscal 2013. This share of profit is reported as part of our Outdoor Adjusted EBITDA. In fiscal 2013, Adshel EBITDA increased by 14.1% to A\$40.2 million (on a 100% basis). This increase was driven by revenue growth from increased market share and cost savings achieved including through the insourcing of maintenance, posting and cleaning services.

#### Digital

# Segment Revenue

Revenue for the Digital segment increased by A\$2.4 million (or 15.3%) to A\$18.3 million for fiscal 2013 from A\$15.9 million for fiscal 2012. The increase was principally due to growth in GrabOne driven by the successful launch of GoBook along with increases in the number of merchants, average transaction value and average commission rates.

#### Segment Adjusted EBITDA

Adjusted EBITDA for the Digital segment increased by A\$1.1 million to A\$4.7 million for fiscal 2013 from A\$3.6 million for fiscal 2012. The increase was principally due to increases in revenue in fiscal 2013.

# Fiscal 2012 Compared with Fiscal 2011

#### Group

#### Revenue

Revenue from continuing operations decreased by A\$19.2 million (or 2.3%) to A\$823.0 million in fiscal 2012 from A\$842.1 million in fiscal 2011. On a constant currency basis, revenue was 3.3% lower than the prior period. This decrease in revenue was driven by the decline in revenue across our publishing businesses. Despite making extensive changes to rejuvenate products and reduce costs in both the ARM and NZM businesses, weak advertising markets meant that results for publishing were down overall. This decline was partially offset by the positive performances from ARN and our digital operations, both of which achieved record results and grew market share.

Advertising revenue decreased by A\$15.9 million (or 2.2%) to A\$690.5 million in fiscal 2012 from A\$706.4 million in fiscal 2011. On a constant currency basis, advertising revenue was 3.1% lower than the prior period. This decline was primarily due to economic uncertainty, weak retail and advertising markets and a strong Australian dollar which created a subdued trading environment which particularly impacted our publishing businesses.

Circulation revenue decreased by A\$3.3 million (or 2.4%) to A\$132.5 million in fiscal 2012 from A\$135.8 million in fiscal 2011. On a constant currency basis, circulation revenue was 3.9% lower than the prior period. This was a result of lower circulation rates across our publishing businesses.

#### Expenses

The following table shows expenses from continuing operations before finance expenses for fiscal 2011 and fiscal 2012.

|  | Year ended l | Percentage |                |
|--|--------------|------------|----------------|
|  | 2011         | 2012       | Change         |
|  | (A\$ in th   | ousands)   |                |
| Employee benefits expense                                | 328,417      | 330,397    | 0.6%           |
| Selling and production expense                           | 238,103      | 237,681    | (0.2)%         |
| Rental and occupancy expense                             | 54,746       | 62,846     | 14.8%          |
| Depreciation and amortization expense                    | 29,874       | 30,728     | 2.9%           |
| Redundancies and associated costs                        | 17,332       | 8,434      | (51.3)%        |
| Asset write-downs and business closures                  | 18,298       | 7,344      | (59.9)%        |
| Loss on sale of property                                 |              | 2,353      | n.m.           |
| New Zealand Herald relaunch costs                        |              | 2,939      | n.m.           |
| Other expenses   | 57,551       | 52,099     | (9.5)%         |
| Expenses from continuing operations before finance costs | 744,321      | 734,821    | <u>(1.3)</u> % |

Expenses from continuing operations before finance costs decreased by A\$9.5 million (or 1.3%) to A\$734.8 million in fiscal 2012 from A\$744.3 million in fiscal 2011. The decrease was primarily driven by lower redundancies and associated costs, and asset write-downs and business closures. On a constant currency basis, expenses were 1.9% lower than the prior period.

# Key Changes in Expenses

• Employee benefits expense remained broadly flat in fiscal 2012, increasing by A\$2.0 million (or 0.6%) to A\$330.4 million, from A\$328.4 million in fiscal 2011. The result was driven by a reduction in headcount across our publishing operations and was partially offset by our investment in talent, content and marketing across the radio businesses.

- Selling and production expense decreased by A\$0.4 million (or 0.2%) to A\$237.7 million in fiscal 2012 from A\$238.1 million in fiscal 2011 as a result of cost reduction initiatives in the publishing businesses, including an overhaul of the management structure of the ARM business, and restructure of the NZM business to drive efficiencies in senior management, editorial, online and marketing. These costs savings were offset by increased costs in our radio businesses as a result of continued marketing and investment in talent and content.
- **Rental and occupancy expense** increased by A\$8.1 million (or 14.8%) to A\$62.8 million in fiscal 2012 from A\$54.7 million in fiscal 2011.
- **Depreciation and amortization expense** remained flat in fiscal 2012, increasing by A\$0.9 million (or 2.9%) to A\$30.7 million, from A\$29.9 million in fiscal 2011.
- Redundancies and associated costs decreased by A\$8.9 million (or 51.3%) to A\$8.4 million in fiscal 2012 from A\$17.3 million in fiscal 2011. These costs were driven by the continuation of the ongoing restructuring program that was put in place in fiscal 2011 for our publishing divisions and TRN. The higher figure for fiscal 2011 reflects the 300 staff redundancies in our publishing divisions in fiscal 2011.
- Asset write-downs and business closures expense decreased by A\$11.0 million (or 59.9%) to A\$7.3 million in fiscal 2012 from A\$18.3 million in fiscal 2011. The higher figure for fiscal 2011 reflects the closure of certain loss-making magazines in our ARM segment, the closure of two printing facilities, and the move to a digital-first approach for two regional Australian newspapers.
- Other expenses decreased by A\$5.5 million (or 9.5%) to A\$52.1 million in fiscal 2012 from A\$57.6 million in fiscal 2011 as a result of cost saving initiatives and a focus on reducing discretionary spending.

# Impairment of intangibles

During fiscal 2012 and 2011, a review of the carrying amount of our intangible assets led to the recognition of impairment losses of A\$689.9 million and A\$159.5 million, respectively, in connection with the goodwill and mastheads for our publishing assets. Following an impairment review, the carrying amount of mastheads allocated to both the Australian and New Zealand publishing assets were reduced to their recoverable amounts through the recognition of an impairment charge. The impairment was a result of a number of factors including the economic weakness facing the respective economies and changes in advertising markets.

#### Finance costs

Finance costs decreased by A\$12.8 million (or 22.3%) to A\$44.4 million in fiscal 2012 from A\$57.2 million in fiscal 2011. This was the result of lower borrowing, with our interest-bearing liabilities being reduced by A\$183.9 million (excluding net borrowing costs) in fiscal 2012 following assets sales and the proceeds received on forming the APN Outdoor joint venture when Quadrant bought half of our interest (we have subsequently sold our interest in the APN Outdoor joint venture) and a focus on cash management.

#### Income Tax Credit

Income tax credit increased to a A\$66.7 million credit in fiscal 2012 from a A\$48.7 million credit in fiscal 2011. The income tax credit reflected the loss incurred in fiscal 2012 as a result of impairment charges.

# EBITDA and Adjusted EBITDA

EBITDA declined by A\$554.2 million to a loss of A\$555.8 million in fiscal 2012 from a loss of A\$1.5 million in fiscal 2011. This large decline is principally due to large impairment charges recognized in fiscal 2012. On a constant currency basis, EBITDA declined by A\$555.6 million compared to the prior period.

Adjusted EBITDA decreased by A\$19.7 million (or 11.5%) to A\$151.4 million in fiscal 2012, after adjusting for exceptional items, from A\$171.1 million in fiscal 2011. On a constant currency basis, Adjusted EBITDA was 13.8% lower than the prior period primarily as a result of the deterioration in the advertising markets in Australia and New Zealand partially offset by cost savings achieved by our publishing operations.

#### Profit/Loss for the Period

As a result of the above, we incurred a loss of A\$483.5 million in fiscal 2012 compared to a loss of A\$18.9 million in fiscal 2011, principally due to decreased EBITDA and higher impairment charges recognized in fiscal 2012. Loss attributable to APN shareholders was A\$507.4 million in fiscal 2012 compared to a loss of A\$45.1 million in fiscal 2011.

# Segment Analysis

ARN

# Segment Revenue

Revenue for the ARN segment increased by A\$10.0 million (or 7.4%) to A\$145.2 million for fiscal 2012 from A\$135.2 million for fiscal 2011. The increase was principally due to an increase in advertising revenue, driven by an increase in market share despite advertising expenditure in the Australian radio market being down over the period. We believe our growth in market share was the result of our investment in marketing and talent in ARN.

# Segment Adjusted EBITDA

Adjusted EBITDA for the ARN segment increased by A\$4.2 million (or 8.8%) to A\$52.3 million for fiscal 2012 from A\$48.1 million for fiscal 2011. The increase was driven by the increase in market share over fiscal 2012. The increase in revenue was partially offset by an increase in costs as a result of increased investment in marketing, programming and content.

# ARM

# Segment Revenue

Revenue for the ARM segment decreased by A\$27.2 million (or 9.9%) to A\$248.8 million for fiscal 2012 from A\$276.0 million for fiscal 2011. The decrease was principally due to deteriorating advertising markets, in particular the slowdown in Queensland's mining sector which reduced employment advertising and the decline in state and federal government advertising.

# Segment Adjusted EBITDA

Adjusted EBITDA for the ARM segment decreased by A\$16.6 million (or 30.1%) to A\$38.5 million for fiscal 2012 from A\$55.1 million for fiscal 2011. The decrease was principally due to the decline in revenue due to the deteriorating advertising market. Product and cost initiatives reduced the cost base; however, we unable to offset the advertising decline. These initiatives included an overhaul of the management structure reducing the number of geographic sites from 20 to five key regional areas, restructuring of sales operations and editorial teams and reduced headcount.

# TRN

#### Segment Revenue

Revenue for TRN remained flat at A\$86.7 million for fiscal 2012 and A\$86.7 million for fiscal 2011. This reflected the fact that advertising expenditure in the New Zealand radio market was flat in fiscal 2012 following

the 2011 Rugby World Cup which led to increased advertising in the lead up and during the World Cup. On a local currency basis, revenue was 2.2% lower than the prior period. An appreciation of the New Zealand dollar over the period had a positive impact on Segment Revenue when translated into Australian dollars. Revenue on a local currency basis was negatively impacted by our loss in fiscal 2012 of market share gained in fiscal 2011 arising from broadcasting the Rugby World Cup on our leading sports network in fiscal 2011 and by the closing of the Easy Mix network. Digital revenues were up significantly following our investment in digital content and capabilities.

# Segment Adjusted EBITDA

Adjusted EBITDA for TRN decreased by A\$1.8 million (or 10.6%) to A\$15.1 million for fiscal 2012 from A\$16.9 million for fiscal 2011. On a local currency basis, Adjusted EBITDA was 12.5% lower than the prior period. The decrease a local currency basis was principally due to costs associated with restructuring the management team, a weaker direct sales performance plus investment in content, marketing and digital capabilities.

#### NZM

#### Segment Revenue

Revenue for the NZM segment decreased by A\$13.9 million (or 4.6%) to A\$287.4 million for fiscal 2012 from A\$301.3 million for fiscal 2011. A strong appreciation of the New Zealand dollar over the period had a positive impact on revenue when translated into Australian dollars. On a local currency basis, revenue was 6.7% lower than the prior period. This loss was principally due to a decline in advertising as a result of a downturn in advertising expenditure in New Zealand. Advertising revenues declined with the majority of the shortfall in the display and employment categories. Revenue declines were partially offset from growth in motoring advertising revenues following a rebound in the car market.

# Segment Adjusted EBITDA

Adjusted EBITDA for the NZM segment decreased by A\$13.7 million (or 22.3%) to A\$47.8 million for fiscal 2012 from A\$61.5 million for fiscal 2011. On a local currency basis, Adjusted EBITDA was 24.0% lower than the prior period. This decrease on a local currency basis was principally due to the decline in advertising revenues. The decline in revenue was partially offset by cost savings initiatives. These initiatives included a reduction in head count and a restructure to drive efficiencies in senior management, editorial, online and marketing. We also delivered a major rejuvenation program to counter the weakness in advertising markets, which included the relaunch of the weekday New Zealand Herald as a compact, with a new design and approach to content and greater digital integration.

#### Outdoor

#### Segment Revenue

Revenue for the Outdoor segment increased by A\$5.6 million (or 16.6%) to A\$39.0 million for fiscal 2012 from A\$33.5 million for fiscal 2011. The increase was principally due to improvements in our Hong Kong Outdoor business as a result of increased billboard revenues, the expansion of our Webus initiative (which provides in-bus WiFi service) and the BuzPlay contract, which commenced in July 2012.

While revenue from Adshel is not included in outdoor segment revenue as Adshel is categorized as an associate for accounting purposes and is not consolidated for reporting purposes, Adshel's revenue increased by 17.3% as a result of improvements in market share in both Australia and New Zealand.

# Segment Adjusted EBITDA

Adjusted EBITDA for the Outdoor segment increased by A\$4.6 million (or 57.4%) to A\$12.6 million for fiscal 2012 from A\$8.0 million for fiscal 2011. The increase was principally driven by the growth in revenue in our Hong Kong Outdoor business, partially offset by foreign currency effects.

Our share of profit from Adshel increased by 47.1% to A\$9.0 million in fiscal 2012. This share of profit is reported as part of our Outdoor Adjusted EBITDA. In fiscal 2012, Adshel EBITDA increased by 23.4% to A\$35.2 million (on a 100% basis). This increase was principally due to the increased market share achieved by the business in the period.

# Digital

# Segment Revenue

Revenue for the Digital segment increased by A\$6.9 million (or 77.6%) to A\$15.9 million for fiscal 2012 from A\$9.0 million for fiscal 2011. This increase was principally driven by growth in the GrabOne platform as membership and coupon sales grew over fiscal 2012.

# Segment Adjusted EBITDA

Adjusted EBITDA for the Digital segment increased by A\$4.2 million to A\$3.6 million for fiscal 2012 from loss of A\$0.5 million for fiscal 2011. The increase was principally due to the revenue growth experienced in our GrabOne business.

# **Liquidity and Capital Resources**

#### **Overview**

We anticipate meeting our future funding requirements through operating cash flow, borrowings from our existing and future bank finance facilities, debt capital market issuances, if required, and equity offerings. Our principal use of cash is funding our existing operations, including our working capital, our debt service obligations and our capital expenditure requirements.

We believe that our sources of funds will provide sufficient liquidity for us to meet our working capital and capital expenditure requirements, debt service obligations and other cash requirements for the foreseeable future.

The total dividend paid in fiscal 2011 and fiscal 2012 were A\$36.0 million and A\$22.0 million, respectively. For the six months ended June 30, 2014 and fiscal 2013, we did not declare or pay a dividend.

Cash Flows

Set out below is a summary of cash flows for the periods indicated:

|   |                          | Year ended ecember 31, | Six months ender<br>June 30, |                  |              |
|---|--------------------------|------------------------|------------------------------|------------------|--------------|
|   | 2011 2012 2013           |                        |                              | 2013             | 2014         |
|   |                          | (A\$ i                 | n thousands                  | )                |              |
| Cash flows from operating activities                | 1 212 500                | 1.052.621              | 000 416                      | 404.001          | 456 242      |
| Receipts from customers                             | 1,212,500<br>(1,015,818) |                        | 999,416                      | 484,901          | 456,342      |
| Payments to suppliers and employees                 | (1,013,818)              | 703                    | 2,946                        | (429,940)<br>114 | 199          |
| Interest received                                   | 1,270                    | 1,085                  | 700                          | 346              | 242          |
| Interest paid.                                      | (52,729)                 |                        | (33,176)                     |                  |              |
| Income taxes paid                                   | (22,634)                 |                        | (19,167)                     | (10,755)         | (9,527)      |
| Net cash inflows from operating activities          | 123,063                  | 87,274                 | 88,382                       | 28,948           | 15,615       |
| Cash flows from investing activities                |                          |                        |                              |                  |              |
| Payment for property, plant and equipment           | (31,743)                 | (14,244)               | (14,312)                     | (5,063)          | (5,703)      |
| Payment for software                                | (2,152)                  | (8,984)                | (2,351)                      | (1,325)          | (2,091)      |
| Payments for goodwill                               | (920)                    |                        | _                            | _                | _            |
| Payments for other intangible assets                | (3,492)                  |                        | _                            | _                | _            |
| Acquisition of controlled entities                  | (9,061)                  |                        |                              | (4,446)          |              |
| Proceeds from sale of property, plant and equipment | 3,705                    | 22,600                 | 8,054                        | 1,497            | 638          |
| Net (payments for purchase)/proceeds from sale of   | (015)                    | 5 272                  | 1 240                        | 1 260            | 60.620       |
| financial assets                                    | (815)                    | 5,272                  | 1,240                        | 1,360            | 60,639       |
| venture   |                          | 174,220                |                              |                  |              |
| Proceeds from sale of business                      |                          |                        | _                            |                  | 5,387        |
| Proceeds from sale of associate                     | 689                      | _                      | _                            | _                | <i>5,567</i> |
| Loans repaid by/(advanced to) other entities        | 2,775                    | 2,039                  | (75)                         | 5,131            | 1,786        |
| Dividends received from associate                   | 2,500                    | 3,500                  | 13,500                       | 4,000            | 4,000        |
| Net cash inflows from investing activities          | (38,514)                 | 149,242                | 6,056                        | 1,154            | 64,656       |
| Cash flows from financing activities                |                          |                        |                              |                  |              |
| Loans advanced to associates                        | (5)                      | (251)                  | _                            | _                | _            |
| Loans advanced to director-related entities         | (324)                    |                        | _                            | _                | _            |
| Proceeds from borrowings                            | 261,194                  | 237,119                | 96,328                       | 52,837           | 169,757      |
| Repayments of borrowings                            | (323,156)                |                        | (156,755)                    | (63,222)         | (118,962)    |
| Payment of borrowing costs                          | (582)                    | , ,                    | (49)                         | (50)             |              |
| Principal repayment under finance leases            | (2,408)                  |                        | (2,421)                      | (1,199)          | (1,301)      |
| Dividends paid to shareholders                      | (35,960)                 | (21,989)               | _                            | _                | 120.166      |
| Proceeds from share issue                           | _                        | _                      | _                            |                  | 128,166      |
| Radio Network Pty Ltd                               | _                        | _                      | _                            | _                | (249,361)    |
| Net payments to non-controlling interests           | (23,074)                 | (21,587)               | (31,284)                     | (12,873)         | (3,119)      |
| Net cash outflows from financing activities         | (124,315)                | (240,239)              | (94,181)                     | (24,507)         | (74,820)     |
| Change in cash and cash equivalents                 | (39,766)                 | (3,723)                | 257                          | 5,595            | 5,451        |
| Cash and cash equivalents at beginning of period    | 63,539                   | 23,885                 | 20,338                       | 20,338           | 19,956       |
| Effects of exchange rate changes                    | 112                      | 176                    | 2,164                        | 1,536            | (450)        |
| Cash and cash equivalents at end of period          | 23,885                   | 20,338                 | 22,759                       | 27,469           | 24,957       |
| Less cash transferred to assets held for sale       |                          |                        | (2,803)                      |                  |              |
| Cash and cash equivalents related to continuing     |                          |                        |                              |                  |              |
| operations  | 23,885                   | 20,338                 | 19,956                       | 27,469           | 24,957       |

# Cash Flows from Operating Activities

Our primary source of cash is cash generated from our operating activities. The largest components of our cash flows from operating activities are receipts from customers and payments to suppliers and employees. The timing of these payments, which is reflected in movements in our working capital, can significantly affect our operating cash flows.

Net cash inflows from operating activities decreased by A\$13.3 million (or 46.1%) to A\$15.6 million in the six months ended June 30, 2014 from A\$28.9 million in the six months ended June 30, 2013. The decrease was principally due to lower receipts from customer and lower payments to suppliers and employees, which were impacted by lower revenue.

Net cash inflows from operating activities increased by A\$1.1 million (or 1.3%) to A\$88.4 million in fiscal 2013 from A\$87.3 million in fiscal 2012. This increase was primarily due to lower payments to suppliers and employees, which decreased by A\$45.5 million in fiscal 2013, partially offset by lower receipts from customers, which were impacted by lower revenue. Interest paid in fiscal 2013 of A\$33.2 million was A\$11.6 million lower than fiscal 2012 due to a reduction in debt in 2013.

Net cash inflows from operating activities decreased by A\$35.8 million (or 29.1%) to A\$87.3 million in fiscal 2012 from A\$123.1 million in fiscal 2011. This decrease was principally due to lower payments to suppliers and employees, which decreased by A\$108.0 million in fiscal 2012 because we sold our joint venture interest in the APN Outdoor joint venture, and lower receipts from customers which decreased by A\$159.9 million for the same reason. Interest paid in fiscal 2012 of A\$44.8 million was A\$7.9 million less than fiscal 2011 due to reductions in debt in fiscal 2012.

#### Cash Flows from Investing Activities

Net cash used in investing activities increased by A\$63.5 million to A\$64.7 million in the six months ended June 30, 2014 from an inflow of A\$1.2 million in the six months ended June 30, 2013. This was principally due to the sale of our remaining interest in the APN Outdoor joint venture to Quadrant Private Equity.

Net cash inflows from investing activities decreased by A\$143.2 million (or 95.9%) to A\$6.1 million in fiscal 2013 from A\$149.2 million in fiscal 2012. The decrease was primarily attributable to cash receipts of A\$174.2 million in fiscal 2012 that we received on the formation of the APN Outdoor joint venture when Quadrant bought half our interest and higher proceeds from the sale of property, plant and equipment. This was partially offset by decreased spending on the acquisition of controlled entities, and increased dividends received from associates in fiscal 2013.

Net cash inflow from investing activities increased by A\$187.8 million to A\$149.2 million in fiscal 2012 from a net cash outflow of A\$38.5 million in fiscal 2011. The increase was primarily due to cash receipts that we received on the formation of the APN Outdoor joint venture when Quadrant bought half our interest and proceeds from the sale of property, plant and equipment. The increase was partially offset by increases in payments for the acquisition of controlled entities.

#### Cash Flows from Financing Activities

There was a net cash outflow of A\$74.8 million in the six months ended June 30, 2014 compared to an outflow of A\$24.5 million in the six months ended June 30, 2013. The increase was due to the purchase of 50% of ARN and TRN in February 2014 for A\$249.4 million (including costs) offset by A\$128.2 million of equity raised to partly fund the purchase. The net cash flow from financing activities was also impacted by higher proceeds and repayment of borrowings.

There was a net cash outflow from financing activities of A\$94.2 million in fiscal 2013 compared to a net cash outflow of A\$240.2 million in fiscal 2012. The decrease in cash outflow was primarily due to lower repayment of borrowings in fiscal 2013 as compared with fiscal 2012 (in fiscal 2012 we used the proceeds on forming the APN Outdoor joint venture, in which Quadrant bought half of our interest, to repay debt), as well as lower proceeds from borrowings, which decreased A\$140.8 million. The net cash outflow also decreased as a result of no dividend payments being made in fiscal 2013 in accordance with our debt reduction program.

Net cash from financing activities was an outflow of A\$240.2 million in fiscal 2012 as compared with an outflow of A\$124.3 million in fiscal 2011. The higher outflow in fiscal 2012 was principally due to higher repayments for borrowings (in fiscal 2012 we used the proceeds on forming the APN Outdoor joint venture, in which Quadrant bought half of our interest, to repay debt), which increased by A\$103.6 million, as well as lower proceeds from borrowings, which decreased by A\$24.1 million.

# Capital Expenditures

Our capital expenditures, which consist of payments for property, plant and equipment and payments for software, were A\$7.8 million in the six months ended June 30, 2014, A\$16.7 million in fiscal 2013, A\$23.2 million in fiscal 2012 and A\$33.9 million in fiscal 2011. We intend to fund future capital expenditure using cash from operations and borrowings from our existing and future bank finance facilities.

#### Dividends

Our approach to dividends is primarily based on the earnings, cash flows, and business requirements of the Group. The Board reviews our dividend policy each time we report our annual and half yearly results. The total dividends paid in fiscal 2011 and fiscal 2012 were A\$36.0 million and A\$22.0 million, respectively. For the six months ended June 30, 2014 and fiscal 2013, we did not declare or pay a dividend.

# Debt, Gearing and Other Financing Arrangements

At June 30, 2014, we had total interest-bearing liabilities of A\$504.6 million, including finance lease liabilities of A\$37.6 million. As of June 30, 2014, we had cash and equivalents of A\$25.0 million, resulting in net debt including net borrowing costs of A\$479.6 million. Net debt excluding net borrowing costs as of June 30, 2014, was A\$482.6 million.

On August 19, 2014, we entered into the Senior Secured Revolver. We are in the process of effecting the Refinancing. See "—Bank and Other Loan Facilities and Capital Market Debt" and "Description of Other Financing Arrangements" below for further information about the Senior Secured Revolver.

The following table shows our net debt and ratio of net debt to Adjusted EBITDA as of and for the years ended December 31, 2011, 2012, and 2013, and as of and for the LTM Period ended June 30, 2014, on an actual basis and on an as-adjusted basis after giving effect to the Refinancing, issuance of the Notes, and the use of the net proceeds to repay outstanding debt.

|   | As of and for the years ended<br>December 31, |         |              | As of and<br>for the LTM<br>Period ended<br>June 30, | As Adjusted<br>as of and for<br>the LTM<br>Period ended<br>June 30, |
|---|---|---------|--------------|--|---|
|   | 2011  | 2012    | 2013         | 2014   | 2014  |
|   |   |         | (A\$ in thou | sands)   |   |
| Total interest-bearing liabilities(1)     | 661,030                                       | 479,117 | 452,435      | 504,553  | 509,458   |
| Cash and cash equivalents                 | 23,885  | 20,338  | 19,956       | 24,957   | 24,957  |
| Net debt including net borrowing costs(2) | 637,145                                       | 458,779 | 432,479      | 479,596  | 484,501   |
| Net borrowing costs                       | 8,420   | 6,409   | 4,375        | 3,048  | 11,450  |
| Net debt                                  | 645,565                                       | 465,188 | 436,854      | 482,644  | 495,951   |
| Ratio of net debt to Adjusted EBITDA      | 3.8x  | 3.1x    | 2.7x         | 3.0x   | 3.0x  |
|   |   |         |              |  |   |

<sup>(1)</sup> Includes net borrowing costs.

### Bank and Other Loan Facilities and Capital Market Debt

#### Facilities and New Zealand bond as at June 30, 2014

As at June 30, 2014, we had total unsecured bank loan facilities of A\$578.7 million to fund ongoing operations and support our ongoing short to medium term working capital requirements. As at June 30, 2014, A\$412.3 million was drawn under these existing unsecured bank loan facilities (which comprised only revolving facilities).

As at June 30, 2014, we had NZ\$100.0 million (A\$92.9 million) outstanding under the New Zealand bonds. On August 20, 2014, we issued a notice to our New Zealand bondholders that amounts outstanding under the bonds would be prepaid on September 22, 2014. We expect to make drawings under our existing unsecured bank facilities in an amount equal to the amounts outstanding under the New Zealand bonds plus early redemption fees of NZ\$2.0 million (A\$1.9 million) to prepay the bonds.

Subsequent to prepayment of the New Zealand bonds, on or about September 22, 2014, we expect to make drawings under the Senior Secured Revolver to repay all current and non-current interest-bearing liabilities (with the exception of certain unsecured current bank loans) and cancel all available limits thereon.

We have not made any material drawings subsequent to June 30, 2014 other than in connection with the Refinancing and a drawing of A\$16.6 million for the acquisition of the remaining 50% share of Buspak in July 2014.

We intend to use the net proceeds from the issue of the Notes to repay outstanding indebtedness and to cancel certain commitments under the Senior Secured Revolver.

#### Senior Secured Revolver Refinancing

On August 19, 2014, we entered into the Senior Secured Revolver, comprising Australian dollar and multicurrency revolving facilities totaling A\$630 million. The Senior Secured Revolver is secured with various charges, share mortgages and real property mortgages in Australia, as well as various other charges, share

<sup>(2)</sup> Comprises total interest-bearing liabilities less cash and cash equivalents, and includes net borrowing costs.

mortgages and real property mortgages in New Zealand and Hong Kong representing substantially all of the borrowers' and guarantors' assets. See "Description of Other Financing Arrangements" below for further information about the Senior Secured Revolver.

### **Contractual Obligations and Other Commitments**

The following table summarizes the maturity profile of certain contractual obligations and commitments as of December 31, 2013:

|                              | Payments due in fiscal year ending December 31, 2013 |                     |           |                      |  |
|------------------------------|--|---------------------|-----------|----------------------|--|
|                              | Total  | Less than<br>1 year | 1-5 years | More than<br>5 years |  |
|                              | (A\$ in thousands)                                   |                     |           |                      |  |
| Interest-bearing liabilities | 461,230  | 107,908             | 353,322   | _                    |  |
| Operating leases             | 187,530  | 47,137              | 93,698    | 46,695               |  |
| Finance leases               | 40,474   | 40,474              |           |                      |  |
| Capital expenditure          | 116  | 116                 |           |                      |  |
| Total                        | 689,350  | 195,635             | 447,020   | 46,695               |  |
|                              |  |                     |           |                      |  |

Further information regarding our operating lease and finance lease commitments is set forth in Note 24 to our Financial Statements.

Other than the capital expenditure and commitments as set out above, we do not have any material offbalance sheet arrangements.

#### Quantitative and Qualitative Disclosure about Financial Risk

Our activities expose us to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets, and we seek to minimize potential adverse effects on our financial performance. We use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. We use different methods to measure different types of risk to which we are exposed.

Risk management is carried out by our central Treasury function under policies approved by our Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

### Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency that is not our functional currency. Individual transactions are assessed, and forward exchange contracts are used to hedge the risk where deemed appropriate. Whilst the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not in their functional currency.

In connection with the closing for the offer of the Notes, we will enter into certain currency and interest rate hedges. For details, see "Description of Other Financing Arrangements—Currency and Interest Rate Hedges."

### Interest rate risk

Our main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed interest rates expose us to fair value interest rate risk. Our policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary.

For further information on interest rate risk, see Note 33(a)(i) to the Financial Statements.

#### Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilization of credit limits is regularly monitored.

Credit risk further arises in relation to financial guarantees given to certain parties. Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealized gains. The Group undertakes 100% of its transactions in foreign exchange contracts with financial institutions.

For further information on credit risk, see Note 33(b) to the Financial Statements.

#### Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

For further information on liquidity risk, see Note 33(c) to the Financial Statements.

### **Critical Accounting Policies**

Preparing financial statements in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board requires management to make judgments and estimates that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Our accounting policies require us to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

- Impairment;
- · Property valuations; and
- · Income taxes.

For further information, see Note 1(aa) to the Financial Statements included elsewhere in this Information.

#### **INDUSTRY OVERVIEW**

Generally, the industry and market data presented below is, unless otherwise indicated, taken or derived from the sources cited. We have not independently verified and cannot give any assurance as to the accuracy of the industry and market data taken or derived from third party sources. See "Market and Industry Data". Industry and market data are subject to uncertainty and do not necessarily reflect actual industry or market conditions. They are based on industry or market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market.

We primarily operate in the Australian and New Zealand radio broadcasting, newspaper publishing, outdoor and digital advertising industries, as well as the Hong Kong outdoor advertising industry. Revenue in the media industry is predominantly derived from advertising sales, as well as publication cover price for newspapers. The performance of the advertising industry is generally driven by broad macroeconomic conditions in each country, as well as globally, including, general levels of economic activity, business confidence, consumer sentiment and the political environment.

#### Australia

Estimates in this section are based on reports by the Commercial Economic Advisory Service of Australia ("CEASA"), specifically the Advertising Expenditure in Main Media reports for the years ended December 31, 2011, December 31, 2012, and December 31, 2013, unless stated otherwise. Information is for the calendar year ending December 31 unless stated otherwise. See "Market and Industry Data" for further information on the use of industry data.

The Australian media industry segments as outlined in the table below generated approximately A\$13.4 billion in advertising revenue for 2013, according to CEASA, the primary provider of total advertising spend data in Australia. Total advertising revenue in the Australian media industry has remained relatively consistent over the last three years. We operate within the radio, newspaper, outdoor and online segments within the Australian media industry. In 2013, the largest segments we participate in, radio and newspapers, represented approximately 25.5% or A\$3.4 billion of overall Australian media advertising revenue. This compares to the U.S. media industry where radio and newspapers represented approximately 14.8% of the total media advertising revenue of US\$156.5 billion over the same period, according to CEASA.

The following table provides information about Australian media industry advertising revenues.

### **Australian Media Industry Advertising Revenues**

|           |   | Advert                | ising revenue         | e (A\$m)              | Compound growth (%)           | Share<br>(%)          |
|-----------|---|-----------------------|-----------------------|-----------------------|-------------------------------|-----------------------|
| Segment   | Description                                   | 2011                  | 2012                  | 2013                  | 2011 – 2013                   | 2013                  |
| Broadcast | Free-to-air TV                                | 3,556<br>394<br>1,008 | 3,452<br>439<br>1,012 | 3,497<br>501<br>1,027 | (0.8%)<br>12.8%<br>0.9%       | 26.1%<br>3.7%<br>7.7% |
| Print     | NewspapersMagazinesPublications & classifieds | 3,374<br>598<br>1,318 | 2,863<br>476<br>1,095 | 2,383<br>397<br>940   | (16.0%)<br>(18.6%)<br>(15.6%) | 17.8%<br>3.0%<br>7.0% |
| Digital   | Online  | 1,247<br>1,413        | 1,549<br>1,794        | 1,869<br>2,118        | 22.4%<br>22.4%                | 14.0%<br>15.8%        |
| Other     | Outdoor                                       | 494<br>79             | 502<br>89             | 544<br>102            | 5.0%<br>13.7%                 | 4.1%<br>0.8%          |
| Total     |   | 13,481                | 13,271                | 13,376                | (0.4%)                        | 100.0%                |

Source: CEASA 2011, 2012 and 2013 Advertising Expenditure in Main Media reports.

Radio advertising revenue in Australia has remained relatively stable, growing from 7.5% to 7.7% of total media advertising revenue in Australia from 2011 to 2013 and growing at an average annual rate of 0.9% over this period. In comparison, radio advertising revenue in the U.S. media industry represented approximately 5.5% of total media advertising revenue for 2013. Radio advertising revenue share has remained consistent in Australia for a number of reasons, including the continued strength in audience numbers, high level of reach, cost effectiveness and strong listener connection.

Newspaper advertising revenue has declined from 25.0% to 17.8% of total media advertising revenue in Australia from 2011 to 2013, declining at an average annual rate of 16.0% over this period. In comparison to the U.S., newspaper advertising revenue in Australia represents a larger proportion of the total media industry advertising revenue. In the U.S., newspaper advertising revenue represented approximately 9.3% of total media advertising revenue in 2013. We believe the decline in newspaper advertising revenue in Australia has occurred as a result of structural change within the industry, including the switch from print readership to digital consumption and declines in print circulation.

Outdoor advertising revenue in Australia has grown from 3.7% to 4.0% of total advertising revenue from 2011 to 2013, growing at an average annual rate of 5.0% over this period. In the U.S., outdoor advertising revenue represented approximately 2.5% of total media advertising revenue for 2013. Growth in outdoor advertising in Australia has been driven by advancements in technology, which are allowing advertisers to more accurately measure the effectiveness of a campaign, engage customers and create deeper connections with a brand, as well as the ability of the format to reach a target audience. This flexibility has enabled better targeting and consequently is attracting more advertisers.

### Australian Radio Industry

The Australian radio industry is segmented into commercial radio broadcasters, government radio broadcasters and community radio services. We operate as a commercial radio broadcaster in metropolitan areas. Commercial radio broadcasters primarily operate across the AM and FM broadcast bands. In 2013, 9.7 million people listened to commercial radio each week, up from 9.5 million people in the prior year. Radio reached 85% of 10-17 year olds each week, 80% of people aged 40-54 years and 76% of 18-24 year olds, according to Commercial Radio Australia. On average, Australians spend over 15 hours per week listening to commercial radio and have an average of five radio devices per household.

Commercial radio broadcasters primarily derive their revenues from the sale of advertising to media buying agencies and direct advertising. Audience share principally drives the allocation of advertising expenditure among commercial radio broadcasters. Consequently, commercial radio broadcasters compete for share of audience as higher levels of audience share allows broadcasters to attract more advertisers and sell advertising slots at premium rates. The level of audience share a commercial radio broadcaster can achieve is dependent on the appeal of its format, content and commercial announcers and presenters to the relevant audience. In 2013, the Australian radio market generated A\$1.0 billion in advertising revenue, representing 7.7% of total advertising revenue in the Australian media industry, according to CEASA.

The commercial radio broadcasting industry consists of metropolitan and regional broadcasters. Australian Radio Network ("ARN"), Southern Cross Media Group Limited ("SCA"), Nova Entertainment Australia Pty Ltd ("NOVA") and Fairfax Media Limited ("Fairfax") own the majority of metropolitan commercial radio broadcasting licenses. The metropolitan market represented approximately 67.5% of total advertising revenue in the Australian radio industry for 2013, according to CEASA.

The table below compares ARN's ratings performance relative to the other major radio broadcasting networks in Australia for the ratings surveys in 2013 and the five surveys completed year to date in 2014.

#### Radio Ratings Movement

|         | 10+ year olds |                      |                 | 25 – 54 year olds    |       |                 |
|---------|---------------|----------------------|-----------------|----------------------|-------|-----------------|
|         |               | Survey<br>1–5 / 2014 | Change<br>(+/-) | Survey<br>1–8 / 2013 |       | Change<br>(+/-) |
| ARN     | 15.3%         | 17.7%                | +2.4            | 17.7%                | 22.0% | +4.3            |
| SCA     | 16.4%         | 13.6%                | -2.8            | 22.2%                | 18.8% | -3.4            |
| NOVA    | 14.0%         | 14.5%                | +0.5            | 15.8%                | 16.2% | +0.4            |
| Fairfax | 10.3%         | 9.9%                 | -0.4            | 5.1%                 | 4.3%  | -0.8            |

Source: Based on aggregated data from GfK surveys since survey 8 of 2013 provided by a third party data provider.

Commercial radio stations operate under licenses granted by the Australian Communications and Media Authority ("ACMA"). Licenses are sold at auction by ACMA in a competitive process, are issued for a term of five years and are renewed by ACMA upon application and payment of renewal fees. If the application is made and the renewal fees are paid within the time period specified by ACMA, ACMA may renew the license. ACMA does have power to conduct a suitability investigation at the time an application for renewal is received, but neither ACMA nor its predecessor, the Australian Broadcasting Authority, has exercised that power to date. In September 2003, the Australian Broadcasting Authority announced that there would be a five year moratorium on the allocation of any new analogue commercial radio licenses. ACMA has made no comment on the issue since that time.

Digital radio was introduced in Australia in 2009. Anticipated as a new avenue for the industry, this new medium has struggled in an environment where portable computing and increasing internet accessibility are influencing consumer entertainment choices. The rising popularity of smartphones and the introduction of 3G and 4G mobile technologies have prompted growth in music streaming services such as Pandora, iHeartRadio, TuneIn Radio, Spotify and iTunes Radio. These services are popular because they allow listeners access to their favorite music anytime, anywhere across IP-enabled platforms. Commercial networks are increasing their investment in music streaming to meet this change in preference.

The table below shows the commercial broadcast stations with the largest audience share in the major Australian capital cities, including their ownership, station type, style, ratings share (for the audience aged 10+) for the latest available Commercial Radio Australia radio ratings survey, as well as the audience ratings share as at the end of 2013 and the consequent ranking for the station in each city based on the last survey. As demonstrated in the table below, we have a strong market position, either owning or having 50% investments in the number one or two FM radio stations by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth. We strengthened our ratings in 2014 in our key markets of Sydney, Melbourne, Brisbane and Adelaide, which are four of the largest commercial radio markets, representing 20.7%, 20.6%, 10.5% and 6.2% of total radio advertising revenue and 30.7%, 30.6%, 15.6% and 9.2%, respectively, of metropolitan radio advertising revenue, for 2013, according to CEASA.

## Australian Metropolitan Commercial Radio Market

|                       |  |                 |                      | 10+ audie            | nce share            |                        |
|-----------------------|--|-----------------|----------------------|----------------------|----------------------|------------------------|
| G. A                  | 0 11   |                 | G. 1                 | Survey 8             |                      | 75. 4.4                |
| Station               | Ownership  | Band            | Style                |                      |                      | Position               |
| Sydney                | Maggueria Dadia Naturada   | A 1 A 1         | Talle                | 12 207               | 12 107               | #1                     |
| 2GB                   |  | AM<br><b>FM</b> | Talk<br><b>Music</b> | 13.3%<br><b>6.4%</b> | 13.1%<br><b>9.4%</b> | #1<br><b>#2</b>        |
|                       | Australian Radio Network Pty Ltd<br>Australian Radio Network Pty Ltd | FM              | Music                | 5.0%                 | 9.4 %<br>8.7 %       |                        |
|                       | Nova Entertainment Australia Pty Ltd                                 | FM              | Music                | 6.5%                 | 7.2%                 | #3<br>#4               |
|                       | Nova Entertainment Australia Pty Ltd                                 | FM              | Music                | 7.7%                 | 6.4%                 | # <del>-</del> 4<br>#5 |
| 104.9 Triple M        |  | FM              | Music                | 5.5%                 | 5.0%                 | #6                     |
| 2UE                   | Fairfax Media Limited  | AM              | Talk                 | 4.2%                 | 4.6%                 | #7                     |
|                       | Macquarie Radio Network  | AM              | Music                | 5.0%                 | 4.1%                 | #8                     |
|                       | Southern Cross Media Group Limited                                   | FM              | Music                | 8.4%                 | 3.8%                 | #9                     |
| -                     | Southern Cross Media Group Emiliea                                   | 1 1/1           | TVI disto            | 0.170                | 5.070                | ",                     |
| Melbourne             |  | 43.6            | 7D 11                | 12.00                | 12.00                | // 1                   |
| 3AW 693               |  | AM              | Talk                 | 13.8%                | 13.9%                | #1                     |
|                       | Southern Cross Media Group Limited                                   | FM              | Music                | 8.6%                 | 7.8%                 | #2                     |
|                       | Southern Cross Media Group Limited                                   | FM              | Music                | 8.0%                 | 7.6%                 | #3                     |
|                       | Australian Radio Network Pty Ltd                                     | FM              | Music                | 7.6%                 | 7.2%                 |                        |
|                       | Nova Entertainment Australia Pty Ltd                                 | FM              | Music                | 8.2%                 | 6.8%                 | #5                     |
|                       | Nova Entertainment Australia Pty Ltd                                 | FM              | Music                | 5.9%                 | 6.6%                 | #6                     |
| Mix 101.1 FM          | Australian Radio Network Pty Ltd                                     | FM              | Music                | 5.8%                 | 6.2%                 |                        |
| SEN 1116              |  |                 | Talk / Sports        | 4.7%                 | 5.1%                 | #8                     |
| Magic 1278            | Fairfax Media Limited  | AM              | Music                | 4.0%                 | 4.8%                 | #9                     |
| Brisbane              |  |                 |                      |                      |                      |                        |
| 97.3 FM               | Australian Radio Network Pty Ltd / Nova                              | Ten 4           | Marain               | 12.00/               | 12.00/               | <i>Щ</i> 1             |
|                       | Entertainment Australia  | FM              | Music                | 12.0%                | 13.8%                | #1                     |
| Nova 1069             | Nova Entertainment Australia Pty Ltd                                 | FM              | Music                | 13.6%                | 11.7%                | #2                     |
|                       | Southern Cross Media Group Limited                                   | FM              | Music                | 9.8%                 | 9.4%                 | #3                     |
| 104.5 Triple M        | Southern Cross Media Group Limited                                   | FM              | Music                | 8.0%                 | 9.1%                 | #4                     |
| 4KQ                   | Australian Radio Network Pty Ltd                                     | $\mathbf{AM}$   | Music                | 6.9%                 | 8.0%                 | #5                     |
| Magic 882             | Fairfax Media Limited  | AM              | Music                | 6.0%                 | 5.0%                 | #6                     |
| 4BČ                   |  | AM              | Talk                 | 4.9%                 | 4.4%                 | #7                     |
| Perth                 |  |                 |                      |                      |                      |                        |
| Mix 94.5              | Southern Cross Media Group Limited                                   | FM              | Music                | 14.1%                | 14.2%                | #1                     |
| Nova 937              |  |                 |                      |                      |                      |                        |
| 1,0,4,0               | Radio Network Pty Ltd  | $\mathbf{FM}$   | Music                | 12.3%                | 12.4%                | #2                     |
| 96FM                  |  | FM              | Music                | 10.5%                | 10.7%                | #3                     |
| 6PR                   |  | AM              | Talk                 | 7.7%                 | 10.2%                | #4                     |
|                       | Southern Cross Media Group Limited                                   | FM              | Music                | 9.1%                 | 8.0%                 | #5                     |
| 6IX                   |  | AM              | Music                | 5.8%                 | 5.3%                 | #6                     |
| A dalaida             | -  |                 |                      |                      |                      |                        |
| Adelaide<br>Wir 102 2 | Australian Dadia Naturanta Dtv. I td                                 | EM              | Music                | 15 00/               | 15.9%                | #1                     |
| Mix 102.3             |  | FM              | Music                | <b>15.8%</b> 10.5%   |                      | <b>#1</b><br>#2        |
|                       | Nova Entertainment Australia Pty Ltd                                 | AM              | Talk                 |                      | 11.4%                | #2                     |
|                       | Nova Entertainment Australia Pty Ltd                                 | FM<br>FM        | Music<br>Music       | 11.1%<br>8.1%        | 10.4%<br>9.2%        | #3<br>#4               |
|                       | Southern Cross Media Group Limited                                   |                 |                      |                      |                      |                        |
|                       | Australian Radio Network Pty Ltd                                     | AM              | Music                | 8.6%                 |                      |                        |
| 10/.1 SAFWI           | Southern Cross Media Group Limited                                   | FM              | Music                | 8.5%                 | 8.0%                 | #6                     |
| Canberra#             |  |                 |                      |                      |                      |                        |
| 104.7 Canberra FM     |  | FM              | Music                | 18.5%                | 17.3%                | #1                     |
| 35. 40.0              | Australian Radio Network Pty Ltd                                     | 1:171           | Music                | 10.5 /0              | 17.5 /0              | n'1                    |
| Mix 106.3             | Southern Cross Media Group Limited /                                 | $\mathbf{FM}$   | Music                | 13.9%                | 16.8%                | #2                     |
| 1005135               | Australian Radio Network Pty Ltd                                     |                 |                      |                      |                      |                        |
| 1206AM                | Capital Radio Network / Grant Broadcasters                           | AM              | Talk                 | 4.6%                 | 7.0%                 | #3                     |
| 1053AM                | Capital Radio Network / Grant Broadcasters                           | AM              | Music                | 6.1%                 | 5.5%                 | #4                     |

Source: Commercial Radio Australia Radio Ratings Survey 5, 2014 (Sydney, Melbourne, Brisbane, Adelaide and Perth) and Survey 2, 2014 (Canberra) for current share. Commercial Radio Australia Radio Ratings Survey 8, 2013 (Sydney, Melbourne, Brisbane, Adelaide and Perth) Survey 2, 2013 (Canberra) for 2013 share.

<sup>(#)</sup> CEASA does not consider Canberra a metro area.

### Australian Newspaper Industry

The Australian newspaper industry is segmented into four distinct types of newspapers: national, metropolitan, regional and local. It is estimated that each month 14.6 million Australians read a print newspaper, with 3.0 million Australians reading a regional newspaper each month. The majority of newspapers in Australia are purchased in-store, with only approximately one-fifth of readers purchasing the newspapers through a subscription service. As with the newspaper industry in the U.S., over recent years the industry has undergone structural change. This has resulted in a decline in circulation rates, with total average newspaper circulation in Australia declining at an average annual rate of approximately 7.5% from 2011 to 2013. The decline has been driven by a switch from print readership to digital consumption and the increasing availability of free news online.

We operate a portfolio of 12 daily regional newspapers across Queensland and northern New South Wales. Regional newspapers service audiences outside of the five major Australian metropolitan regions of Sydney, Melbourne, Brisbane, Adelaide and Perth. Each newspaper focuses on a geographically targeted area, ranging from large regional urban centers to more rural areas. Ten out of twelve of our daily regional newspaper publications are located in the state of Queensland which has a strong regional market as around 75% of the state's population live outside of the capital city of Brisbane as at June 30, 2013 according to the Australian Bureau of Statistics.

In many of the regional areas in which we operate, we face no direct local newspaper competition from any major competitor, publishing the only newspaper in the region. In the regions where we hold the number two market position, we have tailored our offering to improve profitability with initiatives which take advantage of a lower cost digital platform without significantly reducing the circulation rates of these publications. In addition, ownership of the Australian newspaper market is highly concentrated. This has resulted in the largest four newspaper publishing companies, News Corporation, Fairfax Media Limited, Seven West Media Limited and APN, accounting for an estimated 96.6% of newspaper agency bookings for 2013, according to Standard Media Index ("SMI").

Newspaper publishers primarily generate revenues through the sale of display and classified advertisements, with cover price sales the largest other form of revenue. The ability of newspaper publishers to attract advertising revenue is highly dependent on their circulation. Consequently, newspaper publishers compete for circulation and advertising revenue. Circulation is primarily dependent on the relevance and quality of content and on price.

Major metropolitan titles in Australia are using alternative digital subscription and paid models including the scope and breadth of paywalls, in order to find a balance between circulation revenues and advertising yields. Despite its recent structural challenges, newspapers continue to represent a substantial portion of total advertising spending in Australia, capturing A\$2.4 billion in 2013, or 17.8% of Australian media advertising revenue, according to CEASA.

#### New Zealand

Estimates for New Zealand are based on reports by Advertising Standards Authority ("ASA"), specifically the New Zealand Advertising Industry Turnover 2013 publication, unless stated otherwise. Information is for the calendar year ending December 31 unless stated otherwise. See "Market and Industry Data" for further information on the use of industry data.

The New Zealand media advertising industry generated NZ\$2,274 million, NZ\$2,164 million and NZ\$2,179 million in total revenue in 2013, 2012 and 2011, respectively, representing an average annual rate of 2.2% over this period, according to ASA, New Zealand's main regulator of advertising media. In 2013, radio and newspapers represented 33.5% or NZ\$761 million of total New Zealand media advertising revenue, according to ASA.

### New Zealand Radio Industry

The New Zealand radio industry is segmented into national and local radio broadcasters. We operate seven commercial radio networks across New Zealand. The industry has two major broadcasters, The Radio Network ("TRN") and MediaWorks New Zealand Limited, as well as a number of smaller independent and not-for profit broadcasters.

Advertising revenue in the New Zealand radio industry is primarily generated through sales sold directly to advertisers as opposed to sales through advertising agencies. Given the market dynamic and our market position, we provide radio advertisers with a platform through which they can reach approximately half of the New Zealand radio audience. This industry position allows us to attract strong levels of advertising expenditure given the level of audience ratings we attract. Agency advertising revenue in New Zealand is coordinated through The Radio Bureau. This body represents the New Zealand commercial radio industry at a national level, developing national advertising campaigns for advertising agencies and national direct clients.

The New Zealand radio market generated NZ\$267 million, NZ\$248 million and NZ\$247 million in advertising revenue in 2013, 2012 and 2011 according to ASA, growing at an annual average rate of 4.0% over this period. The New Zealand radio market represented 11.7% of total advertising revenue in the New Zealand media industry for 2013.

Commercial radio stations in New Zealand operate under licenses granted by Radio Spectrum Management group of the Ministry of Business, Innovation and Employment. Spectrum licenses may be granted for a period of up to 20 years, or such lesser time as agreed between the management right holder and the licensee. In 2011, the current New Zealand radio licenses we operate were renewed until 2031.

The table below shows the commercial broadcast stations with the largest audience share in the three major metropolitan regions in New Zealand, including their ownership, station type, style and ratings share (for audience aged 10+) for the latest Commercial Radio Audience Measurement survey as at March 28, 2014.

### National New Zealand Radio Networks(1)

| Station                   | Ownership                      | Band          | Style         | Market Share<br>Survey 1<br>2014(2) | Position |
|---------------------------|--------------------------------|---------------|---------------|-------------------------------------|----------|
| Network Newstalk ZB       | The Radio Network Limited      | FM            | Talk          | 12.6%                               | #1       |
| Network Coast             | The Radio Network Limited      | $\mathbf{FM}$ | Music         | 9.2%                                | #2       |
| Network Rock              | MediaWorks New Zealand Limited | FM            | Music         | 8.7%                                | #3       |
| Network Edge              | MediaWorks New Zealand Limited | FM            | Music         | 8.5%                                | #4       |
| Network The Hits          | The Radio Network Limited      | FM            | Music         | 7.7%                                | #5       |
| Network Breeze            | MediaWorks New Zealand Limited | FM            | Music         | 6.9%                                | #6       |
| Network The Sound         | MediaWorks New Zealand Limited | FM            | Music         | 6.9%                                | #6       |
| Network ZM                | The Radio Network Limited      | FM            | Music         | 6.3%                                | #8       |
| Network More FM           | MediaWorks New Zealand Limited | FM            | Music         | 5.4%                                | #9       |
| Network Radio Live        | MediaWorks New Zealand Limited | FM            | News / talk   | 3.5%                                | #10      |
| Network Mai               | MediaWorks New Zealand Limited | FM            | Music         | 3.2%                                | #11      |
| Network Flava             | The Radio Network Limited      | FM            | Music         | 2.5%                                | #12      |
| Network Radio Sport       | The Radio Network Limited      | $\mathbf{AM}$ | Sports / talk | 2.4%                                | #13      |
| Network Radio Hauraki     | The Radio Network Limited      | FM            | Music         | 2.4%                                | #13      |
| Network George            | MediaWorks New Zealand Limited | FM            | Music         | 1.3%                                | #15      |
| Network LiveSPORT & Radio |                                |               |               |                                     |          |
| Trackside                 | New Zealand Racing Board       | AM            | Sports / talk | 0.5%                                | #16      |
| Network Kiwi              | MediaWorks New Zealand Limited | FM            | Music         | 0.2%                                | #17      |

<sup>(1)</sup> Source: TNS New Zealand. Share over survey period from February 15, 2014 to March 28, 2014 for audience 10+.

<sup>(2)</sup> This table does not include radio stations that hold only a minimal audience share. Accordingly, this table comprises 88% of New Zealand's total estimated radio audience. Statements elsewhere in this document that TRN has an audience share of approximately 49% refer to the audience share that TRN holds of ranked networks as a proportion of the 88% audience share reflected in this table.

# New Zealand Radio Stations by Region

| Station                     | Ownership                       | Band          | Style         | Market Share<br>Survey 1<br>2014 | Position |
|-----------------------------|---------------------------------|---------------|---------------|----------------------------------|----------|
| Auckland                    |                                 |               |               |                                  |          |
| Newstalk ZB                 | The Radio Network Limited       | FM            | Talk          | 13.4%                            | #1       |
| Coast                       | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 9.6%                             | #2       |
| The Edge                    | MediaWorks New Zealand Limited  | FM            | Music         | 7.8%                             | #3       |
| The Breeze                  | MediaWorks New Zealand Limited  | FM            | Music         | 7.0%                             | #4       |
| The Hits                    | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 6.7%                             | #5       |
| ZM                          | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 5.9%                             | #6       |
| Mai FM                      | MediaWorks New Zealand Limited  | FM            | Music         | 5.2%                             | #7       |
| The Sound                   | MediaWorks New Zealand Limited  | FM            | Music         | 5.1%                             | #8       |
| The Rock                    | MediaWorks New Zealand Limited  | FM            | Music         | 4.7%                             | #9       |
| Flava                       | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 3.8%                             | #10      |
| George FM                   | MediaWorks New Zealand Limited  | FM            | Music         | 3.5%                             | #11      |
| Radio Live                  |                                 | FM            | News / talk   | 3.2%                             | #12      |
| Radio Sport                 |                                 | $\mathbf{AM}$ | Sports / talk | 2.7%                             | #13      |
| More FM                     | MediaWorks New Zealand Limited  | FM            | Music         | 2.4%                             | #14      |
| Radio Tarana                | Radio Tarana                    | AM            | Music         | 1.8%                             | #15      |
| Radio Hauraki               | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 1.6%                             | #16      |
| LiveSPORT & Radio Trackside | New Zealand Racing Board        | AM            | Sports / talk | 0.6%                             | #17      |
| BBC                         |                                 | AM            | News / talk   | 0.5%                             | #18      |
| Times FM                    | MediaWorks New Zealand Limited  | FM            | Music         | 0.4%                             | #19      |
| Kiwi FM                     | MediaWorks New Zealand Limited  | FM            | Music         | 0.2%                             | #20      |
|                             |                                 |               |               |                                  |          |
| Wellington                  |                                 |               |               |                                  |          |
| Newstalk ZB                 |                                 | FM            | Talk          | 15.3%                            | #1       |
| The Breeze                  |                                 | FM            | Music         | 13.7%                            | #2       |
| ZM                          |                                 | FM            | Music         | 11.3%                            | #3       |
| The Sound                   |                                 | FM            | Music         | 7.5%                             | #4       |
| The Rock                    |                                 | FM            | Music         | 7.4%                             | #5       |
| The Edge                    |                                 | FM            | Music         | 6.6%                             | #6       |
| Coast                       |                                 | FM            | Music         | 5.7%                             | #7       |
| The Hits                    |                                 | FM            | Music         | 5.0%                             | #8       |
| Radio Hauraki               |                                 | FM            | Music         | 4.3%                             | #9       |
| Radio Live                  |                                 | FM            | News / talk   | 3.7%                             | #10      |
| More FM                     |                                 | FM            | Music         | 2.9%                             | #11      |
| Radio Sport                 |                                 |               | Sports / talk | 2.5%                             | #12      |
| Flava                       |                                 | FM            | Music         | 1.7%                             | #13      |
| Mai FM                      |                                 | FM            | Music         | 1.5%                             | #14      |
| Atiawa Toa FM               |                                 | FM            | Music         | 1.0%                             | #15      |
| LiveSPORT & Radio Trackside | e                               | AM            | Sports / talk | 0.5%                             | #16      |
| Kiwi FM                     |                                 | FM            | Music         | 0.3%                             | #17      |
| George FM                   | Media works New Zealand Limited | FM            | Music         | 0.1%                             | #18      |
| Christchurch                |                                 |               |               |                                  |          |
| Newstalk ZB                 | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 17.0%                            | #1       |
| More FM                     |                                 | FM            | Music         | 10.7%                            | #2       |
| The Breeze                  | MediaWorks New Zealand Limited  | FM            | Music         | 10.2%                            | #3       |
| The Rock                    |                                 | FM            | Music         | 9.0%                             | #4       |
| The Edge                    |                                 | FM            | Music         | 6.9%                             | #5       |
| The Sound                   |                                 | FM            | Music         | 6.0%                             | #6       |
| The Hits                    |                                 | $\mathbf{FM}$ | Music         | 5.7%                             | #7       |
| Coast                       |                                 | $\mathbf{FM}$ | Music         | 5.7%                             | #7       |
| ZM                          | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 5.3%                             | #9       |
| Mai FM                      | MediaWorks New Zealand Limited  | FM            | Music         | 4.9%                             | #10      |
| Radio Live                  |                                 | FM            | News / talk   | 4.5%                             | #11      |
| Radio Hauraki               | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 2.8%                             | #12      |
| Radio Sport                 |                                 | $\mathbf{AM}$ | Sports / talk | 2.4%                             | #13      |
| Kiwi FM                     |                                 | FM            | Music         | 0.7%                             | #14      |
| LiveSPORT & Radio Trackside |                                 | AM            | Sports / talk | 0.2%                             | #15      |
| Flava                       | The Radio Network Limited       | $\mathbf{FM}$ | Music         | 0.1%                             | #16      |
| George FM                   |                                 | FM            | Music         | 0.1%                             | #16      |
| =                           |                                 |               |               |                                  |          |

Source:

TNS New Zealand.
Share over survey period from February 15, 2014 to March 28, 2014 for audience 10+. Note:

### New Zealand Newspaper Industry

The New Zealand newspaper industry is segregated into three distinct types of newspapers: metropolitan, regional and local. No national newspapers exist in New Zealand, with metropolitan titles servicing the four main centers of Auckland, Wellington, Christchurch and Dunedin. In New Zealand, we operate a range of metropolitan and regional titles.

In 2013, 2012 and 2011, the New Zealand newspaper market generated NZ\$494 million, NZ\$540 million and NZ\$582 million in advertising revenue, declining at an average annual rate of 7.9% over the period, according to ASA. New Zealand is predominantly a subscription based market.

As with the New Zealand radio industry, the newspaper market primarily consists of two major operators, NZM and Fairfax Media Limited. As at March 31, 2014, we have the leading position within New Zealand and Auckland with the highest circulation (paid and free). Auckland represents 33.4% of New Zealand's total population and accounts for a significant proportion of national advertising spend.

New Zealand newspapers have been slower than their peers in Australia to begin charging readers for online content, with no paywalls currently in place for New Zealand newspaper websites.

The table below shows the circulation rates for New Zealand newspapers for the quarter ending March 31, 2014 in major regions across New Zealand, including their ownership, town and format. We own the number one metropolitan newspaper in New Zealand by circulation, *The New Zealand Herald*, and the number one newspaper by circulation in the Central region and the number two newspaper by circulation in the Northern region of New Zealand. The table also highlights our strategic focus on the North Island of New Zealand following the sale of our South Island newspapers in 2013.

**New Zealand Newspapers by Region** 

| Publication   | Ownership   | Town   | Format   | Circulation  | Position                                       |
|---|---|--|--|--|--|
| Metropolitan The New Zealand Herald The Dominion Post The Press Otago Daily Times   | Fairfax New Zealand Ltd<br>Fairfax New Zealand Ltd  | Auckland<br>Wellington<br>Christchurch<br>Dunedin  | Daily morning (Mon – Sat)  | <b>146,119</b> 71,708 66,795 36,611                                    | #1<br>#2<br>#3<br>#4                           |
| Northern region The Waikato Times. Bay of Plenty Times The Northern Advocate. The Daily Post The Whakatane Beacon The Gisborne Herald The Northland Age. The Wairoa Star            | APN News & Media Ltd<br>APN News & Media Ltd<br>APN News & Media Ltd<br>Whakatane Beacon Ltd<br>Gisborne Herald Co.<br>APN News & Media Ltd   | Hamilton Tauranga Whangarei Rotorua Whakatane Gisborne Kaitaia Wairoa                                    | Daily morning (Mon – Sat)  Triweekly morning (Tues, Wed & Fri)  Daily afternoon (Mon – Sat)  Biweekly morning (Tues & Thurs)  Biweekly morning (Tues & Thurs)             | 29,219 <b>15,088 11,699 7,863</b> 7,312 6,558 <b>4,363</b> n.a.        | #1 #2 #3 #4 #5 #6 #7 n.a.                      |
| Central region Hawke's Bay Today Taranaki Daily News Manawatu Standard  | Fairfax New Zealand Ltd   | Hastings<br>New<br>Plymouth<br>Palmerston  | Daily morning (Mon – Sat) Daily morning (Mon – Sat) Afternoon (Mon – Fri), Morning (Sat)   | <b>20,840</b> 19,531 13,116  | <b>#1</b><br>#2<br>#3                          |
| Wanganui Chronicle  | APN News & Media Ltd  | North Whanganui Masterton Levin  | Daily morning (Mon – Sat)<br>Daily morning (Mon – Sat)<br>Biweekly morning (Wed & Fri)   | 9,776<br>5,885<br>n.a.   | #4<br>#5<br>n.a.                               |
| Southern region The Southland Times The Nelson Mail The Timaru Herald The Marlborough Express Ashburton Guardian Greymouth Star The Oamaru Mail Hokitika Guardian The Westport News | Fairfax New Zealand Ltd<br>Fairfax New Zealand Ltd<br>Fairfax New Zealand Ltd<br>The Ashburton Guardian Co<br>Allied Press<br>Mainland Media<br>The Greymouth Evening Star<br>Company Ltd | Invercargill<br>Nelson<br>Timaru<br>Blenheim<br>Ashburton<br>Greymouth<br>Oamaru<br>Hokitika<br>Westport | Daily morning (Mon – Sat) Daily afternoon (Mon – Sat) Daily morning (Mon – Sat) Daily afternoon (Mon – Fri) Daily morning (Mon – Sat) Afternoon (Mon – Fri), Morning (Sat) Daily morning (Mon – Fri) Daily morning (Mon – Fri) Daily afternoon (Mon – Fri) | 24,209<br>12,337<br>11,175<br>6,993<br>4,723<br>4,262<br>2,526<br>n.a. | #1<br>#2<br>#3<br>#4<br>#5<br>#6<br>#7<br>n.a. |
| Weekly press Sunday Star-Times Herald on Sunday Sunday News The National Business Review  | APN News & Media Ltd<br>Fairfax New Zealand Ltd   | Auckland<br>Auckland<br>Auckland   | Auckland (Sun) Morning (Sun) Morning (Sun) Morning (Sun)   | 120,046<br><b>98,709</b><br>31,125<br>5,858                            | #1<br><b>#2</b><br>#3                          |

Source: News Works NZ, The New Zealand Audit Bureau of Circulations.

Note: Average daily circulation for quarter to June 30, 2014.

### **Outdoor Advertising Industry**

The outdoor advertising market provides advertisers with the ability to broadcast widely and capture a large audience. Outdoor advertising comprises static, scrolling, digital and tri-vision advertising formats, which are located in three environments—roadside, transport and retail. We primarily operate in the roadside environment, which encompasses advertising that appears on the side of, or nearby to, a road, or on bus transit. This form of advertising includes billboards and free standing panels; static and digital signs on buses, taxis and pedestrian bridges; and posters on street furniture, including bus and tram shelters, kiosks and telephone booths.

Estimates in this section are based on reports by CEASA, specifically the Advertising Expenditure in Main Media reports for the years ended December 31, 2011, December 31, 2012, and December 31, 2013, as well as the Outdoor Media Association ("OMA"), unless stated otherwise. Information is for the calendar year ending December 31 unless stated otherwise. See "Market and Industry Data" for further information on the use of industry data.

#### Australia and New Zealand

The outdoor advertising industry in Australia generated approximately A\$544 million in advertising revenue in 2013, representing 4.1% of the total media advertising revenue in Australia for 2013. Outdoor advertising revenue has grown at a compound annual rate of 5.0% from 2011 through 2013, according to CEASA. The largest advertisers in this segment for 2013 included finance, retail and entertainment and leisure companies, comprising approximately 11.3%, 10.9% and 9.6%, respectively, of Australian outdoor advertising revenue in 2013 according to the Outdoor Media Association ("OMA"), the peak national industry body for outdoor media in Australia. In New Zealand, the outdoor advertising industry generated approximately NZ\$76 million of advertising revenue in 2013 up 13.4% compared to 2012, according to ASA. New Zealand outdoor advertising revenue in 2013 was down 8.4% compared to 2011. However, in 2011 New Zealand hosted the Rugby World Cup, causing a sharp increase in the amount of outdoor advertising in that year.

In Australia and New Zealand, we primarily operate in the street furniture segment, covering major cities in both Australia and New Zealand. According to the OMA, 'other roadside' advertising revenue, which includes street furniture, comprised 36.1% of Australian outdoor advertising revenue in 2013.

The outdoor industry in Australia is highly concentrated with the four top operators, oOh!media Group Pty Limited, APN Outdoor Group Pty Ltd, Adshel and JCDecaux Street Furniture Pty Limited accounting for an estimated 79.2% of outdoor advertising industry revenue in 2013. Adshel is the third largest outdoor operator in Australia based on both revenue and agency bookings with market share of agency bookings of 17.0%, according to SMI. Adshel's market share of agency bookings has grown over the last three years from 13.9% in 2011 to 17.0% in 2013.

There is an audience measurement system named Measurement of Outdoor Visibility and Exposure ("MOVE") which media buyers and advertisers can subscribe to, which measures more than 67,000 advertising panels located in the five major Australian cities of Sydney, Melbourne, Brisbane, Adelaide and Perth.

Due to advances in digital technology, the sector is now better able to measure the effectiveness of a campaign with a higher degree of granularity, and new technologies have allowed advertisers to more effectively engage customers. This greater flexibility enables better targeting and consequently is attracting more advertisers to outdoor advertising.

### Hong Kong

In Hong Kong, we primarily operate in the transit and billboard advertising segments. The outdoor advertising industry in Hong Kong generated approximately US\$908 million in advertising revenue in 2013. This was up 23.5% from US\$735 million in 2011, according to CEASA. The share of advertising revenue for outdoor advertising in Hong Kong has remained flat at approximately 12.6% to 12.7% of total media advertising revenue from 2011 to 2013, according to CEASA. Key competitors to our Hong Kong Outdoor business include Asiaray, Clear Media, Convey Advertising, JCDecaux, POAD and RoadShow.

#### **BUSINESS**

### Overview

We are a market leading diversified media company with operations in Australia, New Zealand and Hong Kong with a combination of radio broadcasting, newspaper publishing, outdoor advertising and digital media assets. We broadcast to over 6.3 million radio listeners every week and reach a news audience of over 3.4 million people. In Australia, we are the number one ranked FM radio network by audience share on an aggregated basis and we are a leading newspaper publisher in regional Queensland and northern New South Wales based on market share. In New Zealand, we are a leading radio broadcaster with approximately 49% of the audience share of the ranked networks, we are the leading newspaper publisher and we own the leading daily deals website. In Hong Kong, we are the leading operator of bus exterior and on-board advertising on Hong Kong Island mass transit bus system. We also own a 50% interest of Adshel, one of the largest transit street furniture and digital advertising businesses in Australia and New Zealand.

We are listed on the Australian Securities Exchange (ASX: APN) and the New Zealand NZX Main Board securities market ("NZX") with a market capitalization of A\$761.5 million as at August 29, 2014. For the LTM Period ended June 30, 2014, we generated revenues from continuing operations of A\$828.5 million, EBITDA of A\$156.8 million and Adjusted EBITDA of A\$163.4 million. Our head office is located in Sydney, Australia.

The following chart provides an overview of our four business divisions and their respective percent of our Adjusted EBITDA for the LTM Period ended June 30, 2014.

#### Australian Radio Australian Regional Outdoor New Zealand(1) Network Media Owns eight, and has · Leading portfolio of The Radio Network— Hong Kong Outdoor-50% investments in bus exterior and regional newspapers seven core radio four, radio stations in six across Queensland and networks multimedia in-bus key capital cities northern New South advertising and premium • New Zealand Media— Wales billboard operator • Two core radio networks country's leading newspaper publisher • Adshel—50% joint Multiplatform media iHeartRadio—digital footprint venture interest in radio platform GrabOne—country's Adshel, which has street leading daily deals furniture and digital business advertising panels in iHeartRadio—digital Australia and New radio platform Zealand LTM ADJUSTED EBITDA: LTM ADJUSTED EBITDA: LTM ADJUSTED EBITDA: LTM ADJUSTED EBITDA: A\$60.2 million A\$27.5 million A\$79.4 million A\$12.3 million 15%(2

- (1) We now manage our New Zealand businesses as one division, which comprises our three reported operating segments of The Radio Network, New Zealand Media and Digital. Our Digital segment is comprised of GrabOne and, for the six months ended June 30, 2014, our interest in Soprano Design Pty Limited ("Soprano"), an Australian based multinational provider of mobile messaging and wireless application infrastructure, which we consider as having an immaterial impact on Adjusted EBITDA.
- (2) Adjusted EBITDA is for the LTM Period ended June 30, 2014 and excludes unallocated costs.

We believe our platforms, along with our extensive local content, provides an attractive integrated multimedia offering for our advertising customers.

#### **Business Divisions**

### Australia Radio Network ("ARN")

ARN is a leading Australian metropolitan commercial radio broadcaster that owns eight radio stations and has 50% investments in four radio stations. ARN is the number one ranked FM radio network in Australia by audience share on an aggregated basis and, through the radio stations it owns or has investments in, it has the number one or number two ranked FM radio station by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth, as at the most recent ratings surveys of 2014. ARN broadcasts to over 4.6 million listeners each week through two core, predominantly FM radio networks, the *KIIS + Mix Network* and *Classic Hits Pure Gold Network*, as well as through *The Edge 96.1* station. ARN also streams music through digital radio platform, iHeartRadio. Our *KIIS + Mix Network* is targeted at the female 29-39 year old demographic, and *Classic Hits Pure Gold Network* is targeted at the 25 to 44 year old demographic.

In February 2014, ARN secured an exclusive ten-year distribution and services agreement with Clear Channel to operate iHeartRadio, a digital radio platform that provides free music streaming and live radio services with customized radio stations, in Australia and New Zealand. At August 2014, iHeartRadio had secured approximately 274,000 registered users in Australia. In the six months ended June 30, 2014, iHeartRadio had an average of 7.2 million page views per month in Australia and 360,000 app downloads in Australia. iHeartRadio has a strong position in the custom and live radio market with a large service offering and is a powerful tool to grow audiences and awareness of our radio brands and promote live events.

### Australian Regional Media ("ARM")

ARM is a leading publisher in regional Queensland and northern New South Wales based on market share. It owns 12 daily newspapers, 58 community, special publications and non-daily newspapers and an online regional news network of 36 websites. ARM's newspapers represent over half of all regional daily newspaper circulation in Queensland and its newspapers and websites reach over 1.4 million readers every week. Most of ARM's daily titles are the sole daily regional newspaper in their region. ARM's focus on local content, strong brands, multi-platform delivery and audience reach means it is attractive to local and national advertisers. Around 75% of Queensland's population lives outside of the capital city of Brisbane, which means ARM's regional offering is valuable to its advertiser customers and reaches key regional markets in Australia. ARM is focused on building scale at a local level which allows it to more effectively compete for advertising spend and enables its customers to reach a large proportion of our local markets. ARM has also continued to execute on its strategy to increase its digital offerings. In fiscal 2013, ARM almost doubled its average monthly online audience across mobile and desktop platforms and in July 2014 received an average of approximately 2.8 million monthly unique visitors.

### New Zealand

Our New Zealand businesses are comprised of The Radio Network, New Zealand Media and GrabOne.

The Radio Network ("TRN"). TRN operates seven core radio networks including the top two national radio networks in New Zealand by ratings share. TRN broadcasts to approximately 1.7 million listeners each week across New Zealand with approximately 49% of the audience share of the ranked networks. TRN has one principal competitor in the New Zealand radio market, and audience share has generally been evenly split between them. TRN owns the number one and two ranked stations in New Zealand by audience share, being NewsTalkZB, a national talk radio station, and Coast, a national music station. TRN operates the iHeartRadio digital radio platform in New Zealand, with approximately 220,000 registered users at August 2014, as well as websites for all of its brands, smartphone applications and brand representation through social media.

TRN has recently invested in new talent and refreshed key brands to target a younger audience demographic. In August 2014, TRN was awarded the Media/Publishing TVNZ marketing award for the launch of iHeartRadio in New Zealand.

New Zealand Media ("NZM"). NZM is the leading newspaper publisher in New Zealand by circulation with its principal masthead, The New Zealand Herald, being the only major daily newspaper publication in Auckland, New Zealand's largest city, with a population of approximately 1.4 million people. This gives NZM a key competitive advantage in New Zealand, with Auckland being critical to any national advertising campaign and capturing a significant portion of all national advertising spend. The New Zealand Herald is also the country's most popular daily newspaper with almost twice the circulation of the second largest daily newspaper. The New Zealand Herald's website, nzherald.co.nz is one of the most visited news website in New Zealand with 1.3 million unique visits every week. We also publish six other daily newspapers, 25 non-daily newspapers and over 20 websites, mobile sites and apps. Our daily newspapers are generally the sole local newspaper publications in their local area. NZM's audience includes over 2.1 million people every week via print, desktop and mobile. NZM's flagship publication, The New Zealand Herald, was recognized in 2013 as "Newspaper of the Year" and "Best News Website" at the Canon Media Awards. In 2014, nzherald.co.nz was recognized as the "Best Digital Breaking News Coverage" and the Weekend Herald was recognized as the "Best Weekly Newspaper of the Year" at the Canon Media Awards.

*GrabOne*. Our GrabOne business was launched in July 2010 and is the leading daily deals website in New Zealand, with a revenue market share of approximately 80%. GrabOne has a current database of over 1.5 million members and over 16,000 merchants. In fiscal 2013, the website generated an average of 6.1 million sessions per month, sent an average of 35 million emails per month and posted an average of approximately 300 deals per day.

### Outdoor

Our Outdoor business segment is comprised of our Hong Kong Outdoor businesses and a 50% interest in Adshel.

Hong Kong Outdoor. Our Hong Kong Outdoor businesses comprise Buspak Advertising (Hong Kong) Limited ("Buspak") and Cody Outdoor International (HK) Limited ("Cody"), which is owned by Buspak. Cody specializes in premium billboard advertising which currently covers two high-traffic volume tunnels, the Eastern and Western Harbor Tunnels, as well as other prime locations throughout Hong Kong. Buspak is the leading operator of multimedia, exterior and on-board advertising on the mass transit bus systems on Hong Kong Island. Buspak also pioneered the successful Webus WiFi initiative which provides free wireless internet access to commuters on buses.

Adshel. We have a 50% joint venture in Adshel Street Furniture Pty Limited ("Adshel") with Clear Channel holding the other 50%. Adshel is a leading outdoor street furniture and digital advertising company in Australia, as well as New Zealand. Adshel currently has over 19,000 advertising panels in Australia and over 3,000 advertising panels in New Zealand within transport shelters and railway networks. It is currently implementing a significant roll out in the Australian outdoor advertising market in Sydney, having won a five-year contract with Sydney Trains in December 2013 covering 51 train stations, principally in metropolitan Sydney, including major digital advertising infrastructure in premium central business district train station concourses.

#### **Company History**

Our history began in 1968 when a number of newspaper families consolidated their publishing interests to form Provincial Newspapers of Queensland ("PNQ"). In 1988, PNQ was acquired by Independent News & Media PLC ("INM") and the O'Reilly Trust. INM, through a subsidiary, still holds an 18.61% interest in APN. APN listed on the ASX in 1992. Rapid growth and change in the 1990s saw PNQ enter and subsequently expand into the radio sector, enter the outdoor advertising market and change its name to APN News & Media Limited. We listed on the NZX in 2004.

We entered the radio sector through a joint venture with Clear Channel, forming Australian Radio Network in 1995. In 1996, we purchased a 33% interest in The Radio Network, New Zealand's largest radio operator. We entered the outdoor advertising sector with the acquisitions of Buspak and Cody in 1995. In 1997, we entered into the joint venture arrangement with Clear Channel to establish Adshel. We became a major player in New Zealand's newspaper industry with the acquisition of the Wilson & Horton Limited publishing business in December 2001 and the *Wairarapa Times-Age* in 2002. In 2010, we established GrabOne as a joint venture with an external party, acquiring full ownership of GrabOne by 2012.

Over the last 18 months, we have undertaken a number of transformative transactions to consolidate our growth businesses of radio, outdoor advertising and digital and to divest certain other assets. In February 2014, we acquired the remaining 50% interest in our Australian Radio Network and The Radio Network joint ventures from Clear Channel for A\$246.7 million, and in July 2014 we acquired the remaining 50% beneficial interest in Buspak from Clear Channel for a total of A\$17.0 million (which includes a A\$3.0 million settlement for an outstanding shareholder receivable and a 50% share of cash on the balance sheet prior to the acquisition). This gave us full beneficial ownership of the Hong Kong outdoor businesses.

In 2014, we divested our interest in the APN Outdoor joint venture and our interest in brandsExclusive. In November 2013, we sold several South Island and Wellington newspapers, and in February 2014, we sold several magazine titles in New Zealand to Bauer Media.

#### **Our Competitive Strengths**

Leading positions in the Australian and New Zealand media markets—We are a leading diversified media company in Australia and New Zealand with strong competitive positions in large and valuable markets, including Sydney, Melbourne, regional Queensland, northern New South Wales and Auckland.

- We are the number one ranked FM radio network by audience share on an aggregated basis and, through
  the radio stations we own or have investment in, we are the number one or number two ranked FM radio
  station by audience share in Sydney, Brisbane, Adelaide, Canberra and Perth as demonstrated by the most
  recent ratings surveys of 2014, with a total average weekly listening audience of approximately
  4.6 million people.
- We are a leading newspaper publisher in regional Queensland and northern New South Wales. Most of our Australian daily titles are the sole daily regional newspaper in their region.
- We own the number one and two ranked FM radio stations in New Zealand by audience share, being *NewsTalkZB*, a national talk radio station, and *Coast*, a national music station.
- We are the leading newspaper publisher in New Zealand with our principal masthead, *The New Zealand Herald*, being New Zealand's highest circulated newspaper which has more than twice the circulation of its nearest daily competiters.
- We own the leading daily deals website in New Zealand.
- We are the leading operator of Hong Kong Island mass transit bus exterior and on-board advertising with Buspak having pioneered the Webus initiative, which provides free wireless internet access to commuters on buses.
- Adshel is one of the largest transit street furniture and digital advertising businesses in Australia and New Zealand.

*Diversified across businesses, geographies, markets and formats*—We are a multi-media business offering cross-platform advertising solutions through our publishing, radio, outdoor and digital assets. Our service combination enables us to deliver integrated advertising campaigns to advertising agencies and national and local businesses. Integrated advertising solutions are increasingly becoming the strategy of choice for advertisers

seeking to maximize impact, audience reach, frequency of message and interactivity through a "one-stop shop". Our ability to target specific audiences through a combination of these mediums allows advertisers to deliver their messages more effectively. By offering advertising clients multiple channels to consumers, we are able to create value as well as build upon our competitive strengths. Our advertiser customers are a combination of advertising agencies and businesses and are diversified across the automotive, retail, telecommunications, financial services and other industries. Our largest advertiser represented an immaterial percentage of our revenue from continuing operations in fiscal 2013. We are also geographically diversified with operations in metropolitan and regional Australia, New Zealand and Hong Kong which, combined with our diversified service bases, provides resilience against specific industry cycles affecting advertisers in the diverse markets in which we operate.

We create compelling and reliable news and entertainment content that delivers us large audiences across our platforms—Our businesses include strong, trusted brands that consistently deliver high quality entertainment and news content on a timely basis. We have invested in talent and programming across our radio businesses to create appealing news and entertainment content, which has resulted in consistent ratings success and increased our audience share. Newspapers remain the medium that sets the news agenda and provides analysis, insights and a high level of research and rigorous fact checking which supports the high quality content and journalism on which readers rely. The local focus of the content we provide ensures that our news and entertainment remain engaging to core audiences.

Strong track record of effectively managing our publishing cost base—We have a strong track record of adjusting the cost base of our publishing businesses to ensure that we are operating our businesses efficiently, whilst maintaining our commitment to investing in high-quality content and achieving our long-term strategy. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our ARM segment were reduced by A\$23.2 million and A\$6.5 million, respectively, compared to the comparable prior periods. In fiscal 2013 and the six months ended June 30, 2014, our operating costs in our NZM segment were reduced by NZ\$35.8 million (including NZ\$8.5 million reduction relating to assets sold) and NZ\$17.5 million (including NZ\$11.0 million reduction relating to assets sold), respectively, compared to the comparable prior periods. Cost-saving measures included closing costly print plants, outsourcing printing and support functions, centralizing sales, sending advertising production offshore and restructuring certain senior leadership teams. We continue to assess the cost base of the print businesses to drive operational efficiencies.

We have high levels of cash flow generation—We have a high and stable cash generating business. During the years ended December 31, 2013 and 2012, we have achieved Adjusted EBITDA margins of 19.9% and 18.4%, respectively, which have been delivered in challenging market conditions through a combination of market share growth and cost base management. Over the same reporting periods, capital expenditures represented 2.0% and 2.8%, respectively, of our total revenue. Our strong operating margins and low capital expenditure requirements have enabled us to generate free cash flow conversion rates of 89.8% for fiscal 2013 and 88.9% for the LTM Period ended June 30, 2014, which is calculated as Adjusted EBITDA less capital expenditure divided by Adjusted EBITDA. We maintain a disciplined approach towards debt reduction and are committed to maintaining balance sheet strength and appropriate levels of leverage. Consistent with this approach, we are focused on cash generation, and in fiscal 2013 we generated A\$63.1 million of net cash inflows, which were applied to debt reduction.

Highly experienced management team—We are led by a management team that has many years' experience in the media industry and has been refreshed over the last few years in line with the strategic focus of the business. Michael Miller was appointed as our Chief Executive Officer in June 2013, having been in numerous executive roles with News Limited since 1997. Jane Hastings was appointed as Chief Executive Officer of TRN in September 2012, and has served as Chief Executive Officer of APN New Zealand since May 2014. Ciaran Davis joined ARN as its Chief Executive Officer in 2010 and has over 25 years' experience in the radio industry. Jeff Howard was appointed as our Chief Financial Officer in December 2012 and has over 20 years' experience in banking and audit roles, including focusing on telecommunications and media sectors. Neil

Monaghan was appointed as Chief Executive Officer of ARM in April 2013 and has over 25 years' experience in procurement and operations including in the media industry. Rob Atkinson was appointed as Chief Executive Officer of Adshel in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Yvette Lamont, our Group General Counsel and Company Secretary, has extensive experience in the media industry and is a member of the Media and Communications Committee of the Law Council of Australia.

### **Our Strategies**

Focus on maximizing audience growth and engagement to drive revenue—As product boundaries of radio, publishing, outdoor and online have become increasingly blurred with the introduction of digital media, we have adapted our business to be less focused on formats and more focused on audiences. Large and highly engaged audiences across multiple platforms deliver an attractive value proposition to advertisers. We plan to continue to grow our audience by creating unique, accessible and innovative content and by remaining a trusted, relevant and enjoyable source of news and entertainment. We intend to actively cross-promote our business brands and talent and continue to seek to maximize audience engagement through increasing dialogue and two-way communications with our audiences and by increasing our digital platforms and access points.

We plan to invest in growing our digital business offerings in our core business brands—A growing digital presence is integral in each of our core business brands. We are focused on creating additional revenue opportunities from innovative digital products within these brands. Examples include:

- Adshel's roll-out of the Sydney Trains contract thereby increasing interaction with consumers through the
  installation of cameras, touchscreens and WiFi; and Buspak's Webus initiative increasing interaction
  through in-bus WiFi service;
- focusing on social media channels to allow our audience to reach and interact with our products, an
  example of which is that the Sunshine Coast Daily has one of the highest numbers of Facebook 'likes' of
  any newspaper in Australia;
- implementing and continuing to explore programmatic sharing opportunities in our businesses;
- leveraging our GrabOne platform;
- leveraging our online radio platform through iHeartRadio;
- the roll-out of centrally co-ordinated print and digital bundles in our publishing businesses; and
- developing mobile applications for tablets and smartphones to enrich our business brands.

Continue to adapt quickly to changing market dynamics—We continue to focus on a range of potential revenue generating opportunities in order to diversify beyond the traditional channels of advertising and circulation, in recognition of the continuing evolution that is occurring in the markets in which we operate. We will continue to introduce a range of initiatives across our business segments in relation to content marketing, mobile, online video, customer data collection and e-commerce in order to achieve greater brand leverage. It will remain our priority to adapt quickly to changing consumer preferences by expanding our digital presence and increasing the choices for our customers who are expecting a 'news brand anywhere' relationship and an 'always on' news source that can be accessed throughout the day across a range of mediums.

Committed to international best practice for our publishing businesses—Publishers worldwide have sought to address falling print circulation and subscriptions through a variety of initiatives, such as paywalls, mobile additions and partnering local with national content. We will continue to actively consider a number of these initiatives and how they may be used to stabilize and ultimately grow the audience for our various publications. Initiatives we are currently considering, based on strategies adopted by our international peers, include partnering local with national content in our Australian regional publishing business thereby creating stronger, higher value local products and the introduction of a digital paywall for paid content from The New Zealand Herald.

The integration of our New Zealand assets presents cross-selling opportunities—We recently announced the appointment of Jane Hastings to a newly created role of Chief Executive Officer of APN New Zealand with responsibility for APN's New Zealand publishing, radio and digital businesses. This appointment will enable more strategic collaboration across our New Zealand businesses, including greater cross-selling opportunities for our media brands to better meet the needs of our advertising clients, cross-promotion of our media platforms and improved efficiency through removal of duplication and maximization of our digital audience. We have also created an integrated advertising planning and sales function in our New Zealand businesses to provide major national and agency clients with a seamless group-wide advertising solution. We will continue to offer advertisers the opportunity to communicate with consumers across trusted news and information media, entertainment platforms and outdoor assets. Aligned with this will be the extensive data and technology opportunity that GrabOne further provides with its current database of 1.5 million subscribers.

**Position the business to take advantage of acquisition opportunities**—The Australian Government is currently considering potential changes to the existing media ownership laws which could provide acquisition opportunities within the sector. As a result, we are aiming to position ourselves strategically such that we are able to assess and participate in any attractive opportunities that present themselves. We will also opportunistically consider acquisitions which allow us to utilize our key strengths.

Continue to manage our publishing cost base—We continue to identify further opportunities to rationalize the cost base of our newspaper publishing businesses and are targeting cost savings of A\$20 million in fiscal 2014, including cost savings of A\$10 million in the six months ended December 31, 2014.

Pursue a conservative financial policy—We are committed to pursuing and maintaining a prudent and sustainable capital structure that will allow us to maintain financial and operational flexibility. We have continued to strengthen our liquidity position by reducing debt over the last couple of years. We are committed to maintaining balance sheet strength and levels of leverage appropriate for a business with strong operating margins, and we will maintain a disciplined approach towards debt reduction. We have not paid dividends since September 2012, and we raised equity to help fund the purchase in February 2014 of the remaining 50% of ARN and TRN.

## Australian Radio Network ("ARN")

ARN is a leading Australian metropolitan commercial radio broadcaster which owns or has 50% investments in 12 radio stations in Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth, of which one Brisbane station, one Perth station and two Canberra stations are 50% owned. ARN broadcasts to over 4.6 million listeners each week through two core, predominantly FM radio networks, *KIIS + Mix Network*, and *Classic Hits Pure Gold* as well as through the station *The Edge 96.1*. ARN also streams music through the digital radio platform, iHeartRadio.

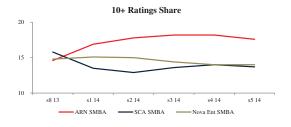
ARN's portfolio of radio assets is as follows:

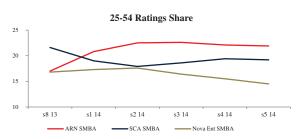
| Radio Network             | Description   |
|---------------------------|---|
| Mix FM<br>Network         | <ul> <li>The <i>MixFM</i> Network is broadcast in Melbourne, Brisbane, Adelaide and Canberra</li> <li>The network has some of Australia's most popular radio talent with leading FM stations in each of the markets it operates</li> <li>The network aims to connect with 25 to 44 year old females</li> </ul>  |
| KIIS 1065                 | <ul> <li>Launched the re-branded station in January 2014, in line with the launch of a new breakfast show</li> <li>KIIS 1065 is a music based station and targets the female 25 to 44 year old demographic</li> <li>KIIS 1065 is currently the number one ranked FM breakfast show and number two ranked FM radio station in Sydney by audience share</li> </ul>  |
| Classic Hits Pure<br>Gold | <ul> <li>Classic Hits Pure Gold is an all-rounder radio network, delivering a combination of music, chat and intelligent fun for 40 to 54 year olds</li> <li>The Classic Hits Pure Gold Network broadcasts across Australia via WSFM101.7 Sydney, GOLD104.3 Melbourne, 4KQ693AM Brisbane and Cruise1323 Adelaide</li> <li>WSFM is currently the number one ranked FM radio station and number two ranked FM breakfast show in Sydney by audience share</li> </ul> |
| The Edge 96.1             | <ul> <li>The Edge 96.1 FM (Sydney) and EDGE DIGITAL (Sydney, Melbourne, Adelaide, Brisbane) plays Hip Hop, R&amp;B, Pop and Dance targeting 18 to 29 year olds</li> <li>The Edge's music, content and presenters are targeted towards younger females</li> </ul>  |

ARN has sought to confirm its position as a market leader by investing in new talent and programming across its stations and, as a result, has experienced overall ratings improvements in the first five surveys of 2014. ARN, through the radio stations it owns or has 50% investments in, holds the following positions as at the most recent surveys of 2014:

- number one ranked FM radio network in Australia by audience share;
- number one ranked FM radio station by audience share (10+ year old audience) in each of Sydney, Brisbane, Adelaide and Canberra; and
- number one ranked FM radio station by audience share in the 25 to 54 year old audience in each of Sydney, Brisbane, Adelaide and Canberra. This audience is commercially important to advertisers given its high levels of disposable income and spending power.

The charts below show ARN's leading market position and ratings performance in two age groups.





Source: Based on aggregated data from GfK surveys since survey 8 of 2013 provided by a third party data provider. Charts include ARN=Australian Radio Network, SCA= Southern Cross Austereo, DMG= Nova Entertainment, and SMBA= Sydney, Melbourne, Brisbane and Adelaide.

The majority of our advertising revenue is derived from agency advertising spend rather than direct advertising spend. Agencies use audience share and ratings positions as a key determinant in directing advertising revenues, leading to higher demand for radio stations with consistently high ratings. Having recently acquired market leading audience shares across our network and having maintained these positions during 2014, we are well positioned to optimize advertising rates due to the higher levels of audience reach from slots on our network.

Our primary objective is to maintain our position as the number one FM network across Australia by audience share, focusing on the key Sydney and Melbourne markets. We intend to maintain this position by continuing to focus on implementing innovative and creative content on air, online via social media and through the digital radio platform iHeartRadio, as well as developing and attracting stronger off-air talent to create higher quality content.

### *iHeartRadio*

iHeartRadio is a digital radio platform owned by Clear Channel that provides free music streaming services with customized radio stations and over 1,500 live radio stations. It is available to customers across multiple platforms, including online, mobile and tablet. iHeartRadio originated in 2008 in the United States, where it has been a major success story for Clear Channel. According to information reported publicly by Clear Channel, in the United States iHeartRadio's listening hours increased by 29% in 2013, and as of December 31, 2013, the iHeartRadio mobile application had been downloaded 300 million times. Through its digital platforms, Clear Channel reported that iHeartRadio had an estimated more than 76 million unique digital visitors for the month of December 2013.

In February 2014, ARN secured an exclusive ten-year distribution and services agreement with Clear Channel to operate the iHeartRadio digital radio platform in Australia and New Zealand, as well as the option to act as the implementation partner of iHeartRadio in certain countries of Asia (excluding China, India, Japan, Taiwan and South Korea, among others). Under this agreement, we will pay Clear Channel a A\$9.0 million license fee in three instalments commencing in February 2015.

We decided to launch iHeartRadio in Australia and New Zealand to provide us access to a variety of digital mediums and allow us to partner with one of the fastest growing digital music platforms in the world. iHeartRadio increases live listening to existing radio stations and allows us to create unique content targeting specific audiences that is not possible under traditional radio licenses. We have also gained access to rich online content and video on demand targeting younger audiences and consequently are able to offer deeper and more integrated advertising solutions to our clients.

At August 2014, iHeartRadio had approximately 274,000 registered users in Australia, and 220,000 registered users in New Zealand. In the six months ended June 30, 2014, iHeartRadio Australia had an average of 7.2 million page views per month and 360,000 app downloads. iHeartRadio has a strong position in the custom and live radio market with a large service offering and is a powerful tool to grow audiences and awareness around our other radio brands and promote live events.

iHeartRadio combines live radio, advertising, customized radio and music purchase which is different to other existing platforms which focus on either live radio, customized radio or provide subscription or music purchase services. Live radio can offer clients and users local activation, celebrity personalities, promotional events and contests, as well as content-rich programming.

We are currently focused on growing the local audience and enhancing audience engagement with the platform. We will continue to sponsor live events, such as Ed Sheeran's album launch in Sydney in June 2014, to build local audience registrations and establish the platform as an entertainment brand. We believe the live events business is appealing to advertisers and sponsors and that they wish to be associated with the events and iHeartRadio brand.

### Australian Regional Media ("ARM")

ARM is a leading publisher in regional Queensland and northern New South Wales based on market share, with 12 daily newspapers, 58 community, special publications and non-daily newspapers and an online regional news network of 36 websites. ARM's newspapers represent over half of all regional daily newspaper circulation in Queensland and its newspapers and websites reach over 1.4 million readers every week. With around 75% of the population of Queensland living outside of the capital city of Brisbane, ARM's regional offering is valuable to its advertiser customers and reaches key regional markets. The table below describes our 12 leading daily publications:

|                        |                                   | Circulation(2) |        | Readership(3) |        |
|------------------------|-----------------------------------|----------------|--------|---------------|--------|
| Title                  | Distribution(1)                   | Mon-Fri        | Sat    | Mon-Fri       | Sat    |
| Sunshine Coast Daily   | Sunshine Coast (population ~330k) | 13,172         | 18,638 | 68,000        | 58,000 |
| The Chronicle          | Toowoomba (population ~149k)      | 17,218         | 23,092 | 63,000        | 64,000 |
| The Morning Bulletin   | Rockhampton (population ~118k)    | 11,953         | 16,480 | 46,000        | 43,000 |
| The Daily Mercury      | Mackay (population ~180k)         | 10,609         | 12,602 | 45,000        | 40,000 |
| The Queensland Times   | Ipswich (population ~309k)        | 8,329          | 10,645 | 35,000        | 38,000 |
| The Observer           | Gladstone (population~79k)        | 5,212          | 6,750  | 24,000        | 21,000 |
| News Mail              | Bundaberg (population~89k)        | 8,261          | 12,349 | 37,000        | 38,000 |
| Fraser Coast Chronicle | Fraser Coast (population~9k)      | 7,201          | 7,788  | 38,000        | 34,000 |
| The Gympie Times(4)    | Gympie (population~48k)           | 3,797          | 6,534  | 19,000        | 20,000 |
| The Northern Star      | Lismore (population~32k)          | 9,509          | 15,352 | 45,000        | 45,000 |
| The Daily Examiner     | Grafton (population~34k)          | 4,258          | 4,713  | 18,000        | 16,000 |
| Warwick Daily News     | Warwick<br>(population~16k)       | 2,779          | 2,677  | 10,000        | 8,000  |

<sup>(1)</sup> Estimated residential population for the area in which the title is distributed as at December 31, 2013 (Australian Bureau of Statistics).

- (2) Average daily circulation for the six months ended June 30, 2014 (Audit Bureau of Circulations).
- (3) Readership as measured by Enhanced Media Metrics Australia ("EMMA") conducted by Ipsos MediaCT, people 14+ for the year ended June 30, 2014, Neilsen Online Ratings people 14+ only for the year ended June 30, 2014.
- (4) Daily circulation is Tuesday to Friday.

Our 58 community, special publications and non-daily newspapers comprise:

- 2 community newspapers in northern Queensland;
- 6 community newspapers and 3 specialty publications in central Queensland;
- 12 community newspapers and 3 specialty publications in southwest Queensland;
- 13 community newspapers, 1 specialty publication and the Sunshine Coast Sunday in southeast Queensland;
- 7 community newspapers and 1 specialty publication in the Wide Bay Burnett region of Queensland; and
- 9 community newspapers and 1 specialty publications in northern New South Wales.

The success of our regional titles reflects a combination of informative local content and trusted local brands that deliver high quality journalism which consumers can rely upon. We have attractive competitive dynamics in the markets in which we operate with most of our daily titles being the sole daily regional newspaper in their region. ARM represents the "local voice" of its communities and is a trusted source of news and information. Our deep understanding of our communities and our local relationships provide advertisers with a highly targeted, multi-platform media solution to connect with regional audiences.

Our advertising revenue is predominantly generated by display and classified advertising. Display revenue comprises national (agency) and local (direct) retail advertising expenditure. The majority of display revenue is made up of direct advertising revenue which is consistent with the local positioning of our newspaper portfolio and its ability to deliver advertisers a targeted local market. Our classifieds revenue comprises multiple pillars including motoring, features, real estate and employment. Real estate is the largest of these pillars with local newspapers remaining a popular medium of advertising for real estate agents.

ARM continued its focus on increasing its digital network offering throughout fiscal 2013, resulting in us almost doubling our average monthly online audience across both mobile and desktop platforms. We also launched a new classifieds suite, as well as a bundled print and digital sales strategy to leverage larger audience numbers. We plan to capitalize on this digital and mobile growth by continuing to invest in dedicated on-site digital producers, improving cross-platform publication capabilities, optimizing content for mobile and continuing the drive of social referrals to masthead sites.

#### **New Zealand**

Our New Zealand businesses are a leading multimedia group in New Zealand consisting of radio, publishing and digital media assets. Our diverse product combination enables us to deliver fully integrated advertising solutions to agencies and businesses, thereby allowing advertisers to deliver their messages efficiently and effectively. Our New Zealand businesses comprise The Radio Network, New Zealand Media and GrabOne.

### The Radio Network ("TRN")

TRN operates seven core radio networks which include the top two national radio networks in New Zealand by audience share being *Newstalk ZB* and *Coast*. We broadcast to approximately 1.7 million listeners each week across New Zealand with approximately 49% of the audience share of the ranked networks. TRN maintains websites, smartphone apps and social media sites for all its brands. We are also heavily involved with the New Zealand community at national and local levels, with sponsorships and partnerships with business, the arts, charities, sports interests, education and more.

TRN has a large audience and wide reaching portfolio of radio stations which attract a variety of listeners, allowing advertisers to target a range of specific audiences. Direct advertising contributes the majority of our advertising revenues as a result of having both nationwide and local stations, giving advertisers the option to generate broad coverage or focus advertising spend into key geographical areas.

TRN benefits from well-defined and segregated brands which are presented in the table below with ratings positions as of the TNS New Zealand Commercial Survey 1 in 2014.

| Radio Station | Description  |
|---------------|--|
| NewstalkZB    | <ul> <li>New Zealand's number one ranked radio station nationally, holding number one rankings in each of Auckland, Wellington and Christchurch</li> <li>New Zealand's number one ranked talkback radio station</li> </ul>                                     |
| The Coast     | <ul> <li>New Zealand's number one ranked music radio station nationally and in Auckland</li> <li>Coast plays the music you grew up with and love to sing along to</li> <li>Targets 50 to 60 year olds</li> </ul>   |
| The Hits      | Targets 35 to 54 year olds and the female daytime listening market in Auckland   |
| Radio Hauraki | <ul> <li>Music station with iconic and alternative rock</li> <li>Targets 25 to 44 year old males in the mid to high socio-economic brackets</li> </ul>   |
| Radio Sport   | <ul> <li>Number one ranked dedicated sports radio station in Auckland</li> <li>Live coverage, specialist commentary, and issues-driven sports talkback 24/7, Radio Sport is "everything to do with sport!"</li> <li>Targets 30 to 49 year old males</li> </ul> |
| ZM            | <ul> <li>New Zealand's youth music station</li> <li>Reaches approximately 344,700 listeners</li> <li>Targets 18 to 39 year olds and engages with its audience on air, on the street and online</li> </ul>  |
| Flava         | <ul> <li>Plays Hip Hop and R'n'B music. Flava is an active, aware and savvy radio station that connects with a younger audience demographic</li> <li>Targets an under 35 audience</li> </ul>   |

We have recently invested in new talent and programming across many of our key stations including *Newstalk ZB* and *Radio Sport* and have also launched new breakfast shows on *Radio Hauraki* and *The Hits*. TRN will continue to launch new programming and look to further leverage partnerships to grow its audience base and provide fully integrated media solutions to advertisers. We are committed to improving content and acquiring new talent to realign our brands to a targeted younger demographic.

We will continue to increase our digital presence and content and will be providing greater online content including music streaming, mobile and video as well as driving growth in our social media audience. We believe this will increase traffic through the online platform and allow us to monetize the increased digital audience via social media applications, hosting co-branded apps on Facebook, commerce and display advertising. Our digital investment has been recognized with TRN being awarded the Media/Publishing TVNZ Marketing Award for the launch of iHeartRadio in New Zealand in August 2014.

### New Zealand Media ("NZM")

NZM connects with over 2.1 million people every week via print, desktop and mobile. As New Zealand's leading newspaper publisher, NZM's portfolio includes the country's flagship newspaper, *The New Zealand Herald*, along with six other daily newspapers, 25 non-daily newspapers and over 20 websites, mobile sites and

apps. *The New Zealand Herald* is the country's leading newspaper with a weekly brand audience of over 1.4 million people across print and online. *The New Zealand Herald's* popularity is underpinned by its status as a trusted brand that delivers news and premium content. The print audience of *The New Zealand Herald* tends to be older, financially secure, has a greater buying power and therefore offers a greater value proposition to advertisers.

NZM has the following portfolio of print assets:

| Titles  | Description  |
|---|--|
| The New Zealand<br>Herald & The Herald<br>on Sunday | <ul> <li>Established in November 1863, The <i>New Zealand Herald</i> is the flagship of the NZM business and is the largest circulating daily publication in New Zealand</li> <li>The <i>New Zealand Herald</i> has a daily circulation of 146,000, with no direct competitor in Auckland</li> <li>The <i>Herald on Sunday</i> is the number two ranked weekend newspaper in New Zealand and has a weekly circulation of approximately 99,000</li> <li>Both papers are focused on advertising in the critical Auckland market</li> </ul> |
| nzherald.co.nz                                      | <ul> <li>The New Zealand Herald's website is one of New Zealand's leading digital news websites.</li> <li>The website is content rich with image-led articles, video content and photo galleries, making it easy for readers to find the latest updates and most popular content</li> </ul>  |
| Regional Newspapers                                 | <ul> <li>NZM's regional newspaper division publishes six daily publications and more than 25 non-daily community newspapers</li> <li>Regional titles remain a principal source of local news and are instrumental in connecting local communities and their advertisers</li> </ul>   |
| Magazines   | • NZM publishes three magazines under license from Pacific Magazines Group Australia: <i>New Idea, Girlfriend</i> and <i>That's Life</i>   |

Our primary objective is to be the number one content, entertainment and commercial news provider in New Zealand. In order to effectively engage with our audience, we will continue to strive to use unique, rapidly updated, accessible and engaging written and video content. NZM's flagship publication, *The New Zealand Herald*, was recognized in 2013 as "Newspaper of the Year" and "Best News Website" at the Canon Media Awards. In 2014, nzherald.co.nz was recognized as the "Best Digital Breaking News Coverage" and the Weekend Herald was recognized as the "Best Weekly Newspaper of the Year" at the Canon Media Awards.

We intend to share and cross-promote our content through the integration of our publishing, radio and digital businesses to build a data-based platform targeting the highest value audience.

In order to more effectively monetize this content, we intend to launch a digital paywall in the first quarter of 2015 across our New Zealand digital news brands. A metered paywall will be progressively introduced for retail customers who will be charged for content above the meter, with a range of digital subscription offers being put to the market to drive digital revenues while current newspaper subscribers will receive a digital subscription at no additional cost.

### **GrabOne**

GrabOne was launched in July 2010 and is the leading daily deals website in New Zealand providing deals for customers at significant discounts. GrabOne has a current database of over 1.5 million members and over 16,000 merchants with a revenue market share of approximately 80% in New Zealand. GrabOne works alongside our other businesses with many of the GrabOne merchants also advertising in *The New Zealand Herald*. In fiscal 2013, the website generated an average of 6.1 million sessions per month, sent an average of 35 million emails per month and posted an average of approximately 300 deals per day on its website.

GrabOne's strategy is to underpin its market leading position in daily deals by investing in personalization and mobile technologies as well as implementing a range of enhancements to its website. We plan to establish a dedicated data analytics group in order to better understand our members' needs and preferences in real time and improve our technology to better target them across email, desktop and mobile. We also plan to enhance the mobile experience of the site in order to capture a larger share of the growing mobile commerce segment. We are also planning to launch several new vertical offerings, such as free coupons during 2014, to generate incremental revenue.

#### Outdoor

Our Outdoor businesses comprise our Hong Kong Outdoor businesses and a 50% joint venture interest in Adshel.

### Hong Kong Outdoor

Hong Kong Outdoor comprises Buspak and Cody.

Buspak provides exterior and on-board advertising for over 1,700 buses on Hong Kong Island through its contract with New World First Bus Services Limited, one of the largest bus operators in Hong Kong. Buspak pioneered the successful Webus initiative, which provides free wireless internet access to commuters on mass transit buses on Hong Kong Island. It also launched an on board television service, BuzPlay, in 2012 that offers integrated exterior and interior plus Webus platforms, enhancing services for commuters and advertisers. The BuzPlay initiative faced challenges initially as a result of assumptions regarding government regulation relating to advertising limits, but a recent contract review culminated in the renegotiation of its terms. Hong Kong Outdoor also launched its signature buses offering covering advertising on the whole of bus exterior and interior, which has been well received by the advertising market and secured two significant billboard contracts at the beginning of 2014.

Our strategy is to become the one-stop solution to advertisers in Hong Kong through an integrated sales package combining the bus body advertising, BuzPlay and Webus platforms.

Cody is owned by Buspak and specializes in premium billboard advertising in Hong Kong. The network currently covers two high-traffic volume tunnels, the Eastern Harbor Tunnel and Western Harbor Tunnel, as well as other prime locations throughout Hong Kong. We lease the billboard sites from third party owners, generally for terms of one to five years although landlords may require shorter terms for premium sites. Cody works closely with Buspak to offer advertisers billboard and transit advertising solutions.

#### Adshel

Adshel is a 50% joint venture between us and Clear Channel. Clear Channel is a market leader with extensive outdoor media assets globally with whom we have had a successful working relationship for over 15 years. Adshel operates in the street furniture segment with over 19,000 advertising panels in Australia, as well as over 3,000 panels in New Zealand, located in transport shelters for trams and buses, street furniture displays and railway networks. Its advertising panels are digital and static or scrolling panels.

In December 2013, Adshel won each of the precincts that it tendered for in the highly competitive Sydney Trains contract, and Adshel now has a five year contract to supply display infrastructure covering 51 train stations, principally in metropolitan Sydney, but also in regional New South Wales. As a result, Adshel is currently rolling out major outdoor digital display infrastructure in the Australian outdoor market principally in metropolitan Sydney, including major digital advertising infrastructure in premium Sydney central business district train station concourses. Adshel also recently completed the insourcing of maintenance, posting and cleaning services across five major regions in Australia and sold its two infrastructure businesses as part of the narrowing of its strategic focus on street furniture and digital outdoor advertising.

The roll-out of the Sydney Trains digital advertising panels is a key focus for Adshel in 2014, with full revenue benefits expected to flow through beginning in 2015 and for the remaining duration of the five year contract. We expect that increased interaction with consumers via the installation of cameras, touchscreens and WiFi will further increase audience engagement, as will internet enabled content and social media.

In addition, Adshel's current contracts include contracts with the Brisbane and Auckland City Councils, the Cities of Adelaide and Perth, Yarra Trams and Public Transport Victoria.

#### **Intellectual Property**

We believe that we hold all intellectual property rights and trademarks necessary for the conduct of our business operations.

Our intellectual property assets include: mastheads, copyrights in newspapers, radio programming and other content and technologies; trademarks in names and logos; domain names; and licenses of intellectual property rights. We derive value and revenue from these assets through, among other things, print and digital newspaper and magazine subscriptions and sales, the sale of subscriptions to our content and information services, the operation of websites and other digital properties, and radio broadcasting.

We devote significant resources to protecting our intellectual property in Australia, New Zealand and Hong Kong. To protect these assets, we rely upon a combination of copyright, trademark, unfair competition, patent, trade secret and other laws and contract provisions. However, there can be no assurance of the degree to which these measures will be successful in any given case. Policing unauthorized use of our products, services and content and related intellectual property is often difficult, and the steps taken may not in every case prevent the infringement by unauthorized third parties of our intellectual property. We seek to limit that threat through a combination of approaches, including pursuing legal sanctions for infringement, promoting appropriate legislative initiatives and international treaties, and enhancing public awareness of the meaning and value of intellectual property and intellectual property laws. Piracy, including in the digital environment, continues to present a threat to revenues from products and services based on intellectual property.

Third parties may challenge the validity or scope of our intellectual property from time to time, and such challenges could result in the limitation or loss of intellectual property rights. Irrespective of their validity, such claims may result in substantial costs and diversion of resources that could have an adverse effect on our operations. Moreover, effective intellectual property protection may be either unavailable or limited in certain foreign territories. Therefore, we engage in efforts to strengthen and update intellectual property protection around the world, including efforts to ensure the effective enforcement of intellectual property laws and remedies for infringement.

## People

As of June 30, 2014, APN had 3,640 employees, calculated on a full-time equivalent basis. We have 1,737 employees in Australia, 1,824 in New Zealand and 79 in Hong Kong. The table below shows our full-time equivalent employees by function as of June 30, 2014.

|                       |     |       | New     |         |       |       |
|-----------------------|-----|-------|---------|---------|-------|-------|
| <b>Function</b>       | ARN | ARM   | Zealand | Outdoor | Other | Total |
| Advertising sales     | 156 | 410   | 591     | 34      |       | 1,191 |
| Circulation           | _   | 89    | 97      | _       | _     | 186   |
| Editorial and content | 138 | 372   | 524     | _       | _     | 1,034 |
| Production            | 84  | 276   | 196     | 25      | _     | 582   |
| Marketing             | 6   | _     | 108     | _       | _     | 114   |
| Admin                 | 47  | 144   | 230     | _20     | 92    | 533   |
| Total                 | 431 | 1,291 | 1,747   |         | 92    | 3,640 |

#### **Insurance**

We believe we maintain levels of insurance coverage in accordance with industry practices in the jurisdictions in which we operate, taking into account the size and scope of our operations and our risk exposure. We review the appropriateness of our insurance coverage on a regular basis and amend our policies to suit any change in circumstances.

### **Legal Proceedings**

We are involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The dispute involves tax of NZ\$56 million for the period up to December 31, 2013. The IRD is seeking to impose penalties of between 10% and 50% of the tax in dispute in addition to the tax claimed. In the event the Company is unsuccessful in the dispute, we have tax losses available to offset the amount of any tax payable up to NZ\$40 million. Any fines or penalties imposed by the IRD would be capable of being offset by such tax losses, but interest is not.

On February 22, 2013, the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, we were issued with Notices of Assessment denying deductions in relation to interest claimed on certain financing transactions.

In response to this step, we have commenced litigation in the High Court of New Zealand to defend our position in relation to this matter.

In addition, the IRD has commenced to audit an arrangement pertaining to withholding tax associated with a financing transaction. There is no current indication as to the likely outcome.

In addition, from time to time we may be involved in litigation and claims arising in the ordinary course of business, including litigation from employees, regulators or other third parties, as well as defamation litigation and litigation to protect media and intellectual property.

### **Australian Regulation**

#### Media regulation in Australia

The following is a brief summary of the regulatory framework that affects our Australian media business. This summary does not cover all current and proposed laws and policies, and reference should be made to specific legislation or policies for further detail. Due to the changing media landscape, there is a possibility that law reforms will alter the current regulatory framework. Similarly, there is an ongoing possibility that courts will interpret these laws in different ways, and developments in case law could further alter the current regulatory position.

### Media ownership and control

The *Broadcasting Services Act 1992* (Cth) contains a regime that limits the control that a person can have over different types of media within specified license areas. The restrictions affect holders of commercial radio and commercial television broadcast licenses as well as newspaper proprietors. The limits on media control are calculated based on various factors such as the number of licenses held, types of licenses held and audience reach. Control is given a broad definition to cover various formal and informal arrangements under which a person can be in a position to exercise control.

Media control and diversity rules are monitored and enforced by the Australian Communications and Media Authority (the "ACMA"). There has been recent discussion about the potential de-regulation of Australia's existing media ownership laws, however it is unclear at this time whether any changes will be implemented.

Current restrictions on media ownership and control affect the ability of Australian media businesses to acquire one another. The potential de-regulation of current laws could change the media landscape in Australia with potential impact on our profitability. Such changes may be beneficial to us if they allow us to make acquisitions, however the outcome of any proposed changes remains uncertain and the possibility that the outcome of any change would be negative cannot be excluded. In addition to these media-specific ownership laws, there are economy-wide restrictions on mergers and acquisitions affecting competition, which are contained in the Consumer and Competition Act 2010 (Cth) and are administered by the Australian Competition and Consumer Commission.

The Foreign Acquisitions and Takeovers Act 1975 (Cth), the Foreign Acquisitions and Takeovers Regulations 1989 (Cth) and Australia's Foreign Investment Policy require that certain investments in assets (including interests in assets) or shares of certain companies (including Australian media companies) by any person who is not ordinarily a resident of Australia (or, in the case of a corporation, in which a natural person not ordinarily residing in Australia or a foreign corporation holds a controlling interest under a particular test) be submitted to the Treasurer for prior approval. The Treasurer has power to decline approval in certain circumstances, and may also require that shares or assets (including an interest in an asset) be divested in certain circumstances. The application of, and any changes to these rules, may affect our share price and business.

In addition to media laws that apply across all mediums of communication, there are distinct regulatory frameworks to be considered in relation to each of our specific media platforms.

#### Advertising

All forms of advertising in Australia are subject to the *Competition and Consumer Act 2010* (Cth), which is Australia's primary competition and consumer protection legislation. The consumer protection provisions contained in the Competition and Consumer Act form the Australian Consumer Law, which contains numerous provisions that apply to advertisements and other promotional activities. A key provision of the Australian Consumer Law particularly relevant to advertisers is the requirement under section 18 that a person must not, in trade or commerce, engage in conduct that is misleading or deceptive or likely to mislead or deceive.

In addition to the Australian Consumer Law which covers all forms of advertising, there is legislation which covers specific types of advertising, for example, the *Tobacco Advertising Prohibition Act 1992* (Cth), the *Therapeutic Goods Act 1989* (Cth) and state and territory laws governing competitions. A failure to comply with the legislative provisions applicable to our advertising business could result in statutory penalties being imposed and costly court proceedings being commenced against us.

To supplement the statutory regime, the Australian advertising industry uses a model of self-regulation led by the Australian Association of National Advertisers. Under the self-regulation model, the Advertising Standards Bureau is set up as the primary complaints resolution body for advertising in Australia.

Complaints relating to the requirement of advertisers under the Australian Association of National Advertisers' Advertiser Code of Ethics (the "Advertiser Code of Ethics") to engage in legal, honest and truthful marketing are referred to the Advertising Claims Board, whilst complaints relating to decency and community standards are handled by the Advertising Standards Board. Both organizations apply the Advertiser Code of Ethics in their determinations. The Australian Association of National Advertisers also publishes a best practice guideline for digital marketing.

There is also a separate eMarketing Code of Practice that applies to organizations undertaking eMarketing activity, which includes, among other things, marketing, advertising or promotion through commercial electronic communications. Issues regulated by specific product codes remain under the supervision of the specific industry concerned.

There is a risk that any failure by us to comply with the Advertiser Code of Ethics, the eMarketing Code of Practice or any other accepted industry standards could result in adverse findings being made against us by the relevant body, which could lead to reputational damage and additional compliance costs.

#### *Libel, contempt and statutory restrictions*

Content that we broadcast or publish on a media platform in Australia is subject to Australian libel and contempt law, as well as a range of statutory restrictions that exist both at a Federal level and across the various states and territories. These laws are most relevant to the reporting of news and current affairs but apply equally to all types of publications. Statutory restrictions relate to subject matter, including children involved in criminal proceedings, victims (and in some jurisdictions the accused) in sexual assault proceedings, family court proceedings, material obtained through the use of surveillance devices and a range of other matters.

Australia's uniform libel laws are generally less favorable to publishers than libel laws in the United States, and publishers in Australia are not afforded an equivalent protection to that given to U.S. publishers under the U.S. Supreme Court decision in *New York Times Co. v Sullivan* 376 U.S. 254 (1964), which articulated a standard of actual malice to be met before publications regarding public officials can be successfully sued upon. As a publisher, we face potential civil liability if a successful action for defamation is brought against us and this, along with the additional compliance costs, can have an impact on our profitability.

Publishers in Australia are also subject to contempt law and statutory restrictions that apply to material relating to ongoing court proceedings. Contempt of court at common law or breach of a statutory restriction by a publisher can result in a criminal conviction, including imprisonment for individual employees. Our risks as a publisher therefore include fines and criminal liability for breaches of contempt law or statutory restrictions. In addition to criminal sanctions, any adverse finding against us could result in reputational damage which could impact on profitability.

The Australian Press Council administers privacy standards that we have committed to for the purpose of the Privacy Act 1988 (Cth). It also administers a variety of other standards including its Statements of Principles, specific standards and Advisory Guidelines. The Press Council has a complaints adjudication process and members of the Press Council, including us, agree to publish adjudications affecting us.

In addition, publications, films and computer games in Australia are subject to the classification regime in the *Classification (Publications, Films and Computer Games) Act 1995* (Cth). That Act was the subject of substantial amendments on August 28, 2014 which sought to streamline the classification and reduce regulatory burden, however the true effect of these changes remains to be seen.

#### Privacy

The handling of personal information about individuals is regulated under the *Privacy Act 1988* (Cth) and other legislation. We are required to have an adequate privacy policy in place, and we must ensure that our collection, use, storage and disclosure of individuals' personal information is done in accordance with the Privacy Act and that we allow individuals to access and correct such information. A journalism exemption applies in relation to acts and practices in the course of journalism by media organizations which have publically committed to an appropriate standard.

There is currently mixed case law in Australia regarding the existence of a common law right to privacy. Some cases suggest there is such a cause of action and others are to the contrary. This will ultimately be resolved by the High Court of Australia. Recent consideration has been given by the Australian Law Reform Commission to the introduction of a statutory tort of privacy, and it is possible that such a tort will be introduced in the future.

The sending to consumers of electronic messages such as emails and SMS messages is also regulated by the *Spam Act 2003* (Cth). A failure to remain compliant with our obligations under the Privacy Act, the Spam Act and other relevant legislation could result in proceedings against us by regulatory authorities which could harm our business. In addition, any failure or perceived failure by us to protect our information could result in damage to our business and our brand.

### Radio broadcasting

#### Licensing scheme

The licensing scheme for commercial radio broadcasters is governed by the Broadcasting Services Act. Under this Act, ACMA is responsible for regulating the use of the radiofrequency spectrum in Australia and issuing licenses to authorize the transmission of radio programs to the public.

Schedule 2 of the Broadcasting Services Act sets out a list of standard license conditions that apply to all commercial broadcasting licenses. In addition to these standard conditions, ACMA has the power to vary or revoke a condition of a broadcaster's license or impose an additional condition on the license. Licensees must pay an annual fee and apply to renew their licenses each year.

Australian spectrum allocation arrangements are embodied in the Broadcasting Services Act and the *Radiocommunications Act 1992* (Cth) and commercial radio broadcasters are subject to license requirements governed by both the Broadcasting Services Authority and the RCA. Our profitability is dependent on our successfully maintaining the required licenses and spectrum allocation in order to operate our radio business, including by complying with relevant license conditions.

### Radio Program Standards

In addition to license conditions, commercial radio broadcasting licensees are subject to standards including the *Broadcasting Services (Commercial Radio Current Affairs Disclosure) Standard 2012*, which imposes a number of interrelated obligations on licensees to disclose commercial agreements in place with third parties and some regional licensees are subject to the *Broadcasting Services (Regional Commercial Radio – Local Presence) Licence Condition 2012*.

#### Commercial Radio Codes of Practice

Codes of practice have been registered in respect of each sector of the broadcast industry and they form a major source of content regulation for commercial licensees. Content broadcast on commercial radio is primarily regulated by the Commercial Radio Codes of Practice and Guidelines. The Codes deal primarily with programs that are unsuitable for broadcast, news and current affairs programming, advertising; the broadcast of Australian music, the handling of complaints, interviews and talkback programs, broadcast of emergency information and the treatment of persons participating in live hosted entertainment programs.

There is a risk that any failure by us to comply with Codes of Practice or ACMA standards could result in adverse findings by ACMA and the imposition of additional license conditions or a request by ACMA that we enter into an enforceable undertaking. Repeated or serious breaches could result in loss of our license, increase our compliance costs and adversely affect our profitability, as well as lead to reputational damage.

### Content licenses

We are required to obtain licenses in order to broadcast or stream music, lyrics and sound recordings in which we do not own the copyright. This is usually done by either negotiating a license with the independent copyright holder or by obtaining a license from a performance rights organization that negotiates licenses and collects royalties on behalf of copyright owners. We have obtained licenses from PPCA and APRA/AMCOS (the Australian performance rights organizations). The royalties payable under these licenses are liable to change over time and this could affect our business expenses.

### Newspaper publishing

We are required to comply with certain formal requirements for newspaper proprietors under various state-based legislation. For example, legislation in New South Wales, Queensland, Victoria and the Northern Territory contains similar duties for newspaper proprietors to imprint, on the first and last page of each newspaper, identifying information of the printer and publisher (often the name and address of both). Failure to comply with these requirements can result in fines in each jurisdiction.

### Outdoor advertising

In addition to the Advertisers Code of Ethics, the Outdoor Media Association has its own Code of Ethics for third party outdoor advertisers.

Our outdoor advertising business is also subject to government regulation at the State, Territory and local level in relation to placement, public safety (including road safety), environment and planning laws and visual impact considerations. The success and profitability of our outdoor advertising business will therefore be affected by government approval processes and future changes to planning laws. Further to this, commercial agreements that we enter into with corporate or government bodies often impose additional policies regarding the placement or content of advertisements.

#### Online business

Our online business will be subject to various legislation and regulations, including for example Schedule 7 of the Broadcasting Services Act, which deals primarily with classification and prohibited content, the *Classification (Publications, Films and Computer Games) Act 1995 (Cth)* and the *Classification (Markings for Films and Computer Games) Determination* 2007. To the extent our business includes acting as an Internet content host we would also be subject to Schedule 5 of the Broadcasting Services Act which deals with circumstances in which an Internet content host is liable for material posted on their websites. In accordance with a Ministerial Determination made on September 12, 2000, currently a service that makes available television programs or radio programs using the Internet, other than a service that delivers television programs or radio programs using the broadcasting services bands, will not fall within the definition of a "broadcasting service" for the purpose of regulation under the Broadcasting Services Act. However this current exemption is subject to revocation of the Ministerial Determination and any other amendments to the law. There is an ongoing risk in conducting an online business as we will be subject to regulation under various legislation and failure to comply could give rise to reputational and financial damage.

### **New Zealand Regulation**

The following is a brief summary of the regulatory framework that affects our New Zealand media business. This summary does not cover all current and proposed laws and policies, and reference should be made to specific legislation or policies for further detail. There is an ongoing possibility that courts will interpret these laws in different ways, and developments in case law could further alter the current regulatory position.

#### Radio spectrum licensing

Commercial radio broadcasting licenses are issued and managed in New Zealand through the Radio Spectrum Management group of the Ministry of Business, Innovation and Employment ("MBIE"). The Crown holds management licenses for commercial radio and other spectrums in order to manage frequency allocation. Spectrum licenses for commercial radio spectrums have generally been allocated by way of auction and are typically granted for the period of the management license and subject to annual license fees.

The Crown's management license for commercial radio spectrums expires in 2031. MBIE's current policy requires a minimum 6 year consultation period with spectrum licensees to determine whether the Crown will

offer existing spectrum licensees new spectrum licensees for a further period on expiry. Our inability to successfully negotiate or renew spectrum licenses following 2031 due to government policy and/or the competitive processes for these licenses could affect our ability to continue to operate in the radio business.

Spectrum licenses are tradeable and may be transferred with the consent of the Chief Executive of MBIE (on behalf of the Crown as spectrum manager of the relevant commercial spectrums).

Spectrum licensees are subject to compliance policies published and monitored by Radio Spectrum Management, including in relation to interference and emissions and equipment certification. There are no ownership restrictions in relation to spectrum licensees. The Commerce Act 1986 applies to the acquisition of spectrum licensees as to any business asset. Accordingly, the merger control provisions of the Commerce Act may apply to any future acquisition or divestment of spectrum licenses.

#### **Broadcasting Standards**

All radio broadcasters in New Zealand must comply with the Radio Code of Broadcasting Practice. That Code is an industry-prepared code which covers the obligations in the Broadcasting Act 1989 to ensure radio programming observes good taste and decency, maintains law and order and individual's privacy and to ensure balance in broadcasting.

The Broadcasting Standards Authority is responsible for administering the Code, and other broadcasting codes, determining formal complaints and encouraging broadcasters to develop and observe appropriate Codes of Broadcasting Practice. Any member of the public can make a complaint that a broadcaster has breached the Code. That complaint must be made first to the broadcaster (except for privacy complaints) and, if the complainant is not satisfied the complainant can take that complaint to the Broadcasting Standards Authority. The Broadcasting Standards Authority's decisions may be appealed by the complainant to the High Court of New Zealand.

The Broadcasting Standards Authority can order a range of remedies if we are found to have breached the Radio Code of Broadcasting Practice including compulsory publication of a statement about the decision (the most common order), paying costs to the Crown of up to NZ\$5000, paying costs to the complainant of up to NZ\$5000 for a breach of privacy, paying a complainant's legal costs (where reasonable), refraining from broadcasting advertising or refraining from broadcasting for a period of up to 24 hours. Orders refraining from broadcasting are rarely issued. We have received, and may receive in the future, complaints that we have breached the Radio Code of Broadcasting Practice. We cannot predict the outcome of any particular complaint.

The Broadcasting Act prohibits broadcast advertising on radio on Christmas Day, Good Friday and Easter Sunday. Breaching this prohibition is an offence and subject to a fine of up to NZ\$100,000. Radio is not subject to specific advertising time bands or classifications but the Broadcasting Standards Authority recommends radio broadcasters moderate content (including advertisements) to ensure that all content is appropriate during hours when children are most likely to be listening (being immediately before and after school hours).

#### **Content Licenses**

We must pay royalties to copyright owners of musical compositions (typically, songwriters and publishers) whenever we broadcast or stream musical compositions. Copyright owners of musical compositions most often rely on intermediaries known as performance rights organizations to negotiate "blanket" licenses with copyright users, collect royalties under such licenses and distribute them to copyright owners. We have obtained commercial radio broadcast licenses from both PPNZ and APRA/AMCOS (the New Zealand performance rights organizations). Royalty rates are set by the rights organizations (or independent copyright holders, if not covered by a blanket license) and are not subject to any governmental control. Accordingly, royalty rates, and our business expenses, are subject to change over time.

### Publishing and editorial content regulation

There is no independent regulator of editorial or print publication content in New Zealand. We are a member of the Press Council, an industry self-regulatory body which hears and resolves press complaints (including those relating to digital content). The Press Council hears complaints relating to newspaper, magazine and editorial website content. We have received, and may receive in the future, complaints relating to our editorial content. The result of a complaint must be published in accordance with the Press Council's directions on adjudication.

### Privacy, data protection and consumer protection

We collect and utilize demographic and other information, including personally identifiable information, from and about our listeners, consumers, business partners and advertisers as they interact with us. We collect that information in a variety of ways including as users register for our services, fill out their listener profiles, post comments, use our social networking features, participate in polls and contests, and sign up to receive email newsletters. We use tracking technologies, such as "cookies," to manage and track our listeners' interactions with us so that we can deliver relevant music content and advertising. We also collect credit card or debit card information from consumers, business partners and advertisers who use our services.

We are subject to numerous New Zealand and foreign laws and regulations relating to consumer protection, information security, data protection and privacy, among other things. Although we have implemented policies and procedures designed to comply with these laws and regulations, any failure or perceived failure by us to comply with our policies or applicable regulatory requirements related to consumer protection, information security, data protection and privacy could result in a loss of confidence in us, damage to our brands, and the loss of listeners, consumers, business partners and advertisers, as well as proceedings against us by governmental authorities or others, which could hinder our operations and adversely affect our business.

#### Outdoor

The outdoor advertising business is regulated at a local government level. Local laws and regulations may regulate the size, placement and luminance levels of outdoor displays, which laws and regulations may change from time to time and vary between different jurisdictions. No assurance can be given that existing or future laws or regulations will not materially and adversely affect the outdoor advertising industry.

### Advertising

The New Zealand Advertising Codes of Practice applies to advertising content in all mediums, including outdoor displays, broadcast, print and digital advertising. The Advertising Standards Authority is an industry self-regulating body that hears and adjudicates complaints relating to advertising. The New Zealand Advertising Codes of Practice regulate the content of advertisements. While we have implemented policies and procedures to ensure our advertising complies with the Advertising Codes of Practice, complaints can be made by the public or competitors at any time. We have received, and will receive in the future, complaints that our advertisements breach the Codes. We may also be required to remove third party advertising from our sites/stations if requested by the Advertising Standards Authority as a result of a complaint. Advertising complaints may sometimes result in unfavorable publicity, loss of advertisers or loss of listeners or subscribers.

#### **MANAGEMENT**

#### **Directors and Senior Management**

The following table lists the names and positions of directors and executive officers of APN as of the date of this Information. The directors have served in their respective capacities since their election or appointment and will serve until a successor is duly elected.

| Name                 | Position   |
|----------------------|--|
| Peter Cosgrove       | Chairman   |
| Ted Harris AC        | Deputy Chairman                                    |
| Anne Templeman-Jones | Non-Executive Director                             |
| Vincent Crowley      | Non-Executive Director                             |
| Paul Connolly        | Non-Executive Director                             |
| Peter Cullinane      | Non-Executive Director                             |
| Michael Miller       | Chief Executive Officer                            |
| Jeff Howard          | Chief Financial Officer                            |
| Yvette Lamont        | Group General Counsel and Company Secretary        |
| Neil Monaghan        | Chief Executive Officer, Australian Regional Media |
| Ciaran Davis         | Chief Executive Officer, Australian Radio Network  |
| Jane Hastings        | Chief Executive Officer, APN New Zealand           |
| Rob Atkinson         | Chief Executive Officer, Adshel                    |

*Peter Cosgrove* has been an APN board member since December 2003, and was appointed as Chairman of the Board of Directors in February 2013. Mr. Cosgrove is also Chair of the Nomination Committee. Mr. Cosgrove is the founder of the Buspak group of companies in Australia, New Zealand and Hong Kong and has more than 20 years' experience in the publishing, broadcasting and outdoor advertising industries. Mr. Cosgrove is non-executive Chairman of Buspak Hong Kong (since June 2003), non-executive Deputy Chairman of Clear Media Limited (Director since April 2001), which is listed on the Stock Exchange of Hong Kong, and a Director of APN Media (NZ) Limited (since February 2013). He is also Chairman of GlobeCast Australia Pty Limited (since June 2002), a broadcasting company based in Sydney.

Ted Harris AC has been an APN board member since March 1992, and was appointed as Deputy Chairman in December 1994. Mr. Harris is also a Member of the Audit Committee. Mr. Harris was Managing Director and Chief Executive Officer of the Ampol Group (1977—1987) and was previously Chairman of Australian Airlines, British Aerospace Australia, Australian National Industries, Thakral Holdings and Gazal Corporation, and Deputy Chairman of Metcash Limited. Mr. Harris is President of St. Vincent's Clinic Foundation, as well as Life Governor of the Melanoma Foundation and a Life Member of the Australian Sports Commission. Mr. Harris was Chairman of the Zoological Parks Board of NSW (1973—1990) and Chairman of the Australian Sports Commission and Institute of Sport (1984—1994). Mr. Harris started his career as a broadcaster and journalist with Macquarie Broadcasting Service and is a former Commissioner of the ABC. He was Trustee for the Walkley Awards (1976—1980) and is a recipient of the Queen's Silver Jubilee Medal.

Anne Templeman-Jones was appointed to the APN Board in June 2013. Ms. Templeman-Jones is also Chair of the Audit Committee, and a Member of the Remuneration Committee. Ms. Templeman-Jones brings extensive expertise in strategy, banking, finance, risk management and governance. Since 1995, she has at various times served on the Boards and chaired the Audit and Risk Committees of HBF Limited, HBF General Insurance Limited, McCusker Foundation for Alzheimer's Research and the Travel Compensation Fund, and she currently serves on the Boards of Cuscal Limited and HBF Limited. From 2007 to 2013, Ms. Templeman-Jones held a number of senior executive positions at Westpac, including Director of Corporate and Institutional Banking, Director Group Risk Reward, Head of Strategy and Governance for Pacific Banking and Head of Private Bank (NSW). She previously held senior executive positions in Switzerland, Belgium, Perth and Sydney

with AIESEC International, PricewaterhouseCoopers, the Bank of Singapore, the Bank of New Zealand and ANZ Banking Group. Ms. Templeman-Jones is a Fellow of the Australian Institute of Company Directors and a member of the Australian Institute of Chartered Accountants.

Vincent Crowley was appointed to the Board as a non-executive Director in March 2009. Mr. Crowley is also a member of the Audit Committee. He was Chief Executive of APN from 2000 to 2002, having previously held the position of Finance Director from 1996 to 2000. A chartered accountant, he joined Independent News & Media PLC (INM) in 1990, became a Director in 1997 and was appointed Chief Executive of Independent News & Media—Ireland in August 2002. In June 2009, he Retired from the Board of INM, and in January 2010, he was appointed Group Chief Operating Officer of INM. In April 2012, he was appointed Group Chief Executive Officer of INM and rejoined the INM Board. In May 2014 Mr. Crowley retired as Group Chief Executive Officer and Director of INM and a number of INM subsidiaries and associated companies. Mr. Crowley was previously an audit manager with an international accountancy firm. In July 2014, Mr. Crowley was appointed Chairman of industry body National Newspapers of Ireland.

Paul Connolly was appointed to the APN Board as a non-executive Director in October 2012. Mr. Connolly is also a Member of the Remuneration Committee and the Nomination Committee. Mr. Connolly brings extensive experience in media and communications. Since 1991, Mr. Connolly has been Chairman of Connolly Capital Limited, a Dublin-based corporate finance advisory firm focused on the telecommunications, media and technology sectors. He was a Director of Esat Telecommunications Limited, an Irish telecommunications company (1997—2000) and then a Director of Digicel Limited, a Caribbean-based telecommunications company. From 1987 to 1991, Mr. Connolly was Financial Controller of Hibernia Meats Limited, and prior to that he was an accountant with KPMG. Currently, Mr. Connolly serves on the Boards of Independent News & Media PLC, Communicorp Group Ltd and Melita Cable PLC, and in October 2010 he was invited to become an external Senior Advisor to Credit Suisse. He holds a Bachelor of Commerce from University College Dublin, Ireland, is a Fellow of Chartered Accountants Ireland and is a member of the Executive Summit at Stanford Graduate School of Business.

Peter Cullinane was appointed to the APN Board as a non-executive Director in November 2013. Mr. Cullinane is also Chair of the Remuneration Committee. As the former Chief Operating Officer of Saatchi & Saatchi Worldwide (1998—2002) as well as its Chief Executive, New Zealand and Chairman, Australasia for over eight years prior, he has extensive experience in global advertising and marketing and brings to the Board extensive industry knowledge as well as expertise in the Australasian and global markets. Based in Auckland, Mr. Cullinane is currently a Partner of Assignment Group, where he provides strategic advice to a wide range of New Zealand and international clients. He is a director of STW Communications Group (since 2010) and SKYCITY Entertainment Group (since 2008), where he is also Chairman of the Corporate and Social Responsibility Committee and a member of the Governance and Nominations Committee. Mr. Cullinane is also the founder of Lewis Road Creamery Limited and Antipodes Water Company.

Michael Miller was appointed as Chief Executive Officer in June 2013. Prior to his current role, Mr. Miller was the Regional Director for News Limited in New South Wales and had been in senior executive roles at News Limited since 1997. His positions included Managing Director of Nationwide News (2011—2012), Managing Director of Advertiser News Media (2004—2010) and Group Marketing Director (1997—2004). Mr. Miller is also a Director of the Committee for Sydney and Waratahs Rugby and is a previous Director of News Limited, Sky Network Television, Fox Sports Australia, carsguide.com.au and the Audit Bureau of Circulations.

Jeff Howard joined APN News & Media in 2010 and was appointed Chief Financial Officer in December 2012. Mr. Howard spent more than nine years with ABN AMRO and RBS in corporate lending and broader relationship banking roles that included a focus on the telecommunications and media sectors. Prior to this, Mr. Howard was with KPMG where he spent nearly ten years in audit and project roles, including a secondment to KPMG's Philadelphia practice. Mr. Howard completed his Executive MBA with the Australian Graduate School of Management in 2005 and is a Chartered Accountant.

Yvette Lamont was appointed as Group General Counsel and Company Secretary in 1998. She was previously General Counsel of pay television company Australis Media Limited, a Senior Associate with law firm Allens in the Media and Technology Group, and a solicitor with boutique law firm Boyd, House & Partners specializing in media law (in particular commercial radio). Ms. Lamont is a member of the Media and Communications Committee of the Law Council of Australia and is a Graduate of the Australian Institute of Company Directors. She was admitted as a solicitor to the Supreme Court of NSW in 1987 and the High Court of Australia in 1988.

*Neil Monaghan* was appointed as Chief Executive Officer of Australian Regional Media in April 2013, after more than 25 years' experience working in procurement and operations across various industries including media, mining and construction. Mr. Monaghan originally joined APN in 2001 as Group Procurement Director, and in 2004 was seconded to Dublin, Ireland to work for Independent News & Media PLC as Head of Global Procurement. After returning to APN in 2008, Neil left in 2009 to consult to the mining industry on projects in Australia and the Middle East, before returning to APN in 2010 as Group Operations & Procurement Director. Neil has a Master of Applied Law from The University of Queensland.

Ciaran Davis was appointed as Chief Executive Officer of Australian Radio Network in January 2010. Prior to his current role, Mr. Davis spent ten years at Communicorp Group Ltd, where he worked with the group's radio and media interests in Europe and the Middle East. His positions included Commercial Director (2007—2010), Chief Executive Officer for 98FM, Dublin (2003—2007) and Marketing Director for 98FM (2000—2003). Before joining Communicorp, Mr. Davis worked with Irish Permanent PLC (1996—2000), leading their sponsorship activities of the Irish rugby team. Mr. Davis is a Director of Commercial Radio Australia and The Australian Ireland Fund.

Jane Hastings was appointed to the new role of Chief Executive Officer, APN New Zealand in May 2014 with responsibility for the Company's publishing, radio and digital businesses in New Zealand. Prior to this, Jane joined The Radio Network as Chief Executive Officer in September 2012 from Amalgamated Holdings Limited, where she was General Manager, Entertainment Australia and New Zealand. Jane was previously General Manager Group Sales, Marketing and Cinemas at SKYCITY Entertainment Group and also spent over eight years in executive roles in Asia, including Managing Director at Tequila Asia, Managing Director at Draftworldwide Japan, Regional Director of Customer Relationship Management at Wunderman Cato Johnson Singapore and Director of Communications at ICLP in Hong Kong. Before heading to Asia, Jane gained experience at Air New Zealand, leading the loyalty areas of Airpoints and Koru Club.

**Rob Atkinson** was appointed as Chief Executive Officer of Adshel in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Mr. Atkinson originally joined Clear Channel as Sales Director in 2005 before being promoted to Group Sales Director and then Managing Director in the same year (2008). Prior to joining Clear Channel, Mr. Atkinson held various senior sales roles at Associated Newspapers in both London and Dublin and won the prestigious Campaign Magazine UK Sales Leader of the Year in 2009.

#### **Board of Directors**

Responsibility for our day-to-day operations is usually conferred on the Chief Executive Officer who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive Officer exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. In addition, our senior management team meets regularly to examine our performance compared to Board-approved operating budgets and policies.

Our Constitution currently specifies that there shall be a minimum of three and a maximum of nine Directors or such other number as is determined by the Board from time to time by ordinary resolution. Our Constitution specifies that an election of Directors must be held at each Annual General Meeting. A Director

(other than any Managing Director) must retire from office at the third Annual General Meeting after being last elected or re-elected, and is eligible for re-election. If no Director is required to retire at an Annual General Meeting, then the Director with the longest period in office since last being elected or re-elected must retire, and is eligible for re-election at the Annual General Meeting. A Director appointed since the most recent Annual General Meeting shall hold office only until the next following Annual General Meeting and shall then be eligible for election by shareholders.

The Board currently consists of six non-executive Directors.

#### **Board Committees**

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of various issues. Current Committees of the Board include, among others, the Nomination Committee, Remuneration Committee and Audit Committee which all consist entirely of non-executive Directors. Each of these Committees has its own formal charter setting out the authority delegated to it by the Board. All matters determined by these Committees are submitted to the full Board for ratification.

#### Nomination Committee

The Nomination Committee consists of the following non-executive Directors:

- Peter Cosgrove (Chair); and
- · Paul Connolly.

The main responsibilities of the Nomination Committee are to:

- review the composition of the Board to ensure it is comprised of members who provide the required breadth and depth of experience and knowledge to achieve the objectives of the Board;
- ensure the filling of any vacancies on the Board with the best possible candidate through the use of executive search firms and/or by direct approach; and
- consider the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Group.

## Remuneration Committee

The Remuneration Committee consists of the following non-executive Directors:

- Peter Cullinane (Chair);
- Anne Templeman-Jones; and
- · Paul Connolly.

The main responsibilities of the Remuneration Committee are to:

- ensure that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals;
- review on an annual basis the remuneration of executive Directors, including establishing the overall benefits and incentives;
- review in consultation with the Chief Executive Officer, remuneration packages of executives reporting directly to the Chief Executive Officer;
- review non-executive Directors' remuneration and benefits;

- · obtain independent advice, as necessary, on the appropriateness of remuneration; and
- be responsible for reviewing general incentive schemes and superannuation plans.

#### Audit Committee

The Audit Committee consists of the following non-executive Directors:

- Anne Templeman-Jones (Chair);
- · Ted Harris; and
- · Vincent Crowlev.

The main responsibilities of the Audit Committee are to:

- review the scope and effectiveness of the internal and external audit functions, financial reporting and risk management;
- review and consider any reports or findings arising from any audit function either internal or external;
- review the interim and annual financial statements;
- ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;
- assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies;
- review the appointment, independence, performance and remuneration of external auditors and assess the ability of the external auditors to provide additional services which may be occasionally required;
- review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- review and monitor internal financial controls to ensure they are adequate and effective to minimize financial and other major operating risks;
- review the integrity and prudence of procedures for management control;
- consider the adequacy of internal controls by reviewing management letters and the response of management;
- · review and approve risk management policy and consider reports on risk management; and
- assess the effectiveness of risk management throughout the Company and the Group and report to the Board on risk management.

#### **Employment Agreements**

Remuneration and other terms of employment for the senior executives are formalized in employment contracts. Senior executives in most cases receive fixed remuneration inclusive of superannuation and benefits. These amounts are reviewed annually by the Chief Executive Officer, subject to approval of the Remuneration Committee. The Chief Executive Officer's remuneration is reviewed annually by the Remuneration Committee. Senior executives are eligible to receive short-term incentive payments weighted towards the financial performance of the group or relevant divisions, and are eligible to participate in the company's long-term incentives plan at the Board's discretion.

Most employment may be terminated by either party giving six months' notice. Where employment is terminated by the company, payment may be made in lieu of notice. Employment may be terminated at any time

without notice for serious misconduct. If the company terminates the employment of a senior executive for reasons of redundancy, a termination payment is paid depending on the length of service, in most cases not exceeding six months' base salary. Senior executives are subject to non-compete provisions for the term of their notice period.

# Share Ownership of Directors and Executive Officers

None of APN's directors and executive officers holds more than 1% of APN's ordinary shares. See "Principal Shareholders" and "Related Party Transactions."

# PRINCIPAL SHAREHOLDERS

The Issuer is a wholly-owned indirect subsidiary of the Parent Guarantor. The following table sets forth the top investors with 5% or more of the ordinary shares of APN as of July 31, 2014.

| Beneficial Owner                 | Number of Shares Owned | % of Class |
|----------------------------------|------------------------|------------|
| Allan Gray Investment Management | 199,669,767            | 19.4%      |
| Independent News & Media Plc     | 191,541,073            | 18.6%      |
| Baycliffe Limited                | 125,815,954            | 12.2%      |

Our directors and executive officers held an aggregate of 3,404,878 shares in the Parent Guarantor as of July 31, 2014, which represented 0.3% of 1,029,041,356 total shares then outstanding. None of our directors and executive officers held more than 1% of the Parent Guarantor's ordinary shares.

# RELATED PARTY TRANSACTIONS

We enter into related party transactions from time to time, including transactions with entities controlled by key management persons, or their related parties. The terms and conditions of the transactions with management persons and their related parties are no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities. See Note 28 to our Financial Statements for information on our related party transactions.

#### DESCRIPTION OF OTHER FINANCING ARRANGEMENTS

Below is a summary of our other financing arrangements that will remain in place after the issue of the Notes and consummation of the Refinancing. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents for those financing arrangements.

#### **Senior Secured Revolver**

On August 19, 2014, we entered into a syndicated facility agreement (the "Senior Secured Revolver"), comprising Australian dollar and multicurrency revolving facilities. The total aggregate commitment for the Senior Secured Revolver is A\$630 million.

APN Newspapers Pty Ltd, Biffin Pty. Limited, Wilson & Horton Limited and Buspak Advertising (Hong Kong) Limited are the borrowers under the Senior Secured Revolver. The Senior Secured Revolver is guaranteed by certain of our subsidiaries, each guaranteeing, subject to certain limitations, each other borrower's and guarantor's obligations in respect of those facilities. National Australia Bank Limited ("NAB") has been appointed agent and security trustee for the finance parties.

#### Structure

The Senior Secured Revolver is comprised of: Facility A1, Facility A2, Facility A3, Facility A4 and Facility B (each, a "Syndicated Facility").

Facility A1 is an A\$290 million multicurrency revolving cash advance facility. Facility A2 is an A\$35 million Australian dollar revolving cash advance facility. Facility A3 is an A\$25 million multicurrency revolving cash advance facility and letter of credit facility. Facility A4 is an A\$10 million multicurrency revolving cash advance facility and letter of credit facility. Facility B is an A\$270 million Australian dollar revolving cash advance facility.

Amounts borrowed under the Senior Secured Revolver will be used towards the general corporate purposes of the Group (including refinancing our previously existing unsecured bank facilities). The Senior Secured Revolver will mature and terminate on January 31, 2018 and is available for drawing to and including the day prior to that termination date.

#### Repayment, Prepayment and Cancellation

Subject to minimum quantitative thresholds, we may, at any time (by giving appropriate notice) cancel and/ or prepay the whole or any part of any of the Senior Secured Revolver at that time. Upon such cancellation or prepayment, no premium, fee or penalty will be payable (other than break costs arising if repayments occur within an interest period), and any cancellation or prepayment will be applied pro rata among the lenders of the applicable Senior Secured Revolver. The Senior Secured Revolver is a revolving facility and amounts that have been repaid can be reborrowed. Each loan made under a facility must be repaid in full at the end of its interest period.

The commitments under Facility B will be reduced and cancelled by the amount of the net proceeds received from the offering of the Notes.

# **Interest and Costs**

The rate of interest on each loan under a Syndicated Facility for each interest period is the percentage rate per annum which is the aggregate of:

- the applicable "Margin" (which depends on the senior leverage ratio on the first day of each interest period); and
- an applicable base rate (depending on the currency in which the loan is to be made).

We must pay a commitment fee equal to a percentage of the applicable "Margin", calculated on the basis of the daily available lending commitment during each quarterly period. The relevant commitment fee is payable on the last day of each such quarterly period and is non-refundable.

#### Guarantee and Security

Each guarantor under the Syndicated Facilities irrevocably and unconditionally jointly and severally guarantees the obligations of the borrowers and each other guarantor under the Syndicated Facilities. The guarantors under the Syndicated Facilities will also be guarantors of the Notes, except for APN Digital Pty Ltd and APN Media (NZ) Limited.

The Syndicated Facilities, currency and interest rate hedging and certain other financing arrangements which are permitted under the security trust deed dated August 19, 2014 (the "Security Trust Deed") will be secured by the Transaction Security (described below). The Security Trust Deed will govern the arrangements between the finance parties under the Senior Secured Revolver, the counterparties to the currency and interest rate hedging and the providers of other permitted financing arrangements, including relevant intercreditor arrangements relating to the Transaction Security.

The Transaction Security for the Syndicated Facilities includes various charges, share mortgages and real property mortgages in Australia, New Zealand and Hong Kong. The Transaction Security is granted in favor of NAB as security trustee and is held by NAB pursuant to the terms of the Security Trust Deed.

#### Covenants and Undertakings

The Senior Secured Revolver contains particular covenants and undertakings. These include the following financial covenants, which are referable to the Group and measured on each semi-annual reporting date (assuming Facility B has been fully repaid and Facility B commitments have been cancelled in full):

- (a) the interest cover ratio must not be less than 3.00:1.00 (assuming Facility B has been fully repaid and Facility B commitments have been cancelled in full);
- (b) the total leverage ratio must not exceed 3.75:1.00 (assuming Facility B has been fully repaid and Facility B commitments have been cancelled in full);
- (c) the total senior secured debt must be less than or equal to the total commitments under the Senior Secured Revolver at any time plus A\$50 million;
- (d) the guarantors must, within 30 days of each reporting date under the Senior Secured Revolver, comprise no less than 85% of EBITDA and no less than 85% of total assets of the Group (in each case, excluding all intra-Group items and investments in any member of the Group);
- (e) secured indebtedness (other than indebtedness secured under the Transaction Security) must not exceed 2.5% of the total assets of the Group; and
- (f) secured indebtedness of any guarantor under the Senior Secured Revolver (other than indebtedness secured under the Transaction Security) and any other indebtedness incurred by members of the Group which are not guarantors under the Senior Secured Revolver (other than indebtedness between Group members) must not exceed 5% of total assets of the Group.

Other general undertakings relate to the provision of information, limitations on the disposal of assets, preservation of secured property, changes in business operations, hedging interest rate and foreign exchange exposures as appropriate and insurance. Further restrictions apply following the occurrence of an event of default.

# Events of Default and Review Events

Events of default under the Senior Secured Revolver include non-payment, breach of financial undertakings, non-compliance with obligations, insolvency, cessation of business and certain material adverse events.

If there is a change of control, or if our shares are delisted or suspended from trading on the ASX for a period of more than 10 consecutive business days, this will also trigger a review event under the Senior Secured Revolver, which involves a mandatory 30-day negotiation period after which the agent may cancel the commitments and require us to repay all outstanding amounts within 90 days.

#### **Transactional Facilities**

We have a number of transactional banking facilities in Australia, New Zealand and Hong Kong and certain of those facilities have the benefit of the Transaction Security pursuant to the Security Trust Deed.

# **Currency and Interest Rate Hedges**

In connection with the offering of the Notes, we expect to enter into an agreement or agreements to effect cross-currency swaps to hedge our exposure to fluctuations in the rate of exchange between the U.S. dollar and the Australian dollar, and we expect that one or more lenders (or their affiliates) under the Senior Secured Revolver will serve as our hedge counterparties under those hedge agreements.

#### INDEPENDENT AUDITORS

The consolidated financial statements of APN and controlled entities as of and for each of the years ended December 31, 2013, 2012 and 2011 included in this Information have been audited by PricewaterhouseCoopers, independent auditors, as stated in their reports appearing herein.

The unaudited consolidated interim financial statements of APN and controlled entities as of and for the six months ended June 30, 2014 and 2013 included in this Information, have been reviewed by PricewaterhouseCoopers, independent auditors. Their separate review report included in this Information states that they did not audit and they do not express an audit opinion on that consolidated interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted to the extent of the limited nature of the review procedures applied.

The liability of PricewaterhouseCoopers, with respect to the services provided to APN and controlled entities, is subject to schemes adopted by the Institute of Chartered Accountants in Australia approved under the Professional Standards Act 1994 (NSW).

#### ANNEX A—LIST OF SUBSIDIARY GUARANTORS

#### Subsidiary Guarantors incorporated or existing in Australia

5AD Broadcasting Company Pty Ltd

Actraint No. 116 Pty. Limited

Airplay Media Services Pty. Limited

APN AP National Sales Pty Ltd

APN Braeside Pty Ltd

APN Broadcasting Investments Pty Limited

APN Broadcasting (Regionals) Pty.

APN Business Magazines Pty Ltd

APN Educational Media Pty Limited

APN Finance Pty Limited

APN Milperra Pty Ltd

APN News & Media Limited

APN Newspapers Pty Ltd

APN Online (Australia) Pty Limited

APN Printing Services Pty Ltd

ARN Adelaide Pty Ltd

ARN Brisbane Pty Ltd

ARN Broadcasting Pty Ltd

ARN Communications Pty Ltd

ARN New Zealand Pty. Limited

ARN Overseas Pty. Limited (in its own capacity and as general partner of the ARN Limited Partnership)

ARN Perth Pty Limited

ARN South Australia Pty Limited

ARN Superannuation Pty Ltd

ARNSAT Pty Limited

Australian Provincial Newspapers International Pty Limited

Australian Provincial Newspapers Ltd.

Australian Radio Network Pty Limited

Australian Radio Network Sales Pty Ltd

Blue Mountains Broadcasters Pty Limited

Border Newspapers Pty. Ltd.

Byron Shire News Pty Ltd

Capital City Broadcasters Pty. Limited

Capricornia Newspapers Pty. Ltd.

Catalogue Central Pty Limited

Central Coast Broadcasting Pty.

Central Queensland News Publishing Company Pty Ltd

Central Telegraph Pty. Ltd.

Chinchilla Newspapers Pty. Ltd.

Commonwealth Broadcasting Corporation Pty Ltd

Covette Investments Pty Limited

Dalby Herald Pty Ltd

Double T Radio Pty Ltd

Gatton Star Pty Limited

Gergdaam Capital Pty Limited

Gladstone Newspaper Company Pty Ltd

Grab One Australia Pty Limited

Gulgong Pty. Limited

Gympie Times Pty. Ltd.

Haswell Pty. Limited

INC Network Australia Pty Ltd

KAFM Broadcasters Proprietary Limited

Kelly Publications Pty Ltd

Level 3 Investments Pty Limited (in its own capacity and as general partner of The Level 3 Partnership)

Level 4 Investments Pty Limited (in its own capacity and as general partner of The Level 4 Partnership)

Longbeach Publications Pty Ltd (in its own capacity and as trustee of The Longbeach Publications Unit Trust)

Lunchbox Investments Pty Ltd

Media Tek Pty. Limited

Nathco Holdings Pty Ltd

North Coast News Pty Ltd

Northern Star Ltd

Observer Times (Hervey Bay) Pty Ltd

Provincial Investments Pty. Ltd.

Radiowise Pty Ltd

Regmax Pty Limited

Sabawin Pty Limited (in its own capacity and as trustee of The Stanthorpe Newspapers Services Trust)

Southern State Broadcasters Pty. Limited

Speedlink Services Pty Ltd

Suncoastal F.M. Radio Pty. Ltd

Sunshine Coast Newspaper Company Pty. Ltd.

The Brisbane Publishing Company Pty Ltd

The Bundaberg Newspaper Company Pty. Limited

The Daily Examiner Pty Ltd

The Gold Coast Press Pty Limited

The Internet Amusements Group Pty Limited

The Mackay Printing and Publishing Company Pty Limited

The Maryborough Hervey Bay Newspaper Company Pty Ltd

The Queensland Times Pty. Limited

The South Burnett Times Pty. Ltd.

The Tweed Newspaper Co Pty Ltd

The Warwick Newspaper Pty. Limited

Tibbar Broadcasting Pty Limited

Toowoomba Newspapers Pty. Ltd.

Universal Radio Pty. Ltd.

Wesgo

West Sydney Radio Pty Ltd

Westat Research Pty Ltd

Western Star Pty Ltd

Wilson & Horton Australia Pty Ltd

Wilson & Horton Finance Pty Ltd

ARN Limited Partnership (a Limited Partnership)

The Level 3 Partnership (a Limited Partnership)

The Level 4 Partnership (a Limited Partnership)

# Subsidiary Guarantors incorporated or existing in New Zealand

Adhub Limited

APN Digital NZ Limited

APN Educational Media (NZ) Limited

APN Holdings NZ Limited

APN New Zealand Limited

APN NZ Investments Limited

APN Online (New Zealand) Limited

APN Print NZ Limited

APN Specialist Publications NZ Limited

ARN NZ Investments Limited

Esky Limited

Idea HQ Limited

GrabOne Limited

Mt Maunganui Publishing Co Limited

New Zealand Radio Network Limited

Regional Publishers Limited

Sella Limited

Sell Me Free Limited

Stanley Newcomb & Co Limited

The Hive Online Limited

The Radio Bureau Limited

The Radio Network Limited

Trade Debts Collecting Co Limited

W & H Interactive Limited

Wilson & Horton Limited

# Subsidiary Guarantors incorporated or existing in Hong Kong

Buspak Advertising (Hong Kong) Limited Buspak Advertising (China) Limited

Cody Outdoor International (Hong Kong) Limited

# ANNEX B—UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR POTENTIAL NZ TRANSACTION

We announced on September 1, 2014 that we are considering strategic options with regards to our APN New Zealand businesses ("APN NZ") which comprise our assets in New Zealand Media, The Radio Network and GrabOne, with a listing on the NZX in an initial public offering (the "Potential NZ Transaction") being one consideration.

As a part of the Potential NZ Transaction, we may restructure APN NZ under a holding company (the "Restructure") and our ownership interest in APN NZ may be reduced by approximately 60% in an initial public offering, in which case our interest in our New Zealand businesses would no longer be consolidated and would, at such anticipated ownership level, be accounted for using the equity method of accounting. At this stage, the structure of the Potential NZ Transaction is preliminary and it is uncertain whether we will proceed with the Potential NZ Transaction and, if we do, what the actual terms of the Potential NZ Transaction would be, including what our ownership interest in APN NZ will be following any such transaction.

The following unaudited pro forma condensed consolidated balance sheet gives effect to the Refinancing, the Note Offering, the Restructuring, the Potential NZ Transaction and subsequent retention of a 40% interest in APN NZ as an equity accounted associate, in each case as if all those transactions occurred on June 30, 2014. The accompanying unaudited pro forma condensed consolidated income statements for the year ended December 31, 2013, the six months ended June 30, 2014 and the last twelve months (from July 1, 2013 to June 30, 2014) give effect to the Refinancing, the Note Offering, the Restructuring, the Potential New Zealand Transaction and subsequent retention of a 40% interest in APN NZ as an equity accounted associate, in each case as if all of these transactions occurred on January 1, 2013. The unaudited pro forma financial information has been compiled from the following sources with the following unaudited adjustments:

- The "APN" column is derived without adjustment from, and should be read in conjunction with, the consolidated financial statements of APN as at and for the year ended December 31, 2013 and for the six months ended June 30, 2014 and 2013. With respect to the last twelve months, the income statement amounts are derived by adding the six months ended June 30, 2014 to the year ended December 31, 2013 and subtracting the six months ended June 30, 2013.
- The "Pro forma deconsolidation of APN NZ" column presents the Restructuring of APN NZ and its deconsolidation from APN and is derived from the historical accounting records of APN. We have assumed that the Restructuring of these businesses under a holding company, prior to the initial public offering, would result in a payable from APN NZ to APN in the amount of NZ\$150.0 million, and which has been reflected as a pro forma adjustment. The terms of the Restructuring have not been finalized and are subject to change.
- The "Pro forma adjustments" column gives effect to the Refinancing, the Note Offering, the receipt of
  payment on the receivable from APN NZ created during the Restructuring and the Potential NZ
  Transaction.

The price of the shares in any IPO of APN NZ (and consequently the proceeds we ultimately receive), would be determined by negotiation between APN NZ, us and the managers and underwriters of any such IPO based on a number of factors, including market conditions at the time of any sale. As a result, due to the uncertain nature of this transaction, for the purposes of the pro forma condensed consolidated balance sheet, the IPO proceeds are based on the net book value of assets and liabilities of the business that will be listed in the IPO as if the IPO occurred on June 30, 2014. The pro forma condensed consolidated income statement includes APN's retained equity-accounted interest in APN NZ, with no adjustments for basis differences that may arise between the fair value and the proportionate share of APN NZ's equity, as if the retained interest had been equity accounted since January 1, 2013. The actual proceeds we ultimately receive from any IPO could be materially different.

The unaudited pro forma condensed consolidated financial statements include specific assumptions and adjustments related to the Refinancing, the Note Offering, the Restructuring, the Potential NZ Transaction and the subsequent retention of a 40% equity accounted interest in APN NZ. The actual level of gearing in APN NZ

and its costs could also be materially different to what is disclosed in the pro forma. These pro forma condensed consolidated financial statements do not assume any interest income on cash proceeds that we will receive in connection with the Potential NZ Transaction or any transaction costs associated with the Potential NZ Transaction. The adjustments are preliminary as they are based upon presently available information and the assumptions that management believes are reasonable under the circumstances as of the date of this Information. However, the actual adjustments may differ materially from the information presented herein.

THIS UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION IS FOR ILLUSTRATIVE PURPOSES ONLY AND IS NOT NECESSARILY INDICATIVE OF THE RESULTS OF OPERATIONS THAT WOULD HAVE BEEN ACHIEVED HAD THE TRANSACTIONS ACTUALLY TAKEN PLACE AT THE DATES INDICATED, AND DOES NOT PURPORT TO BE INDICATIVE OF THE FUTURE FINANCIAL POSITION OR OPERATING RESULTS. ACTUAL ADJUSTMENTS MAY DIFFER FROM THE PRO FORMA ADJUSTMENTS. THERE CAN BE NO ASSURANCE THAT THE REFINANCING, NOTE OFFERING, THE RESTRUCTURING OR THE POTENTIAL NZ TRANSACTION WILL OCCUR, OR THE TIMEFRAME WHICH MIGHT BE ACCOMPLISHED OR THE PRICE.

FUTURE OPERATING RESULTS MAY DIFFER MATERIALLY FROM THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION PRESENTED BELOW DUE TO VARIOUS FACTORS INCLUDING THOSE DESCRIBED UNDER THE CAPTIONS "RISK FACTORS—RISKS RELATING TO THE POTENTIAL NZ TRANSACTION", AND "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS" AND ELSEWHERE IN THIS INFORMATION.

# APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES Unaudited Pro Forma Condensed Consolidated Balance Sheet As at June 30, 2014

(in thousands of Australian dollars (A\$))

Pro Forma APN

|                               | APN       | Pro forma<br>Deconsolidation<br>of APN NZ | Pro forma adjustments | Notes | Post Refinancing,<br>Note Offering,<br>Restructuring<br>and Potential NZ<br>Transaction |
|-------------------------------|-----------|---|-----------------------|-------|---|
| Current assets                |           |   |                       |       |   |
| Cash and cash equivalents     | 24,957    | (4,460)                                   | 67,075                | 2.D   | 87,572  |
| Receivables                   | 133,688   | (50,611)                                  | _                     |       | 83,077  |
| Receivable from APN NZ        |           | 139,276                                   | (139,276)             | 2.B   |   |
| Inventories                   | 6,391     | (2,845)                                   | _                     |       | 3,546   |
| Income tax receivable         | 2,207     | (2.617)                                   |                       |       | 2,207   |
| Other current assets          | 6,596     | (2,617)                                   |                       |       | 3,979   |
| Total current assets          | 173,839   |   | (72,201)              |       | 180,381   |
| Non-current assets            | 26.455    | (00.4)                                    |                       |       | 25.551  |
| Other financial assets        | 26,455    | (904)                                     | _                     |       | 25,551  |
| method                        | 50,542    |   | 112,901               | 2.A   | 163,443   |
| Property, plant and equipment | 142,229   | (77,676)                                  | _                     |       | 64,553  |
| Intangible assets             | 724,280   | (352,868)                                 | _                     |       | 371,412   |
| Deferred tax assets           | 34,563    | 21,101                                    | 1,471                 | 2.C   | 57,135  |
| Total non-current assets      | 978,069   | (410,347)                                 | 114,372               |       | 682,094   |
| Total Assets                  | 1,151,908 | (331,604)                                 | 42,171                |       | 862,475   |
| <b>Current Liabilities</b>    |           |   |                       |       |   |
| Payables                      | 108,866   | (48,016)                                  | _                     |       | 60,850  |
| Interest bearing liabilities  | 53,259    | _   | (39,099)              | 2.C   | 14,160  |
| Current tax liabilities       | 1,189     | (020)                                     | _                     |       | 1,189   |
| Provisions                    | 8,110     | (928)                                     |                       |       |   |
| Total current liabilities     | 171,424   | (48,944)                                  | (39,099)              |       | 83,381  |
| Non-current Liabilities       |           |   |                       |       |   |
| Payables                      | 9,000     | _   |                       | . ~   | 9,000   |
| Interest bearing liabilities  | 451,294   | _   | (197,548)             | 2.C   | 253,746   |
| Retirement benefit liability  | 1,895     | (408)                                     |                       |       | 1,895   |
| Provisions                    | 4,329     | (408)                                     |                       |       | 3,921   |
| Total non-current liabilities | 466,518   | (408)                                     | (197,548)             |       | 268,562   |
| Total liabilities             | 637,942   | (49,352)                                  | (236,647)             |       | 351,943   |
| Net assets                    | 513,966   | (282,252)                                 | 278,818               |       | 510,532   |
| Equity                        |           |   |                       |       |   |
| Total parent entity interest  | 473,328   | (282,252)                                 | 278,818               | 2.C   | 469,894   |
| Non-controlling interests     | 40,638    |   |                       |       | 40,638  |
| Total equity                  | 513,966   | (282,252)                                 | 278,818               |       | 510,532   |
|                               |           |   |                       |       |   |

See accompanying notes to the unaudited pro forma condensed consolidated financial information.

# APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES Unaudited Pro Forma Condensed Consolidated Income Statement For the year ended December 31, 2013

(in thousands of Australian dollars (A\$) except per share amounts)

|   | _APN      | Pro forma<br>Deconsolidation<br>of APN NZ | Pro forma<br>adjustments | Notes | Pro Forma APN Post Refinancing, Note Offering, Restructuring and Potential NZ Transaction |
|---|-----------|---|--------------------------|-------|---|
| Revenue from continuing operations                              | 817,226   | (402,965)                                 | _                        |       | 414,261   |
| Other revenue and income  | 16,233    | (1,858)                                   |                          |       | 14,375  |
| Total revenue and other income                                  | 833,459   | (404,823)                                 |                          |       | 428,636   |
| Expenses from continuing operations before                      |           |   |                          |       |   |
| finance costs   | (729,749) | 353,312                                   |                          |       | (376,437)   |
| Finance costs   | (38,516)  | 179                                       | 7,038                    | 3.A   | (31,299)  |
| Share of profits of associates (net of tax)                     | 10,565    |   | 12,761                   | 3.B   | 23,326  |
| Profit before income tax  | 75,759    | (51,332)                                  | 19,799                   |       | 44,226  |
| Income tax (expense)/credit                                     | 758       | 13,983                                    | (2,111)                  | 3.C   | 12,630  |
| Profit from continuing operations                               | 76,517    | (37,349)                                  | 17,688                   |       | 56,856  |
| Profit from continuing operations for the year attributable to: |           |   |                          |       |   |
| Owners of the parent entity                                     | 50,467    | (31,998)                                  | 17,688                   |       | 36,157  |
| Non-controlling interests                                       | 26,050    | (5,351)                                   |                          |       | 20,699  |
|   | 76,517    | (37,349)                                  | 17,688                   |       | 56,856  |
| Earnings per share from continuing operations                   |           |   |                          |       |   |
| Basic/diluted earnings per share—cents                          | 7.6       |   |                          | 3.D   | 5.5   |

# APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES Unaudited Pro Forma Condensed Consolidated Income Statement For the six months ended June 30, 2014

(in thousands of Australian dollars (A\$) except per share amounts)

Pro Forma APN

|  | APN       | Pro forma<br>Deconsolidation<br>of APN NZ | Pro forma adjustments | Notes | Post Refinancing,<br>Note Offering,<br>Restructuring<br>and Potential NZ<br>Transaction |
|--|-----------|---|-----------------------|-------|---|
| Revenue from continuing operations   | 405,897   | (201,504)                                 | _                     |       | 204,393   |
| Other revenue and income   | 10,072    | (3,387)                                   |                       |       | 6,685   |
| Total revenue and other income<br>Expenses from continuing operations before | 415,969   | (204,891)                                 | _                     |       | 211,078   |
| finance costs  | (366,343) | 179,859                                   | _                     |       | (186,484)   |
| Finance costs  | (19,519)  | 81  | 4,982                 | 3.A   | (14,456)  |
| Share of profits of associates (net of tax)                                  | 3,658     |   | 6,231                 | 3.B   | 9,889   |
| Profit before income tax   | 33,765    | (24,951)                                  | 11,213                |       | 20,027  |
| Income tax (expense)/credit  | (3,989)   | 6,395                                     | (1,494)               | 3.C   | 912   |
| Profit from continuing operations  | 29,776    | (18,556)                                  | 9,719                 |       | 20,939  |
| Profit from continuing operations for the year attributable to:              |           |   |                       |       |   |
| Owners of the parent entity  | 25,061    | (18,335)                                  | 9,719                 |       | 16,445  |
| Non-controlling interests  | 4,715     | (221)                                     |                       |       | 4,494   |
|  | 29,776    | (18,556)                                  | 9,719                 |       | 20,939  |
| Earnings per share from continuing operations                                |           |   |                       |       |   |
| Basic/diluted earnings per share—cents                                       | 2.7       |   |                       | 3.D   | 1.8   |

# APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

# Unaudited Pro Forma Condensed Consolidated Income Statement For the last twelve months ended June 30, 2014

(in thousands of Australian dollars (A\$) except per share amounts)

|  | APN       | Pro forma<br>Deconsolidation<br>of APN NZ | Pro forma<br>adjustments | Notes | Pro Forma APN Post Refinancing, Note Offering, Restructuring and Potential NZ Transaction |
|--|-----------|---|--------------------------|-------|---|
| Revenue from continuing operations   | 828,518   | (412,368)                                 | _                        |       | 416,150   |
| Other revenue and income   | 18,704    | (3,778)                                   |                          |       | 14,926  |
| Total revenue and other income<br>Expenses from continuing operations before | 847,222   | (416,146)                                 | _                        |       | 431,076   |
| finance costs  | (733,659) | 361,371                                   | _                        |       | (372,288)   |
| Finance costs  | (39,336)  | 191                                       | 8,439                    | 3.A   | (30,706)  |
| Share of profits of associates (net of tax)                                  | 10,439    |   | 13,684                   | 3.B   | 24,123  |
| Profit before income tax   | 84,666    | (54,584)                                  | 22,123                   |       | 52,205  |
| Income tax (expense)/credit  | (2,344)   | 14,570                                    | (2,532)                  | 3.C   | 9,694   |
| Profit from continuing operations  | 82,322    | (40,014)                                  | 19,591                   |       | 61,899  |
| Profit from continuing operations for the year attributable to:              |           |   |                          |       |   |
| Owners of the parent entity  | 63,754    | (36,684)                                  | 19,591                   |       | 46,661  |
| Non-controlling interests  | 18,568    | _(3,330)                                  |                          |       | 15,238  |
|  | 82,322    | (40,014)                                  | 19,591                   |       | 61,899  |
| Earnings per share from continuing operations                                |           |   |                          |       |   |
| Basic/diluted earnings per share—cents                                       | 7.5/7.4   |   |                          | 3.D   | 5.5/5.4   |

#### 1. Basis of preparation

The accompanying unaudited pro forma condensed consolidated financial information is intended to reflect the impacts of the Refinancing, the Note Offering, the Restructuring and the Potential NZ Transaction, including the retention of a 40% interest as an equity accounted associate, and presents the pro forma condensed consolidated financial position and results of operations of APN based on the historical financial statements and accounting records of APN and the related pro forma adjustments as described in these notes.

Pro forma adjustments are included only to the extent they are (i) directly attributable to the Refinancing, the Note Offering, the Restructuring, the Potential NZ Transaction and subsequent retention of a 40% equity accounted interest in APN NZ, (ii) factually supportable and (iii) with respect to the income statement, expected to have a continuing impact on the results of APN. The accompanying unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only.

#### Potential NZ Transaction

Any consideration received by APN in connection with the Potential NZ Transaction, along with the basis of the retained equity accounted interest in APN NZ, would be based on the amount by which our interest is reduced and the actual sales price of the shares sold in the initial public offering of APN NZ. The price of the shares sold (and consequently the proceeds we ultimately receive), will be determined by negotiation between APN NZ, us and the managers and underwriters of any such initial public offering and based on a number of factors, including market conditions at the time of such initial public offering. As a result, due to the uncertain nature of the pricing of the Potential NZ Transaction, and any associated costs of disposal, the consideration received in the pro forma financial information is based on the carrying value of the net assets of APN NZ, rather than the fair value implied by the price paid by investors in any such offering. The pro forma is based on an assumption that our interest in APN NZ will be reduced by 60%. However, the actual reduction in our ownership interest could be materially different. No gain or loss has been reflected in the unaudited pro forma condensed consolidated income statement as it is not expected to be recurring, but would be reflected in the consolidated income statement of APN if the transaction is consummated.

#### Carrying value of the retained equity accounted investment in APN NZ

Following a loss of control of APN NZ, the retained equity accounted interest would be recognized at the fair value of the interest retained in the balance sheet if the transaction is consummated. The fair value of the retained equity accounted investment in APN NZ would be based on the actual sales price of the shares sold in the Potential NZ Transaction. Due to the uncertain nature of the pricing of the Potential NZ Transaction, and the amount to be retained, the equity accounted interest in the pro forma condensed consolidated balance sheet as at June 30, 2014 has been based on the carrying value of the net assets in APN NZ which would be different than the fair value of the net assets at the time of the Potential NZ Transaction. The pro forma is based on an assumption that a 40% interest in APN NZ will be retained. However, the actual amount retained could be materially different.

#### Share of equity accounted associates earnings of APN NZ

The financial impact of the Potential NZ Transaction has been based on the historical carrying value of the assets and liabilities. In order to record the retained equity accounted investment in APN NZ to fair value, adjustments to the APN NZ financial information would be necessary to reflect the fair values of the identifiable assets and liabilities above their historical carrying value depending on a purchase price allocation completed at the time of the Potential NZ Transaction. These adjustments would impact the depreciation and amortization profiles recognized in APN's share of equity accounted associate earnings of APN NZ in the income statement if the transaction is consummated. Due to the uncertain nature of the pricing of the Potential NZ Transaction and applying this value to a purchase price allocation, for the purposes of the unaudited condensed consolidated proforma income statement, no adjustments for basis differences that may arise between the fair value and the proportionate share of APN NZ's equity are included in the share of equity accounted associate earnings of APN NZ in the proforma financial information.

# **Accounting Policies**

The consolidated financial statements of APN were prepared in accordance with Australian Accounting Standards and also comply with IFRS as issued by the IASB. The unaudited pro forma condensed consolidated financial information is presented in an abbreviated form and therefore does not comply with all presentation and disclosure requirements of IFRS or the requirements of Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 of Australia.

#### Discontinued operations

The potential divestiture of APN NZ does not meet the requirements to be classified as an asset held for sale or a discontinued operations. If the divestiture occurs or when it meets the criteria to be classified as assets held for sale, the actual results of APN NZ will be restated and classified as discontinued operations in the historical financial statements of APN.

#### Items not adjusted in the unaudited pro forma condensed consolidated financial information

The timing, pricing and extent by which our interest in APN NZ is reduced in the Potential NZ Transaction, including the associated Restructuring and amount of the APN receivable due from APN NZ, may differ materially from the assumptions used in the unaudited pro forma condensed consolidated financial information. Any changes from these assumptions could have a material impact on the pro forma information.

The Potential NZ Transaction may result in changes in APN's tax rate used to determine deferred income taxes. Any changes in deferred taxes as a result of the divestiture would be reflected in income as of the divestiture date. The unaudited pro forma condensed consolidated financial information does not include the impact of any such changes on APN's existing deferred tax assets and liabilities, as the analysis is not complete.

There would be transaction costs associated with the Potential NZ Transaction. These transaction costs are not included in the pro forma.

#### Note 2 Pro forma condensed consolidated balance sheet adjustments

### 2.A Pro forma proceeds from the Potential NZ Transaction

Due to the uncertain nature of the pricing in the Potential NZ Transaction, the assumed consideration received is based on the carrying value of the net assets of APN NZ, not the fair value of the those assets. Assuming the Potential NZ Transaction had occurred on June 30, 2014, the carrying value of the net assets of APN NZ at divestiture would have been A\$282.3 million. As consideration, APN has estimated it would receive on a pro forma basis:

|   | of Australian<br>dollars (A\$)) |
|---|---------------------------------|
| 40% equity accounted interest in APN NZ               | 112,901                         |
| Assumed cash gross proceeds from IPO of 60% of APN NZ | 169,351                         |
| Total gross consideration                             | 282,252                         |

The price of the shares in any initial public offering of APN NZ in the Potential NZ Transaction (and consequently the proceeds we ultimately receive) would ultimately be determined between APN NZ, us and the managers and underwriters of any such IPO, based on a number of factors, including market conditions at the time of any sale. Based on a reduction in our ownership interest in APN NZ of 60%, each 1% increase in price of the IPO over book value will increase the initial carrying value of the 40% equity accounted interest in APN NZ by A\$1.1 million and increase the assumed cash proceeds to APN by A\$1.7 million.

# 2.B Pro forma note receivable by APN / payable from APN NZ as a result of the Restructuring

We have assumed that the Restructuring of our New Zealand business under APN NZ would result in a payable to APN of NZ\$150.0 million (A\$139.3 million). Prior to any initial public offering of APN NZ, this amount would have been eliminated on consolidation. After any initial public offering of APN NZ, it would no longer be eliminated and would be recognized on the balance sheet of APN. To collect this balance, it is expected that APN NZ will procure external debt facilities and would draw on these facilities immediately after any sale to repay the balance to APN. There can be no assurance that such refinancing will occur or in what amount.

#### 2.C Interest-bearing liabilities

Based on the assumptions detailed herein, the Refinancing, the Note Offering, the Restructuring and the Potential NZ Transaction would affect current and non-current interest-bearing liabilities as follows:

|  | (in thousands of Australian dollars (A\$)) |   |   |  |
|--|--|---|---|--|
|  | APN  | The Refinancing<br>and Note<br>Offering | The<br>Restructuring<br>and Potential NZ<br>Transaction | Pro forma APN<br>as adjusted for<br>The Refinancing,<br>Note Offering<br>and the Potential<br>NZ Transaction |
| Current interest-bearing liabilities           |  |   |   |  |
| Bank loans—unsecured                           | 14,160                                     | _                                       | _   | 14,160   |
| Lease liabilities                              | 37,572                                     | (37,572)                                | _   | _  |
| Other financing                                | 1,527                                      | (1,527)                                 |   |  |
| Total current interest-bearing liabilities     | 53,259                                     | (39,099)                                |   | 14,160   |
| Non-current interest-bearing liabilities       |  |   |   |  |
| Bank loans—unsecured                           | 359,636                                    | (359,636)                               | _   | _  |
| New Zealand Bond                               | 92,851                                     | (92,851)                                | _   | _  |
| Other financing                                | 1,855                                      | (1,855)                                 | _   | _  |
| Senior Secured Revolver                        | _  | 241,552                                 | (241,552)   | _  |
| Notes offered hereby                           |  | 265,196                                 |   | 265,196  |
| Total  | 454,342                                    | 52,406                                  | (241,552)   | 265,196  |
| Net borrowing costs(1)                         | (3,048)                                    | (8,402)                                 | _   | (11,450)   |
| Total non-current interest-bearing liabilities | 451,294                                    | 44,004                                  | (241,552)   | 253,746  |

<sup>(1)</sup> For the purposes of the pro forma condensed consolidated balance sheet, the APN net borrowing costs of A\$3.0 million related to the Refinanced Facilities have been written off, resulting in a reduction of total equity of A\$2.1 million and an increase in deferred tax asset of A\$0.9 million, based on a statutory tax rate of 30%. On a pro forma basis, net borrowing costs in relation to the Refinancing and the Note Offering are estimated at A\$11.5 million.

<sup>(2)</sup> On August 20, 2014, we issued a notice to our New Zealand bondholders that amounts outstanding under the bonds would be prepaid on September 22, 2014. We expect to incur an early prepayment fee NZ\$2.0 million (A\$1.9 million) which would increase the amount drawn on the Senior Secured Revolver. The early prepayment fee would be expensed, resulting in a reduction of total equity by A\$1.3 million and an increase in deferred tax asset of A\$0.6 million.

# 2.D Pro forma use of proceeds

We anticipate using any proceeds we ultimately receive from the Potential NZ Transaction to temporarily reduce amounts outstanding under our Senior Secured Revolver pending identification of potential further growth initiatives. Based on the assumptions described in the pro forma financial information, the pro forma use of proceeds would be as follows:

|   | Australian dollars (A\$)) |
|---|---------------------------|
| Gross proceeds to APN from the IPO of 60% of APN NZ.  Proceeds from collection of note receivable from APN NZ.        |                           |
| Gross proceeds of divestiture and collection of receivable.  Assumed repayment of drawings of Senior Secured Revolver |                           |
| Increase in cash  | 67,075                    |

#### 2.E Pro forma capitalization of APN after the Potential NZ Transaction

The following tables set forth the cash and cash equivalents and capitalization of APN as of June 30, 2014 on a pro forma adjusted basis to give effect to the Refinancing, the Note Offering, the Restructuring and the Potential NZ Transaction as if the transactions had occurred on June 30, 2014.

|   | (in thousands of<br>Australian dollars<br>(A\$)) |
|---|--|
| Cash and cash equivalents                                     | 87,572   |
| Current interest-bearing liabilities Bank loans—unsecured     | 14,160   |
| Total current interest-bearing liabilities                    |  |
| Non-current interest-bearing liabilities Notes offered hereby | 265,196  |
| Total non-current interest-bearing liabilities(1)             | 265,196  |
| Total equity  | 510,532  |
| Total capitalization(2)                                       | 702,316  |

<sup>(1)</sup> Excluding pro forma net borrowing costs in relation to the Refinancing and the Note Offering of A\$11.5 million.

# Note 3 Pro forma condensed consolidated income statement adjustments

#### 3.A Finance costs

This adjustment discloses (a) the decrease in finance costs (A\$0.5 million for the year ended December 31, 2013, A\$1.7 million for the six months ended June 30, 2014 and A\$1.9 million for the last twelve months ended June 30, 2014) on the basis set out in the Refinancing and the Note Offering columns of Note 2.C; and (b) the decrease in finance costs (A\$6.5 million for the year ended December 31, 2013, A\$3.3 million for the six months ended June 30, 2014 and A\$6.6 million for the last twelve months ended June 30, 2014) due to the Restructuring and Potential NZ Transaction as set out in Note 2.D, as if these transactions occurred on January 1, 2013, in each case based on current interest rate assumptions.

# 3.B Share of profits of APN NZ as an equity accounted associate

On a pro forma basis, it is assumed that APN retains 40% of APN NZ post the Potential NZ Transaction and therefore recognizes on an equity accounted basis 40% of the historical income after tax from continuing

<sup>(2)</sup> Net of cash and cash equivalents.

operations of APN NZ, as adjusted for pro forma interest costs of financing APN NZ on a stand-alone basis. However APN NZ's interest cost will depend on the amount and cost of borrowings which APN NZ incurs in the future and which have not been determined. Accordingly for the purposes of this pro forma, it is assumed that APN NZ had incurred an interest charge from APN based on borrowings of NZ\$ 150.0 million (A\$139.3 million at the June 30, 2014 exchange rate), corresponding in amount to the receivable from APN NZ described in note 2.C., that have been outstanding from January 1, 2013 and bearing an effective interest rate based on APN NZ's marginal weighted average interest cost of 5.95% on facilities.

|   | (in thousands of Australian dollars (A\$)) |                                      |   |  |
|---|--|--------------------------------------|---|--|
|   | Year ended<br>December 31,<br>2013         | Six months<br>ended June 30,<br>2014 | Twelve months<br>ended June 30,<br>2014 |  |
| APN NZ's profit after tax from continuing operations for the  |  |                                      |   |  |
| historical periods divested(1)  | 37,349                                     | 18,556                               | 40,014                                  |  |
| Pro forma interest on debt to be incurred by APN NZ on an after tax   |  |                                      |   |  |
| basis   | (5,447)                                    | (2,979)                              | (5,804)                                 |  |
| Assumed APN NZ profit from continuing operations retained by APN and accounted for under the equity method post the Potential |  |                                      |   |  |
| NZ Transaction  | 31,902                                     | 15,577                               | 34,210                                  |  |
| APN's 40% pro forma share of profits in APN NZ  | 12,761                                     | 6,231                                | 13,684                                  |  |

<sup>(1)</sup> APN NZ's profit after tax from continuing operations includes an allocation of corporate costs of A\$2.9 million for the year ended December 31, 2013, A\$1.5 million for the six months ended June 30, 2014 and A\$2.9 million for the twelve months ended June 30, 2014.

#### **3.**C Income tax expense

The income tax expense impact of the Refinancing, the Note Offering and Potential NZ Transaction is determined by applying the Australian statutory tax rate of 30% to APN to the adjustments described in note 3.A and the New Zealand statutory tax rate of 28% to the adjustments described in Note 3.B.

#### 3.D Earnings per share from continuing operations

Basic and diluted earnings per share from continuing operations is calculated by dividing the Profit from continuing operations for the year attributable to owners of the parent entity by the weighted average number of shares during the period:

|  | Year ended<br>December 31,<br>2013 | Six months<br>ended June 30,<br>2014 | Twelve months ended June 30, 2014 |
|--|------------------------------------|--------------------------------------|-----------------------------------|
| Weighted average number of shares used as the denominator in |                                    |                                      |                                   |
| calculating basic EPS  | 661,526,586                        | 932,451,799                          | 851,316,516                       |
| Adjusted for calculation of diluted EPS                      |                                    | 5,066,795                            | 5,066,795                         |
| Weighted average number of shares used as the denominator in |                                    |                                      |                                   |
| calculating diluted EPS                                      | 661,526,586                        | 937,518,594                          | 856,383,311                       |

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# **Consolidated income statement** for the period ended 30 June 2014

|  | Note | June 2014<br>\$'000 | June 2013<br>\$'000 |
|--|------|---------------------|---------------------|
| Revenue from continuing operations                             | 2    | 405,897             | 394,605             |
| Other revenue and income                                       | 2    | 10,072              | 7,601               |
| Total revenue and other income                                 | 2    | 415,969             | 402,206             |
| Expenses before finance costs                                  |      | (366,343)           | (362,433)           |
| Finance costs  |      | (19,519)            | (18,699)            |
| Share of profits of associates                                 | 5    | 3,658               | 3,784               |
| Profit before income tax                                       | 3    | 33,765              | 24,858              |
| Income tax expense   | 4    | (3,989)             | (887)               |
| Profit from continuing operations                              |      | 29,776              | 23,971              |
| Profit / (loss) from discontinued operations                   |      | (2,562)             | 629                 |
| Profit for the period  |      | 27,214              | 24,600              |
| Profit is attributable to:                                     |      |                     |                     |
| Owners of the parent entity                                    |      | 22,610              | 12,768              |
| Non-controlling interests                                      |      | 4,604               | 11,832              |
|  |      | 27,214              | 24,600              |
| Earnings per share from continuing operations                  |      |                     |                     |
| Basic/diluted earnings per share                               | 12   | 2.7 cents           | 1.5 cents           |
| Earnings per share from continuing and discontinued operations |      |                     |                     |
| Basic/diluted earnings per share                               | 12   | 2.4 cents           | 1.7 cents           |

# Consolidated statement of comprehensive income for the period ended 30 June 2014

|   | June 2014<br>\$'000 | June 2013<br>\$'000 |
|---|---------------------|---------------------|
| Profit for the period   | 27,214              | 24,600              |
| Items that may be reclassified to profit or loss                                    |                     |                     |
| Exchange differences on translation of foreign operations                           | 566                 | 2,052               |
| Share of joint venture's reserves   | (1,103)             | 790                 |
| Share of associate's reserves   | 74                  | -                   |
| Exchange and other differences applicable to non-controlling interest               | (94)                | 5,690               |
| Items that will not be reclassified to profit or loss                               |                     |                     |
| Revaluation of land and buildings   | -                   | (80)                |
| Re-measurements on retirement benefit obligations                                   | (350)               | 276                 |
| Other comprehensive income, net of tax  | (907)               | 8,728               |
| Total comprehensive income  | 26,307              | 33,328              |
| Total comprehensive income is attributable to:                                      |                     |                     |
| Owners of the parent entity   | 21,797              | 15,806              |
| Non-controlling interests   | 4,510               | 17,522              |
|   | 26,307              | 33,328              |
| Total comprehensive income attributable to owners of the parent entity arises from: |                     |                     |
| Continuing operations   | 25,350              | 14,022              |
| Discontinued operations   | (3,553)             | 1,784               |
|   | 21,797              | 15,806              |

# **Consolidated balance sheet** as at 30 June 2014

|   |   | June 2014<br>\$'000 | Dec 2013<br>\$'000 |
|---|---|---------------------|--------------------|
| Current assets  |   |                     |                    |
| Cash and cash equivalents                                 |   | 24,957              | 19,956             |
| Receivables   |   | 133,688             | 120,961            |
| Inventories   |   | 6,391               | 7,569              |
| Income tax receivable                                     |   | 2,207               | 2,106              |
| Other current assets                                      |   | 6,596               | 8,729              |
|   |   | 173,839             | 159,321            |
| Assets held for sale                                      |   | _                   | 119,236            |
| Total current assets                                      |   | 173,839             | 278,557            |
| Non-current assets  |   |                     |                    |
| Other financial assets                                    |   | 26,455              | 23,394             |
| Investments accounted for using the equity method         | 5 | 50,542              | 50,811             |
| Property, plant and equipment                             |   | 142,229             | 149,381            |
| Intangible assets   | 7 | 724,280             | 714,855            |
| Deferred tax assets                                       |   | 34,563              | 37,903             |
| Total non-current assets                                  |   | 978,069             | 976,344            |
| Total assets  |   | 1,151,908           | 1,254,901          |
| Current liabilities                                       |   |                     |                    |
| Payables  |   | 108,866             | 113,432            |
| Interest bearing liabilities                              | 8 | 53,259              | 67,852             |
| Current tax liabilities                                   |   | 1,189               | 7,475              |
| Provisions  |   | 8,110               | 9,288              |
|   |   | 171,424             | 198,047            |
| Liabilities directly associated with assets held for sale |   | _                   | 55,678             |
| Total current liabilities                                 |   | 171,424             | 253,725            |
| Non-current liabilities                                   |   |                     |                    |
| Payables  |   | 9,000               | _                  |
| Interest bearing liabilities                              | 8 | 451,294             | 384,583            |
| Retirement benefit obligations                            |   | 1,895               | 1,545              |
| Provisions  |   | 4,329               | 4,503              |
| Total non-current liabilities                             |   | 466,518             | 390,631            |
| Total liabilities   |   | 637,942             | 644,356            |
| Net assets  |   | 513,966             | 610,545            |
| Equity  |   |                     |                    |
| Contributed equity  | 9 | 1,222,780           | 1,093,372          |
| Reserves  |   | (112,960)           | (70,503)           |
| Accumulated losses  |   | (636,492)           | (660,878)          |
| Total parent entity interest                              |   | 473,328             | 361,991            |
| Non-controlling interests                                 |   | 40,638              | 248,554            |
| Total equity  |   | 513,966             | 610,545            |

# **Consolidated statement of changes in equity** for the period ended 30 June 2014

|   | Note | Contributed equity \$'000 | Reserves<br>\$'000 | Accumulated losses \$'000 | Total<br>\$'000 | Non-<br>controlling<br>interest<br>\$'000 | Total<br>equity<br>\$'000 |
|---|------|---------------------------|--------------------|---------------------------|-----------------|---|---------------------------|
| Balance at 1 January 2013                   |      | 1,093,372                 | (76,455)           | (666,487)                 | 350,430         | 235,069                                   | 585,499                   |
| Profit for the period                       |      | _                         | _                  | 12,768                    | 12,768          | 11,832                                    | 24,600                    |
| Other comprehensive income                  |      | _                         | 2,762              | 276                       | 3,038           | 5,690                                     | 8,728                     |
| Transfer between reserves                   |      | _                         | 80                 | (80)                      | _               | _   | _                         |
| Transactions with non-controlling interests |      | _                         | _                  | _                         | _               | (13,500)                                  | (13,500)                  |
| Total equity at 30 June 2013                |      | 1,093,372                 | (73,613)           | (653,523)                 | 366,236         | 239,091                                   | 605,327                   |
| Balance at 1 January 2014                   |      | 1,093,372                 | (70,503)           | (660,878)                 | 361,991         | 248,554                                   | 610,545                   |
| Profit for the period                       |      | _                         | _                  | 22,610                    | 22,610          | 4,604                                     | 27,214                    |
| Other comprehensive income                  |      | _                         | (463)              | (350)                     | (813)           | (94)                                      | (907)                     |
| Transfer between reserves                   |      | _                         | (2,126)            | 2,126                     | _               | _   | _                         |
| Share based payments expense                |      | _                         | 581                | _                         | 581             | _   | 581                       |
| Contributions of equity                     | 9    | 129,408                   | _                  | _                         | 129,408         | _   | 129,408                   |
| Transactions with non-controlling interests |      | _                         | (40,449)           | _                         | (40,449)        | (212,426)                                 | (252,875)                 |
| Total equity at 30 June 2014                |      | 1,222,780                 | (112,960)          | (636,492)                 | 473,328         | 40,638                                    | 513,966                   |

# Consolidated statement of cash flows for the period ended 30 June 2014

|  | June 2014<br>\$'000 | June 2013<br>\$'000 |
|--|---------------------|---------------------|
| Cash flows from operating activities   |                     |                     |
| Receipts from customers  | 456,342             | 484,901             |
| Payments to suppliers and employees  | (414,567)           | (429,940)           |
| Dividends received   | 199                 | 114                 |
| Interest received  | 242                 | 346                 |
| Interest paid  | (17,074)            | (15,718)            |
| Income taxes paid  | (9,527)             | (10,755)            |
| Net cash inflows from operating activities                                   | 15,615              | 28,948              |
| Cash flows from investing activities   |                     |                     |
| Payments for property, plant and equipment                                   | (5,703)             | (5,063)             |
| Payments for software  | (2,091)             | (1,325)             |
| Acquisition of controlled entities   | _                   | (4,446)             |
| Proceeds from sale of property, plant & equipment                            | 638                 | 1,497               |
| Proceeds from sale of businesses   | 5,387               | _                   |
| Net payments for purchase / proceeds from sale of financial assets           | 60,639              | 1,360               |
| Dividend received from associates  | 4,000               | 4,000               |
| Net loans repaid by other entities   | 1,786               | 5,131               |
| Net cash inflows/(outflows) from investing activities                        | 64,656              | 1,154               |
| Cash flows from financing activities   |                     |                     |
| Proceeds from borrowings   | 169,757             | 52,837              |
| Repayments of borrowings   | (118,962)           | (63,222)            |
| Payments for borrowing costs   | _                   | (50)                |
| Principal repayments under finance leases                                    | (1,301)             | (1,199)             |
| Payments for purchase of remaining share in Australian Radio Network Pty Ltd | (249,361)           | _                   |
| Proceeds from share issue  | 128,166             | _                   |
| Net payments to non-controlling interests                                    | (3,119)             | (12,873)            |
| Net cash inflows/(outflows) from financing activities                        | (74,820)            | (24,507)            |
| Change in cash and cash equivalents  | 5,451               | 5,595               |
| Cash and cash equivalents at the beginning of the period                     | 19,956              | 20,338              |
| Effects of exchange rate changes   | (450)               | 1,536               |
| Cash and cash equivalents at the end of the period                           | 24,957              | 27,469              |

#### 1. Summary of significant accounting policies

#### Basis of preparation

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report and any public announcements made by APN News & Media Limited during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those detailed in the 2013 Annual Report.

#### (a) Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

#### (i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 7 for details of the impairment review performed at 30 June 2014.

#### (ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is also required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings, capital gains and losses, acquisitions and disposals and subsequent changes to tax groupings.

# (b) Standards and interpretations issued but not yet effective

There are no standards and interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### 2. Revenue and other income

|  | June 2014<br>\$'000 | June 2013<br>\$'000 |
|--|---------------------|---------------------|
| From continuing operations   |                     |                     |
| Advertising revenue  | 342,217             | 330,287             |
| Circulation revenue  | 63,680              | 64,318              |
| Revenue from continuing operations                                 | 405,897             | 394,605             |
| Finance income   | 240                 | 288                 |
| Dividends  | 231                 | 128                 |
| Gain on disposal of properties and businesses                      | 5,323               | 1,240               |
| Gains on derecognition of contingent consideration payable         | _                   | 4,257               |
| Gain on financial assets held at fair value through profit or loss | 3,886               | 1,300               |
| Other  | 392                 | 388                 |
| Total other revenue and income                                     | 10,072              | 7,601               |
| Total revenue and other income                                     | 415,969             | 402,206             |
| From discontinued operations (refer note 6)                        |                     |                     |
| Total revenue and other income                                     | 6,082               | 59,327              |

#### 3. Segment information

# (a) Description of segments

The Group has identified its operating segments based on the internal reports reviewed and used by the Board of Directors and the senior management team in assessing performance and determining the allocation of resources. There are six reportable segments as follows:

Australian Regional Media Newspaper and online publishing

New Zealand Media Newspaper, magazine and online publishing

Australian Radio Network Metropolitan radio networks

The Radio Network Radio networks throughout New Zealand

Outdoor Street furniture, roadside billboard, transit and other outdoor advertising

Digital Digital businesses

## (b) Results by operating segment

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as gains or losses on disposals of businesses and restructuring related costs.

In 2014 iNC Digital Media (iNC) has been transferred from the Digital segment to the Australian Radio Network (ARN) segment. The operations of iNC are now integrated with the other businesses in the Group and in particular ARN. Therefore it was considered appropriate to report the results of iNC as part of the ARN segment. Comparatives have been restated to reflect this change.

The segment information provided to the Directors and senior management team for the period ended 30 June 2014 is as follows:

# 3. Segment information (continued)

#### (b) Results by operating segment (continued)

|   | Australian        | New              | Australian |                      |         |         |             |          |
|---|-------------------|------------------|------------|----------------------|---------|---------|-------------|----------|
|   | Regional<br>Media | Zealand<br>Media | Radio      | The Radio<br>Network |         |         | Inallacated | Total    |
|   |                   |                  | Network    |                      | Outdoor | Digital | Jnallocated | Total    |
| 2014                                    | \$'000            | \$'000           | \$'000     | \$'000               | \$'000  | \$'000  | \$'000      | \$'000   |
| Revenue from                            |                   |                  |            |                      |         |         |             |          |
| external customers                      | 98,998            | 135,623          | 81,223     | 56,932               | 24,106  | 9,015   | _           | 405,897  |
| Segment result                          | 10,475            | 22,698           | 29,029     | 10,099               | 4,617   | 2,452   | (8,645)     | 70,725   |
| Reconciliation of segment result to ope | erating prof      | it before inc    | come tax   |                      |         |         |             |          |
| Segment result                          |                   |                  |            |                      |         |         |             | 70,725   |
| Depreciation and amortisation           |                   |                  |            |                      |         |         |             | (16,470) |
| Net finance costs                       |                   |                  |            |                      |         |         |             | (19,279) |
| Gain on disposal of properties and bus  | inesses           |                  |            |                      |         |         |             | 5,323    |
| Redundancies and associated costs       |                   |                  |            |                      |         |         |             | (4,886)  |
| Asset write downs and business closur   | es                |                  |            |                      |         |         |             | (1,648)  |
| Profit before tax from continuing oper  | ations            |                  |            |                      |         |         |             | 33,765   |

The gain on disposal of properties and businesses relates mainly to the sale of the New Zealand Magazine's consumer titles.

The redundancies and associated costs relate to the ongoing restructuring of our Australian Regional Media and New Zealand Media divisions.

| 2013                                 | Australian<br>Regional<br>Media<br>\$'000 | New<br>Zealand<br>Media<br>\$'000 | Australian<br>Radio<br>Network<br>\$'000 | The Radio<br>Network<br>\$'000 | Outdoor<br>\$'000 | Digital <sup>U</sup><br>\$'000 | Inallocated<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|---|-----------------------------------|--|--------------------------------|-------------------|--------------------------------|-----------------------|-----------------|
| Revenue from external customers      | 107,841                                   | 136,665                           | 75,136                                   | 47,325                         | 19,458            | 8,180                          | _                     | 394,605         |
| Segment result                       | 12,692                                    | 23,007                            | 27,336                                   | 8,723                          | 4,609             | 1,860                          | (8,078)               | 70,149          |
| Reconciliation of segment result to  | operating prof                            | it before inc                     | come tax                                 |                                |                   |                                |                       |                 |
| Segment result                       |   |                                   |  |                                |                   |                                |                       | 70,149          |
| Depreciation and amortisation        |   |                                   |  |                                |                   |                                |                       | (16,086)        |
| Net finance costs                    |   |                                   |  |                                |                   | (18,412)                       |                       |                 |
| Gain on disposal of properties and   | businesses                                |                                   |  |                                |                   |                                |                       | 1,240           |
| Gains on derecognition of continge   | ent consideratio                          | n payable                         |  |                                |                   |                                |                       | 4,257           |
| Redundancies and associated cos      | ts  |                                   |  |                                |                   |                                |                       | (8,154)         |
| Asset write downs and business cl    | osures                                    |                                   |  |                                |                   |                                |                       | (8,136)         |
| Profit before tax from continuing of | perations                                 |                                   |  |                                |                   |                                |                       | 24,858          |

The gain on disposal of properties and businesses relates mainly to the sale of the South Island and Wellington newspaper titles.

The gains on derecognition of contingent consideration payable relates to adjustments to the amounts due under earn out and put option arrangements in relation to the acquisitions of Idea HQ Limited and iNC Digital Media.

The redundancies and associated costs relate to the ongoing restructuring of our Australian Regional Media and New Zealand Media divisions.

Asset write downs and business closures relates mainly to print and publishing properties and equipment.

#### 4. Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months to 30 June 2014 is 17%, compared to 14% for the six months to 30 June 2013.

The Company is involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The dispute involves tax of NZ\$56 million for the period up to 31 December 2013. The IRD are seeking to impose penalties of between 10% to 50% of the tax in dispute in addition to the tax claimed. In the event the Company is unsuccessful in the dispute the Company has tax losses available to offset any amount of tax payable to the extent of NZ\$40 million.

On 22 February 2013 the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, the Company was issued with Notices of Assessment denying deductions in relation to interest claimed on certain financing transactions. In response to this step, the Company has commenced litigation in the High Court of New Zealand to defend its position in relation to this matter.

#### 5. Interests in other entities

#### (a) Material subsidiaries with non-controlling interests

Set out below are the Group's material subsidiaries with non-controlling interests at 30 June 2014. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

|   |                                 |                         | Owners<br>interest h<br>the Gr | eld by      | Owners interest h non-contr intere | eld by<br>rolling |                      |
|---|---------------------------------|-------------------------|--------------------------------|-------------|------------------------------------|-------------------|----------------------|
| Name of entity                                  | Place of business in            | Country of ncorporation | June<br>2014                   | Dec<br>2013 |                                    | Dec<br>2013       | Principal activities |
| Australian Radio Network Pty Ltd <sup>(i)</sup> | Australia<br>and New<br>Zealand | Australia               | 100%                           | 50%         | _                                  | 50%               | Commercial radio     |
| Brisbane FM Radio Pty Ltd                       | Australia                       | Australia               | 50%                            | 25%         | 50%                                | 75%               | Commercial radio     |
| Buspak Advertising (Hong Kong)<br>Limited       | Hong Kong                       | Hong Kong               | 50%                            | 50%         | 50%                                | 50%               | Outdoor advertising  |

<sup>(</sup>i) The Australian Radio Network ("ARN") has a 100% investment in The Radio Network ("TRN") in New Zealand.

#### (b) Transactions with non-controlling interests

In October 2013, the Group acquired the final 20.5% of the issued shares of Catalogue Central Pty Limited (iNC Digital Media). This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Catalogue Central Pty Limited. The purchase consideration was \$1,251,000. The carrying amount of the non-controlling interests in Catalogue Central Pty Limited on the date of the transaction was \$806,000. The group recognised a decrease in non-controlling interests of \$806,000 and an increase in equity attributable to owners of the parent of \$806,000.

In February 2014, the Group acquired the 50% of Australian Radio Network Pty Limited (ARN) and The Radio Network Limited (TRN) that it did not already own. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated ARN and TRN. The cash consideration paid was \$246,721,000, which was the initial purchase price less a shareholder receivable of \$61,889,000. The carrying amount of the non-controlling interests in ARN on the date of the transaction was \$208,893,000. The Group recognised a decrease in non-controlling interests of \$208,893,000, and an increase in equity attributable to owners of the parent of \$40,449,000.

# 5. Interests in other entities (continued)

#### (b) Transactions with non-controlling interests (continued)

The effect of changes in the ownership interest on the equity attributable to owners of the Group during the period is summarised as follows:

| June 2014<br>\$'000  | Dec 2013<br>\$'000 |
|--|--------------------|
| Carrying amount of non-controlling interests acquired 208,893    | 806                |
| Reversal of contingent consideration provision –                 | 2,000              |
| Purchase consideration to non-controlling interests (308,610)    | (1,251)            |
| Shareholder receivable 61,889                                    | (749)              |
| Transaction costs (2,621)  | _                  |
| Amounts recognised in non-controlling interests reserve (40,449) | 806                |

#### (c) Interests in associates

|   |                                 |                          | Owne<br>interest he<br>Gro | eld by the |                        |                       | Consolidate<br>valu |        |
|---|---------------------------------|--------------------------|----------------------------|------------|------------------------|-----------------------|---------------------|--------|
| Name of entity  | Place of business               | Country of incorporation |                            | Dec 2013   | Nature of relationship | Measurement<br>method | June 2014<br>\$'000 |        |
| Adshel Street Furniture<br>Pty Limited <sup>(1)</sup> | Australia<br>and New<br>Zealand | Australia                | 50%                        | 50%        | Associate              | Equity method         | 40,556              | 41,433 |
| Soprano Design Pty<br>Limited <sup>(2)</sup>          | Global                          | Australia                | 25%                        | 25%        | Associate              | Equity method         | 9,986               | 9,378  |
|   |                                 |                          |                            |            |                        |                       | 50,542              | 50,811 |

<sup>(1)</sup> Adshel Street Furniture Pty Limited one of the Group's Outdoor advertising operations. Adshel specialises in advertiser funded street furniture solutions with networks throughout Australia and New Zealand.

<sup>(2)</sup> Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.

|                                     | June 2014 | June 2013 |
|-------------------------------------|-----------|-----------|
|                                     | \$'000    | \$'000    |
| Adshel Street Furniture Pty Limited | 3,050     | 3,784     |
| Soprano Design Pty Limited          | 608       | _         |
| Share of profits of associates      | 3,658     | 3,784     |

# **6. Discontinued operations**

On 24 January 2014, the Company announced it had completed the sale of its remaining interest in APN Outdoor to Quadrant Private Equity. The total value of the transaction is \$69 million, with \$60 million of the proceeds received on 24 January 2014 and the remaining \$9 million to be received in June 2015.

On 16 August 2013, the Company announced it was starting to explore divestment options for brandsExclusive. On 11 February 2014, the Group announced it had sold brandsExclusive to Aussie Commerce Group for \$2 million and 8% of the equity in Aussie Commerce Group.

The results of brandsExclusive and APN Outdoor prior to disposal are reported as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

#### (a) Financial performance and cash flow information

|   | June 2014<br>\$'000 | June 2013<br>\$'000 |
|---|---------------------|---------------------|
| Revenue and other income                                  | 4,979               | 59,327              |
| Expenses  | (5,864)             | (35,849)            |
| Write down of brandsExclusive assets to fair value        | _                   | (20,500)            |
| Share of losses of associates and joint ventures          | _                   | (2,584)             |
| Profit/(loss) before income tax                           | (885)               | 394                 |
| Income tax credit   | 265                 | 235                 |
| Profit/(loss) after income tax of discontinued operation  | (620)               | 629                 |
| Gain on sale of division before income tax                | 1,103               | _                   |
| Income tax expense  | (3,045)             | _                   |
| Loss on sale of the division after income tax             | (1,942)             | _                   |
| Profit/(loss) from discontinued operations                | (2,562)             | 629                 |
| Net cash outflows from operating activities               | (1,947)             | (3,193)             |
| Net cash inflows/(outflows) from investing activities     | 60,639              | (245)               |
| Net increase/(decrease) in cash generated by the division | 58,692              | (3,438)             |

### (b) Carrying amount of assets and liabilities

The carrying amounts of assets and liabilities of the brandsExclusive discontinued operation on completion (12 February 2014) were:

|                               | \$'000 |
|-------------------------------|--------|
| Cash and cash equivalents     | 1,483  |
| Inventories                   | 1,424  |
| Property, plant and equipment | 1,408  |
| Deferred tax assets           | 3,969  |
| Other assets                  | 675    |
| Total assets                  | 8,959  |
| Payables                      | 7,835  |
| Total liabilities             | 7,835  |

#### 7. Intangible assets

|   | June 2014<br>\$'000 | Dec 2013<br>\$'000 |
|---|---------------------|--------------------|
| Goodwill  | 79,604              | 79,266             |
| Software - net of accumulated amortisation        | 10,084              | 10,376             |
| Mastheads – at cost less provision for impairment | 232,302             | 231,096            |
| Radio Licences - net of accumulated amortisation  | 347,429             | 339,614            |
| Brands – at cost                                  | 54,861              | 54,503             |
|   | 724,280             | 714,855            |

### Impairment of intangible assets

At the balance date it has been determined that there are indicators of impairment of the intangible assets in relation to the New Zealand Media and Australian Regional Media divisions, primarily as a result of the weaker than expected market conditions during the first half of 2014. Therefore, in accordance with AASB 136 *Impairment of Assets*, an impairment review has been performed over the carrying value of the affected cash generating units.

The value in use calculations used in the impairment review have been based on management estimates using budgets and forecasts for a three year period, extrapolated at estimated growth rates not exceeding the long term average growth rate for the industry in which the affected divisions operate. The key assumptions used in the value in use calculations are:

- long term EBITDA growth rates of between 0.5% and -2.0%
- post tax discount rates of between 10% and 11%.

As a result of the review, the directors are satisfied that the intangible assets are not impaired.

Value in use calculations are highly sensitive to changes in certain key assumptions. For the NZ Metro CGU, a 1% increase in the discount rate used would result an impairment provision of \$16.6 million. A 1% decrease in long-term growth rates would result in an impairment provision of \$14.8 million. If forecast cash flows were to decrease by 10%, an impairment provision of \$22.4 million would be required.

For the NZ Regionals CGU, a 1% increase in the discount rate used would result an impairment provision of \$0.2 million. A 1% decrease in long-term growth rates would not result in an impairment provision. If forecast cash flows were to decrease by 10%, an impairment provision of \$1.6 million would be required.

For the ARM CGU, a 1% increase in the discount rate used would result in an impairment provision of \$9.2 million. A 1% decrease in long-term growth rates would result in an impairment provision of \$14.2 million. If forecast cash flows were to decrease by 10%, an impairment provision of \$10.8 million would be required.

# 8. Interest bearing liabilities

|  | June 2014<br>\$'000 | Dec 2013<br>\$'000 |
|--|---------------------|--------------------|
| Current  |                     |                    |
| Bank loans – unsecured                         | 14,160              | 27,556             |
| Lease liabilities                              | 37,572              | 38,872             |
| Other financing                                | 1,527               | 1,424              |
| Total current interest bearing liabilities     | 53,259              | 67,852             |
| Non-current                                    |                     |                    |
| Bank loans - unsecured                         | 359,636             | 293,959            |
| New Zealand bond                               | 92,851              | 92,251             |
| Other financing                                | 1,855               | 2,748              |
|  | 454,342             | 388,958            |
| Deduct   |                     |                    |
| Borrowing costs                                | 15,514              | 15,445             |
| Accumulated amortisation                       | (12,466)            | (11,070)           |
| Net borrowing costs                            | 3,048               | 4,375              |
| Total non-current interest bearing liabilities | 451,294             | 384,583            |

The lease liability relates to a finance lease of plant and equipment which expires in September 2014. The lease will be repaid using unutilised available facilities from the recently announced refinanced facilities.

#### 9. Equity securities issued

|   | June 2014<br>No. of shares | June 2013<br>No. of shares | June 2014<br>\$'000 | June 2013<br>\$'000 |
|---|----------------------------|----------------------------|---------------------|---------------------|
| Balance at the start of the period                            | 661,526,586                | 661,526,586                | 1,093,372           | 1,093,372           |
| Issue of ordinary shares - Non-Renounceable Entitlement Offer | 367,514,770                | -                          | 132,305             | -                   |
| Share issue costs   | -                          | -                          | (2,897)             | -                   |
|   | 367,514,770                | -                          | 129,408             | -                   |
| Balance at the end of the half year                           | 1,029,041,356              | 661,526,586                | 1,222,780           | 1,093,372           |

# Non-Renounceable Pro-Rata Entitlement Offer

During the period, the Company issued 367,514,770 shares via a fully underwritten accelerated Non-Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit), were \$128.2m which has been used to fund in part the acquisition of full ownership of Australian Radio Network Pty Limited ('ARN') and The Radio Network Limited ('TRN') from Clear Channel Communications Inc ('Clear Channel').

#### 10. Dividends

|   | June 2014<br>\$'000 | June 2013<br>\$'000 |
|---|---------------------|---------------------|
| No final dividend for the year ended 31 December 2013 (2012: Nil)             | -                   |                     |
| Dividends not recognised at the end of the half-year                          |                     |                     |
| The directors have determined no interim dividend will be payable (2013: Nil) | -                   | -                   |

# 11. Contingent liabilities

#### Guarantees

The parent entity and all wholly owned controlled entities have provided guarantees in respect of its credit facilities. As at 30 June 2014, the facilities have been drawn to the extent of \$505,056,000 (December 2013: \$454,270,000)

The parent entity and some wholly owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of \$8,000,000 (December 2013: \$8,000,000)

#### **Claims**

Claims for damages are made against the consolidated entity from time to time in the ordinary course of business. The directors are not aware of any claim that is expected to result in significant costs or damages.

The Company is involved in a dispute with the IRD regarding certain financing transactions. Refer to note 4 for further details.

# 12. Earnings per share

|  | June 2014<br>Cents per<br>share |                     |
|--|---------------------------------|---------------------|
| Basic earnings per share from continuing operations  | 2.7                             | 1.5                 |
| Diluted earnings per share from continuing operations  | 2.7                             | 1.5                 |
| Basic earnings per share from continuing and discontinued operations   | 2.4                             | 1.7                 |
| Diluted earnings per share from continuing and discontinued operations   | 2.4                             | 1.7                 |
|  | June 2014<br>Number             | June 2013<br>Number |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share   | 932,451,799                     | 771,945,042         |
| Adjusted for calculation of diluted EPS  |                                 |                     |
| Performance rights   | 5,066,795                       | -                   |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share | 937,518,594                     | 771,945,042         |

# 13. Fair value measurement of financial instruments

#### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 31 December 2013 on a recurring basis:

| 30 June 2014  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000          | Total<br>\$'000            |
|---|-------------------|-------------------|----------------------------|----------------------------|
| Recurring fair value measurements   |                   |                   |                            |                            |
| Financial assets  |                   |                   |                            |                            |
| Financial assets at fair value through profit or loss   |                   |                   |                            |                            |
| Shares in other corporations  | -                 | -                 | 26,455                     | 26,455                     |
| Total financial assets  | -                 | -                 | 26,455                     | 26,455                     |
| Non-financial assets  |                   |                   |                            |                            |
| Land and buildings  |                   |                   |                            |                            |
| Land  | -                 | -                 | 4,819                      | 4,819                      |
| Buildings   | -                 | -                 | 7,641                      | 7,641                      |
| Total non-financial assets  | -                 | -                 | 12,460                     | 12,460                     |
|   |                   |                   |                            |                            |
| 31 December 2013  | Level 1<br>\$'000 | Level 1<br>\$'000 | Level 1<br>\$'000          | Total<br>\$'000            |
| -   |                   | Level 1<br>\$'000 |                            |                            |
| 31 December 2013  Recurring fair value measurements  Financial assets   |                   |                   |                            |                            |
| Recurring fair value measurements   |                   |                   |                            |                            |
| Recurring fair value measurements Financial assets  |                   |                   |                            | \$'000                     |
| Recurring fair value measurements Financial assets Financial assets at fair value through profit or loss  |                   | \$'000            | \$'000                     |                            |
| Recurring fair value measurements Financial assets Financial assets at fair value through profit or loss Shares in other corporations   | \$'000            | \$'000            | <b>\$'000</b> 23,394       | \$'000<br>23,394           |
| Recurring fair value measurements Financial assets Financial assets at fair value through profit or loss Shares in other corporations Total financial assets  | \$'000            | \$'000            | <b>\$'000</b> 23,394       | \$'000<br>23,394           |
| Recurring fair value measurements Financial assets Financial assets at fair value through profit or loss Shares in other corporations Total financial assets Non-financial assets                     | \$'000            | \$'000            | <b>\$'000</b> 23,394       | \$'000<br>23,394<br>23,394 |
| Recurring fair value measurements Financial assets Financial assets at fair value through profit or loss Shares in other corporations  Total financial assets Non-financial assets Land and buildings | \$'000            | \$'000            | \$'000<br>23,394<br>23,394 | \$'000<br>23,394           |

#### (b) Valuation techniques used to derive level 3 values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods, including discounted cash flow models, and makes assumptions that are based on market conditions existing at the end of each reporting period. The assumptions in the discounted cash flow models are consistent with those used in the Group's impairment review.

# 13. Fair value measurement of financial instruments (continued)

#### (c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the half year ended 30 June 2014 for recurring fair value measurements:

|   | Shares in other corporations \$7000 | Land<br>\$'000 | Buildings<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------------|----------------|---------------------|-----------------|
| Opening balance 31 December 2013                          | 23,394                              | 5,299          | 7,770               | 36,463          |
| Acquisitions  | -                                   | -              | 32                  | 32              |
| Disposals and other transfers                             | (440)                               | (509)          | -                   | (949)           |
| Depreciation  | -                                   | -              | (171)               | (171)           |
| Gains / (losses) recognised in other comprehensive income | (385)                               | 29             | 10                  | (346)           |
| Gains recognised in other income                          | 3,886                               | -              | -                   | 3,886           |
| Closing balance 30 June 2014                              | 26,455                              | 4,819          | 7,641               | 38,915          |

#### (i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements

| Description                  | Fair value as at<br>30 June 2014 | Valuation<br>technique     |                                | (   | Relationship of unobservable inputs to fair value  |
|------------------------------|----------------------------------|----------------------------|--------------------------------|-----|--|
| Shares in other corporations | 22,146                           | Discounted<br>cash flows   |                                | 1 1 | Increased cash growth factor by<br>50 basis points and lowering<br>discount rate by 100 basis points   |
|                              |                                  |                            | Risk adjusted<br>discount rate |     | would increase the fair value by \$4.2m. Lower cash growth factor by 50 basis points and higher discount rate by 100 basis points would decrease the fair value by \$3.6m. |
|                              | 4,309                            | Capitalisation<br>multiple |                                |     | The higher the capitalisation multiple the higher the value.   |
|                              | 26,455                           |                            |                                |     |  |

There were no changes in valuation techniques during the half year.

#### 14. Subsequent events

On 18 July 2014, the Company announced that it has acquired full ownership of Buspak Advertising (Hong Kong) Limited ('Buspak') through the acquisition of the remaining 50% share from joint venture partner Clear Channel Hong Kong Limited ('Clear Channel') for \$14 million.

In August 2014, the Company announced that it had successfully refinanced debt facilities due to mature in 2015 and 2016 with a syndicate of domestic and international banks. The next significant maturity is now not until January 2018.

Other than the matters described above, the Directors are not aware of any significant events subsequent to the balance sheet date.

# **Directors' declaration**

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 23 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date, and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Cosgrove Chairman

Sydney 20 August 2014



# Independent auditor's review report to the members of APN News & Media Limited

# Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN News & Media Limited, which comprises the balance sheet as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for APN News & Media Limited (the consolidated entity). The consolidated entity comprises both APN News & Media Limited and the entities it controlled (the Group) during that half-year.

# Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

# Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of APN News & Media Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 Australian Auditing Standards 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.

# Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



# Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APN News & Media Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report. This review report relates to the financial report of the company for the half-year ended 30 June 2014 included on APN News & Media Limited's web site. The company's directors are responsible for the integrity of the APN News & Media Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

D Windronoki

Piccewaterhouse Coopers

DS Wiadrowski Partner

Sydney 20 August 2014

# **CONSOLIDATED INCOME STATEMENTS**

for the year ended 31 December 2013

|  | Note | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|------|----------------|----------------|----------------|
| Revenue from continuing operations                             | 2    | 817,226        | 822,964        | 842,142        |
| Other revenue and income                                       | 2    | 16,233         | 7,208          | 25,722         |
| Total revenue and other income                                 |      | 833,459        | 830,172        | 867,864        |
| Expenses from continuing operations before finance costs       | 3    | (729,749)      | (734,821)      | (744,321)      |
| Impairment of intangible assets                                | 12   | -              | (689,948)      | (159,495)      |
| Finance costs  | 3    | (38,516)       | (44,413)       | (57,190)       |
| Share of profits of associates                                 | 10   | 10,565         | 9,037          | 5,807          |
| Profit/(loss) before income tax                                |      | 75,759         | (629,973)      | (87,335)       |
| Income tax credit  | 5    | 758            | 66,711         | 48,696         |
| Profit/(loss) from continuing operations                       |      | 76,517         | (563,262)      | (38,639)       |
| Profit/(loss) from discontinued operations                     | 8    | (48,840)       | 79,719         | 19,703         |
| Profit/(loss) for the year                                     |      | 27,677         | (483,543)      | (18,936)       |
| Profit/(loss) for the year is attributable to:                 |      |                |                |                |
| Owners of the parent entity                                    |      | 2,626          | (507,355)      | (45,070)       |
| Non-controlling interests                                      |      | 25,051         | 23,812         | 26,134         |
|  |      | 27,677         | (483,543)      | (18,936)       |
|  |      | Cents          | Cents          | Cents          |
| Earnings per share from continuing operations                  |      |                |                |                |
| Basic/diluted earnings per share                               | 30   | 7.6            | (90.6)         | (10.5)         |
| Earnings per share from continuing and discontinued operations |      |                |                |                |
| Basic/diluted earnings per share                               | 30   | 0.4            | (78.3)         | (7.3)          |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

|   | Note | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|------|----------------|----------------|----------------|
| Profit/(loss) for the year  |      | 27,677         | (483,543)      | (18,936)       |
| Other comprehensive income  |      |                |                |                |
| Items that may be reclassified to profit or loss                                    |      |                |                |                |
| Net exchange differences on translation of foreign operations                       | 19   | 7,038          | 19,933         | 4,758          |
| Share of joint venture's hedging reserve  | 19   | 215            | (632)          | -              |
| Net gain on hedge contracts   | 19   | -              | 3,243          | (3,608)        |
| Exchange and other differences applicable to non-controlling interests              |      | 14,172         | 3,812          | (288)          |
| Items that will not be reclassified to profit or loss                               |      |                |                |                |
| Revaluation of freehold land and buildings  | 19   | 76             | (628)          | _              |
| Remeasurements relating to retirement benefit obligations                           | 19   | 800            | (651)          | (1,231)        |
| Other comprehensive income, net of tax  |      | 22,301         | 25,077         | (369)          |
| Total comprehensive income  |      | 49,978         | (458,466)      | (19,305)       |
| Total comprehensive income is attributable to:                                      |      |                |                |                |
| Owners of the parent entity   |      | 10,755         | (486,090)      | (45,151)       |
| Non-controlling interests   |      | 39,223         | 27,624         | 25,846         |
|   |      | 49,978         | (458,466)      | (19,305)       |
| Total comprehensive income attributable to owners of the parent entity arises from: |      |                |                |                |
| Continuing operations   |      | 56,805         | (566,580)      | (68,467)       |
| Discontinued operations   |      | (46,050)       | 80,490         | 23,316         |
|   |      | 10,755         | (486,090)      | (45,151)       |

# **CONSOLIDATED BALANCE SHEETS**

as at 31 December 2013

|   | Note | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|------|----------------|----------------|----------------|
| Current assets  |      |                |                |                |
| Cash and cash equivalents                                 | 31   | 19,956         | 20,338         | 23,885         |
| Receivables   | 6    | 120,961        | 127,767        | 169,085        |
| Inventories   | 7    | 7,569          | 10,370         | 9,053          |
| Income tax receivable                                     |      | 2,106          | 1,506          | 546            |
| Other current assets                                      |      | 8,729          | 49,211         | 27,907         |
|   |      | 159,321        | 209,192        | 230,476        |
| Assets held for sale                                      | 8    | 119,236        | -              | -              |
| Total current assets                                      |      | 278,557        | 209,192        | 230,476        |
| Non-current assets  |      |                |                |                |
| Receivables   | 6    | -              | 28,738         | 1,516          |
| Other financial assets                                    | 9    | 23,394         | 22,471         | 31,164         |
| Investments accounted for using the equity method         | 10   | 50,811         | 102,298        | 43,331         |
| Property, plant and equipment                             | 11   | 149,381        | 171,541        | 233,066        |
| Intangible assets   | 12   | 714,855        | 723,265        | 1,456,952      |
| Deferred tax assets                                       | 17   | 37,903         | 36,281         | -              |
| Total non-current assets                                  |      | 976,344        | 1,084,594      | 1,766,029      |
| Total assets  |      | 1,254,901      | 1,293,786      | 1,996,505      |
| Current liabilities                                       |      |                |                |                |
| Payables  | 13   | 113,432        | 160,184        | 135,667        |
| Derivative liabilities                                    | 14   | _              | -              | 778            |
| Interest bearing liabilities                              | 15   | 67,852         | 29,797         | 27,504         |
| Current tax liabilities                                   |      | 7,475          | 6,403          | 5,925          |
| Provisions  | 16   | 9,288          | 12,653         | 16,436         |
|   |      | 198,047        | 209,037        | 186,310        |
| Liabilities directly associated with assets held for sale | 8    | 55,678         | -              | -              |
| Total current liabilities                                 |      | 253,725        | 209,037        | 186,310        |
| Non-current liabilities                                   |      |                |                |                |
| Payables  | 13   | _              | -              | 4,043          |
| Derivative liabilities                                    | 14   | _              | -              | 3,839          |
| Interest bearing liabilities                              | 15   | 384,583        | 449,320        | 633,526        |
| Deferred tax liabilities                                  | 17   | -              | -              | 47,638         |
| Retirement benefit liability                              | 22   | 1,545          | 2,345          | 1,694          |
| Provisions  | 16   | 4,503          | 47,585         | 9,819          |
| Total non-current liabilities                             |      | 390,631        | 499,250        | 700,559        |
| Total liabilities   |      | 644,356        | 708,287        | 886,869        |
| Net assets  |      | 610,545        | 585,499        | 1,109,636      |

| Total equity                 |    | 610,545   | 585,499   | 1,109,636 |
|------------------------------|----|-----------|-----------|-----------|
| Non-controlling interests    | 19 | 248,554   | 235,069   | 233,827   |
| Total parent entity interest |    | 361,991   | 350,430   | 875,809   |
| Accumulated losses           | 19 | (660,878) | (666,487) | (120,865) |
| Reserves                     | 19 | (70,503)  | (76,455)  | (77,441)  |
| Contributed equity           | 18 | 1,093,372 | 1,093,372 | 1,074,115 |
| Equity                       |    |           |           |           |

# **CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

for the year ended 31 December 2013

Attributable to owners of the parent entity

|  | Note | Contributed equity \$'000 | Reserves<br>\$'000 | Accumulated losses \$'000 | Total<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>equity<br>\$'000 |
|--|------|---------------------------|--------------------|---------------------------|-----------------|--|---------------------------|
| Balance at 1 January 2011                              |      | 1,045,999                 | (75,796)           | (10,104)                  | 960,099         | 226,172                                    | 1,186,271                 |
| Profit/ (loss) for the period                          |      | _                         | _                  | (45,070)                  | (45,070)        | 26,134                                     | (18,936)                  |
| Other comprehensive income                             |      | _                         | 1,150              | (1,231)                   | (81)            | (288)                                      | (369)                     |
| Transfers within equity                                | 19   | _                         | 384                | (384)                     | _               | _  | _                         |
| Contributions of equity                                | 18   | 28,116                    | -                  | _                         | 28,116          | _  | 28,116                    |
| Dividends paid   | 20   | _                         | -                  | (64,076)                  | (64,076)        | _  | (64,076)                  |
| Equity transactions with non-<br>controlling interests | 19   | -                         | (3,179)            | -                         | (3,179)         | (18,191)                                   | (21,370)                  |
| Balance at 31 December 2011                            |      | 1,074,115                 | (77,441)           | (120,865)                 | 875,809         | 233,827                                    | 1,109,636                 |
| Balance at 1 January 2012                              |      | 1,074,115                 | (77,441)           | (120,865)                 | 875,809         | 233,827                                    | 1,109,636                 |
| Profit/ (loss) for the period                          |      | -                         | -                  | (507,355)                 | (507,355)       | 23,812                                     | (483,543)                 |
| Other comprehensive income                             |      | -                         | 21,916             | (651)                     | 21,265          | 3,812                                      | 25,077                    |
| Transfers within equity                                | 19   | _                         | (3,630)            | 3,630                     | _               | _  | _                         |
| Contributions of equity                                | 18   | 19,257                    | _                  | _                         | 19,257          | _  | 19,257                    |
| Dividends paid   | 20   | _                         | -                  | (41,246)                  | (41,246)        | _  | (41,246)                  |
| Equity transactions with non-<br>controlling interests | 19   | _                         | (17,300)           | -                         | (17,300)        | (26,382)                                   | (43,682)                  |
| Balance at 31 December 2012                            |      | 1,093,372                 | (76,455)           | (666,487)                 | 350,430         | 235,069                                    | 585,499                   |
| Balance at 1 January 2013                              |      | 1,093,372                 | (76,455)           | (666,487)                 | 350,430         | 235,069                                    | 585,499                   |
| Profit for the period                                  |      | _                         | _                  | 2,626                     | 2,626           | 25,051                                     | 27,677                    |
| Other comprehensive income                             |      | _                         | 7,329              | 800                       | 8,129           | 14,172                                     | 22,301                    |
| Transfers within equity                                | 19   | _                         | (2,183)            | 2,183                     | _               | _  | _                         |
| Equity transactions with non-<br>controlling interests | 19   | -                         | 806                | -                         | 806             | (25,738)                                   | (24,932)                  |
| Balance at 31 December 2013                            |      | 1,093,372                 | (70,503)           | (660,878)                 | 361,991         | 248,554                                    | 610,545                   |

# **CONSOLIDATED STATEMENTS OF CASH FLOWS**

for the year ended 31 December 2013

|  | Note | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|------|----------------|----------------|----------------|
| Cash flows from operating activities                       |      |                |                |                |
| Receipts from customers                                    |      | 999,416        | 1,052,631      | 1,212,500      |
| Payments to suppliers and employees                        |      | (862,337)      | (907,862)      | (1,015,818)    |
| Dividends received   |      | 2,946          | 703            | 474            |
| Interest received  |      | 700            | 1,085          | 1,270          |
| Interest paid  |      | (33,176)       | (44,787)       | (52,729)       |
| Income taxes paid  |      | (19,167)       | (14,496)       | (22,634)       |
| Net cash inflows from operating activities                 | 31   | 88,382         | 87,274         | 123,063        |
| Cash flows from investing activities                       |      |                |                |                |
| Payments for property, plant and equipment                 |      | (14,312)       | (14,244)       | (31,743)       |
| Payments for goodwill                                      |      | _              | _              | (920)          |
| Payments for software                                      |      | (2,351)        | (8,984)        | (2,152)        |
| Payments for other intangible assets                       |      | _              | _              | (3,492)        |
| Acquisition of controlled entities                         |      | -              | (35,161)       | (9,061)        |
| Proceeds from sale of property, plant and equipment        |      | 8,054          | 22,600         | 3,705          |
| Net proceeds from sale of investments                      |      | 1,240          | 5,272          | (815)          |
| Net proceeds on formation of APN Outdoor joint venture     |      | -              | 174,220        | 689*           |
| Loans repaid by/(advanced to) other entities               |      | (75)           | 2,039          | 2,775          |
| Dividends received from associate                          |      | 13,500         | 3,500          | 2,500          |
| Net cash inflows/ (outflows) from investing activities     |      | 6,056          | 149,242        | (38,514)       |
| Cash flows from financing activities                       |      |                |                |                |
| Loans advanced to director related entities                |      | -              | -              | (324)          |
| Loans advanced to associates                               |      | -              | (251)          | (5)            |
| Proceeds from borrowings                                   |      | 96,328         | 237,119        | 261,194        |
| Repayments of borrowings                                   |      | (156,755)      | (426,776)      | (323,156)      |
| Payments for borrowing costs                               |      | (49)           | (149)          | (582)          |
| Principal repayments under finance leases                  |      | (2,421)        | (6,606)        | (2,408)        |
| Dividends paid to shareholders                             |      | _              | (21,989)       | (35,960)       |
| Net payments to non-controlling interests                  |      | (31,284)       | (21,587)       | (23,074)       |
| Net cash outflows from financing activities                |      | (94,181)       | (240,239)      | (124,315)      |
| Change in cash and cash equivalents                        |      | 257            | (3,723)        | (39,766)       |
| Cash and cash equivalents at beginning of the year         |      | 20,338         | 23,885         | 63,539         |
| Effect of exchange rate changes                            |      | 2,164          | 176            | 112            |
| Cash and cash equivalents at end of the year               | 31   | 22,759         | 20,338         | 23,885         |
| Less cash transferred to assets held for sale              |      | (2,803)        | _              | _              |
| Cash and cash equivalents related to continuing operations |      | 19,956         | 20,338         | 23,885         |

The consolidated statement of cash flows includes cash flows from continuing and discontinued operations.

<sup>\*</sup> Proceeds from the sale of associates.

# NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of APN News & Media Limited and its subsidiaries.

#### (a) Directors' authorisation

The financial statements were authorized for issue by the Directors on 1 September 2014. The Directors have the power to amend and reissue the financial statements.

#### (b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

#### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of APN News & Media Limited (Company or parent entity) and its subsidiaries as defined in AASB 10 Consolidated Financial Statements. APN News & Media Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The

Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The accounting policies of associates are consistent with the policies adopted by the Group in all material respects.

#### (iii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

#### Joint operations

The Group recognises its direct right to, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

#### Joint ventures

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The accounting policies of joint ventures are consistent with the policies adopted by the Group in all material respects.

#### (c) Segment reporting

The Group identifies operating segments based on the format of internal reports which are reviewed by key management personnel in assessing performance and in allocating resources.

#### (d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is APN News & Media Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

#### (iii) Group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates;
   and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of commissions, returns, rebates and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the economic benefits will flow to the Group.

Advertising revenue from Publishing is recognised when a newspaper or magazine is published, from Broadcasting when the advertisement is broadcast and from Outdoor and Online operations over the period when displayed.

Sale of goods, circulation, printing and coupon revenue is recognised when control of the goods passes to the buyer.

Other income includes rental income and dividends. These items are recognised when the services have been provided or the Group's right to receive payment has been established.

#### (f) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and also adjusted for unused tax losses utilised in the year.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those enacted tax rates applicable to each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases in respect of assets for which capital gains tax will apply.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

#### (g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets acquired under finance leases are included as property, plant and equipment in the balance sheet. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the period of the lease.

Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over periods ranging from one to five years.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, excluding contingent payments, are charged to profit or loss on a straight line basis over the period of the

#### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any

contingent consideration arrangement and the fair value of any preexisting equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition related costs are expensed as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the Group's share of the net identifiable assets acquired is recorded as goodwill.

#### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (j) Cash and cash equivalents

For cash flow presentation requirements, cash and cash equivalents comprised cash on hand, deposits held at call with banks and investments in money market instruments, net of outstanding bank overdrafts.

#### (k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 60 days.

Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

### (I) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

#### (m) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at

the lower of their carrying amount and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

#### (n) Financial assets

(i) Classification and initial measurement of financial assets
Financial assets are initially measured at fair value, plus transaction
costs, except for those financial assets classified as at fair value
through profit or loss which are initially measured at fair value. Financial
assets are subsequently measured at fair value or where certain criteria
are met at amortised cost.

#### (ii) Financial assets at amortised cost

The Group's loans and receivables meet the requirements for measurement at amortised cost based on the objectives for which they are held and the contractual terms.

### (iii) Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 34. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

For financial assets measured at amortised cost, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### (o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

#### (i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### (ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in

equity. The gain or loss relating to the ineffective portion is recognised in profit or loss in other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in profit or loss within other income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in profit or loss.

#### (p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

buildings 50 yearsplant and equipment 3-25 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

# (q) Intangible assets

#### (i) Goodwil

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of

subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised but rather is subject to periodic impairment testing as described in note 1(i).

#### (ii) Software

Costs incurred in developing systems and costs incurred in acquiring software and licences are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

#### (iii) Mastheads

Mastheads, being the titles of the newspapers and magazines produced by the consolidated entity, are accounted for as identifiable assets and are brought to account at cost. The Directors believe the mastheads have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

#### (iv) Radio licences - Australia

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the consolidated entity are renewable every five years under the provisions of the *Broadcasting Services Act 1992* and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

#### (v) Radio licences - New Zealand

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The current New Zealand radio licences have been renewed to 31 March 2031 and are being amortised on a straight line basis to that date.

#### (vi) Transit and outdoor advertising systems

Transit and outdoor advertising systems are accounted for as identifiable assets and are brought to account at cost. The Directors believe these assets have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

#### (vii) Brands

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legislative environment and legal, technical and other commercial factors likely to impact on the useful lives of the brands and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount.

# (viii) Lease intangibles

Lease intangibles are accounted for as identifiable assets and are brought to account at cost. These assets represent capitalised outdoor site leases and are being amortised over the estimated lease term of the site leases, including expected renewal periods.

#### (r) Trade and other payables

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are unsecured and are generally settled within 30 days.

#### (s) Borrowings

Loans, bonds and convertible notes are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of trade and other payables.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These ancillary costs are netted off against the carrying value of borrowings in the balance sheet.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (t) Provisions

Provisions for restructuring costs and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### (u) Employee benefits

(i) Wages and salaries, annual leave and sick leave Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, expected to be settled wholly within 12 months from the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

# (ii) Long service leave

The liability for long service leave expected to be settled wholly within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with the above paragraph. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Short-term incentive plans

A liability for short-term incentives is recognised in trade and other payables when there is an expectation of settlement and at least one of the following conditions is met:

- there are contracted terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### (iv) Defined benefit superannuation plans

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses), less the fair value of the superannuation fund's assets at that date. Past service costs are

recognised immediately in profit or loss. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, under the retained earnings method directly in other comprehensive income in the period in which they occur.

#### (v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (w) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (x) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors before or at the end of the financial year but not distributed at balance date.

#### (y) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

# (z) Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

#### (i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer note 12 for details of these assumptions and the potential impact of changes to these assumptions.

#### (ii) Property valuations

The Group periodically revalues land and buildings in accordance with the accounting policy stated in note 1(p). These valuations are based on available evidence at the time the valuation is conducted but is subject to estimation.

#### (iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in

determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is also required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings, capital gains and losses, acquisitions and disposals and subsequent changes to tax groupings.

#### (ab) Standards and interpretations issued but not yet effective

There are no standards and interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# 2. Revenue and other income

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| From continuing operations                                   |                |                |                |
| Advertising revenue  | 687,228        | 690,489        | 706,360        |
| Circulation revenue  | 129,998        | 132,475        | 135,782        |
| Revenue from continuing operations                           | 817,226        | 822,964        | 842,142        |
| Dividends received   | 3,732          | 703            | 474            |
| Rent received  | 1,001          | 1,271          | 1,285          |
| Foreign exchange gains                                       | -              | _              | 5,339          |
| Gains on insurance claims                                    | -              | 2,054          | 4,377          |
| Gains on disposal of properties and businesses               | 1,288          | 1,825          | 788            |
| Fair value adjustment on acquisition of associate            | -              | -              | 8,307          |
| Gains on derecognition of contingent consideration provision | 4,710          | _              | -              |
| Reversal of impairment of investment in associate            | 3,046          | -              | -              |
| Gain on equity instruments                                   | -              | 349            | 3,652          |
| Other  | 1,835          | 82             | 238            |
| Other income   | 15,612         | 6,284          | 24,460         |
| Interest from other entities                                 | 621            | 924            | 1,262          |
| Finance income   | 621            | 924            | 1,262          |
| Total other revenue and income                               | 16,233         | 7,208          | 25,722         |
| Total revenue and other income                               | 833,459        | 830,172        | 867,864        |
| From discontinued operations (refer note 8)                  |                |                |                |
| Total revenue and other income                               | 97,983         | 190,881        | 229,069        |

# 3. Expenses

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| Expenses from continuing operations before finance costs       |                |                |                |
| Employee benefits expense                                      | 322,119        | 330,397        | 328,417        |
| Selling and production expense                                 | 233,990        | 237,681        | 238,103        |
| Rental and occupancy expense                                   | 65,820         | 62,846         | 54,746         |
| Depreciation and amortisation expense                          | 33,003         | 30,728         | 29,874         |
| Redundancies and associated costs                              | 10,682         | 8,434          | 17,332         |
| Asset write downs and business closures                        | 12,485         | 7,344          | 18,298         |
| Loss on sale of property                                       | 2,015          | 2,353          | _              |
| New Zealand Herald relaunch costs                              | _              | 2,939          | _              |
| Other  | 49,635         | 52,099         | 57,551         |
| Total expenses from continuing operations before finance costs | 729,749        | 734,821        | 744,321        |
| Depreciation   |                |                |                |
| Buildings  | 441            | 556            | 1,017          |
| Plant and equipment  | 23,156         | 22,121         | 21,280         |
| Plant and equipment under finance lease                        | 2,794          | 3,002          | 3,187          |
| Total depreciation   | 26,391         | 25,679         | 25,484         |
| Amortisation   |                |                |                |
| Software   | 4,509          | 3,109          | 2,480          |
| Radio licences   | 2,103          | 1,940          | 1,910          |
| Total amortisation   | 6,612          | 5,049          | 4,390          |
| Finance costs  |                |                |                |
| Interest and finance charges                                   | 35,772         | 41,990         | 54,164         |
| Borrowing costs amortisation                                   | 2,744          | 2,423          | 3,026          |
| Total finance costs  | 38,516         | 44,413         | 57,190         |
| Rental expense relating to operating leases                    |                |                |                |
| Property   | 28,653         | 26,920         | 23,544         |
| Outdoor site rentals   |                |                |                |
| Minimum lease payments   | 21,264         | 15,788         | 11,652         |
| Contingent rentals   | 3,526          | 3,454          | 3,207          |
| Other  | 3,494          | 4,362          | 4,448          |
| Total rental expense relating to operating leases              | 56,937         | 50,524         | 42,851         |
| Impairment of receivables                                      | 1,552          | 2,219          | 2,823          |
| Contributions to employee superannuation plans                 | 14,980         | 14,900         | 14,607         |
| From discontinued operations (refer note 8)                    |                |                |                |
|  |                |                |                |

# 4. Segment information

#### (a) Description of segments

The Group has identified its operating segments based on the internal reports reviewed by the Board of Directors and the key management personnel in assessing performance and determining the allocation of resources. There are six reportable segments as follows:

Australian Regional Media Newspaper and online publishing

New Zealand Media Newspaper, magazine and online publishing

Australian Radio Network Metropolitan radio networks

The Radio Network Radio networks throughout New Zealand

Outdoor Roadside billboard, transit and other outdoor advertising

Digital Digital businesses

#### (b) Results by operating segment

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as restructuring costs and impairment of intangible assets.

The segment information provided to the Directors and senior management team for the year ended 31 December 2013 is as follows:

| 2013                            | Australian<br>Regional<br>Media<br>\$'000 | NZ<br>Media<br>\$'000 | Australian<br>Radio<br>Network<br>\$'000 | The<br>Radio<br>Network<br>\$'000 | Outdoor<br>\$'000 | Digital<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|---------------------------------|---|-----------------------|--|-----------------------------------|-------------------|-------------------|-----------------------|-----------------|
| Revenue from external customers | 216,981                                   | 282,584               | 152,961                                  | 102,277                           | 44,099            | 18,324            | _                     | 817,226         |
| Segment result                  | 29,706                                    | 52,995                | 58,486                                   | 19,969                            | 12,320            | 4,743             | (15,424)              | 162,795         |
| Share of profits of associates  | _   | -                     | _  | _                                 | 10,565            | -                 | _                     | 10,565          |
| Segment assets                  | 148,007                                   | 286,623               | 352,208                                  | 163,742                           | 65,098            | 13,386            | 225,837               | 1,254,901       |
| Segment liabilities             | 70,595                                    | 42,802                | 25,972                                   | 13,528                            | 8,321             | 17,965            | 465,173               | 644,356         |
| Reconciliation of segment re    | esult to profit before                    | re income tax         | from continuing                          | operations                        |                   |                   |                       | _               |
| Segment result                  |   |                       |  |                                   |                   |                   |                       | 162,795         |
| Depreciation and amortis        | sation                                    |                       |  |                                   |                   |                   |                       | (33,003)        |

| Segment result   | 162,795  |
|--|----------|
| Depreciation and amortisation                                | (33,003) |
| Net finance costs  | (37,895) |
| Net loss on disposal of properties and businesses            | (727)    |
| Gains on derecognition of contingent consideration provision | 4,710    |
| Reversal of impairment of investment in associate            | 3,046    |
| Redundancies and associated costs                            | (10,682) |
| Asset write downs and business closures                      | (12,485) |
| Profit before tax from continuing operations                 | 75,759   |

The gains on derecognition of contingent consideration provision relates to adjustments to the amounts due under earn out and put option arrangements in relation to the acquisitions of Idea HQ Limited and iNC Digital Media.

Reversal of impairment of investment in associate relates to the investment in Soprano Design Pty Limited.

Redundancies and associated costs relates to the ongoing restructuring of our publishing divisions, and the redundancy payments to the former Chief Executive Officer and Chief Development Officer.

Asset write downs and business closures relates mainly to print and publishing properties and equipment.

| 2012                           | Australian<br>Regional<br>Media<br>\$'000 | NZ<br>Media<br>\$'000 | Australian<br>Radio<br>Network<br>\$'000 | The<br>Radio<br>Network<br>\$'000 | Outdoor<br>\$'000 | Digital<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|--------------------------------|---|-----------------------|--|-----------------------------------|-------------------|-------------------|-----------------------|-----------------|
| Revenue from external          |   |                       |  |                                   |                   |                   |                       |                 |
| customers                      | 248,760                                   | 287,360               | 145,180                                  | 86,708                            | 39,040            | 15,895            | 21                    | 822,964         |
| Segment result                 | 38,532                                    | 47,810                | 52,287                                   | 15,130                            | 12,636            | 3,644             | (18,656)              | 151,383         |
| Share of profits of associates | _   | -                     | _  | _                                 | 9,037             | _                 | -                     | 9,037           |
| Segment assets                 | 171,301                                   | 268,393               | 350,214                                  | 140,967                           | 63,034            | 6,456             | 293,421               | 1,293,786       |
| Segment liabilities            | 74,352                                    | 43,091                | 28,440                                   | 10,324                            | 6,683             | 8,681             | 536,716               | 708,287         |
| Reconciliation of segment re   | esult to loss before                      | e income tax f        | rom continuing                           | operations                        |                   |                   |                       |                 |
| Segment result                 |   |                       |  |                                   |                   |                   |                       | 151,383         |
| Depreciation and amortis       | sation                                    |                       |  |                                   |                   |                   |                       | (30,728)        |
| Net finance costs              |   |                       |  |                                   |                   |                   |                       | (43,489)        |
| Net loss on disposal of p      | roperties and busi                        | nesses                |  |                                   |                   |                   |                       | (528)           |
| Gains on insurance clain       | ns  |                       |  |                                   |                   |                   |                       | 2,054           |
| New Zealand Herald rela        | aunch costs                               |                       |  |                                   |                   |                   |                       | (2,939)         |
| Redundancies and associated    | ciated costs                              |                       |  |                                   |                   |                   |                       | (8,434)         |
| Asset write downs and b        | usiness closures                          |                       |  |                                   |                   |                   |                       | (7,344)         |
| Impairment of intangible       | assets (refer note                        | 12)                   |  |                                   |                   |                   |                       | (689,948)       |
| Loss before tax from con       | tinuing operations                        | 1                     |  |                                   |                   |                   |                       | (629,973)       |

Gains on insurance claims relates to claims made against damage to property, plant and equipment and lost earnings as a result of the Christchurch earthquakes and Queensland floods during 2011.

Redundancies and associated costs relates to the ongoing restructuring of our publishing divisions and The Radio Network.

Asset write downs relates mainly to print properties and equipment.

| 2011                            | Australian<br>Regional<br>Media<br>\$'000 | NZ<br>Media<br>\$'000 | Australian<br>Radio<br>Network<br>\$'000 | The<br>Radio<br>Network<br>\$'000 | Outdoor<br>\$'000 | Digital<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|---------------------------------|---|-----------------------|--|-----------------------------------|-------------------|-------------------|-----------------------|-----------------|
| Revenue from external customers | 276,002                                   | 301,289               | 135,180                                  | 86,712                            | 33,488            | 8,951             | 520                   | 842,142         |
| Segment result                  | 55,105                                    | 61,534                | 48,076                                   | 16,917                            | 8,026             | (537)             | (17,992)              | 171,129         |
| Share of profits of associates  | -   | -                     | -  | _                                 | 6,143             | (336)             | -                     | 5,807           |
| Segment assets                  | 352,672                                   | 764,747               | 364,489                                  | 152,823                           | 50,030            | 8,163             | 303,581               | 1,996,505       |
| Segment liabilities             | 78,118                                    | 106,714               | 43,114                                   | 22,430                            | 5,900             | 7,895             | 622,698               | 886,869         |
| Reconciliation of segment re    | esult to loss before                      | e income tax f        | rom continuing                           | operations                        |                   |                   |                       |                 |
| Segment result                  |   |                       |  |                                   |                   |                   |                       | 171,129         |
| Depreciation and amortisation   | on  |                       |  |                                   |                   |                   |                       | (29,874)        |
| Net finance costs               |   |                       |  |                                   |                   |                   |                       | (55,928)        |
| Net loss on disposal of prop    | erties and busines                        | sses                  |  |                                   |                   |                   |                       | 788             |
| Gains on insurance claims       |   |                       |  |                                   |                   |                   |                       | 4,377           |
| Fair value adjustments on a     | cquisition of assoc                       | ciates                |  |                                   |                   |                   |                       | 8,307           |
| Gains on equity instruments     | 3   |                       |  |                                   |                   |                   |                       | 3,652           |
| Foreign exchange gains          |   |                       |  |                                   |                   |                   |                       | 5,339           |
| Redundancies and associat       | ed costs                                  |                       |  |                                   |                   |                   |                       | (17,332)        |
| Asset write downs and busin     | ness closures                             |                       |  |                                   |                   |                   |                       | (18,298)        |
| Impairment of intangible ass    | sets (refer note 12                       | )                     |  |                                   |                   |                   |                       | (159,495)       |
| Loss before tax from continu    | uing operations                           |                       |  |                                   |                   |                   |                       | (87,335)        |

Gains on insurance claims relates to claims made against damage to property, plant and equipment as a result of the Christchurch earthquakes during 2011. Total proceeds received were \$4,792,000.

The fair value adjustment on acquisition of associate is the uplift in fair value that arose from the acquisition in February 2011 of the further 25% of Idea HQ Limited.

Redundancies and associated costs relate to the restructuring program put in place during the year with approximately 300 staff being made redundant in the Group's publishing divisions, delivering \$25 million in annualised costs savings

Asset write downs and business closures relate mainly to the closure of certain loss making magazines in the Australian Regional Media division, the closure of the Bundaberg and Mackay printing facilities and the move to a digital first approach in the Tweed and Coffs Coast markets.

#### (c) Other segment information

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads, including centralised finance, legal and administrative costs, are not allocated against operating segments but rather are included above as unallocated amounts.

Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other payables, employee benefits and provision for restructuring. Tax balances and external borrowings are not allocated to operating assets or liabilities.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

The Group is domiciled in Australia and operates predominantly in Australia, New Zealand and Asia. The amount of its revenue from external customers in Australia is \$370,131,000 (2012: \$394,939,000, 2011: \$413,880,797), in New Zealand is \$402,996,000 (2012: \$388,985,000, 2011: \$395,568,019) and in Asia is \$444,099,000 (2012: \$39,040,000, 2011: \$33,488,184). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is \$506,128,000 (2012: \$680,839,000, 2011: \$819,775,000), in New Zealand is \$466,482,000 (2012: \$400,585,000, 2011: \$773,727,000) and in Asia is \$3,734,000 (2012: \$3,170,000, 2011: \$173,998,000). Segment assets are allocated to countries based on where the assets are located.

# 5. Income tax

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Current tax expense   | 1,447          | 20,481         | 17,203         |
| Deferred tax credit   | (1,022)        | (82,222)       | (57,396)       |
| Adjustment for current tax of prior periods                         | (1,202)        | (5,736)        | 507            |
| Income tax credit   | (777)          | (67,477)       | (39,686)       |
| Income tax is attributable to:                                      |                |                |                |
| Profit/(loss) from continuing operations                            | (758)          | (66,711)       | (48,696)       |
| Profit/(loss) from discontinued operations                          | (19)           | (766)          | 9,010          |
| Aggregate income tax credit   | (777)          | (67,477)       | (39,686)       |
| Income tax credit differs from the prima facie tax as follows:      |                |                |                |
| Profit/(loss) before income tax expense                             | 26,900         | (551,019)      | (58,622)       |
| Prima facie income tax at 30%                                       | 8,070          | (165,306)      | (17,587)       |
| Tax effects of differences:   |                |                |                |
| Difference in international tax treatments and rates                | (22,914)       | (21,224)       | (21,528)       |
| Non-deductible asset write downs, impairments and business closures | 21,934         | 142,577        | 2,947          |
| Fair value adjustment on acquisition of associate                   | -              | -              | (2,476)        |
| Gains on derecognition of contingent consideration provision        | (8,953)        | -              | -              |
| Accounting gain on formation of APN Outdoor joint venture           | -              | (24,011)       | -              |
| Non-deductible interest   | 3,473          | 6,817          | -              |
| Carried forward losses booked/non-deductible losses                 | (145)          | (2,236)        | -              |
| Previously unrecognised tax losses                                  | 102            | 1,829          | -              |
| Other   | (1,141)        | (187)          | (1,549)        |
| Prima facie tax adjusted for differences                            | 425            | (61,741)       | (40,193)       |
| Adjustment for current tax of prior periods                         | (1,202)        | (5,736)        | 507            |
| Income tax credit   | (777)          | (67,477)       | (39,686)       |

The Company is involved in a dispute with the New Zealand Inland Revenue Department (IRD) regarding certain financing transactions. The dispute involves tax of NZ\$56 million for the period up to 31 December 2013. The IRD is seeking to impose penalties of between 10% and 50% of the tax in dispute in addition to the tax claimed. The Company has tax losses available to offset any amount of tax payable to the extent of NZ\$40 million

On 22 February 2013, the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, the Company was issued with Notices of Assessment denying deductions in relation to interest claimed on certain financing transactions. In response to this step, the Company has commenced litigation in the High Court of New Zealand to defend its position in relation to this matter.

#### 6. Receivables

|                               | 2013    | 2012    | 2011    |
|-------------------------------|---------|---------|---------|
|                               | \$'000  | \$'000  | \$'000  |
| Current                       |         |         |         |
| Trade receivables             | 113,093 | 114,393 | 158,612 |
| Provision for doubtful debts  | (2,836) | (3,640) | (5,125) |
|                               | 110,257 | 110,753 | 153,487 |
| Loans to associates           | 577     | 3,084   | 734     |
| Other receivables             | 10,127  | 13,930  | 14,864  |
| Total current receivables     | 120,961 | 127,767 | 169,085 |
| Non-current                   |         |         |         |
| Loans to related parties      | _       | 28,738  | 1,516   |
| Total non-current receivables | -       | 28,738  | 1,516   |

Trade receivables are generally settled within 60 days. The Directors consider the carrying amount of trade receivables approximates their net fair value.

#### (a) Impaired trade receivables

As at 31 December 2013, trade receivables of the Group with a nominal value of \$5,110,000 (2012: \$6,375,000, 2011: \$7,133,000) were impaired. For the purposes of AASB 7 *Financial Instruments: Disclosures*, impaired receivables are regarded as those that are more than 90 days past due together with any other balances where the credit department considers collection to be in doubt. The amount of the provision was \$2,836,000 (2012: \$3,640,000, 2011: \$5,125,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

|   | 2013    | 2012    | 2011    |
|---|---------|---------|---------|
|   | \$'000  | \$'000  | \$'000  |
| The ageing of these receivables is as follows:                |         |         |         |
| One to three months   | 1,963   | 2,176   | 3,169   |
| Three to six months   | 1,671   | 1,790   | 2,779   |
| Over six months   | 1,476   | 2,409   | 1,185   |
| Impaired receivables  | 5,110   | 6,375   | 7,133   |
| Movements in the provision for doubtful debts are as follows: |         |         |         |
| Balance at beginning of the year                              | 3,640   | 5,125   | 7,551   |
| Amounts disposed of on formation of APN Outdoor joint venture | -       | (923)   | 964     |
| Provision for doubtful debts expensed                         | 1,552   | 2,219   | 2,823   |
| Receivables written off                                       | (2,356) | (2,781) | (6,213) |
| Provision for doubtful debts                                  | 2,836   | 3,640   | 5,125   |

#### (b) Past due but not impaired trade receivables

As of 31 December 2013, trade receivables of \$27,336,000 (2012: \$27,742,000, 2011: \$37,280,000) were past due but not impaired. These receivables are 90 days or less past due.

Amounts charged to the provision account are generally written off when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on previous collection history, over 98% of these receivables would be expected to be collected.

#### (c) Foreign exchange risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Australian dollars  | 60,786         | 98,813         | 109,815        |
| New Zealand dollars   | 50,312         | 50,048         | 51,902         |
| Hong Kong dollars   | 9,863          | 7,644          | 4,492          |
| Indonesian rupiah   | -              | _              | 4,392          |
|   | 120,961        | 156,505        | 170,601        |
| (d) Fair value and credit risk  The fair value of current receivables is assumed to be their current value due to their short-te  The fair value and carrying value of non-current receivables of the Group are as follows: | erm nature.    |                |                |
| Loans to related parties  | _              | 28,738         | 1,516          |

The loans to related parties have no fixed term.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer note 33 for further information on the risk management policy of the Group.

#### 7. Inventories

|                          | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------|----------------|----------------|----------------|
| Raw materials and stores | 7,542          | 7,882          | 9,013          |
| Finished goods           | 27             | 2,488          | 40             |
| Total inventories        | 7,569          | 10,370         | 9,053          |

#### 8. Discontinued operations

On 24 January 2014, the Company announced that it had completed the sale of its remaining interest in APN Outdoor to Quadrant Private Equity. The total value of the transaction is \$69 million, with \$60 million of the proceeds received on 24 January 2014 and the remaining \$9 million to be received in June 2015.

On 16 August 2013, the Company announced it was starting to explore divestment options for brandsExclusive, which was originally acquired for \$36 million on 21 June 2012. On 11 February 2014, the Group announced it had sold brandsExclusive to Aussie Commerce Group for \$2 million and 8% of the equity in Aussie Commerce Group.

APN Outdoor and brandsExclusive are treated as discontinued operations and assets held for sale.

On 1 November 2013 the Company and the Bauer Media Group (Bauer) announced that they had entered into an agreement for the sale and purchase of New Zealand Magazines' consumer titles. Under the agreement, all the Group's wholly-owned magazine brands, being the New Zealand Woman's Weekly, The Listener, Simply You, Simply You Living and Creme pass to Bauer. The Pacific Magazines titles – New Idea, That's Life and Girlfriend – are not affected by the transaction and the Group will continue to publish these magazines under licence from the Pacific Magazines Group Australia. The transaction completed on 28 February 2014.

The assets and liabilities associated with the titles being sold to Bauer are being treated as assets held for sale.

# (a) Assets held for sale

|   | 2013<br>\$'000 |                |                |
|---|----------------|----------------|----------------|
| Disposal groups held for sale                                 |                |                |                |
| Cash and cash equivalents                                     | 2,803          |                |                |
| Receivables   | 9,950          |                |                |
| Inventories   | 1,525          |                |                |
| Other current assets  | 40,000         |                |                |
| Non-current receivables                                       | 28,000         |                |                |
| Investments accounted for using the equity method             | 32,189         |                |                |
| Property, plant and equipment                                 | 1,634          |                |                |
| Intangible assets   | 229            |                |                |
| Deferred tax assets   | 2,212          |                |                |
| Other   | 694            |                |                |
| Total assets  | 119,236        |                |                |
| (b) Liabilities directly associated with assets held for sale |                |                |                |
| Disposal groups held for sale                                 |                |                |                |
| Payables  | 54,531         |                |                |
| Provisions  | 1,147          |                |                |
| Total liabilities   | 55,678         |                |                |
| (c) Discontinued operations                                   |                |                |                |
| (i) Financial performance and cash flow information           |                |                |                |
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
| Revenue and other income                                      | 97,983         | 116,653        | 229,069        |
| Expenses  | (69,593)       | (111,953)      | (200,356)      |
| Write down of brandsExclusive assets to fair value            | (53,270)       | _              | -              |
| Write down of APN Outdoor to fair value                       | (23,608)       | -              | -              |
| Share of profits/(losses) of associates and joint ventures    | (371)          | 25             | -              |
| Profit/(loss) before income tax                               | (48,859)       | 4,725          | 28,713         |
| Income tax credit/ (expense)                                  | 19             | 40             | (9,010)        |
| Profit/(loss) after income tax of discontinued operation      | (48,840)       | 4,765          | 19,703         |
| Gain on sale of the division before income tax                | -              | 74,228         | -              |
| Income tax credit   | -              | 726            | -              |
| Gain on sale of the division after income tax                 | -              | 74,954         | _              |
| Profit/(loss) from discontinued operations                    | (48,840)       | 79,719         | 19,703         |
| Net cash inflow/(outflow) from operating activities           | (4,452)        | 14,175         | 41,071         |
| Net cash inflow/(outflow) from investing activities           | (592)          | 170,507        | (7,976)        |
| Net cash outflow from financing activities                    | -              | (26,291)       | _              |
| Net increase/(decrease) in cash generated by the division     | (5,044)        | 158,391        | 33,095         |

| _ |        |       |       |        |
|---|--------|-------|-------|--------|
| u | ()thai | tinar | าคาวไ | assets |
|   |        |       |       |        |

| 9. Other financial assets                        |                 |           |                           |                     |                |
|--|-----------------|-----------|---------------------------|---------------------|----------------|
|  |                 | Note      | 2013<br>\$'000            | 2012<br>\$'000      | 2011<br>\$'000 |
| Listed securities                                |                 |           | -                         | -                   | 7,636          |
| Shares in other corporations                     |                 | 34        | 23,394                    | 22,471              | 23,528         |
| Total other financial assets                     |                 |           | 23,394                    | 22,471              | 31,164         |
| 10. Investments accounted for using              | the equity meth | od        |                           |                     |                |
|  |                 | Note      | 2013<br>\$'000            | 2012<br>\$'000      | 2011<br>\$'000 |
| Shares in associates                             |                 | 25        | 50,811                    | 48,868              | 43,331         |
| Interests in joint venture                       |                 | 25        | -                         | 53,430              | _              |
| Total investments accounted for using the equity | method          |           | 50,811                    | 102,298             | 43,331         |
| Share of profits of associates                   |                 | 25        | 10,565                    | 9,037               | 5,807          |
| 11. Property, plant and equipment                |                 |           |                           |                     |                |
|  |                 |           |                           | Plant and equipment |                |
|  | Freehold        | Buildings | Plant<br>and<br>equipment | under<br>finance    | Tot            |

|                                    | Freehold<br>land<br>\$'000 | Buildings<br>\$'000 | Plant<br>and<br>equipment<br>\$'000 | under<br>finance<br>lease<br>\$'000 | Total<br>\$'000 |
|------------------------------------|----------------------------|---------------------|-------------------------------------|-------------------------------------|-----------------|
| At 1 January 2011                  |                            |                     |                                     |                                     |                 |
| Cost or fair value                 | 15,526                     | 36,170              | 501,757                             | 53,352                              | 606,805         |
| Accumulated depreciation           | -                          | (2,223)             | (363,057)                           | (5,703)                             | (370,983)       |
| Capital works in progress          | -                          | -                   | 7,513                               | -                                   | 7,513           |
| Net book amount                    | 15,526                     | 33,947              | 146,213                             | 47,649                              | 243,335         |
| Year ended 31 December 2011        |                            |                     |                                     |                                     |                 |
| Opening net book amount            | 15,526                     | 33,947              | 146,213                             | 47,649                              | 243,335         |
| Additions                          | -                          | 70                  | 32,788                              | -                                   | 32,858          |
| Acquisition of controlled entities | -                          | -                   | 28                                  | -                                   | 28              |
| Disposals                          | (2,032)                    | (1,689)             | (3,897)                             | -                                   | (7,618)         |
| Depreciation                       | -                          | (1,017)             | (27,888)                            | (3,186)                             | (32,091)        |
| Impairment                         | -                          | -                   | -                                   | (3,486)                             | (3,486)         |
| Transfers and other adjustments    | -                          | (141)               | (743)                               | -                                   | (884)           |
| Foreign exchange differences       | 105                        | 174                 | 645                                 | -                                   | 924             |
| Closing net book amount            | 13,599                     | 31,344              | 147,146                             | 40,977                              | 233,066         |
| At 1 January 2012                  |                            |                     |                                     |                                     |                 |
| Cost or fair value                 | 13,599                     | 34,376              | 477,174                             | 53,352                              | 578,501         |
| Accumulated depreciation           | -                          | (3,032)             | (346,690)                           | (12,375)                            | (362,097)       |
| Capital works in progress          | -                          | -                   | 16,662                              | -                                   | 16,662          |
| Net book amount                    | 13,599                     | 31,344              | 147,146                             | 40,977                              | 233,066         |

|   |                |           | Plant               | Plant and equipment under |                 |
|---|----------------|-----------|---------------------|---------------------------|-----------------|
|   | Freehold       | Buildings | and                 | finance                   | Total           |
|   | land<br>\$'000 | \$'000    | equipment<br>\$'000 | lease<br>\$'000           | Total<br>\$'000 |
| Year ended 31 December 2012             |                |           |                     |                           |                 |
| Opening net book amount                 | 13,599         | 31,344    | 147,146             | 40,977                    | 233,066         |
| Additions                               | _              | 171       | 15,505              | -                         | 15,676          |
| Acquisition of controlled entities      | _              | _         | 709                 | _                         | 709             |
| Disposals                               | (7,167)        | (16,050)  | (27,905)            | (722)                     | (51,844)        |
| Depreciation                            | _              | (556)     | (24,681)            | (3,002)                   | (28,239)        |
| Impairment                              | (121)          | (183)     | (970)               | _                         | (1,274)         |
| Transfers and other adjustments         | _              | (31)      | 26                  | 7                         | 2               |
| Foreign exchange differences            | 330            | 508       | 3,235               | _                         | 4,073           |
| Revaluations                            | (24)           | (604)     | _                   | _                         | (628)           |
| Closing net book amount                 | 6,617          | 14,599    | 113,065             | 37,260                    | 171,541         |
| At 1 January 2013                       |                |           |                     |                           |                 |
| Cost or fair value                      | 6,617          | 14,599    | 421,477             | 51,710                    | 494,403         |
| Accumulated depreciation and impairment | _              | _         | (313,024)           | (14,450)                  | (327,474)       |
| Capital works in progress               | _              | _         | 4,612               | _                         | 4,612           |
| Net book amount                         | 6,617          | 14,599    | 113,065             | 37,260                    | 171,541         |
| Year ended 31 December 2013             |                |           |                     |                           |                 |
| Opening net book amount                 | 6,617          | 14,599    | 113,065             | 37,260                    | 171,541         |
| Additions                               | _              | 104       | 15,355              | _                         | 15,459          |
| Transfers to assets held for sale       | _              | -         | (1,634)             | _                         | (1,634)         |
| Disposals                               | (1,976)        | (6,712)   | (3,586)             | _                         | (12,274)        |
| Depreciation                            | _              | (441)     | (23,981)            | (2,794)                   | (27,216)        |
| Impairment                              | _              | (50)      | (8,520)             | _                         | (8,570)         |
| Transfers and other adjustments         | _              | (30)      | 25                  | 5                         | -               |
| Foreign exchange differences            | 658            | 300       | 11,117              | _                         | 12,075          |
| Closing net book amount                 | 5,299          | 7,770     | 101,841             | 34,471                    | 149,381         |
| At 31 December 2013                     |                |           |                     |                           |                 |
| Cost or fair value                      | 5,299          | 8,028     | 441,233             | 48,225                    | 502,785         |
| Accumulated depreciation and impairment | _              | (258)     | (344,616)           | (13,754)                  | (358,628)       |
| Capital works in progress               | _              | _         | 5,224               | _                         | 5,224           |
| Net book amount                         | 5,299          | 7,770     | 101,841             | 34,471                    | 149,381         |

The Directors consider that freehold land and buildings are carried at fair value. Independent valuations were carried out in 2012 and carrying values have been adjusted to reflect such valuations. Independent valuations were carried out by certified registered valuers.

# 12. Intangible assets

| _                                       | Goodwill<br>\$'000 | Software<br>\$'000 | Mastheads<br>\$'000 | Radio<br>licences<br>\$'000           | Transit and outdoor advertising systems \$'000 | Brands<br>\$'000 | Lease<br>intangibles<br>\$'000        | Total<br>\$'000 |
|---|--------------------|--------------------|---------------------|---------------------------------------|--|------------------|---------------------------------------|-----------------|
| At 1 January 2011                       |                    |                    |                     |                                       |  |                  |                                       |                 |
| Cost                                    | 297,670            | 25,481             | 963,287             | 352,721                               | 54,713   | 40,748           | 3,961                                 | 1,738,581       |
| Accumulated amortisation and impairment | (101,418)          | (20,653)           | (25,082)            | (14,744)                              | -  | -                | (2,686)                               | (164,583)       |
| Net book amount                         | 196,252            | 4,828              | 938,205             | 337,977                               | 54,713   | 40,748           | 1,275                                 | 1,573,998       |
| Year ended 31 December                  | er 2011            |                    |                     |                                       |  |                  |                                       |                 |
| Opening net book amount                 | 196,252            | 4,828              | 938,205             | 337,977                               | 54,713   | 40,748           | 1,275                                 | 1,573,998       |
| Additions                               | 28,864             | 3,611              | 27                  | 57                                    | _  | 3,406            | 3,452                                 | 39,417          |
| Disposals                               | (775)              | (3)                | (4,451)             | _                                     | _  | _                | -                                     | (5,229)         |
| Amortisation                            | _                  | (2,541)            | _                   | (1,910)                               | _  | _                | (581)                                 | (5,032)         |
| Impairment                              | (2,297)            | _                  | (157,198)           | _                                     | _  | _                | -                                     | (159,495)       |
| Other adjustments                       | 511                | 652                | _                   | -                                     | -  | (638)            | _                                     | 525             |
| Foreign exchange differences            | 1,330              | 10                 | 10,261              | 357                                   | -  | 819              | (9)                                   | 12,768          |
| Closing net book amount                 | 223,885            | 6,557              | 786,844             | 336,481                               | 54,713   | 44,335           | 4,137                                 | 1,456,952       |
| At 1 January 2012                       |                    |                    |                     |                                       |  |                  |                                       | _               |
| Cost                                    | 327,636            | 29,822             | 968,166             | 353,258                               | 54,713   | 44,335           | 7,021                                 | 1,784,951       |
| Accumulated amortisation and impairment | (103,751)          | (23,265)           | (181,322)           | (16,777)                              | _  | _                | (2,884)                               | (327,999)       |
| Net book amount                         | 223,885            | 6,557              | 786,844             | 336,481                               | 54,713   | 44,335           | 4,137                                 | 1,456,952       |
| Year ended 31 December                  | er 2012            | <u> </u>           | <u> </u>            | · · · · · · · · · · · · · · · · · · · | <u> </u>                                       | · · ·            | · · · · · · · · · · · · · · · · · · · |                 |
| Opening net book amount                 | 223,885            | 6,557              | 786,844             | 336,481                               | 54,713   | 44,335           | 4,137                                 | 1,456,952       |
| Additions                               | 48,586             | 8,984              | 5                   | _                                     | _  | 4,200            | _                                     | 61,775          |
| Disposals                               | (69,269)           | (740)              | (19)                | _                                     | (54,043)                                       | _                | (4,079)                               | (128,150)       |
| Amortisation                            | _                  | (3,127)            | _                   | (1,940)                               | _  | _                | (171)                                 | (5,238)         |
| Impairment                              | (89,741)           | _                  | (600,207)           | _                                     | _  | _                | -                                     | (689,948)       |
| Other adjustments                       | (27)               | (6)                | 7                   | -                                     | (670)  | 685              | -                                     | (11)            |
| Foreign exchange differences            | 2,491              | 229                | 21,530              | 1,557                                 | -  | 1,965            | 113                                   | 27,885          |
| Closing net book amount                 | 115,925            | 11,897             | 208,160             | 336,098                               | -  | 51,185           | -                                     | 723,265         |
| At 1 January 2013                       |                    |                    |                     |                                       |  |                  |                                       |                 |
| Cost                                    | 309,417            | 38,311             | 1,004,550           | 355,578                               | -  | 51,185           | _                                     | 1,759,041       |
| Accumulated amortisation and impairment | (193,492)          | (26,414)           | (796,390)           | (19,480)                              | _  | _                | _                                     | (1,035,776)     |
| Net book amount                         | 115,925            | 11,897             | 208,160             | 336,098                               | _  | 51,185           | _                                     | 723,265         |

|   | Goodwill<br>\$'000 | Software<br>\$'000 | Mastheads<br>\$'000 | Radio<br>licences<br>\$'000 | Transit and outdoor advertising systems \$'000 | Brands<br>\$'000 | Lease<br>intangibles<br>\$'000 | s Total        |                |
|---|--------------------|--------------------|---------------------|-----------------------------|--|------------------|--------------------------------|----------------|----------------|
| Year ended 31 December                              | ber 2013           |                    |                     |                             |  |                  |                                |                |                |
| Opening net book amount                             | 115,925            | 11,897             | 208,160             | 336,098                     | _  | 51,185           | -                              | - 723,265      |                |
| Additions   | -                  | 2,351              | -                   | _                           | _  | _                | -                              | - 2,351        |                |
| Disposals   | (153)              | (246)              | (88)                | _                           | _  | (61)             | -                              | - (548)        |                |
| Amortisation  | -                  | (4,509)            | -                   | (2,103)                     | _  | _                | -                              | - (6,612)      |                |
| Transfer to assets held for sale                    | (48,586)           | (229)              | -                   | _                           | _  | (4,200)          | -                              | - (53,015)     |                |
| Other adjustments                                   | 2,909              | _                  | (3,414)             | _                           | _  | _                | -                              | - (505)        |                |
| Foreign exchange differences                        | 9,171              | 1,112              | 26,438              | 5,619                       | _  | 7,579            | -                              | - 49,919       |                |
| Closing net book amount                             | 79,266             | 10,376             | 231,096             | 339,614                     | _  | 54,503           | _                              | - 714,855      |                |
| At 31 December 2013                                 |                    |                    |                     |                             |  |                  |                                |                |                |
| Cost  | 272,758            | 42,560             | 1,147,961           | 364,526                     | _  | 54,503           | -                              | - 1,882,309    |                |
| Accumulated amortisation and impairment             | (193,492)          | (32,184)           | (916,865)           | (24,912)                    | _  | _                | -                              | - (1,167,454)  |                |
| Net book amount                                     | 79,266             | 10,376             | 231,096             | 339,614                     | -  | 54,503           | _                              | - 714,855      |                |
|   |                    |                    |                     |                             |  |                  | 2013<br>\$'000                 | 2012<br>\$'000 | 2011<br>\$'000 |
| Allocation of goodwill ar                           | nd non-amortisir   | ng intangible      | e assets to cas     | sh generatin                | g units (CGUs                                  | s)               |                                |                |                |
| Name of CGU   |                    |                    |                     |                             |  |                  |                                |                |                |
| Australian Regional Media                           |                    |                    |                     |                             |  |                  | 45,695                         | 45,636         | 205,896        |
| New Zealand Media – Metro                           |                    |                    |                     |                             |  |                  | 153,990                        | 132,576        | 561,889        |
| New Zealand Media – Regional                        |                    |                    |                     |                             |  |                  | 31,413                         | 27,137         | 107,828        |
| Australian Radio                                    |                    |                    |                     |                             |  |                  | 300,349                        | 300,158        | 300,158        |
| New Zealand Radio                                   |                    |                    |                     |                             |  |                  | 95,711                         | 83,287         | 79,418         |
| Outdoor – Australia                                 |                    |                    |                     |                             |  |                  | -                              | -              | 105,472        |
| Outdoor – Hong Kong                                 |                    |                    |                     |                             |  |                  | 2,711                          | 2,501          | 17,172         |
| GrabOne   |                    |                    |                     |                             |  |                  | 23,583                         | 20,376         | 16,179         |
| iNC Digital Media                                   |                    |                    |                     |                             |  |                  | 11,565                         | 11,565         | 11,565         |
| brandsExclusive                                     |                    |                    |                     |                             |  |                  |                                | 52,786         |                |
| Total goodwill and non-amortising intangible assets |                    |                    |                     |                             |  |                  | 665,017                        | 676,022        | 1,405,577      |

# Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2013. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed. The recoverable amount of each CGU is determined based on value in use calculations using management budgets and forecasts for a three year period after adjusting for central overheads. Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

The key assumptions used in each of the value in use calculations are:

|                              | 2013<br>Post- tax<br>discount rate<br>per annum | 2013<br>Long-term<br>growth rate<br>per annum | Post- tax<br>discount rate<br>per annum | 2012<br>Long-term<br>growth rate<br>per annum | 2011<br>Post- tax<br>discount rate<br>per annum | 2011<br>Long-term<br>growth rate<br>per annum |
|------------------------------|---|---|---|---|---|---|
| Australian Regional Media    | 10.0%   | 0.5%  | 10.5%                                   | 0.5%  | 10.0%   | 2.5%  |
| New Zealand Media – Metro    | 11.0%   | 0.0%  | 10.5%                                   | 0.0%  | 9.5%  | 2.5%  |
| New Zealand Media – Regional | 11.0%   | (2.0%)  | 10.5%                                   | (2.0%)  | 10.0%   | 2.5%  |
| Australian Radio             | 10.0%   | 2.0%  | 10.5%                                   | 2.5%  | 10.0%   | 2.5%  |
| New Zealand Radio            | 11.0%   | 2.0%  | 10.5%                                   | 2.5%  | 10.0%   | 2.5%  |
| Outdoor – Australia          | N/A   | N/A   | N/A                                     | N/A   | 10.0%   | 2.5%  |
| Outdoor – Hong Kong          | 10.5%   | 2.5%  | 10.5%                                   | 2.5%  | 10.0%   | 2.5%  |
| GrabOne                      | 12.0%   | 4.0%  | 15.0%                                   | 4.0%  | N/A   | N/A   |
| iNC Digital Media            | 12.0%   | 4.0%  | 15.0%                                   | 4.0%  | N/A   | N/A   |

Value in use calculations are highly sensitive to changes in certain key assumptions. At 31 December 2013, all CGUs, except for the Australian Regional Media (ARM) and iNC Digital Media CGUs, have sufficient headroom such that changes to key assumptions would not give rise to an impairment charge. For the ARM CGU, a 1% increase in the discount rate used would result in an impairment provision of \$9.0 million. A 1% decrease in long-term growth rates would result in an impairment provision of \$7.4 million. If forecasted cash flows were to decrease by 10%, an increase in the impairment provision of \$10.4 million would be required.

For the iNC Digital Media CGU, a 1% increase in the discount rate used would result in an impairment provision of \$1.0 million. A 1% decrease in long-term growth rates would result in an impairment provision of \$0.9 million. If forecasted cash flows were to decrease by 10% in iNC Digital Media CGU, an impairment provision of \$0.8 million would be required.

# 13. Payables

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| Current  | ·              | ·              |                |
| Trade and other payables                           | 112,597        | 119,477        | 133,408        |
| Amounts due to related parties(i)                  | 835            | 40,707         | 956            |
| Loans from Directors and Director related entities | -              | -              | 1,303          |
| Total current payables                             | 113,432        | 160,184        | 135,667        |
| Non-current  |                |                |                |
| Trade and other payables                           | -              | _              | 4,043          |
| Total non-current payables                         | -              | -              | 4,043          |

<sup>(</sup>i) Includes amounts payable to Independent News & Media PLC and related companies of \$663,000 (2012: \$314,000, 2011: \$542,000).

Trade and other payables are generally settled within 30 days from the end of the month in which they are incurred.

#### Foreign currency risk

The carrying amounts of payables are denominated in the following currencies:

|                     | 113,432 | 160,184 | 139,710 |
|---------------------|---------|---------|---------|
| Other               | 23      | 383     |         |
| Indonesian rupiah   | -       | _       | 15,879  |
| Hong Kong dollars   | 8,274   | 6,381   | 4,909   |
| New Zealand dollars | 55,131  | 55,935  | 53,812  |
| Australian dollars  | 50,004  | 97,485  | 65,110  |

#### 14. Derivative financial instruments

|                                       | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---------------------------------------|----------------|----------------|----------------|
| Current liabilities                   |                |                |                |
| Interest rate swaps – cash flow hedge | -              | -              | 646            |
| Foreign currency contracts            | -              | -              | 132            |
| Total current liabilities             | -              | -              | 778            |
| Non-current                           |                |                |                |
| Interest rate swaps – cash flow hedge | -              | -              | 3,839          |
| Total non-current liabilities         | -              | -              | 3,839          |

#### (a) Interest rate swaps

In the year ended 31 December 2012, the Group's borrowings included amounts that bore variable interest rates. It is Group policy to protect part of the loans from exposure to interest rates. Following the repayment of borrowings using the proceeds from the formation of the APN Outdoor joint venture, it was determined that the Group's exposure to fixed interest rates was too high. Therefore, in the year ended 31 December 2012, the Group terminated all remaining interest rate swap contracts, leaving some fixed rate debt in place.

The contracts required settlement of net interest receivable or payable each 90 days. The settlement dates coincided with the dates on which interest is payable on the underlying debt. The contracts were settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value was recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge was effective. It was reclassified into profit or loss when the hedged interest expense was recognised. In the year ended 31 December 2012, a loss of \$3.9 million was reclassified into profit or loss (2011: loss of \$2.3 million) and included in finance costs. There was no hedge ineffectiveness in the 2012 or 2011 year.

The swaps in place at 31 December 2011 had a mark to market loss of \$4,485,000. The table below analyses these net settled interest rate swaps into relative maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

|   | Less than one | Between one   | Between two      |                |
|---|---------------|---------------|------------------|----------------|
|   | year          | and two years | and five years O | ver five years |
| 31 December 2011                            | \$'000        | \$'000        | \$'000           | \$'000         |
|   |               |               |                  |                |
| Net settled - interest rate swaps (outflow) | (2,124)       | (577)         | -                | _              |

#### (b) Forward exchange contracts - cash flow hedges

During the year ended 31 December 2012, forward exchange contracts were used to hedge future foreign capital purchase commitments. The contracts were timed to mature as payments were scheduled to be made to suppliers.

The tables below analyses the Group's derivative financial instruments as at 31 December 2011 that were to be settled on a gross basis, into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the tables were the contractual undiscounted cash flows.

|                                    | Less than one year |        | Between two and five years C | over five years |
|------------------------------------|--------------------|--------|------------------------------|-----------------|
| 31 December 2011                   | \$'000             | \$'000 | \$'000                       | \$'000          |
| Forward foreign exchange contracts |                    |        |                              |                 |
| Cash flow hedges                   |                    |        |                              |                 |
| Inflow                             | 441                | _      | _                            | _               |
| Outflow                            | 578                | -      | -                            | _               |

As at balance date, the details of the outstanding contracts are:

| Buy British Pounds | Sell Australian dollars |                |                | Average        | Average exchange rate |                |  |
|--------------------|-------------------------|----------------|----------------|----------------|-----------------------|----------------|--|
|                    | 2013<br>\$'000          | 2012<br>\$'000 | 2011<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000        | 2011<br>\$'000 |  |
| Zero to 12 months  | -                       | -              | 578            | -              | -                     | 0.502          |  |
| One to two years   | _                       | _              | -              | -              | _                     | _              |  |

The foreign currency contracts were considered to be fully effective hedges as they were matched against the highly probable foreign capital purchases with any gain or loss on the contracts taken to equity. When the cash flows occurred, the group adjusted the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

During the year ended 31 December 2012, a loss of \$0.1 million (2011: loss of \$0.1 million) was reclassified from other comprehensive income and included in the initial measurement of capital purchases. As at 31 December 2012, the Group held no cash flow hedge contracts.

# 15. Interest bearing liabilities

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| Current  |                |                |                |
| Bank loans – unsecured   | 27,556         | 27,376         | 25,057         |
| Lease liabilities (refer note 24)  | 38,872         | 2,421          | 2,447          |
| Other financing  | 1,424          | -              | -              |
| Total current interest bearing liabilities   | 67,852         | 29,797         | 27,504         |
| Non-current  |                |                |                |
| Bank loans – unsecured   | 293,959        | 337,429        | 520,390        |
| New Zealand Bond   | 92,251         | 79,428         | 76,104         |
| Lease liabilities (refer note 24)  | -              | 38,872         | 45,452         |
| Other financing  | 2,748          | -              | _              |
|  | 388,958        | 455,729        | 641,946        |
| Deduct   |                |                |                |
| Borrowing costs  | 15,445         | 13,961         | 15,550         |
| Accumulated amortisation   | (11,070)       | (7,552)        | (7,130)        |
| Net borrowing costs  | 4,375          | 6,409          | 8,420          |
| Total non-current interest bearing liabilities   | 384,583        | 449,320        | 633,526        |
| (a) Risk exposures The exposure of borrowings to interest rate changes and the contractual rep | 2013           | 2012           | 2011           |
|  | \$'000         | \$'000         | \$'000         |
| Six months or less   | 346,475        | 327,104        | 190,676        |
| Six to 12 months   | 15,337         | 17,986         | 121,648        |
| One to five years  | 94,998         | 140,436        | 357,126        |
| Interest bearing liabilities   | 456,810        | 485,526        | 669,450        |
| The carrying amounts of borrowings are denominated in the following curren                     | cies:          |                |                |
| Australian dollars   | 268,872        | 291,627        | 388,566        |
| New Zealand dollars  | 187,938        | 193,899        | 280,884        |

For an analysis of the sensitivity of borrowings to interest rate risk, refer note 33.

# (b) Capital risk management

Interest bearing liabilities

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

456,810

485,526

669,450

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# 16. Provisions

|                              | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|------------------------------|----------------|----------------|----------------|
| Current                      |                |                |                |
| Employee benefits            | 6,787          | 6,826          | 7,133          |
| Restructuring                | 2,501          | 2,852          | 2,797          |
| Contingent consideration     | -              | 2,975          | 6,506          |
| Total current provisions     | 9,288          | 12,653         | 16,436         |
| Non-current                  |                |                |                |
| Employee benefits            | 1,608          | 1,827          | 2,282          |
| Restructuring                | 1,765          | 5,125          | 4,358          |
| Contingent consideration     | -              | 39,574         | 3,179          |
| Other                        | 1,130          | 1,059          | -              |
| Total non-current provisions | 4,503          | 47,585         | 9,819          |

#### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

|  | Restructuring<br>\$'000 | Contingent consideration \$'000 | Total<br>\$'000 |
|--|-------------------------|---------------------------------|-----------------|
| Movements in provisions 2013   |                         |                                 |                 |
| Carrying amount at beginning of the year                                 | 7,977                   | 42,549                          | 50,526          |
| Charged/(credited) to profit or loss                                     |                         |                                 |                 |
| Additional amounts recognised  | 4,729                   | -                               | 4,729           |
| Unused amounts reversed  | _                       | (4,710)                         | (4,710)         |
| Amounts used   | (9,135)                 | (6,086)                         | (15,221)        |
| Transferred to liabilities directly associated with assets held for sale | _                       | (32,177)                        | (32,177)        |
| Foreign exchange differences   | 695                     | 424                             | 1,119           |
| Carrying amount at end of the year                                       | 4,266                   | -                               | 4,266           |

The restructuring provision includes onerous rental contracts related to closure of certain commercial printing operations and expected redundancy costs related to formally announced restructuring plans.

The provision for contingent consideration comprises the fair value of amounts payable on business combinations should certain pre determined gross margin thresholds be met by the acquired businesses and the fair value of amounts payable should put options over remaining non-controlling interests be exercised.

| Total employee benefit liabilities     | 19,905 | 20,978 | 21,571 |
|--|--------|--------|--------|
| Included in trade and other payables   | 11,510 | 12,325 | 12,156 |
| Non-current provision                  | 1,608  | 1,827  | 2,282  |
| Current provision                      | 6,787  | 6,826  | 7,133  |
| Aggregate employee benefit liabilities |        |        |        |
|  | \$'000 | \$'000 | \$'000 |
|  | 2013   | 2012   | 2011   |

# 17. Deferred tax assets and liabilities

Movements in deferred tax

| 2011                   | Balance<br>1 Jan 11<br>\$'000 | Recognised in income \$'000 | Recognised<br>in equity<br>\$'000 | Other<br>movements<br>\$'000 | Transfer<br>to assets<br>held for<br>sale<br>\$'000 | Balance<br>31 Dec 11<br>\$'000 |
|------------------------|-------------------------------|-----------------------------|-----------------------------------|------------------------------|---|--------------------------------|
| Tax losses             | 22,595                        | 13,146                      | _                                 | -                            | _   | 35,741                         |
| Employee benefits      | 6,094                         | (492)                       | _                                 | -                            | -   | 5,602                          |
| Doubtful debts         | 2,265                         | (1,455)                     | -                                 | -                            | -   | 810                            |
| Accruals/restructuring | 3,438                         | 2,613                       | _                                 | -                            | -   | 6,051                          |
| Intangible assets      | (134,552)                     | 45,759                      | 1,159                             | 262                          | -   | (87,372)                       |
| Depreciation           | (24,659)                      | 21,104                      | _                                 | _                            | -   | (3,555)                        |
| Other                  | 18,364                        | (23,279)                    | -                                 | _                            | -   | (4,915)                        |
|                        | (106,455)                     | 57,396                      | 1,159                             | 262                          | _   | (47,638)                       |

| 2012                   | Balance<br>1 Jan 12<br>\$'000 | Recognised in income \$'000 | Recognised<br>in equity<br>\$'000 | Other movements \$'000 | Transfer<br>to assets<br>held for<br>sale<br>\$'000 | Balance<br>31 Dec 12<br>\$'000 |
|------------------------|-------------------------------|-----------------------------|-----------------------------------|------------------------|---|--------------------------------|
| Tax losses             | 35,741                        | 8,195                       | -                                 | -                      | -   | 43,936                         |
| Employee benefits      | 5,602                         | 632                         | _                                 | _                      | -   | 6,234                          |
| Doubtful debts         | 810                           | 221                         | _                                 | -                      | _   | 1,031                          |
| Accruals/restructuring | 6,051                         | 1,432                       | _                                 | -                      | _   | 7,483                          |
| Intangible assets      | (87,372)                      | 72,655                      | 446                               | 1,251                  | _   | (13,020)                       |
| Depreciation           | (3,555)                       | (2,074)                     | _                                 | -                      | _   | (5,629)                        |
| Other                  | (4,915)                       | 1,161                       | _                                 | -                      | -   | (3,754)                        |
|                        | (47,638)                      | 82,222                      | 446                               | 1,251                  | -   | 36,281                         |

| 2013                   | Balance<br>1 Jan 13<br>\$'000 | Recognised<br>in income<br>\$'000 | Recognised<br>in equity<br>\$'000 | Other movements \$'000 | Transfer<br>to assets<br>held for<br>sale<br>\$'000 | Balance<br>31 Dec 13<br>\$'000 |
|------------------------|-------------------------------|-----------------------------------|-----------------------------------|------------------------|---|--------------------------------|
| Tax losses             | 43,936                        | 24,347                            | 5,218                             | -                      | (3,776)   | 69,725                         |
| Employee benefits      | 6,234                         | (595)                             | -                                 | -                      | (199)   | 5,440                          |
| Doubtful debts         | 1,031                         | (277)                             | _                                 | -                      | (2)   | 752                            |
| Accruals/restructuring | 7,483                         | (3,454)                           | _                                 | _                      | (35)  | 3,994                          |
| Intangible assets      | (13,020)                      | (157)                             | _                                 | (12,539)               | 1,260   | (24,456)                       |
| Depreciation           | (5,629)                       | 647                               | _                                 | _                      | 57  | (4,925)                        |
| Other                  | (3,754)                       | (19,489)                          | (1,714)                           | 12,330                 | _   | (12,627)                       |
|                        | 36,281                        | 1,022                             | 3,504                             | (209)                  | (2,695)   | 37,903                         |

There were no material unbooked tax losses as at 31 December 2013 (2012: no material unbooked tax losses, 2011: no material unbooked tax losses.)

# 18. Contributed equity

|   |                |                |                | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |  |  |
|---|----------------|----------------|----------------|----------------|----------------|----------------|--|--|
| Issued and paid up share capital                              |                |                |                | 1,093,372      | 1,093,372      | 1,074,115      |  |  |
| (a) Movements in contributed equity during the financial year |                |                |                |                |                |                |  |  |
|   | 2013<br>number | 2012<br>number | 2011<br>number | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |  |  |
| Balance at beginning of the year                              | 661,526,586    | 630,211,415    | 606,084,019    | 1,093,372      | 1,074,115      | 1,045,999      |  |  |
| Dividend reinvestment plan                                    | -              | 31,315,171     | 24,127,396     | _              | 19,257         | 28,116         |  |  |
| Balance at end of the year                                    | 661,526,586    | 661,526,586    | 630,211,415    | 1,093,372      | 1,093,372      | 1,074,115      |  |  |

#### (b) Executive and Director Option Plan (EDOP)

Until 2008, the EDOP was operated by the Company to allow selected employees and Directors to participate in the growth of the Company through the issue of options over ordinary shares in the Company. The options lapsed in June 2013.

#### (c) Options issued under EDOP

#### 2013

| Grant date  | Exercise<br>price<br>\$ | Balance<br>at start<br>of the year<br>number | Issued<br>number | Exercised number | Lapsed<br>number | Balance<br>at end<br>of the year<br>number |
|-------------|-------------------------|--|------------------|------------------|------------------|--|
| 2 June 2008 | 3.93                    | 3,785,000                                    | _                | -                | (3,785,000)      | _  |
|             |                         | 3,785,000                                    | -                | -                | (3,785,000)      | _  |

#### (d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

# 19. Reserves and accumulated losses

| Total reserves                                      | (70,503)       | (76,455)       | (77,441)       |
|---|----------------|----------------|----------------|
| Transactions with non-controlling interests reserve | (20,546)       | (20,535)       | (3,179)        |
| Hedging reserve                                     | (417)          | (632)          | (3,243)        |
| Share-based payments reserve                        | 5,181          | 5,181          | 5,181          |
| Capital profits reserve                             | 104            | 104            | 120            |
| Foreign currency translation reserve                | (62,019)       | (69,821)       | (89,981)       |
| Asset revaluation reserve                           | 7,194          | 9,248          | 13,661         |
| (a) Reserves  |                |                |                |
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Asset revaluation reserve   |                |                |                |
| Balance at beginning of the year                                      | 9,248          | 13,661         | 14,816         |
| Revaluation of freehold land and buildings                            | 76             | (628)          | _              |
| Transfer to foreign currency translation reserve                      | 53             | (93)           | _              |
| Transfers to accumulated losses                                       | (2,183)        | (3,692)        | 384            |
| Transfers between reserves  | _              | _              | (1,539)        |
| Balance at end of the year  | 7,194          | 9,248          | 13,661         |
| Foreign currency translation reserve                                  |                |                |                |
| Balance at beginning of the year                                      | (69,821)       | (89,981)       | (94,739)       |
| Foreign exchange transfers from other reserves and accumulated losses | 764            | 227            | _              |
| Net exchange difference on translation of foreign operations          | 7,038          | 19,933         | 4,758          |
| Balance at end of the year  | (62,019)       | (69,821)       | (89,981)       |
| Hedging reserve   |                |                |                |
| Balance at beginning of the year                                      | (632)          | (3,243)        | (1,174)        |
| Net gain/(loss) on hedge contracts                                    | _              | 3,243          | (3,608)        |
| Share of joint venture's hedging reserve                              | 215            | (632)          | -              |
| Transfers between reserves  | -              | _              | 1,539          |
| Balance at end of the year  | (417)          | (632)          | (3,243)        |
| Transactions with non-controlling interests reserve                   |                |                |                |
| Balance at beginning of the year                                      | (20,535)       | (3,179)        | _              |
| Decrease/(increase) in purchase consideration for controlled business | 806            | (5,006)        | _              |
| Acquisition of controlled business                                    | -              | (12,294)       | (3,179)        |
| Transfer to foreign currency translation reserve                      | (817)          | (56)           | -              |
| Balance at end of the year  | (20,546)       | (20,535)       | (3,179)        |
| (b) Accumulated losses  |                |                |                |
| Balance at beginning of the year                                      | (666,487)      | (120,865)      | (10,104)       |
| Profit/(loss) attributable to owners of the parent entity             | 2,626          | (507,355)      | (45,070)       |
| Transfer to reserves  | 2,183          | 3,630          | (384)          |
| Remeasurements relating to retirement benefit obligations             | 800            | (651)          | (1,231)        |
| Dividends paid  |                | (41,246)       | (64,076)       |
| Balance at end of the year  | (660,878)      | (666,487)      | (120,865)      |

#### (c) Nature and purpose of reserves

## (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in the accounting policies. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

# (ii) Foreign currency translation reserve

Exchange differences arising on translation of any foreign controlled entities are taken to the foreign currency translation reserve, as described in the accounting policies.

### (iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

# (iv) Hedging reserve

The hedging reserve is used to record unrealised gains/losses on cash flow hedging instruments.

#### (v) Transactions with non-controlling interests reserve

This reserve is used to record the differences described in note 1(b)(i) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

#### (d) Non-controlling interests

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| Share capital  | 208,743        | 211,635        | 210,393        |
| Reserves   | 10,354         | (3,709)        | (7,521)        |
| Retained profits   | 28,813         | 21,225         | 13,485         |
| Other  | 645            | 5,918          | 17,470         |
| Non-controlling interests  | 248,554        | 235,069        | 233,827        |
| 20. Dividends  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
| No final dividend for the year ended 31 December 2012 (2011: 5.0 cents per share, franked to 1.5 cents paid on 30 March 2012, 2010: 7.0 cents per share franked paid on 31 March 2011).  | -              | 31,511         | 42,426         |
| No interim dividend for the year ended 31 December 2013 (2012: interim dividend of 1.5 cents per share franked to 0.5 cents paid on 26 September 2012, 2011: franked interim dividend of 3.5 cents per share paid on 28 September 2011). | _              | 9,735          | 21,650         |
| Total dividends  | =              | 41,246         | 64,076         |
| Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due   | 14,831         | 2,469          | 2,644          |

The Directors have determined that no final dividend will be payable for the year ended 31 December 2013.

# 21. Contingent liabilities

#### (a) Guarantees

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2013, the facilities had been drawn to the extent of \$454,270,000 (2012: \$483,140,000; 2011: \$594,911,000).

The parent entity and some wholly-owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of \$8,000,000 (2012: \$45,000,000; 2011: \$45,000,000).

# (b) Claims

Claims for damages are made against the consolidated entity from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

The Company is involved in a dispute with the IRD regarding certain financing transactions. Refer note 5 for further details.

#### (c) Contingent liabilities and contractual commitments

The parent entity did not have any contingent liabilities or contractual commitments as at 31 December 2013, 31 December 2012 or 31 December 2011.

# 22. Retirement benefit obligations

#### (a) Superannuation plans

The Company operates superannuation plans under which eligible employees and their dependants are entitled to benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. The respective employer entities within the consolidated entity also contribute to the plans at rates recommended by actuaries, industrial awards or the *Superannuation Guarantee Charge* legislation. The continuation of contributions, except those made pursuant to an award set down under a national wage case or the *Superannuation Guarantee Charge* legislation, are not legally enforceable.

#### Scheme information

The defined benefit scheme is closed to new members.

#### (b) Balance sheet amounts

|  | Present value of obligation \$'000 | Fair value of plan assets \$'000 | Total<br>\$'000 |
|--|------------------------------------|----------------------------------|-----------------|
| At 1 January 2011  | 15,375                             | (14,803)                         | 572             |
| Current service cost   | 453                                | (453)                            | -               |
| Interest expense/(income)  | 714                                | (301)                            | 413             |
|  | 1,167                              | (754)                            | 413             |
| Remeasurements   |                                    |                                  |                 |
| Return on scheme assets, excluding amounts included in interest expense/(income) | -                                  | (897)                            | (897)           |
| Loss/(gain) from change in financial assumption                                  | _                                  | 754                              | 754             |
| Experience losses/(gains)  | 410                                | 964                              | 1,374           |
|  | 410                                | 821                              | 1,231           |
| Contributions  |                                    |                                  |                 |
| Employers  | _                                  | (522)                            | (522)           |
| Scheme participants  | 185                                | (185)                            | -               |
| Benefit payment  | (4,741)                            | 4,741                            | -               |
| As at 31 December 2011   | 12,396                             | (10,702)                         | 1,694           |
| Current service cost   | 470                                | (166)                            | 304             |
| Interest expense/(income)  | 385                                | (304)                            | 81              |
|  | 855                                | (470)                            | 385             |
| Remeasurements   |                                    |                                  |                 |
| Return on scheme assets, excluding amounts included in interest expense/(income) | -                                  | (595)                            | (595)           |
| Loss/(gain) from change in financial assumption                                  | _                                  | 504                              | 504             |
| Experience losses/(gains)  | 1,385                              | (643)                            | 742             |
|  | 1,385                              | (734)                            | 651             |
| Contributions  |                                    |                                  | _               |
| Employers  | _                                  | (385)                            | (385)           |
| Scheme participants  | 132                                | (132)                            | _               |
| Benefit payment  | (1,732)                            | 1,732                            |                 |
| As at 31 December 2012   | 13,036                             | (10,691)                         | 2,345           |

|  | Present value<br>of obligation<br>\$'000 | Fair value of plan assets \$'000 | Total<br>\$'000 |
|--|--|----------------------------------|-----------------|
| Current service cost   | 393                                      | (200)                            | 193             |
| Interest expense/(income)  | 333                                      | (210)                            | 123             |
|  | 726                                      | (410)                            | 316             |
| Remeasurements   |  |                                  |                 |
| Return on scheme assets, excluding amounts included in interest expense/(income) | -  | (281)                            | (281)           |
| Loss/(gain) from change in financial assumption                                  | _  | (494)                            | (494)           |
| Experience losses/(gains)  | 105                                      | (130)                            | (25)            |
|  | 105                                      | (905)                            | (800)           |
| Contributions  |  |                                  |                 |
| Employers  | _  | (316)                            | (316)           |
| Scheme participants  | 112                                      | (112)                            | -               |
| Payments from scheme   | (2,954)                                  | 2,954                            | -               |
| As at 31 December 2013   | 11,025                                   | (9,480)                          | 1,545           |

The Group has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The APN Superannuation Scheme does not impose a legal liability on the Group to cover any deficit that exists in the scheme. If the scheme were wound up, there would be no legal obligation on the Group to make good any shortfall. The trust deed of the scheme states that if the scheme winds up, the remaining assets are to be distributed by the trustee of the scheme in an equitable manner as it sees fit.

The Group may at any time, by notice to the trustee, terminate its contributions. The Group has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for the Group to pay any further contributions, irrespective of the financial condition of the scheme.

Key assumptions used in the latest actuarial valuation are post-tax discount rate of 3.6% (2012: 2.8%, 2011: 3.2%); incremental salary inflation rates of 2.0% per annum in years 1 to 3, and 4.0% for every year after that (2012: 2.0% in year 1, 3.0% per annum in years 2 and 3, and 4.0% for every year after that, 2011: 4.0% for every year). As at 31 December 2013, the scheme assets were invested in the following asset classes: Australian equities 26% (2012: 27%, 2011: 27%), international equities 27% (2012: 27%, 2011: 27%), property 9% (2012: 9%, 2011: 9%), cash and fixed interest 17% (2012: 17%, 2011: 17%) and other 21% (2012: 20%, 2011: 20%).

# 23. Capital commitments

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Capital expenditure contracted for at balance date but not recognised as liabilities: |                |                |                |
| Not later than one year   | 116            | 658            | 6,012          |
| Later than one year but not later than five years                                     | -              | -              | 2,221          |
| Total capital commitments   | 116            | 658            | 8,233          |

# 24. Lease commitments

Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Not later than one year                                 | 47,137         | 46,260         | 99,015         |
| Later than one year but not later than five years       | 93,698         | 111,071        | 207,582        |
| Later than five years                                   | 46,695         | 51,756         | 139,318        |
| Commitments not recognised in the financial statements  | 187,530        | 209,087        | 445,915        |
| Representing:   |                |                |                |
| Cancellable operating leases and rental commitments     | 1,745          | 2,598          | 6,708          |
| Non-cancellable operating leases and rental commitments | 185,785        | 206,489        | 439,165        |
| Future finance lease charges                            |                | -              | 42             |
| Commitments not recognised in the financial statements  | 187,530        | 209,087        | 445,915        |
| Commitments for finance leases are payable as follows:  |                |                |                |
| Not later than one year                                 | 40,474         | 5,784          | 6,376          |
| Later than one year but not later than five years       | _              | 40,495         | 50,649         |
|   | 40,474         | 46,279         | 57,025         |
| Less future finance charges on finance leases           | (1,602)        | (4,986)        | (9,126)        |
| Total lease liabilities                                 | 38,872         | 41,293         | 47,899         |
| Representing lease liabilities (refer note 15):         |                |                |                |
| Current   | 38,872         | 2,421          | 2,447          |
| Non-current   | -              | 38,872         | 45,452         |
| Total lease liabilities                                 | 38,872         | 41,293         | 47,899         |

The weighted average interest rate implicit in the leases is 8.1% (2012: 8.1%, 2011: 8.1%) per annum. The rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

# 25. Interests in other entities

#### (a) Material subsidiaries with non-controlling interests

Set out below are the Group's principal subsidiaries with material non-controlling interests at 31 December 2013. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

|  |                              |                          | Ownership interest held by the Group |      |      | Ownership interest held non-<br>controlling interests |      |      | Principal activities |
|--|------------------------------|--------------------------|--------------------------------------|------|------|---|------|------|----------------------|
| Name of entity                                     | Place of business            | Country of incorporation | 2013                                 | 2012 | 2011 | 2013  | 2012 | 2011 |                      |
| Australian Radio Network Pty<br>Ltd <sup>(i)</sup> | Australia and<br>New Zealand | Australia                | 50%                                  | 50%  | 50%  | 50%   | 50%  | 50%  | Commercial radio     |
| Buspak Advertising (Hong<br>Kong) Limited          | Hong Kong                    | Hong Kong                | 50%                                  | 50%  | 50%  | 50%   | 50%  | 50%  | Outdoor advertising  |

<sup>(</sup>i) The Australian Radio Network Pty Ltd (ARN) owns 100% of The Radio Network in New Zealand.

## (b) Non-controlling interests

Dividends paid to non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

|   |                | Australian Ra<br>Network Pty I |                | Bus <sub>l</sub><br>(Hon |                |                |
|---|----------------|--------------------------------|----------------|--------------------------|----------------|----------------|
| Summarised balance sheet  | 2013<br>\$'000 | 2012<br>\$'000                 | 2011<br>\$'000 | 2013<br>\$'000           | 2012<br>\$'000 | 2011<br>\$'000 |
| Current assets  | 174,082        | 156,251                        | 139,532        | 22,025                   | 17,375         | 16,142         |
| Current liabilities   | 37,880         | 37,147                         | 33,889         | 8,396                    | 6,585          | 6,147          |
| Current net assets  | 136,202        | 119,104                        | 105,643        | 13,629                   | 10,790         | 9,995          |
| Non-current assets  | 522,784        | 494,910                        | 490,839        | 1,022                    | 2,099          | 280            |
| Non-current liabilities   | 19,820         | 16,698                         | 22,210         | 58                       | 114            | 110            |
| Non-current net assets  | 502,964        | 478,212                        | 468,629        | 964                      | 1,985          | 170            |
| Net assets  | 639,166        | 597,316                        | 574,272        | 14,593                   | 12,775         | 10,165         |
| Accumulated non-controlling interests                             | 240,692        | 225,225                        | 222,358        | 5,925                    | 6,291          | 3,618          |
| Summarised statement of comprehensive income                      |                |                                |                |                          |                |                |
| Revenue   | 256,994        | 227,249                        | 220,704        | 44,001                   | 39,094         | 33,490         |
| Profit/(loss) for the period                                      | 48,172         | 40,383                         | 44,642         | (406)                    | 2,902          | 3,546          |
| Other comprehensive income  | 28,148         | 7,623                          | (4,128)        | -                        | _              | _              |
| Total comprehensive income  | 76,320         | 48,006                         | 40,514         | (406)                    | 2,902          | 3,546          |
| Further 25% of non-controlling interests within the ARN Group(i)  | 2,090          | 1,989                          | 1,762          | -                        | _              | _              |
| Total comprehensive income allocated to non-controlling interests | 40,250         | 25,992                         | 22,019         | (203)                    | 1,451          | 1,773          |

<sup>(</sup>i) ARN has a controlling 50% interest in Brisbane FM Radio Pty Ltd. This represents a 25% interest for the Group. As such a further 25% of the earnings attributable to Brisbane FM Radio Pty Ltd forms part of APN's non-controlling interest.

14,478

14,023

19,480

|   | Australian Radio<br>Network Pty Ltd |                | Buspak Advertising<br>(Hong Kong) Limited |                |                |                |
|---|-------------------------------------|----------------|---|----------------|----------------|----------------|
| Summarised cash flows                     | 2013<br>\$'000                      | 2012<br>\$'000 | 2011<br>\$'000                            | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
| Cash flows from operating activities      | 58,894                              | 50,338         | 45,788                                    | 706            | 1,557          | 3,800          |
| Cash flows from investing activities      | (7,053)                             | (4,053)        | (10,697)                                  | (481)          | (2,834)        | (183)          |
| Cash flows from financing activities      | (47,944)                            | (47,951)       | (40,996)                                  | -              | 1,810          | (3,250)        |
| Net increase in cash and cash equivalents | 3,897                               | (1,666)        | (5,905)                                   | 225            | 533            | 367            |

#### (c) Transactions with non-controlling interests

In October 2013, the Group acquired the final 20.5% of the issued shares of Catalogue Central Pty Limited (iNC Digital Media). This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Catalogue Central Pty Limited. The purchase consideration was \$1,251,000. The carrying amount of the non-controlling interests in Catalogue Central Pty Limited on the date of the transaction was \$806,000. The Group recognised an increase in non-controlling interests of \$806,000 and a decrease in equity attributable to owners of the parent entity of \$806,000.

In May 2012, the Group acquired the final 25% of Idea HQ Limited and subsidiaries, including GrabOne Limited. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Idea HQ Limited. The purchase consideration was a further \$6,173,000 payable should the businesses achieve certain predetermined performance targets. The carrying amount of the non-controlling interests in Idea HQ Limited on the date of acquisition was \$4,367,000. The Group recognised a decrease in equity attributable to owners of the parent entity of \$5,006,000.

The effect of changes in the ownership interest on the equity attributable to owners of the Group during the year is summarised as follows:

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Carrying amount of non-controlling interests acquired   | 806            | 4,367          | _              |
| Contingent consideration provision recognised           | -              | (6,173)        | _              |
| Reversal of contingent consideration provision          | 2,000          | _              | _              |
| Consideration paid to non-controlling interests         | (1,251)        | (3,200)        | -              |
| Less: Excess provision released to profit and loss      | (749)          | -              | _              |
| Amounts recognised in non-controlling interests reserve | 806            | (5,006)        | _              |

#### (d) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2013 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

|   |                              |                          | Ownership interest held by the Group |      |      |                              |                    | onsolidated<br>rying values | ;              |                |
|---|------------------------------|--------------------------|--------------------------------------|------|------|------------------------------|--------------------|-----------------------------|----------------|----------------|
| Name of entity                            | Place of business            | Country of incorporation | 2013                                 | 2012 | 2011 | Nature of N                  | Measurement method | 2013<br>\$'000              | 2012<br>\$'000 | 2011<br>\$'000 |
| Adshel Street<br>Furniture Pty<br>Limited | Australia and<br>New Zealand | Australia                | 50%                                  | 50%  | 50%  | Associate <sup>(1)</sup>     | Equity<br>method   | 41,433                      | 42,868         | 37,331         |
| APN Outdoor<br>Pty Limited                | Australia and<br>New Zealand | Australia                | 48%                                  | 48%  | 100% | Joint venture <sup>(2)</sup> | Equity method      | -                           | 53,430         | N/A            |
| Soprano Design<br>Pty Limited             | Global                       | Australia                | 25%                                  | 25%  | 25%  | Associate <sup>(3)</sup>     | Equity<br>method   | 9,378                       | 6,000          | 6,000          |
|   | •                            | •                        | •                                    |      |      |                              |                    | 50,811                      | 102,298        | 43,331         |

<sup>(1)</sup> Adshel Street Furniture Pty Limited is one of the Group's Outdoor advertising operations. Adshel specialises in advertiser funded street furniture solutions with networks throughout Australia and New Zealand.

<sup>(2)</sup> APN Outdoor Pty Ltd was a joint venture with Quadrant Private Equity. The Group announced the completion of the sale of its remaining 47.75% ownership interest on 24 January 2014. On this basis the investment has been treated as held for sale and has been transferred to assets held for sale at 31 December 2013.

(3) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001 in line with the Group's digital strategy.

#### (e) Summarised financial information for the associate

The table below provides summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

|  |                | Adshel Street Furniture<br>Pty Limited |                |  |  |
|--|----------------|--|----------------|--|--|
|  | 2013<br>\$'000 | 2012<br>\$'000                         | 2011<br>\$'000 |  |  |
| Summarised balance sheet                     |                |  |                |  |  |
| Total current assets                         | 47,580         | 47,362                                 | 35,893         |  |  |
| Non-current assets                           | 76,299         | 82,088                                 | 84,386         |  |  |
| Total assets                                 | 123,879        | 129,450                                | 120,279        |  |  |
| Total current liabilities                    | 35,163         | 37,677                                 | 35,106         |  |  |
| Total non-current liabilities                | 5,849          | 6,037                                  | 10,510         |  |  |
| Total liabilities                            | 41,012         | 43,714                                 | 45,616         |  |  |
| Net assets                                   | 82,867         | 85,736                                 | 74,663         |  |  |
| Reconciliation to carrying amounts           |                |  |                |  |  |
| Opening net assets 1 January                 | 85,736         | 74,663                                 | 67,369         |  |  |
| Profit/(loss) for the period                 | 21,131         | 18,073                                 | 12,294         |  |  |
| Other comprehensive income                   | 3,000          | -                                      | -              |  |  |
| Dividends paid                               | (27,000)       | (7,000)                                | (5,000)        |  |  |
| Closing net assets                           | 82,867         | 85,736                                 | 74,663         |  |  |
| Percentage of ownership interest             | 50%            | 50%                                    | 50%            |  |  |
| Carrying amount                              | 41,433         | 42,868                                 | 37,331         |  |  |
| Summarised statement of comprehensive income |                |  |                |  |  |
| Revenue                                      | 150,816        | 142,791                                | 122,365        |  |  |
| Profit for the period                        | 21,131         | 18,073                                 | 12,294         |  |  |
| Other comprehensive income                   | 3,000          | _                                      | -              |  |  |
| Total comprehensive income                   | 24,131         | 18,073                                 | 12,294         |  |  |
| Dividends received from associate            | 13,500         | 3,500                                  | 2,500          |  |  |

#### (f) Individually immaterial associate

In addition to the interests in associate disclosed above, the Group also has an interest in an individually immaterial associate that is accounted for using the equity method.

|  | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|----------------|
| Aggregate carrying amount of individually immaterial associate | 9,378          | 6,000          | 6,000          |
| Movements in carrying value in the period:                     |                |                |                |
| Reversal of prior period impairment                            | 3,046          | _              | _              |
| Share of losses in associate                                   | -              | -              | (336)          |
| Other adjustments  | 332            | _              | _              |

# 26. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 1.

|   |   | Equity holding |           |      |
|---|---|----------------|-----------|------|
| Name of entity  | Country of incorporation/ establishment | 2013<br>%      | 2012<br>% | 2011 |
| Actraint No. 116 Pty Limited <sup>1,4</sup>             | Australia                               | 50             | 50        | 50   |
| Adhoc Pty Ltd   | Australia                               | 75             | 75        | 75   |
| Adhub Limited <sup>1</sup>                              | New Zealand                             | 100            | 100       | 78   |
| Adspace Pty Ltd <sup>9</sup>                            | Australia                               | 48             | 48        | 100  |
| Airplay Media Services Pty Limited 1,4                  | Australia                               | 50             | 50        | 50   |
| APN AP National Sales Pty Ltd <sup>2</sup>              | Australia                               | 100            | 100       | 100  |
| APN Braeside Pty Ltd                                    | Australia                               | 100            | 100       | 100  |
| APN Broadcasting Investments Pty Limited <sup>2,3</sup> | Australia                               | 100            | 100       | 100  |
| APN Broadcasting (Regionals) Pty 1,4                    | Australia                               | 50             | 50        | 50   |
| APN Business Information Group Pty Ltd <sup>2</sup>     | Australia                               | 100            | 100       | 100  |
| APN Business Magazines Pty Ltd <sup>2</sup>             | Australia                               | 100            | 100       | 100  |
| APN Computing Group Pty Ltd <sup>2</sup>                | Australia                               | 100            | 100       | 100  |
| APN Digital Pty Ltd <sup>2,3</sup>                      | Australia                               | 100            | 100       | 100  |
| APN Digital NZ Limited                                  | New Zealand                             | 100            | 100       | 100  |
| APN Educational Media Pty Limited <sup>2</sup>          | Australia                               | 100            | 100       | 100  |
| APN Educational Media (NZ) Limited                      | New Zealand                             | 100            | 100       | 100  |
| APN Finance Pty Limited <sup>2</sup>                    | Australia                               | 100            | 100       | 100  |
| APN Holdings NZ Limited                                 | New Zealand                             | 100            | 100       | 100  |
| APN Media (NZ) Limited                                  | New Zealand                             | 100            | 100       | 100  |
| APN Milperra Pty Ltd                                    | Australia                               | 100            | 100       | 100  |
| APN New Zealand Limited                                 | New Zealand                             | 100            | 100       | 100  |
| APN Newspapers Pty Ltd <sup>2,3</sup>                   | Australia                               | 100            | 100       | 100  |
| APN NZ Investments Limited                              | New Zealand                             | 100            | 100       | 100  |
| APN Online (Australia) Pty Limited                      | Australia                               | 100            | 100       | 100  |
| APN Online (New Zealand) Limited                        | New Zealand                             | 100            | 100       | 100  |
| APN Outdoor Limited <sup>9</sup>                        | New Zealand                             | 48             | 48        | 100  |
| APN Outdoor Pty Limited 9,10                            | Australia                               | 48             | 48        | 100  |
| APN Outdoor (Trading) Pty Ltd 9,10                      | Australia                               | 48             | 48        | 100  |
|   |   |                |           |      |

|   | Equity holding                          |           |           |      |
|---|---|-----------|-----------|------|
| Name of entity  | Country of incorporation/ establishment | 2013<br>% | 2012<br>% | 2011 |
| APN Print NZ Limited  | New Zealand                             | 100       | 100       | 100  |
| APN Printing Services Pty Ltd <sup>2,3</sup>                              | Australia                               | 100       | 100       | 100  |
| APN Specialist Publications NZ Limited                                    | New Zealand                             | 100       | 100       | 100  |
| ARN Adelaide Pty Ltd <sup>1,4</sup>                                       | Australia                               | 50        | 50        | 50   |
| ARN Brisbane Pty Ltd <sup>1,4</sup>                                       | Australia                               | 50        | 50        | 50   |
| ARN Broadcasting Pty Ltd <sup>1,4</sup>                                   | Australia                               | 50        | 50        | 50   |
| ARN Communications Pty Ltd <sup>1,4</sup>                                 | Australia                               | 50        | 50        | 50   |
| ARN Limited Partnership 1,4   | Australia                               | 50        | 50        | 50   |
| ARN New Zealand Pty Limited 1.4   | Australia                               | 50        | 50        | 50   |
| ARN NZ Investments Limited 1.4  | New Zealand                             | 50        | 50        | 50   |
| ARN Overseas Pty Limited 1,4  | Australia                               | 50        | 50        | 50   |
| ARN Perth Pty Ltd <sup>1,4</sup>  | Australia                               | 50        | 50        | 50   |
| ARN South Australia Pty Ltd 1,4   | Australia                               | 50        | 50        | 50   |
| ARN Superannuation Pty Ltd <sup>1,4</sup>                                 | Australia                               | 50        | 50        | 50   |
| ARNSAT Pty Limited 1,4  | Australia                               | 50        | 50        | 50   |
| Asia Posters Pte Ltd  | Singapore                               | _         | 100       | 100  |
| Asia Posters Sdn Bhd  | Malaysia                                | 100       | 100       | 100  |
| The Australasian Advertising Company Pty Limited 9,10                     | Australia                               | 48        | 48        | 100  |
| Australian Posters Pty Ltd 9,10   | Australia                               | 48        | 48        | 100  |
| Australian Provincial Newspapers International Pty Limited <sup>2,3</sup> | Australia                               | 100       | 100       | 100  |
| Australian Provincial Newspapers Ltd <sup>2,3</sup>                       | Australia                               | 100       | 100       | 100  |
| Australian Radio Network Pty Limited 1,4                                  | Australia                               | 50        | 50        | 50   |
| Australian Radio Network Sales Pty Ltd 1,4                                | Australia                               | 50        | 50        | 50   |
| Biffin Pty Limited <sup>2,3</sup>   | Australia                               | 100       | 100       | 100  |
| Blue Mountains Broadcasters Pty Limited 1,4                               | Australia                               | 50        | 50        | 50   |
| Border Newspapers Pty Ltd <sup>2</sup>                                    | Australia                               | 100       | 100       | 100  |
| brandsExclusive (Australia) Pty Limited 11                                | Australia                               | 82        | 82        | 0    |
| brandsExclusive (New Zealand) Pty Limited 11                              | Australia                               | 82        | 82        | 0    |
| Brisbane FM Radio Pty Ltd <sup>1,5</sup>                                  | Australia                               | 25        | 25        | 25   |
| The Brisbane Publishing Company Pty Ltd <sup>2</sup>                      | Australia                               | 100       | 100       | 100  |
| The Bundaberg Newspaper Company Pty Limited <sup>2,3</sup>                | Australia                               | 100       | 100       | 100  |
| Buspak Advertising (China) Limited  | Hong Kong                               | 100       | 100       | 100  |
| Buspak Advertising Group Pty Ltd 9,10                                     | Australia                               | 48        | 48        | 100  |
| Buspak Advertising (Hong Kong) Limited <sup>6</sup>                       | Hong Kong                               | 50        | 50        | 50   |
| Byron Shire News Pty Ltd <sup>2</sup>                                     | Australia                               | 100       | 100       | 100  |
| Campus Review Pty Ltd <sup>2</sup>  | Australia                               | 100       | 100       | 100  |
| Capital City Broadcasters Pty Limited 1,4                                 | Australia                               | 50        | 50        | 50   |
| Capricornia Newspapers Pty Ltd <sup>2,3</sup>                             | Australia                               | 100       | 100       | 100  |
| Cardcorp (Manufacturing) Pty Limited                                      | Australia                               | 100       | 100       | 100  |
| Catalogue Central Pty Limited   | Australia                               | 100       | 79.5      | 79.5 |
| Central Coast Broadcasting Pty 1,4  | Australia                               | 50        | 50        | 50   |

|   |   | Equi      |           |      |
|---|---|-----------|-----------|------|
| Name of entity  | Country of incorporation/ establishment | 2013<br>% | 2012<br>% | 2011 |
| Central Queensland News Publishing Company Pty Ltd <sup>2</sup>       | Australia                               | 100       | 100       | 100  |
| Central Telegraph Pty Ltd <sup>2</sup>                                | Australia                               | 100       | 100       | 100  |
| Chinchilla Newspapers Pty Ltd <sup>2</sup>                            | Australia                               | 100       | 100       | 100  |
| Cody Link Pty Ltd 9,10  | Australia                               | 48        | 48        | 100  |
| Cody Outdoor International (HK) Limited <sup>7</sup>                  | Hong Kong                               | 50        | 50        | 50   |
| Coffs Coast RE Marketing Pty Ltd                                      | Australia                               | 70        | 70        | 70   |
| Commonwealth Broadcasting Corporation Pty Ltd <sup>1,4</sup>          | Australia                               | 50        | 50        | 50   |
| Covette Investments Pty Limited <sup>2,3</sup>                        | Australia                               | 100       | 100       | 100  |
| Daily Commercial News Pty Ltd <sup>2</sup>                            | Australia                               | 100       | 100       | 100  |
| The Daily Examiner Pty Ltd <sup>2</sup>                               | Australia                               | 100       | 100       | 100  |
| Dalby Herald Pty Ltd <sup>2</sup>                                     | Australia                               | 100       | 100       | 100  |
| DCN (Electronic Services) Pty Ltd <sup>2</sup>                        | Australia                               | 100       | 100       | 100  |
| Double T Radio Pty Ltd <sup>1,4</sup>                                 | Australia                               | 50        | 50        | 50   |
| Eastcott Investments Pty Ltd 9,10                                     | Australia                               | 48        | 48        | 100  |
| Esky Limited  | New Zealand                             | 100       | 100       | 100  |
| Everfact Pty Limited 9,10   | Australia                               | 48        | 48        | 100  |
| Everfact Unit Trust 9   | Australia                               | 48        | 48        | 100  |
| 5AD Broadcasting Company Pty Ltd <sup>1,4</sup>                       | Australia                               | 50        | 50        | 50   |
| Gatton Star Pty Ltd <sup>2</sup>                                      | Australia                               | 100       | 100       | 100  |
| Gergdaam Capital Pty Limited <sup>2,3</sup>                           | Australia                               | 100       | 100       | 100  |
| Gladstone Newspaper Company Pty Ltd <sup>2</sup>                      | Australia                               | 100       | 100       | 100  |
| The Gold Coast Press Pty Limited <sup>2</sup>                         | Australia                               | 100       | 100       | 100  |
| Grab One Australia Pty Limited  | Australia                               | 100       | 100       | 75   |
| GrabOne Investments Limited   | UK                                      | 100       | 75        | 75   |
| GrabOne Limited <sup>1</sup>  | New Zealand                             | 100       | 100       | 75   |
| GSP Print Pty Ltd <sup>9,10</sup>                                     | Australia                               | 48        | 48        | 100  |
| Gulgong Pty Limited <sup>2,3</sup>                                    | Australia                               | 100       | 100       | 100  |
| Gympie Times Pty Ltd <sup>2</sup>                                     | Australia                               | 100       | 100       | 100  |
| Haswell Pty Limited <sup>2,3</sup>                                    | Australia                               | 100       | 100       | 100  |
| The Hive Online Limited   | New Zealand                             | 100       | 100       | 100  |
| Idea HQ Limited <sup>1</sup>  | New Zealand                             | 100       | 100       | 75   |
| Inc Network Australia Pty Ltd   | Australia                               | 100       | 79.5      | 79.5 |
| The Internet Amusements Group Pty Limited 1,4                         | Australia                               | 50        | 50        | 50   |
| KAFM Broadcasters Proprietary Limited 1,4                             | Australia                               | 50        | 50        | 50   |
| Kelly Publications Pty Ltd <sup>2</sup>                               | Australia                               | 100       | 100       | 100  |
| Level 4 Investments Pty Limited <sup>2</sup>                          | Australia                               | 100       | 100       | 100  |
| The Level 4 Partnership   | Australia                               | 100       | 100       | 100  |
| Lunchbox Investments Pty Ltd  | Australia                               | 100       | 100       | 0    |
| Longbeach Publications Pty Ltd <sup>2</sup>                           | Australia                               | 100       | 100       | 100  |
| Longbeach Publications Unit Trust                                     | Australia                               | 100       | 100       | 100  |
| The Mackay Printing and Publishing Company Pty Limited <sup>2,3</sup> | Australia                               | 100       | 100       | 100  |

| Name of entity         Country of incorporation (monoporation)           |   |             | Equi |      |      |
|--|---|-------------|------|------|------|
| Name of entity         establishment         %         %         %           Marnin Limited <sup>↑</sup> Ireland         — <t< th=""><th></th><th>•</th><th>2013</th><th>2012</th><th>2011</th></t<>   |   | •           | 2013 | 2012 | 2011 |
| The Maryborough Hervey Bay Newspaper Company Pty Ltd <sup>2-3</sup>  | Name of entity  |             |      |      |      |
| Medical Tack Ply Limited <sup>23</sup> Australia         100         100           Melbourne Independent Newspapers Ply Lid <sup>2</sup> Australia         100         100           Mt Maunganul Publishing Co Limited         New Zealand         100         100           National Outdoor Advertising Ply Lid <sup>23</sup> Australia         100         100           National Outdoor Advertising Ply Lid <sup>8,10</sup> Australia         48         48         100           New Hobsons Press Ply Limited         Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>8</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>8</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>8</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>8</sup> Australia         100         100         100           Northern Star Lid <sup>23</sup> Australia         100         100         100           Northern Star Lid <sup>23</sup> Australia         100         100         100           Observer Times (Hervey Bay) Ply Lid <sup>23</sup> Australia         100         100         100  | Marnin Limited <sup>8</sup>   | Ireland     | -    | -    | -    |
| Melbourne Independent Newspapers Pty Ltd <sup>2</sup> Australia         100         100           Mt Maunganul Publishing Co Limited         New Zealand         100         100           Nathonal Outdoor Advertising Pty Limited <sup>3,10</sup> Australia         100         100           New Hobsons Press Pty Limited <sup>1,10</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Pty Ltd <sup>1,10</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>1</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>1</sup> Australia         48         48         100           North Coast News Pty Ltd <sup>2</sup> Australia         40         40         100           North Coast News Pty Ltd <sup>2</sup> Australia         100         100         100           Observer Times (Hervey Bay) Pty Ltd <sup>2</sup> Australia         100         100         100           Outdoor Network Co Ltd         Thailand         —         —         —           Peterbrouse Proprietary Limited <sup>2</sup> Australia         100         100         100           Provincial Investments Pty Ltd <sup>2,3</sup> Australia         100         100         100 <td>The Maryborough Hervey Bay Newspaper Company Pty Ltd <sup>2,3</sup></td> <td>Australia</td> <td>100</td> <td>100</td> <td>100</td>  | The Maryborough Hervey Bay Newspaper Company Pty Ltd <sup>2,3</sup> | Australia   | 100  | 100  | 100  |
| Mt Maunganul Publishing Co Limited         New Zesland         100         100         100           Nathoo Holdings Ply Ltd <sup>2-3</sup> Australia         100         100         100           Nethool Outdoor Advertising Ply Limited <sup>2-10</sup> Australia         48         48         100           Nettlefold Advertising Ply Ltd <sup>2-10</sup> Australia         48         48         100           Nettlefold Outdoor Advertising Trust <sup>3</sup> Australia         48         48         100           New Zealand Radio Network Limited <sup>1,4</sup> New Zealand Radio Network Limited <sup>1,4</sup> New Zealand Radio Network Limited <sup>1,4</sup> 100         100         100           North Coast News Ply Ltd <sup>2</sup> Australia         100         100         100           Northern Star Ltd <sup>2,3</sup> Australia         100         100         100           Outdoor Network Co Ltd         Thailand         1         1         100         100           Detertouse Proprietary Limited <sup>2</sup> Australia         100         100         100         100           Pt Rainbow Asia Posters <sup>12</sup> Australia         100         100         100         100         100         100         100         100         100         100         100         <   | Media Tek Pty Limited <sup>2,3</sup>                                | Australia   | 100  | 100  | 100  |
| Nathco Holdings Pty Ltd <sup>23</sup> Australia         100         100         100           National Outdoor Advertising Pty Limited ************************************  | Melbourne Independent Newspapers Pty Ltd <sup>2</sup>               | Australia   | 100  | 100  | 100  |
| National Outdoor Advertising Pty Limited No. New Hobsons Press Pty Limited No. New Hobsons Press Pty Limited No. New Hobsons Press Pty Limited No. New | Mt Maunganui Publishing Co Limited                                  | New Zealand | 100  | 100  | 100  |
| New Hobsons Press Ply Limited         Australial         —         —         —         100           Nettlefold Outdoor Advertising Ply Ltd <sup>8.10</sup> Australial         48         48         100           New Zealand Radio Network Limited <sup>14</sup> New Zealand         50         50         100           North Coast News Ply Ltd <sup>2</sup> Australia         100         1000         1000           North Coast News Ply Ltd <sup>2</sup> Australia         100         1000         1000           Observer Times (Hervey Bay) Ply Ltd <sup>2</sup> Australia         100         1000         1000           Outdoor Network Co Ltd         Thalland         —         —         100           Peterhouse Proprietary Limited <sup>2</sup> Australia         100         100         100           Preterhouse Proprietary Limited <sup>22</sup> Australia         100         100         100           Preterhouse Proprietary Limited <sup>23</sup> Australia         50         50         50           The Cucensland Times Ply Limited <sup>23</sup> Australia         50         50         50           The Radio Wise Ply Ltd <sup>14</sup> New Zealand         50         50         50         50           Regional Publishers Limited         New Zealand         <  | Nathco Holdings Pty Ltd <sup>2,3</sup>                              | Australia   | 100  | 100  | 100  |
| Nettlefold Advertising Pty Ltd <sup>9-10</sup>   | National Outdoor Advertising Pty Limited 9,10                       | Australia   | 48   | 48   | 100  |
| Nettlefold Outdoor Advertlising Trust **         Australia         48         48         700           New Zealand Radio Network Limited **         New Zealand         50         50         50           North Coast News Pty Ltd **         Australia         100         100         100           Norther Star Ltd **3         Australia         100         100         100           Observer Times (Hervey Bay) Pty Ltd **         Australia         100         100         100           Outdoor Network Co Ltd         Thalland         —         —         100           Peterhouse Proprietary Limited **         Australia         100         100         100           Provincial Investments Pty Ltd **         Australia         100         100         100           Provincial Investments Pty Ltd **         Australia         100         100         100           Pt Radio Sureau Limited **         New Zealand         50         50         50           The Radio Bureau Limited **         New Zealand         50         50         50           Regional Publishers Limited **         New Zealand         100         100         100           Regional Publishers Limited **         Australia         50         50           Sabawin  | New Hobsons Press Pty Limited                                       | Australia   | -    | _    | 100  |
| New Zealand Radio Network Limited <sup>1,4</sup> New Zealand Radio Network Limited <sup>1,4</sup> New Zealand Radio Network Limited <sup>1,4</sup> 100         100           North Coast News Pty Ltd <sup>2</sup> Australia         100         100         100           Northern Star Ltd <sup>2,3</sup> Australia         100         100         100           Observer Times (Hervey Bay) Pty Ltd <sup>2</sup> Australia         100         100         100           Peterhouse Proprietary Limited <sup>2</sup> Australia         100         100         100           Provincial Investments Pty Ltd <sup>2,3</sup> Australia         100         100         100           PT Rainbow Asia Posters <sup>12</sup> Indonesia         —         —         50         50           The Radio Bureau Limited <sup>1,4</sup> New Zealand         50         50         50         50           The Radio Bureau Limited <sup>1,4</sup> New Zealand         50  | Nettlefold Advertising Pty Ltd 9,10                                 | Australia   | 48   | 48   | 100  |
| North Coast News Pty Ltd²         Australia         100         100           Northern Star Ltd²³³         Australia         100         100           Observer Times (Hervey Bay) Pty Ltd²²         Australia         100         100           Outdoor Network Co Ltd         Thailand         —         —         100           Peterhouse Proprietary Limited²         Australia         100         100         100           Provincial Investments Pty Ltd²³³         Australia         100         100         100           PT Rainbow Asia Posters¹²         Indonesia         —         —         50           The Queensland Times Pty Limited²³         Australia         50         50         50           The Queensland Times Pty Limited³³         New Zealand         50         50         50           The Queensland Times Pty Limited³³         New Zealand         50         50         50           The Queensland Times Pty Limited³³         New Zealand         50         50         50           RadioWise Pty Ltd ¹¹⁴         Australia         50         50         50           Regnax Pty Limited¹⁴         Australia         50         50         50           Sella Limited¹         New Zealand         100         100 </td <td>Nettlefold Outdoor Advertising Trust <sup>9</sup></td> <td>Australia</td> <td>48</td> <td>48</td> <td>100</td>  | Nettlefold Outdoor Advertising Trust <sup>9</sup>                   | Australia   | 48   | 48   | 100  |
| Northern Star Ltd <sup>2.3</sup> Australia         100         100           Observer Times (Hervey Bay) Pty Ltd <sup>2</sup> Australia         100         100           Outdoor Network Co Ltd         Thailand         —         —         100           Peterbouse Proprietary Limited <sup>2</sup> Australia         100         100         100           Provincial Investments Pty Ltd <sup>2.3</sup> Australia         100         100         100           PT Rainbow Asia Posters <sup>12</sup> Indonesia         —         —         50           The Queensland Times Pty Limited <sup>2.3</sup> Australia         50         50         50           The Radio Bureau Limited <sup>1.4</sup> New Zealand         50         50         50           Regional Publishers Limited         New Zealand         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited <sup>1.4</sup> Australia         100         100         100           Sell Me Free Limited <sup>1.4</sup> Australia         100         100         100           Sell Limited <sup>1.4</sup> New Zealand         100         100         100           Sell Limited <sup>1.4</sup> Australia  | New Zealand Radio Network Limited 1,4                               | New Zealand | 50   | 50   | 50   |
| Observer Times (Hervey Bay) Pty Ltd 2         Australia         100         100           Outdoor Network Co Ltd         Thailand         —         —         100           Peterhouse Proprietary Limited 2         Australia         100         100         100           Provincial Investments Pty Lid 23         Australia         100         100         100           PT Rainbow Asia Posters 12         Indonesia         —         —         50           The Queensland Times Pty Limited 23         Australia         100         100         100           The Radio Bureau Limited 14         New Zealand         50         50         50           The Radio Network Limited 14         New Zealand         50         50         50           Regional Publishers Limited 14         New Zealand         100         100         100           Regmax Pty Limited 14         Australia         100         100         100           Regmax Pty Limited 14         Australia         100         100         100           Sabawin Pty Limited 14         Australia         100         100         100           Sell Me Free Limited 15         New Zealand         100         100         100           Sell Limited 1         New Zealand<  | North Coast News Pty Ltd <sup>2</sup>                               | Australia   | 100  | 100  | 100  |
| Outdoor Network Co Ltd         Thailand         -         -         100           Peterhouse Proprietary Limited 2         Australia         100         100         100           Provincial Investments Pty Ltd 23         Australia         100         100         100           PT Rainbow Asia Posters 12         Indonesia         -         -         50           The Queensland Times Pty Limited 23         Australia         100         100         100           The Radio Bureau Limited 14         New Zealand         50         50         50           The Radio Network Limited 14         New Zealand         50         50         50           RedioWise Pty Ltd 14         Australia         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited 14         Australia         100         100         100           Sabawin Pty Limited 2         Australia         100         100         100           Sella Limited 1         New Zealand         100         100         100           Sella Limited 2         Australia         100         100         100           Soll Australia Pty Ltd 3,00         40   | Northern Star Ltd <sup>2,3</sup>                                    | Australia   | 100  | 100  | 100  |
| Peterhouse Proprietary Limited 2         Australia         100         100           Provincial Investments Pty Ltd 23         Australia         100         100           PT Rainbow Asia Posters 12         Indonesia         —         —         50           The Queensland Times Pty Limited 23         Australia         100         100         100           The Radio Bureau Limited 14         New Zealand         50         50         50           Radio Network Limited 14         New Zealand         50         50         50           RadioWise Pty Ltd 14         Australia         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited 14         Australia         50         50         50           Sabawin Pty Limited 14         Australia         100         100         100           Sell Australia Pty Limited 14         New Zealand         100         100         70           Soluta Trial Pty Ltd 14         Australia         100         100         70           Soluta Burnett Times Pty Ltd 14         Australia         50         50         50           Speedlink Services Pty Ltd 14         Australia         100<  | Observer Times (Hervey Bay) Pty Ltd <sup>2</sup>                    | Australia   | 100  | 100  | 100  |
| Provincial Investments Pty Ltd <sup>2.3</sup> Australia         100         100         100           PT Rainbow Asia Posters <sup>12</sup> Indonesia         -         -         50           The Queensland Times Pty Limited <sup>2.3</sup> Australia         100         100         100           The Radio Bureau Limited <sup>1.4</sup> New Zealand         50         50         50           Radio Network Limited <sup>1.4</sup> New Zealand         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited <sup>1.4</sup> Australia         50         50         50           Sabawin Pty Limited <sup>1.4</sup> Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         70           Soll Australia <sup>1</sup> New Zealand         100         100         70           Soll Australia <sup>1</sup> Australia         50         50         50           Southern State Broadcasters Pty Limited <sup>1.4</sup> Australia         50         50         50           Speedlink Services   | Outdoor Network Co Ltd  | Thailand    | _    | _    | 100  |
| PT Rainbow Asia Posters <sup>12</sup> Indonesia         -         -         50           The Queensland Times Pty Limited <sup>2.3</sup> Australia         100         100           The Radio Bureau Limited <sup>1.4</sup> New Zealand         50         50           The Radio Network Limited <sup>1.4</sup> New Zealand         50         50           RadioWise Pty Ltd <sup>1.4</sup> Australia         50         50           Regional Publishers Limited         New Zealand         100         100           Regmax Pty Limited <sup>1.4</sup> Australia         50         50           Sabawin Pty Limited <sup>1.4</sup> Australia         100         100           Sell Me Free Limited         New Zealand         100         100           Sell Limited <sup>1</sup> New Zealand         100         100           Sell Limited <sup>1</sup> New Zealand         100         100           Sell Limited <sup>1</sup> New Zealand         100         100           Subthern State Broadcasters Pty Limited <sup>1.4</sup> Australia         100         100           Subthern State Broadcasters Pty Limited <sup>1.4</sup> Australia         50         50           Speedlink Services Pty Ltd <sup>1.4</sup> Australia         50         50 <td< td=""><td>Peterhouse Proprietary Limited <sup>2</sup></td><td>Australia</td><td>100</td><td>100</td><td>100</td></td<>   | Peterhouse Proprietary Limited <sup>2</sup>                         | Australia   | 100  | 100  | 100  |
| The Queensland Times Pty Limited 23         Australia         100         100           The Radio Bureau Limited 14         New Zealand         50         50           The Radio Network Limited 14         New Zealand         50         50           RadioWise Pty Ltd 14         Australia         50         50           Regional Publishers Limited         New Zealand         100         100           Regmax Pty Limited 14         Australia         50         50           Sabawin Pty Limited 2         Australia         100         100         100           Sell Me Free Limited 3         New Zealand         100         100         100         100           Sella Limited 1         New Zealand         100         100         75         50  | Provincial Investments Pty Ltd <sup>2,3</sup>                       | Australia   | 100  | 100  | 100  |
| The Radio Bureau Limited <sup>1.4</sup> New Zealand         50         50           The Radio Network Limited <sup>1.4</sup> New Zealand         50         50           RadioWise Pty Ltd <sup>1.4</sup> Australia         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited <sup>1.4</sup> Australia         100         50         50           Sabawin Pty Limited <sup>1.4</sup> Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         100           Sell Limited <sup>1</sup> New Zealand         100         100         75           SOL Australia Pty Ltd <sup>9,10</sup> Australia         48         48         100           Southern State Broadcasters Pty Limited <sup>1,4</sup> Australia         50         50         50           Speedlink Services Pty Ltd <sup>1,4</sup> Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         50         50         50           Suncoastal FM Radio Pty Ltd <sup>1,4</sup> Australia   | PT Rainbow Asia Posters <sup>12</sup>                               | Indonesia   | _    | _    | 50   |
| The Radio Network Limited 1.4         New Zealand         50         50         50           RadioWise Pty Ltd 1.4         Australia         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited 1.4         Australia         50         50         50           Sabawin Pty Limited 2         Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         70           Sell Limited 1         New Zealand         100         100         75           SOL Australia Pty Ltd 9.10         Australia         48         48         100           The South Burnett Times Pty Ltd 2         Australia         50         50         50           Southern State Broadcasters Pty Limited 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           Suncoastal FM Radio Pty Ltd 8  | The Queensland Times Pty Limited <sup>2,3</sup>                     | Australia   | 100  | 100  | 100  |
| RadioWise Pty Ltd <sup>1,4</sup> Australia         50         50         50           Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited <sup>1,4</sup> Australia         50         50         50           Sabawin Pty Limited <sup>2</sup> Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         100           Sella Limited <sup>1</sup> New Zealand         100         100         75           SOL Australia Pty Ltd <sup>8,10</sup> Australia         48         48         100           The South Burnett Times Pty Ltd <sup>2</sup> Australia         100         100         100           Southern State Broadcasters Pty Limited <sup>1,4</sup> Australia         50         50         50           Speedlink Services Pty Ltd <sup>1,4</sup> Australia         50         50         50           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           Sunchaire Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia         48         48         100           Taximedia Pty Ltd <sup>9,10</sup> Australia         48         48         100 <td< td=""><td>The Radio Bureau Limited <sup>1,4</sup></td><td>New Zealand</td><td>50</td><td>50</td><td>50</td></td<>   | The Radio Bureau Limited <sup>1,4</sup>                             | New Zealand | 50   | 50   | 50   |
| Regional Publishers Limited         New Zealand         100         100         100           Regmax Pty Limited 1.4         Australia         50         50         50           Sabawin Pty Limited 2         Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         100           Sella Limited 1         New Zealand         100         100         75           SOL Australia Pty Ltd 9.10         Australia         48         48         100           The South Burnett Times Pty Ltd 2         Australia         100         100         100           Southern State Broadcasters Pty Limited 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           Stanthorpe Newspaper Services Unit Trust         Australia         48         48         100           Sunshine Coast Newspaper Company Pty Ltd 2.3         Australia         48         48         100   | The Radio Network Limited <sup>1,4</sup>                            | New Zealand | 50   | 50   | 50   |
| Regmax Pty Limited 1.4         Australia         50         50           Sabawin Pty Limited 2         Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         70           Sella Limited 1         New Zealand         100         100         75           SOL Australia Pty Ltd 9,10         Australia         48         48         100           The South Burnett Times Pty Ltd 2         Australia         100         100         100           Southern State Broadcasters Pty Limited 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         100         100         100           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         50         50         50           SunShine Coast Newspaper Company Pty Ltd 2.3         Australia         100         100         100           Taximedia Pty Ltd 8.10         Australia         48         48         100           Toowoomba Newspapers Ltd 2.3<   | RadioWise Pty Ltd <sup>1,4</sup>                                    | Australia   | 50   | 50   | 50   |
| Sabawin Pty Limited 2         Australia         100         100         100           Sell Me Free Limited         New Zealand         100         100         100           Sella Limited 1         New Zealand         100         100         75           SOL Australia Pty Ltd 9.10         Australia         48         48         100           The South Burnett Times Pty Ltd 2         Australia         100         100         100           Southern State Broadcasters Pty Limited 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunShine Coast Newspaper Company Pty Ltd 2.3         Australia         100         100         100           Taximedia Pty Ltd 9.10         Australia         48         48         100           Toowoomba Newspapers Ltd 2.3         Australia         100         100         100           Tool Cab Media Pty Ltd 9         Australia         48         48         100           Tota  | Regional Publishers Limited   | New Zealand | 100  | 100  | 100  |
| Sell Me Free Limited         New Zealand         100         100         100           Sella Limited <sup>1</sup> New Zealand         100         100         75           SOL Australia Pty Ltd <sup>9,10</sup> Australia         48         48         100           The South Burnett Times Pty Ltd <sup>2</sup> Australia         100         100         100           Southern State Broadcasters Pty Limited <sup>1,4</sup> Australia         50         50         50           Speedlink Services Pty Ltd <sup>1,4</sup> Australia         50         50         50           Stanthorpe Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           Suncoastal FM Radio Pty Ltd <sup>1,4</sup> Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia         100         100         100           Taximedia Pty Ltd <sup>9,10</sup> Australia         48         48         100           Toowoomba Newspapers Ltd <sup>2,3</sup> Australia         100         100         100           Total Cab Media Pty Ltd <sup>9</sup> Australia         48         48         100  | Regmax Pty Limited 1,4  | Australia   | 50   | 50   | 50   |
| Sella Limited ¹         New Zealand         100         100         75           SOL Australia Pty Ltd ¹.10         Australia         48         48         100           The South Burnett Times Pty Ltd ²         Australia         100         100         100           Southern State Broadcasters Pty Limited ¹.4         Australia         50         50         50           Speedlink Services Pty Ltd ¹.4         Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunCoastal FM Radio Pty Ltd ¹.4         Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd ².3         Australia         100         100         100           Taximedia Pty Ltd ¹.10         Australia         48         48         100           Toowoomba Newspapers Ltd ².3         Australia         100         100         100           Total Cab Media Pty Ltd ¹         Australia         48         48         100           Total Cab Media Pty Ltd ¹         New Zealand         100         100         100  | Sabawin Pty Limited <sup>2</sup>                                    | Australia   | 100  | 100  | 100  |
| SOL Australia Pty Ltd <sup>9,10</sup> Australia         48         48         100           The South Burnett Times Pty Ltd <sup>2</sup> Australia         100         100         100           Southern State Broadcasters Pty Limited <sup>1,4</sup> Australia         50         50         50           Speedlink Services Pty Ltd <sup>1,4</sup> Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunCoastal FM Radio Pty Ltd <sup>1,4</sup> Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia         100         100         100           Taximedia Pty Ltd <sup>9,10</sup> Australia         48         48         100           Toowoomba Newspapers Ltd <sup>2,3</sup> Australia         100         100         100           Total Cab Media Pty Ltd <sup>9</sup> Australia         48         48         100           Total Cab Debts Collecting Co Limited         New Zealand         100         100         100  | Sell Me Free Limited  | New Zealand | 100  | 100  | 100  |
| The South Burnett Times Pty Ltd 2         Australia         100         100         100           Southern State Broadcasters Pty Limited 1.4         Australia         50         50         50           Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunCoastal FM Radio Pty Ltd 1.4         Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd 2.3         Australia         100         100         100           Taximedia Pty Ltd 9.10         Australia         48         48         100           Toowoomba Newspapers Ltd 2.3         Australia         100         100         100           Total Cab Media Pty Ltd 9         Australia         48         48         100           Total Cab Media Pty Ltd 9         Australia         48         48         100           Total Cab Media Pty Ltd 9         Australia         100         100         100  | Sella Limited <sup>1</sup>  | New Zealand | 100  | 100  | 75   |
| Southern State Broadcasters Pty Limited <sup>1,4</sup> Australia         50         50         50           Speedlink Services Pty Ltd <sup>1,4</sup> Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunCoastal FM Radio Pty Ltd <sup>1,4</sup> Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia         100         100         100           Taximedia Pty Ltd <sup>9,10</sup> Australia         48         48         100           Toowoomba Newspapers Ltd <sup>2,3</sup> Australia         100         100         100           Total Cab Media Pty Ltd <sup>9</sup> Australia         48         48         100           Trade Debts Collecting Co Limited         New Zealand         100         100         100   | SOL Australia Pty Ltd <sup>9,10</sup>                               | Australia   | 48   | 48   | 100  |
| Speedlink Services Pty Ltd 1.4         Australia         50         50         50           Stanley Newcomb & Co Limited         New Zealand         100         100         100           Stanthorpe Newspapers Services Unit Trust         Australia         100         100         100           SunCoastal FM Radio Pty Ltd 1.4         Australia         50         50         50           Sunshine Coast Newspaper Company Pty Ltd 2.3         Australia         100         100         100           Taximedia Pty Ltd 9.10         Australia         48         48         100           TMS Outdoor Advertising Pty Limited 9.10         Australia         100         100         100           Toowoomba Newspapers Ltd 2.3         Australia         100         100         100           Total Cab Media Pty Ltd 9         Australia         48         48         100           Trade Debts Collecting Co Limited         New Zealand         100         100         100  | The South Burnett Times Pty Ltd <sup>2</sup>                        | Australia   | 100  | 100  | 100  |
| Stanley Newcomb & Co Limited  Stanthorpe Newspapers Services Unit Trust  Australia  Australia  50  50  50  Suncoastal FM Radio Pty Ltd 1.4  Australia  Australia  100  100  100  100  100  100  100  1   | Southern State Broadcasters Pty Limited 1,4                         | Australia   | 50   | 50   | 50   |
| Stanthorpe Newspapers Services Unit Trust  Australia  Australia  50  50  50  SunCoastal FM Radio Pty Ltd <sup>1,4</sup> Australia  50  50  50  Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia  48  48  48  100  Towoomba Newspapers Ltd <sup>2,3</sup> Australia  48  48  48  100  Towoomba Newspapers Ltd <sup>2,3</sup> Australia  48  48  48  100  Towoomba Newspapers Ltd <sup>2,3</sup> Australia  48  48  48  100  Total Cab Media Pty Ltd <sup>9</sup> Australia  48  48  48  100  Total Cab Media Pty Ltd <sup>9</sup> New Zealand  100  100  100  100  | Speedlink Services Pty Ltd <sup>1,4</sup>                           | Australia   | 50   | 50   | 50   |
| SunCoastal FM Radio Pty Ltd <sup>1,4</sup> SunShine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia  Australia  100  100  100  Taximedia Pty Ltd <sup>9,10</sup> Australia  48  48  100  Toowoomba Newspapers Ltd <sup>2,3</sup> Australia  Australia  48  48  100  Total Cab Media Pty Ltd <sup>9</sup> Australia  48  48  100  100  100  100  100  100  | Stanley Newcomb & Co Limited  | New Zealand | 100  | 100  | 100  |
| Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup> Australia  Australia  Australia  48  48  100  TMS Outdoor Advertising Pty Limited <sup>9,10</sup> Australia  Australia  48  48  100  Toowoomba Newspapers Ltd <sup>2,3</sup> Australia  Australia  48  48  100  100  100  100  Total Cab Media Pty Ltd <sup>9</sup> Australia  48  48  100  Total Cab Media Pty Ltd <sup>9</sup> New Zealand  100  100  100  100   | Stanthorpe Newspapers Services Unit Trust                           | Australia   | 100  | 100  | 100  |
| Taximedia Pty Ltd 9,10Australia4848100TMS Outdoor Advertising Pty Limited 9,10Australia4848100Toowoomba Newspapers Ltd 2,3Australia100100100Total Cab Media Pty Ltd 9Australia4848100Trade Debts Collecting Co LimitedNew Zealand100100100   | SunCoastal FM Radio Pty Ltd 1,4                                     | Australia   | 50   | 50   | 50   |
| TMS Outdoor Advertising Pty Limited 9,10  Toowoomba Newspapers Ltd 2,3  Australia  Australia  Australia  48  48  40  100  100  100  Total Cab Media Pty Ltd 9  Australia  48  48  48  100  Trade Debts Collecting Co Limited  New Zealand  100  100  100   | Sunshine Coast Newspaper Company Pty Ltd <sup>2,3</sup>             | Australia   | 100  | 100  | 100  |
| Toowoomba Newspapers Ltd 23Australia100100100Total Cab Media Pty Ltd 9Australia4848100Trade Debts Collecting Co LimitedNew Zealand100100100  | Taximedia Pty Ltd <sup>9,10</sup>                                   | Australia   | 48   | 48   | 100  |
| Total Cab Media Pty Ltd 9Australia4848100Trade Debts Collecting Co LimitedNew Zealand100100100   | TMS Outdoor Advertising Pty Limited 9,10                            | Australia   | 48   | 48   | 100  |
| Trade Debts Collecting Co Limited New Zealand 100 100 100  | Toowoomba Newspapers Ltd <sup>2,3</sup>                             | Australia   | 100  | 100  | 100  |
| -  | Total Cab Media Pty Ltd <sup>9</sup>                                | Australia   | 48   | 48   | 100  |
| The Tweed Newspaper Co Pty Ltd <sup>2</sup> Australia 100 100 100  | Trade Debts Collecting Co Limited                                   | New Zealand | 100  | 100  | 100  |
|  | The Tweed Newspaper Co Pty Ltd <sup>2</sup>                         | Australia   | 100  | 100  | 100  |

|  |   | Equi      | ty holding |      |
|--|---|-----------|------------|------|
| Name of entity                                   | Country of incorporation/ establishment | 2013<br>% | 2012<br>%  | 2011 |
| Universal Outdoor Pty Limited 9,10               | Australia                               | 48        | 48         | 100  |
| Universal Radio Pty Ltd <sup>1,4</sup>           | Australia                               | 50        | 50         | 50   |
| Valtoff Pty Limited 9,10                         | Australia                               | 48        | 48         | 100  |
| The Warwick Newspaper Pty Limited <sup>2,3</sup> | Australia                               | 100       | 100        | 100  |
| Web Metrics Limited <sup>1</sup>                 | New Zealand                             | 100       | 100        | 75   |
| Wesgo 1,4  | Australia                               | 50        | 50         | 50   |
| West Sydney Radio Pty Ltd <sup>1,4</sup>         | Australia                               | 50        | 50         | 50   |
| Westat Research Pty Ltd <sup>1,4</sup>           | Australia                               | 50        | 50         | 50   |
| Western Star Pty Ltd <sup>2</sup>                | Australia                               | 100       | 100        | 100  |
| Whitsunday Times Unit Trust                      | Australia                               | 75        | 75         | 75   |
| Wilson & Horton Australia Pty Ltd                | Australia                               | 100       | 100        | 100  |
| Wilson & Horton Finance Pty Ltd <sup>2,3</sup>   | Australia                               | 100       | 100        | 100  |
| Wilson & Horton Limited                          | New Zealand                             | 100       | 100        | 100  |
| W&H Interactive Limited                          | New Zealand                             | 100       | 100        | 100  |
| Zodiac Australia Pty Ltd <sup>2</sup>            | Australia                               | 100       | 100        | 100  |

- Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.
- 2 These companies are parties to a deed of cross guarantee dated 5 December 2006 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of Australian Securities and Investments Commission (ASIC) Class Order 98/1418. There are no other members of the Extended Closed Group.
- 3 These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the ASIC.
- As at 31 December 2013 under the shareholders agreement, whilst APN News & Media Limited held 50% of the issued capital and was entitled to appoint 50% of the Directors, APN News & Media Limited had the right to appoint the chief executive of this entity and so exercised effective positive and sustained control over the financial policies of this entity. On 19 February 2014, APN News & Media Limited increased its ownership of the Australian Radio Network Group and as a result the Shareholders agreement terminated.
- 5 As at 31 December 2013 the Australian Radio Network Group has a 50% controlling interest in Brisbane FM Radio Pty Ltd, resulting in APN News & Media Limited having control of this entity and an effective interest of 25%.
- 6 Under the shareholders agreement, whilst the immediate parent entity holds 50% of the issued capital and is entitled to appoint 50% of the Directors, the Executive Chairman of the controlled entity, who is a Director on the APN News & Media Limited Board, exercises positive and sustained control over the strategic and financial policies of this entity.
- 7 This entity is 100% owned by Buspak Advertising (Hong Kong) Limited.
- The consolidated entity holds no equity interest in Marnin Limited but is deemed to exercise control in accordance with AASB 10 Consolidated Financial Statements. Marnin Limited was established in 2005 to enter into a finance transaction on behalf of the Group. The debt owed by Marnin Limited is fully disclosed in the consolidated financial statements.
- 9 These are no longer controlled entities following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012. The Group sold its remaining interest in the APN Outdoor joint venture to Quadrant Private Equity on 24 January 2014.
- 10 These entities were removed from the Deed of Cross Guarantee following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012.
- 11 These entities are no longer controlled by the Group following the sale of brandsExclusive (Australia) Pty Ltd announced on the Australian Stock Exchange on 11 February 2014.
- 12 Under the memorandum of understanding, APN News & Media Limited had the right to appoint 50% of the Directors including the Vice President who had the authority to resolve any deadlocks between the shareholders.

## 27. Key management personnel disclosures

Total remuneration for Directors and other key management personnel

|                              | 2013<br>\$ | 2012<br>\$ | 2011<br>\$ |
|------------------------------|------------|------------|------------|
| Short-term employee benefits | 6,054,680  | 5,084,386  | 6,165,236  |
| Post employment benefits     | 389,036    | 162,320    | 247,442    |
| Termination benefits         | 2,685,917  | -          | 994,935    |
| Share-based payments         | 10,750     | 80,625     | 80,625     |
|                              | 9,140,383  | 5,327,331  | 7,488,238  |

#### **Shareholding information**

The number of ordinary shares in the Company held by each Director of APN News & Media Limited and each of the other key management personnel for the year ended 31 December 2013, including their related parties is set out below:

|  | Opening |             | Closing |
|--|---------|-------------|---------|
| 2013                                   | balance | Net changes | balance |
| Directors                              |         |             |         |
| Peter Cosgrove                         | 153,425 | _           | 153,425 |
| Ted Harris <sup>1</sup>                | 724,792 | -           | 724,792 |
| Vincent Crowley                        | 760,404 | -           | 760,404 |
| Kevin Luscombe (retired 12 April 2013) | 134,552 | -           | 134,552 |
| Other key management personnel         |         |             |         |
| Michael Miller (from 17 June 2013)     | -       | 100,000     | 100,000 |
| Jeff Howard                            | 15,000  | 60,000      | 75,000  |
| Yvette Lamont                          | 65,000  | -           | 65,000  |
| Martin Simons                          | 55,000  | -           | 55,000  |
| Neil Monaghan (from 24 April 2013)     | 350     | _           | 350     |
| Brett Chenoweth (to 19 February 2013)  | 306,000 | -           | 306,000 |
| Matt Crockett (to 24 April 2013)       | 79,000  | -           | 79,000  |

<sup>1</sup> In addition, Ted Harris is a Director of a trustee company which holds 422,078 shares (2012: 447,078) for the benefit of other parties

In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board. For other KMP appointed in the year the opening balance represents the holding on appointment and for former KMPs the closing balance represents the balance when they ceased to be a KMP.

Directors and other key management personnel not listed above do not hold any ordinary shares in the Company.

The information provided in the above table is based on information known to the Directors and other key management personnel of the Company.

### Loans to Directors and other key management personnel

There were no loans made to Directors of the Company or other key management personnel.

## 28. Related party information

#### Transactions with other related parties

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

| Transaction type              | Class of other related party        | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------|-------------------------------------|----------------|----------------|----------------|
| Loan interest receivable      | Joint venture <sup>(i)</sup>        | 4,631          | 2,811          | _              |
| Consulting services received  | Key management personnel (ii)       | 59             | 55             | 55             |
| Dividends paid                | Other related parties (iii)         | -              | 12,450         | 20,112         |
| Independent News & Media fees | Other related party <sup>(iv)</sup> | 663            | 615            | 1,115          |
| Management fees receivable    | Associate (v)                       | 150            | 190            | 150            |
| Associate company fee         | Key management personnel (vi)       | 50             | 50             | 50             |
| Consulting services received  | Key management personnel (vii)      | 333            | -              | _              |

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

- (i) Interest receivable from APN Outdoor Pty Limited.
- (ii) Consultancy fees paid to a company associated with Peter Cosgrove for marketing services rendered in Hong Kong.
- (iii) Dividends paid to Independent News & Media (Australia) Limited and News & Media NZ Limited.
- (iv) Payments to Independent News & Media PLC include reimbursements for services provided comprising of travel and ancillary expenses, provision of unlimited live editorial copy, services of Directors and for advisory services on a range of matters including global media and advertising trends and product development.
- (v) Management fee received/receivable from Adshel Street Furniture Pty Limited.
- (vi) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited.
- (vii) Consultancy fee paid to a company associated with Peter Cosgrove for Executive management services for the period from February to June when Peter Cosgrove was acting in an executive capacity. Amount in 2013 includes \$43,000 for reimbursement of expenses.

# 29. Remuneration of auditors

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Remuneration for audit or review of the financial reports |                |                |                |
| PricewaterhouseCoopers – Australian firm                  | 586            | 576            | 717            |
| PricewaterhouseCoopers – overseas firm                    | 503            | 460            | 534            |
| Other firms   | 296            | 297            | 310            |
| Remuneration for other assurance services                 |                |                |                |
| PricewaterhouseCoopers – Australian firm                  | 91             | 15             | 17             |
| PricewaterhouseCoopers – overseas firm                    | 15             | 19             | 26             |
| Other firms   | 102            | 71             | 54             |
| Total audit and other assurance services                  | 1,593          | 1,438          | 1,658          |
| Remuneration for other services                           |                |                |                |
| PricewaterhouseCoopers – Australian firm                  |                |                |                |
| Tax services  |                |                |                |
| <ul> <li>Consulting and advice</li> </ul>                 | 124            | 179            | 269            |
| - Compliance  | 100            | 118            | 88             |
| Other advisory services                                   | -              | 14             | 496            |
| PricewaterhouseCoopers – overseas firm                    |                |                |                |
| Tax services  |                |                |                |
| <ul> <li>Consulting and advice</li> </ul>                 | 185            | 332            | 274            |
| - Compliance  | 118            | 152            | 122            |
| Other advisory services                                   | 13             | 27             | 74             |
| Other firms   |                |                |                |
| Tax services  |                |                |                |
| <ul> <li>Consulting and advice</li> </ul>                 | 18             | 46             | 24             |
| - Compliance  | 81             | 80             | 88             |
| Other advisory services                                   | 20             | 207            | 73             |
| Total non-audit services                                  | 659            | 1,155          | 1,508          |

# 30. Earnings per share

| oo. Lamings per share   |                |                |                |
|---|----------------|----------------|----------------|
|   | 2013           | 2012           | 2011           |
|   | \$'000         | \$'000         | \$'000         |
| (a) Reconciliation of earnings used in calculating earnings per share (EPS)                     |                |                |                |
| Profit/(loss) from continuing operations attributable to owners of the parent entity            | 50,467         | (587,002)      | (64,773)       |
| Profit/(loss) from discontinued operations attributable to owners of the parent entity          | (47,841)       | 79,647         | 19,703         |
| Profit/(loss) attributable to owners of the parent entity used in calculating basic/diluted EPS | 2,626          | (507,355)      | (45,070)       |
|   |                |                |                |
|   | 2013           | 2012           | 2011           |
|   | 2013<br>Number | 2012<br>Number | 2011<br>Number |
| (b) Weighted average number of shares   |                |                |                |
|   |                |                |                |
| (b) Weighted average number of shares   | Number         | Number         | Number         |

# 31. Cash flow information

|   | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|---|----------------|----------------|----------------|
| Reconciliation of cash  |                |                |                |
| Cash at end of the year, as shown in the statement of cash flows, comprises:                |                |                |                |
| Cash from continuing operations   | 19,956         | 20,338         | 23,885         |
| Cash transferred to assets held for sale  | 2,803          | _              | _              |
| Cash and cash equivalents   | 22,759         | 20,338         | 23,885         |
| The below reconciliation relates to both continued and discontinued operations.             |                |                |                |
| Reconciliation of profit/(loss) for the year to net cash inflows from operating activities: |                |                |                |
| Profit/(loss) for the year  | 27,677         | (483,543)      | (18,936)       |
| Depreciation and amortisation expense   | 33,829         | 33,492         | 37,122         |
| Borrowing cost amortisation   | 2,744          | 2,423          | 3,026          |
| Net gain on sale of non-current assets  | 1,143          | 966            | (900)          |
| Profit on formation of APN Outdoor Joint Venture  | -              | (78,148)       | _              |
| Share of profits of associates  | (10,194)       | (9,062)        | (5,807)        |
| Fair value gains on financial assets  | (2,456)        | (1,493)        | (2,400)        |
| Impairment of intangible assets   | 75,389         | 689,948        | 159,495        |
| Change in current/deferred tax payable  | (19,943)       | (81,937)       | (62,320)       |
| Fair value gains on acquisition of associate  | _              | -              | (8,307)        |
| Foreign exchange gains  | _              | -              | (3,926)        |
| Fair value gains on equity instruments  | -              | _              | (3,652)        |
| Asset write offs and business closures  | 9,958          | 1,856          | 16,594         |
| Gain on derecognition of contingent consideration provision                                 | (35,864)       | (128)          | _              |
| Amounts credited to provisions against assets (other non-cash items)                        | (1,021)        | (400)          | _              |
| Other non-cash items  | (1,608)        | (2,811)        | (730)          |
| Changes in assets and liabilities net of effect of acquisitions:                            |                |                |                |
| Trade and other receivables   | 12,807         | 13,179         | 9,449          |
| Inventories   | 1,719          | (29)           | 3,408          |
| Prepayments   | 663            | (411)          | (1,727)        |
| Trade and other payables and employee benefits  | (6,461)        | 3,372          | 2,674          |
| Net cash inflows from operating activities  | 88,382         | 87,274         | 123,063        |

# Non-cash financing and investing activities

#### Share issue

Share issues other than for cash referred to in note 18 are not reflected in the statement of cash flows.

#### Finance facilities

Details of credit standby arrangements and loan facilities are included in note 32.

# 32. Standby arrangements and credit facilities

Entities in the consolidated entity have access to:

|                                     | 2013<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
|-------------------------------------|----------------|----------------|----------------|
| Overdraft facilities                |                |                |                |
| Unsecured bank overdraft facilities | 10,747         | 7,806          | 11,659         |
| Amount of credit utilised           | -              | (503)          | (714)          |
| Amount of available credit          | 10,747         | 7,303          | 10,945         |
| Loan facilities                     |                |                |                |
| Unsecured bank loan facilities      | 567,605        | 564,400        | 920,234        |
| New Zealand Bond                    | 92,251         | 79,428         | 76,104         |
| Amount of facility utilised         | (442,953)      | (492,975)      | (621,550)      |
| Amount of available facility        | 216,903        | 150,853        | 374,788        |

Loan facilities utilised as at 31 December 2013 includes \$29,032,000 (2012: \$47,151,000; 2011: \$nil) for letters of credit.

#### 33. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out by the Group's central Treasury function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

#### (i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary.

Based on the outstanding net floating debt at 31 December 2013, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit by \$3.1 million lower/higher (2012: \$3.3 million lower/higher; 2011: \$2.5 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

#### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. Individual transactions are assessed and forward exchange contracts are used to hedge the risk where deemed appropriate.

Whilst the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not in their functional currency.

#### (iii) Price risk

The Group is not exposed to significant price risk.

#### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Credit risk further arises in relation to financial guarantees given to certain parties.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At 31 December 2013, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2012: \$nil; 2011: \$nil). The Group undertakes 100% of its transactions in foreign exchange contracts with financial institutions.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's financial liabilities including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

| 31 December 2011                            | Less than<br>one year<br>\$'000 | Between<br>one and<br>two years<br>\$'000 | Between<br>two and<br>five years<br>\$'000 | Over five years \$'000 |
|---|---------------------------------|---|--|------------------------|
| Trade and other payables                    | 133,408                         | 1,348                                     | 2,696                                      | _                      |
| Bank loans (including interest to maturity) | 272,344                         | 53,292                                    | 357,497                                    | _                      |
| New Zealand Bonds                           | 5,982                           | 5,982                                     | 89,562                                     | -                      |
| Other loans                                 | 2,331                           | -   | -  | -                      |
| Gross liability                             | 414,065                         | 60,622                                    | 449,755                                    | _                      |
| Less interest                               | (39,598)                        | (30,065)                                  | (45,635)                                   | -                      |
| Principal                                   | 374,467                         | 30,557                                    | 404,120                                    |                        |

| 31 December 2012                            | Less than<br>one year<br>\$'000 | Between<br>one and<br>two years<br>\$'000 | Between<br>two and<br>five years<br>\$'000 | Over five years \$'000 |
|---|---------------------------------|---|--|------------------------|
| Trade and other payables                    | 119,477                         | -   | -  | _                      |
| Bank loans (including interest to maturity) | 53,582                          | 142,634                                   | 263,932                                    | -                      |
| New Zealand Bonds                           | 6,243                           | 6,243                                     | 87,232                                     | -                      |
| Other loans                                 | 40,707                          | -   | -  | -                      |
| Gross liability                             | 220,009                         | 148,877                                   | 351,164                                    | _                      |
| Less interest                               | (30,029)                        | (25,850)                                  | (18,462)                                   | -                      |
| Principal                                   | 189,980                         | 123,027                                   | 332,702                                    |                        |

| 31 December 2013                            | Less than<br>one year<br>\$'000 | Between<br>one and<br>two years<br>\$'000 | Between<br>two and<br>five years<br>\$'000 | Over five years \$'000 |
|---|---------------------------------|---|--|------------------------|
| Trade and other payables                    | 112,597                         | _   | _  | _                      |
| Bank loans (including interest to maturity) | 141,131                         | 250,798                                   | 1,209                                      | -                      |
| New Zealand Bond                            | 7,251                           | 7,251                                     | 94,064                                     | -                      |
| Other loans                                 | 835                             | -   | -  | -                      |
| Gross liability                             | 261,814                         | 258,049                                   | 95,273                                     | -                      |
| Less interest                               | (25,696)                        | (17,336)                                  | (1,862)                                    | -                      |
| Principal                                   | 236,118                         | 240,713                                   | 93,411                                     | -                      |

Details of credit standby arrangements and loan facilities are included in note 32.

#### 34. Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss;
- Derivative financial instruments;
- Available-for-sale financial assets;
- Land and buildings; and
- Investment properties.

The Group has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

#### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### (i) Recognised fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new rules.

| 31 December 2013  | Notes | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements                         |       |                   |                   |                   |                 |
| Financial assets  |       |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss     |       |                   |                   |                   |                 |
| Shares in other corporations                              | 9     | -                 | _                 | 23,394            | 23,394          |
| Total financial assets                                    |       | -                 | _                 | 23,394            | 23,394          |
| Non-financial assets                                      |       |                   |                   |                   |                 |
| Land and buildings  |       |                   |                   |                   |                 |
| Land  | 11    | _                 | -                 | 5,299             | 5,299           |
| Buildings   | 11    | -                 | _                 | 7,770             | 7,770           |
| Total non-financial assets                                |       | -                 | -                 | 13,069            | 13,069          |
| Non-recurring fair value measurements                     |       |                   |                   |                   |                 |
| Assets held for sale                                      | 8     | -                 | _                 | 119,236           | 119,236         |
| Total non-recurring assets                                |       | -                 | -                 | 119,236           | 119,236         |
| Liabilities directly associated with assets held for sale | 8     | _                 | _                 | 55,678            | 55,678          |
| Total non-recurring liabilities                           |       | -                 | _                 | 55,678            | 55,678          |

| 31 December 2012   | Notes | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------|-------------------|-------------------|-------------------|-----------------|
| Assets   |       |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss      |       |                   |                   |                   |                 |
| Shares in other corporations                               | 9     | _                 | -                 | 22,471            | 22,471          |
| Short-term financial instrument at fair value              |       | -                 | -                 | 40,000            | 40,000          |
| Total financial assets                                     |       | -                 | -                 | 62,471            | 62,471          |
| Liabilities  |       |                   |                   |                   |                 |
| Financial liabilities at fair value through profit or loss |       |                   |                   |                   |                 |
| Short-term financial instrument at fair value              |       | _                 | _                 | 40,000            | 40,000          |
| Contingent consideration provision                         | 16    | _                 | _                 | 42,549            | 42,549          |
| Total financial liabilities                                |       | _                 | _                 | 82,549            | 82,549          |
|  |       |                   |                   |                   |                 |
| 31 December 2011   | Notes | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| Assets   |       |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss      |       |                   |                   |                   |                 |
| Listed securities  | 9     | 7,636             | _                 | _                 | 7,636           |
| Shares in other corporations                               | 9     | _                 | _                 | 23,528            | 23,528          |
| Total financial assets                                     |       | 7,636             | _                 | 23,528            | 31,164          |
| Liabilities  |       |                   |                   |                   |                 |
| Financial liabilities at fair value through profit or loss |       |                   |                   |                   |                 |
| Derivatives used for hedging                               |       | _                 | (4,617)           | -                 | (4,617)         |
| Contingent consideration provision                         | 16    | _                 | _                 | 9,685             | 9,685           |
| Total financial liabilities                                |       |                   | (4,617)           | 9,685             | 5,068           |

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

#### (ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2013 (level 3).

The fair value of non-current borrowings disclosed in note 15 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 31 December 2013, the borrowing rates were determined to be between 5.7% and 11.0%, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

# (b) Valuation techniques used to derive level 2 and 3 fair values

#### (i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

#### (ii) Non-recurring fair value measurements

Assets classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less cost to sell at the time of the reclassification. The fair value was determined in reference to current market offers.

#### (c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2013, 31 December 2012 and 31 December 2011 for recurring fair value measurements:

| c   | Shares<br>in other<br>corporations<br>\$'000 | Short term<br>financial<br>instrument<br>asset at<br>fair value<br>\$'000 | Land<br>\$'000  | Buildings<br>\$'000 | Short term<br>financial<br>instrument<br>liability at<br>fair value<br>\$'000 | Contingent consideration provision \$'000 | Total<br>\$'000 |
|---|--|---|-----------------|---------------------|---|---|-----------------|
| Opening balance 1 January 2011                      | 20,867                                       | -   | -               | _                   | -   | -   | 20,867          |
| Additions   | 808  | -   | -               | -                   | -   | (10,176)                                  | (9,368)         |
| Disposals   | -  | -   | _               | -                   | -   | 491                                       | 491             |
| Gains recognised in other comprehensive income      | 17   | _   | _               | _                   | -   | _   | 17              |
| Losses recognised in other income                   | 1,836  | _   | _               | _                   | -   | _   | 1,836           |
| Closing balance 31 December 2011                    | 23,528                                       | -   | -               | -                   | -   | (9,685)                                   | 13,843          |
| Additions   | _  | 40,000  | _               | _                   | (40,000)  | (42,495)                                  | (42,495)        |
| Disposals   | _  | _   | _               | _                   | _   | 9,775                                     | 9,775           |
| Gains recognised in other comprehensive income      | 100  | _   | _               | _                   | -   | (144)                                     | (44)            |
| Losses recognised in other income                   | (1,157)                                      | -   | _               | _                   | -   | -   | (1,157)         |
| Closing balance 31 December 2012                    | 22,471                                       | 40,000  | _               | -                   | (40,000)  | (42,549)                                  | (20,078)        |
| Adoption of AASB 13                                 | -  | -   | 6,617           | 14,599              | -   | -   | 21,216          |
| Transfer to assets held for sale                    | -  | (40,000)  | _               | _                   | 40,000  | 32,177                                    | 32,177          |
| Acquisitions  | _  | _   | _               | 104                 | -   | -   | 104             |
| Disposals and other transfers                       | (331)  | -   | (1,976)         | (6,015)             | -   | 6,086                                     | (2,236)         |
| Depreciation and impairment                         | _  | _   | _               | (441)               | -   | -   | (441)           |
| Gains recognised in other comprehensive income      | 359  | _   | 658             | 249                 | -   | (424)                                     | 842             |
| Gains/(losses) recognised in other income           | 895*   | _   | _               | (726)               |   | 4,710                                     | 4,879           |
| Closing balance 31 December 2013                    | 23,394                                       | -   | 5,299           | 7,770               | -   | -   | 36,463          |
| * Unrealised gains recognised in profincome above): | fit or loss attrib                           | outable to assets h   | neld at the end | of the reporting    | period (include   | d in gains recogni                        | sed in other    |
| 2013  | 895  | _   | _               | _                   | _   | _   | _               |
| 2012  | _  | -   | _               | -                   | -   | -   | -               |
|   |  |   |                 |                     |   |   |                 |

There were no changes in valuation techniques during the year.

#### (i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (b) above for the valuation techniques adopted.

| Description     | Fair value<br>as at<br>31 Dec 2013<br>\$'000 | Valuation<br>technique  | Unobservable inputs         | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value  |
|-----------------|--|-------------------------|-----------------------------|--|--|
| Shares in other | 18,700                                       | Discounted cash flows   | Cash flow growth factor     | Between -4.0% and +8.5 % (+1.7%)               | Increasing cash growth factor by 50 basis points and lowering discount rate by   |
| corporations    |  |                         | Risk adjusted discount rate | 16.0%  | 100 basis points would increase the fair value by \$2.1 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by \$1.8 million. |
|                 | 4,694  | Capitalisation multiple | EBITDA multiples            | Between 3.5x and 5.5x (4.5x)                   | The higher the capitalisation multiple the higher the value.   |
|                 | 23,394                                       |                         | •                           | •  |  |

#### (ii) Valuation processes

The finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This department reports directly to the Chief Financial Officer and the Audit Committee. Discussions of valuation processes and results are held between the Chief Financial Officer, the Audit Committee and the finance team at least once every six months, in line with the Group's half-yearly reporting dates.

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings at least every three vears.

The level 3 inputs used by the Group are derived and evaluated as follows:

 Shares in other corporations – discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

#### 35. Subsequent events

Since the end of the financial year there have been a number of developments. These are summarised below:

- On 24 January 2014, the Company announced the completion of the sale of its investment in APN Outdoor to Quadrant Private Equity. The
  total value of the transaction was \$69 million, with \$60 million of the proceeds received on 24 January 2014 and the remaining \$9 million to be
  received in June 2015
- On 11 February 2014, the Company announced the sale of its investment in brandsExclusive to Aussie Commerce Group. The transaction completed on 12 February 2014 and APN received \$2 million and 8% of the equity in the Aussie Commerce Group.
- On 19 February 2014, the Company announced the acquisition of the 50% of Australian Radio Network Pty Limited (ARN) and the Radio Network Limited (TRN) that it did not already own. The purchase price was \$246.5 million to be funded in part by equity raised by way of a fully underwritten accelerated non-renounceable entitlement offer. ARN and TRN are existing subsidiaries and are therefore consolidated in these accounts. The primary impact of the acquisition on the reported results will be to reduce the profit attributable to non-controlling interests and increase profit attributable to APN shareholders. The payments to non-controlling interests in the cash flow will also decrease. If the Group had owned 100% of ARN and TRN during 2013 the profit attributable to APN shareholders would have been higher by \$22.0 million and the cash payments to non-controlling interests would have been lower by \$21.1 million.
- On 18 July 2014, the Company announced that it has acquired full ownership of Buspak Advertising (Hong Kong) Limited ('Buspak') through the acquisition of the remaining 50% share from joint venture partner Clear Channel Hong Kong Limited ('Clear Channel') for \$14 million.
- On 20 August 2014, the Company announced that it had successfully refinanced debt facilities due to mature in 2015 and 2016 with a syndicate
  of domestic and international banks. The next significant maturity is now not until January 2018.

Other than the matters described above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.



# Independent auditor's report to the shareholders of APN News & Media Limited

## Report on the financial report

We have audited the accompanying financial report of APN News & Media Limited (the company), which comprises the consolidated balance sheets as at 31 December 2013, 31 December 2012 and 31 December 2011, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows and the consolidated statements of changes in equity for the years ended on 31 December 2013, 31 December 2012 and 31 December 2011, a summary of significant accounting policies and other explanatory notes for APN News & Media Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at each year's end or from time to time during the financial years.

## Director's responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors of the company determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors of the company also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the company, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, ABN 52 780 433 757

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## Auditor's opinion

In our opinion, the financial report of APN News & Media Limited

- (a) presents fairly, in all material respects, the consolidated entity's financial position as at 31 December 2013, 31 December 2012, and 31 December 2011 and its financial performance for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 in accordance with Australian Accounting Standards, and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

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DS Wiadrowski Partner 1 September 2014 Sydney

# **Remuneration Report**

#### **Message from the Board**

#### **Dear Shareholders**

Over recent years remuneration reports have become increasingly long and complex. We hope that this message will be of assistance to your understanding of the report on pages 41 to 51.

#### Board and executive changes during the year

In February 2013, the Chairman, the Chief Executive Officer and three Non-executive Directors resigned.

The former Chief Executive Officer, Mr Chenoweth, received a termination payment equivalent to 12 months salary; a payment of \$100,000 in full settlement of all short-term incentive entitlements; and all accrued leave entitlements.

In April 2013, the Company announced a restructure of its Digital and Australian Regional Media Divisions. As part of the restructure two Senior Executives, Messrs Bright and Crockett, left the Company and both received termination payments in line with their contractual arrangements.

The unexpected changes to the management of the Company both at Board and management level required the establishment of a leadership team comprising Peter Cosgrove (Chairman), Ted Harris (Deputy Chairman) and Jeff Howard (Chief Financial Officer) to undertake responsibility for the management of the Company pending a new Chief Executive being appointed. The leadership team acted in an executive capacity from 19 February effectively until 30 June 2013. The Board agreed to pay specific amounts over and above respective salaries/fees to the Chairman (\$290,000), Deputy Chairman (\$130,000) and Chief Financial Officer (\$100,000) for their work during this period. The Board believes these payments were fully justified.

#### Remuneration outcomes for 2013

Over a period of many years, the Company has adopted a policy that Senior Executive remuneration and its mix should be on the achievement of specific targets. Where targets were achieved and resulted in enhanced results for the benefit of the Company and its shareholders Senior Executives were paid bonuses. However, where these targets have not been met, no bonuses have been paid. No bonus payments were made to Senior Executives in 2012.

The Board is pleased to report that the improved results this year have led to the majority of financial targets being met or surpassed, as a consequence Senior Executives have received incentive payments in relation to the 2013 year.

Directors' fees have remained unchanged since 2004.

#### Remuneration arrangements for 2014

The Board is aware of the importance of linking executive remuneration to both the Company's long-term strategic objectives and short-term financial results. With that in mind, the remuneration arrangements for Senior Executives in 2014 will comprise a fixed salary, a short-term incentive subject to performance of both financial and individual targets to be settled in cash, and performance rights to be measured over a three year period from January 1, 2014. Performance rights have been chosen as an appropriate vehicle as they are in line with market practice and provide alignment to the interests of shareholders.

The Board will continue to do what it can to simplify remuneration matters.

The Remuneration Report contains the following sections:

- A: Remuneration snapshot
- B: Executive remuneration policy and framework
- C: Executive remuneration detail
- D: Remuneration outcomes for Senior Executives in 2013
- E: Executive employment contracts
- F: Non-executive Director remuneration
- G: Additional statutory disclosures

# **Key management personnel**

The following Senior Executives and Non-Executive Directors are the key management personnel (KMP) with the authority and responsibility for planning, directing and controlling the activities of the Company.

| Name                        | Position   |
|-----------------------------|--|
| Senior Executives           |  |
| Michael Miller              | Chief Executive Officer (from 17 June 2013)                            |
| Jeff Howard                 | Chief Financial Officer  |
| Martin Simons               | Chief Executive, New Zealand Media                                     |
| Neil Monaghan               | Chief Executive, Australian Regional Media (from 24 April 2013)        |
| Yvette Lamont               | Group General Counsel and Company Secretary (KMP from 1 January 2013)  |
| Former Senior Executives    |  |
| Brett Chenoweth             | Chief Executive Officer (until 19 February 2013)                       |
| Matthew Crockett            | Chief Development Officer (until 24 April 2013)                        |
| Warren Bright               | Chief Executive, Australian Regional Media (until 24 April 2013)       |
| Non-Executive Directors     |  |
| Peter Cosgrove              | Non-Executive Director, Non-Executive Chairman (from 19 February 2013) |
| Ted Harris                  | Non-Executive Deputy Chairman  |
| Paul Connolly               | Non-Executive Director   |
| Vincent Crowley             | Non-Executive Director   |
| Peter Cullinane             | Non-Executive Director (from 1 November 2013)                          |
| Anne Templeman-Jones        | Non-Executive Director (from 4 June 2013)                              |
| Former Non-Executive Direct | tors   |
| Peter Hunt                  | Non-Executive Chairman (until 19 February 2013)                        |
| Kevin Luscombe              | Non-Executive Director (until 12 April 2013)                           |
| Melinda Conrad              | Non-Executive Director (until 19 February 2013)                        |
| John Harvey                 | Non-Executive Director (until 19 February 2013)                        |
| John Maasland               | Non-Executive Director (until 19 February 2013)                        |

# **Remuneration Report**

# continued

#### **A: Remuneration snapshot**

A summary of remuneration arrangements for 2013 are outlined in the table below.

#### **Senior Executive remuneration**

| Fixed remuneration         | Fixed remuneration includes base salary, other fixed remuneration including fully costed salary packaged benefits such as motor vehicles (including fringe benefits tax as applicable) and superannuation.   |                   |                  |                                   |  |  |  |
|----------------------------|--|-------------------|------------------|-----------------------------------|--|--|--|
|                            | Senior Executive fixed rem<br>experience and performar   |                   | with reference t | o market data a                   | nd the individual's                                  |  |  |
|                            | There are no guaranteed f  | ixed remuneration | on increases for | Senior Executive                  | es.  |  |  |
| Short-term incentive (STI) | STIs are paid in cash subje-<br>individual as follows:   | ct to achieving s | pecific performa | ance objectives,                  | both financial and                                   |  |  |
|                            |  | Group<br>NPAT     | Group<br>EBIT    | Relevant<br>Business Unit<br>EBIT | Individual KPIs<br>linked to strategic<br>objectives |  |  |
|                            | Chief Executive Officer  | 100%              | -                | -                                 | -  |  |  |
|                            | Chief Financial Officer  | 75%               | -                | _                                 | 25%  |  |  |
|                            | Group General Counsel<br>& Company Secretary   | 50%               | -                | -                                 | 50%  |  |  |
|                            | Business unit roles  | -                 | 25%              | 50%                               | 25%  |  |  |
|                            | 50% of the financial award is payable for on-target performance and 100% at 10% over-target, except as disclosed in section C of this report.  |                   |                  |                                   |  |  |  |
|                            | Financial targets include Group NPAT for Group executives and a mix of business unit specific EBIT and Group EBIT for business unit Chief Executives.  |                   |                  |                                   |  |  |  |
| Long-term incentive (LTI)  | The LTI plan awards Performance Rights subject to performance over a three year period.  Awards are subject to two performance conditions:   |                   |                  |                                   |  |  |  |
|                            | 1) 75% of the award will be subject to an EPS target set by the Board; and   |                   |                  |                                   |  |  |  |
|                            | <ol> <li>25% of the award will be subject to a relative TSR performance condition, compared<br/>against companies in a Comparator Group (refer section C for details)</li> </ol>   |                   |                  |                                   |  |  |  |
| Non-executive D            | irectors   |                   |                  |                                   |  |  |  |
| Directors'<br>fees         | APN aims to provide remuneration commensurate with the expected time commitment, level of expertise and experience and considers fees paid to directors in similar companies.  Directors are paid a base fee for services to the Board, and a fee for each Board Committee |                   |                  |                                   |  |  |  |

# **B: Executive remuneration policy and framework**

on which they sit.

#### **Remuneration policy**

To ensure that the Company is able to attract and retain individuals capable of managing the consolidated entity's operations and achieve its performance goals, remuneration packages of executives are structured to:

- Create value for shareholders;
- Be competitive in the market;
- Align executive reward with company performance; and
- Reward the achievement of strategic objectives.

#### **Remuneration framework**

The Company last undertook a full review of the remuneration framework, as it relates to the Senior Executives, in 2010. The review was supported by Ernst & Young (EY) and was aimed at ensuring the framework was in line with evolving market practice and APN's remuneration strategy with an appropriate balance of focus between retention and performance. The outcomes of the 2010 review have been adopted and form the basis of the current remuneration framework. EY continues to be involved on a regular basis, ensuring that remuneration arrangements for all Senior Executives align with the remuneration strategy and are informed by market practice.

The Company's executive remuneration framework comprises three key components and provides a mix of fixed and variable pay, and a blend of short and long-term performance focused elements. The Company believes that a mix of fixed and variable (i.e. at-risk) elements provides an appropriate retention, as well as performance, incentive.

|          | Remuneration element  | Form of reward                                       | Purpose of award   |
|----------|-----------------------|--|--|
| Fixed    | Fixed remuneration    | Base salary,<br>superannuation and<br>other benefits | Recognise capability, experience and scope of role.  |
| Variable | Short-term incentives | Cash   | Reward for achievement of annual Company and business unit targets as well as individual performance.  |
|          | Long-term incentives  | Equity   | Reward for achievement of long-term sustained<br>Company performance.<br>Provides a multi-year performance focus and<br>alignment to shareholder value creation. |

APN believes the framework supports its business strategy implementation and aligns to shareholders' interests by:

- Having profit as a core component of STI;
- Focusing on sustained growth in earnings by using EPS as a key driver of the LTI;
- Aligning to shareholder interests by introducing a relative TSR performance focus to the LTI; and
- Having a significant portion of remuneration "at-risk".

#### Other remuneration related costs

The Company sometimes incurs other remuneration related costs in respect of certain executives which are not regarded as part of the executive's fixed remuneration. Typically, such payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. The costs include fringe benefits tax if applicable.

#### **Retirement benefits**

Retirement benefits are delivered to executives in the form of statutory superannuation contributions to a number of different funds. All contributions made on behalf of executives are based on a percentage of fixed salary. Yvette Lamont is a member of a defined benefits superannuation plan. The plan provides defined lump sum or annuity benefits based on years of service and final average salary.

## **Remuneration governance**

The Remuneration Committee advises the Board on remuneration policy and principles generally, and makes recommendations on remuneration packages and other terms of employment annually for Senior Executives.

The Remuneration Committee appointed EY as the lead advisor to assist with remuneration related issues. EY were engaged by, and reported to, the Remuneration Committee, with a remit to work with management, where applicable.

During the 2013 financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by EY.

#### **Securities Trading Policy**

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance Statement section of this Annual Report. Under the policy restricted persons, which includes KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

#### Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 97% of "yes" votes on its remuneration report for the 2012 financial year. No major remuneration related concerns were raised requiring the Company's attention during the 2013 financial year.

# **Remuneration Report**

# continued

#### C: Executive remuneration - detail

#### Short-term incentive (STI) plan

Senior Executives participate in an STI plan. The following table summarises the key terms.

# Form, frequency and timing of awards

STIs are paid in cash annually subject to achieving specific performance objectives determined by the Board, as outlined below.

STIs are paid early in the next financial year following the finalisation of the audited results.

# Measures, weightings and targets

#### **Chief Executive Officer**

- 100% of award is based on the achievement of target Group NPAT performance;

#### Chief Financial Officer

- 75% of award is based on the achievement of target Group NPAT performance; and
- 25% of award is assessed against individual key performance indicators linked to strategic objectives.

#### **Group General Counsel & Company Secretary**

- 50% of award is based on the achievement of target Group NPAT performance; and
- 50% of award is assessed against individual key performance indicators linked to strategic objectives.

#### **Business unit roles**

- 25% of award is assessed against target Group EBIT performance;
- 50% of award is assessed against the relevant business unit's EBIT; and
- 25% of award is assessed against individual key performance indicators linked to strategic objectives.

# Performance assessment and leverage

In relation to the achievement of financial targets, the maximum STI opportunity for participants, other than the Chief Executive Officer and Group General Counsel & Company Secretary, is 200% of the target STI. The maximum STI opportunity for the Chief Executive Officer is 225% of the target level. The Group General Counsel & Company Secretary does not receive a leveraged award with maximum payout achieved at target.

The maximum STI is payable if targets are exceeded by 10%, except for the Group General Counsel & Company Secretary where the maximum STI is payable if targets are met or exceeded.

In certain exceptional circumstances, the Remuneration Committee may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

The Remuneration Committee considers evaluation of financial performance to be a critical criterion and one which can be objectively assessed against the actual audited results. The Remuneration Committee considers that the use of objective and verifiable data to test the achievement of performance aids transparency.

# Service condition

Typically, no part of the STI is payable where an executive leaves APN's employ during the year.

#### Long-term incentive (LTI) plan

The LTI plan provides for the grant of equity awards (in the form of Performance Rights which may be converted into APN shares at a future date if certain performance targets are met/exceeded). Awards are split into two separate tranches, which vest independently. 75% of the total award vests based on the achievement of an EPS growth performance hurdle, while the remaining 25% of the total award vests based on a relative Total Shareholder Return (TSR) hurdle.

|                        |                         | EPS tranche (75% of to   | otal annual award)  | TSR tranche (25% of t   | otal annual award)  |  |  |
|------------------------|-------------------------|--|---|---|---|--|--|
| Form of award          | d                       | Awards under the LTI plan are structured as rights to acquire fully paid ordinary shares in the Company for nil consideration (i.e. Performance Rights). The number of Performance Rights (Rights) to be issued to Senior Executives is based on the individual's LTI opportunity, expressed as a percentage of fixed remuneration. Rights were chosen as an appropriate vehicle as they provide alignment to the interests of APN shareholders, are in line with market practice and have simpler tax treatment than share options. |   |   |   |  |  |
|                        |                         | paid ordinary shares of<br>Securities Exchange (   | on the date APN annou<br>ASX), immediately follo<br>omatically convert into   | unces its annual result<br>owing the performanc   | e period of three years.  |  |  |
| Eligibility            |                         |  | etion of the Board, the<br>e to participate in the  |   | er and other Senior   |  |  |
| Frequency of           | grants                  | It is envisaged that a   | wards under the LTI pla   | an will be made on an   | annual basis.   |  |  |
| Performance conditions | Performance<br>period   | (three financial years   | s that vest is depender<br>). Any awards which do<br>vear performance peri  | o not vest when perfo   | er a three year period<br>ormance is tested (at                               |  |  |
|                        | Performance<br>measures |  | ompany's Income<br>for any non-recurring<br>as determined by the<br>chosen as it focuses  |   | because it aligns<br>with those of<br>asuring the change<br>are price and the |  |  |
|                        |                         | subject to EPS perform<br>will be determined by<br>compound annualised<br>over the three year pe   | financial year ending th the EPS figure for ed 31 December 2013 extent to which Rights mance measures vest calculating the I EPS growth achieved with the targets shown | The Company's TSR performance are ending measured relative to constituent massive for measured relative to constituent measured relative to constituent measured relative to constituent measured relative to comparator Group. The Companition of the company and face similar challed opportunities and market condict the companies with similar opportungets shown receive any benefit in relation to |   |  |  |
| Vesting<br>schedule    |                         | targets are: Compound annual   | Proportion of EPS   | Relative TSR  | Proportion of TSR   |  |  |
|                        |                         | Less than 4.62% per annum  | O%  | Less than the 51st percentile   | O%  |  |  |
|                        |                         | Equal to 4.62%<br>per annum  | 50%   | At the 51st<br>percentile   | 50%   |  |  |
|                        |                         | Between 4.62% and 6.60% per annum  | Pro-rata<br>straight line   | Between the 51st and 75th percentile  | Pro-rata straight<br>line vesting   |  |  |
|                        |                         | Equal to 6.60%<br>per annum or above   | 100%  | At or above the 75th percentile   | 100%  |  |  |

Comparator Group comprises those companies within the Consumer Discretionary, Financials and Industrials Global Industry Classification Standard (GICS) sectors sourced from the 50 companies above and 50 companies below APN based on APN's 12 month average market capitalisation to 31 December 2013, plus Ten Network Holdings Limited, Southern Cross Media Group Limited, Fairfax Media Limited and Trade Me Group Limited.

# **Remuneration Report**

# continued

|  | EPS tranche (75% of total annual award)   | TSR tranche (25% of total annual award)      |  |  |  |  |
|--|---|--|--|--|--|--|
| Treatment of awards on cessation of employment | The plan rules allow flexibility for participants to remain in the plan post cessation of employment or for awards to be pro-rated for time and performance up to the date of cessation.  |  |  |  |  |  |
|  | For LTI grants in 2014, where participants leave in certain "good leaver" circumstances, (for example, redundancy, total disablement or death), awards may be retained and pro-rated for time and may vest at the end of the original performance period to the extent performance hurdles are met. |  |  |  |  |  |
| Treatment of awards on change of control       | The Board will have discretion to pro-rate performance in an event which the Board A change of control event is defined in the  | d considers to be a change of control event. |  |  |  |  |

#### D: Remuneration outcomes for Senior Executives in 2013

#### Overview of the link between remuneration and 2013 performance

APN's performance-linked remuneration framework, as outlined in Section B ensures there is alignment between the generation of shareholder wealth and remuneration of key management personnel.

#### Summary of five year performance

|  | 2013    | 2012    | 2011    | 2010     | 2009    |
|--|---------|---------|---------|----------|---------|
| Net profit after tax (NPAT) <sup>(i)</sup> | \$59.5m | \$54.3m | \$78.2m | \$103.1m | \$94.2m |
| Annual change in NPAT                      | 9.7%    | (30.5%) | (24.2%) | 9.5%     | (34.2%) |
| Dividends per share                        | 0.0c    | 1.5c    | 8.5c    | 12.0c    | 4.0c    |
| Diluted EPS <sup>(i) (ii)</sup>            | 9.0c    | 8.4c    | 12.6c   | 17.2c    | 17.0c   |
| Annual change in diluted EPS               | 7.4%    | (33.6%) | (26.4%) | 1.2%     | (39.9%) |
| Share price at 31 December                 | \$0.45  | \$0.25  | \$0.71  | \$1.94   | \$2.32  |

<sup>(</sup>i) Pre exceptional items and discontinued operations

#### **Short-term incentives**

The following table outlines the proportion of the STI payable compared to the maximum award under the STI plan for 2013, as determined by the Remuneration Committee.

|                | STI payable | STI forfeited |
|----------------|-------------|---------------|
| Michael Miller | 100%        | 0%            |
| Jeff Howard    | 88%         | 12%           |
| Martin Simons  | 50%         | 50%           |
| Neil Monaghan  | 50%         | 50%           |
| Yvette Lamont  | 100%        | 0%            |

#### **Long-term incentives**

No Performance Rights were granted to Senior Executives during 2013. No awards issued under existing long-term incentive plans vested to Senior Executives during 2013.

<sup>(</sup>ii) Adjusted for bonus element of 2009 rights issue

#### Details of remuneration of Senior Executives in 2013 (and comparatives)

Details of short-term and post employment benefits of each Senior Executive of the consolidated entity are set out in the following table.

|   |                               | Short-term benefits     |                                | Post<br>employment<br>benefits |                         | Total                         |
|---|-------------------------------|-------------------------|--------------------------------|--------------------------------|-------------------------|-------------------------------|
|   | Cash salary<br>and fees<br>\$ | Short-term incentive \$ | Non-monetary<br>benefits<br>\$ | Superannuation \$              | Termination benefits \$ |                               |
| Michael Miller <sup>1</sup> <b>2013</b> 2012                            | 618,579<br>-                  | 250,000<br>-            | <b>21,708</b><br>-             | 8,88 <b>7</b><br>-             |                         | 899,174                       |
| Jeff Howard <sup>2</sup><br><b>2013</b><br>2012                         | <b>576,840</b> 64,640         | <b>218,750</b><br>-     | <b>10,506</b><br>-             | <b>17,122</b> 3,416            | -                       | <b>823,218</b> 68,056         |
| Martin Simons<br>2013<br>2012   | <b>784,225</b><br>758,954     | <b>212,044</b><br>-     | <b>139,537</b><br>129,976      |                                | <del>-</del>            | <b>1,135,806</b><br>888,930   |
| Neil Monaghan <sup>3</sup><br><b>2013</b><br>2012                       | 276,715<br>-                  | 8 <b>7</b> ,500<br>-    | <del>-</del>                   | 11,362                         | <del>-</del>            | 3 <b>7</b> 5,5 <b>77</b><br>- |
| Yvette Lamont <sup>4</sup> <b>2013</b> 2012                             | 393,44 <u>2</u><br>-          | 150,000<br>-            | 10,506<br>-                    | <b>59,344</b><br>-             | -                       | 613,292<br>-                  |
| Former Executives Brett Chenoweth <sup>5</sup> (until 19 February 2013) |                               |                         |                                |                                |                         |                               |
| <b>2013</b> 2012  | <b>836,344</b><br>1,483,877   | 100,000                 | <b>33,479</b><br>95,404        | •                              | 1,595,000<br>-          | <b>2,567,568</b> 1,595,404    |
| Matt Crockett<br>(until 24 April 2013)<br>2013<br>2012                  | <b>219,558</b> 568,193        | <u>-</u><br>-           | <b>32,875</b><br>61,406        | ·                              | 605,026<br>-            | <b>865,694</b> 645,721        |
| Warren Bright<br>(until 24 April 2013)<br>2013<br>2012                  | <b>226,925</b> 533,878        | <u>-</u>                | 7,950<br>-                     | <b>5,490</b><br>16,122         | 485,891<br>-            | <b>726,256</b><br>550,000     |
| Peter Myers<br>(until 19 September 2012)<br>2013                        | -                             | _                       | _                              | -                              | _                       | -                             |
| 2012<br>Richard Herring   | 578,783                       | -                       | -                              | 27,442                         | -                       | 606,225                       |
| (until 30 April 2012)<br><b>2013</b><br>2012                            | <b>-</b><br>221,742           | <u>-</u><br>-           | -                              | <b>-</b><br>16,667             | -                       | -<br>238,409                  |
| <b>Total 2013</b> Total 2012  | <b>3,932,628</b><br>4,210,067 | 1,018,294<br>-          | <b>256,561</b> 286,786         | 113,185                        | 2,685,917               | <b>8,006,585</b><br>4,592,745 |

<sup>1</sup> Michael Miller was appointed as Chief Executive Officer and became a KMP on 17 June 2013.

<sup>2</sup> Jeff Howard was appointed as Chief Financial Officer and became a KMP on 12 November 2012. Mr Howard's base salary includes a payment of \$100,000 in relation to the period from 19 February 2013 to 17 June 2013 when he was a member of the Group's Leadership Team in the absence of a Chief Executive Officer during that period.

 $<sup>3\</sup>quad \text{Neil Monaghan was appointed Chief Executive, Australian Regional Media and became a KMP on 24 April 2013}.$ 

<sup>4</sup> Yvette Lamont became a KMP on 1 January 2013. Ms Lamont is a member of a defined benefits superannuation plan.

<sup>5</sup> Brett Chenoweth's base salary for 2013 includes salary for the period prior to his resignation; a three month leave of absence; a payment of \$100,000 in full settlement of all short-term incentive entitlements; and all statutory leave entitlements.

# **Remuneration Report**

# continued

In relation to share options held by Senior Executives, no cost has been recognised in profit or loss during the year as the awards did not vest. The remaining share options on issue expired in June 2013.

In relation to the Performance Rights held by the former Chief Executive Officer, Brett Chenoweth, a charge of \$10,750 (2012: \$80,625) has been recognised in profit or loss in relation to the TSR tranche. No cost has been recognised in relation to the EPS tranche as it was considered unlikely that the awards would vest. Including this charge, Mr Chenoweth's total cost to the Company is \$2,578,318 (2012: \$1,676,029) and the total cost to the Company of all Senior Executives is \$8,017,335 (2012: \$4,673,370).

#### **E:** Executive employment contracts

Remuneration and other terms of employment for the Senior Executives are formalised in employment contracts. The extent to which each executive's remuneration is performance-based is described in Section B.

All Senior Executives other than the former Chief Executive Officer, Brett Chenoweth, are employed under contracts with substantially similar terms as follows:

| Length of contract    | Continuing  |
|-----------------------|---|
| Fixed compensation    | The Chief Executive Officer and other Senior Executives receive fixed remuneration, inclusive of superannuation, and benefits. These amounts are reviewed annually by the Chief Executive Officer, subject to approval of the Remuneration Committee. In the case of the Chief Executive Officer, the remuneration amounts are reviewed annually by the Remuneration Committee. |
| Short-term incentives | Senior Executives are eligible to receive an STI payment, weighted towards the financial performance of the Group or the relevant division and determined in accordance with the principles for STIs detailed in Section B. Mr Miller's STI for 2013 was limited to \$250,000 as he only commenced in the role in June 2013.  |
| Long-term incentives  | Senior Executives are eligible to participate in the Company's LTI plan at the Board's discretion. Mr Miller is contractually entitled to Performance Rights to a value of \$1.2 million to be measured over the period from 1 January 2014 to 31 December 2016.  |
| Termination           | Employment may be terminated by either party giving six months' notice (12 months in the case of Mr Simons; 12 months in the case of APN giving notice to Mr Crockett or Mr Bright and three months in the cases of Mr Monaghan and Ms Lamont).   |
|                       | Where employment is terminated by the Company, payment may be made in lieu of notice All contracts provide that employment may be terminated at any time without notice for serious misconduct.   |
| Redundancy            | If the Company terminates the employment of a Senior Executive for reasons of redundancy, a termination payment would be paid depending on the length of their service, in each case not exceeding the following amounts: Mr Simons – two years' base salary; Ms Lamont and Mr Crockett – 12 months base salary; all other Senior Executives – six months base salary.          |
| Non-compete           | Senior Executives are subject to non-compete provisions for the term of their notice period.  |

#### **Fixed-term contracts**

Brett Chenoweth, Chief Executive Officer (commenced 1 January 2011, resigned on 19 February 2013)

Mr Chenoweth was employed on a three-year contract. Key details of Mr Chenoweth's contract are as outlined below:

- Fixed remuneration: Mr Chenoweth received fixed remuneration, inclusive of superannuation and other benefits, of \$1.5 million per annum.
- **STI:** For achievement of target performance under the STI plan, Mr Chenoweth was entitled to an award of \$600,000.
- LTI: Mr Chenoweth was eligible for an annual award of Performance Rights under the LTI plan as follows:
  - 750,000 Performance Rights for the year ended 31 December 2011; and
  - Performance Rights to the value of 100% of fixed remuneration for each of the years ending 31 December 2012 and 2013 to be granted in 2012 and 2013.
- Notice period: Employment could be terminated by either party giving 12 months' notice or, where employment
  is terminated by the Company, payment may be made in lieu of notice.
- Termination: If Mr Chenoweth is considered a "good leaver" (i.e. leaves by reason of death, total disablement, redundancy or certain other circumstances defined in Mr Chenoweth's employment contract), Mr Chenoweth would be entitled to all remuneration and statutory leave entitlements up to and including the date of termination, payment of STI for the relevant calendar year, pro-rated to the date of termination and payment of the unvested LTI awards to the extent that performance hurdles are met.

#### F: Non-executive Director remuneration

#### Approach to determining Non-executive Director fees

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties. The current Non-executive director fees policy is summarised below

| Non-Executive Director                     | \$70,000 |
|--|----------|
| Chair of Audit and Remuneration Committee  | \$20,000 |
| Chair of Nomination Committee              | \$10,000 |
| Member of Audit and Remuneration Committee | \$10,000 |
| Member of Nomination Committee             | \$5,000  |

#### **Approved fee pool**

The maximum amount approved by shareholders is \$750,000 per annum.

#### **Retirement benefits**

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*. Retirement benefits to Non-executive Directors were frozen in 2007.

# Remuneration Report continued

# Fees paid to non-executive Directors of APN News & Media Limited during 2013 (and comparatives)

|   | Cash salary<br>and fees<br>\$ | Superannuation<br>\$   | Retirement<br>benefits<br>\$ | Total<br>\$              |
|---|-------------------------------|------------------------|------------------------------|--------------------------|
| Amounts paid by APN News<br>& Media Limited             |                               |                        |                              |                          |
| Peter Cosgrove <sup>1</sup>                             |                               |                        |                              |                          |
| <b>2013</b> 2012  | <b>127,934</b><br>28,601      | <b>5,602</b><br>38,399 | -                            | <b>133,536</b> 67,000    |
| Ted Harris <sup>1</sup> <b>2013</b> 2012                | <b>143,650</b> 150,000        | 6,350<br>-             | -                            | <b>150,000</b> 150,000   |
| Peter Cullinane (from 1 November 2013) 2013             | 11,383                        | 1,053                  | _                            | 12,436                   |
| 2012  | -                             | -                      | -                            | -                        |
| Anne Templeman-Jones (from 4 June 2013)<br>2013<br>2012 | 50,229                        | <b>4,646</b><br>-      | -<br>-                       | 54,875<br>-              |
| Former Directors  |                               |                        |                              |                          |
| Kevin Luscombe (retired on 12 April 2013)               |                               |                        |                              |                          |
| <b>2013</b> 2012  | <b>25,962</b><br>90,000       | -                      | 255,000<br>-                 | <b>280,962</b><br>90,000 |
| Melinda Conrad (until 19 February 2013) 2013 2012       | <b>9,786</b><br>71,972        | <b>881</b><br>6,477    | <u>-</u>                     | <b>10,667</b><br>78,449  |
| John Harvey (until 19 February 2013)                    | ,                             | 2,                     |                              | ,                        |
| <b>2013</b> 2012  | <b>9,786</b><br>73,396        | <b>881</b><br>6,604    | <del>-</del><br>-            | <b>10,667</b><br>80,000  |
| Peter Hunt (from 3 September 2012 to 19 February 2013)  |                               |                        |                              |                          |
| 2013  | 27,804                        | 1,437                  | -                            | 29,241                   |
| 2012  | 68,975                        | 6,207                  | -                            | 75,182                   |
| John Maasland (until 19 February 2013) <b>2013</b>      | 12,667                        | _                      | _                            | 12,667                   |
| 2012  | 87,156                        | 7,844                  | -                            | 95,000                   |
| Pierce Cody (until 22 February 2012)                    |                               |                        |                              |                          |
| <b>2013</b> 2012  | -<br>9,968                    | -<br>897               | <del>-</del>                 | 10,865                   |
| Total 2013  | 419,201                       | 20,850                 | 255,000                      | 695,051                  |
| Total 2012  | 580,068                       | 66,428                 | -                            | 646,496                  |
| Amounts paid by subsidiaries of APN News & I            | Media Limited                 |                        |                              |                          |
| Peter Cosgrove – Chairman's fee Buspak Hong             | Kong                          |                        |                              |                          |
| <b>2013</b> 2012  | <b>7,998</b><br>7,465         |                        | -                            | <b>7,998</b><br>7,465    |
| Total 2013  | 427,199                       | 20,850                 | 255,000                      | 703,049                  |
| Total 2012  | 587,533                       | 66,428                 | -                            | 653,961                  |

 $<sup>1\</sup>quad \text{During the year Peter Cosgrove and Ted Harris performed executive roles as part of the Group's Leadership team. The Directors performed}$ these roles between 19 February 2013 and 17 June 2013, following the resignation of the former Chief Executive Officer, Brett Chenoweth and prior to the appointment of the current Chief Executive Officer, Michael Miller. Mr Cosgrove and Mr Harris were remunerated for these services. Mr Cosgrove was paid \$290,000 and Mr Harris \$130,000.

#### Other information

Directors not specified in the above table received no remuneration. Consistent with previous years, certain Directors affiliated with Independent News & Media PLC do not receive Directors' fees from the Company.

Refer note 28 to the financial statements for details of related party transactions.

#### **G: Additional statutory disclosures**

#### **Equity instrument disclosures relating to Directors and Senior Executives**

No equity awards were granted to KMP during the 2013 financial year.

The key terms and conditions of each grant of options affecting remuneration of Directors and Senior Executives are as follows:

| Grant date  | Expiry date | Exercise price | Value per option at grant date | Date first exercisable<br>(subject to performance<br>hurdles) |
|-------------|-------------|----------------|--------------------------------|---|
| 2 June 2008 | 2 June 2013 | \$3.93         | \$0.55                         | 2 June 2011   |

The minimum performance hurdles for the above options were not satisfied during the life of the options. The options expired in June 2013.

#### **Option holdings**

Options held by Senior Executives during the year ended 31 December 2013 are shown in the table below.

|               | Balance at start<br>of the year | Lapsed    | Exercised | Balance at end of the year | Options vested during the year | Vested and exercisable at end of the year |
|---------------|---------------------------------|-----------|-----------|----------------------------|--------------------------------|---|
| Martin Simons | 400,000                         | (400,000) | -         | _                          | -                              | -   |
| Yvette Lamont | 100,000                         | (100,000) | _         | _                          | _                              | _   |
| Total         | 500,000                         | (500,000) | _         | -                          | -                              | _   |

Senior Executives not specified in the above table hold no options. No Directors hold any options.

#### **Performance Right holdings**

Brett Chenoweth held 750,000 Performance Rights issued under the LTI plan. The rights lapsed on Mr Chenoweth's resignation on 19 February 2013.

#### Value of options exercised and shares issued

No ordinary shares in the Company were issued as a result of the exercise of options by any Director or Senior Executive during the year.

The information provided in the above table is based on information known to the Directors and Senior Executives of the Company.

In relation to any holdings of related parties (as defined in AASB 124 *Related Party Disclosures*), the Directors and Senior Executives have no control or influence over the financial affairs of the related parties to substantiate their holdings.

#### **Loans to Directors and Senior Executives**

There are no loans made to Directors of the Company or Senior Executives.

#### Other transactions with Directors and Senior Executives

Details of other transactions with Directors and Senior Executives are provided in note 28 to the financial statements.

