APN INTERIM REPORT 2011

APN
NEWS & MEDIA

APN OUTDOOR & ADSHEL / BALLINA SHIRE ADVOCATE / BALONNE BEACON / BAY NEWS / BAY OF PLENTY TIMES / BEST OF TIMES / BIG RIGS / BLACKWATER HERALD / BRIBIE WEEKLY / BUDERIM CHRONICLE / BUSH TELEGRAPH / BUSPAK (HONG KONG) / BYRON SHIRE NEWS / CABOOLTURE NEWS / CALOUNDRA WEEKLY / CAPRICORN COAST MIRROR / CENTRAL & NORTH BURNETT TIMES / CENTRAL QUEENSLAND NEWS / CENTRAL TELEGRAPH / CHB MAIL / CHINCHILLA NEWS AND MURILLA ADVERTISER / CLASSIC HITS / COASTAL NEWS / COASTAL VIEWS / CODY (HONG KONG) / COOK STRAIT NEWS / COOLOOLA ADVERTISER / COOLUM & NORTH SHORE NEWS / COUNTRY NEWS / CREME / CRUISE / DAILY MERCURY / DAILY POST / DAILY POST WEEKENDER / DALBY HERALD / DANNEVIRKE EVENING NEWS / EASTERN BAY NEWS / EASYMIX / FLAVA / FRASER COAST CHRONICLE / GATTON, LOCKYER AND BRISBANE VALLEY STAR / GIRLFRIEND / GISBORNE HERALD / GOLD COAST MAIL / GRABONE / GUARDIAN / GUARDIAN PALMERSTON NORTH / HAMILTON THIS WEEK / HASTINGS LEADER / HAWKE'S BAY TODAY / HERVEY BAY OBSERVER / HOROWHENUA CHRONICLE / INDEPENDENT HERALD / INSITE / ISIS TOWN & COUNTRY / ISLAND & MAINLAND NEWS / JET MAGAZINE / KAPITI NEWS / KATIKATI ADVERTISER / KAWANA WEEKLY / MACKAY & SARINA MIDWEEK / MAROOCHY WEEKLY / MINERS MIDWEEK / MIX / NAMBOUR WEEKLY / NAPIER COURIER / NEW IDEA / NEW ZEALAND LISTENER / NEW ZEALAND WOMAN'S WEEKLY / NEWS ADVERTISER / NEWS-MAIL / NEWSTALKZB / NOOSA NEWS / NORTH CANTERBURY NEWS / NORTHERN ADVOCATE / NORTHERN DOWNS NEWS / NORTHLAND AGE / NZ EDUCATION GAZETTE / NZ EDUCATION REVIEW / NZ NURSING REVIEW / OAMARU MAIL / OAMARU MAIL EXTRA / PEGASUS POST / PORIRUA NEWS / RADIO HAURAKI / RADIO SPORT / RAINBOW / ROCKHAMPTON AND FITZROY NEWS / RURAL WEEKLY / SELLA / SELWYN TIMES / SHORE VIEW / SIMPLY YOU / SIMPLY YOU LIVING / SOUTH BURNETT TIMES / STRATFORD PRESS / STUDY IN NEW ZEALAND SERIES / SUNSHINE COAST DAILY / SUNSHINE COAST SUNDAY / SURAT BASIN NEWS / TAUPO WEEKENDER / TE AWAMUTU COURIER / TE PUKE TIMES / THAT'S LIFE / THE ADVERTISER / THE AUCKLANDER / THE CHRONICLE / THE COFFS COAST ADVOCATE / THE COMMUNITY ADVOCATE / THE DAILY EXAMINER / THE EDGE / THE GYMPIE TIMES / THE HERALD ON SUNDAY / THE IPSWICH ADVERTISER / THE KOLAN RECORDER / THE LINK / THE MARYBOROUGH HERALD / THE MORNING BULLETIN / THE NEW ZEALAND HERALD / THE NORTHERN RIVERS ECHO / THE NORTHERN STAR / THE OBSERVER / THE QUEENSLAND TIMES / THE RANGE NEWS / THE REPORTER / THE RICHMOND RIVER EXPRESS EXAMINER / THE RIVERTOWN TIMES / THE SATELLITE / THE STANTHORPE BORDER POST / THE STAR / THE WESTERN STAR / THERMAL AIR / TOOWOOMBA'S MAIL / TURANGI CHRONICLE / TWEED DAILY NEWS / TWEED/BORDER MAIL / VILLAGE PRESS / WAIHI LEADER / WAINUIOMATA NEWS / WAIRARAPA MIDWEEK / WAIRARAPA TIMES AGE / WAIROA STAR / WANGANUI CHRONICLE / WANGANUI MIDWEEK / WARWICK & SOUTHERN DOWNS WEEKLY / WARWICK DAILY NEWS / WESTERN NEWS / WESTERN TIMES / WHANGAREI REPORT / WHITSUNDAY TIMES / ZM

WELCOME

DEAR SHAREHOLDER

It is my pleasure to be updating you on the results of APN News & Media Limited (APN) for the first half of our financial year.

We have had to deal with an extraordinary set of events - floods, cyclones, multiple earthquakes, nervous retail markets, weak economies and still low levels of consumer and business confidence.

APN's first half profitability was seriously impacted by these factors and our overall results were well down from where we would like them to be.

Our publishing divisions have been the most acutely affected and this report will provide some context to these businesses.

However, we have also had some very good results.

Our outdoor division was a standout performer with excellent growth in earnings, our radio networks won market share and our major digital businesses, nzherald.co.nz and GrabOne, continued to perform very strongly.

There has been some pain this half, as we have had to cut costs in our publishing businesses to remediate against the substantive revenue shortfalls. We have done this thoughtfully and responsibly.

However, it is essential that you also know we are investing for growth.

Innovation, new product development and managing the transition to a more digital future are very important and we are investing accordingly. Across the group, we are pursuing sensible initiatives to generate earnings and value.

H1 ACHIEVEMENTS

Despite a tough operating environment, APN has made significant progress in repositioning for growth. In the first half we have:

- Strengthened the management team. New senior appointments include a dedicated CEO for Australian Regional Media and a Chief Development Officer with responsibilities including strategy, corporate development and digital diversification.
- Created a group digital team that has recast the Company's digital strategy and has built a robust pipeline of new opportunities.
- Pursued cost initiatives in our publishing divisions that we expect to deliver savings in 2011 of $7m and annualised savings of $15m.
- Developed a strategic framework to reposition APN for growth.

In the pages that follow we have reproduced the key highlights from the interim results announcement on 18 August 2011.

STRATEGIC AGENDA

STRATEGIC AGENDA

Our corporate strategy has a simple goal: to grow our earnings and provide enhanced shareholder value. Earlier this year, we outlined three key elements of our strategic framework. Our progress in delivering these strategic imperatives is set out below:

1 Drive operational excellence to deliver best in class operating performance while growing revenue

- Strong outdoor result in market share and renewals
- Radio audience and market share gains in Australia and New Zealand
- GrabOne continues to lead the group buying market in New Zealand
- Circulation and readership of The New Zealand Herald is best in class
- nzherald.co.nz remains the #1 news content site in New Zealand

2 Deliver earnings momentum in the existing business portfolio through new product initiatives

- Roll out of digital billboards in Australia
- Re-launch and promotion of Sella, our online auction and classifieds site
- GrabOne product diversification and expansion into new markets including Australia
- New format and content structure for a number of regional newspapers in New Zealand
- Re-launch of the New Zealand Women's Weekly
- Additional supplements for the New Zealand Herald

3 Grow by taking bold but measured steps to where value is emerging in the market

- Increased APN's share from 50% to 75% of GrabOne
- Oggi acquisition strengthened the position of APN Outdoor in New Zealand
- Acquired controlling interest in Australian online catalogue marketing business CC Media
- Acquired New Zealand's largest sports online tipping platform, Jimungo

THE TEAM

I wish to acknowledge the effort and contribution made by the Board and the management teams across APN over the last six months. In particular, I want to commend our publishing teams who, in very tough market conditions, have continued to show tremendous commitment and produce work of very high calibre, as demonstrated by our success at local and international awards during the period. These include the Canon Media Awards, PANPA (Pacific Area Newspaper Publishers' Association) Awards, INMA (International Newsmedia Marketing Association) Awards and the International Webby Awards.

I would also like to thank you, our investors, for your continued support.

As we purposefully reposition APN, we will continue to build on our position as a significant media company in Australia and New Zealand. APN has a diverse portfolio of vibrant media assets, with strong competitive positions which I remain confident will deliver robust results as the markets recover.

Most importantly, we have a focused, energetic and dedicated team that are determined to succeed.

Brett Chenoweth,
Chief Executive Officer,
12 September 2011

OVERVIEW OF APN'S RESULTS FOR H1

OVERVIEW

APN has reported its result for the half-year ended 30 June 2011.

APN recorded flat revenue at $508m, Earnings Before Interest and Tax (EBIT) before exceptional items was down 24% to $66.5m, and Net Profit After Tax before exceptional items was $21.8m, down 46%. This outcome is in line with the guidance we provided at the Annual General Meeting in May.

IMPAIRMENT

APN also announced a non-cash impairment charge of $156m, principally associated with APN's metropolitan newspapers in New Zealand. This accounting treatment adjusts the valuation of those assets in line with prevailing international benchmarks and current market conditions and followed a review by the new Chief Executive Officer, Brett Chenoweth. The Directors noted that the charge does not diminish their confidence that these leading New Zealand newspaper titles will continue to be a strong contributor to the group's future earnings and cash flows.

The Directors also noted that the value of the Company's other intangible assets, particularly those in Australia, are well in excess of their book value. Accounting rules do not allow the Company to offset this excess against the write-down.

Due to the impairment charge Net Profit After Tax, after exceptional items, was a $98m loss.

DIVIDEND

The Directors declared a fully franked interim dividend of 3.5 cents per share, payable on 28 September 2011 (record date of 7 September 2011). The Dividend Reinvestment Plan remains in place with a 2.5% discount.

2011 INTERIM RESULT

Unless otherwise stated, all figures are pre exceptionals and discontinued operations (AUD millions)	2011	2010	Change
Underlying revenue*	**508.1**	507.4	
EBITDA	**85.0**	108.6	(22%)
EBIT	**66.5**	87.1	(24%)
Net Profit After Tax	**21.8**	40.0	(46%)
Earnings per share (before exceptionals)	**3.6 cents**	6.7 cents	
Net Profit / (Loss) after exceptional items & discontinued operations	**($98.3)**	39.0	

**Excludes finance income*

OVERVIEW OF APN'S RESULTS FOR H1

DIVISIONAL OVERVIEW

The first half was a challenging period for our publishing businesses in Australia and New Zealand. Consumer and business confidence in those markets began to deteriorate late in the fourth quarter last year. The flooding in Queensland and the earthquakes in New Zealand exacerbated this general slowdown.

In contrast, APN's outdoor division made an excellent contribution, with revenue up 11% and EBIT up 80%. The division recorded strong market share growth in Australia while in New Zealand a combination of organic market gains and the acquisition of the Oggi billboard business have improved our market share.

Radio also produced solid results, reflecting increases in audience and advertising share in Australia and New Zealand. There have been significant results coming through following ARN's restructure and there are good prospects for TRN during the Rugby World Cup.

The digital group buying business GrabOne has continued to make strong progress to stay ahead of the competition. It remains the clear market leader in New Zealand and has made solid inroads since launching in Australia.

Included in the result for the first time are revenues and costs from GrabOne, a full six months of the Pacific Magazines licensing agreement and a number of new acquisitions and initiatives.

DIVISIONAL RESULTS – H1

	Revenue			**EBIT**		
		Change on pcp			Change on pcp	
(AUD millions)	**2011**	Local Currency	Reported	**2011**	Local Currency	Reported
Australian Regional Media	**134.9**	(4%)	(4%)	**17.6**	(39%)	(39%)
New Zealand Media*	**147.9**	-	(5%)	**21.8**	(32%)	(36%)
Australian Radio	**63.1**	3%	3%	**20.3**	(5%)	(5%)
New Zealand Radio	**40.3**	6%	-	**4.8**	12%	6%
Outdoor	**121.8**	15%	11%	**12.4**	85%	80%
Corporate				**(10.5)**	24%	24%
Total	**508.1**	3%	-	**66.5**	(22%)	(24%)

** Includes GrabOne*

DIVISIONAL PERFORMANCE

AUSTRALIAN REGIONAL MEDIA

Markets across Queensland and northern New South Wales began to slow towards the end of 2010, particularly those not exposed to the mining and resources sector. The widespread flooding across much of Queensland in the first quarter and continuing weak consumer and business confidence compounded the challenges faced by local businesses.

Many of APN's markets are yet to recover, with the multi-speed nature of the economy especially evident in markets around tourism centres, where the strong Australian dollar and a general slowing in domestic tourism has led to significant falls in local advertising.

While there has been positive growth in resource markets and employment growth in some of our regions, this has not been sufficient to offset shortfalls in other sectors of the economy. Overall, revenue was down 4% year-on-year, retail advertising was down 10%, property was down 13% while employment was up 6%.

This division is geographically dispersed with businesses spread across more than 1300km from Coffs Harbour to Mackay. Consequently, revenue shortfalls have had a substantial impact on the EBIT line as cost offsets proved difficult to implement quickly.

Initiatives have now been introduced with annualised savings of $7m and we are confident that costs in H2 will be below H1. The restructuring included the closure of loss making magazine titles, the reorganisation of our printing facilities and schedules which enabled us to move to close the Mackay and Bundaberg print plants, as well as further centralisation of our pre-press advertising functions. In all, headcount has been reduced by approximately 6.5% across the division.

Notwithstanding the difficult result, a number of key initiatives were introduced during the period. Warren Bright was appointed as the division's Chief Executive Officer in late May with the mandate to review the operating model of the business, to drive efficiencies and reinvigorate revenue streams.

APN operates in markets that enjoy some of the best long-term growth prospects in Australia. APN is committed to serving those local communities and advertisers and is confident it will restore growth to this business.

DIVISIONAL PERFORMANCE

NEW ZEALAND MEDIA

The first half was marked by a weak New Zealand economy, coupled with the devastating impact of the earthquakes in Christchurch. While the market was subdued for much of the half, declines moderated over June and July. Real estate was down 11% and employment was down 15%, reflecting the subdued underlying economic conditions for housing and labour. Overall, Auckland fared slightly better than the regional areas and recent macroeconomic indicators are more positive.

APN continues to invest in and improve its products. The New Zealand Herald remains New Zealand's leading newspaper brand, with more than twice as many readers as any other daily newspaper.

The New Zealand Herald grew circulation for the fourth consecutive audit and now sells 170,704 copies each day. The Herald on Sunday's audited circulation is now 98,082 sales each week, up 2.3% over the last 12 months. The Herald on Sunday is the fastest growing newspaper in the New Zealand market.

There have been new product initiatives in motoring, real estate, custom magazines and lifestyle supplements, which have leveraged the penetration of The New Zealand Herald into the commercially important Auckland market. nzherald.co.nz remains the top news and broad content site in New Zealand.

Reflecting the quality of our publications, APN titles took out the major awards at the 2011 Canon Media Awards in May: Newspaper of the Year for The New Zealand Herald, Weekly Newspaper of the Year for the Weekend Herald and best overall New Zealand website for nzherald.co.nz.

AUSTRALIAN RADIO

The investments made in Australian Radio Network (ARN) over the past 12 months are beginning to deliver returns. A new management team is in place and refreshed programming across a number of markets with a rejuvenated brand presence.

APN's Australian radio markets grew by 2.2% for the first half, highlighting both the attractiveness and resilience of radio advertising. ARN grew advertising market share for the period, with revenue up by 3% on strong gains in direct advertising.

In survey #5 released in August, ARN delivered significant ratings gains, with Mix 97.3FM the top rating station in Brisbane and Adelaide's Mix 102.3 the top rating FM station in that market. These improved audience numbers are expected to convert to improved agency market share in H2.

ARN also focused on the performance of Mix Sydney, with the latest ratings for the 25-54 years demographic showing a share of 7.6%, up from 6%.

DIVISIONAL PERFORMANCE

NEW ZEALAND RADIO

Despite the issues in Christchurch and the effect of a slow economy, the New Zealand radio market overall rose more than 3%, continuing the return to growth first seen in the second half of 2010 after a long period of contraction.

The Radio Network (TRN) delivered local currency revenue growth of 6%, lifting market share every month for the half, with solid gains in agency advertising, increases in digital advertising of 54% and achieved expansion in its EBIT margin during the period.

In Auckland, where TRN has four of the top five stations, its 10+ audience share increased to 49.9%, which is the strongest result in three years.

TRN is poised for a strong second half as the radio rights holder for the Rugby World Cup.

OUTDOOR

In Australia, the overall outdoor market rose 5.3% in the first half. APN Outdoor revenue grew by 11% in Australia with double-digit revenue growth in billboards and transit. EBIT was up by 32%. There is a strong pipeline of digital product development and expansion in retail and airport precincts planned for Q4 this year.

APN Outdoor has continued to successfully renew its major contracts, with a number of key renewals during the period. Since announcing our half year results, APN Outdoor has successfully tendered for one of Australia's largest outdoor contracts, Yarra Trams, through Adshel, the Company's joint venture with Clear Channel. As part of the contract Adshel has exclusive rights until September 2017 as the sole provider of 907 advertising supported tram shelters, consisting of 1,463 advertising panels.

In New Zealand, strong organic growth in a relatively subdued market produced revenue gains of 33%. The Oggi acquisition was completed and is tracking ahead of plan. APN Outdoor is now the clear market leader in billboards in New Zealand.

In Hong Kong, APN continues to be the leading transit advertising operator on Hong Kong Island, together with a major billboard business. As part of its market leading transit operation, APN is rolling out 300 free WiFi enabled buses that have attracted significant advertising support.

Overall, the Australian Outdoor market is well placed to continue to outperform the general advertising market as the benefits of the audience measurement system "MOVE" and a strong pipeline of product innovation continue to deliver successful and accountable campaigns to advertisers.

DIVISIONAL PERFORMANCE

DIGITAL

Digital is an integral component of all of APN's radio, outdoor and publishing brands. APN has a number of targeted digital investments including GrabOne, Sella, Event Finder, Soprano and AdHub.

GrabOne (included in the New Zealand Media division result) continues to lead the group buying market in New Zealand with over 60% market share. Monthly sales continue to grow and commissions exceeded $1m in July. Commission rates continue to hold strong. The business has expanded into other verticals, with GrabOne Escapes, GrabOne Bottle and GrabOne Stores, which have proved to have strong consumer appeal. GrabOne has also launched in Australia.

Sella is APN's free online auction and classifieds site. Recently re-launched, it has more than 500,000 products and 500,000 members. There has been increased activity on the site during the half and the Company is committed to building the business.

As part of APN's digital strategy, it is strengthening the portfolio of digital businesses through partnership and acquisition. This is focused on three imperatives:

- Building audience scale and engagement in key verticals
- Securing new online advertising and transaction businesses
- Building key cross portfolio capabilities, such as mobile and video

Consistent with this strategy, APN increased its ownership of GrabOne and Sella in February, and announced two digital acquisitions at the half-year results.

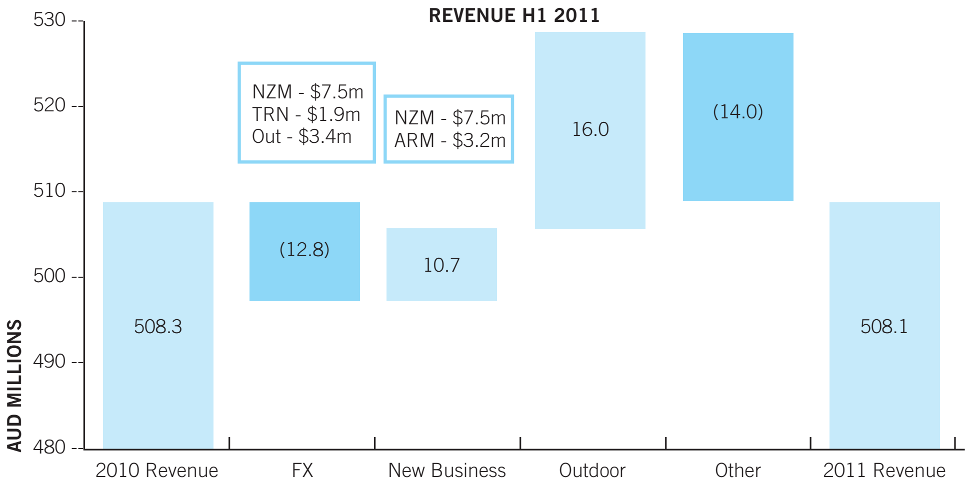
APN acquired a controlling stake in CC Media, a leading, profitable high-growth online catalogue digital distribution business in Australia. This will provide APN with a national position in the online advertising market and important digital capabilities to use across APN's broader digital portfolio, most notably sophisticated third party traffic management via the CC Media iNC Network.

APN also acquired New Zealand's largest and most popular sports tipping platform Jimungo, from Affinity ID. Jimungo has around 300,000 registered users and runs tipping competitions across all major sports, including Rugby, League, Netball and Soccer. It's a strong fit for nzherald.co.nz's sports content and lends itself to high audience engagement through interaction and participation in sports events.

It is expected that these acquisitions will provide an increasingly important contribution to APN's earnings over the next three years.

KEY FINANCIALS

REVENUE



Revenue was flat for the period.

Lower foreign exchange rates this year mean that revenue in 2011 terms are $12.8m lower.

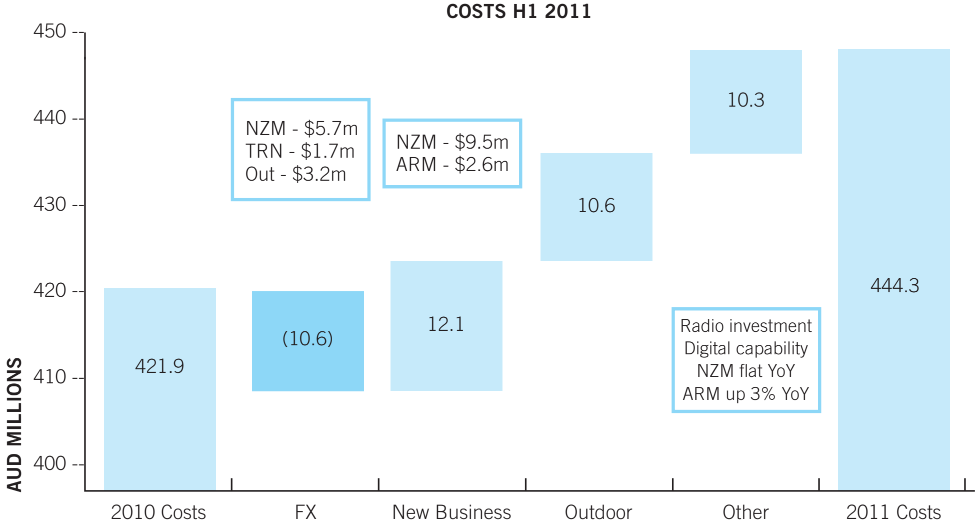
A number of new business initiatives also increased revenue. These include the Fairfax Classified Alliance in Australian Regional Media, acquisitions including GrabOne and the Pacific Magazines licencing arrangement in New Zealand Media.

The outdoor division produced an outstanding revenue performance, with revenue up $16m or 11% higher than last year.

However, the revenue increases were offset by revenue decreases in our publishing divisions as outlined previously.

KEY FINANCIALS

COSTS



Note - analysis excludes the impairment charge of $156m and other exceptional costs of $22.5m (2010: $0.5m).

Costs over the period rose 5%.

The cost increase was similarly driven by new business initiatives, such as the Fairfax Classified Alliance, acquisitions and the Pacific Magazines licensing arrangement.

Costs were also up in our outdoor division, supporting the strong revenue performance.

Apart from these items, on a local currency basis costs were up just over 3%, which included some investment spending in radio. With the impact of the H1 restructuring initiatives announced at the Annual General Meeting in May, it is expected that APN's cost growth for the second half on a comparable basis will be closer to 1%, which will help deliver on the second half result.

KEY FINANCIALS

AUD millions	June 2011	December 2010
Gross Debt	683.1	720.1
Cash	25.3	63.5
Net Debt	657.8	656.6

CASH FLOW AND DEBT

Net debt was stable over the period due to the combination of the payment of last year's final dividend, weaker H1 earnings and a slightly stronger New Zealand dollar at 30 June 2011 compared to December 2010.

APN is well funded with adequate facilities for all near term maturities. Credit metrics are satisfactory under the circumstances with Net Debt/EBITDA just below 3x.

APN's free cash flow remains strong. On a rolling 12 month basis, APN converted 100% of EBITDA into operating cash flow.

BALANCE OF 2011

H2 PRIORITIES

APN will continue to deliver against its strategic framework over the balance of this year. Specific initiatives include:

1 Drive operational excellence to deliver best in class operating performance while growing revenue

- Clear leadership in outdoor
- Continue improvements in radio
- H1 cost restructuring will deliver efficiencies in H2 and into 2012
- Continue to control costs across the group
- Partner in printing and distribution

2 Deliver earnings momentum in the existing business portfolio through new product initiatives

- Enhance video and mobile capabilities
- Deliver the next iteration of GrabOne
- Deliver a regional digital solution

3 Grow by taking bold but measured steps to where value is emerging in the market

- Drive outdoor consolidation
- Continue to build a digital portfolio
- Maximise partnership opportunities

OUTLOOK

APN is a seasonal business and although it is difficult to predict how advertisers will react to recent volatility on financial markets, it is entering the strongest trading period for the year and forward bookings are encouraging.

APN is targeting EBIT for H2 in line with the same period last year ($118m). Second half trading to date is yet to move ahead of the prior period. However, APN remains confident that the Company's outdoor and radio market shares will continue to grow and H1 cost saving measures will have increasing effect throughout the balance of the year.

CORPORATE DIRECTORY

APN News & Media Limited

APN NEWS & MEDIA LIMITED
ACN 008 637 643

DIRECTORS
GK O'Reilly (Chairman)
AE Harris (Deputy Chairman)
BD Chenoweth (Chief Executive)
PP Cody
PM Cosgrove
VC Crowley
EJ Harvey
KJ Luscombe
JH Maasland

SECRETARY
Y Lamont

REGISTERED OFFICE
Level 4, 100 William Street
SYDNEY NSW 2011

Telephone: +61 2 9333 4999
Facsimile: +61 2 9333 4900

SHARE REGISTRY
Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
Locked Bag A14
SYDNEY SOUTH NSW 1235

Telephone:
(Australia) 1300 553 550
(New Zealand) 09 375 5998
(International) +61 2 8280 7142

Fax: (Australia) 02 9287 0303
(New Zealand) 09 375 5990
(International) +61 2 9287 0303

Email:
registrars@linkmarketservices.com.au

Website:
www.linkmarketservices.com.au

AUDITORS
PricewaterhouseCoopers
Darling Park
Tower 2, 201 Sussex Street
SYDNEY NSW 2000

PRINCIPAL BANKERS
ANZ
Commonwealth Bank
HSBC
JP Morgan
National Australia Bank
RBS
Westpac Banking Corporation

APN News & Media Limited (ABN 95 008 637 643) is a company limited by shares, incorporated and domiciled in Australia and is listed on both the ASX and NZX.

NEWS & MEDIA

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