



2011 shareholder review

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643



APN at a glance



australian regional media

Australian Regional Media is the key publisher in regional Queensland and northern NSW. Our portfolio includes 12 daily newspapers, more than 56 non-daily newspapers and a digital regional news network of 29 web and mobile sites. Our titles represent over half of all regional daily newspapers sold in Queensland and many have been an integral part of their local communities for over 150 years. APN also operates major printing businesses in Australia.

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vibrant transforming diverse

Our talent.
Your stories.

NEW ZEALAND
Woman's Weekly
They're our stories



new zealand media

APN is New Zealand's leading publisher with a weekly brand audience of 2.6 million people. Our flagship brand, The New Zealand Herald, is the best selling newspaper and nzherald.co.nz has around 60% of the nation's total online audience. APN's regional newspaper division publishes seven daily newspapers and news websites plus more than 40 community newspapers. Our magazine stable includes the New Zealand Woman's Weekly and the New Zealand Listener among its eight titles. APN also operates major printing businesses in New Zealand.

radio

Australian Radio Network

operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane. It also operates The Edge 96.1FM in Sydney and Cruise 1323AM in Adelaide.

The Radio Network

in New Zealand operates the number one national network, Newstalk ZB and has three of the top five national networks - Newstalk ZB, Classic Hits and Coast. Our other networks are ZM, EasyMix, Hauraki, Flava and Radio Sport.

Australian Radio Network and The Radio Network are joint ventures between APN and Clear Channel International.



outdoor

APN is a leader in the outdoor advertising sector in the region. APN Outdoor has extensive large format billboard, transit and airport assets in Australia and New Zealand.

APN also has three outdoor joint ventures with Clear Channel International. Adshel specialises in street furniture in Australia and New Zealand. In Hong Kong, Buspak is the number one transit advertising operator and Cody provides premium billboard advertising.

In Indonesia, Rainbow Premium Outdoor has large format billboards and is a joint venture with a local partner.

2012 FINANCIAL CALENDAR

Record date for 2011 final dividend

8 March 2012

2011 final dividend paid

30 March 2012

Annual General Meeting

2 May 2012

2012 half year result announced

17 August 2012*

Record date for 2012 interim dividend

5 September 2012*

2012 interim dividend paid

26 September 2012*

* Dates are indicative only and are subject to change

digital

Digital is an integral element of all of APN's radio, publishing and outdoor brands. APN is continually looking at ways to enrich experiences for its audiences and drive commercial outcomes for its advertisers through apps, web and mobile sites, online radio, interactive outdoor products and more. APN is also building a portfolio of high growth digital ventures. This includes GrabOne - the number one group buying site in New Zealand, and CC Media - a digital retail advertising network.



key results

In a year where natural disasters and weak economic conditions have had a material impact, APN made substantial changes to remediate and improve immediate performance as well as reposition for growth.

1,072.4m

REVENUE
(AUD)

208.9m

EBITDA*
(AUD)

171.4m

EBIT*
(AUD)

78.2m

ADJUSTED NET PROFIT AFTER TAX*
(AUD)

(45.1)m

STATUTORY NET LOSS AFTER TAX
(AUD)

8.5c

TOTAL DIVIDEND
(AUD)

new leadership

New leadership in corporate, publishing, radio and digital

revenue up

Revenue up 1% or 3% in local currency terms

stronger in H2

Due to optimisation initiatives

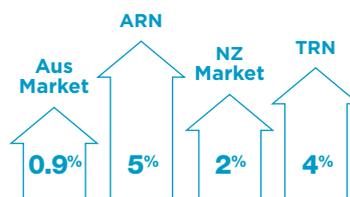


outdoor

- Stand out performance in all markets, EBIT up 33% on a local currency basis
- Announced joint venture with Quadrant Private Equity to accelerate growth

2.6m ^{People}
publishing

- New Zealand publishing brands connect with 2.6m people, or 7 out of 10 New Zealanders, each week
- Australian Regional Media publications reach 69% of consumers within its markets
- Delivered \$25m in annualised savings



radio

- Australian radio advertising revenue up 0.9%, Australian Radio Network revenue up 5%
- Australian Radio Network best audience ratings since 2008
- New Zealand radio advertising revenue up 2%, The Radio Network revenue up 4% on a local currency basis
- The Radio Network maintains #1 national network Newstalk ZB



digital

- Strategic investments in GrabOne, CC Media and Jimungo
- APN digital revenue more than doubled over last 12 months
- GrabOne 70% market share in New Zealand

FY 2011 SEGMENT RESULT

AUD millions	revenue FY 2011	Δ% local currency	Δ% as reported	EBIT FY 2011	Δ% local currency	Δ% as reported
Australian Regional Media	272.8	(5%)	(5%)	43.6	(27%)	(27%)
New Zealand Media	303.3	(3%)	(5%)	51.8	(25%)	(27%)
Australian Radio Network	133.2	5%	5%	44.9	5%	5%
The Radio Network	86.7	4%	1%	12.5	0%	(3%)
Outdoor	263.7	13%	10%	38.0	33%	31%
Digital Ventures*	12.6			(4.9)		
Corporate				(14.5)		
Total	1,072.4	3%	1%	171.4	(16%)	(17%)

* Includes businesses acquired during the year

chairman's report



2011 was one of the most challenging years APN has faced. Economic uncertainty, weak retail and advertising markets and a strong Australian dollar created a subdued trading environment. Compounding these circumstances, the floods in Queensland and the earthquakes in Christchurch created enduring difficulties for many of the local communities that we serve.

These conditions have had a material impact on the earnings of several of our businesses. Trading for the second half of 2011 was significantly stronger than for the first, although still behind that of the prior year.

The silver lining from the tough market is the relentless focus and impatience of our Chief Executive Officer, Brett Chenoweth, and his team to optimise the financial performances of all of our businesses, both in terms of exceeding cost reduction targets to generate the highest possible margins and reviewing and evolving the way we do business in the fast moving media landscape.

Despite the difficult year, I would like to emphasise the strength of APN's underlying businesses. We continue to have valuable brands that generate significant profits and cash flows. Our publishing businesses, in particular, have robust market leading positions that uniquely and profitably serve their local communities.

GAVIN K O'REILLY
Chairman
20 March 2012

Building value

Restoring APN's share price and building long term shareholder value continue to be imperative for both the Board and the management team.

The Board is committed to ensuring the Company is able to maximise profits from our existing operations and generate new and exciting revenue opportunities in the digital arena.

Brett has a clear mandate and vision to better position APN for growth, and this year's Annual Report should give all shareholders a good understanding of how far the Company has transformed over the past 12 months.

Restoring APN's share price and building long term shareholder value continue to be imperative for both the Board and the management team.

FINANCIAL RESULTS

Revenue was \$1,072 million, EBIT before exceptional items was \$171 million and NPAT before exceptional items was \$78 million. Taking into account the non-cash impairment charge (which chiefly relates to the value of our New Zealand mastheads) of \$159 million announced in August 2011 and other exceptional items, APN reported a statutory loss of \$45 million.

Diversification in our markets and media assets has been important to our overall result, with a strong performance in Outdoor and solid growth in Radio mitigating some of the shortfalls in publishing in local markets.

A final dividend of 5 cents a share, together with the interim dividend of 3.5 cents per share, brings the total dividend per share for 2011 to 8.5 cents.

BOARD RENEWAL

The Board of APN continued its program of renewal in 2011. In December, APN announced the appointment of Melinda Conrad to our Board of Directors, following the appointment of John Harvey in January 2011. Melinda's expertise in retail, particularly her experience in innovation, implementation of strategy and risk identification, will be a valuable contribution to the direction of the Company. Melinda's appointment commenced on 1 January 2012 and we are delighted to welcome her to the team.

In February 2012, Pierce Cody resigned from the Board. Pierce served on the Board for more than eight years and I would like to thank him for his contribution over that period.

2012

With the current turmoil in the Eurozone still impacting global sentiment, we are expecting local businesses and consumers to remain fairly cautious during 2012. Consistent with last year, APN will be working hard to optimise the performance of our businesses while continuing to evolve our approach, products and business models.

The debates regarding the regulatory framework governing media companies will also progress in 2012. The Convergence Review and Independent Media Inquiry are generating robust debate in Australia. Similarly, proposals for change are being discussed in relation to the New Zealand Law Commission's Issues Paper, *The News Media meets 'New Media'*. These reviews, and the responses from the Australian and New Zealand governments, have the potential to result in major changes in the legislative framework and opportunities

for media companies. APN will continue to participate in these important policy debates and ensure that APN's brands remain at the vanguard of any change.

On behalf of the Board, I would like to thank Brett and all of our colleagues at APN for their commitment and achievements over the last 12 months. I also wish to thank my fellow Directors, who have served with great dedication. Finally, I want to thank you, our shareholders, for your ongoing support and belief in APN. I look forward to further updating you on our prospects at the Annual General Meeting on 2 May 2012.

CEO's thanks

"I wish to acknowledge the tremendous efforts of the teams across APN and thank them for these achievements. Their commitment in often demanding circumstances has been first class."

chief executive officer's report

When I joined APN one year ago, it was with a mandate and determination to substantially reposition the Company for growth: to tackle head on the opportunities and challenges of the competitive and rapidly changing world of media, to bring a strong digital focus, new capability and vigour to transform APN and to set it on a new course with a successful future. That mandate and resolve to succeed remain and I am pleased to say we have made great strides along this path.

However, the last 12 months have also provided extraordinary challenges: the devastating earthquakes in Christchurch, the floods in Queensland and the toughest economic conditions Australia and New Zealand have seen in years. The conditions were particularly arduous for our publishing businesses and our results reflect that. Enormous work has been done to remediate the impact and this has helped recovery in the second half of the year.

I wish to acknowledge the tremendous efforts of the teams across APN and thank them for these achievements. Their commitment in often demanding circumstances has been first class.

KEY ACHIEVEMENTS

We have restructured the leadership teams and brought in motivated and talented people across the business. Appointments to my team include Warren Bright, CEO of Australian Regional Media and Matt Crockett, Chief Development Officer. Similarly, there are new high calibre appointments in the management teams in our radio, publishing and digital businesses. The appointment of new CEOs for Adshel and for The Radio Network will further rejuvenate our teams.

Our Outdoor businesses have delivered an impressive result, outperforming the market in all major categories in Australia and New Zealand as well as strong performances in Hong Kong and Indonesia.

We have been successful in winning important new contracts and renewing others. We acquired OGGI Billboards in New Zealand and continued to deliver innovative products, from digital billboards, to free wireless internet on buses, to street furniture and posters that interact with smart phones.

Radio is gaining traction. The refreshed approach to programming, content, yield management and digital is all starting to pay off. Ratings are steadily increasing. Our Australian Radio Network finished the year with Mix 102.1 as number one in Adelaide and 97.3 as number one in Brisbane. In New Zealand, The Radio Network operates the number one national network, Newstalk ZB and has three of the top five national networks with Newstalk ZB, Classic Hits and Coast.

As part of our remediation efforts, we conducted a comprehensive cost reduction program in our publishing businesses, delivering \$25 million in annualised savings. This included consolidating our printing operations, reducing 11 printing plants to eight.

We also made significant progress in rejuvenating our publishing business models. In Australian Regional Media, we have increased productivity in our commercial teams and improved efficiency in our editorial teams. We have introduced a digital first approach in two markets and we are redesigning all our print products.

In New Zealand, we have restructured the senior management team to pursue a multi-media approach and have established an integrated newsroom. The New Zealand Herald once again defied trends and delivered increases in circulation and readership, as well as growing overall audience across print, online and mobile. nzherald.co.nz was awarded Best New Zealand Website and has around 60% of the nation's total online audience.

APN has more than doubled its digital revenue over the last 12 months. Our new digital team has worked closely with the divisions to deliver a range of important digital achievements across the Company. We expect the lift in revenue and earnings momentum to continue.

Joint venture

In February 2012, we announced that APN has agreed to form a joint venture with Quadrant Private Equity to capitalise on opportunities in the outdoor sector.

TRANSFORMING APN

Critical to transforming APN is reshaping our portfolio of media assets to increase our exposure to high growth businesses.

In February 2012, we announced that APN has agreed to form a joint venture with Quadrant Private Equity to capitalise on opportunities in the outdoor sector.

Outdoor advertising is one of the fastest growing media sectors and APN is a leading outdoor player in this part of the world. The joint venture is an excellent opportunity to leverage APN's expertise and strong operational history into a well capitalised business that is able to rapidly grow. Opportunities include expansion in local markets, product innovation and investment in selected Asian markets. Quadrant Private Equity is a highly respected private equity group that will bring a strategic focus and investment capital to the business.

More modest, but strategically important, are our investments to build our portfolio of digital ventures. This included increasing our investment in GrabOne, taking a controlling position in CC Media and acquiring sports tipping platform Jimungo. Importantly, we also exited Eventfinder and Finda as they were inconsistent with our digital strategy. We will continue to make measured but strategic investments to expand our portfolio.

2012

We are anticipating the market conditions for 2012 to again be tough.

We will build on the progress made last year to continue to strengthen APN. This includes robust cost management in publishing, increasing our publishing audiences across all platforms, growing radio share above the market and continuing to ramp up our digital products and earnings.

Our journey to transform APN is underway. At all times, we will be looking to be innovative to bring the best we can to our audience and our clients and to pursue the best outcome for our shareholders.



A handwritten signature in white ink, appearing to read 'Brett Chenoweth', is placed over the bottom right portion of the portrait.

BRETT CHENOWETH
 Chief Executive Officer
 20 March 2012



**local
evolving
relevant**

We're all connected.
Daily Mercury

australian regional media



**Walkley Award
Winner 2011**
News Photography

Toowoomba Flood Rescue
taken by Neville Madsen,
the Toowoomba Chronicle.

APN appointed Warren Bright as CEO of Australian Regional Media in May 2011. Warren has strengthened his management team and made important changes to evolve the division's business model.

Australian Regional Media (ARM) connects with communities from Coffs Harbour to Mackay through its 12 daily newspapers, more than 56 non-daily newspapers and a digital regional news network of 29 web and mobile sites.

ARM's publications reach an audience of 1.2 million people each week in print and 1.1 million online and mobile users, offering the best coverage of local news and events. ARM's longstanding publications have excellent market positions and are strong cash generators for the Company.

The flourishing economic conditions in mining centres such as Mackay and Gladstone, where ARM publishes *The Daily Mercury* and *The Observer*, produced good financial results for the division. Unfortunately, many of our local communities were severely affected by widespread flooding and a significant downturn in the tourism industry. These factors, together with restrained levels of commerce being experienced elsewhere in Australia, had a significant net impact on the division's overall result. Revenue was down 5% and EBIT was down 27%.

In 2011, Warren and his team completed a detailed review of operations and evolved ARM's operating model to increase productivity in its commercial teams and improve efficiency in its editorial teams.

This included centralising ARM's advertising services bureau, which now produces the vast majority of creative work and prepress for each of the regional operations. Overall production headcount is down 24% and productivity per team member has improved by more than 30%.

Other changes included centralising the editorial production of each of the daily and non-daily newspapers at 'Centro', a sub-editing facility on the Sunshine Coast. This has improved both the quality and the efficiency of the sub-editing process.

Overall, the review delivered \$14 million in sustainable cost reductions that resulted in no net increase in costs in 2011. ARM expects comparable costs to fall 3% in 2012.

ARM is actively addressing the changing ways in which people consume media and is redesigning all its print products, sales and editorial processes. The new approach is aimed at ensuring all print, web and mobile products are considered an essential part of its audiences' daily lives. Advertising sales are made across all platforms in joint packages and journalists file copy for online as well as print.

In two centres, Tweed Heads and Coffs Harbour, ARM has adopted a 'digital first' approach with an emphasis on reporting breaking news via web and mobile sites, supported by print publications twice a week. Since the conversion at the start of 2012, website traffic has increased by more than 29% for each title and both business units are recording substantially better earnings compared to those for the prior year.

ARM's products and teams have received a number of awards throughout the year.

The *Observer* in Gladstone and the *Sunshine Coast Daily* were named *Newspaper of the Year* in their respective categories at the annual Pacific Area Newspaper Publishers Association (PANPA) Awards. Toowoomba Chronicle photographer Neville Madsen won the *News Photography* award at the 2011 Walkley Awards, placing him among the best news photographers in Australia.

ARM also had strong readership results. ARM's portfolio of publications reaches 69% of regional consumers within its markets and ARM has eight of the 10 fastest growing, year-on-year regional readership performances in northern NSW and Queensland. Our daily titles in Toowoomba, Fraser Coast and Gympie have strong double digit readership growth.*

* Roy Morgan Survey, September 2011

new zealand media

APN is New Zealand's leading publisher with a weekly brand audience of 2.6 million people. The New Zealand Media division's portfolio includes the best selling daily newspaper The New Zealand Herald, award-winning website nzherald.co.nz, national magazines the New Zealand Woman's Weekly and the New Zealand Listener, as well as regional newspapers.

The cumulative impact of challenging economic conditions, earthquakes and weak consumer confidence resulted in revenue for New Zealand Media (NZM) being down 3% and EBIT down 25% on a local currency basis.

To remediate, NZM undertook a comprehensive sustainable cost reduction program which delivered in excess of \$10 million in annualised savings. As a result, total costs were flat compared to 2010. Productivity gains were achieved with the completion of the centralised production of advertising in Auckland. Staffing in media services has reduced by 35% in the past three years.

During the year, NZM strengthened and restructured its management team with a multi-media focus. It established an integrated newsroom and appointed a single Editor-in-Chief across all Herald titles. It also launched its own news service, APNZ, in partnership with independent daily publishers following the closure of the New Zealand Press Association.

The New Zealand Herald continued to reach new milestones, building circulation and readership. Total audience is 1.3 million people each week in print and online.

In the 12 months to December 2011, circulation was up for both The New Zealand Herald and The Herald on Sunday.

The Herald portfolio has achieved the strongest circulation performance of any daily newspaper in Australia or New Zealand. This was driven by 5.3% growth in The New Zealand Herald subscriber base to almost 60% of baseline sales. The Herald on Sunday remains the most read Sunday newspaper in its market and continues to lead the commercially important Auckland region.

The digital development of NZM's news titles keeps growing. The Herald's apps for iPad, iPhone and Android smart phones attracted 179,171 visitors in December 2011 and more than 7 million page views. nzherald.co.nz reaches around 60% of the total online audience in New Zealand with high levels of engagement.

NZM's publications continue to receive critical acclaim with successes at national and international awards. The New Zealand Herald was awarded *Newspaper of the Year* and nzherald.co.nz won *Best New Zealand Website* at the Canon Media Awards 2011, marking the fourth consecutive year the Herald has won the newspaper award. Further

Canon Media Awards 2011

- The New Zealand Herald:**
- Newspaper of the Year
 - Best Daily Newspaper
 - Weekly Newspaper of the Year (Weekend Herald)
 - Best Website (nzherald.co.nz)

recognition included wins at the International Newsmedia Marketing Association (INMA) Awards, PANPA Awards and the International Webby Awards.

The Rugby World Cup provided strong commercial opportunities, with NZM producing 11 specialist magazines and one thousand extra pages published in the Herald during the 48 days of the tournament.

NZM has converted some of its regional daily newspapers from afternoon publications to morning tabloids. The Wairarapa Times-Age and the Oamaru Mail were both relaunched with a strong increase in advertising revenue and reader acceptance. Hawke's Bay Today will also convert to a morning title in the second quarter of 2012.

The expansion of the New Zealand Magazines portfolio now attracts more than 1 million unduplicated readers to its mass market weekly titles, New Zealand Woman's Weekly, New Idea and That's Life. The youth titles Crème and Girlfriend attract a further 231,000 unduplicated readers.

The New Zealand Herald

WORLD CHAMPIONS

SPECIAL EDITION

SWEET MERCII!



World champions – by one point. Victory sealed by 30 men for a stadium of four million.

The valiant All Blacks, led by 24-year-old captain Richie McCaw, stopped the South African side at Edenburg. Battered and bruised, McCaw hoisted the Webb Ellis Cup for a nation.

well into Labour Day. Some of his All Blacks, including hard man Brad Thorn, were in tears.

"I'm absolutely proud," said McCaw. After 12 months of gruelling preparation, 18 months who rallied the nation to support the All Blacks beyond

five-eighths, handled the children with aplomb. "Jeez, he was composed," beamed McCaw.

After 12 months of gruelling preparation, 18 months who rallied the nation to support the All Blacks beyond

PICTURES: PAUL ESTCOUGH

spearheading opinion

VICTORY CELEBRATION AT 23:30



**revitalised
building
momentum**

Final ratings 2011

- In the final surveys of 2011:**
- Mix 102.3 was #1 in Adelaide+
 - 97.3 was #1 in Brisbane+
 - Newstalk ZB was the #1 national network in New Zealand*
 - Newstalk ZB, Classic Hits and Coast were 3 of the top 5 national networks in New Zealand*

radio

APN operates two successful radio businesses, with a combined weekly audience of 5.4 million people across Australia and New Zealand.

AUSTRALIAN RADIO NETWORK

Australian Radio Network (ARN) operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane, reaching over 4 million listeners. It also operates The Edge 96.1FM in Sydney and Cruise 1323AM in Adelaide.

Over the past 18 months, CEO Ciaran Davis has appointed a new management team and revitalised ARN. This includes new programming and content underpinned by audience research, as well as attracting proven talent to host key breakfast and drive programs.

As a result, there have been steady improvements in ratings and more recently increases in advertising rates, overall revenues and market share. Momentum is building.

Total radio advertising in ARN's markets grew 0.9% over the prior year. At the same time, ARN increased revenue by 5% and EBIT by 5%, gaining

market share in both direct and agency advertising. This growth was particularly strong in the last quarter and has continued into 2012.

ARN's goal is to be the number one network for its target audience of listeners aged 25-54 years in all of its markets. Highlights from the final survey of 2011* include:

- ARN improved to number one in 25-54 listeners in Adelaide and number two in all other markets;
- Mix 102.3 was number one in Adelaide and 97.3 was number one in Brisbane; and
- market share in 25-54 listeners was the highest since 2008.

This trajectory has continued into the new year.

Fresh programming initiatives have helped build audience across the day, offering greater reach for advertisers. This included launching the 3pm Pick-Up, targeting mothers on the school run. The show attracted a strong audience and opened up a new opportunity for fast moving consumer goods clients. Consequently, this timeslot now attracts a high demand from advertisers attracted to this key audience segment.

ARN is continually looking at digital product innovation opportunities. In 2011, ARN launched Chemist Warehouse

Mix 90s, a digital radio station broadcasting in every Chemist Warehouse store. ARN's smart phone apps were downloaded 690,000 times, increasing its broadcasting reach through this new channel.

THE RADIO NETWORK

In New Zealand, The Radio Network (TRN) has eight radio networks which are some of New Zealand's largest and most popular stations. Overall, TRN has 45% share of listeners aged 10+ years.*

Newstalk ZB is the number one network, holding the largest 10+ national audience share.* For the first time, Newstalk ZB was number one in Auckland, Wellington and Christchurch at the same time during 2011.

TRN also has three of the top five national networks, being Newstalk ZB, Classic Hits and Coast, giving it the greatest share of 10+ audience in New Zealand.*

In 2011, the New Zealand radio market achieved solid growth of 2% in challenging economic conditions. TRN revenues outgrew the market, achieving 4% revenue growth in local currency terms.

In 2011, Newstalk ZB added a FM simulcast in six new markets. The station is now on both FM and AM in eight major

markets, including Auckland, Wellington and Christchurch. The transition was immediately successful, growing the audience and strengthening its reach to a younger demographic.

TRN has a comprehensive digital strategy with high levels of engagement between its talent, stations and audience (over 200,000 social media connections). Over the past 12 months, TRN has made significant investments in digital platforms and capabilities.

The network re-launched its eight websites, with improved interactivity and greater social media utilisation. The number of unique browsers increased 21% and online revenue grew 38%. TRN also released smart phone apps for its premium brands: Newstalk ZB, Classic Hits, ZM and Hauraki and there have been 67,000 downloads to date.

TRN's immediate imperative is to build on its current momentum with improved ratings and market share, as well as grow digital revenues.

ARN and TRN are a joint venture between APN and Clear Channel International.

* Nielsen Radio Ratings. Survey 8, 2011
* Research International: National Database 2/2011 Monday-Sunday 12mn-12mn

outdoor

Australian outdoor advertising revenues have grown 91% since 2002 for the industry as a whole. APN has been a driving force behind that growth and is a market leader in Australia and New Zealand.

During the year, APN conducted a strategic review of the opportunities to expand its position in outdoor and in February 2012, APN announced a joint venture with Quadrant Private Equity to capitalise on the strong growth prospects of the sector.

The outdoor advertising market is one of the fastest growing media sectors. Product innovation, particularly digital and interactive products, will continue to increase engagement with audiences and outcomes for advertisers. MOVE, the outdoor industry-wide audience measurement system, is expected to continue to propel interest with improved accountability to advertisers and media buyers. Most important is APN Outdoor's operational expertise, reflected in ongoing and impressive growth against all of its key financial metrics.

In 2011, the outdoor sector was up in all of APN's markets. APN Outdoor produced an exceptional result, increasing revenue by 13% and EBIT by 33% on a local currency basis.

In Australia, APN Outdoor outperformed the market across all major categories, being billboards, posters, street furniture and transit. The division won a number of significant

new contracts, including the Department of Transport and Main Roads (Qld), external signage for Top Ryde Shopping Centre and Perth Airport's internal signage, and was successful in renewing others, including WA Buses and Perth Airport's external signage. In Melbourne, Adshel won the Yarra Trams street furniture contract, securing its position as a leading street furniture supplier in Australia and New Zealand.

APN Outdoor continues to pursue digital innovation opportunities. For example, APN Outdoor rolled out sponsored Wi-Fi on Melbourne trams. In 2012, it partnered with Woolworths to create virtual supermarkets in prominent train stations, where customers could scan images of products and arrange payment and delivery using their smart phones. In the first half of 2012, APN Outdoor will install Brisbane's first digital billboard.

Adshel also took advantage of digital opportunities, building on its interactive Create initiative, where consumers use their mobile devices to access additional information about an advertiser's product through digitally-enabled street furniture panels.

APN outdoor joint venture

Key aspects of the APN and Quadrant Private Equity joint venture:

- Incorporates APN's wholly-owned outdoor businesses and the 50% interest in Rainbow Premium Outdoor, Indonesia
- Ownership will be 50% APN and 50% Quadrant Private Equity
- To be led by the current APN Outdoor management team
- APN Outdoor joint venture will be well capitalised to drive further innovation and growth

In New Zealand, APN Outdoor returned impressive results, with the Rugby World Cup providing good promotional opportunities for clients. In 2011, APN acquired OGGI billboards and increased market share over the year. APN Outdoor successfully integrated more than 100 new sites into its inventory, predominantly in Auckland.

In Hong Kong, APN is the leading billboard provider and the sole contractor for advertising on buses on Hong Kong Island. A strong outcome from the banking, finance and telecommunication sectors helped deliver good advertising growth, up 21% in local currency terms, with solid forward bookings into 2012. APN's Webus initiative, providing free wireless internet to commuters, has also been very successful in that market. The Indonesian market also produced good revenue growth, up 12% in local currency terms.



**innovative
outperforming**



strategic
accelerating

digital

APN believes the digital media industry is entering an exciting phase in its development, where substantial value will be created. APN is approaching this opportunity by making measured but significant investments across a portfolio of digital businesses in areas where value is emerging.

During 2011, APN invested to accelerate its digital capabilities and as a result it has built significant digital revenue and earnings momentum.

APN's new digital team is implementing a digital strategy with a dual approach.

Firstly, APN is expanding digital capabilities in existing assets, with a focus on mobile, video, social, ad product and data analytics. Initiatives are being developed by the divisions with expert support from a centralised digital team. This allows APN to drive this innovation in a coordinated, cost effective and customer-responsive way.

The team has made a strong contribution to digital achievements, which has resulted in APN more than doubling its group-wide digital revenues to \$33.7 million in 2011. Examples include the launch of 27 regional mobile sites and rapidly growing video audience (up 66%) and video advertising (up 100%) on nzherald.co.nz.

Secondly, APN is continuing to build a portfolio of high growth digital ventures, working in partnership with entrepreneurs.

In 2011, APN expanded its digital ventures portfolio by increasing its investment in GrabOne to 75%, taking a controlling position in CC Media and acquiring the online sports tipping platform Jimungo. APN also invested with digital incubator Pollenizer to explore new digital opportunities alongside APN's existing media assets. This includes a seed investment with Friendorse, a neighbourhood based community recommendations site for local businesses.

APN also exited digital ventures Eventfinder and Finda as they were inconsistent with ongoing strategy. APN continues to use the digital platform developed for Finda to underpin its regional websites.

Overall, the digital ventures portfolio has performed well during the year, particularly GrabOne and CC Media, which are now both profitable.

GrabOne is the largest online daily deal site in New Zealand with approximately 70% market share. In 2011, GrabOne sold more than 2.1 million coupons valued at \$51 million and more than doubled its revenues between the first and second half of the year.

Expanding our portfolio

APN is continuing to build a portfolio of high growth digital ventures, working in partnership with entrepreneurs. During 2011, we expanded the portfolio with strategic investments including GrabOne, CC Media and Jimungo.

Over the last 12 months, GrabOne has expanded rapidly from one deal per day in Auckland, to more than 100 deals per day in three countries and 23 regions. GrabOne has created seven verticals, such as GrabOne Escapes and GrabOne Home and Gardens, and launched GrabOne Instant.

CC Media is Australia's leading online retail advertising network. Its iNC digital distribution network reaches around 6 million unique viewers per month and for the 2011 Christmas period CC Media delivered more than 2.2 million digital catalogues for retailers.

corporate social responsibility

APN is actively involved with the communities in which it operates.

DISASTER RELIEF

The integral role that APN's media assets play in their regions was particularly highlighted during the natural disasters in 2011.

In the aftermath of the February 2011 earthquake in Christchurch, our local newspaper, The Star, became a vital link for a city that was without power. Immediately, it was converted to a free daily, providing extensive earthquake coverage and information on emergency services. Our local radio stations, particularly Newstalk ZB, were also a critical source of information. In the week following the earthquake, more people came to nzherald.co.nz than to any other New Zealand news website.

The experiences in flood-affected areas of Rockhampton, Gympie, Toowoomba and Ipswich were similar. Our offices, newspapers and websites were an essential and trusted source of reliable, up-to-date local emergency information. The local teams went to extraordinary efforts to ensure newspapers and websites were published, emphasising their deep ties to the local communities.

We also played our part in tangible ways.

Following the Christchurch earthquakes in September 2010 and February 2011, APN significantly contributed to the community's recovery fundraising activity. New Zealand Media published commemorative titles, which facilitated donations of NZ\$300,000 (2010) and NZ\$178,000 (2011) to the Christchurch Earthquake Appeal. Another NZ\$68,000 was raised by an online art auction run by sella.co.nz. Together with APN's donation of \$100,000 (2010), total financial assistance to the Christchurch Appeal Fund amounted to NZ\$646,000.

In addition, The Radio Network ran two successful fundraising campaigns following the February earthquake. Firstly, ZM ran the first "Tweetathon" in New Zealand, a unique appeal utilising Twitter and a video online stream supported by on-air activity. The appeal raised NZ\$259,000 in 24 hours and over NZ\$750,000 by the end of a week. Secondly, Radio Sport organised an auction of sports memorabilia from New Zealand's sporting stars. The auction generated over NZ\$330,000.

After the 2010/2011 floods in Queensland, our Australian Regional Media publications helped to raise funds to support

local communities re-establish their homes and businesses. The Queensland Times and the Rockhampton Morning Bulletin assisted the local mayors launch their respective Flood Appeals and provided ongoing coverage to encourage greater community participation. The Ipswich Mayor's Flood Appeal raised over \$1 million and the Rockhampton Lady Mayor's Flood Appeal, which was chaired by the General Manager of the Rockhampton Morning Bulletin, raised over \$450,000. Australian Regional Media also produced a glossy publication across its mastheads to commemorate the floods.

CHARITY

APN provided advertising support for a wide variety of national and local charities, including the Starship Foundation, the Leukemia Foundation, World Vision, Red Cross, Beyond Blue, the Cerebral Palsy Alliance, Mission Australia and Ronald McDonald House.

The New Zealand Herald worked with the charity 'KidsCan' to publish a high profile news campaign focusing on providing breakfast to children who arrive at school underfed. The campaign resulted in over 1,500 new sponsorships of NZ\$15 a month for some of New Zealand's most underprivileged children to be served breakfast at their schools. Further, the 'At Home with the Herald' initiative offered a year-long complimentary subscription to the newspaper (Monday-Friday) delivered to the home of every student of 25 selected disadvantaged schools in the Auckland region, aiming to promote literacy skills. Over 2 million newspapers were delivered through this initiative.

COMMUNITY

Our businesses take pride in promoting the development and debate of key issues in our communities. The New Zealand Herald hosts the annual 'Mood of the Boardroom' breakfast for CEOs, announcing the results of a survey canvassing business and policy issues, as well as the 'Project Auckland' lunch with key business leaders. The New Zealand Herald supports the Sir Peter Blake Trust including publication of the Sir Peter Blake Trust's annual 'Leadership Magazine', and is a sponsor of the Trans Tasman Business Circle and the Auckland Chamber of

Commerce Business Awards. The New Zealand Herald also runs an annual national 'Future Stars of Sport' program, which honours up-and-coming sports achievers. The program's award winners receive financial assistance and promotion of their media profiles.

In addition, The New Zealand Herald also assisted the Society for Prevention of Cruelty to Animals in finding homes for abandoned pets through newspaper coverage. Unprecedented adoption rates at peak times during 2011 occurred as a result.

The Radio Network held its Special Children's Christmas Party, enlisting the sponsorship of local businesses in New Zealand to provide an unforgettable experience for disabled and disadvantaged children in the community.

APN Outdoor's 'Think Sustainability' program continued to improve the division's environmental contributions. In 2011, APN Outdoor implemented new programs to progress waste management and further reduce energy consumption.

ARTS

In New Zealand, APN supports a wide variety of cultural organisations and events. In 2011, these included the Auckland Philharmonic Orchestra, the Auckland Writers and Readers Festival, the Royal New Zealand Ballet, the New Zealand Symphony Orchestra and the New Zealand International Arts Festival.

In Australia, APN Outdoor is a sponsor of iconic outdoor events such as the St. George Open Air Cinema, the Sydney Festival and the Adelaide Festival. APN proudly supported the Australian Chamber Orchestra, the Art Gallery of New South Wales, the Sydney Opera House and the Australian Ballet.

people and culture

Talent development and employee engagement are fundamental to the successful operation and future direction of APN. The Company made a number of significant investments in its people during 2011.

EMPLOYEE ASSISTANCE PROGRAM

The Employee Assistance Program, which offers APN employees access to free confidential counselling services, was especially important following the 2011 natural disasters. In New Zealand, additional counselling sessions, as well as group sessions, were made available to all affected print and publishing staff. In Australia, the program was extended to include employee self-referrals to attend special counselling sessions.

FAST TRACK PROGRAM

APN's Fast Track Program offers a small number of talented individuals with three to 10 years' professional experience the opportunity to work in a range of APN's newspaper, radio, digital and outdoor businesses over a two year period. The program is designed to give the participants exposure to a variety of media businesses and projects, while the businesses benefit from their capabilities, capacity and enthusiasm.

The first intake successfully completed their initial year of the Fast Track Program in April 2011 and in August we welcomed a second cohort of motivated individuals to APN. At the conclusion of the program, these people will move into key roles across the Company.

TALENT DEVELOPMENT

APN conducted an organisation-wide review of its high performing employees and identified around 250 people (6% of APN's employees) as having current or potential leadership qualities. APN then agreed development plans with them as part of a succession planning process. 24 of these people were offered the opportunity to participate in APN's Executive Leadership Development Program (ELDP), a program run in collaboration with the Queensland University of Technology. The ELDP aims to strengthen leadership capability through residential sessions, ongoing group tasks and mentoring, equipping them to contribute to the achievement of APN's strategic objectives.

SALES DEVELOPMENT PROGRAM

APN rolled out its Sales Development Program across key parts of its Australian Regional Media and New Zealand Media divisions. This program gives participating sales teams the opportunity to further their skills on the job, while working towards a nationally recognised Certificate IV in Business Sales. The program is eligible for funding rebates. Participants are trained in a number of key areas including improved knowledge and skills around digital products.

five year financial history

APN News & Media Limited and Controlled Entities

	2011 \$'m	2010 \$'m	2009 \$'m	2008 \$'m	2007 \$'m
Income Statement					
Revenue from continuing operations	1,072	1,059	1,031	1,226	1,315
EBITDA ⁽¹⁾	209	244	230	320	361
EBIT ⁽²⁾	171	205	189	279	324
Adjusted net profit ⁽³⁾	78	103	94	143	169
Statutory net profit	(45)	94	93	(24)	167
Balance Sheet					
Equity excluding non-controlling interests	879	962	933	816	1,032
Total assets	1,998	2,163	2,203	2,323	2,581
Total borrowings	661	720	783	968	941
Statistical Analysis					
EBITDA/total revenue	19.5%	23.1%	22.3%	26.1%	27.5%
Bank borrowings/EBITDA	3.2	3.0	3.4	3.0	2.6
Interest cover based on EBITDA (times)	3.7	4.9	4.5	4.2	5.7
Earnings per share – basic (cents) ⁽⁴⁾	12.6	17.2	17.0	28.3	33.8
– diluted (cents) ⁽⁴⁾	12.6	17.2	17.0	28.3	32.9
Dividend per share (cents)	8.5	12.0	4.0	22.5	31.5
Dividend payout ratio ⁽⁵⁾	67%	70%	25%	79%	92%
No. of shares on issue ('000)	630,211	606,084	595,312	490,413	489,124
No. of shareholders	9,419	9,891	11,138	11,593	12,734
Market capitalisation (\$'m)	447	1,176	1,381	1,216	2,578
Market price per share at 31 December	\$0.71	\$1.94	\$2.32	\$2.48	\$5.27

(1) Profit from continuing operations before exceptional items, interest, tax, depreciation and amortisation. Based on segment reporting.

(2) Profit from continuing operations before exceptional items, interest and tax. Based on segment reporting.

(3) Net profit after tax from continuing operations before exceptional items.

(4) Earnings per share are before exceptional items and discontinued operations and have been restated for prior years for the bonus element of the pro-rata entitlement offer in 2009.

(5) Before exceptional items.

Notice is hereby given that the Annual General Meeting of members of APN News & Media Limited will be held at the Four Seasons Hotel, 199 George Street, Sydney NSW 2000 on Wednesday, 2 May 2012 at 11am.

corporate directory

APN NEWS & MEDIA LIMITED ABN 95 008 637 643

Directors

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

Secretary

Y Lamont

Registered office

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Share registry

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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
National Australia Bank
RBS
Westpac Banking Corporation

RELATIONSHIP OF THE SHAREHOLDER REVIEW TO THE FULL FINANCIAL REPORT

The Shareholder Review is an extract from the Annual Report for the year ended 31 December 2011. The financial information and specific disclosures included in the Shareholder Review have been derived from the Annual Report.

The Shareholder Review cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of APN News & Media Limited and its subsidiaries as the Annual Report. Further financial information can be obtained from the Annual Report.

The Annual Report will be sent to members on request, free of charge.

To request a copy, please call:
(Australia) 1300 553 550
(New Zealand) 09 375 5998
(International) +61 2 8280 7142

Alternatively, the Annual Report and the Shareholder Review are on www.apn.com.au

APN News & Media Limited is a company limited by shares, incorporated and domiciled in Australia and is listed on both the ASX and NZX.

