



MARKET ANNOUNCEMENT

APN 2012 TRADING UPDATE

Key Points

- Advertising markets weaker in H2, APN publishing revenue down 10% in H2
- Publishing cost initiatives generate \$25 million of savings in 2012 with another \$25 million reduction expected in 2013
- Strong management focus on cash generation to reduce borrowings, product innovation and sales transformation in all businesses
- Australian Radio Network and Adshel perform well ahead of market
- New Zealand Strategic Review complete
- EBITDA (pre-exceptionals) expected to be \$150-\$155 million for 2012
- NPAT (pre-exceptionals) expected to be \$51-\$54 million for 2012, including dilution of APN Outdoor and impact of tax thin capitalisation rules

Sydney, 13 December 2012 - APN News & Media Limited (ASX, NZX: APN) today issued a trading update across its Australian and New Zealand business divisions.

At the half year results, APN advised H2 NPAT would be impacted by the deterioration of publishing revenue in Australia. Publishing in both Australia and New Zealand has seen weaker market conditions than in H1, with APN's publishing revenue in H2 down by 10%. Cost savings have offset some of this decline. Publishing cost initiatives have generated \$25 million of savings in 2012 with another \$25 million reduction expected in 2013. Publishing EBITDA is expected to be \$84-\$87 million for 2012.

Australian Radio Network, Adshel and GrabOne continue to outperform and EBITDA for APN's non-publishing businesses is in keeping with expectations.

APN's total EBITDA (pre-exceptionals and including share of associates) is expected to be \$150-\$155 million for 2012.

APN also advised that NPAT would be diluted by \$8 million following the formation of the APN Outdoor joint venture. In addition, the decline in masthead values has an effect on APN's ability to deduct interest for tax purposes. Pursuant to the thin capitalisation rules, the amount of debt upon which interest can be claimed is linked to the value of APN's assets. As the mastheads have declined in value the amount of

interest that may be claimed for tax purposes has also declined. This non-cash adjustment is expected to increase APN's tax expense by \$5-8 million in 2012.

As a result, NPAT (pre-exceptionals) is expected to be \$51-\$54 million for 2012.

Commenting on the market conditions APN Chief Executive Officer, Brett Chenoweth said: "In a year of tough advertising markets, Australian Radio Network, Adshel and GrabOne have consistently outperformed the market. In contrast, our publishing businesses have felt the full force of the market downturn in both Australia and New Zealand. Conditions in H2 have been more challenging than H1 with extremely short bookings and we have not seen the usual seasonal uplift in revenues."

"We are proactively managing the levers within our control including cash management, product innovation, sales transformation and cost reduction. While these initiatives will deliver a substantial contribution, the weak advertising markets have had a negative impact on APN's publishing results in Australia and New Zealand."

Australian Regional Media

Australian Regional Media (ARM) has been substantially impacted by the slow-down in the Queensland mining industry and the decline of federal and state government advertising in Queensland. ARM's employment and national advertising revenues have fallen significantly as a result. With the exception of government advertising, ARM's national advertising is ahead of prior year.

ARM's results at a local level have been encouraging. ARM's real estate market share has increased in key regions despite a softening market. While results are down overall, eight of the fourteen key ARM regions are ahead year on year in local retail advertising with another two less than 5% down. Ten of fourteen regions are ahead on motoring revenues.

Overall, ARM's advertising revenues are expected to be down 9% for the year. This excludes Coffs Harbour and Tweed, which adopted a digital first approach a year ago. This innovative model has led to a smaller more profitable business. Although the revenue base is lower the combined EBITDA of the sites is \$1.7m ahead of the prior year.

Given the decline in revenues there has been a concerted focus on cost reduction. This has not been able to offset the advertising declines and second half EBITDA will be down on the first half result.

New Zealand Media

In New Zealand Media (NZM), advertising revenues are expected to be down 9% for 2012, with the majority of the shortfall attributable to display and employment advertising declines. Some of this decline is due to the comparison of the Rugby World Cup in 2011.

NZM has made substantial progress in its dual strategy of rejuvenation and cost reduction to stabilise earnings. The relaunch of the weekday New Zealand Herald as a compact in September 2012 was been positively received by advertisers and readers, with increased subscriber conversions and lower churn.

While NZM has not seen the second half seasonality of prior years, recent weeks have seen more positive trends emerge. EBITDA will be up on the first half.

Radio

The Australian radio market decreased 1% in H1 and 2% in H2, with a particularly weak September, down 8%. The market remains very short term.

Notwithstanding the difficult market, Australian Radio Network (ARN) continues to outperform with year to date market share up 7% on 2011, representing a 5% increase in revenue. In November alone, revenue was up 10% on prior year. ARN has now had 2 years in a row of revenue growth exceeding the market. This revenue growth is a result of improved trading and yield practices combined with listener ratings growth across the network.

ARN has delivered a strong finish to the year in terms of ratings. In the final survey for 2012, 97.3FM in Brisbane and Mix 102.3 in Adelaide are both #1 radio stations in their markets. The Melbourne stations delivered the best results for over 5 years. ARN's total audience aged 24-54 years in 2012 is the highest it has been in over five years.

In New Zealand, the radio market has been volatile but is largely flat year to date. The Radio Network (TRN) year to date revenue is 2% down on last year. Jane Hastings has recently commenced as CEO and is already driving a programme of change to reposition the business.

ARN and TRN will launch the highly successful iHeart digital radio platform in Australia and New Zealand in 2013.

Outdoor

The outdoor market was very strong in Q3, up 6.5% for the quarter, but has weakened considerably in Q4.

APN Outdoor is continuing to invest in large format digital billboards, having recently received permission to establish another two in Brisbane. In H2, APN Outdoor has regained the market share that it lost in the first half of the year.

Adshel continues to outperform with year to date market share over 3 share points higher than the prior year in Australia and over 5 share points higher in New Zealand. It is expected that EBITDA for Adshel will be up 25% for the full year.

Digital

GrabOne in New Zealand continues to increase revenue and earnings month on month and is on track to contribute \$4 million in EBITDA in 2012.

CC Media is delivering strong year on year revenue and EBITDA growth and is continuing to broaden and build its customer base in both Australia and New Zealand.

brandsExclusive is growing strongly. It has more than 2.2 million members, with approximately 90,000 new members joining each month. Key growth initiatives delivered in H2 include launching brandsExclusive in New Zealand and introducing the operational capability to allow consumers to buy from multiple sales in a single transaction, a first in Australia. brandsExclusive recently won the Deloitte Technology Fast 50 Award for the fastest annual revenue growth of a public or private technology company in Australia over the last

three years. This business is well positioned to deliver a meaningful contribution to APN's financial results in 2013.

New Zealand Strategic Review

The strategic review of APN's assets in New Zealand is complete. APN held discussions with a number of parties to explore strategic options and industry consolidation opportunities for its New Zealand businesses.

Following the review, APN has decided to streamline its publishing portfolio with the sale of APN's regional publishing businesses in Christchurch, Oamaru and Wellington, which have received substantial buyer interest.

Brett Chenoweth said: "Our primary objective for this review was to maximise shareholder value. Many of the opportunities we considered have not been pursued as they failed this basic test. We have many of the best media assets in the country and if new partnerships or structures do not add value we will not pursue them."

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For further information:

Peter Brookes, Citadel, +61 407 911 389