

APN Outdoor Group Limited
Appendix 4D
Half year report

1. Company details

| | |
|-------------------|--------------------------------------|
| Name of entity: | APN Outdoor Group Limited |
| ABN: | 57155848589 |
| Reporting period: | For the half year ended 30 June 2017 |
| Previous period: | For the half year ended 30 June 2016 |

2. Results for announcement to the market

| | | | | \$'000 |
|---|------|-------|----|---------------|
| Revenues from ordinary activities | up | 7.8% | to | 162,276 |
| Profit from ordinary activities after tax attributable to the owners of APN Outdoor Group Limited | down | 19.3% | to | 15,759 |
| Profit for the half year attributable to the owners of APN Outdoor Group Limited | down | 19.3% | to | 15,759 |

Comments

The profit for the Group after providing for income tax amounted to \$15,759,000 (30 June 2016: \$19,527,000).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>3.93</u> | <u>7.65</u> |

4. Dividends

Current period

On 21 April 2017, APN Outdoor Group Limited paid a final, fully franked dividend of 12.5 cents per share (\$20,826,817) for the year ended December 2016.

Declared dividend

On 21 August 2017, the Board declared the payment of an interim, fully franked dividend of 6.7 cents per share (\$11,163,172). Declared dividends on ordinary shares are not recognised as a liability as at 30 June 2017. This dividend will be paid on 22 September 2017.

5. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half year report.

6. Attachments

The Half year report of APN Outdoor Group Limited for the half year ended 30 June 2017 is attached.

APN Outdoor Group Limited

ABN 57155848589

Half year report - 30 June 2017

APN Outdoor Group Limited
Corporate directory
30 June 2017

| | |
|-----------------------------|--|
| Directors | Doug Flynn Independent non-executive Chairman Pat O'Sullivan Independent non-executive Director Lisa Chung Independent non-executive Director Jack Matthews Independent non-executive Director Richard Herring Chief Executive Officer and Executive Director |
| Company secretary | Wayne Castle |
| Registered office | Level 4 33 Saunders Street Pyrmont NSW 2009 |
| Principal place of business | Level 4 33 Saunders Street Pyrmont NSW 2009 |
| Share register | Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Share registry telephone: 1300 554 474 |
| Auditor | PricewaterhouseCoopers One International Towers Sydney Watermans Quay Barangaroo NSW 2000 |
| Bankers | Commonwealth Bank of Australia Westpac Banking Corporation Bank of China ASB Bank Limited |
| Investor & Media Relations | Market Eye Level 2 92 Pitt Street Sydney NSW 2000 |
| Stock exchange listing | APN Outdoor Group Limited shares are listed on the Australian Securities Exchange (ASX code: APO) |
| Website | http://investors.apnoutdoorcorporate.com/ |

APN Outdoor Group Limited
Directors' report
30 June 2017

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of APN Outdoor Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 30 June 2017.

Directors

The following persons were Directors of APN Outdoor Group Limited during the whole of the financial half year and up to the date of this report, unless otherwise stated:

Doug Flynn - Chairman
Pat O'Sullivan
Lisa Chung
Jack Matthews
Richard Herring

Principal activities

During the period the principal continuing activities of the Group consisted of the provision of advertising services.

Review of operations

The profit for the Group after providing for income tax amounted to \$15,759,000 (30 June 2016: \$19,527,000).

A review of operations of the Group is set out in pages 4 to 9.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half year.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' Report.

Events after the reporting period

Refinancing of debt facility

In August 2017, the Company received credit approved signed commitment letters from all members of a new \$200m syndicated debt facility agreement comprising a three year \$125m facility and a five year \$75m facility.

We are currently in the process of completing formal documentation which is expected to be finalised by the end of August 2017. APN Outdoor is pleased to welcome Bank of China as a member of the banking group in addition to our long term partners CBA and Westpac.

The effect of the debt refinancing when complete will be to reclassify APN Outdoor's debt to non-current subsequent to the reporting date and restore the Group to a net current asset position.

Resignation of Chief Executive Officer

On 2 August 2017, it was announced that Richard Herring was retiring from his role as CEO on 30 September 2017. The Board is progressing a formal process to appoint a new CEO, and an announcement will be made once this process is complete.

Richard's termination arrangements are consistent with his contractual requirements as disclosed in the Company's most recent Remuneration Report as contained in the 2016 Annual Report.

No other matter or circumstance has arisen since 30 June 2017 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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Doug Flynn
Chairman

21 August 2017
Sydney

Introduction and background

The Directors of APN Outdoor are pleased to present the Group's Operating and Financial Review (OFR) for the half year ended 30 June 2017 (1H17).

The OFR provides information for shareholders related to the strategy, financial performance and position of the business, capital management and key operational highlights for the period.

This OFR should be read with the accompanying financial report for the half year ended 30 June 2017.

Strategy and vision

Audience growth of Out-of-Home compared to other traditional media will continue to underpin industry growth.

APN Outdoor's strategy is focussed on 3 key pillars as summarised below:

Digital screens to continue driving growth

51 Elite Screens added last 18 months

24 more Elite Screens approved and to be commissioned in 2H17

Increased demand and awareness expected to drive future yield

Future growth supported by data | analytics | connectivity

Disciplined approach to ensure offerings meet needs of advertisers and agencies

Early days for Out-of-Home but evolving rapidly

Focus on launching new products to build on existing research and data initiatives

Continue to focus on the fundamentals

Focus on a portfolio of high quality contracts

Renewal of key existing contracts

Targeting new contracts

Audience driven digital conversions

Operational and financial highlights

The Board and management team continued with the implementation of APN Outdoor's key strategic initiatives with the following operational and financial highlights.

Highlights

Continued Large Format digital leadership

16 Elite Screens added in 1H17
 103 Elite Screens
 24 further Elite Screens to be added of which 6 commissioned since 30 June

Track record of Key contracts continues

3 key contracts successfully renewed - Tullamarine Freeway, Adelaide Buses and Sydney Buses
 Sydney Buses renewed on improved financial terms to APO
 Multi-year extension of PTA (Perth rail and billboards)

Expanded debt facility

Credit approved term sheets for new \$200m secured senior debt facility

Classic revenues resilient

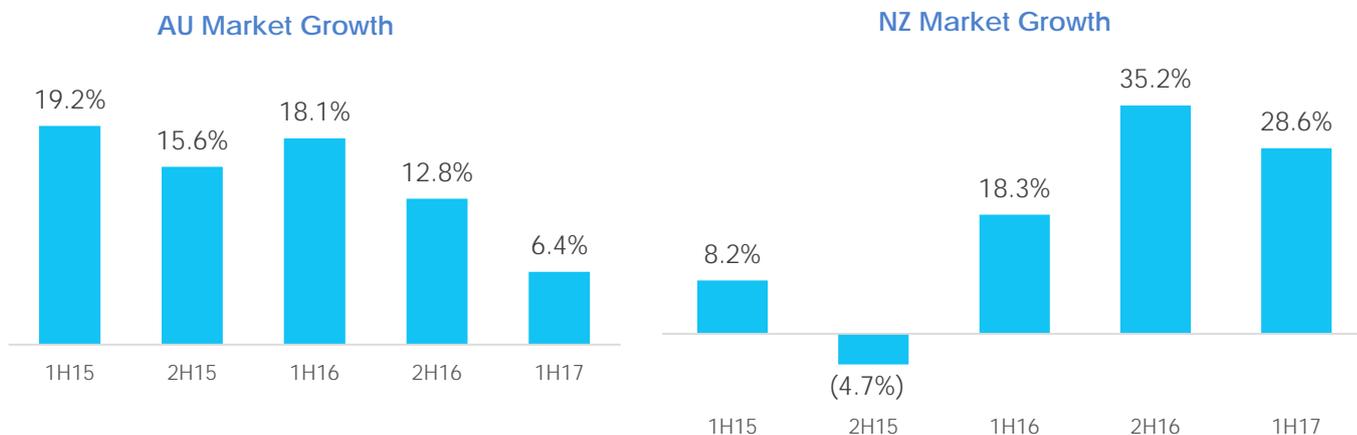
Classic revenues holding whilst digital revenues continue to grow
 Initiatives including increased marketing support restoring Transit to modest growth in 2Q

Financial highlights²

| | | |
|--------------------------------|---|-----------------------------|
| Revenue | ↑ | 8% to \$162.3m |
| Underlying EBITDA ¹ | ↑ | 7% to \$37.2m |
| Underlying NPATA ¹ | ↑ | 4% to \$21.4m |
| Statutory NPAT | ↓ | 19% to \$15.8m (after NRIs) |
| Leverage | | 1.1x Underlying LTM EBITDA |

Note : (1) Underlying results before non-recurring items (NRIs)
 (2) Table shows 1H17 vs 1H16 movements

Market dynamics



Source: OMA and OMANZ
 Prior year market data has been restated for comparability

Revenues

Total 1H17 revenues comprising media and ancillary production and installation revenue, were up 8% to \$162.3m.

Total revenue growth over 1H17 was above that achieved by the Australian Out-of-Home media market due to particularly strong revenue growth in New Zealand for the period.

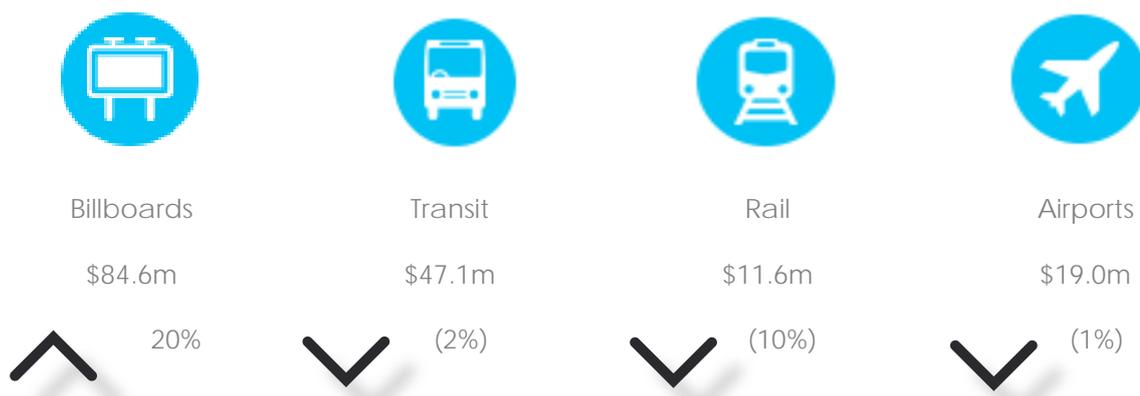
Australian media market growth moderated in 1H17 – up 6.4% against very strong prior comparative periods, as the market cycles higher historic comps and a growing base.

Industry fundamentals remain attractive with the Out-of-Home Australian market share of total media increasing from 4.6% in 2012 to 5.7% in 2016.

1H17 was the third consecutive period of high growth for the NZ market, with APN Outdoor’s revenues in New Zealand broadly tracking the market.

Pleasingly production and installation revenue held as Classic revenues came in broadly flat despite the continued expansion of digital screens.

Revenues by format

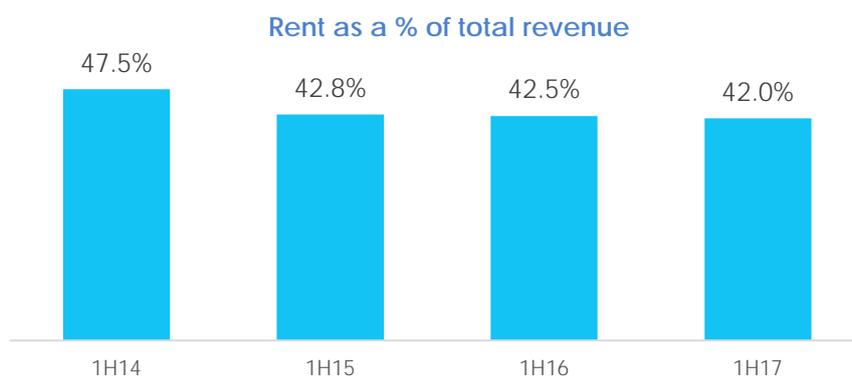


Billboards remained the strongest Out-of-Home format with Australian Roadside Billboard media revenues growing 14%. APN Outdoor's billboard revenue across Australia and New Zealand grew 20% to \$84.6m.

Transit and Airport revenues were broadly flat and Rail revenues declined 10% following a very strong 2016.

Gross margin and costs

Gross margin expanded by 30 basis points to 36.6% reflecting an 8% increase in revenue offset by a 7% increase in direct costs. A disciplined approach to contract management and renewals resulted in rent holding at 42% of revenue.



Overhead costs for 1H17 were up 12% largely due to additional people resources, with 17 new roles added over the past 18 months to support future growth initiatives. These roles increased costs in 1H17 by \$0.8m (~\$2m annualised).

One off costs were also incurred in relation to five major contract renewals that were being tendered. APN Outdoor has won 3 of these to date (Tullamarine Freeway, Adelaide Buses and Sydney Buses) with Sydney Buses being won on improved financial terms. The other two tenders are awaiting determination.

Reconciliation to statutory results

The 1H17 result included several non-recurring items excluded from the underlying results reported in this OFR.

A reconciliation between underlying NPAT and statutory NPAT is presented below:

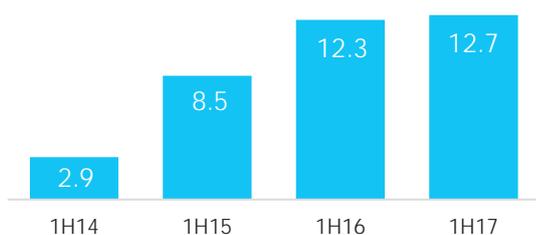
| \$m | 1H17 | 1H16 |
|----------------------------------|------------|----------|
| NPAT – underlying | 19.9 | 19.5 |
| Merger transaction costs | 3.4 | - |
| Impairment of assets | 2.2 | - |
| Gross non-recurring items | 5.6 | - |
| Tax on non-recurring items | (1.5) | - |
| Net non-recurring items | 4.1 | - |
| NPAT – statutory | 15.8 | 19.5 |

Capital Management

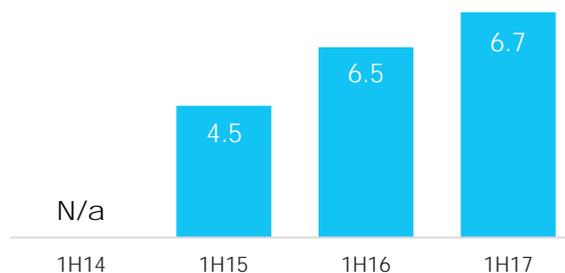
Continued returns to shareholders

APN Outdoor continues to provide sustainable growth and return for shareholders through a balanced approach to investment and shareholder distributions.

Underlying NPATA EPS (Diluted)



Dividends per share (cps)



TSR since listing
of 102%

- › Dividend payout ratio of 52% of NPATA
- › Fully franked interim dividend up 3% to 6.7cps for 1H17
- › 9th strongest TSR in comparator group¹ since IPO in 2014

Note : (1) Comparator group for LTI assessment comprises ASX/200 excluding financial and resource companies

Operating cash flows

| \$ millions | 1H17 | 1H16 | Change | Change |
|------------------------------------|-------------|--------|--------|--------|
| Underlying EBITDA ¹ | 37.2 | 34.8 | 2.4 | 7% |
| Working capital & non-cash items | 10.5 | 18.2 | (7.7) | (42%) |
| OCF before interest and tax | 47.7 | 53.0 | (5.3) | (10%) |
| Cash conversion ratio | 128% | 152% | | |
| Interest | (1.4) | (1.1) | (0.3) | 27% |
| Tax payments | (9.5) | (15.8) | (3.7) | 23% |
| Operating cash flow | 26.8 | 36.1 | (9.3) | (26%) |
| Capex and investments | (16.1) | (7.9) | (8.2) | 103% |
| Free cash flow before NRIs | 10.7 | 28.2 | (17.5) | (62%) |
| NRI's | (1.5) | - | | |
| Free cash flow after NRIs | 9.2 | 28.2 | (19.0) | (67%) |

Note: (1) Underlying results before non-recurring items (NRIs)

APN Outdoor Group Limited
Review of operations
30 June 2017

Cash conversion for the half was strong at 128% and was assisted by collections of seasonally high fourth quarter revenues.

Capex spend of \$16m reflected the acceleration of digital builds in 1H17 with 16 screens going live during the period. This followed a ramp up of digital deployment in the second half of 2016.

Refinancing of debt facility

In August 2017, the Company received credit approved signed commitment letters from all members of a new \$200m syndicated debt facility agreement comprising a three year \$125m facility and a five year \$75m facility.

We are currently in the process of completing formal documentation which is expected to be finalised by the end of August 2017. APN Outdoor is pleased to welcome Bank of China as a member of the banking group in addition to our long term partners CBA and Westpac.

The effect of the debt refinancing when complete will be to reclassify APN Outdoor's debt to non-current subsequent to the reporting date and restore the Group to a net current asset position.



Auditor's Independence Declaration

As lead auditor for the review of APN Outdoor Group Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of APN Outdoor Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Rod Dring', with a large, stylized flourish at the end.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
21 August 2017

APN Outdoor Group Limited

Contents

30 June 2017

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General information

The financial statements cover APN Outdoor Group Limited as a Group consisting of APN Outdoor Group Limited and the entities it controlled at the end of, or during, the half year. The financial statements are presented in Australian dollars, which is APN Outdoor Group Limited's functional and presentation currency.

APN Outdoor Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
33 Saunders Street
Pymont NSW 2009

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 21 August 2017.

Where necessary the Group presents reclassified comparative information where required for consistency with the current financial period's presentation.

APN Outdoor Group Limited
Statement of profit or loss and other comprehensive income
For the half year ended 30 June 2017

| | Note | Group June 2017 \$'000 | Group June 2016 \$'000 |
|--|------|------------------------------|------------------------------|
| Revenue | 3 | 162,276 | 150,556 |
| Expenses | | | |
| Raw materials and consumables used | | (3,820) | (3,219) |
| Sales and marketing | | (18,672) | (16,656) |
| Production and installation | | (8,076) | (8,678) |
| Employee benefits | | (17,232) | (15,815) |
| Rental of advertising space | | (68,232) | (63,974) |
| Depreciation and amortisation | | (7,336) | (5,408) |
| Costs associated with proposed merger | | (3,374) | - |
| Impairment of assets | | (2,185) | - |
| Finance expense | | (1,779) | (1,414) |
| Other expenses | | (9,075) | (7,453) |
| Total expenses | | <u>(139,781)</u> | <u>(122,617)</u> |
| Profit before income tax expense | | 22,495 | 27,939 |
| Income tax expense | | <u>(6,736)</u> | <u>(8,412)</u> |
| Profit after income tax expense for the half year attributable to the owners of APN Outdoor Group Limited | | 15,759 | 19,527 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Cash flow hedges transferred to profit or loss, net of tax | | 32 | 22 |
| Net change in the fair value of cash flow hedges taken to equity, net of tax | | - | (59) |
| Foreign currency translation, net of tax | | <u>(1,193)</u> | <u>503</u> |
| Other comprehensive income for the half year, net of tax | | <u>(1,161)</u> | <u>466</u> |
| Total comprehensive income for the half year attributable to the owners of APN Outdoor Group Limited | | <u>14,598</u> | <u>19,993</u> |
| | | Cents | Cents |
| Basic earnings per share | 7 | 9.46 | 11.72 |
| Diluted earnings per share | 7 | 9.42 | 11.68 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

APN Outdoor Group Limited
Statement of financial position
As at 30 June 2017

| | Note | Group June 2017 \$'000 | Group Dec 2016 \$'000 |
|---|------|------------------------------|-----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 11,243 | 18,977 |
| Trade and other receivables | | 57,057 | 69,213 |
| Inventories | | 1,152 | 716 |
| Prepayments | | 4,853 | 5,561 |
| Total current assets | | <u>74,305</u> | <u>94,467</u> |
| Non-current assets | | | |
| Investments accounted for using the equity method | | - | 678 |
| Property, plant and equipment | | 102,457 | 96,643 |
| Intangibles | | 256,800 | 256,445 |
| Deferred tax | | 76 | 387 |
| Other | | 2,750 | 2,750 |
| Total non-current assets | | <u>362,083</u> | <u>356,903</u> |
| Total assets | | <u>436,388</u> | <u>451,370</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 30,497 | 30,585 |
| Borrowings | 4 | 106,981 | - |
| Derivative financial instruments | | 25 | 44 |
| Income tax | | 694 | 12,595 |
| Employee benefits | | 2,636 | 2,556 |
| Provisions | | 2,327 | 1,975 |
| Other | | 1,163 | 1,870 |
| Total current liabilities | | <u>144,323</u> | <u>49,625</u> |
| Non-current liabilities | | | |
| Borrowings | 4 | - | 102,677 |
| Deferred tax | | 24,177 | 24,493 |
| Employee benefits | | 167 | 214 |
| Provisions | | 661 | 1,433 |
| Other | | 3,723 | 3,729 |
| Total non-current liabilities | | <u>28,728</u> | <u>132,546</u> |
| Total liabilities | | <u>173,051</u> | <u>182,171</u> |
| Net assets | | <u>263,337</u> | <u>269,199</u> |
| Equity | | | |
| Issued capital | | 222,334 | 222,334 |
| Reserves | | 4,775 | 5,569 |
| Retained profits | | <u>36,228</u> | <u>41,296</u> |
| Total equity | | <u>263,337</u> | <u>269,199</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

APN Outdoor Group Limited
Statement of changes in equity
For the half year ended 30 June 2017

| Group | Issued capital | Reserves | Retained profits | Total equity |
|--|-----------------------|-----------------|-------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2016 | 222,334 | 3,753 | 22,008 | 248,095 |
| Profit after income tax expense | - | - | 19,527 | 19,527 |
| Other comprehensive income, net of tax | - | 466 | - | 466 |
| Total comprehensive income for the half year | - | 466 | 19,527 | 19,993 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share base payment expense | - | 178 | - | 178 |
| Dividends paid (note 5) | - | - | (18,328) | (18,328) |
| Balance at 30 June 2016 | 222,334 | 4,397 | 23,207 | 249,938 |
| Group | Issued capital | Reserves | Retained profits | Total equity |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2017 | 222,334 | 5,569 | 41,296 | 269,199 |
| Profit after income tax expense | - | - | 15,759 | 15,759 |
| Other comprehensive income, net of tax | - | (1,161) | - | (1,161) |
| Total comprehensive income for the half year | - | (1,161) | 15,759 | 14,598 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share base payment expense | - | 367 | - | 367 |
| Dividends paid (note 5) | - | - | (20,827) | (20,827) |
| Balance at 30 June 2017 | 222,334 | 4,775 | 36,228 | 263,337 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

APN Outdoor Group Limited
Statement of cash flows
For the half year ended 30 June 2017

| | Note | Group June 2017 \$'000 | June 2016 \$'000 |
|---|-------------|---------------------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 171,890 | 161,206 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(125,644)</u> | <u>(108,283)</u> |
| | | 46,246 | 52,923 |
| Net interest and other finance costs paid | | (1,449) | (1,060) |
| Income taxes paid | | <u>(19,472)</u> | <u>(15,773)</u> |
| Net cash from operating activities | | <u>25,325</u> | <u>36,090</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (13,422) | (7,453) |
| Payments for intangibles | | <u>(2,671)</u> | <u>(478)</u> |
| Net cash used in investing activities | | <u>(16,093)</u> | <u>(7,931)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 28,690 | 17,500 |
| Repayment of borrowings | | (24,500) | (25,000) |
| Dividends paid | 5 | (20,827) | (18,328) |
| Borrowing costs paid | | <u>(265)</u> | <u>-</u> |
| Net cash used in financing activities | | <u>(16,902)</u> | <u>(25,828)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (7,670) | 2,331 |
| Cash and cash equivalents at the beginning of the financial half year | | 18,977 | 9,020 |
| Effects of exchange rate changes on cash and cash equivalents | | <u>(64)</u> | <u>14</u> |
| Cash and cash equivalents at the end of the financial half year | | <u>11,243</u> | <u>11,365</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half year reporting period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Presentation of borrowings at reporting date

As at 30 June 2017, and in accordance with accounting standards, external debt of \$107m has been classified as a current liability as it was due for renewal within 12 months following the reporting date. This balance sheet presentation results in a net current liability position of \$70m.

In August 2017 the Company received signed commitment letters for a new \$200m senior debt facility.

Refer to Note 6 Events after the Reporting Period for further information.

The effect of the debt refinancing when complete will be to reclassify APN Outdoor's debt to non-current subsequent to the reporting date and restore the Group to a net current asset position.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Note 1. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 15 Revenue from Contracts with Customers

Nature of change

AASB 15 was issued in October 2015.

This standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

Impact

The impact is not expected to be significant given current assessments by management, however it is expected that it will require some minor development of current reporting systems and processes. Market developments and any further guidance issued with respect to the Standard will continued to be monitored.

AASB 16 Leases

Nature of change

AASB 16 was issued in February 2016.

This standard requires certain lease arrangements to be recognised on the balance sheet.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Status of work plan

APN Outdoor has developed a work plan to assess the impact of the new standard. It is expected that the project will continue for the next 12 to 18 months given the complexity and volume of our leasing arrangements.

Note 1. Significant accounting policies (continued)

Impact

The standard will affect primarily the accounting for operating leases. At the reporting date APN Outdoor has a number of non-cancellable operating lease commitments which are accounted for as operating expenses.

To accommodate the new standard, APN Outdoor will likely need to undertake system developments to both its financial and internal workflow systems. These changes may include:

- Creating asset registers to record 'right-of-use' assets and calculate amortisation charges
- Determining interest amortisation on lease liabilities

Some of APN Outdoor's commitments may be covered by an exception for short-term and low-value leases which are not expected to be material to the Group's results. Some of the commitments may relate to arrangements that will not qualify as leases under AASB 16.

It is expected that AASB 16 will have a material impact on both the balance sheet and the financial results of the Group. Following the implementation of the new standard, APN Outdoor expects to report:

- Higher EBITDA (earnings before interest, depreciation, amortisation and tax) due to 'operating' lease costs being allocated to depreciation and interest, rather than to an 'above the line' expense
- Lower net profit in the early years of a lease due to front-end loaded expenses for interest and higher net profit in the latter years of a lease
- Higher net debt
- Increased reported assets

In accordance with its work plan, APN Outdoor is still in the process of reviewing its lease portfolio to determine which leases are within the scope of the standard. As a result the quantum of the impact is not able to be quantified at the date of this report.

Note 2. Operating segments

The Group operates in one market segment only being Out-of-Home advertising.

Revenues are generated by sales to external customers in Australia (2017: \$144.7m 2016: \$136.7m) and New Zealand (2017: \$17.5m 2016: \$13.9m). The geography is based upon the location of the advertising provided. No individual customer is material to the revenues reported.

Given the similar economic characteristics of the markets, products and customers, these businesses have been aggregated for the purposes of presentation of this report.

Note 3. Revenue

| | Group | |
|---------------------|------------------|------------------|
| | June 2017 | June 2016 |
| | \$'000 | \$'000 |
| Sales revenue | | |
| Advertising revenue | 162,231 | 150,454 |
| Other revenue | | |
| Sundry revenue | 45 | 102 |
| Revenue | <u>162,276</u> | <u>150,556</u> |

Note 4. Borrowings

Current liabilities

| | Group | |
|--------------------------------|---------------------|--------------------|
| | June 2017 \$'000 | Dec 2016 \$'000 |
| Bank loans - secured | 107,190 | - |
| Borrowing costs | (1,062) | - |
| Less: accumulated amortisation | 853 | - |
| | 106,981 | - |

Non-current liabilities

| | Group | |
|--------------------------------|---------------------|--------------------|
| | June 2017 \$'000 | Dec 2016 \$'000 |
| Bank loans - secured | - | 103,000 |
| Borrowing costs | - | (976) |
| Less: accumulated amortisation | - | 653 |
| | - | 102,677 |

Assets pledged as security

Under the current borrowing facilities the Group has provided security over all of its assets and undertakings.

Refer to Note 6 Events after the Reporting Period for further information about these facilities.

Note 5. Equity - dividends

On 21 April 2017 APN Outdoor Group Limited paid a final, fully franked dividend of 12.5 cents per share (\$20,826,817).

On 21 August 2017, the Board declared the payment of an interim, fully franked dividend of 6.7 cents per share (\$11,163,172). Declared dividends on ordinary shares are not recognised as a liability as at 30 June 2017. This dividend will be paid on 22 September 2017.

Previous period

On 22 April 2016, APN Outdoor Group Limited paid a final, fully franked dividend of 11.0 cents per share (\$18,327,596) for the year ended December 2015.

Note 6. Events after the Reporting Period

Refinancing of debt facility

In August 2017, the Company received credit approved signed commitment letters from all members of a new \$200m syndicated debt facility agreement comprising a three year \$125m facility and a five year \$75m facility.

We are currently in the process of completing formal documentation which is expected to be finalised by the end of August 2017. APN Outdoor is pleased to welcome Bank of China as a member of the banking group in addition to our long term partners CBA and Westpac.

The effect of the debt refinancing when complete will be to reclassify APN Outdoor's debt to non-current subsequent to the reporting date and restore the Group to a net current asset position.

Resignation of Chief Executive Officer

On 2 August 2017, it was announced that Richard Herring was retiring from his role as CEO on 30 September 2017. The Board is progressing a formal process to appoint a new CEO, and an announcement will be made once this process is complete.

Richard's termination arrangements are consistent with his contractual requirements as disclosed in the Company's most recent Remuneration Report as contained in the 2016 Annual Report.

No other matter or circumstance has arisen since 30 June 2017 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.

Note 7. Earnings per share

| | Group | |
|---|---------------------|---------------------|
| | June 2017 \$'000 | June 2016 \$'000 |
| Profit after income tax attributable to the owners of APN Outdoor Group Limited | 15,759 | 19,527 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 166,614,509 | 166,614,509 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options over ordinary shares | 622,379 | 548,082 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 167,236,888 | 167,162,591 |
| | Cents | Cents |
| Basic earnings per share | 9.46 | 11.72 |
| Diluted earnings per share | 9.42 | 11.68 |

APN Outdoor Group Limited
Directors' declaration
30 June 2017

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Doug Flynn
Chairman

21 August 2017
Sydney



Independent auditor's review report to the shareholders of APN Outdoor Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Outdoor Group Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other 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 Outdoor Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled 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 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 30 June 2017 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 Outdoor Group 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

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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 Outdoor Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Rod Dring' in a cursive script.

Rod Dring
Partner

Sydney
21 August 2017