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 2018
Previous period:	For the half year ended 30 June 2017

2. Results for announcement to the market

			$'000
Revenues from ordinary activities	up	4% to	168,374
Profit from ordinary activities after tax attributable to the owners of APN Outdoor Group Limited	up	13% to	17,805
Profit for the half year attributable to the owners of APN Outdoor Group Limited	up	13% to	17,805

Comments
The profit for the Group after providing for income tax amounted to $17,805,000 (30 June 2017: $15,759,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	12.02	3.93

4. Dividends

Current period
On 20 April 2018, APN Outdoor Group paid a final, fully franked dividend of 12.5 cents per share ($20,875,735) for the year ended 31 December 2017.

Declared dividend
On 23 August 2018, the Board declared the payment of an interim, fully franked dividend of 7.0 cents per share ($11,690,409). Declared dividends on ordinary shares are not recognised as a liability as at 30 June 2018. This dividend will be paid on 21 September 2018.

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 2018 is attached.

APN Outdoor Group Limited

ABN 57 155 848 589

Half year report - 30 June 2018

APN Outdoor Group Limited
Corporate directory
30 June 2018

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 James Warburton Chief Executive Officer and Managing Director (appointed: 22 January 2018)
Company secretary	David Watkins (appointed: 8 January 2018)
Registered office	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
Stock exchange listing	APN Outdoor Group Limited shares are listed on the Australian Securities Exchange (ASX code: APO)
Website (Investor)	http://investors.apnoutdoorcorporate.com/Investor-Centre/
Investor relations	Market Eye Pty Ltd Level 2 92 Pitt Street Sydney NSW 2000

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 2018.

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
James Warburton - Chief Executive Officer and Managing Director (appointed: 22 January 2018)

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 $17,805,000 (30 June 2017: $15,759,000).

A review of operations of the Group is set out in pages 4 to 13.

Significant changes in the state of affairs

JCDecaux Scheme of Arrangement update

On 26 June 2018, APN Outdoor entered into a Scheme Implementation Deed with JCDecaux SA (JCDecaux), under which JCDecaux has agreed to acquire 100% of the issued share capital of APN Outdoor for a cash price of $6.70 per share (Scheme Consideration) (the Scheme).

The Australian Competition and Consumer Commission (ACCC) has cleared the Scheme today. It still requires approval from the Foreign Investment Review Board (FIRB) in Australia and the New Zealand Overseas Investment Office (OIO).

The Company expects FIRB and OIO approval to follow ahead of a shareholder vote in October and implementation before the end of the year.

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

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.

Review of intangible asset accounting policy

APN Outdoor has received an enquiry from ASIC with respect to the Company's accounting policy for intangible assets.

Under APN Outdoor's current accounting policy, licences, systems and processes (June 2018 carrying value: $137m) are amortised over an estimated useful life of 40 years. The Company's assessment of useful life includes expectations around the renewal of site licences which based on historical experience often extend beyond the initial contract term.

The Company notes that if there were to be any changes to its amortisation period this would be non-cash related. Any change to the Company's amortisation policy would have no impact on the Company's cash position, debt covenants, earnings before interest, taxes, depreciation and amortisation (EBITDA), underlying net profit after tax before amortisation (NPATA) nor would it be expected to impact the Company's ability to pay dividends.

A reduction in the estimated useful life of an asset would result in an increased amortisation expense and a reduction in net profit after tax.

The Directors have considered and are comfortable with the current accounting policy and notes the critical accounting judgments, estimates and assumptions note disclosure made in the Company's accounts for half year ended 30 June 2018.

Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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

23 August 2018
Sydney

Business overview

APN Outdoor supplies out-of-home media and advertising services in Australia and New Zealand. APN Outdoor is publicly listed on the Australian Securities Exchange (ASX) (ASX code: APO) and is a member of the ASX 200.

APN Outdoor derives its income from the sale of advertising space, primarily to advertising agencies and direct clients across its asset base.

APN Outdoor believes there is a significant growth opportunity for the sector, as out-of-home only accounts for 6% of the Australian advertising market.

Operational highlights

Key operational highlights in 1H18:

Transformation	Innovation	Acquisitions & contracts
✓ Established a focused sales centric approach to the APO business ✓ High performance executive team and culture emerging ✓ Sales momentum continuing in 2H18 ✓ Strong out-of-home advertising market continues	✓ Dn'A – Data & Analytics capability launched ✓ Leading New Zealand audience measurement system embedded in the industry	✓ 100% renewal of existing contracts in the period ✓ Significant new contracts wins ✓ Excellent outcome for shareholders with a recommended and agreed scheme between APO and JCDecaux

Roadside digital coverage [1]

(1) As at 30 June 2018

	Built – 30 June 18	Approved	Total
AU Only	112	7	119
NZ Only	22	13	35
ANZ Total	**134**	**20**	**154**
ANZ LFD	108	18	126
ANZ Super 8	26	2	28
ANZ Total	**134**	**20**	**154**

Financial highlights

$ Millions	1H18	1H17	Change	*1H17 Rebased*	Change
Revenue	168.4	162.3	4%	*154.7*	*9%*
Underlying EBITDA [1]	**39.7**	**37.2**	7%	**33.8**	*17%*
EBITDA margin	*23.6%*	*22.9%*		*21.8%*	
Statutory NPAT	**17.8**	**15.8**	13%	**13.4**	*33%*
Non-recurring items (net of tax)	2.1	4.1	(49%)		
Underlying NPAT [1]	**19.9**	**19.9**	-	***17.5***	*14%*
Underlying NPATA [1]	**21.5**	**21.4**	-	***19.0***	*13%*
Capital expenditure	14.5	16.1	(10%)		
Net debt[2]	98.2	95.9	2%		
Underlying leverage ratio [1]	1.1	1.1	-		
Interim dividend	7.0c	6.7c	4%		

(1) Underlying results before non-recurring items (NRIs) see page 7 for further details

(2) Net debt excludes borrowing costs and interest rate swaps

Revenue increased 4% against the prior comparative period, predominantly impacted by the loss of the Yarra Trams contract which contributed $8.4m of revenue in 1H17.

Rebasing for the Yarra Trams contract loss and the timing impact from adoption of the new accounting standard *AASB 15 Revenue from Contract with Customers*, revenue growth was 9% against the prior comparative period.

Underlying EBITDA for the year was $39.7m, up 7% on the prior year and 17% up on the rebased comparative. FY18 is a year of resetting the Group's cost base to support the future growth profile of the business. Overheads grew at 7% consistent with the Company's market guidance following investment in data technology and sales focused initiatives.

Higher depreciation and amortisation reflects the Group's continued digital investment.
The increase in interest expense reflects the full year impact of higher leverage during the period. Borrowings at 30 June 2018 were $8m higher than 30 June 2017.

An increasing digital portfolio and a focus on cost management resulted in margin expansion being achieved at both the gross margin and EBITDA level.

Reconciliation of Underlying to Statutory Results

A reconciliation of Underlying Net Profit after Tax to Statutory Net Profit after Tax is outlined below.

$ Millions	1H18	1H17
Underlying Net Profit after Tax	**19.9**	**19.9**
Corporate transaction costs	(2.6)	(3.4)
Restructuring costs	(0.4)	-
Impairment of assets	-	(2.2)
Gross non-recurring items	(3.0)	(5.6)
Tax on non-recurring items	0.9	1.5
Net non-recurring items	(2.1)	(4.1)
Statutory Net Profit after Tax	**17.8**	**15.8**

Revenue by format

Format	Highlights	1H18 revenue	Change YoY	Rebased
Roadside billboards	> Metro focus > Broad range including large and small format options > Focus on high quality displays > Iconic sites	$92.9 million	10%	
Transit	> Variety of differentiated panel options > Proven expertise in quality delivery of complex logistic operations > Internal and external rights	$44.5 million	(6%)	15%
Airport	> Highly desirable advertiser location > Multiple consumer contact points > Variety of digital and classic opportunities > External and internal rights	$19.3 million	2%	
Rail	> Unique commuter audience > Long commuter dwell time > High demand network in Sydney, Melbourne, Brisbane, Adelaide and Perth > National XTrack TV network	$11.7 million	1%	
Total revenue		**$168.4 million**	**4%**	**9%**
	Classic	$97.4 million	(5%)	4%
	Digital	$71.0 million	18%	
Total revenue		**$168.4 million**	**4%**	**9%**

Roadside billboard revenue percentage continues to be the main driver of growth being 10% on the comparative period.

Classic revenues showed modest growth rebased for Yarra Trams, which is a strong result, given the fact that ~$1.3m of classic revenue was converted to digital inventory since 1H17.

Our transit business continued to perform, rebasing for the Yarra Trams contract loss this format was up 15% compared to the prior year.

Airport revenue has stabilised and the recent contract wins will assist the go forward result.

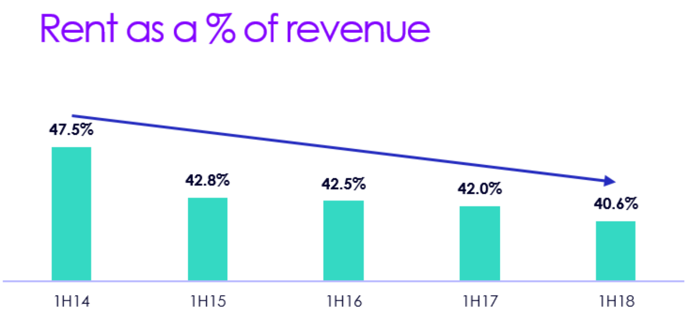
Rail revenues under performed our expectations. We see this as an important format which will benefit from the technology and innovation initiatives we are investing in.

Production and installation revenues continue to trend in line with respective classic media revenues.

Cost management

$ Millions	1H18	1H17	Change
Rental	68.3	68.2	-
Sales and marketing	19.9	17.6	13%
Other	16.7	17.1	(2%)
Direct costs	**104.9**	**102.9**	**2%**
Staff costs	15.0	14.2	6%
Marketing	2.1	1.6	31%
Other	6.7	6.4	5%
Overheads	**23.8**	**22.2**	**7%**
Total expenses	**128.7**	**125.1**	**3%**

Direct costs were up 2% and below revenue growth, leading to improved gross margin.



Rent expense was flat compared to 1H17 with rental expense as a percentage of revenue falling from 42.0% to 40.6% being the main driver behind the margin improvement.

Sales and marketing costs reflect APN Outdoor's go to market initiatives.

Overhead increased 7% within the guidance provided by the Company earlier in the year.

Capital management and cash flow

$ Millions	1H18	1H17
Underlying EBITDA	39.7	37.2
Working capital & non – cash items	13.1	10.5
Interest	(2.2)	(1.4)
Tax payments	(12.3)	(19.5)
Underlying operating cash flow	**38.3**	**26.8**
Capex and investments	(14.5)	(16.1)
Free cash flow before NRIs	**23.8**	**10.7**
Non-recurring items	(2.3)	(1.5)
Free cash flow after NRIs	**21.5**	**9.2**

1H17 included a final tax payment of $13m related to 2016. Tax instalments are now on a regular payment plan and will be in line with the effective tax rate of the Group by year end.

The Group's leverage continues to sit at a very comfortable 1.1 times Underlying EBITDA. Net debt was broadly flat compared to December 2017.

Comfortable gearing and return to shareholders

At 30 June 2018 net debt was 1.1 times last 12 months Underlying EBITDA (30 June 2017 1.1 times last 12 months underlying EBITDA).

Reflecting the Group's conservative balance sheet, cash flows and earnings, the Board has declared a fully franked interim dividend of 7.0 cents per share for the first half.

Contract renewals and contract wins

Contract renewals

Sydney Trains

XtrackTV

RMS – Billboards

Young & Jackson

Brisbane Buses

Transdev Buses – VIC

Christchurch Airport

Adelaide & Parafield Airport

Contract wins

Against a backdrop of significant competition, we have retained 100% of our contracts this year and we had some key wins which provide a strong platform for future growth, including a high quality digital conversion opportunities, outlined below:

NSW Government – Transport Roads & Maritime Services	50 large format billboards with a potential for 22 digital conversions A further potential for 34 greenfield digital sites
vicroads	Princes Freeway and Western Freeway – A potential for 10 greenfield of which 4 are digital and 6 static billboards
Queensland Fire and Emergency Services / Queensland Government	5 digital large format opportunities 4 new high quality static billboards (3 greenfield)
Queenstown airport	Significant asset upgrade opportunities to digital Important and growing South Island Airport to add to APN Outdoor's Auckland and Christchurch network
Sydney Airport	APO to take over Qantas T3 Terminal (including external) Renewal of internal and external sites Renewal of T1 and T2 and addition of T3 until 2025

Technology and innovation

Dn'A is a real game-changer for our business and an important part of our strategy to move from an asset-led to an audience-led media company.

The response from advertisers that we have shown Dn'A to already, has been phenomenal. It answers the call from our advertisers and agencies for real-world data that can be turned into insights that drive greater effectiveness and better results.

Our mission as a business is to deliver innovative media solutions to amplify, engage and inspire. With Dn'A, we will combine real-world data and analysis of media locations to cut-through the media clutter and convince more of the right audiences to stop, look and interact with our clients' brands.

Dn'A is built on survey, segmentation, behavioural and geolocation data.

This is only stage one. These data sets will continue to grow, with new sources to be announced shortly.

Dn'A gives us location-based behavioural data consisting of real transactions rather than claimed behaviour: who are the customers, where do they live, where are they spending their money and on what, and where are the APN Outdoor connection points that interact with these consumers.

Most pleasingly we haven't outsourced our data and analytics capability. Dn'A and its IP are owned and controlled by us, in-house.

During the period, APN Outdoor announced the expansion of its New Zealand focused audience measurement tool – Calibre by APN Outdoor.

The expansion gives advertisers and agencies improved efficiencies and user experience, confirming Calibre's standing as an industry-leading media audience measurement platform.

The key changes to Calibre include:

- An easy-to-use optimisation tool that indicates which sites are the most ideal according to a defined zone.
- The ability to optimise by reach or index based on campaign requirements.
- Flexible map generation, which allows users to export exactly what they need to support presentations.
- Enhanced design features, including metrics and improved reporting outputs.

Launched by APN Outdoor in October 2017, Calibre is the most sophisticated audience measurement tool in New Zealand. It has redefined outdoor measurement through a seamless user experience and interactive planning tool for advertisers and agencies.

Calibre, which was created by APN Outdoor in conjunction with data scientists at Reachmedia, combines more than one billion data points and offers unmatched visibility and transparency into audiences across APN Outdoor sites, plus sites operated by Go Media and Media5.

JC Decaux Scheme of Arrangement Update

On 26 June 2018, APN Outdoor entered into a Scheme Implementation Deed with JCDecaux SA (JCDecaux), under which JCDecaux has agreed to acquire 100% of the issued share capital of APN Outdoor for a cash price of $6.70 per share (Scheme Consideration) (the Scheme).

The Scheme Consideration of $6.70 per share represents a:

- 18% premium to the 'undisturbed' closing price on 19 June 2018[1] of $5.68;
- 26% premium to the 3-month volume weighted average price (VWAP) to 19 June 2018[1] of $5.32; and
- 34% premium to the 6-month VWAP to 19 June 2018[1] of $5.01.

The Australian Competition and Consumer Commission (ACCC) has cleared the Scheme today. It still requires approval from the Foreign Investment Review Board (FIRB) in Australia and the New Zealand Overseas Investment Office (OIO).

The Company expects FIRB and OIO approval to follow ahead of a shareholder vote in October and implementation before the end of the year.

[1] 19 June 2018, being the day prior to press speculation regarding JCDecaux's takeover interest in APN Outdoor.

pwc

Auditor's Independence Declaration

As lead auditor for the review of APN Outdoor Group Limited for the half-year ended 30 June 2018, 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.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
23 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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
Pyrmont 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 23 August 2018.

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 2018

	Note	Group Jun 2018 $'000	Group Jun 2017 $'000
Revenue	4	168,374	162,276
Expenses			
Rental of advertising space		(68,266)	(68,232)
Sales and marketing		(20,926)	(18,672)
Employee benefits		(18,096)	(17,232)
Production and installation		(9,119)	(8,076)
Corporate transaction costs		(2,555)	(3,374)
Depreciation and amortisation		(8,308)	(7,336)
Raw materials and consumables used		(2,876)	(3,820)
Impairment of assets		-	(2,185)
Finance expenses		(2,532)	(1,779)
Restructuring costs		(454)	-
Other expenses		(9,386)	(9,075)
Total expenses		(142,518)	(139,781)
Profit before income tax expense		25,856	22,495
Income tax expense		(8,051)	(6,736)
Profit after income tax expense for the half year attributable to the owners of APN Outdoor Group Limited		17,805	15,759
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(47)	32
Foreign currency translation, net of tax		489	(1,193)
Other comprehensive income for the half year, net of tax		442	(1,161)
Total comprehensive income for the half year attributable to the owners of APN Outdoor Group Limited		18,247	14,598
		Cents	**Cents**
Basic earnings per share	8	10.67	9.46
Diluted earnings per share	8	10.64	9.42

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 2018

	Note	Group Jun 2018 $'000	Group Dec 2017 $'000
Assets			
Current assets			
Cash and cash equivalents		17,516	16,872
Trade and other receivables		56,089	63,818
Inventories		526	646
Income tax		4,309	169
Prepayments		8,686	6,733
Total current assets		87,126	88,238
Non-current assets			
Property, plant and equipment		113,162	106,838
Intangibles		255,436	255,480
Other		2,750	2,750
Total non-current assets		371,348	365,068
Total assets		458,474	453,306
Liabilities			
Current liabilities			
Trade and other payables		29,959	23,238
Derivative financial instruments		67	-
Income tax		440	1,418
Employee benefits		2,726	2,695
Provisions		553	1,489
Other		5,153	2,056
Total current liabilities		38,898	30,896
Non-current liabilities			
Borrowings	5	114,961	114,812
Deferred tax		24,607	23,899
Employee benefits		234	176
Provisions		706	582
Other		3,567	3,591
Total non-current liabilities		144,075	143,060
Total liabilities		182,973	173,956
Net assets		275,501	279,350
Equity			
Issued capital		222,334	222,334
Reserves		4,547	3,664
Retained profits		48,620	53,352
Total equity		275,501	279,350

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 2018

Group	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2017	222,334	5,569	41,296	269,199
Profit after income tax expense for the half year	-	-	15,759	15,759
Other comprehensive income for the half year, net of tax	-	(1,161)	-	(1,161)
Total comprehensive income for the half year	-	(1,161)	15,759	14,598
Transactions with owners in their capacity as owners:				
Share base payment expense	-	367	-	367
Dividends paid (note 6)	-	-	(20,827)	(20,827)
Balance at 30 June 2017	222,334	4,775	36,228	263,337

Group	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2018	222,334	3,664	53,352	279,350
Adjustment for change in accounting policy (note 1)	-	-	(1,661)	(1,661)
Balance at 1 January 2018 - restated	222,334	3,664	51,691	277,689
Profit after income tax expense for the half year	-	-	17,805	17,805
Other comprehensive income for the half year, net of tax	-	442	-	442
Total comprehensive income for the half year	-	442	17,805	18,247
Transactions with owners in their capacity as owners:				
Share base payment expense	-	441	-	441
Dividends paid (note 6)	-	-	(20,876)	(20,876)
Balance at 30 June 2018	222,334	4,547	48,620	275,501

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 2018

	Note	Group Jun 2018 $'000	Group Jun 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		178,515	171,890
Payments to suppliers and employees (inclusive of GST)		(128,000)	(125,644)
		50,515	46,246
Net interest and other finance costs paid		(2,237)	(1,449)
Income taxes paid		(12,295)	(19,472)
Net cash from operating activities		35,983	25,325
Cash flows from investing activities			
Payments for property, plant and equipment		(12,441)	(13,422)
Payments for intangibles		(2,059)	(2,671)
Net cash used in investing activities		(14,500)	(16,093)
Cash flows from financing activities			
Proceeds from borrowings		15,000	28,690
Repayment of borrowings		(15,000)	(24,500)
Dividends paid	6	(20,876)	(20,827)
Borrowing costs paid		(3)	(265)
Net cash used in financing activities		(20,879)	(16,902)
Net increase/(decrease) in cash and cash equivalents		604	(7,670)
Cash and cash equivalents at the beginning of the financial half year		16,872	18,977
Effects of exchange rate changes on cash and cash equivalents		40	(64)
Cash and cash equivalents at the end of the financial half year		17,516	11,243

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 2018 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 2017 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.

New accounting standards and interpretations not yet mandatory or early adopted

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

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

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 6 months given the complexity and volume of our leasing arrangements.

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

Note 1. Significant accounting policies (continued)

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

Areas of judgement and complexity currently being reviewed and their status are summarised below:

Area of judgement | complexity	Commentary
Scope of standard	APN Outdoor has reviewed its lease portfolio and determined all rental and premise leases are within the scope of the standard.
Short term and low value lease exceptions	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. Management have the option over whether to apply these exceptions and are in the process of reviewing.
Revenue share leasing payments	The revenue share component of the Group's leasing arrangements variable are costs and will be recognised as operating expenses as incurred. These amounts are not brought on balance sheet under the new standard.
Discount rate	Determining the interest rate implicit in the lease requires significant judgement due to the nature of the assets which APN Outdoor leases. As a result the Group will use rates based on current debt facilities and adjusted for maturities using the BBSY curve. In assessing the appropriate discount rate the location of asset in Australia or New Zealand will also be considered.
Lease term	The lease term is the non-cancellable period of the lease together with optional renewable periods if there is reasonable certainty of extension after a termination date. APN Outdoor considers the likelihood of an option being exercised as high and will incorporate the option period in the lease term where it is at APN Outdoor's option and within APN Outdoor's control.
Transitional approach	APN Outdoor has the option to use the full retrospective or modified approach. It is a policy choice which is currently being reviewed. This decision is expected to have a material impact on the financial impact of the standard.

As a result of the complexity of the standard and the judgements still to be finalised, as per table above, APN Outdoor is not in a position to quantify the impact of the new standard.

It is anticipated that the financial impact will be disclosed in the Annual Report for the year ended 31 December 2018.

Note 1. Significant accounting policies (continued)

New accounting standards adopted during the year

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.

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

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

AASB 9 Financial Instruments

'AASB 9 Financial Instruments' has been adopted in the current period. Early adoption of *'AASB 9 Financial Instruments'* was permitted however APN Outdoor did not early adopt.

Trade receivables are now presented as a percentage of the expected loss. This has not had a material financial impact as the level of bad debts has not been material.

The methodology of testing for hedge ineffectiveness has changed in IFRS 9. The Group has made the assessment that all hedging instruments are 100% effective. Any ineffectiveness is considered immaterial and will be recognised in the Statement of Comprehensive Income and effectiveness will be recognised in Statement of changes in equity.

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes to accounting policies and adjustment to the amounts recognised in the financial statements.

AASB 15 applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as AASB 117 Leases.

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligation to a customer.

The principles in AASB 15 must be applied using the following 5 step model:

(a) Identify the contract(s) with a customer
(b) Identity the performance obligation in the contract
(c) Determine the transaction price
(d) Allocate the transaction price to the performance obligation in the contract
(e) Recognise revenue when or as the entity satisfied its performance obligations

Note 1. Significant accounting policies (continued)

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to their contracts with customers.

APN Outdoor has elected to adopt the modified 'cumulative' method which requires the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings at the date of initial application of 1 January 2018. Under this transition method APN Outdoor has elected to apply AASB 15 retrospectively only to contracts that are not completed contracts at the date of initial application.

On adoption of the new revenue standard. APN Outdoor has reviewed potential performance obligations which may arise under its revenue contracts including additional advertising run on campaigns, bonus spots provided to advertisers in conjunction with paid for advertising space and the interdependency of goods and services which are considered a single performance obligation for revenue recognition accounting under AASB 15.

An allowance for bonus spots and run on campaigns provided to advertisers has been recognised at 1 January 2018 with resulted in a deferral of revenue on adoption of AASB 15. The deferral is a timing adjustment for revenue recognition purposes.

Installation services are considered highly interdependent with the provision of advertising space, and therefore the installation and display of advertising are accounted for as a single performance obligation for revenue recognition accounting under AASB 15. Under the Company's previous accounting policy installation revenue was recognised at the time of installation. Under AASB 15 Installation revenue is recognised over the period of the advertising campaign which resulted in a deferral of revenue on adoption of AASB 15. The deferral is a timing adjustment for revenue recognition purposes.

Impact on the financial statements

The impact of this change on the reported result for the half year was to increase profit after income tax by $372k.

The effect of the AASB 15 standard is impacted by revenue seasonality throughout the year and is expected to reverse in the second half of the year.

The cumulative effect of the changes made to the statement of financial position as at 1 January 2018 for the adoption of AASB 15 Revenue - Revenue from Contracts with Customers was as follows:

Extract	Balance at 31 Dec 2017 $'000	Adjustment $'000	Balance at 1 Jan 2018 $'000
Equity			
Retained profits	53,352	(1,661)	51,691

Note 1. Significant accounting policies (continued)

The cumulative effect of the changes made to the statement of profit and loss and other comprehensive income and the statement of financial position for the half year ending 30 June 2018 for the adoption of AASB 15 Revenue - Revenue from Contracts with Customers was as follows:

	AASB 118 $'000	Effect of change $'000	AASB 15 - Reported $'000
Statement of profit or loss			
For period ended 30 June 2018			
Revenue	167,557	817	168,374
Expenses			
Sales and marketing	20,818	108	20,926
Rental of advertising space	68,089	177	68,266
Profit before income tax expense	25,324	532	25,856
Income tax expense	7,891	160	8,051
Profit after income tax expense	17,433	372	17,805

	AASB 118 $'000	Effect of change $'000	AASB 15 - Reported $'000
Statement of financial position			
As at 30 June 2018			
Assets			
Trade and other receivables	55,295	794	56,089
Liabilities			
Other	3,070	2,083	5,513
Equity			
Retained profits / (losses)	49,909	(1,289)	48,620

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of goodwill and other intangible assets	A substantial proportion of APN Outdoor's total assets consists of property, plant and equipment, goodwill, and intangible assets including site licences and associated relationships that may become impaired. As required under the Australian Accounting Standards, APN Outdoor tests goodwill and intangibles and certain other assets annually, and on an interim date if impairment indicators become apparent that would require an interim test of these assets. APN Outdoor has assessed that there are no current indicators of impairment at the reporting date. If the carrying value of property, plant and equipment, goodwill and intangibles is revised downward due to impairment, such charges could increase the volatility of reported earnings and materially affect APN Outdoor's financial position and profitability.
Estimation of useful lives of assets	APN Outdoor's financial performance may be impacted by changes in accounting policies and/or accounting estimates related to asset useful lives which may impact the reported financial performance and financial position of APN Outdoor. The Company regularly reviews its accounting estimates as required by accounting standards including the useful lives life of property, plant and equipment which impacts depreciation expense and finite life intangible assets which impact amortisation expense. APN Outdoor notes that if there were to be any changes to the grouping of intangible assets of a similar nature such as relationships and contracts and / or to their estimated useful lives these could result in a material change to the amortisation recognised and therefore impact future reported results. Any such changes to these would be non-cash and would not impact EBITDA, debt covenants or the cash position of the business. Additionally if the change impacted amortisation expense this would not be expected to impact NPATA or the Group's ability to pay dividends. A reduction in the estimated useful life of an asset would result in an increased amortisation expense and a reduction in net profit after tax.

Note 3. Operating segments

APN Outdoor operates in one market segment being out-of-home advertising across the Australian and New Zealand markets.

The Australian and New Zealand out-of-home market have similar economic characteristics including:

(a) The nature of products and services sold i.e. consistent out-of-home advertising formats
(b) The nature of the production processes
(c) The type of customer for the products and services i.e. media agencies
(d) The methods used to distribute products or provide the services; and
(e) The nature of the regulatory environment

To assist the understanding of the operations of APN Outdoor, further information by geography is provided below:

	For the half year ended 30 June 2018			For the half year ended 30 June 2017		
	Australia $'000	New Zealand $'000	Total $'000	Australia $'000	New Zealand $'000	Total $'000
Revenue from external customers	150,375	17,999	168,374	144,748	17,528	162,276
Underlying EBITDA	34,558	5,097	39,655	32,653	4,502	37,155
Total segment assets	396,282	62,192	458,474	376,767	59,621	436,388
Total segment liabilities	162,451	20,522	182,973	151,292	21,759	173,051

The geography is based on the location of the advertising provided. No individual customer is material to the revenues reported.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The CODM is the APN Outdoor Board of Directors.

Note 4. Revenue

	Group	
	Jun 2018 $'000	Jun 2017 $'000
Revenue from contracts with customers		
Advertising revenue	168,158	162,231
Other revenue		
Sundry revenue	216	45
Revenue	168,374	162,276

Note 4. Revenue (continued)

Accounting policy for revenue recognition

The Group provides out-of-home advertising to its customers.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

Revenue is recognised when the performance obligation in the contract has been performed either at a 'point in time' or 'over time' as control of the performance obligation is transferred to the customer.

For contracts with multiple components to be delivered, such as the sale of advertising space, installation and production services, management applies judgement to consider whether those promised goods and services are: (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined goods or services until a bundle is identified that is distinct; or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long-terms contracts, this is generally due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer.

The Company has three revenue streams which are outlined below:

(a) **Media revenue (provision of advertising space):** this represents the advertising media element of the contract and relates to the obligation for APN Outdoor to display advertising on the advertising panels the Company manages. Media revenue is recognised over the period of the advertising campaign.
(b) **Installation revenue:** this represents the fee for the installation of physical or digital advertising. Installation services are highly interdependent with the provision of advertising space, and therefore the installation and display of advertising are accounted for as a single performance obligation for revenue recognition accounting under AASB 15. Installation revenue is recognised over the period of the advertising campaign.
(c) **Production revenue:** this represents the revenue earned from printing the physical advertising which is then installed on the advertising panel. This revenue is recognised at a point in time when the production process is complete. This is generally at the commencement of an advertising campaign.

Note 5. Non-current liabilities - borrowings

	Group	
	Jun 2018 $'000	Dec 2017 $'000
Bank loans - secured	115,765	115,765
Borrowing costs	(1,051)	(1,047)
Less: accumulated amortisation	247	94
	114,961	114,812

Assets pledged as security

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

Note 6. Equity - dividends

On 20 April 2018 APN Outdoor Group Limited paid a final, fully franked dividend of 12.5 cents per share ($20,875,735) for the year ended December 2017.

On 23 August 2018 the Board recommended the payment of an interim, fully franked dividend of 7.0 cents per share ($11,690,409). Proposed dividends on ordinary shares are not recognised as a liability as at 30 June 2018. This dividend will be paid on 21 September 2018.

Previous 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.

Note 7. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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 8. Earnings per share

	Group	
	Jun 2018 $'000	Jun 2017 $'000
Profit after income tax attributable to the owners of APN Outdoor Group Limited	17,805	15,759
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	166,881,131	166,614,509
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares and performance rights	490,279	622,379
Weighted average number of ordinary shares used in calculating diluted earnings per share	167,371,410	167,236,888
	Cents	**Cents**
Basic earnings per share	10.67	9.46
Diluted earnings per share	10.64	9.42

APN Outdoor Group Limited
Directors' declaration
30 June 2018

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 2018 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

23 August 2018
Sydney

Independent auditor's review report to the members 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 2018, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for APN Outdoor Group Limited. The group 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 group's financial position as at 30 June 2018 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*.

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:

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

1. giving a true and fair view of the group's financial position as at 30 June 2018 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*.

PricewaterhouseCoopers

Rod Dring
Partner

Sydney
23 August 2018