

APN OUTDOOR

APN Outdoor Group Limited
ACN 155 848 589

**HOLDEN
100 HR
SALE**
**DEALS
THIS GOOD
CAN'T LAST**
SEPTEMBER 10-13



THINK  HOLDEN

APN

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PROSPECTUS

Initial public offering of ordinary shares

JOINT LEAD MANAGERS

Morgan Stanley



CO-LEAD MANAGER

Morgans



Important Notices

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in APN Outdoor Group Limited ACN 155 848 589 (**APN Outdoor or Company**). This Prospectus is issued by the Company and APN Outdoor SaleCo Pty Limited ACN 601 938 916 (**SaleCo**).

Lodgement and Listing

This Prospectus is dated 27 October 2014 and was lodged with ASIC on that date. It is a replacement Prospectus which replaces the prospectus dated 20 October 2014 and lodged with ASIC on that date (**Original Prospectus**). The replacement Prospectus differs from the Original Prospectus.

APN Outdoor has applied to the ASX for admission of the Company to the Official List and quotation of its Shares on the ASX (**Listing**). Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be issued or transferred on the basis of this Prospectus after the expiry date, being 13 months after 20 October 2014.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1 and 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underlying the Forecast Financial Information set out in Sections 4.7.1 and 4.7.2 and the risk factors that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven day period after lodgement of the Original Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Form, at the Company's offer website, www.apnoutdoorcorporate.com.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company's or SaleCo's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements that may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 4.7).

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors of the Company and SaleCo, and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

As set out in Section 7.9.3, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY2012, FY2013, FY2014 and FY2015 appearing in this Prospectus are to the financial years ended or ending 31 December 2012, 31 December 2013, 31 December 2014 and 31 December 2015 respectively, unless otherwise indicated. All references to 1H FY2013 and 1H FY2014 appearing in this Prospectus are to the half financial years ended 30 June 2013 and 30 June 2014, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards



(as adopted by the Australian Accounting Standards Board), which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Financial Information in this Prospectus should be read in conjunction with, and it is qualified by reference to, the information contained in Sections 4 and 5.

Obtaining a copy of this Prospectus

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia) between 9.00am and 5.00pm AEDT, Monday to Friday.

This Prospectus is also available in electronic form to Australian residents on the Company's offer website, www.apnoutdoorcorporate.com. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Persons who have received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a hard copy of the Prospectus by calling the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia) between 9.00am and 5.00pm AEDT, Monday to Friday.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at www.apnoutdoorcorporate.com, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful

to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. This Prospectus has been prepared for publication in Australia. The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State or other jurisdiction in the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a U.S. Person. The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer.

See Section 7.7 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Privacy

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Company's service provider, Link Market Services Limited ABN 54 083 214 537 (**Share Registry**), which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, may collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and

- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone: (international) +61 1300 361 735
(within Australia) 1300 361 735

Address: Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Financial Services Guide

The provider of the independent review of the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Financial Services Guide is provided in Section 8.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to AEDT.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

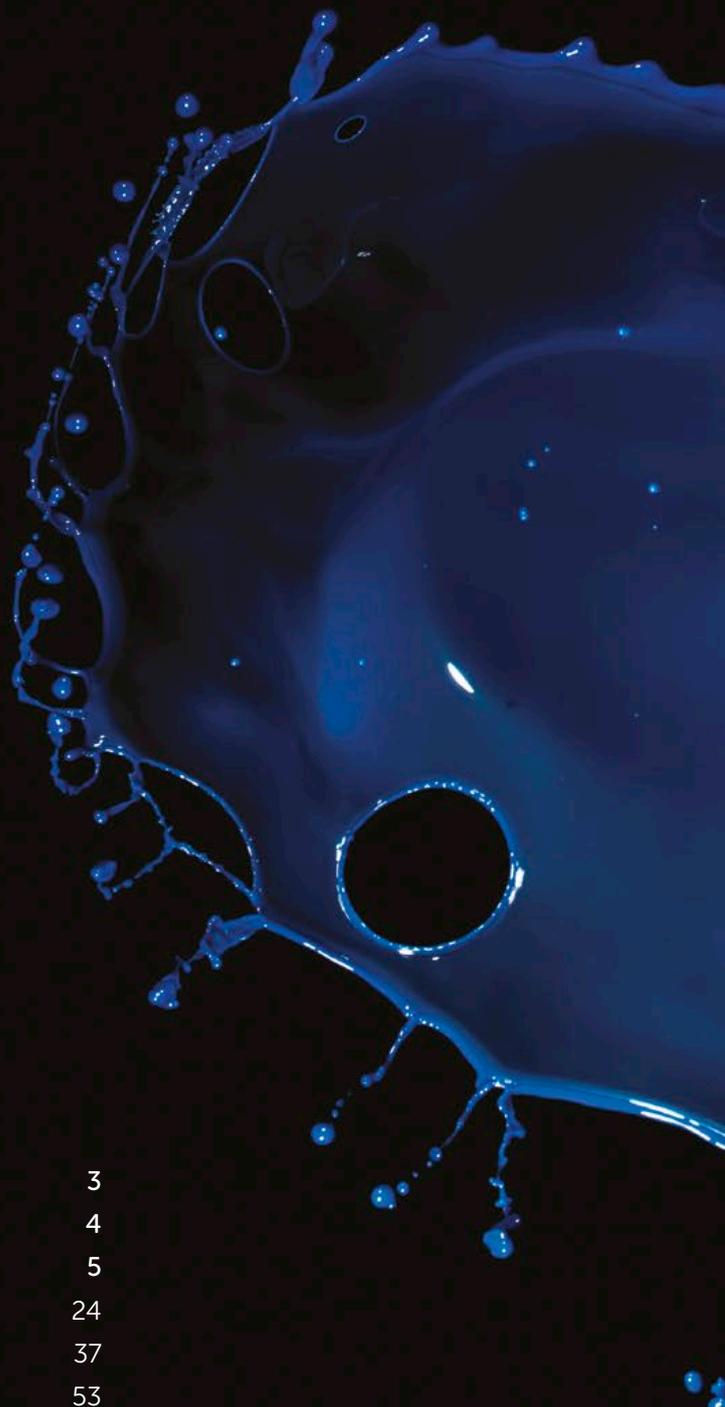
If you have any questions in relation to the Offer, contact the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia) between 9.00am and 5.00pm AEDT, Monday to Friday.

This document is important and should be read in its entirety.

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OFFER OVERVIEW

The Offer

Total number of Shares offered under this Prospectus ¹	129.1 million
Number of Shares to be held by Existing Shareholders after the Offer	37.5 million
Total number of Shares on issue at Completion of the Offer	166.6 million
Offer Price	\$2.55 per Share
Market capitalisation at the Offer Price ²	\$424.9 million
Pro forma net debt ³	\$78.8 million
Enterprise Value at the Offer Price ⁴	\$503.6 million
Enterprise Value / pro forma consolidated FY2014 forecast EBITDA	11.6x
Enterprise Value / pro forma consolidated FY2014 forecast EBITA	14.0x
Offer Price / pro forma consolidated FY2014 forecast NPATA per Share	19.2x
Enterprise Value / pro forma consolidated FY2015 forecast EBITDA	9.4x
Enterprise Value / pro forma consolidated FY2015 forecast EBITA	11.3x
Offer Price / pro forma consolidated FY2015 forecast NPATA per Share	15.0x
Estimated FY2015 forecast dividend yield at the Offer Price ⁵	4.0%

Important dates

Offer period opens	Tuesday, 28 October
Offer period closes	Monday, 10 November
Expected commencement of trading on ASX (conditional and deferred settlement basis)	Tuesday, 11 November
Issue and transfer of Shares (Completion of the Offer) and last day of conditional trading	Tuesday, 18 November
Expected dispatch of holding statements	Wednesday, 19 November
Shares expected to begin trading on a normal settlement basis	Thursday, 20 November

Dates may change

The dates above are indicative only and may change without notice.

APN Outdoor, in consultation with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens. All times are Australian Eastern Daylight Time.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

1. Includes the transfer of Existing Shares by SaleCo and the issue of New Shares by APN Outdoor
2. Market capitalisation is determined by multiplying the number of Shares on issue by the price at which the Shares trade on the ASX from time to time. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower
3. Net debt of \$78.8 million as though Completion of the Offer was achieved on 30 June 2014
4. Enterprise Value is calculated by adding market capitalisation at the Offer Price and pro forma net debt
5. Calculated as the expected dividend per Share (assuming the current intended dividend payout ratio of 60% of statutory NPATA in FY2015) divided by the Offer Price. Payment of a dividend by APN Outdoor is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. No assurance can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on APN Outdoor's dividend policy, see Section 4.9



Dear investor,

On behalf of the Board of Directors of APN Outdoor Group Limited (APN Outdoor), it is my pleasure to invite you to read this Prospectus and to become a Shareholder of APN Outdoor.

APN Outdoor is one of Australia and New Zealand's leading outdoor advertising operators, with a portfolio of premium, high-traffic sites across a number of categories, including large format static and digital billboards (typically roadside), transit networks (with over 90% coverage of Australian capital city bus and tram networks), rail (roadside locations and cross track) and in airports.

APN Outdoor is a dynamic and progressive company, with an intense focus on innovating to improve its offering to advertisers. Over the course of the last two years, APN Outdoor has demonstrated the growth potential available through the development of digital screens. The Directors believe that the digital investment programme will be a key factor in driving growth over the forecast period and beyond. Under the leadership of CEO, Richard Herring, APN Outdoor has been the first mover in establishing a national network of large format, high quality digital billboards and the Company has a strong pipeline of sites earmarked for future digital development. This is resulting in APN Outdoor attracting advertisers seeking advertising space that is immediate and allows for creative flexibility.

In October 2014, APN Outdoor will launch its exciting new digital cross track (Xtrack TV) advertising screens across Sydney and Melbourne's rail networks. APN Outdoor has also invested significantly in improving its inventory of small format billboards, through its successful LUX initiative. These revitalised billboards provide advertisers with a premium offering for marketing their product or brand.

APN Outdoor's growth initiatives underpin forecast growth to an expected pro forma forecast EBITDA of \$53.7 million (statutory forecast EBITDA of \$53.7 million) in FY2015. The Directors believe the significant increase in the underlying profitability of APN Outdoor and the sustainability of this increase have been demonstrated in APN Outdoor's strong results over the past two years and in 1H FY2014. APN Outdoor's recent strategic investments have established a platform for future growth and position the Company to benefit from the strong underlying long term growth in the Australian outdoor advertising industry. Over the past 10 years, the Australian outdoor advertising industry has outperformed the overall Australian advertising industry, growing at a compound annual growth rate of 6.2% relative to the overall Australian advertising industry compound annual growth rate of 3.3%.

This Prospectus contains detailed information about the Offer, the industry in which APN Outdoor operates, APN Outdoor's growth strategy, and its financial and operating performance. As with other companies, APN Outdoor is subject to a range of risks including increased competition, changes in laws or regulations, failure to renew leases on competitive terms, changes in the advertising industry and / or the Australian economy, loss of key management personnel, and growth initiatives that might not meet their objectives. The risks of investing in the Company are detailed in Section 5. I encourage you to read this document carefully and in its entirety before making your investment decision.

This Offer provides an opportunity for you to share in APN Outdoor's exciting future. On behalf of the Board of Directors, I look forward to welcoming you as a fellow Shareholder.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'DFlynn', written over a horizontal line.

Doug Flynn
Chairman, APN Outdoor Group Limited

Get before you ride for a faster

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THE NEW BREAD EVERYONE WANTS

HELGA'S
LOWER CARB

APN
epay
trip

Section 1.

INVESTMENT OVERVIEW



Portrait Side,
Sydney, New South Wales.

1.1 Introduction

Topic	Summary	More information
What is APN Outdoor?	<ul style="list-style-type: none"> • APN Outdoor is a leading outdoor advertising operator in Australia and New Zealand by revenue. Management estimates in FY2014 year to date, APN Outdoor had 27% market share in the Australian outdoor advertising industry and 26%¹ market share in the New Zealand outdoor advertising industry.² • APN Outdoor has built a national portfolio of premium, metro sites across a number of key categories including: <ul style="list-style-type: none"> – large format digital billboards (34 panels expected by end of December 2014); – static billboards (approximately 2,800 panels); – transit, across buses and trams (approximately 33,300 panels); – rail (approximately 2,000 panels); and – airports (approximately 1,000³ panels). • APN Outdoor's network is well positioned to benefit from growth in digital outdoor advertising. 	See Section 3
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> • provide APN Outdoor with a capital structure, which, together with access to capital markets, will provide the business with additional financial flexibility to pursue further growth opportunities; • provide a liquid market for its Shares and an opportunity for others to invest in APN Outdoor; • provide APN Outdoor with funds to repay APN Outdoor's existing debt and Loan Notes and to redeem the Redeemable Preference Shares held by certain Existing Shareholders; and • pay offer costs. <p>The Offer also provides the Existing Shareholders with an opportunity to realise all or part of their investment in APN Outdoor by the sale of Existing Shares through SaleCo.</p>	See Section 7.1.2

1. New Zealand share is expected to significantly increase with a full year effect of the Auckland Airport contract

2. The outdoor advertising industry is described further in Section 1.2 and Section 2

3. Includes panels from Auckland Airport contract

1.2 Key features of the outdoor advertising industry

Topic	Summary	More information
What are the Australian and New Zealand outdoor advertising industries?	<ul style="list-style-type: none"> The Australian outdoor advertising industry is a segment of the overall advertising industry. In FY2013, the Australian outdoor advertising industry recorded net revenue of \$544 million, representing 4.1% of the total Australian advertising industry and achieved a CAGR of 6.2% from FY2003 to FY2013.⁴ There are six primary outdoor advertising categories including billboards, transit, rail, airports, street furniture and retail. Outdoor advertising operators generally lease space from landlords and asset owners and subsequently sell the space to advertisers as part of packages or on a site-by-site basis. The New Zealand outdoor advertising industry operates across categories consistent with the Australian industry. The New Zealand outdoor advertising industry recorded gross revenue of NZ\$76 million in FY2013.⁵ 	See Section 2
What is digital outdoor advertising?	<ul style="list-style-type: none"> Digital outdoor advertising involves the presentation of advertising on high quality digital screens, which may include still and / or moving images. Digital screens are typically positioned in high-traffic locations, in internal and external formats. The ability for digital panels to display multiple advertisements on a daily basis means they typically generate more revenue than equivalent static panels. In FY2013, revenue from digital outdoor advertising represented over 11% of total Australian outdoor advertising revenue.⁶ Digital outdoor advertising delivers a number of benefits to advertisers including shorter lead times in displaying advertisements and increased flexibility of creative content. Digital panels have allowed the outdoor advertising industry to attract new revenue due to these additional media attributes. 	See Section 2.5.2
What are the competitive structures of the outdoor advertising industries?	<ul style="list-style-type: none"> The four largest outdoor advertising operators by revenue (APN Outdoor, oOh! Media, JCDecaux and Adshel) represented approximately 80% of total outdoor advertising industry revenue in the 12 months ended 30 June 2014, while the top 20 operators by revenue represented approximately 99% of total outdoor advertising industry revenue. Of the four major outdoor advertising operators in Australia, JCDecaux and Adshel are predominantly focused on street furniture, a category in which APN Outdoor does not currently operate. Smaller operators typically focus on niche formats, in single geographies or regional markets, or do not have a multi-format offering. The New Zealand outdoor advertising industry has four major operators: APN Outdoor, oOh! Media, Adshel and iSite. 	See Section 2.1
What are the key sources of revenue?	<ul style="list-style-type: none"> Outdoor advertising operators generate revenue through the sale of advertising space, with the majority of revenue sourced from media agencies. Users of outdoor advertising are highly diverse, with no single industry representing more than 12% of total outdoor advertising industry revenue. The major users of outdoor advertising include the finance (such as retail banks), retail, entertainment and motor vehicle industries.⁷ 	See Section 2.3

4. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

5. New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013

6. OMA Annual Report 2013 pg. 32

7. OMA Annual Report 2013 pg. 39

1.3 Key features of APN Outdoor's business model

Topic	Summary	More information																																																							
How does APN Outdoor generate its income?	<ul style="list-style-type: none"> APN Outdoor derives its income from the sale of advertising space across its inventory of panels in categories including: <ul style="list-style-type: none"> billboards (NSW, VIC, WA, QLD, SA and New Zealand); transit (NSW, VIC, WA, QLD and SA); rail (NSW, VIC, WA and New Zealand); and airports (e.g. terminals) (NSW, WA, QLD, ACT and New Zealand). 	See Section 3																																																							
Who are APN Outdoor's key advertisers?	<ul style="list-style-type: none"> APN Outdoor has a diversified advertiser base by customer and industry. The top 10 Australian customers contributed 15.9% of total Australia media revenue in FY2013. APN Outdoor has a portfolio of advertisers that include some of Australia's largest companies and multinational corporations. 	See Section 3.5.2																																																							
<p>Table 1</p> <p>Top 10 Australian outdoor advertisers</p> <table border="1"> <thead> <tr> <th>#</th> <th>Advertiser</th> <th>\$ million</th> <th>% of outdoor advertising revenue</th> <th>APN Outdoor advertiser</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>HSBC</td> <td>18.4</td> <td>3.4%</td> <td>✓</td> </tr> <tr> <td>2</td> <td>Lion Nathan</td> <td>15.2</td> <td>2.8%</td> <td>✓</td> </tr> <tr> <td>3</td> <td>NSW Government</td> <td>14.0</td> <td>2.6%</td> <td>✓</td> </tr> <tr> <td>4</td> <td>McDonalds</td> <td>10.5</td> <td>1.9%</td> <td>✓</td> </tr> <tr> <td>5</td> <td>Commonwealth Bank of Australia</td> <td>10.4</td> <td>1.9%</td> <td>✓</td> </tr> <tr> <td>6</td> <td>Village Roadshow</td> <td>9.7</td> <td>1.8%</td> <td>✓</td> </tr> <tr> <td>7</td> <td>Nissan</td> <td>9.1</td> <td>1.7%</td> <td>✓</td> </tr> <tr> <td>8</td> <td>Foxtel</td> <td>9.0</td> <td>1.7%</td> <td>✓</td> </tr> <tr> <td>9</td> <td>Telstra</td> <td>8.4</td> <td>1.5%</td> <td>✓</td> </tr> <tr> <td>10</td> <td>SABMiller</td> <td>8.4</td> <td>1.5%</td> <td>✓</td> </tr> </tbody> </table> <p>Source: OMA Annual Report 2013, pg. 39</p>			#	Advertiser	\$ million	% of outdoor advertising revenue	APN Outdoor advertiser	1	HSBC	18.4	3.4%	✓	2	Lion Nathan	15.2	2.8%	✓	3	NSW Government	14.0	2.6%	✓	4	McDonalds	10.5	1.9%	✓	5	Commonwealth Bank of Australia	10.4	1.9%	✓	6	Village Roadshow	9.7	1.8%	✓	7	Nissan	9.1	1.7%	✓	8	Foxtel	9.0	1.7%	✓	9	Telstra	8.4	1.5%	✓	10	SABMiller	8.4	1.5%	✓
#	Advertiser	\$ million	% of outdoor advertising revenue	APN Outdoor advertiser																																																					
1	HSBC	18.4	3.4%	✓																																																					
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9	Telstra	8.4	1.5%	✓																																																					
10	SABMiller	8.4	1.5%	✓																																																					
Who are APN Outdoor's landlords?	<ul style="list-style-type: none"> APN Outdoor currently holds 897 contracts with various landlords, asset owners and transit fleet operators which provide sites for its advertising panels and screens. APN Outdoor's landlords and asset owners include State transit authorities, infrastructure owners and individual building owners. APN Outdoor's top 10 contracts are expected to account for approximately 44% of FY2014 revenue, and these contractual relationships have been held for greater than 10 years. Over the prospectus forecast period to FY2015, only one of the top 10 contracts is up for renewal and no additional material contract wins are assumed over the forecast period. 	See Section 3.5.1																																																							

1.3 Key features of APN Outdoor's business model (continued)

Topic	Summary	More information																																									
How does APN Outdoor expect to fund its operations?	<ul style="list-style-type: none"> APN Outdoor's operations have historically been funded through a combination of cash flow generated by operations, debt and equity capital. At Completion, APN Outdoor will have total debt facilities in place of \$130 million (\$80 million general facility and \$50 million working capital facility), with a term of three years. <ul style="list-style-type: none"> the \$80 million Facility A is available for general corporate purposes (including funding acquisition opportunities), repaying existing debt (and any derivative transaction associated with such financing), paying related financing and advisory fees, costs and expenses in connection with the Offer, capital expenditure and permitted acquisitions. the \$50 million Facility B is available for working capital and other general corporate purposes, the issuance of letters of credit / bank guarantees or performance bonds, and the provision of transactional facilities for the group. APN Outdoor aims to fund its digital roll-out and asset improvement capital expenditure program from cash flow generated by operations. APN Outdoor will have enough working capital to carry out its stated objectives. 	See Sections 4 and 9.5																																									
What is APN Outdoor's pro forma historical and forecast financial performance?	<table border="1"> <thead> <tr> <th rowspan="2">\$m, y/e December</th> <th colspan="3">Pro forma historical results</th> <th colspan="2">Pro forma forecasts</th> </tr> <tr> <th>FY2012</th> <th>FY2013</th> <th>1H FY2014</th> <th>FY2014</th> <th>FY2015</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>207.8</td> <td>225.9</td> <td>109.2</td> <td>245.5</td> <td>271.5</td> </tr> <tr> <td>EBITDA</td> <td>27.8</td> <td>33.8</td> <td>12.7</td> <td>43.3</td> <td>53.7</td> </tr> <tr> <td>EBITA</td> <td>21.6</td> <td>27.0</td> <td>9.1</td> <td>35.9</td> <td>44.5</td> </tr> <tr> <td>NPATA</td> <td>12.8</td> <td>16.4</td> <td>4.9</td> <td>22.1</td> <td>28.3</td> </tr> <tr> <td>Earnings per Share Pre Amortisation (cents)¹</td> <td>7.7</td> <td>9.8</td> <td>2.9</td> <td>13.3</td> <td>17.0</td> </tr> </tbody> </table> <p>The Financial Information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.</p> <p>Investors should read Section 4 for full details of APN Outdoor's pro forma and statutory results (which will differ significantly) and the assumptions underlying this information.</p> <p>Reconciliation between the pro forma and statutory results is set out in Section 4.3.</p>	\$m, y/e December	Pro forma historical results			Pro forma forecasts		FY2012	FY2013	1H FY2014	FY2014	FY2015	Revenue	207.8	225.9	109.2	245.5	271.5	EBITDA	27.8	33.8	12.7	43.3	53.7	EBITA	21.6	27.0	9.1	35.9	44.5	NPATA	12.8	16.4	4.9	22.1	28.3	Earnings per Share Pre Amortisation (cents) ¹	7.7	9.8	2.9	13.3	17.0	See Section 4
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What is APN Outdoor's dividend payout policy?	<p>The Directors intend to target a payout ratio of between 50% and 65% of NPATA. The level of payout ratio is expected to vary between periods depending on performance of the business and capital requirements, strategic growth, acquisition or investment opportunities that may arise.</p>	See Section 4.9																																									
What is APN Outdoor's corporate strategy?	<p>APN Outdoor aims to:</p> <ul style="list-style-type: none"> deliver innovative and relevant outdoor advertising solutions to advertisers, with a results focused outcome; continue the roll-out of digital formats across APN Outdoor's existing network and maintaining its leadership position in large format digital outdoor advertising; and invest in its well-developed outdoor advertising network across all categories to provide better exposure for advertising campaigns, with more efficiency and less operational risk. 	See Section 3.6																																									

1. Assumes 166.6 million Shares on issue at Completion of the Offer.

1.4 Key strengths

Topic	Summary	More information
Operates in an attractive and growing industry	<ul style="list-style-type: none"> Outdoor advertising in Australia is a growing segment and achieved a CAGR of 6.2% over FY2003 to FY2013 increasing its share of total advertising spend in Australia from 3.1% to 4.1% over the same period.⁸ This growth has been underpinned by audience growth (driven by population growth and increasing urbanisation), improvement in panel quality and digitisation. Outdoor advertising is favourably positioned relative to traditional media, in particular print media (including newspapers, magazines and print directories), which has experienced audience declines contributing to a reduced share of advertising spend. In contrast, outdoor advertising's audience has increased at a CAGR of 6.1% over 2012 to 2014 (as measured by MOVE).⁹ 	See Section 2.5
Leading and defensive industry position	<ul style="list-style-type: none"> APN Outdoor occupies leading positions in its core areas of focus: <ul style="list-style-type: none"> #1 in metro billboards in Australia and New Zealand (by number of panels); #1 in large format digital billboards in Australia and New Zealand (by number of panels); #1 in transit networks across Australia (by number of panels); #1 provider of rail advertising on roadside locations and cross track across Australia and New Zealand (by number of panels); and a leading position in airports across Australia and New Zealand.¹⁰ These leading positions are underpinned by: <ul style="list-style-type: none"> a portfolio of geographically diverse, premium high-traffic metro sites; long-term contractual relationships with landlords and asset owners who provide advertising space to sell. The top 10 contracts collectively contribute approximately 44% of revenue for FY2014 and all of these contractual relationships have been held for over 10 years. During the prospectus forecast period, only one of these top 10 contracts is coming up for renewal; and scale and strength of existing operations across its categories. 	See Section 3
Attractive growth outlook	<p>APN Outdoor is well positioned to benefit from a number of growth drivers, including:</p> <ul style="list-style-type: none"> core underlying market growth in the outdoor advertising industry; digitisation and technology opportunities, where APN Outdoor has the first mover advantage in large format digital and a strong pipeline of potential conversions and new sites in Australia and New Zealand; investment in asset upgrades; and strategic opportunities in existing and adjacent outdoor categories. 	See Section 3.6

8. CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

9. Management calculation using data from MOVE 2014 Data Release

10. Includes expected market share gain relating to Auckland Airport contract

1.4 Key strengths (continued)

Topic	Summary	More information
Strong financial track record	<ul style="list-style-type: none"> • APN Outdoor has a track record of revenue and EBITDA growth, together with strong cash flow generation. Pro forma consolidated EBITDA has grown from \$27.8 million in FY2012 to \$33.8 million in FY2013 and is forecast to increase to \$53.7 million in FY2015. This financial performance has been driven by: <ul style="list-style-type: none"> – strong growth in the outdoor advertising industry; – significant investment in capital investment to digitise and upgrade sites, resulting in yield improvement; – new contract wins; and – improved operating margins by leveraging a largely fixed cost base. • APN Outdoor has delivered strong cash flow generation while investing in its business and expanding its network of outdoor advertising panels. 	See Section 4
Highly experienced and longstanding management team	<ul style="list-style-type: none"> • APN Outdoor's management team has considerable experience in the Australian and New Zealand outdoor advertising industries and have been longstanding members of the APN Outdoor business.¹¹ • The senior management team is led by Chief Executive Officer, Richard Herring, who has more than 30 years of experience in the media industry. Richard has led APN Outdoor since 2004 and has been with APN Outdoor for 20 years. • APN Outdoor's Chief Operating Officer, Andrew Hines, has been in that role since 2006 and was previously Chief Financial Officer of APN Outdoor. Andrew has over 20 years of experience in the outdoor advertising industry. • APN Outdoor's Chief Financial Officer, Wayne Castle, has been in that role since 2011 and was previously Chief Financial Controller of APN News & Media for 8 years. • The broader management team has extensive experience in the media industry. 	See Section 6.2

11. Includes predecessor companies where appropriate

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1.5 Key growth drivers

Topic	Summary	More information
Market growth	<ul style="list-style-type: none"> The Australian outdoor advertising industry has grown at a CAGR of 6.2% and increased its share of total advertising spend in Australia from 3.1% to 4.1% over FY2003 to FY2013, underpinned by: <ul style="list-style-type: none"> – audience growth (outdoor advertising’s audience has increased at a CAGR of 6.1% over 2012 to 2014 as measured by MOVE)¹² driven by population growth and increasing urbanisation; – improvement in asset quality and digitisation, attracting increased advertising spend; and – improved audience measurement through MOVE, allowing advertising managers to better understand and quantify the potential audience of a campaign. Management expects the outdoor advertising industry to benefit from continued fragmentation in traditional media and increase its share of Australian advertising spend to approximately 5% over the medium term. This is below the share of outdoor advertising seen globally at approximately 7%.¹³ 	See Section 2.5
Digitisation and technology opportunities	<ul style="list-style-type: none"> APN Outdoor’s digital opportunity includes: <ul style="list-style-type: none"> – greenfield development of new large format digital sites; – conversion of static advertising panels to digital screens (e.g. from large format static billboards to high quality large format digital); and – digital conversion and new installation of other digital formats (e.g. Xtrack TV). Digital outdoor advertising provides a number of benefits for advertisers, including: <ul style="list-style-type: none"> – immediacy – allows an advertiser shorter lead time to display creative; – creative flexibility – allows advertisers to change their message multiple times within a period. This enables an advertiser to communicate to consumers using different creative approaches or for more time relevant display; – premium, high quality presentation – attracts leading brands; and – higher audience engagement. Digital outdoor advertising provides APN Outdoor with a number of benefits: <ul style="list-style-type: none"> – new revenue streams from existing and new advertisers including the ability for Xtrack TV to access “screen” budgets from advertisers; – higher utilisation of sites, with the ability to host multiple advertisements generating a revenue uplift on comparable static panels; and – opportunity for day parting¹⁴ campaigns, which allow differential pricing. APN Outdoor has been the first mover in Australia and New Zealand to establish a national network of large format digital panels, with 34 expected by the end of FY2014 and a forecast increase to 51 by the end of FY2015 across Australia and New Zealand. 	See Section 3.6

12. Management calculation using data from MOVE 2014 Data Release

13. ZenithOptimedia Advertising Expenditure Forecasts, April 2014 pg. 9

14. Day parting is the ability to split the available advertising time into different time slots with differential pricing. For example, higher pricing for time slots during morning and afternoon commuter travel periods

1.5 Key growth drivers (continued)

Topic	Summary	More information
Digitisation and technology opportunities (continued)	<ul style="list-style-type: none"> • Within APN Outdoor's portfolio of approximately 632 large format static billboard sites across Australia (as at December 2015), management believe an additional 150 sites have the potential to be converted to large format digital. The potential for digital conversion of the 150 sites is assessed with respect to: <ul style="list-style-type: none"> – site location and suitability for large format digital; – planning and consents from local and State authorities; and – the returns on capital invested. • NSW accounts for the majority of expected large format digital growth in FY2015 and this is expected to be assisted by the pending release of new digital outdoor advertising guidelines which APN Outdoor believes will reduce the subjectivity in NSW digital road sign applications. • Opportunity to expand footprint of Xtrack TV throughout Sydney and Melbourne following initial installation of 66 screens in October 2014. <ul style="list-style-type: none"> – potential to extend roll-out in Brisbane, Perth and Adelaide over the medium term. 	See Section 3.6
Static inventory upgrades	<ul style="list-style-type: none"> • APN Outdoor has embarked on a number of targeted upgrades of existing static format billboards. • Recent upgrades include small format static billboards conversion to LUX billboards. LUX billboards are bundled into packages of 75 premium LED backlit sites and attract higher yields than other small format billboards. • Other possible static inventory upgrades include the potential to roll-out another LUX pack and upgrades of supersites. 	See Section 3.6
Strategic opportunities in existing and adjacent outdoor categories	<ul style="list-style-type: none"> • APN Outdoor is strategically placed through the strength of its current network and relationships to capitalise on opportunities in existing and adjacent categories (such as retail and street furniture). APN Outdoor will undertake these opportunities when it is strategically and financially beneficial to do so. This may be through: <ul style="list-style-type: none"> – securing a new contract; – acquiring an existing operator; or – partnerships with an existing operator. 	See Section 3.6

1.6 Key risks

Topic	Summary	More information
Exposure to advertising industry	APN Outdoor's revenues and operating profits depend on spending levels in the overall advertising industry, which can fluctuate significantly based on economic conditions. Advertising industry spend and outdoor advertising industry spend tends to be cyclical and is highly dependent on the general condition of the economy. There is no guarantee that overall economic conditions will improve or remain stable, and there is no guarantee that the level of advertising spend in the outdoor advertising industry will increase in the future. There is a risk that advertising spend and outdoor advertising spend may contract.	Section 5.2.1
Increased competition	The Australian outdoor advertising industry is highly competitive. APN Outdoor's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by APN Outdoor to successfully respond to changes in the industry. Any deterioration in APN Outdoor's competitive position may have an adverse effect on APN Outdoor's future financial performance. In addition, increased competition from, or a shift in spend to, alternative advertising categories or formats could result in an adverse effect on APN Outdoor's future financial performance.	Section 5.2.2
Loss of outdoor advertising sites or failure to achieve lease renewals on favourable terms	<p>APN Outdoor relies on having access to a range of outdoor advertising sites to maximise its network reach, to ensure that advertisers, continue advertising with APN Outdoor.</p> <p>APN Outdoor gains access to these sites typically through short and long term contracts or concessions with landlords, asset owners or State Government departments. In particular, APN Outdoor's transit products business require it to obtain and renew contracts with municipalities and other governmental entities. Many of these contracts require APN Outdoor to participate in competitive bidding processes at each renewal. There is no guarantee that APN Outdoor will be able to obtain or renew contracts and / or concessions on terms favourable or acceptable to APN Outdoor, or at all.</p> <p>If APN Outdoor loses transit concessions in one or more of its key metro markets, it would have difficulty attracting the same quality of advertisers that it currently enjoys and obtaining pricing levels commensurate with its premium quality product.</p> <p>In addition, because APN Outdoor may be required to spend upfront capex as part of a contract or concession, APN Outdoor may experience reductions in its cash flows, which may adversely affect APN Outdoor's ability to pay dividends or meet its debt servicing obligations.</p>	Section 5.2.3
Reliance on key management personnel	APN Outdoor's success depends to a significant extent on key personnel and the senior management team. APN Outdoor may not be able to attract and retain key staff or be able to find effective replacements in a timely manner. The loss of key personnel may have an adverse effect on the future financial performance of the business.	Section 5.2.4
Seasonality of revenue	APN Outdoor generally experiences seasonality in earnings which historically has resulted in stronger revenue generation in the six months ending 31 December compared to the six months ending 30 June. APN Outdoor relies on the seasonality trends historically displayed by its operating results to prepare forecasts and budgets. There is no guarantee that the seasonality trends displayed historically will continue in the future, including in the current financial year ending 31 December 2014 or the next financial year ending 31 December 2015.	Section 5.2.5

1.6 Key risks (continued)

Topic	Summary	More information
Government regulation of outdoor advertising	<p>State and local regulations have a significant impact on the outdoor advertising industry and APN Outdoor's business. Changes in legislation or government policy in Australia (whether local, State or Federal) which affect the media or advertising industry or the outdoor advertising industry, may affect the ability of APN Outdoor to continue to use certain sites or advertise for certain industries which may impact on the future earnings of APN Outdoor and the relative attractiveness of an investment in APN Outdoor.</p> <p>New regulation at Federal, State and / or local levels may be implemented to regulate digital outdoor advertising, and such regulation could reduce APN Outdoor's ability to convert or install digital products, the content that can be displayed on digital products (e.g. through limitations on how often large format digital billboards can change content) or otherwise limit or restrict APN Outdoor's digital products.</p> <p>APN Outdoor's pipeline of digital conversions requires satisfaction of State and local government planning processes. There can be no guarantee that approvals will be achieved for the pipeline of potential conversions and new sites.</p>	Section 5.2.6
Under-performance of digital products	<p>The digital products offered by APN Outdoor (including large format digital billboards and Xtrack TV) are relatively new in the Australian and New Zealand outdoor advertising industries. APN Outdoor's existing and planned pipeline of digital conversions and installation of new digital products is based on business cases and revenue projections which make certain assumptions about the revenue and earnings attributable to such conversion or installation.</p> <p>The digital products offered by APN Outdoor may not achieve the performance expected by management, and such underperformance may impact APN Outdoor's operating and financial performance and position.</p>	Section 5.2.7
Relationships with key media agencies and customers	<p>The majority of the revenue of APN Outdoor is not underpinned by contracts with advertisers. As the needs of advertisers change frequently and are dependent on economic circumstances, retail trading conditions and competitive dynamics, it is possible that APN Outdoor's financial performance may be adversely affected.</p> <p>The performance of APN Outdoor is heavily reliant on its relationships with the media agencies. Loss of relationships with media agencies or a change in the size and / or structure of the media agency market may impact APN Outdoor's profitability. In addition, the loss of relationships with key customers could impact on APN Outdoor's future operating and business performance.</p>	Sections 5.2.9 and 5.2.10

1.7 Key Offer statistics

Topic	Summary	More information
What are the key Offer statistics?	Offer Price per Share	\$2.55
	Total number of Shares available under the Offer	129.1 million
	Total cash proceeds from the Offer	\$329.3 million
	Total number of Shares on issue prior to the Offer	123.8 million
	Total number of issued Shares on Completion	166.6 million
	Market capitalisation at the Offer Price	\$424.9 million
	Pro forma net debt (as at 30 June 2014)	\$78.8 million
	Enterprise value	\$503.6 million
What are the key investment metrics?	Enterprise value / pro forma FY2015 forecast EBITDA	9.4x
	Enterprise value / pro forma FY2015 forecast EBITA	11.3x
	Offer Price / pro forma FY2015 forecast NPATA per Share	15.0x
	Estimated FY2015 forecast dividend yield	4.0%
	<i>Key ratios</i>	
	Implied net debt / pro forma FY2015 forecast EBITDA	1.5x
	Pro forma forecast FY2015 EBITDA / pro forma forecast FY2015 net interest expense	13.4x
	Pro forma forecast FY2015 EBITA / pro forma forecast FY2015 net interest expense	11.1x

1.8 Directors and key management

Topic	Summary	More information
Who are the Directors of APN Outdoor?	<p>Doug Flynn, Chairman, Independent Non-executive Director</p> <p>Doug has over 30 years of international experience in the media and information and communication technology industries, including holding various senior management and board positions. Doug is a Chairman of NextDC Limited, iSentia Group Limited and Konekt Ltd. Doug graduated in Chemical Engineering from the University of Newcastle, and received an MBA with distinction from the University of Melbourne.</p> <hr/> <p>Richard Herring, Chief Executive Officer</p> <p>Richard has been the CEO of APN Outdoor since 2004. He commenced at Cody Outdoor in 1995 as General Manager of Sales and Marketing, and was subsequently appointed CEO. Cody Outdoor was acquired by APN News & Media and became part of APN Outdoor in 2004. Prior to this Richard held a variety of roles at Channel 9, Austereo, Network Ten and Ogilvy and Mather (London). Richard holds an MBA from Monash University in Melbourne. He is the ex-Chairman and a current Board member of the OMA and MOVE.</p> <hr/> <p>Lisa Chung, Independent Non-executive Director</p> <p>Lisa is a partner of law firm Maddocks, with more than 25 years' legal experience in a wide range of commercial property transactions. Prior to joining Maddocks, Lisa was a partner for more than 15 years of Blake Dawson (now Ashurst) where she spent several years serving on the firm's board and in senior management roles, including as Sydney Managing Partner and as the Executive Partner with responsibility for the Property Projects and Government Group and for strategy relating to People and Culture. Lisa is the Chairman of The Benevolent Society and a Trustee of the Museum of Applied Arts & Sciences (incorporating the Powerhouse Museum).</p> <hr/> <p>Patrick O'Sullivan, Independent Non-executive Director</p> <p>Pat has over 30 years of international commercial and business management experience, including holding various senior management and board positions. Pat is currently Chairman of HealthEngine.com.au, as well as serving as a director of iSentia Group Limited, Carsales.com.au, iiNet and Little Company of Mary Healthcare. Pat is a member of the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants in Australia and is a graduate of the Harvard Business School's Advanced Management Program.</p> <hr/> <p>Jack Matthews, Independent Non-executive Director</p> <p>Jack has held a number of senior leadership positions within the digital media and subscription television industries in Australia and New Zealand. Since 2006, Jack played an integral role in the success of Fairfax's digital strategy, first as CEO of Fairfax Digital and most recently as CEO of Fairfax Metropolitan Media. Jack has also held senior positions in the USA and Japan. Jack is currently Chairman of Rewardle Holdings (Melbourne) and a director of Crown Fibre Holdings, Network for Learning, and Trilogy International Limited.</p>	See Section 6.1

1.8 Directors and key management (continued)

Topic	Summary	More information
Who are the key management of APN Outdoor?	<p>Richard Herring, Chief Executive Officer</p> <p>See above.</p>	See Section 6.2
	<p>Andrew Hines, Chief Operating Officer</p> <p>Andrew has been Chief Operating Officer of APN Outdoor since 2006 and in this time, has been responsible for driving the strategic direction of the business across the sales, marketing, commercial and operations departments. Before becoming Chief Operating Officer, Andrew served as Chief Financial Officer at APN Outdoor working across Australia, New Zealand and Asian markets (including Hong Kong, Indonesia and Malaysia). Having joined Cody Outdoor in 1993, Andrew has over 20 years of experience in the outdoor advertising industry. Andrew holds a Bachelor of Business from RMIT University and is a Chartered Practising Accountant.</p>	
	<p>Wayne Castle, Chief Financial Officer</p> <p>Wayne has more than 30 years of experience in professional and commercial accounting roles. Prior to joining APN Outdoor, Wayne worked in APN News & Media's corporate office for eight years in a role spanning all of the group's various media interests. During this period, Wayne was actively involved in corporate reporting, treasury management and debt refinancing and various mergers & acquisitions activities. Prior to that, Wayne held various senior finance roles across a variety of industries after 10 years with Ernst & Young in audit, technical and education roles. Wayne holds a Bachelor of Commerce with Merit (UNSW) and is a member of the Institute of Chartered Accountants in Australia.</p>	

1.9 Significant interests of key people and related party transactions

Topic	Summary	More information																								
Who are the Existing Shareholders and what will their interest be at Completion?	<table border="1"> <thead> <tr> <th>Existing Shareholders</th> <th>Shares immediately pre-IPO</th> <th>% pre-IPO</th> <th>Shares issued / acquired / (sold)</th> <th>Shares immediately post-IPO</th> <th>% post-IPO</th> </tr> </thead> <tbody> <tr> <td>Quadrant Funds</td> <td>116,000,000</td> <td>93.7%</td> <td>(82,677,099)</td> <td>33,322,901</td> <td>20.0%</td> </tr> <tr> <td>Management and Board</td> <td>7,787,958</td> <td>6.3%</td> <td>(3,643,979)</td> <td>4,143,979</td> <td>2.5%</td> </tr> <tr> <td>Total</td> <td>123,787,958</td> <td>100.0%</td> <td>(86,321,078)</td> <td>37,466,880</td> <td>22.5%</td> </tr> </tbody> </table>	Existing Shareholders	Shares immediately pre-IPO	% pre-IPO	Shares issued / acquired / (sold)	Shares immediately post-IPO	% post-IPO	Quadrant Funds	116,000,000	93.7%	(82,677,099)	33,322,901	20.0%	Management and Board	7,787,958	6.3%	(3,643,979)	4,143,979	2.5%	Total	123,787,958	100.0%	(86,321,078)	37,466,880	22.5%	See Sections 6 and 7
	Existing Shareholders	Shares immediately pre-IPO	% pre-IPO	Shares issued / acquired / (sold)	Shares immediately post-IPO	% post-IPO																				
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<p>Certain Existing Shareholders have agreed to sell some or all of their Shares to SaleCo (who in turn will make available those Shares under the Offer). The Quadrant Funds have agreed to retain 28.7% of their Existing Shares representing 20.0% of the post-IPO issued capital of the company.</p>																										
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	<table border="1"> <thead> <tr> <th>Director</th> <th>Shares held on Completion</th> <th>% Post-IPO</th> <th>Options held on Completion</th> </tr> </thead> <tbody> <tr> <td>Richard Herring</td> <td>1,943,455</td> <td>1.2%</td> <td>396,477</td> </tr> <tr> <td>Doug Flynn</td> <td>500,000</td> <td>0.3%</td> <td>–</td> </tr> </tbody> </table>	Director	Shares held on Completion	% Post-IPO	Options held on Completion	Richard Herring	1,943,455	1.2%	396,477	Doug Flynn	500,000	0.3%	–	See Sections 6, 7 and 9.3												
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<p>The above table does not take into account any Shares the Directors may acquire under the Offer.</p>																										
<p>Directors are entitled to remuneration and fees as disclosed in Section 6.3.</p>																										
<p>Advisers and other service providers are entitled to fees for services as disclosed in Section 6.3.</p>																										

1.9 Significant interests of key people and related party transactions (continued)

Topic	Summary	More information						
Will any Shares be subject to restrictions on disposal following Completion?	<p>All of the Existing Shares held at Listing by the Escrowed Shareholders (other than any Shares purchased by them under the Offer) will be subject to disposal restrictions as follows:</p> <ul style="list-style-type: none"> existing Shares held by the Quadrant Funds will be subject to voluntary escrow restrictions until the date on which APN Outdoor's yearly results for the period ending 31 December 2015 are released to the ASX, subject to potential early release as set out below; and existing Shares held by Doug Flynn and members of management will be subject to voluntary escrow restrictions until the date on which APN Outdoor's yearly results for the period ending 31 December 2015 are released to the ASX. <p>After these dates, all of the relevant Existing Shares will be released.</p> <p>Subject to certain exceptions, the Escrowed Shareholders may not dispose of their escrowed Shares whilst those escrowed Shares are subject to voluntary escrow arrangements or other disposal restrictions.</p> <p>In the case of the Quadrant Funds, one of those exceptions to their voluntary escrow arrangements will permit them to each dispose of up to the percentage of their escrowed Shares (in one or more transactions) listed below at least 10 Business Days after the corresponding conditions have been satisfied:</p> <table border="1"> <thead> <tr> <th>Securities to be released from escrow</th> <th>Escrow release conditions</th> </tr> </thead> <tbody> <tr> <td>50% of Shares held at Completion of Offer</td> <td> <ul style="list-style-type: none"> financial results for FY2014 released; and volume-weighted average price in any 10 consecutive trading days following the release of these financial results exceeds the Offer Price by more than 20%. </td> </tr> <tr> <td>100% of Shares held at Completion of Offer</td> <td> <ul style="list-style-type: none"> financial results for 1H FY2015 released; and volume-weighted average price in any 10 consecutive trading days following the release of those financial results exceeds the Offer Price by more than 20%. </td> </tr> </tbody> </table> <p>The VWAP on any trading day prior to the release of the applicable financial results is not relevant to determining whether that exception is available.</p>	Securities to be released from escrow	Escrow release conditions	50% of Shares held at Completion of Offer	<ul style="list-style-type: none"> financial results for FY2014 released; and volume-weighted average price in any 10 consecutive trading days following the release of these financial results exceeds the Offer Price by more than 20%. 	100% of Shares held at Completion of Offer	<ul style="list-style-type: none"> financial results for 1H FY2015 released; and volume-weighted average price in any 10 consecutive trading days following the release of those financial results exceeds the Offer Price by more than 20%. 	See Section 7.6.1
Securities to be released from escrow	Escrow release conditions							
50% of Shares held at Completion of Offer	<ul style="list-style-type: none"> financial results for FY2014 released; and volume-weighted average price in any 10 consecutive trading days following the release of these financial results exceeds the Offer Price by more than 20%. 							
100% of Shares held at Completion of Offer	<ul style="list-style-type: none"> financial results for 1H FY2015 released; and volume-weighted average price in any 10 consecutive trading days following the release of those financial results exceeds the Offer Price by more than 20%. 							

1.10 Overview of the Offer

Topic	Summary	More information
What is the Offer?	<p>The Offer is an initial public offering of 129.1 million Shares that will in part be issued by the Company and in part sold by SaleCo.</p> <p>Each Share will rank equally with Shares already on issue. A summary of the rights attaching to the Shares is set out in Section 7.1.</p>	See Section 7
Who are the proposed issuers of the Prospectus?	<p>APN Outdoor Group Limited ACN 155 848 589, a company incorporated in Victoria, Australia and APN Outdoor SaleCo Pty Limited ACN 601 938 916, a company incorporated in Victoria, Australia.</p>	See Section 7.1
What is SaleCo?	<p>SaleCo is a special purpose vehicle, established to sell Shares acquired from the Selling Shareholders.</p> <p>The Existing Shares which SaleCo acquires from the Selling Shareholders, along with New Shares issued by the Company, will be transferred to Successful Applicants at the Offer Price.</p>	
What is the proposed use of the funds raised under the Offer?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> • provide APN Outdoor with a capital structure, which, together with access to capital markets, will provide the business with additional financial flexibility to pursue further growth opportunities; • provide a liquid market for its Shares and an opportunity for others to invest in APN Outdoor; • provide APN Outdoor with funds to repay APN Outdoor's existing debt and Loan Notes, and to redeem the Redeemable Preference Shares held by certain Existing Shareholders; and • pay offer costs. <p>The Offer also provides the Existing Shareholders with an opportunity to realise all or part of their investment in APN Outdoor by the sale of Existing Shares through SaleCo.</p>	See Section 7.1.2
Will the Shares be quoted on the ASX?	<p>APN Outdoor has applied for listing of the Shares on ASX under the ticker code "APO". Completion of the Offer is conditional on ASX approving this application.</p> <p>If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	See Section 7.9
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Broker Firm Offer, which is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia; • the Chairman's List Offer to selected investors who have received a Chairman's List Invitation; and • the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. 	See Section 7.1.1

1.10 Overview of the Offer (continued)

Topic	Summary	More information
Is the Offer underwritten?	Yes, the Offer is fully underwritten by the Joint Lead Managers.	
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Chairman's List Offer and the Institutional Offer was determined by the Joint Lead Managers, APN Outdoor and SaleCo.</p> <p>With respect to the Broker Firm Offer, the relevant Brokers will decide how they allocate Shares among their eligible retail clients.</p> <p>The allocation of Shares among applicants in the Chairman's List Offer and the Institutional Offer was determined by the Joint Lead Managers, APN Outdoor and SaleCo.</p>	See Sections 7.3 and 7.5
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by applicants on acquisition of Shares under the Offer.	See Section 7.2
What are the tax implications of investing in the Shares?	Summaries of certain Australian tax consequences of participating in the Offer and investing in the Shares are set out in Section 9.10. The tax consequences of any investment in the Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	See Section 9.10
When will I receive confirmation that my Application has been successful?	APN Outdoor expects to announce the final allocation policy under the Broker Firm Offer on or about 11 November 2014. Applicants in the Broker Firm Offer should confirm their firm allocation with the Broker from whom they received their allocation.	See Section 7.2
What is the Company's dividend policy?	<p>The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors set out in Section 4.9.</p> <p>The first fully franked dividend of 1.0¢ per share in respect of earnings from Completion of the Offer to 31 December 2014 is expected to be paid in April 2015, subject to business performance, market conditions and regulatory requirements.</p> <p>The first fully franked dividend of 1.0¢ per share is expected to represent approximately a 60% dividend payout ratio of NPATA for the period between Completion of the Offer to 31 December 2014.</p> <p>It is the current intention of the Board to declare a fully franked dividend in respect of the full year ended 31 December 2015 of 10.0¢ per share, equivalent to approximately 60% of FY2015 statutory NPATA.</p> <p>Beyond the forecast period, and having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 50% to 65% of annual NPATA.</p>	See Section 4.9

1.10 Overview of the Offer (continued)

Topic	Summary	More information
What is the minimum Application size under the Offer?	<p>The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker.</p> <p>The minimum Application under the Chairman's List Offer is \$2,000 worth of Shares.</p>	See Section 7.3 and 7.4
How can I apply?	<p>If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Broker Firm Application Form.</p> <p>Applicants under the Chairman's List Offer should follow the instructions on how to apply in their personalised invitation.</p>	See Section 7.3
Can the Offer be withdrawn?	Yes. APN Outdoor and SaleCo may withdraw the Offer at any time before the issue of New Shares or transfer of Existing Shares to successful applicants or bidders in the Broker Firm Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	See Section 7.8
Where can I found out more information about this Prospectus or the Offer?	<p>For more information, call the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or +61 1300 361 735 (outside Australia) from 9.00am until 5.00pm AEDT Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether APN Outdoor is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional advisor before deciding whether to invest.</p>	

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APN

Section 2. INDUSTRY OVERVIEW

 Elite Screens, Sydney Domestic Airport,
New South Wales.

2.1 The Australian advertising industry¹

The Australian advertising industry comprises eight primary segments: outdoor advertising, television, online, newspapers, magazines, radio, cinema and print directories.

The performance of the advertising industry is generally driven by broad macroeconomic factors in Australia and globally, including:

- the overall level of economic activity;
- business confidence;
- consumer sentiment; and
- other factors including the domestic political environment and geo-political drivers.

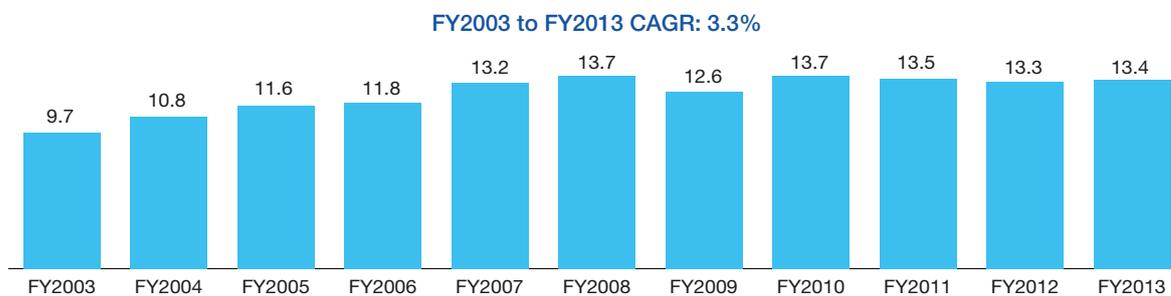
Australian advertising spend has demonstrated long term growth, having grown from \$9.7 billion in FY2003 to \$13.4 billion in FY2013 at a CAGR of 3.3%. Over the period from FY2003 to FY2013, all segments except for print media (newspapers, magazines and print directories) experienced positive growth. The segments which experienced the highest growth rates were online and outdoor advertising, with CAGRs from FY2003 to FY2013 of 32.7% and 6.2% respectively.²

While the Australian advertising industry declined 8.0% during the Global Financial Crisis in FY2009, it rebounded in FY2010 to reach levels close to FY2008. Since FY2010, total Australian advertising spend remained static or declined slightly, driven by the decline in print media which has decreased by 31.1%, representing a \$1.7 billion decline since FY2003.³

Chart 1

Total Australian advertising spend FY2003 to FY2013

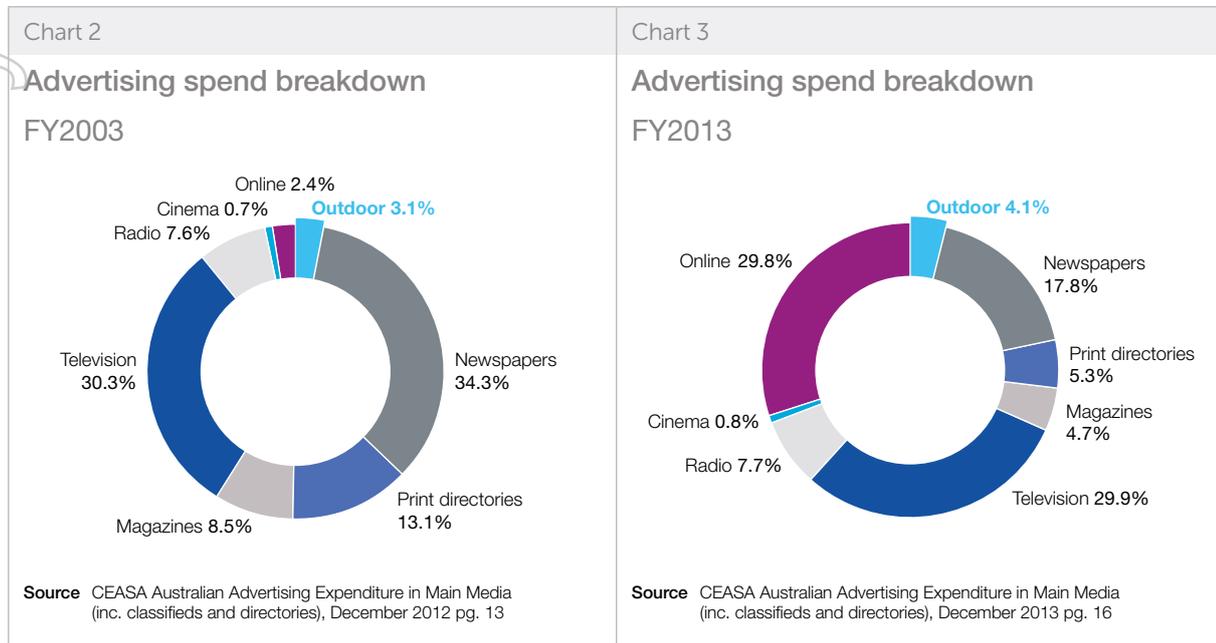
\$ billion



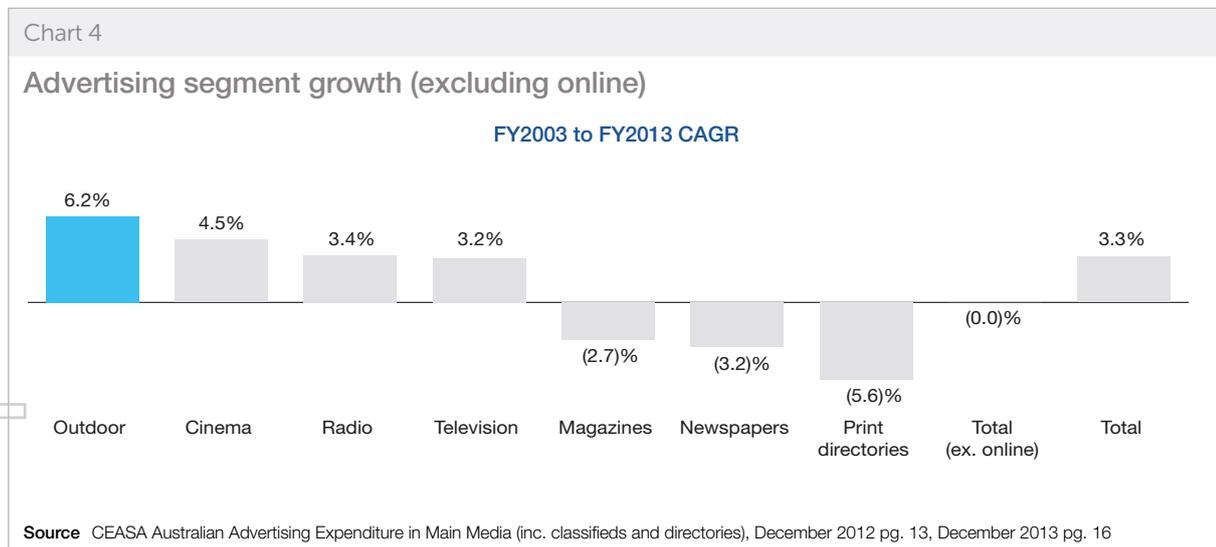
Source CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16.

The largest industry change from FY2003 to FY2013 has been the shift in advertising spend away from traditional media towards online advertising. Online advertising represented 2.4% of total Australian advertising spend in FY2003 and increased to 29.8% in FY2013. Outdoor advertising is one of few traditional media segments to have gained market share since FY2003, increasing from 3.1% to 4.1%.⁴

1. In Section 2, Australian CEASA data has been shown on a net revenue basis to enable a like for like comparison between outdoor advertising and other segments
2. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16
3. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16
4. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16



From FY2003 to FY2013 the outdoor advertising industry grew at a CAGR of 6.2%, outperforming the total Australian advertising industry, which grew at a CAGR of 3.3% over the same period.⁵ During this period, the majority of traditional media segments lost advertising spend share.



Management expects outdoor advertising to increase its share of advertising spend to approximately 5% over the medium term, which remains below levels experienced internationally.⁶ These expectations are underpinned by:

- the outdoor advertising industry leveraging new digital technology to drive increased consumer engagement;
- the opportunity for outdoor advertising to benefit from the growth in mobile and online through complementary campaigns;
- outdoor advertising representing one of the last true mass broadcast mediums;
- increasing audience levels driven primarily by population growth and urbanisation; and
- opportunity for outdoor advertising to benefit from the continued audience fragmentation in other forms of traditional media.

5. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

6. Zenith Optimedia, Advertising Expenditure Forecasts, April 2014 pg. 9

2.2 The Australian outdoor advertising landscape

APN Outdoor operates in the Australian outdoor advertising industry, which is a segment of the broader Australian advertising industry. In FY2013, the Australian outdoor advertising industry recorded net revenue of \$544 million, representing 4.1% of the total Australian advertising industry.⁷

There are six primary outdoor advertising categories including billboards, transit, rail, airports, street furniture and retail (see Diagram 1).

The four largest outdoor advertising operators by revenue (being APN Outdoor, oOh! Media, JCDecaux and Adshel) represented approximately 80% of total outdoor advertising revenue in the 12 months ended 30 June 2014, while the top 20 outdoor advertising operators by revenue represented approximately 99% of total outdoor advertising revenue.

Of the four major outdoor advertising operators, JCDecaux and Adshel are predominantly focused on street furniture, a category in which APN Outdoor does not currently operate. Smaller operators typically focus on niche formats, in single geographies, regional markets or do not have a multi-format offering.

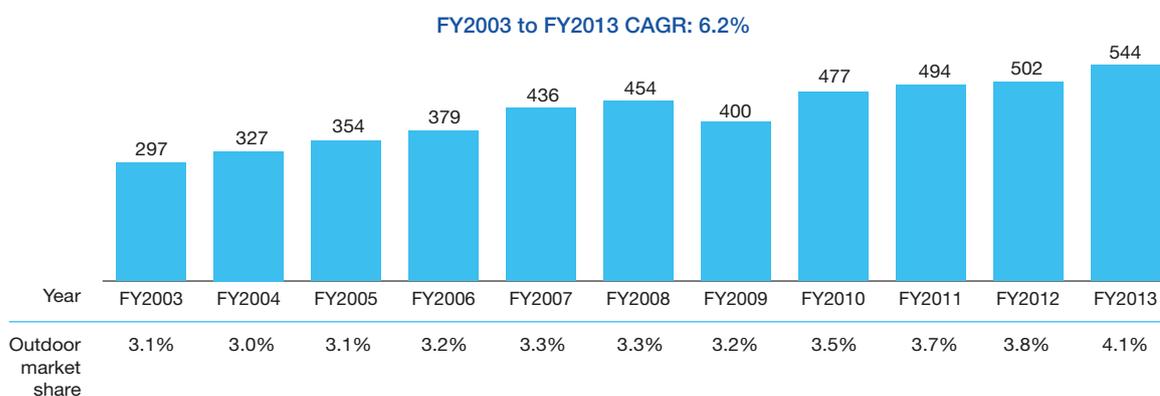
The Australian outdoor advertising industry grew 8.3% from \$502 million in FY2012 to \$544 million in FY2013. Outdoor advertising revenue has almost doubled since FY2003, growing at a CAGR of 6.2% (faster than all other forms of traditional media). Market share has grown since FY2003 from 3.1% of total advertising spend to 4.1% of total advertising spend in FY2013, while in the same period market share has not fallen below 3.0% of total advertising spend.⁸

The revenue performance of the outdoor advertising industry and subsequent growth in market share is primarily driven by audience growth (driven by population growth and increasing urbanisation), improvement in asset quality and digitisation (see Section 2.5 for outdoor advertising industry growth drivers).

Chart 5

Total outdoor advertising spend and percentage share of total advertising spend

\$ million



Source CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

7. Management calculation using data from CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

8. CEASA Australian Advertising Expenditure in Main Media (inc. classifieds and directories), December 2012 pg. 13, December 2013 pg. 16

Diagram 1

Outdoor advertising categories



Billboards

Large format billboards
Small format billboards
Static and digital

Key operators

- APN Outdoor
- oOh! Media
- QMS



Transit

Tram networks
Bus networks

Key operators

- APN Outdoor
- Go Transit



Rail

Commuter rail networks
Rail roadside billboards
Concourse

Key operators

- APN Outdoor
- Adshel
- JCDecaux

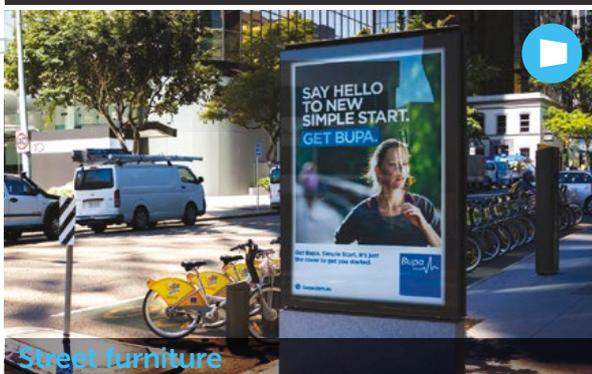


Airports

Domestic airports
International airports

Key operators

- APN Outdoor
- oOh! Media



Street furniture

Bus shelters
Free standing small format

Key operators

- Adshel
- JCDecaux



Retail

Shopping centres
Lifestyle venues

Key operators

- oOh! Media
- Torch Media
- Brandspace
- Val Morgan

Source APN Outdoor

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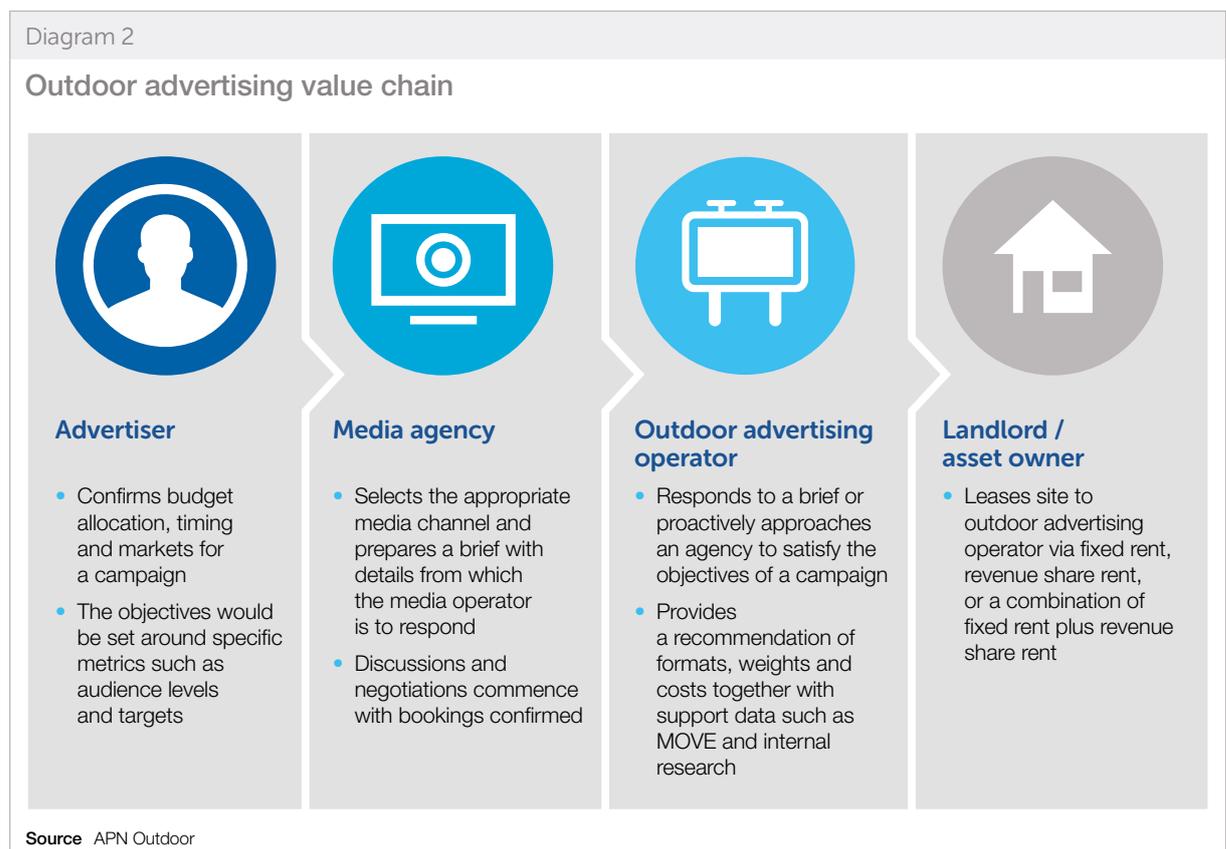
2.3 Outdoor advertising value chain

Advertisers typically allocate a budget to total advertising and will then work with media agencies to allocate it across different media segments as appropriate for each advertiser's target demographic or campaign objective. Some agencies may create content for advertisers, however they will also purchase advertising from media operators. An outdoor advertising operator will package and sell outdoor inventory to media agencies. The majority of revenue is sourced from media agencies acting for advertisers, while a small proportion is sourced directly from the end advertiser.

Management believes that a national outdoor network and diverse multi-format offering is valued by advertisers when making budget allocation decisions.

Outdoor advertising operators typically lease sites from landlords and asset owners such as building owners and transit authorities under fixed rent, revenue share rent or a combination of fixed rent plus revenue share rent agreements. Advertising space is typically sold as part of a package or on a site by site basis. In Australia, the industry is structured around one to four week campaigns. This change was effected in 2009, replacing the ad hoc monthly booking approach in advance of the introduction of the MOVE audience measurement system which is designed to deliver data around weekly selling periods.

Diagram 2 shows the value chain in a typical outdoor advertising transaction.



2.3.1 Major advertisers

Outdoor advertising attracts a diversified advertiser base ranging from Federal and State governments, to Australian and multinational corporations. HSBC, the largest outdoor advertiser in 2013, made up approximately 3.4% of outdoor advertising industry revenues with the top 20 contributing approximately 34.4% of total outdoor advertising industry revenue. See Table 2 for a list of the top 10 advertisers.

Table 2

Top 10 advertisers by revenue, 2013

#	Advertiser	\$ million	% of outdoor advertising revenue	APN Outdoor advertiser
1	HSBC	18.4	3.4%	✓
2	Lion Nathan	15.2	2.8%	✓
3	NSW Government	14.0	2.6%	✓
4	McDonalds	10.5	1.9%	✓
5	Commonwealth Bank of Australia	10.4	1.9%	✓
6	Village Roadshow	9.7	1.8%	✓
7	Nissan	9.1	1.7%	✓
8	Foxtel	9.0	1.7%	✓
9	Telstra	8.4	1.5%	✓
10	SABMiller	8.4	1.5%	✓

Source OMA Annual Report 2013, pg. 39

Users of outdoor advertising are diverse, with no single industry representing more than 12% of total outdoor advertising revenue. Finance was the largest advertiser industry group by revenue in 2013, contributing 11.3% of outdoor advertising industry revenue. The top 10 advertiser industry groups contributed approximately 75.3% of outdoor advertising revenue. See Table 3 for a list of the top 10 advertiser industry groups.

Table 3

Top 10 advertiser industry groups by revenue, 2013

#	Advertiser industry group	\$ million	% of outdoor advertising revenue
1	Finance	61.3	11.3%
2	Retail	59.3	10.9%
3	Entertainment and leisure	52.3	9.6%
4	Motor vehicles	40.2	7.4%
5	Media	38.1	7.0%
6	Beverages (alcoholic)	37.2	6.8%
7	Travel / accommodation	35.4	6.5%
8	Food	31.5	5.8%
9	Communications	27.5	5.1%
10	Beverages (non-alcoholic)	26.7	4.9%

Source OMA Annual Report 2013, pg. 39

2.4 Benefits of outdoor advertising

Management believes that there are a number of characteristics that make outdoor advertising a unique medium that delivers distinct benefits to advertisers. These include:

- **targeted advertising**, outdoor advertising allows advertisers to tailor content and target specific demographic and socio-economic groups;
- **captive audience and repeat exposure**, outdoor advertisements cannot be “switched off”, which leads to greater audience exposure. In addition, commuters tend to have consistent travel routines which creates the opportunity for repeat exposure;
- **audience engagement**, digital and mobile technology allows advertisers to create interactive digital outdoor advertising campaigns;
- **cost effective**, outdoor advertising is an efficient advertising medium in terms of return on investment, with a low cost per thousand people reached; and
- **complementary medium**, outdoor advertising is complementary to other advertising mediums and improves the return on investment of other media. The return on investment in relation to TV, radio and online campaigns improved when they were combined with outdoor advertising. This return increased as the proportion of outdoor advertising increased from 8% to greater than 15%.⁹

2.5 Industry growth drivers

Growth in the Australian outdoor advertising industry is underpinned by a number of broad trends and industry specific factors, including macroeconomic growth, the increasing audience fragmentation in traditional media and the increasing outdoor advertising audience size.

2.5.1 Market growth

The Australian outdoor advertising industry has grown at a CAGR of 6.2% from FY2003 to FY2013. Management believes outdoor advertising spend is correlated to Australian and global economic growth. Positive consumer and business confidence trends are likely to support business investment and expenditure, in particular on discretionary growth strategies such as marketing and advertising. International factors can also impact total outdoor advertising spend (e.g. US GDP growth), as advertising spend allocations for Australian divisions of multi-national corporations are in some cases set by offshore management.

Audience growth is driven by population growth and increasing urbanisation. Outdoor advertising's audience has increased at a CAGR of 6.1% over 2012 to 2014 as measured by MOVE.¹⁰ There has been consistent growth in Australian capital cities in the past two years. As at 30 June 2014, over two-thirds of Australia's population resided in a Greater Capital City,¹¹ and on average that population grew at 2.1% from 30 June 2013 to 30 June 2014.¹² With increased urban sprawl in capital cities, people are taking longer and more frequent trips, under the MOVE methodology this increases the ‘Opportunity to See’ by the target demographic.

Launched in 2010, MOVE is an audience measurement system for the outdoor advertising industry in Australia that enables advertiser managers to better understand and quantify the potential audience of a campaign. MOVE uses a measure known as ‘Likelihood to See’ which takes into account only those people from among the chosen demographic who in all probability see the outdoor panel. Currently, the MOVE system contains approximately 60,000 outdoor panels across the outdoor categories.

9. OMA Brand Science Research pg. 21, pg. 22

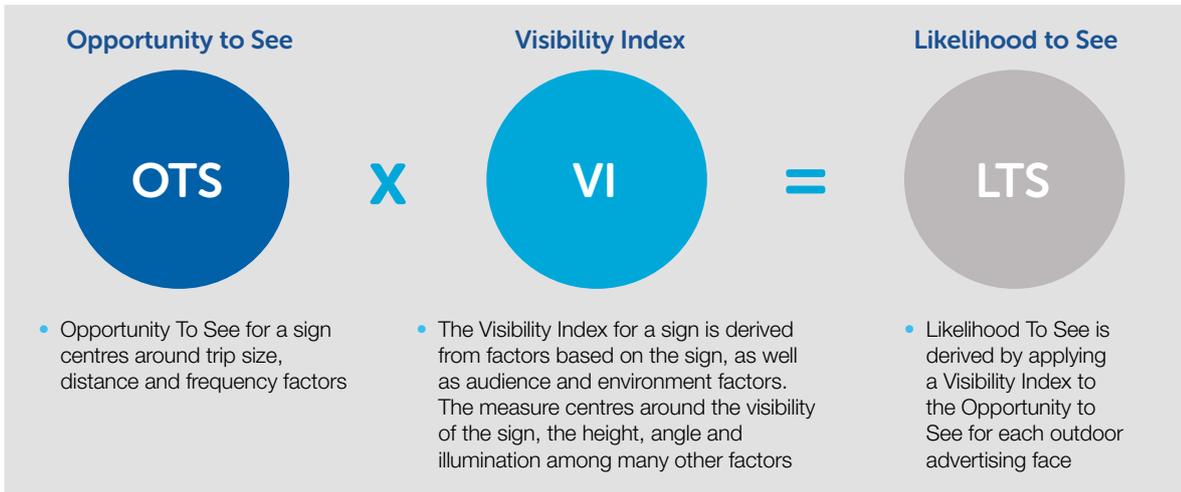
10. Management calculation using data from MOVE 2014 Data Release

11. Greater Capital Cities are a geographical measure by the ABS that are designed to represent the functional extent of each of the eight State and Territory capital cities

12. Management calculation using data from ABS 3222.0 Population Projections Population Series A, Australia, 2012 (base) to 2101

Diagram 3

The MOVE audience measurement system



Source: MOVE, Likelihood to See

2.5.2 Digitisation and technology

Digital outdoor advertising involves the presentation of advertising on high quality digital screens. This presentation may be of still and / or moving images. Digital panels are best suited to premium, high-traffic metro locations. The ability for digital panels to display multiple advertisements on a daily basis means they typically generate more revenue compared to static panels. In FY2013, revenue from digital outdoor advertising represented over 11% of total Australian outdoor advertising revenue.¹³

Digital outdoor advertising has become more prevalent across all categories, driven primarily by three key factors:

- i. improving quality of digital technology in outdoor advertising applications;
- ii. continued declining cost of digital screens; and
- iii. increasing demand from advertisers seeking premium presentation for engagement with their target audience.

Diagram 4

Examples of digital outdoor advertising

 <p>Large format digital billboards</p> <p>Large, road side digital displays. Most can rotate advertising messages every 8 to 25 seconds depending on regulation</p>	 <p>Digital airport</p> <p>A variety of sizes and locations throughout the terminal environment</p>	 <p>Digital rail and transit</p> <p>Digital panels or posters located at rail platforms. NFC and QR codes have also been used in buses to allow commuters to interact with advertisers</p>
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Management believes that digital outdoor advertising offers a number of benefits to advertisers which will continue to drive demand in digital outdoor advertising spend. Table 4 provides an overview of the benefits of digital outdoor advertising to advertisers and to operators.

13. OMA Annual Report 2013 pg. 32

Table 4

Benefits of digital outdoor advertising

Benefits to advertisers

- **Creative flexibility** – advertisers can change their message multiple times within a period, facilitating use of outdoor advertising for tactical campaigns
- **Immediacy** – an advertiser can post creative content within 15 minutes, allowing real-time tactical campaigns
- **Premium presentation** – allows brands to be represented in premium locations in high quality digital format
- **Engagement** – provides advertisers with a way to increase audience connectivity and engagement

Benefits to operators

- **New revenue stream** – creative flexibility and immediacy enables new revenue streams from existing and new clients
- **Higher utilisation of sites** – digital panels allow more advertisements to be displayed compared to static panels
- **Opportunity for flexible pricing** – allows operators to sell inventory by day part to maximise yields

Digital outdoor advertising provides advertisers with the potential to create dynamic content that can improve demographic targeting and timing relevance. Examples of dynamic digital outdoor advertising include:

- day parting and time specific content (e.g. advertisement in the morning advertises a retailer's breakfast menu and subsequently changes to a lunch time menu at midday);
- changing creative content based on weather (e.g. advertisement changes the type of clothing to display based on local weather conditions);
- event driven advertisement, changing between customer advertisements to ensure the timing of advertisements match the target audience (e.g. sporting products during major sporting events entry and exit times);
- interactivity of outdoor advertising with online and mobile applications, allowing for unique advertiser engagement with the target audience; and
- some digital outdoor advertising formats can incorporate moving advertisements or commercials with sound, which bridges the gap between traditional outdoor advertising and TV based commercials (e.g. Xtrack TV).

2.5.3 Asset upgrades

Management believes investment in static inventory upgrades attracts increasing advertising spend from existing customers and new advertisers to the industry. Asset upgrades include:

- premium presentation of outdoor advertising with enhanced lighting during the night to improve visibility and emphasis; and
- improved production and installation with a move towards higher quality digital printing.

2.6 Regulatory environment

The outdoor advertising industry in Australia is subject to comprehensive governmental regulation at the Federal, State and local level. These regulations can affect the operation of advertising panels and include restrictions on the construction, repair, operation, upgrading, height, size and location of outdoor advertising structures. In addition, Federal legislation and self-regulated industry codes and policies affect the content of advertising that can be displayed on these structures.

2.6.1 Regulation of outdoor advertising

Most outdoor advertising in Australia is regulated by State and local government planning laws and policies. The approval requirements and applicable legislation varies between the States and differ on a site-by-site basis, but in general there will be a combination of State and local codes and approvals that will apply to each site. Construction of billboard advertising generally requires both a development approval and a building approval. Most approvals are processed at a local government level, but the process and criteria applied are usually informed by a State-based regulatory framework.

The relevant State and local planning laws and policies may restrict the size, spacing, lighting and other aspects of advertising structures.

For roadside outdoor advertising (signage within the road corridor on State controlled roads and signage visible from declared motorways), there is often a concurrent or separate approval required from the relevant State's road and safety authority

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(e.g. Road and Maritime Services in NSW or VicRoads in Victoria). The level of involvement of road and / or transport safety departments depends on the State legislative framework.

In circumstances where land does not fall within State jurisdiction, outdoor advertising is directly regulated by the Federal government (e.g. airport precincts, which generally include both the airport and nearby roads or throughways).

In Queensland, the Roadside Advertising Guide assists outdoor advertising operators, State and local governments to evaluate potential locations for outdoor advertising.

Large format digital billboards also fall within the regulatory framework outlined above. In addition to regulating the size, spacing, and other aspects of the physical billboard, State and local approval requirements affect the ability to employ digital screens and the dwell time (the minimum length that each digital advertising copy must remain before changing to different advertising copy – generally between 8 and 30 seconds). The NSW government is currently in the process of releasing a draft digital outdoor advertising guideline for public comment. The draft NSW digital outdoor advertising guidelines will be incorporated into State planning law (**SEPP 64 Guidelines**) when approved.

2.6.2 Content regulation

The content of advertisements is regulated on a Federal level, through a combination of industry self-regulation schemes and Federal laws concerning misleading and deceptive conduct.

In both cases, the content regulation regimes apply to the advertisements displayed rather than the operator of the display format. The content displayed in outdoor advertising is not owned by the operator. Accordingly, outdoor advertising operators (including APN Outdoor) are not directly subject to regulations from the Advertising Standards Board and any complaints under policy or legislation would be directed against the advertiser responsible for the advertisement. Notwithstanding this, in practice members of the OMA generally conduct internal reviews of advertisements prior to display in order to ensure that they comply with the relevant self-regulatory schemes and policies, including advertising industry codes of practice. This compliance is consistent with the outdoor advertising operator industry codes maintained by the OMA.

2.7 New Zealand outdoor advertising industry

The New Zealand advertising industry comprises nine primary segments as classified by the Advertising Standards Authority. These include outdoor advertising, television, newspapers, interactive (online), magazines, radio, cinema, addressed mail and unaddressed mail.¹⁴

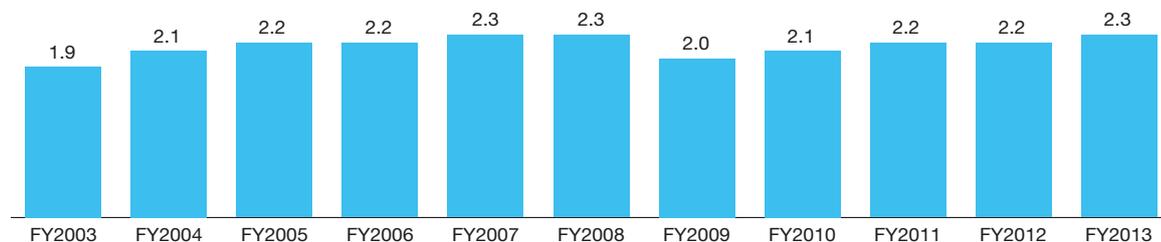
The New Zealand advertising industry has grown from NZ\$1.9 billion in FY2003 to NZ\$2.3 billion in FY2013, growing at a CAGR of 2.0%.¹⁵

Chart 6

Total New Zealand advertising spend

NZ\$ billion

FY2003 to FY2013 CAGR: 2.0%



Source New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013, New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2012. Industry data is shown on a gross revenue basis

14. Addressed mail, Unaddressed mail and Cinema are classified in Chart 8 and Chart 9 as 'Other'

15. Management calculation using data from New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2012 and New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013

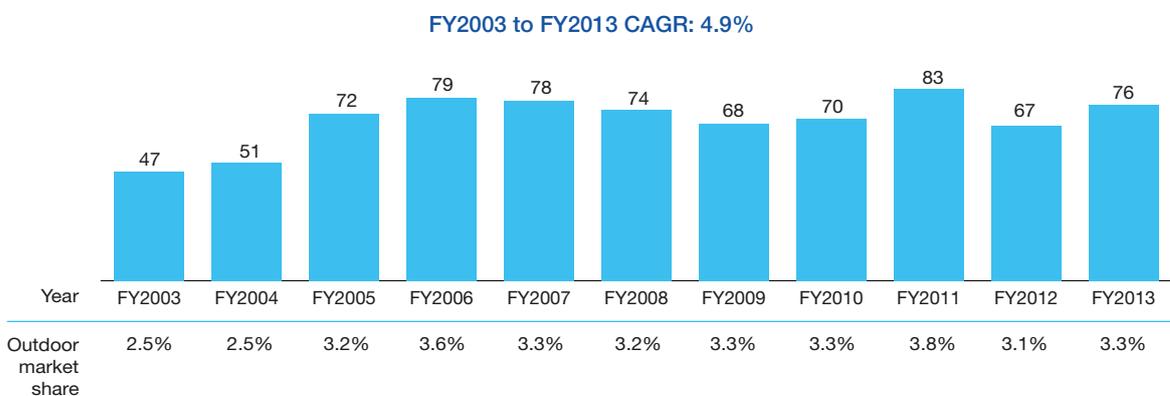
The New Zealand outdoor advertising industry generated gross revenue of NZ\$76 million in FY2013, up 13.4% from NZ\$67 million in FY2012. Outdoor advertising industry revenue has grown at a CAGR of 4.9% from FY2003 to FY2013, faster than the total New Zealand advertising industry revenue which has grown at a CAGR of 2.0% over the same time period.¹⁶

The revenue performance of the outdoor advertising industry and subsequent growth in market share is primarily driven by audience growth (including population growth and increasing urbanisation), improvement in asset quality and digitisation (see Section 2.5 for outdoor advertising industry growth drivers).

Chart 7

Total outdoor advertising spend and percentage share of total advertising spend

NZ\$ million



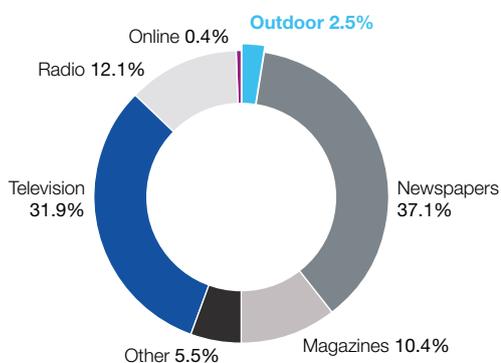
Source New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013 and New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2012. Industry data is shown on a gross revenue basis

Most traditional media segments in New Zealand have lost market share since FY2003, with the majority of share captured by online advertising. However, outdoor advertising's share of total advertising spend has grown since FY2003 from 2.5% of total advertising spend to 3.3% of total advertising spend in FY2013.¹⁷

Chart 8

Advertising spend breakdown

FY2003

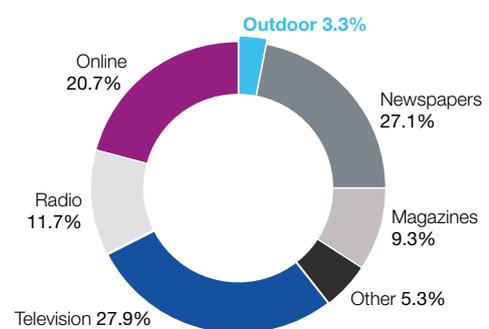


Source New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2012

Chart 9

Advertising spend breakdown

FY2013



Source New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013

16. Management calculation using data from New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013. Industry data is shown on a gross revenue basis

17. Management calculation using data from New Zealand Advertising Standards Authority, New Zealand Advertising Industry Turnover 2013

2.7.1 Major New Zealand outdoor advertising operators

The New Zealand outdoor advertising industry's four major outdoor advertising operators are APN Outdoor, oOh! Media, Adshel and iSite.

Diagram 5

Major New Zealand outdoor advertising operators

Operator	 APN OUTDOOR	oOh! Media	Adshel	iSite
Summary	<ul style="list-style-type: none"> Operates in the key categories of billboards, rail and airports Recently won Auckland Airport contract National presence 	<ul style="list-style-type: none"> Retail and University focused business in New Zealand, acquired EYE National presence 	<ul style="list-style-type: none"> Street furniture focused with national presence 	<ul style="list-style-type: none"> New Zealand domestic outdoor advertising operator with billboards, bus and airport advertising National presence

Source OMANZ

2.7.2 Regulatory environment

The New Zealand outdoor advertising industry is represented by the OMANZ, whose members (including all four major outdoor advertising operators) collectively account for approximately 88% of total revenue.¹⁸

The advertising content that is placed on outdoor advertising panels is not owned by the operator, although an operator has a responsibility to ensure it does not infringe any laws or causes offence. Content of all advertising is managed through the New Zealand Advertising Standards Authority.

In New Zealand, billboard development is controlled by local councils (city council and district councils). There are two separate and distinct regulatory regimes utilised by New Zealand councils, being the *Resource Management Act 1991* and the *Local Government Act 2002*. The legal framework which applies will depend upon the regulatory regime which that council has adopted. Following a review of regulation of billboard advertising in the inner-city and major shopping centres in 2006, the Auckland City Council implemented a licensing regime to tighten the control and process of constructing billboards in and around the city.

18. OMANZ website

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Section 3.

COMPANY OVERVIEW

 Elite Screens,
Melbourne, Victoria.

3.1 APN Outdoor overview

APN Outdoor is a leading outdoor advertising operator in Australia and New Zealand by revenue. Management estimates that in the 12 months ended 30 June 2014, APN Outdoor had 27% market share in the Australian outdoor advertising industry and 26%¹ market share in the New Zealand outdoor advertising industry. APN Outdoor derives its income from the sale of advertising space across its inventory of panels in four main categories (see Diagram 6).

Diagram 6

Overview of APN Outdoor^{2,3}

Outdoor category	Billboards	Transit (buses & trams)	Rail	Airports
Total revenue FY2015 forecast	\$145m 	\$91m 	\$19m 	\$17m 
	<ul style="list-style-type: none"> • Metro focus • Broad range including Landmarks, Spectaculars, Supersites and small format options • Focus on high presentation qualities 	<ul style="list-style-type: none"> • Variety of differentiated format options • Expertise in complex logistic operations • Internal and external rights 	<ul style="list-style-type: none"> • Unique commuter audience • Long commuter dwell time • High demand network in Sydney, Melbourne and Perth 	<ul style="list-style-type: none"> • Highly desirable advertiser location • Multiple consumer contact points • Variety of static and digital opportunities • External and internal rights
Panels	2,800	33,300	2,000	1,000
Digital 	Only national network of large format digital billboards	WiFi, NFC, QR codes and iBeacon on buses and trams	Xtrack TV screens at Sydney and Melbourne rail platforms	Leading portfolio of over 330 external and internal digital panels
Locations	<ul style="list-style-type: none"> • Sydney • Melbourne • Brisbane • Adelaide • Perth • New Zealand 	<ul style="list-style-type: none"> • Sydney • Melbourne • Brisbane • Adelaide • Perth 	<ul style="list-style-type: none"> • Sydney • Melbourne • Perth • New Zealand 	<ul style="list-style-type: none"> • Sydney • Brisbane • Canberra • Perth • Auckland • Christchurch

1. New Zealand share is expected to significantly increase with a full year effect of the Auckland Airport contract

2. Billboard panels figure includes billboards in rail and airport locations

3. Includes Auckland Airport contract

3.2 Background

APN Outdoor was formed in 2004 through the combination of three major outdoor operators owned by APN News & Media – Cody, Australian Posters and Buspak. APN Outdoor New Zealand was launched in the following year. In 2012, Quadrant Private Equity and APN News & Media formed an outdoor advertising joint venture operating in Australia and New Zealand. The joint venture retained the name APN Outdoor, and included all of APN News & Media's wholly-owned outdoor advertising businesses. In early 2014, Quadrant Private Equity and management acquired the remaining interest in APN Outdoor from APN News & Media. APN Outdoor currently operates across billboards (both static and digital), transit, rail and airports.

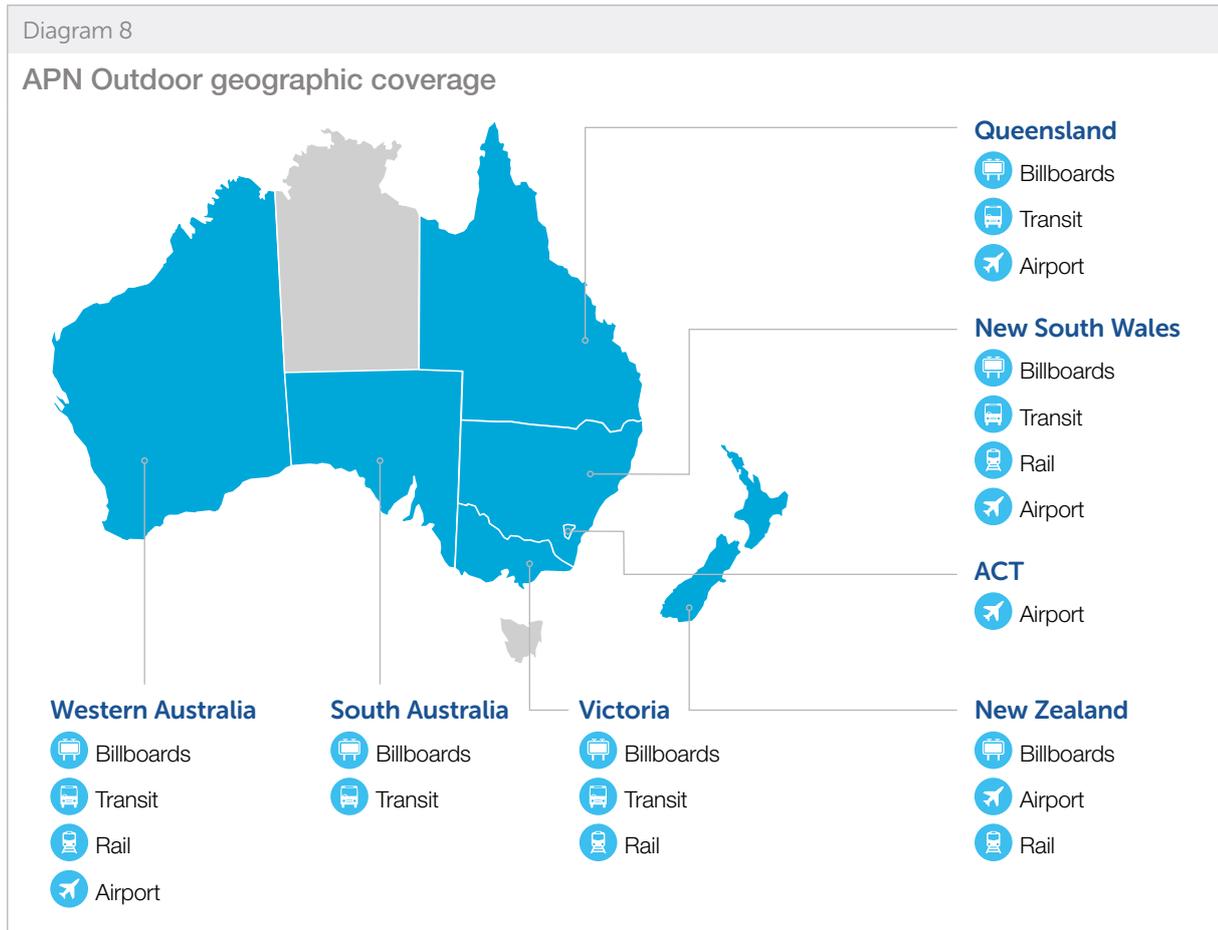
Diagram 7

APN Outdoor history

1995	<ul style="list-style-type: none"> APN News & Media entered the outdoor advertising industry with the acquisitions of Buspak and partial acquisition of Cody
1997	<ul style="list-style-type: none"> Acquired Australian Posters assets
2001	<ul style="list-style-type: none"> Acquired Outdoor Limited, a New Zealand outdoor advertising operator
2004	<ul style="list-style-type: none"> Divested Taxi Media and Captive Media Remaining wholly-owned operations merged
2005	<ul style="list-style-type: none"> Acquired the remaining interest in Look from TRN
2008	<ul style="list-style-type: none"> Single branded strategy under "APN Outdoor" pursued Acquired Media 1 in New Zealand Launch of first large format billboard in Australia with Young and Jackson site
2011	<ul style="list-style-type: none"> Acquired OGGI in New Zealand
2012	<ul style="list-style-type: none"> 6 large format digital panels at 31 December 2012
2013	<ul style="list-style-type: none"> 16 large format digital panels at 31 December 2013 Launch of LUX Collection, a collection of 75 panels with LED back lighting
2014	<ul style="list-style-type: none"> 28 large format digital panels at Prospectus Date Launch of Xtrack TV, a network of 66 digital panels across Sydney and Melbourne rail stations

3.3 APN Outdoor network coverage

APN Outdoor has a geographically diversified outdoor advertising network which operates across all Australian States except Tasmania and the Northern Territory. In addition, APN Outdoor operates nationally in New Zealand.



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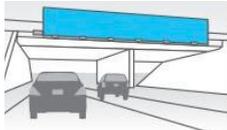
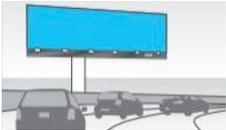
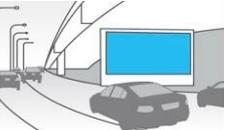
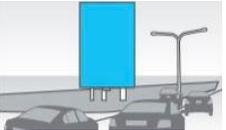
3.4 Key categories

3.4.1 Billboards

APN Outdoor operates billboards, which are located on sites leased through agreements with landlords and asset owners. Billboards can come in multiple formats, including freestanding and fixed to the exterior and roofs of buildings. Billboards are typically located in areas with high-traffic and good visibility. Billboard displays can be either static or digital.

Diagram 9

Billboard examples

Billboard Examples	Landmark	Supersite	LUX	P50
				
Description	<ul style="list-style-type: none"> • Located on prominent locations delivering high-traffic and visibility qualities • Often the largest form of billboards to heighten impact and provide brand elevation to advertisers 	<ul style="list-style-type: none"> • Standard size located in all major cities • Typically located on high-traffic major road networks 	<ul style="list-style-type: none"> • A high quality product with high quality finish and LED back lighting • Located in premium positions around Australia • Currently 2 x 75 units packs available to advertisers 	<ul style="list-style-type: none"> • Portrait orientation to suit advertiser specific layout requirements • Available as a Portrait 50 Pack with 70% located within 1 km of key high street retail locations
Size	<ul style="list-style-type: none"> • Many different sizes depending on location 	<ul style="list-style-type: none"> • 42 square metres in Australia • New Zealand has a similar product which is 36 square metres 	<ul style="list-style-type: none"> • 18 square metres 	<ul style="list-style-type: none"> • 13.5 square metres

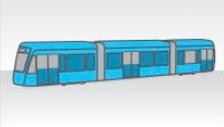
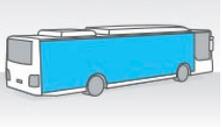
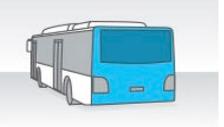
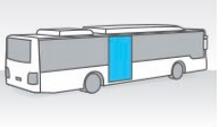


3.4.2 Transit

Advertising panels are also placed on the interior and exterior of buses and trams. APN Outdoor has over 33,300 panels with most major metro bus and tram operators in each capital city. Outdoor advertising operators generally hold multi-year contracts with government and transit operators for the exclusive right to display advertising content on their assets. APN Outdoor's transit network covers over 90% of Australian capital city bus and tram networks, giving wide coverage to campaigns that utilise this medium. Some major transit contracts for APN Outdoor have recently been renewed.

Diagram 10

Transit examples

Transit Examples	Maxivehicle	Megaside	Full Back	Portrait Side
				
Description	<ul style="list-style-type: none"> • Maxivehicle is the largest of all transit formats • Full wrapping provides a creative canvas for the advertiser 	<ul style="list-style-type: none"> • Available on metro bus operators in each State • The Megaside is equivalent in size to a moving large format billboard 	<ul style="list-style-type: none"> • Located on the back of buses • Highly prominent format with high viewing dwell time 	<ul style="list-style-type: none"> • Portrait orientation to suit advertiser specific layout requirements • APN Outdoor offers portrait side as a 4-week cycle
Availability	<ul style="list-style-type: none"> • Available on buses (national) and trams (Melbourne and Adelaide) 	<ul style="list-style-type: none"> • Buses only (not available on trams) 	<ul style="list-style-type: none"> • Buses only (not available on trams) 	<ul style="list-style-type: none"> • Available on buses and trams



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3.4.3 Rail

APN Outdoor's rail advertising spans railway networks across Sydney, Melbourne, Perth and New Zealand. Rail advertising is able to target a captive commuter audience (providing longer dwell times). The recent launch of digital cross track advertising (Xtrack TV) in Sydney and Melbourne provides the additional benefits of digital, video and audio capability.

Diagram 11

Rail examples

Rail Examples	Cross Track	Experiential	Sampling	Billboards
Description	<ul style="list-style-type: none"> Unique audience with long dwell time 	<ul style="list-style-type: none"> Station-wide campaign allows brands to place advertising on floors, walls and pillars 	<ul style="list-style-type: none"> Puts products in the hands of customers Products distributed at peak times to maximise exposure 	<ul style="list-style-type: none"> Billboards next to train stations and on Rail Authority land adjacent to major road networks
Availability	<ul style="list-style-type: none"> Available in Sydney, Melbourne and Perth 	<ul style="list-style-type: none"> Available in Sydney and Perth 	<ul style="list-style-type: none"> Available in over 40 stations in Sydney and Perth 	<ul style="list-style-type: none"> Sydney Melbourne Perth New Zealand



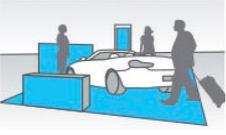
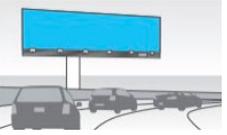
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3.4.4 Airports

The APN Outdoor airport portfolio includes panels in domestic and international terminals across Australia and New Zealand. These panels are in high-traffic areas with exposure to travellers, often with high dwell times. APN Outdoor has recently won contracts relating to Auckland Airport and Brisbane Virgin terminals.

Diagram 12

Airport examples

Airports Examples	Lightbox	Standouts	Bespoke	Billboards
Description	 <ul style="list-style-type: none"> • Located in the high-traffic regions of the airport terminal 	 <ul style="list-style-type: none"> • Promotional areas within the airport terminal 	 <ul style="list-style-type: none"> • APN Outdoor has the capability to deliver clients' ideas using advertising on walls, floors, from the ceiling and on tablets and smartphones 	 <ul style="list-style-type: none"> • Roadside billboards in high-traffic airport thoroughways
Availability	<ul style="list-style-type: none"> • Available in Sydney, Brisbane, Canberra, Perth, Auckland and Christchurch 	<ul style="list-style-type: none"> • Available in Sydney, Brisbane, Canberra, Perth, Auckland and Christchurch 	<ul style="list-style-type: none"> • Available in Sydney, Brisbane, Canberra, Perth, Auckland and Christchurch 	<ul style="list-style-type: none"> • Available in Sydney, Canberra, Perth, Auckland and Christchurch



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3.4.5 Digital

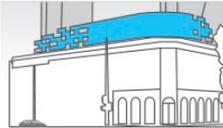
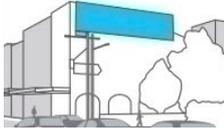
APN Outdoor is the only media company currently offering large format, high quality digital advertising across all of Sydney, Melbourne, Brisbane, Perth, Adelaide and Auckland.

To date, 28 large format digital billboards have been installed, including Australia's most iconic digital billboard on Melbourne's Young and Jackson Hotel. APN Outdoor has a significant pipeline of new sites planned across most capital cities in the next 12 months.

APN Outdoor's capital investment in digital is focused in large format billboards, as well as in rail and airport environments.

Diagram 13

Digital examples

Digital Examples	Landmark	Supersite	Mobile technology	Xtrack TV
				
Description	<ul style="list-style-type: none"> Major capital investment across all APN Outdoor formats, including launch of Australia's first digital billboard at Melbourne's Young and Jackson Hotel 	<ul style="list-style-type: none"> Often positioned on major arterial roads, these large format digital billboards attract high audience numbers 	<ul style="list-style-type: none"> Using new mobile technology such as NFC and QR codes, the captive audience on a bus or tram provides a unique opportunity to connect brands and products with consumers 	<ul style="list-style-type: none"> 66 Xtrack TV screens across Melbourne and Sydney to be launched in 2014



3.5 Key contracts and customers

3.5.1 Contracts

APN Outdoor has multiple long-term contracts with landlords and asset owners with a strong record of renewal. Key contractual relationships have been typically held for over 10 years and renewed several times. In the forecast period, the only top 10 contract up for renewal is Sydney Airport, which is due to expire on 30 September 2015 and is currently going through a tender process which is expected to conclude in late 1Q FY2015. Whilst APN Outdoor has assumed it will retain this contract for FY2015 forecast purposes, the Directors do not consider that the non-renewal of this contract would have a materially adverse impact on APN Outdoor's FY2015 forecast or pro forma forecast result or cash flows.

Lease renewal dynamics differ depending on the type of contract. Billboard contracts are typically with individual landlords and asset owners and tend to be held through long term contractual relationships. Transit, rail and airport contracts are often tender driven and management believes APN Outdoor's national presence, network size and multi-format offering help APN Outdoor in securing these contracts. APN Outdoor has a strong track record in contract renewal, only losing one of its major contracts in the last 10 years.

Diagram 14

Long term landlord and asset owner relationships^{4 5}

Contract	Held	Contract / asset overview
Adelaide Buses	10 years	Only metro bus operator – comprises 1,000 buses
Auckland Airport	New	Largest and recently upgraded New Zealand airport
Brisbane Buses	13 years	Only metro bus operator – comprises 1,200 buses
Christchurch Airport	16 years	Primary South Island airport
KiwiRail	14 years	New Zealand's only rail network featuring billboards in metro cities and some regional locations
Perth Airport	12 years	Fast growing Australian airport
Perth Buses	12 years	Only metro bus operator – comprises 1,400 buses
Sydney Airport	10 years	External billboard and internal International Terminal contract at Australia's busiest airport
Sydney Buses	15+ years	APN Outdoor's largest individual contract on Sydney's major bus fleet
Sydney Trains	15+ years	Contract on Sydney's metro train network
Transurban CityLink	15+ years	Roadside contract for freeway system in Melbourne
Yarra Trams	10 years	Melbourne only public tram system operator, through both city and inner suburbs
Young and Jackson	10 years	Melbourne's first premium large format digital billboard on the Young and Jackson hotel

3.5.2 Customers

APN Outdoor has a diversified client base by advertiser and industry. APN Outdoor's advertiser base is diversified with the top 10 Australian advertisers contributing approximately 15.9%⁶ of Australian media revenue in FY2013.

APN Outdoor has a mix of customers that are based in Australia as well as Australian divisions of multinational corporations.

4. Auckland Airport contract to start on 1 November 2014

5. Includes renewal of contracts over the period held

6. Management calculation

3.6 Growth

3.6.1 Summary of key growth initiatives

APN Outdoor remains at the forefront of the outdoor advertising industry in Australia through innovation and targeted capital investment, continuously improving its offering to advertisers. APN Outdoor supplements organic growth with a strategic focus on building its digital offering along with upgrading its existing static inventory.

APN Outdoor has a history of successfully rolling out new large format digital panels at new and existing sites. Management sees a significant opportunity to build on its digital offering. From December 2012 to June 2014, APN Outdoor added 21 new large format digital panels, and expects to add a further seven new large format digital panels by December 2014 (targeting a total of 34 panels by December 2014). In addition, APN Outdoor has a clear development pipeline to roll out a further 17 panels during FY2015 (targeting a total of 51 panels by December 2015).

Table 5

APN Outdoor growth initiatives

Growth initiative	Description
Digital – large format (Elite)	<ul style="list-style-type: none"> National network of large format digital billboards, with 34 expected by the end of FY2014 and a planned increase to 51 across Australia and New Zealand by the end of FY2015 Within APN Outdoor's portfolio of approximately 632 large format static billboards across Australia (as at December 2015), management believe an additional 150 have the potential to be converted to large format digital sites (see section 3.6.2)
Digital – Xtrack TV	<ul style="list-style-type: none"> Xtrack TV across Sydney and Melbourne rail networks with 66 screens launching in October 2014. Potential to extend roll-out in Brisbane, Perth and Adelaide over the medium term Xtrack TV gives APN Outdoor the ability to access "screen" budgets from advertiser marketing budgets that were traditionally reserved for television
Digital – mobile technology	<ul style="list-style-type: none"> APN Outdoor is positively predisposed to mobile technology and other technological changes such as Near Field Communication (NFC), QR codes and iBeacon
Asset upgrades	<ul style="list-style-type: none"> Targeted upgrades of existing static inventory to LUX billboards. LUX billboards represent packages of 75 premium LED backlit sites, sold as one national package, that attract higher yields
Industry growth and new contracts	<ul style="list-style-type: none"> The Australian outdoor advertising industry has grown at a CAGR of 6.2% over FY2003 to FY2013, management expects market growth in the Australian outdoor advertising industry to achieve a CAGR of approximately 5% over the medium term APN Outdoor has a successful track record of contract renewal and in securing new contracts, e.g. Auckland Airport contract secured in 2014

3.6.2 Digital

The digital roll-out being undertaken by APN Outdoor has been a significant contributor to earnings growth historically and is expected to be a key growth driver in the future.

NSW accounts for the majority of large format digital growth in FY2015 and this is expected to be assisted by the pending release of new digital outdoor advertising guidelines, which APN Outdoor believe will reduce subjectivity in NSW digital road sign applications.

3.6.2.1 Large format static to digital conversion opportunity

APN Outdoor currently operates 28 large format digital panels with a further seven to be added during FY2014. Management plans to roll-out a further 17 large format digital panels during FY2015 and has a clear pipeline of sites identified for conversion.

Large format digital panels generally receive a revenue uplift on conversion of a large format static panel which, along with continued roll out of large format panels, is driving an expected increasing share of total revenue from large format digital from 13% in FY2014 to 21% in FY2015.

The potential for digital conversion is assessed with respect to:

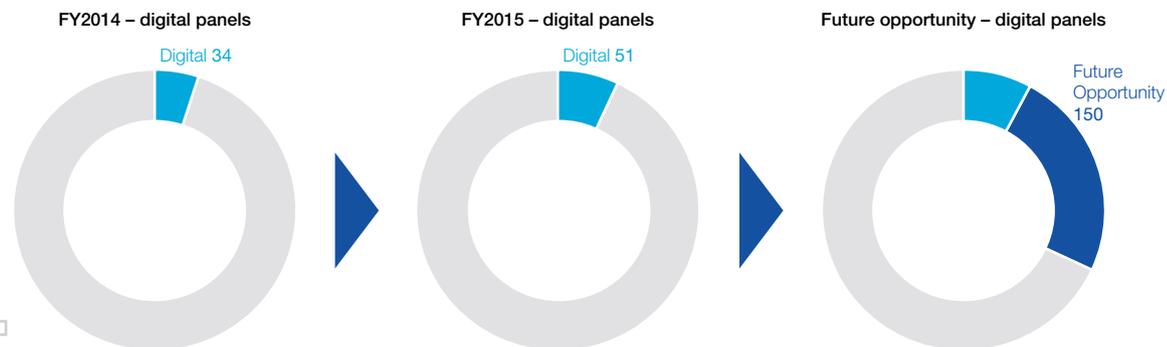
- site location and suitability for large format digital;
- planning and consents from local and State authorities; and
- economic returns from capital invested.

Based on the current required investment for digital conversions, management sees the addressable potential to convert approximately 150 sites out of its portfolio of 632 large format static panels in Australia (forecast as at December 2015). These conversion figures do not include greenfield development of digital billboards.

Diagram 15

Future large format digital conversion pipeline

Number of panels



3.6.2.2 Large format digital conversion case study

Diagram 16 – Elite screens case study



Description

- Conversion or new premium billboard locations featuring a high quality digital screen
- Can rotate four or more advertisers to achieve a revenue uplift

Advertiser benefits

- Immediate serving of multiple creative options
- These new attributes broaden the roles that outdoor advertising can play thereby accessing new revenue streams

Current position

- 34 panels in Australia and New Zealand by end of FY2014

Growth plan

- 51 panels by the end of FY2015

Opportunity

- An additional 150 locations have been identified

Financial metrics

- Typical capex of \$500k to \$700k
- Revenue uplift to comparable static panel
- Payback period of less than 3 years

3.6.2.3 Xtrack TV

APN Outdoor will launch its digital cross track television advertising product (Xtrack TV) in October 2014. Xtrack TV is a digital broadcast network delivered in full motion video and audio, giving advertisers the ability to play television commercials to a largely captive commuter audience.

Management believes there are further opportunities available for more panels to be added to the current Xtrack TV network and through the expansion of the product nationally to Brisbane, Adelaide and Perth.

3.6.2.4 Xtrack TV case study

Diagram 17 – Xtrack TV



Description

- High quality large digital screens positioned across the track from the platform
- Includes the advantages of digital delivery plus video and audio capability

Advertiser benefits

- Reaching a unique captive commuter audience with high dwell times with full video and audio advertising

Current position

- Launch of 66 screens in Sydney and Melbourne rail networks in October 2014

Growth plan

- Successfully launch and optimise revenues on this exciting new medium

Opportunity

- Additional panels may be built in Sydney and Melbourne or developed in other capital cities

3.6.2.5 Technology

APN Outdoor is positively predisposed to mobile technology and other technological changes such as Near Field Communication (NFC), QR codes and iBeacon. APN Outdoor has undertaken a number of successful campaigns with new technologies in its transit business and intends to roll-out additional transit technology in the future.

Diagram 18 – Transit technology case study



Description

- Utilising mobile technology to connect advertisers with commuters within captive audience environments such as buses and rail stations
- With the ubiquitous nature of smartphones and their prominent use out of the home, APN Outdoor has the opportunity, in our advertising environments, to promote and act as the catalyst for engagement

Advertiser benefits

- Reaching the consumer through their personal smartphone and encouraging interaction

Current position

- Successful campaigns using NFC and QR codes for advertisers inside buses
- The back of the seats were used to promote the opportunity and direct commuters on how to connect

Growth plan

- The use of iBeacon is planned for Q4 of 2014 with advertiser involvement

Opportunity

- As technology develops, APN Outdoor will continue to improve the opportunity for advertisers to increase the level of engagement with their audience

Financial metrics

- Cost of technology is funded by an advertiser

3.6.3 Asset upgrades

APN Outdoor has embarked on a number of targeted upgrades of existing static billboards. Recent upgrades include the conversion of small format static billboards to LUX panels. LUX panels are premium LED backlit sites sold to advertisers in packs of 75. To date, APN Outdoor has rolled out two packs of 75 LUX panels. The premium presentation of LUX sites has attracted new customers seeking high quality presentation to market their brand and product.

Given the success of LUX, management sees potential for further development of poster sites to LUX in the next 2 years.

Diagram 19 – LUX upgrade (second pack)



Description

- 75 premium location sites all consistently presented featuring designer fabrication and high quality LED back lighting
- Each of the two 'collections' provides broad national coverage and are sold on a two week basis
- Positioned for use by premium brands

Advertiser benefits

- Consistent, high quality national exposure with broad audience reach for quality brands and products

Current position

- First LUX collection was launched in 2013 with the second collection in H1 2014

Growth plan

- Full year benefits of the second collection in H1 2015

Opportunity

- Development of plans to secure an additional LUX collection

Financial metrics

- Capex: \$2 million

3.7 Employees

APN Outdoor has offices in Sydney, Melbourne, Brisbane, Adelaide, Perth and Auckland with key management located in Sydney. The business is structured into various functions including Sales, Marketing, Operations, Finance and Commercial which operate in an inter-dependent manner to deliver the joint plans of the business. There is a General Manager for each of these functions (based in Sydney) and a General Manager of APN Outdoor's New Zealand business. The management teams in both Australia and New Zealand are highly skilled, motivated and experienced managers who are accountable to the business to achieve the desired goals.

As at 30 June 2014, APN Outdoor employed 224 full-time equivalent staff, including the Australia and New Zealand operations. APN Outdoor recognises that its people are its major asset and its ability to attract, develop and retain personnel is important to the growth of the business. The scale of APN Outdoor's business provides wide ranging career opportunities for team members and further supports APN Outdoor's ability to continue to attract and retain the best talent available.

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 MELBOURNE CITY JAGUAR PORT MELBOURNE (03) 9388 8888

APN

Section 4.

**FINANCIAL
 INFORMATION**

 LUX Collection,
 Melbourne, Victoria.

4.1 Introduction

The financial information for APN Outdoor contained in this Section 4 includes:

- Statutory historical financial information for APN Outdoor, being the:
 - statutory consolidated historical income statements for FY2012, FY2013, 1H FY2013 and 1H FY2014 (**Statutory Historical Results**);
 - statutory consolidated historical net cash flows from operating activities before financing and tax for FY2012, FY2013, 1H FY2013 and 1H FY2014 (**Statutory Historical Cash Flows**); and
 - statutory consolidated historical balance sheet as at 30 June 2014 (**Statutory Historical Balance Sheet**);
 - (the **Statutory Historical Financial Information**).
- Pro forma historical financial information for APN Outdoor, being the:
 - pro forma consolidated historical income statements for FY2012, FY2013, 1H FY2013 and 1H FY2014 (**Pro Forma Historical Results**);
 - pro forma consolidated historical cash flow statements for FY2012, FY2013, 1H FY2013 and 1H FY2014 (**Pro Forma Historical Cash Flows**); and
 - pro forma consolidated historical balance sheet as at 30 June 2014 (**Pro Forma Historical Balance Sheet**);
 - (the **Pro Forma Historical Financial Information**);
 (together, the **Historical Financial Information**).
- Forecast financial information for APN Outdoor being the:
 - pro forma consolidated forecast income statements for FY2014 and FY2015 (**Pro Forma Forecast Results**);
 - pro forma consolidated forecast cash flow statements for FY2014 and FY2015 (**Pro Forma Forecast Cash Flows**);
 - statutory consolidated forecast income statements for FY2014 and FY2015 (**Statutory Forecast Results**); and
 - statutory consolidated forecast cash flow statements for FY2014 and FY2015 (**Statutory Forecast Cash Flows**);
 (together, the **Forecast Financial Information**).

The Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- details of the Group's indebtedness and capitalisation (see Section 4.4.1) and a description of the New Banking Facilities (refer to Section 4.4.2);
- management's discussion and analysis of the Pro Forma Historical and Pro Forma Forecast Financial Information (see Section 4.6);
- the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information (see Section 4.7);
- an analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see Section 4.8); and
- APN Outdoor's proposed dividend policy (see Section 4.9).

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.¹

1. In Section 4, gross outdoor advertising industry revenue from the OMA has been used to calculate industry growth preimpact of agency commissions

4.2 Basis of preparation and presentation of Financial Information

4.2.1 Overview

APN Outdoor was incorporated on 22 February 2012, and subsequently acquired the wholly-owned outdoor advertising businesses from APN News & Media on 29 April 2012.

The statutory consolidated historical financial statements of APN Outdoor for FY2012 and FY2013 have been audited by PricewaterhouseCoopers (**PwC**). PwC has issued unqualified opinions in respect of all periods.² The interim 1H FY2014 consolidated historical financial statements have been reviewed by PricewaterhouseCoopers Securities Ltd (**PwCS**) and PwCS has issued an unqualified review opinion in respect of that period and the 1H FY2013 comparative period.

The Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information unless otherwise noted.

The Financial Information is presented in an abbreviated form insofar that it does not include all the presentation and disclosures, statements or comparative information as required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. APN Outdoor's key accounting policies have been consistently applied throughout the periods presented and are set out in Appendix A.

In accordance with AASB 8 *Operating Segments* (AASB 8), APN Outdoor has determined that it satisfies the criteria to allow the reporting of one aggregated segment on the basis that its overall business activities in Australia and New Zealand have similar economic and regulatory characteristics, similar revenue streams and similar customer characteristics. The Financial Information has been reviewed and reported on by PwCS as set out in the Independent Limited Assurance Report in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

The Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.2 Preparation of Historical Financial Information

Financial statements were prepared for APN Outdoor for the period after its incorporation and up to 31 December 2012, for the year ended 31 December 2013 and for the six months ended 30 June 2014.

The Statutory Historical Financial Information has been extracted from the audited consolidated financial statements of APN Outdoor for FY2012 and FY2013 and the reviewed consolidated financial statements of APN Outdoor for 1H FY2014 including the 1H FY2013 comparative period. The Statutory Historical Financial Information is summarised in Table 9, Table 10 and Table 14.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the audited consolidated financial statements of APN Outdoor for FY2012 and FY2013 and reviewed consolidated financial statements of APN Outdoor for 1H FY2014 and the 1H FY2013 comparative period. Pro forma adjustments have been made to reflect 100% ownership of the Company as if that had occurred on or before 1 January 2012, the impact of historical divestments, adjustments to reflect APN Outdoor's operating and capital structure following Completion of the Offer, to eliminate non-recurring items and to reflect standalone public company costs as described in Section 4.3.1.2.

2. The statutory consolidated historical financial statements of APN Outdoor for FY2012 were restated by the Company to reflect a reallocation of the original purchase price paid across the various assets of those wholly-owned businesses acquired

The Pro Forma Historical Balance Sheet as at 30 June 2014 is based on the reviewed consolidated financial statements of APN Outdoor at that date, adjusted to reflect the impact of the Offer and the New Banking Facilities as described in Section 4.4.2.

The Historical Financial Information included in the Prospectus has been reviewed, but not audited, by PwCS. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

Refer to Section 4.3.1.2 for a reconciliation between Statutory Historical Results and the Pro Forma Historical Results, to Section 4.5.2 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows and to Section 4.4 for a reconciliation between the Statutory Historical Balance Sheet and the Pro Forma Historical Balance sheet.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The Pro Forma Forecast Results and Pro Forma Forecast Cash Flows have been derived from the Statutory Forecast Results and Statutory Forecast Cash Flows (respectively), after adjusting for pro forma transactions, adjustments to reflect APN Outdoor's operating and capital structure following Completion of the Offer, to eliminate non-recurring items and to reflect standalone public company costs as set out in Section 4.3.1.2. Both the Statutory Forecast Results and Statutory Forecast Cash Flows for FY2014 consist of unaudited actual results and cash flows for the six months to 30 June 2014 and the Directors' best estimate forecasts for the six months to 31 December 2014. Both the Statutory Forecast Results and Statutory Forecast Cash Flows for FY2015 consist of the Directors' best estimate forecasts for the 12 months to 31 December 2015.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and of best estimate assumptions regarding future events and actions as set out in Sections 4.7.1 and 4.7.2. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed by PwCS but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

APN Outdoor believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on APN Outdoor's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of APN Outdoor, the Directors and management, and are not reliably predictable. Accordingly, none of the Company, the Directors, APN Outdoor's management, or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information in Section 4.7 should be read in conjunction with the general assumptions as set out in Section 4.7.1, the specific assumptions as set out in Section 4.7.2, the sensitivity analysis set out in Section 4.8, the risk factors as set out in Section 5 and other information in this Prospectus.

APN Outdoor has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

For the purpose of this Section 4, an Offer Price of \$2.56 per Share has been used in calculations.

4.2.4 Explanation of certain non-IFRS financial measures

APN Outdoor uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to in Section 4 as “non-IFRS financial measures” under Regulatory Guide 230 ‘Disclosing non-IFRS financial information’ published by ASIC. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

EBITDA is earnings before interest, tax, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges, which are significantly affected by the capital structure and historical tax position of APN Outdoor. EBITDA is also used in determining financial covenants incorporated into the New Banking Facilities.

APN Outdoor also presents **EBITDA margin**, which is EBITDA divided by revenue, expressed as a percentage. EBITDA margin is a key measure that management uses to evaluate the profitability of the overall business.

Because it does not include the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, analysis of the Company’s results of operations. Some of the limitations of EBITDA are that it does not reflect:

- APN Outdoor’s available cash;
- changes in APN Outdoor’s working capital needs;
- the cash requirements necessary to service interest payments or principal repayments in respect of any borrowings;
- that, although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and there will likely be cash requirements for such replacements; and
- that other companies in APN Outdoor’s industry may calculate these measures differently from how APN Outdoor does, limiting their usefulness as a comparative measure.

EBITA is earnings before interest, tax and amortisation.

EBIT is earnings before interest and tax.

NPATA is net profit after tax and after adding back the tax effected amortisation expense.

NPAT is net profit after tax.

A reconciliation of EBITDA, EBITA, EBIT and NPATA to NPAT is shown in Section 4.3.1. Certain financial data included in Section 4.3.1 is also non-IFRS financial information.

Although the Directors believe that these measures provide useful information about the financial performance of APN Outdoor, they should be considered as supplements to the income statement measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way APN Outdoor calculated these measures may differ from similarly-titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4.3 Consolidated historical and forecast income statements

4.3.1 Overview

Table 6 sets out the Pro Forma Historical Results, the Pro Forma Forecast Results and the Statutory Forecast Results of APN Outdoor. The Pro Forma Historical and Forecast Results are reconciled to the statutory historical and forecast results in Table 8.

Table 6 Summary Pro Forma Historical Results for FY2012, FY2013, 1H FY2013 and 1H FY2014, Pro Forma Forecast Results for FY2014 and FY2015 and Statutory Forecast Results for FY2014 and FY2015^{1,2,3}

December year end (\$ million)	Pro Forma Historical Results		Pro Forma Forecast Results		Statutory Forecast Results		Pro Forma Historical Results	
	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015	1H FY2013	1H FY2014
Revenue	207.8	225.9	245.5	271.5	245.5	271.5	98.3	109.2
Rental of advertising space	(98.3)	(104.4)	(108.1)	(118.5)	(108.1)	(118.5)	(50.8)	(51.9)
Employee benefits expense	(26.8)	(26.7)	(27.9)	(29.2)	(29.5)	(29.2)	(13.7)	(13.7)
Sales and marketing expense	(17.2)	(20.3)	(24.3)	(28.1)	(24.3)	(28.1)	(8.7)	(11.3)
Other operating expenses	(37.7)	(40.6)	(41.8)	(42.1)	(60.5)	(42.1)	(17.1)	(19.6)
Operating expenses	(180.0)	(192.0)	(202.2)	(217.8)	(222.5)	(217.8)	(90.3)	(96.5)
EBITDA	27.8	33.8	43.3	53.7	23.0	53.7	8.0	12.7
EBITDA margin	13.4%	15.0%	17.6%	19.8%	9.4%	19.8%	8.1%	11.6%
Depreciation	(6.3)	(6.8)	(7.3)	(9.1)	(7.3)	(9.1)	(3.0)	(3.5)
EBITA	21.6	27.0	35.9	44.5	15.6	44.5	5.0	9.1
Amortisation	(3.1)	(2.9)	(2.9)	(2.8)	(2.9)	(2.8)	(1.6)	(1.4)
EBIT	18.5	24.1	33.1	41.7	12.8	41.7	3.4	7.7
Net interest expense	(3.4)	(3.4)	(4.1)	(4.0)	(31.1)	(4.6)	(1.7)	(2.0)
Net profit / (loss) before tax	15.1	20.7	29.0	37.7	(18.4)	37.2	1.7	5.7
Income tax expense	(4.6)	(6.5)	(9.0)	(11.5)	4.7	(11.5)	(0.7)	(1.8)
NPAT	10.5	14.3	20.0	26.2	(13.7)	25.7	1.0	3.9
Amortisation (tax effected)	2.3	2.1	2.1	2.0	2.1	2.0	1.1	1.0
NPATA	12.8	16.4	22.1	28.3	(11.6)	27.7	2.2	4.9

Notes:

1. APN Outdoor recognises licenses, systems, processes and software as intangible assets which are amortised to the income statement. The adjustment to calculate NPATA reverses the amortisation charge net of applicable tax
2. The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.1.2
3. The Pro Forma Forecast Results are reconciled to the Statutory Forecast Results in Section 4.3.1.2

4.3.1.1 Key operating metrics

Table 7 provides a summary of APN Outdoor's key historical operating metrics for FY2012, FY2013, 1H FY2013 and 1H FY2014 derived from the Pro Forma Historical Results, and the forecast key operating metrics for FY2014 and FY2015 derived from the Pro Forma Forecast Results and the Statutory Forecast Results.

Table 7 Summary pro forma historical key operating metrics for FY2012, FY2013, 1H FY2013 and 1H FY2014 and summary pro forma and statutory forecast key operating metrics for FY2014 and FY2015^{1,2}

December year end	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
	FY2012	FY2013	FY2014	FY2015	1H FY2013	1H FY2014
Number of large format digital panels at period end	6	16	34	51	9	27
– AU	5	14	26	43	8	22
– NZ	1	2	8	8	1	5
Total standalone large format digital revenue (\$ million)	6.3	11.1	22.2	38.9	3.9	8.2
Revenue growth %		8.7%	8.7%	10.6%		11.1%
APN Outdoor ad market share – Australia %	26.9%	26.8%	27.2%	28.2%	25.7%	26.3%
APN Outdoor ad market share – New Zealand %	22.3%	22.4%	26.1%	36.1%	22.0%	23.6%
Operating expenses as % of revenue	86.6%	85.0%	82.4%	80.2%	91.9%	88.4%
Pro forma EBITDA growth %		21.6%	27.9%	23.9%		58.9%
Pro forma EBITDA margin %	13.4%	15.0%	17.6%	19.8%	8.1%	11.6%
Pro forma EBITA growth %		25.2%	33.0%	23.9%		83.6%
Pro forma EBITA margin %	10.4%	12.0%	14.6%	16.4%	5.1%	8.4%
Pro forma NPATA growth %		27.9%	34.9%	28.0%		123.4%

Notes:

1. The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.1.2
2. The Pro Forma Forecast Results are reconciled to the Statutory Forecast Results in Section 4.3.1.2

4.3.1.2 Pro forma adjustments to the Statutory Historical Results and the Statutory Forecast Results

Table 8 sets out the pro forma adjustments that have been made to APN Outdoor's historical and forecast statutory revenue and NPAT to reflect the full year impact of the operating and capital structure that will be in place following Completion of the Offer as if it was in place as at 1 January 2012. In addition, certain other adjustments have been made to reflect 100% ownership of the Company (prior to 29 April 2012) and the impact of historical divestments, to eliminate non-recurring items and to reflect estimated standalone public company costs which have been reflected across the historical and forecast periods. These adjustments are summarised below.

Table 8 Reconciliation of historical and forecast statutory revenue to pro forma revenue and reconciliation of historical and forecast statutory NPAT to pro forma NPAT

December year end (\$ million)	FY2012	FY2013	FY2014	FY2015	1H FY2013	1H FY2014
Statutory revenue	144.3	225.9	245.5	271.5	98.3	109.2
1. Pro forma impact of the Acquisition	63.9	–	–	–	–	–
2. Pro forma impact of historical divestments	(0.4)	–	–	–	–	–
Pro forma revenue	207.8	225.9	245.5	271.5	98.3	109.2
Statutory NPAT	2.1	0.3	(13.7)	25.7	(5.5)	(3.7)
1. Pro forma impact of the Acquisition	3.8	–	–	–	–	–
2. Pro forma impact of historical divestments	(1.2)	–	–	–	–	–
3. Onerous lease contract	–	–	4.4	–	–	4.4
4. Other one-off adjustments	0.4	2.7	3.3	–	0.6	(0.9)
5. Strategic realignment	–	0.9	0.4	–	0.8	0.3
6. Public company costs	(1.0)	(1.0)	(0.9)	–	(0.5)	(0.5)
7. IPO transaction costs	–	–	12.4	–	–	–
8. Management Equity Plan	–	–	0.8	–	–	–
9. Net interest adjustment	10.6	17.4	27.1	0.5	8.5	8.2
10. Tax effect of pro forma adjustments	(4.1)	(6.0)	(13.8)	–	(2.8)	(3.8)
Pro forma NPAT	10.5	14.3	20.0	26.2	1.0	3.9

Notes:

- Pro forma impact of the Acquisition** – APN Outdoor acquired the wholly owned outdoor advertising businesses of APN News & Media Limited on 29 April 2012. This adjustment reflects the pre-acquisition revenue and EBITA results of the Company extracted from the statutory accounts as if it had been acquired by APN Outdoor as at 1 January 2012. This result has then been adjusted to reflect a pro-rata four month amortisation charge which is consistent with the actual amortisation charge which APN Outdoor recognised for the post-acquisition period in FY2012 and in subsequent periods.
- Pro forma impact of historical divestments** – In December 2012, APN Outdoor disposed of a wholly owned Singapore domiciled subsidiary, Asia Posters Pte Ltd, for gross sale proceeds of \$5.0 million. This represents a pro forma adjustment to exclude the results of this subsidiary and the profit on disposal.
- Onerous lease contract** – An adjustment has been made to remove a non-recurring expense of \$4.4 million recognised in FY2014 relating to the raising of an onerous lease provision on an asset development contract which was discontinued in 1H FY2014 following receipt of a feasibility study which concluded that the project was not commercially viable.
- Other one-off adjustments** – An adjustment has been made to normalise the impact of non-recurring and non-trading events in the historical period. These include an adjustment to remove one-off project expenditures of \$0.4 million in FY2012 relating to an aborted acquisition and costs arising on a consulting review of APN Outdoor's sales function that was never implemented. An adjustment has also been made to reverse non-cash asset disposal losses of \$0.6 million in FY2013 relating to the non-core part of the Sydney Trains contract that was not renewed, and of \$2.1 million and \$2.5 million, incurred in FY2013 and FY2014 respectively, relating to a one-off transformational project to renew APN Outdoor's static inventory and to exit from non-core activities. In addition, an adjustment has been made in FY2014 to remove expenses relating to the issue of Shares to the Chairman upon him agreeing to join the Company and to reverse the non-cash gain relating to the discount of \$1.3 million arising in 1H FY2014 on the \$9.0 million vendor note provided by APN News & Media Limited at the time of their sale of their remaining interest in APN Outdoor to Quadrant on 24 January 2014. The Loan Note is to be repaid on Completion of the Offer and accordingly the non-cash gain will be extinguished in the FY2014 statutory result.
- Strategic realignment** – Removal of one-off redundancy and restructuring costs incurred in FY2013 and FY2014 totalling \$0.9 million and \$0.4 million respectively that directly relate to the restructure and realignment of APN Outdoor's operations during those periods to implement the new "Digital First" growth strategy.

6. **Public company costs** – Reflects APN Outdoor's estimate of the incremental annual costs that the Company will incur as a listed entity. These costs include Non-executive Director remuneration, additional audit, listing fees, share registry fees, Directors' and officers' insurance premiums as well as annual general meeting and annual report costs.
7. **IPO transaction costs** – Total expenses of the Offer are estimated at \$19.1 million, of which \$0.6 million relate to the New Banking Facilities and have been amortised as part of the net interest adjustment (adjustment 9). Of the remaining \$18.5 million, \$6.1 million (before tax) is directly attributable to the issue of Shares by the Company and will be offset against equity raised in the Offer. The remaining \$12.4 million (before tax) has been expensed in the Statutory Forecast Result and relates to the sale of Shares by Selling Shareholders.
8. **Management Equity Plan** – An adjustment has been made to remove the one-off expenses reflected in the statutory forecast result for FY2014 relating to the issue of Shares at or around Completion of the Offer to certain executives of the company pursuant to the early exit from an existing MEP which aligned to investment returns achieved by the controlling shareholder. The Statutory Forecast Results and Pro Forma Forecast Result for FY2014 and FY2015 reflect the annual cost associated with the LTIP offer to four of APN Outdoor's senior executives which commence on or around Completion and covers the period to 31 December 2017 (outlined in Section 6.3.4.2).
9. **Net interest adjustment** – Existing Banking Facilities will be extinguished, financed in part by proceeds of the Offer and in part by the New Banking Facilities (outlined in Section 4.4.2). The net interest expense included in the Statutory Historical Results and Statutory Forecast Results has been adjusted to reflect the anticipated net debt leverage ratio of APN Outdoor following Completion of the Offer using base interest rates that prevailed, or are forecast to prevail, during the relevant periods (BBSY) and margins under the terms of the New Banking Facilities following Completion of the Offer. This adjustment takes into account interest revenue based on the anticipated net operating cash profile of APN Outdoor following Completion of the Offer using historical or forecast BBSY rates prevailing, or forecast to prevail, in the relevant period. In addition, an adjustment has been made to remove the impact of the write-off of unamortised borrowing costs in the Statutory Forecast Results relating to the historical debt structure of APN Outdoor. The FY2015 statutory forecast interest expense is based on APN Outdoor's monthly cash flow forecasts for that year. Further information on the calculation of the pro forma net interest expense is in Section 4.6.1.4.
10. **Tax effect of pro forma adjustments** – The tax impact of adjustments 1 to 9 has been calculated using an effective tax rate of 30%, apart from the tax impact of divestment of the Singapore business which resulted in an actual tax expense of \$0.2 million.

Table 9 Statutory consolidated historical income statements for FY2012, FY2013, 1H FY2013 and 1H FY2014

December year end (\$ million)	FY2012 ¹	FY2013	1H FY2013	1H FY2014
Revenue	144.3	225.9	98.3	109.2
Rental of advertising space	(67.6)	(104.4)	(50.8)	(51.9)
Employee benefits expense	(17.8)	(26.7)	(13.7)	(13.7)
Sales and marketing expense	(11.6)	(20.3)	(8.7)	(11.3)
Other operating expenses	(24.7)	(43.4)	(18.1)	(22.9)
Operating expenses	(121.8)	(194.9)	(91.3)	(99.7)
EBITDA	22.6	31.0	6.9	9.4
Depreciation	(4.0)	(6.8)	(3.0)	(3.5)
EBITA	18.6	24.1	3.9	5.9
Amortisation	(1.8)	(2.6)	(1.4)	(1.3)
EBIT	16.7	21.6	2.5	4.6
Net interest expense	(14.0)	(20.8)	(10.2)	(10.3)
Net profit / (loss) before tax	2.7	0.8	(7.7)	(5.7)
Income tax (expense) / benefit	(0.6)	(0.5)	2.1	2.0
NPAT	2.1	0.3	(5.5)	(3.7)

Notes:

1. APN Outdoor's statutory consolidated results for FY2012 only include the results of those wholly-owned outdoor businesses acquired from APN News & Media Limited for the post acquisition period from 29 April 2012 and therefore do not represent a full 12 month comparative period.

4.4 Pro Forma Historical Balance Sheet

Table 10 below sets out the pro forma adjustments that have been made to the reviewed Statutory Historical Balance Sheet for APN Outdoor as at 30 June 2014 in order to prepare the Pro Forma Historical Balance Sheet for APN Outdoor. These adjustments reflect the events and assumptions discussed in the notes to Table 8, including the impact of the operating and capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 30 June 2014.

Table 10 Pro Forma Historical Balance Sheet as at 30 June 2014

As at June 2014 (\$ million)	Reviewed Statutory	Impact of the New Banking Facilities ¹	Impact of the Offer ²	Pro forma
Current assets				
Cash and cash equivalents	21.9	(116.5)	95.2	0.6
Trade and other receivables	37.6	–	–	37.6
Inventories	0.7	–	–	0.7
Other current assets	7.8	–	–	7.8
Total current assets	68.0	(116.5)	95.2	46.8
Non-current assets				
Property, plant and equipment	67.9	–	–	67.9
Intangible assets	212.1	–	–	212.1
Deferred tax assets	6.2	–	4.4	10.6
Other non-current assets	4.6	–	(4.0)	0.6
Total non-current assets	290.8	–	0.4	291.2
Total assets	358.8	(116.5)	95.6	338.0
Current liabilities				
Trade and other payables	22.5	–	–	22.5
Borrowings	7.8	(7.8)	–	–
Other current liabilities	10.1	(9.5)	(1.2)	(0.6)
Total current liabilities	40.4	(17.4)	(1.2)	21.9
Non-current liabilities				
Borrowings	159.6	(80.2)	–	79.3
Deferred tax liabilities	34.3	–	–	34.3
Other non-current liabilities	8.9	(2.8)	–	6.1
Total non-current liabilities	202.8	(83.0)	–	119.8
Total liabilities	243.2	(100.4)	(1.2)	141.6
Net assets	115.7	(16.1)	96.8	196.4
Contributed equity	115.0	–	107.0	222.0
Reserves	1.9	1.2	–	3.2
Accumulated (losses) / profits	(1.3)	(17.3)	(10.2)	(28.8)
Total equity	115.7	(16.1)	96.8	196.4

Notes:

- Impact of the New Banking Facilities** – Represents the drawdown of \$80.0 million of senior debt (less \$0.7 million of borrowing costs capitalised against borrowings on the balance sheet), the repayment of \$199.3 million of existing obligations (including \$3.5 million drawn down since 30 June 2014) and the non-cash write off of \$7.1 million of unamortised borrowing costs related to the existing debt facilities that will be repaid on Completion of the Offer. Existing obligations comprise \$40 million of Redeemable Preference Shares, \$148.0 million senior debt, a \$9.0 million Loan Note, a \$0.6 million existing debt termination fee (\$0.4 million after the impact of tax) and the payment of \$1.7 million of interest rate swap break costs and the removal of the related cash flow hedge reserve. Included in the \$199.3 million of existing obligations is \$8.5 million of accrued interest up to the Completion of the Offer.

2. **Impact of the Offer** – As a consequence of the Offer, contributed equity increases by \$107.0 million through the issue of New Shares (\$109.2 million) less IPO transaction costs of which \$6.1 million (\$4.3 million after the impact of tax) is offset against equity and \$12.4 million (\$8.7 million after the impact of tax) being expensed. The issue of Shares to the Chairman (outlined in adjustment 4 to Table 8) and the issue of Shares to certain executives of the Company pursuant to an existing MEP (outlined in adjustment 8 to Table 8), result in an increase in contributed equity of \$2.0 million, with a related expense of \$1.5 million. A deferred tax asset of \$4.4 million has also been recognised in relation to certain costs of the Offer which are expected to be tax deductible over a five year period.

4.4.1 Indebtedness and capitalisation

Table 11 below sets out the indebtedness and capitalisation of APN Outdoor as at 30 June 2014, before and following Completion of the Offer.

Table 11 Pro forma consolidated historical indebtedness and capitalisation as at 30 June 2014

As at 30 June 2014 (\$ million)	Statutory	Pro forma
Cash and cash equivalents	21.9	0.6
Borrowings	(167.4)	(79.3)
Total net indebtedness	(145.5)	(78.8)
Contributed equity	115.0	222.0
Retained earnings and reserves	0.6	(25.7)
Total capitalisation	115.7	196.4
Total net indebtedness and capitalisation	(29.9)	117.6
Net debt / FY2014 pro forma EBITDA		1.8x
Net debt / FY2015 pro forma EBITDA		1.5x

4.4.2 Description of the New Banking Facilities

APN Outdoor has entered into a commitment letter with Westpac Banking Corporation, Commonwealth Bank of Australia and National Australia Bank Limited (together, the **Lenders**) for the provision of debt financing of \$130 million (in aggregate), comprising two three year revolving facilities (**New Banking Facilities**). On Completion, funding provided under the New Banking Facilities (together with proceeds from the sale of New Shares under the Offer) will be utilised to repay existing debt facilities (and any derivative transactions associated with such financing), pay transaction costs in relation to the Offer and fund working capital, growth capital expenditure and permitted acquisitions.

The New Banking Facilities will be guaranteed by APN Outdoor and wholly owned subsidiaries in the Group. The Lenders under the New Banking Facilities will have first ranking security over all or substantially all of the assets of the Group (subject to certain agreed exclusions). The availability of funding under the New Banking Facilities is conditional on confirmation that APN Outdoor will be quoted on the ASX as contemplated by the Offer and other conditions precedent which are usual for facilities of this nature. Accordingly, on Completion, APN Outdoor will have debt funding available to assist with the repayment of the existing debt and to provide for the funding needs of APN Outdoor post Completion.

The New Banking Facilities will comprise:

- \$80 million Facility A, three year revolving facility; and
- \$50 million Facility B, three year revolving facility.

4.4.2.1 Facility A

Facility A is available for general corporate purposes (including funding acquisition opportunities), repaying existing debt facilities (and any derivative transactions associated with such financing), paying related financing and advisory fees, costs and expenses in connection with the Offer, capital expenditure, permitted acquisitions and restructuring costs.

Utilisations under Facility A are repayable at the end of each interest period (except to the extent an utilisation is rolled over), with a final bullet repayment at maturity, being three years from the date of first utilisation under the New Banking Facilities.

Facility A has a variable interest rate which is based on BBSY plus a margin that varies depending on the net leverage ratio of the Group. The average effective interest rate of Facility A is forecast to be approximately 4.3%. Facility A will attract a commitment fee on undrawn commitments at a rate of 45% of the applicable Facility A margin. APN Outdoor will also be required to pay an upfront fee of 0.3% of the Facility A commitments, payable on the date of first utilisation under the New Banking Facilities.

4.4.2.2 Facility B

Facility B is available for working capital and other general corporate purposes, the issuance of letters of credit / bank guarantees or performance bonds, and the provision of transactional facilities for the Group. Cash drawings under Facility B are repayable at the end of each interest period (except to the extent an utilisation is rolled over), with a final bullet repayment at maturity, being three years from the date of first utilisation under the New Banking Facilities.

Facility B will attract the same margin in respect of cash drawings, and the same commitment fee and upfront fee, as Facility A.

4.4.2.3 Financial covenants

The New Banking Facilities will include the following financial covenants, which will be tested semi-annually with the first calculation commencing on the next half yearly date falling at least three months after the financial close of the New Banking Facilities:

- Net Leverage Ratio not greater than 3.25x; and
- Fixed Charge Cover Ratio of at least 1.15x.

A breach of a financial covenant will be an event of default under the New Banking Facility. It will also prevent the Company from being entitled to pay any dividends.

Overview of the key terms of the financial covenants:

Net Leverage Ratio	Net Leverage Ratio means the ratio of A to B where: A is Net Debt of the Group; and B is LTM EBITDA of the Group.
Fixed Charge Cover Ratio	Fixed Charge Cover Ratio means, on any relevant date, the ratio of A to B where: A is EBITDA plus Fixed Rental Expense; and B is Net Interest Expense plus Fixed Rental Expense. Fixed Rental Expense means fixed rent (including payments relating to the fixed rental component on contracts based on a combination of revenue share and fixed rental) and other fixed lease charges payable by the Group under all leases entered into by the Group.

4.4.2.4 Other financing considerations

The agreement under which the New Banking Facilities are made available will contain certain representations, undertakings, events of default and review events which are standard for a facility of this nature.

Any material breach by APN Outdoor of representations or undertakings given or made by it, or the occurrence of an event of default, may lead to the funds borrowed becoming due and the New Banking Facilities being cancelled. In addition, a review event will occur if:

- any person other than Quadrant or a Quadrant Fund gains (directly or indirectly) control of APN Outdoor; or
- the Company is removed from the official list of the ASX or any class of securities in APN Outdoor are suspended from trading on the ASX for a continuous period of 15 business days or longer (for reasons other than there being an imminent announcement of a major acquisition or merger transaction).

If a review event occurs, the parties will be required to negotiate in good faith to agree the revised terms for the New Banking Facilities to take into account the review event. If agreement cannot be reached within 30 days, it may lead to some or require all of the funds borrowed under the New Banking Facilities to be repaid and the New Banking Facilities being cancelled by 90 days' notice to APN Outdoor.

The agreement under which the New Banking Facilities are made available will also contain a market standard disruption clause. If, due to a change in market circumstances, BBSY cannot be obtained or it does not reflect the cost of funds of those Lenders representing a certain threshold of commitments under the New Banking Facilities, then the interest rate payable to the Lenders will be a percentage rate per annum reflecting the cost to the Lenders of funding their participation in the facilities plus the margin.

4.4.3 Liquidity and capital resources

Following Completion, APN Outdoor's principal sources of funds will be cash flow from operations and borrowings under the New Banking Facilities. The majority of the Company's capital expenditure relates to expenditure on the build of new advertising sites. Historical and forecast capital expenditure and working capital trends are set out in Sections 4.5, 4.6 and 4.7.

APN Outdoor signed a commitment letter in respect of New Banking Facilities to assist with the repayment of the existing debt, and to provide for the funding needs of the Company post Completion. Approximately \$80.0 million of the \$130.0 million New Banking Facilities will be drawn down at Completion. At Completion, APN Outdoor will draw down \$14.6 million in bank guarantees in accordance with various contractual obligations. Following Completion, the Company will have undrawn funds of approximately \$35.4 million in the revolving facility for general corporate purposes (including funding acquisition opportunities) that can be used for existing advertising site expenditure and considerable growth initiatives such as the acquisition and greenfield establishment of new advertising sites. APN Outdoor expects that it will draw down against this working capital facility to fund normal intra-month working capital requirements from Completion, that it will have sufficient operating cash flow to fund its operational requirements and business needs during the forecast period and that its operating cash flows, together with borrowings under the New Banking Facilities, will position the Company to grow its business in accordance with the Forecast Financial Information and in the period after FY2015.

Non-Australian dollar revenue is expected to represent approximately 10% of APN Outdoor's revenue in FY2014. APN Outdoor does not hedge movements in foreign currency.

4.4.4 Contractual obligations and commitments

Table 12 summarises APN Outdoor's pro forma contractual obligations and commitments (following Completion of the Offer) under the New Banking Facilities and finance and operating leases.

Table 12 Pro Forma contractual obligations and commitments

As at 30 June 2014 (\$ million)	Pro forma drawn total	Facility commitment total	Payments due by periods		
			<1 year	1-5 years	>5 years
Operating lease commitments	–	395.2	98.8	218.5	77.9
Capital commitments	–	14.0	10.5	3.5	–
Loan Facility A	80.0	80.0	–	80.0	–
Loan Facility B	–	50.0	–	–	–
Total	80.0	539.2	109.3	302.0	77.9

4.5 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

4.5.1 Overview

Table 13 sets out the Pro Forma Historical Cash Flows, the Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows of APN Outdoor.

Table 13 Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

December year end (\$ million)	Pro Forma Historical Cash flows		Pro Forma Forecast Cash flows		Statutory Forecast Cash flows		Pro Forma Historical Results	
	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015	1H FY2013	1H FY2014
EBITDA²	27.8	33.8	43.3	53.7	23.0	53.7	8.0	12.7
Non-cash items in EBITDA ³	(0.8)	(1.1)	(0.1)	(0.1)	8.3	(0.1)	(0.6)	(0.2)
Change in working capital ⁴	1.3	(3.4)	(1.0)	(5.8)	(1.0)	(5.8)	7.0	10.5
Net free cash flow before capital expenditure	28.4	29.3	42.2	47.8	30.3	47.8	14.3	23.0
Acquisition of property, plant and equipment	(9.7)	(16.2)	(22.3)	(17.1)	(22.3)	(17.1)	(5.9)	(8.6)
Net free cash flow before financing, tax and dividends	18.7	13.0	19.9	30.7	8.0	30.7	8.5	14.3
Net interest paid ⁵			(3.8)	(3.8)	(18.2)	(3.8)		
Income tax paid ⁶			(9.0)	(11.5)	(2.5)	(1.3)		
Proceeds from issue of Shares			–	–	109.7	–		
IPO transaction costs (capitalised to equity) ⁷			–	–	(6.1)	–		
Net proceeds from (repayment of) borrowings			–	–	(103.9)	–		
Net cash flow before dividends			7.0	15.3	(13.0)	25.5		
<i>Cash conversion ratio¹</i>	<i>102%</i>	<i>86%</i>	<i>98%</i>	<i>89%</i>	<i>132%</i>	<i>89%</i>	<i>180%</i>	<i>181%</i>

Notes:

- Operating free cash flow before capital expenditure, financing and taxation as a percentage of EBITDA.
- EBITDA above has been adjusted to reflect the pro forma adjustments to the Statutory Historical results and Statutory Forecast Results set out in Table 8 provided in Section 4.3.1 with the exception of adjustments 9 and 10 relating to the pro forma interest expense and the tax effect of the pro forma adjustments which do not impact pro forma EBITDA.
- Non-cash items in EBITDA reflect the impact of A-IFRS straight line lease accounting in each period, together with adjustments 3 (the non-cash impact of the onerous lease contract) and adjustment 8 (Management Equity Plan) noted in Table 8 provided in Section 4.3.1.2.
- Changes in working capital reflect timing factors around the receipt of advertising revenues from media agencies and customers and payment of suppliers (including capital expenditure creditors). See Section 4.6.1.6 for a description of the drivers of changes in working capital.
- Net interest paid in the FY2014 Statutory Forecast Results comprises interest paid on the existing debt, Loan Notes and Redeemable Preference Shares up to and including the date of Completion of the Offer and estimated interest to be paid on the New Banking Facilities which will be drawn down on Completion.
- Income tax payable in the Statutory Forecast Cash Flows reflects management's estimate of tax payments relating to the Statutory Forecast Results expected cash tax payments forecast to be made in Australia and New Zealand. Pro forma forecast tax payments are assumed to be equal to pro forma tax expense.
- The FY2014 Statutory Forecast EBITDA already includes the portion of transaction costs expensed in the FY2014 Statutory Forecast Result (refer to adjustment 7 in Table 8 in Section 4.3.1.2). The FY2015 Pro Forma and Statutory Forecast Cash Flows exclude the level of a dividend in respect of the period from Completion of the Offer to 31 December 2014 and an interim dividend in respect of the half year end 30 June 2015 expected to be paid in April 2015 and October 2015 in accordance with APN Outdoor's dividend policy described in Section 4.9.
- All remaining adjustments relate to non-recurring cash flows that are forecast to occur in FY2014 in association with the repayment of existing debt, Loan Notes and Redeemable Preference Shares, draw down of funds under the New Bank Facilities and payments and receipts relating to the Offer. Refer to the Sources and Uses of Funds in Section 7 for details.

4.5.2 Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

Table 14 sets out the adjustments that have been made to the Statutory Historical Cash Flows as well as the Statutory Forecast Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following Completion of the Offer as if it was in place as at 1 January 2012 and to eliminate certain non-recurring items in the year in which they occurred.

Table 14 Pro forma adjustments to the Statutory Historical and Statutory Forecast Cash Flows

December year end (\$ million)	FY2012	FY2013	Forecast FY2014	Forecast FY2015	1H FY2013	1H FY2014
Statutory net free cash flow before financing, tax and dividends	5.9	13.2	8.0	30.7	8.2	14.9
Pro forma impact of the Acquisition ¹	14.6	–	–	–	–	–
Pro forma impact of historical divestments ²	(1.1)	–	–	–	–	–
Public company costs ³	(1.0)	(1.0)	(0.9)	–	(0.5)	(0.5)
IPO transaction costs ⁴	–	–	12.4	–	–	–
Strategic realignment ⁵	–	0.9	0.4	–	0.8	–
Other pro forma adjustments ⁶	0.4	(0.0)	–	–	–	(0.1)
Pro forma net free cash flow before financing, tax and dividends	18.7	13.0	19.9	30.7	8.5	14.3

Notes

1. Pro forma impact of the Acquisition – An adjustment has been made to APN Outdoor's historical operating cash flows after capital expenditures to reflect the Acquisition as if it had occurred on or before 1 January 2012.
2. Pro forma impact of historical divestments – An adjustment has been made to APN Outdoor's historical operating cash flows after capital expenditure to exclude the net operating cash flows (prior to net interest, tax payments, payments for the Acquisitions and after capital expenditure) associated with the divestment as detailed in Section 4.3.1.2 as if these had occurred before or on 1 January 2012.
3. Public company costs – An adjustment has been made to reflect the operating cash impact of adjustment 6 in Section 4.3.1.2.
4. IPO transaction costs – The portion of the transaction costs of the Offer that will be expensed in the Statutory Forecast Result.
5. Strategic realignment – An adjustment has been made to reflect the operating cash impact of adjustment 5 in Section 4.3.1.2.
6. Other pro forma adjustments – An adjustment has been made to reflect the operating cash impact of adjustment 4 in Section 4.3.1.2.

4.6 Management discussion and analysis of Historical Financial Information

4.6.1 General factors affecting the operating results of APN Outdoor

This Section 4.6 sets out a discussion of the main factors which affected APN Outdoor's operations and relative financial performance in FY2012, FY2013 and 1H FY2014 and which may continue to affect it in the future. The discussion of these factors is intended to provide a brief summary only and does not detail all factors that affected APN Outdoor's historical operations and financial performance, nor everything which may affect APN Outdoor's operations and financial performance in the future.

4.6.1.1 Revenue

An overview of the different revenue streams generated by APN Outdoor and the key drivers of each revenue stream are set out below.

Media revenue

The primary drivers of media revenue are the rate of growth in the outdoor advertising industry, APN Outdoor's share of the outdoor advertising industry and APN Outdoor's ability to retain and grow its inventory portfolio through continued contract renewals and innovation.

Key determinants of the rate of growth in the outdoor advertising industry include but are not limited to:

- general macroeconomic conditions, particularly business confidence and consumer sentiment;
- macroeconomic conditions in the sectors that contribute the largest portion of advertising expenditure to APN Outdoor, in particular the automotive, retail and leisure and entertainment industries;
- specific events including, but not limited to, political elections and global sporting events;
- changes to consumer behaviour and technology; and
- the perceived relative effectiveness of alternative media advertising platforms.

The key determinants of APN Outdoor's share of the outdoor advertising industry in Australia and New Zealand are APN Outdoor's sales effectiveness and quality of its inventory portfolio, as well as the behaviour of key outdoor competitors.

Key determinants of APN Outdoor's ability to retain and grow its inventory portfolio include but are not limited to:

- Government regulation and policy that continues to support the availability of sites and panels for outdoor advertising;
- APN Outdoor's capacity to retain and enter into new lease agreements with landlords and asset owners; and
- increasing the quality of APN Outdoor's asset portfolio by the continued expansion of digital inventory.

Production and installation revenue

Production and installation revenue relates to the production and installation of creative content on advertising panels.

Production revenue is driven by advertising volumes but is not necessarily directly linked to media revenue. Media buyers are able to choose their own production provider, a decision made based on either price or quality assurance. Changes to product demand impact revenues as production charges are not uniform across all product formats.

Installation revenue is driven by advertising volumes and is linked to media revenue, with the installation of campaigns controlled by APN Outdoor. All advertising campaigns include a charge for both media and installation. Changes to product demand impact revenues as installation charges are not uniform across all product formats.

Production and installation revenue is typically lower for digital advertising sites relative to static advertising sites.

4.6.1.2 Operating Expenses

Key operating expenses comprise:

Rental of advertising space

Rent is paid to landlords and asset owners for the rights to utilise their space to display outdoor advertising. Government departments and large private landlords and asset owners often renew their rights on a periodic basis through a formal market tender process, while many smaller private landlords and asset owners' contracts are renewed without a formal market process.

Rent paid to landlords and asset owners is determined by one of the following structures:

- **Fixed rent only** – rent paid under fixed rent agreements typically increases annually by either CPI or an agreed fixed rate;
- **Revenue share only** – rent paid under revenue share agreements is dependent on the revenues derived from the landlord or asset owner's advertising sites. This is typically a fixed percentage of revenue, after deducting agency commissions; and
- **A combination of fixed rent and revenue share** – rent paid under fixed and revenue share agreements is typically the greater of a fixed fee or share of revenue, after deducting agency commissions.

Employee benefits expense

Employment costs predominantly comprise salaries, related on-costs and sales commissions. Sales commissions form part of APN Outdoor's direct cost base. Some senior managers are entitled to short term incentives but these are generally discretionary and based on business performance and / or pre agreed performance targets.

Sales and marketing expenses

Sales and marketing expenses include agency commissions and external marketing costs.

The standard commission rate for the outdoor industry in Australia and New Zealand is approximately 10% and 20% of gross media revenue respectively. Revenues which are transacted directly with advertisers do not attract agency commission. Agency commission expenses are dependent on the proportion of media revenue derived from agencies; the majority of APN Outdoor's revenues are derived from agencies. Some agencies may also obtain a rebate if pre-agreed revenue targets are achieved. These targets are typically set annually.

Other operating expenses

Other operating expenses include production and installation costs (billed by third party suppliers), asset operating costs and administration expenses.

Production and installation costs are directly linked to production and installation volumes. Per unit charges for installation are generally fixed via preferred supplier agreements. Production services are supplied by the APN Outdoor's in-house production facility. Changes to product demand will impact costs as production and installation costs are not uniform across all product formats.

Asset operating costs relate to the cost of operating advertising sites including maintenance and electricity.

Administration expenses predominantly relate to corporate functions, including finance, IT, office and legal.

4.6.1.3 Depreciation and amortisation

Depreciation predominantly relates to the physical advertising signage. This includes billboard support structures, framing, lighting, footings, catwalks, architectural designs, engineering surveys and other depreciable costs. APN Outdoor assumes a useful life of 12 years for digital panels and 20 years for static panels.

Amortisation predominantly arises from licences, systems and processes. These assets represent capitalised future income streams and other value attributed to site licenses and APN Outdoor's systems and processes recognised at the time of the acquisition of the wholly-owned outdoor businesses. Accordingly, amortisation is considered to be an acquisition-related, non-cash expense that would not have been incurred in the normal course of business. Therefore, NPATA and EBITA is considered by APN Outdoor Management to be an important measure of the underlying performance of the Company.

4.6.1.4 Net finance costs

The pro forma historical net finance costs have been adjusted to reflect the debt profile and interest rates applicable under the terms of the New Banking Facilities following Completion of the Offer and reduced level of Group leverage following the Offer.

In the case of FY2012, FY2013 and FY2014, the pro forma interest expense has been calculated by applying the pro forma leverage ratio in FY2014 to all historical periods to size the relative level of debt in each period. The statutory and pro forma interest expense in FY2015 has been forecast based on the expected cash and debt positions throughout the year.

Interest rates have been applied to the above debt sizing each year based on the three month BBSY interest rates that prevailed during the relevant historical and forecast periods and application of the contracted margin as described in the New Banking Facilities.

Pro forma interest income has been calculated on the basis of rolling back to historical periods a pro rata attribution of the average operating cash holdings of APN Outdoor that arise during FY2015. The interest rate used represents the average cash rate for FY2012 and FY2013, and the current cash rate of 2.5% for the forecast period.

The interest calculation also reflects commitment fees relating to the undrawn proportion of the revolver, interest relating to drawn bank guarantees and borrowing cost amortisation of upfront fees for the New Banking Facilities.

4.6.1.5 Capital expenditure

APN Outdoor incurs capital expenditure primarily related to the build or upgrade of new advertising sites. This may include the development of new panels at greenfield sites, digital conversions, panels upgrades or other developments agreed with site landlords and asset owners.

Maintenance expenditure is also incurred routinely to upkeep operating equipment and systems and may include software upgrades, compliance upgrades and office and communications equipment.

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Table 15 below sets out APN Outdoor's historical, currently committed and forecast capital expenditure.

Table 15 Summary of historical committed and forecast capital expenditure

December year end (\$ million)	FY2012	FY2013	FY2014	FY2015
Digital (large format) growth capital expenditure ¹	3.1	6.2	8.3	13.3
Digital (other) growth capital expenditure ²	0.2	0.3	4.0	0.3
Other growth capital expenditure ³	3.9	7.6	4.6	0.1
Maintenance capital expenditure ⁴	2.5	2.1	3.2	3.4
Total capital expenditure	9.7	16.2	20.0	17.1

Notes:

1. Relates to conversions of existing large format static billboards to digital billboards as well as greenfield digital developments.
2. Relates to the roll-out of Xtrack TV in FY2014, planned digital development at Auckland Airport and the installation of digital screens at other airport sites.
3. Relates to the development of new static panels, the upgrade of existing static panels, the conversion of certain static panels to form two LUX packs (one in FY2013 and one in FY2014), and upgrades of static sites at airports.
4. Includes software upgrades, compliance upgrades and office and communications equipment.

4.6.1.6 Working capital

While APN Outdoor's working capital movements at period ends (half year and full year) tend to be small, inter-month and intra-month movements are affected by a number of factors including, but not limited to, the following:

- Australian agency billings are generally received on the 15th of each month. Agencies are invoiced at the end of the month when media is displayed with 45 day credit terms;
- New Zealand agency billings are generally received at the end of each month. Agencies are invoiced at the end of the month when media is displayed with 30 day credit terms;
- rent payments are made in accordance with the relevant contract terms. Fixed rent payment terms vary contract by contract. Revenue share payments are typically paid in the month following the month advertising is displayed; and
- payroll is paid monthly on the 15th of each month for the calendar month.

4.6.1.7 Seasonality

APN Outdoor's operations have historically demonstrated seasonality consistent with the advertising industry in general. Traditionally, peak revenue periods have been September through to December and the month of March.

The September to December period benefits from higher consumer spending leading up to Christmas. In addition, the warmer summer weather attracts advertisers that do not spend significant amounts during the colder months (e.g. alcoholic beverages). Peak trading over this period also coincides with television advertising demand – television advertising campaigns are often run in parallel with outdoor campaigns and when television utilisation approaches capacity, remaining advertising budgets are often reallocated to outdoor advertising.

The month of March benefits from demand before the Easter period and coincides with the commencement of the television ratings season, which drives price inflation for television advertising and a subsequent increase in demand for other formats as advertisers seek substitutes. In addition, March is the first month after the traditionally quieter months of January and February, when consumers are spending less post-Christmas and school holidays impact consumer behaviour.

4.6.1.8 Tax

The primary jurisdictions in which APN Outdoor operates in and their applicable corporate tax rates are Australia (30%) and New Zealand (28%). Tax has been calculated based on underlying rates of 30% and 28% in Australia and New Zealand respectively.

4.6.1.9 Foreign exchange

APN Outdoor's financial information is presented in AUD being the currency of the primary economic environment in which the Group operates.

Net assets of the New Zealand business are translated at the exchange rate applicable at each balance date.

FY2012 earnings are translated at 1.30 NZDAUD, being the standard rate applied by APN Outdoor's then parent entity, APN News & Media Limited. Earnings for other periods have been translated at average actual and / or forecast exchange rates applicable to the period.

Foreign exchange impacts are dependent on general macroeconomic conditions of both the Australian and New Zealand economies.

4.6.2 Pro forma consolidated historical income statements: FY2013 compared to FY2012

Table 16 sets out the summary pro forma consolidated historical income statements for FY2012 and FY2013.

Table 16 Summary pro forma consolidated historical income statements: FY2013 compared to FY2012

December year end (\$ million)	Pro Forma Historical Results		
	FY2012	FY2013	Variance
Revenue	207.8	225.9	18.1
Rental of advertising space	(98.3)	(104.4)	(6.1)
Employee benefits expense	(26.8)	(26.7)	0.0
Sales and marketing expense	(17.2)	(20.3)	(3.1)
Other operating expenses	(37.7)	(40.6)	(2.9)
Operating expenses	(180.0)	(192.0)	(12.0)
EBITDA	27.8	33.8	6.0
<i>EBITDA margin</i>	13.4%	15.0%	1.6%
Depreciation	(6.3)	(6.8)	(0.6)
EBITA	21.6	27.0	5.4
Amortisation	(3.1)	(2.9)	0.2
EBIT	18.5	24.1	5.7

4.6.2.1 Revenue

Revenue increased 8.7% to \$225.9 million in FY2013 from \$207.8 million in FY2012.

Australia

Australian revenue increased 7.5% to \$209.8 million in FY2013 from \$195.1 million in FY2012 from a combination of 5.9% growth in media revenues and 18.6% growth in production and installation revenues.

Media revenue growth was due to a 6.7%³ increase in the size of the overall outdoor industry, partially offset by a slight decrease of 0.1% in APN Outdoor's market share to 26.8% in FY2013.

Excluding the retail segment⁴ APN Outdoor's market share increased 0.7% to 31.7%, largely attributable to the rollout of 9 large format digital billboards in FY2013, increasing inventory to 14 large format digital screens at the end of FY2013. Large format digital revenues increased by \$4.3 million to \$10.6 million in FY2013 given the growth in digital inventory and the higher revenue achieved on conversion of static panels to digital.

Growth in production and installation was driven by strong media revenues in FY2013 (in particular transit, which was up 8.9%) and rate increases across both production and installation services.

New Zealand

New Zealand revenue increased 26.8% to \$16.1 million in FY2013 from \$12.7 million in FY2012 from a combination of a 25% growth in media revenues (13.5% growth in local currency terms) and a 33% growth in production and installation revenues (21.0% growth in local currency terms).

Media revenue growth was due to a combination of a 12.9%⁵ increase in the size of the overall outdoor advertising industry and a 0.1% increase in APN Outdoor's market share to 22.4% in FY2013. The main driver of the increase was the introduction of Auckland's first large format roadside digital billboard by APN Outdoor in July 2013 which contributed \$0.5 million in media revenues in FY2013.

Production and installation revenues were higher given the growth in media revenue as well as rate increases.

3. Outdoor Media Association (OMA)

4. APN Outdoor does not have any Retail inventory. Therefore, market growth excluding Retail provides a more reflective measure of APN Outdoor's addressable market

5. Outdoor Media Association New Zealand (OMANZ)

4.6.2.2 Operating Expenses

Total operating expenses increased by 6.7% to \$192.0 million in FY2013 from \$180.0 million in FY2012, primarily due to:

- a 6.2% increase in rental of advertising space as a result of larger rents paid to renew key transit agreements in a highly competitive market;
- an 18.0% increase in sales and marketing expenses. Agency commissions paid to agencies have increased due to a higher mix of New Zealand revenues; and
- a 7.7% increase in other operating expenses. Production and installation costs have grown in line with revenue.

4.6.2.3 EBITDA and EBITA

EBITDA increased 21.6% to \$33.8 million in FY2013. EBITDA margin increased 1.6% to 15.0% in FY2013.

EBITA increased by 25.2% to \$27.0 million in FY2013, with growth partially offset by a 7.9% increase in depreciation due to the development of 10 large format digital panels and the first LUX pack offering in Australia.

4.6.3 Pro forma consolidated historical cash flows: FY2013 compared to FY2012

Table 17 sets out the summary pro forma consolidated historical operating cash flow statements for FY2012 and FY2013.

Table 17 Summary pro forma consolidated historical cash flow statements: FY2013 compared to FY2012

December year end (\$ million)	Pro Forma Historical Cash Flows		
	FY2012	FY2013	Variance
EBITDA	27.8	33.8	6.0
Non-cash items in EBITDA	(0.8)	(1.1)	(0.4)
Change in working capital	1.3	(3.4)	(4.8)
Operating free cash flow before capital expenditure	28.4	29.3	0.9
Acquisition of property, plant and equipment	(9.7)	(16.2)	(6.5)
Operating free cash flow after capital expenditure	18.7	13.0	(5.7)
Cash conversion ratio ¹	102%	86%	(16%)

Note:

1. Cash conversion ratio calculated as operating free cash flow before capital expenditure as a percentage of EBITDA.

Operating free cash flow after capital expenditure decreased between FY2012 and FY2013 driven predominantly by an increase in capital expenditure over the period.

Capital expenditure grew by \$6.5 million to \$16.2 million in FY2013 driven primarily by:

- the development of 10 large format digital panels in Australia and New Zealand;
- the upgrade of poster sites to create the first LUX pack and part of the second LUX offering; and
- the upgrade of poster and large format billboards in various locations in Australia.

Change in working capital decreased by \$4.8 million in FY2013, driven primarily by:

- an increase in debtors of \$11.0 million, with strong revenue in the final quarter of FY2011 being receipted as cash in the first quarter of FY2012, which lowered debtors in that year. In contrast, revenue in the final quarter of FY2013 increased by \$10.0 million year-on-year, significantly increasing debtors from the FY2012 balance; and
- the increase in debtors is partly offset by an increase in creditors of \$4.9 million. Strong final quarter revenue growth in FY2013 increased rent, production and installation cost accruals as did larger capital expenditure accruals.

4.6.4 Pro forma consolidated historical income statements: 1H FY2014 compared to 1H FY2013

Table 18 sets out the summary pro forma consolidated historical income statements for 1H FY2013 and 1H FY2014.

Table 18 Summary pro forma consolidated historical income statements: 1H FY2014 compared to 1H FY2013

December year end (\$ million)	Pro Forma Historical Results		
	1H FY2013	1H FY2014	Variance
Revenue	98.3	109.2	10.9
Rental of advertising space	(50.8)	(51.9)	(1.1)
Employee benefits expense	(13.7)	(13.7)	0.0
Sales and marketing expense	(8.7)	(11.3)	(2.6)
Other operating expenses	(17.1)	(19.6)	(2.5)
Operating expenses	(90.3)	(96.5)	(6.2)
EBITDA	8.0	12.7	4.7
<i>EBITDA margin</i>	8.1%	11.6%	3.5%
Depreciation	(3.0)	(3.5)	(0.5)
EBITA	5.0	9.1	4.2
Amortisation	(1.6)	(1.4)	0.2
EBIT	3.4	7.7	4.3

4.6.4.1 Revenue

Revenue increased 11.1% to \$109.2 million in 1H FY2014 from \$98.3 million in 1H FY2013.

Australia

Australian revenue increased 10.1% to \$100.2 million in 1H FY2014 from \$91.0 million in 1H FY2013 from a combination of 8.1% growth in media revenues and 22.3% growth in production and installation revenues.

Media revenue growth was driven by a combination of a 5.3% increase in the size of the overall outdoor market and an increase of 0.6% in APN Outdoor's market share to 26.3% in 1H FY2014.

Excluding the retail segment, APN Outdoor's market share increased 1.0% to 31.1%, largely attributable to ongoing inventory upgrades (including an increase in large format digital screens to 22), the contribution from the LUX offering introduced in September 2013 and a strong performance from the transit category.

The increase in production and installation revenue was driven by strong transit media revenues.

New Zealand

New Zealand revenue increased 23.3% to \$9.0 million in 1H FY2014 from a combination of 23.7% growth in media revenues (13.0% growth in local currency terms) and 17.6% growth in production and installation revenues.

Media revenue growth was generated from a combination of a 1.5% increase in the size of the total outdoor advertising industry and a 1.6% increase in APN Outdoor's market share to 23.6% in 1H FY2014, driven by the Company's launch of the first-to-market digital billboard in Auckland.

4.6.4.2 Operating Expenses

Total operating expenses increased by 6.9% to \$96.5 million in 1H FY2014 from \$90.3 million in 1H FY2013, primarily driven by:

- a 29.9% increase in sales and marketing expenses. Agency commissions have increased due to revenue growth as well as additional rebates paid to some agencies;
- a 14.6% increase in other operating expenses with larger tender and development costs incurred for the development of new digital panels. Production and installation costs have grown in line with revenue; and
- CPI increases in rental of advertising space costs.

4.6.4.3 EBITDA and EBITA

EBITDA increased by 58.9% to \$12.7 million in 1H FY2014 driven by strong revenue growth, partially offset by an increase in operating expenses of 6.9%. EBITDA margin increased from 8.1% in 1H FY2013 to 11.6% in 1H FY2014. It should be noted that APN Outdoor's EBITDA margin tends to be lower in the first half of the year and higher in the second half due to revenue seasonality and a largely fixed cost base.

EBITA increased by 83.6% to \$9.1 million in 1H FY2014 due to significant growth in EBITDA, partially offset by an increase in depreciation of 16.7% linked to the development of eight large format digital panels in Australia and the second LUX offering in Australia.

4.6.5 Pro forma consolidated historical cash flows: 1H FY2014 compared to 1H FY2013

Table 19 sets out the summary pro forma consolidated historical operating cash flow statements for 1H FY2013 and 1H FY2014.

Table 19 Summary pro forma consolidated historical cash flow statements: 1H FY2014 compared to 1H FY2013

December year end (\$ million)	Pro Forma Historical Cash Flows		
	1H FY2013	1H FY2014	Variance
EBITDA	8.0	12.7	4.7
Non-cash items in EBITDA	(0.6)	(0.2)	0.4
Change in working capital	7.0	10.5	3.6
Operating free cash flow before capital expenditure	14.3	23.0	8.6
Acquisition of property, plant and equipment	(5.9)	(8.6)	(2.8)
Operating free cash flow after capital expenditure	8.5	14.3	5.9
Cash conversion ratio ¹	180%	181%	1%

Note:

1. Cash conversion ratio calculated as operating free cash flow before capital expenditure as a percentage of EBITDA.

Operating free cash flow after capital expenditure increased between 1H FY2013 and 1H FY2014, driven by strong EBITDA growth and a higher positive movement in working capital, though was partially offset by higher capital expenditure.

Capital expenditure grew by \$2.8 million to \$8.6 million in 1H FY2014 driven primarily by:

- the development of eight large format digital panels in Australia;
- the development of the second LUX offering; and
- the development of the new Xtrack TV screens in Sydney.

Change in working capital increased by \$3.6 million in 1H FY2014 primarily due to:

- strong revenues in the final quarter of FY2013 leading to above average cash receipts in the first quarter of FY2014; and
- an increase in creditors balances due to more significant capital expenditure.

4.7 Forecast Financial Information

4.7.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions in relation to the Forecast Period have been adopted:

- no material change in the competitive environment in which APN Outdoor operates;
- no significant deviation from current market expectations of Australian or New Zealand economic conditions relevant to the media and advertising sector in Australia or New Zealand;
- no material changes in government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of APN Outdoor;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which will have a material effect on APN Outdoor's reported financial performance or cash flow, financial position, accounting policies, financial reporting or disclosures;
- no material landlord and asset owner contract wins other than as set out in, or contemplated by, this Prospectus;
- no material landlord and asset owner contract losses. APN Outdoor has assumed it will retain the Sydney Airport external billboard and internal international terminal (T1) contracts, which are due to expire on 30 September 2015;
- no material changes in key personnel, including key management personnel. It is also assumed that APN Outdoor maintains its ability to recruit and retain the personnel required to support future growth;
- no material industrial strikes, employee relations disputes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of APN Outdoor;
- material forecast digital developments are approved by site landlords and asset owners and there are no significant delays in the timing of these developments or in the achievement of forecast earnings margins;
- no material changes in advertiser perception of the attractiveness of outdoor advertising;
- no material adverse impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments;
- no material changes to APN Outdoor's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of APN Outdoor or other material changes in its business;
- no material amendment to any material contract, agreement or arrangement relating to APN Outdoor's business other than set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of APN Outdoor; and
- the Offer proceeds are received in accordance with the timetable set out in the Important dates section of this Prospectus.

4.7.2 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of the FY2014 and FY2015 forecast periods is set out below.

4.7.2.1 Pro forma consolidated forecast income statements: FY2014 compared to FY2013

Both the Statutory Forecast Results and the Statutory Forecast Cash Flows for FY2014 consist of actual reviewed results and cash flows for the six months to 30 June 2014 and the Directors' best estimate forecasts for the six months to 31 December 2014. Both the Statutory Forecast Results and Statutory Forecast Cash Flows for FY2015 consist of the Directors' best estimate forecasts for the 12 months to 31 December 2015. APN Outdoor's forecast for the six months ending 31 December 2014 has had regard to the current trading performance of APN Outdoor up until the date of lodgement of this Prospectus.

Table 20 sets out the summary pro forma consolidated income statements for FY2013 and FY2014.

Table 20 Summary pro forma consolidated income statements: FY2014 compared to FY2013

December year end (\$ million)	Pro Forma Historical Results FY2013	Pro Forma Forecast Results FY2014	Variance
Revenue	225.9	245.5	19.6
Rental of advertising space	(104.4)	(108.1)	(3.8)
Employee benefits expense	(26.7)	(27.9)	(1.2)
Sales and marketing expense	(20.3)	(24.3)	(3.9)
Other operating expenses	(40.6)	(41.8)	(1.3)
Operating expenses	(192.0)	(202.2)	(10.2)
EBITDA	33.8	43.3	9.4
<i>EBITDA margin</i>	15.0%	17.6%	2.6%
Depreciation	(6.8)	(7.3)	(0.5)
EBITA	27.0	35.9	8.9
Amortisation	(2.9)	(2.9)	0.0
EBIT	24.1	33.1	8.9

4.7.2.1.1 Revenue

Revenue is forecast to increase 8.7% to \$245.5 million in FY2014 from \$225.9 million in FY2013. Based on orders received as at 26 September 2014, APN Outdoor has already secured \$228.9 million of revenue. Revenue required to achieve the FY2014 forecast is \$16.6 million comprising media revenue of \$6.3 million and production, installation and other revenue of \$10.3 million. Production and installation revenues are typically secured after the associated media revenues which are largely booked in advance.

Australia

Australian revenue is forecast to increase 7.4% to \$225.2 million in FY2014 from \$209.8 million in FY2013. Revenue growth arises from a combination of 6.8% growth in media revenues and 11.7% growth in production and installation revenues.

APN Outdoor expects to generate strong media revenue growth through achieving an increasing market share in a growing industry.

The overall outdoor advertising industry is expected to grow 5.1% in FY2014. Industry growth in 1H FY2014 was 5.3% and this overall level of growth is expected to broadly continue for the rest of the year, underpinned by strong audience growth in contrast to the audience fragmentation experienced in most other traditional media segments.

APN Outdoor's market share is forecast to increase 0.4% to 27.2% for FY2014 due to additional revenues from new and upgraded inventory:

- 12 new large format digital screens were commissioned during the period, increasing total large format digital panels in Australia to a total of 26 at 31 December 2014. Large format digital revenues increase by \$9.7 million to \$20.3 million in FY2014. Increased revenues arise from the revenue multiples achieved on conversion of static panels to digital;
- a second LUX pack of 75 large format, LED-backlit static boards was commissioned in May 2014; and
- 66 new Xtrack TV screens are scheduled to be introduced in Sydney and Melbourne during October 2014.

Production and installation revenues increase by 11.7%, largely due to strong transit volumes, particularly in 1H FY2014.

New Zealand

New Zealand revenue is forecast to increase 26% to \$20.3 million in FY2014 from \$16.1 million in FY2013. Revenue growth arises from a combination of a 30% growth in media revenues and an 11% growth in production and installation revenues.

Much like in Australia, APN Outdoor expects to generate New Zealand media revenue growth through a combination of a 3.7% increase in market share and a 3.6% increase in the size of the industry.

Market share is forecast to increase 3.7% to 26.1% for FY2014 due to additional revenues from new and upgraded inventory as noted below:

- The full year impact of Auckland's first large format digital billboard;
- An additional four new large format digital panels to form the Auckland Digital Network; and
- The Auckland Airport contract (won from a competing outdoor advertising operator) commencing in November 2014, and including the addition of two new roadside digital panels. The contribution of this contract is significant in FY2015 as discussed in Section 4.7.2.3.1

Large format digital revenues are expected to increase by \$1.4 million to \$1.9 million for FY2014.

The increase in production and installation revenues includes a part year impact of the new Auckland Airport contract.

4.7.2.1.2 Operating Expenses

Total operating expenses are forecast to increase 5.3% to \$202.2 million in FY2014 from \$192.0 million in FY2013, primarily driven by:

- rental of advertising space increasing by 3.6%, including CPI escalations and new rent paid for the Auckland Airport inventory from November 2014, as well as increased revenue share payments due to revenue growth;
- employee benefits expense increasing by 4.5%, with five new sales and marketing staff employed in New Zealand to accommodate the growth from the new digital panels and the Auckland Airport win. Three new sales and marketing staff are also expected to accommodate the strong digital growth in Australia;
- sales and marketing expense increasing by 19.2%. Agency commissions have increased due to revenue growth as well as additional rebates paid to some agencies; and
- other operating expenses are expected to increase by 3.2%, generally in line with CPI with the exception of some asset maintenance and development costs associated with the introduction and continued development of new panels.

4.7.2.2 EBITDA and EBITA

EBITDA is expected to increase 27.9% to \$43.3 million in FY2014, driven by the strong revenue growth and partially offset by an increase in operating expenses of 5.3%. EBITDA margin is expected to increase from 15.0% in FY2013 to 17.6% in FY2014.

EBITA is expected to increase 33.0% as a result of 27.8% growth in EBITDA, which was offset by an increase in depreciation of 7.4% primarily due to the development of 18 large format digital panels in Australia and New Zealand and the second LUX offering in Australia.

4.7.2.2.1 Pro forma consolidated cash flow statements: FY2014 compared to FY2013

Table 21 sets out the summary pro forma consolidated cash flow statements for FY2013 and FY2014.

Table 21 Summary pro forma consolidated cash flow statements: FY2014 compared to FY2013

December year end (\$ million)	Pro Forma Historical Cash Flows FY2013	Pro Forma Forecast Cash Flows FY2014	Variance
EBITDA	33.8	43.3	9.4
Non-cash items in EBITDA	(1.1)	(0.1)	1.0
Change in working capital	(3.4)	(1.0)	2.5
Operating free cash flow before capital expenditure	29.3	42.2	12.9
Acquisition of property, plant and equipment	(16.2)	(22.3)	(6.1)
Operating free cash flow after capital expenditure	13.0	19.9	6.8
Cash conversion ratio ¹	86%	98%	11%

Note:

1. Cash conversion ratio calculated as operating free cash flow before capital expenditure as a percentage of EBITDA.

Operating free cash flow after capital expenditure is forecast to increase between FY2013 and FY2014 driven predominantly by the expected increase in EBITDA partially offset by the increase in capital expenditure.

Capital expenditure is forecast to grow by \$6.1 million to \$22.3 million in FY2014 primarily due to:

- the development and upgrade of 12 new large format digital panels in Australia;
- the development and upgrade of the new Xtrack TV screens in Sydney;
- the development of new static and digital panels at Auckland Airport following APN Outdoor's contract win; and
- the development of the second LUX offering.

Change in working capital is expected to increase by \$2.5 million in FY2014 primarily due to strong revenues in the final quarter of FY2013 leading to above average cash receipts in the first quarter of FY2014.

4.7.2.3 Pro forma consolidated forecast income statements: FY2015 compared to FY2014

Table 22 sets out the summary pro forma consolidated income statements for FY2014 and FY2015.

Table 22 Summary pro forma consolidated income statements: FY2015 compared to FY2014

December year end (\$ million)	Pro Forma Forecast Results FY2014	Pro Forma Forecast Results FY2015	Variance
Revenue	245.5	271.5	26.0
Rental of advertising space	(108.1)	(118.5)	(10.4)
Employee benefits expense	(27.9)	(29.2)	(1.2)
Sales and marketing expense	(24.3)	(28.1)	(3.8)
Other operating expenses	(41.8)	(42.1)	(0.3)
Operating expenses	(202.2)	(217.8)	(15.6)
EBITDA	43.3	53.7	10.4
<i>EBITDA margin</i>	17.6%	19.8%	2.1%
Depreciation	(7.3)	(9.1)	(1.8)
EBITA	35.9	44.5	8.6
Amortisation	(2.9)	(2.8)	0.0
EBIT	33.1	41.7	8.6

4.7.2.3.1 Revenue

Revenue is forecast to increase 10.6% to \$271.5 million in FY2015 from \$245.5 million in FY2014.

Australia

Australia revenue is forecast to increase 7.7% to \$242.6 million in FY2015 from \$225.2 million in FY2014 from a combination of 9.9% growth in media revenues and 1.3% growth in production and installation revenues.

APN Outdoor expects to generate strong media revenue growth through achieving an increasing market share in a growing industry. The overall Australian outdoor advertising industry is expected to grow 6.0% in FY2015, underpinned by strong audience growth compared with the audience fragmentation being experienced in most other traditional media segments. This overall growth comprises two components:

- organic growth in the underlying outdoor advertising industry on existing static and digital inventory; and
- incremental growth from new digital inventory upgrades and builds.

Organic growth in the underlying outdoor advertising industry (excluding new inventory build impacts) is expected to contribute 1.9% to APN Outdoor's media revenue growth in FY2015 with large format static and transit categories growing 1.5% and other categories growing 3.0%. Organic market growth is underpinned by audience growth in the outdoor advertising industry.

New digital inventory upgrades and builds are expected to contribute a further 8.0% growth in APN Outdoor's media revenues in FY2015 from a combination of large format upgrades and Xtrack TV screens.

Large format digital screens are expected to increase from 26 panels at December 2014 to 43 at December 2015 – an increase of 17. Large format digital revenues are forecast to increase by \$15.6 million to \$35.9 million in FY2015. Increased revenues arise from the higher revenue uplift achieved on conversion of static panels to digital and the full year effect of panels built in 2014.

The 66 Xtrack TV screens that are planned to be rolled out in Sydney and Melbourne during October 2014 are expected to contribute approximately \$4.0 million of revenue in FY2015, and have already received in excess of \$1.3 million of orders to date.

The incremental revenues from new digital inventory upgrades are expected to generate an increase in market share from 27.2% in FY2014 to 28.2% in FY2015.

Production and installation revenues are forecast to increase by a more modest 1.3% due to an increased proportion of digital revenues.

New Zealand

New Zealand revenue is forecast to increase 42% to \$28.9 million in FY2015 from \$20.3 million in FY2014 from a combination of a 46% growth in media revenues and a 25% growth in production and installation revenues.

The overall New Zealand outdoor advertising industry is expected to grow 6.0% in FY2015, which comprises both an organic growth component and an incremental new inventory upgrade and build growth component. APN Outdoor expects to generate strong New Zealand media revenue growth in FY2015 through a combination of modest 1.0% organic growth in media revenues across its existing inventory portfolio and a significant market share growth largely driven by a full year of revenues on the Auckland Airport contract.

The new Auckland Airport contract commences on 1 November 2014 (and accordingly only makes a modest contribution in FY2014). Revenues generated from this contract in FY2015, which are forecast to be in excess of approximately \$6.0 million.

FY2015 includes a full year's benefit of four new large format panels to form the Auckland Digital Network. Large format digital revenues are expected to increase by \$1.1 million to \$3.0 million for FY2015. As a result, APN Outdoor's share of the outdoor advertising industry is expected to increase from 26.1% in FY2014 to 36.1% in FY2015 with most of the 10.0% increase arising from the new Auckland Airport contract.

4.7.2.3.2 Operating Expenses

Total operating expenses are expected to increase by 7.7% to \$217.8 million in FY2015 from \$202.2 million in FY2014, primarily due to:

- rental of advertising space increasing by 9.6%, driven by a full year contribution of the Auckland Airport contract that commenced from November 2014. Rent paid to landlords and asset owners associated with digital upgrades in FY2014 and FY2015 are also forecast to increase. Revenue share rents are also expected to increase in line with revenue growth;
- employee benefits expense increasing by 4.4% including three new sales and marketing staff employed in Australia and New Zealand in FY2015. The new heads are required primarily to accommodate the growth from new digital panels and the Auckland Airport win; and
- sales and marketing expense increasing by 15.6%. Agency commissions have increased slightly ahead of revenue growth. The stronger New Zealand revenue growth relative to Australia increases average agency commission.

4.7.2.3.3 EBITDA and EBITA

EBITDA is expected to increase by 23.9% to \$53.7 million in FY2015, driven by strong revenue growth as a result of the ongoing execution of the Company's digital strategy. EBITDA margin is expected to increase from 17.6% in FY2014 to 19.8% in FY2015.

EBITA is expected to increase by 23.9% to \$44.5 million as a result of the strong growth in EBITDA, partially offset by an increase in depreciation of 24.7%, primarily due to the development and upgrade of advertising sites.

4.7.2.3.4 Bridge to FY2014 adjusted EBITDA and FY2015 EBITDA

As outlined in Section 3.6, APN Outdoor has executed a digital growth strategy over the past three years and has achieved incremental revenue and EBITDA growth by:

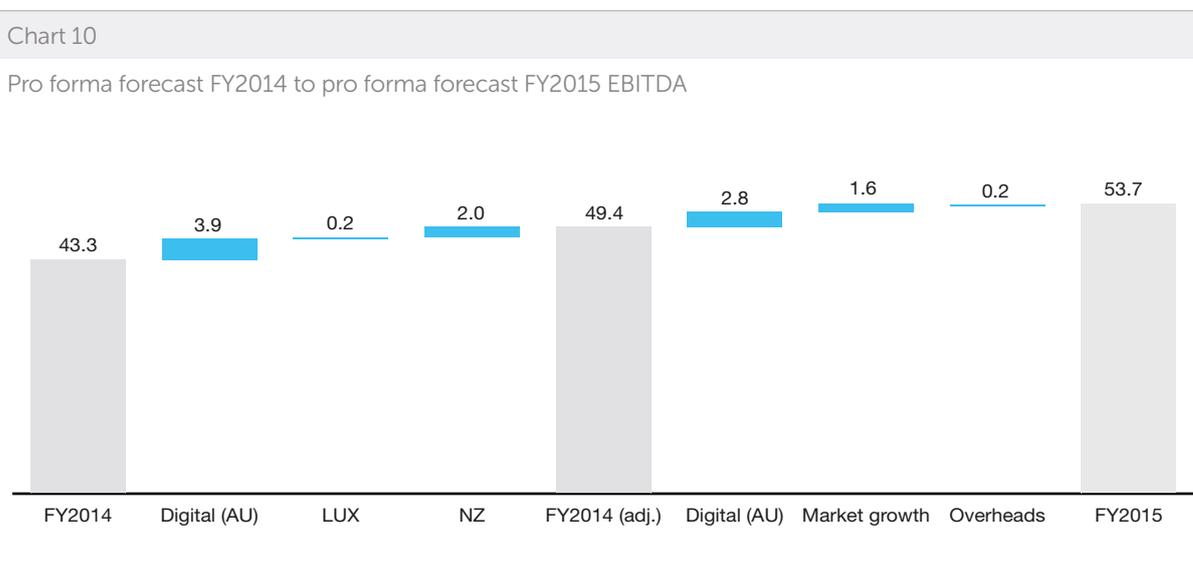
- undertaking digital conversions of existing large format static billboards;
- installing greenfield digital panels; and
- winning contracts from competitors.

This growth strategy is expected to continue to contribute to APN Outdoor's forecast revenue and EBITDA expansion in FY2014 and FY2015. See Section 3.6 for further information on APN Outdoor's growth initiatives.

As outlined in this Section 4.7.2.2, APN Outdoor's pro forma EBITDA is forecast to increase from \$43.3 million in FY2014 to \$53.7 million in FY2015, driven by the following components:

- **Full year effect of FY2014 digital inventory upgrades and builds** – comprising the pro forma full year EBITDA impact of the following items, after including an allowance for static revenues which migrate onto digital inventory:
 - 11 large format digital conversions and one large format greenfield site installation in Australia together with six large format conversions in New Zealand that have either already been completed or are expected to be substantially completed by 31 December 2014. At the date of this Prospectus, APN Outdoor had 28 large format digital panels (23 in Australia and five in New Zealand) and is forecasting to have an additional seven large format digital panels installed by 31 December 2014 (for a total number of large format digital panels of 34 at year end);
 - the upgrade of 75 static panels to a second LUX pack in Australia;
 - the roll-out of 66 Xtrack TV screens, which are expected to be fully installed across Sydney and Melbourne by 31 December 2014; and
 - the roll-out of 106 upgraded and new static and digital panels at Auckland Airport, which are expected to be completed between 1 November 2014 and 1 February 2015, following the contract win which takes effect from 1 November 2014.
- **New FY2015 digital inventory upgrades and builds** – being the estimated EBITDA impact of 17 digital panel conversions or new greenfield digital site installation opportunities, all of which are currently under discussion with existing landlords and asset owners and which are expected to be completed during FY2015.
- **Market growth** – being the estimated EBITDA impact of:
 - Australia: 1.5% organic growth across APN Outdoor's existing portfolio of large format static and transit panels, and of 3.0% across other formats. This results in a blended organic growth rate across APN Outdoor's total existing Australian portfolio of approximately 1.9% for FY2015. The FY2014 and FY2015 digital inventory upgrades and builds drive a further 8.0% growth in APN Outdoor's media revenues in FY2015 and generate an increase in market share of 0.5% in FY2014 and a further 1.0% in FY2015; and
 - New Zealand: a modest 1.0% organic growth is assumed across APN Outdoor's existing New Zealand portfolio in FY2015. APN Outdoor's New Zealand market share is forecast to increase by approximately 10% in FY2015, following the successful tender for the Auckland Airport contract.
- **Overhead cost increases** – being the assumed movement in overhead costs in FY2015 over and above those costs that are already taken into account in the digital inventory build components above. Chart 10 sets out the incremental contribution of APN Outdoor's accelerated digital strategy, its market growth assumptions and the impact of overhead cost increases to the movement in pro forma forecast EBITDA between FY2014 and FY2015.

The analysis illustrates that APN Outdoor's pro forma forecast EBITDA for FY2014 would be \$49.4 million if the full year effect of the FY2014 digital inventory upgrades and builds that are expected to be largely completed by 31 December 2014 are taken into account. This illustrative estimate does not take into account the other components driving the increase in pro forma forecast EBITDA for FY2015 and should not be viewed in isolation of these other drivers. This analysis should be read in conjunction with the general assumptions outlined in Section 4.7.1.



4.7.2.3.5 Pro forma consolidated cash flow statements: FY2015 compared to FY2014

Table 23 sets out the summary pro forma consolidated cash flow statements for FY2014 and FY2015.

Table 23 Summary pro forma consolidated cash flow statements: FY2015 compared to FY2014

December year end (\$ million)	Pro Forma Forecast Cash Flows FY2014	Pro Forma Forecast Cash flows FY2015	Variance
EBITDA	43.3	53.7	10.4
Non-cash items in EBITDA	(0.1)	(0.1)	0.0
Change in working capital	(1.0)	(5.8)	(4.8)
Operating free cash flow before capital expenditure	42.2	47.8	5.5
Acquisition of property, plant and equipment	(22.3)	(17.1)	5.2
Operating free cash flow after capital expenditure	19.9	30.7	10.8
Cash conversion ratio ¹	98%	89%	(8.0%)

Note

1. Cash conversion ratio calculated as operating free cash flow before capital expenditure as a percentage of EBITDA.

Operating free cash flow after capital expenditure is forecast to increase between FY2014 and FY2015 driven predominantly by the expected increase in EBITDA.

Capital expenditure is forecast to decline by \$5.2 million to \$17.1 million in FY2015 due to significant expenditure on Auckland Airport and Xtrack TV in FY2014.

Change in working capital is expected to decline by \$4.8 million in FY2015 (movement of \$5.8 million in FY2015) driven by a forecast increase in debtors of \$3.7 million, together with a reduction in trade creditors largely due to the timing of creditor payments and a reduction in capital expenditure accruals for FY2015 driven by project timing and lower capital expenditure.

4.8 Sensitivity analysis

The Forecast Financial Information included in Section 4.7 is based on a number of estimates and assumptions as described in Sections 4.7.1 and 4.7.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of APN Outdoor, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Pro Forma Forecast Results to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on pro forma forecast NPAT of \$16.1 million 2H FY2014 and \$26.2 million FY2015 is set out below.

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on APN Outdoor's NPAT and cash flow.

Table 24 APN Outdoor NPAT sensitivity table

Assumptions	Increase / decrease	2H FY2014 pro forma NPAT impact (\$ million)	FY2015 pro forma NPAT impact (\$ million)
Australian outdoor advertising industry revenue ¹	+/- 100bps	0.4	0.7
APN Outdoor Australian advertising market share ²	+/- 100bps	1.3	2.5
NZD exchange rate ³	+/- 1¢	0.02	0.03
Large format digital revenues ⁴	+/- 100bps	0.05	0.1
Rental costs ⁵	+/- 100bps	0.3	0.7
EBITDA margin ⁶	+/- 50bps	0.5	0.9
Interest costs ⁷	+/- 50bps	0.1	0.6
Effective tax rate ⁸	+/- 100bps	0.1	0.2

Notes:

1. Sensitivity based on +/- 100bps movement in management's forecast of the growth in gross total outdoor advertising industry revenue
2. Sensitivity based on +/- 100bps movement in management's forecast of APN Outdoor's share of total outdoor advertising industry revenue
3. Sensitivity based on +/- 1¢ movement in the AUDNZD exchange rates applying to the NZD denominated portion of the Company's revenues and expenses in each period
4. Sensitivity based on +/- 100bps movement in large format digital revenues
5. Sensitivity based on +/- 100bps movement in fixed rental costs
6. Sensitivity based on +/- 50bps movement in EBITDA margin
7. Sensitivity based on the full year effect of a +/- 50bps movement in the rate applicable to the Company's debt after Completion of the Offer
8. Sensitivity based on +/- 100bps movement in the effective tax rate of each period to the forecast income tax expense based on the pro forma profit before tax

4.9 Dividend policy

The payment of a dividend by APN Outdoor is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant.

The first fully franked dividend of 1.0¢ per share in respect of earnings from Completion of the Offer to 31 December 2014 is expected to be paid in April 2015, subject to business performance, market conditions and regulatory requirements. The first fully franked dividend of 1.0¢ per share is expected to represent a 60% dividend payout ratio of pro forma forecast NPATA for the period between Completion of the Offer to 31 December 2014.

It is the current intention of the Board to declare a fully franked dividend in respect of the full year ended 31 December 2015 of 10.0¢ per share, equivalent to approximately 60% of FY2015 statutory forecast NPATA.

Beyond the forecast period, and having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 50% to 65% of annual NPATA. Depending on available profits and the financial position of the Company, it is the intention of the Board to declare interim dividends in respect of half years ending 30 June and final dividends in respect of full years ending 31 December each year.

The Company intends to frank dividend payments to the maximum extent possible and currently anticipates that it will be able to fully frank all dividends. However, no assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend.

The Constitution authorises the Board, on any terms and at their discretion, to establish a Dividend Reinvestment Plan (**DRP**) under which any Shareholder may elect that the dividends payable by the Company be reinvested in whole or in part by a subscription for Shares at a price to be determined by the Board from time to time. While the Company has adopted a DRP, it has been assumed the DRP will not be activated by the Company during the forecast period.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisors regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares.

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 Our local energy experts will tailor a plan for you

 **1300 ENERGY**
 Australian call centre

 **EnergyAustralia**

Section 5.

KEY RISKS



Portrait Side,
 Sydney, New South Wales.

5.1 Introduction

APN Outdoor is subject to risk factors that are both specific to its business activities and that are of a more general nature. Each of the risks set out below could, in isolation or in combination, if they eventuate, have a material adverse impact on APN Outdoor's business, financial condition and results of operations. Investors should note that this Section 5 does not purport to list every risk that may be associated with an investment in Shares now or in the future, and that the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of APN Outdoor, its Directors and management.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in APN Outdoor

5.2.1 Exposure to advertising industry

APN Outdoor's revenues and operating profits depend on spending levels in the overall advertising industry, which can fluctuate significantly based on economic conditions. There is no guarantee that overall economic conditions will improve or remain stable, and there is no guarantee that the level of advertising spend in the outdoor advertising industry will increase in the future. Advertising spending is highly dependent on the general condition of the economy. Frequently in periods of lower economic activity, companies cut their advertising budgets more severely than they reduce spending in other areas. If there were to be a downturn in economic conditions in one or more of the regions in which APN Outdoor conducts its business activities, it is likely that its revenues would be reduced, possibly by a significant amount. Because a substantial portion of APN Outdoor's costs are fixed and do not vary with revenues, a reduction in revenues due to a deterioration in economic conditions would be likely to have a significant impact on APN Outdoor's operating profit.

5.2.2 Increased competition

APN Outdoor operates in a highly competitive industry, and may not be able to maintain or increase its current advertising and sales revenues. APN Outdoor competes for advertising revenue with other outdoor advertising operators, as well as with other media, such as radio, newspapers, magazines, television, direct mail, mobile devices, satellite radio and internet-based services, which are substitutable for outdoor advertising. Market shares are subject to change, which could have the effect of reducing APN Outdoor's revenue in that market. APN Outdoor's competitors may develop services or advertising media that are equal or superior to those provided by APN Outdoor or that achieve greater market acceptance and brand recognition. It also is possible that new competitors may emerge and rapidly acquire significant market share in any of APN Outdoor's business categories. An increased level of competition for advertising spend may lead to lower advertising rates as APN Outdoor attempts to retain customers or may cause it to lose customers to competitors who offer lower rates that APN Outdoor is unable or unwilling to match. In addition, increased competition from alternative advertising segments could result in an adverse effect on APN Outdoor's future financial performance.

5.2.3 Loss of outdoor advertising sites or failure to achieve lease renewals on favourable terms

APN Outdoor incurs lease payments for the use of site locations. Typically leases / licences are long term and are usually renewed prior to expiry, although this is not always the case. Loss of sign sites may impact APN Outdoor's operating and financial performance profitability.

APN Outdoor gains access to these sites typically through short and long term contracts or concessions with landlords, asset owners or State Government departments. As disclosed in Section 1.3, only one of the top 10 contracts is up for renewal in the period to 31 December 2015. There is no guarantee that APN Outdoor will be able to obtain or renew contracts and / or concessions on terms favourable or acceptable to APN Outdoor, or at all. In particular, APN Outdoor's transit products business requires it to obtain and renew contracts with municipalities and other governmental entities.

Many of these contracts require APN Outdoor to participate in competitive bidding processes at each renewal, typically have terms ranging from three to 10 years and have revenue share and / or fixed rent components. APN Outdoor's inability to successfully negotiate, renew or complete these contracts due to governmental demands and delay and the highly competitive bidding processes for these contracts could affect its ability to offer these products to its clients, or to offer them to its clients at rates that are competitive to other forms of advertising, without adversely affecting APN Outdoor's operating or financial results.

APN Outdoor's transit products business depends on certain key lease arrangements (e.g. contracts with metro bus or rail authorities), the loss of which would have a disproportionate impact on its operating and financial results. APN Outdoor's development strategy has been to target metro markets in order to offer an attractive advertising network for national or local campaigns. If APN Outdoor loses transit concessions in one or more key metro markets, it would have difficulty attracting the same quality of advertisers that it currently enjoys and obtaining pricing levels commensurate with its premium quality product.

In addition, because APN Outdoor may be required to incur capital expenditure upfront as part of a contract or concession, APN Outdoor may experience reductions in its cash flows, which may adversely affect APN Outdoor's ability to pay dividends or meet its debt servicing obligations.

5.2.4 Reliance on key management personnel

APN Outdoor's success depends to a significant extent on its key personnel and the senior management team. APN Outdoor may not be able to attract and retain key staff or be able to find effective replacements in a timely manner. Loss of key management, operating or sales personnel may result in loss of customers and this may adversely affect APN Outdoor's operating and financial performance.

5.2.5 Seasonality of revenue

APN Outdoor generally experiences seasonality in earnings which historically has resulted in stronger revenue generation in the six months ending 31 December compared to the six months ending 30 June. In contrast, a substantial portion of APN Outdoor's costs are fixed and give rise to depreciation charges that do not vary with revenues. Accordingly, APN Outdoor relies on the seasonality trends historically displayed by its operating results to prepare forecasts and budgets. There is no guarantee that the seasonality trends displayed historically will continue in the future, including in the current financial year ending 31 December 2014 or the next financial year ending 31 December 2015.

5.2.6 Government regulation of outdoor advertising

Changes in legislation or government policy in Australia and New Zealand (whether local, State or Federal) which affect the media or advertising industry or the outdoor advertising industry, may affect the ability of APN Outdoor to continue to use certain sites or advertise for certain industries which may impact on the future earnings of APN Outdoor and the relative attractiveness of an investment in APN Outdoor.

Government laws, regulations and policies have a significant impact on the outdoor advertising industry and APN Outdoor's business, including regulating the size and location of billboards and advertising panels on buses and trams. Construction, repair, maintenance, lighting, upgrading, height, size, spacing, the location and permitting of billboards and advertising panels on buses and trams and the use of new technologies for changing displays, such as digital displays, are regulated by local, State and Federal governments. Changes in laws, regulations and policies affecting outdoor advertising, or changes in the interpretation of those laws, regulations and policies, at any level of government, including New Zealand, could have a significant financial impact on APN Outdoor by requiring significant expenditures or otherwise limiting or restricting some of APN Outdoor's operations. Due to such regulations, it has become increasingly difficult to develop new outdoor advertising locations.

In particular, APN Outdoor's pipeline of digital conversions requires satisfaction of both State and local government planning processes. While APN Outdoor has extensive experience in working with regulatory authorities, there can be no guarantee that approvals and timings will be achieved for the pipeline of potential conversions and new sites. In the future, additional regulation at a Federal, State and / or local level may be implemented to specifically regulate digital outdoor advertising (including large format digital billboards) and such regulation could have a significant financial impact on APN Outdoor by reducing its ability to convert or install digital products, reducing the amount of content that APN Outdoor can display on its digital products or by otherwise limiting or restricting some of APN Outdoor's operations.

5.2.7 Underperformance of digital products

The digital products offered by APN Outdoor (including large format digital billboards and Xtrack TV) are relatively new in the Australian and New Zealand outdoor advertising industries. APN Outdoor's existing and planned pipeline of digital conversions and installation of new digital products is based on business cases and revenue projections which make certain assumptions about the revenue and earnings attributable to such conversion or installation.

The forward looking statements in relation to digital products in this Prospectus (including the components of the Forecast Financial Information that include revenue and earnings related to digital products) are based on an assessment of recent historical performance, present economic and operating conditions, comparable products in other markets and on a number of best estimate assumptions regarding the future performance of the products offered in the digital formats.

In addition, the growth in digital outdoor advertising formats may in the future lead to price deflation in relation to static outdoor advertising formats (including products which APN Outdoor will continue to offer to its customers).

The digital products offered by APN Outdoor may not achieve the performance expected by management, and such underperformance may impact APN Outdoor's operating and financial performance and position.

5.2.8 Relationships with key media agencies and customers

The performance of APN Outdoor is heavily reliant on its relationships with the media agencies. Loss of relationships with media agencies or a change in the size and / or structure of the media agency market may impact APN Outdoor's profitability. In addition, the loss of relationships with key customers could impact on APN Outdoor's future operating and business performance.

5.2.9 Media agency counterparty risk

APN Outdoor is exposed to media agencies with which it conducts regular business on behalf of their clients. This exposes APN Outdoor to collection risk with agencies (rather than individual clients) in circumstances where agencies encounter financial difficulties.

5.2.10 Lack of long-term binding customer contracts

The majority of the revenue of APN Outdoor is not underpinned by long-term contracts to any given outdoor advertising participant. As the needs of advertisers change frequently and are dependent on economic circumstances, retail trading conditions and competitive dynamics, it is possible that APN Outdoor's financial performance may be adversely affected.

5.2.11 Inability to meet forecast financial performance

The Forecast Financial Information is a forward looking statement that is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. APN Outdoor may not achieve its forecast financial performance as a result of one or a combination of the Company specific risks outlined in this Section 5.2 above and the general risks outlined in Section 5.3.

5.2.12 Impairment of goodwill and other assets

A substantial proportion of APN Outdoor's total assets consist of goodwill and certain other assets including licences, systems and processes that may become impaired. As required under A-IFRS, APN Outdoor tests goodwill and certain intangible and other assets annually, and on an interim date if impairment indicators become apparent that would require an interim test of these assets. If the carrying value of goodwill and certain other assets is revised downward due to impairment, such charges could materially affect APN Outdoor's financial position and profitability.

5.2.13 Fluctuations in AUD exchange rate

While APN Outdoor predominantly purchases parts from local suppliers in Australian dollars, a significant portion of parts relating to the installation of, or conversion of static billboards to, digital billboards are manufactured overseas and priced in US dollars or Euros. Fluctuations in the value of currencies may affect the prices at which APN Outdoor purchases parts from suppliers and result in volatility in APN Outdoor's profitability if APN Outdoor cannot pass price changes on to its customers.

In addition, part of APN Outdoor's business is conducted in New Zealand dollars and a change in the value of the Australian and New Zealand dollars relative to each other will impact the contribution of its New Zealand business to its overall operating and financial performance.

5.2.14 Ability to refinance debt or access debt and equity capital markets

APN Outdoor obtains significant funding from banks. Although the New Banking Facilities described in Section 4.4.2 have a term of three years, APN Outdoor is subject to the risk that it may not be able to refinance its bank facilities when they fall due or that the terms (including in relation to pricing) on refinancing will be less favourable than the existing terms. If there is a deterioration in the level of debt market liquidity, this may prevent APN Outdoor from being able to refinance some or all of its debt.

In addition, APN Outdoor may in the future require additional debt or equity capital in order to fund growth strategies, in particular acquisitions. There is a risk that APN Outdoor may be unable to access debt or equity funding from the capital markets on favourable terms, or at all.

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5.2.15 APN Outdoor may be exposed to interest rate fluctuations

APN Outdoor's debt facilities are floating-rate borrowings, which will be affected by changes in interest rates. Any increase in interest rates will affect APN Outdoor's costs of servicing these borrowings, which may adversely affect its financial position.

5.2.16 Changes in technology and impact on consumer and advertiser behaviour

The Australian advertising industry will continue to be affected by changes in technology. Newer technologies are increasing the number of media and entertainment choices available to audiences. These technological developments and new ways for advertisers to reach consumers may cause changes in consumer behaviour and may make APN Outdoor's product offering less attractive to customers or reduce the level of advertising spend that is directed to outdoor advertising.

Developments in alternative forms of media or advertising and changes in consumer behaviour could have an adverse effect on the outdoor advertising industry that APN Outdoor operates within; for example, by reducing the overall share of advertising spend accorded to outdoor advertising in comparison to other platforms, which in turn could adversely affect APN Outdoor's ability to generate revenue and profit.

5.2.17 Divestment and acquisition activities

From time to time, APN Outdoor evaluates acquisition and divestment opportunities. Any acquisition and / or divestment would lead to a change in the sources of APN Outdoor's earnings and could increase the volatility of its earnings. Integration of new businesses into APN Outdoor may be costly, may not generate expected earnings and may occupy a large amount of management's time.

5.2.18 Litigation

APN Outdoor may in the ordinary course of business be involved in litigation and disputes (for example, with suppliers or customers). Any litigation or dispute could be costly and damaging to APN Outdoor's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

5.2.19 Workplace health and safety

APN Outdoor employees are at risk of workplace accidents and incidents. In the event that an APN Outdoor employee is injured in the course of their employment, APN Outdoor may be liable for penalties or damages. This has the potential to harm both the reputation and financial performance of APN Outdoor.

5.2.20 Insurance

APN Outdoor seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in its industry sector. Any increase in the cost of such insurance policies could adversely affect APN Outdoor's business, financial condition and operational results.

5.2.21 Inability to pay dividends or make distributions

APN Outdoor's ability to pay dividends or make other distributions to Shareholders during the term of the New Banking Facilities is restricted if an actual or potential event of default or review event (as referred to in Section 9.5) is subsisting or would immediately occur as a result of payment of the dividend or making of the distribution. However, as a general matter, APN Outdoor is permitted to pay dividends provided that there is no actual or potential event of default or review event subsisting or which would immediately occur as a result of the distribution being made.

5.3 General risks of an investment in APN Outdoor

5.3.1 Price of Shares

Once APN Outdoor becomes a publicly listed company on the ASX, it will be subject to general risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of APN Outdoor.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if APN Outdoor's earnings increase.

Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government;
- fiscal, monetary or regulatory policies, legislation or regulation;

- inclusion in or removal from market indices;
- the nature of the markets in which APN Outdoor operates; and
- general operational and business risks.

5.3.2 APN Outdoor may be subject to changes in tax law

Significant reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns.

5.3.3 Force majeure events

Events may occur within or outside Australia that could impact upon the global, Australian and New Zealand economies, the operations of APN Outdoor and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for APN Outdoor's services and its ability to conduct business. APN Outdoor has only a limited ability to insure against some of these risks.

5.3.4 Accounting Standards

Australian Accounting Standards are issued by the AASB and are not within the control of APN Outdoor and its Directors. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2014 to 2018 which may affect future measurement and recognition of key income statement and balance sheet items, including the accounting for leases (not expected to apply before 2018). Any changes to the Accounting Standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of APN Outdoor.

5.3.5 Shareholder dilution

In the future, APN Outdoor may elect to issue Shares in connection with fundraisings, including to raise proceeds for acquisitions. While APN Outdoor will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

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Section 6.

KEY PEOPLE, INTERESTS AND BENEFITS



Cross Track,
Perth, Western Australia.



6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience
 <p>Doug Flynn Chairman, Independent Non-executive Director</p>	<ul style="list-style-type: none"> • Doug has over 30 years of international experience in the media and information and communication technology industries, including holding various senior management and board positions. • Doug is a Chairman of NextDC Limited, iSentia Group Limited and Konekt Ltd. • Previously, Doug was Chief Executive of newspaper publisher Davies Brothers Limited, which was acquired by News Corporation in 1989 and in 1995 was appointed the Managing Director of News International Plc. • After leaving News International in 1998, Doug joined Aegis Group Plc and was appointed as CEO in 1999, where he was instrumental in doubling the size of the company and established a global market research business Synovate and internet services business Isobar. From 2005 to 2008, Doug served as the Chief Executive of facilities management provider Rentokil Initial Plc. • Doug returned to Australia in 2008 and from April 2008 to April 2012 was a consultant to and a director of Qin Jia Yuan Media Services Ltd, the leading private television company in China. • Doug graduated in Chemical Engineering from the University of Newcastle, New South Wales and received an MBA with distinction from the University of Melbourne.
 <p>Richard Herring Chief Executive Officer</p>	<ul style="list-style-type: none"> • Richard has been the CEO of APN Outdoor since 2004. • He commenced at Cody Outdoor in 1995 as General Manager of Sales and Marketing, and was subsequently appointed CEO. Cody Outdoor was acquired by APN News & Media and became part of APN Outdoor in 2004. Prior to this Richard held a variety of roles at Channel 9, Austereo, Network Ten and Ogilvy and Mather (London). • Richard holds an MBA from Monash University in Melbourne. He is the ex-Chairman and a current Board member of the OMA and MOVE.
 <p>Lisa Chung Non-executive Director</p>	<ul style="list-style-type: none"> • Lisa is a commercial property partner with law firm, Maddocks. Lisa brings more than 25 years of legal experience in a wide range of commercial property transactions acting for major government and corporate clients. • Her areas of legal expertise include sales and acquisitions of industrial and commercial real estate, commercial leasing, real estate development and the real estate aspects of infrastructure projects. Lisa joined Maddocks in March 2011, after more than 15 years as a partner at Blake Dawson (now Ashurst). • While a partner of Blake Dawson, Lisa spent several years serving on the firm's board and in senior management roles, including as Sydney Managing Partner and as the Executive Partner with responsibility for the Property Projects and Government Group and for strategy relating to People and Culture. • Lisa is the Chairman of the Benevolent Society and a Trustee of the Museum of Applied Arts & Sciences (incorporating the Powerhouse Museum). She completed the Advanced Management Program at INSEAD in France in 2004.

Director	Experience
 <p>Patrick O'Sullivan Non-executive Director</p>	<ul style="list-style-type: none"> • Pat has over 30 years of international commercial and business management experience, including holding various senior management and board positions. • Pat is currently Chairman of HealthEngine.com.au, as well as serving as a director of iSentia Group Limited, Carsales.com.au, iiNet and Little Company of Mary Healthcare. • Previously, Pat was Chief Operating Officer and Finance Director of Nine Entertainment Co., as well as serving as Chairman of NineMSN. Previous to this, Pat was the CFO of Optus, and has also held a number of positions at Goodman Fielder, Burns, Philp & Company, and PricewaterhouseCoopers. • Pat is a member of the Institute of Chartered Accountants in Ireland and the Institute of Chartered Accountants in Australia and is a graduate of the Harvard Business School's Advanced Management Program.

 <p>Jack Matthews Non-executive Director</p>	<ul style="list-style-type: none"> • Jack brings extensive knowledge of the evolving digital media landscape, strong commercial networks and experience in executing and successfully integrating digital business acquisitions. • Jack has held a number of senior leadership positions within the digital media and subscription television industries in Australia and New Zealand. Since 2006 Jack played an integral role in the success of Fairfax's digital strategy, first as CEO of Fairfax Digital and most recently as CEO of Fairfax Metropolitan Media. Jack has also held senior positions in the USA and Japan. • Jack is currently Chairman of Rewardle Holdings (Melbourne) and a director of Crown Fibre Holdings, Network for Learning, and Trilogy International Limited.
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6.2 Key management personnel

Management	Experience
<p>Richard Herring Chief Executive Officer</p>	<p>See above.</p>
 <p>Andrew Hines Chief Operating Officer</p>	<ul style="list-style-type: none"> • Andrew has been Chief Operating Officer of APN Outdoor since 2006 and in this time, has been responsible for driving strategic direction of the business across the sales, marketing, commercial and operations departments. • Before becoming Chief Operating Officer, Andrew served as Chief Financial Officer at APN Outdoor working across Australia, New Zealand and Asian markets (including Hong Kong, Indonesia and Malaysia). • Having joined Cody Outdoor in 1993, Andrew has over 20 years of experience in the outdoor advertising industry. • Andrew holds a Bachelor of Business from RMIT University and is a CPA.

Management	Experience
 <p data-bbox="240 795 544 862">Wayne Castle Chief Financial Officer</p>	<ul data-bbox="622 436 1457 728" style="list-style-type: none"> • Wayne has more than 30 years of experience in professional and commercial accounting roles. Prior to joining APN Outdoor, Wayne worked in APN News & Media's corporate office for eight years in a role spanning all of the group's various media interests. • During this period Wayne was actively involved in corporate reporting, treasury management and debt refinancing and various M&A activities. Prior to that, Wayne held various senior finance roles across a variety of industries after 10 years with Ernst & Young in audit, technical and education roles. Wayne holds a Bachelor of Commerce with Merit (UNSW) and is a member of the Institute of Chartered Accountants in Australia.

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- director or proposed director of APN Outdoor or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any director or proposed director to induce them to become, or qualify as, a director of APN Outdoor or SaleCo.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.4;
- Morgans has acted as Co-Manager to the offer and will be paid a work fee of \$275,000 (inclusive of GST), which is payable by the Company and a broker firm fee of 1.5% (inclusive of GST) of its allocation of Shares under the Offer, which is payable by the Joint Lead Managers out of the fees payable to them by the Company;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay approximately \$950,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time based charges;
- Minter Ellison conducted legal due diligence in relation to the Offer. The Company has paid, or agreed to pay approximately \$230,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Minter Ellison in accordance with its normal time based charges;
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant on, and has performed work in relation to, the Financial Information and has performed work in relation to its Independent Limited Assurance Report in Section 8. The Company has paid, or agreed to pay, approximately \$875,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under time based charges; and

- Ernst & Young has acted as the Australian taxation adviser in relation to the Offer. The Company has paid, or agreed to pay approximately \$270,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Ernst & Young in accordance with its normal time based charges.

These amounts, and other expenses of the Offer, will be paid by APN Outdoor out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' interests and remuneration

6.3.2.1 Chief Executive Officer

The Company has entered into an employment contract with Richard Herring to govern his employment with APN Outdoor. Richard is employed in the position of CEO of APN Outdoor. Refer to Section 6.3.3.1 for further details.

6.3.2.2 Non-executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Non-executive Director as remuneration for their services as a Director of the Company. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

This amount has been fixed by the Company at \$900,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. The ASX Listing Rules require that the remuneration of Directors must not include a commission on, or a percentage of, operating revenue.

For the remainder of FY2014, from the Prospectus Date, it is expected that the fees payable to the current non-executive Directors will not exceed \$120,000 in aggregate. Annual Directors' fees currently agreed to be paid by the Company are \$180,000 to the Chairman and \$90,000 each to the other Non-executive Directors. In addition, the chair of the Audit and Risk Committee and the chair of the Remuneration and Nomination Committee will each be paid an additional \$10,000 annually. Superannuation payments are not included in these amounts.

The remuneration of Directors must not include a commission on, or a percentage of, the profits or income of the Company. Superannuation payments are not included in these amounts.

The Non-executive Directors are not entitled to participate in any employee incentive scheme (including the Company's long term incentive plan).

6.3.2.3 Deeds of access, insurance and indemnity

APN Outdoor has entered into a deed of access, indemnity and insurance with each Director which contains the Director's right of access to certain books and records of the Company or Group Company for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, the Company must indemnify all Directors and executive officers, past and present, against all liabilities that arise from their position as an officer of the Company or Group Company to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company indemnifies each Director against any liability that may arise from their position as an officer of the Company or Group Company, to the extent permitted by law. The deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses.

Pursuant to the Constitution, the Company must arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Company. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

In this summary, 'Group Company' means a subsidiary of the Company, any companies which are 50% or more owned directly or indirectly by any other Group Company, or any partnership or unincorporated joint venture in which any Group Company or a related body corporate of the Company has an interest of 50% or more.

6.3.2.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors' interests in Shares and other securities in APN Outdoor as at the Prospectus Date are set out below.

Director	Shares held on Completion	Options held on Completion
Doug Flynn	500,000	–
Lisa Chung	–	–
Richard Herring	1,943,455	396,477
Patrick O'Sullivan	–	–
Jack Matthews	–	–

Directors may hold their interests in securities shown above directly or indirectly through holdings by companies or trusts.

The Directors are entitled to apply for Shares under the Offer. The above table does not take into account any Shares the Directors may acquire under the Offer.

The Shares recorded in the above table as held by Doug Flynn and Richard Herring will be subject to restrictions on disposal as outlined in Section 7.6.

6.3.2.5 Other information and interests

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as director of the Company or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. The interests of Directors and management are set out in this Section 6.3.

6.3.3 Executive remuneration

The key management personnel of the Company are Richard Herring (CEO), Andrew Hines (COO) and Wayne Castle (CFO). Their employment arrangements are set out in Sections 6.3.3.1 and Section 6.3.3.2.

6.3.3.1 Chief Executive Officer

APN Outdoor (Trading) Pty Ltd ACN 059 604 278, a wholly-owned subsidiary of the Company, has entered into an employment contract with Richard Herring to document his employment with APN Outdoor. Richard is the Chief Executive Officer of APN Outdoor and reports to the Board. Richard will be entitled to receive annual fixed remuneration of \$738,920 (inclusive of superannuation). In respect of the period to 31 December 2014, Richard will be eligible to receive an annual cash-based short term incentive of up to \$460,000, depending on APN Outdoor's performance as determined by the Board.

In FY2015, Richard will be eligible to receive an annual cash-based short term incentive of up to \$443,352, representing 60% of his annual fixed remuneration (inclusive of superannuation), or such other amount as determined by the Board. Payment of a cash bonus will depend on APN Outdoor's performance and Richard's achievement of certain key performance indicators (KPIs), as determined by the Board. See Section 6.3.4.1 for further details of APN Outdoor's STI Plan.

Richard will also be eligible to participate in the LTIP. For further details about the LTIP, refer to Section 6.3.4.2. The Company intends to grant up to \$258,622 worth of options over Shares under the LTIP (**Options**) to Richard shortly after the Listing. The key terms and conditions (including the exercise price, performance period and vesting conditions) applicable to the Options to be granted to Richard are set out in Section 6.3.4.3. It is intended that all future grants of Options or rights to Shares (**Rights**) under the LTIP will be made annually.

APN Outdoor or Richard may terminate the employment contract by giving the other 12 months' written notice before the proposed date of termination, or in APN Outdoor's case, payment in lieu of notice. In the event of a redundancy, APN Outdoor must pay Richard an amount equal to 12 months' notice of termination. APN Outdoor may terminate Richard's employment immediately and without payment in lieu of notice in certain circumstances including for any serious misconduct. Richard's employment contract also includes a restraint of trade period of six months, subject to payment of an additional six months' remuneration. Enforceability of such restraint of trade is subject to all usual legal requirements.

6.3.3.2 Other Key Management Personnel

The other key management personnel are employed under individual employment agreements with APN Outdoor. These arrangements include:

- total fixed compensation including a base salary and superannuation contribution to a fund of the individual's election;
- termination notice provisions of three or six months; APN Outdoor can make a payment in lieu of notice;
- in the event of a redundancy, an entitlement to a redundancy payment on termination equivalent to four weeks' remuneration for every year of service by that manager (up to a maximum of 12 months' total fixed compensation);
- restraint of trade provisions of three or six months after termination of employment. The enforceability of the restraint clause is subject to all usual legal requirements;
- eligibility to participate in APN Outdoor's STI Plan (see Section 6.3.4.1 for further details); and
- eligibility to participate in APN Outdoor's LTIP (see Section 6.3.4.2 for further details).

6.3.4 Employee incentive arrangements

APN Outdoor has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of APN Outdoor as set out below.

Briefly, the Board has determined that to align the interests of APN Outdoor's executive team and the goals of APN Outdoor, the remuneration packages of the CEO and the other senior executives of APN Outdoor should comprise the following components:

- fixed annual cash reward (inclusive of superannuation and fringe benefits);
- cash-based short term incentives; and
- equity-based long term incentives.

Payment of cash under the short term incentives and the award of equity under long term incentives will be subject to the achievement of performance criteria or hurdles set by the Board.

The remuneration packages of the executive team other than the CEO are determined by the Remuneration and Nomination Committee and reported to the Board. The CEO's remuneration package is considered by the Remuneration and Nomination Committee and approved by the Board. The remuneration of the other senior executives will be reviewed annually by the Remuneration and Nomination Committee. At the absolute discretion of the Remuneration and Nomination Committee, APN Outdoor may seek external advice on the appropriate level and structure of the remuneration packages of the executive team from time to time.

6.3.4.1 Short term incentive plan

The Chief Executive Officer and other senior management of APN Outdoor are eligible to participate in APN Outdoor's short term incentive plan (**STI Plan**).

The Board has determined that APN Outdoor's current remuneration policy for its eligible employees includes an annual incentive program, payments under which are subject to satisfaction of performance criteria set by the Board each year. Participants in the STI Plan have a target cash payment which is set as a percentage of their total fixed annual remuneration (**TFR**). Actual short term incentive payments in any given year may be below, at or above that target depending on the achievement of financial and non-financial criteria as set by the Board, in accordance with the terms of the STI Plan, which may be varied from time to time by the Board. Payment of short term incentives in any given year is conditional upon achievement of:

- performance criteria tailored to each respective role (if any); and
- APN Outdoor's financial performance against criteria set by the Board.

The Board has determined that the short term incentives for the CEO, COO and CFO for FY2015 will be calculated with reference to their respective TFR. The target and maximum opportunity for the CEO, COO and CFO upon achieving the relevant KPIs set by the Board are as per the table below.

% of TFR	Target	Maximum
CEO	30%	60%
COO	30%	60%
CFO	30%	60%

For FY2015, no award of short term incentive will be payable below the target performance level. Performance between the target and maximum levels will be rewarded on a pro-rata straight-line basis. The underlying level of performance required to be achieved for each award level will be assessed against financial and non-financial KPIs determined by the Board. These KPIs will include performance against financial measures and non-financial measures.

At least 80% and up to 100% of an annual incentive payment will be assessed by financial measures and quantitative key performance indicators. The financial measures and indicators used under the STI Plan may reference APN Outdoor's revenue, EBITDA and NPAT performance, or a combination of these measures, as agreed by the Board. Up to 20% of an annual incentive payment will be assessed having regard to non-financial measures, being key performance indicators determined annually by the Board. These measures are tested annually after the end of the relevant financial year.

Where available, payments under the STI Plan will be made immediately after the release of full year financial results to the ASX. Under the STI Plan, it is intended that 20% of any incentive awarded to senior executives will be deferred for a period of 12 months. In the case of certain senior executives, such deferred component may be in the form of restricted Shares, subject to obtaining Shareholder approval (if required) and the award of Shares to the relevant Participant being permitted under applicable law. The deferred component may instead be in the form of cash. Vesting of the deferred component is conditional on the Participant remaining employed by APN Outdoor at the time of vesting, except in certain circumstances where employment is terminated without cause, in which case the deferred component will vest immediately. The remaining incentive award will be paid in cash.

Awards will also be subject to claw back for any material financial misstatements in relation to APN Outdoor's performance for the relevant period which are subsequently revealed.

6.3.4.2 Long term incentive plan

As part of the Listing process, APN Outdoor has adopted an LTIP to assist in the motivation, retention and reward of certain senior executives. The LTIP is designed to align the interests of senior executives more closely with the interests of Shareholders by providing an opportunity for senior executives to receive an equity interest in APN Outdoor through the granting of Options or Rights. The vesting of the Options or Rights is subject to satisfaction of certain performance conditions.

APN Outdoor may offer additional incentive schemes to management and employees over time.

The key terms of the LTIP are as follows:

Topic	Summary
Administration	The LTIP is administered by the Board.
Eligibility	Eligibility to participate in the LTIP and the number of Options or Rights offered to each eligible employee, will be determined by the Board. Non-executive Directors are not permitted to participate in the LTIP.
Grants	Under the rules of the LTIP, Options and / or Rights may be offered and granted to eligible employees of APN Outdoor from time to time, subject to the absolute discretion of the Board. The Company currently intends to make offers of Options on or shortly after Listing only to the CEO, COO, CFO and one other senior executive of the Company. The Company intends that the maximum notional value of the Options offered to each senior executive will be 35% of their respective total fixed remuneration.
Terms and conditions	The Board has the absolute discretion to set the terms and conditions (including conditions in relation to vesting, cash settlement, disposal restrictions or forfeiture and any applicable exercise price) on which it will offer and grant Options or Rights under the LTIP and may set different terms and conditions which apply to different Participants in the LTIP. The Board will determine the procedure for offering and granting Options or Rights (including the form, terms and content of any offer or invitation or acceptance procedure) in accordance with the rules of the LTIP.

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Topic	Summary
Vesting conditions and performance period	<p>Options and Rights will vest (and, in the case of Options, become exercisable) if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant are satisfied (collectively, the Performance Criteria) and the Options or Rights have not been forfeited. Performance Criteria may include conditions relating to continuation of employment or service, the performance of APN Outdoor and / or the exercise price (if any) being less than the current market price of the underlying Share as at vesting. Typically, the Performance Criteria must be satisfied by reference to a predetermined performance period. Both the Performance Criteria and the performance period are set by the Board in its absolute discretion.</p> <p>The Board has set the performance period for the first grant of Options to senior executives as the period from 1 January 2015 to 31 December 2017.</p> <p>Thereafter, the Board currently intends that subsequent offers of Options or Rights will have a performance period of three years commencing on 1 January of the relevant year in which an offer or grant is made under the LTIP.</p>
Ranking of Shares	Shares allocated on exercise of Options or conversion of Rights granted under the LTIP will rank equally with the other issued Shares and carry the same rights and entitlements, including dividend and voting rights.
Voting and dividend rights of Options and Rights	Options and Rights will not carry any voting or dividend rights. Shares issued or transferred to Participants on exercise of an Option or conversion of a Right will carry the same rights and entitlements as other issued Shares, including voting and dividend rights.
New issues	Options do not confer on a Participant the right to participate in new issues of Shares or other securities in APN Outdoor, including by way of bonus issues, rights issues or otherwise.
Options	Each Option confers on its holder the entitlement to acquire one Share (by way of issue or transfer) at the exercise price (if any) upon the exercise of the Option.
Rights	Each Right confers on its holder the entitlement to receive one Share (by way of issue or transfer) at the exercise price (if any) upon the exercise of the Right.
Exercise of Options or Rights	A Participant may exercise Options in respect of which the Board has given a vesting notice and which have not expired or been forfeited. To exercise an Option, the Participant must lodge with APN Outdoor a notice of exercise and comply with any requirements under the rules of the LTIP or as specified by the Board. Vested Rights will be automatically converted to Shares.
Expiry of Options or Rights	Options or Rights which have not been exercised or converted, respectively, will expire if the applicable vesting conditions and any other conditions are not met during the prescribed performance period or other relevant time or, in the case of Options, if they are not exercised before the applicable last exercise date. The Board currently intends that the last exercise date for Options will be the date that is 12 months after the end of the applicable performance period. In addition, the Board may determine that Options and Rights will lapse if the participant deals with the Options and Rights in breach of the rules of the LTIP or in the opinion of the Directors, the Participant has acted fraudulently or dishonestly or materially breached their obligations to the Company.
Issue or acquisition of Shares	Generally, Shares to be allocated to Participants upon the exercise of Options, or the conversion of Rights, may be issued by APN Outdoor or acquired on or off-market by APN Outdoor or its nominee. APN Outdoor may appoint a trustee to acquire and hold those Shares on behalf of Participants.
Capital limit	Subject to the rules of the LTIP, the Board must not offer Options or Rights if their grant would breach the capital limit set out in ASIC Class Order 03/184 in relation to employee share schemes (Class Order) or contravene the Corporations Act, ASX Listing Rules or instruments of relief issued by ASIC from time to time. To the extent the Class Order is replaced by a new Class Order at a future date, the Company will ensure that any future offers of Options or Rights are in compliance with any capital limit prescribed under the new Class Order.

Topic	Summary
Trustee	APN Outdoor may appoint a trustee for the purpose of administering the LTIP, including to acquire and hold Shares, or other securities of the Company, on behalf of Participants or otherwise for the purposes of the LTIP.
Quotation	Options and Rights will not be quoted on the ASX. APN Outdoor will apply for official quotation of any Shares issued under the LTIP in accordance with the ASX Listing Rules and having regard to any disposal restrictions in place under the LTIP.
Options exercise price	The Board may in its absolute discretion determine that a Participant is required to pay an exercise price to exercise the Options offered and granted to that Participant. No amount will be payable by a Participant to acquire Shares on conversion of vested Rights.
Approval	Grants of Options or Rights under the LTIP to an Executive Director may be subject to the approval of Shareholders, to the extent required under the ASX Listing Rules.
No hedging or transfer	Without the prior approval of the Board, unvested or unexercised Options or Rights which have not been exercised, may not be sold, transferred, encumbered or otherwise dealt with. Further, if restricted by applicable law, Participants may not enter into any transaction, scheme or arrangement which hedges or otherwise affects the participant's economic exposure to the Options or Rights before they vest.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the LTIP. This includes varying the number of Options or Rights or the number of Shares to which a Participant is entitled, or the exercise price to be paid in respect of an Option, upon a reorganisation of the capital of APN Outdoor.
Cessation of employment	The LTIP contains provisions concerning the treatment of vested and unvested Options or Rights in the event a Participant ceases employment.
Takeovers	In relation to takeover bids made for Shares, schemes of arrangement in relation to the Company or other change in control transactions in relation to the Company that occur, all or a part of the Participants' unvested Options or Rights will become vested. In such circumstances, the Company must promptly notify each participant in writing that he or she may, within the period specified in the notice, exercise vested Options or Rights.
Costs and administration	Generally, APN Outdoor must bear any costs incurred in the administration of the LTIP.
Other terms	The LTIP contains other terms relating to the administration, variation, suspension and termination of the LTIP.

6.3.4.3 Offer to CEO under the LTIP

Richard Herring will be granted Options under the LTIP on the terms generally described above in Section 6.3.4.2 and in the table below.

Grant date	Shortly after listing.
Number and exercise price	\$258,622 worth of Options, with the value of each Option calculated on or about the grant date by the Board having regard to a valuation prepared by an independent consultation using the Black Scholes option pricing model.
Consideration for grant	Nil.
Performance period	1 January 2015 to 31 December 2017, inclusive.
Last exercise date	31 December 2018.

Vesting conditions

50% of the Options granted (**TSR Tranche**) will vest subject to a relative total shareholder return (**TSR**) performance hurdle over the performance period. The remaining 50% (**EPS Tranche**) will vest subject to an Earnings per Share (**EPS**) performance hurdle over the performance period.

The Company's TSR over the performance period will be assessed against the companies in the S&P/ASX 200 (excluding Financials and Resources) over the performance period.

The TSR Tranche Option vesting percentages corresponding to the ranking of the Company's TSR performance relative to the comparator group over the performance period are as follows:

- up to and including the 50th percentile TSR growth – 0%;
- at the 51st percentile TSR growth – 50%;
- between the 51st percentile and the 75th percentile TSR growth – pro-rata straight-line between 50% and 100%; or
- at and above the 75th percentile TSR growth – 100%.

The starting Share price for the Company's TSR performance calculation will be the Offer Price.

The EPS Tranche Option vesting percentages corresponding to the Company's EPS growth over the performance period (adjusted to take into account one-off items associated with the Offer, if necessary) are as follows:

- less than 6% EPS growth – 0%;
- at 6% EPS growth – 30%;
- between 6% and 16% EPS growth – pro-rata straight-line between 30% and 100%; and
- above 16% EPS growth – 100%.

The Options will not vest unless, at the time of satisfaction of all other performance criteria or hurdles, the volume weighted average price (**VWAP**) of Shares traded on ASX calculated over the last five trading days on which sales in Shares are recorded is 105% or more of the exercise price, or such other percentage as determined by the Board.

6.3.4.4 Offer to other senior executives under the LTIP

In addition to the grant of Options to the CEO described above in Section 6.3.4.3, APN Outdoor intends to offer three other senior executives the opportunity to participate in the LTIP. Options with a total value of approximately \$357,110 will be granted to these executives on or around Completion. The actual number of Options that senior management will receive will be determined in accordance with the method described in relation to the grant to the CEO above.

Vesting of the Options granted on or around Completion will be assessed on the basis of two categories of performance hurdles:

- 50% of the Options granted to a Participant will vest subject to a total shareholder return performance hurdle which assesses performance by measuring capital growth in the Share price together with income returned to Shareholders, measured over the performance period against a comparator group of companies as determined by the Board; and
- 50% of the Options granted to that Participant will vest subject to an Earnings per Share performance hurdle which measures the basic earnings per share on a normalised basis over the performance period.

The performance period for the Options granted on or around Completion is from 1 January 2015 to 31 December 2017.

The Options will vest on satisfaction of the performance hurdles tested following the end of the performance period and will lapse on 31 December 2018 if not vested.

In addition, Options may be granted to other eligible employees as determined by the Board.

6.3.4.5 Future grants

It is intended that future grants under the LTIP be made annually and that these will vest three years from grant, subject to satisfaction of any share vesting conditions, Option vesting conditions or Right vesting conditions (as applicable) set by the Board. However, there is no obligation on the Company or the Board to make any further grants.

6.4 Related party arrangements

Other than as disclosed in this Prospectus, APN Outdoor is not party to any material related party arrangements.

6.5 Corporate governance

This Section 6.5 explains how the Board oversees the management of APN Outdoor's business. The Board is responsible for the overall corporate governance of APN Outdoor, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of APN Outdoor and oversees its business strategy, including approving the strategic goals of APN Outdoor and considering and approving an annual business plan (including a budget). The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of APN Outdoor. In conducting APN Outdoor's business with these objectives, the Board seeks to ensure that APN Outdoor is properly managed to protect and enhance Shareholder interests, and that APN Outdoor and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing APN Outdoor, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for APN Outdoor's business and which are designed to promote the responsible management and conduct of APN Outdoor.

APN Outdoor is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its third edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, APN Outdoor will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where APN Outdoor does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Copies of APN Outdoor's key policies and practices and the charters for the Board and each of its committees will be available at www.apnoutdoorcorporate.com during the Offer Period.

6.5.1 The Board of Directors

The Board of Directors is comprised of the Chief Executive Officer and four independent Non-executive Directors:

- Douglas Flynn – Independent, Non-executive Chairman;
- Richard Herring – Chief Executive Officer;
- Lisa Chung – Independent, Non-executive Director;
- Patrick O'Sullivan – Independent, Non-executive Director; and
- Jack Matthews – Independent, Non-executive Director.

Biographies of the Board members are provided in Section 6.1.

Each Director has confirmed to APN Outdoor that he or she anticipates being available to perform his or her duties as a Non-executive Director or Executive Director without constraint from other commitments.

The Board considers an independent Director to be a Non-executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of APN Outdoor and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board will consider whether there are any factors or considerations which may mean that a Director's interest, position, association or relationship might influence, or reasonably be perceived to influence, the capacity of the Director to bring an independent judgement to bear on issues before the Board and to act in the best interests of APN Outdoor and its security holders generally.

The Board considers that each of Douglas Flynn, Lisa Chung, Patrick O'Sullivan and Jack Matthews is free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of the Director's judgement and that each of them is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

Richard Herring is currently considered by the Board not to be independent on the basis that he is the Chief Executive Officer of APN Outdoor.

Accordingly as at Listing, the Board will consist of a majority of independent Directors consistent with Recommendation 2.4 of the ASX Recommendations. The Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

6.5.2 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It provides that the Board should comprise Directors with the appropriate mix of skills, experience, expertise and diversity which are relevant to APN Outdoor's businesses and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

6.5.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of APN Outdoor, relevant legislative and other requirements, and the skills and experience of individual Directors.

Under the Board Charter, Board committee performance evaluations will occur regularly.

6.5.3.1 Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing APN Outdoor's financial reporting, internal control structure, risk management systems and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by APN Outdoor, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to APN Outdoor. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Committee comprises Patrick O'Sullivan (Chair), Jack Matthews and Doug Flynn.

The Board has adopted a policy regarding the services that APN Outdoor may obtain from its external auditor. It is the policy of the Company that its external auditor:

- must be independent of APN Outdoor and the Directors and senior executives. To ensure this, APN Outdoor requires a formal report from its external auditor on an annual basis setting out the relationships that may affect its independence; and
- may not provide services to APN Outdoor that may impair, or appear to impair, the external auditor's judgement or independence in respect of APN Outdoor.

The Charter of the Audit and Risk Management Committee provides that the committee should comprise at least three Directors, to the extent practicable given the size and composition of the Board from time to time, each of whom are Non-executive Directors, and a majority of whom are independent. A member of the Audit and Risk Management Committee, who does not chair the Board, shall be appointed the Chair of the Committee.

All Directors are able to and do review and challenge policies and practices to ensure decisions taken are in the best interests of the Company.

The Audit and Risk Management Committee will meet as often as is required by the Audit and Risk Management Committee Charter or other policy approved by the Board to govern the operations of the Audit and Risk Management Committee. The Audit and Risk Management Committee may invite other Directors, members of senior management and representatives of the internal or external auditor to be present at meetings of the committee and seek advice from external advisers. The Audit and Risk Management Committee will regularly report to the Board about committee activities, issues and related recommendations.

The Board is responsible for overseeing the establishment of and approving risk management strategies, policies, procedures and systems of APN Outdoor. APN Outdoor management is responsible for establishing APN Outdoor's risk management framework. APN Outdoor will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Chief Executive Officer or Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act.

6.5.3.2 Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with APN Outdoor's strategic goals and human resources objectives. The Remuneration and Nomination Committee is also responsible for administering short term and long term incentive plans (including any equity plans) and reviewing APN Outdoor's claw back policy in respect of performance-based remuneration. In addition, the Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Remuneration and Nomination Committee will meet as often as is required by the Remuneration and Nomination Committee Charter or other policy approved by the Board to govern the operation of the Remuneration and Nomination Committee. Following each meeting, the Remuneration and Nomination Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Remuneration and Nomination Committee that requires Board approval.

The Committee comprises Lisa Chung (Chair), Jack Matthews and Doug Flynn.

6.5.3.3 Diversity Policy

The workforce of APN Outdoor is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected. APN Outdoor's diversity policy aims to align APN Outdoor's business operations with the positive outcomes that can be achieved through a diverse workforce that recognises and utilises the contribution of diverse skills and talent from its workforce.

6.5.3.4 Disclosure Policy

Once listed, APN Outdoor will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. APN Outdoor will be required to disclose to the ASX any information concerning APN Outdoor which a reasonable person would expect to have a material effect on the price or value of APN Outdoor's securities were that information to be generally available. APN Outdoor is committed to observing its disclosure obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements will be made available on APN Outdoor's website at www.apnoutdoor.com.au.

6.5.3.5 Communications with Shareholders

The Board's aim is to ensure that Shareholders are informed in a timely and readily accessible manner of all major developments affecting the state of affairs of APN Outdoor. Information will be communicated to Shareholders through the lodgement of information with the ASX as required by APN Outdoor's continuous disclosure obligations and publishing information on APN Outdoor's website.

APN Outdoor's website will contain information about the Company, including media releases, key policies, the terms of reference of Board committees and other information relevant to Shareholders. All announcements made to the market and any other relevant information will be posted on APN Outdoor's website at www.apnoutdoor.com.au as soon as they have been released to the ASX.

6.5.3.6 Securities Trading Policy

APN Outdoor has adopted a Securities Trading Policy which will apply to APN Outdoor and its Directors, company secretary and senior management and other persons nominated by the Board from time to time (**APN Outdoor Persons**).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that is prohibited under the Corporations Act and to establish procedures in relation to APN Outdoor Persons dealing in the Shares.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "blackout periods" during which trading in Shares by APN Outdoor Persons is prohibited. Those blackout periods are currently defined as any of the following periods:

- from the close of the ASX trading day on 31 May each year, until 10.00am AEDT on the ASX trading day following the day on which the Company's half-yearly results are released to the ASX;

- from the close of the ASX trading day on 30 November each year, until 10.00am AEDT of the ASX trading day following the day on which the Company's full year results are released to the ASX;
- from the close of the ASX trading day two weeks prior to the date of the Company's AGM until 10.00am AEDT on the ASX trading day following the date of the Company's AGM; and
- any other period that the Board specifies from time to time.

If 31 May or 30 November are not ASX trading days, then the blackout period begins on the preceding ASX trading day.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses inside information in a manner contrary to the Corporations Act.

6.5.3.7 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct which sets out the way APN Outdoor conducts business. APN Outdoor will carry on business honestly and fairly, acting only in ways that reflect well on APN Outdoor in strict compliance with all laws and regulations.

The policy document outlines employees' obligations of compliance with the Code of Conduct, and explains how the code interacts with APN Outdoor's other corporate governance policies.

Responsibilities include protection of APN Outdoor's business, using APN Outdoor's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

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Section 7.

DETAILS OF THE OFFER

 Lightbox, T1 Sydney International Airport, New South Wales.

7.1 The Offer

This Prospectus relates to an initial public offering of 129.1 million shares in APN Outdoor at an offer price of \$2.55 per Share (**Offer Price**). The Shares offered under this Prospectus will represent approximately 77.5% of the Shares on issue at Completion. The Offer is expected to raise approximately \$329.3 million (comprising \$109.2 million from the issue of New Shares by the Company for the Company's benefit and \$220.1 million for the sale of Existing Shares held by SaleCo).

The total number of Shares on issue at Completion will be 166.6 million and all Shares will, once issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises the:

- **Broker Firm Offer** – open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker;
- **Chairman's List Offer** – which is open to selected investors in Australia who have received a Chairman's List Invitation; and
- **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Chairman's List Offer and the allocation policy under it are described in Section 7.4. Details of the Institutional Offer and the allocation policy under it are described in Section 7.5. The allocation of Shares between the Broker Firm Offer, the Chairman's List Offer and the Institutional Offer was determined by the Joint Lead Managers in agreement with APN Outdoor, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.6 and 7.5.2.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.4.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide the Company with:

- a liquid market for its Shares and an opportunity for others to invest in Shares;
- funds to repay, in part, APN Outdoor's existing debts and to redeem the outstanding Preference Shares and Loan Notes; and
- additional financial flexibility and access to capital markets to pursue the growth opportunities outlined in Section 3.6.

The Offer also provides certain Existing Shareholders with an opportunity to realise all or part of their investment in APN Outdoor through the sale of Existing Shares through SaleCo.

The proceeds of the Offer will be applied to:

- repay APN Outdoor's existing debt and Loan Notes;
- redeem the Redeemable Preference Shares;
- pay costs associated with the Offer; and
- payment to SaleCo (which will distribute payments to Selling Shareholders).

Table 25 details the Company's sources of funding (including the Offer) and the uses of those amounts, assuming Completion of the Offer occurs on 18 November 2014.

Table 25 Sources and uses of funds

Sources of funds	\$ million	%	Uses of funds	\$ million	%
Cash proceeds under the Offer	329.3	75.8	Net payment for Existing Shareholders	216.2	49.7
Post-Offer debt	80.0	18.4	Repayment of existing debt facilities	159.3	36.7
Existing cash	25.3	5.8	Repayment of Redeemable Preference Shares	40.0	9.2
			Offer costs	19.1	4.4
Total sources	434.6	100.0%	Total uses	434.6	100.0%

7.1.3 Pro forma historical consolidated balance sheet

APN Outdoor's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.4.

7.1.4 Capitalisation and indebtedness

The Company's capitalisation and indebtedness as at 30 June 2014, before and following the completion of the Offer, is set out in Section 4.4.1.

7.1.5 Shareholding structure

Details of the ownership of Shares on Completion of the Offer are set out below:

Table 26 Shareholding Structure

Existing Shareholders	Shares immediately pre-IPO	% pre-IPO	Shares issued / acquired / (sold)	Shares immediately post-IPO	% post-IPO
Quadrant Funds	116,000,000	93.7%	(82,677,099)	33,322,901	20.0%
Management and Board	7,787,958	6.3%	(3,643,979)	4,143,979	2.5%
Investors in the offer	–	–	129,147,629	129,147,629	77.5%
Total	123,787,958	100.0%	42,826,551	166,614,509	100.0%

7.1.6 Control implications of the Offer

The Directors do not expect any Shareholder to control APN Outdoor on Completion (as defined in section 50AA of the Corporations Act).

7.1.7 Potential effect of the fundraising on the future of the Company

The Directors believe that, on Completion, APN Outdoor will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet APN Outdoor's stated business objectives.

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7.2 Terms and Conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of APN Outdoor).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$2.55 per Share.
What is the Broker Firm Offer period?	<p>The Broker Firm Offer opens at 9.00am AEDT on 28 October 2014.</p> <p>The Broker Firm Offer closes at 5.00pm AEDT on 10 November 2014.</p> <p>The key dates, including details of the Offer Period, are set out on page 3 of this Prospectus. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
What are the cash proceeds to be raised?	Approximately \$329.3 million will be raised if the Offer proceeds (comprising approximately \$109.2 million from the issue of New Shares by APN Outdoor for APN Outdoor's benefit and approximately \$220.1 million for the sale of Existing Shares held by SaleCo).
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.4.
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker.
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Chairman's List Offer and the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p>The Joint Lead Managers, in conjunction with the Company, have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Joint Lead Managers, in conjunction with the Company, also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post by 19 November 2014.
Will the Shares be listed?	APN Outdoor has applied to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code APO).

Topic	Summary
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on or about 11 November 2014, initially on a conditional and deferred settlement basis.</p> <p>Trading will be on a conditional basis until APN Outdoor has advised the ASX that the conditions of trading have been satisfied (that the issue and transfer of Shares have completed, which is expected to have occurred on Tuesday, 18 November 2014). Trading will then be on an unconditional deferred settlement basis until APN Outdoor has advised the ASX that holding statements have been dispatched to Shareholders. Normal Settlement trading is expected to commence on or about 20 November 2014.</p> <p>If settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest).</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, SaleCo and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the APN Outdoor Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 7.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.8.
Are there any tax considerations?	Refer to Section 9.10.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia) between 9.00am and 5.00pm AEDT, Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia) to request a copy of this Prospectus and Application Form, or download a copy at www.apnoutdoorcorporate.com. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm AEDT on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am AEDT on 28 October 2014 and is expected to close at 5.00pm AEDT on 10 November 2014. The Company, SaleCo and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not APN Outdoor, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to APN Outdoor and SaleCo to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Joint Lead Managers, in agreement with APN Outdoor, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

7.3.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by APN Outdoor.

7.4 Chairman's List Offer

7.4.1 Who can apply

The Chairman's List Offer is open to selected investors in Australia who have received a Chairman's List Invitation to participate.

7.4.2 How to apply

If you have received a Chairman's List Invitation and you wish to apply for Shares, you should follow the instructions on how to apply in your personalised invitation.

Applications under the Chairman's List Offer must be for a minimum of \$2,000 worth of Shares.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this. Prospectus or the complete and unaltered electronic version of this Prospectus.

7.4.3 How to pay

Applicants under the Chairman's List Offer must pay their Application Monies by direct credit or electronic funds transfer in accordance with instructions in their personalised invitation. For more details, prospective Applicants should contact the APN Outdoor Offer Information Line on 1300 361 735 (toll free within Australia) or + 61 1300 361 735 (outside Australia).

Application Monies must be received by the Share Registry by no later than 5.00pm AEDT on 7 November 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment before the Chairman's List Offer closes arising as a result of, among other things, delays processing of payments by financial institutions.

7.4.4 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Chairman's List Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay is less than the amount specified on your Chairman's List Offer Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Chairman's List Offer Application Form) or your Application may be rejected.

7.4.5 Acceptance of Applications

An Application in the Chairman's List Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.9). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.4.6 Chairman's List Offer allocation policy

Chairman's List Offer Applicants will receive a guaranteed allocation of Shares in the amount notified on their Chairman's List Invitation or such lesser amount validly applied for. Beyond this, the allocation of stock to Applicants under the Chairman's List Offer will be determined by the Joint Lead Managers and the Company. Shares which have been allocated to Applicants under the Chairman's List Offer will be issued to the Applicants who have received a valid allocation of Shares from the Company (subject to the right of the Company and the Joint Lead Managers to reject or scale back Applications which are for more than the guaranteed allocation).

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.5.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants between the Institutional Offer and the Broker Firm Offer was determined by the Joint Lead Managers in agreement with APN Outdoor. The Joint Lead Managers and APN Outdoor had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- APN Outdoor's desire for an informed and active trading market following Listing;
- APN Outdoor's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that APN Outdoor and the Joint Lead Managers considered appropriate.

7.6 Disposal restrictions on Shares

7.6.1 Voluntary escrow arrangements

Existing Shares held at Completion by the Escrowed Shareholders (other than any Shares acquired by them under the Offer) will be subject to voluntary escrow arrangements and, subject to the exceptions outlined below, will be escrowed until the date on which APN Outdoor's full-year results for the period ending 31 December 2015 are released to the ASX.

Each of the Escrowed Shareholders has entered into an escrow deed in respect of their escrowed Shares. This deed will prevent them from disposing of their escrowed Shares for the applicable escrow period. The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the escrowed Shares, encumbering or granting a security interest over the escrowed Shares, granting or exercising an option over the escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the escrowed Shares, or agreeing to do any of those things.

The escrowed restrictions will apply until the date on which APN Outdoor's full year results for the period ending 31 December 2015 are released to the ASX or, if earlier (and only in the case of the Escrowed Shareholders other than the Quadrant Funds), the date that is 10 business days after the date on which the Escrowed Shareholder ceases to be an employee of the APN Outdoor Group if his employment is terminated:

- due to his or her death; or
- by the APN Outdoor Group due to serious disability or permanent incapacity (as determined by the Board acting reasonably).

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their escrowed Shares if holders of at least half of the Shares the subject of the bid that are not escrowed Shares have accepted the takeover bid;
- the Escrowed Shareholders to tender their escrowed Shares into a bid acceptance facility established in connection with a takeover bid if holders of at least half of the Shares the subject of the bid that are not escrowed Shares have accepted the bid or tendered their Shares into the bid acceptance facility; and
- the escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger or acquisition by scheme of arrangement under Part 5.1 of the Corporations Act.

In addition, the Quadrant Funds may be released early from these escrow obligations to the extent required in order to dispose of up to the percentage of their escrowed Shares (in one or more transactions) listed below at least 10 business days after the corresponding conditions have been satisfied:

Securities to be released from escrow	Escrow release conditions
50% of Shares held at Completion of Offer	Financial results for FY2014 released; and Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Final Price by more than 20%.
100% of Shares held at Completion of Offer	Financial results for 1H FY2015 released; and Volume-weighted average price in any 10 consecutive trading days following release of those financial results exceeds the Final Price by more than 20%.

The VWAP on any trading day prior to the release of the applicable financial results is not relevant to determining whether that exception is available.

In addition to the common exceptions to escrow described above, the Quadrant Funds may encumber any or all of their Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the relevant Escrowed Shareholder has in any of its escrowed Shares and no escrowed Shares may be transferred to the financial institution in connection with the encumbrance (with the documentation for such encumbrance making it clear that the escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements).

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate, 37,466,882 Shares will be the subject of these escrow arrangements. This is not expected to have an effect on the liquidity of trading in Shares on the ASX.

7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

Each Applicant in the Broker Firm Offer and Chairman's List Offer, and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any State of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.8 Discretion regarding the Offer

With the consent of the Joint Lead Managers, APN Outdoor and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

APN Outdoor, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.9 ASX listing, registers and holding statements, and conditional and deferred settlement trading

7.9.1 Application to the ASX for listing of APN Outdoor and quotation of Shares

APN Outdoor has applied to ASX for admission to the official list of the ASX and quotation of the Shares on the ASX. APN Outdoor's ASX code is expected to be APO.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit APN Outdoor to the Official List is not to be taken as an indication of the merits of APN Outdoor or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by APN Outdoor will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

APN Outdoor will be required to comply with the ASX Listing Rules, subject to any waivers obtained by APN Outdoor from time to time.

7.9.2 CHESS and issuer sponsored holdings

APN Outdoor has applied to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. APN Outdoor and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.9.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX (on a conditional and deferred basis) will commence on or about 11 November 2014.

The contracts formed on acceptance of Applications will be conditional on the ASX agreeing to quote the Shares on the ASX, and on issue occurring. Trades occurring on the ASX before issue occurring will be conditional on issue occurring.

Conditional trading will continue until APN Outdoor has advised the ASX that issue has occurred, which is expected to be on or about 18 November 2014. Trading will then be on an unconditional but deferred settlement basis until APN Outdoor has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about 20 November 2014.

If settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Successful Applicants do so at their own risk. The Company, SaleCo, the Share Registry, the Joint Lead Managers and the Co-Manager disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the APN Outdoor Offer Information Line or confirmed their firm allocation through a Broker.

Shares are expected to commence trading on the ASX on a normal settlement basis on 18 November 2014.

7.10 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.10.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of APN Outdoor; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

Upon Listing, APN Outdoor will adopt a new constitution which is consistent with APN Outdoor being an ASX listed company. Accordingly, the summary assumes that APN Outdoor is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all Existing Shares.

7.10.2 Meeting of members

Each shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to shareholders.

7.10.3 Voting at a general meeting

At a general meeting of APN Outdoor, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.10.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held.

7.10.5 Transfer of shares

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by:

- a Proper ASTC Transfer (as that term is defined in the Corporations Regulations); or
- an instrument in writing in any usual form or in any other form that the Directors approve.

The Company may decline to register a transfer of shares in a number of situations including:

- in the circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, as applicable;
- where the transfer is not in registrable form; or
- where the refusal to register the transfer is otherwise permitted under the ASX Listing Rules or, except for a Proper ASTC Transfer (as that term is defined in the Corporations Act Regulations), under the terms of issue of the shares.

If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

The Company must refuse to register a transfer of shares if required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods, not exceeding in total 30 days in any year, as they think fit as permitted by the ASX Listing Rules and ASX Settlement Operating Rules.

7.10.6 Issue of further shares

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue shares or grant options over unissued shares to any person and they may do so at such times and on the conditions they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.10.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.10.8 Winding up

If the Company is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among APN Outdoor's members in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

7.10.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the shares of a shareholder who holds less than a marketable parcel of those shares. A marketable parcel of shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of less than \$500.

7.10.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

7.10.11 Variation of class rights

Subject to the Corporations Act and the terms of issue of the Shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.10.12 Reduction of share capital

Subject to the Constitution, Corporations Act and ASX Listing Rules, APN Outdoor may reduce its share capital in any way permissible by the Corporations Act.

7.10.13 Proportional takeover provisions

The Constitution contains provisions requiring shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of shareholders in a general meeting.

7.10.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan and a dividend selection plan. It is not currently intended that either a dividend reinvestment plan or dividend selection plan will be implemented.

7.10.15 Employee plans

The Directors may implement an employee share plan for officers or employees of the Company on such terms and conditions as they think fit. Further details about the Company's short term incentive arrangements and long term incentive arrangements are contained in Section 6.3.4.

7.10.16 Directors – appointment and removal

Under the Constitution, the minimum number of Directors is three and the maximum is 12 or such lower number as the Directors determine, provided the proposed lower number has been authorised by general meeting of the Company's members if required under the Corporations Act.

The Company may elect directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

7.10.17 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chair of the meeting has a casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

7.10.18 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of APN Outdoor. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.10.19 Directors' and officers' indemnity

The Company, to the extent permitted by law, indemnifies each person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access and indemnity with each Director and the Company Secretary. These are summarised in Section 6.3.2.3.

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Section 8.

INDEPENDENT LIMITED ASSURANCE REPORT



Elite Screens, Sydney Domestic Airport,
New South Wales.



The Directors
APN Outdoor Group Limited
Level 4, 33 Saunders Street
Pyrmont NSW 2009

The Directors
APN Outdoor SaleCo Pty Limited
Level 4, 33 Saunders Street
Pyrmont NSW 2009

20 October 2014

Dear Directors

***Independent Limited Assurance Report on APN Outdoor Group Limited
Historical Financial Information and Forecast Financial Information
and Financial Services Guide***

We have been engaged by APN Outdoor Group Limited (the **Company**) and APN Outdoor SaleCo Pty Limited (**SaleCo**) (collectively, **you**) to report on the historical and forecast financial information of the Company for inclusion in the prospectus (**Prospectus**) dated on or about 20 October 2014 and relating to the issue and sale of ordinary shares in the Company.

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company included in the Prospectus (collectively, the **Financial Information**):

- a) **Historical Financial Information** collectively being the:
 - i) **Statutory Historical Financial Information** comprising:
 - statutory consolidated historical income statements for the period ended 31 December 2012, the year ended 31 December 2013, and the six months ended 30 June 2013 and 30 June 2014;

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Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au***



- statutory consolidated historical net cash flows from operating activities before financing and tax for the period ended 31 December 2012, the year ended 31 December 2013 and the six months ended 30 June 2013 and 30 June 2014; and
- statutory consolidated historical balance sheet as at 30 June 2014; and

ii) **Pro Forma Historical Financial Information** comprising:

- pro forma consolidated historical income statements for the years ended 31 December 2012 and 31 December 2013, and the six months ended 30 June 2013 and 30 June 2014;
- pro forma consolidated historical cash flow statements for the years ended 31 December 2012 and 31 December 2013, and the six months ended 30 June 2013 and 30 June 2014; and
- pro forma consolidated historical balance sheet as at 30 June 2014, which assumes certain pro forma adjustments (e.g. completion of the Offer); and

b) **Forecast Financial Information** collectively being the:

i) **Statutory Forecast** comprising:

- statutory consolidated forecast income statements for the years ending 31 December 2014 and 31 December 2015 (**Statutory Forecast Results**); and
- statutory consolidated forecast cash flow statements for the years ending 31 December 2014 and 31 December 2015 (**Statutory Forecast Cash Flows**); and

ii) **Pro Forma Forecast** comprising:

- pro forma consolidated forecast income statements for the years ending 31 December 2014 and 31 December 2015 (**Pro Forma Forecast Results**); and
- pro forma consolidated forecast cash flow statements for the years ending 31 December 2014 and 31 December 2015 (**Pro Forma Forecast Cash Flows**).

Statutory Historical Financial Information

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, as described in Appendix A of the Prospectus. The Statutory Historical Financial Information has been extracted from APN Outdoor Group Pty Limited's financial report for the period ended 31 December 2012, from the Company's financial report for the year ended 31 December 2013 and from the Company's reviewed interim financial report for the six month period ended 30 June 2014. The 31 December 2012 and 31 December 2013 financial reports of the Company were audited by PricewaterhouseCoopers which issued unqualified audit opinions. The 30 June 2014 interim financial report of the Company has been



reviewed by PricewaterhouseCoopers Securities Ltd which issued an unqualified review opinion in respect of that period and the 30 June 2013 comparative period.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.3.1.2, 4.4 and 4.5.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 4.3.1.2, 4.4 and 4.5.2 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Statutory Forecast

The Statutory Forecast Results and the Statutory Forecast Cash Flows, as described in section 4 of the Prospectus, have been prepared in accordance with the directors' best-estimate assumptions underlying the Statutory Forecast as described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecast

The Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows, as described in section 4 of the Prospectus, have been derived from the Company's Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in section 4.3.1.2, 4.4 and 4.5.2 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the events or transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the forecast. Due to its nature, the Pro Forma Forecast does not represent the Company's actual prospective financial performance and/or cash flows for the years ending 31 December 2014 and 31 December 2015.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

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The directors of the Company are also responsible for the preparation of the Statutory Forecast, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast.

This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.



Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Results and the Statutory Forecast Cash Flows do not provide reasonable grounds for the Statutory Forecast; and
- in all material respects, the Statutory Forecast:
 - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast itself is unreasonable.

Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Results and the Pro Forma Forecast Cash Flows do not provide reasonable grounds for the Pro Forma Forecast;
- in all material respects, the Pro Forma Forecast:
 - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro Forma Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast itself is unreasonable.

Statutory Forecast and Pro Forma Forecast

The Statutory Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the years ending 31 December 2014 and 31 December 2015. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast and Pro Forma Forecast since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate

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assumptions on which the Statutory Forecast and Pro Forma Forecast are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based however such evidence is generally future-oriented and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 1, 4.8 and 5 of the Prospectus. The sensitivity analysis described in section 4.8 of the Prospectus demonstrates the impact on the Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.



Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Charles Humphrey'.

Charles Humphrey
Director and Authorised Representative of
PricewaterhouseCoopers Securities Ltd

A handwritten signature in blue ink, appearing to read 'Jonathan Griffiths'.

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 20 October 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence No. 244572) ("**PwC Securities**") has been engaged by APN Outdoor Group Limited ("**APN Outdoor**") and APN Outdoor SaleCo Pty Limited to provide a report in the form of an Independent Limited Assurance Report in relation to the Historical Financial Information and Forecast Financial Information (the "**Report**") for inclusion in the prospectus dated on or about 20 October 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.



4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$875,000 (excluding disbursements and GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. In relation to APN Outdoor, PricewaterhouseCoopers is the auditor.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

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If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Charles Humphrey
Director and Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000
GPO Box 2650
Sydney NSW 1171

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Section 9.

ADDITIONAL INFORMATION

 Elite Screens, Young & Jackson, Melbourne, Victoria.

9.1 Registration

APN Outdoor was registered in Victoria on 22 February 2012 as a private company limited by shares and was converted into a public company limited by shares on 16 October 2014.

9.2 Company tax status

The Company will be subject to tax at the Australian corporate tax rate.

9.3 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

Each of the Selling Shareholders has entered into a deed poll in favour of SaleCo under which the relevant Selling Shareholder has agreed to sell to SaleCo some or all of their Existing Shares, which will be sold by SaleCo into the Offer, free from encumbrances and third party rights.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. APN Outdoor will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the deeds described above. The sole director and shareholder of SaleCo is Doug Flynn, who is also a director of APN Outdoor. APN Outdoor has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. APN Outdoor has indemnified SaleCo and the shareholders and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

9.4 Summary of Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated 10 October 2014 between the Joint Lead Managers, APN Outdoor and SaleCo (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

For the purpose of this Section 9.4, offer documents include any of the following documents (**Offer Documents**) issued or published by, or on behalf of, and with the authorisation of, APN Outdoor and SaleCo in respect of the Offer, and in the form agreed by the Joint Lead Managers:

- this Prospectus, the Application Forms and any supplementary prospectus;
- the pathfinder version of this Prospectus that was provided to Institutional Investors, Co-Manager and Brokers prior to the lodgement of this Prospectus with ASIC; and
- the marketing, roadshow presentation and / or ASX announcement(s) used by or on behalf of APN Outdoor to conduct the Offer.

Commissions, fees and expenses

APN Outdoor has agreed to pay the Joint Lead Managers an underwriting fee equal to 1.50%, and a management and selling fee equal to 1.25%, of the funds raised under the Offer. The underwriting fee, and the management and selling fee, will become payable by APN Outdoor on the date of settlement of the Offer and will be paid to the Joint Lead Managers in equal proportions.

APN Outdoor may also pay an incentive fee to the Joint Lead Managers of up to 0.75% of the funds raised under the Offer. Payment of the incentive fee is at APN Outdoor's absolute discretion and may be paid to the Joint Lead Managers in equal proportions. If APN Outdoor elects to pay the incentive fee, it will be paid on the date of settlement of the Offer.

In addition to the fees described above, APN Outdoor and SaleCo have agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Termination events

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until on or before the date of issue and transfer of Shares under the Offer, terminate the Underwriting Agreement without cost or liability by notice to APN Outdoor and SaleCo and the other Joint Lead Manager if any of the following events occur:

- in the reasonable opinion of that Joint Lead Manager, a statement in any Offer Document, or any public and other media statements made by, or on behalf of and with the knowledge and consent of, APN Outdoor, SaleCo or any other member of the Group, in relation to the business or affairs of APN Outdoor, SaleCo or the Group or the Offer (Public Information), is or becomes misleading or deceptive, or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document or Public Information;
- a new circumstance arises after lodgement of this Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgement and is in the reasonable opinion of that Joint Lead Manager materially adverse from the point of view of an investor;
- APN Outdoor and SaleCo are, in the reasonable opinion of the Joint Lead Manager, required by section 719 of the Corporations Act to lodge, and fail to lodge, a supplementary prospectus with ASIC within the required time period reasonably required by the Joint Lead Managers and in a form approved in writing by the Joint Lead Managers;
- the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the date of close of the bookbuild (i.e. 13 October 2014) and is at or below that level at the close of trading (i) for three consecutive business days during any time after the date of the Underwriting Agreement, or (ii) on the business day immediately before the date of settlement of the Offer;
- any of the escrow deeds entered into by the Escrowed Shareholders is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any of them;
- the sale deed entered into by each Selling Shareholder with APN Outdoor and SaleCo, as described in Section 9.3, is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any such deed;
- APN Outdoor, SaleCo or any of their respective directors or officers engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval (or approval subject to customary conditions) is refused or not granted to APN Outdoor's admission to the Official List or to quotation of all the Shares within the specified timeframe, or the ASX withdraws, qualifies (other than by customary conditions) or withholds such approval;
- any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
 - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
 - any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- APN Outdoor or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- APN Outdoor or SaleCo withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- an event specified in the agreed timetable up to and including the date of settlement of the Offer is delayed by more than three business days (other than any delay agreed between APN Outdoor, SaleCo and the Joint Lead Managers or required as a result of ASIC extending the period under section 727(3) of the Corporations Act);
- APN Outdoor is prevented from transferring or allotting and issuing (as applicable) New Shares, or SaleCo is prevented from transferring the relevant Existing Shares, within the time required by the agreed timetable, the Offer Documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;

- APN Outdoor (except as expressly contemplated by certain pre-Listing restructure steps) without the prior written consent of the Joint Lead Managers:
 - alters the issued capital of APN Outdoor or a member of the Group; or
 - disposes or attempts to dispose of a substantial part of the business or property of APN Outdoor or a member of the Group;
- a regulatory body withdraws, revokes or amends any regulatory approvals required for APN Outdoor or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- there is a change in senior management or the board of directors of APN Outdoor or SaleCo;
- the chairman, Chief Executive Officer or Chief Financial Officer of APN Outdoor vacates his or her office; or
- any of the following occur:
 - a director or proposed director of APN Outdoor or SaleCo named in this Prospectus is charged with an indictable offence relating to any financial or corporate matter or is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E or 206F of the Corporations Act;
 - any governmental agency commences any public action against APN Outdoor or SaleCo or any of their respective directors in their capacity as a director of APN Outdoor or SaleCo (as applicable), or announces that it intends to take action; or
 - any director or proposed director of APN Outdoor or SaleCo named in this Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

Termination events subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until on or before the issue and transfer of Shares under the Offer (without any cost or liability by notice to APN Outdoor, SaleCo and the other Joint Lead Manager), terminate the Underwriting Agreement without any cost or liability by notice to APN Outdoor, SaleCo and the other Joint Lead Manager if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event (i) has or is likely to have a materially adverse effect on the success, settlement or marketing of the Offer, or on the ability of the Joint Lead Manager to market, promote or settle the Offer, or on the likely price Shares will trade at on the ASX following the Offer, or the willingness of investors to subscribe for Shares under the Offer, or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that Act), the ASX Listing Rules or any other applicable law or regulation;
- any forecast that appears in an Offer Document is or becomes incapable of being met in the projected time (including financial forecasts);
- the due diligence report or verification material provided by or on behalf of APN Outdoor or SaleCo to the Joint Lead Managers in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of APN Outdoor and the Group (insofar as the position in relation to an entity in the Group affects the overall position of APN Outdoor), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of APN Outdoor or the Group from those respectively disclosed in any Offer Document or Public Information;
- a new law is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- there is a contravention by APN Outdoor, SaleCo or any other member of the Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth) (or any regulations under those acts), APN Outdoor or SaleCo's constitution, or any of the ASX Listing Rules;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of APN Outdoor or SaleCo is breached, becomes not true or correct or is not performed;
- APN Outdoor or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- APN Outdoor varies any term of its constitution without the prior written consent of the Joint Lead Managers;

- legal proceedings against APN Outdoor, SaleCo, any other member of the Group or against any Director, or any director of SaleCo or of any other member of the Group, in that capacity are commenced or any regulatory body commences an enquiry or public action against a member of the Group;
- any information (including any information supplied prior to the date of the Underwriting Agreement) supplied by or on behalf of a member of the Group to the Joint Lead Managers in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- hostilities not presently existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Israel, Singapore or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- a statement in a closing certificate is false, misleading, inaccurate or untrue or incorrect; or
- any of the following occurs (i) a general moratorium on commercial banking activities in Australia, New Zealand, Canada, the People's Republic of China, Japan, Singapore, Hong Kong, Russia, the United Kingdom, the United States or a member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; (ii) any adverse effect on the financial markets in Australia, New Zealand, Japan, Canada, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or (iii) trading in all securities quoted or listed on the ASX, the New Zealand Stock Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by APN Outdoor and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including the entry into a restriction agreement by certain Existing Shareholders, a sale deed being entered into by or on behalf of each Selling Shareholder, and ASIC and the ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by APN Outdoor and SaleCo relate to matters such as conduct of APN Outdoor and SaleCo, power and authorisations, information provided by APN Outdoor and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements. APN Outdoor also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, insurance, authorisations and eligibility for Listing.

APN Outdoor's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue (or agree to issue) any Shares or securities without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), subject to certain exceptions. These exceptions include an issue of securities pursuant to an employee share or option plan described in the pathfinder version of this Prospectus, a non-underwritten dividend reinvestment or bonus share plan described in the pathfinder version of this Prospectus or a proposed transaction fully and fairly disclosed in the pathfinder version of this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, fraud or wilful misconduct of an indemnified party, APN Outdoor and SaleCo agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.5 Summary of New Banking Facilities

9.5.1 New Banking Facilities

The Company has entered into a detailed commitment letter and attached term sheet dated 30 September 2014 ("**Commitment Letter**") with Westpac Banking Corporation, National Australia Bank Limited and Commonwealth Bank of Australia (the "**Lenders**") for the Lenders to provide loan facilities to the Company, APNO Group Holdings Pty Ltd ACN 167 313 797, APNO Finance Pty Ltd ACN 155 849 611 and any other wholly-owned subsidiaries of the Company which are or become Guarantors and assume the obligations of a Borrower (together, the "**Borrowers**") as follows:

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- a revolving loan facility in an amount of \$80 million (“**Facility A**”); and
 - a revolving loan facility in an amount of \$50 million (“**Facility B**”).
- (together, the “**New Banking Facilities**”).

The New Banking Facilities are repayable in full after three years from the date of financial close (which is expected to occur on or about the date of Completion).

The Commitment Letter contains all of the conditions to funding and sets forth the material terms of the New Banking Facilities.

Pursuant to the Commitment Letter, the New Banking Facilities will be available to be used to:

- refinance the existing debt facilities of the Group;
- repay all amounts, including break costs, payable under any derivative transactions associated with the existing debt facilities of the Group;
- fund working capital and other general corporate purposes (including capital expenditure, permitted acquisitions and restructuring costs of the Company and each of its subsidiaries (together, the “**Group**”)) and for any related fees, costs and expenses;
- pay for advisory fees, costs and expenses (including for the Listing); and
- refinancing of existing bank or performance guarantees, ancillary transactional facilities and letters of credit of the Group outstanding on financial close.

Facility A is available for drawdown by way of cash advance drawings in Australian dollars and New Zealand dollars.

Facility B is available by way of cash advance drawings and drawings of letters of credit, bank and performance guarantees and by way of ancillary facilities in Australian dollars and New Zealand dollars.

9.5.2 Guarantors

The New Banking Facilities will be guaranteed by the Company, each Borrower, each material subsidiary and the wholly-owned subsidiaries of the Company required to meet a guarantor group coverage test of 90% of the consolidated EBITDA and total assets of the Group (the “**Guarantors**”) (together with the Borrowers, the “**Obligors**”).

9.5.3 Security

The New Banking Facilities are provided on a secured basis by way of the security package over substantially all of the assets of the Group.

9.5.4 Interest rates and payments

Each of the New Banking Facilities bears interest at a variable rate per annum plus the applicable margin. The applicable variable rate is selected by the Borrowers under the New Banking Facilities at the time of drawdown.

A\$ drawings are based on BBR, the average rate displayed on Reuters screen BBSY in Sydney at 10.30am on the relevant day for a term equivalent to that period.

NZ\$ drawings are based on BKBM, the rate displayed on Reuters screen BKBM at 10.45am on the relevant day for bank bills of a similar tenor.

Interest is payable by reference to one, two, three or six month periods or any other period as may be agreed by the Borrowers with Lender consent.

9.5.5 Events of default

The New Banking Facilities contain certain events of default which are customary for facilities and a business of the nature of the Group and include:

- where an Obligor defaults in payment of principal or interest when due and payable unless remedied within two business days;
- there is a failure to comply with financial covenants or other provisions of the New Banking Facilities;
- a representation or warranty made by an Obligor is incorrect or misleading in any material respect when made;
- there is a default under any other indebtedness of any Obligor in excess of \$5 million; and
- an insolvency event occurs in relation to an Obligor.

In a number of instances, the events of default are subject to materiality thresholds and cure periods.

At any time after and during the continuance of an event of default, the Lenders will be entitled to, among other things, terminate the commitments and declare the loans then outstanding to be due and payable in whole or part.

9.5.6 Review events

The New Banking Facilities contain a review event, which is customary for facilities and a business of the nature of the Group where:

- any person other than Quadrant or a Quadrant Fund acquires, directly or indirectly, more than 50% of the ordinary voting power of the outstanding voting shares in the Company; or
- the Company is removed from the official list of the ASX, or its shares are suspended from trading on the ASX for a continuous period of 15 business days or longer (for reasons other than there being an imminent announcement of a major acquisition or merger transaction).

Following the occurrence of a review event, the Lenders and the Company will consult for 30 days as to the continuation of the New Banking Facilities. If agreement cannot be reached by the expiry of that period and the review event is subsisting at that time, the Lenders may, by notice to the Company, require the Borrowers to repay the New Banking Facilities in full within 90 days from that notice.

9.5.7 Representations and warranties

The New Banking Facilities contain customary representations and warranties including that:

- each Obligor is duly incorporated and has duly executed the loan documents;
- there is no litigation pending which would have or be likely to have a material adverse effect;
- there is no default; and
- the necessary authorisations required for each of the loan documents has been obtained.

In a number of instances, the representations and warranties are subject to materiality thresholds.

9.5.8 Financial covenants

The following financial covenants apply and are tested semi-annually, with the first calculation date commencing on the next half yearly date falling at least three months after financial close:

- Net Leverage Ratio: the ratio of the net debt for the Group to the LTM EBITDA of the Group must not exceed 3.25x; and
- Fixed Charge Cover Ratio: the ratio of EBITDA plus fixed rental expense to net interest expense plus fixed rental expense for the Group must not fall below 1.15x.

The Commitment Letter contains detailed provisions on how the financial covenants are calculated.

9.5.9 Undertakings

The Obligors are subject to customary negative undertakings under the New Banking Facilities, including as follows:

- financial indebtedness: there is no restriction on Obligors incurring financial indebtedness, provided there is no breach of the financial covenants as a result of the incurrence of such financial indebtedness and there is no event of default or potential event of default subsisting at the time of, or would occur as a result of, the incurrence of the financial indebtedness;
- disposals: disposals on arm's length terms are permitted, provided the consideration in respect of the disposed assets does not in aggregate exceed 10% of total assets of the Group in each financial year (in addition to other customary permissions);
- acquisitions: an acquisition is permitted where:
 - it is of a business, undertaking, shares or other ownership interest in another company compatible with the core business of the Group;
 - the Obligors will be in compliance with the financial covenants immediately after the proposed acquisition is completed; and
 - no actual or potential event of default is continuing at the time of the acquisition or would arise as a result of the acquisition;
- financial accommodation and guarantees: customary types of financial accommodation and guarantees are permitted to be given by the Obligors, with thresholds applying in certain instances; and
- security interests: customary types of security interests are permitted including any security interest securing financial indebtedness in an aggregate amount which does not exceed 5% of the total assets of the Group.

The Obligors are also subject to reporting obligations under the New Banking Facilities, including as follows:

- an undertaking to provide annual and semi-annual accounts to the Lenders; and
- an undertaking to provide the Lenders with written notice of default, specifying the nature and extent thereof.

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9.5.10 Prepayment

Market standard provisions exist under the New Banking Facilities in relation to pre-payments, including:

- the right to prepay any loan in whole or in part, subject to the payment of usual break costs; and
- a requirement to prepay the New Banking Facilities in full if all or substantially all of the business of the Group is disposed of.

9.5.11 Fees

Fees are market for facilities of this nature and include an upfront fee payable to each Lender; and a commitment fee payable on undrawn commitments under the New Banking Facilities.

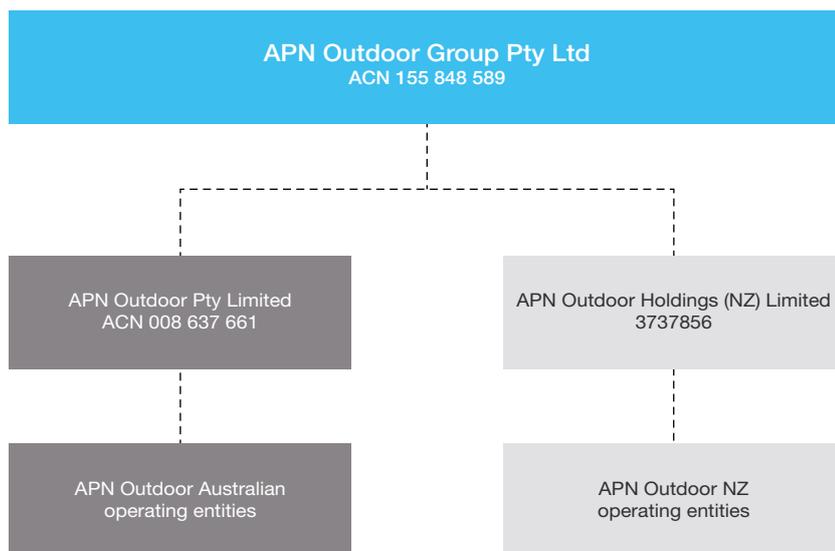
9.5.12 Conditions precedent

The availability of the New Banking Facilities is subject to a number of customary conditions precedent, including receipt by the Lenders of executed finance documents on terms consistent with the Commitment Letter.

It is expected that the conditions precedent will be satisfied by the date of Completion.

9.6 Corporate Structure (simplified)

Diagram 20 APN Outdoor's simplified corporate structure



9.7 Description of the syndicate

Morgan Stanley and UBS are the Joint Lead Managers to the Offer.

Morgans is the Co-Lead Manager to the Offer.

9.8 Regulatory relief

ASIC exemptions and relief

ASIC has granted the following exemptions from, and modification to, the Corporations Act:

- relief from section 606 to permit the acquisition by APN Outdoor of a relevant interest in more than 20% of the Shares by virtue of the voluntary escrow deeds, on certain conditions, as well as modification of section 671B to require APN Outdoor to make substantial holding disclosure of the relevant interest it would have acquired, but for relief, as a result of the voluntary escrow deeds; and
- relief under sections 911A(2)(l), 992B(1)(a) and 1020F(1)(a) to effectively extend the benefit of ASIC Class Order 03/184 to the LTIP.

This provides APN Outdoor with conditional relief from the requirement to issue disclosure documentation in connection with the grant of Options, as well as relieving APN Outdoor from the operation of the licensing, advertising, securities hawking and managed investment scheme provisions of the Corporations Act for offers of APN Outdoor under the LTIP in accordance with ASIC's conditions.

ASX waivers and confirmation

The Company has applied to the ASX for waivers or confirmations in respect of the following ASX Listing Rules:

- confirmation that APN Outdoor will be admitted to the Official List under the 'asset test' in Listing Rule 1.3; and
- confirmation that APN Outdoor is an entity that has a track record of operating profit and / or revenue acceptable to the ASX, such that there will be no mandatory escrow of existing securities pursuant to Listing Rule 9.1.3.

9.9 Ownership restrictions

The sale and purchase of Shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.9 contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**).

Where an acquisition of a Substantial Interest or Aggregate Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

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9.10 Taxation considerations

9.10.1 Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The following summary is based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. It does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to non-resident investors, investors that hold Shares on revenue account or as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) which have made elections to apply the fair value or reliance on financial reports methodologies

9.10.2 Dividends paid on Shares

9.10.2.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

9.10.2.2 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should further be entitled to a credit in its own franking account to the extent of the franking credits on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses.

9.10.2.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

9.10.2.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Government has recently enacted a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements. On 30 June 2014, the measure received royal assent and the new rule will apply to distributions made on or after 1 July 2013. Shareholders should consider the impact of this legislative change and any guidance issued by the Australian Taxation Office in this regard, given their own personal circumstances.

9.10.3 Disposal of Shares

Most Australian resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors may hold their Shares on revenue account, trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own professional advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction / incidental costs (the cost base of the Share may be different if a CGT roll-over applied to the acquisition of the Share).

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33¹/₃%. In relation to trusts, the rules are complex, but this discount may flow up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

9.10.4 Tax file numbers

An investor is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

9.10.5 Stamp Duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.10.6 Australian goods and services tax ('GST')

The acquisition, redemption or disposal of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

9.11 Legal proceedings

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which APN Outdoor is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of APN Outdoor.

9.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

9.13 Consents to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- each of Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Morgans has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to APN Outdoor and SaleCo in relation to the Offer in the form and context in which it is named;
- Minter Ellison has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as legal adviser in relation to legal due diligence (other than in relation to taxation matters) to APN Outdoor and SaleCo in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to APN Outdoor in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Independent Limited Assurance Report on the Financial Information in the form and context in which it appears in this Prospectus;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to APN Outdoor in the form and context in which it is so named;
- Ernst & Young has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as taxation adviser to APN Outdoor in the form and context in which it is so named; and
- Link Market Services has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named. Link Market Services has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to APN Outdoor. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

9.14 Statement of directors

This Prospectus is authorised by each director of APN Outdoor and SaleCo who consents to its lodgement with ASIC and its issue.

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NHAN HAU MEAT ROLLS
AMK - ASIAN GROCERY

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Telstra

Appendix A.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia.

Principles of consolidation

The Financial Information comprises the Financial Information of APN Outdoor and its subsidiaries.

Subsidiaries are all entities over which APN Outdoor has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether APN Outdoor controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to APN Outdoor. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by APN Outdoor.

Intercompany transactions, balances and unrealised gains on transactions between APN Outdoor and any of its subsidiaries are eliminated.

Associates are all entities over which APN Outdoor has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

APN Outdoor's share of its associates' post-acquisition profits or losses is recognised in the income statement.

Foreign currency translation

Items included in the Financial Information are measured using the currency of the primary economic environment in which APN Outdoor operates ('the functional currency'). The Financial Information is presented in Australian dollars, which is APN Outdoor's functional and presentation currency.

Transactions denominated in a foreign currency are converted at the exchange rates prevailing at the dates of the transaction. Foreign currency receivables and payables are translated at exchange rates at period end. Exchange gains and losses are brought to account in determining the profit or loss for the period.

The income statement and balance sheet of the New Zealand operations have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the balance sheet are translated at the closing rate at the date of that balance sheet and all resulting exchange differences are recognised in reserves in the balance sheet; and
- income and expenses for the income statement are translated at average exchange rates except for the income statement for FY2012 which was translated at 1.30 NZDAUD being the standard rate applied by APN Outdoor's then parent entity, APN News & Media Limited.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in reserves in the balance sheet. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Media revenue is measured at the fair value of consideration received or receivable net of credits and is recognised over the period of display. Production and installation revenues are recognised at the time of initial display.

Income tax expense

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Information, and also adjusted for unused tax losses utilised in the period.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

APN Outdoor and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the Financial Information. Other subsidiaries are treated as standalone tax payers.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by APN Outdoor. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each period.

Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after period end.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that APN Outdoor will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other operating expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

Investments and other financial assets

APN Outdoor classifies its investments according to AASB 9 Financial Instruments.

Financial assets are measured at fair value.

APN Outdoor's loans and receivables meet the requirements for measurement at amortised cost based on the objectives for which they are held and the contractual terms.

APN Outdoor's investments in equity instruments are measured at fair value. All gains and losses are recognised in the income statement.

APN Outdoor assesses at period end whether there is objective evidence that a financial asset or group of financial assets is impaired. For financial assets measured at amortised cost APN Outdoor assesses at each period end whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. APN Outdoor designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

APN Outdoor documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. APN Outdoor also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in reserves in the balance sheet.

Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to APN Outdoor and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over its expected useful life to APN Outdoor. The expected useful lives are as follows:

Billboards – static	20 years
Billboards – digital	12 years
Transit assets	4 – 20 years
Office equipment	3 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Maintenance and repairs

Plant and equipment is required to be maintained on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

Intangibles

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of APN Outdoor's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is included in intangible assets.

Licenses, systems and processes are brought to account at cost. These assets represent capitalised future income streams and other value attributable to site licenses and APN Outdoor's systems and processes recognised at the time of the acquisition of the wholly-owned business. Systems and processes are not separate identifiable assets as they are not able to be valued individually, their value is embedded in the site licenses. Licenses, systems and processes are being amortised over the estimated term of the site licenses, including expected renewal periods.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Minimum guaranteed payments are charged to the income statement on a straight line basis over the period of the lease.

Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining the recoverable amounts of non-current assets are not discounted.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the income statement in the period in which the recoverable amount write-down occurs.

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Trade and other payables

Trade and other payables represent liabilities for goods and services provided to APN Outdoor prior to the end of the period which are unpaid.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of period end are recognised in other payables in respect of employees' services up to period end and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled within 12 months of period end is recognised in other current liabilities and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from period end is recognised in other non-current liabilities and measured as the present value of expected future payments to be made in respect of services provided by employees up to period end. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service.

Borrowing costs

Borrowing costs are recognised in the period in which they are incurred using the effective interest rate method.

Borrowing costs include:

- interest on borrowings; and
- bank charges on line fees.

Share-based payments

APN Outdoor provides benefits to some employees of APN Outdoor in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). APN Outdoor provides benefits to senior executives in the form of the Management Equity Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of APN Outdoor (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each period end until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of APN Outdoor, will ultimately vest. This opinion is formed based on the best available information at period end. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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Appendix B.

GLOSSARY

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Term	Meaning
A-IFRS	Australian equivalents to International Financial Reporting Standards
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
AEDT	Australian Eastern Daylight Time
Aggregate Substantial Interest	Has the meaning given in Section 9.9
APN Outdoor or Company	APN Outdoor Group Limited (ACN 155 848 589)
APN Outdoor Persons	Has the meaning given in Section 6.5.3.6
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompany this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant
ASB	Advertising Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list
ASX Recommendations	Revised in 2014, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The settlement rules of ASX as amended, varied or waived from time to time
Audit and Risk Committee	The committee described in Section 6.5.3.1
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
BBSY	Bank Bill Swap Bid Rate
Board	The board of directors of APN Outdoor
Borrowers	The borrowers as described in Section 9.5.1
Broker	Any ASX participating organisation selected by the Joint Lead Managers and APN Outdoor to act as a Broker to the Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker
Broker Firm Offer Applicant	A person who submits an Application under the Broker Firm Offer
CAGR	Compound annual growth rate, which describes the rate of growth over the specified period as if the growth was at a steady rate over that period (i.e. it may not describe the actual year on year changes, which may vary across this period)
Chairman's List Invitation	The invitation under this Prospectus to selected investors in Australia nominated by the Chairman of the Company to participate in the Chairman's List Offer on a firm basis up to the allocation of Shares nominated by the Chairman of the Company
Chairman's List Offer	The component of the Offer under which investors who have received a Chairman's List Invitation are invited to apply for Shares, as described in Section 7.4
CEASA	Commercial Economic Advisory Service of Australia
CGT	Capital Gains Tax
CHESS	Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Class Order	Has the meaning given in Section 6.3.4.2
Closing Date	The date on which the Offer is expected to close, being 7 November 2014 in respect of the Chairman's List Offer, and 11 November 2014 in respect of the Broker Firm Offer and the Institutional Offer. These dates may be varied without prior notice

Term	Meaning
Co-Lead Manager	Morgans
Commitment Letter	The commitment letter as described in Section 9.5.1
Completion	The completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of APN Outdoor
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPI	Consumer Price Index
Directors	Each of the directors of APN Outdoor from time to time
DRP	Dividend Reinvestment Plan as described in Section 4.9
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Enterprise Value	The sum of market capitalisation at the Offer Price and pro forma net debt
EPS Tranche	Has the meaning given in Section 6.3.4.3
Escrowed Shareholder	The Quadrant Funds, Doug Flynn and current management employees of APN Outdoor who hold Existing Shares immediately prior to Listing
Existing Shares	The Shares held by the Existing Shareholders
Existing Shareholders	Those persons holding Shares as at the Original Prospectus Date
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days
Facility A	Has the meaning given in Section 9.5.1, and further described in Section 4.4.2.1
Facility B	Has the meaning given in Section 9.5.1, and further described in Section 4.4.2.2
Financial Information	Has the definition given in Section 4.1
Fiscal Year or FY	Year to 31 December
Forecast Financial Information	Has the definition given in Section 4.1
Group	Has the definition given in Section 9.5.1
Group Company	Has the definition given in Section 6.3.2.3
Guarantors	The guarantors as described in Section 9.5.2
Historical Financial Information	Has the definition given in Section 4.1
iBeacon	iBeacon is a technology utilising Bluetooth Low Energy that can be used to establish a region around an object. This allows certain devices to determine when it has entered or left that region, along with an estimation of proximity to a beacon
IFRS	International Financial Reporting Standards
Independent Limited Assurance Report	The report prepared by PwCS referred to in Section 8
Institutional Investor	Investors who are: <ul style="list-style-type: none"> – persons in Australia who are wholesale clients under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; – institutional investors in certain other jurisdictions, as agreed by APN Outdoor and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which APN Outdoor is willing in its discretion to comply); and – provided that in each case such investors are not in the United States.
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.5

Term	Meaning
Investigating Accountant	PricewaterhouseCoopers Securities Ltd
Joint Lead Managers	Morgan Stanley and UBS
LED	Light-emitting diode
Lenders	Has the meaning given in Section 9.5.1, and further described in Section 4.4.2
Listing	Admission of APN Outdoor to the official list of the ASX
List Offer	The rules of the ASX that govern the admission, quotation and removal of securities from the ASX Official List as amended, varied or waived from time to time
Loan Note	A loan note issued by APN Outdoor to a wholly-owned subsidiary of APN News & Media pursuant to the terms of a loan note deed poll entered into by APN Outdoor on 24 January 2014
LTIP or Long Term Incentive Plan	The long term incentive plan described in Section 6.3.4.2
LUX	Static billboard in select locations, consistently presented through upgrades via LED lighting and other presentational factors
MEP	Management equity plan
Morgan Stanley	Morgan Stanley Australia Securities Limited ABN 55 078 652 276
Morgans	Morgans Financial Limited ABN 49 010 669 726
MOVE	Measurement of Outdoor Visibility and Exposure Pty Limited ABN 89 114 528 095
New Banking Facilities	The new banking facilities as described in Section 9.5.1
New Shares	The new Shares to be issued by APN Outdoor under the Offer
New Shareholders	Persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
NFC	Near field communication
NPAT	Net profit after tax
NPATA	Net profit after tax and after adding back the tax effected amortisation expense
NZASA	New Zealand Advertising Standards Authority
Obligors	The obligors as described in Section 9.5.2
Offer	The offer under this Prospectus of New Shares for issue by APN Outdoor and of Existing Shares by SaleCo
Offer Documents	Has the meaning given in Section 9.4
Offer Period	The period from the Opening Date, and ending on the Closing Date
Offer Price	The price per Share that all Successful Applicants will pay for Shares under the Offer as determined by the Bookbuild, denominated in Australian dollars. \$2.55 per Share
Official List	The official list of the ASX
OMA	Outdoor Media Association Incorporated ABN 59 004 233 489
OMANZ	Outdoor Media Association of New Zealand
Opening Date	The date on which the broker firm offer opens
Options	Options to acquire Shares in APN Outdoor offered to certain employees under the terms and conditions of the Long Term Incentive Plan as described in Section 6.3.4.2
Original Prospectus	The Prospectus issued by APN Outdoor and SaleCo dated 20 October 2014, which was lodged with ASIC on that date and is replaced by this Prospectus
Participant	A participant in the Long Term incentive Plan as described in Section 6.3.4.2
Performance Criteria	Has the meaning given in Section 6.3.4.2
PricewaterhouseCoopers or PwC	PricewaterhouseCoopers ABN 52 780 433 757

Term	Meaning
PricewaterhouseCoopers Securities Ltd or PwCS	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617
Pro Forma Financial Information	Has the meaning given in Section 4.1
Pro Forma Forecast Results	Has the meaning given in Section 4.1
Pro Forma Historical Results	Has the meaning given in Section 4.1
Proper ASTC Transfer	Has the meaning given in the Corporations Regulations
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of the Original Prospectus was lodged with ASIC, being 20 October 2014
Quadrant	Quadrant Private Equity, acting through one or more managers of various Quadrant private equity funds
Quadrant Funds	Quadrant Private Equity No. 3A Pty Limited (ACN 147 521 515) as trustee for Quadrant Private Equity No. 3A, Quadrant Private Equity No. 3B Pty Limited (ACN 147 521 524) as trustee for Quadrant Private Equity No. 3B, Quadrant Private Equity No. 3C Pty Limited (ACN 147 521 533) as trustee for Quadrant Private Equity No. 3C, Quadrant Private Equity No. 3D and QPE No.3 LP Pty Limited (ACN 147 505 600) as trustee for APNO Co-Investment Trust
Redeemable Preference Shares	Redeemable preference shares issued by APN Outdoor and held by certain shareholders in APN Outdoor as at the Prospectus Date
Remuneration and Nomination Committee	The committee described in Section 6.5.3.2
Rights	Has the meaning given in Section 6.3.4.2
SaleCo	APN Outdoor SaleCo Pty Ltd ACN 601 938 916
Selling Shareholders	Those Existing Shareholders who have irrevocably offered to sell Existing Shares to SaleCo prior to Listing
SEPP 64 Guidelines	Has the meaning given in Section 2.6.1
Share	A fully paid ordinary share in the capital of APN Outdoor
Shareholder	A holder of a Share in APN Outdoor
Share Registry	Link Market Services Limited ABN 54 083 214 537
STI Plan	Short Term Incentive Plan described in 6.3.4.1
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer
TFN	Tax file number
TFR	Total fixed remuneration
TSR Tranche	Has the meaning given in Section 6.3.4.3
UBS	UBS AG, Australia Branch ABN 47 088 129 613
Underwriting Agreement	The underwriting agreement dated 10 October 2014 between Morgan Stanley, UBS and APN Outdoor as described in Section 9.4
U.S. Person	Has the meaning given in Rule 902(k) of Regulation S under the U.S. Securities Act
U.S. Securities Act	U.S. Securities Act of 1933, as amended
VWAP	Volume-weighted average price
Xtrack TV	APN Outdoor's digital cross track television advertising product

APN OUTDOOR'S REGISTERED OFFICE

APN Outdoor

Level 4
33 Saunders Street
Pyrmont, NSW 2009

JOINT LEAD MANAGERS

Morgan Stanley

Level 39, Chifley Tower
2 Chifley Square
Sydney, NSW 2000

UBS

Level 16, Chifley Tower
2 Chifley Square
Sydney, NSW 2000

CO-LEAD MANAGER

Morgans Financial Limited

Level 29
123 Eagle Street
Brisbane, QLD 4001

AUSTRALIAN LEGAL ADVISER

Gilbert + Tobin

Level 37
2 Park Street
Sydney, NSW 2000

INVESTIGATING ACCOUNTANT

PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2
201 Sussex Street
Sydney, NSW 2000

AUDITOR

PricewaterhouseCoopers

Darling Park Tower 2
201 Sussex Street
Sydney, NSW 2000

SHARE REGISTRY

Link Market Services Limited

Level 12
680 George Street
Sydney, NSW 2000

APN OUTDOOR OFFER INFORMATION LINE

Within Australia: 1300 361 735
Outside of Australia: +61 1300 361 735

OFFER WEBSITE

www.apnoutdoorcorporate.com



APN Outdoor Group Limited
ACN 155 848 589

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in APN Outdoor Group Limited under the Broker Firm Offer on the terms set out in the replacement prospectus dated 27 October 2014 ("Prospectus").

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If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser.

Shares applied for [] Price per Share at A\$2.55 Application Monies B A\$ []

(minimum and maximum as determined by your Broker)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1 Surname/Company Name

[]

Title First Name Middle Name

Joint Applicant #2 Surname

[]

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

[]

TFN/ABN/Exemption Code First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type - if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

[]

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

[]

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X []

Please note that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number

Total Amount A\$ []

LODGEMENT INSTRUCTIONS

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Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are APN Outdoor Group Limited Shares. Further details about the Shares are contained in the replacement prospectus dated 27 October 2014 issued by APN Outdoor Group Limited and APN Outdoor SaleCo Pty Limited. The Prospectus will expire 13 months after 20 October 2014. While the Prospectus is current, APN Outdoor Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, APN Outdoor Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from APN Outdoor Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to APN Outdoor Group Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



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