



NEWS & MEDIA

APN News & Media Limited
2016 Annual General Meeting
SYDNEY, 11 MAY 2016

Chairman's Address to Shareholders

2015 has been a year of continuous transformation for APN. Although operating in a competitive and tough media market, APN delivered revenue and EBITDA growth as well as strong cash flows.

APN also exceeded its 2015 cost savings program with some of the savings reinvested back into the business to support the growth of digital.

Reducing debt remains a key priority for the Board and good progress was made in 2015 reducing leverage.

NZME demerger

Before we discuss the year in more detail I want to acknowledge the announcement that we made earlier this morning, which is a proposal to demerge our New Zealand business, NZME. This means our New Zealand business would be listed as a separate entity to APN.

The demerger, which is subject to shareholder approval, will create two independently-listed companies.

APN will focus on its growth media assets of radio and outdoor.

New Zealand will focus on the continued integration of publishing, radio and digital brands.

In recommending the demerger, the Board considered a number of alternative options such as retaining the status quo, a demerger, a divestment or initial public offering. After considering the advantages, disadvantages and risks of each option, the APN Directors unanimously consider that the demerger is in the best interests of APN shareholders and we believe will give greater market recognition of value for each Company.

Both Companies will have their own Board and experienced management team.

The Companies will also have the necessary capital structures that provide flexibility to pursue their own separate opportunities and the ability to pay dividends.

Capital raising, share consolidation and shareholder vote

To establish an appropriate capital structure for each business APN has also announced this morning that it is raising approximately \$180 million by way of an accelerated renounceable entitlement offer.

The demerger will be put to shareholders for their approval and if the demerger is approved, eligible APN shareholders will receive new shares in NZME in proportion to their existing APN shareholding, while retaining their existing APN shares. APN will continue to be listed on the ASX and NZX.

Shares in NZME will be distributed to eligible shareholders on the basis of 1 NZME share for 1 APN share. APN will also undertake a 1 for 7 share consolidation.

We will be asking you to vote on the demerger at a shareholder meeting on 16 June 2016.

NZME and Fairfax Media

The other announcement that we have made this morning is that we have entered into discussions with Fairfax Media with the objective of a merger of our combined assets in New Zealand. To a large extent, NZME and Fairfax's New Zealand businesses are complementary.

We will need approval from the New Zealand Commerce Commission and other regulators for this to proceed and that application will be submitted to the Commission over the next few weeks.

There is much to digest in what I have just outlined. We hope you can take the time to peruse the documentation we have prepared for you to understand why we believe a demerger is in your best interests. The Board recommends that you vote in favour of the demerger at the upcoming general meeting.

You can find the documentation on the relevant stock exchange pages and APN's website. An explanatory memorandum will also be mailed to you prior to the vote.

APN Performance in 2015

I would now like to look back at 2015, a year in which APN achieved significant progress and transformation.

Our radio and outdoor businesses have performed strongly, and the NZME integration delivered on the transformation goals that were set out in 2014. The business is now fully integrated across the pillars of News, Sport and Entertainment and is re-positioning itself as a digital-first content provider.

The radio industry in Australia continues to perform exceptionally well in the face of digital disruption and we are pleased ARN has produced another above industry result.

In outdoor Adshel launched a national digital street furniture network in Australia with more than 270 digital panels. The digitisation of these panels has driven significant revenue gains for the outdoor business. Our digital asset base is currently being expanded to over 800 screens across Australia and New Zealand.

As announced in February, we have started a process to divest our regional newspaper business, ARM.

I am pleased to report that the process is going well and we have a number of interested parties with whom we are in discussion and we hope to make an announcement on the outcome soon.

New executive management and Board appointments

Last year, we appointed Ciaran Davis as CEO of APN. Ciaran was the CEO of our radio business for the last five years where he drove significant growth. This internal appointment is a testament to the quality of talent we are fortunate to have throughout our organisation.

APN has continued the process of Board renewal, with the appointment of Christine Holman as a non-executive director, contributing to the skills, experience and diversity of the Board.

After the proposed demerger, APN will have a smaller, more nimble Board. There will be a continued review of the Board's skills and diversity matrix based on the new APN Company.

As part of the demerger it is proposed that Sir John Anderson become the Chairman of NZME and Peter Cullinane will sit across both Boards to help with the transition.

Dividend approach

Should the demerger be approved, it is proposed that APN will adopt a dividend policy with a payout ratio of 40-60 per cent, subject to leverage being less than 2x, with the first dividend to be based on full year 2016 results. While it will ultimately be a matter for the NZME Board, it is proposed that NZME will pay a dividend in respect of the six months to June 2016.

Thank you

To summarise, there are now four important steps for your Company in the coming weeks:

1. An equity raise of approximately \$180m;
2. The proposed demerger of our New Zealand business;
3. The potential merger of our New Zealand business, NZME, with Fairfax Media in New Zealand; and
4. The divestment of our Australian regional publishing business.

As you can see, it has been a very busy period for the management team and Board and I would like to acknowledge and thank everyone for their work.

Sadly we are today farewelling Mr Ted Harris AC, after 24 years of invaluable service as an APN director. Ted will not seek re-election. We have greatly benefitted from his continued counsel, support as well as his friendship and we are happy to say he will stay with APN as Director Emeritus.

In conclusion, we are about to embark on a critical stage in our transformation and with your support, look forward to an exciting future.

Ends.

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