
NOTICE OF MEETING
AND EXPLANATORY
MEMORANDUM

FOR THE SALE OF APN'S AUSTRALIAN REGIONAL MEDIA BUSINESS

VOTE IN FAVOUR

Date: Friday, 16 September 2016
Time: 10.00am
Place: Baker & McKenzie, Level 27, AMP Centre,
50 Bridge Street, Sydney NSW 2000

Your Directors unanimously recommend that you vote in favour of the resolution to approve the Proposed Transaction as set out in this Notice of Meeting and Explanatory Memorandum.

This is an important document and requires your immediate attention. You should read this Notice of Meeting and Explanatory Memorandum in its entirety, taking particular notice of the details of the Proposed Transaction (see section 5) prior to deciding whether or not to vote in favour of the resolution to approve the Proposed Transaction.

APN Shareholders who have any questions in relation to this Notice of Meeting and Explanatory Memorandum (or the Proposed Transaction) should consult their financial, legal, taxation or other professional adviser.

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1. KEY DATES AND TIMES

Event	Date
Date of this document	Wednesday, 17 August 2016
Last time and date on which Proxy Forms for the General Meeting must be received	Wednesday, 14 September 2016 at 10.00am
APN General Meeting, to be held at the offices of Baker & McKenzie, Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000	Friday, 16 September 2016 at 10.00am
Indicative Target Completion Date if Proposed Transaction Resolution passed	Early October 2016

All dates and times following the date of the General Meeting are indicative only and are subject to change. All dates and times are references to Australian Eastern Standard Time (AEST).

Any changes to the timetable will be announced through the ASX and NZX and will be notified on the APN website at www.apn.com.au.

2. IMPORTANT INFORMATION AND DISCLAIMER

PURPOSE OF THIS DOCUMENT

The purpose of this document is to explain the terms of the Proposed Transaction, to set out certain information required by law and to provide all other information (other than information previously disclosed to APN Shareholders) which is known to APN which is material to the decision of APN Shareholders whether or not to vote in favour of the Proposed Transaction Resolution to be considered at the General Meeting. APN Shareholders should read this document in its entirety before making a decision as to how to vote on the Proposed Transaction Resolution to be considered at the General Meeting.

RESPONSIBILITY STATEMENTS

This document (other than section 6) has been prepared by APN and its Directors as at the date of this document and is the responsibility of APN.

Deloitte Corporate Finance has prepared the Independent Expert's Report set out in section 6 of this document, and takes responsibility for that report.

FINANCIAL INFORMATION

Other than as noted in this Notice of Meeting and Explanatory Memorandum, the financial information contained in this Notice of Meeting and Explanatory Memorandum has been prepared and presented in accordance with APN's accounting policies as disclosed in its 31 December 2015 financial statements (contained in its 2015 Annual Report, available in the Investor Relations section of the APN website at www.apn.com.au). The 31 December 2015 financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASBs") and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

APN uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures" and include EBITDA and EBIT before exceptional items and net profit before exceptional items.

APN Shareholders should also note that this Notice of Meeting and Explanatory Memorandum contains pro forma historical financial information. In preparing the pro forma historical financial information, certain adjustments were made to the historical financial information of APN that APN considered appropriate to reflect the indicative effect of the Proposed Transaction, as described in this Notice of Meeting and Explanatory Memorandum. The financial information contained in this Notice of Meeting and Explanatory Memorandum is historical only. APN Shareholders should note that past financial performance is not necessarily a guide to future financial performance.

FORWARD LOOKING STATEMENTS

Certain statements in this Notice of Meeting and Explanatory Memorandum relate to the future. While APN believes there is a reasonable basis for these forward looking statements they do involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of APN to be materially different from the future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which APN will operate in the future. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, the risk factors described in this document, and other unknown risks and uncertainties. Forward looking statements should, therefore, be construed in light of such risk factors. You are cautioned not to place undue reliance on these statements.

Other than as required by law, neither APN nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur.

The forward looking statements in this document reflect views held only at the date of this document. Subject to any continuing obligations under law or the ASX Listing Rules, APN and its Directors disclaim any obligation or undertaking to disseminate after the date of this document any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

INTERPRETATION

Capitalised terms and certain abbreviations used in this document have the defined meanings set out in the Glossary.

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Notice of Meeting and Explanatory Memorandum are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

All references to \$, A\$, AUD, dollars and cents, are to Australian currency, unless specified otherwise.

All references to "FY" in this Notice of Meeting and Explanatory Memorandum are to APN's financial year ended 31 December of the relevant financial year.

All references in this Notice of Meeting and Explanatory Memorandum to time are to Australian Eastern Standard Time ("AEST").

ENTITLEMENT TO INSPECT APN'S SHARE REGISTER

Under section 173 of the Corporations Act, persons are entitled to inspect and copy the APN Share Register. The APN Share Register contains personal information about APN Shareholders.

PRIVACY AND PERSONAL INFORMATION

The collection of certain personal information is required or authorised by the Corporations Act in Australia.

Shareholders who are individuals, and individuals appointed as proxies, corporate representatives or attorneys, in respect of whom personal information is collected as outlined in this important information and disclaimer have certain rights to access information. They should call the Shareholder Information Line on 1300 365 969 (within Australia) or +61 1300 365 969 (outside Australia), or 0800 729 276 (within New Zealand), Monday to Friday between 8.30am and 5.30pm (AEST) if they have any questions.

Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the General Meeting, should inform such individuals of the matters outlined in this important information and disclaimer.

DATE

This document is dated 17 August 2016.

3. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the APN Board, I am pleased to present you with this Notice of Meeting and Explanatory Memorandum, and invite you to support the proposed sale of Australian Regional Media ("ARM") to a subsidiary of News Corp ("Proposed Transaction") which was announced on 21 June 2016.

This document explains the rationale for the Proposed Transaction and sets out other information relevant to APN Shareholders' consideration of the Proposed Transaction. In order for the Proposed Transaction to proceed, it must be approved by an ordinary resolution of APN Shareholders at the General Meeting. News Limited, being a 14.99% shareholder in APN, and its associates, will be excluded from voting on the resolution to approve the Proposed Transaction.

The APN Board is of the view that the Proposed Transaction will enhance shareholder value by enabling APN to pursue its strategic priorities and focus on its growth assets. For APN, a more defined and targeted portfolio of assets, focussed around two significant growth sectors in media of radio and outdoor, will facilitate greater market recognition of the value of the APN businesses.

In recommending the Proposed Transaction to APN Shareholders, the APN Board has conducted a robust sale process. The sale process conducted by APN, with the assistance of advisers, involved a number of interested parties encompassing both existing media operators and private equity funds. APN received and reviewed a number of final bids before entering into binding transaction documentation with News Corp. APN assessed the News Corp bid as offering a superior combination of price, ability to execute the share sale agreement in a timely and efficient manner and certainty of funding, compared to other offers received by APN.

After considering the advantages, disadvantages and risks of the other offers, compared to the advantages, disadvantages and risks of the News Corp bid, the APN Directors unanimously consider that the Proposed Transaction is in the best interests of APN Shareholders. The APN Directors believe that the Proposed Transaction will, over time, facilitate greater market recognition of the value of APN's businesses compared to the current circumstances.

The APN Board unanimously recommends that you vote in favour of the resolution to approve the Proposed Transaction. Each APN Director intends to vote any APN Shares held by, or controlled by, that APN Director in favour of the resolution to approve the Proposed Transaction.

Deloitte Corporate Finance, the Independent Expert appointed by APN to review the Proposed Transaction, has also concluded that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders. A copy of this report is included in Section 6 of this document.

The Proposed Transaction must be approved by APN Shareholders, who are eligible to vote on the resolution at the General Meeting to be held at 10.00am (AEST) on Friday, 16 September 2016 at Baker & McKenzie, Level 27, AMP Centre, 50 Bridge Street, Sydney, NSW 2000.

Pursuant to the ASX Listing Rules, any votes cast by News Limited or its associates on the Proposed Transaction Resolution will be disregarded.

The Share Sale Agreement entered into to give effect to the Proposed Transaction is subject to certain other conditions, including FIRB approval, ACCC approval and certain other required third party consents (see Section 5.3). APN and/or News Corp are in the process of seeking the approvals and consents necessary to satisfy the conditions.

I encourage you to read this Notice of Meeting and Explanatory Memorandum carefully and in its entirety as it sets out important information on the Proposed Transaction, including further details of the Proposed Transaction (see Section 5.3), as well as the benefits and risks (see Sections 5.5 to 5.6).

If you have any questions about this Notice of Meeting and Explanatory Memorandum or the Proposed Transaction, please consult your financial, legal, taxation or other professional adviser. You can also call the APN Shareholder Information Line on 1300 365 969 (within Australia) or +61 1300 365 969 (outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday, or 0800 729 276 (within New Zealand) between 8.30am and 5.30pm (AEST), Monday to Friday, or visit the APN website at investorcentre.apn.com.au.

On behalf of the Board, I urge you to support the Proposed Transaction by voting in favour of the Proposed Transaction Resolution, either in person or by proxy, at the General Meeting to be held at 10.00am on Friday, 16 September 2016 and thank you for your ongoing support of our company.

Yours faithfully,



Peter Cosgrove
Chairman
APN News & Media Limited

4. NOTICE OF GENERAL MEETING

Notice is given that a general meeting of the holders of ordinary shares in the capital of APN News & Media Limited ("APN") will be held at Baker & McKenzie, Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000 on Friday, 16 September 2016 at 10.00am (AEST).

PURPOSE OF THE GENERAL MEETING

The purpose of the General Meeting is to consider and, if thought fit, to pass the Proposed Transaction Resolution.

Information on the Proposed Transaction Resolution is set out in the Explanatory Memorandum in section 5 of this Notice of Meeting and Explanatory Memorandum.

DEFINED TERMS

Unless otherwise defined in this Notice of Meeting and Explanatory Memorandum, capitalised terms used in this Notice of Meeting and Explanatory Memorandum have the same meanings as set out in the Glossary in section 7.

PROPOSED TRANSACTION RESOLUTION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

Proposed Transaction Resolution: "For the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the sale by the APN Subsidiaries of all of the shares and units held by each of them in the ARM Sale Companies to NCA Ventures Pty Ltd, a subsidiary of News Corp, as described in the Explanatory Memorandum."

REQUIRED VOTING MAJORITY

In accordance with ASX Listing Rule 10.1, the Proposed Transaction Resolution must be approved by a majority (more than 50%) of votes cast by members entitled to vote on the resolution.

VOTING EXCLUSION STATEMENT

APN will disregard any votes cast by:

- (a) News Limited; and
 - (b) any associate of News Limited,
- on the Proposed Transaction Resolution.

However, APN need not disregard a vote on the Proposed Transaction Resolution if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form; or
- (d) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board



Yvette Lamont
Company Secretary
APN News & Media Limited
17 August 2016

NOTES ON VOTING AND PROXIES

1. APN Shareholders who are entitled to vote

Only those APN Shareholders who are registered as holders of APN Shares at 7.00pm (AEST) on 14 September 2016 are entitled to vote at the General Meeting.

2. Voting at the General Meeting

Voting at the General Meeting will be conducted by way of a poll. APN Shareholders will have one vote for every APN Share held by them (subject to any restrictions on voting rights set out in this Notice of Meeting and Explanatory Memorandum).

3. How to Vote

You can vote in either of two ways:

- (a) by attending the General Meeting and voting in person or by attorney, or in the case of corporate APN Shareholders, by corporate representative; or
- (b) by appointing a proxy to attend and vote at the General Meeting on your behalf, either by using the Proxy Form accompanying the Notice of Meeting and Explanatory Memorandum (of which this notice forms part) or electronically by visiting vote.linkmarketservices.com/APN, or by scanning this QR code with your smartphone or tablet to use APN's dedicated mobile voting site.



For further information on proxy voting, please refer to the detailed instructions contained on your Proxy Form.

4. Voting in person, by attorney or by corporate representative

If possible, you should arrive at the meeting venue by 9:30am (AEST), so that your shareholding can be checked against the APN Share Register and your attendance noted. You must register your attendance on arrival.

If you wish to attend the General Meeting by attorney, evidence of the appointment and non-revocation of such attorney must be received by the APN Share Registry by no later than 10.00am (AEST) on Wednesday, 14 September 2016. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

A representative of a company attending the meeting should bring to the General Meeting a letter or certificate evidencing their appointment, unless previously given to the APN Share Registry. A form of certificate may be obtained from the APN Share Registry, Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000, or online at www.linkmarketservices.com.au.

5. Voting by proxy

- (a) APN Shareholders are entitled to appoint a proxy to attend the General Meeting and vote on their behalf. If a shareholder is entitled to attend and cast two or more votes at the General Meeting, the shareholder may appoint two proxies and may specify the proportion or the number of votes that the proxy may exercise. If no such proportion or number is specified, each proxy may exercise half of the shareholder's votes. Fractions of votes will be disregarded.
- (b) A proxy does not need to be an APN Shareholder.

4. NOTICE OF GENERAL MEETING

- (c) If a proxy is not directed how to vote on the Proposed Transaction Resolution, the proxy may vote, or abstain from voting, as that person thinks fit.
- (d) If a proxy is instructed to abstain from voting on the Proposed Transaction Resolution, that person is directed not to vote on the shareholder's behalf on the Proposed Transaction Resolution and the shares the subject of the proxy appointment will not be counted in determining the required majority.
- (e) APN Shareholders who return their Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the General Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the General Meeting, the chairman of the General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the General Meeting, the company secretary or any other officer of APN will be used to support the Proposed Transaction Resolution.
- (f) Completed Proxy Forms can be lodged as follows:
- (i) vote.linkmarketservices.com/APN;
 - (ii) by mobile device, by scanning this QR code with your smartphone or tablet to use APN's dedicated mobile voting site:



To scan the code, you will need a QR code reader application which can be downloaded for free on your mobile device;

- (iii) By mail in Australia: APN News & Media Limited c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 or by using the enclosed reply paid pre-addressed envelope
By mail in New Zealand: APN News & Media Limited c/- Link Market Services Limited, PO Box 91976, Auckland 1142, New Zealand or by using the enclosed reply paid pre-addressed envelope;
 - (iv) By hand-delivery in Australia: (during business hours, Monday to Friday, 9:00am - 5:00pm, (AEST) to Link Market Services Limited, to 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000
By hand-delivery in New Zealand: (during business hours, Monday to Friday, 9:00am - 5:00pm, (NZ time) to Link Market Services Limited, Level 11, Deloitte House, 80 Queen Street, Auckland, New Zealand; or
 - (v) by fax in Australia to +61 2 9287 0309 or in New Zealand to +64 9 375 5990.
- (g) To be effective, Proxy Forms must be received by no later than 10.00am (AEST) on Wednesday, 14 September 2016. Proxy Forms received after this time will be invalid.
- (h) The Proxy Form must be signed by the APN Shareholder or the APN Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney or the power itself must be received by the APN Share Registry by 10.00am (AEST) on Wednesday, 14 September 2016. If sent by fax, the power of attorney must be certified.

- (i) In the case of joint APN Shareholders, the name of any one of the joint APN Shareholders may be shown on the Proxy Form and any one of the joint APN Shareholders may sign the Proxy Form. If more than one of the joint APN Shareholders are present personally or by duly authorised representative, proxy or attorney, only the vote of the holder whose name appears first in the APN Share Register counts.

6. Voting by Corporate Representative

- (a) An APN Shareholder, or proxy, that is a corporation and entitled to attend and vote at the General Meeting may appoint an individual to act as its corporate representative.
- (b) Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with APN before the General Meeting or at the registration desk on the day of the General Meeting.
- (c) If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been noted by the APN Share Registry.

7. Voting by Attorney

- (a) An APN Shareholder entitled to attend and vote at the General Meeting is entitled to appoint an attorney to attend and vote at the General Meeting on the APN Shareholder's behalf.
- (b) An attorney need not be an APN Shareholder.
- (c) The power of attorney appointing the attorney must be duly signed and specify the name of the APN Shareholder, APN and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.
- (d) To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for Proxy Forms.

EXPLANATORY NOTES

Proposed Transaction Resolution

The Proposed Transaction Resolution is being put to the APN Shareholders to obtain approval to the Proposed Transaction as required under ASX Listing Rule 10.1. Under ASX Listing Rule 10.1, the Proposed Transaction Resolution must be approved by a majority (more than 50%) of votes cast by ordinary shareholders entitled to vote on the resolution.

The Independent Expert has found that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders. In providing this opinion, the Independent Expert considered amongst other things, the fair market value of the ARM Business with respect to the consideration offered by News Corp. APN Shareholders are encouraged to read the Independent Expert's Report in full. A copy is attached to this Notice of Meeting and Explanatory Memorandum in Section 6.

Each APN Director recommends that the APN Shareholders vote in favour of the Proposed Transaction Resolution and intends to vote all APN Shares held or controlled by them in favour of the Proposed Transaction Resolution.

5. EXPLANATORY MEMORANDUM

5.1 INTRODUCTION

APN is a media and entertainment company with a combination of radio, publishing and digital assets in Australia, and outdoor assets in Australia, New Zealand and Hong Kong.

Australian Regional Media (“ARM”) represents APN’s only remaining publishing asset. The business is operating in a challenging environment, with the newspaper industry experiencing declining revenues.

APN’s focus is to prioritise strategic investments on the growth areas within its portfolio in order to deliver the greatest shareholder return.

The APN Board is of the view that the Proposed Transaction will enhance shareholder value in the long term by enabling APN to pursue its strategic priorities and focus on its growth assets. For APN, a more defined and targeted portfolio of assets, focussed around two significant growth sectors in media of radio and outdoor, will facilitate greater market recognition of the value of the remaining APN businesses.

This Explanatory Memorandum is intended to:

- provide an overview of the ARM Business;
- outline the background and rationale for the Proposed Transaction;
- outline the sale process;
- outline the benefits and risks associated with the Proposed Transaction;
- provide an overview of APN after the Proposed Transaction; and
- explain why you are being asked to vote on the Proposed Transaction, and to recommend that you vote in favour of the Proposed Transaction Resolution.

5.2 OVERVIEW OF THE ARM BUSINESS

ARM is a provider of unique local content through print, online, mobile and tablet platforms, connecting over 2.1 million Australians every month across regional Queensland and northern New South Wales.

The business’ asset base includes 12 daily newspapers, more than 60 community, non-daily and specialist publications and over 60 regional news, community and other websites. Notable brands include:

ARM locations (QLD and NSW)



Source: Company filings.

Daily mastheads (NSW and QLD)



5. EXPLANATORY MEMORANDUM

Communities and specialty (NSW and QLD)



Source: Company filings

ARM is a leading news source in the regions in which it operates and has a high penetration, reaching an average of 87% of the population in its markets.

ARM's focus on local content, strong brands, multi-platform delivery and audience reach means it is attractive to local and national advertisers. Approximately 80% of ARM's revenue in 2015 was generated from local advertisers reflecting the strength of its regional offering.

In August 2015, ARM launched Australia's first regional digital subscription program at *The Toowoomba Chronicle*. The package includes access to ARM's digital products as well as full digital access to a metropolitan news brand, *The Washington Post* and streaming video-on-demand service Presto. The launch exceeded expectations and ARM fast-tracked the digital subscription rollout across the rest of its daily newspapers in October 2015. Digital subscriptions have contributed additional audience revenues for ARM.

A summary of ARM's historical income statement and cash flow statement is provided below:

ARM historical income statement

(In A\$m, FY 31 Dec)	FY14	FY15
Revenue	202.1	188.5
EBITDA	25.0	18.4
(-) D&A	(9.7)	(8.2)
EBIT	15.4	10.1
Revenue decline (%)	(6.9%)	(6.7%)
EBITDA margin (%)	12.4%	9.7%
EBIT margin (%)	7.6%	5.4%

ARM historical cash flow statement

(In A\$m, FY 31 Dec)	FY14	FY15
EBITDA	25.0	18.4
Change in working capital	(4.5)	1.0
Dividends paid to minorities	(0.1)	(0.1)
Capital expenditure	(3.1)	(6.7)
Restructuring costs	(5.3)	(7.1)
Net operating cash flows, before financing costs and tax	12.0	5.5

Source: Extracted or derived from APN's audited financial statements.

5.3 THE PROPOSED TRANSACTION

The Sale Process

In February 2016, APN announced that it had commenced a process to divest its ARM Business. APN, with the assistance of advisers, identified and approached a number of potential bidders (including existing media operators and private equity funds) and received a number of unsolicited approaches from other potential bidders.

A formal sale process was established, with a number of potential bidders entering into confidentiality arrangements with APN, before being given access to a data room set up for the purposes of bidders conducting due diligence prior to submitting a final offer.

As part of the bid process, APN and its advisers prepared a draft Share Sale Agreement to give effect to the sale by the APN Subsidiaries of all of the shares and units held by each of them in the ARM Sale Companies. A draft Transitional Services Agreement (designed to facilitate the transfer of the ARM Business from APN to the successful bidder) was also provided to bidders.

Final bids were received by APN in June 2016. APN evaluated these final bids with a view to reaching agreement on a final form of Share Sale Agreement and Transitional Services Agreement.

5. EXPLANATORY MEMORANDUM

After a thorough evaluation of the offers, APN assessed the News Corp bid as offering a superior combination of price, the ability to execute the Share Sale Agreement in a timely and efficient manner and certainty of funding. APN's concerns with the alternative offers included that the relevant offers:

- (a) were unfunded, or subject to significant funding uncertainty;
- (b) showed little pre-bid engagement with the draft Share Sale Agreement and Transitional Services Agreement, and would require considerable further negotiation of these documents prior to execution;
- (c) were unsupported by appropriate due diligence (and, in some cases, were conditional upon a further due diligence process); and
- (d) lacked visibility as to the make-up of the investors.

In light of these concerns, APN entered into final negotiations with News Corp, and the parties announced the execution of the Share Sale Agreement on 21 June 2016.

Share Sale Agreement

Under the Share Sale Agreement, NCA Ventures Pty Ltd (a subsidiary of News Corp) agreed to acquire all of the share capital (and, in the case of trusts, the units) in the ARM Sale Companies held by the APN Subsidiaries. The purchase price for the ARM Sale Companies is \$36,600,000.00, subject to customary closing adjustments. NCA Ventures Pty Ltd's obligation to pay the purchase price is guaranteed by News Australia Holdings Pty Ltd.

The Share Sale Agreement is subject to certain conditions, including this APN Shareholder approval under ASX Listing Rule 10.1, FIRB approval, ACCC approval and certain other required third party consents. APN and/or News Corp are in the process of seeking the approvals and consents necessary to satisfy the conditions.

Transitional Services Agreement

The Share Sale Agreement also requires APN to enter into the Transitional Services Agreement with APN Newspapers Pty Ltd, a member of the ARM Group, prior to completion under the Share Sale Agreement. The Transitional Services Agreement is intended to facilitate the smooth transition of the ARM Group from the operation and control of APN, to the operation and control of News Corp by ensuring that both APN and the ARM Group retain access to certain key services for a transitional period. Under the Transitional Services Agreement, the relevant APN entity and the relevant ARM entity (each a "Service Provider" or "Service Recipient", as relevant) agree to provide the other with certain services which, prior to Completion under the Share Sale Agreement, would have been provided by one party to the other and shared between APN and the ARM Group (the "Shared Services").

The Shared Services are to be provided for an initial period of 6 months from the commencement of the Transitional Services Agreement. That term is automatically renewed for a further 6 months, unless the Service Recipient gives written notice of its desire to terminate the Transitional Services Agreement in respect of a particular Shared Service.

The Service Recipient in the majority of cases is required to pay designated fees to the Service Provider in exchange for the provision of the Shared Services. APN considers the designated fees to be on a cost recovery basis.

5.4 REQUIREMENT FOR SHAREHOLDER APPROVAL IN RESPECT OF THE PROPOSED TRANSACTION

Under ASX Listing Rule 10.1, a listed entity must ensure that neither it nor any of its subsidiaries disposes of a substantial asset to a substantial shareholder in the entity without the approval of the entity's other shareholders.

An asset is "substantial" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the listed entity as set out in the latest accounts given to the ASX under the ASX Listing Rules. The ARM Group represented 16% of pro forma APN (after the demerger) equity interests as at FY15. Refer to section 5.8 for the pro forma APN (after the disposal of ARM) historical Balance Sheet.

A person is a substantial shareholder in an entity if that person (or the person's associates) have a relevant interest in at least 10% of the total votes attached to the voting securities in the entity. NCA Ventures Pty Ltd is an associate of News Limited, which holds 14.99% of the total shares in APN.

Accordingly, the Board has called the General Meeting to seek APN Shareholder approval of the Proposed Transaction Resolution in order to comply with ASX Listing Rule 10.1. Pursuant to the ASX Listing Rules, any votes cast by News Limited or its associates on the Proposed Transaction Resolution will be disregarded.

In accordance with its obligations under ASX Listing Rule 10.1, APN has appointed Deloitte Corporate Finance as the Independent Expert. A copy of the Independent Expert's Report prepared by the Independent Expert on whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders is separately included in section 6 of this document.

In its report the Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

5.5 BENEFITS OF THE PROPOSED TRANSACTION

Along with the demerger of NZME from APN, which was overwhelmingly supported by APN Shareholders at the general meeting on 16 June 2016, the Proposed Transaction represents the continued execution of APN's strategy to focus on its higher growth radio and outdoor media assets.

APN believes that the benefits of the Proposed Transaction include the following:

a) Focus on strategic priorities

APN, following the divestment of ARM, will be better positioned to focus on the radio and outdoor media segments, prioritising strategic investments in these growth areas within its portfolio to deliver the greatest shareholder return. These segments of media are better aligned with APN's strategic priorities to focus on growth prospects and require a different focus than managing publishing assets.

The divestment of ARM will allow APN to better pursue opportunities and develop strategies and capital structures relevant to a growth media business, allowing APN to continue to drive innovation across its portfolio of assets.

b) Increased capital flexibility

APN's strategic and investment priorities over recent years have focused on two growth sectors of radio and outdoor. However, ARM has required and would, if retained, continue to require investment in order to stabilise its business. The Proposed Transaction will allow APN to focus its investment on its growth assets, rather than having to also use its capital to further protect and stabilise the ARM Business. In FY14 and FY15 APN incurred \$8.4 million and \$13.8 million, respectively, on capital expenditure and restructuring of the ARM Business. If APN disposes of ARM, future capital could be allocated towards APN's strategic priorities.

c) The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

APN Shareholders are encouraged to read the Independent Expert's Report in full. A copy is attached to this Notice of Meeting and Explanatory Memorandum in Section 6.

5.6 RISKS OF THE PROPOSED TRANSACTION

There are certain risk factors associated with the Proposed Transaction, which include the following:

a) Proposed Transaction may not reach completion

Completion of the Proposed Transaction is subject to the satisfaction or waiver of a number of conditions precedent, including this APN Shareholder approval under ASX Listing Rule 10.1, FIRB approval, ACCC approval and certain other required third party consents. APN and/or News Corp are in the process of seeking the approvals and consents necessary to satisfy the conditions. If the APN Shareholders do not approve the Proposed Transaction Resolution, or any of the other conditions precedent are not satisfied or waived, the Proposed Transaction will not proceed.

If the Proposed Transaction does not proceed, APN would need to review all remaining strategic options open to APN. APN would need to consider continuing to invest in ARM in order to stabilise the ARM Business. APN may experience a delay in the execution of its strategic objectives and may need to divert capital to ARM away from potential growth investments, and will be unable to realise the benefits for APN Shareholders that the APN Board believes will result from the divestment of ARM.

b) Potential for delays, unexpected costs or other issues in separating ARM from APN

APN and ARM have entered into the Transitional Services Agreement which is intended to facilitate the smooth transition of the ARM Group from the operation and control of APN, to the operation and control of News Corp after completion under the Share Sale Agreement. Under the Transitional Services Agreement, the relevant APN entity and the relevant ARM entity agree to provide the other with certain services which, prior to completion under the Share Sale Agreement, would have been provided by one party to the other and shared between APN and the ARM Group.

There is a risk that these services may not be provided as expected or may involve greater costs than anticipated.

c) Reduced diversity of assets held by APN and loss of benefit of ARM digital subscription offering

The Proposed Transaction will reduce the diversity of media assets held by APN, and may also result in reduced exposure to regional communities.

Additionally, in late 2015 the ARM business announced its digital subscription offering combining the latest local, state and international news, entertainment and information and a range of rewards and benefits for subscribers. Although in its early stages, the digital subscription offering may continue to develop and prove profitable to the ARM business.

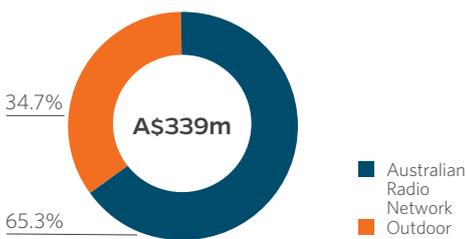
5. EXPLANATORY MEMORANDUM

5.7 APN FOLLOWING COMPLETION OF THE PROPOSED TRANSACTION

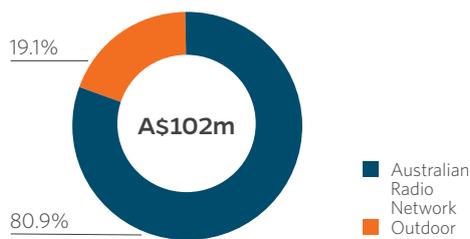
APN after the sale of ARM will be a growth oriented media and entertainment company with radio and digital assets in Australia and outdoor assets in Australia, New Zealand and Hong Kong. It will continue to be listed on the ASX and the NZX.

	Radio	Outdoor
Key Brands/Titles		
Highlights	<ul style="list-style-type: none"> - Two core national radio networks across key capital cities - KIIS Network and Classic Hits Pure Gold Network - #1 metropolitan FM radio network in Australia in 2015 - #1 and #2 ranked FM radio stations in Sydney, Melbourne, Brisbane and Adelaide in 2015 - iHeartRadio - music streaming, digital entertainment and live events brand - Emotive - content marketing agency 	<ul style="list-style-type: none"> - Adshel - #1 street furniture network in Australia and New Zealand offering advertising solutions that are innovative, creative and flexible - Cody - Over 600 large format outdoor panels in Hong Kong - Cody - Buzplay multimedia installations across 1,200 buses in Hong Kong

APN's economic interests (after the sale of ARM) FY15 revenue¹



APN's economic interests (after the sale of ARM) FY15 EBITDA¹



Source: Extracted or derived from audited financial statements.

1. Before standalone corporate costs, unallocated costs and exceptional items, after the Demerger of NZME. APN's economic interests financials reflects 50% ownership in Adshel on a proportional basis. Outdoor division includes Adshel and Cody in Hong Kong.

APN's strategic priorities and focus will be on those areas of the business that will deliver the greatest shareholder return. Investments will be prioritised and focused on growth areas. Radio and outdoor continue to be growth sectors in Australian media with market revenue growth of 5% and 17% respectively in 2015. Australian Radio Network ("ARN") and Adshel are amongst the leading businesses within their respective categories. Both businesses have been experiencing revenue growth.

ARN's earnings growth over the past few years has been driven by its content and ongoing ratings success. This strategy is being supported by investments in new business and digital initiatives aimed at growing audiences and revenues. Increasingly the focus for ARN will be to grow its younger audience base, delivering content across multiple platforms including mobile, video and social, utilising new and existing assets such as iHeartRadio, The Edge and Emotive.

Adshel is focused on the expansion of its digital street furniture networks in Australia and New Zealand, which is expected to support further revenue growth for Adshel. In addition, Adshel will continue to look at ways to expand its data capture and insights offering to advertisers.

Australian Radio Network (ARN)

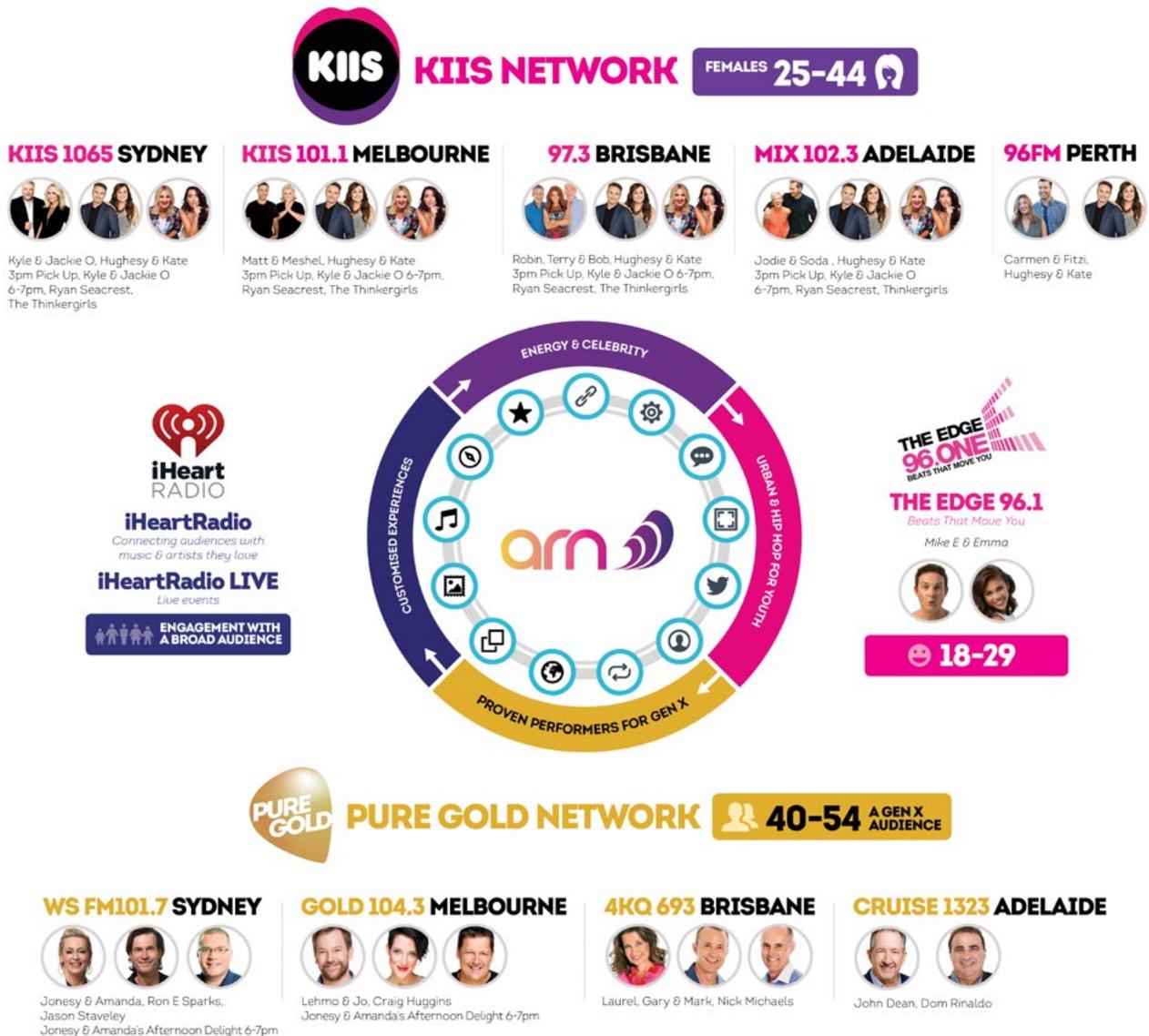
ARN is one of Australia’s leading metropolitan radio broadcasters and home to the national KIIS and Pure Gold networks. ARN also owns youth radio network The Edge.

ARN was the #1 metropolitan FM radio network in Australia in 2015 by audience. ARN also held the #1 and #2 ranked FM radio stations by audience share in Sydney, Melbourne, Brisbane and Adelaide in 2015¹.

In 2015, ARN broadcasted to over 4.4 million listeners each week². The KIIS Network is targeted at the 25 to 44 year old demographic with a female skew, while the Pure Gold Network is targeted at the 40 to 54 year old, Gen X demographic. The Edge is an urban youth radio network targeted at 18-29 year olds.

In Australia, ARN also operates the music streaming, digital entertainment and live events brand iHeartRadio.

The ARN ecosystem



1 GFK Metro Survey 1-8 2015 average, 10+ Mon-Sun 5.30am-12.00am, Sydney/Brisbane/Melbourne/Adelaide/Perth.
 2 GFK Metro Survey 1-8 2015 average, 10+ Mon-Sun 5.30am-12.00am, Sydney/Brisbane/Melbourne/Adelaide/Perth.

5. EXPLANATORY MEMORANDUM

ARN's portfolio

Platform	Brands ¹	Target Demographic	Overview
		25-44 years	<ul style="list-style-type: none"> - In 2015, ARN was the #1 radio network in Australia² - In 2015, the KIIS breakfast teams led in Sydney, Adelaide and Brisbane. The KIIS network broadcasts across five capital cities via KIIS 106.5 Sydney, KIIS 101.1 Melbourne, 97.3 Brisbane, Mix102.3 Adelaide and 96FM Perth - Delivers content, alongside music, targeted to each city and features some of Australia's most well-known and successful personalities
		40-54 years	<ul style="list-style-type: none"> - The Pure Gold Network broadcast across Australia via WSFM101.7 Sydney, GOLD104.3 Melbourne, 4KQ693AM Brisbane and Cruise1323 Adelaide - In 2015, Gold 104.3 and WSFM were the #2 FM stations in Melbourne and Sydney³ - Timeless entertainment with a depth of musical knowledge and passion and intelligent content, targeting the Gen X demographic
Other Stations		18-29 years	<ul style="list-style-type: none"> - The Edge 96.1 FM (Sydney) and EDGE DIGITAL (Sydney, Melbourne, Adelaide, Brisbane) plays Hip Hop, R&B, Pop and Dance - Delivers a mix of music and content targeted to a youth audience - Engages with a digitally and socially savvy audience across a multiplatform offering - Facebook reach of 6.3 million
Digital Radio		Under 35 years	<ul style="list-style-type: none"> - iHeartRadio is a free, all-in-one digital radio service and live events platform that lets audiences listen to and customize their favourite live stations - Operates across Australia and New Zealand with ability to extend to certain countries in Asia - In Australia, 527,000 registered users and 803,000 app downloads resulting in over 2.2 million total streaming hours⁴
Content Marketing			<ul style="list-style-type: none"> - Launched in February 2015 with APN a founding investor - Created over 23 campaigns for clients such as Optus, Virgin Mobile and Woolworths - Over 90 pieces of content created - Over 40 million video views - 1 million+ social actions - Won 8 awards including a Bronze Cannes Lion

1 APN has a 100% ownership of nine radio stations, 50% interests in four radio stations including 97.3FM, and a licence to operate iHeartRadio for a further 10 years.

2 GFK Metro Survey 1-8 2015 average, 10+ Mon-Sun 5.30am-12.00am, Sydney/Brisbane/Melbourne/Adelaide/Perth.

3 GFK Metro Survey 1-8 2015 average, 10+ Mon-Sun 5.30am-12.00am, Sydney/Brisbane/Melbourne/Adelaide/Perth.

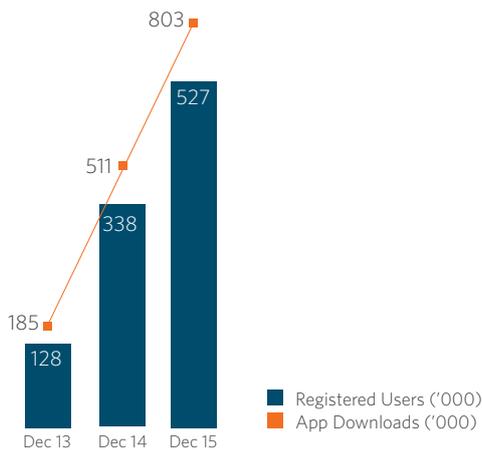
4 Internal ARN data. Registered users and app downloads as at December 2015. Average streaming hours across 2015.

iHeartRadio

iHeartRadio is a music streaming, digital entertainment and live events music brand operated by ARN. iHeartRadio is continuing to strengthen its position among under 35 year olds. In 2015, app downloads increased by 53%, registered users increased by 52% and mobile users increased by 43% year-on-year which contributed to a 49% increase in revenue for iHeartRadio.

iHeartRadio has built its audience by delivering some of Australia’s biggest music events. The success of iHeartRadio has seen commercial sponsorships increase, including a partnership with Optus. At December 2015, iHeartRadio had approximately 527,000 registered users in Australia and 803,000 app downloads averaging over 2.2 million total streaming hours.

Growth in iHeartRadio registered users and app downloads (2013-2015)



Source: Internal iHeartRadio data

Emotive

Emotive is a content marketing business launched in February 2015 with APN as a founding partner. Helping marketers inject emotion into content creation, Emotive specialises in the creation of video content and events in entertainment culture. An ability to leverage off APN’s broader network including ARN and Adshel enhances Emotive’s innovative amplification model by giving it access to APN’s large weekly audience to further boost content distribution. Emotive launched with iHeartRadio as a foundation client. Emotive continues to provide a broad scope of work for iHeartRadio including the creation of a series of original music content programs and events for brands.

Since its launch, Emotive has achieved a number of milestones including:

- a Bronze Cannes Lion award, one of the top creative awards in the world, for a campaign featuring Ricky Gervais for Optus and Netflix; and
- appointment as the official content agency partner for Optus and Virgin Mobile in Australia.

Outdoor

APN’s outdoor business segment comprises Adshel in Australia and New Zealand and Cody in Hong Kong.

Adshel

Adshel is a leading outdoor and digital-out-of-home (“OOH”) provider in Australia and New Zealand, offering advertising solutions that are innovative, creative, flexible and delivered at scale across its network.

It has almost 20,000 static and digital advertising panels across Australia and New Zealand, in street furniture, rail and petro-convenience environments.

Adshel is a joint venture between APN and Clear Channel International that has been in operation for almost 20 years.

Digital network

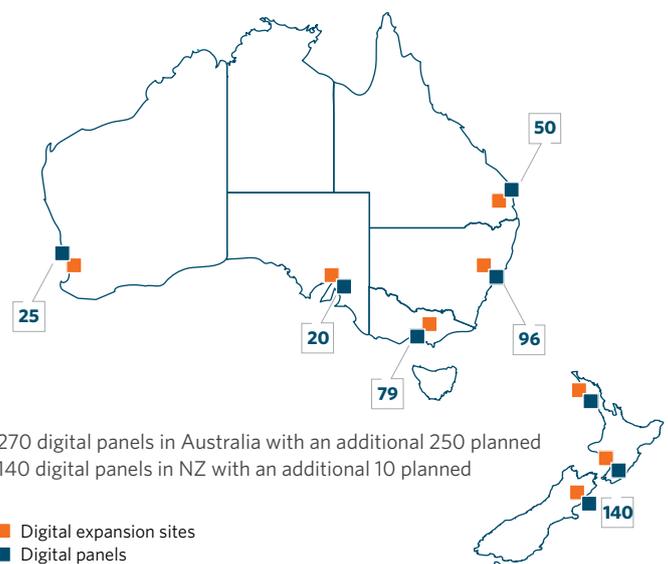
Adshel commenced the launch of its digital street furniture network – Adshel LIVE – in 2015 which is transforming the business by delivering significant revenue gains. In June 2015, Adshel digitised 35 of its key advertising panels in Auckland CBD. In October 2015, the business launched a national digital street furniture network with 270 panels across Australia.

Digital outdoor panels enhance audience engagement and experience and provide advertisers with a flexible platform by time of day, geography and scale to deliver campaigns with contextual relevance and dynamic messaging.

The second phase roll-out of Adshel LIVE commenced in New Zealand in July 2016 across Auckland, Wellington and Christchurch. 140 panels are now live, with the final digital panels to be deployed by September 2016, bringing the total to 150.

The expansion of Adshel’s digital network in Australia will continue throughout 2016, with a further 250 digital panels to be deployed.

Adshel digital outdoor network

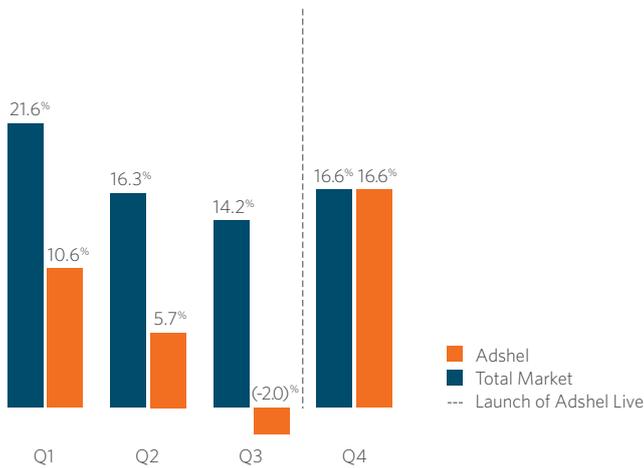


270 digital panels in Australia with an additional 250 planned
140 digital panels in NZ with an additional 10 planned

The launch of Adshel LIVE has repositioned the business and increased revenue growth rates to be on par or above market growth.

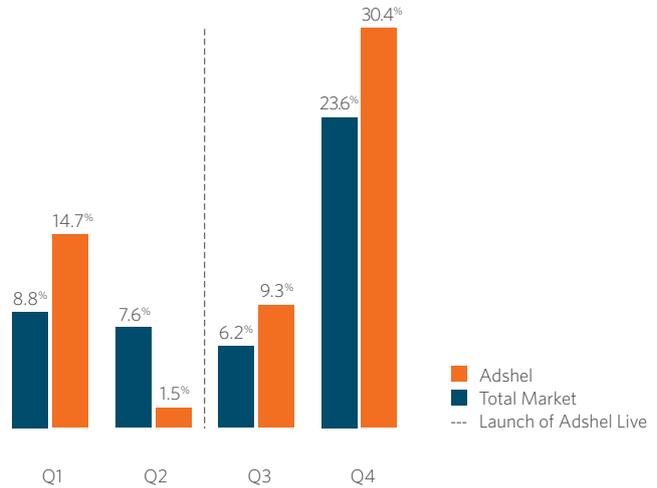
5. EXPLANATORY MEMORANDUM

Total AU OOH ad market vs Adshel (2015)



Source: OMA AU & NZ

Total NZ OOH ad market vs Adshel (2015)



Data capabilities

Adshel continues to invest in data and innovation. In 2015, the business launched a national beacons network in Australia to enhance its data capture and insights offering for clients. This offering was then expanded to all Adshel’s New Zealand panels, creating the country’s first national outdoor beacons network.

Following the successful integration of Roy Morgan’s Helix Personas consumer segmentation tool into Adshel’s Australian panels, the tool has also been made available across Adshel’s New Zealand panels. As part of the integration, Adshel coded its entire out-of-home inventory with Helix Personas. Media agencies and brand advertisers can now identify the optimal locations and creative strategies to deliver the right message to the right people at the right time.

Adshel’s offering

ADSHEL

The Scale to be Precise

ADSHEL Live

Relevance at Scale

ADSHEL Rail

Impacting Sydney at Scale

ADSHEL 7-Eleven

Time to be Considered

ADSHEL Immerse

ADSHEL Connect

Cody

Cody Outdoor International (HK) Limited (“Cody”) is a wholly owned subsidiary of APN. Cody is focused on premium billboard advertising in Hong Kong. Cody has a network of over 600 large format billboards across Hong Kong and also maintains Buzplay multimedia installations across 1,200 buses.

In 2015, due to the loss of the Buspak contract for advertising on Hong Kong Island buses, the business refocused on the Cody operations. A new management team has been installed.

Cody’s offering has been diversified to cover content creation, taxi advertising and experiential advertising solutions.

In early 2016, Cody secured the advertising rights for Hong Kong’s Western Harbour Tunnel for an additional seven years. This includes the opportunity to transform one of the sites into the country’s first digital out-of-home advertising billboard in a tunnel environment.

5.8 IMPACT OF THE SALE ON APN – PRO FORMA APN FINANCIAL INFORMATION

(a) Overview

This Section contains a summary of the pro forma historical financial information of APN after the disposal of ARM (“**pro forma APN (after the disposal of ARM) historical financial information**”), which is comprised of the following:

- Pro forma APN (after the disposal of ARM) historical income statements for the years ended 31 December 2014 and 31 December 2015 (“**pro forma APN (after the disposal of ARM) historical Income Statements**”);
- Pro forma APN (after the disposal of ARM) historical cash flow statements for the years ended 31 December 2014 and 31 December 2015 (“**pro forma APN (after the disposal of ARM) historical Cash Flow Statements**”); and
- Pro forma APN (after the disposal of ARM) historical balance sheet as at 31 December 2015 (“**pro forma APN (after the disposal of ARM) historical Balance Sheet**”).

This Section should be read in conjunction with the risks to which APN is subject and the risks associated with the disposal of ARM, as set out in Section 5.6.

(b) Basis of preparation

The basis of preparation applied in compiling the pro forma APN (after the disposal of ARM) historical financial information is set out below:

- Unless otherwise noted, the pro forma APN (after the disposal of ARM) historical financial information has been prepared in accordance with the recognition and measurement principles described in AASBs, which comply with the recognition and measurement principles of IFRS and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of the pro forma APN (after the disposal of ARM) historical financial information are consistent with those set out in the APN annual report for the year ended 31 December 2015;
- The results and cash flows of APN, subsidiaries, joint ventures and other investments are translated into Australian dollars using the average exchange rates for the period. Assets and liabilities of APN, subsidiaries, joint ventures and other investments are translated into Australian dollars at the exchange rate ruling at the balance sheet date;
- The pro forma APN (after the disposal of ARM) historical financial information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the Corporations Act;
- Exceptional items comprising of one-off gains and non-recurring costs have been excluded from the pro forma historical Income Statements as they are not reflective of the underlying continuing operations of APN;
- The pro forma APN (after the disposal of ARM) historical Cash Flow Statements are presented as cash flows after capital expenditure and restructuring costs, before financing costs and tax for the years ended 31 December 2014 and 31 December 2015;

- The pro forma APN (after the disposal of ARM) historical financial information has been derived from APN’s financial reports for the years ended 31 December 2014 and 31 December 2015 along with APN’s management information. APN’s financial reports for the years ended 31 December 2014 and 31 December 2015 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The audit opinions issued to APN in relation to those financial reports were unqualified;
- The pro forma APN (after the Demerger) historical financial information is consistent with information contained within the Explanatory Memorandum for the Demerger of NZME by APN dated 11 May 2016; and
- References to pro forma APN (after the Demerger) historical financial information are references to consolidated pro forma historical financial information in relation to the assets and operations comprising APN, excluding NZME. The pro forma historical Income Statements and Cash Flow Statements are presented as if the Demerger of NZME (“**the Demerger**”) was effective from 1 January 2014. The pro forma historical Balance Sheet has been prepared on the basis that the Demerger was completed on 31 December 2015.

Complete versions of APN’s financial reports for these periods are available from APN’s website, www.apn.com.au, or ASX’s website, www.asx.com.au, or NZX’s website www.nzx.com.

ARM operated as part of APN during the periods for which financial information is presented and therefore the pro forma APN (after the disposal of ARM) historical financial information does not purport to represent the actual financial performance and cash flows that would have occurred had ARM been a separate group during the periods presented, principally because:

- ARM did not operate independently of APN during the periods for which financial information is presented;
- Pro forma APN (after the disposal of ARM) historical financial information may not reflect the strategies or operations that APN may have followed or undertaken had ARM operated as a separate group rather than as part of APN; and
- APN (after the disposal of ARM) may have been exposed to different financial and business risks had ARM operated as a separate group rather than as part of APN.

The pro forma APN (after the disposal of ARM) historical Balance Sheet has been prepared on the basis that the disposal was completed on 31 December 2015. Pro forma adjustments have been made to reflect:

- The impact on APN of the pre-disposal restructure;
- The receipt of sale proceeds and pay down of external bank debt;
- The impact of the sale on deferred taxes; and
- Sale transaction costs to be incurred by APN.

The pro forma APN (after the disposal of ARM) historical Balance Sheet does not represent the actual financial position of APN at the time of the disposal, but represents an indication of the pro forma APN (after the disposal of ARM) historical Balance Sheet as at 31 December 2015 in the circumstances set out in this Section.

5. EXPLANATORY MEMORANDUM

Pro forma APN (after the disposal of ARM) historical Income Statements

The pro forma APN (after the disposal of ARM) historical Income Statements for the years ending 31 December 2014 and 31 December 2015 are set out in the tables below:

Reconciliation of APN pro forma (after the Demerger) historical Income Statement to APN pro forma (after the disposal of ARM) historical Income Statement FY15

A\$ in millions	APN pro forma (after the Demerger)	Less ARM Segment	APN pro forma (after the disposal of ARM)
Revenue from continuing operations	447.5	(188.5)	259.1
Other revenue and income	7.8	-	7.8
Total revenue and other income	455.4	(188.5)	266.9
Expenses from continuing operations	(368.5)	170.1	(198.4)
Share of profit of associates	11.9	-	11.9
EBITDA	98.8	(18.4)	80.4
Depreciation and amortisation	(13.3)	8.2	(5.0)
EBIT	85.5	(10.1)	75.4

Reconciliation of APN pro forma (after the Demerger) historical Income Statement to APN pro forma (after the disposal of ARM) historical Income Statement FY14

A\$ in millions	APN pro forma (after the Demerger)	Less ARM Segment	APN pro forma (after the disposal of ARM)
Revenue from continuing operations	432.9	(202.1)	230.8
Other revenue and income	3.7	-	3.7
Total revenue and other income	436.6	(202.1)	234.5
Expenses from continuing operations	(356.3)	177.1	(179.2)
Share of profit of associates	11.3	-	11.3
EBITDA	91.6	(25.0)	66.6
Depreciation and amortisation	(14.3)	9.7	(4.7)
EBIT	77.2	(15.4)	61.9

Pro forma APN (after the disposal of ARM) historical Cash Flow Statements

The pro forma APN (after the disposal of ARM) historical Cash Flow Statements for the years ending 31 December 2014 and 31 December 2015 are set out in the tables below:

Reconciliation of APN pro forma (after the Demerger) historical Cash Flow Statement to APN pro forma (after the disposal of ARM) historical Cash Flow Statement FY15

A\$ in millions	APN pro forma (after the Demerger)	Less ARM Segment	APN pro forma (after the disposal of ARM)
EBITDA	98.8	(18.4)	80.4
Change in working capital	1.4	(1.0)	0.4
Deduct share of associates	(11.9)	-	(11.9)
Dividends received from associates	10.0	-	10.0
Dividends paid to minorities	(6.0)	0.1	(5.9)
Net operating cash flows, before capital expenditure, financing costs and tax	92.3	(19.2)	73.0
Capital expenditure	(13.6)	6.7	(6.9)
Restructuring costs	(11.8)	7.1	(4.7)
Net operating cash flows, before financing costs and tax	66.9	(5.5)	61.5

Reconciliation of APN pro forma (after the Demerger) historical Cash Flow Statement to APN pro forma (after the disposal of ARM) historical Cash Flow Statement FY14

A\$ in millions	APN pro forma (after the Demerger)	Less ARM Segment	APN pro forma (after the disposal of ARM)
EBITDA	91.6	(25.0)	66.6
Change in working capital	(12.1)	4.5	(7.6)
Deduct share of associates	(11.3)	-	(11.3)
Dividends received from associates	9.5	-	9.5
Dividends paid to minorities	(5.1)	0.1	(5.0)
Net operating cash flows, before capital expenditure, financing costs and tax	72.6	(20.4)	52.2
Capital expenditure	(7.0)	3.1	(3.9)
Restructuring costs	(9.9)	5.3	(4.6)
Net operating cash flows, before financing costs and tax	55.7	(12.0)	43.7

5. EXPLANATORY MEMORANDUM

Pro forma APN (after the disposal of ARM) historical Balance Sheet

Set out below is the pro forma APN (after the disposal of ARM) historical Balance Sheet at 31 December 2015.

Proforma APN historical Balance Sheet at 31 December 2015

A\$ in millions	Pro forma APN (after the Demerger)	Less ARM (before pro forma adjustments)	(1) Pre-disposal restructure	(2) Sale proceeds & financial debt items	(3) Deferred Taxes	(4) Transaction costs	Pro forma APN (after the disposal of ARM)
Current Assets							
Cash and cash equivalents	14.5	(3.8)	3.8	(2.9)		(2.5)	9.1
Receivables	72.4	(27.6)					44.8
Inventories	3.8	(3.5)					0.2
Other assets	4.1	(1.3)					2.7
Total current assets	94.8	(36.3)	3.8	(2.9)	-	(2.5)	56.9
Non-current Assets							
Other financial assets	31.7	(0.0)					31.7
Investments accounted for using the equity method	53.8	-					53.8
Property, plant and equipment	60.6	(42.9)					17.7
Intangible assets	400.1	(0.7)					399.4
Other assets	20.7	(0.0)					20.7
Total non-current assets	566.9	(43.6)	-	-	-	-	523.3
Total assets	661.7	(79.9)	3.8	(2.9)	-	(2.5)	580.2
Current Liabilities							
Payables	(57.0)	10.5	1.9				(44.6)
Interest bearing liabilities	0.0	0.0					0.0
Current tax liabilities	(1.5)	(0.0)					(1.5)
Provisions	(19.0)	10.1					(8.9)
Total current liabilities	(77.5)	20.6	1.9	-	-	-	(54.9)
Non-current Liabilities							
Payables	(7.8)	4.8					(3.0)
Borrowing costs	2.6						2.6
Interest bearing liabilities (Gross)	(207.7)	-		36.6			(171.1)
Provisions	(6.4)	2.0					(4.5)
Deferred tax liabilities	(39.7)				(8.1)		(47.8)
Other liabilities	(1.7)	-					(1.7)
Total non-current liabilities	(260.8)	6.8	-	36.6	(8.1)	-	(225.5)
Total liabilities	(338.3)	27.5	1.9	36.6	(8.1)	-	(280.4)
Net assets	323.5	(52.5)	5.7	33.7	(8.1)	(2.5)	299.8

Notes:

1. Relates to the impact of restructuring APN prior to the disposal of ARM.
2. Represents the sale proceeds from the disposal of ARM, less adjustments for financial debt items
3. Relates to the impact of the sale on the deferred taxes of ARM
4. Relates to transaction costs incurred by APN on the sale of ARM

5.9 WHAT HAPPENS IF THE PROPOSED TRANSACTION DOES NOT PROCEED?

The Independent Expert's Report notes that the ARM Business operates in a business environment that is subject to significant structural challenges, and that the ARM Business has an uncertain outlook. The Independent Expert's Report also notes that continuation of the status quo would continue to expose APN to the risks inherent in the regional print media sector. APN Shareholders are encouraged to read the Independent Expert's Report in full. A copy is attached to this Notice of Meeting and Explanatory Memorandum in Section 6.

The Proposed Transaction with News Corp is considered the most desirable sale transaction, in the best interests of APN Shareholders. As such, if the Proposed Transaction does not proceed, APN would need to review all remaining strategic options open to APN. A sale to another buyer may be possible but it would be challenging with no certainty of such a transaction being completed at all, or if it is, it may be on terms less favourable to APN than the Proposed Transaction. APN would need to consider continuing to invest in ARM in order to preserve the value of the ARM Business.

If the Proposed Transaction does not proceed, the benefits highlighted in this Notice of Meeting and Explanatory Memorandum will not be achieved.

5.10 DIRECTORS' INTERESTS IN NEWS CORP

No director of APN has any interest in News Corp securities.

5.11 DIRECTORS' RECOMMENDATION

Each of APN's directors recommend that APN Shareholders vote in favour of the Proposed Transaction Resolution.

6. INDEPENDENT EXPERT'S REPORT

The Deloitte logo, consisting of the word "Deloitte" in a bold, dark blue sans-serif font, followed by a small green dot.

APN News & Media Limited

Independent expert's report and Financial Services Guide

5 August 2016



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$100,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed disposal of APN News & Media's Australian Regional Media (ARM) division to a wholly-owned subsidiary of News Corporation (the Proposed Transaction).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9255 8434

Financial Ombudsman Services
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
www.fos.org.au
Tel: 1300 780 808
Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

5 August 2016

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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The Directors
APN News & Media Limited
Level 4
100 William Street
Sydney NSW 2011

5 August 2016

Dear Directors

Independent expert's report

Introduction

On 21 June 2016, APN News & Media Limited (APN News & Media or the Company) announced that it had entered into binding documentation to divest its Australian Regional Media (ARM) division to a wholly-owned subsidiary of News Corporation (News Corp), NCA Ventures Pty Ltd, for \$36.6 million (with adjustments for debt-like items) (the Proposed Transaction).

Purpose of the report

Chapter 10 of the Listing Rules of the Australian Securities Exchange (ASX) (the Listing Rules) requires, when the disposal of a substantial asset to a substantial shareholder is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated shareholders whose votes are not to be disregarded (being those shareholders of APN News & Media not associated with News Limited, a wholly owned subsidiary of News Corp) (Non-associated Shareholders).

News Limited holds a 14.99% interest in APN News & Media and is a substantial shareholder for the purposes of the Proposed Transaction. ARM is a substantial asset of APN News & Media for the purposes of the Listing Rules. APN News & Media is therefore required to comply with Listing Rule 10.1 in respect of the Proposed Transaction.

The directors of APN News & Media (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

We have prepared this report having regard to Chapter 10 of the Listing Rules and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (which deals with the content of expert reports) and ASIC Regulatory Guide 112 (which deals with the independence of experts).

This report is to be included in the notice of meeting and explanatory memorandum to approve the Proposed Transaction (the Explanatory Memorandum), which will be sent to the shareholders of APN News & Media, and has been prepared for the exclusive purpose of assisting the Non-associated Shareholders in their consideration of the Proposed Transaction. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-associated Shareholders, the Directors and APN News & Media, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

Guidance

Neither the ASX Listing Rules, nor the Corporations Act 2011 (Cth) provides a definition of fair and reasonable for the purposes of ASX Listing Rule 10. However, Listing Rule 10 can encompass a wide range of transactions. Accordingly, fair and reasonable must be capable of broad interpretation to meet the particular circumstances of

each transaction. This involves judgement on the part of the expert as to the appropriate basis of evaluation to adopt given the particular circumstances of the transaction.

ASIC Regulatory Guide 111 provides guidance in relation to the content of independent expert's reports prepared for various transactions. It does not provide specific guidance on the form and content of reports prepared in respect of related party transactions, or transactions with a person in a position of influence that requires shareholder approval under Listing Rule 10. ASIC Regulatory Guide 111 provides general guidance that an expert, in deciding the appropriate form of analysis for the report, should ensure that reasonably anticipated concerns of the people affected by the proposed transaction are adequately dealt with.

We have also had regard to the requirement of Listing Rule 10 which is to state whether the transaction is fair and reasonable to shareholders of the entity whose votes are not to be disregarded.

In our opinion, the most appropriate basis on which to evaluate whether the Proposed Transaction is fair and reasonable to the Non-associated Shareholders under Listing Rule 10.1, is to consider the overall effect of the Proposed Transaction on the Non-associated Shareholders, and to form a view as to whether the expected benefits to the Non-associated Shareholders outweigh any disadvantages that may result from the Proposed Transaction.

In undertaking this analysis, we have assessed the fair market value of ARM being acquired on a control basis and compared that value with the cash consideration being offered. We have also considered various other factors relevant to the Proposed Transaction so far as the Non-associated Shareholders are concerned.

In forming our opinion as to whether the Proposed Transaction is fair and reasonable we have treated the concepts of fairness and reasonableness as a single opinion, that is the Proposed Transaction is, or is not, fair and reasonable.

Fairness

In the context of substantial shareholder transactions, ASIC Regulatory Guide 111 defines a transaction as being fair if the value of the financial benefit to be provided to the entity by the related party is equal to or less than the value of the consideration being provided to the entity, with the comparison being made:

- assuming a knowledgeable and willing, but not anxious buyer, and a knowledgeable and willing, but not anxious, seller
- assuming 100% ownership of the 'target' and irrespective of type of consideration offered.

Accordingly we have assessed whether the Proposed Transaction is fair by comparing the consideration offered with the value of ARM on a control basis.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of the asset has not been premised on the existence of a special purchaser.

Reasonableness

In the context of substantial shareholder transactions, ASIC Regulatory Guide 111 considers a transaction to be reasonable if either:

- the transaction is fair
- despite not being fair, the expert believes there are sufficient reasons for shareholders to vote for the transaction.

To assess the reasonableness of the Proposed Transaction we considered the following significant factors in addition to determining whether the Proposed Transaction is fair:

- the financial situation and outlook for ARM
- the opportunity costs
- the alternative options available to APN News & Media in respect of ARM and the likelihood of those options occurring
- whether there is selective treatment of any shareholder, particularly the substantial shareholder
- any special value of ARM to News Corp

- other implications associated with Non-associated Shareholders rejecting the Proposed Transaction.

Definition of value

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the assets valued would be expected to change hands in a hypothetical transaction between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

Summary and conclusion

We consider the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.

In arriving at this opinion, we have had regard to the following factors:

The Proposed Transaction is fair

Set out in the table below is a comparison of our assessment of the fair market value of ARM with the consideration offered.

Table 1: Valuation assessment

	Low (\$ million)	High (\$ million)
Estimated fair market value of ARM	31.1	43.6
Consideration offered ¹	34.7	34.7

Source: Deloitte Corporate Finance analysis

Note:

- The consideration has been adjusted for debt-like items in the amount of \$1.9 million in accordance with the share sale agreement governing the Proposed Transaction (Share Sale Agreement)*

The consideration offered by News Corp is within the range of our estimate of the fair market value of ARM. Accordingly it is our opinion that the Proposed Transaction is fair.

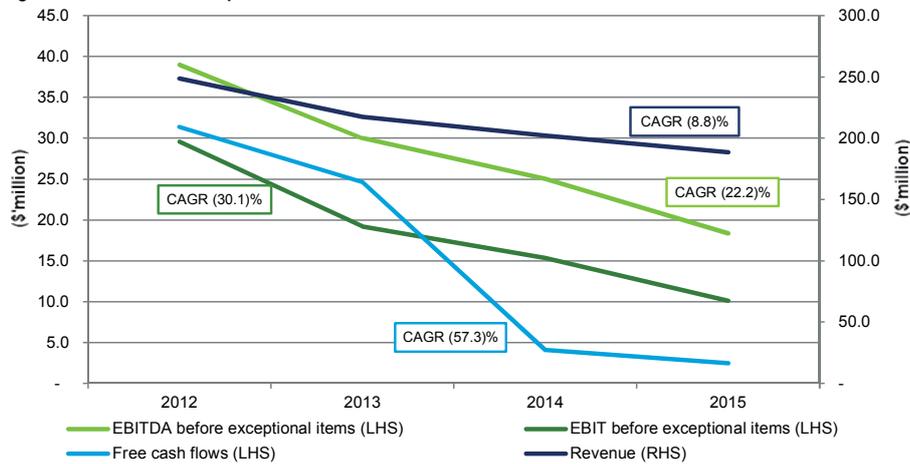
Issues affecting ARM

ARM operates in a business environment that is subject to significant challenges.

Deriving a significant majority of its revenue from advertising, ARM's revenue has been adversely affected by the substantial and sustained decrease in advertising spend in print media as advertisers have shifted their preference toward digital platforms. Change in readership preferences has also greatly affected circulation revenue, although this has, to a small degree, been mitigated through subscription services offered for ARM's own digital platforms. The trends affecting ARM and the industry in which it operates are discussed in further detail in Sections 2.1 and 2.2.

The trends noted above have had a marked impact on the recent financial performance of ARM. The historical financial performance of ARM from 2012 to 2015 is outlined in the following figure.

Figure 1: Historical financial performance



Source: APN News & Media

Notes:

1. Financial reporting figures for ARM set out above, and throughout the report, are on a calendar year basis, consistent with APN News & Media's reporting period
2. Free cash flows are after tax and represent cash flows available to equity holders estimated by APN News & Media management. It should be noted that these include operating items, both recurring and non-recurring, net investing cash flows and financing cash flows (only as they relate to an operating lease. This does not include any allocation of interest paid at an APN News & Media group level). Refer to Table 5 in Section 3.5 for further details on 2013 to 2015
3. CAGR = Compound annual growth rate
4. EBITDA = Earnings before interest, tax, depreciation and amortisation
5. EBIT = Earnings before interest and tax

As shown above, EBITDA and EBIT have declined at rates greater than decreases in revenue, reflecting the high fixed cost base of ARM, which has also led to the significant reduction in EBITDA and EBIT margins. If the business continues on a similar trajectory to that over the past four years, it is highly possible that ARM could become unprofitable in the short to medium term.

ARM's management have attempted to stabilise the performance of the business over the last four years through a series of restructuring and cost reduction initiatives each with associated cash outflows. Despite this, revenue and EBITDA have continued to decline, leading to the initiation of further restructuring activities and associated cash outflows. As a result, ARM's after-tax free cash flows have been significantly lower than EBITDA and EBIT over this period, with restructuring cash outflows effectively becoming a permanent feature. As a consequence, after-tax free cash flows have followed a similar, but even worse, trend to EBITDA and EBIT over the last four years, decreasing by a CAGR of 57.3% from \$31.4 million in 2012 to \$2.5 million in 2015.

The structural changes affecting the regional newspaper sector and their impact on the financial performance of ARM has given rise to significant uncertainty for the outlook for ARM, which in turn has implications for the value of ARM.

Valuation of ARM

We have estimated the fair market value of ARM by applying the capitalisation of maintainable earnings method, which estimates the value of ARM by capitalising its maintainable earnings with an appropriate earnings multiple.

We have assessed ARM's maintainable level of EBITDA to be in the range of \$11.0 million to \$13.0 million, based on our consideration of historical earnings for 2013 to 2015, the year to date performance to 30 June 2016, earnings projections prepared by management and various earnings adjustments applicable to ARM. The EBITDA multiple of 3.0 times to 3.5 times (on a control basis) was selected based on consideration of the multiples of listed comparable companies and previous mergers and acquisitions in the print media industry.

Table 2: Valuation of ARM

	Unit	Low	High
Maintainable earnings (EBITDA)	\$ million	11.0	13.0
Earnings multiple (on a control basis)	Times	3.0	3.5
Enterprise value (on a control basis)	\$ million	33.0	45.5
Add / Less: surplus assets / liabilities	\$ million	-	-
Less: debt-like items ¹	\$ million	(1.9)	(1.9)
Equity value (on a control basis)	\$ million	31.1	43.6
Deloitte assessed current fair market value	\$ million	31.1	43.6

Source: Deloitte Corporate Finance analysis

Note:

1. Debt-like items are subject to change over time. As at 27 July 2016 these equate to \$1.9 million

We have cross-checked our valuation under the capitalisation of EBITDA maintainable earnings using an implied EBIT multiple approach. The EBIT multiple cross-check provided support for our valuation. The results of this analysis are set out in Section 4.6.

We have also cross-checked our valuation under the capitalisation of maintainable earnings using a high level discounted cash flow approach. The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. We selected a nominal after tax discount rate in the range of 10.0% to 11.0% to discount the estimated future cash flows of ARM to their present value. APN News & Media management has prepared a financial forecast for 2016, which has formed the basis for the initial cash flow projections. Further details of the assumptions underlying the cash flow projections are set out in Section 4.7.

Furthermore, based on the 2015 after-tax free cash flow achieved by ARM of \$2.5 million, our equity valuation range implies a free cash flow multiple in the range of 12.4 times to 17.4 times.

Based on our analysis, we consider these high level cross-checks provide support for our valuation of ARM based on the capitalisation of maintainable earnings approach.

The Proposed Transaction is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transaction is reasonable. We have also set out the following factors.

The Proposed Transaction is considered by APN News & Media to be the best option

APN News & Media has undertaken a strategic review of the ARM business and contemplated a range of options for the future of the ARM business. These have included consideration of divestment opportunities, potential joint ventures with other regional media operators, continuing the status quo and also the potential cessation of the operation of ARM. Joint venture opportunities were considered limited for ARM given its size and scale. The continuation of the status quo would continue to expose APN News & Media to the risks inherent in the regional print media sector as discussed in Section 2, while the cessation scenario would incur significant closure costs.

APN News & Media and its advisers have determined that the divestment of ARM via the Proposed Transaction is the most attractive option amongst those considered.

APN News & Media together with its advisers undertook a sale process in respect of ARM as detailed in Section 5.3 of the Explanatory Memorandum. As part of this sale process, APN News & Media approached a number of potential bidders and received approaches from other bidders which resulted in a number of offers being received by the Company for ARM. Of the offers received, the offer from News Corp which culminated in the Proposed Transaction was considered to be superior to the other proposals. APN News & Media had concerns in relation to the other proposals in that they:

- were unfunded or subject to significant funding risk
- demonstrated limited pre-offer discussions in relation to the transaction documentation
- were based on only limited due diligence
- lacked visibility as to the make-up of the potential investors.

For these reasons, APN News & Media considered the alternative offers to be subject to significant risk and concluded that the offer from News Corp was a superior combination of price, ability to execute the share sale agreement in a timely and efficient manner and certainty of funding.

Greater strategic focus

APN News & Media's board and management team currently oversee a portfolio of operating media assets in both metropolitan and regional areas, which face substantially different market conditions. APN News & Media management has indicated its intention to focus on the radio and outdoor segments in Australia due to the growth opportunities afforded to shareholders by those segments. In this regard, the continued stewardship of the ARM business may potentially detract from the focus that APN News & Media's management could apply to the radio and outdoor segments. The Proposed Transaction, if completed, will enable APN News & Media management to better pursue growth opportunities in the radio and outdoor segments.

On the basis that equity markets generally support the view that a more focused board and management will be beneficial to APN News & Media, it is not unreasonable to expect that this will ultimately be reflected in the share price of APN News & Media. This assertion is supported by the movements in the APN News & Media share price following the announcement of the Company's intention to divest ARM in conjunction with announcing its annual results in February 2016. APN News & Media's share price increased by 16.0% in the three days following the announcement.

Greater transparency for market valuation of APN News & Media

Generally speaking, one of the principal motivations for the divestment of a relatively less profitable asset within a portfolio is the potential for market value enhancement.

There is an opportunity for improved market valuations of APN News & Media's assets as a result of the Proposed Transaction, through the removal of potential information asymmetries caused by the prevailing corporate structure of APN News & Media. In particular, if the Proposed Transaction completed, APN News & Media will be able to focus its market disclosures on its core radio and outdoor segments. Consequently, the Proposed Transaction will provide greater transparency on the remaining operations and strategies of APN News & Media so that investors and market analysts will be able to better analyse the underlying performance, risks and growth prospects of the business. The Proposed Transaction, therefore, should generate more appropriate market valuations for APN News & Media.

Proceeds from sale of ARM will be used to pay down debt

The proceeds from the sale of ARM will be used by APN News & Media to pay down a portion of its financial debt thereby reducing the Company's overall gearing level. This may in turn have further implications for the Company's future borrowing costs, credit ratings and its ability to pay dividends to shareholders.

Greater transactional potential

If the Proposed Transaction is completed, APN News & Media may be in a better position to participate in potential market consolidation transactions. APN News & Media will become a more focused Australian media company with growth-oriented assets, without exposure to print media assets which are subject to lower growth potential. Removing its low growth newspaper assets may also allow APN News & Media to focus more on potential acquisition opportunities in its high growth segments.

Reduced exposure to any potential upside or a potentially higher offer

Our valuation of ARM recognises the potential future prospects of ARM's business based on our consideration of its potential future earnings. However, if ARM is able to generate additional earnings beyond those contemplated in our valuation, the value of ARM may be enhanced, perhaps significantly, to a value that may exceed that contemplated by our valuation.

Furthermore, the completion of the Proposed Transaction would preclude APN News & Media from receiving a superior offer for ARM capable of acceptance in the future. This appears somewhat unlikely given the comprehensive sale process undertaken by APN News & Media in respect of ARM.

One-off transaction and implementation costs

APN News & Media has estimated the total transaction costs directly attributable to the Proposed Transaction will be approximately \$2.5 million on a pre-tax basis. These are one-off costs related to professional adviser fees, legal fees and printing and other costs incurred to implement the Proposed Transaction. If the Proposed

Transaction does not proceed, APN News & Media is expected to incur total transaction costs of approximately \$0.8 million on a pre-tax basis.

Conclusion on reasonableness

In our opinion, as the Proposed Transaction is fair, it is also reasonable.

Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Non-associated Shareholders. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who will have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Stephen Ferris
Authorised Representative 460999



Tapan Parekh
Authorised Representative 461009

Glossary

Reference	Definition
\$	Australian dollars
ACCC	Australian Competition and Consumer Commission
ACP	ACP Magazines Limited
AFSL	Australian Financial Services Licence
APN News & Media	APN News & Media Limited
AR	Authorised Representative
ARM	APN News & Media's Australian Regional Media division
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
CAGR	Compound annual growth rate
CDI	CHES Depository Interest
CEASA	Commercial Economic Advisory Service of Australia
Cirrus	Cirrus Media Pty Limited
Company	APN News & Media Limited
Corporations Act	Corporations Act 2001
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Directors, the	The directors of APN News & Media
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Explanatory Memorandum	The notice of meeting and explanatory memorandum issued by APN News & Media dated 17 August 2016
Fairfax	Fairfax Media Limited
FIRB	Foreign Investment Review Board
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
IBISWorld	IBISWorld Pty Limited
Listing Rules, the	Chapter 10 of the Listing Rules of the ASX
MMPL	Metro Media Publishing Pty Limited
News Corp	News Corporation
NPAT	Net profit after tax
Non-associated Shareholders	Those shareholders of APN News & Media not associated with News Limited
NZME	NZME Limited
PMP	PMP Limited
Projection Period, the	ARM's earnings over the next 5 years to 2021
Proposed Transaction, the	APN News & Media's divestment of ARM to a wholly-owned subsidiary of News Corp
Share Sale Agreement	The share sale agreement governing the Proposed Transaction
SWM	Seven West Media Limited



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1 Overview of the Proposed Transaction

1.1 Summary

On 21 June 2016, APN News & Media announced that it had entered into binding documentation to divest ARM to a wholly-owned subsidiary of News Corp, NCA Ventures Pty Ltd, for \$36.6 million (with adjustments for debt-like items). Adjustments for debt-like items reflect liabilities to be assumed by the acquirer which are in the nature of debt. Debt-like items total approximately \$1.9 million.

When the disposal of a substantial asset to a substantial shareholder is proposed, the Listing Rules require the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated shareholders whose votes are not to be disregarded.

News Limited holds a 14.99% interest in APN News & Media and is a substantial shareholder for the purposes of the Proposed Transaction. ARM is a substantial asset of APN News & Media for the purposes of the Listing Rules. APN News & Media is therefore required to comply with Listing Rule 10 in respect of the Proposed Transaction.

1.2 Background to the Proposed Transaction

In February 2016, APN News & Media announced that, as part of a broader strategic review, the Company had commenced a process to divest its interest in ARM. Credit Suisse was appointed as the Company's adviser in respect of the divestment. Credit Suisse commenced a formal sale process which attracted a number of interested parties, though only three non-binding indicative offers came forward. The parties performed due diligence at the conclusion of which News Corp made a definitive offer for ARM. Another party also submitted an offer which was subject to various conditions. The Directors of APN News & Media (and its advisers) considered the News Corp bid as offering a superior combination of price, the ability to execute the share sale agreement in a timely and efficient manner and certainty of funding.

1.3 Key conditions of the Proposed Transaction

The Proposed Transaction is subject to various conditions, the most significant being:

- regulatory approvals, including from the Foreign Investment Review Board (FIRB), Australian Competition and Consumer Commission (ACCC) and certain other required third party consents
- Shareholders approving the Proposed Transaction under the requirements of Listing Rule 10.1.

Further details are disclosed at Section 5 of the Explanatory Memorandum.

1.4 Overview of the acquirer

News Corp is a publicly listed company on the NASDAQ with a CHESSE Depository Interest (CDI) listing on the ASX. News Corp has interests in newspaper and magazine publishing, online classifieds, subscription television, and market research. Founded in South Australia in 1923, News Corp Australia owns over 120 newspapers and numerous other publications, including the nationally distributed The Australian as well as metropolitan newspapers in each of the state and territory capitals. News Corp Australia's portfolio also includes numerous local and regional newspapers, including a number of newspapers circulating in various parts of Queensland and northern New South Wales.



2 Overview of the Media Industry

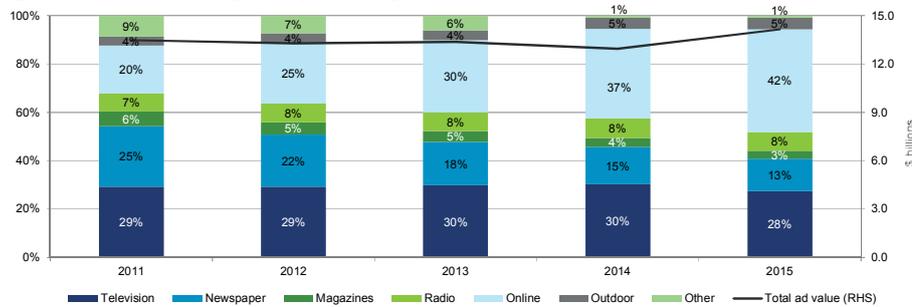
In this section, we provide an overview of the Australian media industry, with a particular focus on the publishing industry segment.

2.1 Advertising and economic trends

Advertising expenditure is the key driver for the media industry in Australia, contributing to the vast majority of revenues for the newspaper publishing and internet/online industry segments.

Key trends pertaining to advertising expenditure in Australia are summarised below.

Figure 2: Australian advertising share by advertising medium



Source: Commercial Economic Advisory Service of Australia (CEASA)

Advertising growth has been subdued in recent years as a result of lower business and consumer confidence and weakness in industries such as retail, automotive and fast moving consumer goods which are critical to the quantum of adspend. This relatively moderate growth profile is expected to persist in the near term. While publishing, television, digital, outdoor and radio all compete against each other for advertising revenue, the adshare of print media has suffered the most from the rise in the adshare of digital media. Notwithstanding the increase in advertising revenue for digital media, the forum is intensely competitive as the barriers to entry compared to traditional media outlets are low or non-existent for digital operators. Whilst the scarcity of advertising opportunities was the cornerstone of traditional media outlets, in the digital age the opposite is true, with seemingly unlimited options for advertisers.

The broader trends in advertising prevail not only in the metropolitan markets but also translate to regional markets. The value proposition for advertisers in regional markets relates predominantly to the ability of regional media outlets to satisfy the appetites of their regional communities for local content. Whether this dynamic is sufficient to overcome the challenging conditions faced by regional media outlets remains uncertain.

2.2 Recent structural trends in the media industry

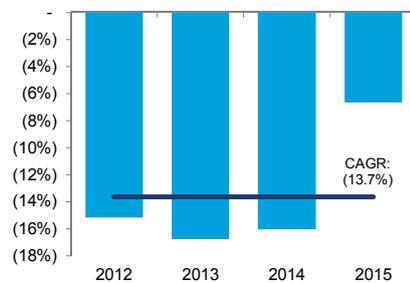
In this section, we discuss the key trends in the subsectors of the media industry in which ARM operates.

2.2.1 Newspaper publishing trends

The Australian newspaper publishing industry segment has undergone significant sustained structural change which has continued in recent years. With the introduction of internet enabled smartphones and tablets, consumers are able to obtain news, footage and information on demand and often free of charge. Print media is now being forced to compete on a global basis with online platforms.



Figure 3: Newspaper publishing revenue growth rates



Source: CEASA

The newspaper publishing industry segment has recently performed poorly with revenue declining at a CAGR of 13.7% for the period between FY2012 and FY2015. This is mainly attributable to the relatively subdued growth in adspend for the whole media industry along with intense pressure from online platforms.

IBISWorld Pty Limited (IBISWorld) forecasts the newspaper industry segment in Australia to decline at a CAGR of 4.1% from FY2016 to FY2020. Overall, readers appear likely to continue their shift to digital media, with advertisers also demonstrating a preference for using digital media over traditional print media, due to its capacity to reach a greater number of consumers in a more targeted manner. Furthermore, there is an increasing trend for younger consumers to obtain the vast majority of their news from social media applications. These structural changes will continue to cause a decrease in circulation levels of print media, including the possibility of major newspapers no longer being six or seven-day-a-week publications, making way for weekend-only or targeted printing for most publications. These factors are also causing further reductions in advertising revenue.

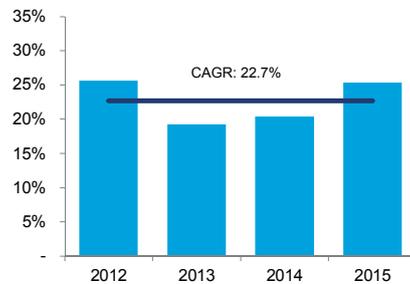
However, with strong brand presence, and in response to the structural changes in the print industry, many participants are expected to continue to improve their online and mobile presence, increase digital subscriptions, promote more targeted advertising and, through paywalls, charge for reading their online content. Newspapers are also predicted to increase their focus on lifestyle, personal and emotive articles, which will generate discussion among readers, increase reader page comments and generate repeat visits. This could benefit newspaper publishing companies having existing presence in the online segment as well. In any case, print media is likely to have a diminished role in the publishing sector in the future as the medium is built for mass circulation, which can be achieved by digital media in a more cost-effective and targeted manner.

Circulation numbers for regional newspapers have also declined over the last five years at similar rates to national and metropolitan newspapers, notwithstanding the greater affinity amongst regional communities for local publications focusing on local content. Whether this trend continues or whether regional publications are indeed an even more fertile ground for future digital disruption remains uncertain. However, the dynamics in other more advanced markets such as the United Kingdom and United States would appear to suggest that further digital disruption in regional media will occur.

2.2.2 Internet/online publishing and other digital media trends

The internet/online publishing segment comprises digital media portals, search portals, government web portals, corporate web portals and domain-specific portals. These derive revenues primarily from selling advertising space on their pages. Online revenue in Australia has increased at a CAGR of 22.7% for the period between FY2012 and FY2015.

Businesses buy advertising based on the internet traffic to the site. The number of businesses in the internet/online segment has increased at a rapid pace in the past five years and is expected to continue growth over the next few years as well.

Figure 4: Online revenue growth rates

Source: CEASA

Internet usage, and accordingly online advertising, is expected to continue to grow as the population becomes increasingly connected online through new devices ranging from phones and watches to household appliances such as fridges. Similarly, online advertising is becoming increasingly sophisticated with advertisers having the ability to target specific demographics at reduced costs through innovations which include rich media¹.

Almost 62% of Australians now own electronic tablets, 81% own smartphones and 37% connect their TV sets to the internet to receive media and other content. Using the internet on these devices for personal reasons is fast approaching television as the preferred source of entertainment in Australia. Data also indicates 85% of people watching TV use their smartphone to text or surf the internet at the same time².

As a result of new platforms for media consumption and a greater number of entertainment options available to consumers, companies have now had to alter their approach to advertising. While television appears to remain the best form of mass media advertising, the use of online and digital advertising through rich media and banners facilitates stronger target market reach. Further, as a result of their increased audience share, newer digital platforms such as Facebook, Twitter and Instagram are taking advertising share from older platforms such as Yahoo and MSN. However, platforms such as Google and Facebook are investing significantly in targeted, localised advertising which if delivered successfully in a regional landscape could cause further disruption.

2.3 Regulatory overview

The recent structural changes in the media sector are likely to further evolve as a result of proposed legislation that would relax media ownership laws. On 2 March 2016, the Federal Government introduced the Broadcasting Legislation Amendment (Media Reform) Bill 2016, which includes amendments which seek to abolish the so-called 'two out of three' rule and the '75% audience reach' rule. Under the Broadcasting Services Act 1992, the 'two out of three' rule prohibits owning more than two out of three types of media business, being a commercial television licence, radio licence or newspaper, in the same market. The '75% audience reach' rule effectively prevents the creation of national television networks by disallowing networks from broadcasting to more than 75% of the population. If the Broadcasting Legislation Amendment (Media Reform) Bill 2016 is passed, it is expected to trigger some consolidation within the Australian media sector.

However, given the outcome of the recent Federal election in July 2016, where the Government was returned with a substantially reduced majority in the House of Representatives, as well as a potentially more hostile Senate, the likelihood of significant media reforms being enacted during 2016 remains uncertain.

The principles of media regulation in Australia have been underpinned by the notion that access to media platforms is controllable and scarce. The digital age has challenged this paradigm significantly, with scarcity being replaced by ubiquity, and media regulation in Australia, and indeed globally, will need to evolve in order to remain relevant and appropriate in the future.

¹ Rich media is an internet advertising term for web page advertisements that use advanced technology such as streaming video or applications that interact instantly with the user and advertisements that change when the user's mouse passes over them.

² Based on surveyed participants from Deloitte Media Consumer Survey 2015.



3 Profile of ARM

3.1 Overview of ARM

ARM, APN News & Media’s publishing division, operates a range of print, online and mobile media assets in regional Queensland and northern New South Wales. ARM is the largest regional newspaper publisher in Queensland, with a weekly audience in excess of 1.6 million.

The vast majority of ARM revenue is earned by advertisements in its publications or associated websites. ARM also earns revenue through the sale of its key daily mastheads, however, its weekly, smaller community publications are predominantly issued free of charge.

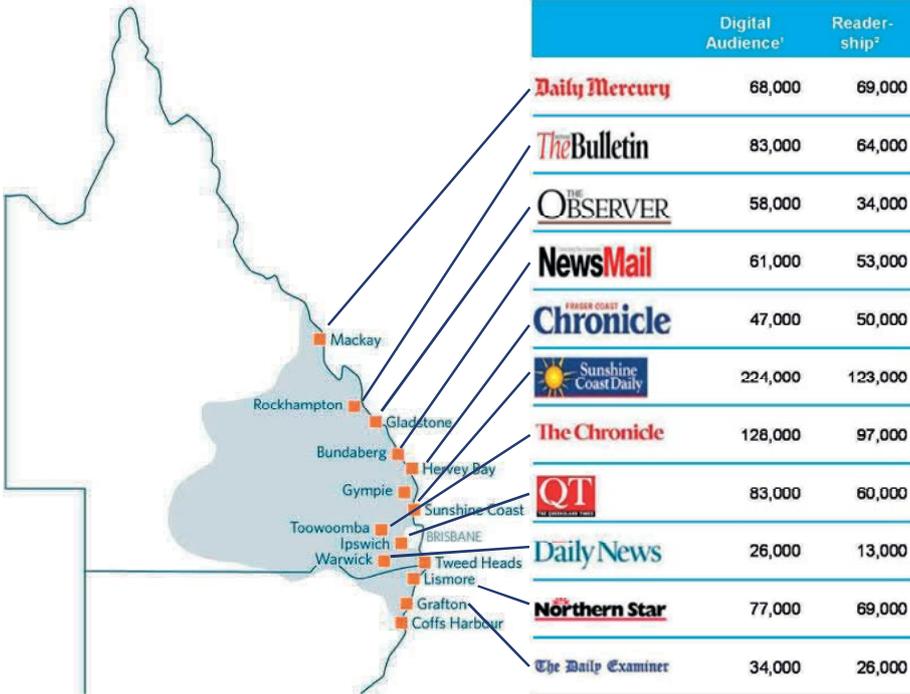
ARM’s head office is located in Brisbane and employs approximately 1,140 employees, the majority of whom perform the advertising, editorial and production functions of the business.

3.2 Operations

3.2.1 Publishing

ARM’s assets include 12 regional daily newspapers, over 60 non-daily, community and specialist publication titles and over 60 regional news, community and other websites. A summary of ARM’s key markets and associated mastheads is presented in the figure below.

Figure 5: ARM asset locations



Source: APN News & Media, Emma, Omniture, Nelsons

Notes:

1. Digital audience reflects total mobile and desktop unique visitors per week
2. Readership reflects total daily Monday to Friday print readership (Emma 12 months ending March 2016)



Through a combination of its local newspapers, community publications and websites, ARM has been able to achieve significant market penetration, reaching an average 87% of its daily market population ³.

In August 2015, ARM launched Australia's first regional digital subscription program offering its audiences unlimited access to its digital products, The Washington Post, Presto and a digital metropolitan news title. Following a successful launch, ARM rolled-out the digital subscription across its remaining daily newspapers in October 2015. This has assisted ARM to maintain its audience base despite reduction in physical circulation numbers, with ARM's digital audience increasing by 22%⁴, mobile audience increasing 39%⁵ and social audience increasing 19%⁶ in 2015. These contributed to an increase in overall digital revenue of 36% in 2015.

Despite these initiatives ARM's total revenues and earnings have decreased in the past five years, in the face of a challenging macro-environment faced by all print media outlets which are subject to intense competition for advertising revenue.

3.2.2 Printing

ARM publications are produced at a number of printing sites in regional Queensland. ARM has a mix of newspaper, gloss and digital printing capabilities. Despite the closure of print sites in Ballina, New South Wales in 2013 and Toowoomba, Queensland in 2015, ARM still maintains three printing sites, all positioned to service the local markets in which it operates.

Table 3: ARM printing facilities

Location	Print	Print equipment	Pages	Speed	Installation year
Yandina	Newspaper and Heatset gloss	4x Man Roland Regioman	64p tab	75,000 cph	2006
		1x Man Roland Uniset Gloss	8/16p tab 16/32p quatro	60,000 cph	2007
Rockhampton	Newspaper	6x 8p unit Manugraph press	48p tab	35,000 cph	2008
Warwick	Newspaper	6x 8p unit Manugraph press	48p tab	35,000 cph	2015
Warwick	Sheetfed gloss	SM 102-10P (A1)	16p A4	14,000 cph	Various
		SM 102-10PC (A1)	16p A4		
		SM 74-8P (A2)	8p A4		

Source: Company announcements, Deloitte Corporate Finance analysis

Note:

1. cph = copies per hour

The printing facilities are able to meet all printing requirements of ARM, including its mastheads and community publications. They also provide commercial printing for third parties including catalogues, magazines and newspapers. This section of the business is a cost recovery business, assisting ARM maintain capacity at its printing sites.

³ Emma, 12 months ending December 2015; ARM daily PDAs; People 14+

⁴ Omniture SiteCatalyst November 2015 vs 2014

⁵ Omniture SiteCatalyst November 2015 vs 2014

⁶ Hootsuite November 2015



3.5 Financial performance

The historical financial performance of ARM for the financial years ended 31 December 2013 to 31 December 2015 is presented below.

Table 4: Historical financial performance of ARM

\$ million (unless otherwise stated)	2013	2014	2015
Advertising revenue	155.1	143.0	135.2
Audience revenue	34.8	32.8	31.5
Other	27.1	26.3	21.7
Total revenue	217.0	202.1	188.5
Revenue decline (%)	(12.7)%	(6.9)%	(6.7)%
Operating Expenses	(187.3)	(177.2)	(170.2)
EBITDA	29.7	25.0	18.4
EBITDA margin (%)	13.8%	12.4%	9.8%
Depreciation and amortisation	(10.8)	(9.7)	(8.2)
EBIT	18.9	15.4	10.1
EBIT margin (%)	8.9%	7.6%	5.4%

Source: ARM management accounts, APN News and Media financial statements, Deloitte Corporate Finance analysis

ARM revenues have decreased by 6.9% in 2014 and 6.7% in 2015 due to decreases in advertising revenue as a result of the challenging business environment faced by all print media businesses discussed in Section 2.2.1, albeit at a lower rate of decline. Other revenue relates mainly to contract print customers and has also declined over the period.

Declines in revenue have also placed pressure on EBITDA margins due to the substantial fixed cost base, hence ARM has undertaken cost reduction initiatives. Cost reduction initiatives included the consolidation of printing sites and ultimately the closure of the Ballina and Toowoomba printing sites in 2013 and 2015, respectively, along with headcount reductions in its advertising and editorial divisions. Whilst these initiatives have been successful in containing operating costs, margins have continued to be placed under pressure due to the continued revenue decline.

ARM's revenue as a proportion of the total APN News & Media (after the demerger) reported revenue in 2015 was 42%, with ARM representing 16% of total reported EBITDA, a proportion which has declined significantly over the past few years.

ARM also recently incurred significant impairment charges in relation to its mastheads. In 2015, APN News & Media incurred impairment charges of \$50.8 million in respect of the mastheads of ARM due to poorer than expected operating performance and outlook.

ARM's financial performance set out above excludes a number of costs that are considered to be exceptional. The table below sets out the reconciliation between the EBITDA of ARM before exceptional items and its free cash flows after tax.



Table 5: Net cash flow after tax

\$ million	2013	2014	2015
EBITDA before exceptional items	29.7	25.0	18.4
Cash movements			
Investing activities	4.8	(4.9)	(6.7)
Financing, working capital and other cash flow items	(0.3)	(6.8)	0.9
Exceptional items (cash only)	(5.1)	(5.3)	(7.1)
Estimated tax ¹	(4.5)	(4.0)	(3.0)
Free cash flows after tax	24.7	4.1	2.5

Source: ARM management accounts, Deloitte Corporate Finance analysis

Note:

1. ARM is part of APN News and Media's tax consolidated group, as such, a notional tax expense has been estimated by APN management to represent what ARM's tax expense might have been as a standalone entity
2. The cash flow figures in the table above may differ from the operating cash flow figures presented in Section 5.8 of the Explanatory Memorandum as those figures are presented on a before interest, before tax basis.

We note the following in relation to the cash movements:

- redundancies occurred in 2013, 2014 and 2015 in the advertising production, print production, editorial production and sales divisions of ARM. Advertising production has now been outsourced, while print production redundancies occurred as a result of print site closures in Ballina and Toowoomba
- cash effects of onerous leases due to the closure of Ballina and Toowoomba print sites
- cash movements in relation to financing activities relates to interest on operating leases
- insurance proceeds from insurance claims relating to Warwick assets in 2014 and 2015.



3.6 Financial position

The historical financial position of ARM as at 31 December 2014 and 31 December 2015 is presented below.

Table 6: Historical financial position of ARM

\$m (unless otherwise stated)	31 December 2014	31 December 2015
Cash and cash equivalents	12.3	3.8
Trade receivables	29.5	27.6
Inventories	5.4	3.5
Prepayments	1.6	1.3
Total current assets	48.8	36.3
Property, plant and equipment	45.4	42.9
Mastheads	48.3	-
Other intangible assets	1.7	0.7
Total non-current assets	95.4	43.6
Total assets	144.2	79.9
Trade payables	13.3	11.5
Employee provisions	7.4	6.5
Provisions	5.5	2.6
Current tax liabilities	(0.0)	(0.0)
Total current liabilities	26.3	20.6
Employee provisions	0.8	0.7
Deferred tax liabilities	(8.5)	-
Provisions	5.2	6.2
Total non-current liabilities	(2.5)	6.8
Total liabilities	23.8	27.5
Net assets	120.4	52.5

Source: ARM management accounts derived from APN News & Media's segment reporting, Deloitte Corporate Finance analysis

Notes:

1. At the APN News & Media group level the deferred tax balances are in a net liability position in 2014. As such, ARM's deferred tax assets are recorded as negative deferred tax liabilities in 2014. In 2015 APN News & Media did not allocate deferred tax assets/liabilities to the segments
2. The assets and liabilities to be disposed of as part of the Proposed Transaction differ slightly to that of the ARM reported segment due to some adjusting items (cash, reallocated liabilities and deferred tax balances). If these items were to be included in the financial position above, the net assets for 2014 and 2015 would be \$105.3 million and \$53.8 million, respectively

We note the following in relation to the balance sheet presented above.

- trade receivables relate to accounts receivable from customers in the ordinary course of business and have decreased reflecting the declines in ARM's total revenue over the corresponding period
- inventory is made up of raw materials and other printing inventory such as paper and ink
- property, plant and equipment relates to print presses, furniture and fittings and land and buildings owned. Plant and equipment are carried at historical cost less accumulated depreciation, while land and buildings are shown at fair value, based on periodic external valuations and adjusted for depreciation. The balance has decreased over the period mainly due to the effects of depreciation and the sale and maintenance of some previously owned properties
- mastheads relate to intangible assets associated with titles of the newspapers produced by ARM
- other intangible assets relate to externally purchased software
- trade payables refer to amounts owing to suppliers in the ordinary course of business. Similar to trade receivables, trade payables have also decreased as the overall performance of ARM has decreased



- employee provisions, both current and non-current, relate to annual leave and long service leave provisions. As the number of employees has reduced in recent years, employee provisions have also declined
- other provisions relate to adjustments in respect of onerous property leases and restructuring provisions
- the financial positions have been prepared on a going concern basis. Should the ARM business be closed, the net realisable value of its net assets would likely be significantly lower than \$52.5 million due to the realisation of assets below their book values and material closure costs/liabilities.

3.7 Strategy and outlook

APN News & Media has indicated that its key focus areas for future investment are its core radio and outdoor assets, with the Company identifying these market segments as the most likely to deliver revenue growth. To this end, the Company announced it had commenced a process to divest ARM in February 2016 and completed the demerger of its New Zealand Media and Entertainment (NZME) business on 29 June 2016.

Given the substantial decline in the earnings of ARM, which has not been arrested by successive restructures and cost reduction initiatives, the outlook for ARM remains uncertain. This, coupled with the diminishing contribution of ARM to APN News & Media's overall earnings, has contributed to the Company's decision to divest the business, after having considered a range of other options for the business.

ARM's recent expansion of its digital offerings has enabled the business to maintain its audience figures as reductions in physical circulation have been supplemented by expansion of digital audiences. ARM continues to operate in a challenging market environment, albeit facing revenue declines that are less pronounced compared to its metropolitan peers. Whether this trend persists for ARM, or whether this is a signal that the full impact of digital disruption has yet to play out for ARM, remains uncertain.



4 Valuation of ARM

4.1 Introduction

For the purpose of our opinion current fair market value is defined as the amount at which the shares would be expected to change hands in a hypothetical transaction between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. We have not considered special value, such as buyer specific synergies, in this assessment.

We have assessed the equity value of ARM using the capitalisation of maintainable earnings method before adding/subtracting the value of surplus assets and liabilities and deducting net debt.

Refer to Appendix B for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

In selecting the capitalisation of maintainable earnings method to value the ARM business, we have considered the following factors:

- notwithstanding the volatility of ARM's historical earnings, we consider there is sufficient stability in the earnings outlook for ARM's earnings to be projected for the foreseeable future, albeit long term projections have not been prepared
- there is an adequate number of publicly listed companies and Australian transactions involving companies with operations sufficiently comparable to those of ARM to provide a meaningful comparison
- ARM's operations do not have a finite lifespan
- although capital and marketing expenditure is important to ARM, there is no current or projected requirement for ARM to incur significant or unusual capital and marketing expenditure.

Our valuation based on the capitalisation of maintainable earnings is set out in the Executive Summary of this report.

4.2 Selection of maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of earnings for ARM because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows a better comparison with earnings multiples of other companies.

In determining future maintainable earnings we have considered the following:

- revenue for ARM declined from \$248.8 million in 2012 to \$188.5 million in 2015 and is expected to decrease further in 2016
- IBISWorld forecasts revenues in the newspaper sector to decline by a CAGR of 4.1% from FY2016 to FY2020. This suggests that ARM's revenue could decrease to approximately \$180 million for 2016 and approximately \$150 million by 2020 at this negative growth rate
- during the period from 2013 to 2015, and notwithstanding significant restructures and cost reduction initiatives undertaken by the business, EBITDA margins have declined significantly from 15.7% in 2012 to 9.8% in 2015. Consequently, further declines in revenue will likely result in further, more substantial, declines in EBITDA and EBITDA margins
- adjustments to ARM's historical EBITDA due to a significant number of exceptional items.

Based on the above, we have assessed maintainable EBITDA for ARM to be in the range of \$11.0 million to \$13.0 million. This level of maintainable EBITDA is lower than the historical EBITDA achieved by ARM, however, we do not consider it unreasonable given the current structural changes occurring in the regional newspaper industry and ARM's current position.



4.3 Selection of earnings multiple

In selecting an earnings multiple for ARM we have considered earnings multiples derived from share market prices of listed companies with comparable operations to its business and the implied earnings multiples paid to acquire companies with similar operations.

Our valuation of ARM has been undertaken on a control basis, consistent with the requirements of ASIC RG111.

Earnings multiples derived from share market trading (which we refer to as 'listed company multiples' in this section) do not reflect the fair market value for control of a company as they are based on portfolio holdings in the subject companies. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. Further details of control premiums are provided in Appendix D.

In comparison, the acquisition price achieved in mergers or acquisitions of companies represents the fair market value of a controlling interest in that company.

4.3.1 Selecting comparable companies and transactions

In selecting the comparable companies, we have had particular regard to the fact that ARM's business comprises two components – newspaper publishing and printing.

We have conducted a global search for companies comparable to ARM. As most of the comparable companies have diversified operations across the media industry and operate in different regulatory environments, there is a limited number of companies directly comparable to ARM on a standalone basis.

We have therefore categorised the comparable companies and transactions into three general groups: Australian publishers, Australian printers and international publishers (refer to Appendix C).

We have only considered transactions that occurred over the last five years as we do not consider transactions prior to this period to be relevant for our valuation, considering the structural changes that have occurred in the industry. Furthermore, all things being equal we would consider the more recent transactions to reflect the relative values being paid in the current business and market environment.

Transaction multiples are calculated with reference to historical earnings and, as a result, we would expect the transaction multiples (adjusted for control) to be higher than the unadjusted trading multiples observed for listed comparable companies, which have been calculated with reference to forecast earnings.

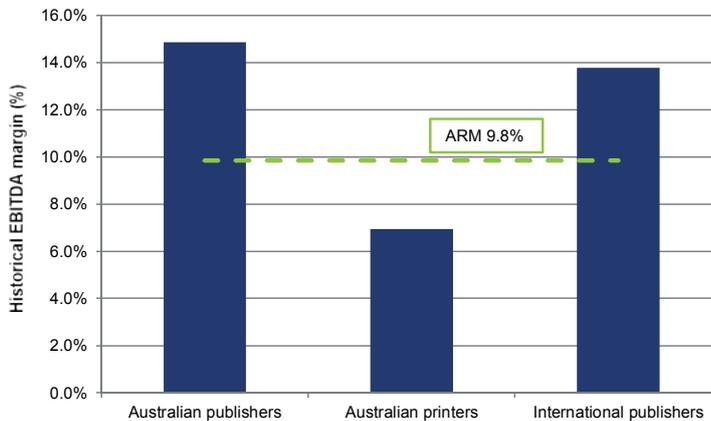
4.3.2 EBITDA margin and EBITDA growth comparison

In the following sections, we discuss our analysis to arrive at our preferred comparable listed companies. To assist us with this, we have calculated the average EBITDA margin for each comparable company group and the projected two year EBITDA CAGR for each listed comparable company for comparison to ARM.

The EBITDA margin comparison is illustrated in the following figure.



Figure 6: EBITDA margin

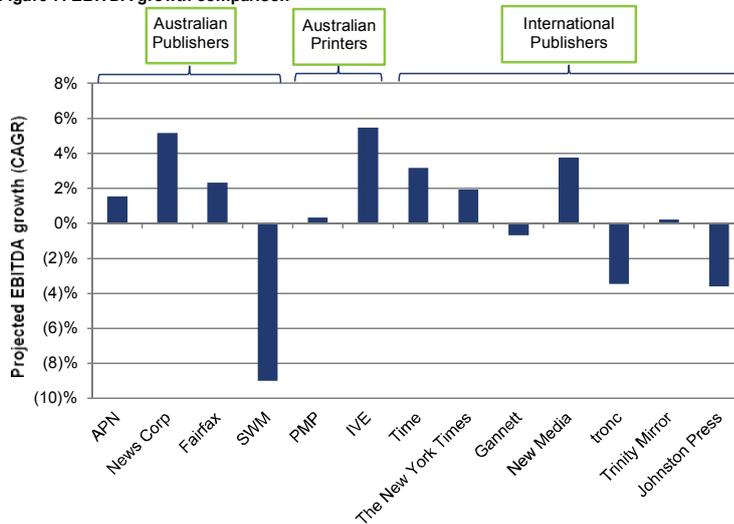


Source: Capital IQ and Deloitte Corporate Finance analysis

Most of the preferred comparable companies have exhibited higher EBITDA margins than ARM, with the exception of Australian printers. All other things being equal, companies with higher EBITDA margins should attract higher multiples. We have been cognisant of the comparable companies' higher EBITDA margins when selecting multiples for ARM.

The comparison of projected EBITDA growth is illustrated in the following figure.

Figure 7: EBITDA growth comparison



Source: Capital IQ and Deloitte Corporate Finance analysis

Note:

1. Comparable companies which do not have projected EBITDA data available have been excluded

All other things being equal, companies with higher projected EBITDA growth should attract higher multiples (because the future cash flows are expected to be higher) and vice versa.

We have been cognisant of the comparable companies' relative projected EBITDA growth rates when selecting multiples for ARM.



4.3.3 Listed company multiples

Of the comparable companies set out in Appendix C, we consider News Corp, Fairfax, Seven West Media Limited (SWM), PMP Limited (PMP) and NZME to be the most comparable to ARM. The four media companies (that is, News Corp, Fairfax, SWM and NZME) each operate in a similar market to ARM (i.e. Australia and New Zealand) and notwithstanding the broader operations of these companies relative to ARM, each holds interests in regional and local newspaper assets. We consider PMP to be comparable to ARM by virtue of ARM's contract printing operations and comparable asset base.

News Corp is a publicly listed company with interests in newspaper and magazine publishing, online classifieds, subscription television and market research. In Australia, News Corp owns over 120 newspapers and numerous other publications, including the nationally distributed The Australian as well as metropolitan newspapers in each of the state and territory capitals. News Corp's portfolio also includes numerous local and regional newspapers.

Fairfax is a multimedia company with operations in Australia and New Zealand, comprising newspapers, magazines, radio, online classifieds and websites. Through the Australian Community Media segment, Fairfax owns approximately 160 local newspapers and community-based websites. Through the Australian Publishing Media segment, Fairfax also owns a portfolio of national and metropolitan mastheads including The Sydney Morning Herald, The Age and The Australian Financial Review.

Seven West Media is a multiple platform media company with operations in broadcast television, newspaper and magazine publishing and online portals. Seven West Media's publishing assets include The West Australian portfolio of newspapers which includes The West Australian, WA's leading metropolitan newspaper, 21 regional newspapers, and 17 community newspapers (through its 49.9% interest in the Community Newspaper Group), over 25 magazine publications through its Pacific Magazines division as well as Yahoo7, the online platform for newspaper, television and magazine content.

PMP provides commercial printing and distribution services in Australia and New Zealand servicing retailers, marketing and advertising businesses, media buying agencies, newspapers, magazines and directory publishers.

NZME's service offerings include newspapers, radio brands, video content, digital platforms, e-commerce, activations and events. NZME's newspaper portfolio includes The New Zealand Herald, New Zealand's largest metropolitan daily news brand by audience, 6 regional daily papers and 23 community newspapers. In addition, NZME operates over 20 websites, mobile sites and applications, including the GrabOne business which is a daily 'deals' website in New Zealand.

The other identified comparable companies (set out in Appendix C) generally have either different or significantly more diversified operations to ARM or operate in substantially different markets to ARM. Therefore we have given less weight to those companies in our assessment of an appropriate earnings multiple for ARM.

These selected companies are summarised in the following table.

Table 7: Preferred listed companies

Company	Enterprise value (\$m) ¹	Revenue (\$m) ¹	Historical EBITDA margin	Projected EBITDA growth (CAGR)	EBITDA times (current) ²	EBITDA times (forecast) ²
News Corp	7,258	11,217	9.1%	5.2%	7.8x	7.5x
Fairfax	2,276	1,847	13.4%	2.3%	9.3x	9.0x
SWM	2,199	1,771	22.1%	(9.0)%	6.7x	7.4x
PMP	189	812	6.7%	0.3%	4.1x	4.1x
NZME	243	433	15.6%	n/a	3.7 ³	n/a

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

- Enterprise value and revenue based on most recent actual results
- EBITDA multiples have been adjusted to include a 20% control premium
- Whilst current and forecast EBITDA multiples are not available for NZME, the historical EBITDA multiple was 3.7 times

These companies, particularly News Corp, Fairfax and SWM, are significantly larger than ARM. Larger companies generally trade at higher earnings multiples as they often have greater access to new markets and ability to raise capital which can increase growth prospects.



News Corp has a 64% equity interest in REA Group which is also listed on the ASX. If News Corp's interest in REA is excluded, News Corp would likely have a multiple of less than 4.0 times EBITDA on a control basis. News Corp would still remain one of the largest print media companies in the world with a number of leading metropolitan mastheads in Australia and internationally, along with interests in pay television, through its 50% interest in Foxtel, and other online assets.

Fairfax also has a strong digital and online presence through Domain Group and Digital Ventures, Fairfax's digitally focused assets. In addition Fairfax also derives a significant proportion of its earnings from leading metropolitan mastheads with approximately 60% of its EBIT in the first half of FY2016 generated from its metropolitan media operating segment (which includes Domain Group). Fairfax also has interests in magazines and radio.

SWM is a multi-media business which has interests in broadcast television in Australia, The West Australian metropolitan newspaper and online portals. SWM also generates much higher EBITDA margins than ARM and its peers, mainly driven by its television segment which generated approximately 79% of SWM's EBITDA in FY2015, at an EBITDA margin of 25.1%.

NZME also has interests in radio and ecommerce assets, along with a leading metropolitan newspaper in New Zealand, The New Zealand Herald. In addition to these interests, there has been an announcement of a potential merger of NZME with Fairfax's New Zealand operations which may also be having a potential uplift on the share trading multiple of the business.

Ultimately, these companies are also more operationally diverse than ARM, in that they have a more diverse portfolio of media assets which encompass, amongst other segments of the media sector, television, radio and online. Greater diversification generally means lower risk, resulting, all else being equal, in higher multiples. Given the profile of these assets as described above, they would also trade at substantial premiums to a business like ARM.

At the date of this report only a small number of the comparable companies have issued either their full, or interim, results for the period ended 30 June 2016. This includes Fairfax, who has announced that it will impair its publishing assets by approximately \$1 billion. We have analysed the publicly available financial reporting data of the comparable companies up to the date of this report and do not consider it to have a material impact on the implied earnings multiples as set out above and in Appendix C or on conclusions with respect to an appropriate earnings multiple for ARM.

4.3.4 Transaction multiples

The transactions we consider to be most comparable to ARM are summarised in the following table.

Table 8: Preferred comparable transactions

Announcement date	Target	% acquired	Implied EV (\$'million)	EBITDA multiple (times)
Jan-15	Metro Media Publishing Pty Ltd	50%	144	10.3x
Jan-13	Cirrus Media	100%	40	3.0x
Sep-12	ACP Magazines Ltd (now Bauer)	100%	500	6.3x

Source: Mergermarket, Capital IQ, company announcements, Deloitte Corporate Finance analysis

Metro Media Publishing Pty Limited (MMPL) is one of the largest multimedia establishments in Victoria, Australia. MMPL holds majority interests in 15 weekly premium real estate and lifestyle-focused magazines. MMPL acts as a sales agent for real estate agents and developers. MMPL also owns a digital property business platform called reviewproperty.com.au. Given the nature of ARM's business, which is focused on traditional print media, we would expect the multiple observed for MMPL would be substantially higher than would be appropriate for ARM.

Cirrus Media Pty Limited (Cirrus) is a business to business events and media company based in Australia with a product portfolio ranging from magazines, supplements, directories, online industry portals and e-newsletters. Cirrus publishes magazines which focus on well-known industries in Australia including mining, health and money management. Notwithstanding the differences in subject matter of Cirrus' publications relative to ARM, by virtue of the relative sizes of the business, we consider the multiple observed in this transaction could be comparable to ARM.



ACP Magazines Limited (ACP) (now Bauer) publishes and sells magazines primarily targeting women. The company owns 85 magazine titles including Woman's Day, Australian Women's Weekly and CLEO. ACP is substantially larger than ARM with a significantly broader target market which would suggest that the multiple paid could be higher than would be appropriate for ARM.

4.3.5 Selected multiple

As discussed in Section 4.3.3, after adjusting for News Corp's interest in REA Group we have estimated News Corp's EBITDA multiple, on a control basis, would be less than 4.0 times EBITDA. ARM is substantially smaller than the selected comparable listed companies, however, ARM is of a somewhat comparable size to NZME, relative to the other selected comparable listed companies. NZME's historical EBITDA multiple was 3.7 times on a control basis.

ARM is also smaller than the companies acquired in the transactions we consider most comparable, with the exception of the Cirrus transaction. The breadth of ARM's operations and geographic diversification are also lower on the whole, operating only in regional media in Queensland and northern New South Wales, relative to the comparable listed companies and comparable transactions.

ARM's EBITDA margin is also lower than the majority of the selected comparable companies. The EBITDA margins of ARM have declined recently, with anticipated EBITDA growth also lower than the majority of the comparable companies. ARM's contract printing operations are also expected to have a diminished role in the future with their current technology built for mass circulation not targeted advertising.

Consequently, we would expect a lower multiple would be appropriate for ARM than applies for the comparable listed companies, except NZME, and the selected comparable transactions, with the exception of Cirrus, which we consider to be of comparable size. The EBITDA multiple observed in the Cirrus transaction was 3.0 times.

Amongst the international publishers set out in Appendix C, there are six companies with an enterprise value less than \$500 million, which we consider reflect a relatively comparable size to ARM, notwithstanding the fact that they operate in different jurisdictions with different regulatory regimes to ARM. The historical EBITDA multiples for these companies are in the range of 2.4 times to 6.2 times with a median of 3.5 times.

Based on our analysis, we consider an earnings multiple in the range of 3.0 times to 3.5 times, on a control basis, to be appropriate for ARM.

4.4 Surplus assets

APN News & Media management has advised that there are no surplus assets held by ARM.

4.5 Net debt

Net debt, including debt-like items, is approximately \$1.9 million as at 30 June 2016.

4.6 Cross-check – EBIT multiple

In order to cross-check our valuation of ARM's enterprise value using the capitalisation of maintainable EBITDA, we have considered the EBIT multiple implied by our valuation.

Based on our consideration of historical depreciation and amortisation of ARM (refer to Section 3.5) and discussions with ARM management, we have determined appropriate maintainable depreciation and amortisation to be \$8.0 million. Consequently, we have assessed maintainable EBIT for ARM to be \$4.0 million (based on the midpoint of the range of our selected maintainable EBITDA of \$11.0 million to \$13.0 million).

Based on an EBIT of \$4 million, our valuation implies an EBIT multiple of 8.3 times to 11.4 times. The current EBIT multiples of the comparable companies (set out in Appendix C) inclusive of control premiums are in the range of 2.8 times to 27.4 times with an average of 11.3 times and a median of 9.5 times. The current EBIT multiples of the five most comparable companies (set out in Section 4.3.3) inclusive of control premiums are in the range of 7.7 times to 19.2 times with an average of 11.9 times and a median of 10.4 times.

Based on the foregoing, we consider the EBIT multiple implied by our valuation provides support for our valuation of ARM using the capitalisation of maintainable EBITDA approach.



4.7 Cross-check – high level discounted cash flow

In order to cross-check our valuation of ARM's enterprise value using the capitalisation of maintainable earnings method, we have also considered the value using the discounted cash flow method.

The discounted cash flow method estimates fair market value by discounting a company's future cash flows to their net present value, and requires that the future cash flows that are expected to be derived from a business are capable of being estimated with a reasonable degree of confidence.

To cross check the value of ARM using the discounted cash flow method requires the determination of the following:

- future cash flows – based on a range of revenue and earnings scenarios which may be achievable over the next 5 years to 2021 (the Projection Period)
- an appropriate discount rate to be applied to the future cash flows
- an estimate of the terminal value growth rate.

Our considerations on each of these factors is presented below.

Future cash flows

APN News & Media management have prepared a financial forecast for ARM for 2016. We have derived three revenue growth profile scenarios for the projected cash flows, which are on a nominal after tax basis, based on the following:

- 2016 financial forecast prepared by management
- potential future revenue growth profile achievable by ARM over the Projection Period. We have considered three revenue growth profile scenarios:
 - *Scenario 1:* revenue decline of 2.5% p.a. and an EBITDA margin of 8.0% in 2017
 - *Scenario 2:* revenue decline of 4.5% p.a. and an EBITDA margin of 7.0% in 2017 (base case)
 - *Scenario 3:* revenue decline of 6.5% p.a. and an EBITDA margin of 6.0% in 2017

In selecting these scenarios we have had regard to recent historical revenue and EBITDA trends (with CAGRs of (8.8)% and (22.2)%, respectively, over the period from 2012 to 2015) as well as the outlook for ARM

- for each scenario, future EBITDA margins are assumed to decline with revenue
- an allowance for ongoing restructuring charges
- a corporate tax rate of 30%
- working capital requirement assumed to remain relatively constant over the Projection Period with minimal releases from working capital as revenue declines
- depreciation is expected to remain consistent with historical levels over the short to medium term, reflecting significant capital expenditure by ARM. In the longer term capex and depreciation are expected to be aligned.

Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a base case nominal after tax discount rate in the range of 10.0% to 11.0% to discount the future cash flows of ARM to their present value. In selecting these discount rates we consider the following:

- the required rate of return of comparable companies
- the debt to equity ratio of comparable companies.

The nominal after tax discount rate range selected reflects a cost of equity as we do not consider that ARM would be able to support any debt in its capital structure. The cost of equity has been estimated based on the following:



- a risk free rate of 1.85% based on the five day average of the zero coupon ten year Australian government bond as at 8 July 2016
- an equity market risk premium of 7.75%
- a levered beta of 1.1 to 1.2.

The inputs to the weighted average cost of capital are highly subjective. Having said that, they imply an enterprise discount rate of 10.0% to 11.0%. Based on our experience, we consider such a discount rate reasonable for an enterprise such as ARM based on the three cash flow scenarios considered.

Growth rate into perpetuity

We adopted a growth rate into perpetuity (i.e. the growth rate that would apply to the cash flows beyond year five and over the long term) of nil which could be considered optimistic given the sustained historical downward trend in earnings and cash flows.

Valuation summary

We have considered the enterprise value of ARM on a control basis under each of the three cash flow scenarios discussed above and a range of higher and lower discount rate assumptions, as set out in the table below.

Table 9: Summary of high level discounted cash flow valuation

Enterprise value (\$ million)	Discount rate				
	11.5%	11.0%	10.5%	10.0%	9.5%
Scenario 1	50.3	52.3	54.6	57.0	59.8
Scenario 2	32.6	33.7	34.9	36.3	37.8
Scenario 3	16.6	16.9	17.3	17.6	18.0

Source: Deloitte Corporate Finance analysis

Given the risk profiles inherent in the three scenarios adopted, we consider it appropriate to apply higher and lower discount rates for Scenario 1 and Scenario 3, respectively, to account for the risk differential between those scenarios and Scenario 2, which is effectively a 'base case' scenario.

The above values reflect the value of the enterprise on a control basis and are therefore comparable to our assessed enterprise valuation range of ARM of \$33.0 million to \$45.5 million.

Based on the foregoing, we consider the high level discounted cash flow analysis provides support for our valuation of ARM based on the capitalisation of maintainable earnings approach.



Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Transaction for Non-associated Shareholders as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Directors of APN News & Media and is to be included in the Explanatory Memorandum to be given to Non-associated Shareholders for approval of the Proposed Transaction in accordance with ASX Listing Rule 10.1. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-associated Shareholders, the Directors and APN News & Media, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Transaction is fair and reasonable in relation to Chapter 10 of the Listing Rules.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by APN News & Media and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to APN News & Media management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by APN News & Media and its officers, employees, agents or advisors, APN News & Media has agreed that Deloitte Corporate Finance is not responsible for any error in this report caused by, or arising out of, or in any way connected with any omission of information or any misrepresentation, misleading or deceptive information or materials supplied and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either our reliance on the information provided by APN News & Media and its officers, employees, agents or advisors or the failure by APN News & Media and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transaction.

Deloitte Corporate Finance holds the appropriate Australian Financial Services Licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Ferris, B.Ec, CA, F.Fin and Tapan Parekh, B.Bus, M.Com, CA (BV Specialist), F.Fin. Each has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.



Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- APN News & Media proposes to issue an Explanatory Memorandum in respect of the Proposed Transaction
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report in Section 6.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in Section 6 of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included in Section 6.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- annual report for APN News & Media for the year ended 31 December 2015
- draft Explanatory Memorandum in respect of the Proposed Transaction
- ARM background information presentation
- management accounts for ARM for the twelve months ending 31 December 2013 to 31 December 2015 and financial forecasts for the year ending 31 December 2016
- company websites for APN News & Media
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ, and Mergermarket
- IBISWorld company and industry reports
- other publicly available information, media releases and brokers reports on APN News & Media, comparable companies and the Media and Advertising industry/sectors in Australia.

In addition, we have had discussions and correspondence with certain directors and executives, including Peter Cosgrove, Chairman – APN News & Media; Paul Connolly, Non-Executive Director – APN News & Media; Ciaran Davis, Chief Executive Officer – APN News & Media; Jeff Howard, Chief Financial Officer – APN News & Media; Neil Monaghan, Chief Executive Officer – ARM and Michael Newell, Chief Financial Officer – ARM in relation to the above information and to current operations and prospects.



Appendix B: Valuation methodologies

To estimate the fair market value of the ARM we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.



Appendix C: Comparable entities

Table 10: Comparable company analysis

Company name	Country	Enterprise value ¹	Gearing ²	EBITDA multiple (on a control basis) ³			EBITDA margin	Projected EBITDA growth (CAGR)	Current EBIT multiple (on a control basis) ³	Two year, weekly unlevered beta	Four year, monthly unlevered beta
				Historical	Current	Forward +1	Current				
Australian publishers											
APN News & Media Limited	Australia	989	19.5%	11.6x	10.9x	11.1x	22.1%	28.7%	13.3x	1.01	1.29
News Corporation	United States	7,258	(28.7)%	7.7x	7.8x	7.0x	9.1%	10.8%	19.2x	1.36	1.76
Fairfax Media Limited	Australia	2,276	0.4%	10.3x	9.3x	8.8x	13.4%	16.1%	12.2x	0.80	1.25
Seven West Media Limited	Australia	2,199	29.7%	5.7x	6.7x	7.4x	22.1%	22.0%	7.7x	0.84	0.78
Average			5.2%	8.8x	8.7x	8.9x	16.7%	19.4%	13.1x	1.00	1.27
Median			10.0%	9.0x	8.5x	8.4x	17.8%	19.1%	12.8x	0.93	1.27
Minimum			(28.7)%	5.7x	6.7x	7.4x	9.1%	10.8%	7.7x	0.80	0.78
Maximum			29.7%	11.6x	10.9x	11.1x	22.1%	28.7%	19.2x	1.36	1.76
Australian printers											
IVE Group Limited	Australia	219	12.4%	8.2x	6.0x	5.8x	4.4%	11.2%	8.0x	n/m	n/m
PMP Limited	Australia	189	7.2%	3.1x	4.1x	4.1x	6.7%	6.9%	8.6x	n/m	n/m
OPUS Group Limited	Australia	34	(37.6)%	4.2x	n/a	n/a	9.7%	n/a	n/a	n/m	n/m
Average			(6.0)%	5.2x	5.1x	4.9x	6.9%	9.0%	8.3x	n/m	n/m
Median			7.2%	4.2x	5.1x	4.9x	6.7%	9.0%	8.3x	n/m	n/m
Minimum			(37.6)%	3.1x	4.1x	4.1x	4.4%	6.9%	8.0x	n/m	n/m
Maximum			12.4%	8.2x	6.0x	5.8x	9.7%	11.2%	8.6x	n/m	n/m



Company name	Country	Enterprise value ¹	Gearing ²	EBITDA multiple (on a control basis) ³	EBITDA margin	Projected EBITDA growth (CAGR)	Current EBIT multiple (on a control basis) ³	Two year, weekly unlevered beta	Four year, monthly unlevered beta				
International publishers													
Time Inc.	United States	3,306	33.8%	8.8x	6.2x	5.8x	5.8x	13.0%	14.5%	3.2%	9.5x	1.01	n/m
The New York Times Company	United States	2,358	(10.7)%	11.5x	8.8x	8.6x	8.5x	15.4%	15.7%	1.9%	11.8x	1.03	1.60
Gannett Co., Inc.	United States	1,875	(13.6)%	5.3x	4.3x	4.2x	4.4x	13.3%	13.2%	(0.7)%	6.3x	n/m	n/m
New Media Investment Group Inc.	United States	1,477	24.7%	9.3x	7.3x	6.8x	6.8x	11.4%	13.9%	3.8%	13.5x	0.97	0.67
The McClatchy Company	United States	1,412	88.0%	8.8x	7.1x	7.2x	n/a	15.2%	15.7%	n/a	27.4x	n/m	n/m
Lee Enterprises, Incorporated	United States	996	85.6%	5.1x	5.1x	5.4x	n/a	23.1%	25.0%	n/a	n/a	0.31	0.42
ironc, Inc.	United States	960	40.1%	6.1x	5.7x	6.0x	6.1x	6.7%	8.8%	(3.5)%	n/a	n/m	n/m
Postmedia Network Canada Corp	Canada	670	98.7%	6.5x	4.6x	4.7x	n/a	12.9%	15.6%	n/a	n/a	n/m	n/m
Trinity Mirror plc	United Kingdom	571	33.1%	2.7x	2.3x	2.3x	2.3x	19.1%	21.9%	0.2%	2.8x	n/m	n/m
Johnston Press plc	United Kingdom	323	91.4%	3.3x	3.4x	3.5x	3.7x	20.7%	23.3%	(3.6)%	3.9x	n/m	n/m
Glacier Media, Inc.	Canada	156	43.8%	6.2x	5.9x	6.3x	n/a	6.5%	12.1%	n/a	n/a	n/m	n/m
NZME, Limited	New Zealand	243	43.8%	3.7x	n/a	n/a	n/a	15.6%	n/a	n/a	n/a	n/m	n/m
Tonstar Corporation	Canada	99	(33.1)%	n/m	3.4x	4.0x	n/a	4.2%	5.1%	n/a	n/m	n/m	n/m
A. H. Belo Corporation	United States	47	(204.8)%	n/m	n/a	n/a	n/a	n/m%	n/a	n/a	n/a	0.92	n/m
FP Canadian Newspapers Limited	Canada	33	93.2%	2.4x	n/a	n/a	n/a	15.7%	n/a	n/a	n/a	0.45	0.90
Average			27.6%	6.1x	5.3x	5.4x	5.4x	13.8%	15.4%	0.2%	10.8x	0.78	0.90
Median			40.1%	6.1x	5.4x	5.6x	5.8x	14.3%	15.0%	0.2%	9.5x	0.95	0.79
Minimum			(204.8)%	2.4x	2.3x	2.3x	2.3x	4.2%	5.1%	(3.6)%	2.8x	0.31	0.42
Maximum			98.7%	11.5x	8.8x	8.6x	8.5x	23.1%	25.0%	3.8%	27.4x	1.03	1.60
Overall average			19.0%	6.5x	5.3x	5.4x	5.4x	13.8%	15.4%	0.2%	10.8x	0.87	1.09
Overall median			27.2%	6.2x	5.4x	5.6x	5.8x	14.3%	15.0%	0.2%	9.5x	0.95	1.07
Overall minimum			(204.8)%	2.4x	2.3x	2.3x	2.3x	4.2%	5.1%	(3.6)%	2.8x	0.31	0.42
Overall maximum			98.7%	11.8x	8.8x	8.6x	8.5x	23.1%	25.0%	3.8%	27.4x	1.36	1.76

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

- Enterprise value as at 8 July 2016, presented in millions
- Gearing = net debt/enterprise value as at latest reporting date before 8 July 2016, negative gearing indicates a net cash position
- Earnings multiples derived from share market trading do not reflect the market value for control of a company as they are for portfolio holdings. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values, however we have seen instances of much lower and higher premiums for individual transactions. We have used a 20% premium for control in determining the relevant multiples on a control basis in the table above, which, while at the low end of the range, appears reasonable considering the recent performance of companies in this industry. Please see Appendix D for further details on control premiums
- n/m = not meaningful
- n/a = not available

Appendix D: Control premium

Deloitte Corporate Finance study

Deloitte Corporate Finance conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 31 May 2016. This study was conducted by Deloitte Corporate Finance staff for internal research purposes. Our merger and acquisition data was sourced from Mergermarket, Reuters and Capital IQ and yielded 576 transactions that were completed during the period under review⁷.

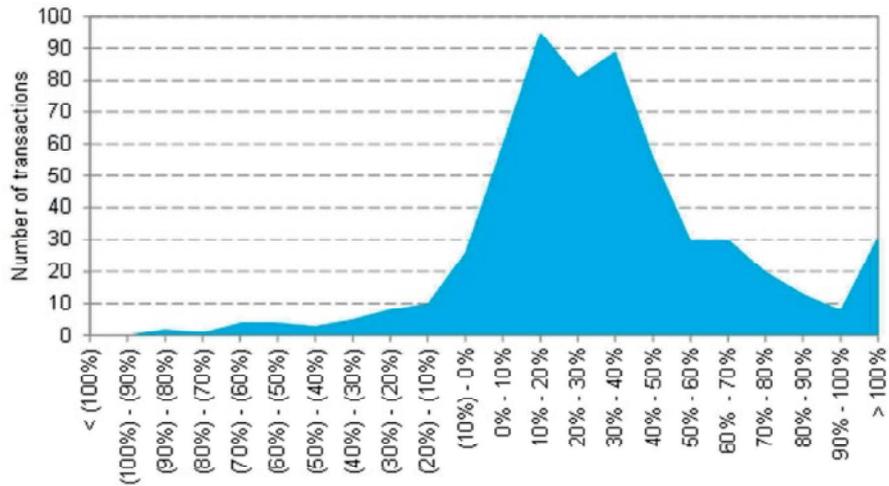
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 31 May 2016 are widely distributed with a long ‘tail’ of transactions with high premiums.

Figure 8: Distribution of control premiums in Australia



Source: Deloitte Corporate Finance analysis

⁷ Excluding transactions where inadequate data was available.

The following table details our findings.

Table 11: Control premium analysis – summary findings

	Control premium
Average	34%
Median	29%
Upper quartile	47%
Lower quartile	12%

Source: Deloitte Corporate Finance analysis

Notwithstanding the relatively wide dispersion of control premiums observed in our study we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise ‘special purchaser’ value which is only available to a very few buyers. Such ‘special purchaser’ value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

Other studies

In addition to the study above, we have also had regard to the following:

- a study conducted by S. Rossi and P. Volpin of London Business School dated September 2003, ‘Cross Country Determinants of Mergers and Acquisitions’, on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- ‘Valuation of Businesses, Shares and Equity’ (4th edition, 2003) by W. Loneragan states at pages 55-56 that: “Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly.”
- a study conducted by P. Brown and R. da Silva dated 1997, ‘Takeovers: Who wins?’, JASSA: The Journal of the Securities Institute of Australia, v4 (Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7%.

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7. GLOSSARY

Defined term	Meaning
ACCC	The Australian Competition Consumer Commission.
ARM	Australian Regional Media.
APN	APN News & Media Limited.
APN Share	A fully paid ordinary share in the capital of APN.
APN Newspapers Pty Ltd	APN Newspapers Pty Ltd is a company within the ARM Group.
APN Shareholders	A registered holder of an APN Share.
APN Share Register	The register of APN.
APN Share Registry	Link Market Services Limited, Level 12, 680 George Street Sydney NSW 2000.
APN Subsidiaries	Australian Provincial Newspapers Ltd and Nathco Holdings Pty Ltd.
ARM	Australian Regional Media.
ARM Sale Companies	The 26 companies and two trusts involved in the operation of the ARM Business.
ARM Business	The business conducted by the ARM Sale Companies, including the publication of 12 daily newspapers, more than 60 community, non-daily and specialist publications and over 60 regional news, community and other websites.
ARM Group	The ARM Sale Companies and the subsidiaries of each ARM Sale Company involved in the operation of the ARM Business.
ASX	ASX Limited or the market conducted by it, as the context requires.
ASX Listing Rules	The rules, as amended from time to time, that govern the admission, quotation, suspension and removal of entities from the ASX Official List.
ASX Official List	The official list of listed entities on the ASX.
Board	The board of directors of APN.
Director	A director of APN.
EBIT	Earnings before interest and tax, before exceptional items.
EBITDA	Earnings before interest, tax, depreciation and amortisation, before exceptional items.
Explanatory Memorandum	The Explanatory Memorandum set out in section 5 of this document.
FIRB	Foreign Investment Review Board.
General Meeting	General Meeting of APN Shareholders to vote on the Proposed Transaction Resolution to be held at the location and time indicated in Section 1.
Independent Expert or Deloitte Corporate Finance	Deloitte Corporate Finance Pty Ltd.
Independent Expert's Report	The report included in this Notice of Meeting and Explanatory Memorandum in section 6.
News Corp	News Corporation.
Non-associated Shareholders	APN Shareholders not associated with News Limited.
Notice of Meeting and Explanatory Memorandum	This document.
NZX	NZX Limited.
Proposed Transaction	The sale of the ARM Business to a subsidiary of News Corp.
Proposed Transaction Resolution	The resolution set out in section 4 of this Notice of Meeting and Explanatory Memorandum.
Proxy Form	A proxy form in the form attached to this Notice of Meeting and Explanatory Memorandum.
Share Sale Agreement	The Share Sale Agreement dated 21 June 2016 between Australian Provincial Newspapers Ltd, NCA Ventures Pty Ltd and News Australia Holdings Pty Ltd.

8. CORPORATE DIRECTORY

APN News & Media Limited

Level 4, 100 William Street
Sydney NSW 2011
Australia

APN Share Registry - Australia

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

Financial Adviser

Credit Suisse (Australia) Limited
Level 31, 1 Macquarie Place
Sydney NSW 2000

Independent Expert

Deloitte Corporate Finance Pty Limited
Level 1, Grosvenor Place
225 George Street
Sydney NSW 2000

Legal Adviser

Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

Accessing information on APN

All up-to-date shareholder information is available online at:
www.apn.com.au.



NEWS & MEDIA

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

LODGE YOUR VOTE

ONLINE
vote.linkmarketservices.com/APN

BY MAIL
APN News & Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 365 969 Overseas: +61 1300 365 969

PROXY FORM

I/We being a member(s) of APN News & Media Limited (the **Company** or **APN**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

[Blank box for proxy name]

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am (AEST) on Friday, 16 September 2016 at Baker & McKenzie, Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chair of the Meeting intends to vote undirected proxies in favour of the item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Proposal Transaction Resolution

1 "For the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the sale by the APN Subsidiaries of all of the shares and units held by each of them in the ARM Sale Companies to NCA Ventures Pty Ltd, a subsidiary of News Corp, as described in the Explanatory Memorandum."

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for an Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder (Individual)	Joint Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the Company's share registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on this Proxy Form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this Proxy Form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEM OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the item by inserting the percentage or number of shares you wish to vote in the appropriate box. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on the item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this Proxy Form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both Proxy Forms together.

SIGNING INSTRUCTIONS

You must sign this Proxy Form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under power of attorney, you must lodge the power of attorney with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting and Explanatory Memorandum. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Wednesday, 14 September 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

vote.linkmarketservices.com/APN

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your Proxy Form by scanning the QR code adjacent or enter the voting link vote.linkmarketservices.com/APN into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

APN News & Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm (AEST))

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS PROXY FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**