



NEWS & MEDIA

APN News & Media Limited
2016 General Meeting
SYDNEY, 16 June 2016

Chairman's Address to Shareholders

Today marks a significant day for APN News & Media as we give you, our shareholders, the opportunity to vote on whether NZME is demerged from the broader APN Australian and Hong Kong operations.

APN has a long history of operating in New Zealand, culminating in the successful and ongoing integration of NZME which brought together APN's New Zealand publishing, radio and digital assets. I must commend NZME CEO Michael Boggs and his management team on NZME's transformation achievements.

Board recommendation on demerger

The view of the APN Board is to vote in favour of the demerger as we believe it will enhance shareholder value by enabling independent focus for each company to allow them to better pursue their own strategic priorities and growth initiatives.

In recommending the demerger, the Board considered a number of alternative options such as retaining the status quo, a divestment or an initial public offering. After reviewing the advantages and disadvantages of each option, we determined that a demerger would provide the greatest value for shareholders.

Experienced Board and management teams

Should the demerger go ahead, APN and NZME would have their own experienced management team and independent Board. Sir John Anderson will resign from the APN Board to become NZME's Chairman, Peter Cullinane will join the NZME Board while retaining his place on the APN Board to ensure a smooth transition and Carol Campbell, who is a chartered accountant with extensive financial experience and a sound understanding of efficient board governance, will join the NZME Board. Ciaran Davis and Michael Boggs will retain their positions as chief executives of APN and NZME respectively.

Share consolidation

As you would have read in the materials provided to you on the demerger, if it is approved, eligible APN shareholders will receive new shares in NZME in proportion to their existing APN shareholding, while retaining their existing APN shares. APN will remain listed on the ASX and NZX.

APN will undertake a 1 for 7 share consolidation which we are also asking you to vote on today. Shares in NZME will then be distributed to eligible shareholders on the basis of 1 NZME share for 1 APN share.

Dividend

The demerger gives both APN and NZME flexibility to pay dividends within the next 12 months. I would now like to reiterate APN's position on dividends following the demerger.

The APN Board intends to initially target a dividend payout ratio of approximately 40-60 per cent of underlying NPAT, subject to other strategic priorities.

And while it will ultimately be a decision for the NZME Board, it is intended that there will be an initial dividend payout ratio of 60-80 per cent of underlying NPAT, subject to maintaining appropriate leverage. It is proposed that NZME's first dividend will be considered for the six month period to 30 June 2016.

Fairfax merger update

As you are aware, NZME has entered into exclusive discussions with Fairfax Media in New Zealand about a potential merger between the two businesses.

We have submitted an application to the New Zealand Commerce Commission and are co-operating with them in providing any information required to assist clearance.

We continue to believe in the synergies between NZME and Fairfax's New Zealand business with the asset bases largely complementary and will continue to keep you updated.

Thank you.

Ends.

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