

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

CEO's Address to Shareholders

Good morning.

I am pleased to be addressing you for the first time as Chief Executive and would like to start by thanking you, our shareholders, the Board and management for your continued support in what has been a year of progress as we continue to transform our business.

2015 Highlights

There have been some significant achievements from our businesses throughout 2015, of which I would like to highlight a few.

ARN remained the #1 radio metropolitan network by audience. KIIS was the #1 radio brand and we continued to hold leadership positions in Sydney, Brisbane and Adelaide.

iHeartRadio continued to go from strength to strength, increasing its registrations by 52 per cent which, in turn, led to an increase of 49 per cent in revenue.

Content marketing agency Emotive launched with APN a founding investor and in its short history has already been awarded one of the world's most prestigious creative accolades – a Cannes Lion.

Adshel embarked on a transformational business initiative – the launch of Adshel Live, its digital street furniture network in Australia and New Zealand.

Cody, our outdoor business in Hong Kong, rebounded from a tough first half by re-positioning and diversifying its offering which has led to an increase in new contracts.

NZME brands continued to hold leadership positions in the country – all while the business delivered on its significant transformation project that positioned the business into one of the country's leading media and entertainment companies.

Finally, Australian Regional Media made the brave and bold move to launch Australia's first regional digital subscription program. This is already delivering incremental revenues for the business.

Financial Results

Reflecting on the Company's 2015 Financial Results, I am pleased that revenue and EBITDA both experienced growth in what is a highly competitive and challenging media market.

As you would have seen from APN's Annual Report, revenue increased one per cent to \$850m while EBITDA increased to \$166.2m.

It was particularly pleasing to see the strong cash flows of \$78.2m achieved in the year

To also see our leverage down to 2.74x down from 3.1x immediately following the acquisition of 96FM in January last year, is encouraging.

Strategic Priorities

While we have made great progress across all of our businesses, I wanted to re-iterate APN's strategic priorities which I outlined initially at APN's Full Year Results in February and which you would have seen in our Annual Report.

That is, to focus our energy and investments on those areas of the business that will deliver the greatest shareholder return.

You would be aware of the announcement we made this morning around our proposal to demerge NZME from APN which the Chairman outlined earlier.

We are also continuing our process to divest ARM, giving the business the flexibility to continue its own growth strategy.

My vision for APN is to make it a leading, primarily Australian focused, growth orientated media and entertainment company. We have started on this path and I am committed to delivering this vision for you.

I would now like to take the opportunity to provide you with more detail on the progress each of our businesses made in 2015, and their opportunities for growth in 2016.

Australian Radio Network (ARN)

Starting with ARN - In 2015, ARN was Australia's number one metropolitan radio network. A fantastic feat in a competitive radio industry.

In Sydney, ARN's KIIS and WSFM were the #1 and #2 FM radio stations with their respective breakfast teams of Kyle and Jackie O and Jonesy & Amanda solidifying the #1 and #2 FM positions.

ARN also continued its leadership positions in Brisbane and Adelaide where 97.3FM and Mix 102.3 finished the year as the #1 FM stations in their respective cities.

In the Drive daypart, ARN launched the Hughesy and Kate national Drive program at the beginning of 2015, acknowledging the importance of the daypart in generating national revenues. Impressively, by the end of the year, the team had achieved the #2 position in Drive.

All of this success culminated in the KIIS brand finishing 2015 as the #1 national radio brand in Australia.

Over the last five years, ARN has consistently outperformed the market highlighting the importance of ratings success to drive revenue.

In 2015, the overall radio market grew 4.8 per cent – a very strong indicator of the robustness of the industry.

ARN increased revenues by 22 per cent with just under half of this growth attributable to the acquisition of Perth's 96FM which completed in January 2015.

iHeartRadio

iHeartRadio Australia continues to go from strength to strength.

In 2015, registered users increased 52 per cent to 527,000; app downloads increased 53 per cent to 803,000 amounting to 2.4m in monthly streaming hours. These strong figures have contributed to a 49 per cent increase in 2015 iHeartRadio revenue.

We continue to invest in iHeartRadio as a multi-platform brand extension to ARN's radio offering generating new revenue for the business.

New custom stations, events and partnerships such as the commercial agreement announced with Optus aligns to iHeartRadio's strategy of giving audiences the opportunity to get closer to the music they love anytime, anywhere and for free.

Adshel

Moving onto Adshel - the success of Adshel was underpinned by the launch of Adshel Live, the business' digital out-of-home street furniture network.

In June 2015, Adshel digitised 35 of its key advertising panels in Auckland CBD and in October we launched the world's first national digital street furniture network with 270 panels across Australia.

The revenue results from the launch of Adshel Live have been pleasing for the business and we are pleased to be expanding the network across Australia and New Zealand from this year.

Adshel Live offers advertisers unique out-of-home benefits.

Firstly, the national scale of the network in Australia is unrivalled in the industry. Secondly, the digital screens provide advertisers with the flexibility to control and switch out their creative campaigns based on day, location, business needs and context.

Innovation and creative opportunities are endless. Take Flight Centre for example, who recently ran a campaign where they could update airfares in real time and tailored to each geographical site.

The outdoor industry in Australia has seen phenomenal growth over the past two years – driven by digitisation.

You may have seen these graphs during APN's Full Year Results presentation and again reiterated in our Annual Report, however I think it worth highlighting again to demonstrate the revenue benefits from the digital investments we have made at Adshel.

Prior to the launch of Adshel LIVE in Australia and New Zealand, Adshel's revenue growth was behind market growth. The immediate impact of launching digital screens has seen Adshel achieve market, or above market growth.

Hong Kong Outdoor

Taking a look at our Hong Kong Outdoor business – After a challenging start in the first half of 2015, a new management team has been installed, tasked to re-build the business.

Since then, the business has rebranded and diversified its offering beyond traditional outdoor billboard advertising into the areas of taxi advertising, content creation and experiential activations.

With a focus on business development in H2, we are pleased that Cody has been successful in securing and retaining key contracts.

This includes retaining the advertising rights for Hong Kong's Western Harbour Tunnel.

Australian Regional Media (ARM)

Moving onto APN's regional publishing business - local audiences have continued to grow with ARM brands now reaching more than 1.6million Australians every week across their multi-platform suite of products.

The business continues to deliver on its commitment to provide quality local content for its audiences. It has clearly identified what drives news and information consumption in its markets and has put in place successful strategies to deliver this content across multiple platforms.

Combining the positive affinity its audiences have to local products and services with quality local journalism in print, online, mobile and tablet platforms positions ARM well within its communities and for the future.

In 2015, ARM became the first regional publisher to launch a digital subscription package with a trial in Toowoomba and across all daily mastheads.

Sign-ups are tracking to plan and we anticipate these subscriptions will generate an increasingly significant contribution to ARM's transforming business model.

However, despite APN being a long term supporter of regional publishing in Australia, our future investments must remain focused on the growth assets of radio and outdoor. As you would have seen in the Annual Report, we have commenced a process to divest ARM. New ownership will give ARM the flexibility to invest where required, to continue to providing quality news and content to its audiences, without having to compete for APN's capital.

NZME

And finally, to NZME - 2015 was a significant year with the business delivering on all of the transformation targets.

EBITDA forecasts were overachieved delivering just under \$75m.

With a target of \$18 million in cost savings, NZME secured over \$20 million in 2015.

Merging three businesses into one, NZME successfully launched one newsroom and combined commercial teams, bringing together expertise and capabilities from the publishing, radio and digital teams which has delivered audience growth and commercial opportunities.

The business also achieved over \$59 million of revenue from digital and other growth channels.

Against the backdrop of significant change, the business continues to provide quality and industry leading content.

Having re-focused NZME into the audience and content categories of News, Sport and Entertainment, NZME brands have continue to lead in their respective categories.

The New Zealand Herald is the #1 news media brand in the country with NewstalkZB the #1 news radio station.

Radio Sport continues to be the #1 sports radio station, and Coast has secured the #1 music and entertainment radio ranking in the country.

The focus of new revenue initiatives has diversified the NZME offering beyond its traditional publishing and radio assets.

Over the last year, we have seen the launch of numerous new verticals and digital products including:

- NZME Vision;
- WatchMe, a video-on-demand service platform;
- CreateMe;
- NZ Herald Focus, a twice daily video news show filmed in the NZME newsroom; and
- Driven, an integrated content and listings website

The priority now is to position NZME for further growth and, for the reasons we outlined in today's announcement, we believe a demerger of the business is the best way forward for NZME.

APN strategy

I want to briefly outline APN's focus and priorities will be should the Demerger go ahead.

My vision for APN is to become a growth-oriented company with leading assets in radio and outdoor.

The opportunities we have identified to position APN for further growth are underpinned by our evolving strategy. That is:

- **To grow our audience base** enhancing our products, services and offering to deliver the best experience for audiences;
- To expand our digital and data capabilities to be able to compete for audience and advertiser revenues in today's rapidly evolving media landscape;
- **To diversify our revenues** so we can continue to invest in our products and create a capital structure that provides value for our shareholders; and
- **To optimise integration**, identifying unique opportunities that drive new revenues and streamline cost structures.

Trading update

In terms of trading ...

- In Australia, the Radio and Outdoor sectors continue to outperform a relatively weak
 advertising market. ARN revenues were up in line with the strong market growth of 9% in
 Q1. In Outdoor, the strong performance of the Adshel LIVE digital panels has delivered
 overall revenue growth in line with the market at 17% year to date
- In ARM the revenue trend has been consistent with 2015, with local revenues in line with prior year and National revenues remaining weak. Digital subscriptions have helped to deliver total audience revenues in line with prior year. Cost savings have offset more than half the revenue decline
- In New Zealand, market conditions have been challenging and revenues were down 10% to
 the end of Q1. We have seen some improvement in April and bookings data suggests this
 will continue into May. The significant cost savings delivered as a result of the integration
 have offset most of the revenue shortfalls
- At the end of April, Group revenues are down 4% on prior year while cost savings have delivered a flat EBITDA

Conclusion

To conclude, I would like to extend my thanks to all APN staff for their drive, passion and energy and hard work throughout the year. Without their commitment, APN would not have achieved the success it did in 2015.

Finally, a thank you to you, our shareholders for your support and belief in APN's vision.

I am excited and encouraged by the potential of APN's future and I look forward to working with you all as we drive the business into its next phase of growth.

Thank you	for	your	time.
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