APN News & Media Annual General Meeting
Sydney, 2 May 2012

Chairman's Address to Shareholders

2011 was a challenging year on many fronts for APN, and this was reflected in the disappointing profit result and underlying share price performance of the Company.

At this time last year, the Company was feeling the full impact of the Queensland floods and the Christchurch earthquake. The business challenges reverberated throughout the year with general economic uncertainty, weak retail and advertising markets and a strong Australian dollar. The impact was most severe in our publishing businesses.

Our management team, led by our CEO Brett Chenoweth, responded to these challenges in a positive way. The immediate objective was to create efficiencies and reduce costs in order to remediate the external challenges. APN's publishing divisions delivered $25 million in annualised savings as a result and continue to identify further cost reduction measures this year. At the same time, they have been re-engineering our approach to publishing, to optimise the profitability of our existing assets in varying market conditions and to embed a multi-media approach to ensure progress in a constantly evolving media landscape. I emphasise we have valuable brands, that generate significant profits and cash flows, and it is important to ensure this remains.

Significant improvements have also been made in our outdoor, radio and digital divisions. The Board is committed to repositioning APN for growth and Brett will give you a broad overview today of the repositioning that has commenced.

Restoring APN's share price and building long term shareholder value continue to be imperatives for both the Board and the management team.

Financial results

Turning to our financial performance, APN recorded a NPAT before exceptional items of $78 million. Taking into account the non-cash impairment charge (which chiefly relates to the value of our New Zealand mastheads) of $159 million announced in August 2011 and other exceptional items, APN reported a statutory loss of $45 million.

Earnings before interest and tax were $171 million on group revenues of $1,072 million.
A strong performance in outdoor and solid growth in radio mitigated some of the shortfalls in publishing in local markets.

The company repaid $59 million of debt during the 12 months.

A final dividend of 5 cents a share, together with the interim dividend of 3.5 cents per share, brought the total dividend per share for 2011 to 8.5 cents.

Trading in the first quarter of 2012 has been tough. Brett, in his address, will provide you with an update on current trading.

Board Update

The most significant and recent change has been the resignation of APN's Chairman, Mr Gavin O'Reilly on Friday 20 April. Gavin's departure from the Board was a direct result of his decision to stand-down as CEO and Executive Director of Independent News & Media on Thursday 19 April. Independent News & Media remains APN's largest shareholder with approximately 29.5% of issued shares. Gavin joined the Board in 2004 and he made a tremendous contribution. He guided the company through the GFC and the subsequent down-turn in media markets. On behalf of the Board, I thank him and we all wish him well in the future.

As a priority, the Board has engaged a professional search firm to conduct an internal and external search for a new Chairman.

In February 2012, Pierce Cody resigned from the Board. Pierce served on the Board for more than eight years and I would also like to thank him for his contribution over that period.

There have been important Board changes since the last AGM. As part of the Board's commitment for renewal, APN announced the appointment of Melinda Conrad to the Board in December 2011. This followed the appointment of John Harvey in January of that same year. We welcome Melinda to the Board - she is already making a valuable contribution.

Conclusion

All media companies are facing much the same problem – particularly those with significant publishing assets – wrestling with the question of how best to leverage what I might describe as "old assets" to a new increasingly digital environment. Over the years, APN's three pillar policy namely publishing, outdoor and radio assets has been one of its greatest strengths. I believe that remains the case. It provides a strong platform to accelerate digital revenue and earnings. Digital revenues have more than doubled over the past 12 months, and whilst coming off a relatively low base, it signals our intent and commitment in this area.

Brett has brought some very talented executives into the business over the past 12 months, who with their colleagues understand the vibrant nature of the media sector, and the radical changes that are taking place. None of this is easy but the Board is prepared to take whatever measures are necessary to position the Company for future growth in this new media environment.

On behalf of the Board, I would like to thank all of our colleagues at APN for their commitment and achievements over the last 12 months. I also wish to thank my fellow Directors, who have served with great dedication. Finally, I want to thank you, our shareholders, for your ongoing support and belief in APN.

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