



MARKET ANNOUNCEMENT

NZME. BUSINESS UPDATE

SYDNEY, 6 November 2014 – APN News & Media Limited [ASX, NZX: APN] today provides information in relation to the business strategy and financial performance of its New Zealand media business, recently re-branded to NZME.

NZME. is one of New Zealand's largest media companies, with its print, radio, digital and e-commerce assets connecting with over 3.2 million New Zealanders each month.

An NZME. business update, including financial information about NZME., is attached to this announcement.

The release of information about NZME. aims to enhance market understanding of the NZME. business.

NZME. is transforming into an integrated media business. The medium term objective is to maintain its total advertising market share in New Zealand of 13-14% through transitioning the revenue mix.

NZME. is actively investing in new revenue areas; Digital, E-Commerce, Activations and Events. It is forecast to generate NZ\$55 million of annual revenue from digital and new initiatives in FY15.

APN also advises it will make a non-cash impairment charge of NZ\$54 million related to its newspaper mastheads in New Zealand, following a review of the assets.

APN is confident that the New Zealand newspaper titles will continue to be a strong contributor to future earnings and cash flows. The impairment charge will be included in APN's FY14 final results.

For further information:

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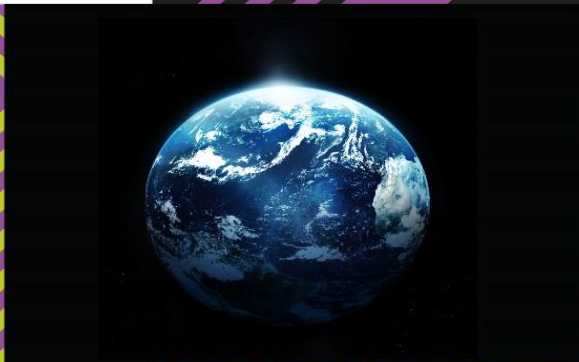


**NZ
ME.**

NEW ZEALAND
MEDIA AND
ENTERTAINMENT

COMPANY OVERVIEW

NOVEMBER 2014



DISCLAIMER

This presentation has been prepared to provide a general overview of the New Zealand media business of APN News & Media Limited (APN), which is referred to in this presentation as NZME. It has been prepared solely for informational purposes and does not purport to be complete or comprehensive and does not constitute financial product, investment, tax or other advice.

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Past performance information provided in this presentation may not be a reliable indication of future performance. This presentation contains certain forward-looking statements and comments about future events, including with respect to the financial condition, results, operations and business of NZME.. Forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies, and other factors, many of which are outside the control of APN and NZME., and which may cause the actual results or performance of NZME. to be materially different from any results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this presentation. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained herein. Recipients are cautioned not to place undue reliance on forward-looking statements.

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NZME.

BUSINESS HIGHLIGHTS

1. We engage our 3.2 million monthly New Zealand audience through high quality content
2. Our multi-platform model uniquely places us to monetise our audience
3. We forecast to generate over NZ\$55m of annual revenue from digital and other growth channels in FY15
4. We are merging three businesses into one
5. We will continue to generate strong operational cash flows

ENGAGING AUDIENCES ACROSS NEWS, SPORT AND ENTERTAINMENT

NZME^{NEWS}

OUR NEWS
BRANDS REACH
2.2M KIWIS



NZME^{SPORT}

OUR SPORTS
BRANDS REACH
1.0M KIWIS



NZME^{ENTERTAINMENT}

OUR ENTERTAINMENT
BRANDS REACH
2.8M KIWIS



NZME. ENGAGES A MONTHLY AUDIENCE OF ~3.2 MILLION NEW ZEALANDERS

Our brands reach...

>85%

of the North Island a month¹

~90%

of Auckland a month¹

>70%

of the South Island a month¹

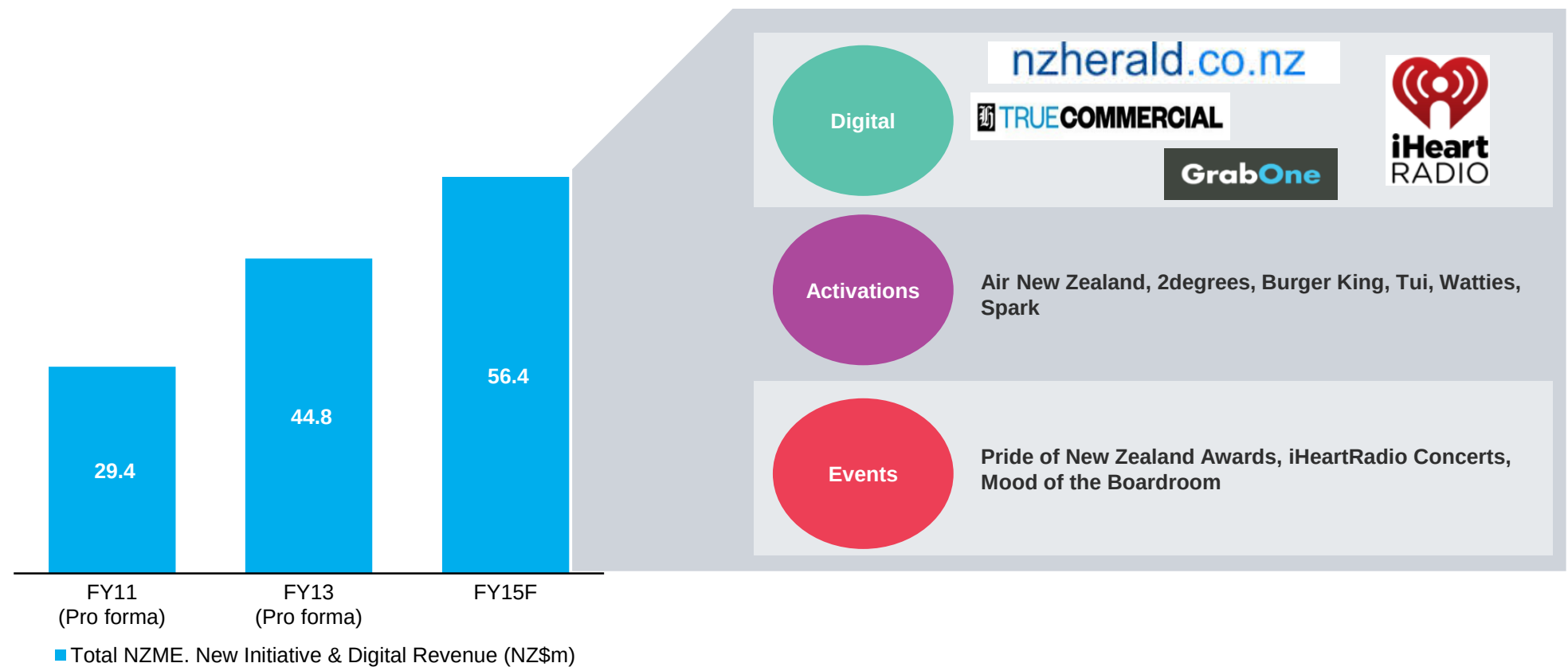
~14%

of total NZ advertising spend a year
(~NZ\$2.3 billion market)²

Our national and local presence makes us a key provider for advertisers

DIGITAL LEVERAGES EXISTING AUDIENCE TO GROW NEW REVENUES

Increasingly important new initiatives and digital revenue contributions expected to continue

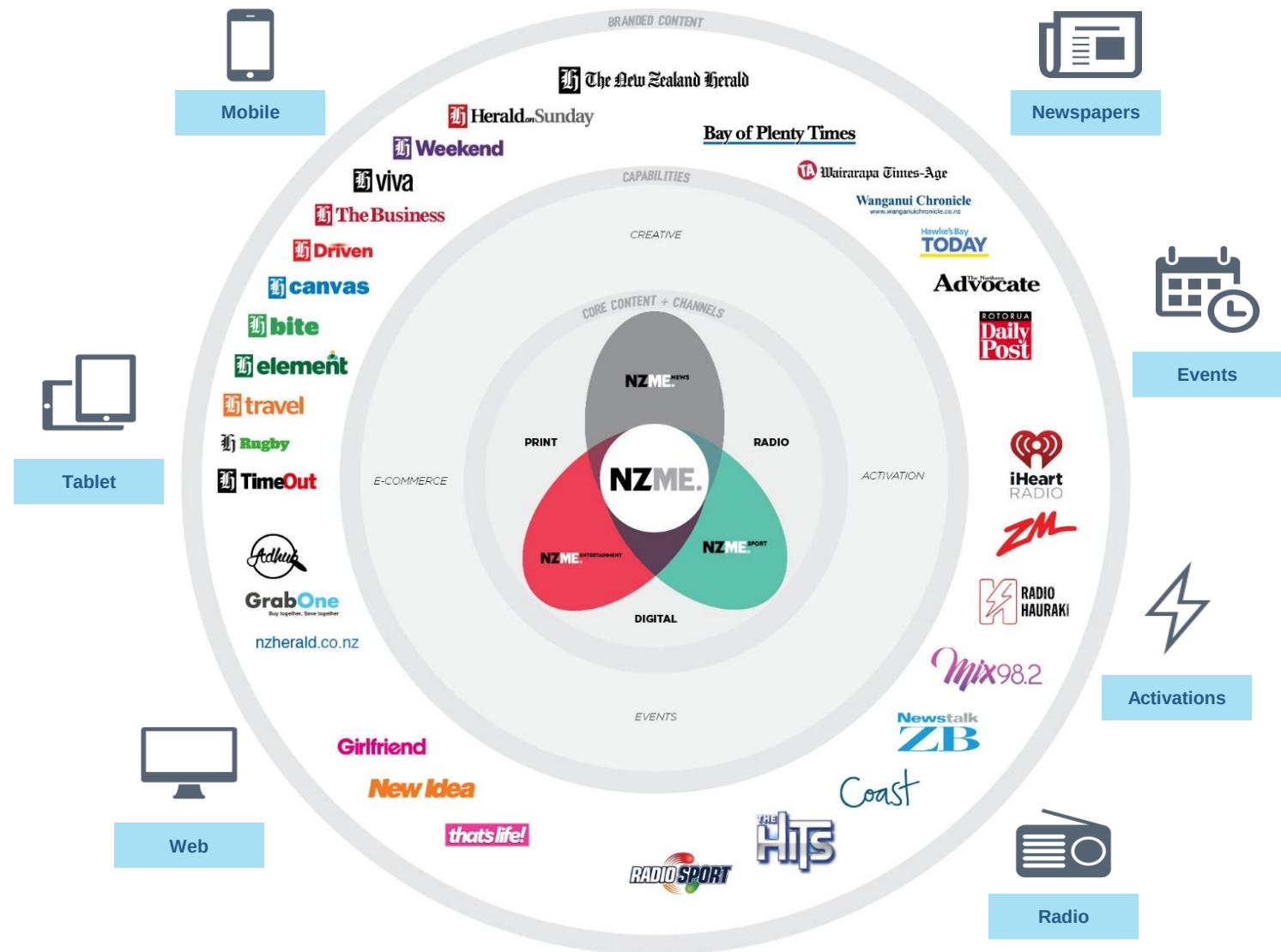


CONSOLIDATION AND TRANSFORMATION PROVIDES OPPORTUNITY

LEVERAGE CONTENT

CROSS-SELL TO INCREASE SHARE OF WALLET

TAKE ADVANTAGE OF OVERLAPPING OPPORTUNITIES



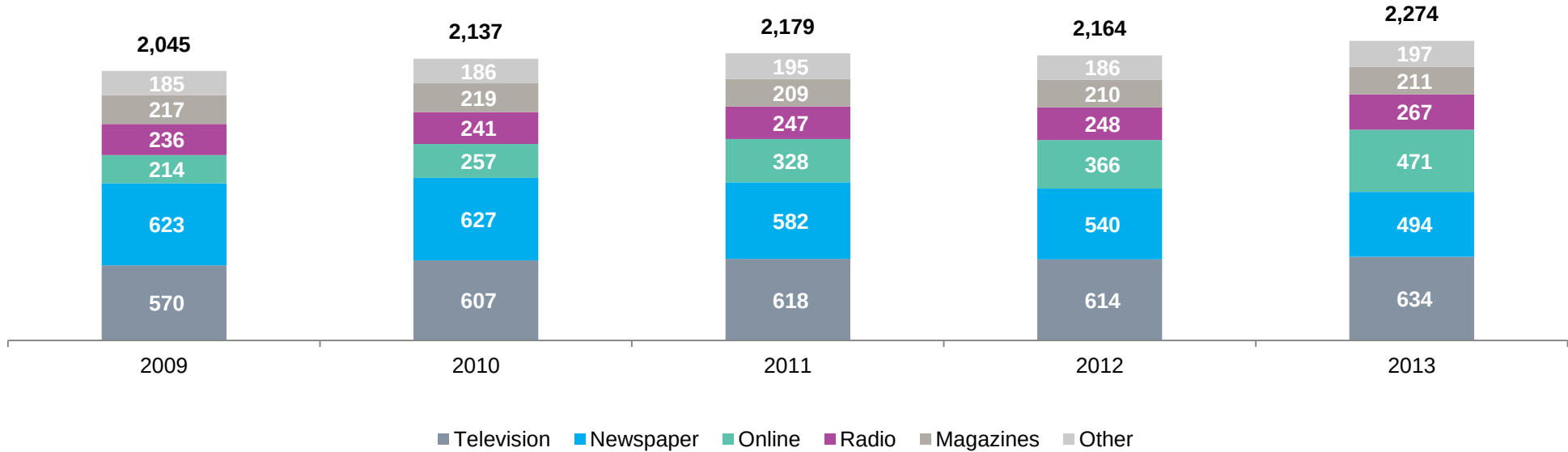
MARKET POSITION OF NZME.

NEW ZEALAND ADVERTISING LANDSCAPE

Differences between New Zealand and Australian media landscapes

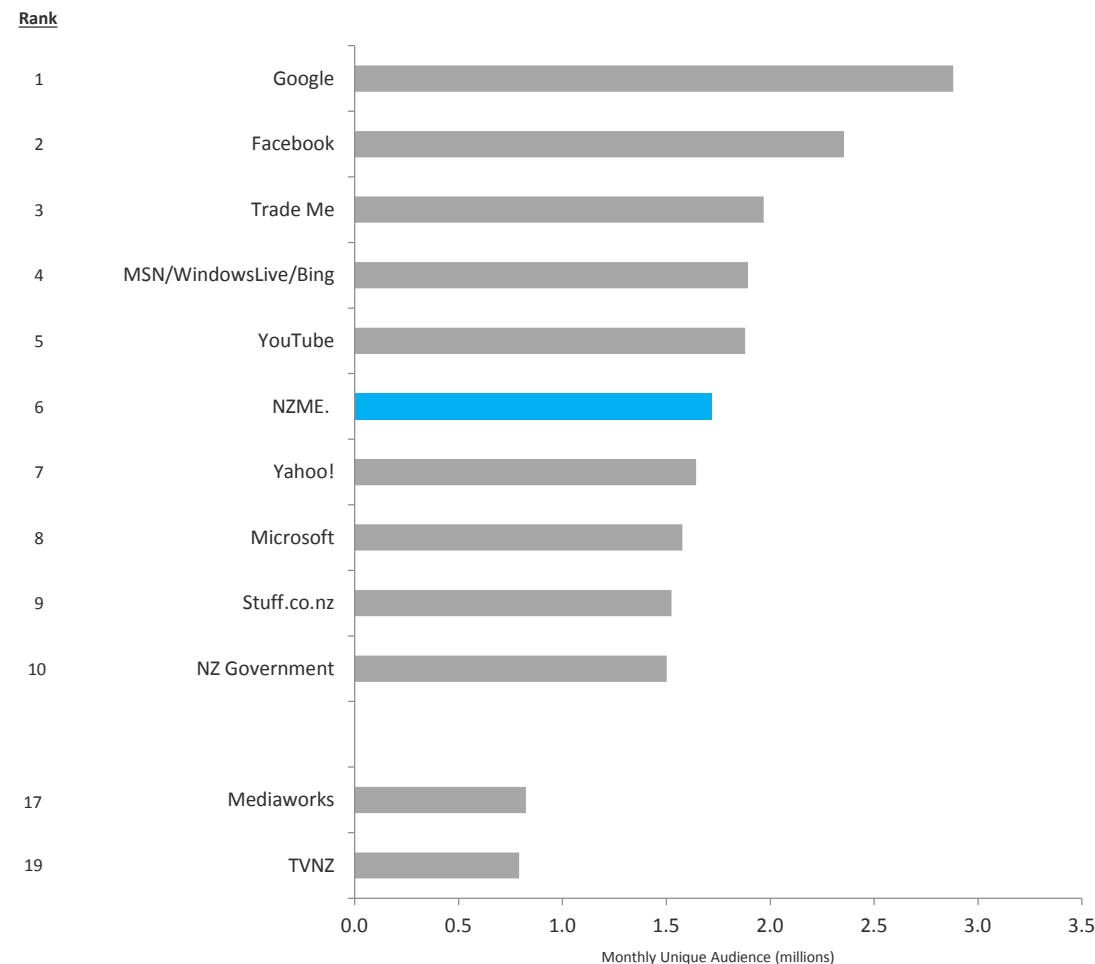
	New Zealand	Australia
Metro Newspaper Market	1 major daily newspaper per metro market	Usually 2+ major daily newspapers per metro market
Commercial Radio Market	2 major broadcasters	4 major broadcasters

New Zealand historical advertising expenditure 2009-2013 (NZ\$m)¹

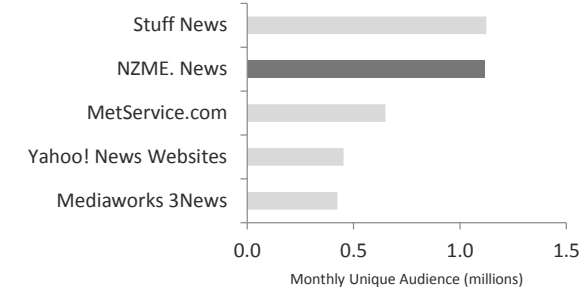


NZME. DIGITAL REACH

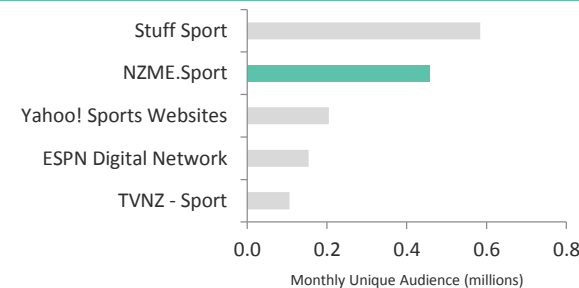
#1 Media Company in NZ Digital Market



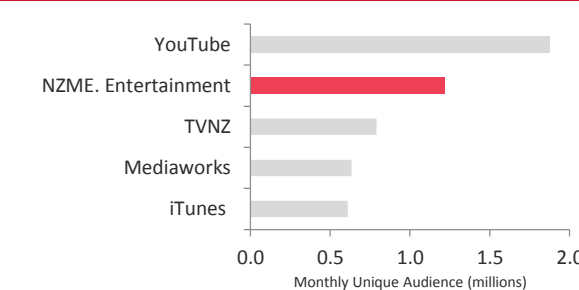
NZ Digital News¹



NZ Digital Sport



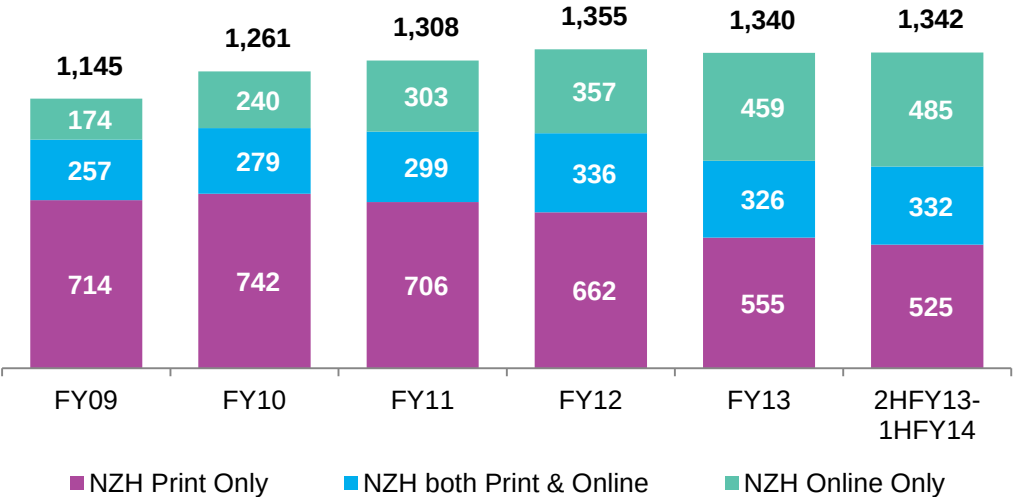
NZ Digital Entertainment



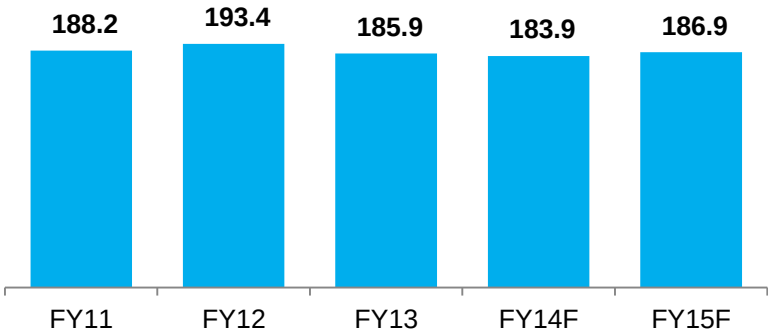
AUDIENCE ENGAGEMENT HOLDING WITH GROWING ONLINE PRESENCE

- NZME.’s advertising revenue is split approximately 70% direct, 30% agency
- Newspaper Inserted Magazines (“NIMS”) are providing a growth stream to publishing, representing ~40% of *The New Zealand Herald* newspaper advertising revenue
- Circulation volume declines are slowed by active subscriber management strategies

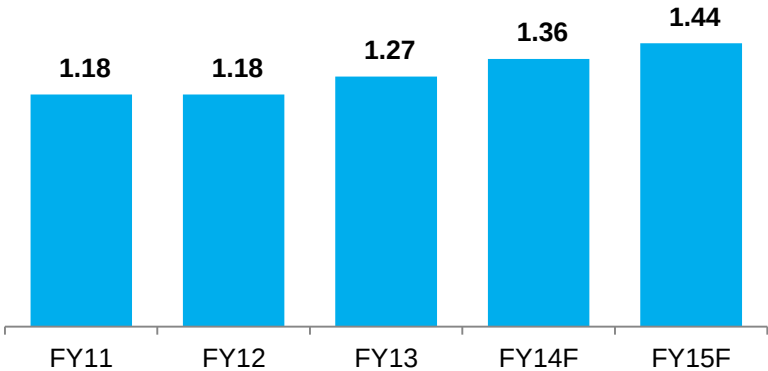
NZH average weekly audience (000s)¹



Subscriber circulation volumes (000s)²



Subscriber yield (NZ\$)³



DIGITAL SUBSCRIPTION MODELS ARE WELL ESTABLISHED INTERNATIONALLY

- Given global trends, NZME. is considering digital subscription options for the future
- NZME. has engaged leading international consultants, Mather Economics, to advise on a digital subscriptions model
- Considering launch of a targeted digital subscription model in 2015

Fairfax Media

- In July 2013 Fairfax launched digital subscriptions for *The Age* and *The Sydney Morning Herald*
- *The Age* and *The Sydney Morning Herald* had over 140,000 paid digital subscribers and an additional 111,000 print subscribers signed up for digital access in August 2014

The Australian

- In 2011 *The Australian* launched its first digital product and reported c.62,000 paid digital subscribers in June 2014
- This is in addition to the c.110,000 who pay for the newspaper in its printed form daily

The Times

- *The Times* and *The Sunday Times* introduced a digital subscription model in 2010
- Average daily paid circulation for *The Times* and *The Sunday Times* was 391,000 and 829,000, respectively, for the six months to 30 June 2014
- Paid digital subscribers for *The Times* and *The Sunday Times* totalled 156,000 and 157,000, respectively, as at 30 June 2014

RADIO PERFORMANCE UNDERPINNED BY GOOD BRANDS AND NEW REVENUE INITIATIVES

*Strong market position
across a broad range of demographics*

Two of the Top Three NZ stations by market share

8.1% forecast EBITDA growth p.a. (FY13-FY15F)

iHeartRadio infrastructure in place to capture future growth

Portfolio of radio brands¹

NewstalkZB

- #1 ranked radio station in New Zealand and #1 ranked talkback radio station with 12.2% audience share based on ranked commercial networks



- #1 (equal) ranked music radio station in New Zealand with 8.5% audience share based on ranked commercial networks



- #2 ranked station in Auckland for 25-44 age demographic



- #1 radio website in New Zealand and #2 ranked station for 18-34 age demographic



- Top four station in New Zealand for 10-17 age demographic



- #1 ranked dedicated sports radio station in New Zealand



- Leads direct competitor The Rock for target 25-44 males breakfast and drive in Auckland



- Auckland focused station launched in June 2014



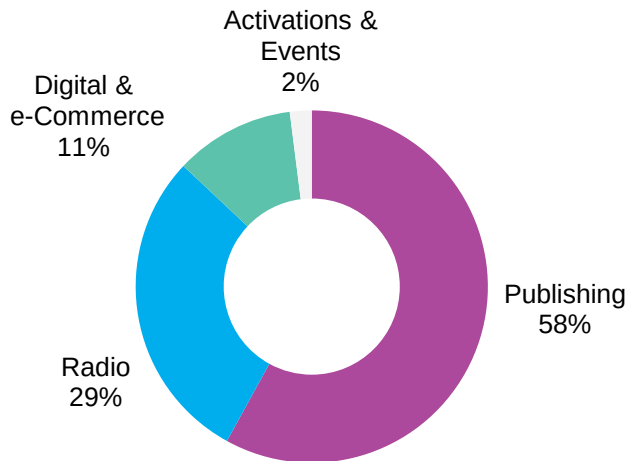
- 244,000 registered users, 290,000 app downloads, 55% under 35 years old

TRANSFORMATION

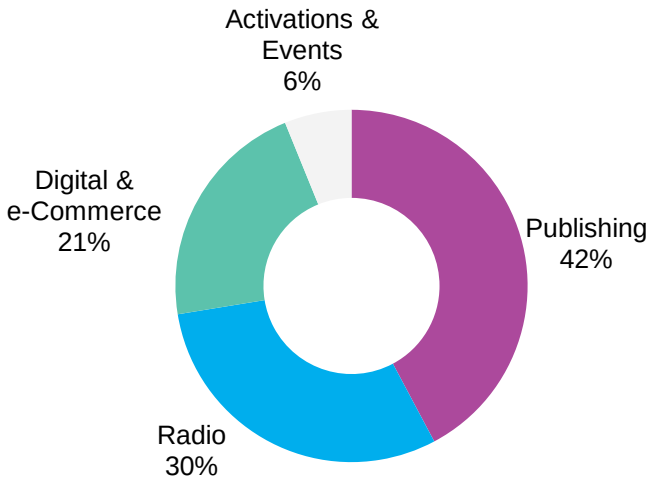
ACTIVE TRANSFORMATION PROCESS UNDERWAY – BENEFIT 2016 & BEYOND

- 2015 is a transformation year – merging three businesses into one
- Targeting new revenue initiatives and cost efficiencies
- As an integrated media business NZME.'s medium term objective is to maintain its advertising market share of 13 - 14% through transitioning the revenue mix
- We are actively investing in our new revenue areas: Digital, e-Commerce, Activations and Events

FY2015F revenue mix



Medium term revenue mix target



PRO FORMA FINANCIALS BY CHANNEL

		FY11	FY12	FY13	FY14F	FY15F
Publishing Revenue	Advertising	211.4	193.8	177.4	164.6	154.0
	Circulation	108.8	103.9	96.1	95.4	94.3
	Digital & Other ¹	29.3	30.9	32.7	31.9	41.8
Radio Revenue	Advertising	119.8	116.8	125.5	124.5	129.0
	Digital & Other	1.1	1.5	2.6	10.1	14.1
e-Commerce Revenue	e-Commerce	13.2	20.4	21.6	20.2	19.2
Total		483.6	467.4	455.9	446.7	452.4
NZME. EBITDA Before Specific Items ²	Publishing	78.7	61.3	60.3	51.7	46.4
	Radio	22.1	19.3	23.5	26.2	27.5
	e-Commerce	(1.1)	4.2	5.7	4.0	4.0
	Corporate & Group Costs	(6.8)	(6.8)	(6.8)	(7.4)	(7.1)
Total		92.9	78.1	82.7	74.6	70.8

- FY15 revenues forecast to stabilise as new initiatives offset print revenue declines
- FY15 forecast EBITDA reflects investment in operating costs where future revenue not yet realised
 - iHeartRadio
 - Digital Subscriptions
- Targeting to maintain proportion of advertising market at 13 - 14% through growing digital revenue and new initiatives
- Costs targeted to be flat after accounting for new initiative spending

HIGH FREE CASH FLOW CONVERSION

NZ\$m	FY15F
EBITDA before specific items¹	70.8
Cash specific items	(3.2)
Change in working capital	(1.3)
Pre-tax free cash flow before capital expenditure	66.3
Business as usual capital expenditure	(7.5)
Pre-tax free cash flow before development capital expenditure	58.8
Development capital expenditure	(7.2)
One-off development capital expenditure	(12.4)
Pre-tax free cash flow before financing	39.2
Business as usual capex cash conversion ratio ²	83.1%
Total cash conversion ratio ²	55.4%

REFRESHED MANAGEMENT TEAM



JANE HASTINGS
CEO



**LAURA MAXWELL-
HANSEN**
Director, Digital Media



DEAN BUCHANAN
MD, Radio



MICHAEL BOGGS
CFO
Commencing early 2015



PHIL EUSTACE
COO, Publishing/
Acting Group CFO



SARAH JUDKINS
Director,
Transformations



SANDRA KING
Director, Commercial



CAROLYN LUEY
Director, Strategy and
Operations



RICHARD HARRISON
Director, e-commerce



LIZA MCNALLY
Director, Marketing

SUMMARY

1. We engage our 3.2 million monthly New Zealand audience through high quality content
2. Our multi-platform model uniquely places us to monetise our audience
3. We forecast to generate over NZ\$55m of annual revenue from digital and other growth channels in FY15
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