

MARKET ANNOUNCEMENT

APN REACHES HEADS OF AGREEMENT WITH NZ INLAND REVENUE DEPARTMENT

Sydney, 24 June, 2016 – APN News & Media Limited (ASX, NZX: APN) has previously disclosed that the New Zealand Inland Revenue Department (**IRD**) is auditing or reviewing several taxation matters. These IRD risks were most recently described in sections 6.12 and 8.13 of the Explanatory Memorandum dated 11 May 2016 relating to the proposed Demerger of NZME from APN (**Demerger**) that will be implemented on 29 June 2016.

APN has today announced it has reached a binding heads of agreement (**Heads of Agreement**) with the New Zealand Inland Revenue Department (IRD) to settle various taxation matters for the sum of NZ\$36.3 million. With respect to the proposed Demerger, the cost of the settlement will be shared between APN and NZME on a near equal basis, in the manner contemplated in the Explanatory Memorandum.

The matters being settled under the Heads of Agreement are the Mandatory Convertible Note (MCN) transaction, the Branch financing transaction non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD, as disclosed in sections 6.12 and 8.13 of the Explanatory Memorandum. This settlement closes off all current areas of audit and dispute between the IRD with APN and NZME. The Australian Taxation Office reviews or audits of APN described in the Explanatory Memorandum are ongoing.

APN remains satisfied that the Group's treatment of each these matters is consistent with relevant taxation legislation, however the Board views the settlement arrangement reached with the IRD as on balance being in the best interests of APN and NZME shareholders.

A protracted litigation and dispute process with the IRD would be costly and the ongoing uncertainty regarding the quantum of potential IRD claims and future liabilities could adversely impact APN and NZME management and shareholders.

The settlement with the IRD has allowed APN and its subsidiaries to utilise the NZ\$56 million of deferred tax assets that will be written off for accounting purposes pursuant to the Demerger, and removes uncertainty for both APN and NZME regarding potential future New Zealand tax liabilities.

NZME welcomes the certainty provided by the Heads of Agreement, and believes the proposed cost sharing of the settlement between APN and NZME is an appropriate outcome for both companies.



The settlement amount will be funded by existing capacity under the debt facilities of APN and NZME and will be paid post Demerger.

The resolution allows APN and NZME to fully focus on executing their respective business plans.

Ends.

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