



Independent News & Media PLC

APN News & Media Annual General Meeting Sydney, 5 May 2009

Chairman's Address to Shareholders:

The chairman of APN News & Media Limited (APN) in which Independent News & Media PLC has a 39.2% shareholding, made the following address at the Company's Annual General Meeting held on 5 May 2009.

This is my first report to you as chairman of APN News & Media and I think you will agree I could not have chosen a more challenging environment against which to review our progress.

As we all know, world markets experienced a significant economic shock in 2008. However, despite the dramatic change in overall trading conditions, certain enduring business fundamentals remained the same. In APN's case, it has meant that our well-managed, cash-generating businesses in traditionally resilient markets have continued to produce satisfactory operating returns for all shareholders.

Net Profit After Tax before exceptional items was \$140.1 million in 2008, compared with a record \$169.4 million in the prior year. Given the uncertainty in the broader marketplace and the economic factors affecting so many of our clients, we believe this to be a very respectable outcome.

2008 exceptional items of \$164.1 million included a non-cash impairment charge of \$146.8 million, which related to assets acquired as part of the Wilson & Horton acquisition in December 2001. In contrast, the current value of all of our other assets, particularly those in Australia, is significantly in excess of their book value. Accounting rules do not allow the Company to offset this excess against the write-down.

In recent years, shareholders have enjoyed significant annual profit growth; however, for the immediate future, expectations will necessarily need to be tempered. This will particularly be the case in the first half of this year, when comparisons with prior periods will be demanding, given the near record performance in the first half of 2008.

Total dividends of 22.5 cents per share were distributed to you as shareholders for the 2008 financial year. While this reflects a very healthy dividend yield, it is of little comfort that this is the first time in APN's 16 years as a company listed on the Australian Stock Exchange that there has been a reduction in the annual dividend paid out to shareholders. However, in the current uncertain and difficult economic environment, the decision to retain capital for alternative use within the Company was not taken lightly, and the Board will continue to take a prudent approach to dividend policy in the immediate term.

All shareholders will, no doubt, also be frustrated, as I have been, to have witnessed the reduction in value of their stock during the past 24 months, particularly when the markdown bears no relevance to the underlying trading performance and to the high quality of APN's assets.

While obviously not satisfied with this from an operational perspective, it is worth remembering that your Company has moved quickly in recent times. As far back as 2005, well before the too-often-used phrase “Global Financial Crisis” came into being, the Company proactively started a process of strategic restructuring, to position APN as the low cost operator in each of its markets. While the timing and the magnitude of the global slowdown has surprised many, I think you will agree that APN is now well-positioned with a lower cost base to help trade through this very unusual economic cycle, and will benefit greatly when the upturn eventually occurs.

Balance Sheet

Notwithstanding the prospect of an eventual return to growth, the Company recognises that the immediate economic environment requires very careful consideration and prudent management of its capital position.

Costs continue to be a key focus with year-to-date costs down 10%, showing the benefits from the restructuring and investment programme completed over the last three years.

Now that this programme is complete, our capital expenditure requirements over the medium term will be extremely modest at around \$25 million per annum for 2009 and at that level for the next couple of years, down from \$80 million in 2008.

Your board and management continue to look at the corporate structure to maximise efficiency and cash earnings. We recently sold finda.co.nz and banked some meaningful cash from what was a promising, but ultimately a non-core investment.

Happily in these still-turbulent credit markets, APN continues to receive good support from our funding partners. We have recently accepted an offer for a new five year, \$50 million asset finance facility with the Commonwealth Bank of Australia (CBA). This will provide greater flexibility in relation to any upcoming maturities.

APN has strong cash flows, reduced capex, good banking relationships and, with a conservative approach to dividends, expects to reduce debt in 2009 and 2010. As at the end of April, with the inclusion of the new CBA facility, APN has in excess of \$120 million in cash and undrawn facilities.

Board

Since the end of the financial year, both Liam Healy and Sallyanne Atkinson have advised they will retire from the Board at the conclusion of this Annual General Meeting. I know all shareholders will join me in thanking both of them for their enormous contribution to the development of APN from a local Queensland newspaper company to the Trans-Tasman multimedia group that it is today.

Sallyanne joined the Board in 1999 – and as the enthusiastic former Lord Mayor of Brisbane, as well as a former journalist, she has ensured that APN has never strayed from its Queensland roots and during her time with the Company, she has been a most conscientious and valuable member of the Board.

Liam’s retirement marks the end of an era for your Company. Liam was one of the original architects of the purchase of Provincial Newspapers Queensland in 1988 and was its first CEO. That company later became APN News & Media. Liam’s methodical and insightful leadership over the past 21 years has been one of the most enduring constants of your Company; a Company that has evolved with a sense of clarity and purpose. It is not overstating the case to say that we are all – as shareholders - indebted to his distinguished and unparalleled service.

On your behalf I want to record our deepest appreciation and wish them both well in the future.

I also wish to welcome Vincent Crowley to the Board. Vincent was your Chief Executive in the period 2000 to 2002, and had previously served as the Chief Financial Officer. While certain advocacy groups may suggest that Vincent’s appointment confounds the spirit of best corporate governance, the directors

are mindful that we need people of the caliber and expertise of Vincent, and especially at this challenging time for our industry. In that regard, I am confident that shareholders will join me in welcoming his return.

Outlook

As we look forward, it is important to remember that it is our markets that are challenged; whereas our products and franchises remain strong and are generally holding their market share, with costs well down on the prior year.

Whilst Directors are optimistic that Government stimulus packages will ultimately result in an easing of the current conditions, in the short term markets will continue to be difficult.

When releasing the 2008 full year results in February, the Board indicated that Net Profit After Tax (pre-Non Recurring Items) for 2009 was expected to be around \$20m lower than the 2008 result of \$140m, with the majority of the shortfall occurring in the first half.

Whilst it is difficult to forecast with confidence due to the current market conditions, Directors now expect that, assuming advertising and credit markets do not deteriorate further, the full year NPAT (pre-NRI) to be in the range of \$100 million to \$110 million. Consistent with previous comments, the majority of the shortfall will occur in the first half of 2009 when results are being compared with a near record 2008 performance, with NPAT (pre-NRI) expected to be around \$40 million.

In terms of the second half, it is important to remember that profit for the second half of 2008, unlike the first, was severely impacted by the Global Financial Crisis and was well down on 2007. As a result, we do not expect to see similar year-on-year declines in our H2 results.

So a challenging and workmanlike year – but one that is built on the enduring strength of our brand franchises and one that relies on the commitment and talent of the almost 5000 people who work for you. And so on behalf of the Board, I would like to particularly extend my thanks to my fellow Directors, to our Chief Executive - Brendan Hopkins, to all of the senior management team and to all my fellow hard working and industrious APN colleagues for their unstinting efforts in what has been a very challenging year.

Finally to you, our shareholders, I would like to record my appreciation for your continued support.

Gavin K O'Reilly
Chairman

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For Further Information:
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About APN

APN News & Media Limited [ASX, NZX:APN] is the largest media company in New Zealand, where it owns *The New Zealand Herald*, the country's largest newspaper. APN is the largest radio and outdoor advertising operator in Australasia as well as one of Australia's leading regional publishers. In Asia, the Company has market leading Outdoor positions in Hong Kong, Malaysia and Indonesia. APN is a leader in online in both New Zealand and in Queensland and has been listed on the Australian Stock Exchange since 1992, and on the New Zealand Stock Exchange since June 2004.