



19 February 2014

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

**APN News & Media Limited (ASX: APN)
Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth)**

This notice is given by APN News & Media Limited ACN 008 637 643 (**APN**) under section 708AA(2)(f) of the *Corporations Act 2001 (Cth)* (**Corporations Act**) as modified by Australian Securities and Investments Commission Class Order [CO 08/35] (**CO 08/35**).

APN has announced today a proposed capital raising of approximately A\$132 million by way of a fully underwritten pro-rata accelerated non-renounceable entitlement offer (**Entitlement Offer**).

Under the Entitlement Offer eligible shareholders with registered addresses in Australia, New Zealand and certain other jurisdictions, are invited to subscribe for 5 fully paid ordinary shares in APN (**New Shares**) for every 9 fully paid ordinary shares in APN (**Shares**) held as at the Record Date, being 7:00pm (Sydney time) on 24 February 2014, at an offer price of A\$0.36 per New Share.

APN advises that:

1. the New Shares will be offered for issue without disclosure under Part 6D.2 of the Corporations Act;
2. this notice is being given under section 708AA(2)(f) of the Corporations Act as modified by CO 08/35;
3. as at the date of this notice, APN has complied with:
 - a. the provisions of Chapter 2M of the Corporations Act as they apply to APN; and
 - b. section 674 of the Corporations Act;
4. as at the date of this notice, there is no information that is 'excluded information' within the meaning of sections 708AA(8) or 708AA(9) of the Corporations Act as modified by CO 08/35 which is required to be set out in this notice under section 708AA(7) of the Corporations Act;
5. the potential effect of the issue of New Shares pursuant to the Entitlement Offer on the control of APN and the consequences of that effect depend on a number of factors, including the extent to which eligible shareholders participate in the Entitlement Offer and the sub-underwriting arrangement referred to below.

Given the structure of the Entitlement Offer as a fully underwritten pro rata issue, the primary consequences are that:

- a. if all eligible shareholders take up their entitlements to New Shares under the Entitlement Offer and do not subscribe for additional New Shares, each eligible Shareholder's percentage interest in the total issued share capital of APN will remain the same and will not be diluted and there will be no significant effect on the control of the APN, provided that the entitlements of ineligible shareholders are taken up by third parties;
- b. although Shareholders with registered addresses outside of Australia, New Zealand and Ireland are not eligible to participate in the Entitlement Offer (and their percentage interest will be diluted as a result of the issue of New Shares), the combined percentage interest of those ineligible Shareholders is not sufficiently significant for its dilution to have a material effect on the control of the Company if all eligible Shareholders take up their entitlements; and
- c. if some eligible shareholders do not take up their full entitlement, such shareholders' interest would be diluted relative to those who did take up their full entitlement, those who apply for and are issued New Shares in excess of their entitlement and any shareholder who has committed to sub-underwrite a portion of the Entitlement Offer (including as referred to below).

APN's largest shareholder, Independent News & Media PLC (**INM**) (which prior to the announcement of the Entitlement Offer held a 28.95% interest in APN Shares through two subsidiaries) is not participating in the Entitlement Offer. As a result, on completion of the Entitlement Offer, its interest in APN will be diluted to 18.61%.

Baycliffe Limited (**Baycliffe**) (a company controlled by Denis O'Brien) prior to the announcement of the Entitlement Offer had a relevant interest in approximately 30.84% of APN's Shares (including a direct holding of 1.89% and an indirect relevant interest in the APN Shares held by INM). Baycliffe has committed to:

- take up its Entitlement in full, equating to A\$2,494,832, or 6,930,088 New Shares; and
- subject to obtaining approval from the Foreign Investment Review Board under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FIRB Approval**) which it is currently seeking, provide a priority sub-underwriting commitment in respect of the Entitlement Offer for a further A\$38,308,215, or 106,411,708 New Shares, equivalent to the entitlement of INM, to the extent that INM does not take up that entitlement (**Shortfall Shares**).

If Baycliffe obtains FIRB Approval:

- by 6.00pm on the day before the Institutional Entitlement Offer settlement date (**Institutional Settlement Date**), it will subscribe for the Shortfall Shares on the Institutional Settlement Date;
- after that time and before 6.00pm on the day before the Retail Entitlement Offer settlement date (**Retail Settlement Date**), it will subscribe for the Shortfall Shares on the Retail Settlement Date.

If Baycliffe has not obtained FIRB Approval by 6.00pm on the day before the Retail Settlement Date, the Underwriter (or a related entity of it) will itself subscribe for the Shortfall Shares, using funds previously contributed by Baycliffe in the amount of the Offer Price multiplied by the number of Shortfall Shares (**Shortfall Amount**), and will sell those Shortfall Shares to Baycliffe if Baycliffe obtains FIRB Approval before 12 months after the Retail Settlement Date.

If Baycliffe does not obtain FIRB Approval before 12 months after the Retail Settlement Date, Baycliffe and the Underwriter (or a related entity of it) will endeavour to enter into a cash settled total return equity swap at the Offer Price in respect of the number of Shortfall Shares, for at least 12 months after the Retail Settlement Date. If Baycliffe subsequently obtains FIRB Approval, the Underwriter will transfer the APN Shares held by it in respect of the swap to Baycliffe and unwind the swap.

If within 12 months after the Retail Settlement Date Baycliffe has not received FIRB Approval and has not entered into alternative swap arrangements with the Underwriter as described above, the Underwriter will endeavour to sell the Shortfall Shares between 12 and 15 months after the Retail Settlement Date and deliver the net proceeds of the sale to Baycliffe.

Baycliffe's rights to subscribe for Shortfall Shares pursuant to the arrangements described above lapse if the Entitlement Offer does not proceed or the Underwriter terminates its underwriting obligations under the Underwriting Agreement between APN and the Underwriter. Baycliffe will not be able to exercise any voting rights (but will ultimately be entitled to the amount of distributions, dividends or returns paid) in respect of the Shortfall Shares while held by the Underwriter under these arrangements.

If Baycliffe is issued the Shortfall Shares its:

- total relevant interest in APN's Shares will remain unchanged at approximately 30.84%; and
- direct holding of APN's Shares will increase to approximately 12.23%.

Prior to the announcement of the Entitlement Offer, the relevant interest of Allan Gray Australia Pty Ltd (**Allan Gray**) in APN Shares was 19.55%. Allan Gray has committed to take up its full entitlement to New Shares under the Entitlement Offer, equating to A\$25,863,687 or 71,843,575 New Shares. If Allan Gray takes up its full entitlement to New Shares, its relevant interest in APN Shares will remain unchanged on completion of the Entitlement Offer. However, Allan Gray may also provide a sub-underwriting commitment in respect of the Retail Entitlement Offer, but only to such an extent that its relevant interest in APN Shares will not exceed 19.90%.

Following completion of the Entitlement Offer, the major shareholders' relevant interests in APN will be approximately as follows:

- INM's relevant interest will be 18.61%;
- Baycliffe's relevant interest will be 30.84% (assuming it has been issued the Shortfall Shares, which includes a relevant interest in all of the APN Shares held by INM); and
- Allan Gray's relevant interest will be 19.55% (assuming it takes up its full entitlement and does not take up additional New Shares) or up to 19.90% if it enters into the sub-underwriting arrangement referred to above.

Having regard to the above, each of the current major shareholders will remain a major shareholder following completion of the Entitlement Offer and may increase its relevant interest as a result of the Offer but by no more than 3%.

Accordingly, the Entitlement Offer is not expected to have any material effect or consequence on the control of APN.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yvette Lamont', with a stylized flourish at the end.

Yvette Lamont
Company Secretary