22 November 2016

Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

ADDRESSES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AT THE ANNUAL GENERAL MEETING OF PRIME MEDIA GROUP LIMITED (ASX:PRT)

Please find attached copies of the Chairman's address and the Chief Executive Officer's address to be made at the Annual General Meeting commencing at 11:30am today.

Yours faithfully

Emma McDonald
Company Secretary

ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

SYDNEY, 22 November 2016: Prime Media Group Limited (ASX:PRT)

Good morning and welcome to the Prime Media Group Annual General Meeting. All the directors are present this morning. We also have with us our Chief Executive Officer and Executive Director, Ian Audsley, and the Chief Financial Officer John Palisi, and Company Secretary Emma McDonald.

The 2016 financial year was challenging and your Board has had to make some difficult decisions. Our total revenue was down by 7.2%, resulting in a statutory net loss of $93.5 million. Included in that loss was a one off non- cash impairment of our television licences and goodwill of $122.9 million.

The Board believed the impairment was necessary in an environment where we are being significantly impacted by the growing power of largely unregulated market entrants, and the comprehensive reach of the internet and streaming services.

Your Board recognises the importance of dividends to our shareholders, but while we continue to operate in an inequitable media environment with obsolete media laws that allow our competitors unbridled access to our viewers, we will be considering diverting funds from dividends towards debt reduction.

We continue to focus energy on advocating for changes to Australia's out-dated media ownership and control laws. It appears, however, that we have been caught in a political log jam. While both sides of politics acknowledge that the policy arguments stack up to implement media reform, the remaining question is, how much reform and when will it happen?

The Turnbull Government has indicated it is determined to try and push through its current Media Reform Bill. It looks very unlikely that the bill will pass this year, and in order to get through the Senate, it appears the Government will be reliant on the cross bench because the Shorten opposition does not support the bill in its current form.

And the upshot is that, unfortunately, it looks like we are concluding another calendar year without any significant reform – which is disappointing and frustrating.

Through our involvement in FreeTV, we have worked with our industry peers to prosecute the case for further licence fee relief. We welcome the reduction that was introduced in the May budget and formalised two weeks ago. However the fees we still pay to Government as a "super tax" in addition to our corporate taxes, are significantly out of kilter with world best practice. The Turnbull Government has been promoting the importance of innovation, jobs, and growth. The licence fees, combined with the anachronistic rules under which we continue to operate, run contrary to the Government's own mantra. And all the while, unregulated internet businesses – many of which are foreign-owned media and tech companies - are blithely taking audiences and diminishing our opportunities.

PRIME MEDIA GROUP

The executive team, led by our Chief Executive Officer, Ian Audsley, continues, however, to work hard to optimise returns to our shareholders in spite of our frustration with the slow pace of reform and the challenges we face as a traditional media company. On behalf of your Board I would like to extend my thanks to him – and to the hard working and committed employees of Prime.

Shortly you will have the opportunity to ask questions about the Remuneration Report and to vote on the report. The Board listened carefully to the feedback we received at the last Annual General Meeting and has, since then, undertaken a comprehensive review of how we reward our executives. The review by your Board identified that the plan was no longer appropriate for our shareholders or our executives.

Many of you will have read the Remuneration Report and the Annual Report, which sets out the actions we have taken, which include:

- Senior executive base salaries have been frozen, except where there was a pre-existing contractual entitlement to an increase
- Annual short term incentive bonuses were reduced and harmonised at 30%
- The long term incentive granted in 2013 and tested for vesting this year, did not fully vest on 18 November and
- The long term incentive plan has been frozen.

Additionally, I have decided to surrender 50% of my Chairman fees, effective from 1 July 2016.

Your board is confident that the work being undertaken by the Remuneration and Nomination Committee to recalibrate remuneration will deliver an alignment between the executive and Company performance and the interests of our shareholders.

Finally, I would like to offer my sincere thanks to our longest serving director, Alex Hamill, who retired from the Board in September after thirteen years. Alex provided wise counsel and a depth of experience. I would like to thank him for his contribution and I know the whole board joins me in wishing him well. Mike Hill also retired from the Board in September to concentrate on his other business ventures. We understand Mike’s decision and we wish him all the very best.

Ian Neal and Peter Macourt are standing for re-election today – they are both great contributors to the Board, bringing a wealth of experience and I strongly recommend that you support their re-election today.

I’ll now hand you over to Ian.

John Hartigan
Chairman

ANNUAL GENERAL MEETING

CEO'S ADDRESS

Thank you John - good morning ladies and gentlemen, and welcome.

I'll briefly touch on the Company's performance over the reporting period, accepting that we're some 3 months post our results announcement, but then I'd like to use my time this morning to give you a snapshot of the issues the Company faces, which highlight the need for urgent regulatory reform.

A 7.7% decline in revenue, 17% decline in EBITDA, and, 18% decline in Core NPAT. These are not numbers we will ever be happy to report; however, there was some solace in delivering Core NPAT at 11% above guidance.

The non-cash impairment of our television licences and goodwill is a reflection of the impact of unregulated and unrestricted market entrants, and the increased competition for our audiences from national media companies and international tech giants.

We are singularly disappointed in the FY16 result. PRIME is a company that strives to out-perform - it is our culture.

However, the numbers are symptomatic of a market that is rapidly evolving. As I said at the Senate Committee hearing in March this year – when there is a drought, it is the edges of the lake that dry out first. Regional television is at the absolute extremity of the lake.

Opportunities for regional TV broadcasters are not as obvious as they might be for the big city networks. The reality is, they own the content and we do not – so the business extensions you see them making cannot be replicated by us.

One positive is that in spite of the challenges, we continue to increase our lead in audience share and revenue share. We extract the optimal audience and revenue opportunity from the Seven Network's programming schedule. In terms of audience and revenue share delivery, we are without equal in Australian television. We have maintained this position for 5 years in a row and we're confident that we can continue our leadership position into the future.

In the first quarter of the current financial year we experienced 16% revenue growth on the prior corresponding period. PRIME's national agency revenue peaked at a 49.5 share, despite the national market being back 4%. The 3 aggregated Total TV ad market was flat.

The growth spurt was a result of our Rio Olympics coverage, but PRIME also benefited from advertiser uncertainty surrounding the network affiliation changes of WIN and Southern Cross. Though not as strong as the first quarter, revenue growth has continued into the second quarter. Visibility into the second half is, however, very limited, so we cannot forecast if the growth we are currently enjoying will continue.

It must be remembered that although revenue grew in this first half, in our view, it is the result of exceptional circumstances. We do not believe it is demonstrative of a change in market dynamic, or advertiser sentiment toward free to air television.

Let me now turn to the broader media landscape.

Existing broadcast regulations are keeping Australia's regional media companies sub-scale.
If the regulations do not change, the unique voice of regional Australia will be lost. It's not a maybe.

You're probably wondering what the voice of regional Australia really means – well it is this, the significant investment regional media puts into local communities in the shape of local news, and community service support, which in PRIME's case amounts to almost $30 million of value per annum. Prime has a significant presence in the communities it serves. It is a positive, productive and economically important contributor to communities stretching from Coolangatta to Broome. Another example of PRIME's commitment to regional Australians is the one hour documentary special we're currently producing about the impact the drug ICE is having on regional communities.

Despite our unique issues, we are in an unfortunate predicament where our Government, and the opposition, tend to throw all media into the one pot. They seem to ignore the fact that regional broadcasters are exposed to issues more technically and geographically complex than those of our metropolitan peers.

The fundamental difference is that regional broadcasters are challenged by their relative scale, and the diminishing opportunities that even the largest media companies are now seeing decay their top lines and their earnings. Our conundrum, in a world of anachronistic regulation, is how to remain competitive in an increasingly sub-scale environment.

As we are seeing now, the market will ultimately be dominated by national media companies, and international tech giants such as Google and Facebook – all of which are in a position to exploit opportunities in a converged media environment. The reality is that we are operating with a set of regulations for a market that no longer exists. There is no such a thing as a "regional television market". This effectively disappeared with the advent of streaming. Metropolitan Australia and regional Australia are now one television market – augmented by the internet.

Our view is that the only path to a healthy, viable "regional media industry" is for it to be reshaped through reform that takes account of the issues unique to regional media, and in our case, regional television. That can only start if the current Media Reform Bill before the Senate is introduced as a first step to broader reform. To deny regional media companies the framework to reinvent themselves in a manner that is aligned to a new, and totally different looking regional media market is tantamount to contributing to our challenges.

Ultimately, the "market" created by the Hawke government in the late 1980's and perpetuated by subsequent governments, which used to sustain three local commercial TV stations, two local radio stations and a local newspaper, is failing us. We have reached a tipping point. It is now on the cusp of being public policy failure. Over the past few years hundreds of journalists working for newspapers and radio and television stations in regional Australia have lost their jobs. That in itself represents a diminution of diversity and local voices.

The reality is that media diversity is an outcome of the good economic health of our sector. Nonetheless, there are some who still believe diversity will only be secured by persisting with regulations that are well past their use by date. To preserve the status quo in a decaying economic environment will inevitably mean local content is financially unviable.

All of Australia's traditional media companies - not just regional ones, are facing enormous challenges and it is likely the traditional media sector will experience an accelerated rate of revenue and earnings decline in the coming years. And here's why: according to PWC, by 2020 - just a little over 3 years from now - the total advertising spend in Australia will reach almost $19 billion. That is an increase of almost $5 billion on the total ad spend of $14.4 billion in calendar year 2015. Of that $19 billion in 2020 – over 51% or $10 billion will go to internet platforms; meaning that the bulk of Australian media spend will be transported overseas and into the coffers of international ad-tech giants. That's $10 billion of advertising economic activity that will be snatched from Australia's traditional media companies, and worse, it will not be taxed here – depriving Australians of around $3 billion in tax revenue.

If PWC is right, and they are not alone in arriving at this view, Australian television ad revenue will have dropped about $200 million - a number that might well be conservative - while internet advertising will have grown by almost $7 billion in a regulatory environment that permits them to operate unrestricted while Australia's traditional media companies are tied to yesteryear.

And so, it has never been more apparent that the growth of digital ad spend is, in a significant way, assisted by rules and regulations for one type of media that do not apply to another.

Australia's traditional media companies are under real threat from international players who do not pay licence fees, are unfettered in audience reach, are unrestricted in the type of content they can disseminate, or the categories of advertising they are able to show at any time of the day or night; all advantages that are not afforded to Prime. Surely with traditional media company valuations being hit as hard as they are, it is time for everyone to wake up to the fact that media reform is urgent. I call on all participants in the Australian traditional media sector to take the first step in reform, so that we can quickly fix the now gaping hole in the regulatory fence that permits international giants to decay our collective opportunity.

Thank you and I will now hand you back to the Chairman.