2019 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Sydney 21 November 2019: Prime Media Group (ASX:PRT)

Good morning ladies and gentlemen and welcome to the Prime Media Group annual general meeting.

All directors are present this morning, including Chief Executive Officer Ian Audsley.

We also have with us Prime's Chief Financial Officer John Palisi and General Manager Sales & Marketing Dave Walker.

Before we consider the resolutions of today's meeting, I would like to provide a short overview of the company's performance during the year.

I will also provide some comments around the changing dynamics within our industry and discuss the proposed merger with Seven West Media which was announced to shareholders last month.

Following continued headwinds in the media landscape your directors are pleased to report core net profit after tax for the 2019 financial year of $17.2 million dollars, which was within market guidance.

We are also pleased to report a statutory profit of $7.3 million dollars, which was a 160 per cent increase on the prior year.

While Prime's revenue declined 4.7 per cent to $191.9 million dollars in the 2019 financial year, the company's revenue share of 41.5% remains the best in the sector, which is a credit to the strength of our sales team led by Dave Walker.

However, despite a leading revenue share position in our industry, our company continues to face pressures from declining revenues year on year. This trend, now into its fourth consecutive year, underscores the extent of the challenge that Prime faces, with competition for regional audiences and regional advertiser spends only increasing.

Prime has been proactive in responding to the challenges currently being experienced in regional advertising markets by bringing together different players in the regional media industry to create the Boomtown marketing initiative.

This initiative is a collective effort across television, radio and newspapers to fight for a fairer share of national advertiser's media spends, and was developed in response to the disruptive influence of largely unregulated foreign digital players and the disproportionate percentage of advertising dollars currently directed to metropolitan media platforms.

I am pleased to say that the Boomtown initiative has been positively received by media buyers, but it will be an ongoing battle to convince major national advertisers of the opportunity regional consumers represent.

During the year, Prime also supported Free TV with its submission to the Australian Competition & Consumer Commission digital platforms inquiry and welcomed the findings from the ACCC. We encourage the government to act on the ACCC findings, which recommended that foreign digital companies be subject to the same rules as local broadcasters, and reform media regulation for the benefit of all.

Prime, along with many others in our industry, is of the view that unless government acts to level the playing field then disruption from digital platforms will only accelerate further to the detriment of key stakeholders including consumers, advertisers and those who work within our industry.

While we wait for the next steps following the ACCC findings, it is clear that changes within our industry are also being driven by consumers, with audiences shifting to platforms that enable them to watch whichever programs they prefer at a time of their own choosing.

This is a strong challenge to traditional television services, particularly ones like Prime, which relay content from a metropolitan affiliate partner in the form of a fixed schedule.

This is the most significant challenge to Australia's traditional free to air television model in its 60 year history, and it's a challenge that won't abate without a significant change to the network television model. I should make the point that this challenge is not unique to Australia, with even the biggest networks globally grappling with this change.

In this context, I would now like to touch on the proposed merger with Seven West Media that was announced on 18 October 2019. As shareholders are aware, the company has entered into a binding scheme implementation deed with our long-term partner, Seven West Media, with a view to merging the two companies. The proposal being put to shareholders aims to create Australia's leading, wholly-owned commercial premium broadcast, video and news network with the potential to reach over 90 per cent of Australia's population each month.

This opportunity comes at a time when small balance sheet regional media companies, like Prime, are forced to compete for audiences and advertising revenue against metropolitan media companies who now have unfettered access to regional markets via the NBN, and international tech and content giants such as Apple, Google, Amazon and Netflix.

Under the proposed transaction, Prime shareholders will receive 0.4582 SWM shares for each Prime share they hold, and following completion of the proposed transaction, existing SWM shareholders will own 90 per cent of the combined entity, with Prime shareholders owning the remaining 10 per cent.

The proposed transaction, which requires Prime shareholder support, will provide Prime shareholders with the opportunity to maintain industry exposure while benefiting from participation in a larger and more relevant national platform, and sharing in the upside of the synergies that will be gained.

SWM and Prime together will deliver significant value creation by providing advertisers with a single platform for superior audience reach across metropolitan and regional markets.

Additional benefits include unlocking the revenue potential of regional audiences, enhancing the audience proposition through reinvestment in content, and also expanding the digital news, information and entertainment offerings in regional markets.

If the proposed transaction is approved, the combined business will be led by James Warburton, SWM Managing Director and Chief Executive Officer, and will be chaired by Kerry Stokes AC, Chairman of SWM. Myself as Chair, all other independent directors, Prime's CEO Ian Audsley and CFO John Palisi would leave the company, with both Ian and John surrendering their long-term entitlements as part of the transaction. Dave Walker, Prime's general manager of sales and marketing will continue in his role as part of the combined group.

Importantly, if the proposed transaction is not approved, Prime will continue to face pressures from declining revenues year on year. This trend, now into its fourth consecutive year, underscores the extent of the challenge that Prime faces, with competition for regional audiences and regional advertiser spends only increasing. Without significant regulatory reform, this trend will continue and likely worsen and will require any spare capital to be reinvested into the business in order to stem the tide to the extent possible.

Your board of directors has carefully considered the proposed transaction and unanimously recommends shareholders vote in favour of the Scheme of Arrangement, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Prime shareholders. Directors intend to vote all Prime shares held or controlled by them in favour of the Scheme.

Further information regarding the proposed transaction can be found in the Scheme Booklet, which was released to the ASX on Friday 15 November 2019, and is being sent to all shareholders this week either digitally or by mail depending on your preference. The Scheme Booklet contains all of the information relevant to your vote, and should be read in its entirety.

Prime shareholders will have the opportunity to vote on the Scheme at a shareholder meeting to be held on the 19th of December 2019, with final Court approval for the Scheme on the 20th of December and implementation effective Monday, 6th of January 2020, provided shareholders vote to approve the proposed transaction.

In his presentation today, Ian Audsley will explain in detail just what the increase in competition for regional audiences and advertising revenue means for Prime should it remain independent, and why a merger with Seven makes strategic sense for shareholders.

PRIME MEDIA GROUP

Finally, I would like to touch on recent public comments from Antony Catalano in the media regarding his stated interest Prime.

As I said earlier, your board supports the proposed transaction to merge with Seven, in the absence of a superior proposal. At the present time, there is only one proposal before shareholders that they can actively consider and that is the Scheme of Arrangement with Seven.

It is your board's strong view that Prime's future lays within a scaled media company that has extensive video and digital content rights. That is the environment audiences and advertisers are migrating to with pace and the proposed transaction delivers this.

I have no doubt that Prime is an excellent business with great prospects if it is able to achieve these two things. The alternative, sadly, will be continuation of what we have witnessed over the past four years, despite our best efforts, as the biggest media players from around the world continue to take up residence in Prime's markets.

That ends the formal part of my remarks.

I would now like to introduce you to our chief executive Ian Audsley.

Thank you Ian.

CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

Thank you John and good morning Ladies and Gentlemen.

John has just taken you through the Board's reasoning for recommending the merger with Seven what I'd like to do now is to take you through the dramatic changes in Prime's competitive environment which are today driving a fundamental change in audience and advertiser behaviour and why in such circumstances the proposed merger with Seven is in the best interests of Prime shareholders.

When aggregated regional television commenced around the early 1990's, and up until about five years ago the competitive environment comprised of three commercial television stations, local radio stations, regional newspapers and a fledgling PAY TV operator.

The model worked it delivered a range of unique voices in market in most cases it provided for three-nightly-news-bulletins, three TV entertainment schedules broadcast of all major sporting codes – along with commercial radio options and newspapers that at the time, had the resources to go deeper on local issues than local TV could.

Google was a search engine, and Facebook and YouTube entered the market in the mid 2000's , but at the time they had not developed content or advertising options specific to regional audiences.

Jump forward to 2019 and counting only the major new competitors entering regional TV markets you have a circa four-hundred-and-fifty-percent-increase in competition advertising revenue from platforms that enable audiences to watch what they like, when they like.

Today's regional television market includes Netflix, Stan, Amazon Prime, Disney+, Ten All Access, Seven Plus, Nine Now, ABC i-view, SBS On Demand, You Tube, Google, Facebook, News.com, The Age.com.au, SMH.com.au, KAYO, Apple TV, Nine streaming, Seven streaming, Ten Streaming and any other digital news or entertainment platform you might think of.

Today, Prime competes with all these services all of which have been enabled by the capacity and reach of the NBN.

Unlike Prime the global streaming platforms have no broadcast spectrum costs they do not have content quota obligations, they do not share TV's onerous advertising rules that restrict certain categories of advertising, or restrictions on advertising at certain products at times-of-the day.

They do not have to provide services for the hearing impaired. They do not have to fulfil local news quotas; children's programming quotas; or drama programming quotas as TV does.

In comparison, Prime is a sub-scale, Australian-owned and independent electronic media company now up against most resourced media companies in Australia and from around the world all in just four short years.

In the time that it has taken network streaming and global digital platforms to take up residence in regional Australian lounge rooms, Prime's total audience has fallen twenty four percent – that's a quarter of our audience lost in just four years.

Seventy-seven-percent of that audience, included those most valuable to advertisers, people aged 25 to 54 years and those aged 16 to 39.

It has had a bruising effect on Prime's financial performance.

Over the past four years regional television advertising revenues have fallen over $125 million or 17 percent.

Advertising sourced from regionally based advertisers has fallen 21 percent.

Regional television businesses like Prime rebroadcast the signals of the major metropolitan networks. Other than local news, we do not own content. We rent it under a model created by government called aggregation.

We have no rights to digital program content. Those rights remain with the international tech giants and the networks who replicate regional TV free to air services via the internet.

You might have noticed that Disney+ arrived in Australia on Tuesday this week Disney's content catalogue is vast. Its content creation capacity is also vast.

With more studios like Disney coming to Australia, time is running out for Australia's sub-scale traditional media businesses.

The future is one of continuing audience and advertising revenue erosion, which will test the financial viability of the model.

So today, we shareholders find ourselves at a crossroads.

Do we remain independent and search out alternative options to the Seven bid? None have come forward to date, and the Prime Board is not aware of any Superior Proposals or approaches which they expect is likely to lead to a Superior Proposal.

Do we consider if it is right for Prime to combine with other regional traditional media assets that are experiencing the same disruption?

Prime's Board considers it unlikely that the company would be able to achieve greater scale independently, and there are few, if any, acquisitions that would improve the company's financial outlook or returns for shareholders.

Nor has our Board identified strategies, within its control, which would reverse the pressure on viewership and advertising revenues which are in decline.

It is clear to even the casual observer that Australia's media businesses need to consolidate to achieve scale if they are to compete with international entertainment platforms. This is evidenced by the Nine-Fairfax merger.

The proposed merger with Seven has numerous benefits, which are detailed in the Scheme Booklet. These include offering Prime shareholders the opportunity to retain investment in the media industry, but through a diversified media company of scale.

The digital rights I spoke about earlier will, under a Prime Seven merger, be leveraged in regional Australia to drive greater audience and revenue opportunity.

The media buying community has long requested that the TV industry create a more efficient advertising booking platform. Combining Prime and Seven will deliver TV advertisers the ability to place advertising from Bourke to Bendigo to Sydney to Perth with one phone call.

For this reason, it is expected that a combined group will be more attractive to advertisers.

In undertaking its assessment of the proposed merger, Seven has indicated that it envisages $11 million of cost synergies will be realised.in addition to the Combined Group expecting to have improved balance sheet capacity and cash flow.

Importantly, the merger will mean that Prime will continue to have the programs of the number one rating television network boasting eleven month of live sport.

If Prime remains independent, it could face stiff competition for the ongoing rights to Seven's programming. Any one of Prime's competitors can bid for the program rights and as a result we could find ourselves paying much more for content than we do today.

Seven is one of Australia's leading integrated media companies. It has a market-leading presence in broadcast television, magazine and newspaper publishing and online.

It has the necessary scale, the necessary intellectual property, the necessary creative and production capabilities and the volume of content required to compete against the international streaming platforms.

But if the merger does not proceed, what does Prime do next?

If the merger is voted down, Prime's options are few, it could merge with another regional traditional media business such a merger might provide cost and revenue synergies in the short term, but it will not change the scale of opportunity Prime has exposure to.

It will not provide a deep library of digital entertainment options to attract digital audiences and advertisers to Prime.

On the other hand the Seven merger provides Prime shareholders with exposure to a national audience, both TV and digital, and exposure to the national ad market which is almost nine times larger than the regional advertising market. Since 2014 regional television advertising spends have dropped 20.6 percent, whilst metropolitan advertising spends have fallen only nine point six percent.

Prime's other option is to continue its arguments for reform. We have been engaged with government for almost twelve months in regard to deeper reforms, including the consolidation of Prime and its commercial rivals into a single entity, in effect repudiating the government's aggregated regional television model.

But progress is slow. I remind everyone that it took the parliament four years to pass the first reforms, which was the removal of the 75 percent audience reach rule and the two out of three media assets rule which has made the proposed merger with Seven possible.

But we should not try to convince ourselves that parties are lining up to acquire regional tradition media assets. What we should be convinced about is that the environment Prime now operates in has changed so rapidly, will continue to change rapidly, and is so disrupted by the unlicenced, unregulated, unrestricted and unfettered international digital tech giants that each participant's future is solely dependent upon the necessary scale required to compete against them. It will be about the size of the audience you can deliver and the price efficiency with which you can deliver advertising to those audiences on both TV and digital platforms and we are of the view that such scale is beyond the balance sheet capability of any of Australia's traditional regional media companies.

Every Australian today knows from their own experience that the arrival of streaming platforms has placed on-demand viewing centre stage in their own homes.

The ability to watch what you want to watch at the time you want to watch it, has turned lounge rooms into home cinemas. The world, our world, fellow shareholders has changed forever.

For this reason, I strongly encourage all shareholders to carefully read the Scheme Booklet which has been sent to you regarding a proposed Scheme of Arrangement between Seven and Prime.

The Scheme Booklet contains important information in relation to your vote, including the unanimous recommendation of Prime Media's Directors that you vote in favour of the Scheme.

I'll now turn to the Outlook:

The short-term outlook for summer will depend on the success of the summer cricket broadcast. Bookings from major sponsorship agreements for Test, WBBL and BBL cricket currently exceed last year's revenue however overall bookings from regional advertisers are subject to wider market conditions and are less favourable at this time.

Prime's earnings before interest tax depreciation and amortisation for the half-year to 31 December is expected to be $11.0 million to $12.5 million, excluding one-off transactions costs of up to $1.7 million for the proposed scheme of arrangement and the impact of the new accounting standard AASB 16 Leases.

Core net profit after tax and before one off transactions costs is expected to be between $4.5 million and $5.5 million for the half-year ended 31 December 2019.

The full year forecast continues to depend on an improvement in advertiser sentiment, the roll out of the Boomtown initiative and the successful packaging of Olympic partner and sponsorship opportunities in the lead up to the Tokyo Olympics in July/August 2020. Olympic sponsorships to-date have been encouraging and are ahead of expectations.

At this stage, our full-year core NPAT forecast of $8.0 million to $10.0 million excluding transaction costs, remains unchanged.

And that concludes my commentary today. I will hand you back to John for the formal part of the meeting.

End.

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REGIONAL MEDIA – COMPETITIVE LANDSCAPE

1990 - 2015

2015 - 2019

REGIONAL TELEVISION – REGULATORY COSTS

SPECTRUM COSTS

CONTENT QUOTA COSTS

ADVERTISING RESTRICTIONS

SUPPORT SERVICES

LOCAL NEWS QUOTA

CHILDREN'S CONTENT QUOTA

DRAMA CONTENT QUOTA

STREAMING

NO QUOTAS

REGIONAL TELEVISION – AUDIENCE DECLINE

2015 – 2019YTD	REGIONAL TV	PRIME TV
Total audience decline	-23%	-24%
People 25-54yrs	-34%	-33%
People 16-39yrs	-47%	-46%

Source: Regional TAM Data | Average Fiscal Audience CY15-CYTD19

OF THE 24% AUDIENCE LOSS 77% WERE MONETISABLE AUDIENCES

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