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EXTRAORDINARY GENERAL MEETING – CHAIRMAN ADDRESS

Please find attached the address to be given by the Chairman of the Independent Board Committee at the Extraordinary General Meeting held today.

Yours faithfully

For and on behalf of
West Australian Newspapers Holdings Limited

Peter Bryant
Chief Financial Officer & Company Secretary

08 9482 3138

West Australian Newspapers Holdings Limited
Extraordinary General Meeting

Chairman Address

[Slide 1 Title]

Good morning ladies and gentlemen. For those of you who do not know me, I am Doug Flynn. I have led the Independent Board Committee of West Australian Newspapers Holdings in our detailed review, negotiation and recommendation of the proposed acquisition of Seven Media Group, or SMG as we sometimes refer to it.

Welcome to the Extraordinary General Meeting that has been called so that you can determine whether or not to approve this transformational acquisition for your Company.

The Proposed Transaction before you today involves a related party transaction with Seven Group Holdings Limited. That company, as you may know, is our largest shareholder and a part owner of SMG.

I will chair today's meeting. This continues the strict governance protocols that were put in place to ensure fair and unbiased consideration of the Proposed Transaction, on behalf of all WAN shareholders, who are not associated with Seven Group Holdings

Board & Introductions

I would like to introduce my colleagues on stage.

To my left is the Company Secretary and Chief Financial Officer, Peter Bryant, then the other members of the Independent Board Committee – Graeme John AO and Don Voelte.

Sam Walsh AO is in London and joins the meeting today by telephone. Welcome Sam.

As Don has another engagement on today, he may have to excuse himself part way through today's meeting, but has assured me that this is in no way related to the length of my speech!

Seated beside Don is Kerry Stokes AC and then Peter Gammell. As you know, Kerry is Chairman of both WAN and Seven Group Holdings and Peter is a Director of WAN and Managing Director and CEO of SGH.

And finally, beside Peter is our Chief Executive, Chris Wharton.

Also in attendance are the key advisers to the Independent Board Committee, being our financial adviser, O'Sullivan Partners and our legal adviser, Allens Arthur Robinson.

[Slide 2 Overview]

Shareholders have already been provided with over 350 pages of information about the Proposed Transaction through the Explanatory Memorandum and the Prospectus.

Nevertheless, I want to recap the key elements of the Proposed Transaction and the process of the Independent Board Committee's deliberations. This will provide the context for our discussion today before you cast your votes on the various resolutions.

On 21 February, we announced the proposed acquisition of SMG following the signing of transaction documents that morning with Seven Group Holdings and KKR.

Since that announcement, we have raised $653 million through a fully underwritten Entitlement Offer of convertible unsecured loan securities, known as CULS. An underwritten Public Offer to raise an additional $40 million is still underway and is due to close this coming Wednesday, 13 April.

We also commissioned an Independent Expert’s Report that was included in the Explanatory Memorandum sent to all shareholders.

Ernst & Young, the Independent Expert, concluded that the Proposed Transaction is fair and reasonable to WAN shareholders other than Seven Group Holdings and any WAN shareholders associated with that company.

The Proposed Transaction before you today has been exhaustively reviewed and intensely negotiated over the best part of six months before it was announced in late February.

Acquiring SMG will transform WAN - from largely a single newspaper business - to a diversified, national media business.

Seven West Media, the proposed name for our enlarged company, will be the leading national media business in Australia.

It will own the components needed to remain relevant in the rapidly changing media marketplace.

It will own Australia's No. 1 national free-to-air TV network, the second largest magazine group by readership; and a leading internet business in Yahoo!7.

Your Independent Directors consider the Proposed Transaction to be strategically compelling for WAN shareholders as a whole.

As a result, we unanimously recommend that WAN shareholders vote in favour of all the resolutions that will be put to you today.

[Slide 3 Summary of Proposed Transaction]

Let me summarise for you the nature of the Proposed Transaction and its key advantages and risks.

WAN proposes to acquire SMG for an enterprise value of approximately $4.1 billion. That's between half a billion and one billion dollars less than the fair value ascribed to SMG by the Independent Expert, Ernst & Young.

The acquisition of 100% of Seven Media Group involves the issuance of shares to Seven Group Holdings at $5.99 per share – that's 15% more than the $5.20 shareholders and members of the public were asked to pay as part of the entitlement and Public Offers.

WAN will also issue $250 million of convertible preference shares to Seven Group Holdings.

Seven Group Holdings has conditionally sold down its 24.3% interest in WAN and immediately following completion of the Proposed Transaction, will hold 29.6% of WAN.

As part of the Proposed Transaction, WAN will also assume SMG's pro forma external net debt at the date of acquisition of $1.7 billion. This number allows for a $450m reduction in the amount of debt assumed.

In addition to the capital raisings I have already mentioned, WAN will issue $461 million of equity to KKR, mezzanine investors and members of SMG management. As with the shares issued to Seven Group Holdings, these shares are also priced at $5.99 per share.

All of these elements are interlinked and their finalisation is subject to the outcome of today's meeting.

[Slide 4 Governance]

Before moving on to the advantages and disadvantages of this acquisition, I want to provide some more detail on the strict governance procedures we put in place to manage the related party aspects of the Proposed Transaction.

The Proposed Transaction involves the acquisition of a significant business from WAN's major shareholder, Seven Group Holdings. Your Board immediately acknowledged the potential conflict of interest. We moved quickly to form an Independent Board Committee and adopted governance protocols that would ensure that the interests of shareholders not associated with SGH would be protected.

The Independent Board Committee comprises very experienced directors, all cognisant of their responsibilities.

We formed the Independent Board Committee. The committee dealt exclusively with all aspects of the review, negotiation and determination of the Proposed Transaction from WAN's point of view. We appointed independent financial, legal, tax and accounting advisers.

We subjected the Proposed Transaction to the review of the Independent Expert.

Kerry Stokes and Peter Gammell stood aside from, and were not privy to, the Independent Director discussions, or the work of our advisers.

We are confident that the Proposed Transaction is in the best interests of all of the non-associated shareholders of WAN. Each independent director who holds or controls WAN shares intends that those shares will be voted in favour of the resolutions put before you today.

[Slide 5 Advantages and Disadvantages]

In coming to our recommendation, the Independent Board Committee considered not only the advantages of the Proposed Transaction, but also the potential disadvantages.

We considered the disadvantages at length and weighed them against the advantages throughout the negotiations to develop the Proposed Transaction.

While we concluded that the advantages outweighed the disadvantages, it is appropriate that I summarise the key issues today before we vote on the Proposed Transaction.

[Slide 6 – Potential disadvantages of the Proposed Transaction]

Firstly, if the transaction proceeds, existing WAN shareholders (excluding SGH) will initially be diluted from 75.7% to 57.8% of the combined group before the conversion of the CPS. While this change is significant, it was imperative to the Independent Board Committee that Seven Group Holdings, KKR, mezzanine investors and members of SMG management receive WAN shares rather than cash. They will have the same exposure to the combined business as will WAN's existing shareholders.

And as I pointed to earlier, at $5.99 per share, those parties are paying 15% more for their WAN shares than other shareholders participating in the capital raising.

There is also the question of a potential change of control of WAN and a potential lessening of WAN's attractiveness as a takeover target. Seven Group Holdings will initially own 29.6% of WAN's issued capital upon completion of the Proposed Transaction. This compares to the 24.3% that SGH owns today.

In addition, SGH will hold Convertible Preference Shares. If the CPS were converted, assuming no other change to SGH's shareholding or WAN shares on issue, SGH would move to 33.6%. Any attempt to takeover WAN would in practice require the support of SGH.

The Independent Board Committee has considered this point thoroughly. In our view, there are three key considerations that are more important:

- There is a low likelihood that a takeover of WAN will be forthcoming in the foreseeable future;
- The value to be gained through WAN acquiring SMG, could only be offered by Seven Group Holdings in the first place; and
- The fact is that Seven Group Holdings already has a significant shareholding of 24.3%.

Another potential disadvantage that I know has been on some shareholders' minds is that the combined group will have more net debt than WAN has today.   Shareholders and other interested parties have questioned what implications increased debt levels may have for WAN's dividends going forward. I will address this shortly.

Finally, WAN will be exposed to new operational and geographic markets away from its sole focus largely on newspapers in Western Australia.

Over the next few slides, I want to summarise why we consider that the enlarged business will deliver a superior strategic and financial outlook for shareholders.

There is no doubt that today WAN is a very profitable newspaper business. However, the advance of online media and changing consumer habits is undeniable.

WAN cannot ignore that tide of change.

[Slide 7 – Composition of WAN EBITDA today]

In the face of that tide of change, West Australian Newspapers derives approximately 99% of its EBITDA from print media. Most of that comes from one masthead – The West.

[Slide 8 Leading Media Portfolio]

Earnings diversification has been one of the main attractions of the proposed acquisition.

The Proposed Transaction has the potential to transform WAN into a national multi-platform media group containing the core media properties of free-to-air television, newspapers, magazines and online. The brands and mastheads are well known to you as they are among the leaders in their respective categories.

[Slide 9 – Diversified earnings]

The diversification of earnings by media type, geography and market is very clear compared to WAN today. Look at the earnings concentration today which is again shown on the blue pie chart on the left of the screen.

Compare this to that of the combined group. Seven West Media will have a diversified portfolio of media assets operating across Australia with the potential for cross-selling and bundling synergies between free-to-air television, print and online platforms.

[Slide 10 Market Capitalisation]

WAN's market capitalisation will almost treble from $1.2 billion to approximately $3.3 billion.

This will re-position the Company well into the Top 100 ASX-listed companies.

Such a position is likely to attract a much wider range of institutional investors, including index funds, compared to WAN today. It will be the largest Australian domiciled media stock listed on the ASX.

This increased index weighting, can drive much higher levels of share trading liquidity. This in turn increases a company's attractiveness to a greater array of investors.

[Slide 11 – Pro-forma Financials]

The pro forma financials of the combined group give you an idea of the greatly increased scale of the new Seven West Media.

Turning to the issue of increased debt levels and impact on dividends going forward, the combined group's pro forma forecast FY11 EBITDA is expected to be $645 million (including share of net profits from associates). This compares to $180 million for WAN standalone (including share of net profits from associates).

So while it is true that the combined business will carry more debt than WAN does today, it will also generate considerably higher EBITDA with which to service that debt.

[Slide 12 EPS Accretion]

Net profit after tax will increase by approximately three times compared to WAN's forecast earnings for FY11.

Based on the forecast performance for FY11, the two businesses combined would be expected to have a higher level of earnings per share, than WAN is expected to achieve on its own.

On a pro-forma basis, this is forecast to be 6.8% higher than WAN is expecting to achieve this financial year.

[Slide 13 Dividend Yield]

We understand that dividends are very important for WAN.

If you look at this slide, you will see that the forecast dividend yield from the combined business is very attractive.

This is particularly so when compared with WAN's peers in the media sector.

The Board is very aware of the importance to many shareholders of WAN's dividend history.

We intend to pay a high proportion of normalised after tax profits in dividends, having regard to all relevant factors, including working capital requirements and new growth opportunities.

We have confirmed guidance that WAN intends to pay a 26c dividend for second half of FY11. This will take the full year dividend to an expected 45c per share on a fully diluted basis.

We suspended the Dividend Reinvestment Plan for the first half of FY11 whilst WAN undertook its capital raising.

We intend to reintroduce the DRP from the second half of FY11. It is worth noting that in late March, Seven Group Holdings and KKR advised of their intentions to participate in the DRP, in relation to their entire shareholdings.

Following the Proposed Transaction, Seven Group Holdings and KKR's combined shareholding would be 40.8%. Given their commitment to participate in the DRP we would expect overall participation rate of approximately 50% based on past trends.

If we apply that participation rate to WAN's forecast dividend of 45c per share for FY11, this would see approximately $140m in extra capital on a pro forma basis available to the company.

These extra funds will be available to WAN for debt reduction and general corporate purposes. These funds are over and above the cashflow projections that we had in mind when determining the proposed acquisition of SMG.

In other words, the enlarged WAN's debt repayment capacity is already better than what we had anticipated before we announced the Proposed Transaction.

[Slide 14 – Capital structure]

Finally, this slide shows you the combined group capital structure immediately following completion of the acquisition. It will be 64% equity and equity-hybrid and 36% net debt. The enterprise value will be approximately $5.5 billion. That is just under four times the size of WAN today.

Your Independent Directors believe that the combined group’s net debt is not excessive.

There is no doubt that the proposed acquisition of Seven Media Group is big and it is bold for a company of our size.

The fact is that the opportunity is only available to us because Seven Group Holdings is our major shareholder.

We can execute the acquisition on the attractive financial metrics I have just outlined to you, because Seven Group Holdings and KKR are continuing their involvement in the combined business – at a premium to other investors.

[Slide 15 – Independent Directors’ Recommendation]

Ladies and Gentlemen, the Proposed Transaction is a transformational opportunity to secure the future for West Australian Newspapers.

The combination of all of the factors I have summarised today, including the favourable opinion of the Independent Expert, Ernst & Young, has led the Independent Directors to unanimously recommend this very exciting proposal to our shareholders.

We are pleased that our proposal has also been endorsed by the two leading institutional proxy advisory firms, CGI Glass Lewis and ISS Risk Metrics. They have recommended that their clients vote in favour of the Proposed Transaction.

We hope that you will join us in voting your shares in favour of the resolutions that I will be putting to the meeting today.

Before I move to the formal business of the meeting I think it is appropriate to invite Kerry Stokes to address the meeting - not as Chairman of WAN, but as Chairman of our major shareholder.