

CHAIRMAN'S REVIEW

Adcorp Annual General Meeting – Friday 28 November 2008

Shareholders, Ladies and Gentlemen,

On behalf of the Board and management of Adcorp, welcome to the Company's Annual General Meeting.

We have a quorum and therefore I declare the meeting open for business.

The year under review saw The Company producing very satisfactory results.

These results were highlighted by:

- solid increases in revenues
- well managed costs
- earnings attributable to shareholders' increasing by 28%
- the restoration of fully franked dividends.

The nature of the core Adcorp business continues to evolve with transaction based business now being consistently supplemented by project based business.

Our core activities of employment, property and retail have been added to by the acquisition of the NSW and WA Government business and our developing digital operation Kelly Street Digital.

Within all our businesses there has been a focus on expense to revenue ratios resulting in earnings improvement in Victoria, Queensland and in some of the New Zealand markets.

A recurring strength for the Company is our Trans Tasman grid of offices who are increasingly acting in concert for the provision of key services such as media buying and digital expertise for our national client base.

The cliché that 'the next twelve months will be full of challenges' applies to Adcorp along with every other business in Australia and New Zealand.

Earnings will be under pressure in both Australia and New Zealand as the economic downturn continues.

All cost reduction and revenue generating measures within our control are being vigorously prosecuted.

Whilst earnings are difficult to forecast, these measures provide the Board with the confidence to foreshadow the maintenance of fully franked dividends.

CHIEF EXECUTIVE OFFICER'S REVIEW

REVIEW OF OPERATIONS – Peter James, Chief Executive Officer

Mr Chairman and Shareholders, I will now provide an overview of operations for Adcorp Australia Limited over the past year and importantly, give you an update on our trading position so far for 2008/9.

The Year in Review

2007/8 was a rewarding year for the Company, as we further repositioned the business and diversified our offerings - the fundamental drivers of the strong result include growth in our core advertising business, increased demand for strategic advice on talent attraction and retention, improved revenue margins and significant new business wins.

Our Group Billings were up 8% to \$202.9m, Revenue was up 13% to \$39.3m, Net Profit Before Tax was up 35% to \$6.4m, NPAT attributable to shareholders was up 28% to \$3.9m while Operating cash flow was \$8.2m.

Australia

In Australia, Queensland, South Australia and Western Australia, buoyed by the strong Resources sector, performed well. Pleasingly, our New South Wales and Victorian businesses also had strong growth, as major Corporates continue to seek more strategic advice to address the issues of talent attraction and retention involving digital strategies, career websites and Employer Branding across multiple media, not just print.

New Zealand

Our New Zealand business maintained its market leadership during 2007/8; our Wellington operation, based heavily on Government spending, was a standout.

During 2007/8, we continued to reposition the business to provide diversification across a number of areas and to reduce our reliance on traditional print media.

Employment

Employment Marketing communications comprises \$94.5m of billings or 47%. We continue to reposition Adcorp as a specialist in these areas and our Global relationship with the Bernard Hodes Network of over 80 offices continues to provide an important competitive advantage – we source talent internationally and share intellectual property developed in key markets in Europe and the United States.

While strategic consulting remains a focus for the Company, non-campaign advertising continues to be a key component of our service – providing our clients with the best advice on the most appropriate media to deliver results and value for money; delivering advertising quickly and accurately, ensuring that the message is appropriate to the target audience and brand compliance is maintained, particularly for large National clients.

Government

In December 2007, Adcorp secured its first ever major Government account – the New South Wales Government high-volume non-campaign advertising contract and in June this year, we announced success in tendering for the Western Australian Government non-campaign contract which commenced on 1 August 2008. These two contracts, each of three years duration with the potential for extension, are underpinned by Adcorp's state-of-the-art online advertising system, Connect2, and are complementary to Adcorp's strategic consulting business.

Property

Property continues to be a solid contributor to our business and we maintain our focus on the Commercial Property and Project Marketing sectors, including National and publicly listed Property clients. Property marketing comprises 24% of overall billings.

Retail

Our Retail business, focussed primarily on Andrews Advertising, performed strongly during 2007/8. Adcorp today delivers Retail advertising solutions to a wide range of clients throughout Australia.

Connect2

Adcorp's online technology system, Connect2, underpins our approach to non-campaign advertising. Connect2 is arguably the most advanced online advertising technology available in the market today – providing end-to-end management of the advertising process from booking of advertisements, managing the approvals process via mark-up and amendment tools, through to reporting to measure the effectiveness of an advertising campaign.

Adcorp Digital

While there is a noticeable move from print to other media, this is at least partially offset by new opportunities in the digital space. Adcorp has a long established tradition of providing advanced technology and digital solutions to our clients.

Our full service interactive digital agency provides innovative digital strategy marketing and communications solutions to our clients. We offer solutions ranging from web 2.0 applications to complex, database-driven custom websites. Our focus is on understanding the business objectives to ensure we deliver relevant and impactful solutions that meet our clients' needs. During the year, we saw strong demand for our digital services.

Media

We continue to upgrade our skill sets and have invested in a number of media tools to maximise these opportunities, particularly in the area of media research.

Our clients today require outcomes which combine a range of media, including digital and print. In this landscape the media has become as important as the message, as we move from being simply a transactional provider to becoming a solutions partner, providing more comprehensive strategies for clients and the ability to measure results.

Margins

Consulting assignments and flow-on media campaigns bring with them higher margins. During the year revenue Margins increased from 18.6% to 19.4%, as Adcorp's services were delivered to some of Australia and New Zealand's largest companies.

Kelly Street Digital

In November 2007, Adcorp's specialist digital consultancy, Kelly Street Digital (KSD) was launched, assisting clients to maximise the potential of their existing consumer databases and digital interactions.

KSD has developed a web-based digital marketing platform named Join the Clicks (JTC[®]).

Join the Clicks (JTC) is a subscription based online service which allows digital developers and agencies to quickly integrate consumer management into their online marketing activities.

As an online product, JTC has been designed to take advantage of a global market. Developers in any country are able to sign up and begin using the product within minutes – without the need for an expensive sales force.

JTC has been under development for over 12 months and has been in active field trials with a major car manufacturer for the last four months. JTC will be ready for the market in January 2008.

2008/9 Trading

I will now update shareholders on current trading conditions:

- We have done much to reposition Adcorp over the past 12 months with a broader range of services, particularly in the digital space, increased use of technology to drive efficiencies for Adcorp and its clients, and the addition of Government business to our portfolio. Nonetheless, the global economic challenges have seen

advertising and media markets slow since the start of the financial year. New Zealand in particular is in recession and in the run up to the recent election, our New Zealand business has slowed markedly.

- Adcorp has responded quickly to the global economic challenges and we have moved promptly to reduce our cost base this financial year; while these actions will have some positive impact in the first half, the main effect on our cost base will be felt in the second half and beyond.
- The current low levels of consumer and business confidence, together with continued uncertainty and volatility in financial markets, make it extremely difficult to forecast beyond the first half of this year. We believe our NPAT for H1 will be 12-15% below last year's result. Given the volatility in the market, we believe it is premature to project H2 performance. However, we will give further guidance on the full year outlook when we announce the H1 results in February.
- Adcorp's Board remains committed to fully franked dividend streams.
- Although trading conditions remain soft, there are still good opportunities for Adcorp's broad range of services. We are extremely active in securing new business through our network of 12 offices, and constantly exploring new areas for growth opportunities. In September this year, Adcorp was awarded the prestigious Fairfax Employment Marketing Award for Best Recruitment Advertising Agency.

We are fortunate at Adcorp to have an experienced group of media, communications, digital and marketing professionals – many of whom have been with the Company for a number of years. Pleasingly, over the past 12 months, we have also attracted some of the industry's most talented young professionals, particularly in the areas of digital and media solutions.

As always, my thanks to all our staff – a talented and hardworking team, focussed on maximising business results in a tough market for their clients in the interests of all shareholders.