

**MITCHELL COMMUNICATION GROUP LIMITED**  
**2008 AGM**  
**CHAIRMAN'S ADDRESS**

This is the first full year as the Mitchell Communication Group.

Last year I was able to report on a successful merging of the interests of *emitch*, the public company founded in 2000, and the Mitchell Family interests founded in 1976. As our Chief Executive will indicate, it has been a successful first year for the Group, and has continued into the current year.

**A Changing World**

At the time that I addressed you last year I made two points. The first was the pendulum had swung to specialist media companies such as ours, and we would be in a strong position for the future.

Simply, we would be well placed to change and adjust to the market, as the needs of the market changed. We didn't know then that there would be such a volatile financial market, but we knew that we would be living in a changing world, as we always have.

The fact that the times ahead seem less certain has often been the

case in the history of our large company. I can recall no less than 5 such times.

What we know is that the moves that we made to have such a diverse company within a specialist media group is to our favour, rather than to be locked into one or other part of the communications industry.

We have put together some twenty two companies that we've either built from scratch or purchased and we own them 100%, and that has been the great strength of the company in this changing market.

Much of the public commentary of our industry is on the media companies themselves, who are in a different position to us in that they are quite singular in their focus. That is, they are mainly either a TV network, a newspaper company or a radio group with nothing like the spread that we have across the media communications industry, with many of them laden with debt.

But for our company, it has been that planned diversity that has been our advantage in these times, as advertisers move within the disciplines of communications, but importantly stay within our company.

The second point I made was the question of size.

We believed then as we do now, that it was important to take advantage of size. We continue to be the market leader in many of the fields we are in, and certainly we are the largest in our communications sector.

That has been one of the key planks of our platform for both the present and the future. We find in these uncertain times that no matter what the industry or service, the number one position is important. The number one company tends to do better.

### **Debt**

Debt and credit are very much in the headlines at present. A year ago your Board adopted a very careful approach to debt, and we are conservatively geared. We are really a cash business.

We also have capacity within our banking arrangements to expand should we find opportunities that suit us, and we believe in the year ahead those opportunities could well arise. But for the moment we are being very patient.

## **The Industry**

We operate in the wider advertising industry and we forecast that the year to June 2008 would grow by 7%, and in fact that forecast turned out to be true. The growth was exactly 7%. Normally we would want to give you an indication of the year ahead for our industry, but at the present moment we think that it is difficult to do that. That is not to say that we are forecasting a downturn overall. After all, the official forecast for the economy is of growth, although at a slower level than at present, and we have a Government that has said that they will do whatever it takes.

The markets of our clients in Australia are still solid.

But these are unusual times, with global financial markets that are in a state of change, and the daily headlines of the world are affecting confidence here in Australia. Our view of the advertising market is that it is still firm, and the headlines have not affected our company and clients.

What we cannot control is the 24hour news cycle and the constant reporting of the world, but it doesn't mean that Australia has to have the major changes to our economy that others who have lived beyond their means are.

We do after all have historically high levels of employment. Interest rates are becoming lower and our Federal Government is in surplus without any debt, and we are in a region that has very high growth.

But changes to our economy may come. We have lived through changes many times before and so we know that we can only be concerned about our own company.

### **The period ahead for us**

For the two reasons I have outlined, of diversity of our business within the communications spectrum, and the number one position that we have, we are confident for ourselves for the year ahead. No matter whether the industry is flat, grows a little or is depressed, we know that we will do well.

In fact in the last downturn in advertising in 2001 when the market went down by 6.9%, our Mitchell companies increased overall volume by 8% and improved their market share.

On top of the strengths of a diverse range of companies and being number one, there are two other reasons that give us confidence, no matter the economic landscape. One is our conservative borrowing position that I

have already mentioned, and the second is our people, who have now been together as a group for some years and are amongst the best in the industry.

Four strengths that we can rely on:

- Diversity
- Size at No.1
- Conservative approach to debt.
- An established management group.

### **Our Clients are Confident**

So despite the headlines of financial turmoil and the pressures of the stock market, our client base of over 2000 companies are still not indicating a downturn in spending. Although, as I've said, there are sometimes changes of the allocation of that spending within the communication choices, but they stay within our family of companies.

### **Conclusion**

I can conclude by saying that over a year ago we positioned your company for a changing marketplace. The changes of the financial world are certainly more than we foresaw, but we did place ourselves to ride out any change that might happen and in fact hold and improve market share. We expect to do that.