Mitchell Communication Group Limited

Annual General Meeting

Address by CEO Stuart Mitchell

Wednesday 26 November 2008

Thank you Harold.

These are certainly challenging times for our economy. Financial markets are off more than 50% from their highs of 12 months ago. Real wealth losses are materialising, with margin loans being called. Until very recently, we've had high petrol prices and seemingly endless stories of doom and gloom from overseas.

But for your company, the news is good. As Harold mentioned, our strategic acquisitions of quality businesses over recent years have not only enhanced our bottom line, they've strengthened and diversified our end-to-end communications service offering. Moreover, they have provided the means for us to continue to perform in a less certain economic climate.

Firstly, in terms of our fiscal 2008 financial performance, it was a record year for your company. To this end I'll note a few of the highlights, on a like-for-like basis, versus the previous corresponding period:

- Gross billings of $1,175.2 million, up $224.2 million or 24%
- Total Revenues of $190.8 million, up $60.1 million or 46%
- Reported net profit after tax of $18.2 million, up 102%

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- Basic and diluted earnings per share of 6.5 cents per share, up 2.0 cents per share or 44%; and
- Final dividend of 2.1 cents per share, fully franked, resulting in a full year dividend of 3.9 cents per share, up 1.9 cents per share or 95%

Turning to the new financial year, trading in the four months to October has been positive. From a top line perspective, billings for October amounted to approximately $115 million – the largest in the company's history. The year-to-date top line results have seen the total group of companies record in excess of 10% year-on-year growth. Earnings-wise we are ahead of our own internal budgets. Percentage-wise, we again believe that the 2^{nd} half earnings will be a larger contributor than the first half, primarily based upon the timing of the recognition of certain incentives.

Following on from this, I'd like to report to you on a number of exciting developments in the Group since the start of the new financial year. **Mitchell Media in WA** is now 100%-owned by the Group, while **MPG** is now at 80/20 ownership split between Mitchells and Havas, having formerly been a 50/50 split.

In our Digital Division, we have consistently outperformed market growth in online advertising expenditure by approximately double, we have added the start-up **Catch! in New Zealand**, which is predominantly a search engine marketing and search engine optimisation business, further adding to the spectrum of our digital coverage in the region.

In the Technology area, we acquired **Agile**, a piece of software that provides an automated ad template system.

In the annual report, we also reported on the recent acquisition of **Vivid**, a leading communications and technology services company, which extends our strategic footprint in digital-based media services. Vivid adds significant technology skills in enterprise content management, ecommerce and customer relationship management.

We've also added a new Research business to our stable. **Symphony** is a start-up company focusing on analysis and research. And in the area of Production Services, we've added an existing supplier to Mitchells companies, **Picture this!,** where the principal has recently joined the group.

All of this activity represents a continuation of our strategy to capitalise on opportunities to add value to our Group and further diversify our offering. As Harold said, we'll continue to look for those opportunities in the year ahead.

We're aware of the market guidance given in June regarding a 10% increase in earnings in FY'09, and we have no reason at this time to revise or amend that guidance. Our dividend payout ratio remains at 60% of net profit after tax, and I'm pleased to report that our total shareholder return for the year ended 30 June was a dividend of 3.9 cents per share, a yield of in excess of 10 per cent, fully franked based upon the company’s current share price.

Harold mentioned four of our key strengths. I’d like to add to that and talk for a moment about our clients, and more importantly, our relationships with them.

When you’re at sea in stormy weather, you want to be on board the biggest ship you can find. And in the media and communications business, that’s us.

- We’re the number one offline media strategy, planning and buying organisation in Australia.
- We’re the number one full service digital agency.
- We’re the number one digital display agency Visual Jazz.
- We’re the number two search company with Columbus.
- We’re also the number one PR agency, with Haystac.
- And with Stadia Media, our sports ground marketing service offering continues to go from strength to strength.

The fact that we’re in so many market leadership positions is no accident. We’ve been smart about what we’re doing. And when others start failing because they’re too heavily weighted and single minded in their service offering, we’re able to mobilise ourselves and accommodate shifting media and communications preferences from our clients.

When the economy bites, people gravitate towards the big players. But they also want bang for their buck, which is why they can pick up the phone and call a specialist – one of more than 22 niche businesses – or they can make one call and have an end-to-end, comprehensive communications and media solution developed for them. In both cases, they'll be calling Mitchells, because that's what we're about. Individual businesses with unique service offerings and identities, but with the might of a consolidated and integrated Group behind each one of them.

This year, we've seen the benefits of that integration in the form of some ground-breaking, innovative campaigns for clients, where we drew on the vast intellectual capital across our Group to create great team work. I am privileged to work with a senior management team that is made up of a group of highly talented, committed and accomplished individuals, and I would like to take this opportunity to thank the COO Luke Littlefield, the 3 Group Managing Directors, John Murray, Jon White and Anthony Charles and the 20-strong MD's and GM's running the businesses across the nation.

The size, diversity and breadth of our client base is also compelling. We don't always need to knock down doors, we can continue to partner with our clients to help them maximise opportunities to get their message across in the constantly changing media landscape. Other players may have a strategy to cherry-pick from the Top 50 companies in Australia, some of whom have cut back on their spending. Not us. We've got blue chip clients across the spectrum and deep into the Top 200. And because 30% of our Media revenue base is flat fee, we're less affected by changes in their spending levels.

Equally, we're well-geared to handle shifts in the **type** of spend by our clients. To give you an idea, any switch of client spend from Traditional Media to Digital, for example, is more accretive to the Group. And our clients are largely Australian-based, so whilst no-one is immune from what's happening in the global economy, our clients are savvy enough to know that you have to spend a dollar to make one.

In closing, I'd like to thank the Board and in particular, Chairman Harold Mitchell and Deputy Chairman Garry Hounsell, who have provided excellent stewardship during the year. Our Group is fortunate to have the wisdom and expertise of some very high calibre people to keep us focussed on the bigger picture. As Harold mentioned, he and many others in our Group have navigated the business through a series of tougher economic periods and some have the grey hairs to prove it. What's remarkable is that we didn't merely survive back then, we thrived.

We're confident and believe that we're well positioned to make the most of the year ahead, no matter what it might bring.

Thank you