

## **ANNOUNCEMENT**

**6 NOVEMBER 2002**

**ANNUAL GENERAL MEETING**

**CHAIRMAN'S REPORT**

**REMARKS OF BRIAN POWERS**

Good morning and welcome to this year's annual general meeting.

We are very pleased to meet in Melbourne, home of *The Age*, and the home of our new print facility at Tullamarine. *The Age* epitomises the values we champion as a company, and the commitment we have for the communities we serve. The Age Print Facility at Tullamarine will contribute to the growth of *The Age* and all our publications in Victoria, and to the company's growth and profitability in the years ahead.

Before turning to the formal business of the meeting – the presentation of the Annual Accounts, and the election of three Directors – I want to first report on the financial year concluded on June 30, as well as important developments – and achievements – for the company.

### **Business Performance**

As you are well aware, the advertising downturn which began two years ago continued to worsen throughout the financial year, and affected our financial performance for a second consecutive year. Earnings per share pre significant items were 11.15 cents, down 35.4%. We have maintained our dividend at 11.5 cents per share, full franked.

While none of us were happy with our financial performance last year, we made strong progress on several operational issues which helped us to mitigate somewhat the impact of the advertising downturn. Fred Hilmer will comment on this in greater detail shortly.

We continued our efforts to maintain and enhance our position as Australia's preeminent information provider, both in print and online, and to run our businesses on the most efficient and cost-effective basis, even as we continued to seek new opportunities for revenue growth.

The quality of our journalism continues to be outstanding. The coverage of the attacks in Bali, and the terrible loss of life, was simply exceptional in bringing home to us the human tragedy, as well as the political and strategic issues involved. The reach of our papers is truly international: when news is happening in Australia and in this part of the world, the websites of record that are logged on to throughout the world are [theage.com.au](http://theage.com.au) and [smh.com.au](http://smh.com.au).

As you know, we have made a significant investment in our printing with the new plant at Tullamarine and the major upgrade at Chullora in Sydney both coming on-stream during this financial year. Upon completion, we will have two world-class plants that will ensure that the print quality of our papers is on par with our journalistic excellence. The extra colour capacity will better serve our readers as well as our advertisers.

### **Regulatory Issues**

With our major capital expenditures coming to an end, and with a solid balance sheet, we also have the capacity to grow by acquisition should attractive opportunities arise.

We therefore very much welcome the Government's support for changes in the cross media and foreign investment rules that shackle our industry. Leading countries around the world – most particularly the two markets with which we have the greatest degree of harmonization, the United States and Britain – are poised for media deregulation in the coming months. Canada and New Zealand are far ahead of Australia in this regard already.

It is vital that everyone concerned with public policy in this area understand that the growth of quality media companies is essential to the ability of the media to fulfill its role in a democratic society.

## **Corporate Governance**

This year, as a result of the failure of several major companies here and overseas, there is proper and deserving focus on corporate governance issues. We are very pleased to report on our record in this regard.

The Board and the management of the Company continue to be committed to maintaining the highest standards of corporate governance by conducting business in an open and ethical way for the benefit of our shareholders, employees and the wider community.

With the exception of the CEO, all the directors are non-executive.

The Company has an Audit and Risk committee comprised entirely of non-executive directors, and which operates under a clear charter. There are independent committees for remuneration and nominations.

We are supportive of the changes in accounting policies with respect to options. Pending their adoption by the regulatory authorities, we have reported as a note in our financial reports for the 2002 financial year the cost of any stock options or shares issued to employees during the relevant financial year. Shareholders should note that the Company issued no share options for the 2002 financial year.

## **Management and the Board**

I would like to bring you up to date on a couple of significant matters affecting our senior management and Board. First, the Company reached agreement with Fred Hilmer, the Chief Executive Officer, to extend his employment contract.

Throughout his time with the Company – and I note that, after four years, Fred is now the longest-serving CEO of a major media company in Australia – Fred has provided strong leadership throughout the highs and lows of the business cycle. We have a degree of stability in senior management that the Company has not enjoyed since it was relisted in 1992. Fred's experience will serve us well going forward.

I am also pleased to report good progress in developing our next generation of editorial and business leaders throughout the company.

The current Board has been working together for almost 5 years, a period during which I have had the privilege of serving as its Chairman. We have now made plans for an orderly transition of the Board.

We have invited three eminent Australians to join the Board early next year and they have accepted. They are Roger Corbett, Margaret Jackson and Ron Walker. As most of you would know, Roger Corbett is the highly regarded Managing Director and Chief Executive Officer of Woolworths. Margaret Jackson is Chairman of Qantas. Ron Walker, a former Lord Mayor of Melbourne, is currently Chairman of the 2006 Commonwealth Games Committee and of the Australian Grand Prix.

We could not be more pleased that they have agreed to serve as Directors. They will join the Board early next year.

In order to keep the Board at a manageable size, Jonathan Pinshaw and I will be leaving the Board. Jonathan will retire in February, when the new members join the Board. He has been an active and productive Deputy Chairman for the past 4 ½ years and I would like to record our gratitude for his service.

I will leave the Board following today's meeting, and I am delighted to report that I will be succeeded as Chairman by Dean Wills. Dean, who as Chief Executive and then Chairman of Coca Cola Amatil for 15 years, was one of Australia's most successful executives. He also served, for 4 years, as Chairman of National Mutual/AXA. Dean knows our company well, having served as a Director for the past 8 years. I could not be more confident that your Board, under Dean's Chairmanship, will provide this company with exemplary leadership in the years ahead.

I also want to extend our thanks and appreciation to our staff. Perhaps nothing better epitomizes their commitment than what everyone did in the coverage of the Bali tragedy. There were tight deadlines and larger production runs. It was all hands on deck. But more poignantly, we sent more than a dozen journalists and photographers to Bali to cover the story. It was a story that tore at the emotions of all of our people who witnessed it. Everyone had to deal as fellow human beings with what they saw, and still do their jobs – so that we could read about it, and see the photographs, and understand better the wrongs that were done there. This is what our staff does, day in and day out, and we are grateful to them for the professionalism and dedication.

## **Outlook**

With our outstanding mastheads, a strengthening of our news and classifieds business online, the imminent completion of the new and upgraded printing plants, and the continued discipline on costs throughout the company, we are extremely well-positioned for growth.

Indeed, with our substantial operating leverage, we will benefit significantly from the recovery of the advertising market when it occurs.

Turning to the outlook for this year, the uncertain economy and its impact on advertising revenues continue to make it difficult to predict financial results with any certainty. After two years of declines, advertising revenues this year are up marginally year-on-year, with the trend improving over the past month. Accordingly, we expect EBIT growth in the first half of approximately 15% compared with the corresponding period last year.

I would now like to hand over to Fred Hilmer for a report on some key operational matters facing the company.

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