

Chairman's Address PBL Annual General Meeting 2004

Publishing and Broadcasting Limited Annual General Meeting

26 October 2004

**Chairman's Address delivered by
Mr James Packer, Executive Chairman**

Throughout the last financial year PBL delivered strong financial and operational performance, built greater value for our shareholders and continued to invest in the business for long term sustainable growth.

We have considerable momentum.

Our core businesses are performing well and are the clear leaders in their respective market segments. Added to this the profit contribution from our equity accounted investments has increased and will grow further.

Normalised net profit increased 31% to \$439 million, while reported net profit increased 75 % to \$668 million. Normalised revenue increased 6.3 % to \$2.8 billion and cost growth was held to 2.1 % leading to an increase in group EBITDA margins to 27.9 %.

Cash flow from our operations grew by \$178 million to \$673 million and the group reduced net debt by \$479 million to just over one billion dollars.

Over the past 2 years we have used PBL's strong cash flows to reduce net debt, fund acquisitions and increase distributions to shareholders. We have retained a conservative financial structure that gives us flexibility going forward.

PBL's dividend payout ratio has been increased to 65 % of normalised net profit after tax. In 2004 this translated into a 72% increase in dividend payments over the previous year to 43 cents per share.

In another highly competitive year for the television industry the depth and consistency of Nine's programming strategy saw the network retain its ratings leadership, in particular in the key 25-54 demographic segment.

The PBL owned East Coast stations captured 18 of the top 20 highest rated programs, including the top rated program for the first half of calendar 2004 – the 46th Annual TV Week Logie Awards. Nine captured the top position in each of the major ratings categories including drama, lifestyle, light entertainment, sports and news and current affairs.

The network grew advertising revenue by 13.9 % outpacing a very strong market which grew 12.7% while advertising market share grew to 39.9% for the financial year. EBITDA margins rose from 28.5% to 32.5%.

Costs excluding license fees grew 5.2% reflecting the highly competitive market for television programming and talent. In addition, the division continued to adopt a conservative approach to inventory management in the balance sheet

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We expect 2005 to be a very competitive year. Nine has a solid programming schedule ready for next year including the newest addition to the highly successful CSI Franchise, CSI : New York plus the return of a number of shows that were standout performers in 2004.

ACP had another very strong year growing earnings by 20.4 %. This business has more than doubled its profitability in the past 3 years, growing EBITDA from \$89 million in 2001 to \$211 million in 2004, an outstanding achievement.

Total revenue increased 7.5% while costs grew 3.1% driving an increase in operating margins to 28.5%.

The result was driven by further operational improvements and strict cost controls, combined with both advertising and circulation revenue growth, with the latter helped by a range of cover price increases.

Circulation growth remained solid, particularly in the weekly women's category, where the stand out performers were the ACP titles NW and TV Week.

ACP has established a presence in the UK through a joint venture with leading international publisher Hearst. Former CEO of ACP in Australia Colin Morrison, is CEO of the joint venture.

Hearst and ACP know each other well as the companies already have a successful and long-standing joint venture throughout Australia, New Zealand and Asia which publishes Cosmopolitan, Harpers Bazaar and She.

As part of the joint venture agreement ACP acquired a half share of an existing successful women's magazine Best and last week the JV launched its first new title - Reveal. Further launches will occur going forward.

The strong performance of our media businesses in 2004 was contributed to by a robust advertising environment, as we gather here today the market remains solid.

Crown is the best gaming asset in Australia.

It has outperformed its major gaming competitors and achieved solid revenue and earnings results, in an increasingly competitive local and international marketplace. Crown's financial results were underscored by earnings growth from all operating business units and margin improvements realised through cost efficiency initiatives.

Crown's normalised EBITDA grew 3.2 % to \$311 million while reported EBITDA grew 13.5% to \$376 million off the back of the highest ever contribution result at actual win rates from VIP Gaming. Costs were flat compared to the previous year and reported margins grew to 31.2%.

The new Crown Promenade Hotel, launched in December 2003, has been well received by all market segments, particularly the convention market, and has won a number of design and hospitality awards. Promenade finished the financial year with an occupancy rate of 80%.

The contribution to profit from our equity accounted investments has grown year on year and we see this becoming a larger portion of earnings over the medium term.

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Foxtel started its rollout of digital services in March. The business is focused on driving continued steady subscriber growth, while reducing churn and maintaining strong service consumption by subscribers. The first full quarter of digital activity saw the highest ever levels of sales and installation activity.

More than a quarter of the FOXTEL managed subscriber base had connected to the new digital service by the end of June putting the business on track to reach its target of converting its whole customer base to digital by mid-2006.

It is expected that losses from PBL's investment in FOXTEL will continue in the short term during the rollout of digital services. FOXTEL is expected to become profitable during financial year 2006.

The Premier Media Group, formerly Fox Sports, contributed \$16 million to PBL's earnings last financial year and we expect to see continued strong performance from that business

ninemsn is also growing strongly with PBL recording an equity accounted profit of \$7.2 million in 2004, a significant turnaround over the previous years \$2.9m loss.

The internet is now a genuine mass media with mainstream advertising brands increasingly embracing online as part of their media schedules. Globally, within 2 years, the internet is expected to account for at least 15 % of the total time individuals spend consuming all media

ninemsn is the number one internet portal in Australia and the clear market leader in the online advertising space. While advertising remains the most substantial revenue stream for the business, ninemsn is continuing to develop its consumer and paid for services such as broadband and mobile content, and music downloads.

The acquisition of 25% of the leading online recruiter SEEK in late 2003 has been a good investment for the group. This business contributed \$2.6 million to PBL last financial year and will increase its contribution in 2005.

SEEK's job ads grew 56 % over the past year, while print volumes were largely unchanged showing just 4 % growth after dramatic falls during the past five years. SEEK is confident the trend for companies to move all or part of their recruitment advertising online will continue for the foreseeable future.

Our ticketing business Ticketek achieved solid financial growth in a strong market, ticketing over 10 million tickets in Australia and New Zealand . Ticketek was the official ticketing partner for the 2003 Rugby World Cup.

PBL recently completed its acquisition of the Burswood International Resort Casino in Perth.

This acquisition is a strong fit with our existing gaming business, strengthens PBL's position in the Australian gaming market and will contribute to earnings from year one.

In late August we announced changes to the Burswood board including my appointment as Chairman. The new board consists of Rowen Craigie, David Courtney, and Geoff Kleemann from PBL along with well regarded Perth based executives Andrew Roberts the CEO of Multiplex and John Poynton the Executive Chairman of Azure Capital.

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David Courtney, formerly CFO at Crown has been appointed CEO of Burswood. David has relocated to Perth and is working with the Burswood team to develop further plans for the business.

We believe that over the medium term we can significantly improve the earnings from Burswood.

PBL announced in July 2004 it had signed a joint venture agreement with the world's leading online betting exchange Betfair to develop the Betfair business in Australia and New Zealand. Under the terms of the agreement, which is for the Australia / New Zealand business only, PBL does not contribute funds or become a shareholder unless a license is granted in Australia .

Betfair is well established in the UK and has been a significant contributor via the levy to the UK racing industry. In 2003 the business won a Queen's Award for enterprise in the innovation category.

PBL seeks to align itself with the best business partners in any sector and Betfair is the market leader in its field. It has a well established business model which offers an innovative approach to wagering. We believe it is a logical fit with, and would complement, our existing businesses.

Changes to Board and Management

In June PBL announced a reorganisation of its Board and the appointment of John Alexander as Chief Executive Officer and Managing Director of PBL following the departure of Peter Yates. We thank Peter for his contribution. John has retained the role of CEO of ACP.

As part of the Board reorganisation Mr Kerry Packer assumed the new role of Executive Deputy Chairman of PBL and we announced the addition of Chris Anderson to our board as a non-executive Director. Chris as many of you will know, was formerly CEO of Singtel Optus and has held a number of senior executive positions in the media sector.

In September we announced that Sam Chisholm was joining the Board as a non-executive Director. Sam has unparalleled experience in the media sector, in particular in free-to-air and pay television, along with significant business experience.

I'd like to welcome both Sam Chisholm and Chris Anderson to the company today and congratulate John on his appointment.

AND IN CONCLUSION.....

Strong operational cash flows and diligent cost control remain features of our business.

We have used these strong cash flows to pay down debt, invest for growth and to increase dividends to our shareholders.

Investments made over the past few years are achieving critical mass and contributing to profitability.

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We remain committed to driving further improvements in profitability from our core businesses, and greater value for our shareholders.

THANKYOU.