

Transcript of 2019 Nine Entertainment AGM

Sydney, November 12, 2019

Chairman Peter Costello

Good morning ladies and gentleman. As your Chairman, it's my pleasure to welcome you to the 2019 AGM of Nine Entertainment Company. My name is Peter Costello. Before opening the meeting, I refer you to the disclaimer here on the screen behind me and available through our ASX lodgement. It is now shortly after 10am and I am advised that this is a properly constituted meeting. There's a quorum of at least two shareholders present so I declare the 2019 Annual General Meeting open. Unless there are any objections, I propose to take the Notice of Meeting as read. Copies of the Notice of Meeting are available from the registration desk outside should you require them.

Let me now introduce the people who are with us this morning. To my immediate left is Rachel Launders, our General Counsel and Company Secretary. Then Hugh Marks, our Chief Executive Officer, who will address the meeting a little later. Next to Hugh is Nick Falloon, the Independent, Non-Executive Director and Deputy Chair and Member of the People and Remuneration Committee. Then we have Patrick Alloway, Independent, Non-Executive Director and a member of the Audit and Risk Management Committee.

Next to Patrick is Sam Lewis, Independent, Non-Executive Director, Chair of the Audit and Risk Committee and a Member of the People and Remuneration Committee. Then we have Mickie Rosen, Independent, Non-Executive Director.

At the far end, we have Catherine West, Independent, Non-Executive Director, the Chair of the People and Remuneration Committee and a member of the Audit and Risk Committee. Chris George and Simon Hannigan, stand up, from Ernst & Young, the company's auditor, are also attending the meeting today. They are available to answer questions regarding the audit at the appropriate time. Also, here today, we have a number of our key executives including Paul Koppelman, Chief Financial Officer, Michael Stephenson, our Chief Sales Officer. Can I also thank our advisors at Ashurst for providing the venue for our AGM today? Let me now come to the Chairman's Address.

2019 has been a transformational year for Nine. The merger with Fairfax, which completed in early December, has changed the scale of our business, creating one of the largest multi-platform media companies in Australia. It has allowed us to bring together premium assets that are complementary. It has given us diversified sources of revenue that overall reduce our exposure to adverse cycles. It is a big development for our business that will provide greater opportunities in the digital age. And we retain a balance sheet that provides further flexibility into the future.

From a results perspective, the benefit of the diversification is clear. During the year, growth in our video on demand platforms and Metro Media has more than offset the cyclical issues facing our broadcasting and Domain business. On a proforma basis, this resulted in a 10% increase in combined group EBITDA for the year on broadly flat revenues.

But the essence of the merger was based around more than just short-term profit considerations. Whilst the Nine businesses alone were doing well and had strong profit

momentum, the pace of change in the media market remains unabated and we are determined to ensure that Nine is at the forefront of the future landscape in Australia.

The fragmentation of traditional media has been occurring for some time. There is more competition for audience, more competition for revenue. The merger with Fairfax ensures us a strong future within that environment. We now have premium assets across multiple platforms, and therefore a greater ability to invest in the content that drives audiences and, in the data, research and technology that ensures our relevance to advertisers.

Through Nine, advertising can now be offered across the full spectrum of audiences, from mass market brand building to truly addressable advertising. This will enable us to compete more effectively. Our key competitors are no longer our Australian media peers. Our advertising businesses are now in competition with global players, global players like Facebook and Google who do not have to abide by the same rules and who do not invest in Australian content in the same way that we do.

The Australian Competition and Consumer Commission, ACCC, has recently reported on the near monopoly these players have in the areas of search, content aggregation and social media. They sell advertising on the base of reach and targeting and distribute news and video content. Yet, they do not have the obligation of broadcasters and publishers.

We are highly regulated through content and viewing hours, Australian content requirements, advertising standards, defamation, public decency requirements and they are not. These competitors sell their services to advertisers as publishers and broadcasters, but they do not accept, nor do they follow, the standards that apply to the traditional publishers and broadcasters in this country.

The ACCC has rightly acknowledged that these businesses need regulatory oversight in areas including their commercial dealings with media businesses, the spread of disinformation on their platforms and copyright. The ACCC has also recommended regulatory changes to level the playing field. We welcome the steps the ACCC has outlined to deal with these issues and the public interest, and we look forward to the government's response to this well-considered review of the digital platforms.

As part of the Nine-Fairfax merger, the board endorsed the Fairfax Media Charter of Editorial Independence. This ensures editors have full editorial control of content, and that our journalists are free to report fairly and fully without commercial or proprietorial interference. Editors, journalists and proprietors have committed to preserve the independence and integrity of the mastheads.

Ensuring there is independence and freedom for the media is not just an internal matter. Reporting takes place within a matrix of laws and responsibilities in our society. New laws restricting reporting are much more intrusive than previously. As a result, the Australian media has taken the unprecedented step of launching a joint campaign called Australia's Right to Know, highlighting the importance of media freedom. It is important that our journalists can perform their legitimate role without fear of incrimination.

As a board and management team, we support our people in the important work that they do for all Australians. We will continue to highlight the critical importance of media freedom to a democratic society.

Of course, our businesses will also include opinion as well as news. It should be clear which is which. Our opinion will not be uniform. As I mentioned before, our journalists and commentators are independent and free from managerial direction. They will have different views. And because our company is now across diverse media, we are serving a very wide cross-section of the public. Our range of opinion must be broad and diverse, but it must also be within the laws of defamation and respect to public decency.

The fact that our merge has gone as smoothly as it has is a testament to all of our people and their willingness to accept change and the challenges that brings. A merging of cultures is never easy, but this one has been successful and the underlying business has not missed a beat. It has also resulted in a combination of our boards. As a result, David Gynge and Janette Kendall retired from the Nine board in early December. I would like to acknowledge the contributions of both David and Janette over the years, particularly through the merger process, and thank them for their commitment.

Additionally, I'd like to welcome the appointment of Nick Falloon, Patrick Alloway and Mickie Rosen to the Nine Board as Non-Executive Directors. They bring a broad diversity of skills and experience to your board, which overall, has been a great support to the management team throughout the merger process.

In a fast-moving and competitive world, we will continue to focus on generating superior returns for our shareholders. We believe the merged group enhances our prospects. We are excited by what the future has to offer and we look forward to sharing the rewards of that future with all of our stakeholders. In this transformational year, we have completed one of the most significant mergers in Australian media history.

We have emerged a stronger company. We have continued to improve the relevant performance of the traditional businesses, while containing costs, and we have delivered on our longer-term goal of broadening the base of our revenue streams with new and growing digital assets. We will continue to execute on this strategy. I will now invite Hugh Marks to say a few words.

Hugh Marks

Thanks Peter. Good morning and I think I've got more than a few words, but bear with me. It's an important time in the business. I'll first touch on the specifics of the FY19 results and then, of course, move onto some broader comments about why we believe we're well-positioned to continue to grow into the future. So, firstly the result; for year to June 2019, on a proforma basis, so including the results of both Nine and Fairfax for the whole period, Nine reported broadly flat group revenues of \$2.3 billion and group EBITDA of \$424 million. As Peter said, up 10% on the previous year.

Group net profit after tax, pre-specific items, was \$198 million for the year, which was up 16% on the previous year, and we reported favourable specific items of \$29 million after tax, of which 27 million were cash costs associated with the merger, offset primarily by 93 million accounting adjustment on the back of the consolidation of that wonderful business Stan. We paid a five-cent final dividend, taking four-year dividends to 10 cents per share, which based on FY19's average share price, equated to a dividend yield of around about 5% fully franked.

EBITDA growth was driven by strong performances from the Metro Media business, from 9Now, from Stan and of course, reduced corporate costs post the merger, and was achieved despite the headwinds of what were particularly difficult advertising and housing markets.

So, looking at the composition in a little more detail, Nine reported broadcasting EBITDA of 240.6 million. This includes both the Nine Television business as well as the consolidated results from Macquarie Media. Television EBITDA of \$213 million reflected a Metro TV market that proved to be a fair bit weaker than we'd expected at the start of the year with the decline of 5.1% for the 12 months.

Nine's share of Metro's revenues, however, grew to an almost 20-year high for Nine of 39.6%, and this reflected Nine's strong ratings performance, particularly main channel prime time, where more than 70% of our FTA revenues are generated. Couple this with a cost decline of 4%, which reflected the transition from cricket to tennis, but also Nine's ongoing focus on controlling costs and enhancing returns across the business.

The digital and publishing division includes the results from Metro Media as well as 9Now and Nine Digital Publishing and together, digital and publishing reported 56% proforma EBITDA growth to \$130 million, underpinned by a very strong contribution, as I said, from both 9Now and from Metro Media. The Metro Media result of 65% up proforma EBITDA was achieved on the back of 3% growth in revenue, including growth in both advertising and circulation, coupled with a 5% decrease in costs.

9Now also performed very strongly, taking a 49% share of a market which grew by 38% across the year. This resulted in EBITDA from 9Now of \$36 million, up 87%, and now a very meaningful contributor to group profits, which I'll talk about a little bit later.

Stan has had a fabulous year. More than 1.7 million subscribers at year end, after an incredibly strong year for editions, and Stan's aggregated content from around 50 different studios as well as its own local commissions, has driven the success story. It's a growing digital business which has moved through a breakeven and has been profitable and cashflow positive each month since March. Stan's firmly established itself as the partner of choice for major content suppliers into the Australian market and we're very enthused by the future content pipeline opportunities that it has.

It was a challenging year for Domain, given the cyclical property market, which was reflected in the 15% drop in Domain's EBITDA in financial year '19. Notwithstanding, Domain continued to grow depth and yield in its core residential listings business. The group also did a good job managing its cost base with savings in print and other efficiency measures, whilst continuing to invest in its future growth initiatives.

So, we emerge from the merger process with wholly owned nett debt at the end of June of \$121 million which equated to nett debt to proforma EBITDA of just 0.4 times, and this of course was prior to the recent acquisition of Macquarie Radio.

A strong balance sheet gives us plenty of optionality to continue to invest in the transition of our business from our traditional linear revenue base to the digital revenue base which will ensure our growing place in Australia's media future.

Overall, we are very happy with the financial year '19 result. Operationally, our businesses are performing well. We continue to invest in technology and content and are outperforming in the context of the markets in which we are operating. Moreover, the changing mix of our asset base means we're no longer reliant on just one part of the market. We've exposure to multiple media and video markets and have revenue source not just from advertising, but around 15% of our proforma revenue base in FY19 was from subscriptions.

This diversified revenue base has continued to insulate Nine against a number of external factors that have impacted the start of this current financial year. The prevailing weakness and consumer sentiment in Australia has manifested itself in weak trading conditions for many consumer-facing businesses, and general softness as a result in the overall ad market. Advertising from pretty much every major advertising category was weak in the September quarter, particularly from auto, from government, from domestic banks and from gambling. And whilst our business has become much less subject to the vagaries of the ad market, the weakness has of course impacted some divisions.

Specifically, for the first quarter, while Nine's Metro free to air business achieved a leading revenue share of 39.8%, the market was down 6.4% on last year and the quarter, and that was actually pretty much in line with the overall advertising market in the quarter, including all categories.

There were early signs of an improvement in quarter two and we saw a broadly flat September, but unfortunately, these signs have started to dissipate over recent weeks. And so, the FTA market in the second quarter looks like being down by at least as much as quarter one. And we now expect the overall market to decline by mid-single digits across the full financial year.

Now, we remain confident about share gain through the second half, particularly on the back of our audience performance earlier this calendar year, and we'll be working hard to soften, of course, the impact of the weak start to the year. Our free to air costs are now expected to be 2.5% higher as opposed to the 4% that we guided earlier in the year. Obviously, a lot of this is driven by increased sports costs, contracted many years ago.

Radio has experienced similarly soft market conditions in the current half. Again, the whole ad market has experienced these conditions, but it was exacerbated for Macquarie by the advertiser Boycott around the Alan Jones program on 2GB. We're confident that full ownership by Nine from November will underpin improved performance, both in terms of reduced costs and the potential for incremental revenue on a mid-term basis. I'm pleased to say the integration work is well progressed and we're now operating in day two under a near consolidated structure.

There are clear green shoots in the housing market in Australia, so in terms of data points, like house prices and auction clearance rates. However, as Domain highlighted at its AGM yesterday, trading in its financial year '20 to date remains challenging, albeit with some improvement on the trends experienced in Q4, FY19.

The Group overall continues to selectively invest in growth initiatives and will be supportive by ongoing cost discipline. In digital and publishing, revenue momentum has built into Q2 across both 9Now and digital advertising, with improving results from display and short form video in accordance with our strategy. The BVOD market grew by 34%, again in the September quarter, and 9Now share remains just below 50%. And in Metro Media, we've continued to gain share across both print and digital mastheads, and with further benefits flowing through from merger synergies.

In Stan, subscriber momentum has continued through the current period and the business is performing ahead of expectations on all metrics, including profitability and cashflow. Stan has an increasingly entrenched market position and will continue to grow as both international content supply and consumer demand for that content expand further. And as I mentioned earlier, I'm particularly enthused by developments in Stan's future product supply opportunities.

For Nine, there was always going to be a shift in earnings contributions in this financial year due to timing issues, particularly the one-off costs in the TV business. However, the current advertising market conditions will mean that our first half result is now expected to be down about approximately 10% on the prior year. Notwithstanding, with the expectation of growth in linear FTA share, with further growth in 9Now and Stan, a pickup in activity at Domain and early synergies from Macquarie Radio, we're expecting this shortfall to be more than made up in the second half.

So, the full year therefore, premised on a Metro FTA market down mid-single digits, we're now expecting to report low single-digit growth in FY20 proforma EBITDA, pre the impact of that lovely accounting standard AASB16, which I love reciting every time, and for the results to be more weighted to our non-broadcast assets. This is important because this is consistent with our long-term strategy.

The short-term cyclical issues are by no means the full story. Yes, the ad market and underlying consumer economy is currently weak, but we at Nine are continuing to challenge the paradigm and focus on growing our business and creating longer term value for our shareholders. So, over the last 24 months, we've been preparing to compete much more aggressively in the digital video market, a market currently dominated by Facebook and YouTube.

We've invested in technology through 9Galaxy to ensure that our inventory can be traded seamlessly. The merger with Fairfax has enabled us to enhance our first party data platform so that we can trade with advertisers around behavioural demographics in addition to age and sex demographics. And we've invested in premium content mix that works across both linear and on-demand television to maximise the benefits of our content spend across a broader revenue market. And importantly, we offer highly-engaged audiences coupled with the brand's safe environment that advertisers want. These are our key differentiators; premium content, auditable audiences and brand safety, all at scale.

And enhancing all this, early next year, you'll see the release of Virtual Oz, which is Australia's first all-screen integrated total TV database. Ask Stevo about it a bit later. What this means broadly is that the industry will have a single source of measurement for all broadcast video content; metro, regional, plus broadcast video on demand. What this means practically is that for the first time, the television industry can legitimately sell combined reach. No longer will advertisers need to augment linear television numbers with social video, which has no legitimate reach metrics.

Early test data has BVOD adding more than 10% weekly reach to television, for a combined reach of around 80%, which is comparable to linear television reach 10 years ago. What this means for Nine is that we have a television business, being Nine and 9Now, with long term growth potential. The chart behind me shows the trajectory of earnings for our combined television business over the past three years by way of illustration.

Since financial year '17, combined television EBITDA is up 42%, and through the cycle we would expect this positive trajectory to continue. Where's the money gone? Well, over the past five years, we estimate that around \$700 million has moved from television to social video platforms, as advertisers look to extend the reach of linear television. But the reach of social video cannot be measured, often is not actually able to be accessed by advertisers, and can be associated often with content of dubious quality. Only 4% of YouTube's inventory is categorised by itself as being brand safe. So, now is the time to fight back.

And the slide illustrates the key components today of what this digital video market looks like. It is a fact that Australians are watching more television than ever before, be it on free to air television, pay, video on demand, YouTube, Facebook or a plethora of other sources of digital video content. It's all screen time and Nine is competing for both eyeballs and ad dollars across all of these categories. In addition to having the local leading subscription video on demand service in Stan, we do have the leading long form broadcast on demand platform in 9Now. We also have a market leading publisher of short form video through our numerous leading publishing sites.

We estimate that the total market for video-based ad revenue is more than \$5 billion a year. This includes free to air television at \$3.6 billion, paid TV at 400, but also includes a digital video market that is about 1.2 billion. At the moment, we participate primarily in BVOD, which is a relatively small subset of the broader digital video market. But at Nine, we've invested in the technology. We now have the data capabilities to compete in the broader digital video market. But we need to accelerate the growth in our digital audience scale, and we believe this opportunity is significant and we intend to pursue it. A bigger cut of a \$1.2 billion market, a market growing at around 30 to 40% per year.

And we're in a unique and incredibly exciting position. We own platforms across linear television, digital, print, and we now own radio platforms and technology that can distribute messages to mass audiences as well as to small but highly valuable addressable audience. We have the systems to ensure seamless delivery, efficient delivery for advertising. We have the balance sheet to invest in the content that works for Australians. Moreover, in my mind, we have the best team in the business to deliver long term profit growth for all of our shareholders.

So, with those few words, I'll now hand back to Peter. Thanks.

AGM debate after formal addresses

Peter Costello

Well, thank you, Hugh. I'll now turn to the formal business of today's meeting, at which Hugh, the other directors and I as appropriate will be available to respond to questions. First, there are a number of procedural matters to which I wish to draw your attention. All shareholders, proxy holders and authorised corporate representatives who are entitled to vote have been issued with yellow voting cards. This also entitles you to make comments and ask questions. If there is anyone who is entitled to vote and who does not have a yellow voting card, would you please see one of the Link Market Services staff at reception? They'll be able to assist you.

Non-voting shareholders have been issued with a blue card. If you hold a blue card, you are not entitled to vote, but you may make comments and ask questions. Red cards indicate that the person is a visitor. Visitors and media are reminded that whilst we welcome you to join this meeting, this is a shareholder meeting, and you are not permitted to make comments or ask questions.

If shareholders holding a blue or yellow card wish to make comments or ask questions, they should raise their admission card. When I call upon you, would you please state your name or if you are acting as a proxy, who you are appointed to represent? Prior to making your comment or asking your question, please confine your comments and questions to the relevant item.

The company secretary has handed me the report on the proxies received for today's resolutions. Proxies have been inspected by Link Market Services and all those validly lodged have been accepted. The screen behind me will display the allocations of proxy votes that have been received for each resolution at the relevant time.

I intend to vote all undirected proxies in favour of all the resolutions to be put today. We will conduct a poll on each resolution which will be done after all discussion on the resolutions and before I open the floor for questions from shareholders. I declare the poll open now, so that any shareholder who needs to leave the meeting early can complete their voting cards and lodge them with Link Market Services before leaving. I now move to the ordinary business of the meeting.

The first item of business listed in the Notice of Meeting is to receive and consider the Financial Report of the company for the year ended 30 June 2019, together with the Director's Report and the Auditors' Report as set out in the annual report. Please note that there is no voting applicable to this item of business. As mentioned previously, the George and Mr Hannigan from Ernst & Young are with us today. Questions relevant to the conduct of the audit, the preparation and content of the independent audit report, the accounting policies adopted by the company in relation to the preparation of accounts and their independence in relation to the conduct of the audit may be directed to them through me as chairman.

Mr Marks has already spoken about the financial year 2019 results, so I will now open the floor for questions and discussion in relation to the Financial Report, the Director's Report or Auditors' Report. If you have a question, please show your yellow or blue card and open your question with your name and who you represent. Are there any questions? Stand up and show your name or who you represent.

Male shareholder Didi

Hi, Mr Costello. My name is Didi and I do have a question. I'm a shareholder. My question is in regards to first - this is going to be a mouthful - but my first question is in regards to...what's it called? Where is that page? Sorry about this. It's in regards to your corporate governance. Yes, it's in regard to your corporate governance in page 19. I can see that you got media ethics and content regulation, but I see nothing about the Fairfax editorial independence. I'm not quite sure why that's not in there.

And second of all, on page 11, I can see that Metro Media has performed strongly. If that includes The Sydney Morning Herald, Australian Financial Review mastheads and all the Fairfax Media, just wanting to know with the Right to Know campaign that's running around, how will that affect revenues if that issue isn't resolved? I'll probably leave it at that for now.

Peter Costello

Thank you for your question. When I was giving my Chairman's Address, I made a strong statement, the fact that the board had endorsed the Fairfax Charter of Editorial Independence. You may not have been here at that point. And this is respected by our reporters, by our editors and by management and proprietors. And that was announced before the merger and I reemphasise that here today in my address.

In relation to the Metro Media, yes. The Metro Media does include those mastheads; The Sydney Morning Herald, The Age and The Financial Review. I also addressed in my address the

Right to Know campaign, which we see as a matter of ensuring that our reporters are not incriminated, that they can do their job without the fear of criminal proceedings.

Would it have a great effect on profitability? Well, I suppose in the longer term, if the media in Australia is restricted in the ability to report, it could have that effect. I wouldn't expect a huge effect in the short term, but ultimately, when you're selling newspapers, particularly if newspapers or digital or television or radio for that matter, the ability to report is very important to being respected and having the public buy your services. Any other questions? The one behind first and then the one in front. Yes, you sir.

Unknown male shareholder

Good morning. Yes, I was here for the meeting when you said that editorial independence was important for The Sydney Morning Herald and the other Fairfax mastheads, and you also mentioned that they would be free from managerial direction. Recently, the front page of The Sydney Morning Herald had an article promoting Karl Stefanovic returning to morning TV, as on the very same day as the international bushfires news was bumped off the front page of what used to be the paper of record in this state and in fact, back to very early times in the colony.

I just wondered, did an editor make that decision? Was the editor pressed by management to do so? Certainly, I understand the synergies between the Sydney Morning Herald and Nine programming, and I'm not the first one's that raised that. Surely, you'd know that it was raised on Media Watch the other night. But for people who have been Fairfax shareholders, and that's why we're here, or that's how we got here, we find that situation a bit lamentable and we'd like some undertaking that we won't have that sort of thing happening in the future where the Fairfax mastheads move down market in a continual way. Thank you.

Peter Costello

Thank you for your question. I think I'll ask Hugh to answer that one.

Hugh Marks

Well, first assurance, neither Peter nor myself would've known anything about the editor's choices as to what they decided to run on the paper on that day. So, it's not something that's subject to editorial interference. Again, I haven't spoken to the editor about the particular choices that were made on that particular day in terms of what was to be covered on the front page and that's something that is right and proper to maintain.

In terms of the general editorial intention for the mastheads, we continue to drive towards a revenue model more based on subscriber or what we call reader revenue, whether that be circulation or subscriptions. And that very much depends on the integrity, quality, depth of coverage, things like the importance of media freedom are all relevant to the future of those mastheads. So, will the editors get it right every time? No. They're all human. Will they get it right more often than not? I expect so, and that will continue to be the strategy for those mastheads is on the content that really delivers value to their subscriber base.

Peter Costello

Don?

Shareholder Don Adams

Thank you. I'm Don Adams from the Australian Shareholders Association and I'm representing 80 shareholders who have given us their proxies, retail shareholders. I have just two little quick questions. One is the declaration on the Fairfax Charter of Editorial Independence. Does that apply to the other newsrooms such as 9News and Macquarie Media? And the second question is with phrases like 'addressable advertising', 'large subscription lists', which you've achieved by taking over from the Fairfax subscription records, are there privacy concerns about what sort of information you're giving to advertisers? Are we getting down to the individual level, or does the behavioural parameters that Mr Marks spoke about refer more to broad classes?

Peter Costello

I'll take the first one and ask Hugh about the second one. The Fairfax Editorial Charter of Independence is a formal document which was entered into substantial time ago. It's been respected by all...and Fairfax has changed its ownership on quite a number of occasions, as you would know, over the last 25 years or so. And to my knowledge, it's been endorsed and respected by all owners and we indicated that it was accepted by the Nine directors and the Nine Entertainment company before the merger and we have scrupulously adhered to it.

To my knowledge, no formal document has ever been entered into between the company and for example, the reporters on Nine. So, there's nothing in a formal sense to adopt, but I can tell you that our reporters in Nine, and perhaps even more so, our reporters in Macquarie, are very independent and do express their views very free from managerial direction. So, it's not a formal document, but it's certainly the practice. Hugh, do you want to address...

Hugh Marks

Well, I'll certainly endorse your enthusiasm for the independence of all of our reporters across the group. In terms of the privacy issues, it's a really important point, because I think there is a rising consumer concern about the use of individual datasets, targeting people and particularly classifying people as certain types. Our data...and most of it comes from the Nine business. Nine Now in particular is actually the biggest data source that we have.

Our data is much more to move from - and a lot of people in the room will relate to this - to move from selling what advertisers buy 25 to 54-year-old people. What does a car manufacturer want to buy? They want to buy someone that wants to buy a car. So, whether you're 25 to 54-year-old, whether you're 18-year-old, or whether you're 65 or 75, if you're in the market for a car, then you want to get your advertising to those people.

And what the Virtual Oz will enable us to do, and what the broader dataset will enable us to do, is to be able to identify people that are intenders to buy a car. So, it won't be individual datasets. It'll be more behavioural demographics. That's a really important shift in our ability to fight back in this competitive landscape with Google and Facebook.

Peter Costello

Thanks, Hugh. If there are no further questions...yes? I'll do these two on this side first, and then come to you, sir.

Shareholder Kevin Daley

Thank you, Mr Chairman. My name's Kevin Daley. In your opening address, you mentioned that the company would invest in technology to make themselves more relevant to advertisers and Mr Marks mentioned a large level of investment to keep the company competitive. Yet, when I look at the balance sheet, there's no way I can tell that you've actually done these investments. If it's in hardware, then I'd expect it to be in the plant and equipment, and yet, the plant and equipment is already so big and hardware's not broken out in any way. And it's even worse with intangibles. They're enormous and so, any software investment is not going to be visible there either. So, how can I know whether you've made these large investments?

Peter Costello

I might hand over to someone, if you want to get into specific detail, but I think one of the ways to look at whether the investments have been made is to look at what's happening in the ad market. So, the main sources of technology that we've invested in, apart from the obvious things like Stan and 9Now, which are obviously technology investments when it comes to sales technology, is our platforms 9Galaxy, 9 Voyager, which you may have seen being advertised on air if you've been watching Channel 9, hopefully as much as I do. These are the things that have been developed over the last three to five years, so much so that increasingly advertisers are using these platforms to book their advertising.

I have no doubt that's been a small contributor to our growth in share. But what's really interesting now is the rest of the industry is looking at our technology to say, "Well, we've been trying to solve the same thing that you have already solved." And so, our technology is becoming a bit of an industry benchmark that again long term, it would be beneficial if all of our traditional competitors worked off the same system. Obviously, that commonality to the ad market would be beneficial.

When we're talking dollars, the investment, even though we say it's large, it's not significant in the scale of what the total level of intangibles are or the level of plant and equipment. I think our total investment in sales technology, Stevo, would be around about maybe 10 billion bucks, thereabouts over the last three years. There's probably a couple of million bucks a year to come, so that's the size of the investment required. I think the investments in Stan and 9Now, I think are more otherwise set out; Stan, obviously in terms of its own assets. I don't know if Paul or the auditors want to add anything to that, or Graham Cassells, but you may not be able to understand Graham, his Scottish accent.

Graham Cassells

The answer is you would see it...it wouldn't be in plant and equipment, but investment is getting done through the other intangible assets. There's acquisitions in there of purchases of 32.7 million which would include all the software development that goes on with internally generated costs. That's where the majority of this investment would be.

Peter Costello

Please, afterwards, if you want more detail on that, please speak to Graham. He'll be happy to...and we'll arrange an interpreter too if you...there was one back here. Yes?

Michael West, proxy holder for Stephen Mayne

Chairman, I'm here on behalf of Stephen Mayne, one of your shareholders, who sadly can't be here today. Congratulations on what appears to be a tidy financial report and on the restraint on the pay front, executives and board. Just one financial question to start. He's given me a number of questions to ask today...

Peter Costello

You're welcome to ask, but at some point...we know Stephen well. At some point, we'll have to have a cut off.

Michael West: Well, it's a great joy that we get the opportunity once a year to ask these questions.

Peter Costello

I miss him. I really do.

Michael West

So, the question is, since the shares have been substantially down since the merger with Fairfax, does that indicate that Fairfax got the upper hand significantly in the negotiations with Nine?

Peter Costello

I'm not sure that follows incidentally, but the answer to your question is this was a merger of two companies in which Nine had a bit more of the balance, but it was fair to both parties. And I think the fact that it was fair to both parties was illustrated by the overwhelming Fairfax vote in favour of it.

Michael West

Thank you for that. To the Liberal party fundraiser; who made the decision to host the \$10,000 a head Liberal party fundraiser at Nine? How much money was raised from this? Is \$700,000 a low figure or is it on the money? And can you undertake who was being held responsible for it and how does that match up against the claims of editorial independence and the moniker Independent Always?

Peter Costello

It's funny you should ask that because let me tell you the background to this. Nine has for many years been a member of the business associations of the Labor party and the Liberal party. You pay an annual subscription and you're entitled to go to so many dinners or events. And the company has done that on a bipartisan basis.

On this occasion, the company offered its premises to hold one of these functions. The decision was ultimately made by the CEO and Hugh has said that was a mistake. He has openly admitted that. The board has subsequently discussed its role in relation to engagement with political parties. The board has decided that we will not be holding any political fundraisers at our premises, but if the chief executive officer, the director of communications, the company secretary and the chief financial officer consider it valuable to continue membership of those organisations, they will do so.

Shareholder Reginald Lob

I come here too via Fairfax. Reginald Lob. When Roger Corbett, who I knew when he was in university, referred to editorial independence, he used to tremble. I wish those who speak with editorial independence did so with some knowledge of their subjects because so often, they don't. Roger Corbett and his predecessor as chairman had the ability to make money, or did have the ability to make money. It wasn't shared down to the shareholders, although Roger did fairly well. I am pleased that I am now shareholder of Nine. I thank you for taking over Fairfax Media. I lost 90% of the capital put into Fairfax Media on trust and I look forward to the future. Thank you very much.

Peter Costello

Thank you very much, sir. Yes? This man here.

Dan Gocher from ACCR

Good morning, Mr Chairman. My name's Dan Gocher from ACCR. My first question relates to Alan Jones. ACCR is the Australasian Centre for Corporate Responsibility. My first question relates to Alan Jones. You've said that the advertiser boycott has an impact on Macquarie Media. Can you tell us how many advertisers have boycotted, how much it's cost the company and given Alan Jones' behaviour towards women, his views on climate change and a bunch of other issues, whether he poses a material risk to the company?

Peter Costello

Alan Jones made some comments about the New Zealand Prime Minister Jacinda Ardern which were unacceptable and offensive and the company has made that clear. Alan has apologised for those comments and he has written to the New Zealand Prime Minister to apologise for those comments. Independently of that, people have tried to organise a consumer boycott, many of whom by the way don't listen to the station. You might be one of its most loyal listeners. I don't know. I suspect not, though.

Dan Gocher

Quite unfortunate if I was.

Peter Costello

Yeah, quite unfortunate if I was, as you said, so I assume you're not. Alan still is supported by an enormous audience. He topped the ratings but he knows that he and the station, the owners, have to make sure that he is within the laws of defamation and public decency and that has been made very clear to him.

The consumer boycott has affected the station as you...we will not go into details, but it has affected it, and it's just a reminder to everybody that while you are a public broadcaster, you have to be very careful what you say.

Dan Gocher from ACCR

I have one follow up if you don't mind. It's not about Alan. It's about the Right to Know campaign and how that reconciles with hosting the Liberal party function and how Fairfax Media is

expected to be taken seriously on the Right to Know if it's hosting fundraisers for the Liberal party which is mostly responsible for the crackdown on press freedom.

Peter Costello

Well, I think Fairfax is taken seriously and I'd be very surprised if anyone here would say it's not, frankly. I'm surprised that you say it's not. It's taken very seriously in relation to the Right to Know campaign, that relates to matters such as the security legislation, the ability of media to report what's in the public interest, balanced against the national security that is required. We think that the balance has gone a little too far. And so, we're making that point to the people.

But in the end, the government will respond to public opinion ultimately in the ballot box, and so we'll make our voices known. I think it'll be made known and it'll be an entirely credible campaign. What's different about this is it's actually in association with News Corporation, too, by the way, which shows you how unanimous it actually is.

Male shareholder

And the ABC, too.

Peter Costello

And the ABC. You've had one, so we'll come over here, please.

Shareholder Terry Lee

My name is Terry Lee. I'm a shareholder. The managing directors seem to be very bullish on Stan. Unfortunately, Stan's still making a loss at the moment. I know that you'll reduce the loss considerably, but going forward, you're going to have a lot of competition in that area as well. You've got Amazon, Netflix and probably even Disney is coming in. I know that you've mentioned something about you're going into partnership with Paramount Pictures or whatever to do it. What we'd like to know is when is that business going to be profitable, or can you give us a forecast?

Hugh Marks

Yeah, sure. No, so obviously in the financial year '19, Stan was still loss making, although it was very close to profitability in the second half. I think as I mentioned in my speech, in every month since March, Stan is profitable. And when I say 'profitable', profitable on both on an EBITDA and a cashflow basis. So, it's one of actually probably even unique around the world in the fact that it's an SVOD business that's now entered into profitability and continues to grow its subscribers, so therefore continues to grow its profitability. And I imagine will continue to do so into the future.

The important thing for Stan in that new competitive landscape is if it's able to get access to the quality content that provides a subscriber proposition that people continue to be prepared to pay for. And I think if you look at that landscape, you've got competition against two vertically integrated studios, Netflix and Amazon Prime. They create, they distribute their own content. You've probably got a hundred other content creators out there who are, and not all of them would be significant scale, but probably 10 to 15 of those have reasonable scale of content. And when you look at the Australian landscape, Stan is the best option for them to be able to access revenue out of this market by the licence fees that Stan pays them.

And what I'm seeing is that business continues, is actually that is improving. Stan is actually being a partner of choice for more and more studios, Paramount being the most recent one that's joined. So, that gives us great encouragement that we can continue that trajectory, and all I said, already in profitability.

When you look at Disney+, Disney+ is a bit of a different product; very family focused, one particular demographic really, family. It's the Disney brand. That's why they've built their success over so long. So, it'll have more niche appeal. Stan certainly, we intend it to be broad appeal; families, men, women, older people, younger people. Stan has a range of content that appeals to different audiences. So, it is a bit of a different proposition to what Disney+ will be.

And then when you look at the overall market, that market grows. We see it. The challenging advertising conditions we experience in linear free to air are because of one reason, because of the movement of audiences to on-demand. And our on-demand players are strong. We have the only business locally in Stan, in a subscription space. And in 9Now, we have the number one business that's ad-supported, and we've got two on-demand businesses to play this theme.

And when we look out over the next five years, and when we see the numbers, and we see the trend that's going to happen in television with sport and news and reality being more linear FTA, but drama, factual probably being more on-demand, and we see that mix and we see where the content can come from and how we can monetise, we know across all of those assets, we're in a position to grow, and that's certainly our strategy.

Peter Costello

Right. I think, Mr Mayne, we'll drop your questions down to general business at the end, because I've got to actually get through the agenda and I'll be here for a while. So, I'll take all of your questions at the end. So, let's then move onto the next item of business. The next item of business, resolution 1, is the adoption of the Remuneration Report.

The Annual Report for the financial year ended 30 June 2019 contains the Remuneration Report which sets out the Remuneration Policy for the company and its controlled entities for the financial year, and reports on the remuneration arrangements in place for directors and senior management during that period. While the vote is advisory only, the board will take note of the result of this vote as it reviews the company's Remuneration Policy and practices in the future.

The company's overall remuneration philosophy is to provide a clear link between shareholder returns and executive remuneration. In developing executive remuneration arrangements, the board has sought and will continue to seek input from external parties including remuneration advisors, proxy advisors and shareholders. The company's remuneration structure and policies are designed to help build and retain a talented and motivated leadership team to deliver growing and sustainable total returns to shareholders.

With respect to our short-term incentive, STI arrangements, the EBITDA target must be satisfied for a substantial part of an executive's potential STI to be paid, with the balance depending on achieving personal objectives relevant to the executive's role. In addition, one third of any STI paid to our key executives is paid by a grant of shares which are in escrow for up to two years, providing continued incentive for key executives to maintain performance and alignment with shareholder interests.

For the year to 30 June 2019, the board approved STI, short term incentives, to key executives of 69% and 70%. This was approved by the board having regard to EBITDA which was just below the target EBITDA in circumstances of challenging external market factors and strong performance by the management team on underlying metrics, including revenue share growth, cost targets, cost synergies and strong performance of the group's growth assets.

During financial year 2019, performance rights were issued to a number of senior executives under the long-term incentive, LTI, which was established in financial year 2015. These performance rights will only vest if targets relating to cumulative earnings per share growth and total shareholder return is satisfied over the period to June 2021. It is fair to say that the targets were set to be a stretch for business to achieve, so if rights vest in 2021, it seems likely shareholders will have enjoyed excellent returns over that period.

100% of the performance rights issued in 2017 vested, based on the company's performance in the three years to 30 June 2019, reflecting the growth in earnings per share and relative total shareholder return, as against comparable companies. As against those comparable companies, we were at or above the challenging targets set by the board three years ago.

At this stage, I would like to introduce Catherine West, who is the Chair of the People and Remuneration Committee. I'd be pleased to take any comments or questions you may have in relation to director or executive remuneration policies, or the Remuneration Report.

Male shareholder

Thanks a lot again, Mr Chairman. I just want to ask you a question in regards to STI. I can see that you were just below the target to achieve a 50% payment and you paid it. My question is, is that going to continue on a consistent basis if you were just below the target. Are you going to pay those targets? And second of all, it reads here on page - what's it called - on the Annual Report that you've got...you performed strongly in underlying key metrics to achieve that outcome, particularly in relation to revenue share growth, overachievement of cost targets and cost synergies and strong performance of growth assets. What percentages did you set and how much did we smash it by?

Peter Costello

Well, the STI provides a discretion if it is below 95% and 95% achievement is a 50%...the vesting of the STI occurs. We were marginally below that at 92 point something. We felt in the circumstances that given the fact that we had increased share, which is the thing most directly under the influence of our management team, but had underperformed because the market as a whole had gone down, which is the thing which is not within the influence of the management team. It was a time for discretion and you have read out from the report the matters that we took into account, the key metrics.

I mean, I think your question is where have we smashed it; well, our executives are naturally humble people, but they have done a fantastic job, I would say, in relation to Stan. Hugh just told you that Stan was cash positive in the second half of the last financial year. This is something that tech companies around the world would die for, to go cash positive. In this area, you get huge valuations on stocks that have never made a profit. It's gone cash positive in the second half of last year; an absolute highlight I would say.

And the other is 9Now, which is really providing a new stream of income to the company. You heard Hugh say in his address that if you add the free to air audience to what we're now getting on 9Now Digital, television viewing, so defined, is going up. So, this is where the company has to go, increasingly into these digital paths and you heard Hugh's statistics. I won't go through them again. The fact is we are leading here. We Nine are leading.

Male shareholder

Those tech companies, they have no debt. How come there's no incentive for you to reduce the debt?

Peter Costello

We have very low debt. Most people would...we're well within our covenants. Most people would say at a time where debt is very cheap - money is very cheap at the moment - that probably we have low debt and by historical standards, very low debt. So, don't worry about that.

Don Adams

Don Adams from the Shareholders Association again. On the Remuneration Report, we had a couple of concerns, which we'd shared with you. We'd like the equity component of STI to be more than 50% and we want a longer period for the LTI. But we'll be voting for the Remuneration Report this year. But I suppose we always have our options open for future years.

Peter Costello

Thank you, Don. Unless there are any further questions on the Remuneration Report, I'll move on. As I mentioned earlier, we'll complete the voting process by poll after discussion of all resolutions. However, the proxies that have been received for this resolution are shown on the screen behind me, and will be shown again at the end of the meeting.

We'll now move onto the next item of business. This is the re-election of Sam Lewis as a director. Resolution 2 on the agenda is for the re-election of Sam Lewis as a director of the company. Detail of Ms Lewis's experience are set out in the explanatory statement which accompanied the Notice of Meeting. At this point, I'd like to invite Ms Lewis to address the meeting and briefly speak to her nomination.

Sam Lewis, director

Thanks, Peter, and good morning, shareholders. I've joined the board of Nine Entertainment just over two and a half years ago and as both Peter and Hugh alluded to before, it has been an exciting journey over that time. We've continued to invest in content. We've diversified distribution platforms through the merger with Fairfax and of course, we've continued to invest and grow Stan.

I'm currently a full time non-executive director and in addition to Nine Entertainment, I'm also on the board of Aurora and Horizon and I chair their respective audit committees. Prior to that, I was a partner at Deloitte where I worked with many listed companies across a broad range of sectors. So, I bring to the board strong financial, M&A, capital markets, governance and risk experience and in particular to my role as the chair of the audit committee. So, with your continued support, I look forward to working with my fellow directors and our talented executive team as we continue on the journey. Thank you.

Peter Costello

Thank you, Sam. Is there anyone who wishes to make a comment on this resolution? The proxies that have been received for this resolution are shown on the screen behind me. We'll now move to the next item on the agenda.

Resolution 3 on the agenda is for the election of Nicholas Falloon as a director of the company. Details of Mr Falloon's experience are set out in the explanatory statement which accompanied the Notice of Meeting. At this point, I'd like to invite Mr Falloon to address the meeting and briefly speak to his nomination.

Nick Falloon, deputy chair

Good morning, ladies and gentlemen. My name is Nick Falloon. I joined the board of Nine following the merger of Fairfax and Nine in December last year. Prior to that, I was the chairman of Fairfax for some three and a half years. My background has been largely in the media for 30 plus years. I spent 19 odd years of that in the Packer organisations in various roles, including being the CEO of publishing and broadcasting, which Nine was a part of some years ago for about four years of that time. I spent, after that, some nine, nine and a half years as the executive chairman of Network Ten in this market and as I mentioned, I was chairman of Fairfax before joining this board.

Over that period of time, I've seen a lot of change in traditional media businesses in this country; lots of challenges, lots of opportunities. And I'm very excited for the future for Nine following the merger because Nine has, as Hugh pointed out, a very strong position across not just the traditional businesses of media, but the new and growing businesses in this marketplace. It has very strong brands and a very strong management team. So, I look forward to being able to work with the board and the management in hoping to continue to grow Nine for the benefit of you shareholders. So, I thank you for your support and look forward to working with you. Thank you.

Peter Costello

Is there anyone who wishes to speak on this motion? The proxies that have been received for this resolution are shown on the screen behind me. I go now to resolution 4 on the agenda. This is for the election of Mickie Rosen as a director of the company. Details of Ms Rosen's experience are set out in the explanatory statement, which accompanied the Notice of Meeting. At this point, I'd like to invite Ms Rosen to address the meeting and briefly speak to her nomination.

Mickie Rosen, director

Thank you, Mr Chairman. Good morning everyone. My name is Mickie Rosen. I originally joined the Fairfax board in March of 2017 and subsequently joined the board of Nine at the close of the acquisition. I am currently an advisor and board director of numerous digital media and e-commerce companies in the United States.

I have nearly three decades of experience at the intersection of media and technology. I've led businesses for large global companies such as Yahoo, Fox, Disney, Tribune Publishing, as well as early stage start-ups such as Fandango and Hulu. I am passionate about media and in

particular, the impact that technology is having on consumer behaviour and advertisers. With this context, I'm very excited and bullish about Nine and its future.

My hope is that my global and digital perspective will be helpful to its ongoing evolution and success. I look forward to continuing to serve our shareholders along with my fellow directors, Hugh and the rest of the Nine team. Thank you very much for your support.

Peter Costello

Thank you, Mickie. Is there anyone who wishes to speak on this resolution? The proxies that have been received for this resolution are shown on the screen behind me. I now go to resolution 5 on the agenda. Resolution 5 on the agenda is for the election of Patrick Alloway as a director of the company. Details of Mr Alloway's experience are set out in the explanatory statement which accompanied the Notice of Meeting. At this point, I'd like to invite Mr Alloway to address the meeting and briefly speak to his nomination.

Patrick Alloway, director

Thank you, Peter, and thank you to the shareholders for attending today and I appreciate your support for the company. I'm one of the three Fairfax directors that joined the Nine board at the merger and I'm honoured to stand for election by the shareholders today.

I've had a long association with Fairfax. I was a corporate advisor to Fairfax during their restructure with the digital disruption that Fairfax went through. And then following that advisory period, joined the board of Fairfax prior to the merger.

Just a little bit about my background; I've had senior executive roles in finance and worked for Citibank and Swiss Bank Corporation in the finance industry, particularly in capital markets and treasury and was global head of Swiss Bank's business based out of Zurich and London. Outside of my executive roles, I've been a non-executive director for 15 years and have sat on the board of Macquarie Goodman Industrial Trust, which is now Goodman Group. I was also on the board of Metcash during their transformation. I've been on the board of Woolworths South Africa, which is a large southern hemisphere retailer that owns David Jones and the Country Road group here in Australia. And I'm currently chairman of the Bank of Queensland, as well as sitting on the Nine and the Domain boards.

I recognise the enormous responsibility for directors during this time and I'm very excited about the diverse portfolio of assets that Nine has and I look forward to serving as a director to help grow shareholder value and represent stakeholder interests. Thank you very much for the opportunity and your support. Thank you.

Peter Costello

Thank you, Patrick. Is there anyone who wishes to speak on this motion?

Peter Starr

Thank you. Peter Starr is my name. We hold a number of proxies and also, I'm an individual shareholder. I'd just like to say, Peter, that the shareholders that I represent, we'll be fully supporting Patrick and also Nick as well. Thank you.

Peter Costello

Thank you very much. There's no one else to speak on this motion. The proxies that have been received for this resolution are shown on the screen behind me. We'll now move to the next item on the agenda, the grant of performance rights to the CEO.

Resolution 6 on the agenda is for approval to grant 760,869 performance rights to the Chief Executive Officer, Hugh Marks, as described in the explanatory statement. Mr Marks is the only director entitled to participate in the performance rights plan. This plan provides long term incentives for some of Nine's key executives. Mr Marks and the other executives, who hold performance rights, only receive a benefit from those rights if the company's performance for shareholders, over the three-year period, from the grant of rights, has been at a high level.

Targets have been set by the board to be challenging, so, if the company does not perform strongly over the performance period for shareholders, no rights will vest. This means Mr Marks' incentives are strongly aligned with the company's performance. These performance rights will be tested over the three-year period to 30 June 2022. Vesting of 50% of these rights will be subject to Nine's total shareholder return compared with a group of comparable ASX listed companies. The other 50% will vest if earnings per share growth targets over the three-year performance period are satisfied.

For each 50%, there is a threshold target which must be met for part of the rights to vest and a stretch target which must be met for all of the rights to vest. Between the threshold target and the stretch target, rights vest on a straight-line basis. Does anyone wish to speak on this motion? Just introduce yourself again.

Shareholder Didi Jap

I'm Didi Jap. I'm just wanting to know about the cessation of employment. Is there any clawback policy that Nine has in regards...I'm pretty sure Mr Marks...it won't happen to him in regards to if there is terminating his employment due to misconduct or resignation, some sort of way, because I can't see any clawback policies here?

Peter Costello

Well, they are. Do you want to...Catherine, do you want to answer that?

Catherine West

Yes. If Mr Marks resigns in the later LTI policies, he gives up his rights in the future and if there's a termination for misconduct, there are clawback policies.

Peter Costello

Page 42, cessation of employment. The proxies that have been received for this resolution are shown on the screen behind me. I'll now go to resolution 7. Resolution 7 on the agenda is for approval for the Macquarie Media Group companies to provide financial assistance to Nine as described in the explanatory statement. This is a special resolution, so requires approval by 75% of shareholders who vote on the resolution.

When the compulsory acquisition of the remaining shares in Macquarie Media is completed, various of the Macquarie Media Group companies will become a party to Nine's group financing arrangements, and thereby provide guarantees to Nine's banking syndicate. Under the

Corporations Act, this is treated as financial assistance. So, shareholder approval of Nine as the ultimate parent company is required.

The technical requirements for this approval are set out in more detail in the explanatory statement. Is there anyone who wishes to speak on this motion? The proxies that have been received for this resolution are shown on the screen behind me.

As this is the last resolution for discussion, we will now move to polling. Before I do so, I wish to summarise again the proxies that have been received for each resolution. These are shown on the screen behind me. At this point, I also note that a voting exclusion is in place for resolution 1, relating to the Remuneration Report, and resolution 6 relating to the grant of performance rights to Mr Marks. Any vote in favour of the resolutions by and behalf of a restricted voter has been and will be excluded.

The poll has been called by me as chairman of the meeting in respect of each resolution. The poll will now be taken. All security holders, proxy holders and authorised corporate representative eligible to vote in this poll have been issued with yellow voting cards. Is there anyone who is entitled to vote who does not have a yellow voting card? If there is, would you please see one of the Link Market Services staff at the registration table?

To vote on the resolution, please now indicate your vote on the front of your yellow voting cards in relation to each resolution by marking either for, against or abstain. If you've voted, representatives of Link Market Services will now collect your completed voting cards. Has everyone filed their voting cards in the ballot box?

All right. I now declare the poll has closed. Once I have received the scrutineer's report on the poll, the results will be announced by a notice to the Australian Stock Exchange. Ladies and gentlemen, that completes the items on the agenda of the 2019 Annual General Meeting before us today. I will now allow an opportunity for any new questions or comments in relation to the company to be asked. All of our board members present, including Hugh Marks, are available to answer any questions posed by our shareholders. Again, if you wish to ask a question or make a comment - I stress, new issues please - raise your card. Okay, raise your hands. Good point. And again, reintroduce yourself too please.

Michael West, proxy for Stephen Mayne

Just following up on your answer to the previous question about editorial independence and the political fundraising, you suggested that political donations were down...you were delegating the decision down to management rather than accepting responsibility at the board level. The board of directors obviously is responsible ultimately and legally for the company. Can you give shareholders - and particularly the readers and your customers of the assets that you've acquired, that is the Fairfax assets - can you give them comfort that the board will take responsibility and that there will be no further political donations. And an ancillary question; are you still a member of the Liberal party?

Peter Costello

What? Have I stopped beating my wife too? Well no, I don't think you listened very carefully because I said this was discussed at the board. And the board has adopted a policy. The policy of the board is that donations, membership of business networks, come through the annual budget process for approval by the CEO and CFO. The board has decided that the facilities of

the company, however, will not be used for any fundraisers. So, the board has set a policy, as it does in relation to most things, or all big things I should say, and it's for the management to carry it out.

Now, if you want to know, I'm a life member of the Liberal party. I was made one for my alleged services and I know Stephen Mayne gets very worked up about this because he ran against me in one of those elections and failed to get his deposit because his vote was so small. But just to put some colour on this, when I was the federal treasurer, I'd regularly go to Fairfax board meetings at the invitation of Ron Walker, the then federal treasurer of the Liberal party.

Michael West:

Didn't Ron Walker resign when he took up the Fairfax position?

Peter Costello

Ron Walker was a...he invited me into Fairfax, to speak with his editors by the way.

Michael West

Didn't he stand down as a member of the Liberal party in order to claim independence?

Peter Costello

No, he did not. He was the federal treasurer of the Liberal party, and a very good one, too, if I may say so.

Male shareholder

I just want to ask you, in regards to your...probably it's in relation to Mr Marks. I read here that subscription revenues exceeded advertising revenues. I'd just like to know on what proportion of it did it exceed, and is it due to Metro assets, or what assets is it?

Hugh Marks

I think you're referring there to revenue in the Metro Media business unit, and in the Metro Media business unit, subscriptions, which is a mixture of digital subscriptions, circulation, so what we call reader revenue, was more than 50% of the revenue of that business. And generally, if you look at major publishers globally, when you're in a position where reader revenue moves to more than 50% of your business, then you're in a position to be able to consolidate that particular business unit, and hopefully continue to ensure profitability. So, that's a really pleasing outcome in the Metro Media business.

Peter Costello

Any other questions?

Male

There were insufficient Annual Reports for everyone to get one when I came in here today and the same thing happened yesterday, so I was wondering if we could make sure that in future, there are sufficient...

Peter Costello

Yes, we'll note that. Sorry, sir.

Peter Starr

Peter Starr. Mr Chairman, on behalf of the shareholders I represent, I want to say that the function thing that happened has been addressed. The CEO has already taken responsibility. I think that's the end of the matter.

In relation to the Macquarie network and things, we fully support what the board has done and the people I represent have been very supportive of the current things that have been put in place. And for those people who aren't aware, I do believe that Jacinda Ardern who was at the Rugby League World Cup, I received a text from the person sitting next to her. She has accepted Mr Jones' apology. Thank you, Peter.

Peter Costello

Thank you. Last question.

Michael West, proxy for Stephen Mayne

Hugh Marks, perhaps this is one for you. You mentioned weaker gambling spending in the September quarter. Can you give us any more detail on that and what's driving this after many years of strong growth in gambling advertising to almost \$300 million a year for the free to air industry? Is it right that across the group, we are making more than 50 million a year from gambling advertising?

Hugh Marks

Well, gambling, like media, operates in a highly regulated environment and there's been increased regulation in that sector over the last few years. So, what you've seen is actually the departure from the market of a number of players. So, it's an industry at the moment that is going through, in terms of its advertising contribution to our business, significant reduction. And that's due to both the departure of a number of players and obviously consolidation that's happening in the industry as well, which is also reducing the number of players. Whether you'll see that continue or not remains to be seen, but that's the facts as they stand at today.

Peter Costello

Very last question, sir.

Male

Thank you. Not many companies have the opportunity to have a former treasurer of some years as their chairman and a discerning chairman. I was travelling to Singapore by ship and one lunchtime, I wanted to have company at the dining room and this gentleman said, "Oh, we'll have him at our table." And we got into a conversation and he said, "I spent nearly three years at Fishermans Bend." Now, that struck a chord with me and I said, "What was your role?" He said, "General manager of GMH in Australia."

And then he said...it was very funny. There was some other conversation. He said, "Johnny Howard wanted to give money to us to keep us going," and he said, "On every paper in Australia, there was this photo of 10 people. Nine of them were smiling and one had a very stern and unhappy face and that was the treasurer," and the treasurer proved to be correct. Thank you, sir.

Peter Costello

Thank you for that. All right, well, I formally close the meeting. I remind you results of the poll will be announced to the ASX as soon as they're available. As there are no more questions, I will now declare the meeting closed. Thank you all very much.