

CHAIRMAN'S STATEMENT



Paul Nkuna
Non-Executive Chairman

On reaching the end of my third year as Chairman, I am pleased to be able to report on a very rewarding twelve months for Primedia.

As we celebrate the 10th anniversary of a stable, democratic South Africa, so has the vibrancy and stability of our economy become increasingly evident across the economic landscape. From a sector perspective, the marginal improvement in market conditions experienced in the 2003 fiscal was sustained and strengthened during 2004. In parallel with this, very good strategic and operational progress was made across the group and this was reflected in a record financial performance. The cash generating capabilities of all our businesses shone through, group debt was significantly reduced and record operating profits were achieved. Through the leadership of the executive team, the strong culture of innovation and entrepreneurship within Primedia became further entrenched and helped ensure that market share was retained or increased in all the major businesses.

Enhancing the breadth of the group's South African media portfolio, driving synergies across the different businesses and increasing black consumer patronage of the group's filmed entertainment products lay at the heart of the group's strategy for the year. Good progress was made on all fronts, although the latter has yet to deliver material results and remains an ongoing strategic priority. Other milestones included the purchase of a 30,5% economic interest in Africa on Air (which holds the 94.7 Highveld Stereo licence), taking the group's stake to 85,8%, and the renewal of the 94.7 Highveld Stereo licence for a further 6 years. In addition, Mineworkers Investment Company (MIC) successfully increased its stake in Africa on Air from 2,2% to 14,2%.

Further to the group's strategic priority of enhancing the breadth of the group's South African media portfolio, agreement was reached on the acquisition of Kfm, Cape Town's leading music radio station, following the change in control of New Africa Investments Limited (NAIL) to the MIC/Tiso Consortium. This acquisition was successfully concluded in October 2004.

Broad-based transformation has continued to be at the centre of the group's strategic development, enshrined in the successful

partnership that has been in place with MIC for the past eight years. Focused on employment equity, black economic empowerment and skills transfer, the group has successfully continued to improve transformation at the operating level within individual businesses, as well as at board level. As a result, 60% of Primedia's senior executive management team are black, with 40% being black female, whilst 60% of the group's board of Directors are black, with 30% being black female.

In essence, transformation at Primedia is a model of empowerment through growth, not substitution. It is based not on the redistribution of assets and economic means, but on creating and sustaining a culture of entrepreneurship and innovative thinking, which creates opportunities and secures growth for the whole group. During the year, the group has continued to attract and retain some extraordinary talent, and I am confident that we are well-placed to meet the requirements of the ICT sector charter when it is published.

TEAM EFFORT

The board is now well-balanced in terms of race, gender and the ratio of non-executive to executive directors. It has worked efficiently and effectively throughout the year and I would like to extend my sincerest thanks to all directors for their wise counsel and thorough scrutiny. In my report last year, I noted that the group is now substantially compliant with the detailed provisions of the King II report on Corporate Governance. I am satisfied that the extended structure of board sub-committees has ensured that our corporate governance structures are tight, relevant and effective.

I take my hat off to every employee in the group and thank them for their staunch efforts in 2004. Each one has played their part in contributing to the improved financial performance and in enriching the progressive spirit and renewed sense of pride which permeates throughout Primedia today.

LOOKING AHEAD

The challenge for the group is to build on its recent successes. I am confident that we have the right strategies in place, with an experienced and grounded executive management team to deliver on the strategies. We will look at entering new media sectors where it makes good strategic sense to do so, as well as examining the potential for expansion into other African territories – but only in areas where the management team are confident of being able to secure growth.

In parallel, the group's improved people management, information reporting and sales enhancement systems have set the tone for continued operational excellence and delivery, all of which puts Primedia on a strong footing to create additional value for our shareholders.



Paul Nkuna
Chairman

26 November 2004