FAIRFAX MEDIA LIMITED
ANNUAL GENERAL MEETING
CHAIRMAN'S SPEECH

SYDNEY, 7 November 2013: Fairfax Media Limited [ASX:FXJ] is holding its Annual General Meeting today. The Chairman's speech and accompanying presentation is set out below. These comments should be checked against delivery.

Ladies and Gentlemen, welcome to the Fairfax Media Limited 2013 Annual General Meeting.

I am Roger Corbett, the Chairman of the Board of Directors of Fairfax Media.

It is my pleasure to introduce to you the members of the Board and senior executives on the stage.

Starting on my left, may I introduce:

Gail Hambly our Company Secretary, Sandra McPhee, David Housego our Chief Financial Officer, Greg Hywood our Chief Executive Officer, Linda Nicholls, Peter Young, Sam Morgan, Jack Cowin, James Millar, and at the end Michael Anderson.

Fairfax Media achieved a number of important milestones during the 2013 financial year. This was a year in which structural changes in the media industry continued to unfold. Responding to these changes has been, and will continue to be, our greatest challenge.

In a few moments I will outline a number of our strategies to position our Company to continue to adapt to a world where the direction of change is clear, but the end point is unfortunately not.

But first, I will discuss the Company's performance in the 2013 financial year.

We reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $366 million, making Fairfax one of the better performing media businesses in the world. This was down from the prior year's $506 million excluding significant items. If one adjusts this for the businesses sold, the EBITDA of the continuing businesses was $316 million, excluding significant items, down from $413 million in the year prior. Our performance this year reflected continued cyclical weakness and structural change in the advertising sector. Total Group revenue declined 8.2 per cent to around $2 billion.

While market conditions continue to be challenging, it is important to highlight that this year's result includes a material contribution from our Fairfax of the Future cost program, which is delivering group-wide cost savings as we reengineer the way we do business.

We are on track to deliver $311 million of annualised cost savings by 2015. This includes the additional cost savings announced in June. We continue to capture benefits of our digital-print hybrid model and we expect material additional savings to come.

The Company's loss after tax of $16.4 million after taking into account a number of significant items. These included a gain of $303 million on the sale of Trade Me and United States Agricultural businesses in the first half, and a non-cash impairment charge of $444.6 million in the second half, predominantly from the Regional, Printing and Agricultural operations. This charge was necessary as our Regional and Agricultural business experienced weaker trading conditions during the year due to subdued mining-exposed markets, lower mining employment trends, and a downturn in national advertising.

I stress that there has been no deterioration in our regional mastheads' local reach, which underpins the resilience of this business.

There is no question that our mastheads remain highly valued by our audiences and advertisers and the communities they serve.

After the write-down, the Company has net assets in excess of $1.8 billion.

A further notable feature of the annual accounts is the increased strength of our balance sheet. Fairfax finished the 2013 year with net debt of $154 million, a reduction of $760 million over the 12 month period. Significant contributors to the strengthened balance sheet include the sale of the Company's remaining interest in Trade Me and our US agricultural publishing businesses, which delivered combined sale proceeds of $682.3 million net of transaction fees.

Your Board is very mindful of the importance of maintaining financial strength and flexibility through this period of industry change.

We have maintained the final dividend of 1 cent per share – fully franked – bringing total dividends for the financial year to 2 cents per share.

I will now address the strategies that we have already delivered upon.

We have simplified the structure of our business to significantly reduce operating costs. We are pursuing new revenue opportunities adjacent to our existing core businesses. Our focus is on shareholder value. This means managing our businesses for earnings and growth. We will give consideration to opportunities to participate in industry consolidation where this is the best path to value creation. Where we are currently assessing the merits of consolidation, we're doing so from a position of strength. Our balance sheet is strong, our transformation is on track and we will only do deals where it creates value for our shareholders.

I have outlined to you the achieved and on track cost savings. These are made up of hundreds of initiatives grouped into nine streams. One example is outsourcing of contact centres across the group. This project is currently well underway and will halve our current costs and increase sales force effectiveness. This project will be fully completed by late calendar 2014. A second is reducing the real-estate footprint of our main Sydney and Melbourne offices. This means annual savings of $11.4 million per annum from June 2014.

We have also made important changes to the structure of our businesses. These include:

- Establishing the Australian Publishing Media division. This consolidates our core publishing activities of metropolitan, regional and community titles into one division. This has enabled cost savings and timely, efficient delivery of content across the day;

- We have established our digital transaction businesses, which include Stayz and RSVP, as freestanding units that have the support, resources and autonomy needed to deliver on their full potential;

- We are now also reporting Domain's performance on a standalone basis. This provides investors with transparency around its financial performance in this high-growth digital space.

These structural changes have been accompanied by a reshaping of the executive leadership team reporting to Greg Hywood. In his address later this morning, Greg will provide an overview of the new structure.

A further key element of our strategy is ongoing reworking of our products and businesses to meet changing consumer behaviour.

Key product initiatives undertaken during the financial year included:

- Publication of weekday editions of The Age and The Sydney Morning Herald in a compact format from March 2013. The convenience of the new format has been welcomed by many of our readers and positions us for the closure of the Chullora and Tullamarine printing plants, redeployment of presses, and sale of the sites next year. We continue to expect annual cost savings of $44 million per year from the consolidation of our printing activity to a network of smaller, more flexible, printing plants; and

- Introducing digital subscriptions for smh.com.au and theage.com.au with a metered model that allows a base level of free access. Greg will take you through the success of the digital subscription model.

Many of you would have read in the Annual Report that we are carrying out a comprehensive review of each of our products and the contribution each makes to our business. Recently, we announced that one outcome of this review would be that the Sydney and the Melbourne magazines (which were free monthly inserts in The Sydney Morning Herald and The Age) will no longer be published; and that BRW would no longer be printed as a magazine but will continue online. The BRW brand and flagship lists will be consolidated into The Australian Financial Review.

A further element of the strategy is to grow revenues and profits in a number of business areas where Fairfax Media has competitive advantage.

Greg Hywood will talk in more detail about these revenue initiatives, but I will provide some context. We have identified a range of new businesses and products that leverage the strength of our audiences and our current publications.

When Greg talks to you about our plans to expand the Events business, our SME marketing services and Content Marketing you may find yourself wondering how these relate to the Fairfax Media that you know. In fact, the connection is very real.

As a company we have enormous strength in areas like:

- the size of our audiences, and the trust that they place in Fairfax;
- our leadership in key topic areas as diverse as finance, political coverage, food, wine and parenting;
- a local sales force across Australia with strong relationships with hundreds of thousands of small to medium sized businesses.

It's these attributes that give us a running start in each of the areas where we are pursuing new revenue opportunities. Today, Greg will give you an outline of our plans. You can expect to hear a great deal more from us on this topic in the future.

I would now like to talk to you about how we have approached the question of remuneration for our senior executives.

Later today you will have the opportunity to ask questions on the company's Rem Report, and to vote on the report. The Board has undertaken a comprehensive review of how we reward our executives, including the CEO. The details of the changes are set out in the Rem Report and the Annual Report. These include arrangements that reflect the evolution of our business, and are appropriate for the current period of transformation and consolidation.

In 2013:

- the majority of senior executive salaries were frozen unless there was a substantial role change;
- annual bonuses were not paid to senior executives, the only exception being where there was a pre-existing contractual obligation; and

- long-term incentives granted in prior years and tested for vesting this year, did not vest.

The Board review identified that previous short and long term plans were no longer appropriate vehicles for our shareholders or our executives.

Instead, we have introduced a new incentive plan that your Directors believe strongly aligns senior management incentives with the achievement of shareholder value.

We promised to seek input from shareholders and proxy advisers over the year. We did this and their views have been considered in designing the new plan.

The new plans is a single “fit for purpose” plan that will reward our executives when they deliver on our transformation strategy – a strategy that we are confident will generate competitive returns for our shareholders, over the medium to long term.

A key consideration for the Board was to align rewards under the Plan with growth in shareholder value.

The Plan for key executives does this by:

- Delivering 70% of the award in share options that only vest subject to achieving challenging absolute total shareholder return targets measured over a 3 to 4 year time period. The exercise price for the options will be determined by the market price of shares following the AGM, so there is a very strong alignment between any rewards that are generated and share price growth from today. Unless we deliver at least 15% per annum compound total shareholder return, executives will not receive any benefit. For all of the options to vest, we must achieve a 25% per annum compound total shareholder return. If executives achieve key transformation targets, up to 30% of their total incentive may be earned annually for achieving these milestones. The milestones are based on earnings, revenue, cost reduction and other strategic targets, which we will report against in our 2014 remuneration report.

- Any awards granted against these transformation milestones will be provided in the form of deferred shares, rather than cash. 50% of shares granted will be restricted until August 2015 and the remainder until August 2016. We believe this further aligns any rewards earned with changes in shareholder wealth over these timeframes.

In addition, key management executives have sacrificed 10% of fixed remuneration to purchase Company shares, restricted for two years. And of course, each of the

Non-executive Directors and your Chairman have agreed to a 10% reduction in base board fees this financial year.

The Board has adopted this new plan to align with the journey that we are on and believe that it appropriately aligns rewards with growth in shareholder value.

The changes we have made have been well received by institutional investors and proxy advisory firms. We hope you will agree and vote in favour of the Rem Report.

In closing, as we reflect on this year of ongoing change, the importance of maintaining our core editorial values of independence and integrity is critical in protecting our mastheads and providing us a unique position in the media space in Australia and New Zealand. These editorial values are fundamental to the way we do business, and keep us relevant to our audiences.

As the media industry continues its revolution – I'm pleased to say that Fairfax, measured in a global context, is a leader in terms of the transformation we have made: that includes our cost management, restructuring and pursuit of new revenue opportunities. Not many media companies globally have done better in making the necessary changes.

Fairfax continues to be Australia's leading independent media company – and through the actions we have taken, Fairfax is positioned to maximise the opportunities both today and tomorrow.

Fairfax Media is being run in the best interests of all shareholders and we take very seriously the duty of carrying our 180-year legacy with pride into a bright future as a modern media company.

I would like to acknowledge the significant contribution of my fellow Board members – and the contribution of our Chief Executive Officer, Greg Hywood, who has done an outstanding job in leading our company through these challenging times. We are fortunate to have the benefit of his many years' of experience, his editorial knowledge and standing in the media industry.

Your Board and management have been actively making the changes required to position Fairfax for the future. We are confident in the decisions we have made and believe this strategy we are implementing is amongst the leaders in the world and the right one for our shareholders.

I now invite Greg to speak to you.

– ENDS –

Contact:
Brad Hatch
Director of Communications
+61 2 9282 2168

LEADING THE change

CHAIRMAN'S ADDRESS

ROGER CORBETT

CHAIRMAN

Fairfax Media

Group Trading Performance

	Trading Performance excluding significant items	Less Entities Disposed	Trading Performance for continuing businesses	Trading Performance for continuing businesses	
	FY2013			FY2012	Change
	$m	$m	$m	$m	%
Total revenue	2,074.2	79.6	1,994.6	2,118.7	(5.9%)
Associate profit/(loss)	(2.2)	-	(2.2)	1.7	(231.7%)
Expenses	(1,705.9)	(29.2)	(1,676.7)	(1,707.0)	1.8%
Operating EBITDA	366.0	50.4	315.7	413.5	(23.7%)
Normalised net profit attributable to members of the Company	128.0	20.6	107.4	145.1	(26.0%)
Earnings per share (cents)	5.4		4.6	6.2	(26.0%)
Dividends per share (cents)			2.0	3.0	(33.3%)

- FY13 statutory loss after tax of $16.4m (FY12: $2,732.4m loss) includes significant items, net of tax of ($144.5)m (FY12: $2,937.8m loss).
- Entities divested include Trade Me Group, US Agricultural and Victorian Community publications.
- On track to deliver $311m of annualised cost savings by FY15.

Strong Balance Sheet

	Actual Jun 13	Actual Dec 12	Actual Jun 12	Covenant
Net Debt ($m)	**154**	197	914	
EBITDA (last 12 months) ($m)	**366**	440	506	
Net Debt to EBITDA (x)	**0.4**	0.4	1.8	< 4.0
Net interest (last 12 months) ($m)	**57**	85	112	
EBITDA to net interest (x)	**6.4**	5.2	4.5	> 3.25

- Net debt reduced by $760m to $154m.
- Well within our banking covenants.
- Redemption of $270m of US Private Placement (USPP) notes in July 2013.

Strategic Milestones

- **Reduced costs and restructured the business**
  - **Fairfax of the Future program** is tracking ahead of announced target with EBITDA contribution of circa $118m at June 2013.
  - **Total targeted EBITDA benefit** of $311m by FY15, including $60m announced in June 2013.

- **Making the business lean and agile**
  - **Australian publishing consolidated into single division**, resulting in lower costs, reduction in duplication and middle management, and more timely content delivery to our audiences.
  - **Domain established as standalone division**, providing investors with transparency around the financial performance of the high-growth digital elements of the business.
  - **Digital transactional businesses** operated as entrepreneurial unit, which includes Stayz and RSVP, with support, resources and autonomy to deliver their full potential.

- **Developed new revenue streams, products and audiences**
  - **Publication of compact weekday editions** of The SMH and The Age, positioning us for closure and sale of the large-scale Chullora and Tullamarine printing plants in 2014.
  - **Launch of metered digital subscriptions model** for smh.com.au and theage.com.au.
  - **The SMH recognised as Australia's No. 1 masthead** for cross-platform audience under new industry-backed metric
  - **Revenue adjacencies** actively being pursued and product review.

Building New Revenue around Core Business

Events

- Current activities generate more than $25m in revenue
- Our events leverage our audiences and capabilities.

The Sun-Herald CITY2SURF
PRESENTED BY Westpac

Content Marketing

- Around 25% of Australian marketing budgets currently allocated to content marketing
- Growing 20% annually
- Established under a new brand distinct from our editorial brands.

SME Digital and Marketing Services

- Leverage our local sales network and relationships
- Services already provided to 4,000 SME clients
- Current regional spend on marketing services estimated at $290-$390m.

crave
The Sydney Morning Herald
SYDNEY INTERNATIONAL FOOD FESTIVAL
citibank

Data

- Audience insights will drive revenue and deliver increased advertising yields.

Remuneration in 2013

- **Majority of senior executive salaries were frozen.**
- **Reduction in Chairman's fees.**
- **No annual bonuses paid to senior executives** unless there was a pre-existing contractual payment commitment.
- **Long-term incentives did not vest** having been granted previously and tested at the end of the performance period this year.

Remuneration in 2014 and Beyond

- **No increases in fixed remuneration** for the vast majority of our senior executives.

- **10% of fixed remuneration sacrificed** by key management executives to purchase Company shares, restricted for two years.

- **Replaced existing incentive plans** (short term and long term) with single transformation incentive scheme for our most senior executives to align with the Company's future performance:
  - New scheme comprises a proportion of long-term options and a smaller proportion of deferred performance shares granted at the end of the year for achieving milestones.
  - Incentive aligned with achieving total shareholder return targets.
  - Options will only vest if absolute total shareholder return growth performance condition is satisfied in subsequent years.
  - Small percentage of incentive opportunity in the form of deferred performance shares, granted for achieving annual milestones in the transformation strategy.
  - Half of the shares granted following testing of performance will be deferred for 12 months and the other half for two years.

- **Chairman and Non-Executive Director base fees reduced by 10%** from 1 July 2013.