



FAIRFAX MEDIA LIMITED ANNUAL GENERAL MEETING CHIEF EXECUTIVE OFFICER'S SPEECH

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

Thank you Mr Chairman, and good morning ladies and gentlemen.

This has been a year of extraordinary activity across Fairfax Media. We've delivered structural and operational change. Our preparedness to take decisive action has established our reputation as the undisputed leader in innovation and change in the traditional media sector in Australia and New Zealand.

We are now well-progressed in transforming Fairfax into a modern media company. The cost saving programs, first announced in February 2012, are tracking ahead of target. We have also made fundamental changes to the structure of our operations to: deliver content efficiently to our audiences; to minimise duplication across the business; and to ensure that expertise is shared in all functional areas.

We have designed our new structure with our eyes firmly on the future. We are committed to being a lean and agile organisation that is focused on digital revenue opportunities, building new businesses, and maximising cash flows from our still-strong print business.

These changes have been made at a time when the external environment remains challenging – we continue to confront structural change in our industry as the shift from print to digital continues, as well as persistent cyclical weakness.

Nonetheless, we are confident our strategy is delivering the best possible outcomes for our shareholders, our customers and our audiences.

Later in this address, I will discuss the initiatives – revenue growth initiatives – that we now have underway, and I will also provide an update on current trading conditions.

Let's start first by looking at the major actions we have taken during the year.

As the Chairman outlined, we have introduced a simplified yet effective organisational structure to operate our multi-platform business.

Our new Australian Publishing Media division spans metropolitan, regional and agricultural markets, and is focused on efficient delivery of content to our large-scale audiences around-the-clock across print and online, while maximising advertising opportunities.

My senior management team is committed to driving collaboration across the business and aggressively pursuing new revenue opportunities.

This team is a strong group of people with a mix of perspectives and underlying experience. Together they are delivering a complete and rapid change to the structure of our business.

Key appointments during the year include:

- Our new Chief Financial Officer, David Housego, who joined us almost a year ago. He was formerly an Executive Director and CFO at global listed engineering firm WorleyParsons.
- Allen Williams, a highly experienced executive and previously CEO of our New Zealand business, is now Managing Director of Australian Publishing Media. This brings together an extensive portfolio of assets – across news, business, lifestyle and community focused publishing units – into one division.
- Within Australian Publishing Media, our News Media unit is headed by Garry Linnell; Business Media is run by Sean Aylmer; Melina Cruickshank leads Life Media; and Nic Cola runs the Australian Community Media unit.
- Following the appointment of Allen Williams, our New Zealand business is now run by Simon Tong, who was previously CEO of New Zealand's leading electronic payments provider Paymark, and before that had an 18-year career in the information technology industry.
- Guy Reypert leads our Digital Ventures unit, which houses our digital transactions businesses including Stayz and RSVP – both market-leading businesses that generate strong margins – as well as new digital opportunities.
- We have broken out our Domain real-estate business, and we will shortly appoint a new CEO for this group. Domain continues to go from strength to strength. The number of real estate agents with listings grew 21 per cent during the financial year – and investment in mobile apps has paid off in strong performance. We have exposure to more than \$300 million of real estate-related revenue, and we have the brand, the expertise and the commitment to build the Domain business.
- Andrew McEvoy will soon be Managing Director of our growing Events business, joining us from his current role as Managing Director of Tourism

Australia. I'm excited to have Andrew joining our team – his brief is to grow what is already a very successful area for Fairfax Media.

- Adam Warden has come on board to oversee our Transformation program, with both cost and revenue objectives. Adam has a global track record of delivering transformation projects. Adam's responsibilities include maximising our performance in a number of the areas where we are looking to substantially develop our business – Events, Content Marketing, SME Digital & Marketing Services, and Data.

As you heard from the Chairman, our Fairfax of the Future cost reduction plans are on track, and will continue beyond the 2015 financial year as we constantly adapt our business for the prevailing environment.

We have currently committed to take \$311 million out of the business by FY15, and we believe we will lift this even further through FY16.

But – fundamentally – what we are doing is about so much more than just cost reduction. The entire management team is working on an extraordinary range of initiatives, all focused on building our 21st Century business model.

The team is working hard to dismantle a vertically integrated structure that has been in place for more than a century. We now outsource and partner for specialist activities such as contact centres and ad production. In other areas we've achieved efficiencies through centralisation – sub-editing is one example.

We aren't fiddling round the edges. We have new structures, new processes, new people – but a lot less headcount and significantly less middle management.

Amidst all this change, the confidence felt by our people is building along with their skills for the future. We are investing in moving our business and their capabilities forward. We are working smarter right across our business.

The newsrooms of The Sydney Morning Herald and The Age have been restructured to deliver timely journalism and content across the day when our audience wants it. Copy-sharing across our mastheads is at an all-time high.

Our main offices in Sydney and Melbourne have embraced real-time working practices where everyone works flexibly and very few people have fixed desks.

Fairfax is a smart media business. We're not afraid to draw on the best advice and the best of what is being tried by similar businesses across the world. For example – our digital subscription strategy drew heavily on the experience of the New York Times; and we have fostered a strong relationship with US publisher Hearst through a recent deal we have done with them to bring their LocalEdge marketing services solution to Australia. More about this in a moment.

We are in a constant exchange of information with a range of global media companies and they are drawing on our restructuring experience to help them in reshaping their businesses.

It is not Fairfax management that has blinked. We have accepted the need to change, and have embraced advice from all quarters. We have structural and process improvement second to none. We have remade the business model, cut costs, and are now aggressively pursuing new revenue initiatives.

Under the traditional newspaper model there used to be two points of revenue: advertising and subscriptions. Our new model will have multiple revenue streams that leverage our fundamental strengths: the size of our audience; the quality of our audience; and the depth of our engagement with our audiences and our advertising customers. Fairfax has an extensive sales and distribution network, which is critical to our success.

Each of our revenue initiatives involves taking an existing niche presence, imposing more structure, and investing in people and capability, as we set about building substantial businesses that will generate significant revenue, in the order of hundreds of millions of dollars in aggregate.

A good example of this is our Events business – an area where we already have a strong presence generating more than \$25 million in revenue. This includes our City2Surf event, the world's largest timed running event, attracting 85,000 registrations, tens of thousands more than the field size for the iconic marathons held in New York, Boston and London. We also host a range of business media forums and conferences, and regional events including field days.

Our second major new revenue opportunity is Content Marketing – an area that's growing rapidly in Australia and globally as Chief Marketing Officers increase their focus on more targeted and engaging marketing activities.

The term Content Marketing may not be familiar to many of you. It covers a broad suite of media and publishing content that actively engages and builds a customer relationship to drive trial, acquisition or loyalty without actively selling. This could be through a newsletter, a mobile app, a webinar, or a research white paper. Content Marketing has been around for a long time – think of the airline inflight magazines – but digital delivery has brought a proliferation of opportunities.

Today, around 25% of marketing budgets in Australia are allocated to content marketing, with spend in the area growing at around 20% annually. With strong capabilities in content creation and distribution to mass audiences, Fairfax has the bases covered to offer clients real differentiation in their content marketing.

Our commitment to being lean and agile is demonstrated in the way we're tackling new revenue initiatives.

A good example is in the area of digital marketing services. Having made the decision to focus on offering digital marketing services to small to medium

enterprises, from initial contact it took just two months to bring Hearst's LocalEdge marketing services solution to market in Australia. LocalEdge has developed proprietary technology and partnerships with major search engines, social network sites and other leading tech-focused companies, to offer a suite of digital products that help customers reach and interact with today's consumer.

These products can assist smaller businesses to build an online marketing presence. We're tackling this as businesses signal their intention to increase their digital presence, but at the same time express concerns about material barriers to growing online, such as cost, a lack of knowledge, time and local expertise.

Coupled with Fairfax's strong local sales relationships, particularly in regional Australia, LocalEdge promises to be a powerful offering. We have local sales relationships that cover 6 million Australians and tens of thousands of small businesses.

We are also implementing a strong, focused data strategy. We have valuable data in our business – and using analytical capability we can deliver advertisers greater insights into our audiences.

It's been a challenging year, but our people are proving their ability to do what they need to do – and do it well.

We are delivering high-quality, independent journalism – across various platforms. Nothing will distract us from this mission.

The charge people levelled against us was that we couldn't do this transformation while maintaining the quality of our journalism.

Frankly, I've been in this company since 1976; and let me say that the journalism has never been better.

Over the last 12 months, Fairfax journalism has packed a punch: we've prompted a Royal Commission into sex abuse; uncovered chronic government corruption in New South Wales; revealed a rule-breaking and covert drug taking program at an AFL club; and revealed allegations of bribery inside one of the nation's largest construction companies.

Our journalism is stronger than ever – Fairfax has 27 finalists in the Walkley Awards for Excellence in Journalism this year, double that of our major competitor.

Fairfax also blitzed the Pacific Area Newspaper Publishers' Association Awards this year, receiving 26 awards overall. The Age was named Newspaper of the Year.

Our editorial management is better, our editorial structure is better, and our journalists are broadening their skills and developing their talents. In this company, at this time, everyone is hungry to succeed.

I want to share with you a view of Fairfax's powerful cross-platform audience reach.

The launch of a new industry-wide metric this year was a historic moment for Fairfax.

The data, compiled by independent research firm Ipsos, is known as Enhanced Media Metrics Australia or 'emma'.

For the first time, the Australian publishing industry has consistent data for measuring readership across traditional print and digital platforms. 'Emma' data is telling the same story that our internal surveys previously showed – that Fairfax mastheads reach large, educated and affluent audiences.

Fairfax reaches an audience of 9.6 million Australians across print, web, mobile and tablet – that's 1 in 2 of the population aged 14-plus.

This doesn't include our powerful commercial radio network which reaches almost 2 million Australians in key metropolitan markets.

Our National and Metro mastheads reach 7.5 million Australians each month. And in terms of digital platforms, 4.6 million Australians access content from these mastheads via web, mobile, tablet.

For all my time in journalism, under the old metric, there was one newspaper – one masthead – that was seen to have the biggest audience in the country. That was The Sun News Pictorial in Melbourne, which later became the Herald Sun.

Now – under the new industry 'emma' metric – the most widely read masthead in the country is The Sydney Morning Herald. It is measured the way it should be: aggregating print, web and mobile. The SMH has an audience that's 400,000 more than its nearest rival, building on the masthead's early success online.

Now that means we don't just have the highest quality audience, we have the largest. We are continuing to grow our brand, credibility and audiences.

Factor in the quality demographic Fairfax mastheads reach – with a heavy bias towards tertiary educated professionals and managers – and the cross-platform performance of our mastheads is clear.

Digital subscriptions were introduced for The Sydney Morning Herald and The Age at the end of the 2013 financial year – and the success has exceeded expectations. These two mastheads have attracted in excess of 86,000 new digital subscribers, and more than 102,000 of our existing print subscribers have signed up for digital access.

We have had a positive response to our pricing and bundling packages on offer.

The website package is our most popular bundle; followed by the tablet package, with its uptake exceeding our forecasts.

I will now make brief comments about current trading conditions.

FY14 year-to-date overall group revenues for continuing businesses are down 6% compared to the prior year.

The post-election advertising cycle is not proving to be robust and advertising bookings are short, providing limited visibility.

Across our current reporting segments, Metro Media and Regionals are down around 9% and 10% respectively, New Zealand is down 4% in NZ dollars and up 7% including currency benefit, and Broadcasting is in line with last year. Domain's overall revenue is up 4%, with its digital business up 32%, and its digital listings business up 36%.

Real estate activity in Sydney is particularly strong, requiring only short but effective advertising campaigns. If history is any guide, in due course we will likely see a lengthening of ad campaigns and associated spend as more inventory comes to market.

In line with previous guidance, on the current run rate of cost reduction, inflators and current reinvestment plans, we expect to deliver costs in the vicinity of \$1.6 billion in FY14 which is on target.

I will finish up by saying this to you – our investors: we, as a management team, are clear-sighted about Fairfax's future.

We are well into the transformation of Fairfax from a newspaper business established in the 19th Century to a modern 21st Century digital and print media business with the structures, quality of people, adaptive capabilities and business model that will thrive into the future.

We take nothing for granted. We are operating a lean and agile business. We are acting decisively, and purposefully, implementing this strategy for the future.

– ENDS –

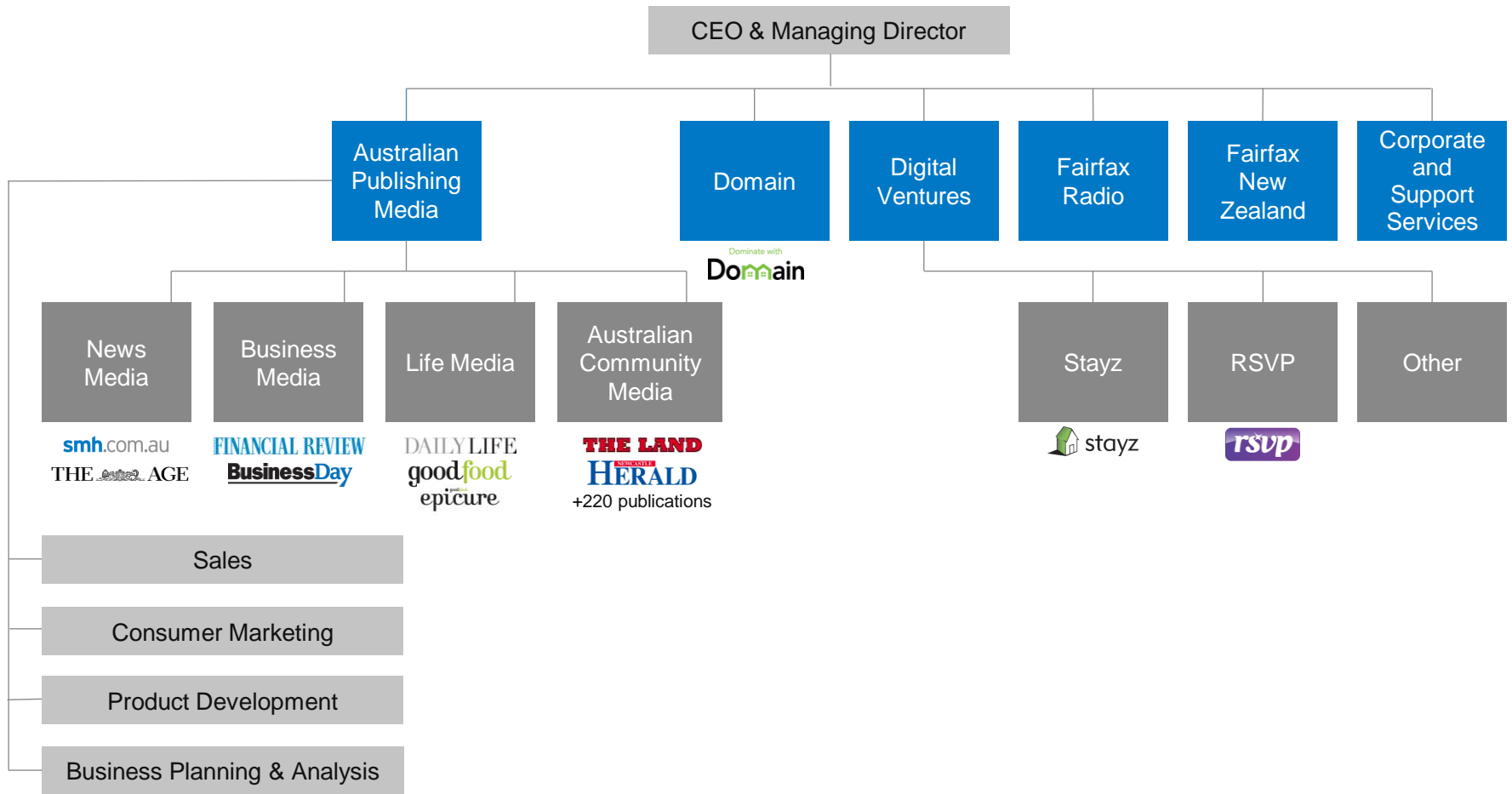
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CEO & MANAGING DIRECTOR'S ADDRESS

GREG HYWOOD
CHIEF EXECUTIVE OFFICER

LEADING THE
change

Simplified Organisational Structure



Revenue Initiatives

Events



Growth-focused events portfolio

- Includes Good Food Month, City2Surf fun run in Sydney and the AFR's Women of Influence.
- Leverages our strong content, editorial positions, brands and audience reach.

- ✓ Andrew McEvoy (current Managing Director of Tourism Australia) appointed as Managing Director of Fairfax Events, starting January 2014.

Content Marketing



Specialist content marketing unit

- Produces and supplies content for third-party customers, including provision of content for third-party newsletters, websites and apps.
- To operate under new brand, distinct from editorial brands.

- ✓ In market with Brand Discover format.
- ✓ Developing key client relationships.
- ✓ Leadership in place.

Revenue Initiatives (continued)

SME Digital & Marketing Services



Integrated marketing services solutions

- Meets online marketing needs of small to medium enterprises (SMEs).
- Leverages our strong local sales relationships with clients, particularly in regional Australia.

- ✓ Licensing agreement with US publisher Hearst Corporation to sell an Australian version of LocalEdge digital marketing solution.
- ✓ Pilots underway. Revenue ahead of expectations.

Data



Smart use of audience insights and analytics

- Drives revenue and deliver increased advertising yields.
- Provides advertisers greater detail about our audience and more tailored, higher value, advertising opportunities.

- ✓ Implementing strong focused data strategy.
- ✓ Investing in systems and human resource analytical capability to drive our business.
- ✓ Soon to announce Head of Group Data Analytics.

Leading Journalism



Leading Journalism (continued)



*Walkley Award
finalist photograph
by photographer
Kate Geraghty*



27 Walkley Award finalists
double that of our major
competitor.



Newspaper of the Year
at the 2013 Pacific Area
Newspaper Publishers'
Association Awards in the
highly-coveted dailies 90,000+
circulation category.



26 PANPA Awards
overall in 2013 with regional
and metro mastheads, teams
and individual employees
recognised.

Extensive Cross-Platform Audience Reach of Fairfax Media: 1 in 2 Australians aged 14+

Print



6.0 million
print readers

5.2 million
readers of national and
metro newspapers

2.5 million
readers of inserted
magazines

1.1 million
readers of regional
newspapers*

Web



5.8 million
visit websites

4 million
visit news websites

3.7 million
national and metro
news websites

970,000
regional news
websites

Mobile/Tablet



1.8 million
use news sites or apps on
mobile or tablet device

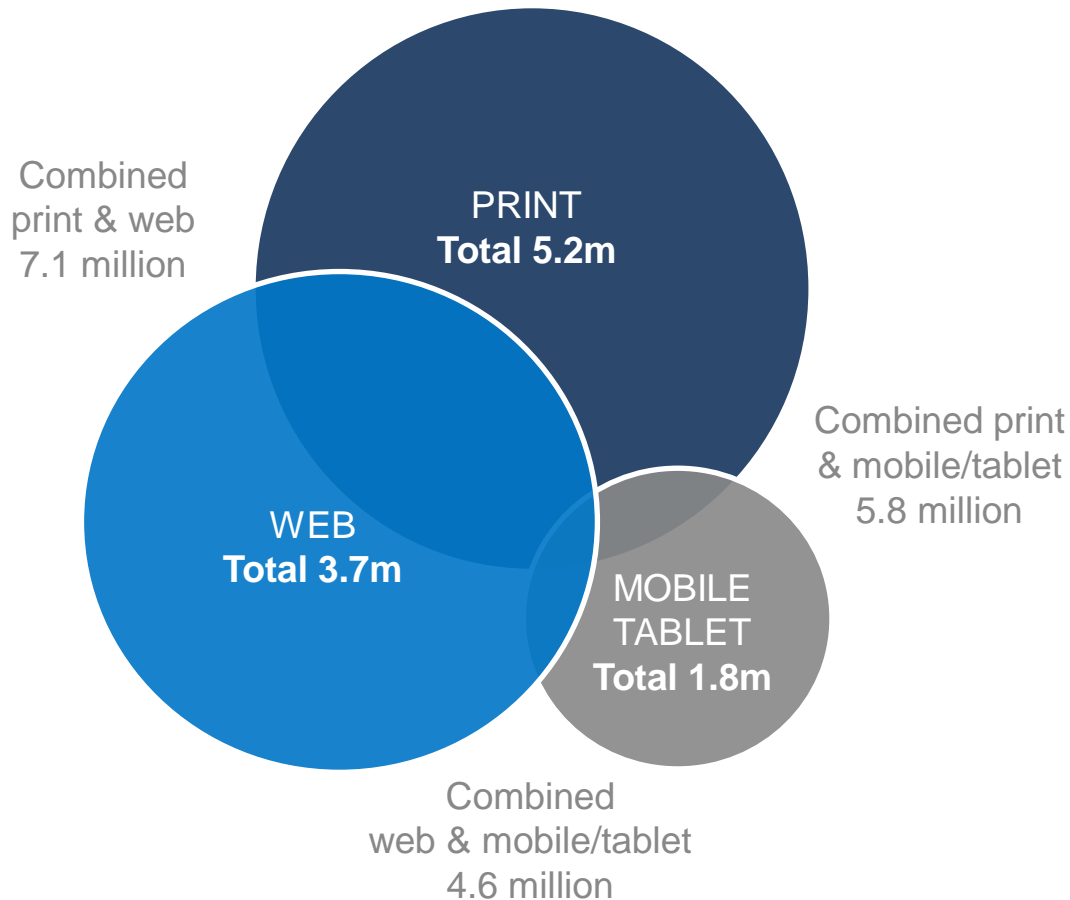
1.1 million
access news on a tablet

1.1 million
access news on a mobile

9.6 million de-duplicated audience

Source: emma™ conducted by Ipsos MediaCT, people 14+ for the 12 months ending June 2013, Nielsen Online Ratings June 2013, people 14+ only. Last four weeks.
* Not all Fairfax mastheads included in initial survey.

Fairfax's National and Metro Mastheads reach 7.5 million Australians across Platforms

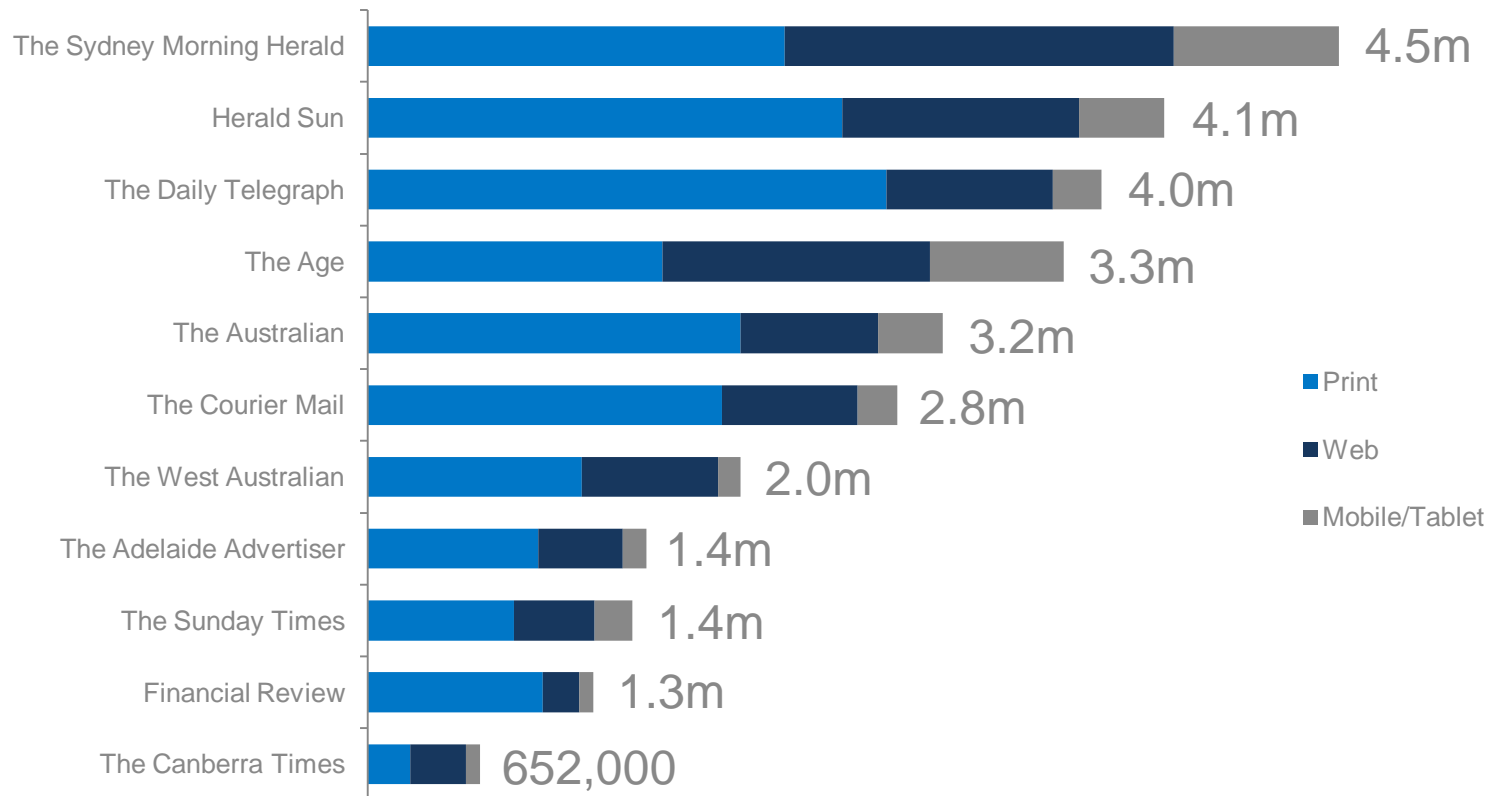


New industry readership survey, Enhanced Media Metrics Australia (emma), provides:

- Focus on readership
- Improved survey methodology and increased frequency
- Cross-platform measurement (print, website, mobile/tablet)
- Highly accurate and accessible audience insights/data for advertisers
- Sectional readership information
- Consumer segmentation
- Integration with advertising agency systems
- Global best practice

Source: emma™ conducted by Ipsos MediaCT, people 14+ for the 12 months ending June 2013, Nielsen Online Ratings June 2013, people 14+ only (Fairfax National and Metro mastheads = total masthead readership for AFR, SMH, The Age, Canberra Times, web/mobile usage Brisbane Times, web usage WAToday). Last four weeks.

The Sydney Morning Herald is Australia's No. 1 Masthead by Total Audience

















Source: emma™ conducted by Ipsos MediaCT, people 14+ for the 12 months ending June 2013, Nielsen Online Ratings June 2013, people 14+ only. Total masthead audience numbers are de-duplicated.

Digital Subscriptions

- **Successful domestic launch of metered model for The Sydney Morning Herald and The Age on 2 July 2013.**
- **86,000+ paid digital subscribers, tracking ahead of expectations (as at 4 November 2013).**
- **102,000+ existing print subscribers signed up for digital access (as at 4 November 2013).**
 - Website (desktop, tablet browser, smartphone):
 - 30 free articles per month
 - Deliberately porous
 - Meter applies to articles only
 - Meter does not apply to other assets including Daily Life, Good Food, Essential Baby, Essential Kids, Brisbane Times, Canberra Times, WAToday, Domain and Drive.
 - iPad and Android apps:
 - Freemium model
 - Free sections include Front Page, Editor's Choice, Daily Life, Good Food, Photos, Videos, Domain and Drive.

Digital Subscription Pricing and Bundling

	Bundles	Products	Monthly price
1	Web-only – desktop and m-site	 + 	\$15
2	Standalone app		\$21.99
3	All digital	 +  + 	\$25
4	Digital + Weekend	 +  +  + 	\$25
5	Digital + Full Week	 +  +  + 	\$44

Current Trading

- FY14 year-to-date overall group revenues for continuing businesses are down 6% compared to the prior year.
- No sustained uplift in post-election advertising environment.
- Across our current reporting segments, Metro Media and Regionals are down around 9% and 10% respectively, New Zealand is up 7% including currency benefit, and Broadcasting is in line with last year.
 - Domain's overall revenue is up 4%, with its total digital business up 32%, and digital listings business up 36%.
- In line with previous guidance, on the current run rate of cost reduction, inflators and current reinvestment plans, we expect to deliver costs in the vicinity of \$1,600m in FY14.