

ANNOUNCEMENT

JOHN FAIRFAX HOLDINGS LIMITED ANNUAL GENERAL MEETING 2003

REMARKS OF FRED HILMER, CEO

SLIDE 1. Introduction

Chairman Dean Wills, my fellow members of the Board, shareholders and guests:

Fairfax is quite a different company this year – a significantly stronger and more successful company – than we were only a year ago.

This morning, I want to review with you the progress we have made across the board, discuss our investment in Fairfax New Zealand, and outline our priorities going forward.

SLIDE 2.

2003 has been a year of building and improvement.

A year ago, revenues were declining. In 2003, they were up 4%.

A year ago, Tullamarine was under construction, and the equipment and capacity upgrade at Chullora was being installed. Today, they are completed – and they were completed on budget – and are online.

A year ago, f2 was sustaining large losses. In 2003, the loss was contained, as we committed, to less than \$10 million.

And today, f2 is trading profitably today at the EBITDA level.

A year ago, our growth path was uncertain. Today, with our acquisition of the leading publishing business in New Zealand, and our proposed acquisition of Text Media, our growth path is clear.

A year ago, we were midway through a restructure of management to provide stronger focus on key advertising categories and our businesses. Today, the management structure is fully in place and providing the leadership I wanted.

The bottom line to these developments is that a year ago, our net profit was \$90.2 million, and today we have brought shareholders a profit of \$125.5 million, and a significant boost in earnings per share and dividends.

SLIDE 3.

Our strategy is clear:

To strengthen the existing franchises via sustained product and operational improvements and innovations, and

To leverage existing franchise strengths and capabilities in both existing and new businesses.

SLIDE 4.

We have moved forward with a continuing reduction in costs.

As you can see, group costs were reduced further last year, and publishing costs have increased by less than 1% per annum compound over the period.

SLIDE 5.

A strong and well managed publishing business, characterised by tight cost management, contributes to quality in our journalism.

Fairfax is known for its commitment to high quality, independent journalism.

That tradition continues again this year, with many of our journalists being nominated for the profession's highest awards – the Walkleys.

SLIDE 6.

f2 is now trading profitably at the EBITDA level.

smh.com.au and theage.com.au are the leading news sites in the country.

In the markets where we are competing for classifieds, f2's classified sites are #1 or #2 in their categories of real estate, employment and automotive.

f2 has gained market share, and has strong revenue growth – up 77% last year.

SLIDE 7.

Our priorities are straightforward.

Revenue growth comes in tandem with improving franchise quality.

We will continue to manage costs tightly, and deliver a cost result that absorbs the inflationary pressures in the business.

We will deliver on Fairfax New Zealand. We will exceed our EBITDA target of \$NZ130 million for this financial year.

SLIDE 8.

Turning first to revenue growth.

I want to show you how the company's revenue mix will change as a result of the acquisition in New Zealand.

Display advertising is more important in Australia, and we see more opportunities for growth there.

With its strong penetrations, particularly in Christchurch and Wellington, circulation revenues are more significant in New Zealand.

At the same time, we can see growth opportunities for display and classifieds in New Zealand.

We have a more diversified revenue mix – and this is healthy for our longterm growth.

SLIDE 9.

Our approach going forward is to emphasize circulation revenues and display advertising.

In circulation, we are focused on improving the basics, while still driving yield from cover prices.

On display advertising, we have front foot selling, product initiatives and more colour to offer advertisers.

SLIDE 10.

A key strategic issue for us is our approach to our key classified categories: employment, real estate and motoring.

It is important, first, to appreciate that the iron law of media is that media markets continually fragment.

In electronic media, Pay TV and DVD segments free to air.

In print media, we have daily metropolitan newspapers, free weeklies and magazines, and of course the internet.

Our strategy is three-pronged:

First, we will have leading, effective products in each segment. Be it in print or online, we will have the products that will effectively serve each market segment.

Second, our products have unique roles in each market segment and they will effectively serve them. Our daily metros, our suburbans, and our websites serve different audiences with different needs. We tailor our products to serve these audiences.

Third, we provide an advertiser focus in our products. In MyCareer, for example, we have a stronger search engine than others offer for online job seekers, while in print we provide branding for agencies that they cannot get in a pure internet service.

We believe we are uniquely positioned to offer a mix of print and online solutions that work best for users and advertisers alike.

SLIDE 11.

A major question I am often asked has to do with the current weakness in employment classifieds. Is it cyclical, or is there a more structural issue from online employment classifieds?

Our judgment is that the current downturn in employment is more cyclical than structural.

As you can see from these graphs, which are from the ANZ survey of employment advertising, there has been a continued downturn in NSW and Victoria in employment advertising – and particularly in the white collar, services, IT, and finance sectors that are critical to our readers and advertisers.

As you can see, where employment markets are stronger – such as in Queensland and Western Australia – print employment classifieds have come back strongly as the cycle has turned.

If there were a structural issue with regard to the internet, newspaper employment advertising would not have returned in those markets. There is no reason why an internet issue would affect Sydney and Melbourne, but not Brisbane or Perth. So we do not believe there are structural issues to any significant extent.

SLIDE 12.

Significant product development will drive revenue

This includes:

New sections, as you have seen in The Sun-Herald (with S and Shop) and the AFR (with the new Life & Leisure insert)

New formats, with new publications such as the (sydney) magazine, and revamped sections

Much more colour

And we target specific markets.

SLIDE 13.

With regard to our second priority – cost containment – we will continue to tightly manage our cost base. We have a solid record of reducing costs overall over the past three years, and to holding publishing costs below inflation. We are committed to effective cost control throughout the cycle.

SLIDE 14.

Our third priority is delivering on New Zealand. Brian Evans, who ran our regional and community newspapers so successfully here in Australia, and who helped rebuild the Newcastle Herald into a paper with one of the strongest circulation growths in recent years, has had an excellent start as CEO of Fairfax New Zealand.

SLIDE 15.

As you can see, Fairfax New Zealand represents about 30 percent of our revenues and EBITDA.

SLIDE 16.

Here is a more detailed look at the publications and their revenues.

There is a misconception that we are not in the Auckland market. The Sunday papers, several suburban papers and our magazines are headquartered in Auckland, and about a third of all revenues come out of Auckland.

SLIDE 17.

There is an attractive market structure.

The publications are high quality assets, with an excellent revenue and earnings record that has been remarkably steady over the past decade.

This business is significantly positive to our Earnings Per Share from

Day 1.

And as outlined earlier, Fairfax New Zealand diversifies our earnings base.

SLIDE 18.

To amplify this point further, there is good representation in key markets across both the North and South Islands.

Fairfax New Zealand reaches throughout the entire country.

SLIDE 19.

Our strategy and focus for this year and beyond is clear.

We have had an excellent transition.

We are already moving forward on significant synergies.

We will build sustainable improvements for the future.

We reiterate that we will exceed our previous commitment to achieve EBITDA of \$NZ130 million in this financial year.

SLIDE 20.

In summary

We have outstanding franchises.

We have a distinctive role as a large publishing group with strong local publications, each of which are led locally and are integral parts of their communities.

We have continued to improve the business.

By virtue of our expansion in New Zealand, we are more diversified and stronger.

Because of the operational leverage in the business, 2 or 3 weeks of healthy trading can make a significant difference in the bottom line result.

Outlook

As the Chairman has outlined with respect to our outlook:

In Australia, after a relatively flat July and August, revenues have since improved and are now growing at some 4% ahead of last year. This reflects stronger Display advertising, with Employment and Real Estate advertising remaining subdued.

In New Zealand, revenues for the first half to date are currently up by about 7% on last year.

Assuming second quarter revenue growth continues at about the current pace, and given foreshadowed increases in costs of marketing and new product initiatives, we expect EBIT of at least \$170 million for the first half. This would translate into an earnings per share of at least 9.6 cents, an increase of about 15% on last year's first half EPS of 8.4 cents (post PRESSES dividend) and is consistent with market consensus.

In conclusion, I want to thank Mark Bayliss, our Chief Financial Officer, who will enter a new chapter in his professional career. Mark has helped lead improvements across the entire company. He leaves with our thanks and appreciation.

Finally, my thanks as well, on behalf of the Board and management, to our staff. The past two years, with declining revenues and profits, have not been easy. We drive the business hard, and we ask a lot of our employees to keep rising to ever greater and more complex challenges.

Their efforts are appreciated.

Thank you Mr Chairman.

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