

**2004 Annual General Meeting  
October 29 2004  
Address by Fred Hilmer, CEO**

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

TITLE SLIDE. Introductory Remarks.

2004 was a year of performance and growth for Fairfax – a year of achievement and positioning of the Company for the future.

We met the challenges of earning substantial returns from the significant investments we made over the past four years in our future as a leading media company.

The results are pleasing.

We registered improvement in the operating performance in Australia.

We secured strong returns from our investment in New Zealand.

We obtained significant benefits from the printing plants in Australia.

Together, these factors underpinned substantial growth in net profit for the year and a significant rise in dividends to shareholders.

Earnings per share were up sharply – 48.5% -- to 21.36 cents per share. The dividend grew to 16.5 cents per share, an increase of three and half cents, or nearly 27%, over last year.

I want to take this opportunity to thank our staff for their commitment and dedication over the past year.

In order to review these developments in more detail, I want to take you through a short presentation on our financial and operational and performance

## SLIDE 2. Fairfax Today

There are four major characteristics to the Company today:

Our media properties have strong market positions.

We have a broader mix of businesses with less volatility.

Cashflow is stronger.

We have, as the Chairman outlined, lifted the dividend payout ratio.

## SLIDE 3. A broader mix of businesses

This shows how Fairfax has changed as a result of the New Zealand acquisition.

Whereas last year roughly 70% of our revenues were from our metropolitan publishing businesses – the Herald and the Age – today these mastheads constitute about 50%, even after the growth of last year.

Nearly 30% of our revenues and profits are now out of New Zealand.

Our Regional and Community Newspapers, while smaller as a percentage of the whole, are dynamic and growing.

Fairfax Business Media is performing well.

## SLIDE 4. NZ acquisition will reduce earnings volatility

This broader mix of our revenue profile is accompanied by a healthier reduction in earnings volatility, due to less cyclicity, historically, in the performance of the New Zealand businesses.

## SLIDE 5. FY 2004 results overview.

As you can see, in every metric – earnings, profit, EPS, dividends – we have achieved excellent growth.

This is consistent with our focus on shareholder value and total shareholder returns.

#### SLIDE 6. Fairfax Business Media

The Australian Financial Review, and its associated business publishing franchises, constitute the most comprehensive source of business information in Australia.

No publication in the space – in Australia or coming in from abroad – can hold a candle to the AFR.

#### SLIDE 7. FBM ongoing focus

We want to maintain category leadership ...

Increase revenue opportunities ...

And extend the AFR brand.

#### SLIDE 8. FRCN

We have an extensive range of publications in New South Wales and Victoria.

Our publications are strongly tied to their communities and have excellent competitive positions.

Earlier this month, Premier Bob Carr officially opened the new editorial and business offices of The Illawarra Mercury, which this year celebrates its 150<sup>th</sup> birthday. The story of the Mercury's renewal and success is the story of the Illawarra's reinvention from Steel Town to a diversified, modern regional centre.

These publications are managed as a group to standards of high EBITDA performance and tight cost management.

Their financial performance is the equal of any comparable group of regional and community publications in the country.

#### SLIDE 9. FRCN – ongoing focus

The Regional and Community newspaper group has expanded its footprint through acquisitions, such as a Text Media and the Port Stephens Examiner.

We are strongly focused on seeking revenue synergies across our publications – offering advertisers positions with both our metros and FRCN as well as online. Advertisers are finding this both attractive and effective.

#### SLIDE 10. Metros – Sydney market

These include the SMH, The Sun-Herald and The Age.

There was strong revenue growth in 2004, especially in display volumes.

Our inserted magazines – Good Weekend and the(sydney)magazine, and the newly-launched theage(melbourne)magazine – are very successful.

#### SLIDE 11. Metros – Melbourne market

2004 was a year of transition in Melbourne in two major respects:

First, the new printing plant at Tullamarine is fully on line, and now has excellent on time performance, and superb print quality. As a result, yields are increasing.

Second, we have new editorial leadership under the new Editor-in-Chief, Andrew Jaspan.

#### SLIDE 12. Metros – ongoing focus

While our readership remains quite strong, particularly in the valuable AB demographic, circulation is an issue for our metro papers.

The Age has had its 13<sup>th</sup> straight increase in weekday sales, to over 200,000 M-F, and had gains on Sundays. However, there have been declines at The Age on Saturdays and the SMH across the week.

Weekend circulations are an industry issue, affecting not only our company.

We are working hard on this, focusing on product improvement, circulation distribution and marketing.

In addition to circulation, our priorities are clear:

Maintain our high quality audiences.

Use our audience profile to pursue revenue growth through new revenue streams eg our higher colour capacity, new and improved sections, and new and improved inserted magazines.

Drive classified revenue growth by what we can offer advertisers in joint print and online buys.

And continuing focus on tight cost management.

#### SLIDE 13. The Age – Ongoing focus

There are four key components to the renewal of The Age:

First, we have restored editorial integrity – thanks to Michael Gawenda's leadership.

Second, we have invested in and completed new print facilities

Third, we will continue to lift the editorial profile of The Age. As I mentioned earlier, our new editor-in-chief is on the job. And earlier this week, we launched theage(melbourne)magazine – which was a sellout in space and above budget in revenues.

Fourth, we will market more aggressively, and this is already under way.

#### SLIDE 14. Fairfax Digital

Fairfax Digital has continued its move into profitability, which began a year ago.

The mastheads sites are the #1 news sites in Australia. Fairfax Digital has more unique visitors per month than the ABC, more than ninemsn, and more than News Limited.

We have introduced registration in order to help monetise our traffic by getting to know our users better.

In the key classifieds categories, we have had good gains in our market positions.

And we will continue to invest in Fairfax Digital while improving our earnings margins.

#### SLIDE 15. New Zealand

As has been mentioned, Fairfax New Zealand had a very successful year, with revenue growth not only above expectations but above the overall growth of the New Zealand market.

We have a comprehensive range of publications that mirror our scope of mastheads in Australia:

We have metro newspapers in Wellington, Christchurch and Waikato, national newspapers (the Sunday Star-Times), and regional and community publications.

We cover the entire country.

#### SLIDE 16. New Zealand – ongoing focus

We see opportunities for further revenue growth in New Zealand, through several initiatives

- Advertising revenue synergies across publications and markets

- Improved sections and inserted magazines

- New publications that attract new revenue sources (eg AucklandMax)

And we will of course maintain the cost discipline across the operations – but which still enable us to invest in editorial quality and product improvement.

#### SLIDE 17. Cashflows

With the completion of our major capital expenditures, we now have healthy – and growing – levels of free cash flows.

#### SLIDE 18. Going Forward

Going forward, Fairfax is in excellent shape, thanks to the convergence of all these factors.

With our free cash position enhancing opportunities for growth or capital management ...

Our broader mix of businesses with less earnings volatility ...

Our infrastructure investments completed and performing well ...

With strong and growing publishing franchises ...

And with continued tight cost control ...

We see continued earnings growth and a future with opportunities in front of us.

I would like to conclude with a few comments on the proposed reforms to cross media and foreign ownership.

Since I joined the company we have consistently supported these reforms. They are sound policy, allowing media companies to grow domestically as markets fragment.

More importantly for this meeting of shareholders, these reforms are good for the company, giving us the opportunity to be involved in electronic media and gain the benefits of scale, scope and growth that this can provide.

Moreover, any deals done should be good for shareholders; in the game of musical chairs, we are one of only two significant newspaper groups compared with three TV networks and numerous other players.

This gives us a strong negotiating position. We will be one of the chairs, and not a dancer left standing.

#### SLIDE 19. Outlook

Fairfax is a great company. I am delighted with last year's strong result, and with our trajectory for continuing improvement. As the Chairman indicated with respect to our outlook:

With total revenues continuing to track more than 5% above last year's level, we expect the growth in EBIT over H1 last year to be between 12% and 15%. The size of the increase will depend on the strength of the real estate market, growth in national advertising following the election in Australia and continued growth in New Zealand.

Thank you.