



**FAIRFAX MEDIA  
ANNUAL GENERAL MEETING  
10 NOVEMBER 2006  
ADDRESS OF DAVID KIRK**

Good morning ladies and gentlemen.

It is once again a pleasure to address you today as Chief Executive Officer of this great company.

At the annual general meeting last year, I had the pleasure of being the CEO for just over 5 weeks. I stated at that time that I was attracted to Fairfax for three key reasons;

- its reputation for excellence,
- its integrity in reporting and:
- its overall success as an integrated media company.

My appreciation of Fairfax Media's attributes has been fully vindicated.

Fairfax is truly a great Australian company, a company which fulfils a critical role in the functioning of our democracy and our free market economy.

Fairfax Media is a company I have every confidence will continue to grow in the future.

Shareholders have been in possession of the Annual Report for sometime now and will be fully aware of our financial performance but I would like to recap some of our major achievements this past year:

- The acquisition of Trade Me has significantly strengthened our internet presence.
- Our Australian internet business achieved excellent revenue and profit growth.
- Circulations at all of our major Australian publications were increased.
- The acquisition of The Border Morning Mail, one of the great regional publications in this country.
- Other acquisitions such as The Rodney Times, an important regional newspaper north of Auckland, and the internet business Stayz, which is #1 in online accommodation rentals.
- The control of publishing costs which were kept to a minimal increase of just 0.9% for the year, which includes amounts spend on new product initiatives such as AFR Access and the launch of Travel + Leisure.

I would now like to concentrate on three key issues:

- where we see your company in the future,
- the actions that we are taking now to ensure that future and;
- the recent media law changes

Over the past twelve months, the management team, with the support of the Board, has looked closely at the businesses of Fairfax and how we, as a group, are positioned in the fast paced, fast changing world of media.

We have looked closely at how media companies both domestically and globally are handling the pressures that traditional publishing business models face: that is, the continued fragmentation created by the digital age and the ways in which audiences now consume their news, and how Fairfax, which is uniquely positioned in Australia and New Zealand, can take advantage of its excellent content to reshape the business for strong earnings growth.

One of our key strengths as a diversified media company is that Fairfax Media has exceptional audience reach. In print and online, we reach 4.5 million people per day in Australia, New Zealand and the world. It is this exceptional strength and the high quality of our audiences that drive advertisers to Fairfax Media.

To take full advantage of these competitive strengths, we are in the process of reshaping Fairfax into a unique media company with strong cash flows and high dividend payouts combined with high growth internet properties.

To achieve this goal we are implementing three basic strategies:

Firstly, we are ensuring that we defend and grow our newspapers.

We are concentrating on the editorial quality of our newspapers to deliver to our audiences the best in news, commentary and opinion. As regular readers, I am sure you can see firsthand the exceptional qualities of our newspapers and magazines every day.

We are utilising better and smarter marketing to drive circulation and readership and have started to see positive results – particularly the growth in circulation experienced by all our major publications over the past year.

We have the fastest growing newspapers in Australia by circulation and readership – a key statistic viewed with envy by both our local competitors and the newspaper industry globally.

We have created innovative products for our advertising customers, such as the post-it notes, zoned publications and the super panorama advertisements.

The other important element in ensuring we defend and grow our newspapers is the same as faced by every other business. That is, the control of the cost base. Fairfax has achieved almost \$40 million in cost reductions over the past two years and this will continue.

The second pillar of our strategy is to build a strong online business. One which makes a meaningful and growing contribution to our profits

We have built and acquired very strong digital positions in a number of areas and, as a result, we 100% own and manage the leading overall portfolio of internet sites in Australasia. We are unique in this regard and it is increasingly recognised as a major attribute of our company.

I have stated previously that publishing companies that have not moved as quickly as we have to develop their internet positions will face some very big hurdles in the near future. Fairfax's management of our exposure to the downside of classified migration at the major metro papers has been crucial to our future success.

We understood the urgency, and we turned it into opportunity.

We have an excellent position in national online news and information and associated national display advertising. This territory is no longer up for grabs. We have most of it.

We have a big share of national online classifieds.

Analysts are forecasting that Fairfax Media's internet earnings will amount to around 20% of total earnings in the next 18 months or so.

As you can see, we have and will further benefit from our diversification.

The flip side of diversification, however, is integration.

As you may have seen from comments that were reported quite extensively a few weeks ago, I am not impressed with the analysis of a few so-called "experts" who appear to be calling for the break up of this great company.

For you, our shareholders, I will repeat what I said at that time:

A view that Fairfax Media would be more valuable broken up is unadulterated rubbish.

A few simple examples will make the point:

- The metro, regional and many of our suburban papers operate as an integrated package when selling to national display, real estate and employment advertisers.
- The digital news and information business is dependent almost entirely on the scale and quality of the metro newspapers for content. The newsrooms are integrated and will only become more so.
- The online classified businesses are in turn integrated with the smh and age.com.au websites from where they derive a large amount of their traffic.
- The online classified sites – Drive, MyCareer and Domain – are co-branded with the metro newspaper advertising sections, each reinforcing the other.
- The New Zealand digital content management system, hosting and technical services (but not of course the content) will all be provided from Australia.
- All the businesses share IT, HR, finance and other corporate services, including procurement.

Fairfax enjoys clear benefits from our scale and diversification, and the value of the integration we have achieved. The dis-synergies of breaking up the company are substantial.

Finally, the third pillar of our strategy is to be a great digital media company – to build a company that creates, commissions, and distributes digital content over multiple platforms.

Broadband will be a key driver of future growth for our company. And we intend for Fairfax to be a prime content provider on broadband to enable us to reach our audiences wherever they are, however they want to receive us.

Given the rapidly changing nature of media markets we are building a culture that encourages innovation, considered risk-taking, creativity and agility – attributes not always associated with "safe old newspaper publishers."

But where the internet and digital technology – where Fairfax Digital and Trade Me have taken us – is the realisation that we need to be collaborative and connected across the natural boundaries of print and digital, editorial and advertising, Sydney and Melbourne, New Zealand and Australia, if we are to build a digital media company that creates, distributes and monetises content across many different media platforms – newspapers, magazines, the internet, mobile phones and anywhere else we can.

We are leaders online, with not only news but blogs, not only with classifieds but with commercial marketplaces, not only with words and pictures but with video, filed by our people from the field and processed by our people in our digital newsrooms.

Most importantly we have the resources and critical mass to significantly originate substantial amounts of news. Other media aggregate information that is provided primarily by us as newspaper publishers.

We set the news agenda. We are a primary source, every morning, for what you hear on radio, and the trigger for television coverage that evening.

I am confident of our ability to understand the changing nature of the environment in which we operate and compete, and to execute the changes that are necessary to grow.

As long as we perform strongly, we firmly believe we are well positioned to do that with our company intact and independent.

Shareholders do not usually have the opportunity to meet and hear from our senior managers – the people who are the front line of the company. We will change that today.

Following my address, the editors of our larger newspapers will talk to you about what were some of their major achievements this past year and we have arranged for Sam Morgan, Founder of Trade Me and Jack Matthews, the Head of Fairfax Digital in Australia, to give shareholders a brief presentation on their respective businesses, both of which play an important role in the future of Fairfax Media.

The program of diversification is working well for the company.

Trade Me is growing very strongly; the Border Mail is proving to have been a very good acquisition; and Fairfax Digital is continuing its strong growth.

Given the weakness in the New South Wales and New Zealand economies, our core publishing assets are performing relatively well, and in most cases better than our competitors in metropolitan media markets.

EBITDA growth is expected to be in the low single digits in this half, but, given present media and economic circumstances, we expect significantly higher year-on-year growth in the second half of this financial year.

Thank you ladies and gentlemen.

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