



Fairfax Media Limited
ABN 15 008 663 161
1 Darling Island Road
Pyrmont NSW 2009

Dear Fellow Shareholder,

I am pleased to enclose the Notice of Meeting and Proxy Form for the Fairfax Media Limited Annual General Meeting. The meeting will be held on Thursday 6 November 2014, commencing at 10:30 am at the Royal Automobile Club of Victoria (RACV), Level 17, 501 Bourke Street, Melbourne, VIC.

The resolutions on the agenda this year are for:

- the election and re-election of Board endorsed Directors, including myself;
- the election of a non-Board endorsed candidate as a Director;
- the approval of the allocation of Performance Shares and share Options to the CEO/Managing Director, Mr Gregory Hywood, under the Fairfax Transformation Incentive Plan; and
- adoption of the 2014 Remuneration Report.

All resolutions to be put to the meeting are discussed in the Explanatory Notes attached to the Notice of Meeting.

Directors' voting recommendations on the resolutions are set out in the Notice of Meeting and in the Explanatory Notes.

Mr Stephen Mayne, an external non-Board endorsed candidate, has been nominated for election to the Board (Resolution 4). The Board, which has been assisted by the review and recommendations of the Nominations Committee, does not support the election of Mr Mayne as a Director. Further details of the Board's reasoning are set out in the Explanatory Notes.

If you would like to submit questions for consideration by the Board before the meeting, please complete and return the shareholder question form that is included with the Notice of Meeting.

The Board hopes you are able to attend the Annual General Meeting and you will take the opportunity to meet with my fellow Directors and senior executives. I look forward to seeing you.

Sincerely

A handwritten signature in blue ink, appearing to read "Roger Corbett".

Roger Corbett, AO
Chairman

Notice of Annual General Meeting

Fairfax Media Limited (ABN 15 008 663 161) (Fairfax or the Company) hereby gives notice that the Annual General Meeting (AGM) of shareholders will be held at 10:30 am (Melbourne time) on Thursday 6 November at the RACV, Level 17, 501 Bourke Street, Melbourne, VIC 3000.

AGENDA

- A. **Chairman's address to shareholders**

- B. **Chief Executive Officer & Managing Director's address to shareholders**

- C. **Shareholder discussion of the Financial Report, Directors' Report and Auditors' Report**

- D. **Resolutions 1 – 4: Election and re-election of Directors**

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

Candidates supported by the Board

- 1. 'That Mr Roger Corbett be re-elected as a Non-executive Director of the Company.'
- 2. 'That Mr Peter Young be re-elected as a Non-executive Director of the Company.'
- 3. 'That Mr Todd Sampson be elected as a Non-executive Director of the Company.'

Candidate not supported by the Board

- 4. 'That Mr Stephen Mayne be elected as a Non-executive Director of the Company.'

The Board (with Mr Corbett abstaining in respect of Resolution 1, Mr Young abstaining in respect of Resolution 2 and Mr Sampson abstaining in respect of Resolution 3) recommends the re-election of Mr Corbett and Mr Young and the election of Mr Sampson.

The Board does not recommend the election of Mr Mayne.

- E. **Resolution 5: Grant of Performance Shares and share Options to the Chief Executive Officer & Managing Director under the Fairfax Transformation Incentive Plan (TIP) for FY2015**

- 5. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given to grant to the Chief Executive Officer & Managing Director of the Company, Mr Gregory Hywood:

- a) Performance Shares; and
- b) Options,

on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the terms of the Fairfax Transformation Incentive Plan.'

The Board (Mr Hywood abstaining) recommends that shareholders vote in favour of Resolution 5

Note: a voting exclusion as set out below applies to Resolution 5.

- F. **Resolution 6: Adoption of Remuneration Report**

To consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

- 6. 'That the Company's Remuneration Report for the financial year ended 29 June 2014 be adopted.'

The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Board recommends that shareholders vote in favour of Resolution 6

Note: a voting exclusion as set out below applies to Resolution 6.

Voting

The Chairman intends to put all Resolutions 1 to 6 to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange (ASX) as soon as practicable after the meeting.

Voting Exclusion Statement for Resolution 5

The Company will **disregard** any votes cast on Resolution 5:

- *by or on behalf of Mr Hywood or any of his associates, regardless of the capacity in which the vote is cast; and*
- *as a proxy by a member of the key management personnel (KMP) at the date of the AGM or their closely related parties,*

unless the vote is cast:

- *as proxy for a person who is entitled to vote on Resolution 5, in accordance with the directions on the proxy form; or*
- *by the Chairman of the meeting as proxy for a person entitled to vote on Resolution 5 pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the Company's KMP).*

Voting Exclusion Statement for Resolutions 6

The Company will **disregard** any votes cast on Resolutions 6:

- *by or on behalf of a member of the KMP named in the Company's Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or*
- *as a proxy by a member of the KMP on the date of the AGM or their closely related parties,*

unless the vote is cast:

- *as proxy for a person who is entitled to vote on Resolution 6, in accordance with the directions on the proxy form; or*
- *by the Chairman of the meeting as proxy for a person entitled to vote on Resolution 6 pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of the KMP).*

The Chairman of the meeting intends to vote any undirected proxies in favour of all resolutions except Resolution 4, in which case he will vote any undirected proxies **against** that resolution.

Voting and Proxy Instructions

YOUR VOTE IS IMPORTANT
You are entitled to vote at the AGM only if you are registered as a shareholder of the Company at 7:00 pm on 4 November 2014

Appointing a proxy

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of the Company and can be an individual or a body corporate.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes. If

a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting, however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting, however, if the member votes on any resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the resolution.

For your vote to count, your proxy form must be received by the Company's share registry, Link Market Services (Link), no later than 48 hours prior to the commencement of the meeting i.e. by **10:30 am (Melbourne time) on Tuesday 4 November 2014**. To lodge your proxy, you may deliver it by hand to Link at Level 12, 680 George Street, Sydney 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138, mail it to Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235, fax it to (02) 9287 0309 or lodge it online at www.linkmarketservices.com.au (click the proxy icon and follow the prompts). For online proxy lodgement, you will need to enter your SRN or HIN shown at the top right hand side of your personalised proxy form with the notice of meeting. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.

Alternatively, you may send or fax your proxy form to the Company's registered office at 1 Darling Island Road, Pyrmont NSW 2009, fax (02) 9282 1633. For additional proxy forms, contact Link on 1300 888 062 (or from outside Australia, +61 2 8280 7670).

Further instructions for appointing a proxy are included in the proxy form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to a proposed resolution; and
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purposes of voting on that resolution and must vote in accordance with the written direction of that member.

Important information regarding appointing the Chairman or another member of KMP (or their closely related parties) as your proxy in relation to Resolutions 5 and 6

Except in the case of the Chairman of the meeting, the members of the Company's KMP (which includes each of the Directors) and their closely related parties (which includes spouses, dependents, certain other family members and controlled companies) will not be able to vote your proxies on Resolutions 5 and 6, unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) or one of their closely related parties as your proxy, please ensure that you direct them how to vote on Resolutions 5 and 6.

If you intend to appoint the Chairman of the meeting as your proxy (or if he is appointed as your proxy by default), you can direct him how to vote by ticking the relevant boxes next to each resolution on the proxy form (i.e. 'for', 'against', 'abstain'). If no direction is provided, then by completing and submitting the proxy form, you will be expressly authorising the Chairman of the meeting to exercise your proxy as he thinks fit, even though those resolutions are connected with the remuneration of the Company's KMP.

The Chairman of the meeting intends to vote any undirected proxies in favour of Resolutions 5 and 6.

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meeting for the purposes of registration. The appointment may be for this meeting only or for all meetings of the Company. Shareholders can download an Appointment of Corporate Representation form from www.linkmarketservices.com.au/public/forms/general.

Power of attorney

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by Link or the Company at least 48 hours before the meeting i.e. by 10:30 am (Melbourne time) on Tuesday 4 November 2014 (unless it has been previously provided).

Shareholder questions

If you wish to submit a question prior to the meeting, please complete the shareholder question form at the back of this Notice of Meeting. Questions must be received by Link by 10:30 am (Melbourne time) Wednesday 29 October 2014. You may post or fax questions to Link or lodge them online (see instructions on the question form). Shareholders who attend the meeting will have an opportunity at the meeting to ask relevant questions.

By order of the Board

Gail Hambly

Company Secretary

26 September 2014

Registered Office

Fairfax Media Limited

1 Darling Island Road

Pymont NSW 2009

Ph: +61 2 9282 2833

Fax: +61 2 9282 1633

Web: www.fairfaxmedia.com.au

All proxies to:

Fairfax Share Registry

By hand:

Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138

or

Link Market Services Limited, Level 12, 680 George Street, Sydney, NSW, 2000

By mail:

Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235

By fax:

Facsimile: +61 2 9287 0309

Online: www.linkmarketservices.com.au

EXPLANATORY NOTES

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the forthcoming AGM. They relate to the resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice of Meeting. These Explanatory Notes form part of the Notice of Meeting.

AGENDA ITEM C

Financial Report, Directors' Report and Auditor's Report

The Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 29 June 2014 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditor's Report are also contained in the 2014 Fairfax Annual Report ('Annual Report') which is available at www.fairfaxmedia.com.au.

At the meeting, shareholders will be given a reasonable opportunity to comment on or ask questions about the Group's management and financial performance. The Company's Auditor will be present at the meeting and shareholders will also be given the opportunity to ask the Auditor questions on the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company for the preparation of the financial statements and the independence of the Auditor.

AGENDA ITEM D

Resolutions for the election and re-election of the Chairman and Directors

Resolutions 1, 2 and 3 are supported by the Board

Resolution 1

Mr Roger Corbett, AO

Non-executive Director

Independent

Appointed: 4 February 2003

Last elected: 5 October 2011

Board Committees: Chair of the Nominations Committee and Member of the People and Culture Committee and Audit and Risk Committee

Mr Corbett is retiring by rotation and standing for re-election in accordance with Rule 6.1 of the Company's Constitution and Listing Rule 14.4, and being eligible, offers himself for re-election.

Mr Corbett has informed the Board that if he is re-elected at this AGM, it is his intention not to stand for re-election for a further term in three years when he comes up for re-election again. The Board's succession plan anticipates therefore that Mr Corbett will stand down at an appropriate time during his forthcoming term.

Mr Corbett was appointed to the Board of Directors on 4 February 2003 and was elected Chairman of the Board in October 2009. He has been involved in the retail industry for more than 40 years. In 1984, Mr Corbett joined the Board of David Jones Australia as Director of Operations. In 1990, he was appointed to the Board of Woolworths Limited and to the position of Managing Director of BIG W. In 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited. He retired from that position in 2006.

Mr Corbett is a Director of the Reserve Bank of Australia, a Director of Wal-Mart Stores and Chairman of Mayne Pharma Group Limited. He is also Chairman of the Salvation Army Advisory Board (Australian Eastern Territory); a member of the Dean's Advisory Group of the Faculty of Medicine at the University of Sydney; a member of the Advisory Council of the Australian School of Business and Chairman of the University of New South Wales Centre for Healthy Brain Ageing Advisory Board.

The Board (Mr Corbett abstaining) unanimously recommends the re-election of Mr Corbett to the Board.

Resolution 2

Mr Peter Young

Non-executive Director

Independent

Appointed: 16 September 2005

Last elected: 5 October 2011

Board Committees: Member of the Audit and Risk Committee and Nominations Committee

Mr Young is retiring by rotation and standing for re-election in accordance with Rule 6.1 of the Company's Constitution and Listing Rule 14.4, and being eligible, offers himself for re-election.

Over the last 30 years, Mr Young has been an investment banking executive in Australia, New Zealand and the U.S.A. He is currently the Chairman of Barclays Australia and New Zealand and Chairman of Standard Life Investments Australia. Mr Young was a member of the Royal Bank of Scotland's Advisory Council in Australia. He also served as Chairman of Investment Banking for ABN AMRO in Australia and New Zealand, Chairman of Queensland Investment Corporation and was a Director of PrimeAg Australia. From 1998 to 2002, Mr Young was Executive Vice Chairman, ABN AMRO Group (Australia and New Zealand) and Head of Telecommunications, Media & Technology Client Management for Asia Pacific. Mr Young is also a director of the Sydney Theatre Company, a member of Standard Life plc Asia Advisory Board, a member of the Barangaroo Delivery Authority Board, a member of the Board of the Great Barrier Reef Foundation, and Governor of the Taronga Foundation. He is involved in a number of community, environmental and artistic activities.

The Board (Mr Young abstaining) unanimously recommends the re-election of Mr Young to the Board.

Resolution 3

Todd Sampson

Non-executive Director

Independent

Appointed: 29 May 2014

On 29 May 2014, the Board appointed Mr Todd Sampson as a new Director. In accordance with Rule 6.1(e)(1) of the Company's Constitution, any Director appointed by the Board to fill a casual vacancy may only hold office until the annual general meeting following their appointment. Mr Sampson, being eligible, is standing for election at the Company's Annual General Meeting.

Mr Sampson is the national Chief Executive Officer of Australia's leading communications company, Leo Burnett Australia. He has an MBA and has spent nearly 20 years working as a strategic advisor with a diverse range of expertise including marketing, communication, digital transformation, new media, reputational risk and corporate turnaround. He is also a writer, producer and host on a number of TV shows including the Gruen Planet, The Project and the award winning documentary Redesign My Brain.

The Board unanimously supports the election of Mr Sampson to the Board.

Resolution not supported by the Board

Resolution 4

Mr Stephen Mayne, an external non-Board endorsed candidate, has been nominated by a shareholder of the Company, for election as a Director in accordance with Rules 6.1(c) and (l) of the Company's Constitution. Mr Mayne has provided the following biographical details and platform for election. The Board does not endorse the platform on which Mr Mayne is standing, and Fairfax has not verified the material provided by Mr Mayne and makes no representation as to its accuracy.

Information provided by Mr Stephen Mayne

“Stephen Mayne, age 45. Bcom (Melb). Stephen Mayne is a Walkley Award winning business journalist, shareholder advocate and a councillor at the City of Melbourne, where he chairs the Finance and Governance committee.

He has worked for Fairfax titles The Age and The Australian Financial Review and was the founder of Crikey.com, Australia's best-known independent ezine.

He currently publishes the corporate governance ezine www.maynereport.com and was until recently Policy and Engagement Coordinator for the Australian Shareholders' Association.

His non-executive board experience includes 3 years on Manningham City Council, 16 months on the Australian Shareholders' Association board, the past two years on the City of Melbourne, 3 years on the Manningham Centre Association (\$10m a year aged care service provider) and a year as President of the Yarra Valley Pre-School.

Mr Mayne is offering himself as a director who would bring direct media experience and a strong understanding of corporate governance to the board.

He also strongly believes in Fairfax and its directors remaining independent of its competitors and political influences and vigorously asserting that independence through its products and corporate activity.

In light of the poor returns to shareholders in recent years, Mr Mayne believes long serving Fairfax Media directors should be held accountable and retire.

If elected, Mr Mayne undertakes to work constructively and collegiately with the board and management team to maximise shareholder value in an environment of heightened governance and transparency.”

Why the Board does not support resolution 4

For the reasons outlined below, the Board does not support the election of Mr Mayne to the Board and unanimously recommends that shareholders vote AGAINST this resolution:

Fairfax's Board has a succession planning process to identify and nominate potential Directors in a professional and structured manner. This nomination process considers the skills needed by the Board and the skills and expertise of serving Directors. This process allows the Board to identify skills and characteristics desirable in any new Board candidates. The Board undertakes this process as part of Board performance reviews. The development of a list of potential Board candidates is managed by the Nominations Committee with the assistance of expert external advice. Prospective Director candidates with required experience, expertise, skills and independence and diversity are then reviewed and references sought with appropriate external assistance. This process has resulted in three new Directors joining the Board over the last three years. The Board's process balances the introduction of new skills to the Board while maintaining sufficient continuity, and aims to ensure that shareholders are given the opportunity to elect the most appropriately qualified and experienced candidates to the Board.

Mr Mayne has offered himself as a candidate on a number of diverse industry Boards. The Board does not consider his experience and expertise to best fit the Fairfax Board requirements. In making this assessment, the Board considered that although Mr Mayne has experience as a journalist and shareholder activist, he has limited direct management experience, limited relevant business experience and no public company Board experience.

The Board unanimously recommends against the election of Mr Mayne to the Board.

AGENDA ITEM E

Grant of Performance Shares and Options to Chief Executive Officer & Managing Director under the Fairfax Transformation Incentive Plan (TIP) for FY2015

Resolution 5 is supported by the Board

Resolution 5

Background

As discussed at the 2013 AGM, the Transformation Incentive Plan (TIP) was introduced following a comprehensive review of the Group's remuneration arrangements and a desire to align our incentives with the achievement of our Transformation Plan over the next three to five years to address industry-wide changes and the shift from print media to digital media. The first grant to the CEO under the TIP was approved by shareholders at the 2013 AGM and implemented in 2014. The TIP is weighted heavily to the long term.

The CEO receives 70% of his incentive in the form of share Options, with an exercise price determined after the AGM. The CEO will only benefit if Fairfax's share price grows from the time of issue of the Options post this AGM to the vesting date. Given the strong growth in Fairfax's share price from the date of the last AGM to the date of this Notice, this will represent a challenging starting point for the CEO's long term incentive. The Options may, in any event, only be exercised where a minimum level of growth in total shareholder return (i.e. share price increases and dividends/distributions to shareholders) is generated over the performance period.

To help incentivise our management team to continue to strive for this fundamental shift in our business, a small proportion, 30%, of the TIP award is delivered in the form of Performance Shares, which may be granted at the end of the 2015 financial year (FY2015) for achieving milestones in our transformation. So as to align the value of these Performance Shares with the time horizon for our transformation and the company's longer term performance, half of the shares granted are deferred for a further 12 months and the other half for 2 years. The purpose of the deferral is to help ensure that the value of the award continues to be linked to future changes in the price of Fairfax shares.

Resolution 5 seeks shareholder approval for the grant of Performance Shares and Options to Mr Hywood under the TIP for FY2015 on the terms described below.

The remuneration details for Mr Hywood are set out in the 2014 Remuneration Report.

The Company is seeking approval for these grants as a matter of good corporate governance and in accordance with ASX Listing Rule 10.14, to preserve flexibility as to how it sources any Performance Shares or any shares allocated on vesting of the Options (i.e. whether shares are purchased on market or newly issued). The Board will exercise its discretion in relation to how any shares are sourced at the relevant time with the best interests of the Company's shareholders in mind.

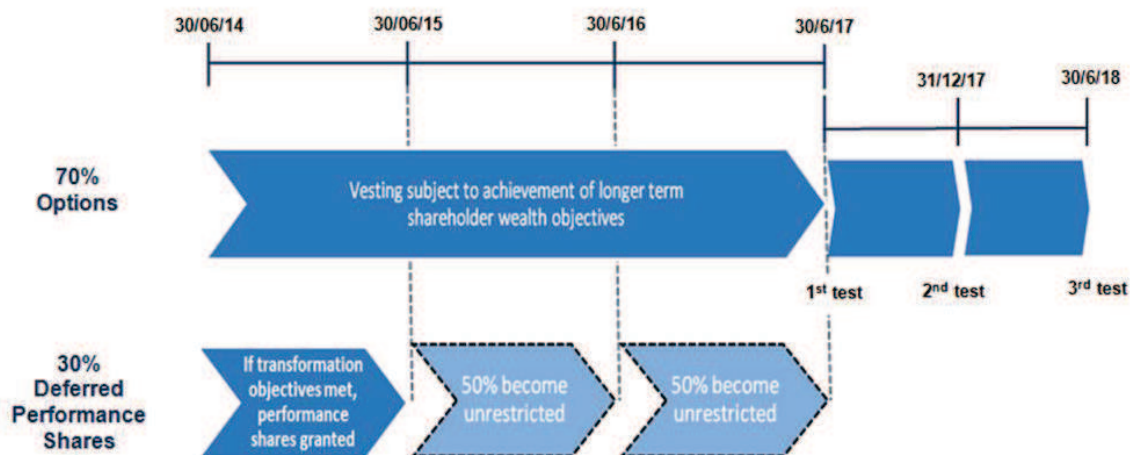
The CEO's grant under the TIP

The CEO's grant for FY2015 has 2 components:

1. 70% of the award constitutes an up-front grant of share Options in the Company at an exercise price determined over the 5 trading days following the AGM ('Options'); and
2. 30% of the award constitutes an allocation of deferred Performance Shares ('Performance Shares') granted following the end of FY2015 for achieving milestones in the year.

Should shareholders approve Mr Hywood's participation in the TIP for FY2015, then he will have the opportunity to earn an incentive of up to the equivalent of 200% of his Fixed Remuneration of \$1.6 million in the TIP if the maximum level of performance is achieved over the next three to four years. In addition to the Absolute TSR growth targets applicable to the Options the performance targets applicable to the Performance Shares are very heavily weighted to financial performance.

The following diagram shows how the TIP would operate for the FY2015 grant and the objectives that it aims to achieve.



Grant of Options

In order to align the bulk of the incentive opportunity directly with growth in shareholder returns, 70% of Mr Hywood's incentive opportunity under the FY2015 TIP (\$2,240,000) will be delivered by an allocation of Options, which vest after 3 years, subject to the achievement of the performance hurdle detailed below.

Each Option entitles Mr Hywood to one ordinary share in the Company, subject to payment of the applicable exercise price. The exercise price of the Options will be set based on the volume weighted average price ('VWAP') of the Company's shares over the 5 trading days beginning on the day after the AGM.

The Board has received an independent fair value calculation (using a Monte Carlo simulation model) indicating that as at 5 September 2014 the fair value of each option is approximately \$0.21. As the fair value calculation is primarily an accounting exercise, the Board proposes to exercise its discretion to place a higher value on the Options for the purposes of determining remuneration allocations (and therefore grant a lesser number of Options). This discretion will be exercised on the basis that the Board takes a more conservative approach in relation to a number of the assumptions underlying the fair value calculation so that the value of each Option is expected to be between one quarter to one third of the share price at the time of issue.

Accordingly, if the Directors' valuation were, for example, \$0.27 per Option, Mr Hywood would be granted 8,296,296 Options with an exercise price based on the five day VWAP of the Company's shares commencing on the day after the AGM.

These Options will only vest if the absolute total shareholder return (Absolute TSR) growth performance hurdle is satisfied. This condition will be initially tested on 1 July 2017. Details regarding the performance hurdle are set out below.

Performance hurdle for Options: Absolute TSR

Following consideration of the likely forms by which shareholder wealth may be generated by the Company over the next three years (comprising share price growth and distributions in the form of dividend or capital returns), the performance hurdle to apply to the vesting of the Options is the compound annual growth rate of Absolute TSR, the same test as approved by shareholders in 2013. TSR measures both share price growth as well as dividends to shareholders. Given the special situation facing Fairfax, of having to structurally reinvent our business model, it was not considered appropriate to measure our performance against a comparator group that is not facing the same fundamental business shift as Fairfax. The Board and management preferred to commit to focussing on generating specific compound annual absolute returns to our shareholders of between 15% to 25% per annum over the performance period.

Absolute TSR will measure growth in shareholder wealth over a minimum four year performance period (notwithstanding that the minimum vesting period for the Options will be the later three years). The performance period commences on 1 July 2013, and is first tested on 30 June 2017, with two further re-testing opportunities on 31 December 2017 and 30 June 2018. In the case of any

re-testing, the compound annual growth rate of Absolute TSR will be tested for the extended period up to the relevant test date.

The performance period for the FY2015 grant will commence on the same date as the performance period for the 2014 financial year (FY2014) grant because 1 July 2013 was the beginning of the Transformation Plan timetable and thus reflects the base for the transformation targets committed to by management. As can be seen from the right hand column in the table below, achieving these targets will deliver significant growth in shareholder value (in the form of both share price growth and dividends) over the four year performance period.

The management team has made strong progress on the Transformation Plan over the last 12 months. Progress has, in fact, been at a more rapid pace than expected a year ago. The share price has increased significantly, earnings per share year on year have increased 78% (continuing businesses after significant items) and dividends have doubled.

The Board has determined that the Transformation Plan and targets were to be achieved over the three to five year period with the base at 1 July 2013. This is not a free hit for management, notwithstanding the good progress made over the past year against the Absolute TSR growth performance measures. This is because the value in our business must continue to grow until the earliest option exercise date in 2017 notwithstanding the continuing strong headwind of declining print media revenue. As the Options will be granted with an exercise price set at the time of the AGM (which must be paid to acquire a share) they will only generate significant value for executives if there is significant share price growth. The Board was very mindful not to penalise management for being ahead of Plan, given the strong challenges that still lie before Fairfax.

The table below demonstrates the vesting levels of Options at the applicable compound annual growth rate hurdles for the Absolute TSR.

Performance	% exercisable	Absolute TSR	Shareholder Return to be generated (2013 to 2017) for vesting
Threshold	25%	15% CAGR	\$846 million (or 75% increase)
Target	50%	20% CAGR	\$1,212 million (or 107% increase)
Stretch	100%	25% CAGR	\$1,627 million (or 144% increase)

Any Options remaining unvested after the final test on 30 June 2018 will lapse.

The Board has discretion to deem the performance hurdle not met if vesting would otherwise only occur as a result of extraneous factors (for example, the effect of sustained speculation regarding a takeover bid for the Company) on the Company's share price, which are not, in the reasonable opinion of the Board, reflective of the quality of the Company's performance.

Grant of Performance Shares

For FY2015, the remaining 30% (\$960,000) of Mr Hywood's incentive opportunity under the TIP will be in the form of Performance Shares, which will be deferred for a specified period. In order to align the value of the Performance Shares with the Company's longer term prospects, half (50%) of the Performance Shares granted following testing of performance for FY2015 around August 2015 will be deferred for 12 months and the other half (50%) will be deferred for 2 years.

The actual number of Performance Shares will depend on the VWAP in the 5 days commencing on the day after the August 2015 results announcement, and will be determined by dividing the percentage of the award that vests by the relevant VWAP. At this stage, it is not possible to specify the maximum number of Performance Shares to be granted, as this can only be determined after FY2015 results announcement.

An example calculation using the above formula: If Mr Hywood met all of the milestones set for FY2015 and the VWAP in the 5 trading days commencing on the day after the August 2015 results announcement was \$0.86, the maximum value (of \$960,000) will be divided by \$0.86 and Mr Hywood would receive a maximum of 116,279 Performance Shares.

These Performance Shares will be granted for achieving annual milestones in the transformation strategy. These milestones are set at the start of the year by the Board in line with the strategic plan and those selected for the FY2015 are designed to drive financial growth for shareholders over time.

They reflect specific accountabilities for the CEO, including achieving the Group EBITDA target, identified revenue growth opportunities, ensuring prudent management of costs and other strategic goals including the continued review of our portfolio to maximise value for shareholders. The specific targets for Mr Hywood for 2015 will still be commercially sensitive and confidential at the date of the AGM. However, the Company will report on the targets and achievement against them in our 2015 Remuneration Report.

Performance hurdles for Performance Shares

By the end of the 2017 financial year, the Company should effectively be through most of the transformation work. Specifically the Company intends to have achieved a smaller and more variable cost base; significant transition to a predominantly digital future for major mastheads; a sustainable digital business in regional; established revenue adjacencies; Domain should be a substantially larger business; and the Company should have optimised its portfolio of digital and transactional businesses. The specific performance metrics that will be set annually and then measured for each of the 2015, 2016 and 2017 years will be different and will have potentially different weighting between the years but the intention is that the delivery of each of the specific objectives in each year should deliver the overall transition by the end of the 2017 financial year.

Appropriate metrics will be set at the start of each new financial year. As the transition strategy develops and goals are realised, there will be enough flexibility to respond along the way and moderate, change or introduce new measures to provide confidence that the TIP will operate effectively. All measures will be clearly defined and measurable.

Cessation of employment

Unvested Performance Shares and Options will generally be forfeited or lapse if the executive resigns or is terminated for poor performance. In other circumstances, the awards would typically remain on foot subject to any applicable performance conditions, unless the Board exercises its discretion to forfeit or lapse the relevant award. In exercising its discretion, the Board will give consideration to all of the relevant circumstances and the best interests of shareholders.

Other Information

Under ASX Listing Rule 7.1, a listed entity has the ability to issue 15% of its issued capital without security holder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without security holder approval, that issue or agreement to issue uses up part of the 15% available under that rule. However, if approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Options and Performance Shares granted to Mr Hywood and any shares issued pursuant to this approval will not use up part of the 15% available under ASX Listing Rule 7.1.

Mr Hywood is the only Director entitled to participate in any of the Company's equity incentive schemes, including the TIP. In accordance with the approval of shareholders at the 2013 AGM for Mr Hywood's FY2014 grant under TIP, Mr Hywood was granted eight million Options and allocated 812,658 Performance Shares at no cost.

The Options and Performance Shares will be issued to Mr Hywood at no cost.

No loans will be made by the Company in relation to the acquisition of securities under the TIP.

It is intended that the grant of Options for which shareholder approval is being requested will be granted to Mr Hywood shortly after the AGM and Performance Shares would be allocated shortly after the August 2015 results announcement but, in any event, the grant of Options and allocation of Performance Shares will be no later than 12 months after the 2014 AGM.

The Board (Mr Hywood abstaining) unanimously recommends that shareholders approve Resolution 5.

AGENDA ITEM F

Adoption of Remuneration Report

The Remuneration Report, which forms part of the Fairfax 2014 Annual Report (available at www.fairfaxmedia.com.au), sets out the Company's remuneration policies and practices together with details of the remuneration arrangements for the Directors, Chief Executive Officer & Managing Director and Group executives.

A summary of our remuneration practices and incentive plans in place in the 2014 financial year is set out below.

Executive Remuneration in FY2014

Important highlights in relation to executive remuneration in FY2014 were that:

- the majority of senior executive salaries were frozen;
- the KMP salary sacrificed 10% of their annual fixed remuneration into Fairfax shares; and
- the long term incentives previously granted to executives and tested at the end of the performance period this year, did not vest.

During 2013, the Board reviewed the previous remuneration arrangements for senior management and with the assistance of independent expert advice designed a 'fit for purpose' remuneration plan that better fits the journey of transformation of the Company in this period of consolidation and transformation to achieve a new Fairfax. Shareholders voted in favour of the first grant to the CEO under the TIP at the 2013 AGM.

The TIP recognises that:

- the transformation journey the Company is on is not a short one, meaning that while the Company positions itself for the future, it may take a little while for the transformation to be reflected in significantly improved shareholder returns;
- the Company now has a smaller, highly dedicated and skilled team of the best people to lead Fairfax on this journey; and
- as the business evolves, the existing remuneration structures were less relevant for the Fairfax of today and tomorrow.

The TIP comprised two components for our most senior executives in FY2014 - a proportion delivered in the form of long term Options granted subject to performance hurdles, and a smaller proportion will be delivered in the form of Performance Shares granted for achieving milestones in the financial year. Key features of the TIP are as follows:

- in order to align the majority of the incentive with growth in shareholder returns, Options were granted following the 2013 AGM with an exercise price of 58 cents per share which was market share price at the time. These Options will only vest if the compound annual growth rate of Absolute TSR performance hurdle is satisfied. This condition will first be tested on 1 July 2016;
- a smaller percentage of incentive opportunity was in the form of Performance Shares. These shares were granted for achieving annual milestones in the transformation strategy. These milestones were set at the start of FY2014 by the Board in line with the strategic plan and to reflect specific accountabilities for our management including variously revenue, earnings, market share and cost reduction targets at Group and/or business level. The 2014 targets and achievements are set out in the Remuneration Report contained in the FY2014 Annual Report; and
- in order to align the value of these rewards with our longer term prospects, half of the Performance Shares granted have been deferred for 12 months (i.e. until August 2015) and the other half for two years (i.e. until August 2016).

The Board is confident that the TIP structure aligns executive rewards with our shareholders over the medium and longer term and provides an appropriate incentive to deliver our strategy.

Non-executive Director Remuneration in FY2014

Important highlights in relation to the remuneration of Non-executive Directors in FY2014 were set out as plans in the FY2013 Remuneration Report approved by shareholders. They have been implemented in FY2014:

- Non-executive Directors' base fees were reduced by 10% from 1 July 2013;
- total Board Committee fees were reduced by discontinuing the Sustainability and Corporate Responsibility Committee and dividing its responsibilities between the Audit and Risk Committee and the People and Culture Committee from January 2014; and
- Non-executive Directors ceased to receive fees for Nomination Committee membership.

Resolution 6 - Adoption of Remuneration Report

Resolution 6 is supported by the Board

At the AGM, shareholders will be given a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Under the Corporations Act, this vote is advisory only and does not bind the Directors or the Company.

The Board unanimously recommends that shareholders approve the adoption of the Remuneration Report.

The Voting Exclusion Statements for Resolutions 5 and Resolution 6 are set out in the Notice of Meeting.

SHAREHOLDER QUESTION FORM

YOU MAY SUBMIT QUESTIONS TO THE AGM BEFORE THE MEETING DATE

Your questions regarding the Company that are relevant to the Annual General Meeting are important to us. We invite you to use this form to submit any questions that you may have on the:

- ⇒ financial statements or the business, operations or management of the Company;
- ⇒ conduct of the audit;
- ⇒ preparation and content of the audit report;
- ⇒ accounting policies adopted by the Company for the preparation of the financial statements;
- ⇒ independence of the Auditor in relation to the conduct of the audit; or
- ⇒ other agenda items.

You may return this form in the reply paid envelope provided, or fax it to +61 2 9287 0309 or you can submit your questions online if you got to www.linkmarketservices.com.au, click on 'AGM Questions' and follow the prompts. All questions must be received by 10:30 am (Melbourne time) on Wednesday 29 October 2014. We will attempt to respond to as many of the frequently asked questions as possible at the AGM.

The Chairman will also permit the Auditor to answer written questions submitted to the Auditor.

Shareholder's name <input type="text"/>
Shareholder's address <input type="text"/>
Shareholder's email address <input type="text"/>
Shareholder Reference Number or Holder Identification Number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Please tick the relevant box: My question/s is/are for the: <input type="checkbox"/> Chairman <input type="checkbox"/> Auditor
Question/s <input type="text"/>

Fairfax Media Limited collects this information in order to confirm that you are a shareholder. The information is also provided to Link Market Services who holds Fairfax's share registry. You may access the information about you by contacting Link whose contact details are set out above. If you do not provide the information we will be unable to submit your question to the Chairman or Auditor.





FAIRFAX MEDIA LIMITED

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Sydney NSW 2001

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Pyrmont NSW 2009

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 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 888 062

PROXY FORM

I/We being a member(s) of Fairfax Media Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
 of the Meeting
 (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy, or failing

the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting and to vote on my/our behalf (in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at 10:30am on Thursday, 6 November 2014 at the Royal Automobile Club of Victoria (RACV), Level 17, 501 Bourke Street, Melbourne, VIC (the Meeting) and at any postponement or adjournment of the Meeting.

Chairman authorised to exercise undirected proxies, including on remuneration-related matters (Resolutions 5 and 6): If I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), by signing and returning this form, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote all undirected proxies in FAVOUR of Resolutions 1, 2, 3, 5, and 6 and AGAINST Resolution 4. If you do not want the Chairman of the Meeting to vote your proxies in this manner, complete Step 2 below.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

THE CHAIRMAN OF THE MEETING INTENDS TO VOTE ALL UNDIRECTED PROXIES AGAINST RESOLUTION 4 AND IN FAVOUR OF ALL OTHER RESOLUTIONS

Resolutions

Resolutions	For	Against	Abstain*
1 Re-election of Board-endorsed candidate, Mr Roger Corbett, as a non-executive director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Board-endorsed candidate, Mr Peter Young, as a non-executive director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Board-endorsed candidate, Mr Todd Sampson, as a non-executive director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of non-Board endorsed candidate, Mr Stephen Mayne as a non-executive director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Grant of performance shares and options to Chief Executive Officer and Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, the Chairman of the Meeting will be your proxy. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting or does not vote in accordance with your instructions.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business in Step 2. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Voting restrictions for members of the key management personnel (KMP)

Please note that if you appoint a member of the KMP (other than the Chairman) or one of their closely related parties (such as spouses, dependents and controlled companies) as your proxy, they will not be able to vote your proxy on Resolutions 5 and 6, unless you direct them how to vote by marking a voting box in Step 2. If the Chairman of the Meeting is or becomes your proxy by default for Resolutions 5 and 6, but you do not mark a voting box for those resolutions, then by signing and returning the Proxy Form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy on the relevant resolution as he thinks fit, even though the resolution is connected with the remuneration of the KMP.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Tuesday, 4 November 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE  www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:

Fairfax Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**