

Fairfax Media Limited

Headcount reduction program announced

- FXJ announced today a significant headcount reduction program of 550 staff representing c. 5% of the total group workforce. The redundancy program will primarily affect the Australian Publishing (c. 390 heads) and the New Zealand businesses (c. 160 heads), with some of the staff cuts affecting centralized support functions at the group headquarters.
- Management expects the headcount reduction will be absorbed through productivity gains in the metro newspapers' operations. The cuts will primarily affect sub-editing staff and is therefore expected to have no impact on the editorial quality of the newspapers. The company does not expect any industrial actions and has initiated talks with the unions.
- In terms of financial impact, the redundancy program will have a -A\$25m net impact in FY09 (-A\$50m one-off charge in 1H09 partially offset by a +A\$25m cost savings in 2H09). This is in addition to the A\$53m cost synergies targeted in FY09 as part of the RUP and Southern Cross transactions. We note that the new cost guidance implies a flat cost base in FY09 compared to FY08 (c. A\$2.1bn). Beyond FY09, the program should deliver A\$50m of cost savings per annum, c. 2% of the total cost base.
- We have upgraded our earnings by 3% in FY09 and 7-8% in FY10 and beyond to reflect today's announcement.

Overweight

A\$2.98

26 August 2008
Price Target: A\$3.64

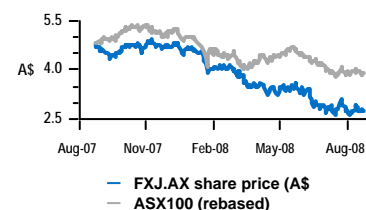
Australia
Telecom

Laurent Horrut^{AC}
(61-2) 9220-1593
laurent.j.horrut@jpmorgan.com

Colin Morawski
(61-2) 9220-3051
colin.v.morawski@jpmorgan.com

J.P. Morgan Securities Australia Limited

Price Performance



Fairfax Media Limited (Reuters: FXJ.AX, Bloomberg: FXJ AU)

Year-end Jun (A\$)	FY07A	FY08A	FY09E	FY10E
Total Revenue (A\$ mn)	2,157	2,909	2,997	3,123
EBITDA (A\$ mn)	568.2	809.6	885.1	963.6
Net profit after tax (A\$ mn)	245.47	361.20	406.62	464.50
EPS (A\$)	0.218	0.235	0.258	0.294
P/E (x)	13.7	12.7	11.6	10.1
EV/EBITDA	12.1	8.5	7.7	7.1
Dividend (A\$)	0.20	0.21	0.23	0.27
Net Yield (%)	6.7%	6.9%	7.8%	8.9%
Normalised* EPS (A\$)	0.231	0.245	0.269	0.307
EPS growth (%)	-6.0%	6.4%	9.5%	14.2%
Normalised* P/E (x)	12.9	12.1	11.1	9.7
Relative P/E (%)	82.5%	79.5%	83.1%	79.0%

Source: Company data, Reuters, JPMorgan estimates.

Company Data	
52-week range (A\$)	4.99 - 2.57
Market capitalisation (A\$ bn)	4.51
Market capitalisation (\$ bn)	3.85
Fiscal Year End	Jun
Price (A\$)	2.98
Date Of Price	26 Aug 08
Avg daily t/over (12m) (mn)	24.3
Shares outstanding (mn)	1,513.5
ASX100	4,016.0
ASX200-Ind	6,698.0
NTA/Sh [^]	-0.97
Net Debt [^] (A\$ bn)	2.34

www.morganmarkets.com

See page 4 for analyst certification and important disclosures, including non-US analyst disclosures.

JPMorgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Earnings revisions

Table 1: FXJ earnings revisions

Earnings Variances	FY09 Old	FY09 New	% Chg	% pcp	FY10 Old	FY10 New	% Chg	%pcp	FY11 Old	FY11 New	% Chg	%pcp
EBITDA												
Aus Publishing & Printing	534	543	1.7%	0.8%	559	593	6.0%	9.1%	578	613	6.0%	3.4%
New Zealand	154	158	2.7%	-3.7%	159	167	5.3%	6.0%	165	173	5.3%	3.4%
Digital	65	65	0.0%	19.7%	74	74	0.0%	13.7%	78	78	0.0%	6.2%
Trade Me	84	84	0.0%	39.2%	93	93	0.0%	11.1%	98	98	0.0%	5.3%
Radio	35	35	0.0%	78.7%	37	36	-2.0%	2.8%	38	37	-2.0%	3.5%
Southern Star	24	24	1.9%	45.0%	24	25	1.9%	3.0%	25	26	1.9%	3.0%
Corporate & Other	-24	-24		-31.8%	-25	-25		2.1%	-26	-26		6.1%
Total Operating EBITDA	872	885	1.6%	8.2%	922	964	4.5%	8.9%	957	1000	4.5%	3.7%
Costs	2216	2112	-4.7%	0.6%	2230	2160	-3.2%	2.3%	2495	2242	-10.1%	3.8%
Total D&A	-113	-113	0.0%	4.7%	-117	-117	0.0%	3.0%	-120	-120	0.0%	2.4%
Total Operating EBIT	758	772	1.8%	10.0%	805	847	5.2%	9.7%	837	880	5.1%	3.9%
Associates	9.5	9.5		9.6%	10	9.8		3.2%	10	10.2		3.2%
Net Interest Expense	-214	-214	-0.3%	4.8%	-208	-205	-1.2%	-4.0%	-208	-203	-2.5%	-1.2%
Net Profit Before Tax	544	558	2.6%	10.3%	597	642	7.4%	15.0%	629	677	7.7%	5.6%
Income Tax (Expense)/Benefit	-147	-151	2.6%	11.0%	-164	-176	7.4%	17.1%	-176	-190	7.7%	7.5%
Net Profit After Tax	397	407	2.6%	10.0%	433	465	7.4%	14.2%	453	488	7.7%	4.8%
Outside Equity Interest	-1	-1	0.0%	0.0%	-1	-1	0.0%	0.0%	-1	-1	0.0%	0.0%
NPAT (post OEI, pre-significant items)	396	407	2.6%	10.0%	432	464	7.4%	14.2%	452	487	7.7%	4.8%
Net Significant Items	0	0	n/m		0	0	n/m		0	0	n/m	
Net Profit to Company	396	407	2.6%	12.6%	432	464	7.4%	14.2%	452	487	7.7%	4.8%
EPS - diluted pre-SI	26.2	26.9	2.6%	9.5%	28.6	30.7	7.4%	14.2%	29.6	31.8	7.7%	3.7%

Source: JPMorgan estimates, Company data.

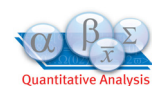
Share price target

Our Jun-09 price target for FXJ is \$3.64 based on a 1 year forward DCF methodology.

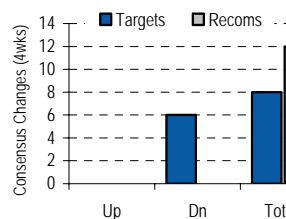
Key risks to our price target include (i) macro-environment in Australia and NZ (ii) currency fluctuations (iii) disposals and M&A

All Data As Of 25-Aug-08

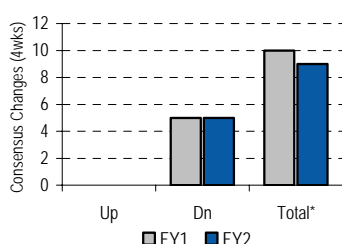
Q-Snapshot: Fairfax Media Ltd.



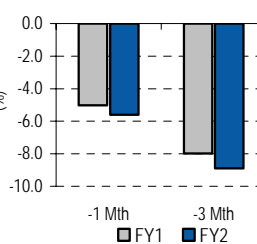
Targets & Recommendations



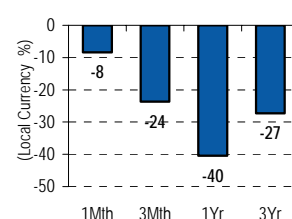
EPS Revisions



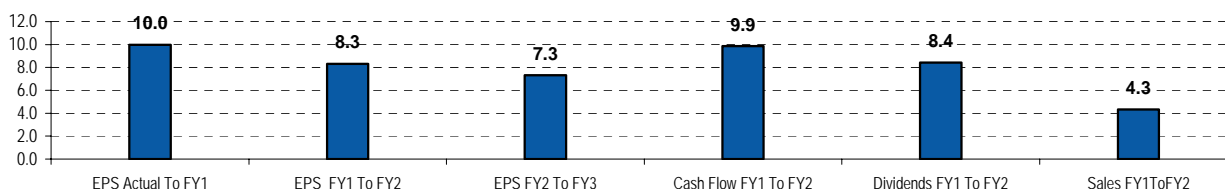
EPS Momentum (%)



Historical Total Return (%)



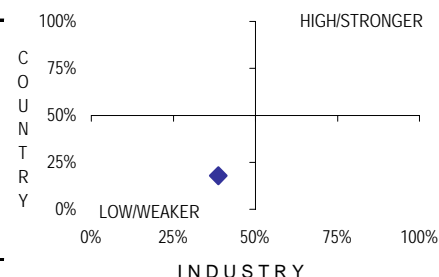
Consensus Growth Outlook (%)



Quant Return Drivers (A Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country Peers	vs (regional) IBES Industry Peers
Valuations: P/E Vs Market (12mth fwd EPS)	63%	84%
Valuations: P/E Vs Sector (12mth fwd EPS)	69%	83%
Valuations: EPS Growth (forecast)	42%	47%
Momentum: 12 Month Price Momentum	24%	28%
Momentum: 1 Month Price Reversion	77%	64%
Quality: Return On Equity (forecast)	28%	27%
Quality: Earnings Risk (Variation in Consensus)	56%	59%
Earnings&Sentiment: Earnings Momentum	18%	24%
Earnings&Sentiment: Change in Recoms	24%	33%
Earnings&Sentiment: Net Revisions Fy2 EPS	7%	30%

JPMorgan Composite Q-Score



COMPOSITE Q-SCORE** (0% To 100%)

18% vs 39%

Regional IBES Industry Peers (Closest by Size, Consensus. ADV = Average daily value traded in US\$m over the last 3 mths)

Code	Name	Country	USD MCAP	ADV	PE FY1	Q-Score**
NWS-AU	News Corp.	United States	36,010	40.46	10.7	56%
4324-JP	Dentsu Inc.	Japan	5,147	28.62	16.5	5%
T39-SG	Singapore Press Holdings Ltd.	Singapore	4,663	13.43	13.8	64%
FXJ-AU	Fairfax Media Ltd.	Australia	3,646	22.36	10.3	39%
4676-JP	Fuji Television Network Inc.	Japan	3,285	10.15	20.3	38%
9401-JP	Tokyo Broadcasting System Inc.	Japan	3,052	5.54	24.6	6%
9404-JP	Nippon Television Network Corp.	Japan	2,534	7.39	24.3	8%
511-HK	Television Broadcasts Ltd.	Hong Kong	2,362	3.83	13.6	81%
7915-JP	Nissha Printing Co. Ltd.	Japan	2,336	16.37	21.8	92%
532733-IN	Sun TV Network Ltd.	India	2,183	0.40	21.3	67%
505537-IN	Zee Entertainment Enterprises Ltd.	India	2,109	1.43	19.7	67%

Country Peers (Closest by Size, Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score**
TOL-AU	Toll Holdings Ltd.	Trucking	3,889	33.46	11.7	11%
AMC-AU	Amcor Ltd.	Containers/Packaging	3,853	20.07	11.1	50%
TAH-AU	TABCORP Holdings Ltd.	Casinos/Gaming	3,826	24.40	8.3	19%
DXS-AU	Dexus Property Group	Real Estate Investment Trusts	3,715	15.01	11.6	53%
SGM-AU	Sims Group Ltd.	Steel	3,676	24.53	13.3	89%
FXJ-AU	Fairfax Media Ltd.	Publishing: Newspapers	3,646	22.36	10.3	18%
FLX-AU	Felix Resources Ltd.	Other Metals/Minerals	3,502	10.56	42.0	92%
AQA-AU	Aquila Resources Ltd.	Coal	3,345	3.79	810.5	81%
BLD-AU	Boral Ltd.	Construction Materials	3,301	19.49	15.6	39%
ERA-AU	Energy Resources of Australia Ltd.	Other Metals/Minerals	3,295	10.67	40.9	37%
HVN-AU	Harvey Norman Holdings Ltd.	Department Stores	3,231	17.62	10.9	38%

Source: Factset, Thomson and JPMorgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>

Q-Snapshots are a product of JPMorgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'

Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the JPMorgan analysts' recommendation.

* Total number of target prices, recommendations or EPS forecasts that make up consensus. ** The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe.

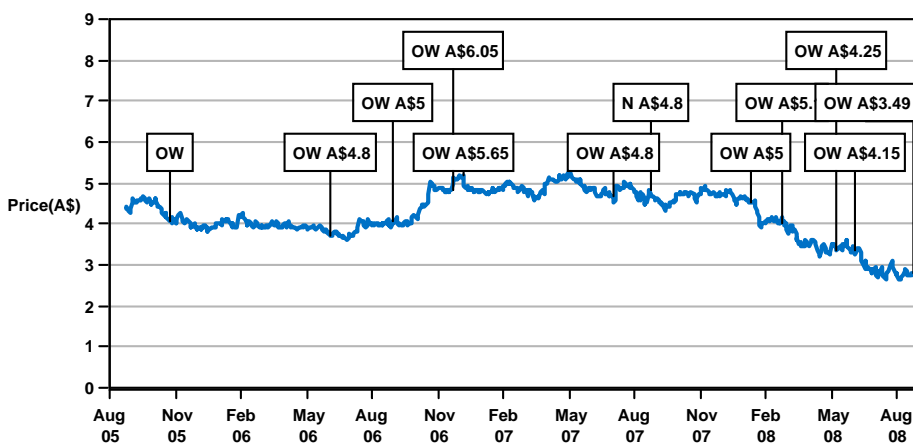
Analyst Certification:

The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

- **Client of the Firm:** Fairfax Media Limited is or was in the past 12 months a client of JPMSI.

Fairfax Media Limited (FXJ.AX) Price Chart



Date	Rating	Share Price (A\$)	Price Target (A\$)
25-Oct-05	OW	4.08	-
05-Jun-06	OW	3.73	4.80
31-Aug-06	OW	4.06	5.00
21-Nov-06	OW	4.82	6.05
06-Dec-06	OW	5.21	5.65
03-Jul-07	OW	4.68	4.80
23-Aug-07	N	4.82	4.80
09-Jan-08	OW	4.51	5.00
21-Feb-08	OW	4.00	5.10
08-May-08	OW	3.34	4.25
02-Jun-08	OW	3.38	4.15
21-Aug-08	OW	2.78	3.49

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 This chart shows JPMorgan’s continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

JPMorgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] The analyst or analyst’s team’s coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: **Laurent Horrut:** APN News & Media (APN.AX), Austar United Communications Ltd (AUN.AX), Austereo Group (AEO.AX), Fairfax Media Limited (FXJ.AX), Hutchison Telecommunications (Australia) (HTA.AX), Macquarie Media Group Ltd. (MMG.AX), Prime Media Group Limited (PRT.AX), SEEK Limited (SEK.AX), Seven Network (SEV.AX), Sky Network Television Limited (SKT.NZ), Telecom New Zealand (TEL.NZ), Telstra Corporation (TLS.AX), Ten Network Holdings (TEN.AX), West Australian Newspapers (WAN.AX), iiNet (IIN.AX)

JPMorgan Equity Research Ratings Distribution, as of June 30, 2008

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	45%	42%	14%
IB clients*	51%	52%	41%
JPMSI Equity Research Coverage	41%	48%	11%
IB clients*	75%	70%	60%

*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your JPMorgan representative.

Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMSI, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMSI, and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

JPMorgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your JPMorgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

Legal Entities Disclosures

U.S.: JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Jakarta Stock Exchange and Surabaya Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [mica (p) 207/01/2008 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-x) which is a Participating Organization of Bursa Malaysia Securities Bhd and is licensed as a dealer by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research

issued by JPMSL has been prepared in accordance with JPMSL's Policies for Managing Conflicts of Interest in Connection with Investment Research which outline the effective organisational and administrative arrangements set up within JPMSL for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers, and can be found at <http://www.jpmorgan.com/pdfdoc/research/ConflictManagementPolicy.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd. Frankfurt Branch and JPMorgan Chase Bank, N.A., Frankfurt Branch who are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. [82] Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMSI and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Legal Disclosures section above. **India:** For private circulation only not for sale. **Pakistan:** For private circulation only not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively JPMorgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a JPMorgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised June 30, 2008.

Copyright 2008 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of JPMorgan.