FAIRFAX MEDIA LIMITED
2013 RESULTS ANNOUNCEMENT

SYDNEY, 22 August, 2013: Fairfax Media Limited [ASX:FXJ] has reported revenue of $2,033.8 million for the 2013 financial year, 8.2% lower than the prior year and a net loss after tax of $16.4 million. The result includes a non-cash impairment charge of $444.6 million.

The Company reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items and intangible adjustments of $366 million. This result, which is 27.7% lower than the prior year, was slightly above market consensus and guidance.

As part of the Company's normal year end accounting and audit processes, the carrying value of intangibles on the Balance Sheet was reviewed by the Board with reference to the present value of expected future cash flows. Following this assessment, based on the three year outlook for each business unit, intangible impairments were made relating to the Regional, Printing and Agricultural divisions.

The resulting write-down is of a non-cash nature and is reflected in the Significant Items section of the accounts. Following this impairment, the net assets of the Company remain in excess of $1.8 billion.

Results Summary

- Revenue of $2,033.8 million, down 8.2%
- Significant items totalling $(144.5) million after tax
- Net loss after significant items and tax of $16.4 million, an improvement on the $2,732.4 million loss in the prior year
- Cash inflow from trading activities of $377 million
- Net debt reduced by $760 million to total $154 million
- Dividend of 1¢ per share, consistent with interim and H2 FY12 dividends, bringing the total for the year to 2¢ a share, a payout ratio of 37%

Underlying results excluding significant items

- EBITDA reduced 27.7% to $366 million
- Net profit after tax decreased 37.7% to $128 million
- Earnings per share of 5.4¢, down 37.9%

Chief Executive and Managing Director Greg Hywood said: "Fairfax continues to lead the change in the media sector. We're responding to difficult conditions by transforming our operations, evolving the way we engage with customers and audiences, and developing a range of new revenue opportunities adjacent to our core business. In our traditional publishing business we're pulling the levers hard to reduce costs. We are also investing in digital and new business growth.

"We committed to the market that we would transform our business. We are meeting or surpassing all critical milestones. Significant accomplishments include the introduction of digital subscriptions for *The Sydney Morning Herald* and *The Age* in July. In April we simplified our organisational structure, which included the consolidation of all Australian publishing activities as a single division, with management committed to driving collaboration across the business and the aggressive pursuit of new revenue opportunities.

"Our focus on quality independent journalism and on building the largest and most engaged news media audience in Australia will underpin our future success.

"The success of our Fairfax of the Future program is increasingly evident in our financial results. The program contributed $118 million to full-year EBITDA, and we are on track to deliver at least $311 million in annualised savings from our transformation activities by June 2015."

Metro Media

"The newly-formed Australian Publishing Media division has allowed middle management to be streamlined, services to be shared, and more effective collaboration across all functional areas of the combined operations," Mr Hywood said.

"The circulation strategy we have in place for *The Sydney Morning Herald* and *The Age* is working. Circulation revenue for these mastheads is growing strongly. The introduction of the compact format enables us to close our large-scale Chullora and Tullamarine print sites next year, which will drive significant printing cost reductions. Circulation is no longer a relevant measure of masthead success, underlined by the 'emma' (Enhanced Media Metrics Australia) data launched this week by independent research company Ipsos, which combines print, online, mobile and tablet readership. On this measure, *The Sydney Morning Herald* is the nation's most read masthead with 4.5 million readers a month.

"We achieved half of our 12-month target for paid subscribers in the first four weeks since introducing digital subscriptions for *The Sydney Morning Herald* and *The Age*. There has been minimal impact on overall traffic numbers. We now have 68,000 paid digital subscriptions and 98,000 bundled print and digital subscriptions. Around one third of the digital subscriptions are iPad-only."

Domain

Mr Hywood said: "Domain is closing the gap. The number of real estate agents placing their inventory on Domain soared 21% to around 7,700. Digital EBITDA grew 31%, with strong-performing mobile apps paying off for Domain. Domain's full-year digital margin expanded from around 34% to 38%. Domain is well positioned in an improving residential real estate environment."

Regional & Agricultural

"Our regional and agricultural business experienced weaker trading conditions during the period due to subdued mining-exposed markets, poor mining employment trends, and a downturn in national advertising," Mr Hywood said.

"Underlying revenue was down 7.5%. Revenue was down 16% in mining-exposed markets in Newcastle and Illawarra, while smaller scale Queensland and other mining-related areas were down 12%. This weakness led to an impairment charge in the Regional business and Printing operations of $406 million. There has been no deterioration in our mastheads' local reach, which underpins the resilience of this business. Our mastheads remain highly valued by our audiences and advertisers in the communities we serve.

"Savings from the Fairfax of the Future program related to the Regional business accelerated during the second half, with underlying costs down 4% for the year."

New Zealand

Mr Hywood said: "Revenues in our New Zealand business were down 4.7% for the year. Revenue comparisons for the second half were affected by an insurance claim settlement a year ago and weaker advertising trends in the property, retail, employment and travel categories. Continued cost control discipline resulted in a 2.3% cost decrease, accelerating in the second half."

Broadcasting

"Our radio businesses enjoyed a good year," Mr Hywood said. "Overall ratings and market share have improved. 96fm is the highest rating station in Perth while 3AW held its top spot in Melbourne. In a radio market which grew just 0.7%, Fairfax Radio increased advertising revenue

by 7.7%. This revenue growth underpinned a 35% increase in underlying EBITDA for the full year."

Balance Sheet

Mr Hywood said: "During the 2013 financial year we continued to strengthen our balance sheet. Proceeds from the sale of Trade Me and the US agricultural business were used to repay debt, including a partial repayment of the US Private Placement notes in July. This resulted in net debt at 30 June 2013 of $154 million, which is $760 million lower than the prior year."

Fairfax of the Future

"Our Fairfax of the Future cost savings program is delivering on its objectives, contributing $118 million to EBITDA in FY13," Mr Hywood said. "This benefit was weighted towards the end of the financial year, and we finished the year with an annualised run rate of $193 million.

"The Fairfax of the Future program is on track to deliver annualised benefits to EBITDA of $311 million by the end of FY15 including the additional $60 million of savings announced in June 2013."

Dividend

A dividend of 1¢ per share will be paid on 17 September 2013 to shareholders registered on 3 September 2013, bringing total dividends for the year to 2¢ a share, a payout ratio of 37%.

Current Trading Environment

Trading in the first six weeks of FY14 saw a slight moderation of previous trends with year-on-year revenue down 8% on the comparable period.

On the current run rate of cost reduction, inflators and current reinvestment plans, we expect to deliver costs in the vicinity of $1,600 million in FY14. The Fairfax of the Future program is on track to deliver $100 million to $120 million of cost benefits in FY14. The actual cost outcome will depend on opportunities for investment.

– ENDS –

An investor briefing (teleconference and webcast) of these results will be held today at 11:00am (AEST). Media can listen to teleconference but not ask questions during the call.

- **Teleconference** Please quote conference ID 731454#
  Australia – Toll Free 1800 558 698 or 1800 809 971
  New Zealand – Toll Free 0800 453 055

- **Webcast:** For webcast go to www.fairfaxmedia.com.au

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