FAIRFAX MEDIA LIMITED
H1 FY12 RESULTS ANNOUNCEMENT

SYDNEY, 23 February, 2012: Fairfax Media Limited [ASX: FXJ] has reported an operating profit after tax of $96.7 million. The Company incurred impairment and restructuring charges during the half year totalling $39 million after tax. Excluding these significant items, the Company recorded a profit after tax of $135.7 million, compared to $172.3 million in the same period last year.

Results Summary

- Net profit after significant items and tax of $96.7 million, down 41% on the prior corresponding period.
- Earnings per share of 4.1¢, down 41%.
- Revenue of $1.23 billion was, down 5% from the prior corresponding period.
- EBITDA reduced 28% to $248.7 million.
- Significant items totalling $39 million after tax.
- Cash inflow from trading activities $298 million, down 15%.
- Net debt reduced by $361 million to total $1.13 billion.
- Interim dividend increased 33% to 2¢ per share.

Underlying results excluding significant items

- EBITDA reduced 14.6% to $296.3 million.
- Net profit after tax decreased 18% to $135.7 million.
- Earnings per share of 5.8¢, down 17%.

Chief Executive and Managing Director Greg Hywood said: "While the results are disappointing, over the last six months Fairfax Media has driven change through the business and we have done it in the midst of a severe cyclical downturn in our major markets."

Mr Hywood added: "It is no surprise that trading has been tough this half. We have had to contend with extremely poor advertising conditions in NSW and Victoria and no improvement in the subdued New Zealand market. Fairfax is particularly exposed to stresses in finance, retail and real estate sectors. However, we have derived benefit from the geographic and platform diversification of our business and continued with a program of change consistent with our strategy."

Achieving Strong Digital Growth

Fairfax Media's digital operations recorded a strong performance, with revenue across the Group increasing by 14% on the same period last year. Commenting on this performance, Mr Hywood said: "These businesses are now of significant scale, generating total sales of $189.8 million for the half year, and play a pivotal role in the success of our multi-platform strategy. Digital platforms continue to build audience share and value. The fact that two of our key Metro mastheads, SMH and Age, had print and digital audience growth of 26% over the last five years augurs well for continued growth. Online ad yields on our main digital platforms are up 18% when compared with the same period last year."

Continuing to Reduce Publishing Costs

Achieving a reduction in publishing costs is one part of Fairfax Media's commitment to improving operating performance and growing long-term sustainable earnings. Progress towards this objective was evident in the December half, with publishing expenses down by 4% from last year.

Resilient Regional and Agricultural Business

Mr Hywood said: “A highlight of the operating result was the resilience of our regional and agricultural business, which was the largest contributor to group revenue with a decline of only 1.4% from the same period last year. Regional has strong defensive characteristics driven by local content and demographic profiles, strong market positions in each market, lower internet penetration outside of capital cities, and the strength of our market-leading titles.”

Strengthened Balance Sheet

“An important milestone during the half was the partial IPO of Trade Me,” Mr Hywood said. “Proceeds from this transaction made a significant contribution to the $361 million reduction in net debt during the period. Our operating cash flows also remained strong, with the result that we continue to have debt levels comfortably within our banking covenant limits, and we expect to further reduce debt levels in the current half year.”

Fairfax of the Future

A three-year plan to reshape Fairfax Media around core capabilities in content delivery and advertising sales was announced with the half year result. Mr Hywood said: “We’ve recently undertaken a full review of our operations to identify opportunities to focus more of our activities around what is truly the core of what we do – content delivery and sales. We now have a clear three-year strategy and detailed implementation plan to ensure we make consistent progress in reshaping our business and resetting our cost base to withstand both structural and cyclical threats. We call the plan ‘Fairfax of the Future’. It builds upon the transformation already underway in our Metro division.

“Only 30% of our current expenditure is on our core functions of producing editorial content (which is our major way to differentiate ourselves from other media business) and selling advertising. We will be changing that mix as well as reducing overall costs, through a variety of measures, including: reducing print and increasing digital distribution; sharing content across platforms; centralising sales, systems and services; focusing on audience versus circulation; reducing duplication; partnering and outsourcing; increasing efficiency and flexibility; and building capability.

“Fairfax of the Future will deliver more earnings growth through cross-platform content – from a sustainable cost base. We have established a project office to ensure this process is completed.

“Fairfax of the Future recognises that many parts of our business were built at a time when the newspaper was king and print classified advertising was the biggest driver of our business success. Large parts of our current operating model are still geared to supporting the old business model.

“We’ve completed the review of what can be achieved and have started the implementation of a three-year program. By the time the project is completed, we expect to have doubled the $85 million cost savings target outlined at our full year result in August to achieve run rate savings of $170 million. This is an extension of processes we have talked about before and have now intensified and accelerated.”

Dividend

An interim fully franked dividend of 2¢ per share will be paid on 21 March 2012 to shareholders registered on 7 March 2012.

Current Trading Environment

Trading continues to be affected by harsh cyclical conditions in advertising markets, particularly in sectors where Fairfax Media has leadership – finance, real estate and discretionary retail. As a result, January revenues were 7.5% below the same period last year. Mr Hywood said: "The difficult trading environment is likely to continue and the outlook remains uncertain. Transformation of Fairfax Media is clearly underway. This will put us in a stronger position to deal with what is a challenging trading environment."

Conclusion

In conclusion, Mr Hywood noted: "Fairfax Media is reshaping the business and resetting the cost base through Fairfax of the Future. It is a journey that is already happening and will deliver benefits to the company over the next three years. Our focus remains on improving operating performance and growing long-term sustainable earnings."

– ENDS –

Presentations of these results will be held today at the Hilton Hotel in Sydney as follows:

- **Investor briefing** at 11:00am ADST (teleconference, webcast and presentation). Media can listen to teleconference but not ask questions. Please quote conference ID 593697#.
  Australia Toll Free 1800 030 272
  New Zealand Toll Free 0800 264 303
  For webcast go to www.fxj.com.au

- **Media briefing** at 12:45pm ADST (teleconference and presentation). Please quote conference ID 557149#.
  Australia Toll Free 1800 030 272
  New Zealand: Toll Free 0800 264 303

Contacts:

Brian Cassell
Chief Financial Officer
+61 2 9282 3555

Brad Hatch
Manager of Communications
+61 2 9282 2168