FAIRFAX MEDIA LIMITED
FY14 H1 RESULTS ANNOUNCEMENT

SYDNEY, 20 February, 2014: Fairfax Media Limited [ASX:FXJ] has reported a net profit after tax of $193.8 million for the half year to December 2013. Excluding the profit from business sales, the Company recorded a profit after tax of $93.1 million, up 12.1% compared to $83.1 million in the same period last year. The Company disposed of FRG Asia, InvestSMART and the Stayz Group businesses during the period with net proceeds of $221 million.

The Company reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for continuing businesses of $178 million, excluding significant items, up 2.3% on last year.

Statutory Results Summary

- Net profit after tax of $193.8 million.
- Earnings per share of 8.2¢.
- Revenue of $1.083 billion, down 1.2% from the prior corresponding period.
- EBITDA increased 41.8% to $291.1 million.
- Significant items totalling $100.7 million profit after tax.
- Net cash of $80 million, compared with net debt of $154 million at 30 June 2013.
- Interim dividend of 2¢ per share fully franked.

Underlying results for continuing businesses excluding significant items

- EBITDA increased 2.3% to $178 million.
- Net profit after tax increased 48.5% to $86.4 million.
- Earnings per share of 3.7¢, up 48%.

Chief Executive and Managing Director Greg Hywood said: "It is a credit to the skill and resilience of everyone at Fairfax that the Company has recorded its first year-on-year increase in underlying EBITDA for continuing businesses since June 2010.

"We have shown a determination to transform the business through cost reductions and driving new revenue streams. It is these strategies that underpin a half-year result that's starkly at odds with the conventional wisdom that traditional media companies face a bleak future simply because reductions in print advertising cannot be immediately offset by increases in digital revenue.

"We are running this business for profitability while improving the quality and depth of the content we produce. We have made decisions to balance revenue and cost with a focus on growing profits on a sustainable basis.

"Fairfax finished the half with a strengthened balance sheet and net cash of $80 million. The sale of Stayz at almost 17x EBITDA was a pleasing result as this business was experiencing emerging global competition in the domestic market."

Metropolitan Media

"Improved profitability from Metropolitan Media was a highlight of the half year, with EBITDA of $81.5 million up 52% on the previous corresponding period. This performance demonstrates the effectiveness of our initiatives to transform and simplify the business," Mr Hywood said.

"While the division recorded an underlying revenue decline of 7.1%, this is partially attributable to product closures and strategic portfolio repositioning. Pursuit of profitability lies at the heart of our transformation program and we have demonstrated a preparedness to forego revenue if doing so will boost profitability. We will continue to make decisions on this basis in the future."

Publishing

Mr Hywood said: "We believe our Metropolitan Media business is making significant headway in a demanding market environment. Our focus on profitable circulation has led to a 9.6% increase in underlying circulation revenue for the half year, with digital subscriptions for The Sydney Morning Herald and The Age having commenced in July 2013, and yield improvement in print. In early February, The Sydney Morning Herald and The Age had more than 116,000 paid digital subscribers, and an additional 100,000 eligible print subscribers who have signed up for digital access."

Domain

Mr Hywood said: "Domain is accelerating its growth and successfully managing the migration from print to digital. Domain's online revenue grew 33%, driving digital EBITDA growth of 50% as margins expanded. Tight cost control across the print and digital operations contributed to a 33% increase in Domain's EBITDA to $29.4 million.

"Premium depth products have revolutionised Domain's business over the last two years and now contribute 60% of digital revenue. Market-leading mobile apps continue to be a source of differentiation, with 60% of all visits to Domain now coming from mobile devices.

"Domain continues to increase its penetration across Australia. The number of real-estate agents placing their inventory on Domain now stands at more than 8,000, up from 7,700 at the end of June, and representing 79% of the agent market."

Digital Ventures

Mr Hywood said: "Following the sale of Stayz, Fairfax maintains an extensive portfolio of digital-focused assets. We are managing our digital portfolio for value by building, growing and investing in digital businesses that fit our strategy. Recent investments include a minority stake in Sydney-based digital health services company Healthshare and an Australian joint venture with leading international job search engine Adzuna."

Australian Community Media

"ACM, which includes our regional and agricultural mastheads and NSW community titles, has been significantly affected by the severe drought in the eastern states. Underlying revenue was down 12.4%," Mr Hywood said.

"A pullback in mining-exposed markets is evident in the numbers, with weaker employment also a factor, as well as lower federal government and national brand advertising expenditure.

"Despite substantial cost reductions, underlying EBITDA was down 17.4%. We are making additional structural change in this business as we respond to the operating environment. A range of initiatives are already underway, and we've now brought them together in a co-ordinated review that will be completed later this financial year."

New Zealand Media

Mr Hywood said: "Underlying revenues in our New Zealand business were down 4.3% in local currency terms on the previous corresponding period. Tight cost control underpinned improved margins and a stable EBITDA performance.

"Advertising revenue received some benefit from local government elections while auto and property advertising stabilised. However, we saw weakness in a number of other categories, including employment."

Radio

"After a strong 2013 result, management worked hard to restructure the sales teams in Sydney, Brisbane and Melbourne during the half year. We also significantly refreshed programming line-ups, which became effective in January," Mr Hywood said.

"While Radio's advertising revenue declined by 0.8% in a metro market that grew by 2.8%, we have been investing for the future and expect to see our actions translate into improved performance in the second half of the financial year."

Balance Sheet

Mr Hywood said: "During the half year we continued to strengthen our balance sheet. Following receipt of proceeds from the sale of Stayz, we finished the period with net cash of $80 million, an improvement from net debt of $154 million at June 2013."

Fairfax of the Future

"Our Fairfax of the Future cost savings program continues to deliver against its objectives and targets, finishing the half with annualised run rate savings of $260 million," Mr Hywood said. "We continue to identify further opportunity for operational cost savings."

Dividend

An interim fully franked dividend of 2¢ per share will be paid on 19 March 2014 to shareholders registered on 5 March 2014, a payout ratio of 50% of reported net profit excluding significant items.

Current Trading Environment

Trading in the first five weeks of FY14 H2 saw revenues 3% below last year, an improvement on the 5.5% like-for-like decline in FY14 H1.

On the current run rate of cost reduction, inflators and current reinvestment plans, we expect to deliver costs below $1,600 million in FY14.

– ENDS –

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

- **Teleconference** Please quote conference ID 729111#
  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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