FAIRFAX MEDIA LIMITED
2015 RESULTS ANNOUNCEMENT

SYDNEY, 13 August 2015: Fairfax Media Limited [ASX:FXJ] today announced its results for financial year 2015 and lodged its 2015 Annual Report.

Statutory Results Summary

- Net profit after tax of $83.2 million.
- Earnings per share of 3.5¢.
- Revenue of $1,867.2 million, down 5.3% from the prior corresponding period.
- EBITDA of $202.4 million, down from $371.3 million in the prior corresponding period.
- Significant items totalling $60.5 million loss after tax compared with a gain of $66.7 million in the prior corresponding period.

Underlying results for continuing businesses excluding significant items

- Revenue of $1,840.8 million increased 0.3%.
- EBITDA of $287.4 million decreased 3.4%.
- EBIT of $222.6 million increased 8.1%.
- Net profit after tax of $143.4 million decreased 3.9%.
- Earnings per share of 6.0¢, down 4.6%.

Capital management

- Net cash of $64 million, compared with net cash of $68 million at June 2014.
- Final dividend of 2¢ per share (50% franked), bringing total dividends for year to 4¢ per share (75% franked), a payout ratio of 66.6%.

Chief Executive and Managing Director Greg Hywood said: “Fairfax has today reported top-line growth for continuing businesses for a full year for the first time in eight years. Overall revenue grew 0.3%, a key driver of which was the 45% increase in Domain Group revenue.

“Through organic growth initiatives and acquisitions we are moving to a position where the growth in our digital revenue offsets the decline in print.

“EBITDA is marginally lower, reflecting the operational investment that we put into our growth businesses Domain and Events; EBIT is higher; net profit is marginally lower due to a higher tax expense.

“As we foreshadowed a year ago, we are investing in our growth businesses and ventures – which include Domain, Life Media & Events, as well as Stan. A total of $39 million in additional growth-related operating expenses was introduced in FY15, which together with the impact of acquisitions lifted Group operating expenses by 0.5%.

“Excluding the investment in these new opportunities, the impact of acquisitions and some one-time costs, Group expenses were down around 4%.

“The Domain Group businesses delivered strong revenue performance, with digital advertising revenue growth of 36.4%. Domain.com.au saw revenue growth of 30%.

“Strong momentum continued in Domain with agent subscribers up 20%, listings up 16%, and visits to our real estate sites up 30%.

"We continue to have a strong balance sheet, with net cash of $64 million at year end, which provides us with considerable flexibility to continue to invest – both in our existing businesses and via acquisition – as we continue the transformation of the company.

"Today we announced we will pay a final dividend of 2 cents per share, which brings total dividends for the year to 4 cents per share, a payout ratio of 66.6%."

Metropolitan Media

"For the full year, overall revenue increased 3.3%, notwithstanding the impact of the sale of Stayz and merger of RSVP with Oasis Active," Mr Hywood said.

"Contributing to this result is the consolidation of MMP following the move to full ownership, the very strong underlying momentum in Domain and Events, and growth in digital subscription revenue.

"Print advertising revenue only declined 0.5%, reflecting the acquisition of MMP. Excluding MMP, print advertising revenue was 11% lower for the full year, in line with the first half trend.

"Overall costs in the division increased 0.3% reflecting the consolidation of MMP costs and the ongoing operational investment in Domain.

"Adjusted EBITDA for the Metro division increased almost 30% as a result of the revenue uplift and cost control in metropolitan publishing."

Publishing

Mr Hywood said: "Metropolitan Media publishing recorded a 52% increase in EBITDA underpinned by transformation activities focused on delivering on the full potential of the business. Metro publishing costs fell 7% for the year and 24% over the last three years.

"Following the closure of Tullamarine and Chullora print sites in 2014, our Metropolitan Media business is serviced by a flexible and fully utilised printing operation. The re-scaling of our printing operations for efficiency – and the adoption of new ways of delivering our journalism and content – has helped sustain our publishing profitability.

"There was a moderation in the underlying rate of decline in print advertising to 11% for the year, against a 24% decline in FY14.

"Digital subscription revenue increased 36% for the year, with total circulation and subscription revenues up 1%."

Events

"Momentum continued to build in our Events business," Mr Hywood said.

"We have built one of the largest events businesses in the country in just two years, with revenue up 41% year-on-year, reflecting strong organic growth, new event launches and the impact of acquisitions."

Domain Group

"Our substantial investment in Domain – across acquisitions, sales and product development – is fuelling revenue acceleration, with full-year growth of 45%," Mr Hywood said.

“Premium depth revenue remained very strong with 47% year-on-year growth and now represents 69% of Domain.com.au’s revenue base.

“Print advertising growth of 69% benefited from the consolidation of MMP’s stable of glossy real estate-focused magazines in Victoria. MMP is a strong performer in the group with underlying EBITDA growing 50% on a full-year basis.

“Despite significant investment in the aggressive expansion of Domain and the impact of some one-time costs, EBITDA grew 46%. Digital EBITDA grew 37% and 42% excluding one-off items.

“The success of Domain’s strategy is evident in the metrics and the innovation delivered across the business. We have seen a 20% increase in the number of agent subscribers, 16% growth in total listings, and 30% increase in average monthly visits across all platforms (main sites, mobile sites and apps).

“We have delivered major product improvements during the year. Our enhanced depth product portfolio is supporting revenue growth; our school catchment zones data is proving highly popular with consumers; and the recently soft-launched Domain HomePriceGuide will empower consumers with quality data and insights.

“The national roll-out of our agent ownership model continues to gain traction and is supporting our aggressive footprint expansion.

“Domain.com.au costs increased 32% in FY15 and we expect a similar rate of increase in FY16 as we maintain investment in growing Domain’s digital footprint.”

Digital Ventures

Mr Hywood said: “HuffPost Australia, a local partnership with leading global source of news and information The Huffington Post, launches on August 19 and will add to Digital Ventures’ strong portfolio of digital-only publishing assets.

“Joint venture Subscription Video-On-Demand service Stan launched on Australia Day and is fast gaining traction with consumers, with well over 300,000 gross sign-ups as at August 3. The service is well on track to have 300,000 to 400,000 active subscribers by December this year as previously flagged.

“Pleasing progress was made with transactional businesses and early stage investments, with some strategic bolt-on acquisitions made.”

Australian Community Media

“In our Australian Community Media business, revenue declined 7.8%, with revenue from advertising down 9.1% for the full year, consistent with the first half trends,” Mr Hywood said.

“Declines in employment and automotive were contributing factors, along with weaker supermarket-related advertising in the second half. Print real estate advertising experienced an improving trend while local advertising was relatively stable.

“Adjusted EBITDA of around $101 million was 33.7% lower than a year ago.

“The transformation of this business continues with a focus on maintaining strong local editorial and sales resources while improving the cost structure. As previously indicated, the

$60 million run-rate of cost benefits of the ACM transformation will be delivered by the end of FY16."

New Zealand Media

Mr Hywood said: "Our New Zealand business saw advertising revenue down 6% for the year in local currency terms. Macroeconomic challenges weighed on the broader economy, particularly in the last quarter.

"Digital revenue growth of 38% for the year and 52% in the second half reflected the strong momentum at Stuff.co.nz and continued investment in product development and marketing.

"Cost control supported improved EBITDA performance in the second half, with a 5% decline compared with the 12% decline for the full year."

Radio

"Our Radio asset, which now takes the form of a 54.5% shareholding in Macquarie Radio Network, benefited from the reverse takeover by MRN," Mr Hywood said.

"Cost synergies commenced in FY15. The business is on track to achieve targeted $10 million to $15 million in annualised benefits in FY16.

"MRN is well positioned to derive revenue synergies from the establishment of a genuine national network with the number one stations in Sydney and Melbourne.

"As MRN indicated this week, it expects FY16 EBITDA will be in the range between $20 million and $25 million."

Balance Sheet

"Fairfax's balance sheet remains strong", Mr Hywood said.

"We finished the year with net cash of $64 million, which provides us with considerable flexibility to continue to invest – both in our existing businesses and via acquisition – as we continue the transformation of the company."

Buyback

"As part of the company's ongoing capital management strategy, an on-market buyback of up to about 5% of issued capital commenced in March," Mr Hywood said.

"To date, around 37 million shares have been repurchased and it is our intention to shortly resume the buyback."

Fairfax of the Future

Mr Hywood said: "We have simplified our operations and well exceeded our targeted $311 million annualised cost savings by 2015, resulting from our Fairfax of the Future program to become a leaner, more agile organisation. That program was announced in February 2012 to run over three-to-four years. The disciplined and pragmatic approach instilled through Fairfax of the Future is now embedded in management, with cost savings and transformation continuing."

Dividend

A final dividend of 2¢ per share (50% franked) will be paid on 8 September 2015 to shareholders registered on 25 August 2015, bringing total dividends for the year to 4¢ per share (75% franked), a payout ratio of 66.6% of reported net profit for continuing businesses excluding significant items.

Current Trading Environment

Trading in the first five weeks of FY16 H1 saw revenues 2% to 3% above last year.

In the same period, Domain.com.au revenue was up 53%.

In FY16 we expect Domain.com.au costs to increase at a similar rate to FY15 (which was about 30%) as we continue investment in growing Domain's digital footprint.

– ENDS –

An investor briefing (teleconference and webcast) on 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 663768#
  Australia – Toll Free 1800 558 698 or 1800 809 971
  New Zealand – Toll Free 0800 453 055

- **Webcast:** Go to www.fairfaxmedia.com.au/investors/webcasts

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