FAIRFAX MEDIA LIMITED
2016 RESULTS ANNOUNCEMENT

SYDNEY, 10 August 2016: Fairfax Media Limited [ASX:FXJ] today announced its results for financial year 2016 and lodged its 2016 Annual Report.

Statutory Results Summary

- Revenue of $1,830.5 million, down 2% from the prior corresponding period.
- Net loss after tax of $893.5 million.
- Significant items after tax totalling $1,026 million loss.

Underlying results for continuing businesses excluding significant items

- Revenue of $1,830.5 million down 0.6%.
- EBITDA of $283.3 million down 1.4%.
- EBIT of $213.2 million down 4.2%.
- Net profit after tax of $132.5 million down 7.6%.
- Earnings per share of 5.7¢ down 5.7%.

Capital management

- Net debt of $88.7 million.
- Completion of total $111.8 million on-market share buyback across FY15 / FY16.
- Dividend of 2¢ per share (70% franked), bringing total dividends for the year to 4¢ per share (partially franked), a payout ratio of 70%.

Chief Executive and Managing Director Greg Hywood said: “Today’s result is proof that the transformation of Fairfax Media over recent years has succeeded. The stable top-line revenue and EBITDA make it clear that we have reshaped this company into a high-value, broadly-based, digital rich business.

“The flat top-line is despite an 11% decline in Group publishing revenue in the second half. Digital and non-print earnings now constitute more than 40% of Fairfax’s EBITDA. On current trends, next year this will be closer to 60%, reflecting the continued growth in digital and non-print earnings. We are delivering a higher quality of earnings from our more valuable segments – including Domain, digital publishing and Events. This single fact underlines the extent of the transformation of the business in recent years.

“EBITDA of $283 million was driven by Domain’s outstanding 40% increase in EBITDA, offset by persistent print advertising weakness and longer term investment in new growth businesses.

“Our strong, diversified portfolio underpinned Group revenue of $1.83 billion. Our cost reduction efforts saw Group expenses down – even though we have been continuing to invest in our growth businesses. Group publishing costs were down 8% or $91 million.

“Today we announced we will pay a dividend of 2 cents per share, 70% franked, which brings total dividends for the year to 4 cents per share, a payout ratio of 70%.”

Domain Group

“For the full year, Domain delivered 33% growth in revenue and 40% increase in EBITDA, underpinned by the outstanding 50% growth in digital EBITDA,” Mr Hywood said.

“Key drivers of this strong performance include our success in growing a high-quality national audience, with an 82% increase in average monthly visits for the year; and a strong foundation of national market penetration, having acquired more than 90% of agents and listings.

“Domain delivered strong double digit growth in the second half despite the dampening effect on June of the longest Federal election in modern history. Domain continued to deliver gains in market share.

“Domain’s total digital revenue growth of 27% was underpinned by premium depth revenue which remained very strong with 40% year-on-year growth and represented 76% of Domain.com.au’s revenue base.

“Print revenue increased 46% reflecting the full consolidation of MMP from January 2015, somewhat offset by a decline in Metro print revenue of 10%.

“Operating costs increased 25% reflecting continued investment in sales, product development and marketing, together with the impact of acquisitions.

“Excluding one-off costs in the prior period, underlying digital costs increased 27%.

“We are confident in the underlying strength of Domain and its ability to continue to benefit from improvements in yield, depth penetration, geographic expansion, and revenue diversification.”

Australian Metro Media

“In our Australian Metro Media segment – which includes *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, Digital Ventures and Life & Events businesses – revenue declined 5%,” Mr Hywood said.

“Metro experienced a 5% decline in revenue and 45% decline in EBITDA, reflecting ongoing structural shifts in advertising spend and investment in growth areas, Digital Ventures and Events.”

Publishing

Mr Hywood said: “Metro publishing’s advertising revenue declined 15%, impacted by weakness in retail, communications and finance categories. This was somewhat offset by strong advertising revenue growth of 36% from Digital Ventures.

“Overall circulation revenue was modestly lower, benefiting from strong growth in paid digital subscriptions of 17% to $38 million. Declines in print circulation volumes were offset by improvements in print yield including from the contribution of bundled digital subscriptions.

“As at July 24, Metro had 209,000 paid digital subscribers across the SMH, *The Age* and *The Australian Financial Review*. Note this subscriber figure includes the *Financial Review* for the first time. All three titles delivered year-on-year growth.

“Metro publishing costs decreased by 4%.

“In Metro, as I spoke in detail about publicly in May, we are developing a new model with enhanced digital and targeted and differentiated print propositions. We have substantially reduced the risks associated with Metro through the removal of $400 million of annualised structural costs over the past four years.

“The publishing innovation taking place in Metro is as sophisticated as anything happening anywhere else in the world and will underpin its future. The public and market response to our plan has been positive as it reflects the realities of consumer demand and is leading the future of publishing in this country.”

Life & Events

Mr Hywood said: “In Life & Events, a highlight for the year was the 33% Events revenue growth with the benefit of operational investment and the acquisition of OpenAir Cinemas. During the year, we formed a joint venture between Drive and 112, owners of themotorreport, with a differentiated strategy in place to drive lead generation for new cars. We are also pursuing further opportunities to monetise our brand strength in food and travel categories."

Digital Ventures

"The Digital Ventures portfolio achieved pleasing momentum, with total revenue up 21% and EBITDA up 55%, notwithstanding continued investment. EBITDA margins expanded from 19% to 24%," Mr Hywood said.

"Allure Media and Weatherzone both delivered strong revenue growth. The associate contribution benefited from an improvement at RSVP and Oasis Active.

"Our SVOD service Stan has established itself as the local market leader in the booming category and is more than meeting its business targets. Stan is on a clear path to profitability and expects to reach cashflow breakeven during FY18. Additional capital investment is well justified. During the year Stan gained market share. As at the end of June, Stan had more than 1.1 million gross sign-ups and more than 500,000 active subscribers."

Australian Community Media

Mr Hywood said: "In our Australian Community Media business, the $60 million annualised cost reduction was achieved during the year, resulting in a 12% cost improvement and EBITDA growth in the second half. For the full-year, EBITDA declined 10% to around $90 million.

"ACM's total revenue declined 11%, held back by a 12% decline in advertising revenue, which continued to be affected by weakness in supermarket-related spend. There was some offset from print real estate. Excluding transformation impact of closing unprofitable publications, underlying advertising revenues were down 9%. Circulation revenues declined, reflecting lower retail volumes.

"Difficult conditions continue in regional and agricultural markets. We are undertaking a review of ACM to develop initiatives and identify opportunities."

New Zealand Media

"New Zealand Media revenue was down 9% and EBITDA down 14% in local currency, reflecting weaker advertising and investment in Stuff.co.nz, which continues to be the number one domestic website in New Zealand, increasing its unique audience 11% year-on-year to 2 million," Mr Hywood said.

"Advertising revenue was down 11% in local currency with digital revenue growth of 36% outpacing the broader market. Print advertising was impacted by retail, entertainment and employment advertising declines, somewhat offset by strong performance in real estate and House & Home.

"Circulation revenue declined 6% with stable subscription revenue offset by continued pressure on retail sales.

"The cost decline of 8% reflects a 10% decline in publishing expenses, offset by continued investment in the digital business.

"The proposed merger with NZME, announced in May, is currently being considered by the NZ Commerce Commission – and the merger process is proceeding in accordance with our expectations."

Macquarie Media Limited

"Macquarie Media's performance is excellent and reflects the successful merger between Fairfax Radio Network and MRN in March 2015," Mr Hywood said.

"Cost and operational synergies underpinned the 28% growth in revenue and 80% increase in EBITDA, with margins expanding from 13% to 18%. We are confident that the benefits of the merger will continue to underpin future performance."

Dividend

A dividend of 2¢ per share (70% franked) will be paid on 6 September 2016 to shareholders registered on 22 August 2016, bringing total dividends for the year to 4 cents per share (partially franked) a payout ratio of 70%.

Current Trading Environment

Trading in the first five weeks of FY17 saw revenues 8% to 9% below last year:

- Publishing trends were consistent with FY16 H2.
- New real estate listings in higher value markets in Sydney and Melbourne in July were unusually weak:
    - Domain continues to deliver strong audience growth and yield improvements, with digital revenue growth of 10% in the first five weeks of FY17;
    - The comparative period of July 2015 saw very strong new listings growth (when Domain's digital revenue increased 53%);
    - July 2016 new listings volumes were impacted by the dampening effect of the longest Federal election campaign in modern history, with new listings volumes down 25% in Sydney and 11% in Melbourne;
    - The fundamentals of the real estate market are strong and there are already signs of listings volume improvement as we move beyond the election. Domain is continuing to achieve strong yield growth despite the listings softness.

Across the Fairfax Group, as in prior years, we continue to implement cost savings measures to maintain earnings stability.

– ENDS –

An investor briefing (teleconference and webcast) on these results will be held today at 10:30am (AEST). Media can listen to webcast/teleconference but not ask questions on the call.

- **Webcast:** Go to www.fairfaxmedia.com.au/investors/webcasts
- **Teleconference:** Please quote conference ID 220746#
  Toll Free 1800 558 698 or +612 9007 3187

Contacts:

Brad Hatch
Director of Communications
+61 2 9282 2168