FAIRFAX MEDIA LIMITED RESULTS ANNOUNCEMENT

SYDNEY, 26 August, 2011: Fairfax Media Limited [ASX: FXJ] has reported an underlying operating profit after tax and Stapled Preference Share dividend of $273.7 million for the year to June 2011, a decrease of 1.8% on last year and slightly above market consensus.

As part of the Company's normal year end accounting and audit processes, the carrying values of intangibles on the Balance Sheet were reviewed by the Board with reference to the present value of expected future cash flows. Based on this review, the Company has written down the value of mastheads, customer relationships and goodwill by $650.7 million after tax. This write down is of a non-cash nature and is reflected as Significant Items in the accounts. Following this impairment, the carrying value of the Company's intangible assets is $5.3 billion.

The Company has also incurred restructuring charges during the year totalling $23.9 million after tax. These amounts have also been recorded as Significant Items in the accounts.

Including these Significant Items, the Company has incurred a loss after tax and SPS dividend of $400.9 million, compared to a profit of $270.3 million last year.

Results Summary

Underlying results excluding significant items

- Revenue of $2.5 billion was in-line with last year
- EBITDA reduced 5.0% to $607.4 million
- Net profit after tax and SPS dividend decreased 1.8% to $273.7 million
- Earnings per share of 11.6 cents, down 1.4%
- Cash inflow from trading activities $624.3 million, up 8.5%
- Net debt reduced by $247.3 million to total $1.49 billion (including SPS)
- Final dividend increased 7% to 1.5 cents per share, bringing total dividends for the year to 3.0 cents, an increase of 20%
- On a constant currency basis, EBITDA decreased 4.0%

Reported statutory results

- Net loss after significant items, tax and SPS dividend of $400.9 million, compared to a profit of $270.3 million in 2010
- Significant items totalling $674.6 million after tax

Chief Executive and Managing Director Greg Hywood said: "Fairfax Media is aggressively responding to structural changes in the media landscape while also dealing with the challenges of a prolonged cyclical downturn. We have the right strategy and are working to build long term shareholder value. Our focus is on improving operating performance and growing long term sustainable earnings.

"While we have reported an after tax loss for the year for statutory purposes, it is important to highlight that this is due to substantial impairment and restructuring charges. The vast majority of these charges are of a non-cash nature and have no impact on the operating strength or debt levels of the Company.

"It was a year of two halves and I am pleased with the way our businesses responded to the deterioration in operating conditions that set in from November 2010. Consumer and advertiser sentiment has remained subdued, but the measures we took to contain costs during the second half and the success of our multi-platform strategy are reflected in a creditable operating performance for the period.

"Our multi-platform strategy is delivering results. We are seeing the benefit of the diversity of operations, and the strong growth in digital earnings is providing some insulation as we manage changes in our metropolitan media business.

"We have recently launched a major cost reduction program that will further enhance our operating performance. We have looked very closely at all the processes and functions undertaken within the Company and I am confident that over the next two years we will be able to reduce costs by at least $85 million.

"Our cash flows and Balance Sheet are strong. Debt levels and interest expense declined rapidly on the back of our ability to generate substantial free cash flow. We have substantial head room within our covenant limits and more than adequate cash reserves and facilities to meet debt maturities for the period to June 2012, irrespective of our decisions regarding asset sales.

"We are also well placed for the return of confidence to consumer and advertising markets. Execution of our strategy has been a major priority during the past twelve months. This has included the reorganisation of our metropolitan business model, further extension of our regional media businesses into the digital sphere and increased market leadership in online transactions, smartphones and tablet computer applications.

"I am confident that with our unique businesses and strong brands we will deliver long term shareholder value." Mr Hywood concluded.

Dividend

An interim dividend of 1.5 cents per share was paid in March 2011 and a final dividend of 1.5 cents per share will be paid on 27 September 2011 to shareholders registered on 12 September 2011.

The final dividend of 1.5 cents per share represents an increase of 7% over the final dividend paid last year and represents an increase in the total dividend payout ratio to 25.6%

Debt Reduction

In April 2011, $300 million in Stapled Preference Shares were repurchased by the Company. The repurchase was funded from long term undrawn bank facilities.

Adjusting for the repurchase of the notes, net debt decreased $247.3 million to $1.49 billion.

The Company is comfortably within all debt covenant limits and is highly confident that debt maturities in 2012 and 2013 will be fully covered by cash flow from business operations together with unused credit facilities currently in place.

Segment results

Full Year underlying results (excluding significant items)

	Revenue			EBITDA		
	FY11 A$'m	FY10 A$'m	% change	FY11 A$'m	FY10 A$'m	% change
Australian Regional Media	**519.2**	506.6	**2.5%**	**149.5**	148.0	**1.0%**
Online - Fairfax Digital and Trade Me	**234.2**	212.4	**10.3%**	**118.3**	111.0	**6.6%**
Australian and NZ Printing	**83.2**	83.0	**0.2%**	**103.5**	111.0	**(6.8%)**
Metropolitan Media	**873.3**	895.6	**(2.5%)**	**83.3**	102.5	**(18.7%)**
New Zealand Media	**360.5**	382.3	**(5.7%)**	**67.6**	76.0	**(11.1%)**
Specialist Media	**274.7**	279.7	**(1.8%)**	**55.0**	67.2	**(18.2%)**
Broadcasting	**111.7**	109.5	**2.0%**	**26.8**	28.7	**(6.6%)**
Corporate and Other	**12.1**	15.5	**(21.9%)**	**3.4**	(5.3)	**164.2%**
Total	**2,468.9**	2,484.6	**(0.6%)**	**607.4**	639.1	**(5.0%)**

Advertising market conditions varied considerably between the first and second halves of the year. During the December half advertising and other revenues exceeded the corresponding half by over 5%. This performance was reversed in the June half when more subdued consumer confidence led to advertising and other revenues being 3.1% below the corresponding half last year.

Circulation revenues were also affected with total circulation revenue down 5.3% on last year.

Despite challenging market conditions, Australian Regional Media performed strongly. The benefits of diversification across a range of regional markets, together with excellent cost control, are reflected in revenue and profit growth from this segment for the year.

Metropolitan Media experienced revenue declines across most of its major advertising categories. While first half earnings grew strongly, the consumer-led downturn in the second half of the year had a significant detrimental impact on business performance.

Fairfax Digital in Australia and Trade Me in New Zealand have continued to perform strongly.

Economic conditions in New Zealand remain challenging. In local currency terms, our New Zealand publishing businesses recorded year on year declines in revenue and earnings of 2% and 8% respectively.

Specialist Media results were mixed. Agricultural Publishing recorded both revenue and earnings growth as agricultural markets in Australia and the USA improved. The Financial Review Group continued to be affected by subdued conditions in financial markets with circulation revenue being especially impacted.

Broadcasting recorded solid revenue growth in difficult market conditions. Increased promotional cost activity and property relocation resulted in higher costs.

Current Market Conditions

Trading year to date has shown some improvement. Advertising revenues are down 4% compared to last year, and appear to be stabilising from the last quarter of the 2011 financial year when advertising revenues were down 6%.

Visibility in advertising markets still remains opaque and general economic trends do not give us confidence that we will see any significant rebound in revenues in the current half. A number of cost reduction programs are being implemented across the Company to partially offset this revenue downturn.

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