ASX RELEASE

Fairfax Media

Fairfax Media Limited 2017 Results Announcement

Sydney, 16 August 2017: Fairfax Media Limited [ASX:FXJ] ("**Fairfax**" or "**Company**") today announced its results for the full-year to June 2017.

Statutory Results

- Revenue of $1,742.7 million, down 4.8% from the prior corresponding period.
- Net profit after tax of $83.9 million, compared with $772.6 million loss in the prior corresponding period.
- Significant items after tax totalling $58.7 million loss.

Underlying Results (excluding significant items)

- Revenue of $1,732.6 million down 5.3%.
- EBITDA of $271.1 million down 4.3%.
- EBIT of $230.3 million up 8.0%.
- Net profit after tax of $142.6 million up 7.6%.
- Earnings per share of 6.2¢ up 8.8%.

Capital Management

- Net debt of $118.0 million.
- Dividend of 2¢ per share (100% franked), bringing total dividends for the year to 4¢ per share (partially franked), a payout ratio of 64%.

Chief Executive and Managing Director Greg Hywood said: "Today's result shows Fairfax is in great shape. We have delivered strong value for shareholders through growth and transformation initiatives. The strategy we commenced five years ago has successfully maximised cash flows of our publishing assets and with that built growth businesses in Domain and Stan.

"For 2017, the Fairfax Group delivered net profit of $142.6 million, up 8%, with earnings per share growth of 8.5%.

"Group Operating EBITDA of $271 million was achieved from revenue of $1.73 billion. This result was higher than the preliminary and unaudited range of $262 million to $266 million provided to the market in early July. This was due to a strong year-end from Metro.

"Domain delivered 19% growth in digital revenue notwithstanding a difficult listings environment in the first half. As the listings cycle improved, H2 digital EBITDA increased 20%.

"Our three publishing businesses are modern, cost efficient and sustainable across digital and print. In the context of the global structural change impacting upon the media industry, the fact that our publications remain profitable and sustainable is an outstanding achievement.

"Our ongoing cost reduction programs underpinned a 6% decline in Group operating expenses, notwithstanding continued investment in our growth businesses.

"We will pay a dividend of 2 cents per share, 100% franked.

"The Company's underlying performance, combined with our strategic and valuable asset mix; and balance sheet strength – allows Fairfax to step into the future with great confidence. Fairfax will act decisively and appropriately – always in the best interests of shareholders – to take advantage of any opportunities created by the potential changes in media ownership legislation, as well as any opportunities to work more productively as an industry.

"As we enter FY18, our immediate focus is on the successful separation of Domain, an initiative we believe demonstrates the success of our strategy and will deliver our shareholders great value over time."

Domain Group

Today we provided an update on the progress we are making with the Domain separation and ASX listing:

- Fairfax Media plans to retain 60% of Domain, with 40% distributed to Fairfax shareholders. We consider this to be the appropriate level to achieve sufficient liquidity in the market to maximise value over time.

- As previously flagged, Domain is expected to draw $150 million of net debt upon separation with proceeds to Fairfax as part of business transfers.

- Conditional on shareholder approval and receipt of regulatory clearances (including ASIC, ASX and ATO) which are well progressed.

- Nick Falloon will be Chairman of Domain. The Board recruitment process is underway.

- In terms of timetable, the Scheme booklet including Independent Expert's Report is expected in late September, with a Domain roadshow in October. A shareholder vote will take place at an Extraordinary General Meeting expected to be held in early November.

- Domain shares are expected to commence trading in mid to late November.

"Domain has created a strong platform for revenue growth – and is well positioned for a standalone future," Mr Hywood said.

"Domain delivered 19% growth in digital revenue notwithstanding a difficult listings environment in the first half. Further depth penetration, yield increases and strong growth in Developers & Commercial were key revenue drivers. The transition to a digital business weighed on print revenue which declined 13% for the year.

"Operating expenses increased 17% for the year, and 9% excluding the impact of acquisitions and one offs. Digital expenses increased 34% and 19% excluding costs associated with our early-stage utilities connections businesses and one-offs. This reflected continued investment in staff, technology and product. Print expenses declined 6% which reflects the implementation of efficiencies, partially offset by investment in Domain's new magazine format.

"For the year, the EBITDA decline of 6% reflects our strategic decision to continue to invest in Domain through the constrained listings cycle in H1. As the listings cycle improved, H2 digital EBITDA increased 20%. For FY17, digital represented more than 82% of Domain's EBITDA, which we expect to continue to increase.

"For FY18, Domain's costs are expected to increase approximately 13% from FY17's $206 million (10% like for like excluding acquisitions)."

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 and Events businesses – revenue declined 9% and EBITDA was up 26%,” Mr Hywood said.

Publishing

“Metro publishing advertising revenue declined 17%,” Mr Hywood said.

“Overall circulation revenue was stable, benefiting from the strong growth in paid digital subscriptions revenue which increased 21%. *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* have around 236,000 paid digital subscribers. All three titles delivered year-on-year growth. Declines in print circulation volumes were partially offset by cover price increases.

“After three years of rapid expansion, our Events business is focused on consolidating its diversified portfolio and optimising for profitability.

“The 12% reduction in Metro publishing costs for the year reflected an acceleration in cost out in the second half. The 14% cost improvement in H2 was partly attributable to early benefits from the Australian Metro Publishing restructure announced in April.

“Along with a flatter, more efficient operating structure, the centrepiece of Metro’s next-generation publishing model is cutting-edge product and technology development. We will have in market this calendar year a suite of new digital products which will deliver deeper and more engaging experiences, while sustaining a successful print proposition.

“New digital products will be launched for the SMH and *The Age*; shortly followed by the *Financial Review* and lifestyle mastheads, along with new apps for the SMH and *The Age*. We are focusing editorial on distinctive content to strengthen our audience and subscriber proposition.

“The new products will drive engagement, subscriber value and better outcomes for advertisers through new data-driven commercial solutions and advertising formats. The introduction of the new tech platform will allow for the retirement of legacy systems and cost rebasing.”

Digital Ventures

Mr Hywood said: “Results from our Digital Ventures portfolio reflect the sale of Tenderlink in October 2016. Excluding Tenderlink, revenue increased 4% and EBITDA increased 8%, reflecting a challenging digital advertising market.

“Weatherzone delivered 14% revenue growth in B2B. RSVP/Oasis, which is included at the Associate line, delivered a creditable result in a competitive market environment.

“Stan – Australia’s biggest deal in entertainment – is going from strength to strength. The number of active subscribers is approaching 800,000, with positive net subscriber additions through a period of phased price increases.

“Continued strong subscriber momentum underpinned an impressive 150% uplift in subscription revenue in FY17, far exceeding the increase in operating costs.

“Stan’s next phase of growth is underpinned by its exceptionally strong line up for FY18, which includes five new Stan Originals.”

Australian Community Media

Mr Hywood said: "ACM's total revenue declined 11%. The 12% decline in advertising revenue reflected 2% growth in agriculture-related advertising, offset by weakness in national and classifieds advertising. Excluding the impact of closures and frequency changes, advertising revenue reduced 10%.

"Circulation revenue declined, reflecting lower retail volumes.

"Other revenue growth of 12% benefited from a strong performance from Fairfax Marketing Services which provides commercial solutions for small to medium-sized businesses. Together with improved digital advertising, ACM's total digital revenue delivered double-digit growth.

"The cost improvement of 9% reflected the achievement of the remaining transformation benefits and continued cost savings initiatives. This underpins ACM's considerable cash flows which we will continue to optimise."

New Zealand Media

Mr Hywood said: "In New Zealand, total revenue was down 7% in local currency terms. Digital revenue growth of 29% was offset by lower print advertising due to weakness in retail, motors and leisure categories. Circulation revenue declined 5% for the year with stabilisation in the second half reflecting improvements in yield.

"Ongoing cost management delivered a 6% reduction in operating costs, notwithstanding further investment in digital, underpinning stable margins in the second half.

"We are appealing the New Zealand Commerce Commission's decision to block the proposed merger of Fairfax New Zealand with NZME. This will be heard before NZ's High Court in October.

"During the whole of the year-long NZCC process, Fairfax NZ continued to develop a standalone strategy to develop new revenue streams, recognising the ongoing structural challenges of print. Notwithstanding the outcome of the appeal process, our New Zealand business has the tremendous digital growth platform of Stuff at its core and has commenced the rationalisation of regional titles including via frequency changes."

Macquarie Media Limited

Mr Hywood said: "Macquarie Media revenue was down 1%, which was broadly consistent with the market. Cost and operational synergies, together with licence fee relief in H2, delivered 26% uplift in EBITDA and improved EBITDA margin from 18% to 23%."

Dividend

A dividend of 2¢ per share (100% franked) will be paid on 12 September 2017 to shareholders registered on 28 August 2017.

Current Trading Environment

Trading in the first six weeks of FY18 saw revenues around 4% below last year.

- Domain's digital revenue growth was 26% and total revenue growth was 16%.

  - Year-on-year comparisons are affected by the unusually weak listings environment in July 2016 due to the Federal election.
  - FY18 revenue trends are expected to be more in line with FY17 H2 (i.e. digital revenue up 22%; print revenue decline 14%).
- Publishing trends were broadly consistent with FY17 H2.

For FY18, Domain's costs are expected to increase approximately 13% from FY17's $206 million (10% like for like excluding acquisitions).

Across the Fairfax Group we continue to implement cost savings measures.

Investor Briefing

An investor briefing (teleconference and webcast) on these results will be held today at 10:30am (AEST).

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

Teleconference: Please quote conference ID 769556#
Toll Free 1800 558 698 or +612 9007 3187

Ends

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