FAIRFAX MEDIA LIMITED
2014 RESULTS ANNOUNCEMENT

SYDNEY, 14 August, 2014: Fairfax Media Limited [ASX:FXJ] has reported a net profit after tax of $224.4 million for the 2014 financial year, an improvement on the $16.4 million loss recorded in the prior year. This result includes profit on significant items after tax of $66.7 million.

The significant items after tax include gains from the sales of Stayz and other controlled entities totalling $100.4 million, offset by restructuring and redundancy costs of $16.9 million and impairments of property, plant and equipment of $16.8 million, mainly relating to print site closures.

The Company reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for continuing businesses of $306.4 million, excluding significant items, up 1.8% on the prior year.

Statutory Results Summary

- Revenue of $1,972.7 million, down 3%.
- Significant items after tax totalling $66.7 million.
- Net profit after significant items and tax of $224.4 million, an improvement on the $16.4 million loss in the prior year.
- Cash flow from trading activities of $284 million.
- Net debt reduced by $222 million with net cash of $68 million at year end.
- Dividend of 2¢ per share fully franked, consistent with interim and double the H2 FY13 dividend, bringing the total for the year to 4¢ per share fully franked, a payout ratio of 59.7%.

Underlying results for continuing businesses excluding significant items

- EBITDA increased 1.8% to $306.4 million.
- Net profit after tax increased 79.6% to $154.8 million.
- Earnings per share of 6.6¢, up 79.6%.

Chief Executive and Managing Director Greg Hywood said: “Transforming a business as diverse as Fairfax was always going to be a multi-year journey. Our achievements to date are reflected in the stable operating earnings performance announced today, a result that has been achieved despite continued structural change in our markets. We have been heartened by the performance of the business.

“We are in a net cash position and we’ve strongly grown earnings per share. Today’s result underlines the ability of Fairfax to deal with the enormous structural changes impacting upon the industry. We have stabilised earnings and have completely remade a legacy-based, vertically-integrated newspaper business into a genuinely multi-platform media company. We are now a leaner, more agile business.

“Our business model extends our media core into a broadly based services business – marketing services, property services and data services. This provides the basis for future investment focus and the development of new revenue streams, all driven by our fundamental capabilities as a leading news and media business.

“We are in a position to use our balance sheet to build and invest in new business areas where our content gives us competitive strength – including education, travel, health and lifestyle – as we continue our transformation.”

Metropolitan Media

Mr Hywood said: “Improved profitability from Metropolitan Media was a highlight of the full year, with EBITDA of $120.9 million up 41.3% on the previous corresponding period. Contributing to this result was revenue from digital subscriptions that were launched at the beginning of the financial year, growth in the Domain Group and an ongoing focus on cost. Advertising revenue remained challenged in the 2014 financial year with print revenue declines of 24%. Digital advertising revenue increased by 6%.”

Publishing

“While the Metropolitan Media division recorded an underlying revenue decline of 6.3%, digital subscriptions for The Sydney Morning Herald, The Age and The Australian Financial Review are making an increasingly significant contribution, generating total revenue of $24 million during the financial year, $19.2 million higher than a year ago,” Mr Hywood said.

“In early August, The Sydney Morning Herald and The Age had more than 140,000 paid digital subscribers, and an additional 111,000 eligible print subscribers who have signed up for digital access. The contribution of digital subscriptions together with our focus on profitable print circulation saw underlying circulation revenue increase 11.4% for the year.”

The Domain Group

Mr Hywood said: “Domain continued to accelerate its digital growth and manage declines in print. Domain’s online revenue grew 40.5%, driving digital EBITDA growth of 47% as margins expanded. Tight cost control across the print and digital operations contributed to a 38.8% increase in Domain’s EBITDA to $57.6 million.

“Domain’s online revenue (excluding Australian Property Monitors, Commercial Real Estate, Property Data Solutions and Commerce Australia) was 33% higher than the prior year.

“Premium depth products continue to drive Domain’s growth, increasing 61% year-on-year, and now contributing 63% of digital revenue. Market-leading mobile apps continue to be a source of differentiation, with the majority of all digital visits to Domain now coming from mobile devices.

“Domain continues to increase its penetration across Australia and is seeing impressive growth in the number of sales leads generated for real estate agents, up 43% in the key market of Sydney and up 32% nationally. Domain had more than 8,550 agent subscribers at the end of the financial year, which was 12% higher than the prior year, representing approximately 80% market penetration.

“Domain continued its national expansion strategy with the acquisition of property data business Property Data Solutions (PDS) for approximately $30 million in December 2013. PDS provides property data research to more than 5,000 subscribers with the majority being real estate businesses. The acquisition of Canberra’s leading real estate listings business Allhomes was announced in July 2014, subject to regulatory approval.”

Digital Ventures

Mr Hywood said: “Digital Ventures remained focused on managing our digital portfolio for value by building, growing and investing in digital businesses including via international and local partnerships.

“Investments made by Digital Ventures during the year included a minority interest in Sydney-based digital health services company Healthshare in November 2013, and a joint venture with leading international job search engine Adzuna to provide a major new platform for recruiters and job seekers in Australia.

“The merger of RSVP and Oasis Active, announced in June 2014, brings together two of Australia’s largest online dating services businesses. Fairfax holds a 58% interest in the merged entities.

“There were a number of strategic divestments during the financial year, including the sale of Stayz in December 2013 for approximately $220 million and the sale of InvestSMART in August 2013 for $7 million.”

Australian Community Media

“Australian Community Media (ACM), which includes our regional and agricultural mastheads and NSW community titles, continued to experience revenue declines in the year, with some moderation in the rate of decline in the second half,” Mr Hywood said.

“Advertising revenue in the segment was down 16.1% or 12.2% on an underlying basis. Drought in the Eastern states, a downturn in the resources sector and lower federal national government and national brand advertising expenditure were contributing factors. Underlying EBITDA was down 15.4%.

“A lot of heavy lifting has been done across the company and the timing is now right for ACM to fully embrace new ways of operating. The recent solid improvement in Fairfax’s other publishing businesses has shown us that if we make the right changes we will ensure the long-term viability of our newspapers and websites.

“Having completed our review of ACM, today we are announcing a flatter management structure for the business and an operating model based upon local editorial and sales forces, underpinned by a more centralised services model. Put simply, what we are doing is building a modern, stronger rural and regional media network.

“Our focus isn’t on closing newspapers or leaving markets. It’s more likely that we will see limited consolidation of papers where there is significant overlap of readership or where it makes business sense.

“The changes bolster the long-term viability of our newspapers and websites. We expect to deliver annualised savings of around $40 million by 2016. There is a one-off cost of $40 million in FY15 involved in achieving these savings.”

New Zealand Media

Mr Hywood said: “Underlying revenues in our New Zealand business were down 3.4% in local currency terms on the previous corresponding period. A new business structure and marketing practices were implemented in the second half, driving revenue growth and cost reduction. The changes have contributed to the improved trend in second half profitability, with EBITDA up 3.1% for the year, notwithstanding some investment in growth initiatives.

“The New Zealand print advertising market is not experiencing the same rate of decline seen in the Australian market. Advertising revenue received some benefit from the strong agricultural sector, stabilisation of property advertising and local government spending. However, we saw weakness in a number of categories including retail and employment.”

Radio

Mr Hywood said: “Radio experienced a decline in revenue of 6% for the year which was disappointing. There has been significant talent churn in the industry in the last six months. We have strengthened our line-ups. Our offering has been refreshed at five of the seven stations. Sales teams have been restructured to have a national focus resulting in new sales leadership in Brisbane, Sydney and Melbourne. Melbourne’s 3AW and 96fm in Perth continue to have strong ratings and audience share.”

Balance Sheet

Mr Hywood said: “We finished the 2014 financial year with a strong balance sheet which positions us well to build our current businesses and invest for the future. Following receipt of proceeds from the sale of Stayz, we finished the year with net cash of $68 million, an improvement from net debt of $154 million at June 2013.”

Fairfax of the Future

“Fairfax continued to deliver against its Fairfax of the Future transformation objectives and targets,” Mr Hywood said. “The program delivered an incremental EBITDA contribution of $120 million in FY14. We are on track to achieve targeted savings of $311 million in FY15.

“We continue to identify further opportunity for operational cost savings. As part of our transformation, we are making pleasing progress in growing several new revenue initiatives.”

Dividend

A fully franked dividend of 2¢ per share will be paid on 9 September 2014 to shareholders registered on 26 August 2014, bringing total dividends for the year to 4¢ per share, a payout ratio of 59.7%.

Current Trading Environment

Trading in the first five weeks of FY15 H1 saw revenues 1-2% below last year.

– ENDS –

An investor briefing (teleconference and webcast) of these results will be held today at 11:30am (AEST). Media can listen to teleconference but not ask questions during the call.

- **Teleconference** Please quote conference ID 882055#
  Australia – Toll Free 1800 558 698 or 1800 809 971
  New Zealand – Toll Free 0800 453 055
- **Webcast** www.fairfaxmedia.com.au/investors/financial-results

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