



24 August, 2009

FAIRFAX MEDIA WELL POSITIONED FOR RECOVERY IN ADVERTISING MARKETS

Fairfax Media Limited (ASX: FXJ) today announced underlying earnings before depreciation, interest and tax (EBITDA) for the 2009 financial year of \$605.0 million, down 27.2% on the prior year. Including impairment and other significant items, a net loss after tax of \$380.0 million has been incurred.

Over the past financial year, the Company has faced a business environment unprecedented in its long history.

Three factors have had a major impact:

- the speed of the economic slowdown, especially in the second half
- cuts to discretionary advertising
- the necessity to respond to the online challenges

Internationally, there have been newspaper closures and many media organisations have struggled financially. What has come out of this for Fairfax is a clearer sense of the value of the Fairfax brands and its significant media footprint in Australia and New Zealand.

Over the past year, Fairfax has implemented a number of initiatives, covering financial issues, people working together and business improvement. Each of these has helped the Company meet the challenging environment and to create the shape of the future organisation.

Financial performance

Financial performance for the 2009 financial year reflects a fundamentally profitable business, with a number of one-off charges.

Underlying Results (excluding Impairment and Significant Items)

- Total revenue down 10.6% to \$2.60 billion
- Total costs of \$2.0 billion, down 4.3%
- EBITDA of \$605.0 million, down 27.2%.
- Net profit after tax of \$226.7 million, down 40.0% (including SPS dividend)
- Earnings per share of 12.4 cents, down 47.0%

(Note: 2008 comparative EPS adjusted for non-renounceable rights issue)

Reported Statutory Results

- Net loss after impairments, significant items and tax of \$380.0 million, compared to a profit of \$386.9 million in 2008
- Impairments and Significant items of \$664.3 million before tax
- Net debt reduced by \$734 million from June 2008 level

Underlying EBITDA of \$605 million, which is slightly above market consensus, reflects the fundamentally profitable Fairfax business despite a net loss after tax of \$380 million including impairment and significant items. Operating cash flow of over \$384 million further reflects the fundamental strengths of the Company.

Of the one-off impairment and significant items of \$664.3 million, \$513 million relates to a reduction in carrying value of mastheads and goodwill.

Following the \$624 million capital raising in March/April, and other debt reduction initiatives, the company's net borrowings have reduced to \$1.78 billion. Interest costs will reduce next year and the Company is well within covenant limits.

During the year, the Company has distributed dividends representing over 16% of earnings, excluding impairment and significant items. In view of the economic environment, Directors have resolved to retain funds in the business and not pay a final dividend. The Company will maintain its dividend policy to distribute approximately 20% of net profits until financial conditions improve.

Fairfax revenue for the year is approximately 80 per cent from publishing, 10 per cent from online businesses and 10 per cent from a combination of printing and broadcasting. The core strengths of Fairfax brands, and quality journalism provide a foundation for its strategy. Over the past year Fairfax implemented four initiatives aimed at dealing with the business environment:

1. *Business opportunities*

This has included streamlining sales across print and online, rolling out classified brands across mastheads, the planned launch of The National Times online and centralising the Canberra bureau.

2. *People Working Together*

Changes have been introduced and continue to be implemented on how Fairfax is managed. By giving an emphasis to people working together across titles in print and online as well as training, these changes are establishing a new Fairfax.

3. *Balance Sheet*

The balance sheet was strengthened by a capital raising of \$624 million which, together with the sale of Southern Star and solid operating cash flows, enabled a \$734 million reduction in debt, while maintaining normal capital investment.

4. *Lowering the cost base*

From a combination of better technology and changed business processes, the cost base has been reduced by 4.3 per cent for the full year. In the second half alone, costs are down 13.6% on the corresponding period.

These initiatives assist Fairfax through a lower revenue environment, better prepare the organisation for the changing media future, and position us for when advertising markets recover.

FY09 Operations

The impact of the economic downturn was greater in the second half of the year.

All publishing operations suffered from lower advertising revenue and EBITDA. Regional, community and specialist publishing have not been affected as much as metropolitan publishing in Australia and New Zealand publishing.

The positive areas were the online businesses. Fairfax Digital increased revenue with EBITDA down slightly while the New Zealand TradeMe businesses increased revenue and EBITDA.

Revenue and EBITDA for the Printing and Broadcasting business units (on a like-for-like basis), were both down.

Commentary

Chairman of Fairfax Media, Mr Ronald Walker, said that even in difficult business conditions, the strength of Fairfax was apparent and management initiatives this year positioned the Company better for when the economy improved.

Managing Director of Fairfax Media, Mr Brian McCarthy, added that financial performance was the best that could be achieved in an unprecedented and difficult business environment.

“Among the challenges we’ve faced have been reshaping Fairfax for the future at the same time as dealing with depressed advertising markets. The emerging company will be a stronger force in the market place,” Mr McCarthy said.

Current Trading Conditions

Trading results for the first seven weeks of the new financial year indicate that the decline in advertising revenues appears to have bottomed but a material recovery in advertising demand has not yet commenced.

Influential factors on performance in the year ahead will be lower interest charges, a lower cost base, a team approach to entrenching Fairfax brands, and online businesses that will improve further as business conditions recover.

In addition, the Company will continue to examine strategies that enhance our existing operations and provide growth prospects for the Group.

-- ENDS --

For further information

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Fairfax Media Limited

Fairfax Media is Australasia’s most diversified media company, with 434 publications, 284 websites, 15 radio stations and 24 printing centres in Australia, New Zealand and the United States.