FAIRFAX OF THE FUTURE

SYDNEY, **18 June 2012:** Fairfax Media Limited [ASX:FXJ] has today announced fundamental changes to the Company. The changes are focused on three objectives:

- Positioning the Metro Media business to address further structural movements and provide flexibility to move the business to a digital-only model if that is what is required in the future;
- Reducing group-wide costs and corporate overhead in line with the revised business structure; and
- Strengthening the Fairfax Media balance sheet during a period of restructuring costs.

Metro Media

Fairfax Media is the clear market leader on digital platforms and continues to grow its audience base. From this position it is seeing an acceleration of content being consumed on digital platforms.

The Sydney Morning Herald and The Age now attract 7 million high-quality unique users to the mastheads every month. This represents a 25% increase over the last five years, with around 65% of all readers of The Sydney Morning Herald and The Age now accessing Fairfax journalism through digital means – online, tablet, smartphone or smart TV.

While Fairfax Media's print circulation remains meaningful and the Company has been working hard to boost Metro revenue and implement major cost cutting initiatives over the past 12 months, the profitability of the Metro business will come under further pressure with its current legacy cost base.

Four changes announced today will provide Metro Media with the business model and cost base to match the reduced significance of print readership to an increasingly digital business.

1. Metro Mastheads to Move to Compact Format: The Sydney Morning Herald and The Age will move to "compact" formats similar to The Australian Financial Review, with the first copy to be released on 4 March 2013. This format will be more reader friendly while editorial standards will be unchanged, and existing content will be retained.

2. Digital Subscriptions Introduced to Metro Mastheads: Digital subscriptions will be implemented across The Sydney Morning Herald and The Age during the first quarter of calendar 2013. A "metered" model will be adopted with a base level of free access to the websites retained. The pricing and plans for digital subscriptions will be announced by the end of 2012.

3. Closure of Chullora and Tullamarine: It is proposed that the Chullora and Tullamarine printing facilities be closed by June 2014. Both sites were commissioned when almost all of Metro Media's content was delivered through the printed newspaper. They have legacy presses with significant surplus capacity which is no longer required. It is proposed that printing of Metro papers will be reallocated to the Fairfax printing network.

4. Digital-First Editorial Model: The editorial function will be restructured to ensure full integration across our digital, print and mobile platforms. There will be increased flexibility with greater sharing of editorial content across geographies and across platforms.

Increasing and Accelerating Fairfax of the Future

Fairfax announced on 23 February 2012 that cost savings from the Fairfax of the Future program were expected to reach annualised savings of $170 million by FY2015.

Current progress is ahead of schedule, and we will now move to further accelerate implementation of the cost savings previously identified together with a number of additional cost-saving initiatives. In aggregate, this will result in a reduction in staff of 1,900 over the next three years.

Together with the proposed closure of Chullora and Tullamarine printing facilities, total savings are now expected to be $235 million on an annualised basis by June 2015. Of this total, $215 million will be achieved by June 2014.

The one-off costs associated with achieving these cost savings are expected to be approximately $248 million on a net basis including proceeds from expected land sales.

Strengthening the Balance Sheet

Fairfax has executed a fully underwritten share placement for the sale of 59.4 million Trade Me shares to reduce its interest from 66% to 51%.

The shares are being sold at a price of A$2.70 per share and will provide Fairfax with approximately A$160 million of proceeds. This selldown is on an EV/EBITDA (2012F) multiple of 14.6x based on Prospectus forecasts, and compares with a price per share equivalent to A$2.05 at the time of the IPO of Trade Me in December 2011.

The selldown of Fairfax's Trade Me interest will strengthen Fairfax's balance sheet and is prudent in the context of the current environment and planned restructuring.

As a result of the sale, Fairfax will have net debt, excluding the consolidation of Trade Me's net debt, of approximately $800 million.

Fairfax remains highly supportive of the Trade Me business and intends to retain a majority shareholding.

Conclusion

Commenting on today's announcements, Chief Executive and Managing Director Greg Hywood said: "No one should be in any doubt that we are operating in very challenging times. Readers' behaviours have changed and will not change back. As a result, we are taking decisive actions to fundamentally change the way we do business.

"The changes announced today have been selected after considering the merits of a full range of structural alternatives, including a demerger. The package of strategic initiatives is bold, and several are difficult, particularly as they will impact on some of our people. However, we believe that they are in the best interests of Fairfax, our shareholders, and ultimately the majority of our people. They are necessary to ensure Fairfax retains its position as a leading independent media company and a key voice in our markets.

"The evolution of The Sydney Morning Herald and The Age to compact formats and the implementation of digital subscriptions for these mastheads are landmark events for Fairfax. Our investment in quality journalism and our editorial standards will not be compromised and will continue to underpin our success."

– ENDS –

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Contacts:
Brad Hatch
Manager of Communications
+61 2 9282 2168

Fairfax Media

Fairfax Media

Strategic Initiatives—Investor briefing

18th June 2012

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Agenda

A. Executive Summary

B. Detailed Strategic Initiatives

   1. Metro mastheads move to compact format
   2. Digital subscriptions introduced across digital platforms
   3. Closure of Chullora and Tullamarine printing plants
   4. Accelerating Fairfax of the Future
   5. Digital-first editorial model
   6. Strengthening the balance sheet

C. Integrated multi-platform model vs demerger

D. Conclusion

Fairfax Media

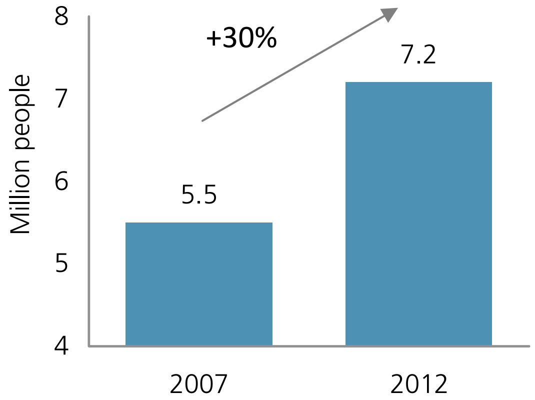
Fairfax Media

A. Executive Summary

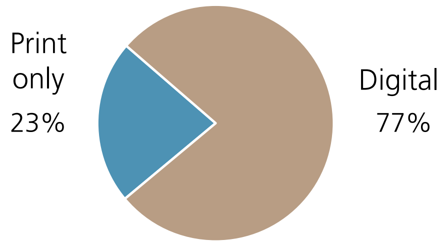
A. Background and context

In our core Metropolitan Media business (SMH and The Age) …

Our total audience continues to grow …



… the way our readers consume news is changing …



… however, our business is currently based around our legacy print cost base

After a detailed 12 month review, we are taking decisive action to restructure our business model to better reflect audience and advertising trends

Fairfax is today announcing fundamental changes to the way we do business.

Source: Roy Morgan Data Mar 2012 v Mar 2007. Fairfax Metro Print = SMH M-Sun net & Age M-Sun net, Good Weekend, Sunday Life, The Sunday Magazine, The Melbourne Magazine. Fairfax Digital = Any Fairfax site last 4 weeks.

Note: Online audience estimate is regarded as very conservative

A. Strategic Initiatives

1 The SMH and The Age to become "compact" format

- New format to be introduced on Monday 4 March 2013
- Format similar to The AFR
- More user friendly for readers
- Global precedents show acceptance amongst a wider audience
- No change to commitment to independent journalism

2 Introduction of digital subscriptions for Metro

- Effective by first quarter calendar 2013 across all digital platforms
- "Metered" model being adopted for websites with a base level of free access
- Enables monetisation of Fairfax's unique quality content
- Plans and pricing details to be announced by the end of calendar 2012

3 Closure of Chullora and Tullamarine printing plants

- Legacy presses which now have surplus capacity
- Chullora and Tullamarine plants closed by June 2014
- Remaining printing network to be used for SMH and The Age
- Annual cost savings of $44 million
- One-off cash costs $40 million (net)

4 Increasing and accelerating Fairfax of the Future

- Previously announced $170 million of annualised cost savings by FY15
- Current progress ahead of schedule
- New cost saving initiatives identified
- Total expected reduction in staff (including Chullora and Tullamarine printing plant closures) of 1,900
- New target of $235 million of annualised cost savings by FY15

A. Strategic Initiatives

5 Digital-first editorial model

- To be unveiled in the next fortnight
- Implementation from July 2012
- Digital-first editorial model across Sydney, Melbourne and Canberra
- Full editorial integration across print, digital and mobile platforms
- More flexible editorial staffing model

6 Strengthening the balance sheet

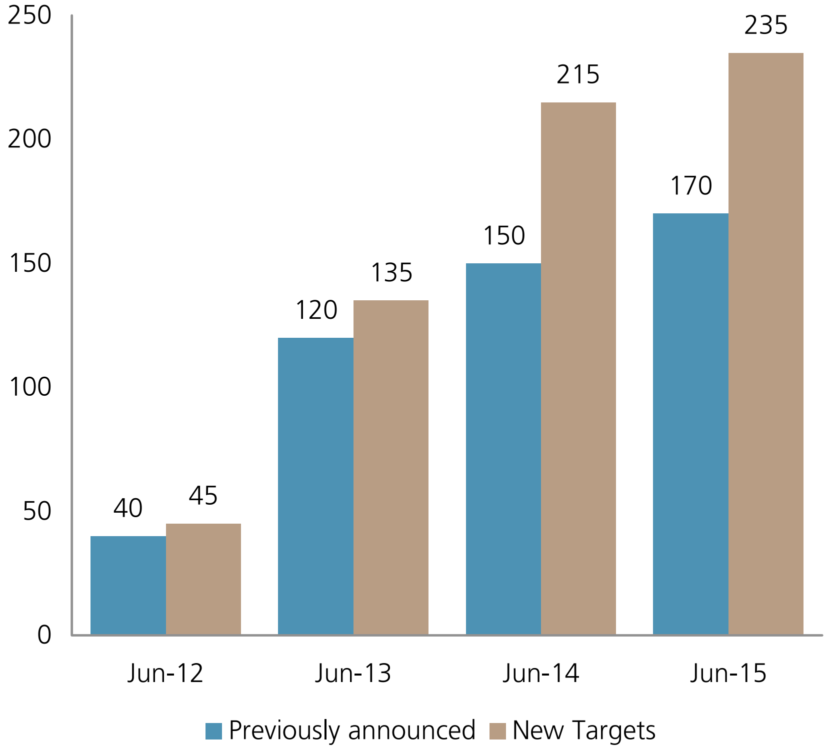
- Trade Me selldown to 51%
- Underwriting agreement executed
- Proceeds of approximately A$160m
- Further strengthens our balance sheet during a period of restructure costs
- Fairfax net debt of approximately $800 million (excluding consolidation of Trade Me debt)
- Fairfax intends to retain a majority shareholding

Fairfax Media

A. Financial Impact of the Strategic Initiatives

The cost initiatives announced today increase and accelerate the reductions previously announced

Annualised run-rate savings ($m)



Transformation costs

- Estimated cash costs of Chullora and Tullamarine plant closures of $40m (net of land sales)
- Estimated Fairfax of the Future one-off restructure costs of $208 million
- Total cash one-off costs of $248 million (net of land sales)

Balance sheet

- Proceeds from Trade Me selldown of approximately A$160 million
- Fairfax net debt of approximately $800 million (excluding consolidation of Trade Me debt)
- Selldown provides flexibility in meeting restructure costs
- Impairment testing process will be completed as part of the annual financial year end audit process (any impairment will be a non-cash item)

Fairfax Media

B. Detailed Strategic Initiatives

B1. The SMH and The Age to become compact format

- Strong readership support for a change to a compact format
- A compact paper is more accessible and convenient, especially for commuters
- Market research confirms advertisers to be supportive of the compact format
- There is a clear global trend towards compact—e.g. The AFR, The Times, The Independent, Boston Herald

Fairfax Media

Note: Images are indicative designs only and not to relative scale

B1. The SMH and The Age to become compact format

No change to our commitment to independent journalism

- Continued investment in quality journalism
- New page and section layouts
- Innovative advertising formats
- Existing inserts (e.g. Domain) remain unchanged
- Based on reader feedback, the Domain insert will be distributed on Fridays

The new compact format SMH and The Age will be released on Monday 4 March 2013

Key contents	Broadsheet	Compact
News	✓	✓
Editorial	✓	✓
Business	✓	✓
Sport	✓	✓
Crosswords	✓	✓
Letters	✓	✓
Weather	✓	✓
Domain	✓	✓
Drive	✓	✓
MyCareer	✓	✓

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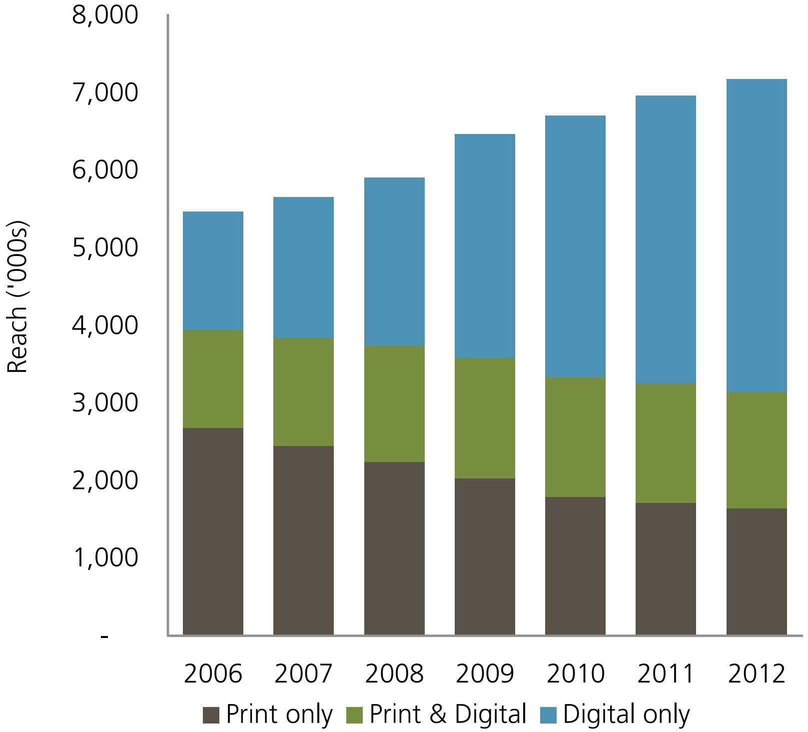
B2. Digital subscriptions introduced across Metro platforms

The use of digital platforms to access our online content has grown rapidly

Fairfax audience by media type



Source: Roy Morgan Data June (2006-2011); March (2012). Fairfax Print = SMH M-Sun net & Age M-Sun net, Good Weekend, Sunday Life, The Sunday Magazine, The Melbourne Magazine. Fairfax Digital = Any Fairfax site last 4 weeks.

Note: Online audience estimate is regarded as very conservative

- SMH.com.au is the most popular news site in Australia[1]
- afr.com is the clear market leader in financial news with a well established subscription model
- Last year, total digital audience for smh.com.au and theage.com.au topped 5 million for the first time
- Fairfax online tablet applications are the leaders in Australia with over 570,000 SMH and The Age tablet apps. downloaded to date[2]

Source: 1 Nielsen Online Ratings—News and Information (April 2012)

2 AppFigures as at the end of May 2012

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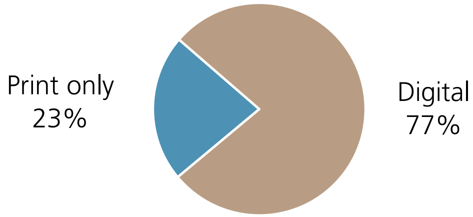
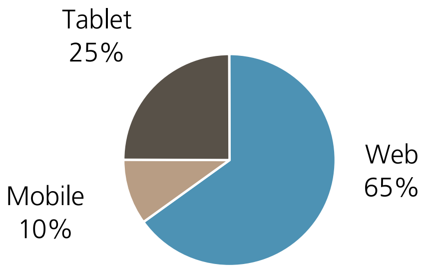
B2. Digital subscriptions introduced across Metro platforms

Over 75% of reader interactions now occur in a digital form

Fairfax audience by media type[1]



Fairfax digital consumption by media type[2]



- Digital consumption is now the primary platform for news and content
- To date, access has been free. Whilst this has driven digital traffic it has impacted print circulation
- By first quarter calendar 2013, The SMH and The Age will introduce digital subscriptions
- A "metered" model is being implemented which will provide a base level of free content
- Traffic to remain a key consideration to maintain display advertising revenue
- Bundling to provide benefits to home delivery print subscribers
- Plans and pricing will be announced by the end of calendar 2012

Source: 1 Roy Morgan Data Mar 2012 v Mar 2007. Fairfax Metro Print = SMH M-Sun net & Age M-Sun net, Good Weekend, Sunday Life, The Sunday Magazine, The Melbourne Magazine. Fairfax Digital = Any Fairfax site last 4 weeks. Note the online audience estimate is regarded as very conservative

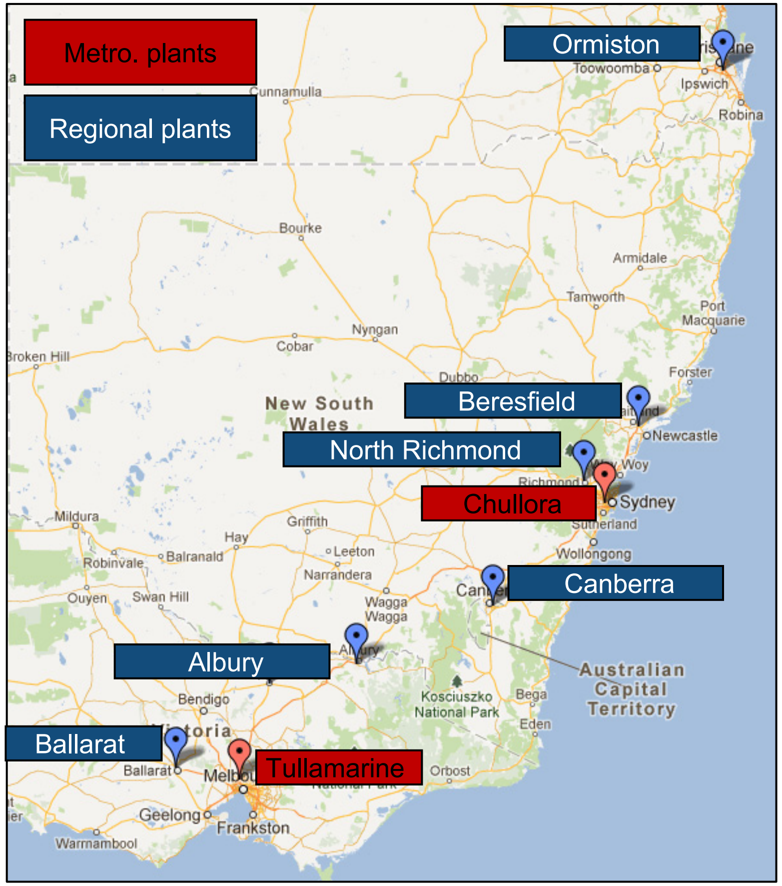
2 Based on The SMH and The Age monthly page views; Web based on Nielsen Online Ratings 2012; Mobile based on Nielsen Mobile Market intelligence and Omniture Site Catalyst; Tablet based on Omniture Site Catalyst and Google Analytics

Fairfax Media

B3. Closure of Chullora and Tullamarine printing plants

- The SMH and The Age are currently printed at Chullora and Tullamarine
- These facilities were commissioned when all of our content was delivered via print
- With the increasing transition to digital distribution, these are becoming legacy assets with significant surplus capacity
- Proposal to close Chullora and Tullamarine with printing for the SMH and The Age being transferred to surrounding sites
- Fairfax's printing network provides flexibility for printing of the compact metro papers
- We have developed a detailed implementation plan with contingencies to mitigate risk
- Transition will commence immediately with full implementation by June 2014

Printing sites



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B3. Closure of Chullora and Tullamarine printing plants

Cost analysis

- Due to their capital intensity and excess capacity, printing at the existing facilities has a very high marginal cost
- Significant printing costs can be removed by closing Chullora and Tullamarine and reallocating volumes to utilise capacity and deriving economies of scale from the remaining sites
- Indicatively, each $100 of operating costs at the two plants to be closed will be reduced to $38 of costs to be incurred at the remaining sites to print the SMH and The Age

Financial impact

- Annualised cost savings expected to be $44 million per annum
- Full benefit from June 2014

Realisation cost (cash)

- Costs to achieve the restructure are expected to be:

Redundancies	$63 million
Plant transfer and capex	$42 million
Land sales	$(65)+ million
Total	$40 million

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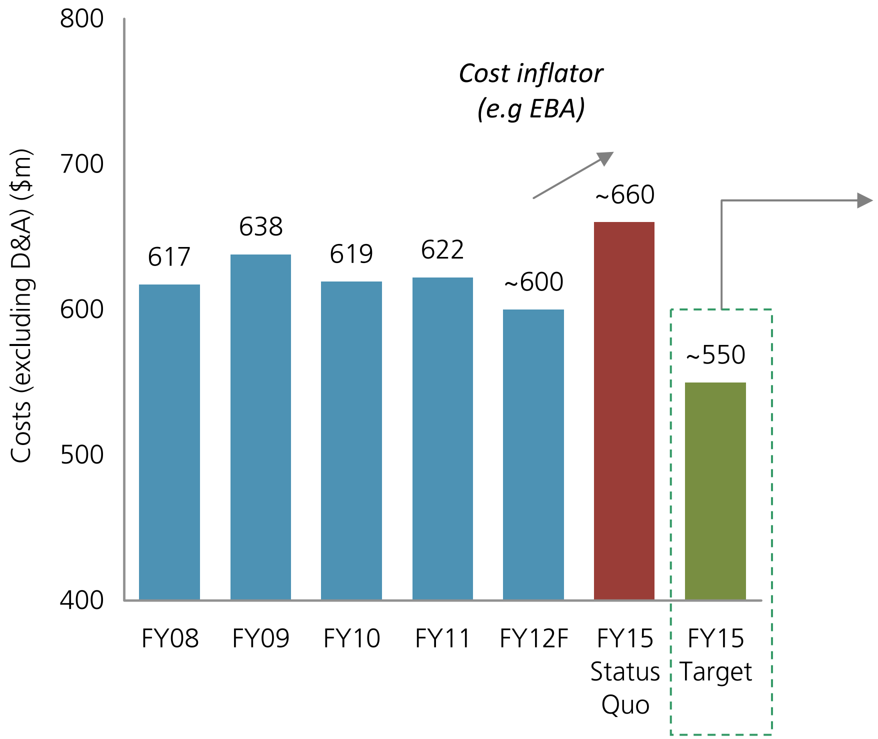
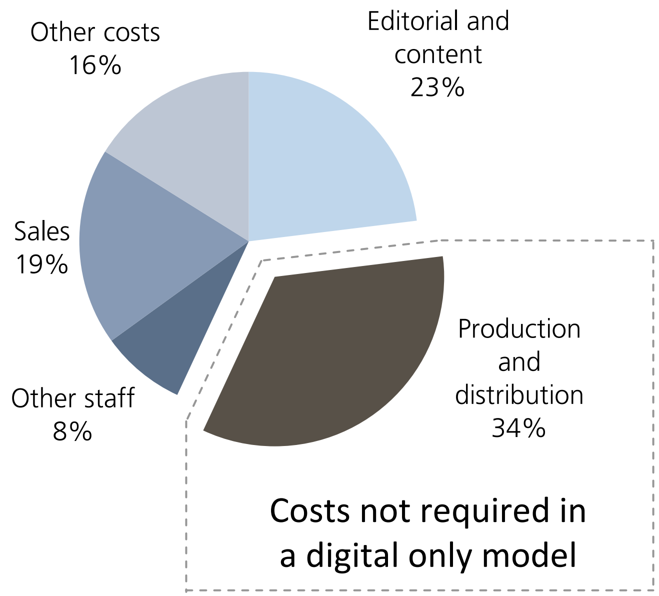
B3. Metro Media – The Future

Metro Media's cost base will have a step change reduction …



Note: Includes The SMH, The Age, Magazines, Events, Syndications, Digital Media, print classifieds, Chullora and Tullamarine print sites

… the cost base will also become more flexible



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B3. Metro Media – The Future

For so long as Metro print revenue remains substantial (currently c.$500m), it is not economical to move to a digital only model

However, the Strategic Initiatives provide Fairfax with significant flexibility to adjust the business model to reflect audience and advertising trends

June 2012 Implementation Plan:

Profitable Print and Digital Model

If:

- Metro print revenue remains material

Then:

- The reduced cost base increases Metro. Media print profitability
- $248 million one-off cash costs to implement the Strategic Initiatives
- Positioned to benefit from cyclical improvement
- Continue profitable multi-platform model across print and digital
- Further cost reduction initiatives if required

With an option to move to:

Profitable Digital Only Model

If:

- Metro print advertising and circulation revenue declines materially

Then:

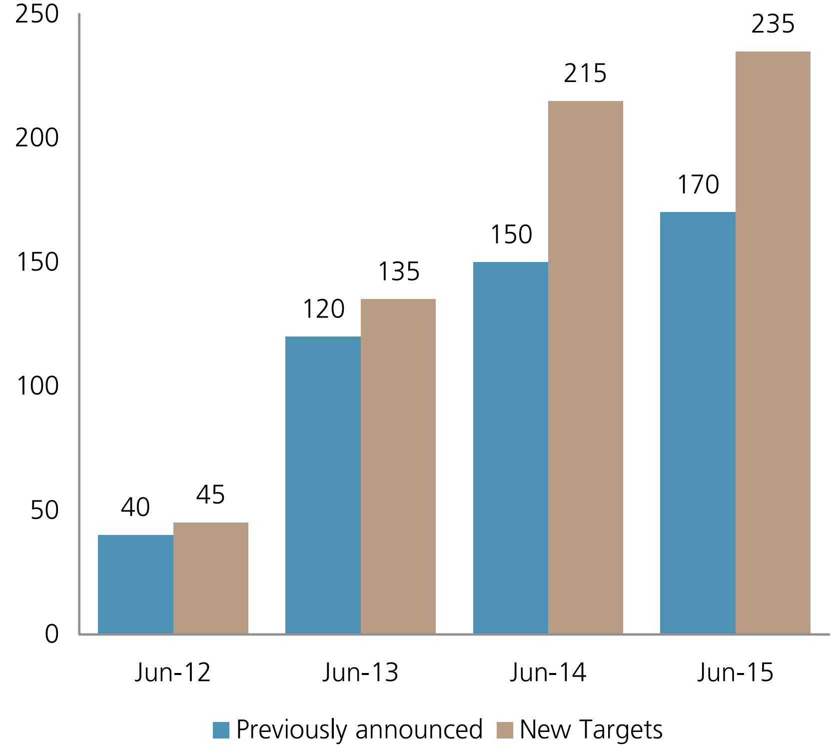
- Transition to a digital only model
- Further step-change in costs
- Additional one-off cash restructuring costs estimated at c.$200 million
- Digital revenue growth to support the lower cost base

B4. Increasing and accelerating Fairfax of the Future

- On 23 February 2012, Fairfax announced targeted run-rate savings of $170 million by FY15, as part of the Fairfax of the Future plan
- New initiatives have been identified and will include $21 million of reduced corporate and Metro Media costs
- Together with the new initiatives, including $44 million of savings from the closure of Chullora and Tullamarine, annualised cost savings of $235 million are now expected by FY15
- Total expected reduction in staff (including Chullora and Tullamarine printing plant closures) of 1,900
- One-off cash costs to achieve savings are estimated to be $248 million (net) including Chullora / Tullamarine closure

Fairfax of the Future targets

Annualised run-rate savings ($m)



Fairfax expects to reduce its cost base by $235 million within 3 years

Fairfax Media

B6. Strengthening the balance sheet—Trade Me selldown to 51%

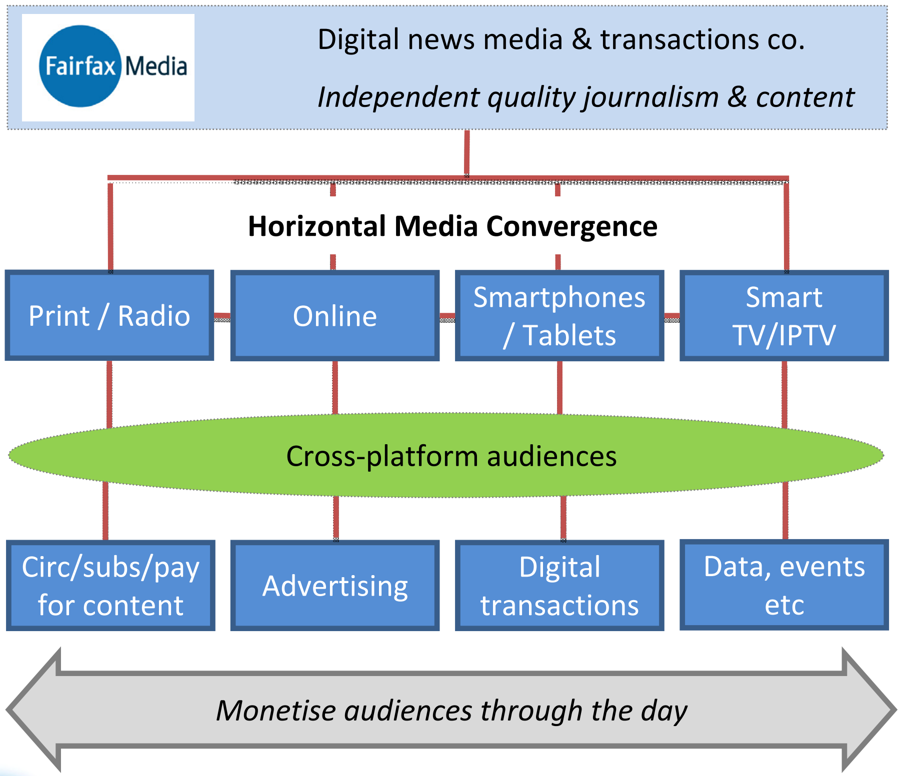
Trade Me selldown to 51%

- In December 2011, Fairfax sold a 34% interest in Trade Me via an IPO
- Shares were sold at the equivalent of A$2.05 per share or an equivalent Enterprise Value of A$938 million
- Fairfax has today agreed to sell a further 15% of Trade Me via a fully underwritten share placement
- Sale price of A$2.70 per share at an equivalent Enterprise Value of A$1,191 million representing 14.6x EV/EBITDA (2012F) based on Prospectus forecasts
- Fairfax will receive gross proceeds of approximately A$160 million
- On completion of the selldown, Fairfax will hold 51% of the issued capital of Trade Me and will continue to consolidate its earnings
- Fairfax intends to retain a majority shareholding in Trade Me

C. Integrated multi-platform model vs demerger

After a detailed analysis of structural alternatives, we remain committed to our integrated multi-platform strategy. We are restructuring our Metro business model as part of this integrated strategy

Integrated multi-platform strategy



Demerger does not add value at this time

- Loss of considerable synergy value
  - E.g. print sharing announced today, cross-platform sales, brand, audience, content and IP
- Regional Media will increasingly benefit from Metro digital skills
- Debt break fees and establishment costs
  - Including US Private Placement debt
- Cash required to be held by Metro to fund potential restructure costs
- Reduced debt capacity following structural separation and impact of transaction costs and restructure funding
- Demerger and duplicated head office costs

D. Conclusion

- The Board believes that the Strategic Initiatives announced today are in the best interests of shareholders
- In forming this view, the Board has considered other structural alternatives, including a possible demerger
- The Strategic Initiatives announced today:
  - Position our Metro business to address structural shifts and provide flexibility to move our business to a digital only model
  - Reduce group wide costs and corporate overhead in line with the revised business structure
  - Strengthen our balance sheet during a period of restructuring costs
- We remain committed to our integrated and diverse mix of multi-platform assets and are well positioned to leverage any cyclical upturn, whilst improving our flexibility to manage structural change

Fairfax Media