

# Appendix 4D and Half Year Financial Report

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

Results for Announcement to the Market

Directors' Report

Auditor's Independence Declaration

Consolidated Income Statement

Consolidated Statement of Comprehensive Income

Consolidated Balance Sheet

Consolidated Cash Flow Statement

Consolidated Statement of Changes in Equity

Notes to the Financial Statements

1. Summary of significant accounting policies

## Key Numbers

2. Revenues
3. Expenses
4. Significant items
5. Segment reporting

## Group Structure

6. Business combinations, acquisition and disposal of controlled entities
7. Investments accounted for using the equity method

## Operating Assets and Liabilities

8. Intangible assets

## Capital Structure and Financial Costs

9. Interest bearing liabilities
10. Fair value measurement
11. Equity
12. Dividends paid and proposed
13. Earnings per share

## Unrecognised Items

14. Commitments and contingencies
15. Events subsequent to reporting date

Directors' Declaration

Independent Auditor's Review Report

The half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3 and should be read in conjunction with the 2017 annual financial report.

## Appendix 4D

### Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

| Reported (all comparisons to the half year ended 25 December 2016)    |      |                 |    |          |
|---|------|-----------------|----|----------|
| Total revenue   | down | \$35.9m (3.9%)  | to | \$877.1m |
| Net profit from ordinary activities after tax attributable to members | down | \$45.2m (54.0%) | to | \$38.5m  |

#### DIVIDENDS

|  | Amount<br>per security | Franked<br>amount<br>per security |
|--|------------------------|-----------------------------------|
| <b>24 December 2017</b>  |                        |                                   |
| Interim dividend   | 1.1¢                   | 1.1¢                              |
| Record date for determining entitlements to the interim dividend | 28 February 2018       |                                   |
| <b>25 December 2016</b>  |                        |                                   |
| Interim dividend   | 2.0¢                   | 1.4¢                              |
| Record date for determining entitlements to the interim dividend | 7 March 2017           |                                   |

#### NET TANGIBLE ASSETS PER SHARE

|   | 24 December<br>2017 | 25 December<br>2016<br>Restated * |
|---|---------------------|-----------------------------------|
|   | \$                  | \$                                |
| Net tangible asset backing per ordinary share | <b>0.06</b>         | 0.08                              |
| Net asset backing per ordinary share          | <b>0.41</b>         | 0.44                              |

\* Certain numbers shown here do not correspond to the 2017 half year financial statements and reflect adjustments due to a change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 24 December 2017.

# Results for Announcement to the Market

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## Trading Performance

|   | Note | As reported             |                         | Significant items (iii) |                         | Trading performance excluding significant items |                         |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|---|-------------------------|
|   |      | 24 Dec 2017<br>6 months | 25 Dec 2016<br>6 months | 24 Dec 2017<br>6 months | 25 Dec 2016<br>6 months | 24 Dec 2017<br>6 months                         | 25 Dec 2016<br>6 months |
|   |      | \$'000                  | \$'000                  | \$'000                  | \$'000                  | \$'000  | \$'000                  |
| Total revenue   | (i)  | 877,091                 | 912,977                 | 3,918                   | 10,108                  | 873,173   | 902,869                 |
| Associate profits   |      | (286)                   | 596                     | -                       | -                       | (286)   | 596                     |
| Expenses  |      | (776,284)               | (774,330)               | (50,297)                | (15,928)                | (725,987)                                       | (758,402)               |
| <b>Operating EBITDA</b>   |      | 100,521                 | 139,243                 | (46,379)                | (5,820)                 | 146,900   | 145,063                 |
| Depreciation and amortisation                                   |      | (27,111)                | (18,259)                | -                       | -                       | (27,111)  | (18,259)                |
| <b>EBIT</b>   |      | 73,410                  | 120,984                 | (46,379)                | (5,820)                 | 119,789   | 126,804                 |
| Net finance costs   | (ii) | (4,586)                 | (4,608)                 | -                       | -                       | (4,586)   | (4,608)                 |
| <b>Net profit/(loss) before tax</b>                             |      | 68,824                  | 116,376                 | (46,379)                | (5,820)                 | 115,203   | 122,196                 |
| Tax (expense)/benefit   |      | (22,734)                | (27,209)                | 7,696                   | 4,678                   | (30,430)  | (31,887)                |
| <b>Net profit/(loss) after tax</b>                              |      | 46,090                  | 89,167                  | (38,683)                | (1,142)                 | 84,773  | 90,309                  |
| Net profit attributable to non-controlling interest             |      | (7,541)                 | (5,422)                 | 906                     | 184                     | (8,447)   | (5,606)                 |
| <b>Net profit/(loss) attributable to members of the Company</b> |      | 38,549                  | 83,745                  | (37,777)                | (958)                   | 76,326  | 84,703                  |
| <b>Earnings per share (cents)</b>                               |      | 1.7                     | 3.6                     |                         |                         | 3.3   | 3.7                     |

### Notes:

(i) Revenue from ordinary activities excluding interest income.

(ii) Finance costs less interest income.

(iii) Significant items are those items of such a nature or size that separate disclosure will assist users to understand the accounts.

Refer to Note 4 of the Fairfax Media financial statements for the half year period ended 24 December 2017 for further details of significant items for impairments, restructuring and redundancy and gains and losses on controlled entities, property, plant and equipment and investments consistent with prior period disclosures.

# Directors' Report

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

The Board of Directors presents its report on the consolidated entity of Fairfax Media Limited (the Company) and the entities it controlled at the end of, or during, the period ended 24 December 2017.

## Directors

The Directors of the Company at any time during the period ended 24 December 2017 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

### **NICK FALLOON**

Non-Executive Chairman

### **JAMES MILLAR, AM**

Non-Executive Director

### **PATRICK ALLAWAY**

Non-Executive Director

### **LINDA NICHOLLS, AO**

Non-Executive Director

### **JACK COWIN**

Non-Executive Director

### **MICKIE ROSEN**

Non-Executive Director

### **GREGORY HYWOOD**

Chief Executive Officer and Managing Director

### **TODD SAMPSON**

Non-Executive Director

### **SANDRA MCPHEE, AM**

Non-Executive Director

Resigned 2 November 2017

## Review of operations

The key highlights of the trading results of the Company for the period ended 24 December 2017 as compared to the corresponding period are:

- Net profit attributable to members after tax of \$38.5 million.
- Earnings per share of 1.7 cents.
- Revenue of \$877.1 million, down 3.9% from the prior corresponding period.
- EBITDA of \$100.5 million, down from \$139.2 million in the prior corresponding period.
- Significant items totalling \$38.7 million loss after tax relate to the impairment of intangibles and property, plant and equipment (\$28.2 million) and restructuring and redundancy charges (\$13.0 million). Offset by gains on controlled entities and investments (\$2.5 million).
- Net debt of \$155.9 million, compared with net debt of \$118.0 million at 25 June 2017.
- Interim dividend of 1.1 cents per share fully franked.

Domain became a standalone ASX-listed entity Domain Holdings Australia Limited (ASX:DHG) in November 2017. Fairfax has retained a 60% shareholding. Domain is a controlled entity of Fairfax. Domain EBITDA of \$58.6m increased 2% notwithstanding separation costs which were not reflected in the FY17H1 results. Revenue increased 13% with digital growing 22%, supported by residential depth revenue growth of 24% and strong growth from developers, commercial and transactions revenue. Print revenue declines of 12% reflect the transition to a digital business. Expenses increased 18% reflecting investment in the business and separation costs.

Australian Metro Media EBITDA increased by 8% with margin improvement. Revenue was down by 9% with publishing advertising revenue down 15%. Circulation revenue was below prior year by 4%, benefiting from strong growth in paid digital subscriptions and increases in cover prices, offset by declines in print circulation volumes. Costs declined 11% with savings in staff, technology and print production. Metro continues to deliver rapid innovation across consumer products and advertising while continuing to drive cost efficiency.

# Directors' Report (continued)

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## Review of operations (continued)

Australian Community Media EBITDA declined by 16% with revenue declines of 9% with stable contribution from agricultural-related advertising, offset by weakness in local and real estate revenue. Digital revenue increased 20%. Operating costs improved by 7%. During the half, six community titles and one speciality magazine were closed, with positive EBITDA contribution to be reflected in the second half.

New Zealand saw revenue down by 5% in local currency. Digital revenue growth of 33% was offset by lower print advertising. Digital revenue benefited from strong growth from Stuff Fibre and Neighbourly. Reported operating expenses were 1% lower and reflect a one-off estimated \$3.6 million provision for NZ Holidays Act recalculation that impacted many businesses across New Zealand. Excluding the impact of the one-time items and investment in Stuff Fibre, underlying costs improved 5%. EBITDA declined 24%, or 15% excluding the impact of the one-time items and investment in Stuff Fibre.

Macquarie Media Limited's EBITDA increased 23% with the EBITDA margin expanding from 19% to 24%. Macquarie Media's revenue was down 1%, and up 2% excluding disposals. Expenses improved by 7% and include a reduction in ACMA fees.

During the half year the Company entered into a Deed of Assignment to exit the One Darling Island Pymont lease from January 2020. The Company has reassessed the straight-lining of the remaining deferred lease accrual and realised a \$3.8 million reduction to rent expense for the half year. The full year benefit will be \$8.1 million, with \$8.8 million in FY19 and \$4.4 million in FY20.

## Significant changes in the state of affairs

Significant changes in the state of affairs of the Company during the period were as follows:

- On 22 November 2017, Fairfax implemented the scheme of arrangement for the separation of Domain Holdings Australia Limited (ASX: DHG). Following separation Fairfax retained a 60.0% controlling interest in Domain. Refer to Note 6(C) for further details.

There are no significant events subsequent to the reporting date.

## Dividends

An interim fully franked dividend of 1.1 cents (2017: 2.0 cents partly franked) has been declared by the Board. Record date for the interim dividend is 28 February 2018 and the dividend will be payable on 14 March 2018.

## Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

# Directors' Report (continued)

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of the directors of Fairfax Media Limited.



**Nick Falloon**

Chairman



**Gregory Hywood**

Chief Executive Officer and Managing Director

**Sydney**

21 February 2018



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## Auditor's Independence Declaration to the Directors of Fairfax Media Limited

As lead auditor for the review of Fairfax Media Limited for the half-year ended 24 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fairfax Media Limited and the entities it controlled during the financial period.

Ernst & Young

Douglas Bain  
Partner  
Sydney  
21 February 2018

# Consolidated Income Statement

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|   |      | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|---|------|-------------------------------|-------------------------------|
|   | Note |                               |                               |
| Revenue from operations   | 2(A) | <b>861,921</b>                | 895,484                       |
| Other revenue and income  | 2(B) | <b>18,845</b>                 | 20,385                        |
| <b>Total revenue and income</b>   |      | <b>880,766</b>                | 915,869                       |
| Share of net (losses)/profits of associates and joint ventures                              |      | <b>(286)</b>                  | 596                           |
| Expenses from operations excluding impairment, depreciation, amortisation and finance costs | 3(A) | <b>(743,390)</b>              | (772,521)                     |
| Impairment of intangibles, investments and property, plant and equipment                    |      | <b>(32,894)</b>               | (1,809)                       |
| Depreciation and amortisation   | 3(B) | <b>(27,111)</b>               | (18,259)                      |
| Finance costs   | 3(C) | <b>(8,261)</b>                | (7,500)                       |
| <b>Net profit from operations before income tax expense</b>                                 |      | <b>68,824</b>                 | 116,376                       |
| Income tax expense  |      | <b>(22,734)</b>               | (27,209)                      |
| <b>Net profit from operations after income tax expense</b>                                  |      | <b>46,090</b>                 | 89,167                        |
| <b>Net profit is attributable to:</b>   |      |                               |                               |
| Non-controlling interest  |      | <b>7,541</b>                  | 5,422                         |
| Owners of the parent  |      | <b>38,549</b>                 | 83,745                        |
|   |      | <b>46,090</b>                 | 89,167                        |
| <b>Earnings per share (cents per share)</b>   |      |                               |                               |
| Basic earnings per share (cents per share)  | 13   | <b>1.7</b>                    | 3.6                           |
| Diluted earnings per share (cents per share)  | 13   | <b>1.7</b>                    | 3.6                           |

The above Consolidated Income Statement should be read in conjunction with the notes to the half year financial statements.



# Consolidated Statement of Comprehensive Income

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|--|-------------------------------|-------------------------------|
| Net profit after income tax expense                          | <b>46,090</b>                 | 89,167                        |
| <b>Other comprehensive income</b>                            |                               |                               |
| Items that may be reclassified to profit or loss:            |                               |                               |
| Changes in fair value of available for sale financial assets | <b>185</b>                    | 969                           |
| Changes in fair value of cash flow hedges                    | <b>2,155</b>                  | (1,036)                       |
| Exchange differences on translation of foreign operations    | <b>(9,868)</b>                | 327                           |
| Income tax relating to these items                           | <b>(513)</b>                  | 658                           |
| Items that will not be reclassified to profit or loss:       |                               |                               |
| Actuarial gain on defined benefit plans                      | <b>392</b>                    | 394                           |
| Income tax relating to these items                           | <b>(118)</b>                  | (118)                         |
| <b>Other comprehensive income for the period, net of tax</b> | <b>(7,767)</b>                | 1,194                         |
| <b>Total comprehensive income for the period</b>             | <b>38,323</b>                 | 90,361                        |
| <b>Total comprehensive income is attributable to:</b>        |                               |                               |
| Non-controlling interest                                     | <b>7,541</b>                  | 5,422                         |
| Owners of the parent   | <b>30,782</b>                 | 84,939                        |
|  | <b>38,323</b>                 | 90,361                        |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the half year financial statements.

# Consolidated Balance Sheet

Fairfax Media Limited and Controlled Entities  
as at 24 December 2017

|   |      | 24 December<br>2017<br>\$'000 | 25 June<br>2017<br>\$'000 |
|---|------|-------------------------------|---------------------------|
|   | Note |                               |                           |
| <b>Current assets</b>                                     |      |                               |                           |
| Cash and cash equivalents                                 |      | 93,036                        | 112,921                   |
| Trade and other receivables                               |      | 283,245                       | 299,041                   |
| Inventories   |      | 15,235                        | 25,101                    |
| Derivative assets   |      | -                             | 9,238                     |
| Assets held for sale                                      |      | 2,366                         | 8,444                     |
| Income tax receivable                                     |      | 17,039                        | -                         |
| <b>Total current assets</b>                               |      | <b>410,921</b>                | <b>454,745</b>            |
| <b>Non-current assets</b>                                 |      |                               |                           |
| Receivables   |      | 7,585                         | 7,897                     |
| Investments accounted for using the equity method         | 7    | 34,936                        | 48,654                    |
| Available for sale investments                            |      | 2,611                         | 2,399                     |
| Intangible assets   | 8    | 817,345                       | 824,735                   |
| Property, plant and equipment                             |      | 175,572                       | 177,681                   |
| Deferred tax assets                                       |      | 26,519                        | 46,552                    |
| Pension assets  |      | 1,843                         | 1,428                     |
| Other financial assets                                    |      | 115,982                       | 95,742                    |
| <b>Total non-current assets</b>                           |      | <b>1,182,393</b>              | <b>1,205,088</b>          |
| <b>Total assets</b>                                       |      | <b>1,593,314</b>              | <b>1,659,833</b>          |
| <b>Current liabilities</b>                                |      |                               |                           |
| Payables  |      | 209,229                       | 233,452                   |
| Interest bearing liabilities                              | 9    | 3,117                         | 94,538                    |
| Derivative liabilities                                    |      | -                             | 169                       |
| Liabilities directly associated with held for sale assets |      | -                             | 248                       |
| Provisions  |      | 97,408                        | 104,008                   |
| Current tax liabilities                                   |      | 7,472                         | 21,706                    |
| <b>Total current liabilities</b>                          |      | <b>317,226</b>                | <b>454,121</b>            |
| <b>Non-current liabilities</b>                            |      |                               |                           |
| Interest bearing liabilities                              | 9    | 244,500                       | 144,910                   |
| Provisions  |      | 54,381                        | 59,491                    |
| Deferred tax liabilities                                  |      | 24,955                        | 23,502                    |
| Other non-current liabilities                             |      | 1,729                         | 87                        |
| <b>Total non-current liabilities</b>                      |      | <b>325,565</b>                | <b>227,990</b>            |
| <b>Total liabilities</b>                                  |      | <b>642,791</b>                | <b>682,111</b>            |
| <b>Net assets</b>   |      | <b>950,523</b>                | <b>977,722</b>            |
| <b>Equity</b>   |      |                               |                           |
| Contributed equity  | 11   | 4,069,312                     | 4,605,326                 |
| Reserves  |      | 482,934                       | 31,118                    |
| Retained losses   |      | (3,800,199)                   | (3,793,032)               |
| <b>Total parent entity interest</b>                       |      | <b>752,047</b>                | <b>843,412</b>            |
| Non-controlling interest                                  |      | 198,476                       | 134,310                   |
| <b>Total equity</b>                                       |      | <b>950,523</b>                | <b>977,722</b>            |

The above Consolidated Balance Sheet should be read in conjunction with the notes to the half year financial statements.

# Consolidated Cash Flow Statement

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|--|-------------------------------|-------------------------------|
| Note   |                               |                               |
| <b>Cash flows from operating activities</b>  |                               |                               |
| Receipts from customers (inclusive of GST)   | 964,961                       | 1,020,165                     |
| Payments to suppliers and employees (inclusive of GST)   | (841,422)                     | (893,147)                     |
| Redundancy payments  | (16,669)                      | (20,420)                      |
| Interest received  | 1,033                         | 886                           |
| Dividends and distributions received   | 661                           | 2,128                         |
| Finance costs paid   | (7,381)                       | (7,219)                       |
| Net income taxes paid  | (28,517)                      | (19,940)                      |
| <b>Net cash inflow from operating activities</b>   | <b>72,666</b>                 | <b>82,453</b>                 |
| <b>Cash flows from investing activities</b>  |                               |                               |
| Payment for purchase of controlled entities, associates, joint ventures and other investments (net of cash acquired) | (2,346)                       | (5,900)                       |
| Payment for purchase of businesses, including mastheads  | -                             | (1,150)                       |
| Payment for property, plant and equipment and software   | (34,517)                      | (53,407)                      |
| Proceeds from sale of property, plant and equipment  | 2,903                         | 10,675                        |
| Proceeds from sale of investments, net of transaction fees and cash disposed   | 6,798                         | 19,717                        |
| Loans advanced to other parties  | (18,265)                      | (20,050)                      |
| <b>Net cash outflow from investing activities</b>  | <b>(45,427)</b>               | <b>(50,115)</b>               |
| <b>Cash flows from financing activities</b>  |                               |                               |
| Proceeds from borrowings and other financial liabilities   | 294,000                       | 64,776                        |
| Repayment of borrowings and other financial liabilities  | (277,443)                     | (4,711)                       |
| Payment for shares acquired by share trust   | -                             | (1,707)                       |
| Payment for share issue costs relating to Domain Holdings Australia Limited  | (6,852)                       | -                             |
| Proceeds from issue of shares by subsidiary with non-controlling shareholder   | 2,335                         | -                             |
| Payment for acquisition of non-controlling interests in subsidiaries   | (2,214)                       | -                             |
| Dividends paid to shareholders   | 12 (45,990)                   | (45,990)                      |
| Dividends paid to non-controlling interests in subsidiaries  | (9,742)                       | (7,600)                       |
| <b>Net cash outflow from financing activities</b>  | <b>(45,906)</b>               | <b>4,768</b>                  |
| <b>Net decrease in cash and cash equivalents held</b>  | <b>(18,667)</b>               | <b>37,106</b>                 |
| Cash and cash equivalents as at 25 June 2017 (2017: 26 June 2016)  | 112,921                       | 81,110                        |
| Reclassification to held for sale  | -                             | (62)                          |
| Effect of exchange rate changes on cash and cash equivalents   | (1,218)                       | 196                           |
| <b>Cash and cash equivalents at end of the financial period</b>  | <b>93,036</b>                 | <b>118,350</b>                |

The above Consolidated Cash Flow Statement should be read in conjunction with the notes to the half year financial statements.

# Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | Reserves                     |                                     |                               |  |                                  |  |                                       |                           |                          |                           |                                    | Total equity<br>\$'000 |
|--|------------------------------|-------------------------------------|-------------------------------|--|----------------------------------|--|---------------------------------------|---------------------------|--------------------------|---------------------------|------------------------------------|------------------------|
|  | Contributed equity<br>\$'000 | Asset revaluation reserve<br>\$'000 | Acquisition reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Cashflow hedge reserve<br>\$'000 | Net investment hedge reserve<br>\$'000 | Share-based payment reserve<br>\$'000 | General reserve<br>\$'000 | Total reserves<br>\$'000 | Retained losses<br>\$'000 | Non-controlling interest<br>\$'000 |                        |
| <b>Balance at 25 June 2017</b>   | 4,605,326                    | 302                                 | 154,958                       | (105,286)                                      | (1,691)                          | (18,072)                               | 7,744                                 | (6,837)                   | 31,118                   | (3,793,032)               | 134,310                            | 977,722                |
| Profit for the period  | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | 38,549                    | 7,541                              | 46,090                 |
| Other comprehensive income   | -                            | 136                                 | -                             | (9,868)  | 1,691                            | -                                      | -                                     | -                         | (8,041)                  | 274                       | -                                  | (7,767)                |
| <b>Total comprehensive income for the period</b>                               | -                            | 136                                 | -                             | (9,868)  | 1,691                            | -                                      | -                                     | -                         | (8,041)                  | 38,823                    | 7,541                              | 38,323                 |
| <b>Transactions with owners in their capacity as owners:</b>                   |                              |                                     |                               |  |                                  |  |                                       |                           |                          |                           |                                    |                        |
| Shares acquired by share trust   | (14)                         | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                         | -                                  | (14)                   |
| Dividends paid to shareholders   | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | (45,990)                  | -                                  | (45,990)               |
| Dividends paid to non-controlling interests in subsidiaries                    | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                         | (9,513)                            | (9,513)                |
| Recognition of non-controlling interest in Domain Holdings Australia Limited   | -                            | -                                   | (67,271)                      | -  | -                                | -                                      | -                                     | -                         | (67,271)                 | -                         | 67,271                             | -                      |
| Recognition of non-controlling interest in other subsidiaries                  | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                         | 4,177                              | 4,177                  |
| Derecognition of non-controlling interest in subsidiaries                      | -                            | -                                   | (1,072)                       | -  | -                                | -                                      | -                                     | -                         | (1,072)                  | -                         | (5,310)                            | (6,382)                |
| Capital reduction through transfer of Domain Holdings Australia Limited shares | (536,000)                    | -                                   | 536,000                       | -  | -                                | -                                      | -                                     | -                         | 536,000                  | -                         | -                                  | -                      |
| Transaction costs attributable to issuance of shares                           | -                            | -                                   | (5,003)                       | -  | -                                | -                                      | -                                     | -                         | (5,003)                  | -                         | -                                  | (5,003)                |
| Release of employee incentive shares   | -                            | -                                   | -                             | -  | -                                | -                                      | (3,370)                               | -                         | (3,370)                  | -                         | -                                  | (3,370)                |
| Share-based payments, net of tax   | -                            | -                                   | -                             | -  | -                                | -                                      | 573                                   | -                         | 573                      | -                         | -                                  | 573                    |
| <b>Total transactions with owners</b>  | (536,014)                    | -                                   | 462,654                       | -  | -                                | -                                      | (2,797)                               | -                         | 459,857                  | (45,990)                  | 56,625                             | (65,522)               |
| <b>Balance at 24 December 2017</b>   | 4,069,312                    | 438                                 | 617,612                       | (115,154)                                      | -                                | (18,072)                               | 4,947                                 | (6,837)                   | 482,934                  | (3,800,199)               | 198,476                            | 950,523                |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

# Consolidated Statement of Changes in Equity

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | Reserves                     |                                     |                               |  |                                  |  |                                       |                           |                          |   |                                    | Total equity<br>Restated * |
|--|------------------------------|-------------------------------------|-------------------------------|--|----------------------------------|--|---------------------------------------|---------------------------|--------------------------|---|------------------------------------|----------------------------|
|  | Contributed equity<br>\$'000 | Asset revaluation reserve<br>\$'000 | Acquisition reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Cashflow hedge reserve<br>\$'000 | Net investment hedge reserve<br>\$'000 | Share-based payment reserve<br>\$'000 | General reserve<br>\$'000 | Total reserves<br>\$'000 | Retained losses<br>Restated *<br>\$'000 | Non-controlling interest<br>\$'000 |                            |
| <b>Balance at 26 June 2016</b>                               | 4,597,340                    | (34)                                | 157,829                       | (106,923)                                      | (1,687)                          | (18,072)                               | 9,468                                 | (6,837)                   | 33,744                   | (3,761,899)                             | 123,206                            | 992,391                    |
| Profit for the period  | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | 83,745                                  | 5,422                              | 89,167                     |
| Other comprehensive income                                   | -                            | 677                                 | -                             | 327  | (86)                             | -                                      | -                                     | -                         | 918                      | 276                                     | -                                  | 1,194                      |
| <b>Total comprehensive income for the period</b>             | -                            | 677                                 | -                             | 327  | (86)                             | -                                      | -                                     | -                         | 918                      | 84,021                                  | 5,422                              | 90,361                     |
| <b>Transactions with owners in their capacity as owners:</b> |                              |                                     |                               |  |                                  |  |                                       |                           |                          |   |                                    |                            |
| Shares acquired by share trust                               | (1,192)                      | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                                       | -                                  | (1,192)                    |
| Dividends paid to shareholders                               | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | (45,990)                                | -                                  | (45,990)                   |
| Dividends paid to non-controlling interests in subsidiaries  | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                                       | (7,600)                            | (7,600)                    |
| Acquisition of non-controlling interest                      | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                                       | -                                  | -                          |
| Non-controlling interest arising on business combination     | -                            | -                                   | -                             | -  | -                                | -                                      | -                                     | -                         | -                        | -                                       | 6,688                              | 6,688                      |
| Recognition of non-controlling interest in subsidiaries      | -                            | -                                   | (3,945)                       | -  | -                                | -                                      | -                                     | -                         | (3,945)                  | -                                       | 3,945                              | -                          |
| Release of employee incentive shares                         | 4,248                        | -                                   | -                             | -  | -                                | -                                      | (5,056)                               | -                         | (5,056)                  | (23,005)                                | -                                  | (23,813)                   |
| Share-based payments, net of tax                             | -                            | -                                   | -                             | -  | -                                | -                                      | 1,453                                 | -                         | 1,453                    | -                                       | -                                  | 1,453                      |
| <b>Total transactions with owners</b>                        | 3,056                        | -                                   | (3,945)                       | -  | -                                | -                                      | (3,603)                               | -                         | (7,548)                  | (68,995)                                | 3,033                              | (70,454)                   |
| <b>Balance at 25 December 2016</b>                           | 4,600,396                    | 643                                 | 153,884                       | (106,596)                                      | (1,773)                          | (18,072)                               | 5,865                                 | (6,837)                   | 27,114                   | (3,746,873)                             | 131,661                            | 1,012,298                  |

\* Certain numbers shown here do not correspond to the 2017 half year financial statements and reflect adjustments due to a change of accounting policy as detailed in Note 1 of the 2017 Annual Report.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the half year financial statements.

# Notes to the Financial Statements

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 1. Summary of significant accounting policies

### (A) BASIS OF PREPARATION

This general-purpose financial report for the interim half year reporting period ended 24 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Fairfax Media Limited and its controlled entities (the Group) for the period ended 25 June 2017 and any public announcements made by Fairfax Media Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. These policies have been consistently applied to all of the periods presented.

This interim financial report is for the 26 weeks from 26 June 2017 to 24 December 2017 (2017: the 26 weeks from 27 June 2016 to 25 December 2016). Reference in this report to 'period' is to the period 26 June 2017 to 24 December 2017 (2017: 27 June 2016 to 25 December 2016), unless otherwise stated. In the current financial year, Fairfax Media Limited will report its half year and annual results on a 26 week and 52 week basis respectively.

### (B) NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Certain new accounting standards and interpretations have been published that are not yet effective for the interim 24 December 2017 reporting period. The Group has elected not to early adopt these new standards or amendments in the financial report. The Group is currently assessing the impact the following accounting standards and amendments to accounting standards will have on the financial report, when applied in future periods. They include:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

### (C) ROUNDING OF AMOUNTS

The Group is of a kind referred to in Corporations Instrument 2016/191, as amended by Class Order 04/667, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

# Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | 24 December | 25 December |
|--|-------------|-------------|
|  | 2017        | 2016        |
|  | \$'000      | \$'000      |

## 2. Revenues

### (A) REVENUE FROM OPERATIONS

|                                      |                |         |
|--------------------------------------|----------------|---------|
| Total revenue from sale of goods     | <b>220,321</b> | 230,477 |
| Total revenue from services          | <b>641,600</b> | 665,007 |
| <b>Total revenue from operations</b> | <b>861,921</b> | 895,484 |

### (B) OTHER REVENUE AND INCOME

|  |                |         |
|--|----------------|---------|
| Interest income                                      | <b>3,675</b>   | 2,892   |
| Gains on sale of property, plant and equipment       | <b>2,202</b>   | 228     |
| Gains on sale of investments and controlled entities | <b>3,918</b>   | 7,364   |
| Gain on investment at fair value                     | -              | 2,744   |
| Other  | <b>9,050</b>   | 7,157   |
| <b>Total other revenue and income</b>                | <b>18,845</b>  | 20,385  |
| <b>Total revenue and income</b>                      | <b>880,766</b> | 915,869 |

# Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|--|-------------------------------|-------------------------------|
|--|-------------------------------|-------------------------------|

## 3. Expenses

### (A) EXPENSES EXCLUDING IMPAIRMENT, DEPRECIATION, AMORTISATION AND

#### FINANCE COSTS

|  |                |                |
|--|----------------|----------------|
| Staff costs excluding staff redundancy costs   | 333,515        | 339,601        |
| Redundancy costs   | 8,147          | 9,827          |
| Newsprint and paper  | 44,008         | 49,319         |
| Distribution costs   | 63,829         | 66,357         |
| Production costs   | 80,348         | 79,711         |
| Promotion and advertising costs  | 54,997         | 54,472         |
| Rent and outgoings   | 27,273         | 31,841         |
| Repairs and maintenance  | 11,326         | 12,092         |
| Outsourced services  | 9,346          | 12,953         |
| Communication costs  | 6,511          | 8,224          |
| Maintenance and other computer costs   | 25,418         | 22,194         |
| Fringe benefits tax, travel and entertainment  | 10,982         | 14,037         |
| Other  | 67,690         | 71,893         |
| <b>Total expenses excluding impairment, depreciation, amortisation and finance costs</b> | <b>743,390</b> | <b>772,521</b> |

### (B) DEPRECIATION AND AMORTISATION

|   |               |               |
|---|---------------|---------------|
| Depreciation of freehold property                     | 887           | 1,041         |
| Depreciation of plant and equipment                   | 8,546         | 6,964         |
| Depreciation of leasehold property                    | 2,537         | 875           |
| Amortisation of software                              | 12,747        | 6,959         |
| Amortisation of customer relationships and tradenames | 2,394         | 2,420         |
| <b>Total depreciation and amortisation</b>            | <b>27,111</b> | <b>18,259</b> |

### (C) FINANCE COSTS

|                            |              |              |
|----------------------------|--------------|--------------|
| External parties           | 6,486        | 7,333        |
| Hedge ineffectiveness      | 1,775        | 167          |
| <b>Total finance costs</b> | <b>8,261</b> | <b>7,500</b> |

### (D) OTHER EXPENSE DISCLOSURES

|   |        |        |
|---|--------|--------|
| Operating lease rental expense              | 22,092 | 26,467 |
| Defined contribution superannuation expense | 23,834 | 24,444 |
| Share-based payment expense                 | 2,400  | 2,076  |



# Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | 24 December | 25 December |
|--|-------------|-------------|
|  | 2017        | 2016        |
|  | \$'000      | \$'000      |

## 4. Significant items

The net profit after tax includes the following items whose disclosure is relevant in explaining the financial performance of the consolidated entity.

Significant items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

### Impairment of intangibles, inventories, investments, and property, plant and equipment - Comprising:

|  |                 |              |
|--|-----------------|--------------|
| Impairment of intangibles, inventories, investments and property, plant and equipment (i)    | (32,894)        | (1,308)      |
| Income tax benefit   | 4,717           | 383          |
| <b>Impairment of intangibles, investments, and property, plant and equipment, net of tax</b> | <b>(28,177)</b> | <b>(925)</b> |

### Restructuring and redundancy - Comprising:

|   |                 |                 |
|---|-----------------|-----------------|
| Restructuring and redundancy charges (ii)       | (16,906)        | (15,561)        |
| Income tax benefit                              | 3,894           | 4,577           |
| <b>Restructuring and redundancy, net of tax</b> | <b>(13,012)</b> | <b>(10,984)</b> |

### Gains & losses on controlled entities, property, plant and equipment and investments - Comprising:

|   |              |               |
|---|--------------|---------------|
| Gain on sale of controlled entities and investments disclosed in other revenue and income | 3,918        | 7,364         |
| Gain on investment at fair value disclosed in other revenue and income                    | -            | 2,744         |
| Loss on disposal of property, plant and equipment   | (497)        | -             |
| Income tax expense  | (915)        | -             |
| <b>Gains on controlled entities and investments, net of tax</b>                           | <b>2,506</b> | <b>10,108</b> |

### Other significant items - Comprising:

|                               |          |            |
|-------------------------------|----------|------------|
| Other significant items (iii) | -        | 941        |
| Income tax expense            | -        | (282)      |
| <b>Other, net of tax</b>      | <b>-</b> | <b>659</b> |

|   |                 |                |
|---|-----------------|----------------|
| <b>Net significant items after income tax</b> | <b>(38,683)</b> | <b>(1,142)</b> |
|---|-----------------|----------------|

- (i) Impairments to intangibles, inventories, investments and property, plant and equipment were recognised due to the following:
- continued declines in the print industry;
  - decisions to exit certain businesses and properties during the period; and
  - deterioration in the longer term forecasts of certain businesses due to current period forecasts not being achieved and/or declines in markets in which they operate.

These changes led to a re-assessment of the carrying value of the relevant assets to ensure the carrying value does not exceed the assets recoverable amount. Where the recoverable amount was determined to be less than the carrying value an impairment charge has been recognised in the period.

- (ii) Restructuring and redundancy charges include \$5.7 million of restructuring costs relating to the Domain separation. Refer to Note 6(C) for further details.
- (iii) Other significant items consists of retrospective ACMA licence fee reduction for the year ended 26 June 2016 for the Macquarie Media Group.

# Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 5. Segment reporting

### (A) DESCRIPTION OF SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors, CEO and CFO in assessing performance and in determining the allocation of resources.

| Reportable Segment         | Products and Services   |
|----------------------------|---|
| Domain Group               | Real estate media and services business - providing residential, commercial and rural property marketing solutions and search tools, plus information for buyers, investors, sellers, renters and agents Australia-wide.                    |
| Metropolitan Media         | Metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile. Also includes classifieds for metropolitan publications, digitally focused assets and transactional businesses. |
| Australian Community Media | Newspaper publishing and online for Australian regional, community and agricultural media.  |
| New Zealand Media          | Newspaper, magazine and general publishing and online for New Zealand media.  |
| Radio                      | Metropolitan radio networks in Australia.   |
| Other                      | Comprises corporate and other entities not included in the segments above.  |

### (B) RESULTS BY OPERATING SEGMENT

The segment information provided to the Board of Directors, CEO and CFO for the reportable segments for the half year ended 24 December 2017 is as follows:

|                                     | Segment revenue | Intersegment revenue | Revenue from external customers | Share of profits of associates and joint ventures | Underlying EBITDA (i) |
|-------------------------------------|-----------------|----------------------|---------------------------------|---|-----------------------|
|                                     | \$'000          | \$'000               | \$'000                          | \$'000  | \$'000                |
| <b>6 months to 24 December 2017</b> |                 |                      |                                 |   |                       |
| Domain Group                        | 183,320         | -                    | <b>183,320</b>                  | (690)   | <b>58,604</b>         |
| Metropolitan Media                  | 253,603         | -                    | <b>253,603</b>                  | 23  | <b>29,969</b>         |
| Australian Community Media          | 212,021         | -                    | <b>212,021</b>                  | 831   | <b>36,364</b>         |
| New Zealand Media                   | 146,574         | -                    | <b>146,574</b>                  | (154)   | <b>18,914</b>         |
| Radio                               | 68,717          | -                    | <b>68,717</b>                   | (86)  | <b>16,299</b>         |
| Other                               | 8,938           | -                    | <b>8,938</b>                    | (210)   | <b>(13,250)</b>       |
| <b>Total for the Group</b>          | <b>873,173</b>  | <b>-</b>             | <b>873,173</b>                  | <b>(286)</b>                                      | <b>146,900</b>        |

(i) Segment information provided to the Board of Directors, CEO and CFO is now reported to underlying EBITDA.

# Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 5. Segment reporting (continued)

### (B) RESULTS BY OPERATING SEGMENT (CONTINUED)

|                                     | Segment<br>revenue | Intersegment<br>revenue | Revenue<br>from external<br>customers | Share of<br>profits of<br>associates and<br>joint ventures | Underlying<br>EBITDA<br>Restated (i)<br>\$'000 |
|-------------------------------------|--------------------|-------------------------|---------------------------------------|--|--|
|                                     | \$'000             | \$'000                  | \$'000                                | \$'000   | \$'000   |
| <b>6 months to 25 December 2016</b> |                    |                         |                                       |  |  |
| Domain Group                        | 162,890            | -                       | <b>162,890</b>                        | (472)  | <b>57,317</b>                                  |
| Metropolitan Media                  | 279,058            | -                       | <b>279,058</b>                        | 692  | <b>27,655</b>                                  |
| Australian Community Media          | 225,660            | -                       | <b>225,660</b>                        | 775  | <b>43,097</b>                                  |
| New Zealand Media                   | 159,228            | -                       | <b>159,228</b>                        | 63   | <b>25,908</b>                                  |
| Radio                               | 69,639             | -                       | <b>69,639</b>                         | 78   | <b>13,299</b>                                  |
| Other                               | 6,394              | -                       | <b>6,394</b>                          | (540)  | <b>(22,213)</b>                                |
| <b>Total for the Group</b>          | <b>902,869</b>     | <b>-</b>                | <b>902,869</b>                        | <b>596</b>   | <b>145,063</b>                                 |

### (C) OTHER SEGMENT INFORMATION

The Board of Directors, CEO and CFO assess the performance of the operating segments based on a measure of underlying EBITDA.

A reconciliation of underlying EBITDA to operating profit before income tax is provided as follows:

|  | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|--|-------------------------------|-------------------------------|
| <b>Underlying EBITDA for continuing operations</b>                                   | <b>146,900</b>                | 145,063                       |
| Depreciation and amortisation  | <b>(27,111)</b>               | (18,259)                      |
| Interest income  | <b>3,675</b>                  | 2,892                         |
| Finance costs  | <b>(8,261)</b>                | (7,500)                       |
| Impairment of intangibles, investment and property, plant and equipment              | <b>(32,894)</b>               | (1,308)                       |
| Restructuring and redundancy charges   | <b>(16,906)</b>               | (15,561)                      |
| Gains & losses on controlled entities, property, plant and equipment and investments | <b>3,421</b>                  | 10,108                        |
| Other significant items  | -                             | 941                           |
| <b>Reported net profit before tax</b>  | <b>68,824</b>                 | 116,376                       |

Information provided to the Board of Directors, CEO and CFO in respect of assets and liabilities is presented on a group basis consistent with the consolidated financial statements.

## Notes to the Financial Statements: Key Numbers

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

### 5. Segment reporting (continued)

#### (C) OTHER SEGMENT INFORMATION (CONTINUED)

A summary of significant items by operating segments is provided for the half years ended 24 December 2017 and 25 December 2016.

|                                     | Impairment of<br>intangibles,<br>inventories,<br>investments<br>and property,<br>plant and<br>equipment<br>\$'000 | Restructuring<br>and<br>redundancy<br>charges<br>\$'000 | Gains and<br>losses on<br>controlled<br>entities and<br>investments<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|---|---|---|-----------------|-----------------|
| <b>6 months to 24 December 2017</b> |   |   |   |                 |                 |
| Domain Group                        | -   | 3,336   | -   | -               | 3,336           |
| Metropolitan Media                  | 18,018  | -   | -   | -               | 18,018          |
| Australian Community Media          | 4,223   | -   | -   | -               | 4,223           |
| New Zealand Media                   | 247   | 3,686   | 129   | -               | 4,062           |
| Radio                               | 6,500   | -   | (3,550)   | -               | 2,950           |
| Other                               | 3,906   | 9,884   | -   | -               | 13,790          |
| <b>Consolidated entity</b>          | <b>32,894</b>   | <b>16,906</b>   | <b>(3,421)</b>  | <b>-</b>        | <b>46,379</b>   |
| <b>6 months to 25 December 2016</b> |   |   |   |                 |                 |
| Domain Group                        | -   | -   | -   | -               | -               |
| Metropolitan Media                  | -   | -   | (6,078)   | -               | (6,078)         |
| Australian Community Media          | -   | -   | (1,215)   | -               | (1,215)         |
| New Zealand Media                   | 442   | -   | (2,744)   | -               | (2,302)         |
| Radio                               | 866   | 652   | -   | (941)           | 577             |
| Other                               | -   | 14,909  | (71)  | -               | 14,838          |
| <b>Consolidated entity</b>          | <b>1,308</b>  | <b>15,561</b>   | <b>(10,108)</b>   | <b>(941)</b>    | <b>5,820</b>    |

# Notes to the Financial Statements: Group Structure

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 6. Business combinations, acquisition and disposal of controlled entities

### (A) ACQUISITIONS

The Group did not gain control over any entities during the half year.

### (B) DISPOSALS

The Group disposed of its interests in the following entity during the half year:

| Entity or business disposed       | Principal activity     | Date of disposal | Ownership interest |
|-----------------------------------|------------------------|------------------|--------------------|
| Satellite Music Australia Pty Ltd | Digital media business | 31 July 2017     | 100%               |

For the above entity, the major classes of assets and liabilities disposed were as follows:

|                             | \$'000       |
|-----------------------------|--------------|
| Trade and other receivables | 918          |
| Intangible assets           | 1,788        |
| <b>Total assets</b>         | <b>2,706</b> |
| Payables                    | 387          |
| Provisions                  | 123          |
| <b>Total liabilities</b>    | <b>510</b>   |
| <b>Net assets</b>           | <b>2,196</b> |

### (C) DOMAIN SEPARATION

On 22 November 2017, Fairfax implemented the scheme of arrangement for the separation of Domain Holdings Australia Limited (ASX: DHG). Following separation Fairfax retained 344,916,890 of 574,871,064 shares in Domain which represents a 60.0% controlling interest. This has been disclosed in the interim financial report as follows:

- Recognition of an initial non-controlling interest of \$67.2 million;
- A capital reduction of Fairfax shares of \$536.0 million through transfer of Domain shares; and
- Transactions costs, net of tax, of \$5.0 million recognised to the acquisition reserve with an additional \$5.7 million recognised in the income statement.

# Notes to the Financial Statements: Group Structure

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|  | Note | 24 December<br>2017<br>\$'000 | 25 June<br>2017<br>\$'000 |
|--|------|-------------------------------|---------------------------|
| <b>7. Investments accounted for using the equity method</b>    |      |                               |                           |
| Shares in associates   | (A)  | <b>21,265</b>                 | 35,025                    |
| Shares in joint ventures                                       | (B)  | <b>13,671</b>                 | 13,629                    |
| <b>Total investments accounted for using the equity method</b> |      | <b>34,936</b>                 | 48,654                    |

## (A) INTERESTS IN ASSOCIATES

| Name of company                     | Principal activity   | Place of<br>incorporation | Ownership interest |          |
|-------------------------------------|--|---------------------------|--------------------|----------|
|                                     |  |                           | Dec 2017           | Dec 2016 |
| Australian Associated Press Pty Ltd | News agency business and<br>information service                            | Australia                 | 47.0%              | 47.0%    |
| Healthshare Pty Ltd                 | Information technology tools for<br>healthcare practitioners and consumers | Australia                 | 28.2%              | 28.2%    |
| Kin Community ANZ Pty Limited       | Digital media publisher  | Australia                 | 50.0%              | 50.0%    |
| Oneflare Pty Ltd                    | Home services marketplace  | Australia                 | 35.0%              | 35.0%    |
| RSVP.com.au Pty Limited (i)         | Online dating services   | Australia                 | 57.5%              | 57.5%    |

(i) The Group does not have control of this company as it is not exposed, or has rights, to variable returns from its involvement with the investee and does not have the ability to affect those returns through its power over the investee.

## Share of associates' profits

|   | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|---|-------------------------------|-------------------------------|
| Revenue                                   | <b>8,259</b>                  | 7,416                         |
| (Loss)/profit before income tax expense   | <b>(418)</b>                  | 678                           |
| Income tax benefit/(expense)              | <b>53</b>                     | (182)                         |
| <b>Net (loss)/profit after income tax</b> | <b>(365)</b>                  | 496                           |

# Notes to the Financial Statements: Group Structure

Fairfax Media Limited and Controlled Entities

for the half year period ended 24 December 2017

## 7. Investments accounted for using the equity method (continued)

### (B) INTERESTS IN JOINT VENTURES

| Name of company                             | Principal activity                           | Place of incorporation | Ownership interest |          |
|---|--|------------------------|--------------------|----------|
|   |  |                        | Dec 2017           | Dec 2016 |
| Future Energy New Zealand Limited (ii)      | Electricity retailer                         | New Zealand            | 49.0%              | -        |
| Future Foresight Group Pty Ltd              | Weather safety and risk information provider | South Africa           | 50.0%              | 50.0%    |
| Gippsland Regional Publications Partnership | Newspaper publishing and printing            | Australia              | 50.0%              | 50.0%    |
| Homepass Pty Ltd (iii)                      | Real estate agent services application       | Australia              | 33.8%              | 33.8%    |
| Stan Entertainment Pty Ltd                  | Provider of subscription video on demand     | Australia              | 50.0%              | 50.0%    |

(ii) This investment was acquired on 28 September 2017.

(iii) These investments is classified as a joint ventures, rather than an associate, as all significant decisions require unanimous consent.

### Share of joint ventures' profits

|   | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|---|-------------------------------|-------------------------------|
| Revenues                                | 5,472                         | 7,293                         |
| Expenses                                | (5,396)                       | (7,570)                       |
| Profit/(loss) before income tax expense | 76                            | (277)                         |
| Income tax expense                      | 3                             | 377                           |
| <b>Net profit after income tax</b>      | <b>79</b>                     | <b>100</b>                    |

# Notes to the Financial Statements: Operating Assets and Liabilities

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

| 24 December | 25 June |
|-------------|---------|
| 2017        | 2017    |
| \$'000      | \$'000  |

## 8. Intangible assets

|                                |                |         |
|--------------------------------|----------------|---------|
| Mastheads and tradenames       | <b>224,821</b> | 230,585 |
| Goodwill                       | <b>371,880</b> | 375,036 |
| Radio licences                 | <b>103,066</b> | 108,066 |
| Software                       | <b>71,134</b>  | 61,987  |
| Customer relationships         | <b>46,444</b>  | 49,061  |
| <b>Total intangible assets</b> | <b>817,345</b> | 824,735 |

The movement in intangibles during the period is due to the disposal of controlled entities (Note 6), impairments, amortisation and exchange differences on translation of foreign operations.

Impairments include \$5.0 million of radio license and \$1.5 million of goodwill relating to Macquarie Media Group's Perth cash generating unit (CGU).



# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

|   | 24 December<br>2017 | 25 June<br>2017 |
|---|---------------------|-----------------|
| Note  | \$'000              | \$'000          |
| <b>9. Interest bearing liabilities</b>                      |                     |                 |
| <b>Current interest bearing liabilities - unsecured</b>     |                     |                 |
| Bank borrowings   | 3,117               | 3,003           |
| Other loans   |                     |                 |
| Senior notes  | (C) -               | 91,535          |
| <b>Total current interest bearing liabilities</b>           | <b>3,117</b>        | <b>94,538</b>   |
| <b>Non-current interest bearing liabilities - unsecured</b> |                     |                 |
| Bank borrowings   | (B) 244,500         | 144,910         |
| <b>Total non-current interest bearing liabilities</b>       | <b>244,500</b>      | <b>144,910</b>  |
| <b>NET DEBT</b>   |                     |                 |
| Cash and cash equivalents                                   | (93,036)            | (112,921)       |
| Current interest bearing liabilities                        | 3,117               | 94,538          |
| Non-current interest bearing liabilities                    | 244,500             | 144,910         |
| Capitalised transaction costs                               | 1,292               | 881             |
| Derivative financial instruments assets *                   | -                   | (9,441)         |
| <b>Net debt</b>   | <b>155,873</b>      | <b>117,967</b>  |

\* Debt hedging instruments are measured against the undiscounted contractual AUD cross currency swap obligations and therefore may not equate to the values disclosed in the balance sheet (inclusive of transaction costs).

## (A) FINANCING ARRANGEMENTS

The Group net debt, taking into account all debt related derivative financial instruments, was \$155.9 million as at 24 December 2017 (25 June 2017: \$118.0 million).

The Group has sufficient unused committed facilities and cash at the reporting date to finance maturing current interest bearing liabilities. The Group has a number of finance facilities which are guaranteed by the Group and are covered by deeds of negative pledge.

## (B) BANK BORROWINGS

The Group previously held an A\$325.0 million syndicated bank facility and NZ\$40.0 million revolving cash advance facility. At 25 June 2017, \$105.0 million was drawn. On the separation of Domain Holdings Australia Limited, this facility was repaid and extinguished and two new facilities were established:

- An A\$100.0 million and NZ\$25.0 million syndicated bank facility is available to the Group with tranches maturing in November 2020 and November 2021. At 24 December 2017, \$45.0m was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.
- A \$250.0 million syndicated bank facility is available to Domain Holdings Australia Limited with tranches maturing in November 2020 and November 2021. At 24 December 2017, \$165.0 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 9. Interest bearing liabilities (continued)

### **(B) BANK BORROWINGS (CONTINUED)**

A \$50.0 million revolving cash advance facility is available to Macquarie Media Limited until March 2019. At 24 December 2017, \$35.8 million was drawn (25 June 2017: \$40.8 million). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

### **(C) SENIOR NOTES**

The Group issued senior notes in the US private placement market with a principal value of US\$250 million (A\$308.2 million) in July 2007 comprising maturities ranging from July 2013 to July 2017. The US\$250 million of senior notes were all repaid by July 2017.

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 10. Fair value measurement

The carrying amounts and fair values of financial assets and financial liabilities at reporting date are the same with the exception of the following:

|                               | Carrying value<br>24 December<br>2017<br>\$'000 | Fair value<br>24 December<br>2017<br>\$'000 | Carrying value<br>25 June<br>2017<br>\$'000 | Fair value<br>25 June<br>2017<br>\$'000 |
|-------------------------------|---|---|---|---|
| Interest bearing liabilities: |   |   |   |   |
| Bank borrowings               | 247,617   | 248,909                                     | 147,913                                     | 148,794                                 |
| Senior notes                  | -   | -   | 91,535                                      | 91,545                                  |

Market values have been used to determine the fair value of listed available for sale investments. The carrying value of all other balances approximate their fair value.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3) as follows:
  - Freehold land and buildings - determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of active market prices of transactions for properties of similar nature, location and condition.
  - Shares in unlisted entities - determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset based of the investment.
  - Payables - represents the value of the put option held by the Group to acquire the remaining interest in a subsidiary. The put option has been valued with reference to comparable companies using an EBITDA multiple approach and recent transactions.

The fair value of assets and liabilities held at fair value less cost of disposal, as well as the methods used to estimate the fair value, are summarised in the table below:

### As at 24 December 2017

|                                    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>            |                   |                   |                   |                 |
| Available for sale investments     | 2,611             | -                 | -                 | 2,611           |
| Assets held for sale               |                   |                   |                   |                 |
| Freehold land and buildings        | -                 | -                 | 2,110             | 2,110           |
| Shares in unlisted entities        | -                 | -                 | 2,682             | 2,682           |
| <b>Total financial assets</b>      | 2,611             | -                 | 4,792             | 7,403           |
| <b>Financial liabilities</b>       |                   |                   |                   |                 |
| Payables                           | -                 | -                 | 7,800             | 7,800           |
| <b>Total financial liabilities</b> | -                 | -                 | 7,800             | 7,800           |

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 10. Fair value measurement of financial instruments (continued)

As at 25 June 2017

|                                    | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>            |                   |                   |                   |                 |
| Derivative assets                  | -                 | 9,238             | -                 | 9,238           |
| Available for sale investments     | 2,399             | -                 | -                 | 2,399           |
| Assets held for sale               |                   |                   |                   |                 |
| Property, plant and equipment      | -                 | -                 | 5,738             | 5,738           |
| Shares in unlisted entities        | -                 | -                 | 2,755             | 2,755           |
| <b>Total financial assets</b>      | <b>2,399</b>      | <b>9,238</b>      | <b>8,493</b>      | <b>20,130</b>   |
| <b>Financial liabilities</b>       |                   |                   |                   |                 |
| Payables                           | -                 | -                 | 7,800             | 7,800           |
| Derivative liabilities             | -                 | 169               | -                 | 169             |
| <b>Total financial liabilities</b> | <b>-</b>          | <b>169</b>        | <b>7,800</b>      | <b>7,969</b>    |

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 11. Equity

|   | 24 December<br>2017<br>\$'000 | 25 June<br>2017<br>\$'000 |
|---|-------------------------------|---------------------------|
| <b>Ordinary shares</b>  |                               |                           |
| 2,299,475,546 ordinary shares issued and fully paid (25 June 2017: 2,299,475,546) | <b>4,072,045</b>              | 4,608,045                 |
| <b>Unvested Employee Incentive Shares</b>   |                               |                           |
| 1,675,806 unvested employee incentive shares (25 June 2017: 2,073,765)            | <b>(2,733)</b>                | (2,719)                   |
| <b>Debentures</b>   |                               |                           |
| 281 debentures fully paid (25 June 2017: 281)                                     | *                             | *                         |
| <b>Total contributed equity</b>   | <b>4,069,312</b>              | 4,605,326                 |

\* Amount is less than \$1000

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 12. Dividends paid and proposed

|   | 24 December<br>2017<br>\$'000 | 25 December<br>2016<br>\$'000 |
|---|-------------------------------|-------------------------------|
| <b>ORDINARY SHARES</b>                                  |                               |                               |
| Dividend:   |                               |                               |
| 2018: 2.0 cent - paid 12 September 2017 (fully franked) | <b>45,990</b>                 | -                             |
| 2017: 2.0 cent - paid 6 September 2016 (partly franked) | -                             | 45,990                        |
| <b>Total dividends paid</b>                             | <b>45,990</b>                 | 45,990                        |

### **DIVIDENDS PROPOSED AND NOT RECOGNISED AS A LIABILITY**

Since 24 December 2017, the directors have declared a fully franked interim dividend of 1.1 cents per fully paid ordinary share. The aggregate amount of the interim dividend to be paid on 14 March 2018 out of the profits, but not recognised as a liability at the end of the period is expected to be \$25.3 million.

# Notes to the Financial Statements: Capital Structure and Financial Costs

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

## 13. Earnings per share

|   | 24 December<br>2017<br>¢ per share    | 25 December<br>2016<br>¢ per share    |
|---|---------------------------------------|---------------------------------------|
| <b>Basic earnings per share</b>   |                                       |                                       |
| Net profit attributable to owners of the parent                                   | 1.7                                   | 3.6                                   |
| <b>Diluted earnings per share</b>   |                                       |                                       |
| Net profit attributable to owners of the parent                                   | 1.7                                   | 3.6                                   |
|   | 24 December<br>2017<br>\$'000         | 25 December<br>2016<br>\$'000         |
| <b>Earnings reconciliation - basic</b>  |                                       |                                       |
| Net profit attributable to owners of the parent                                   | 38,549                                | 83,745                                |
| <b>Earnings reconciliation - diluted</b>  |                                       |                                       |
| Net profit attributable to owners of the parent                                   | 38,549                                | 83,745                                |
|   | 24 December<br>2017<br>Number<br>'000 | 25 December<br>2016<br>Number<br>'000 |
| <b>Weighted average number of ordinary shares used in calculating basic EPS</b>   | <b>2,299,476</b>                      | 2,299,476                             |
| <b>Weighted average number of ordinary shares used in calculating diluted EPS</b> | <b>2,304,493</b>                      | 2,309,355                             |

## **Notes to the Financial Statements: Unrecognised Items**

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

### **14. Commitments and contingencies**

There have been no material changes in commitments and contingent liabilities since 25 June 2017.



## Notes to the Financial Statements: Unrecognised Items

Fairfax Media Limited and Controlled Entities  
for the half year period ended 24 December 2017

### 15. Events subsequent to reporting date

No significant events subsequent to the balance sheet date have occurred.

# Directors' Declaration

In accordance with a resolution of the directors of Fairfax Media Limited (the Company), we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity set out on pages 8 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 24 December 2017 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Nick Falloon**

Chairman



**Gregory Hywood**

Chief Executive Officer and Managing Director

**Sydney**

21 February 2018



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## Independent Auditor's Review Report to the Members of Fairfax Media Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Fairfax Media Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 24 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 24 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 24 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Douglas Bain'.

Douglas Bain  
Partner  
Sydney  
21 February 2018