

DIRECTORS' REPORT

COMPANY SECRETARY

Gail Hambly was appointed to the position of Group General Counsel and Company Secretary in 1993. Before joining Fairfax Media Limited she practised as a solicitor at a major law firm. She has expertise in commercial and media and communication law. Ms Hambly is a Chair of CopyCo Pty Limited and a Director of Trade Me Limited, Company B Belvoir Limited and Sydney Story Factory. She is a member of the Media and Communications Committee and the Privacy Committee for the Law Council of Australia, a member of the Advisory Board for the Centre of Media and Communications Law at the Melbourne Law School and a member of Chartered Secretaries Australia. She holds degrees in Law, Economics, Science and Arts.

CORPORATE STRUCTURE

Fairfax Media Limited is a company limited by shares that is incorporated and domiciled in Australia.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were the publishing of news, information and entertainment, advertising sales in newspaper, magazine and digital formats, and radio broadcasting.

There were no significant changes in the nature of the consolidated entity during the year other than the matters set out as significant changes in the state of affairs below.

CONSOLIDATED RESULT

The loss attributable to the consolidated entity for the financial year was \$16,432,000 (2012 Loss: \$2,732,397,000).

DIVIDENDS

An interim fully franked dividend of 1 cent per ordinary share and debenture was paid on 20 March 2013 in respect of the year ended 30 June 2013.

Since the end of the financial year, the Board has declared a fully franked dividend of 1.0 cent per ordinary share and debenture in respect of the year ended 30 June 2013. This dividend is payable on 17 September 2013.

REVIEW OF OPERATIONS

Revenue for the Group was lower than the prior year at \$2,045 million (2012: \$2,225 million). After significant expenses of \$144.5 million the Group generated a net loss after tax of \$16.4 million (2012: \$2,732.4 million). Earnings per share increased to a loss of 0.7 cents (2012: loss \$1.16).

Further information is provided in the Management Discussion and Analysis Report on pages 54 – 55.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

On 23 December 2011, the Company announced that it had entered into an agreement to merge Fairfax Community Network Ltd in Victoria with Metro Media Publishing Pty Ltd. The merger was completed on 13 July 2012 and resulted in the Company holding a 50.01 per cent interest in MMP Holdings Pty Ltd.

The Company disposed of its US Agricultural Media business for US\$79.9 million on 14 November 2012.

On 21 December 2012, the Company disposed of its remaining 51 per cent interest in Trade Me Group Ltd for A\$605.5 million net of transaction fees.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity's prospects and strategic direction are discussed in the Management Discussion and Analysis Report on pages 54 – 55 of this report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

No material non-compliance with environmental regulation has been identified relating to the 2013 financial year.

The Company reported to the Department of Climate Change on the total carbon emissions of the Group generated in the 2012 financial year under the National Greenhouse and Energy Reporting legislation. The Group's main source of carbon emissions overall was from electricity consumption at its larger sites and total scope 1 and 2 emissions reported was 84,976 (2012: 93,951) tonnes CO₂-e.

EVENTS AFTER REPORTING DATE

The Group undertook a tender offer to repurchase some of its outstanding Senior Notes in July 2013. Acceptances under the tender totalled US\$224 million of the outstanding total of US\$430 million. The repurchased notes comprised US\$25 million of floating rate notes and US\$199 million of fixed rate notes. Approximately A\$270 million of funds were used to repurchase the Senior Notes through the exercise of US\$224 million of existing cross currency swaps. The early redemption of the Senior Notes will result in a \$4.6 million gain net of tax recorded in the income statement in the 2014 financial year.