

# Fairfax

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## **Half year results**

For the six months ended 31 December 2004

# Agenda

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## Highlights

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## Financial performance

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## Business review

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## Summary

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## Outlook

# Highlights...

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- **Strong underlying group result**
  - EPS up 22.7%
  - EBIT up 17.7%
  - EBITDA up 14.5%
- **Cost initiatives are successful**
- **Strong lift in cash flow**
- **Interim dividend 7.5 cents per share up 36% on last year**

# Highlights continued...

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## ○ **Australia – improvement continues**

- EBIT up 9.9%
- EBITDA up 8.9%

## ○ **New Zealand – excellent underlying performance**

- EBIT up 32.3% (NZ\$ up 26.0%)
- EBITDA up 27.2% (NZ\$ up 21.3%)

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## **Group Financial Performance**

Mr Sankar Narayan  
Chief Financial Officer

# Strong underlying results...

	Underlying Trading			Adjustments		As reported		
	FY05 H1 \$'m	FY04 H1 \$'m	Var %	FY05 H1 \$'m	FY04 H1 \$'m	FY05 H1 \$'m	FY04 H1 \$'m	Var %
<b>Revenue</b>	<b>936.6</b>	<b>879.4</b>	<b>6.5</b>	<b>(8.6)</b>	<b>(3.8)</b>	<b>945.3</b>	<b>883.2</b>	<b>7.0</b>
Associate profits	1.2	0.1	-	-	-	1.2	0.1	-
<b>Costs</b>	<b>683.2</b>	<b>657.2</b>	<b>(4.0)</b>	<b>(4.6)</b>	<b>(3.8)</b>	<b>687.8</b>	<b>661.0</b>	<b>(4.1)</b>
<b>EBITDA</b>	<b>254.6</b>	<b>222.3</b>	<b>14.5</b>	<b>(4.0)*</b>	<b>0.0</b>	<b>258.6</b>	<b>222.3</b>	<b>16.3</b>
Depreciation	41.7	41.3	(0.8)	-	-	41.7	41.3	(0.8)
<b>EBIT</b>	<b>212.9</b>	<b>180.9</b>	<b>17.7</b>	<b>(4.0)*</b>	<b>0.0</b>	<b>217.0</b>	<b>180.9</b>	<b>19.9</b>

\*Profit on sale of Gordon & Gotch

# Strong underlying results...

	Underlying Trading			Adjustments		As reported		
	FY05 H1 \$'m	FY04 H1 \$'m	Var %	FY05 H1 \$'m	FY04 H1 \$'m	FY05 H1 \$'m	FY04 H1 \$'m	Var %
<b>EBIT</b>	<b>212.9</b>	<b>180.9</b>	<b>17.7</b>	<b>(4.0)*</b>	<b>0.0</b>	<b>217.0</b>	<b>180.9</b>	<b>19.9</b>
Interest	39.2	32.0	22.5	-	0.0	39.2	32.0	22.5
Tax	47.3	48.5	2.6	3.0**	62.4	44.3	(13.9)	419.3
Outside equity interest	0.3	0.4	-	-	-	0.3	0.4	-
<b>Net Profit after tax</b>	<b>126.1</b>	<b>100.1</b>	<b>26.0</b>	<b>(7.0)</b>	<b>(62.4)</b>	<b>133.2</b>	<b>162.4</b>	<b>(18.0)</b>
PRESSES dividend	9.4	9.2	2.2			9.4	9.2	2.2
WANOS	913.9	873.0	4.7			913.9	873.0	4.7
<b>Earnings per share (cents)</b>	<b>12.77</b>	<b>10.41</b>	<b>22.7</b>			<b>13.54</b>	<b>17.56</b>	<b>(22.9)</b>

\*Profit on sale of Gordon & Gotch

\*\* One off tax benefit

## Balance Sheet - Net Debt reductions continue...

	Dec 04 \$'m	June 04 \$'m
Intangibles	2,337.8	2,314.9
Property, plant and equipment	744.7	780.4
Investments & financial assets	14.0	32.7
Receivables	279.5	273.9
Inventories	31.5	42.1
Other assets	51.7	59.1
Net borrowings	(1,004.6)	(1,089.5)
Other liabilities	<u>(300.4)</u>	<u>(344.8)</u>
Net assets	<u><u>2,154.1</u></u>	<u><u>2,068.7</u></u>

## Improving cash flow...

	FY05 H1 \$'m	FY04 H1 \$'m
Cash flows from operating activities	133.4	99.2
Capital Expenditure	(11.5)	(9.0)
Operating cashflow post Capital Expenditure	<b>121.9</b>	<b>90.2</b>
Acquisitions	(11.7)	(0.2)
Proceeds from sale of PP&E	8.4	3.2
Dividends paid	(53.3)	(49.5)
Net debt reduction	(87.3)	(83.8)
Other movements (net)	1.3	0.5
Proceeds from issue of shares	-	50.8
Net investing and financing activities	(142.6)	(79.0)
Net increase/(decrease) in cash held	(20.7)	11.2

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**Business financial performance**

**Australia  
Publishing  
Digital**

**New Zealand**

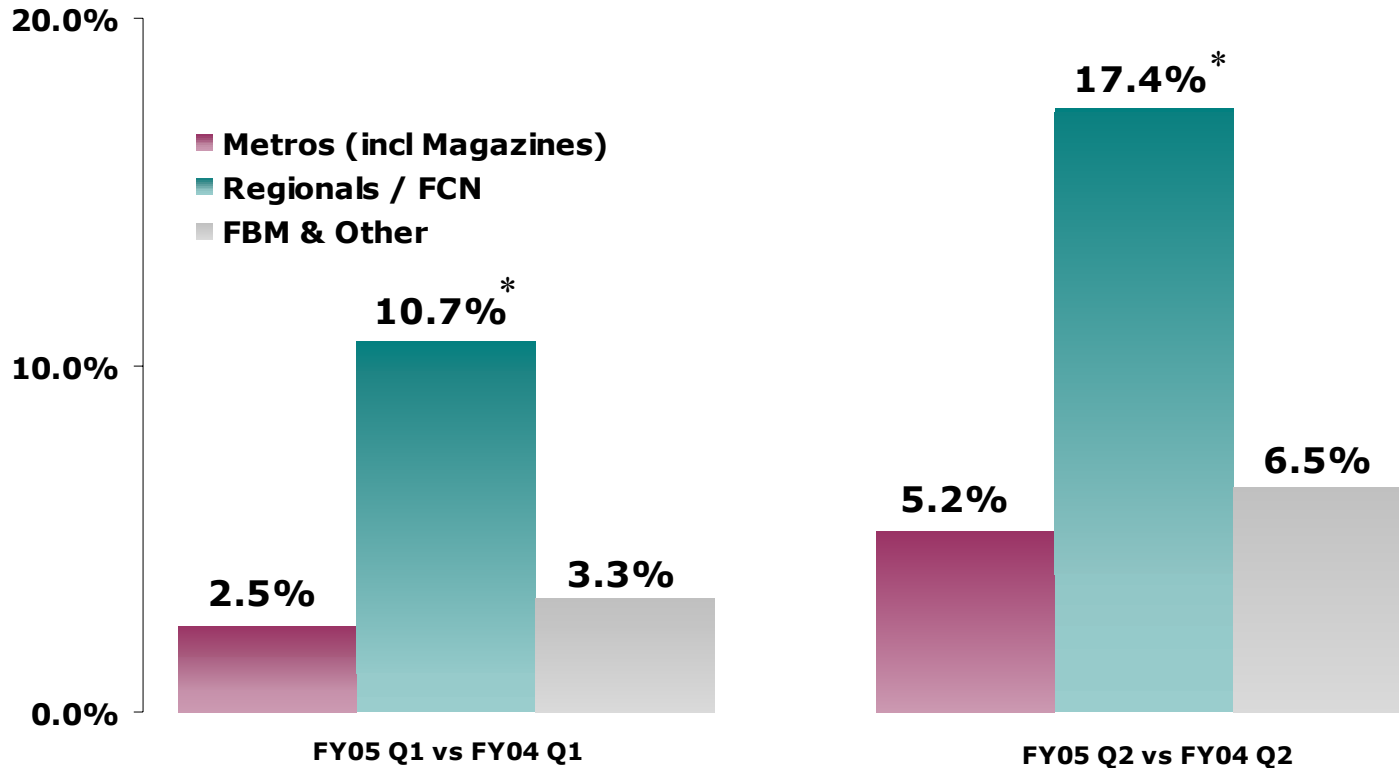
Mr Sankar Narayan  
Chief Financial Officer

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**Australian Publishing**

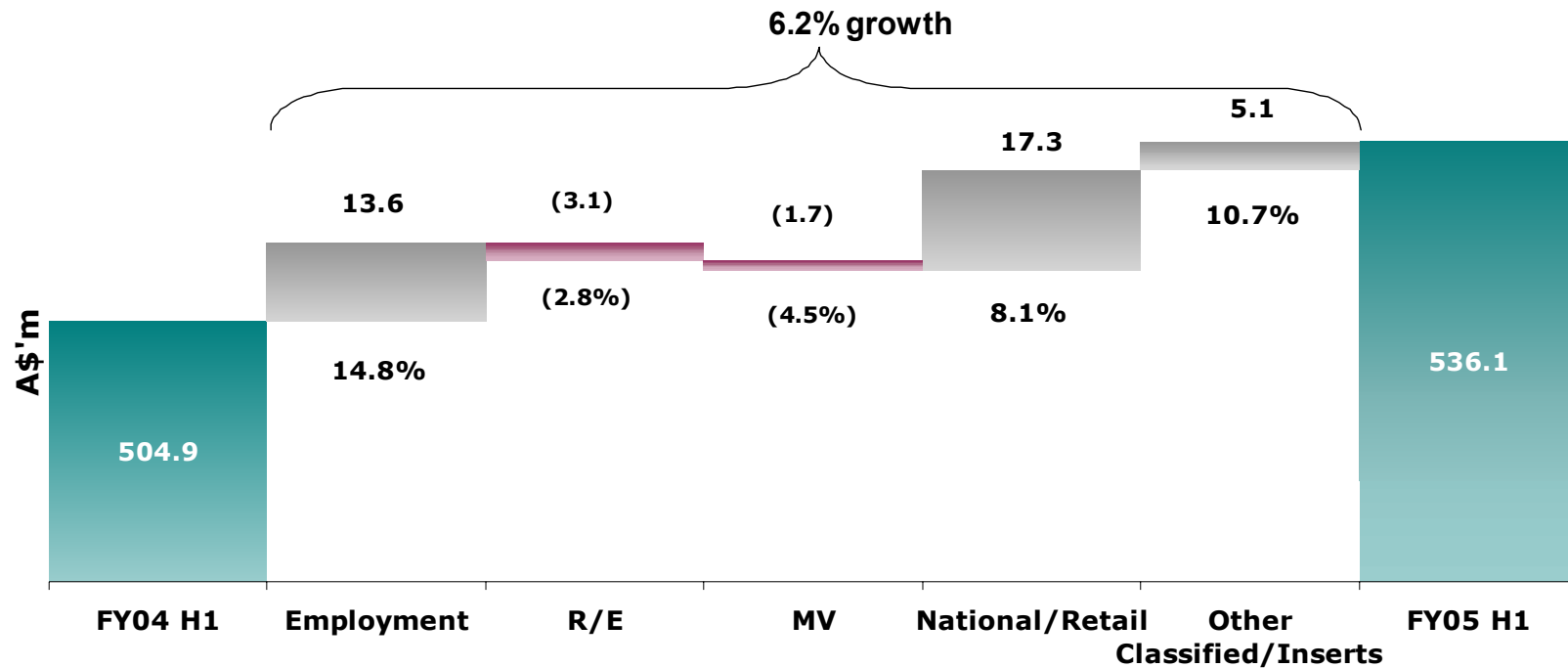
# Stronger advertising revenue growth in second quarter...



*\*Includes Text and Port Stephens Examiner acquisitions*

# Advertising revenue driven by employment and national/retail...

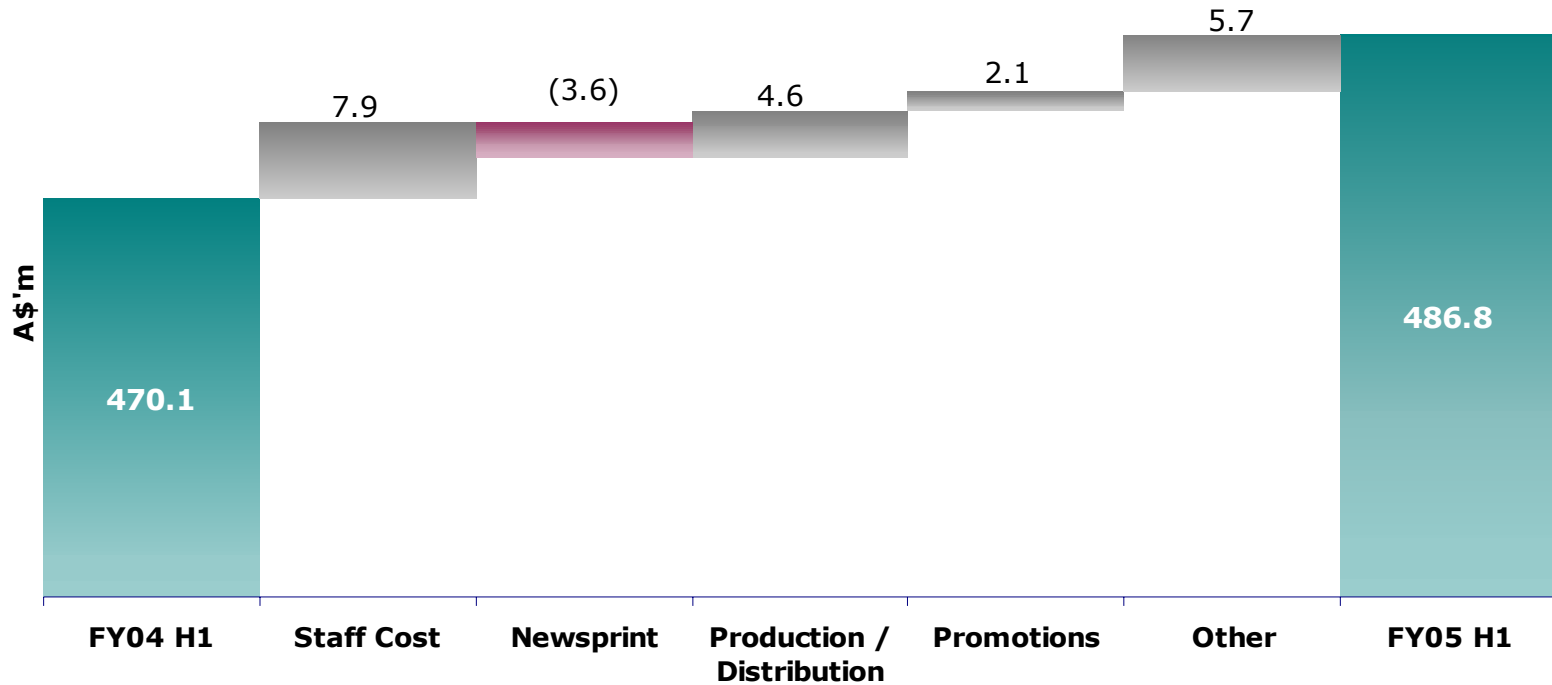
**Publishing Advertising FY05 H1 vs FY04 H1**



Note: Includes Text and Port Stephens acquisitions in FY05 H1

# Cost improvements continue...

## Publishing Costs FY05 H1 v FY04 H1



**Excluding acquisitions, costs increased 1.2%**

## Margins improving...

	Australian Publishing			
	FY05 H1 \$'m	FY04 H1 \$'m	Variance \$'m	Variance %
Revenue	652.3	621.5	30.8	5.0%
Costs	486.8	470.1	(16.7)	(3.6%)
EBITDA	165.5	151.4	14.1	9.3%
Depreciation	36.0	31.7	(4.3)	(13.6%)
EBIT	129.5	119.7	9.8	8.2%
EBITDA margin	25.4%	24.4%		
EBIT margin	19.9%	19.3%		

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**Fairfax Digital**

## Fairfax Digital strong revenue growth...

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Increased investment in the brand via promotional costs and staffing increases

	FY05 H1 \$'m	FY04 H1 \$'m	Var \$'m	Var %
Revenue	25.6	17.7	7.9	44.6%
Costs	24.4	16.0	(8.4)	(52.5%)
<b>EBITDA</b>	<b>1.2</b>	<b>1.7</b>	<b>(0.5)</b>	<b>(29.4%)</b>

# Online revenue continues to increase overall category growth...

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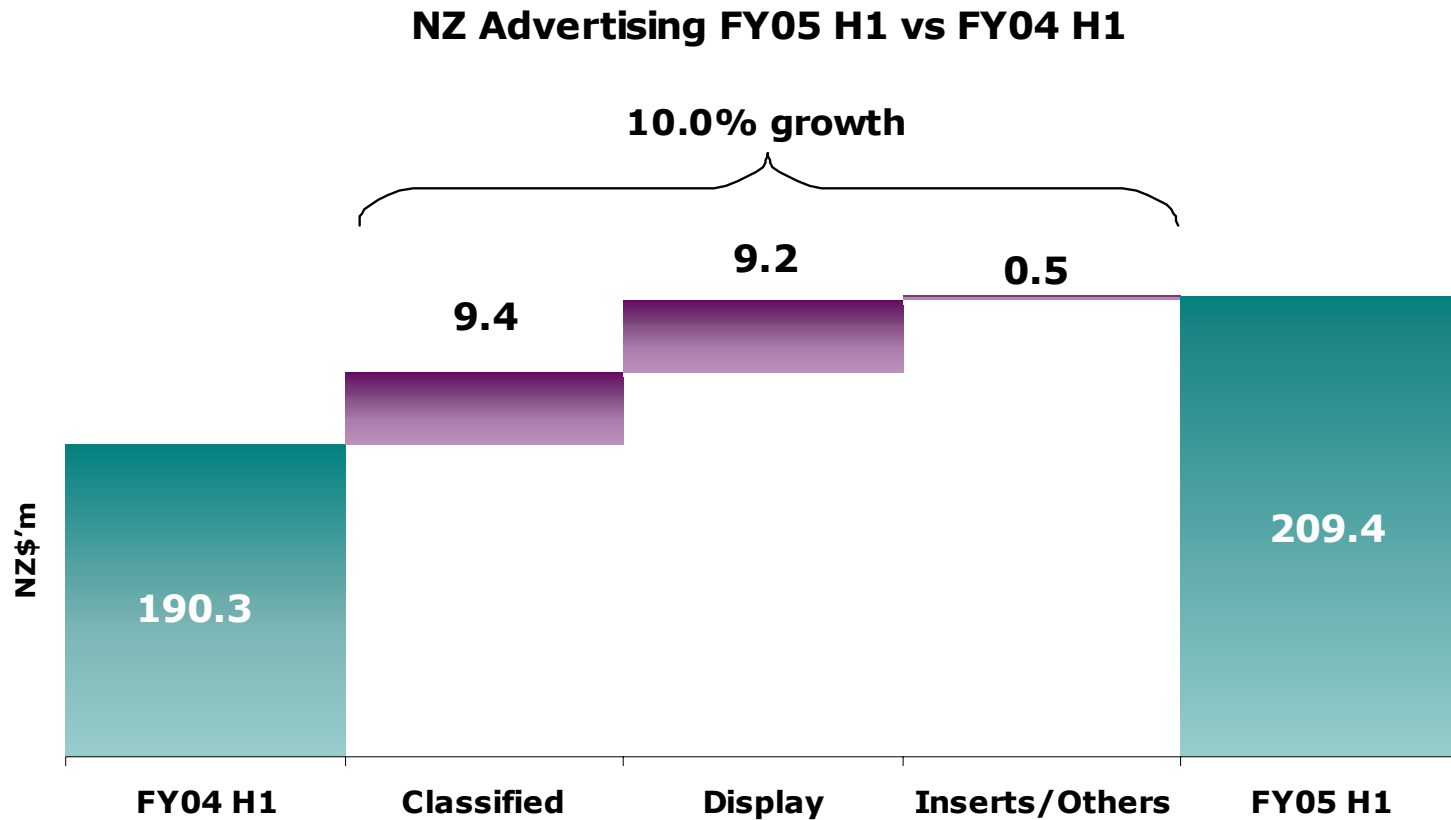
Classified & Display & Online Revenue		FY05 H1 v FY04 H1
<b>Employment</b>	Print Classified & Display	14.8%
	Online	55.3%
	<b>Total Print &amp; Online</b>	<b>16.5%</b>
.....		
<b>Real Estate</b>	Print Classified & Display	(2.8%)
	Online	61.7%
	<b>Total Print &amp; Online</b>	<b>(0.7%)</b>

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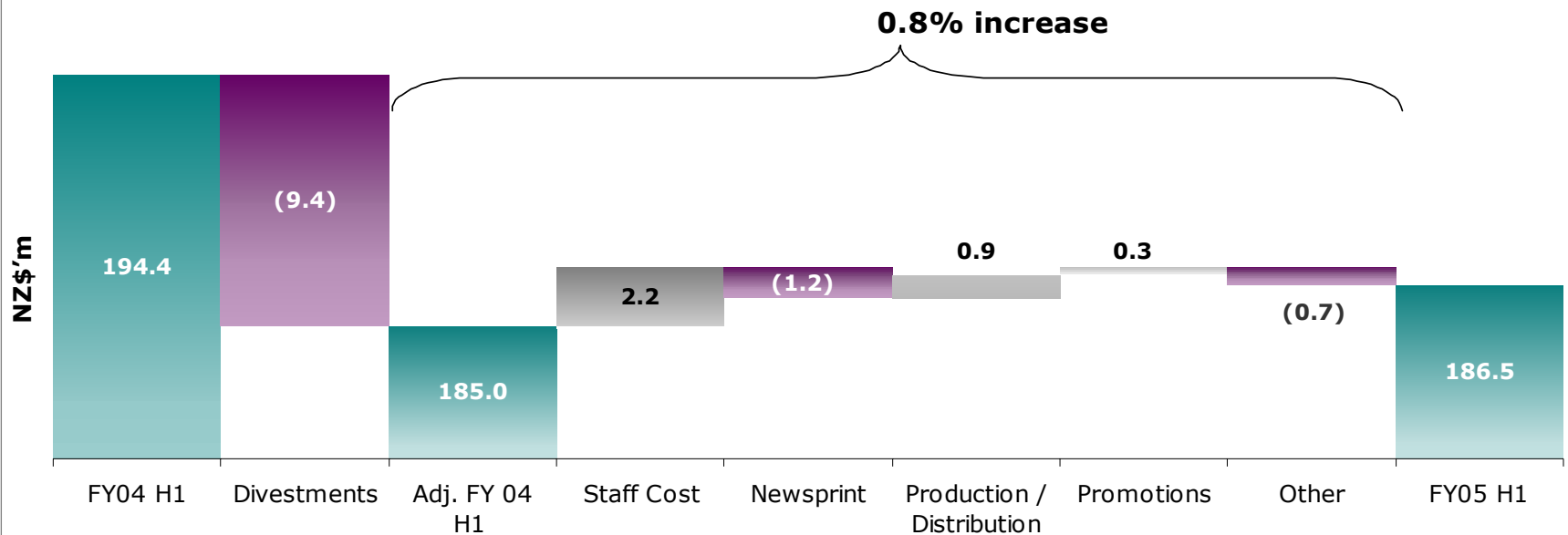
**Fairfax New Zealand**

# NZ Display and classified revenues robust...



# NZ costs well managed...

## NZ Costs FY05 H1 vs FY04 H1



## New Zealand – improvements continue...

NZ\$	FY05 H1 \$'m	FY04 H1 \$'m	Variance %
Revenue	281.8	273.0	3.2%
Costs	186.5	194.4	4.1%
EBITDA	95.3	78.6	21.3%
Depreciation	5.1	7.0	27.1%
<b>EBIT</b>	<b>90.2</b>	<b>71.6</b>	<b>26.0%</b>
EBITDA margin	33.8%	28.8%	
EBIT margin	32.0%	26.2%	

Note: Excludes profit on sale of Gordon & Gotch – NZ\$4.4M [exchange rate A\$1 to NZ\$1.08]

\* FY05 H1 excludes and FY04 H1 includes the operating activities of Gordon & Gotch

# Group financial summary...

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- **Revenue growth – 6.6%**
- **Cost disciplines maintained across the group**
- **Overall EBITDA margin strengthened – 27.1% vs 25.3%**
- **Cash flow from operations increased 34.4%**
- **Capital management**
  - Presses – no early buyback. Early exchange likely in 2006

# Fairfax

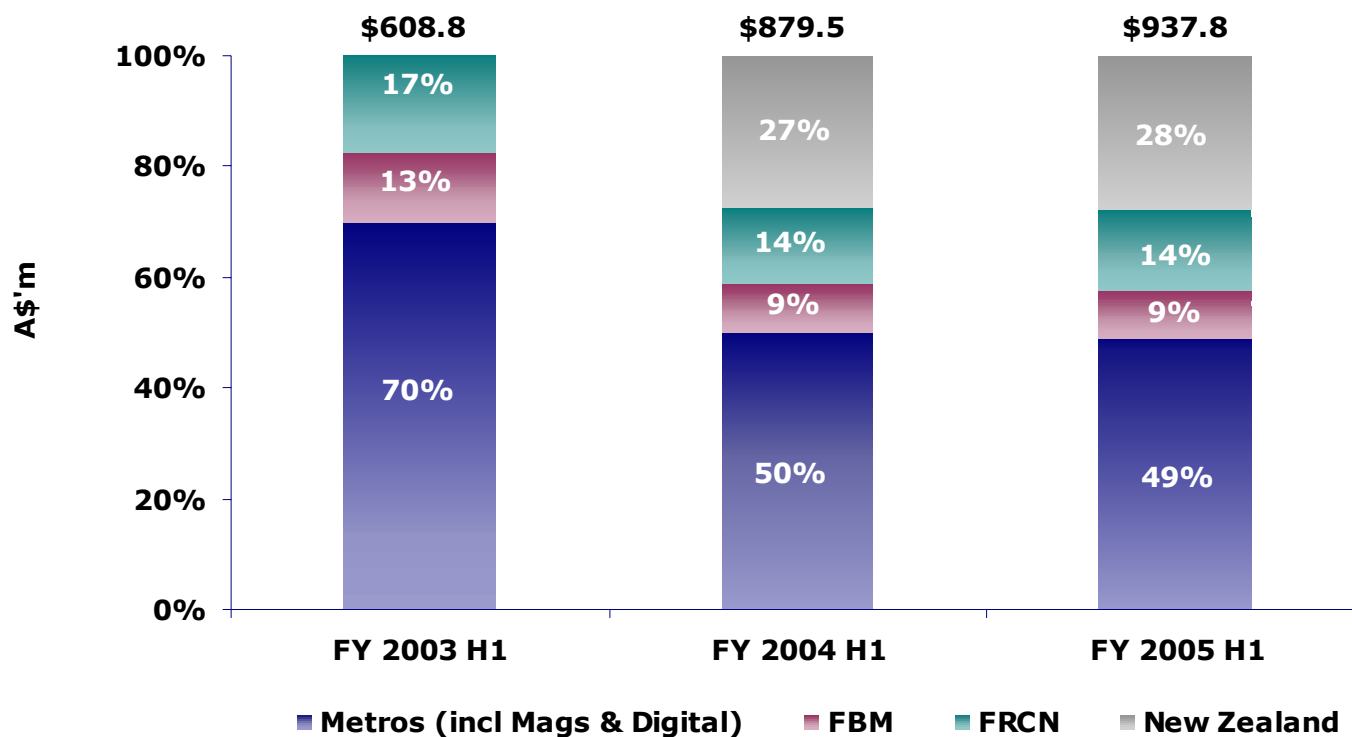
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## **Business Reviews**

Mr Fred Hilmer  
Chief Executive Officer

# Broadening revenue base...

## Revenue Mix



*Note: Percentage split on total revenue by business units*

# Metropolitan newspapers...

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## ○ **Revenue initiatives**

- Transition from lineage to display
  - New publications
  - Better colour offering
  - Product improvements
- Protecting lineage
  - Outbound telemarketing
  - Bundled selling

## ○ **Circulation**

- Tough environment
- Initiatives underway focusing on audience quality

## ○ **Cost saving initiatives**

# The Sydney Morning Herald

**Employment display – volume and yield growth**

**Cost savings via editorial redundancies achieved**

**Successful launch of Domain East and Domain North**

**Further product improvements planned**





**Tullamarine plant delivering benefits**

**Colour take up now 52%**

**Agenda setting editorial**

**theage(melbourne)magazine launched successfully**

**Strong upward trends in readership**

# Fairfax Business Media

**Strong employment position**

**Global downturn in some key categories**

**Business Review Weekly performance improved**

**Extended franchise in Real Estate and Life & Leisure**

**Process improvements driving cost control**

**Strong profit growth in contrast to global trends**



**Strong revenue and profit growth**

**Text and Port Stephens Examiner acquisitions delivering benefits**

**Footprint expansion continues**

**Revenue synergies with metro masthead and online**



# FairfaxDigital

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**EBITDA positive and continuing to invest in the brand**

**Strengthened presence and revenues in both classified and banner advertising**

**Site registration on news sites successful**

**YAHOO deal announced**

 domain.com.au

 mycareer.com.au

 THE AGE  
theage.com.au

 FINANCIAL REVIEW afr.com.au

 smh.com.au

 drive.com.au

**Continuous business improvements driving margin expansion**

**Successfully launched new Sunday Magazine and Auckland MAX**

**Content sharing with better cross masthead synergies**

**Continued focus on expanding footprint**

- Acquisition of NZ Autocar Magazine
- Ashburton printing joint venture



# Summary...

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- **Strong financial performance**
- **Excellent operational performance**
- **Strategy and initiatives have provided basis for growth in both print and online**

## Outlook...

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***While it is too early in the half to provide meaningful guidance, advertising revenue growth is continuing.***

***The Company expects further EBIT growth this half, the level of which will depend on the vitality of overall trading conditions.***

# Positioning the company for possible media law changes...

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- **Maintaining a strong financial and operational focus**
- **Consulting with Government for sensible reforms**
- **Looking at all options and ready to move if financial criteria met**

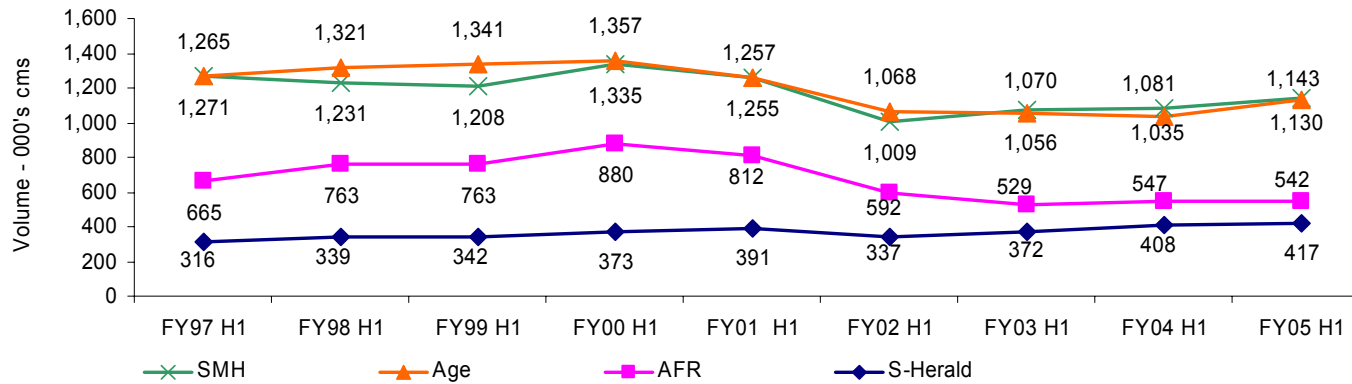
# Fairfax

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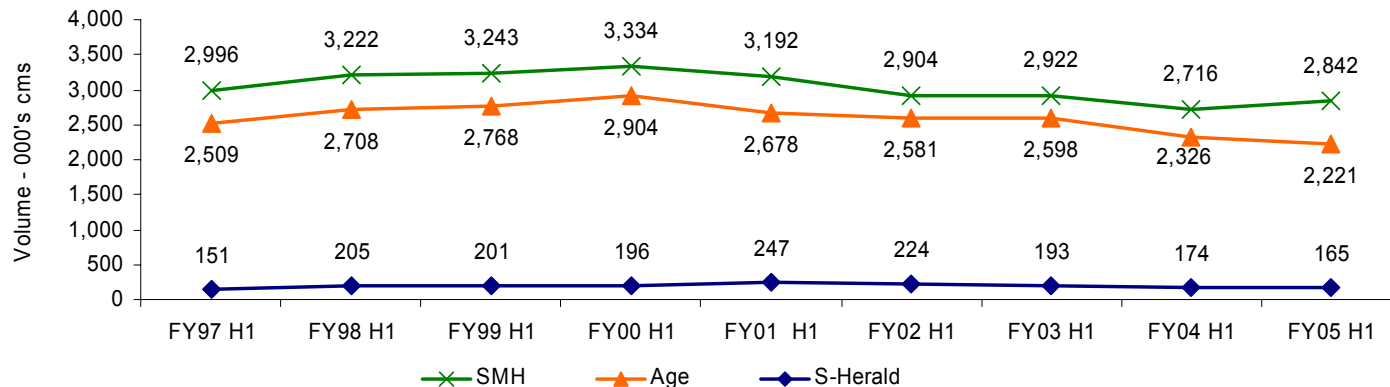
**Appendices**

# Australian publishing – Classifieds and Display by volumes

AUS Advertising Volumes - Display  
6 months ended 31 December 2004

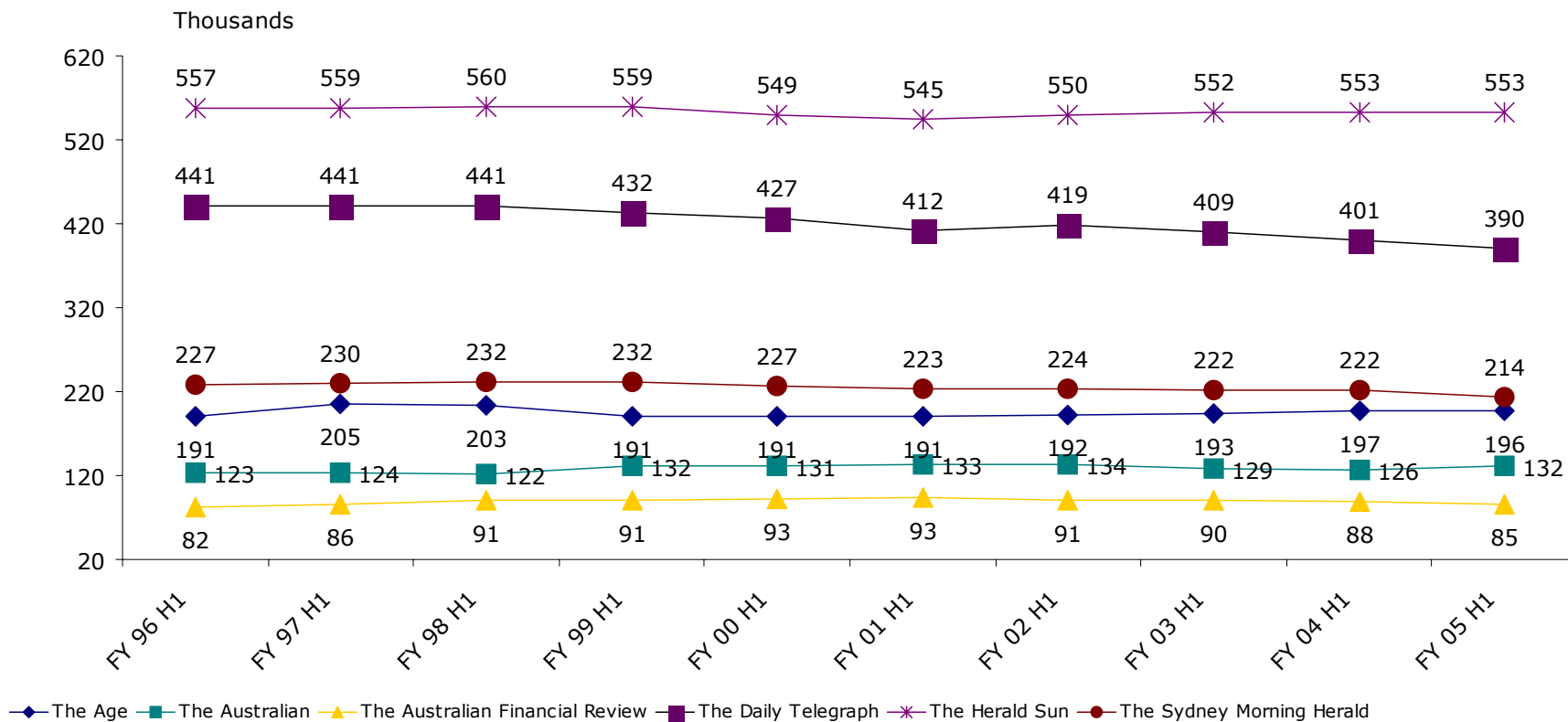


AUS Advertising Volumes - Classifieds  
6 months ended 31 December 2004



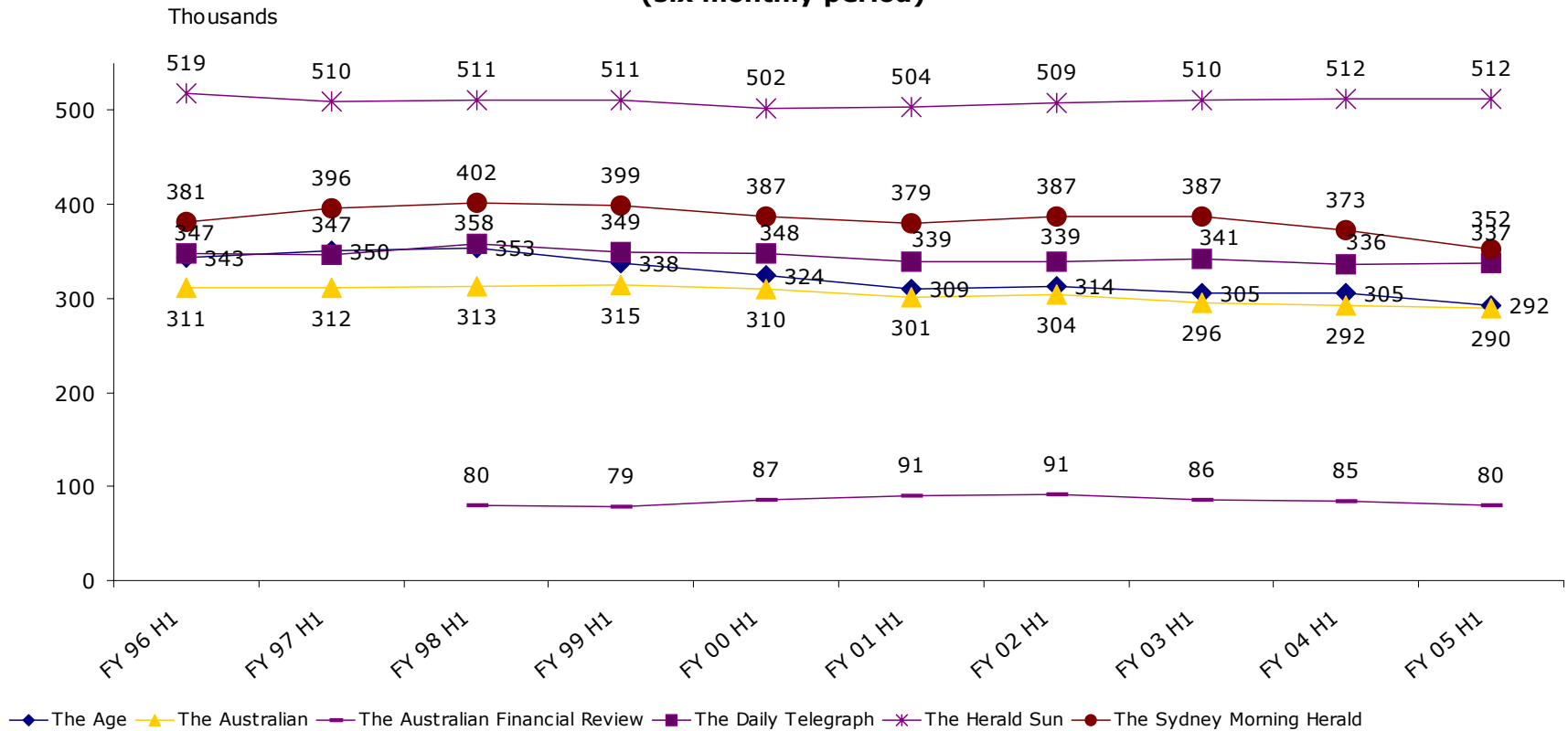
# Circulation trends

**Monday to Friday A.B.C. Circulation  
(six monthly period)**



# Circulation trends

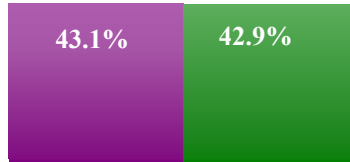
**Saturday A.B.C. Circulation  
(six monthly period)**



# Sydney Morning Herald

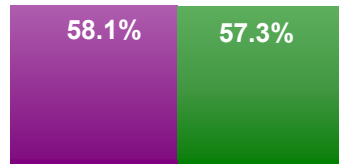
## Total Readership

Monday to Friday



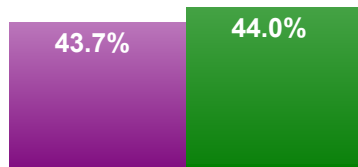
Oct 02- Sep 03 Oct 03- Sep 04

Saturday



Oct 02- Sep 03 Oct 03- Sep 04

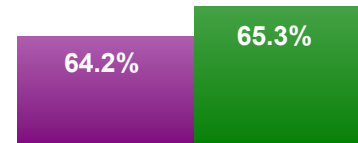
Sunday



Oct 02- Sep 03 Oct 03- Sep 04

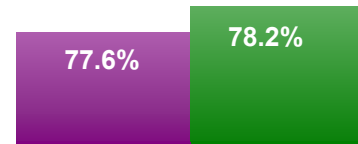
## AB Readership

Monday to Friday



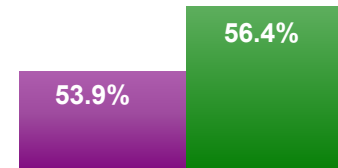
Oct 02- Sep 03 Oct 03- Sep 04

Saturday



Oct 02- Sep 03 Oct 03- Sep 04

Sunday



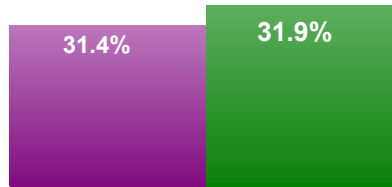
Oct 02- Sep 03 Oct 03- Sep 04

Source: Roy Morgan Readership Study October 03-September 04  
Note: Comparison against The Daily Telegraph

# The AGE

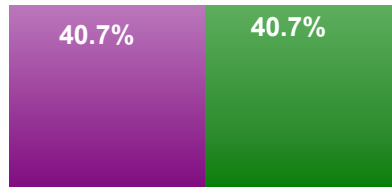
## Total Readership

### Monday to Friday



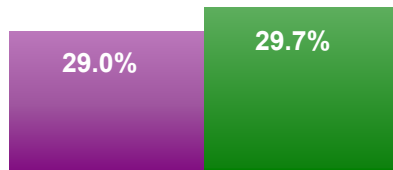
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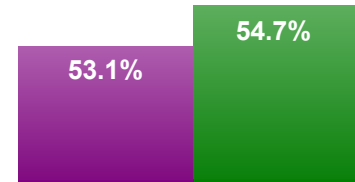
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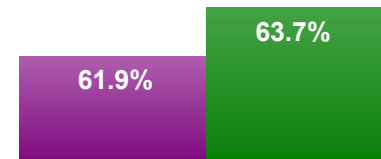
## AB Readership

### Monday to Friday



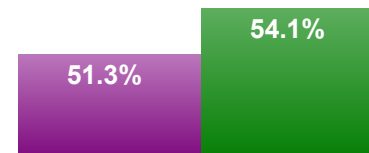
Oct 02- Sep 03 Oct 03- Sep 04

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Oct 02- Sep 03 Oct 03- Sep 04

### Sunday



Oct 02- Sep 03 Oct 03- Sep 04

Source: Roy Morgan Readership Study October 03-September 04  
Note: Comparison against The Herald Sun