

Half Year Results 2004

19 February 2004

Fairfax

Agenda

- ◆ Highlights and Results Overview
- ◆ Group Financial Performance
- ◆ Australian Business Review
- ◆ Australian Publishing Business Review
- ◆ f2 Business Review
- ◆ New Zealand Business Review
- ◆ Text Media
- ◆ Priorities and Outlook

Highlights

- ◆ Fairfax New Zealand
 - Excellent acquisition completed successfully
 - Strong earnings and trading performance

- ◆ Fairfax Australia
 - Steady improvement
 - Benefits of the investment in new plants
 - Cost discipline maintained
 - Tax consolidation

Results Overview

	A\$millions	LY Comparison
EPS (Basic)	17.56 cents	Up 9.17 cents or 109.3%
EPS (pre significant)	10.41 cents	Up 2.02 cents or 24.1%
EBIT	\$180.9m	Up \$68.7m or 61.2%
Profit after tax	\$162.4m	Up 132.1%
- pre significant items	\$100.1m	Up 43.0%
Trading Performance - Australia		
- Revenue	\$639.2m	Up \$30.4m or 5.0%
- Costs	\$486.0m	Up \$19.3m or 4.1%
- EBITDA	\$153.2m	Up \$11.2m or 7.9%
Trading Performance - New Zealand		
- Revenue	\$240.3m	N/A
- Costs	\$171.2m	N/A
- EBITDA	\$ 69.1m	N/A

Group Financial Performance

Profit & Loss: Underlying Trading Performance

A\$m	As reported			Adjustments		Underlying Trading Performance		
	Dec 2003 \$'m	Dec 2002 \$'m	Var %	Dec 2003 \$'m	Dec 2002 \$'m	Dec 2003 \$'m	Dec 2002 \$'m	Var %
Revenue	883.2	615.9	43.4	(3.8)	(8.3)	879.4	607.6	44.7
Associate profits	0.1	1.2	-	-	-	0.1	1.2	-
Costs	661.0	475.1	(39.1)	(3.8)	(8.3)	657.2	466.7	(40.8)
EBITDA	222.3	142.0	56.5	0.0	0.0	222.3	142.0	56.5
Depreciation & amortisation	41.3	29.8	(38.6)	0.0	0.0	41.3	29.8	(38.6)
EBIT	180.9	112.2	61.2	0.0	0.0	180.9	112.2	61.2
Interest	32.0	10.6	(201.9)	0.0	0.0	32.0	10.6	(201.9)
Profit before tax	148.9	101.6	46.6	0.0	0.0	148.9	101.6	46.6
Tax	(13.9)	31.6	144.0	62.4	-	48.5	31.6	(53.5)
Net profit	162.8	70.0	132.7	62.4	-	100.4	70.0	43.5
Net profit attrib. to outside equity interest	0.4	-	-	-	-	0.4	-	-
Net profit attrib. to members of the company	162.4	70.0	132.1	62.4	-	100.1	70.0	43.0

Note: Adjustments comprise the effect of significant items and proceeds from disposals.
\$62.4m tax adjustment relates to the impact of entry into tax consolidation.

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Balance Sheet

A\$m	Dec 2003 \$'m	Jun 2003 \$'m
Intangibles	2,201.1	2,203.9
Property, plant and equipment	785.1	819.7
Investments & other non-current financial assets	22.8	41.8
Receivables	251.8	259.7
Inventories	40.2	40.9
Other assets	37.2	40.7
Net borrowings	(1,096.7)	(1,200.3)
Other liabilities	(297.4)	(424.5)
Net assets	1,944.3	1,781.8

Note: The reduction in other liabilities relates to tax consolidation, the INL acquisition, Tullamarine capex and New Zealand's payables.

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Cashflow Summary

A\$m	Dec 2003 \$'m	Dec 2002 \$'m
EBITDA	222.3	142.0
Non cash items	(0.3)	(1.4)
Balance sheet movements	(57.9)	(2.2)
Dividends received from associates	1.0	0.4
Net interest cost	(32.0)	(10.3)
Income tax paid	(26.1)	40.1
Other - redundancies	(7.8)	0.0
Free cash flow	99.2	168.6
<u>Utilised as follows:</u>		
Inc/(dec) net debt & other fin. liabs	(95.1)	(85.4)
Net capital expenditure	(5.8)	(25.4)
Net investments	(0.2)	2.0
Dividends paid	(79.3)	(59.8)
Employee loans repaid	0.7	0.0
Payment for intangibles and working capital	(0.2)	0.0
Net proceeds from issue of shares	80.7	0.0
	(99.2)	(168.6)

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Australian Business Review

Profit & Loss: Australian Operations

A\$m	Dec 2003 \$'m	Dec 2002 \$'m	Var \$'m	Var %
Advertising	519.9	489.1	30.9	6.3%
Circulation	104.0	102.9	1.1	1.1%
Other revenues	15.3	16.8	(1.5)	(8.9%)
Total revenue	639.2	608.8	30.4	5.0%
Staff	210.1	200.0	(10.1)	(5.1%)
Newsprint & paper	97.0	101.9	4.9	4.8%
Production & distribution	71.3	65.5	(5.8)	(8.8%)
Promotions & advertising	27.3	20.6	(6.7)	(32.5%)
Other expenses	80.4	78.7	(1.7)	(2.2%)
Total costs	486.0	466.7	(19.3)	(4.1%)
EBITDA	153.2	142.0	11.2	7.9%
Depreciation & amortisation	35.1	29.8	5.3	17.8%
EBIT	118.1	112.2	5.9	5.3%
EBITDA margin	24.0%	23.3%		

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Profit & Loss: Australian Publishing

A\$m	Dec 2003		Dec 2002	
	\$'m	\$'m	\$'m	%
Revenue	621.5	597.1	24.4	4.1%
Costs	470.1	453.6	(16.5)	(3.6%)
EBITDA	151.4	143.5	7.9	5.5%
Depreciation & amortisation	31.7	27.8	(3.9)	(14.1%)
EBIT	119.7	115.7	4.0	3.4%
EBITDA margin	24.4%	24.0%		
EBIT margin	19.3%	19.4%		

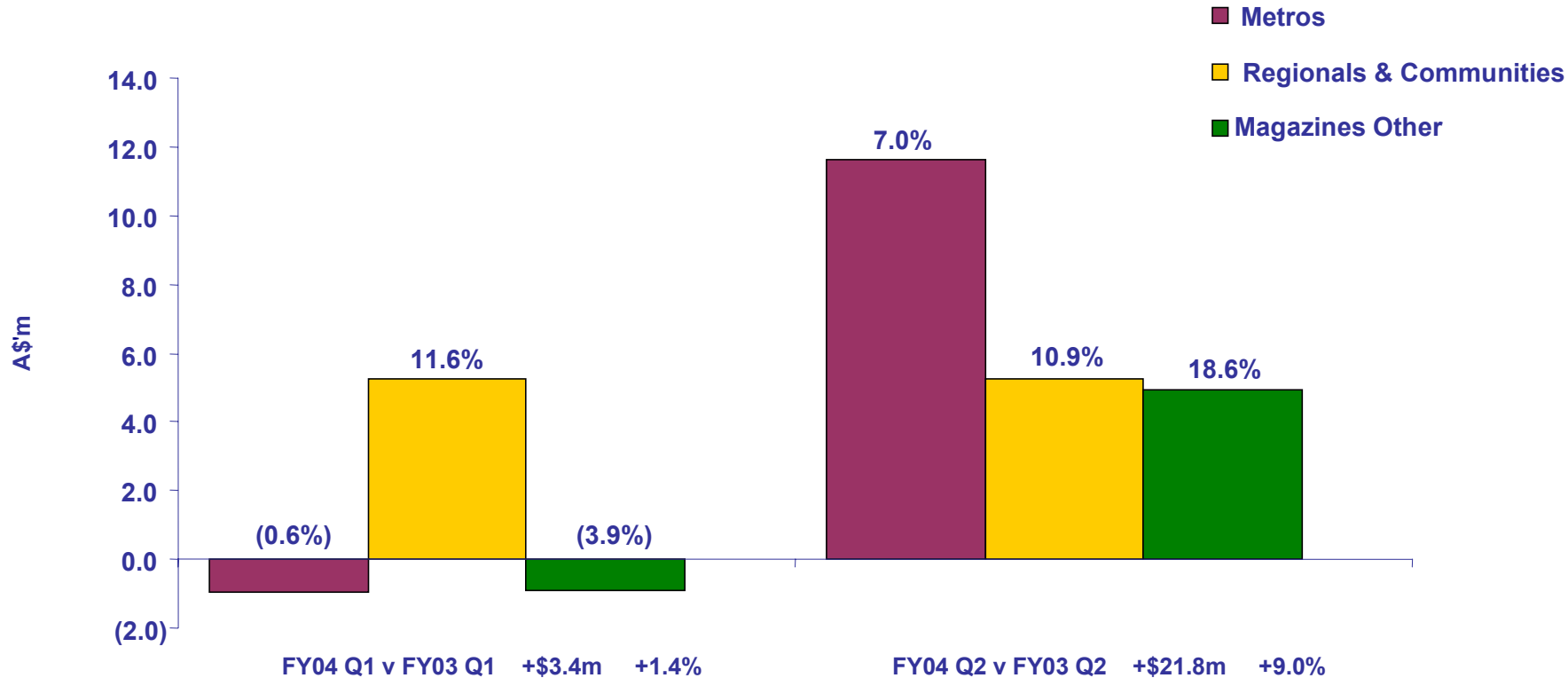
Note: Dec 2002 publishing revenue includes \$1.2m of AAP revenue. This was restated for H1 results in the full year FY03 results

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Advertising Revenue Quarter on Quarter FY04 H1

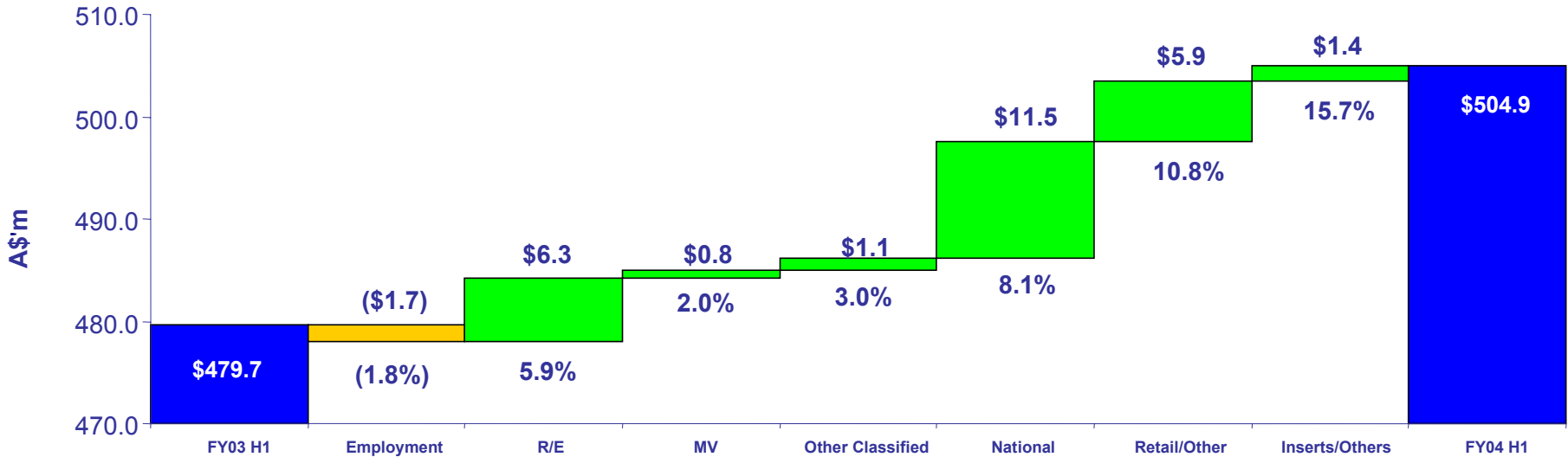
Australian publishing advertising revenue runrate increased in the second quarter compared to the first quarter

AUS Advertising Markets FY04 Q1 vs FY03 Q1
and
FY04 Q2 vs FY03 Q2 Publishing Business Units



Improved Advertising Revenues

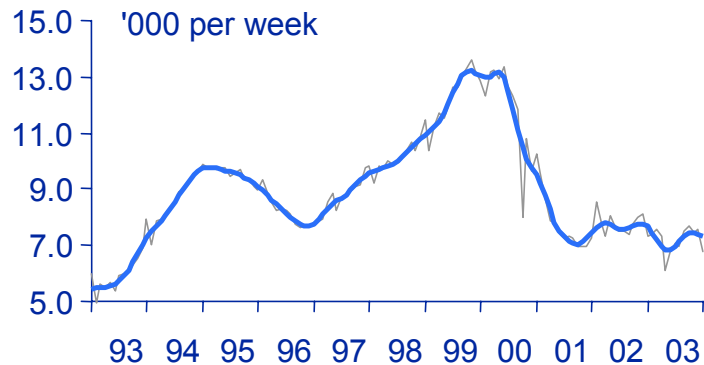
AUS publishing advertising by Category FY04 H1 v FY03 H1



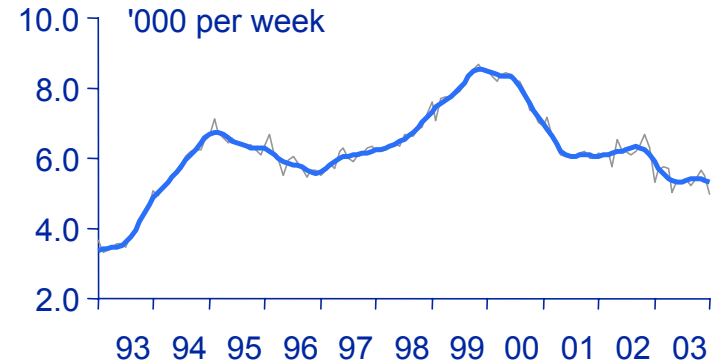
Note: Categories of classified and display advertising are combined with employment, Real Estate and Motor Vehicles.

Weakness in Key Employment Markets continued in H1

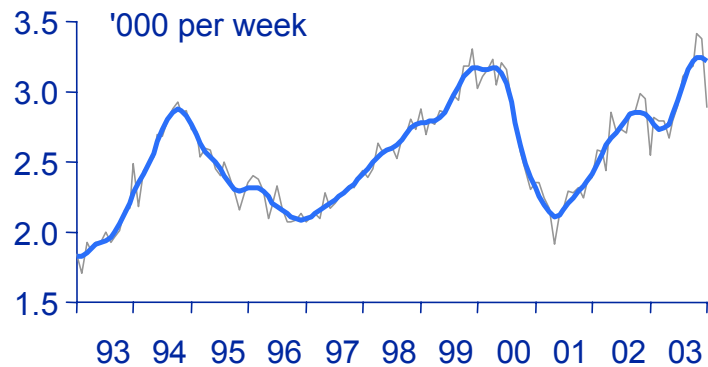
New South Wales



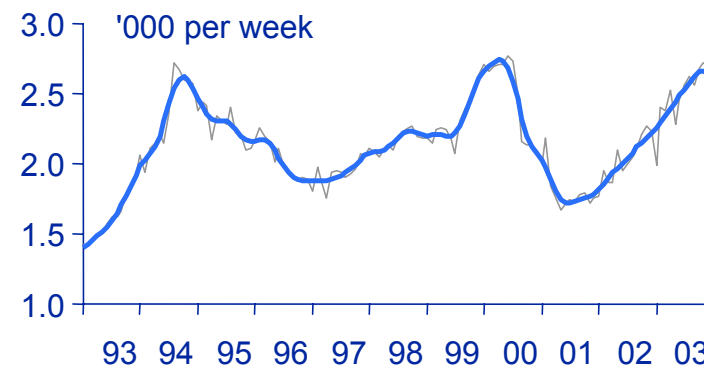
Victoria



Queensland



Western Australia

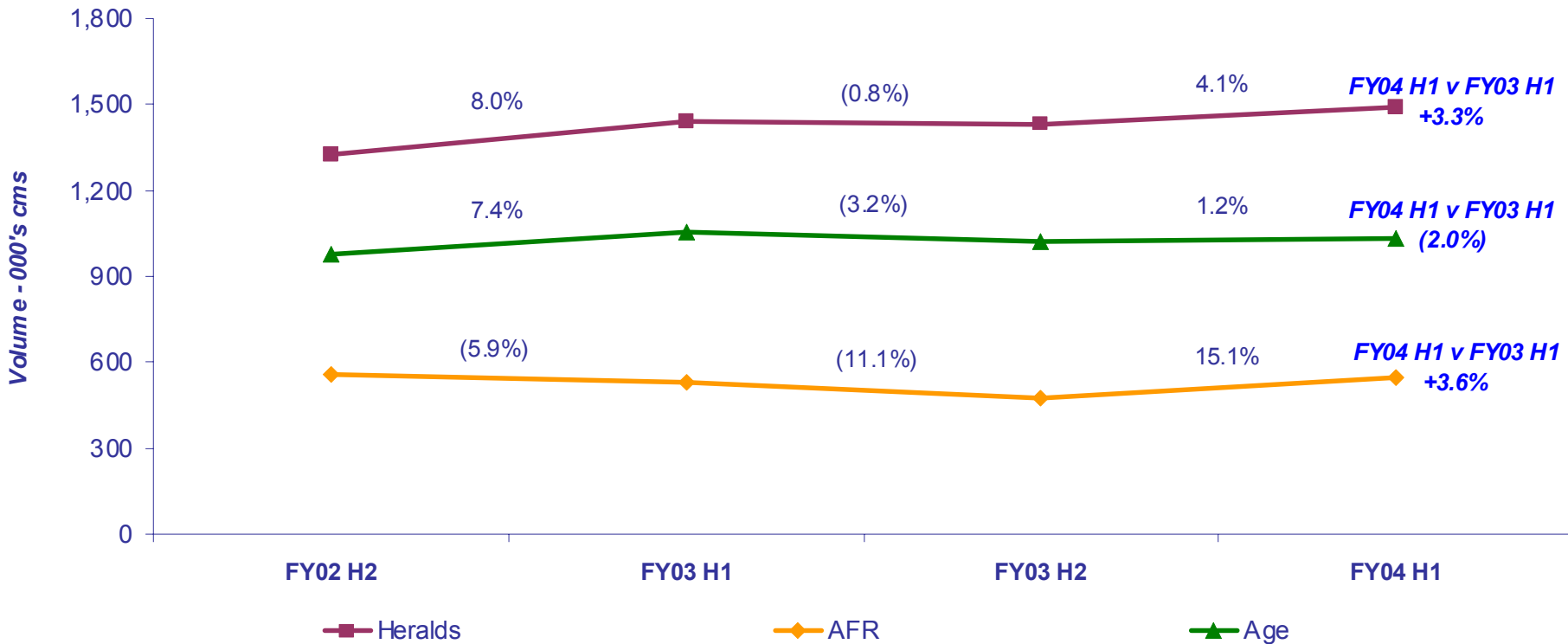


Source : Economics @ ANZ. (Note : Vertical axis on graphs equate to number of job ads per week)

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Australian Publishing - Display Advertising Volumes by Masthead

AUS Advertising Volumes - Display 6 months ended 31 December 2003

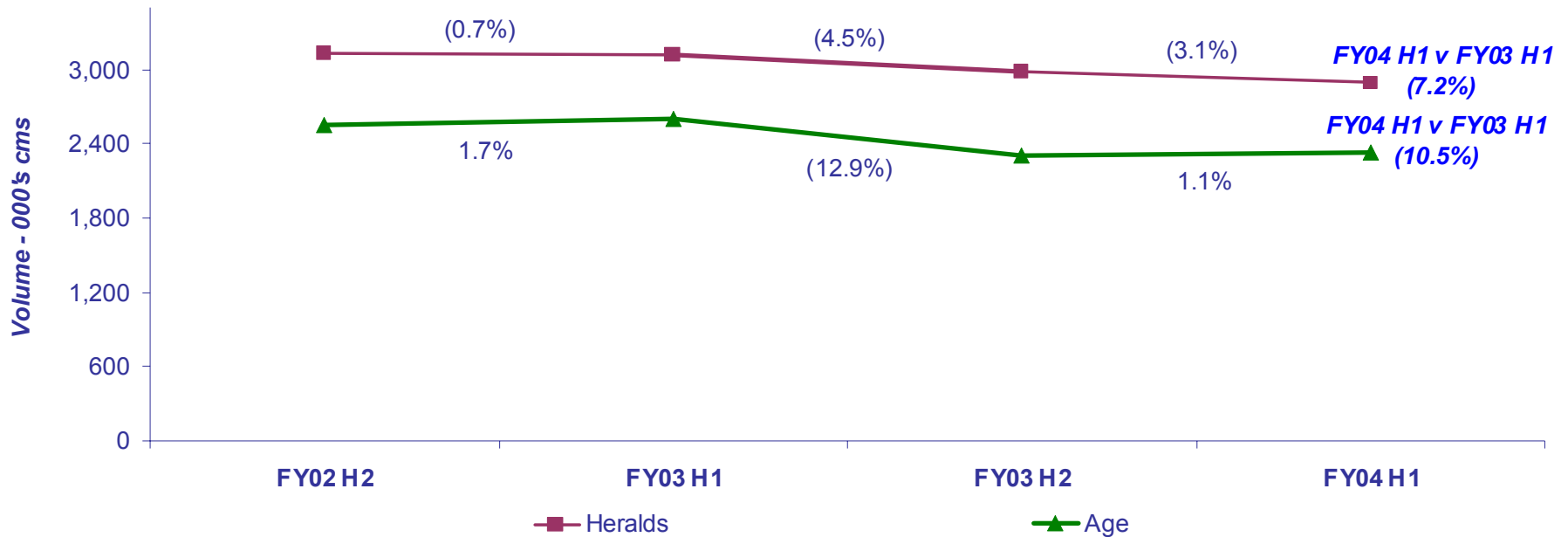


* Excludes inserts volumes

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Australian Publishing - Classified Advertising Volumes by Masthead

AUS Advertising Volumes - Classified 6 months ended 31 December 2003

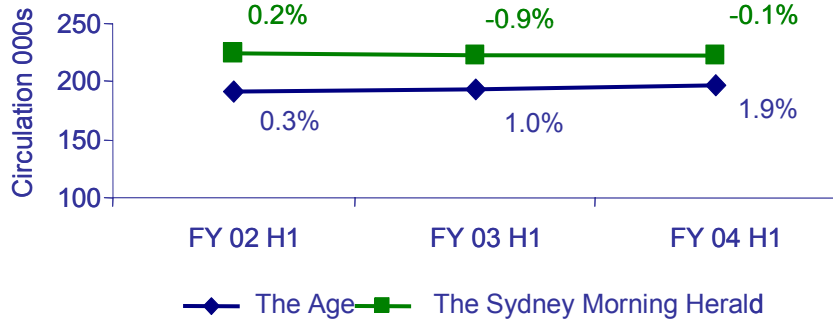


* Excludes inserts volumes

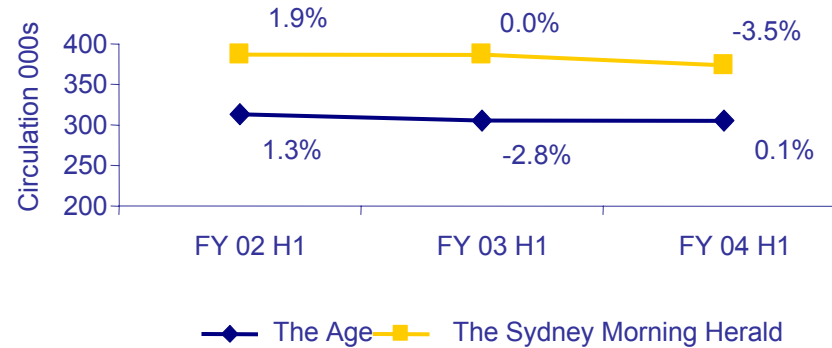
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Australia: Circulation

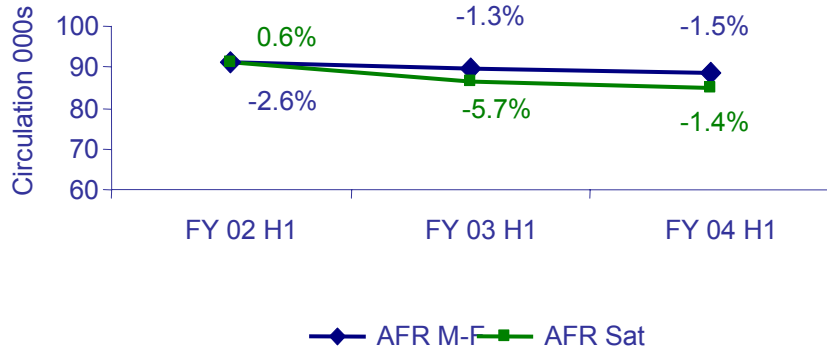
A.B.C. Circulation Monday to Friday



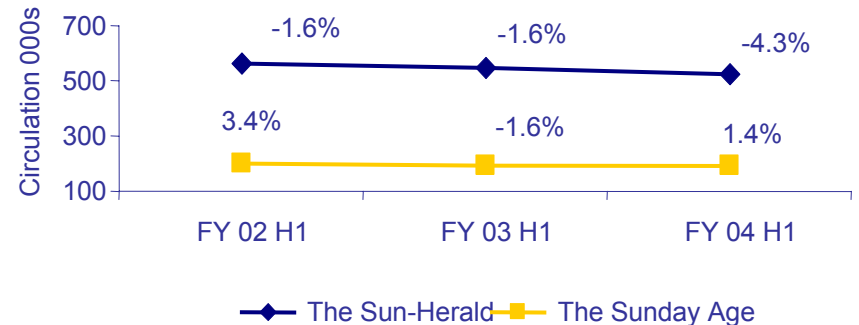
A.B.C. Circulation Saturday



A.B.C. Circulation AFR



A.B.C. Circulation Sunday



Improvements at The Age due to Tullamarine

	Dec 2003	Dec 2002
Colour column cms as a % of total column cms	45.4%	17.7%
Colour adv. column cms as a % of total adv. column cms	36.3%	13.3%
Commercial Inserts	\$4.0m	\$2.8m
Sections Stitched	2	-
Sections Trimmed	1	-
Newsprint Waste	6.3%	7.5%

f2 Business Review

f2 Summary

- ◆ Traded profitably at EBITDA level in FY04 H1 with revenues up 51.3% and EBITDA up significantly.
- ◆ Maintained leadership position in online news and information in Australia.
- ◆ Improvements in fundamentals of all online classified businesses (eg. banner advertising and upsell from print).
- ◆ f2 is now an integral and complementary part of the Fairfax's print business

Profit & Loss : f2

Comparison to December 2002

A\$m	Dec 2003 \$'m	Dec 2002 \$'m	Var \$'m	Var %
Revenue	17.7	11.7	6.0	51.3%
Costs	16.0	13.1	(2.9)	(22.1%)
EBITDA	1.7	(1.4)	3.1	221.4%
Depreciation	3.3	2.0	(1.3)	(65.0%)
EBIT	(1.6)	(3.4)	1.8	52.9%

Australian Business Summary

- ◆ Steady improvement in Australia as the market continues to improve
- ◆ Benefits of the investment in new printing facilities at Tullamarine and Chullora
- ◆ Tax consolidation provides longer term underlying growth in the company's cash flow
- ◆ Cost discipline has been maintained

New Zealand Business Review

Highlights

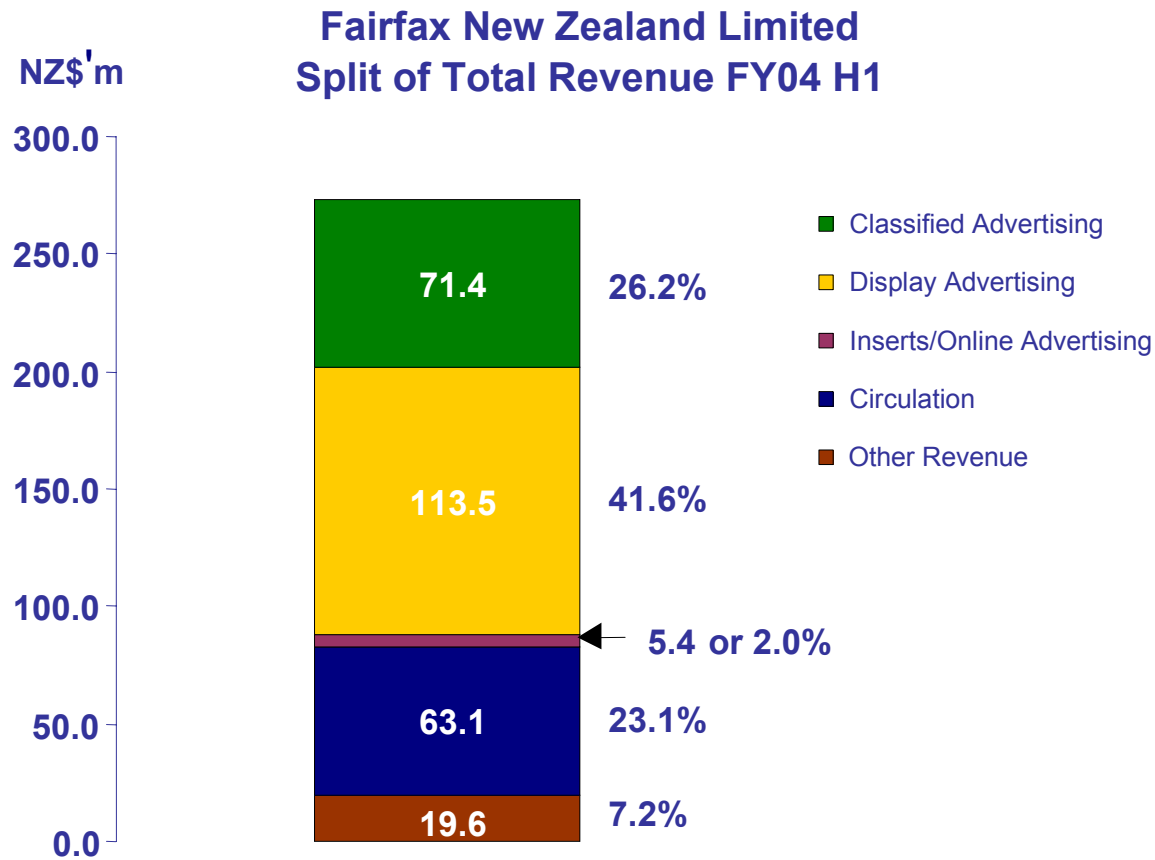
- ◆ Excellent acquisition with seamless transition
- ◆ Advertising revenue up 11.7% on pcp
- ◆ Costs below expectations at the time of acquisition
- ◆ EBITDA of NZ\$78.6m

Profit & Loss: New Zealand

NZ\$m	Dec 2003 \$'m
Advertising	190.3
Circulation	63.1
Other revenues	19.6
Total revenue	273.0
Staff	84.3
Newsprint & paper	34.5
Production & distribution	37.5
Promotions & advertising	6.6
Other expenses	31.5
Total costs	194.4
EBITDA	78.6
Depreciation & amortisation	7.0
EBIT	71.6
EBITDA margin	28.8%
Exchange rate	A\$1.0 to NZ\$1.1361

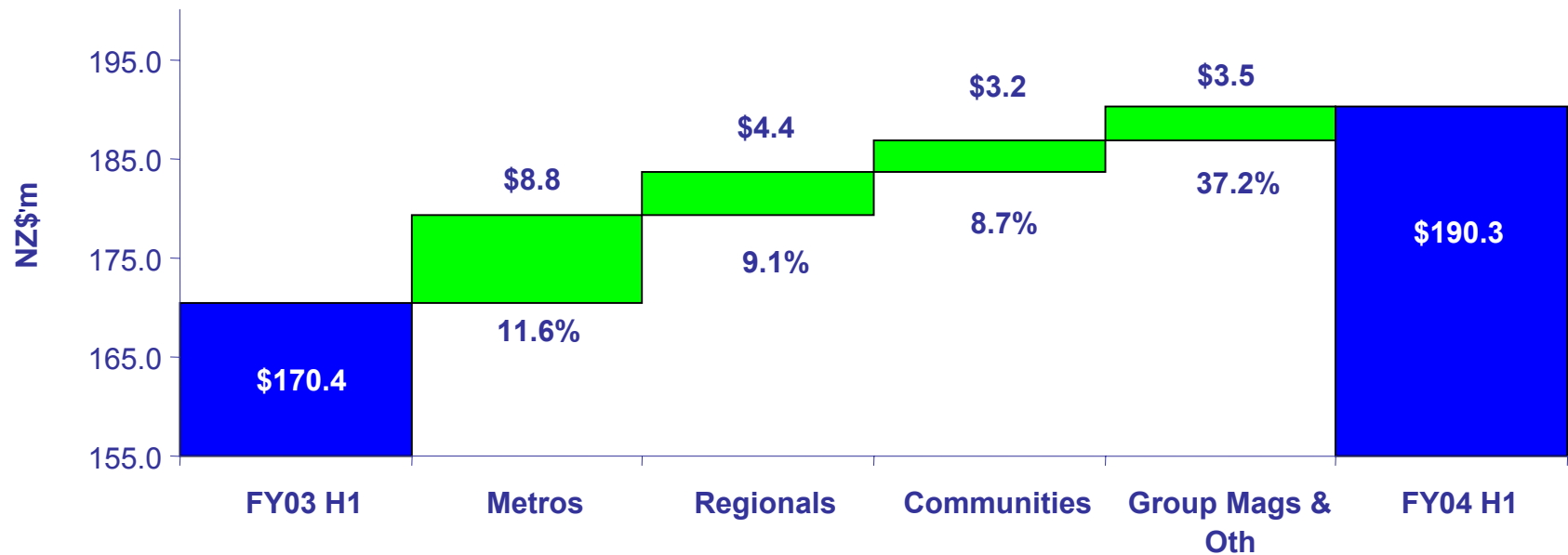
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Revenue categories contribution



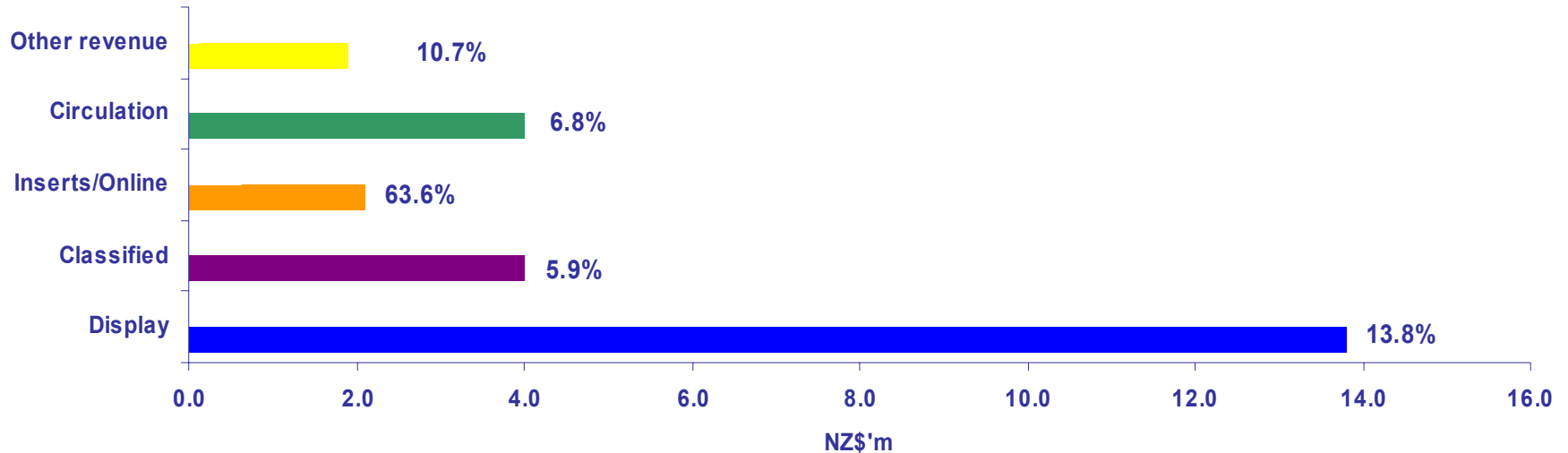
NZ advertising revenue shows strong gains in all sectors

NZ Advertising Markets FY04 H1 vs FY03 H1 - Publishing Business Units



Strong growth in all revenue categories

Total Revenue FY04 H1 v FY03 H1



New Zealand: Circulation

Last Year % var (Dec03 vs Dec02)	Dom Post	Chr'ch Press	Sunday News	Sunday Star Times
Net Avg Circulation Change	(3.4%)	(0.4%)	1.3%	2.2%
Net Avg Circulation (000's) *	98.1	90.4	114.9	210.5

* New Zealand Audit Bureau of Circulation (September 2003)

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Text Media

- ◆ Fairfax acquired 97% of Text Media shares
- ◆ Compulsory acquisition and delisting of Text Media underway
- ◆ Integration of Text Media with Fairfax core business commenced

Group Priorities

Group Priorities

- ◆ Franchise quality
 - Align products with reader's needs
- ◆ Revenue growth initiatives
 - Products, packages and sale effectiveness
- ◆ Return on new capacity
 - Products, colour and costs
- ◆ Continuing cost control
- ◆ Successful performance in NZ
- ◆ Integration of Text Media
 - Leverage synergy

Outlook

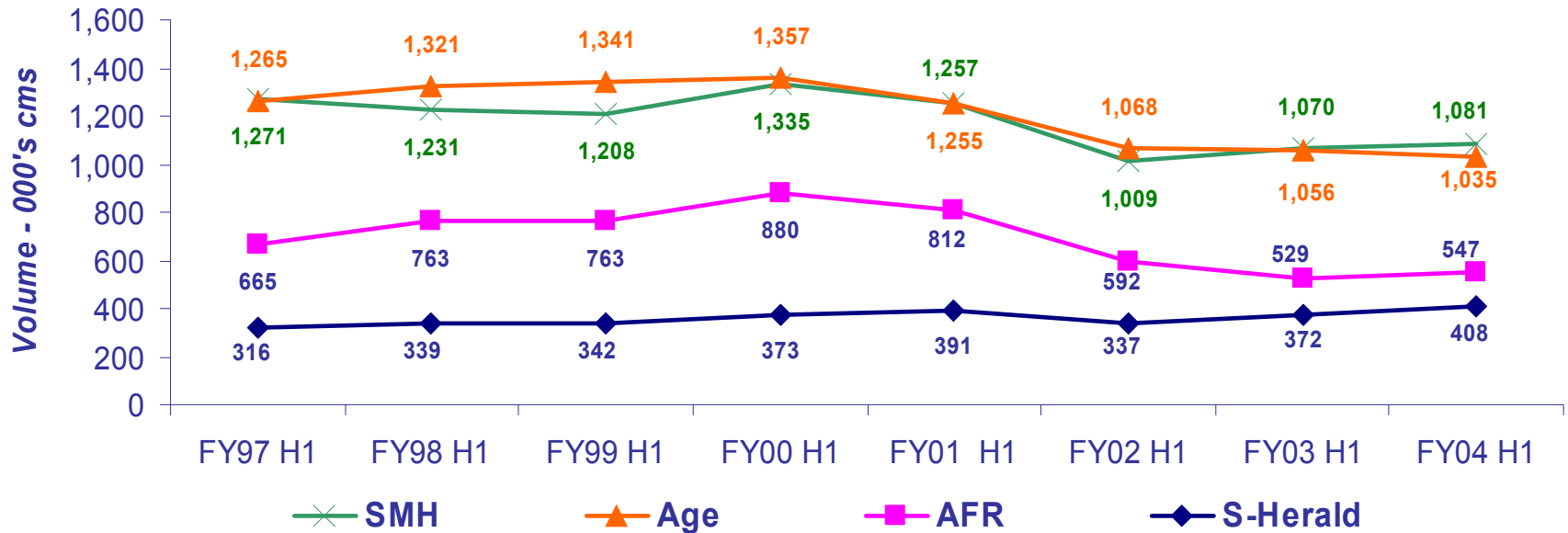
“Compared with last year, trading in the first six weeks of the second half has been generally steady in Australia and continues to be strong in New Zealand.

In Australia, display advertising continues to grow, while employment and real estate classified advertising are subdued, consistent with market conditions in those sectors. However, barring unforeseen circumstances we expect to continue earnings growth for the balance of 2004, the scale of which will depend on the vitality of further trading activity through the second half.”

Appendix

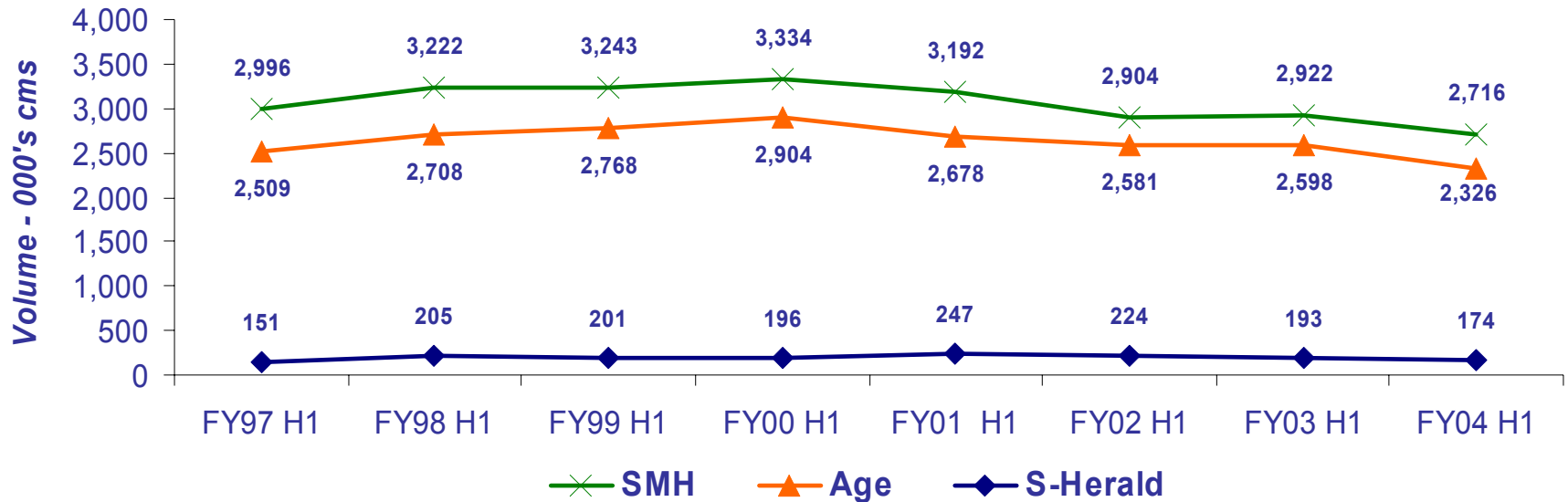
Australian Publishing Business

AUS Advertising Volumes - Display
6 months ended 31 December 2003



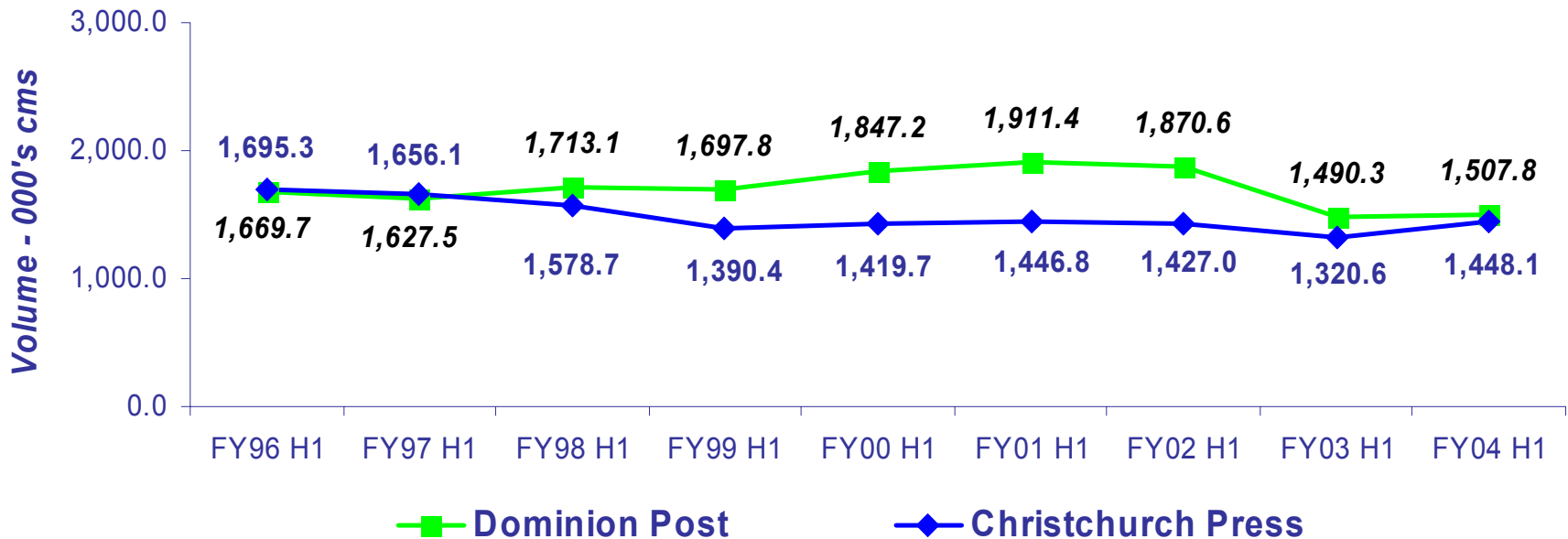
Australian Publishing Business

AUS Advertising Volumes - Classifieds
6 months ended 31 December 2003



New Zealand Publishing Business

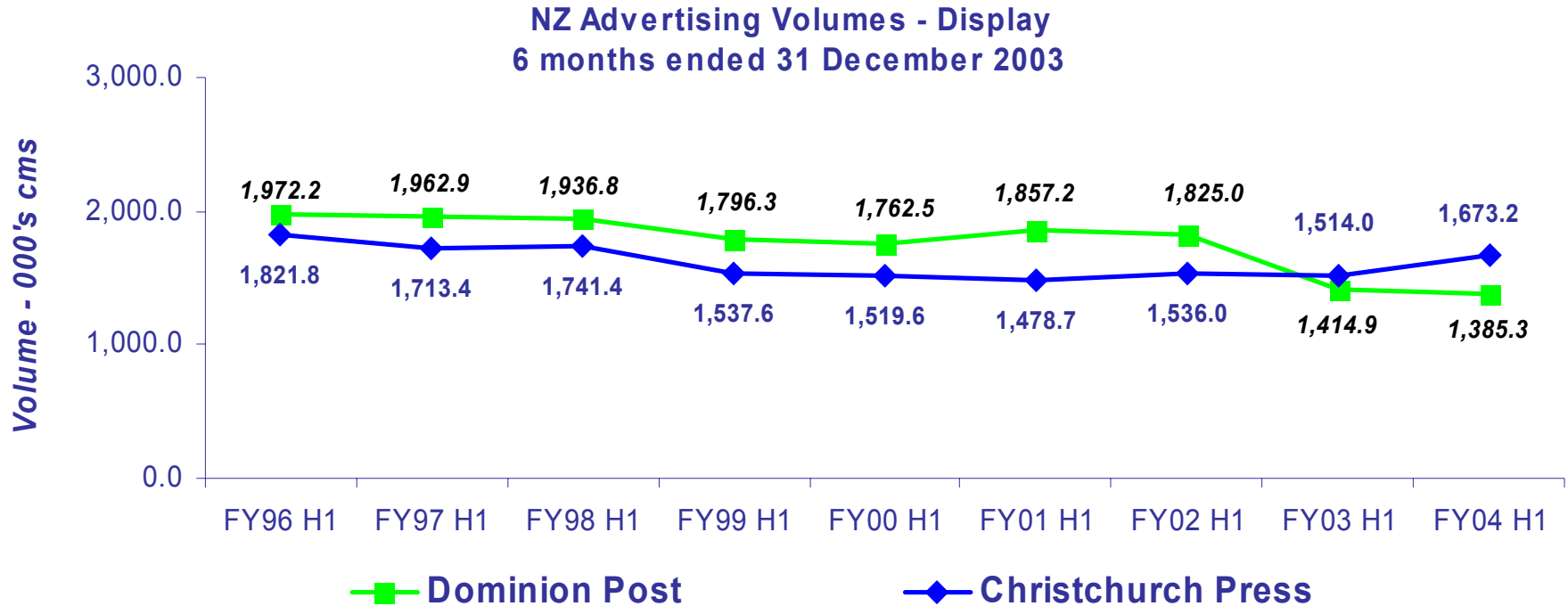
NZ Advertising Volumes - Classifieds
6 months ended 31 December 2003



*Shift from H1 FY02 to H1 FY03 in relation to the Dominion Post relates to the merger of the Dominion Post and the Evening Post in 2002.
The data prior to 2002 is the combination of the Dominion Post and the Evening Post.*

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New Zealand Publishing Business



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