



Fairfax

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Half Year Results 2003

12 February 2003

# Result Overview


		<u>LY Comparison</u>
Profit after tax	\$70.0 m	Up 94.2%
- pre significant items	\$70.0 m	Up 48.8%
EPS pre significant items	8.4 cents	Up 2.0 cents or 31.2%
Trading Revenue		
- Publishing	\$595.9 m	Up \$16.8 m or 2.9%
- f2	\$11.7 m	Down \$11.2 m or 48.9%
Total	\$607.6 m	Up \$5.6 m or 0.9%
Costs	\$466.7 m	Down \$14.1m or 2.9%
EBIT	\$112.2 m	Up \$24.2 m or 27.5%
Dividend	5.0 cents	Up 0.5 cents or 11.1%

# Over 70% of EBIT Growth was from Ongoing Businesses



# Highlights

- ◆ Tullamarine and Chullora close to being fully operational.  
Completed to plan and within budget.
- ◆ Stronger advertising demand
- ◆ Solid circulation and excellent readership improvement
- ◆ Continuing cost controls
- ◆ f2 restructured and tracking towards breakeven - \$3.4 m EBIT loss

A stack of papers is shown, slightly blurred, with the text "Financial Performance" overlaid in the center. The papers appear to be financial reports or documents. The text is in a bold, black, sans-serif font.

# Financial Performance

# Summary Profit & Loss

	Dec 2002	Dec 2001	Var
	\$m	\$m	%
<b>Revenue</b>	<b>615.9</b>	<b>602.0</b>	<b>2.3</b>
Share of associate profits	1.2	0.2	
Costs	(475.1)	(491.8)	3.4
<b>EBITDA</b>	<b>142.0</b>	<b>110.4</b>	<b>28.7</b>
Depreciation	(29.8)	(33.4)	10.7
<b>EBIT</b>	<b>112.2</b>	<b>77.0</b>	<b>45.7</b>
Interest (net)	(10.6)	(18.3)	42.0
<b>Profit before Tax</b>	<b>101.6</b>	<b>58.7</b>	<b>73.0</b>
Tax	(31.6)	(22.7)	(39.3)
<b>Net Profit</b>	<b>70.0</b>	<b>36.1</b>	<b>94.2</b>
<b>EPS (cents) - basic</b>	<b>8.4</b>	<b>4.9</b>	<b>71.2</b>
<b>Net Profit pre-significant</b>	<b>70.0</b>	<b>47.1</b>	<b>48.8</b>
<b>EPS (cents) - pre-significant</b>	<b>8.4</b>	<b>6.4</b>	<b>31.2</b>

# Profit & Loss: Underlying Trading Performance

	As reported			Adjustments		Underlying Trading Performance		
	2002 \$m	2001 \$m	Var %	2002 \$m	2001 \$m	2002 \$m	2001 \$m	Var %
Revenue	615.9	602.0	2.3	(8.3)	(0.0)	607.6	602.0	0.9
Associate profits	1.2	0.2		0.0	0.0	1.2	0.2	
Costs	475.1	491.8	(3.4)	(8.3)	(11.0)	466.7	480.8	(2.9)
EBITDA	142.0	110.4	28.7	0.0	11.0	142.0	121.4	17.0
Depreciation	29.8	33.4	(10.7)	0.0	0.0	29.8	33.4	(10.7)
EBIT	112.2	77.0	45.7	0.0	11.0	112.2	88.0	27.5

*Note: Adjustments comprise the effects of proceeds from disposals and significant items*

# Cost Management

**Costs Reduced \$14.1m (2.9%) on pcp**

	<b>Dec 2002</b>	<b>Dec 2001</b>	<b>Var</b>	<b>Var</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>%</b>
Staff	200.0	208.1	8.1	3.9%
Newsprint & Paper	101.9	107.4	5.5	5.1%
Distribution & Production	65.5	66.4	0.9	1.4%
Promotions & Advertising	20.6	26.0	5.4	20.8%
Other Expenses	78.7	72.9	(5.8)	(8.0)%
<b>TOTAL</b>	<b>466.7</b>	<b>480.8</b>	<b>14.1</b>	<b>2.9%</b>

# Cost Management

- ◆ 2003 Cost Base expected to be slightly lower than 2002 level of \$944m.
- ◆ Costs expected to remain flattish in 2004 subject to newsprint pricing and revenue growth.
- ◆ Leverage will flow through to bottom line.
- ◆ Depreciation and Capex projections remain unchanged.

# Balance Sheet

	Dec 2002	Jun 2002	Dec 2001
	\$m	\$m	\$m
Intangibles	1,259.5	1,259.4	1,272.1
Property, plant and equipment	703.4	704.5	672.9
Investments	10.1	12.3	17.8
Receivables	170.2	199.0	191.5
Current tax asset	0.0	50.8	30.0
Inventories	22.9	26.6	28.0
Other Assets	48.2	54.7	38.5
Net Borrowings	(500.8)	(586.1)	(555.6)
Other Liabilities	(307.0)	(376.7)	(308.9)
<b>Net Assets</b>	<b>1,406.5</b>	<b>1,344.5</b>	<b>1,386.2</b>

# Cashflow Summary

	Dec 2002	Dec 2001
	\$m	\$m
<b>Underlying EBITDA</b>	<b>142.0</b>	<b>121.4</b>
Non cash items	(1.4)	(0.2)
Working capital movements	(2.2)	27.8
Dividends received from associates	0.4	0.2
Net Interest paid	(10.3)	(17.9)
Income tax (paid)/refund	40.1	(49.7)
Other	0.0	(7.1)
<b>Free cash flow</b>	<b>168.6</b>	<b>74.5</b>
<b><u>Utilised as follows:</u></b>		
Increase/(Decrease) in net debt	(85.4)	(210.1)
Net capital expenditure	(25.4)	(50.2)
Net investments	2.0	0.8
Dividends paid	(59.8)	(51.4)
Loan repaid - related entities	0.0	(0.5)
Payment for intangibles	0.0	(5.4)
Proceeds from "PRESSES" Issue	0.0	242.3
	(168.6)	(74.5)

# Key Financials

	<b>Dec 2002</b>	<b>Dec 2001*</b>
EBITDA/Sales	23.4%	20.1%
EBIT/Sales	18.5%	14.6%
Publishing EBITDA/Sales	23.9%	23.1%
Publishing EBIT/Sales	19.2%	17.8%
Net Debt	\$500.8 m	\$555.6 m
S & P Rating	BBB + Stable	

\* Dec 2001 Data excludes write-down on sale of CitySearch Online Business

A stack of papers with a pen resting on top, serving as a background for the title.

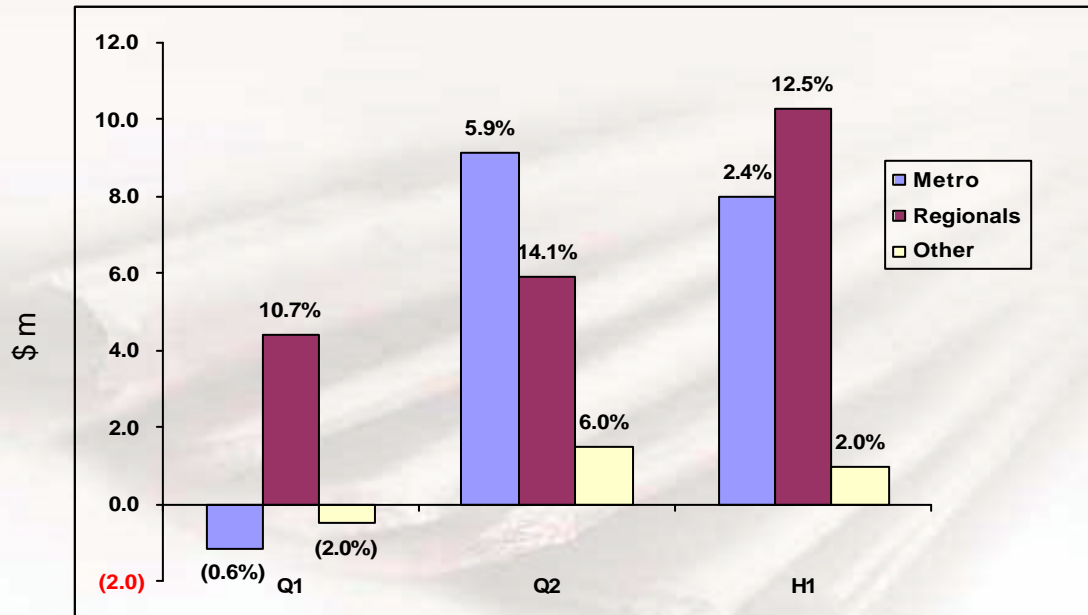
# **Business Review**

# Profit & Loss: Publishing Business

	Dec 2002	Dec 2001	Var	Var
	\$m	\$m	\$	%
Trading Revenue	595.9	579.1	16.8	2.9%
Costs	453.6	445.1	(8.5)	(1.9%)
<b>EBITDA</b>	<b>142.3</b>	<b>134.0</b>	<b>8.3</b>	<b>6.2%</b>
Depreciation	27.8	30.9	3.1	10.0%
<b>EBIT</b>	<b>114.5</b>	<b>103.1</b>	<b>11.4</b>	<b>11.1%</b>
EBITDA margin	23.9%	23.1%		
EBIT margin	19.2%	17.8%		

# Improved Advertising Markets

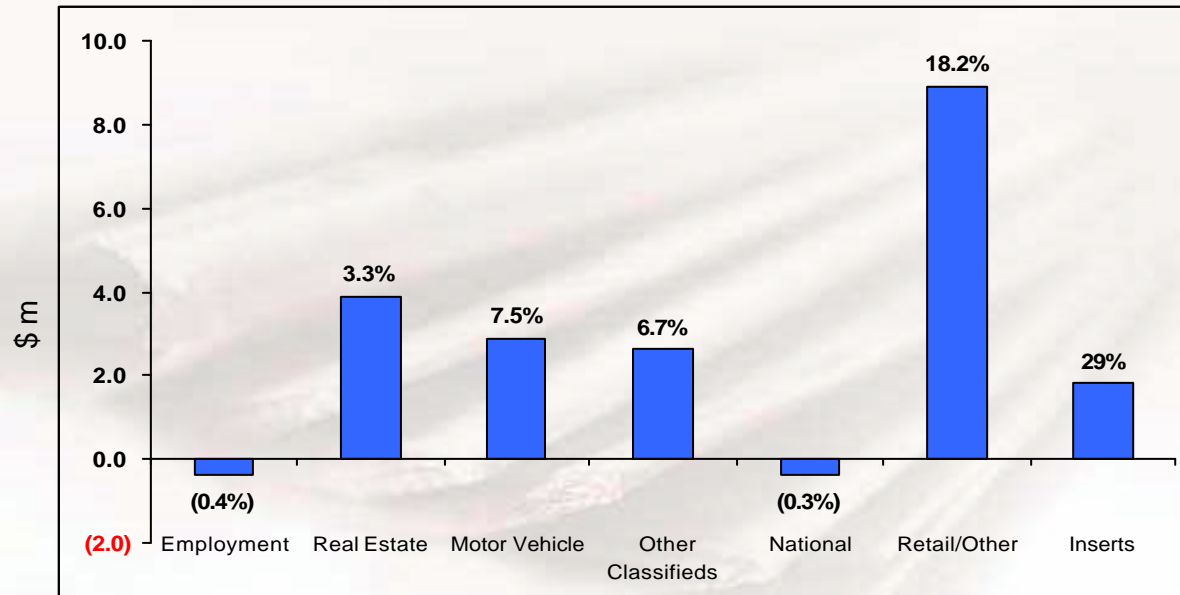
H1 Advertising revenues up \$19.3m or 4.2% on pcp



- ◆ Metros up \$8.0 m or 2.4%
- ◆ Regionals up \$10.3m or 12.5%
- ◆ Magazines/Other up \$1.0m or 2.0%

# Improved Advertising Markets

H1 Advertising revenues up \$19.3m or 4.2% on pcp



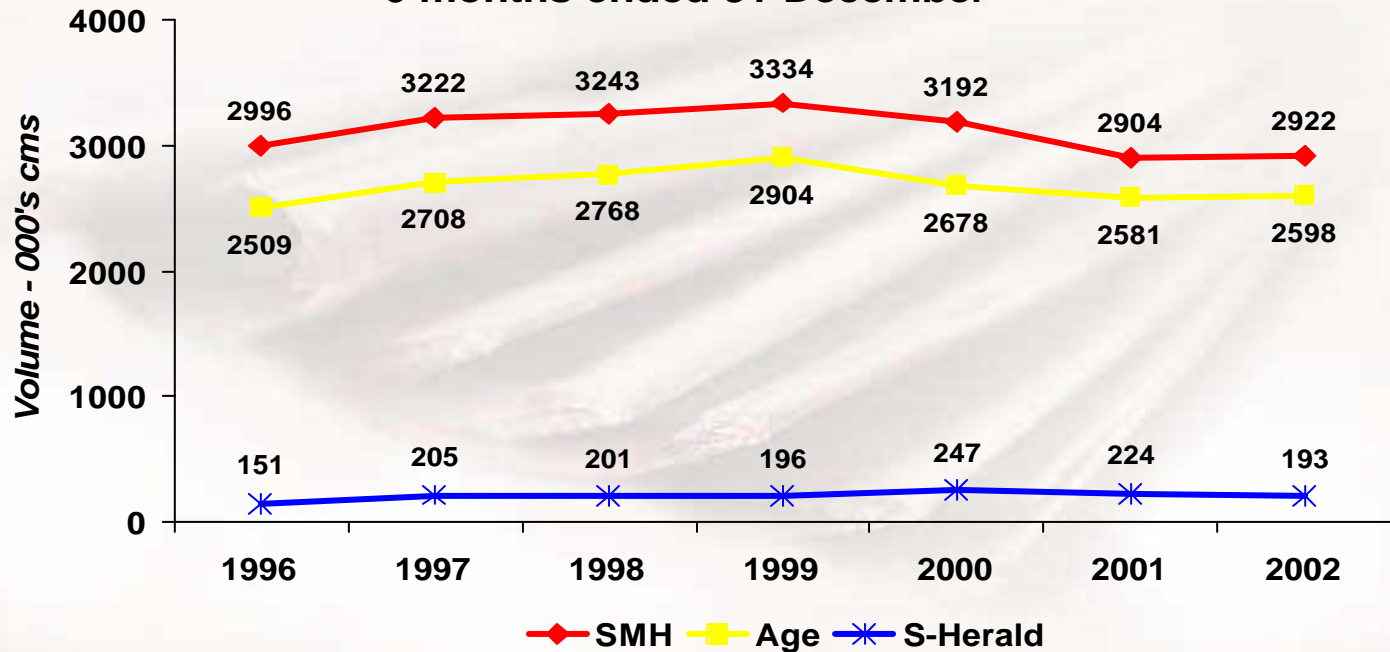
- ◆ Classified up 2.1%
- ◆ Display up 5.5%
- ◆ Inserts up 29.0%

# Publishing - Advertising Volumes by Masthead

	<u>SMH</u>	<u>AGE</u>	<u>AFR</u>	<u>SH</u>
<i>H1 2003 vs H1 2002 % var</i>				
Classified Volume	0.6%	0.7%		(13.8%)
Display Volume	6.0%	(1.1%)	(10.6%)	10.4%

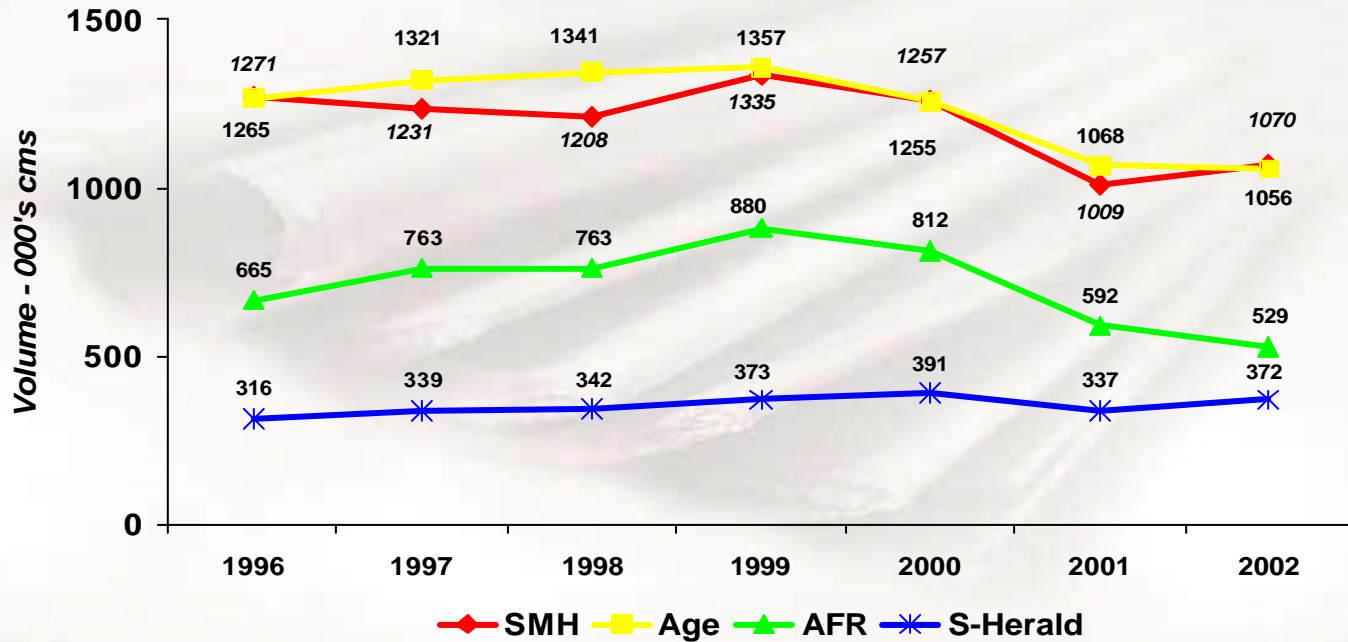
# Publishing Business

## Advertising Volumes - Classifieds 6 months ended 31 December



# Publishing Business

## Advertising Volumes - Display 6 months ended 31 December



# Circulation

Last Year % var		<u>SMH</u>	<u>AGE</u>	<u>AFR</u>	<u>SH</u>
<b>Net Avg Circulation Change</b>	M-F	(1.0%)	0.9%	(1.3%)	
	Sat	(0.4%)	(2.8%)	(5.6%)	
	Sun		(1.6%)		(1.6%)
<b>* Net Avg Circulation (000's)</b>	M-F	222.0	193.3	89.8	
	Sat	386.5	304.8	86.3	
	Sun		193.4		550.0

\* Source: ABC 6 month circulation, July to December, 2002

# Printing Facilities

- ◆ Tullamarine
  - ◆ Completed within budget of \$220 million
  - ◆ All products from Spencer Street will be transferred to Tullamarine by March 2003
  - ◆ Depreciation commenced February 2003
  - ◆ Interest capitalisation ceased February 2003
  
- ◆ Chullora
  - ◆ Completed within budget of \$90 million
  - ◆ Depreciation commenced December 2002
  - ◆ Interest capitalisation ceased from December 2002

# Profit & Loss : f2

## Comparison to December 2001

	Dec 2002 \$'m	Dec 2001 \$'m	Var \$'m	Var %
<b>Revenue</b>				
Directories	0.0	16.5	(16.5)	-100.0%
News & classifieds	11.7	6.4	5.4	84.4%
<b>Total</b>	11.7	22.9	(11.2)	-48.9%
<b>Expenditure</b>				
Directories	0.0	23.5	23.5	100.0%
News & classifieds	13.1	12.2	(0.9)	-7.4%
<b>Total</b>	13.1	35.7	22.6	63.3%
<b>EBITDA</b>				
Directories	0.0	(7.0)	7.0	100.0%
News & classifieds	(1.4)	(5.8)	4.5	77.6%
<b>Total</b>	(1.4)	(12.8)	11.4	89.1%
Depreciation	2.0	2.5	0.5	20.0%
<b>EBIT</b>	(3.4)	(15.3)	11.9	77.7%

## f2 Highlights

- ◆ Maintained news leadership whilst continuing to grow traffic – 87% more users than the # 2 network (Source: Red Sheriff, December 2002)
- ◆ Maintained a leadership position in employment, real estate and motoring, increasing strength in the key NSW and Victorian markets
- ◆ Revenue from continuing businesses grew by 84.4% when compared with H1 2001, and 38.8% when compared with H2 2002
- ◆ Gaining market share in banner and other advertising, growing revenues in a flat market
- ◆ Strong growth in employment, real estate and motoring revenue from the sale of combined print and online classified ad packages through the call centres

# Summary

- ◆ Continuing initiatives to position business for the upturn
  - Revenue
  - New Capacity
  - Colour
  - Quality
  - Efficiency
- ◆ Continuing cost reductions in all areas
- ◆ f2 restructured and tracking towards breakeven

# Outlook

*Trading in the first five weeks of the 2003 calendar year has continued at levels above 2002. However, it is still too early to forecast the result for the full year with any accuracy, especially with the continuing uncertainty in the international situation.*

*Should the current trading environment continue, we expect profit after tax in the second half to increase above last year's pre significant second half result of \$43.3m, despite a one-off cost increase as a result of the commissioning of the Tullamarine printing facility.*