

# Fairfax

## Half Year Results

For the six months ended 31 December 2005

**Mr David Kirk**  
Chief Executive Officer

**Mr Sankar Narayan**  
Chief Financial Officer



# Financial Highlights



- Strong underlying financial result
  - Revenue up 4.4% to \$977.6m
  - EBIT up 4.5% to \$223.5m
  - NPAT up 5.2% to \$124.8m
- Free cashflow (pre-acquisitions) up 8.3%
- Interim dividend increased to 8.0 cents per share

*Note: All comparatives based upon FY05 H1 result adjusted for AIFRS*



## Two key priorities

### 1. Defend and grow our newspapers

- Editorial quality and smart marketing to drive circulation and readership
- Innovative sales approach to drive advertising revenue growth
- Business process simplification and streamlining to drive cost reductions

### 2. Build an outstanding digital media business

# Delivering on the priorities...



## 1. Defend and Grow Our Newspapers

Editorial quality and smart marketing	<ul style="list-style-type: none"><li>• Circulation growth</li><li>• SMH, The Age and AFR – setting the news agenda</li><li>• Record subscription levels at the SMH &amp; The Age</li></ul>
Innovative sales approach	<ul style="list-style-type: none"><li>• New products developed ie Bid2Buy, mid week classifieds, zoned Domains, panorama, post-it notes, new magazines</li><li>• Market share increase in display advertising</li></ul>
Business process simplification and streamlining	<ul style="list-style-type: none"><li>• Underlying cost increases of only 2% in Australian publishing</li></ul>

## 2. Build an outstanding digital business

- Booming revenue and profit growth
- #1 in news, dating and holiday rentals in Australia
- Strong #2 in jobs, homes and cars in Australia
- Trade Me acquisition in New Zealand
- Strongest portfolio of digital businesses in Australasia

# Circulation



## Table of Variances Circulation\* at December 05

\* Audit Bureau of Circulations

Change from	% Change
	Jul-Dec 04 V Jul-Dec 05
<b>Monday to Friday</b>	
The Australian Financial Review	0.6%
The Sydney Morning Herald	0.1%
The Age	(0.6%)
<b>Saturday</b>	
The Australian Financial Review	5.1%
The Sydney Morning Herald	1.5%
The Age	1.6%
<b>Sunday</b>	
The Sun Herald	1.0%
The Sunday Age	3.8%

# Australian publishing...



A\$m	FY06 H1 \$'m	FY05 H1 \$'m	Var \$'m	Var %
Advertising	<b>541.7</b>	536.1	<b>5.6</b>	<b>1.0%</b>
Circulation	<b>108.0</b>	104.7	<b>3.3</b>	<b>3.2%</b>
Other revenues	<b>11.2</b>	11.5	<b>(0.3)</b>	<b>(2.7%)</b>
Total revenue	<b>660.9</b>	652.3	<b>8.6</b>	<b>1.3%</b>
Costs	<b>501.0</b>	487.1	<b>(13.9)</b>	<b>(2.9%)</b>
EBITDA	<b>159.9</b>	165.2	<b>(5.3)</b>	<b>(3.2%)</b>
Depreciation	<b>33.4</b>	34.8	<b>1.4</b>	<b>4.0%</b>
EBIT	<b>126.5</b>	130.4	<b>(3.9)</b>	<b>(3.0%)</b>
<b>EBITDA margin</b>	<b>24.2%</b>	25.3%		
<b>EBIT margin</b>	<b>19.1%</b>	20.0%		

Investment in new products \$4.0 million

# Weaker economy particularly in NSW



It's a champagne economy for Howard's 10th anniversary, except ...

## NSW is the party pooper

**John Garnaut**  
Economics Correspondent  
and **Matt Wade**

NSW taxpayers will be stripped of \$2.5 billion in GST next year despite living in the worst performing economy in the country.

Treasurer Peter Costello's Grants Commission revealed yesterday that each NSW household will pay almost \$1000 in GST subsidies to the other states. Much of it will go to the booming states and territories of Queensland, Western Australia and the Northern Territory, whose economies are growing as much as five times faster than NSW's.

However, Mr Costello lam-pooned the Carr and Iemma governments for adding traffic jams and an expected budget

ing volumes to lift exports for so long now it feels like waiting for Godot," said Tony Meer, chief economist at Deutsche Bank. "But the nominal economy, in which we all live, is booming."

The nominal economy measure takes account of the terms of trade, or ratio of export to import prices, which have risen 31 per cent since March 2003 because Chinese producers have been buying Australian commodities to produce low-cost manufactures.

The Bureau of Statistics said NSW state final demand, a broad measure of spending, grew just 2 per cent in 2005, compared with 6.4 per cent in Queensland, 10.4 per cent in Western Australia and 11.5 per cent in the Northern Territory. The WA economy grew 4.5 per cent in the December quarter alone or roughly twice the pace of the Chinese economy.

NSW grew 0.7 per cent in the quarter, after contracting 0.3 per cent in the September quarter, with only a large increase in Government spending saving the economy from stalling.

Mr Costello said the Carr and Iemma governments had not helped. "I think the public knows what it wants. It wants ... roads where traffic moves."

### LAGGING BEHIND

Growth in all spending, state by state (in %) for 2005

SOURCE: ABS

<b>New South Wales</b>	<b>2.0</b>
Victoria	3.3
Queensland	6.4
South Australia	2.9
Western Australia	10.4
Tasmania	5.2
Northern Territory	11.5
Australia Capital Territory	4.9
Australia	4.4

### LAGGING BEHIND

Growth in all spending, state by state (in %) for 2005

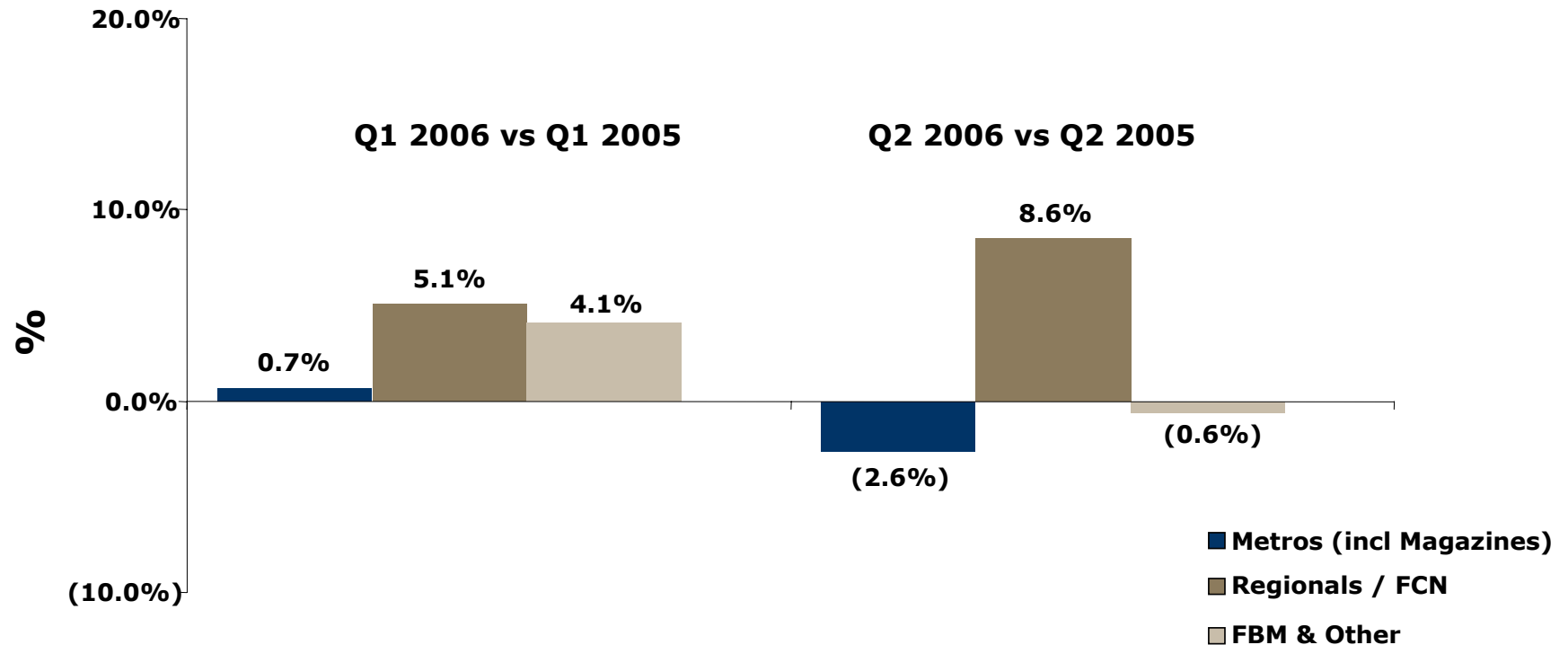
SOURCE: ABS

<b>New South Wales</b>	<b>2.0</b>
Victoria	3.3
Queensland	6.4
South Australia	2.9
Western Australia	10.4
Tasmania	5.2
Northern Territory	11.5
Australia Capital Territory	4.9
Australia	4.4

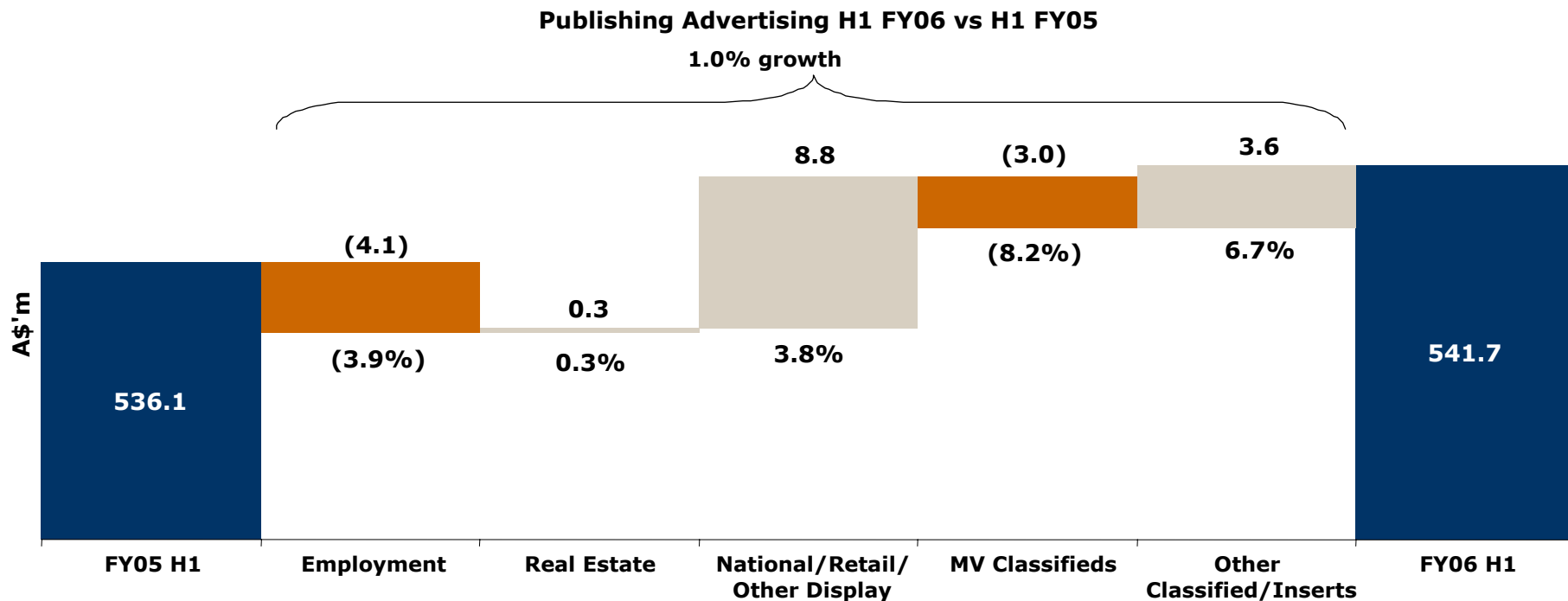
# Australian publishing Advertising revenue by quarters



## AUS Advertising Markets and Publishing Business Units

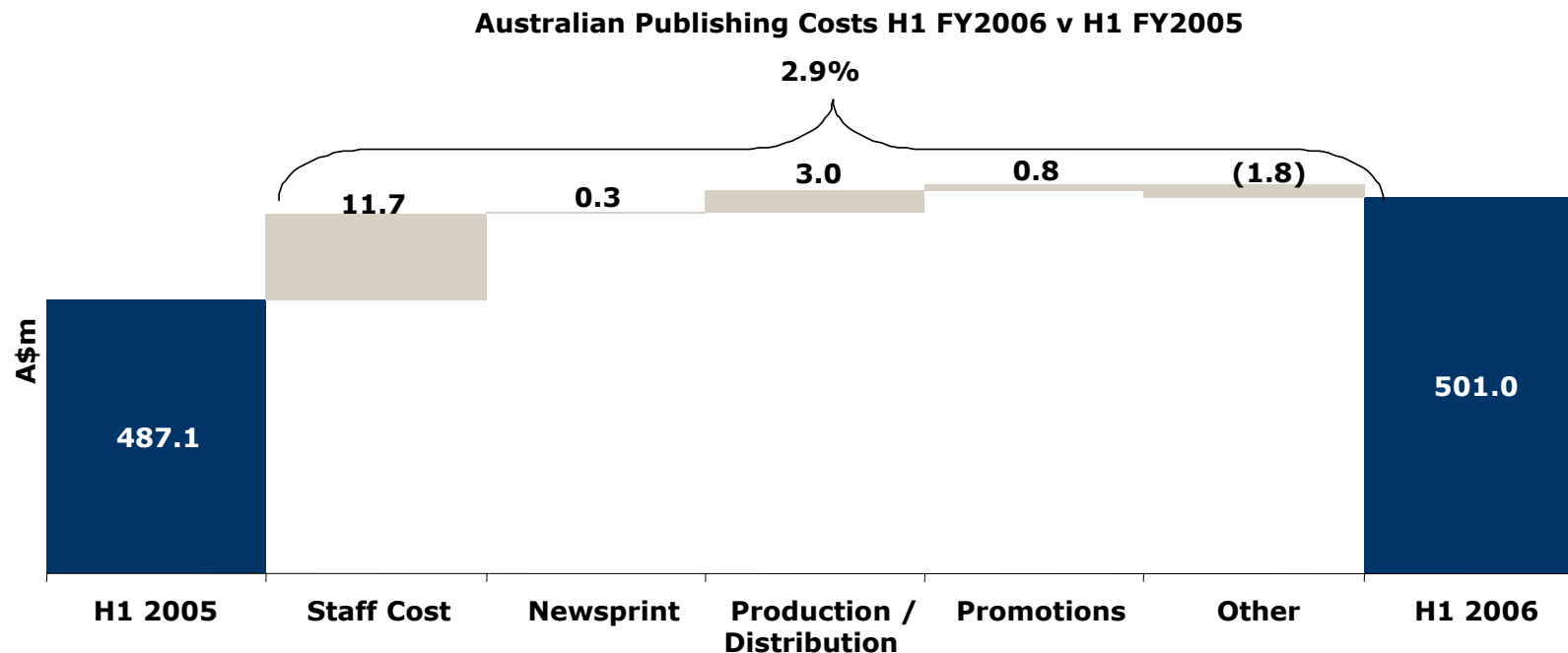


# Australian publishing Advertising revenue performance mixed



# Australian publishing

## Maintaining tight cost controls



**2.0% excluding Travel & Leisure and AFR Desktop**

# Fairfax Digital

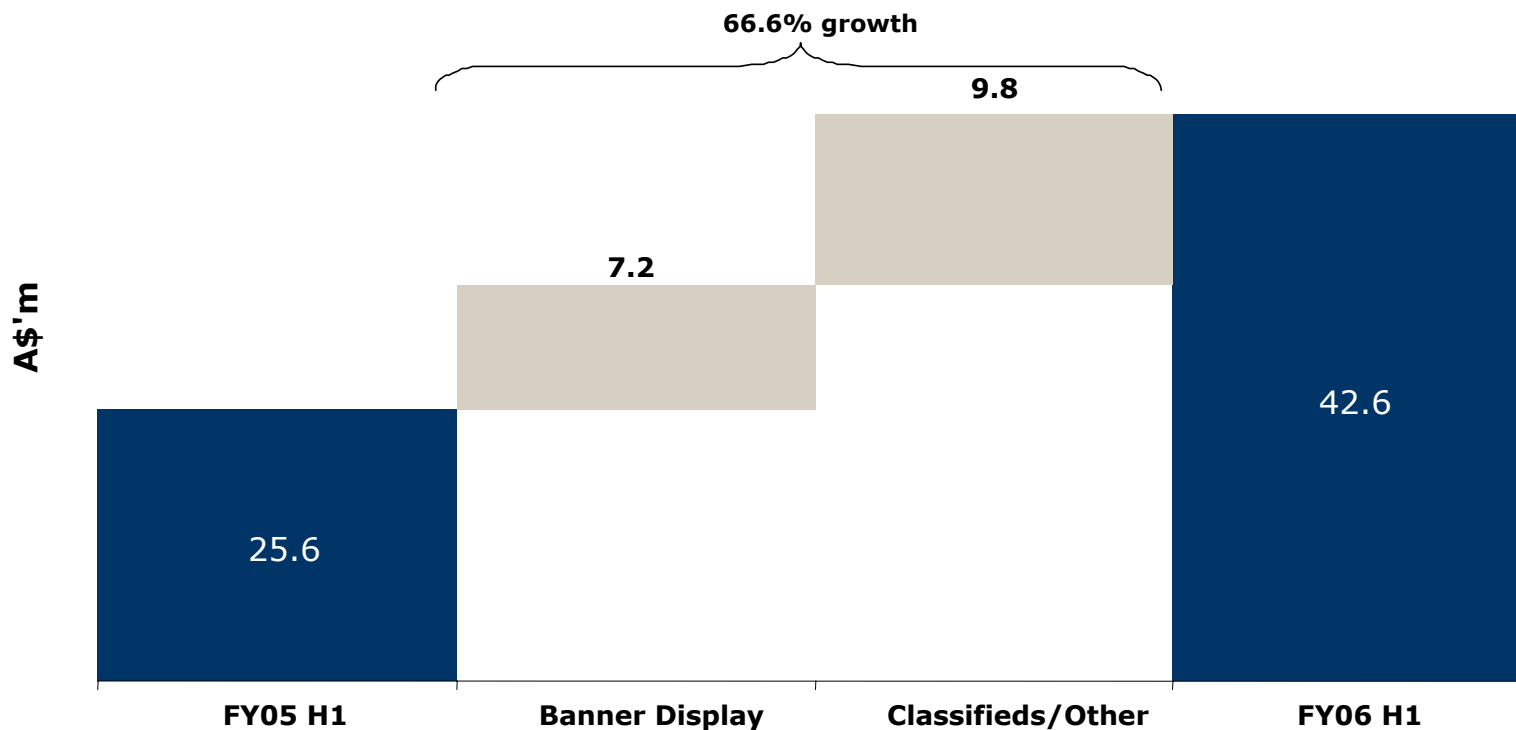


A\$m	FY06 H1 \$'m	FY05 H1 \$'m	Var \$'m	Var %
Revenue	<b>42.6</b>	25.6	<b>17.0</b>	<b>66.6%</b>
Costs	<b>30.6</b>	24.4	<b>(6.2)</b>	<b>(25.5%)</b>
<b>EBITDA</b>	<b>12.0</b>	1.2	<b>10.8</b>	<b>895.2%</b>
Depreciation	<b>1.0</b>	1.0	-	-
<b>EBIT</b>	<b>11.0</b>	0.2	<b>10.8</b>	-
EBITDA Margins	<b>28.2%</b>	4.7%		
EBIT Margins	<b>25.8%</b>	0.8%		

# Online revenue growth strong across the board



## Digital Revenue H1 FY06 vs H1 FY05



# New Zealand

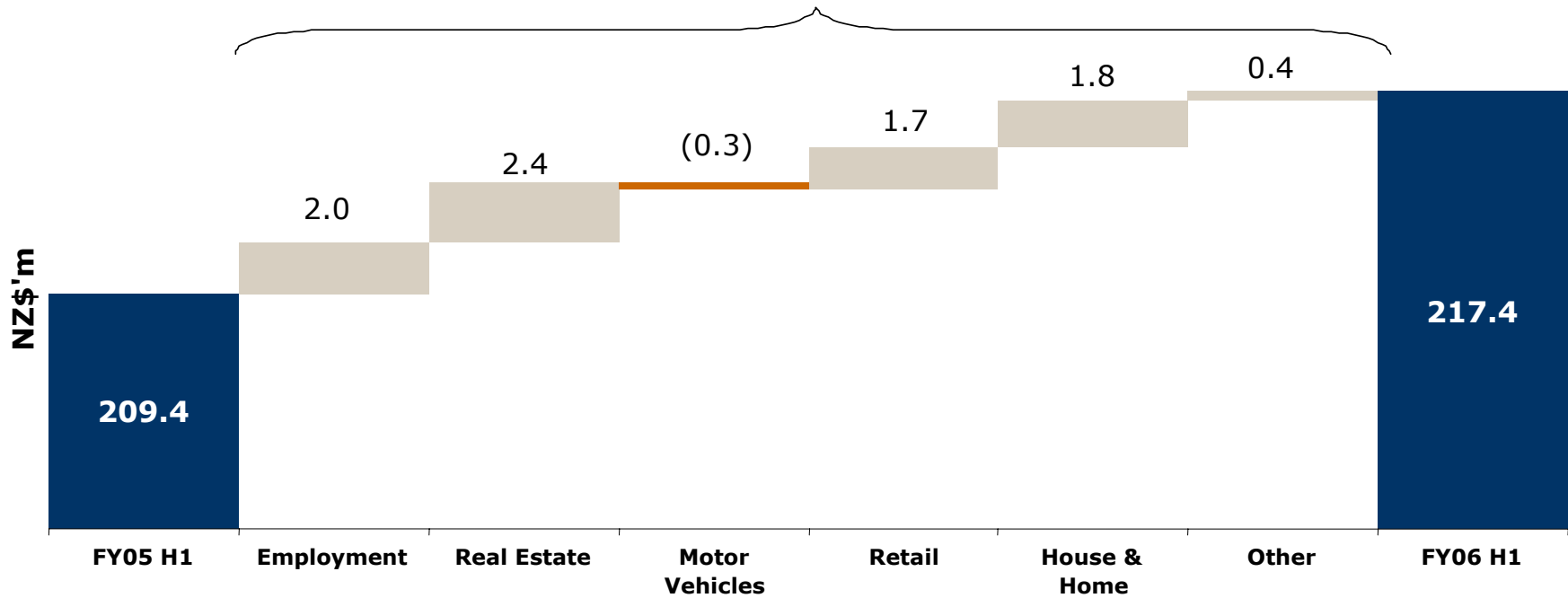


NZ\$m	FY06 H1 \$'m	FY05 H1 \$'m	Var \$'m	Var %
Advertising	<b>217.4</b>	209.4	<b>8.0</b>	<b>3.8%</b>
Circulation	<b>67.4</b>	63.8	<b>3.6</b>	<b>5.6%</b>
Other revenues	<b>10.8</b>	8.6	<b>2.1</b>	<b>25.6%</b>
Total revenue	<b>295.5</b>	281.8	<b>13.7</b>	<b>4.9%</b>
Costs	<b>196.7</b>	186.5	<b>(10.2)</b>	<b>(5.5%)</b>
EBITDA	<b>98.8</b>	95.3	<b>3.5</b>	<b>3.7%</b>
Depreciation	<b>5.4</b>	5.1	<b>(0.3)</b>	<b>(5.9%)</b>
EBIT	<b>93.4</b>	90.2	<b>3.2</b>	<b>3.5%</b>
<b>EBITDA margin</b>	<b>33.4%</b>	33.8%		
<b>EBIT margin</b>	<b>31.6%</b>	32.0%		

# NZ revenue growth across most categories



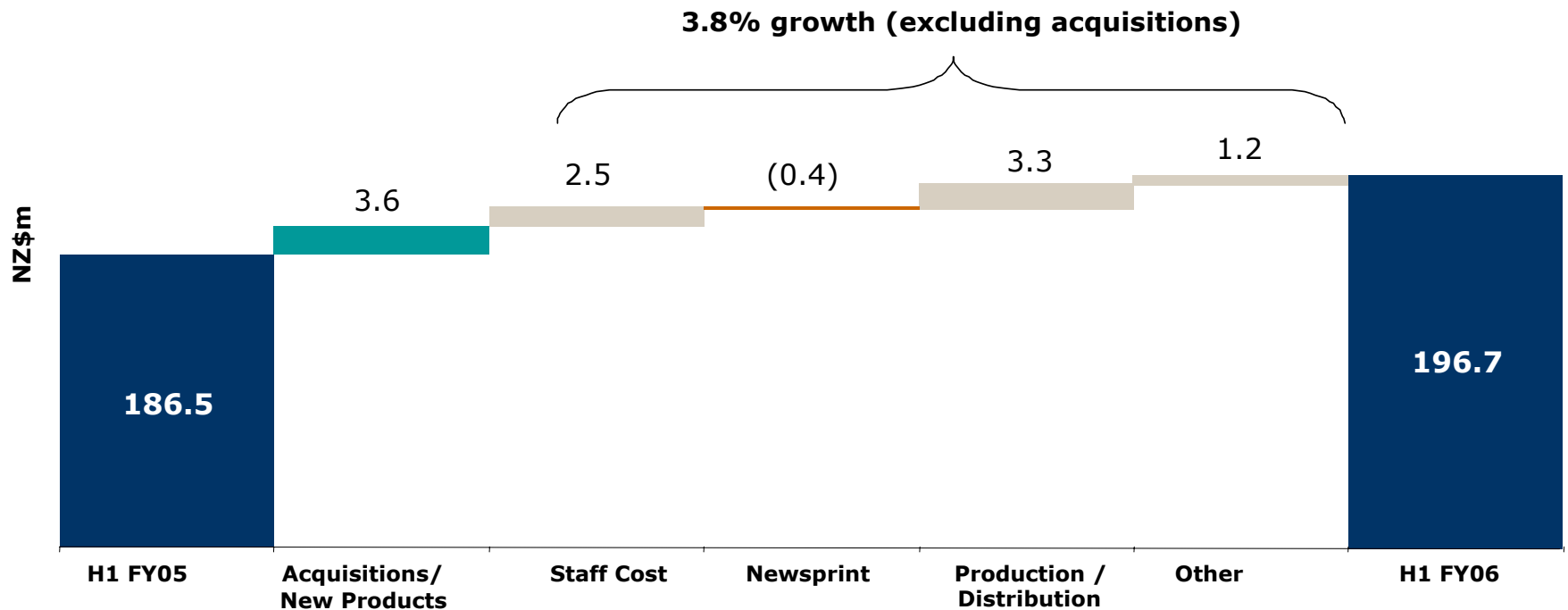
**NZ Net Advertising by Category FY06 H1 vs FY05 H1**  
**3.8% growth**



# While New Zealand cost controls maintained...



**Underlying NZ Costs FY06 H1 v FY05 H1**





# Minimal NPAT effects from AIFRS adjustments



	Last Year Underlying Result	Goodwill amortisation	Presses dividend reclassified	Other adjustments	Last Year FY05 H1 AIFRS adjusted
Costs	683.2			0.3	683.5
Depreciation & amortisation	41.7	(1.2)			40.5
EBIT	212.9	1.2		(0.3)	213.8
Interest	39.2		9.4	(0.9)	47.7
Tax	47.3			(0.1)	47.2
OEI	0.3				0.3
NPAT	126.1	1.2	(9.4)	0.8	118.7
Presses Dividend	9.4		(9.4)		0.0
NPAT post Presses	116.7	1.2		0.8	118.7
Earnings per share	12.77				12.98

# Profit growth continues...



	Underlying Trading Performance			Adjustments		As reported		
A\$m	FY06 H1 \$'m	FY05 H1 \$'m	Var %	FY06 H1 \$'m	FY05 H1 \$'m	FY06 H1 \$'m	FY05 H1 \$'m	Var %
Revenue	<b>977.6</b>	936.6	<b>4.4</b>		-	<b>977.6</b>	936.6	<b>4.4</b>
Associate profits	<b>0.4</b>	1.2	<b>65.0</b>	<b>(4.4)*</b>	-	<b>4.8</b>	1.2	<b>310.0</b>
Costs	<b>(715.1)</b>	(683.5)	<b>(4.6)</b>	<b>13.3**</b>	4.0	<b>(728.4)</b>	(679.4)	<b>(7.2)</b>
EBITDA	<b>262.9</b>	254.3	<b>3.4</b>	<b>8.9</b>	(4.0)	<b>254.0</b>	258.4	<b>(1.7)</b>
Depreciation	<b>(39.4)</b>	(40.5)	<b>2.7</b>	-	-	<b>(39.4)</b>	(40.5)	<b>2.7</b>
EBIT	<b>223.5</b>	213.8	<b>4.5</b>	<b>8.9</b>	(4.0)	<b>214.6</b>	217.9	<b>(1.5)</b>

\*Share of profits from AAP Ltd  
 \*\*Australian restructuring costs

# Profit growth continues...



A\$m	Underlying Trading Performance			Adjustments		As reported		
	FY06 H1 \$'m	FY05 H1 \$'m	Var %	FY06 H1 \$'m	FY05 H1 \$'m	FY06 H1 \$'m	FY05 H1 \$'m	Var %
<b>EBIT</b>	<b>223.5</b>	213.8	<b>4.5</b>	<b>8.9</b>	(4.0)	<b>214.6</b>	217.9	<b>(1.5)</b>
Interest	<b>(48.8)</b>	(47.7)	<b>(2.4)</b>	-	-	<b>(48.8)</b>	(47.8)	<b>(2.1)</b>
Tax	<b>(49.6)</b>	(47.2)	<b>(5.1)</b>	(4.0)	(3.0)	<b>(45.6)</b>	(44.1)	<b>(3.3)</b>
Outside equity interest	<b>(0.3)</b>	(0.3)	-	-	-	<b>(0.3)</b>	(0.3)	-
<b>Net Profit after tax</b>	<b>124.8</b>	118.7	<b>5.2</b>	<b>4.9</b>	(7.0)	<b>119.9</b>	125.7	<b>(4.6)</b>
WANOS	<b>928.0</b>	913.9	<b>1.5</b>			<b>928.0</b>	913.9	<b>1.5</b>
<b>Earnings per share (cents)</b>	<b>13.45</b>	<b>12.98</b>	<b>3.6</b>			<b>12.92</b>	<b>13.74</b>	<b>(6.0)</b>

# Excellent cash flow...



	FY06 H1 \$'m	FY05 H1 \$'m
Cash flows from operating activities	<b>147.7</b>	133.4
Presses dividend	<b>(9.3)</b>	(9.4)
Capital expenditure	<b>(16.6)</b>	(11.5)
Operating cashflow post PRESSES and Capital Expenditure	<b>121.8</b>	112.5
Acquisitions	<b>(55.0)</b>	(11.7)
Proceeds from sale of PP&E	-	8.4
Dividends paid	<b>(108.5)</b>	(43.9)
Net debt (increase)/reduction	<b>(41.7)</b>	65.3

# Strong balance sheet ...



A\$m	31 Dec 05 \$'m	30 June 06 \$'m
Intangibles	<b>2,417.9</b>	2,352.5
Property, plant and equipment	<b>680.7</b>	697.0
Investments & financial assets	<b>23.6</b>	23.8
Receivables	<b>279.4</b>	292.8
Inventories	<b>33.3</b>	30.2
Other assets	<b>112.4</b>	61.8
Net borrowings	<b>(1,206.9)*</b>	(916.0)
Other liabilities	<b>(408.6)</b>	(370.4)
Net assets	<b>1,931.8</b>	2,171.8

\* Per AIFRS, PRESSES have been reclassified as Debt

# Fairfax

## Business Reviews, Summary and Outlook

Mr David Kirk  
Chief Executive Officer



Fairfax Digital

STAYZ Australia

smh.com.au  
The Sydney Morning Herald

THE AGE  
theage.com.au

MyCareer  
Simply Jobs

drive.com.au

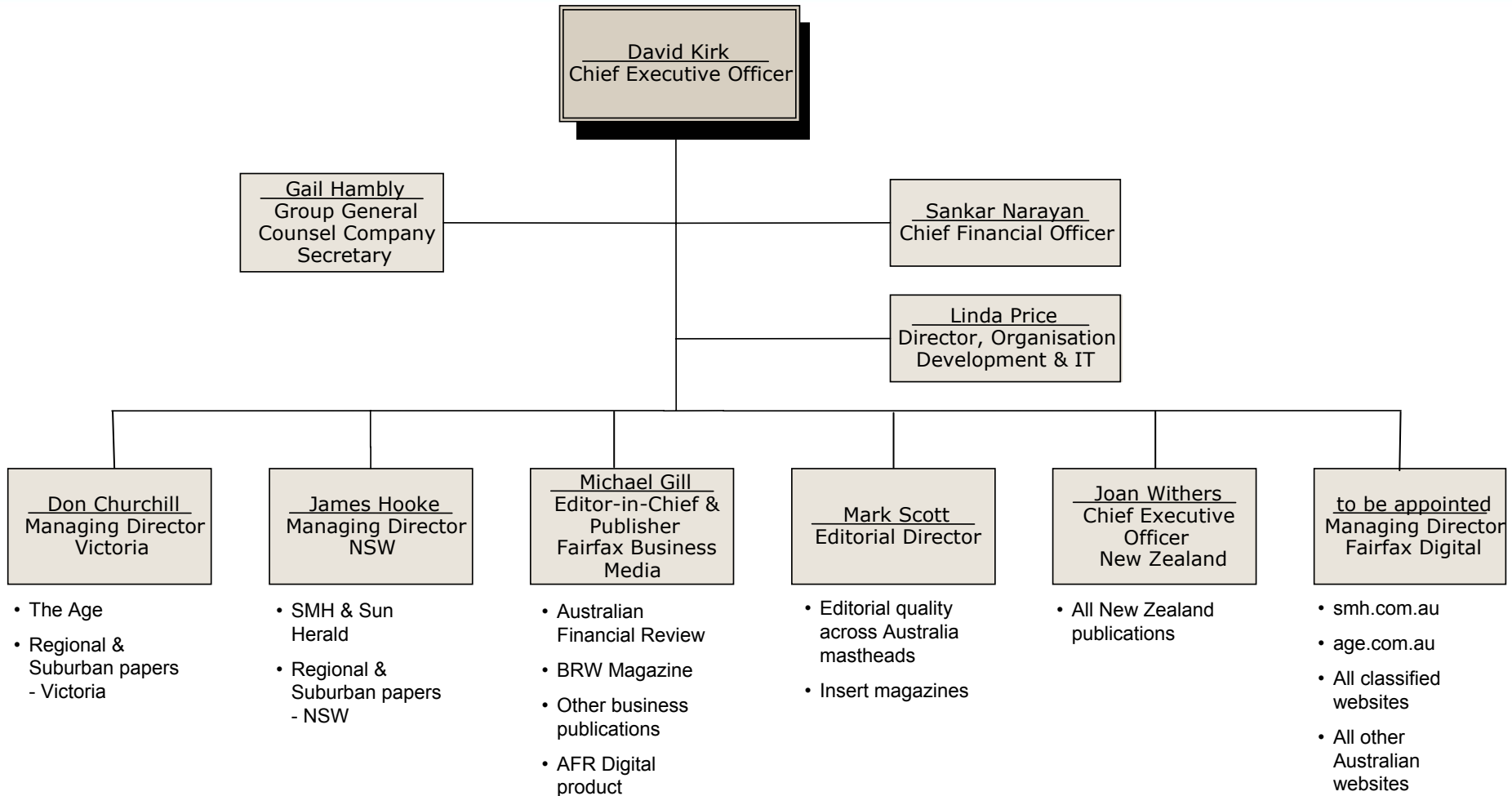
domain.com.au

GRSVP



Papakura Courier, Northern News, North Harbour News, North Shore Times, Norwest Newsbrief, Western Leader, Whangarei

# Management structure re-aligned....



# Metropolitan papers and magazines



- Circulation up
- New management structure achieving results
- Editorial appointments are improving paper quality
- Metropolitan advertising markets tough
- Magazine environment very competitive

## Priorities

- Continue re-vitalisation of major mastheads
- Maintain momentum in circulation
- Development of new revenue initiatives
- Maintain tight cost controls

# *Regional and Suburbans*



- Regional economies performing well
- All regional titles increased revenues and profits
- Revenue growth slightly tempered by slower real estate markets
- Margin improvements achieved

## Priorities

- Continue expansion of network where opportunities arise
- Further enhance cross selling opportunities with Metro mastheads and Fairfax Digital

# Fairfax Business Media



- Strong circulation results
- Excellent revenue and profit growth
- Maintained market leadership in the super AB demographic
- Smooth transition to Smart Investor magazine and performing at above expectations
- IPSOS survey indicates that the AFR is the “publication of choice” in high AB markets

## Priorities

- Launch of AFR digital product by June 2006

# New Zealand



- All main newspaper titles reported solid growth in a tightening environment
- National ad sales structure achieving greater results
- Acquisition of The Rodney Times and The Independent
- Circulation and readership growth

## Priorities

- Plan for a tougher operating environment
- Further efficiency improvements via organisational structure change and systems deployment

# *Fairfax Digital*

## *100% owned and operated*



- Revenues and profits up significantly
- Audience now exceeds 8 million unique browsers per month
- #1 digital news publisher in Australia
- Strong classifieds position
  - Jobs, Motors and Real Estate strong #2 positions
- Category leaders: RSVP and Stayz performing above expectations
- Great growth business characteristics

### Priorities

- Distribution and monetisation of content across multiple media
- Increasing audience and market share in all categories
- Create portfolio of digital businesses to become the leading Australasian internet media company

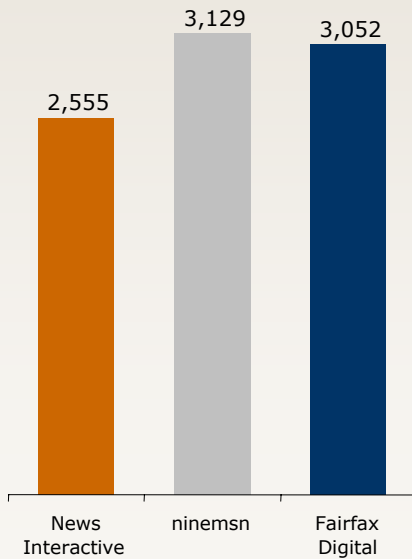
# In news, we have a leadership position in 'stickiness' and yield



## Online News Category

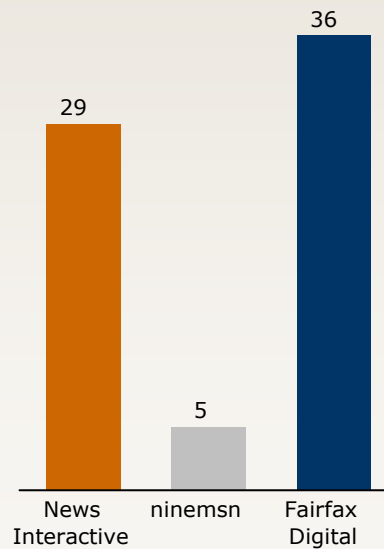
### Reach

Australian audience reach ('000's unique browsers per month)



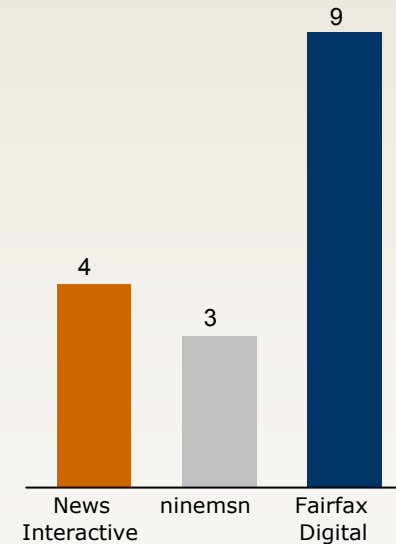
### Stickiness

Time on site (minutes per unique browsers per month)



### Yield

Revenue/Unique browsers (FY05 \$ per unique browser per annum)



Source: Nielsen Net Ratings and internal estimates

Note: Fairfax Digital's audience is concentrated in NSW / VIC

# Outlook...



*"Trading in January and February has been mixed and it is too early in the half to provide meaningful guidance. As in previous years, we will do so when trends are clearer later in the half."*

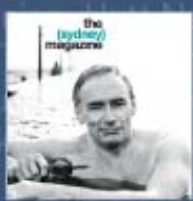
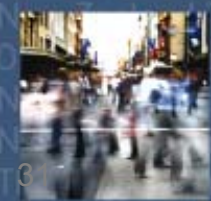
# Fairfax

METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS METROPOLITAN NEWSPAPERS The Sydney Morning Herald, The Sun-Herald, The Age, The Sunday Age, Fairfax Regional Newspapers, Regional New South Wales, The Herald - Newcastle, Illawarra Mercury, Hunter Post, Newcastle/Lake Macquarie Post, Central Coast Sun Weekly, Port Stephens Examiner, Wollongong Advertiser, Regional Victoria, The Warrnambool Standard, Fairfax COMMUNITY NEWSPAPERS - NSW The St George & Sutherland Shire Leader, Cooks River Valley Times, Campbelltown-Macarthur Advertiser, Camden Advertiser, Wollondilly Advertiser, Fairfield City Champion, Liverpool City Champion, Bankstown-Canterbury Torch, Blacktown City Sun, Parramatta Sun, Blue Mountains News, Hills News, Northern News, Northern Beaches Weekender, South Western Rural Weekly (Bringelly) FAIRFAX COMMUNITY NEWSPAPERS - VICTORIA Melbourne Weekly Magazine, Melbourne Weekly Bayside, Emerald Hill Weekly, City Weekly, The Melbourne Times, Melbourne Times Northern Edition, Heidelberg Weekly, Knox Journal, Maroondah Journal, Yarra Ranges Journal, The Journal, Berwick & District Journal/Pakenham Journal, Monash Journal, Whitehorse Weekly, Macedon Ranges/Sunbury Telegraph, Werribee Banner, Moreland Community News, Moonee Valley Community News, The Altona Laverton Mail, The Mail, Williamstown Advertiser, North-West Advocate, The Advocate, Melton Express Telegraph, Bacchus Marsh Express Telegraph, Whittlesea Weekly, Valley Weekly, Manningham Weekly, Peninsular Journal Weekender, Hume Weekly (Inc. Broadmeadows/Tullamarine edition), Colac & Corangamite Extra FAIRFAX GENERAL MAGAZINES Good Weekend, Television, Sunday Life, the(sydney)magazine, theage(melbourne)magazine, Uncorked, Drive, Fashion, Travel + Leisure, Fairfax Digital, smh.com.au, theage.com.au, rugbyheaven.com, realfooty.com.au, monyemanager.com.au, tradingroom.com.au, mycareer.com.au, domain.com.au, drive.com.au, tradingroom.com.au

## Appendices



<b>FairfaxDigital</b>	<b>STAYZ</b> Australia
<b>smh.com.au</b> The Sydney Morning Herald	<b>THE AGE</b> theage.com.au
<b>MyCareer</b> Simply Jobs	<b>drive.com.au</b>
<b>domain.com.au</b>	<b>GRSVP</b>

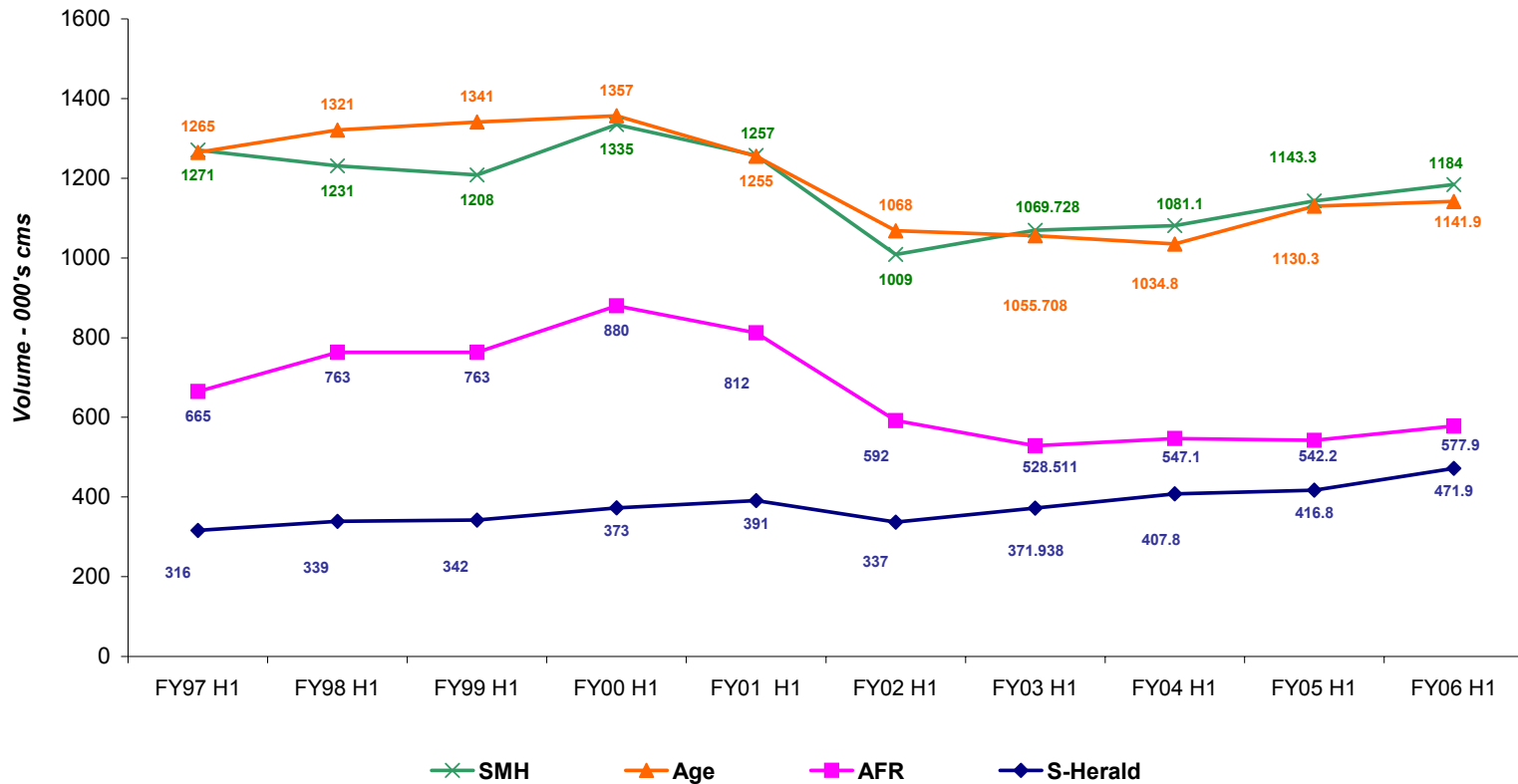


Papakura Courier, Northern News, North Harbour News, North Shore Times, Norwest Newsbrief, Western Leader, Whangarei

# Advertising Volumes - Display



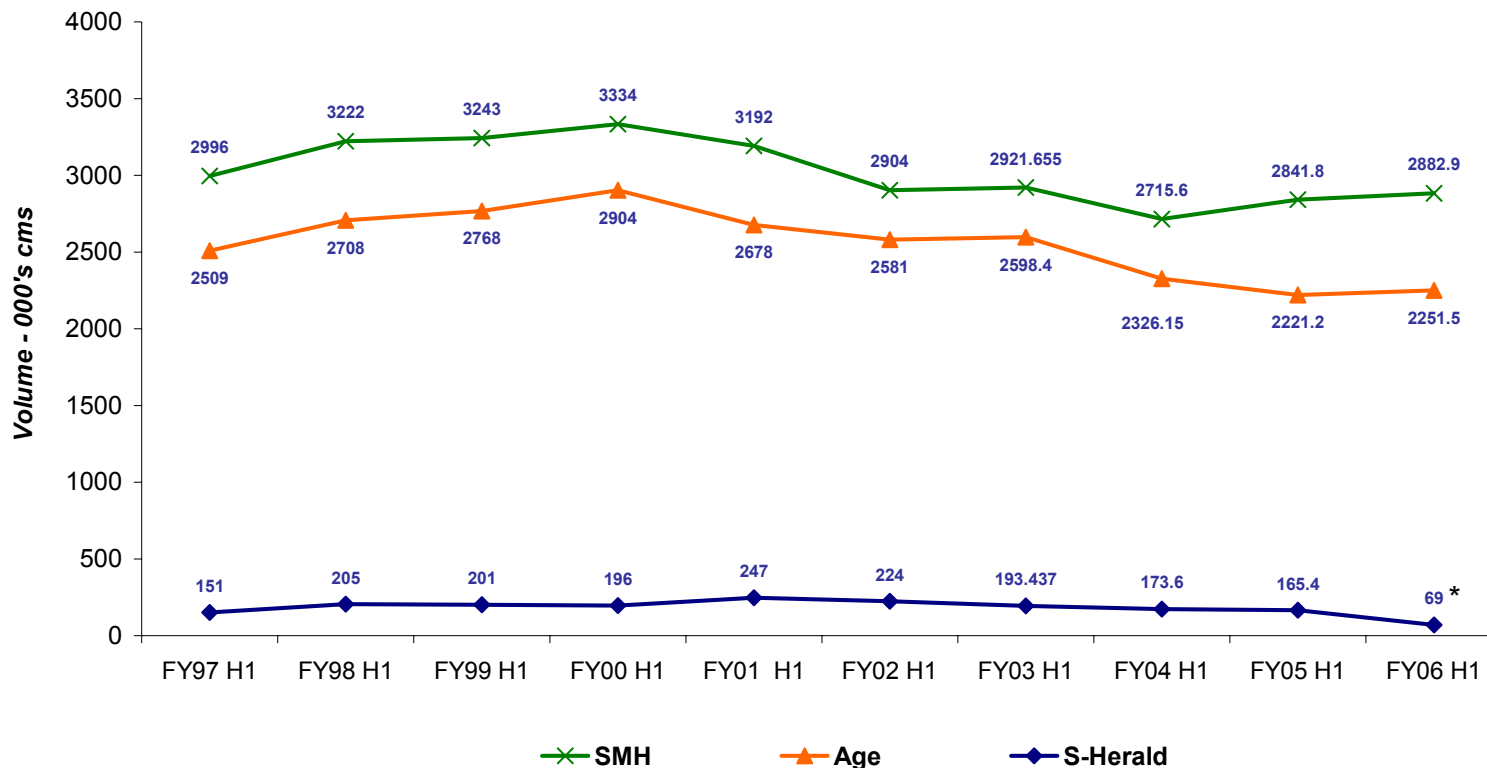
AUS Advertising Volumes - Display  
6 months ended 31 December 2005



# Advertising Volumes - Classifieds



AUS Advertising Volumes - Classifieds  
6 months ended 31 December 2005



\* Motoring section in the S-Herald discontinued during the first half of FY06