

# 2006 Results

For the twelve months ended 30 June 2006

Mr David Kirk  
Chief Executive Officer

Mr Sankar Narayan  
Chief Financial Officer



FairfaxDigital

trademe  Where Kiwis buy and sell online

smh.com.au  
The Sydney Morning Herald

THE AGE  
theage.com.au

domain.com.au

drive.com.au



MyCareer  
Simply Jobs



# 2006 in summary



- Diversification strategy stabilised group earnings
- Strong growth from Fairfax Digital and Trade Me
  - Fairfax Digital EBITDA up 269% to \$24.3m
  - Trade Me EBITDA contribution - NZ\$9.3m (April 06 – June 06)
- Australian Publishing revenues mixed
  - Metro mastheads and communities affected by weaker conditions in Sydney and Melbourne
  - Fairfax Business Media and Regional publications increased revenues and profits
- Continued growth from New Zealand Publishing (in local currency)

# 2006 in summary continued



- Excellent cost result
- Strong circulation results
- Underlying financial result
  - Revenue up 1.8% to \$1,907.8m
  - EBIT steady at \$425.5m
  - \*NPAT down 3.8% to \$228.5m
- Final dividend increased to 11.5 cents per share, fully franked

\*Includes notional dividend of A\$5.8m on Stapled Preference Securities for the period to 30 June 2006

# Strong progress during the year in reshaping Fairfax



## 1. Defend and Grow Our Publishing Business

Continued diversification into regional, business and magazine publishing	<ul style="list-style-type: none"> <li>– Acquisition of The Border Morning Mail, The Rodney Times and The Independent Financial Review</li> <li>– Launch of Travel &amp; Leisure and AFR Smart Investor</li> </ul>
Business process simplification and streamlining	<ul style="list-style-type: none"> <li>– Underlying cost increases 0.9% in Australian Publishing</li> <li>– Developing projects which will significantly improve the operating platform in publishing</li> </ul>
Editorial quality, smart marketing and innovative sales approach	<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> <li>– New products developed i.e. Bid2Buy, mid week classifieds, zoned Domains, panorama, post-it notes, new magazines</li> </ul>

## 2. Rapid Growth in our Digital Business

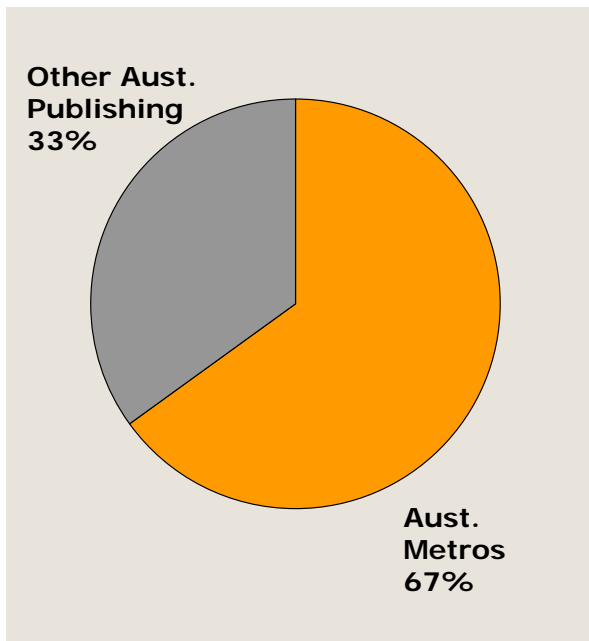
- Very strong revenue and profit growth
- #1 in news, dating and holiday rentals in Australia
- Strong #2 in jobs, homes and cars in Australia
- Trade Me #1 in New Zealand
- Strongest portfolio of digital businesses in Australasia

# Our revenue base continues to broaden

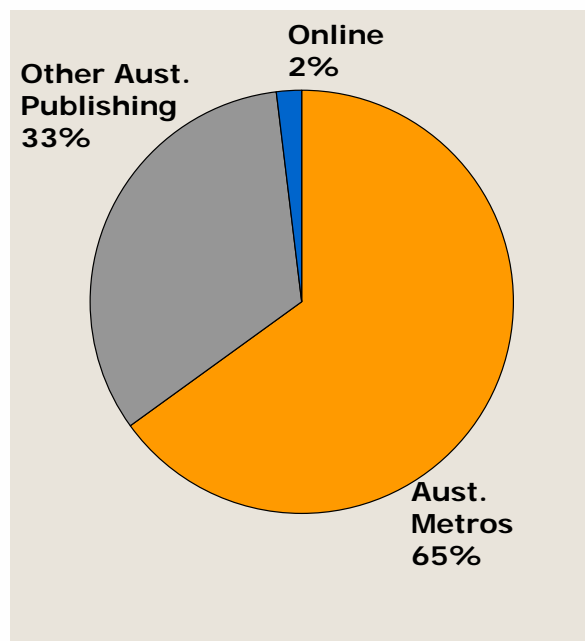


## Revenue Mix

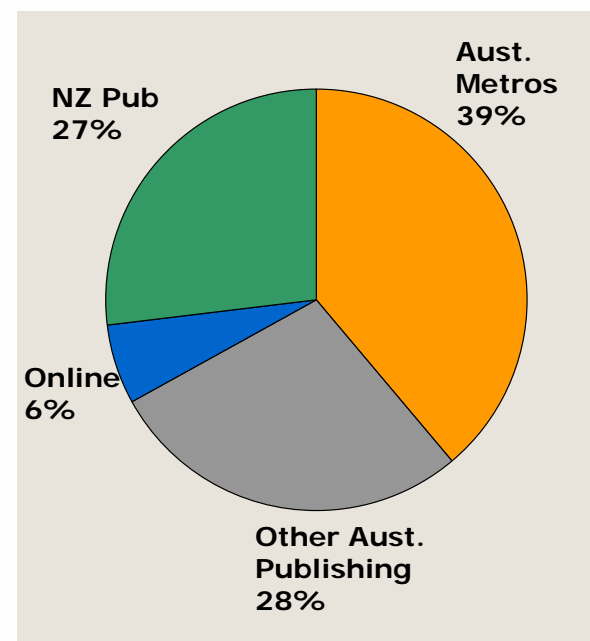
**FY00**



**FY03**



**FY06**



Note: Percentage split on total revenue by business units  
 Online in FY06 includes Trade Me for one quarter

# Strong circulation results



<b>Table of Variances</b> <b>Circulation* at June 2006</b> <small>*Audit Bureau of Circulations</small>	<b>% Change</b>	
	Jan-Jun 05 vs. Jan-June 06	Jul-Dec 04 vs. Jul-Dec 05
<b>Monday to Friday</b>  The Australian Financial Review The Sydney Morning Herald The Age	1.0% 1.0% 3.9%	0.6% 0.1% (0.6%)
<b>Saturday</b>		
The Australian Financial Review The Sydney Morning Herald The Age	1.8% 0.9% 1.2%	5.1% 1.5% 1.6%
<b>Sunday</b>		
The Sun Herald The Sunday Age	0.4% 5.0%	1.0% 3.8%

# Australian Publishing

## Metropolitan advertising markets weak



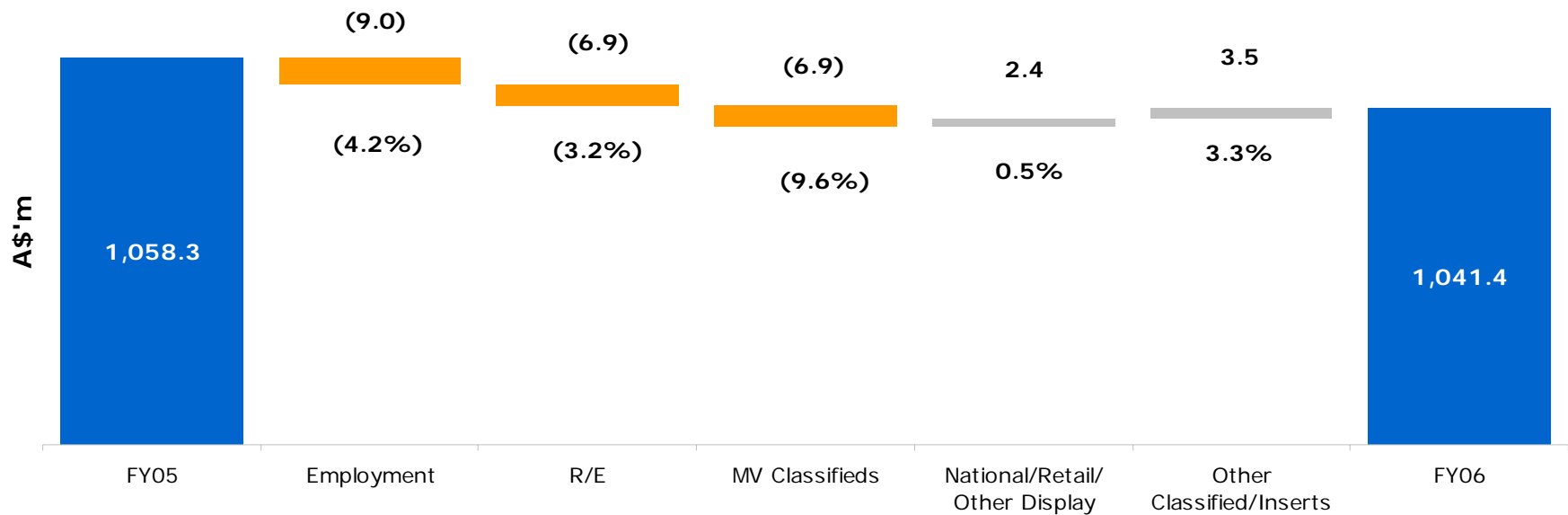
A\$m	FY06 \$'m	FY05 \$'m	Var \$'m	Var %
<b>Advertising</b>	<b>1041.4</b>	1058.3	<b>(16.9)</b>	<b>(1.6%)</b>
<b>Circulation</b>	<b>213.1</b>	213.9	<b>(0.8)</b>	<b>(0.4%)</b>
<b>Other revenues</b>	<b>25.1</b>	24.3	<b>0.8</b>	<b>3.2%</b>
<b>Total revenue</b>	<b>1279.6</b>	1296.5	<b>(16.9)</b>	<b>(1.3%)</b>
<b>Costs</b>	<b>981.9</b>	972.5	<b>(9.4)</b>	<b>(0.9%)</b>
<b>EBITDA</b>	<b>297.7</b>	324.0	<b>(26.3)</b>	<b>(8.1%)</b>
<b>Depreciation</b>	<b>66.6</b>	68.1	<b>1.5</b>	<b>2.2%</b>
<b>EBIT</b>	<b>231.1</b>	255.9	<b>(24.8)</b>	<b>(9.7%)</b>
<b>EBITDA margin</b>	<b>23.3%</b>	25.0%		
<b>EBIT margin</b>	<b>18.1%</b>	19.7%		

Note: Costs include \$8.6m of special initiatives for the year

# Australian Publishing - economic weakness affected major categories



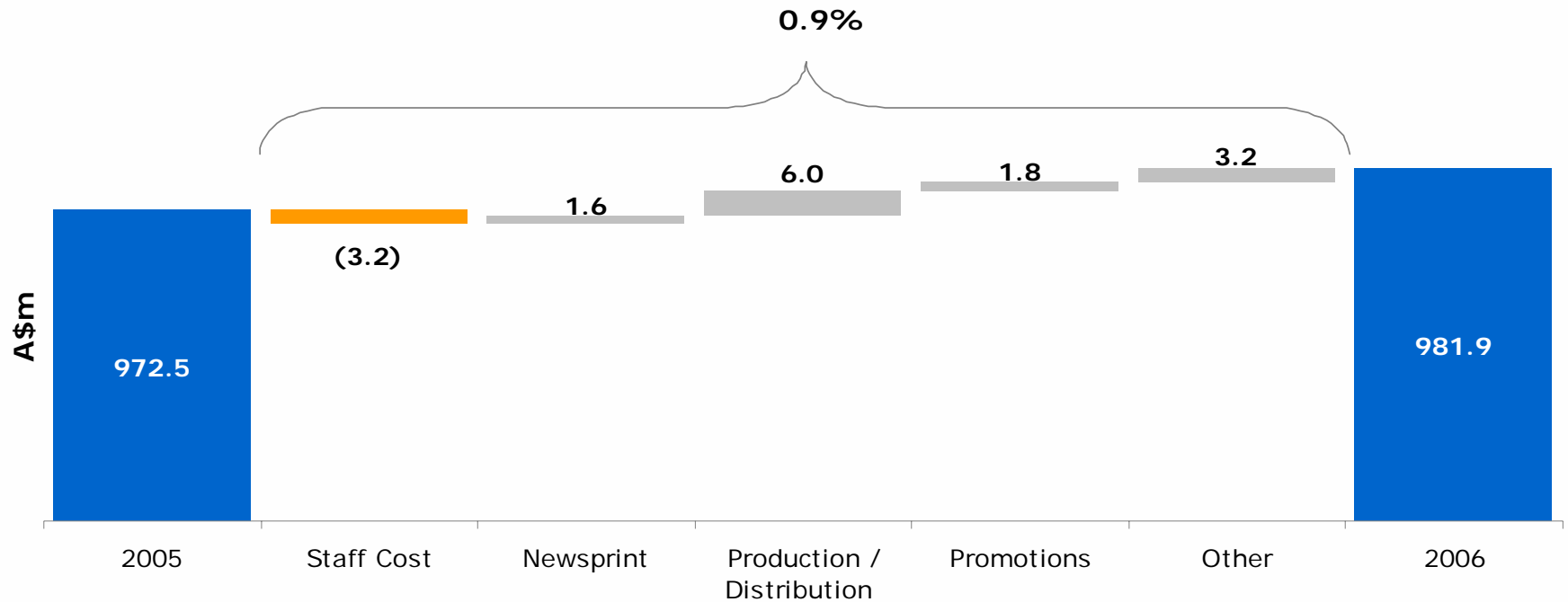
## Publishing Advertising Revenue FY06 vs FY05



# Australian Publishing - excellent cost controls



Publishing Costs FY06 v FY05



Note: Flat cost growth excluding new product initiatives

# Fairfax Digital – rapid revenue growth

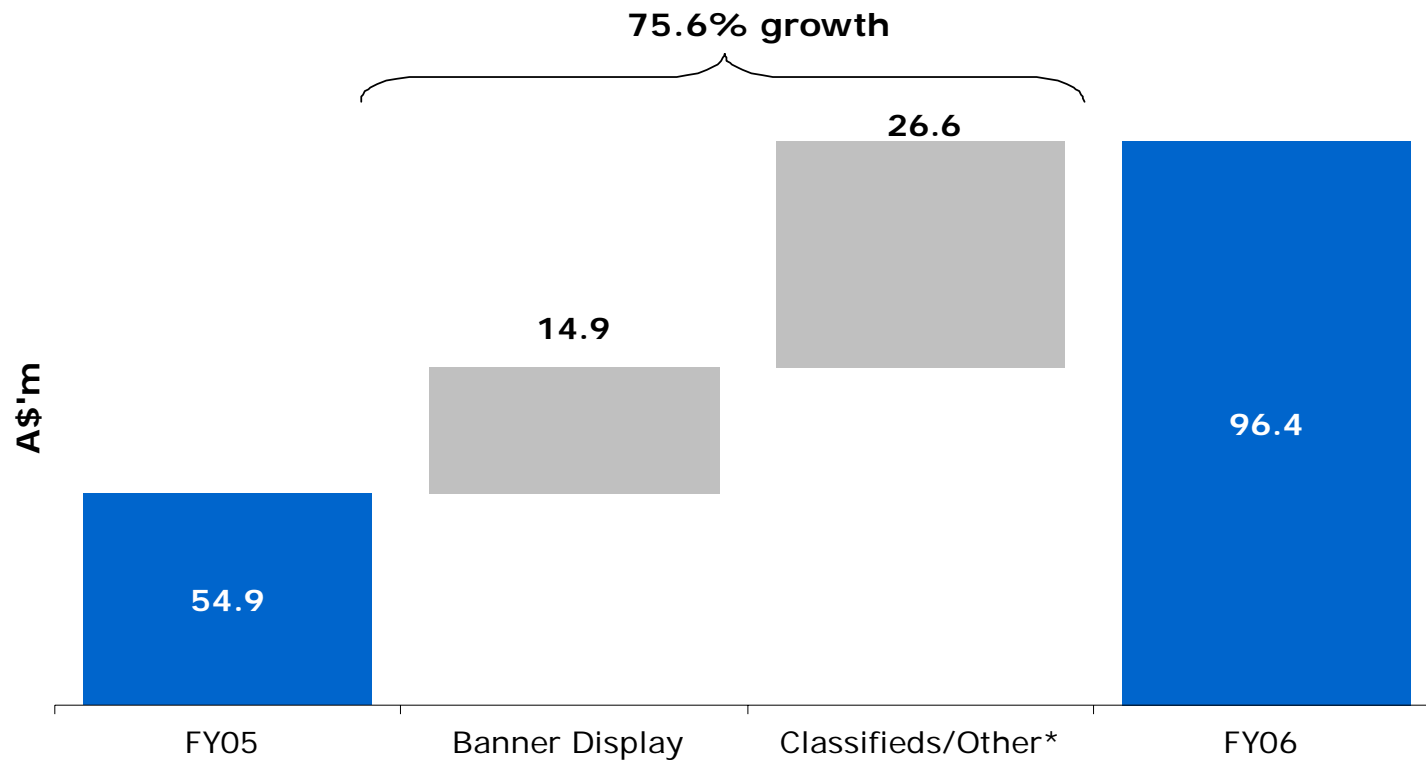


A\$m	FY06 \$'m	FY05 \$'m	Var \$'m	Var %
Revenue	96.4	54.9	41.5	75.6%
Costs	72.1	48.3	(23.8)	(49.2%)
<b>EBITDA</b>	<b>24.3</b>	<b>6.6</b>	<b>17.7</b>	<b>269.7%</b>
Depreciation	3.2	2.0	(1.2)	(62.6%)
<b>EBIT</b>	<b>21.1</b>	<b>4.6</b>	<b>16.5</b>	<b>359.9%</b>
EBITDA Margins	25.2%	12.0%		
EBIT Margins	21.9%	8.3%		

# Online revenue growth strong across all categories



## Digital Revenue FY06 vs FY05



\*Includes RSVP.com.au

# Trade Me - delivering on expectations

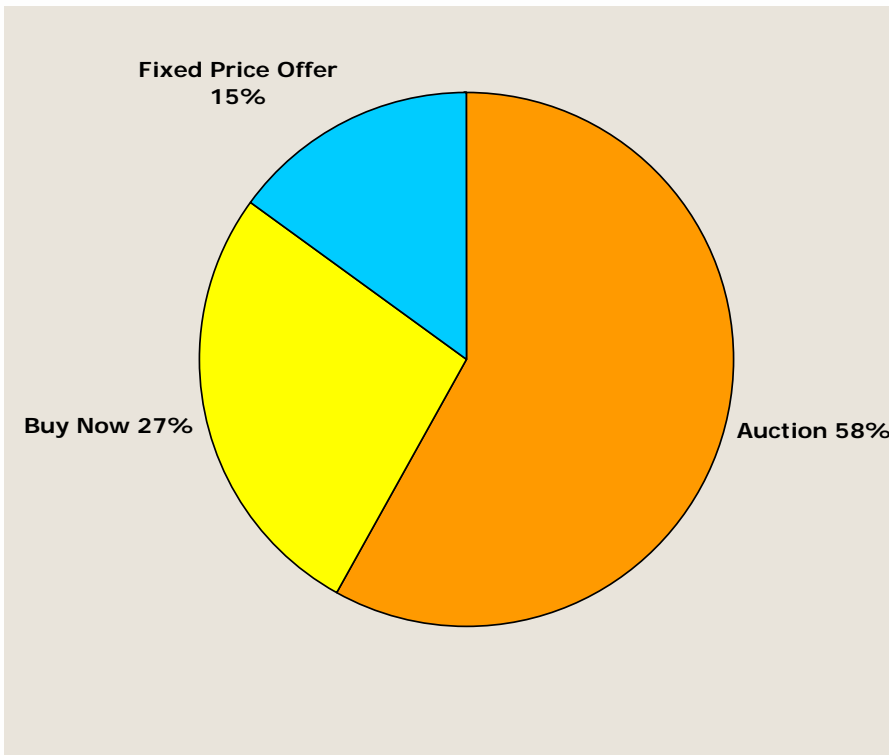


- NZ\$9.3m EBITDA for June 2006 quarter
- Strong growth continues across all revenue drivers
- Trade Me jobs launched 8 August 2006
  - 5,200+ jobs listed in three weeks
- #1 in unique browsers for
  - Auctions
  - Homes
  - Cars
  - Jobs
- On track for stated EBITDA of NZ\$45m for 12 months to 31 March 2007

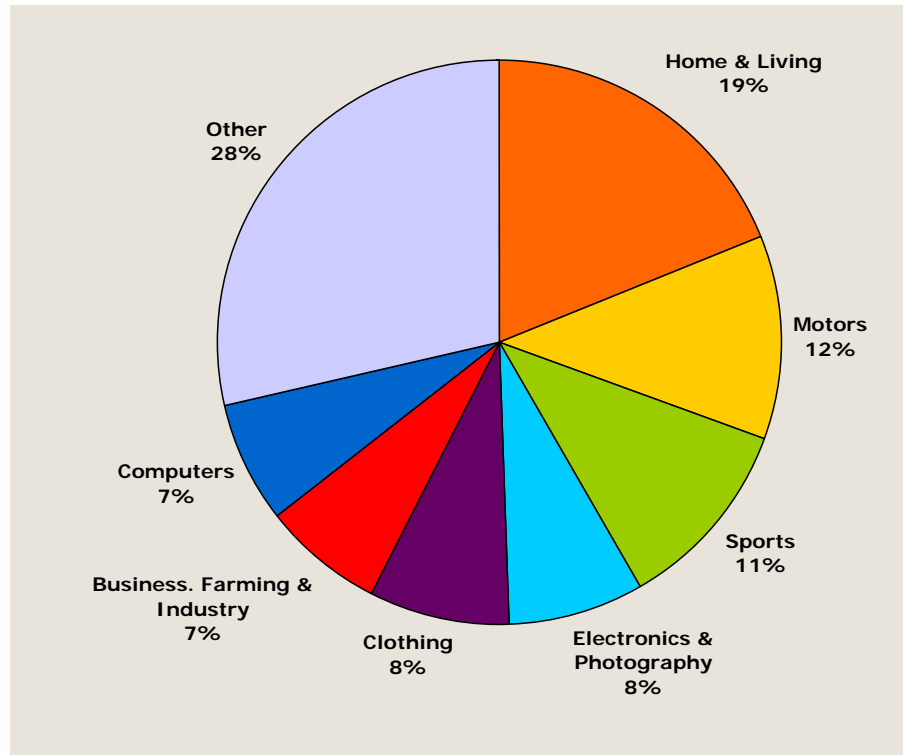
# Trade Me – auctions by Sale Type and Category



**Sales Type  
July 2006**



**Gross Merchandising Sales by category  
July 2006**



# Trade Me – key statistics



**Sellers  
per month**

**147,000**

**Up 54% YOY**

**Active users  
per month**

*(bid or listed in previous 12 months)*

**735,000**

**Up 38% YOY**

**Jobs  
Listings**

**5,200+**

**Launched on  
8 August 2006**

**Motor Vehicle  
Listings**

**20,000**

**Up 43% YOY**

**Property  
Listings**

**25,000**

**Up 838% YOY**

**Unique Browsers  
per month**

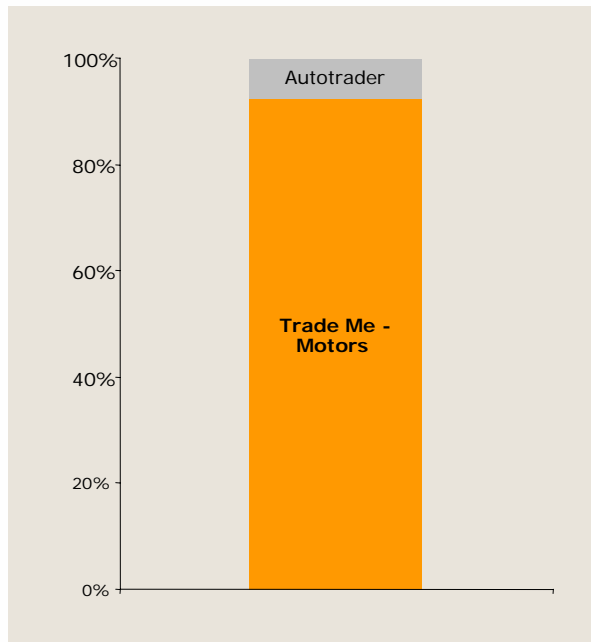
**3.2 million**

**Up 23% YOY**

# Trade Me maintains exceptional audience reach in classified categories

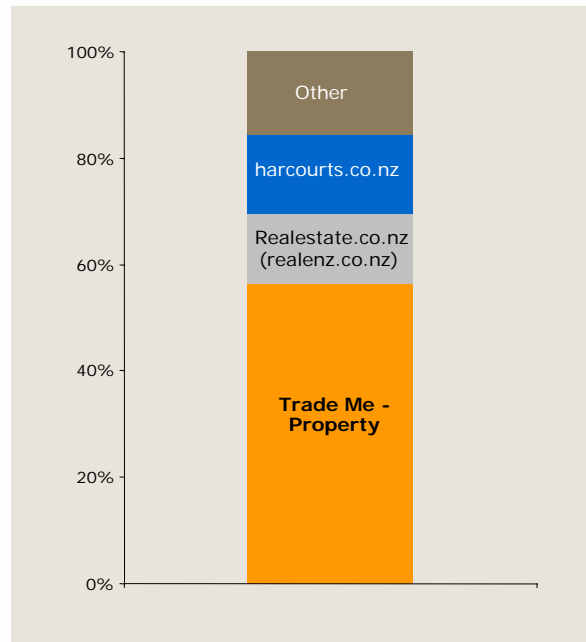


## Motors 92%



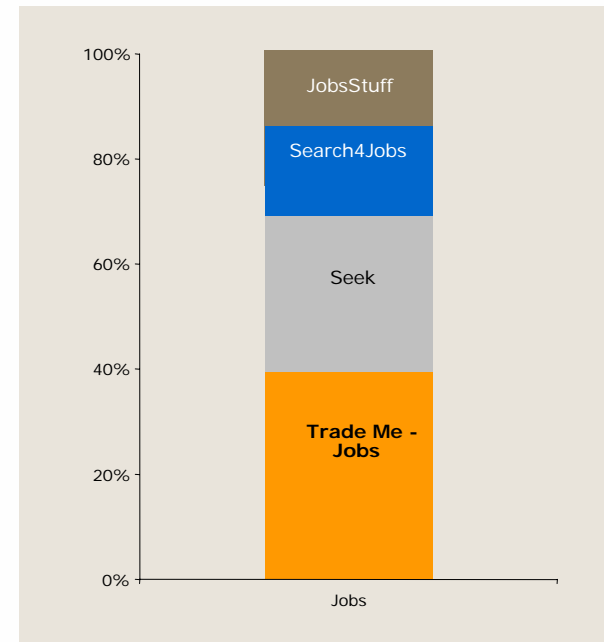
Launched June 2003

## Property 55%



Launched June 2005

## Jobs 39%



Launched 8 August 2006

Source: Nielsen NetRatings for week ended 20 August 2006

# New Zealand Publishing

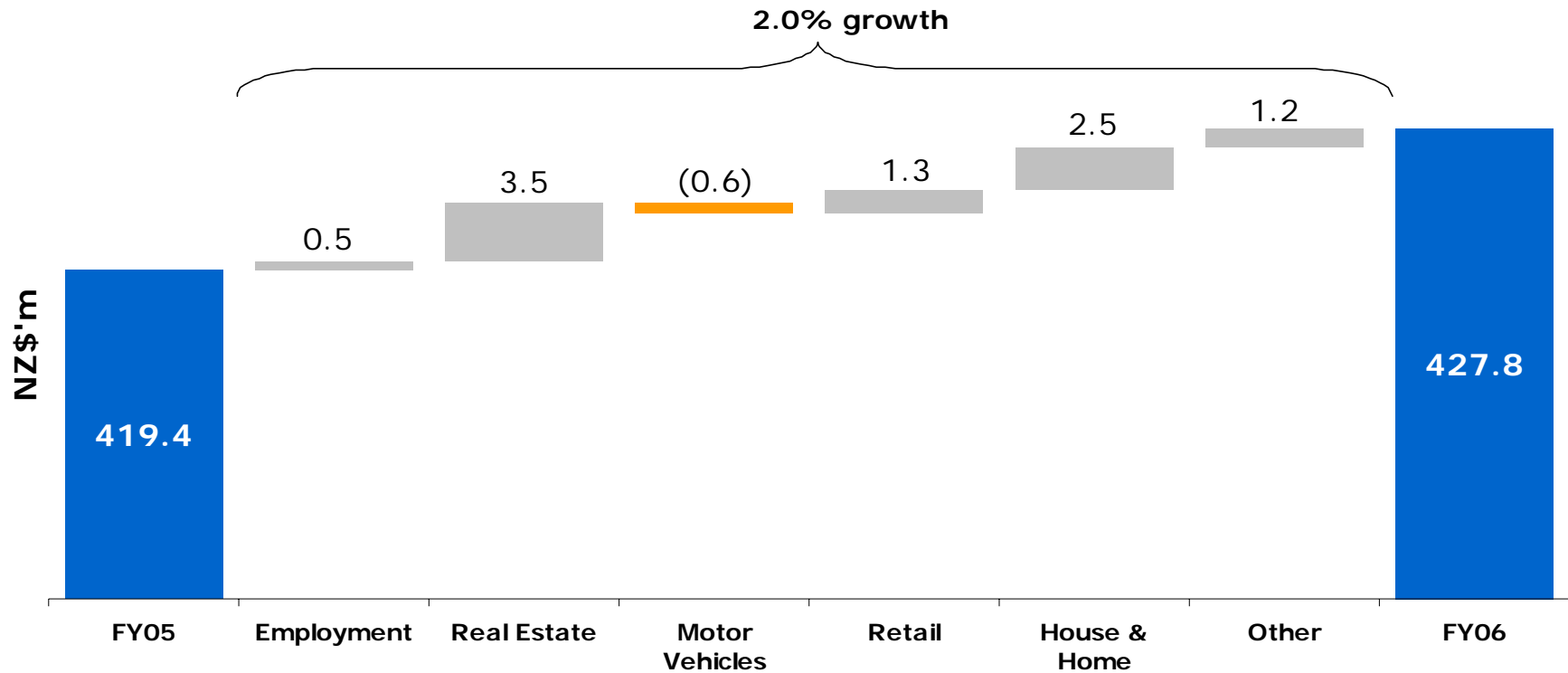


NZ\$m	FY06 \$'m	FY05 \$'m	Var \$'m	Var %
<b>Advertising</b>	<b>427.8</b>	419.4	<b>8.4</b>	<b>2.0%</b>
<b>Circulation</b>	<b>134.3</b>	130.8	<b>3.5</b>	<b>2.7%</b>
<b>Other revenues</b>	<b>20.9</b>	17.5	<b>3.4</b>	<b>19.2%</b>
<b>Total revenue</b>	<b>583.0</b>	567.7	<b>15.3</b>	<b>2.7%</b>
<b>Costs</b>	<b>386.8</b>	376.8	<b>(10.0)</b>	<b>(2.7%)</b>
<b>EBITDA</b>	<b>196.2</b>	190.9	<b>5.3</b>	<b>2.8%</b>
<b>Depreciation</b>	<b>10.8</b>	10.8	<b>0.0</b>	<b>0.0%</b>
<b>EBIT</b>	<b>185.4</b>	180.1	<b>5.3</b>	<b>3.0%</b>
<b>EBITDA margin</b>	<b>33.7%</b>	33.6%		
<b>EBIT margin</b>	<b>31.8%</b>	31.7%		

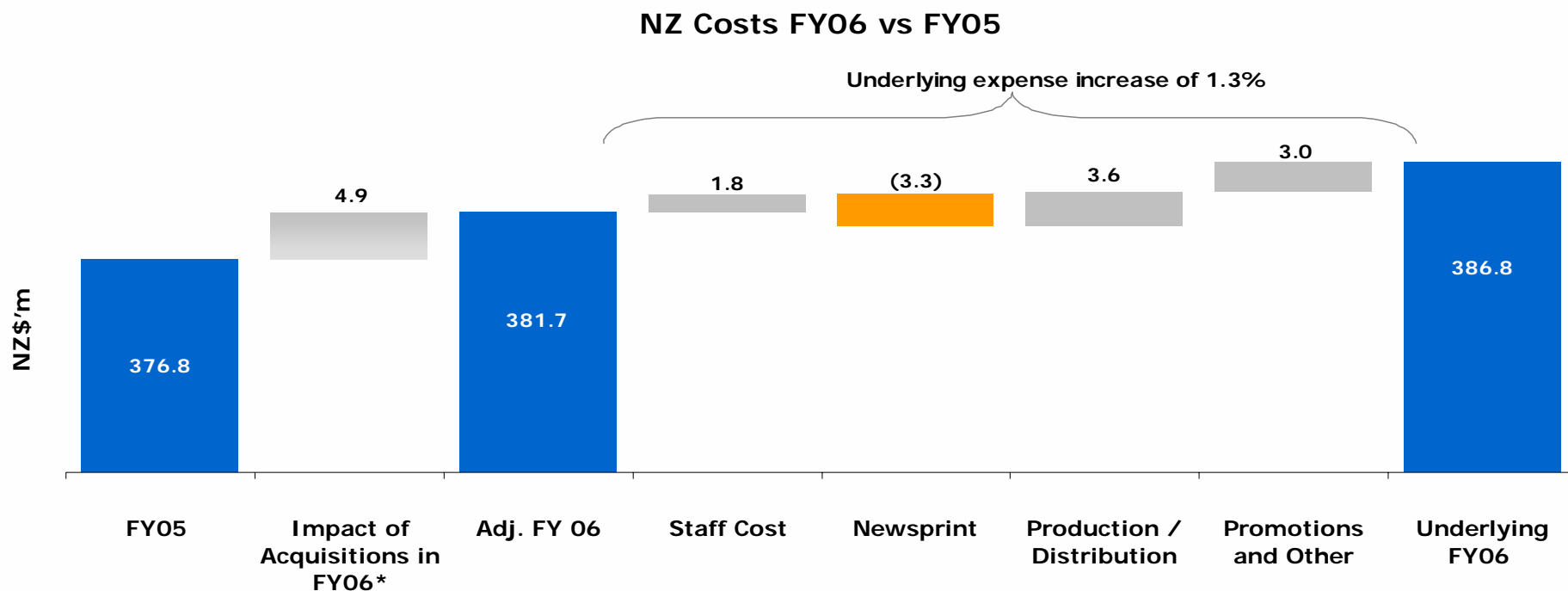
# New Zealand Publishing advertising revenue increased in most categories



NZ Advertising Revenue FY06 vs FY05



# New Zealand Publishing cost controls maintained



\*Acquisitions in FY06 include Rodney Publications and The Independent

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 - New South Wales, Latrobe 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 Advocate, Wollongong Advocate, Parramatta Sun, Penrith City Star, St Mary's Mt Druitt Star, Hills News, Northern News, Northern Beaches Weekender, South Western Sydney Daily, Rural Weekly (Eringail), FAIRFAX COMMUNITY NEWSPAPERS - VICTORIA The Geelong Advertiser, Geelong Advertiser, Geelong Advertiser, Emerald Hill Weekly, City Weekly, The Melbourne Times, Melbourne Journal, Macedon Journal, Yarra Ranges Journal, The Journal, Barwick & Whitehorse Weekly, Macedon Ranges/Sunbury Telegraph, Warrnbee Bannockburn Community News, Moonee Valley Community News, The Allona Laverton Mail, The Mail, Williamstown Advertiser, The Advocate, The Advocate, Milton Express Telegraph, Bacchus Marsh Express Telegraph, Whittlessea Weekly, Valley Weekly, Manningham Weekly, Peninsular Journal Weekender, Hume Weekly (Inc Broadmeadows/Tullamarine edition), Colac & Corangamite Express, FAIRFAX GENERAL MAGAZINES Good Weekend, Television, Sunday Life, the Sydney magazine, the age magazine, Uncorked, Drive, Fashion, Travel + Leisure, Fairfax Digital, smh.com.au, theage.com.au, rugbyheaven.com, talkradio.com.au, themyemanager.com.au, tradingroom.com.au, thecareer.com.au, domain.com.au, drive.com.au, tradingroom.com.au

# Group Financial Performance

Mr Sankar Narayan  
Chief Financial Officer





smh.com.au  
The Sydney Morning Herald

THE AGE  
theage.com.au

domain.com.au

drive.com.au






# Underlying trading performance



A\$m	Underlying Trading Performance			Adjustments		As reported		
	FY06 \$'m	FY05 \$'m	Var %	FY06 \$'m	FY05 \$'m	FY06 \$'m	FY05 \$'m	Var %
Revenue	1,907.8	1,873.4	1.8			1,907.8	1,873.4	1.8
Associate profits & Other	2.5	1.4	86.8	(4.4) <sup>*</sup>	(4.0)	6.9	5.4	28.2
Costs	(1,405.1)	(1,367.4)	(2.8)	16.1 <sup>**</sup>		(1,421.2)	(1,367.4)	(3.9)
EBITDA	505.2	507.4	(0.4)	11.7	(4.0)	493.5	511.4	(3.5)
Depreciation	79.8	80.1	0.4	-	-	79.8	80.1	0.4
EBIT	425.5	427.3	(0.4)	11.7	(4.0)	413.8	431.3	(4.1)

\*Share of profits from AAP Ltd

\*\*Australian restructuring costs

# Underlying trading performance continued



A\$m	Underlying Trading Performance			Adjustments		As reported		
	FY06 \$'m	FY05 \$'m	Var %	FY06 \$'m	FY05 \$'m	FY06 \$'m	FY05 \$'m	Var %
<b>EBIT</b>	<b>425.5</b>	427.3	<b>(0.4)</b>	<b>11.7</b>	(4.0)	<b>413.8</b>	431.3	<b>(4.1)</b>
<b>Interest (incl. Presses)</b>	<b>(97.2)</b>	(95.2)	<b>(2.1)</b>			<b>(97.2)</b>	(95.2)	<b>(2.1)</b>
<b>Tax</b>	<b>(93.3)</b>	(93.8)	<b>0.5</b>	<b>(4.8)</b>	(3.0)	<b>(88.5)</b>	(90.8)	<b>2.5</b>
<b>Net Profit</b>	<b>234.9</b>	238.3	<b>(1.4)</b>	<b>6.9</b>	(7.0)	<b>228.1</b>	245.4	<b>(7.0)</b>
<b>Outside equity interest</b>	<b>(0.6)</b>	(0.6)	<b>2.5</b>			<b>(0.6)</b>	(0.6)	<b>2.5</b>
<b>Net Profit after tax</b>	<b>234.3</b>	237.6	<b>(1.4)</b>	<b>6.9</b>	(7.0)	<b>227.5</b>	244.7	<b>(7.1)</b>
<b>Notional SPS dividend</b>	<b>5.8</b>	-	-	<b>(5.8)</b>	-	-	-	-
<b>Net Profit after tax and SPS Dividend</b>	<b>228.5</b>	237.6	<b>(3.8)</b>	<b>1.0</b>	(7.0)	<b>227.5</b>	244.7	<b>(7.1)</b>
<b>WANOS</b>	<b>931.7</b>	919.0	<b>1.4</b>			<b>931.7</b>	919.0	<b>1.4</b>
<b>Earnings per share (cents) after SPS dividend</b>	<b>24.52</b>	25.85	<b>(5.2)</b>			<b>24.41</b>	26.63	<b>(8.3)</b>

# Cash flow per share (25.4c) exceeds earnings per share (24.4c)



	FY 06 \$'m	FY 05 \$'m
Cash flows from operating activities	288.2	343.8
Capital Expenditure	(52.6)	(48.2)
PRESSES Dividend	0.0	(18.6)
<b>Operating cashflow post Capital Expenditure and PRESSES (Free cashflow)</b>	<b>235.6</b>	<b>277.1</b>
Acquisitions	(698.3)	(23.3)
Proceeds from sale of investments and PP&E	0.2	11.0
Dividends paid	(161.2)	(102.6)
Net debt increase/(reduction)	328.6	(164.4)
Other movements (net)	0.0	1.8
Proceeds from issue of SPS	293.2	0.0
Proceeds from issue of shares	1.9	0.4
<b>Net investing and financing activities</b>	<b>(235.6)</b>	<b>(277.1)</b>

# Balance sheet – acquisitions drove increased borrowings



A\$m	June 06 \$'m	June 05 \$'m
Intangibles	2,899.6	2,314.3
Property, plant and equipment	654.3	734.3
Investments & financial assets	42.6	23.8
Receivables	282.1	292.8
Inventories	35.7	30.2
Other assets	104.4	62.3
Net borrowings	(1,455.2)	(912.7)
Other liabilities	(426.6)	(376.4)
Net assets	2,136.8	2,168.7

# 2006 Summary



- Metropolitan advertising markets tough
- Our Digital, Business Media & Regional publications performed well
- Trade Me delivering on expectations
- Cost controls are excellent
- Great circulation results
- Successfully reshaping for stronger earnings growth in the medium term

# Outlook



*As expected, trading conditions remain constrained in our core publishing markets. Fairfax Digital is performing strongly and Trade Me is meeting all expectations. It is too early to provide meaningful guidance.*

METROPOLITAN, REGIONAL AND COMMUNITY NEWSPAPERS METROPOLITAN NEWSPAPERS: The Sydney Morning Herald, 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, Murrumbidgee 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, Wollongong Advertiser, Fairfield City Champion, Liverpool City Champion, Bankstown-Canterbury Torch, Blacktown City Sun, Parramatta Sun, Penrith City Star, St Mary's Mt Druitt Star, Hills News, Northern News, Northern Beaches Weekend, South Western Sydney News, Rural Weekly (Hemgaly) FAIRFAX COMMUNITY NEWSPAPERS - VICTORIA Melbourne City Weekly, Emerald Hill Weekly, City Weekly, The Melbourne Times, Melbourne Times Morning Edition, Heidelberg Weekly, Knox Journal, Macedon Journal, Yarra Ranges Journal, The Journal, Berwick & Traralgon Journal, Pakenham Journal, Monash Journal, Whitehorse Weekly, Macedon Ranges/Sunbury Telegraph, Warrimoo Herald, Moorland Community News, Moonee Valley Community News, The Allona Laverton Mail, The Mail, Williamstown Advertiser, Mornington Advocate, The Advocate, Milton Express Telegraph, Bacchus Marsh Express Telegraph, Whittlesea Weekly, Valley Weekly, Manningham Weekly, Peninsular Journal Weekend, Hume Weekly (Inc Broadmeadows/Tullamarine edition), Colac & Corangamite Extra FAIRFAX GENERAL MAGAZINES Good Weekend, Television, Sunday Life, thelyday/magazine, theage/magazine, Journainmagazine, Uncorked, Drive, Fashion, Travel + Leisure, Fairfax Digital, smh.com.au, theage.com.au, rugbyheaven.com, rallooly.com.au, moneymanager.com.au, tradingroom.com.au, mycareer.com.au, domain.com.au, drive.com.au, tradingroom.com.au

# Appendices



**FairfaxDigital** **trademe**   
Where Kiwis buy and sell online

**smh.com.au** **THE AGE**  
The Sydney Morning Herald theage.com.au

**domain.com.au** **drive.com.au**

**725V9** **MyCareer** **STAYZ**  
Simply Jobs Australia



# Appendices



## Australian Publishing

- Display volumes FY
- Classified volumes FY

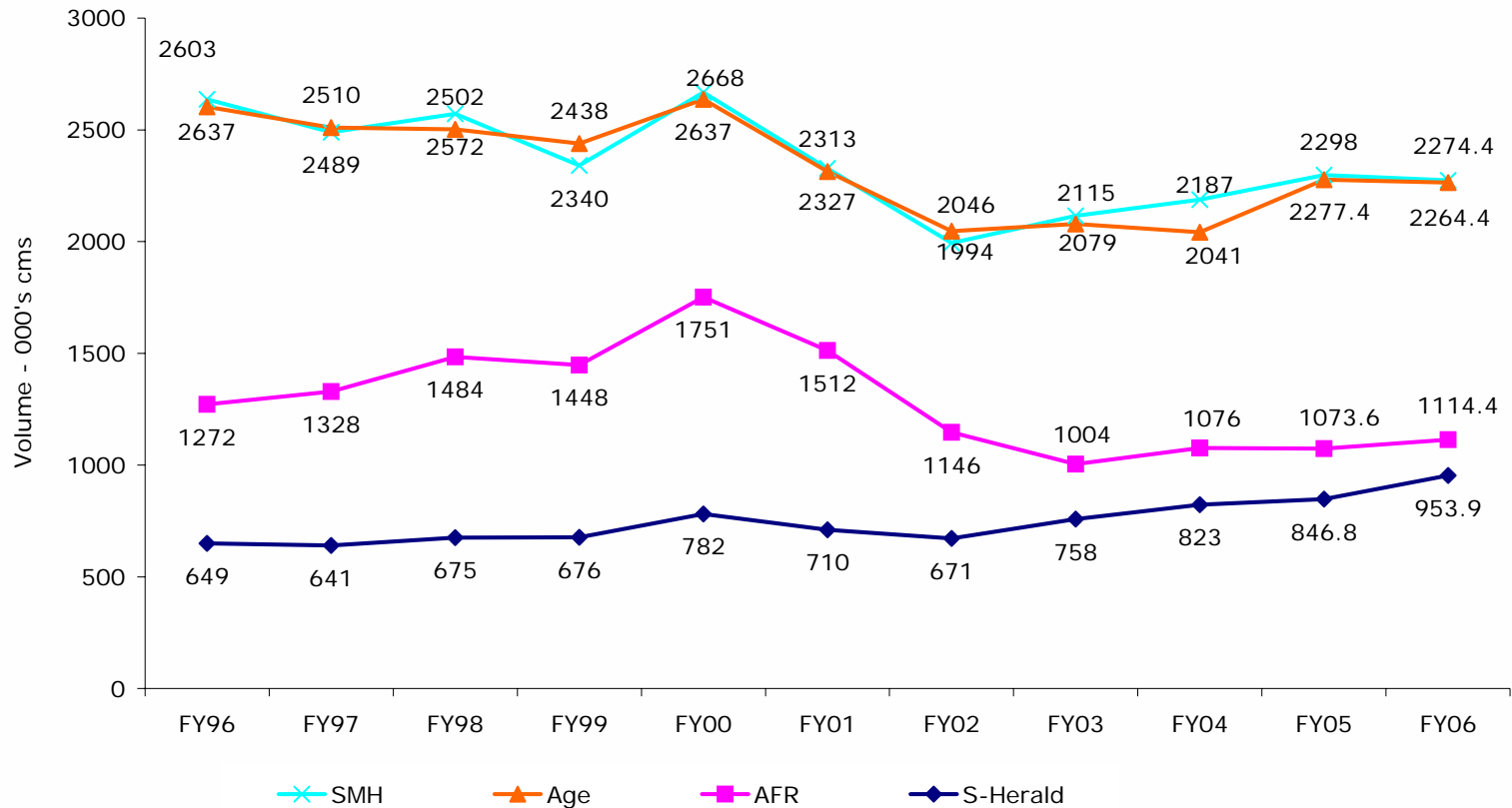
## New Zealand

- Trade Me
  - Unique visitors
  - Sellers per month
  - Active users
  - Motor Vehicle listings
  - Property listings

# Australian Publishing – display volumes



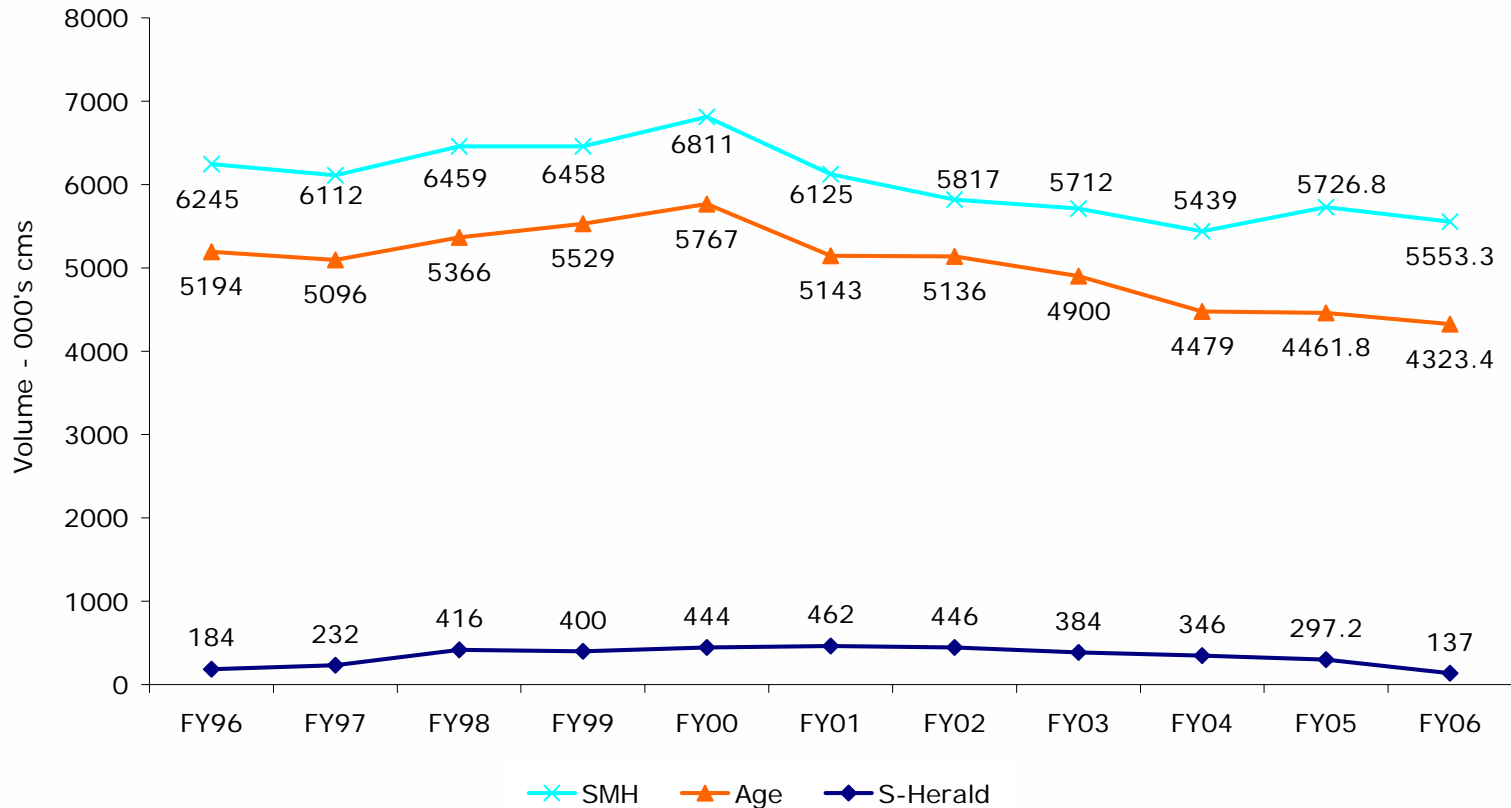
AUS Advertising Volumes - Display FY06



# Australian Publishing – classified volumes



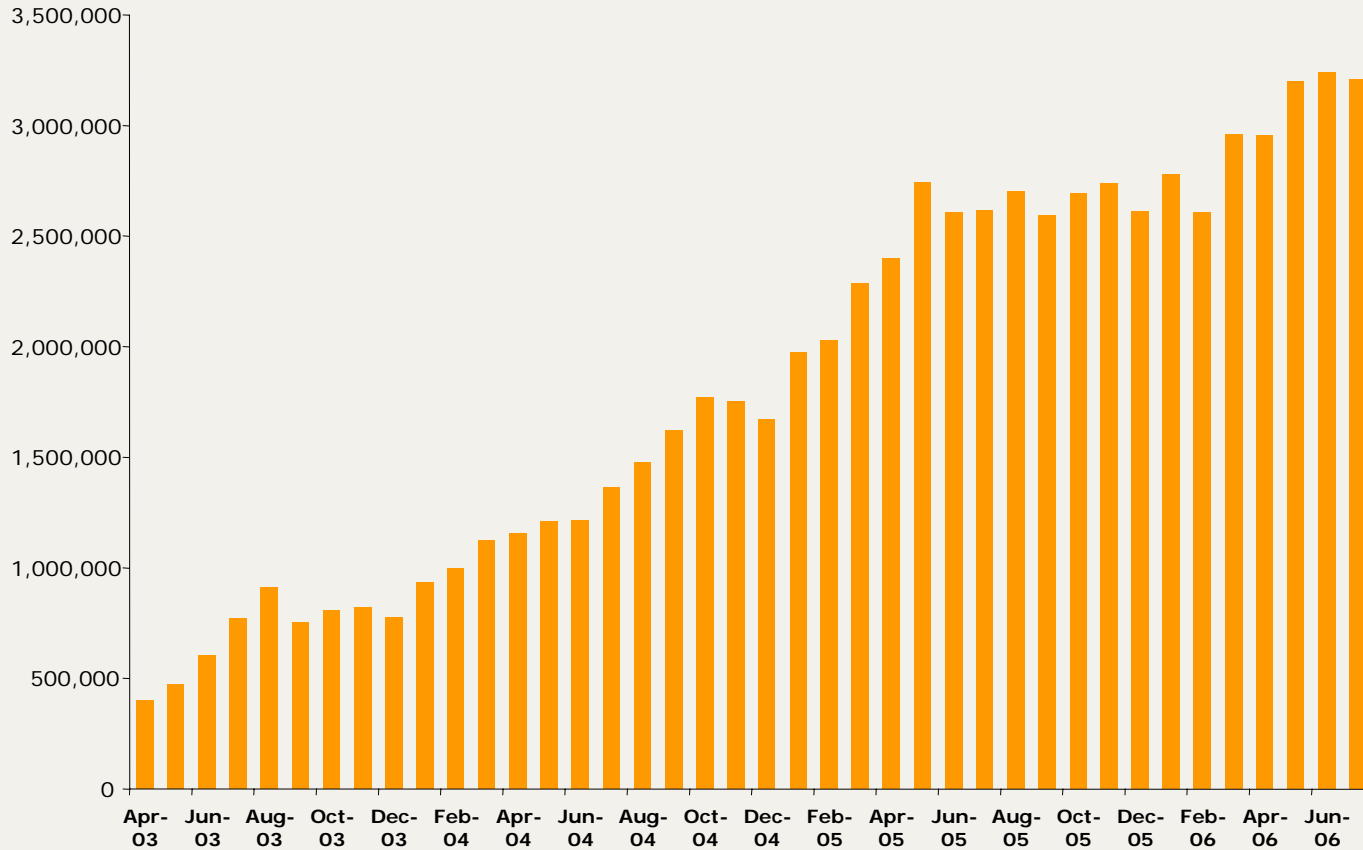
AUS Advertising Volumes - Classifieds FY06



Note: Includes average volumes from Domain North, East and Inner West

# Trade Me

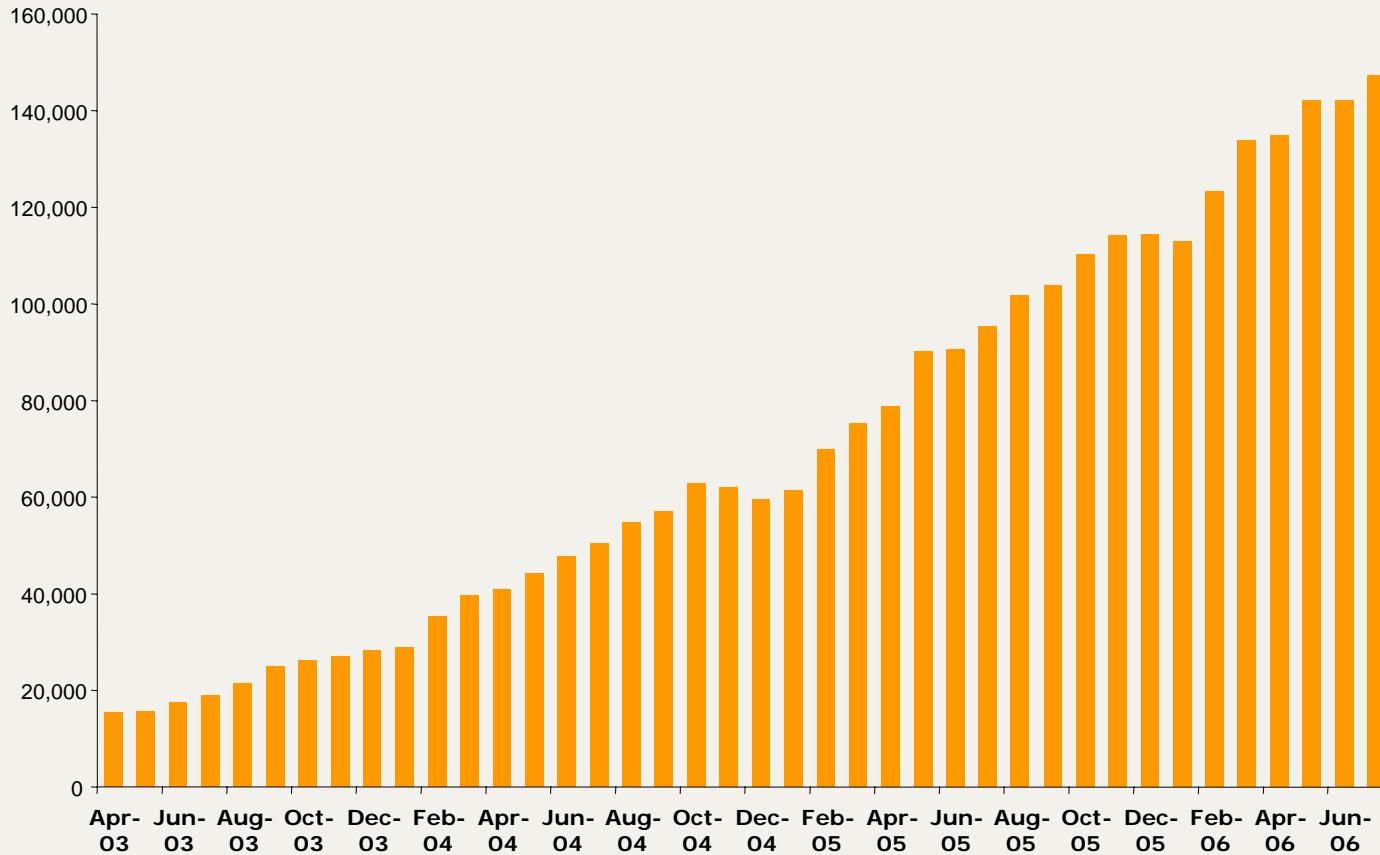
## Unique visitors per month up 23% (July 05 – July 06)



# Trade Me

## Sellers per month up 54%

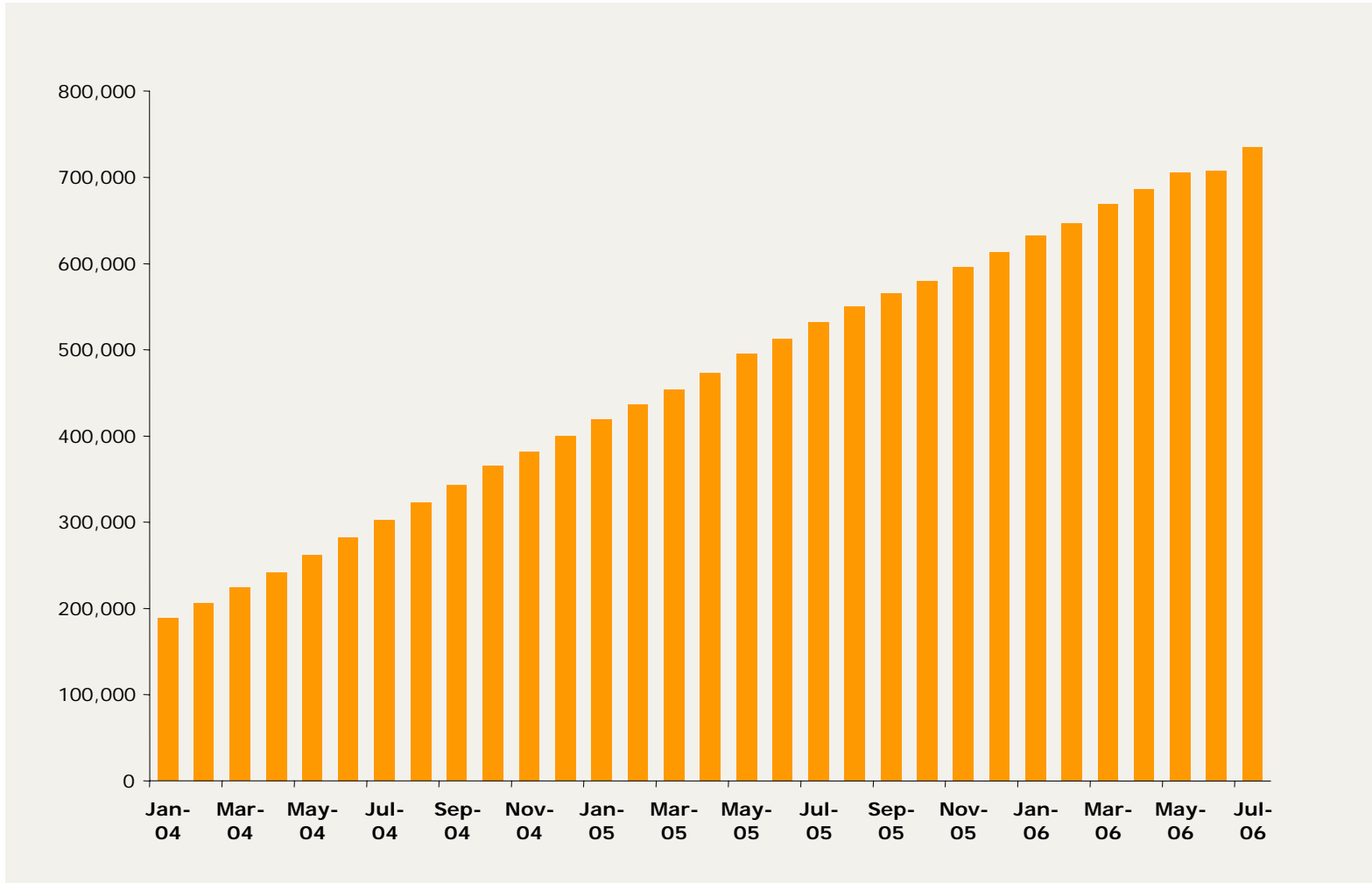
(July 05 - July 06)



# Trade Me

## Active users up 38%

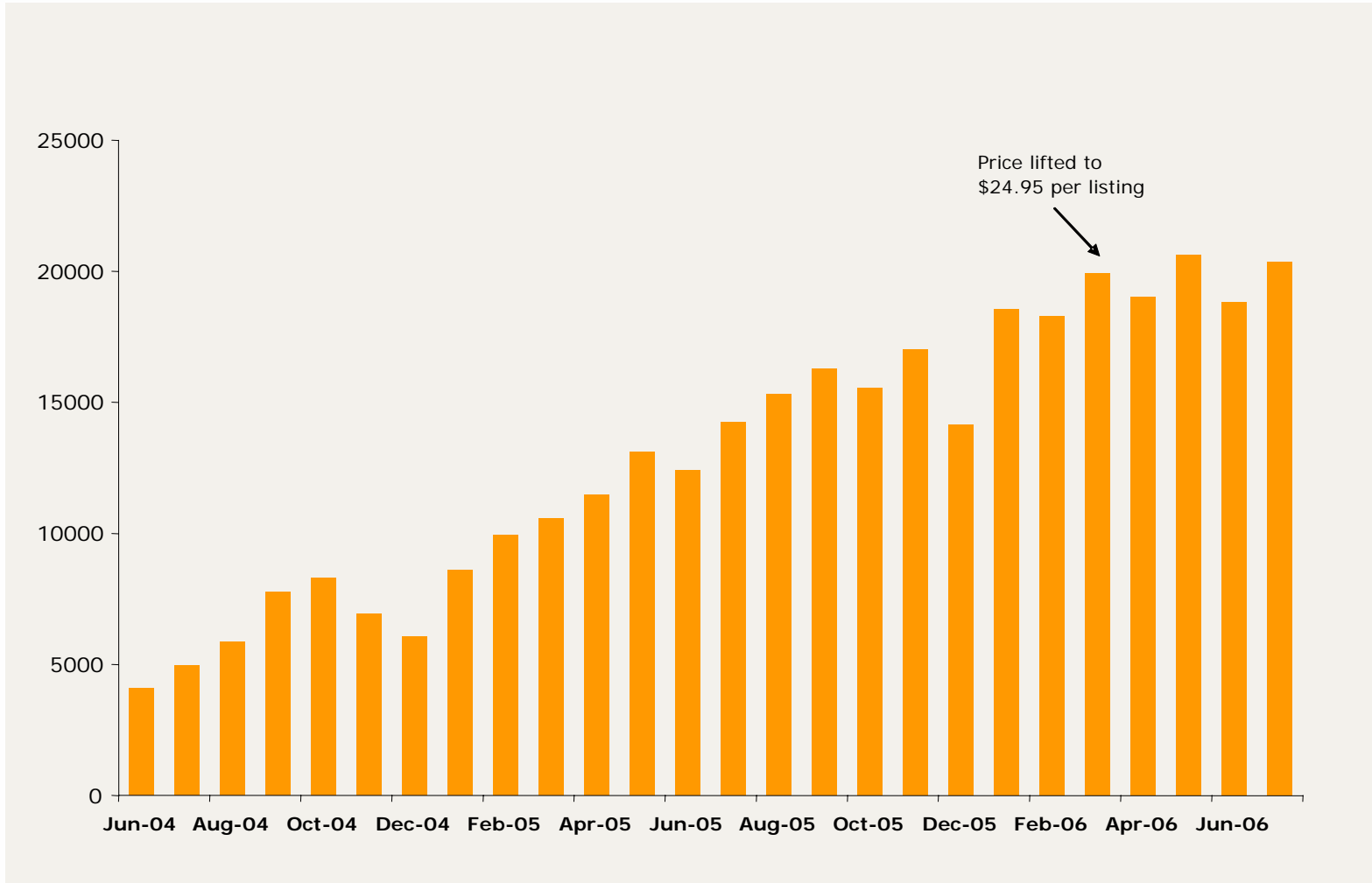
(July 05 - July 06)



# Trade Me

## Motor vehicle listings up 43%

(July 05 - July 06)



# Trade Me

## Property listings up 838%

(July 05 – July 06)

