



Fairfax Media Limited Full Year Result for the 12 months ended 1 July 2007

Thursday 23 August 2007

David Kirk, Chief Executive Officer
Brian McCarthy, Deputy Chief Executive Officer and CEO Australia
Sankar Narayan, Chief Financial Officer

Results summary

→ Group Results - underlying

- Revenue up 11.0% to \$2,117.6m
- EBITDA up 13.1% to \$571.4m
- NPAT up 9.9% to \$251.1m
- Earnings per share down 5.3%

→ Fairfax Media (pre-merger) underlying

- Revenue up 6.0% to \$2,018.1m
- EBITDA up 6.4% to \$537.6m

→ Rural Press underlying - 12 months

- Revenue up 3.7% to \$610.0m
- EBITDA up 6.9% to \$209.4m

→ Total dividend for the year 20.0c, up 2.6%

An eventful year

→ **Successful implementation of our diversification and growth strategies**

- Merged with Rural Press Limited
- Acquired Border Morning Mail
- Acquired Riverina Media Group
- Trade Me delivering on expectations
- Fairfax Digital achieving excellent growth
- Launched brisbanetimes.com.au, businessday.com.au and afr.com
- Circulation and readership strong across the Group
- Delivered over \$52m in real cost reductions in Australian Publishing over the past two years
- Planned relocation of Sydney and Melbourne offices and development of multimedia news rooms
- Announced acquisition of Southern Cross radio network and Southern Star

→ **Rural Press merger cost synergies estimated at \$45m**

- \$22m in the 2008 financial year
- \$45m in the 2009 financial year



Fairfax Media



Fairfax Media Limited

(Excluding Rural Press)

David Kirk, Chief Executive Officer

Key drivers of the result

Fairfax Media
(excluding Rural Press)

→ Performance of major acquisitions a highlight

- Trade Me growth continued - EBITDA NZ\$50.4m (NZ\$4.8m earn-out paid)
- Border Morning Mail delivering on expectations

→ Fairfax Digital revenues and profits continue strong growth

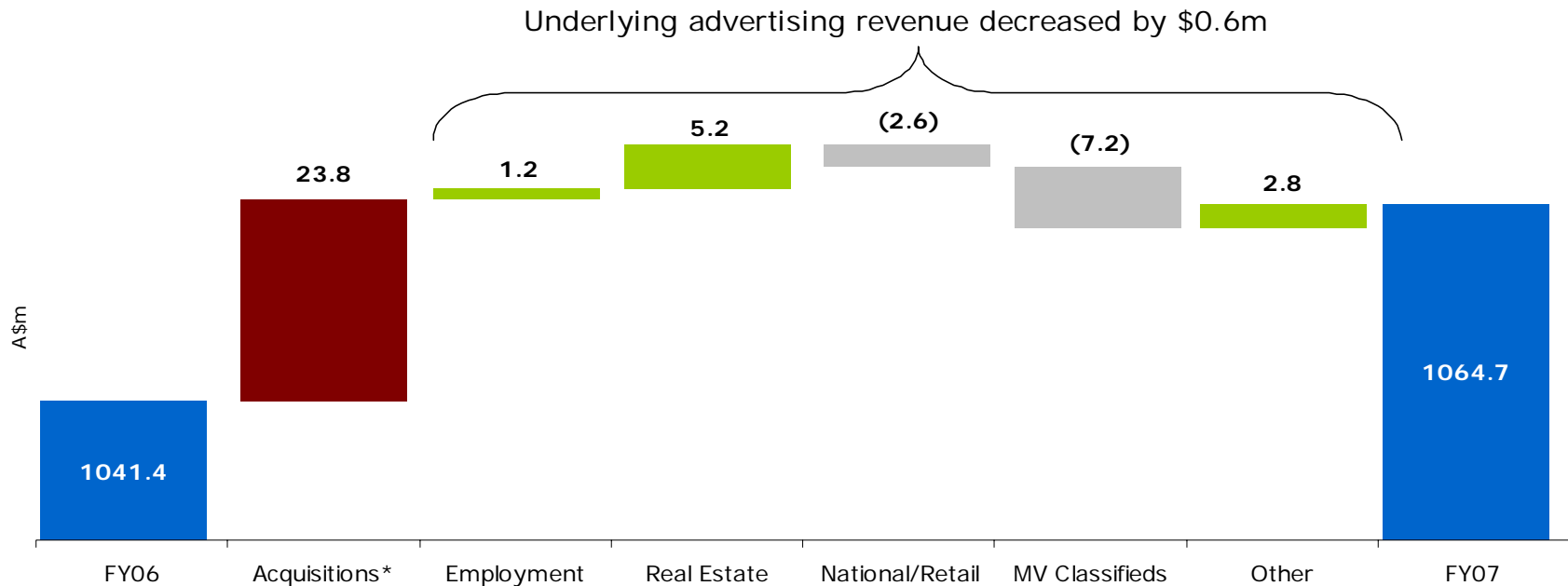
→ Improved second half performance in New Zealand on cost reductions and improving revenues

→ Australian publishing revenue up 3.6%, EBITDA down 1.2%

- Fairfax Business Media revenues and profits up strongly
- Regional and Community papers increased revenues and profits
- Metropolitan results down due to ad market weakness in NSW
- Costs well under control with \$52m in real cost savings in the last two years
- Strong editorial and marketing performance underpins circulation and readership strength

Australian publishing advertising revenues

Fairfax Media
(excluding Rural Press)

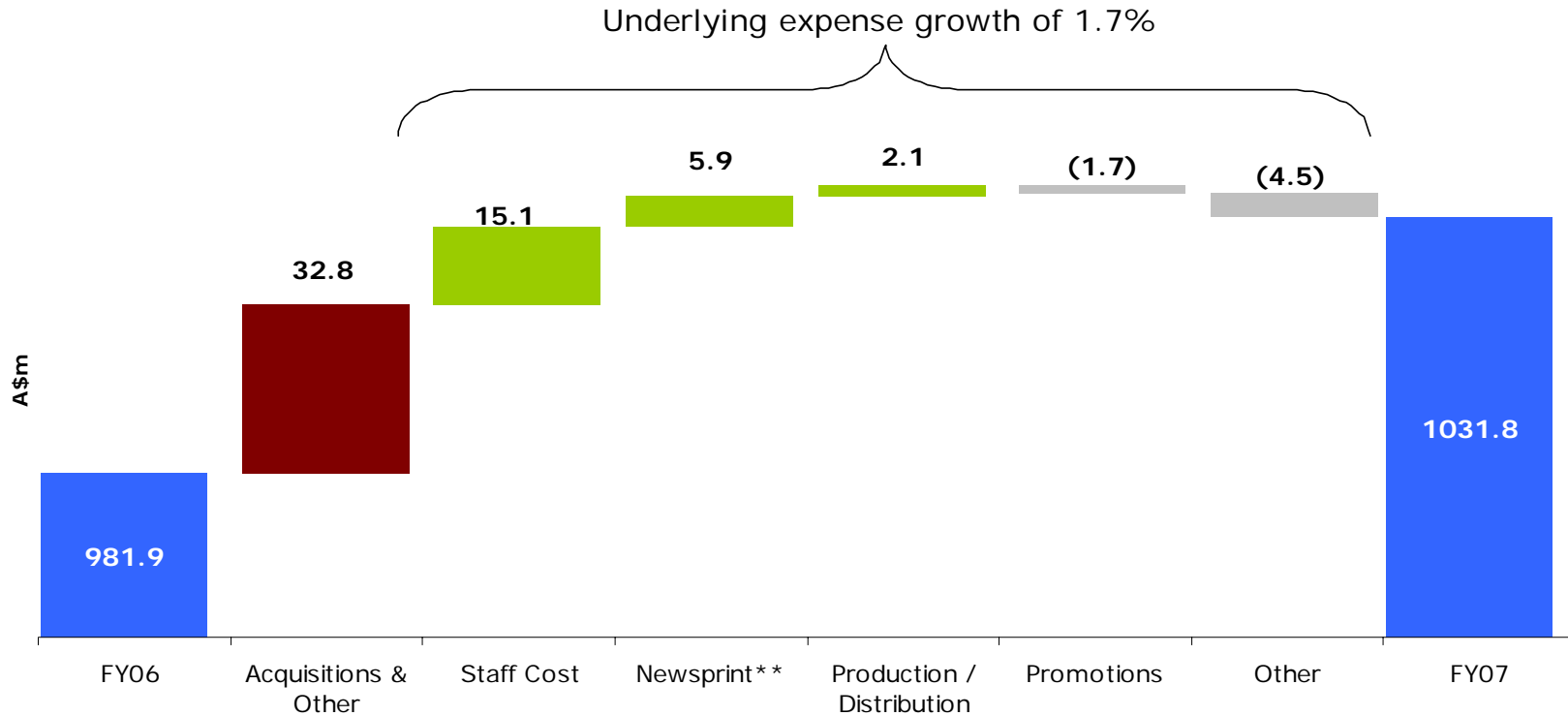


*Acquisition relates to advertising revenue for Border Morning Mail and The Independent Group and does not include printing, circulation or other revenues

Australian publishing costs

Fairfax Media
(excluding Rural Press)

Over the past two years \$52m in real cost savings have been achieved



**Volume savings have partially offset contractual price increase of 7%

→ **Strong results**

- Revenue up 37.8% to \$132.9m
- EBITDA up 52.4% to \$37.0m
- EBITDA margin 27.9% versus 25.2%

→ **Classified and display revenues grew strongly**

→ **Clear leadership in news and information**

→ **Market share increases, particularly in second half**

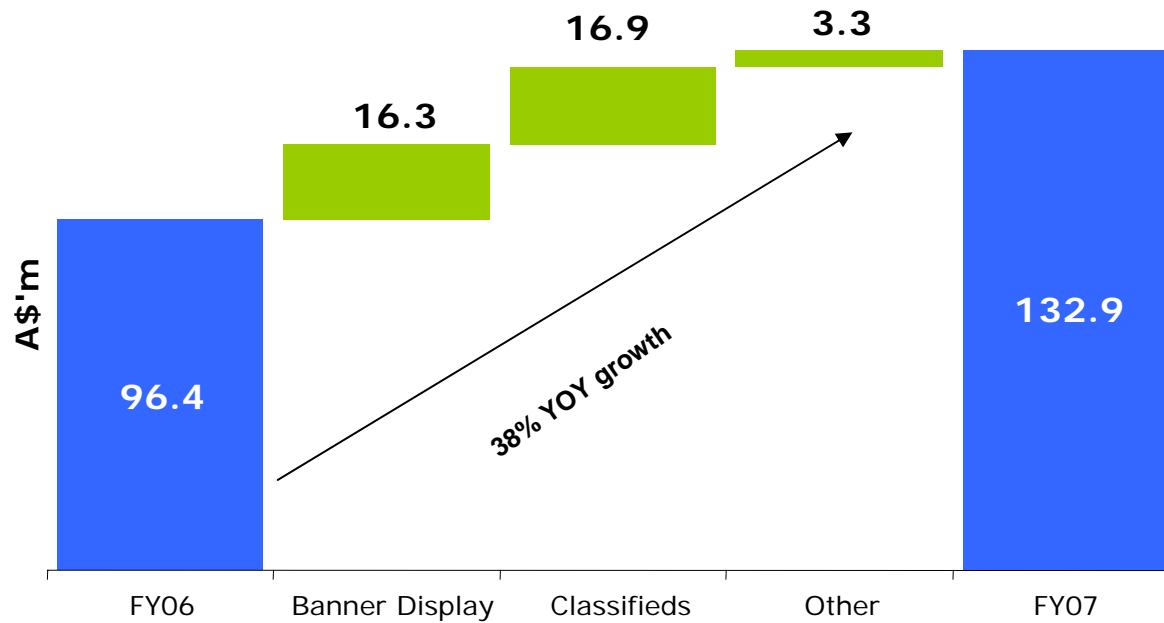
→ **Total traffic across all sites increased to over 14m unique browsers per month**

→ **Several new initiatives including launch of brisbanetimes.com.au, businessday.com.au and Austereo JV**

→ **Important new content/audience positions established: parenting, travel, entertainment and business**

Fairfax Digital revenues

Fairfax Media
(excluding Rural Press)



- **NZ\$50.4m EBITDA**
- **Exceeded pre-acquisition earnings target with NZ\$4.8m earn-out paid to original shareholders**
- **The revenue drivers continue to grow off an ever increasing base**
 - Gross Merchandising Sales – up 28.8%
 - Sellers per month - up 19.5%
 - Active users per month - up 20.3%
 - Motors listings - up 20.9%
 - Property listings - up 64.1%
 - Employment listings now over 9,000
- **Travel website to be launched in August/September 2007 with over 1200 accommodation providers already signed up**
- **Trade Me Motors will extend into new cars in early October with over 1200 new car models on offer**

New Zealand publishing

Fairfax Media
(excluding Rural Press)

→ New Zealand results (in NZ\$)

- Revenue down 0.8% to NZ\$578.4m
- EBITDA down 5.2% to NZ\$185.9m

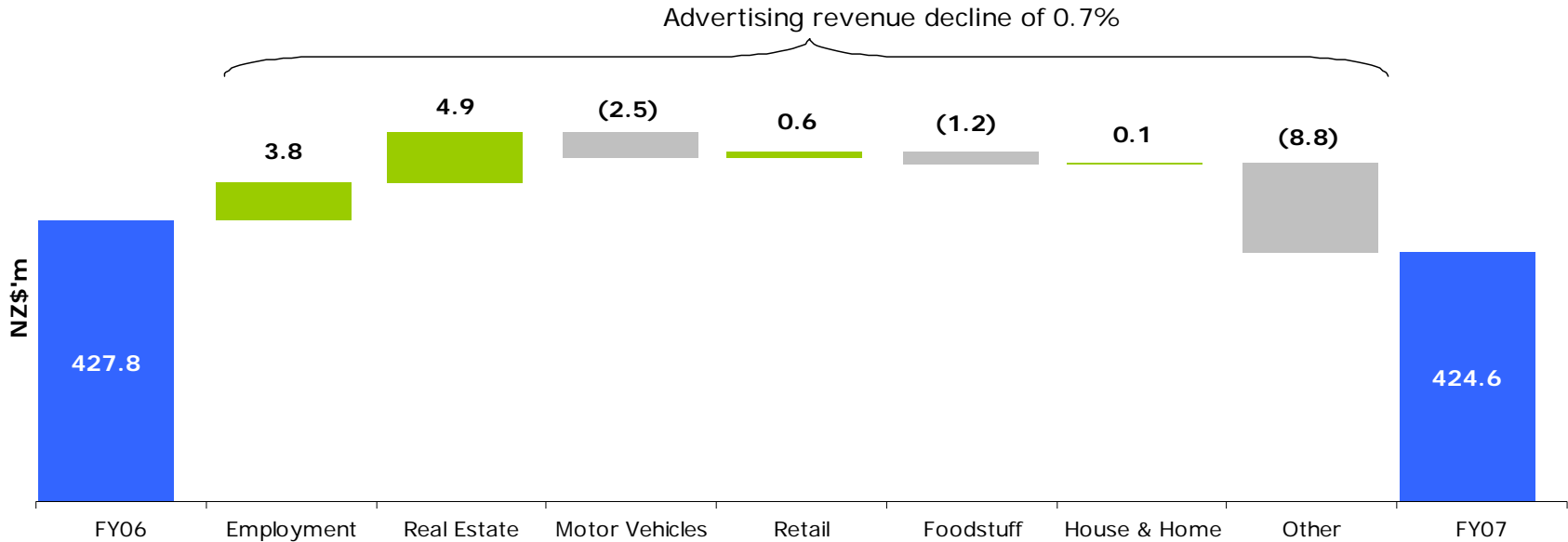
→ Second half revenue and EBITDA performance improved

→ Excellent cost controls

→ Economy showing signs of a slow recovery

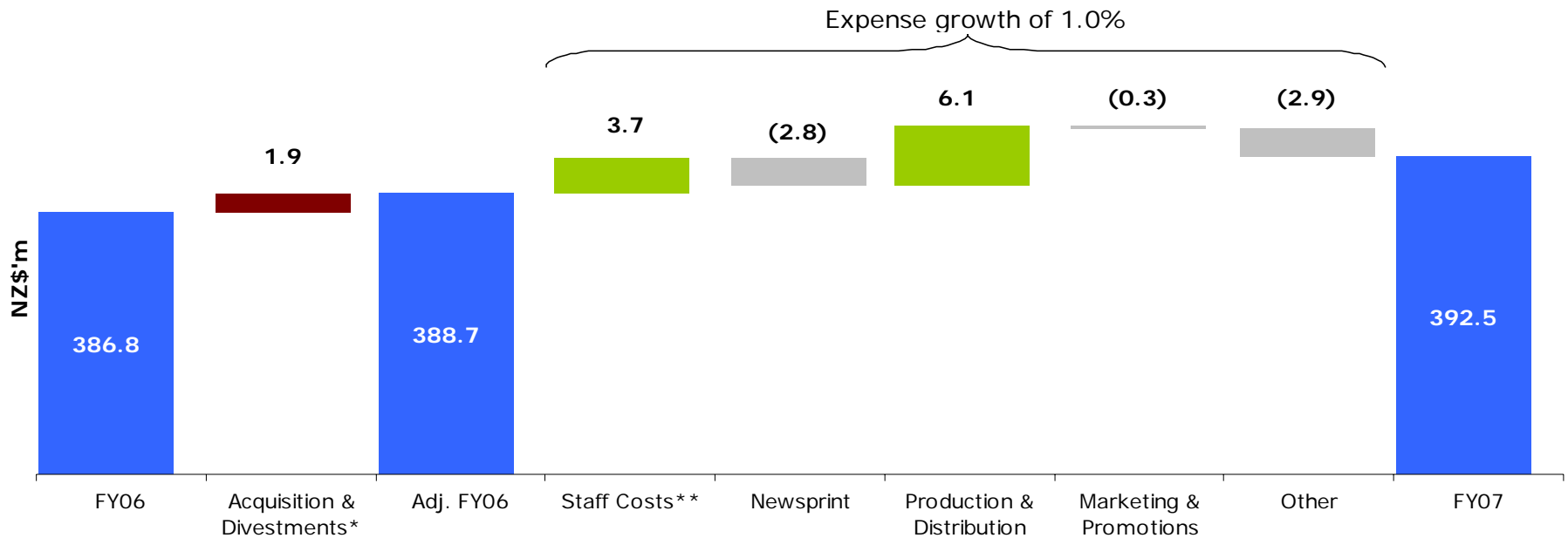
New Zealand Publishing advertising revenues

Fairfax Media
(excluding Rural Press)



New Zealand publishing costs

Fairfax Media
(excluding Rural Press)



*Acquisitions include the full half impact of the Rodney Times and The Independent

** Staff cost include a net increase of NZ\$2.4m related to severance payments

Rural Press integration synergies

- **Cost synergies totalling approximately \$45m have been identified predominantly in the following areas**
 - Rationalisation of print centres and distribution
 - Streamlining back office functions
 - Scale benefits from procurement
 - Corporate

- **Timing of cost synergies**
 - FY 2008 - \$22m
 - FY 2009 - \$45m

- **Revenue synergies have been identified but are difficult to quantify**

- **Merger synergies do not include existing Fairfax cost reduction programs**



Rural Press Limited

Brian McCarthy, Deputy CEO & CEO Australia

Key drivers of the Rural Press results

→ The result

- Record revenue and earnings
- Pleasing organic growth
- Acquisitions later in the year

→ Rural Press underlying

- Revenue up 3.7% to \$610m
- EBIT up 8.3% to \$188.8m
- EBIT margins have improved from 29.9% to 31.0%
- Cost controls remained strong with 2.1% increase

→ Agricultural Publishing

- Small decline in earnings due to adverse seasonal conditions
- Advertising volumes down 7% partly offset by an approximate 4% yield improvement
- Circulation volumes down 2%

→ Metropolitan/Regional

- Pleasing contribution gains across most publications
- Generally reasonable trading conditions
- Advertising volumes up 2.5%, on flat yields
- Solid colour revenue growth
- Circulation volumes down 1%

Key drivers of the Rural Press result (cont.)

→ **Printing**

- External revenues and earnings maintained in a competitive market
- Underutilised capacity at most plants

→ **New Zealand**

- Subdued agricultural market
- Small decrease in revenue and earnings

→ **USA**

- Further gains achieved in revenues, earnings and market share
- Marketplace remains competitive
- Strong result driven by the publishing strategy and staff commitment

→ **Broadcasting**

- Excellent gains in earnings in both SA and Qld

→ **Online**

- Achieved more than \$1.5m in revenue
- Audience increased significantly
 - YourGuide page views up 90%
 - FarmOnline page views up 46%

Rural Press segment overview

	Gross Revenue		EBIT	
	2007 \$'m	2006 \$'m	2007 \$'m	2006 \$'m
Aust/NZ Publishing & Printing	561.1	539.0	181.9	169.4
US Magazine Publishing*	38.1	39.1	5.0	4.0
Broadcasting	10.8	10.3	1.9	1.0
Total	610.0	588.4	188.8	174.4
*US Magazine Publishing (USD)	30.3	29.3	4.0	3.0
Average USD/AUD exchange rate	0.80	0.75		

*Conversion of the A\$ amount above for US

Rural Press further comments

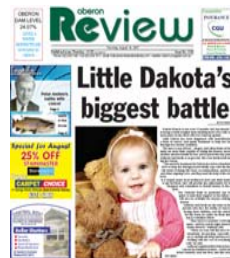
- **H2 organic EBIT growth stronger than H1. Acquisitions an additional boost in H2**
- **Good rains in May and June - follow up needed**
- **Record advertising categories. Best categories were national, real estate & colour**
- **Cover price increase restraint in FY07**
- **Attractive bundled real estate offering of newspapers and Domain, in regional markets**
- **Agricultural cms volume index Vs. 1989/90 @ 89% (2006 95%)**
- **Good cost controls. Successfully managed through the 7% newsprint increase from 1 July 2006**

Rural Press acquisitions for the year

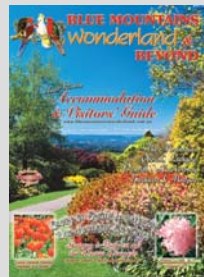
Mount Isa Star



Oberon Review



Blue Mountains
Wonderland



Coffs Harbour
Independent



The Hub
Tasmania



Riverina Media
Group

Daily Advertiser
Wagga Wagga

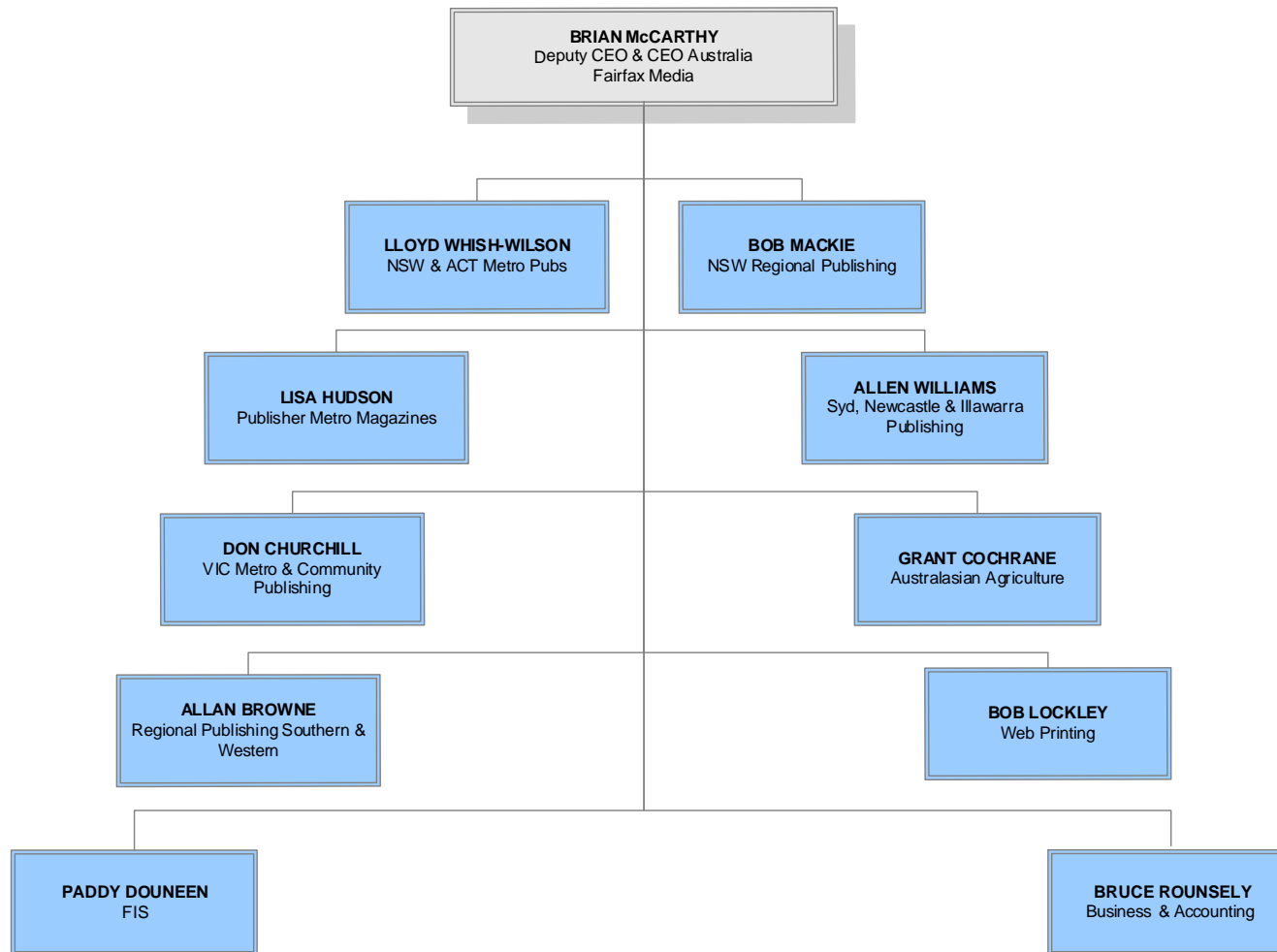
Seniors publications

Non daily publications



Experienced management team

Australian publishing and printing





Group Financial Performance

Sankar Narayan
Chief Financial Officer

Underlying trading performance (based upon statutory accounts)

A\$m	As Reported			Adjustments		Underlying Trading Performance		
	FY07	FY06	Var %	FY07	FY06	FY07	FY06	Var %
Revenue	2,172.8	1,907.8	13.9	(55.2)	-	2,117.6	1,907.8	11.0
Associate profits	3.0	6.9	(57.2)	-	(4.4)	3.0	2.5	16.6
Costs	1,615.0	1,421.2	(13.6)	(65.8)	(16.1)	1,549.2	1,405.1	(10.3)
EBITDA	560.7	493.5	13.6	10.7	11.7	571.4	505.2	13.1
Depreciation	111.3	79.8	(39.5)	(17.3)	-	94.0	79.8	(17.8)
EBIT	449.4	413.8	8.6	27.9	11.7	477.4	425.5	12.2

Underlying trading performance (cont.)

A\$m	As Reported			Adjustments		Underlying Trading Performance		
	FY07	FY06	Var %	FY07	FY06	FY07	FY06	Var %
EBIT	449.4	413.8	8.6	27.9	11.7	477.4	425.5	12.2
Interest	111.2	97.2	(14.4)	-	-	111.2	97.2	(14.4)
Profit before tax	338.2	316.6	6.8	27.9	11.7	366.2	328.3	11.5
Tax	76.6	88.5	13.5	20.7	4.8	97.3	93.3	(4.2)
Net Profit	261.6	228.1	14.7	7.3	6.9	268.9	234.9	14.4
Outside equity interest	(1.9)	0.6	405.7	3.0	-	1.1	0.6	405.8
Net profit after tax	263.5	227.5	15.9	4.3	6.9	267.8	234.3	14.3
SPS dividend (net of tax)	17.9	5.8	209.3	(1.3)	-	16.6	5.8	186.9
Net profit after tax and SPS	245.6	221.7	10.8	5.6	6.9	251.1	228.5	9.9
WANOS	1082.0	931.7	16.1	-	-	1,082.0	931.7	16.1
Earnings per share (cents)	22.70	23.79	(4.6)			23.21	24.52	(5.3)

Significant items

\$'m	FY07	FY06
Property – Comprising:		
Profit on sale of Spencer Street Property	41.9	-
Lease surrender fee & additional rent costs – Darling Park to the new facility at One Darling Island, Pyrmont	(41.3)	-
Income tax benefit	12.2	-
Property Gain, net of tax	12.8	
Investments and Impairments – Comprising:		
Share of profits from an associate's, Australian Associated Press Pty Limited, sale of one of it's operating divisions	-	4.4
Profit on sale of investments in Carsales.com.au Limited	13.2	-
Impairment of investments and assets held for sale	(8.5)	-
Impairment of mastheads	(6.7)	-
Outside equity interest share of masthead impairment	3.0	-
Income tax benefit	0.5	-
Investment gains and impairment of intangibles and investments, net of tax	1.5	4.4
Fixed asset impairment and restructuring – Comprising:		
Impairment of plant, equipment and software	(17.3)	-
Restructuring and redundancy charges	(9.3)	(16.1)
Income tax benefit	8.0	4.8
Fixed asset impairment and restructuring, net of tax	(18.6)	(11.3)
NET SIGNIFICANT AND NON-RECURRING ITEMS AFTER INCOME TAX	(4.3)	(6.9)

Cashflow

\$'m	FY07	FY06
Cash flows from operating activities	364.9	288.2
PP&E additions	(88.7)	(52.6)
SPS dividend (pre tax)	(25.6)	0.0
Operating cashflow post PP&E and SPS dividends (free cashflow)	250.6	235.6
Acquisitions	(583.0)	(698.3)
Proceeds of sale of investments and PP&E	88.1	0.2
Ordinary dividends paid	(150.7)	(161.2)
Net debt increase	709.4	540.9
Net (increase)/reduction in cash	(314.0)	81.3
Transactions costs – debt securities	(0.4)	(0.4)
Proceeds from issue of shares	-	1.9
Net investing and financing activities	(250.6)	(235.6)

Capital structure

Share and net debt movements

	Ordinary Shares (000's)	Net Debt (incl SPS) (\$'m)
Balance 1 July 2006	939,067	1,748.3
Dividend reinvestment plan	16,414	-
Conversion of Presses	66,349	(249.5)
Acquisition of Border Mail	4,858	158.0
Acquisition of Rural Press	452,952	850.9
Other movements	-	(233.1)
Balance 1 July 2007	1,479,640	2,274.6
Major first half FY08 movements		
Dividend reinvestment plan (est)	32,300	-
Southern Cross acquisition	-	480
H1 WANOS (est)	1,496	

Capital structure (cont.)

→ Dividend Reinvestment Plan

- Final dividend value - \$148m
- Offered at a 2.0% discount and will be fully underwritten
- Record date 4 September; DRP pricing period 4 to 17 September; paid 27 September

→ Debt

- Completed major refinancing in 2007 to finance maturities during the year and debt financing for the Rural Press merger
- Average debt maturity is now 5 years
- No refinancing risk until late 2009. Southern Cross transaction funded from the 2007 debt program
- Approximately 50% of debt has a fixed interest rate
- Average interest rate 8%

Conclusion

David Kirk, Chief Executive Officer

Strategy of reshaping Fairfax is unchanged

1. Defending and growing our Publishing Business

- Diversification of revenue streams
- Business process simplification and continued cost reductions
- Editorial quality, smart marketing, innovative sales

2. Rapid growth in Digital

- Trade Me increased earnings to over NZ\$50m
- Fairfax Digital earnings up 52.4%

3. Digital media company

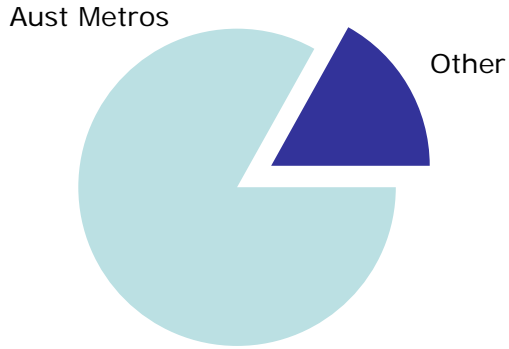
- Continued steady progress in achieving meaningful integration
 - Multimedia content creation and distribution
 - Multimedia Sales
 - Cross media marketing and promotions
- Supported by changed physical surroundings, working processes, technologies and capabilities

The merger with Rural Press and the acquisition of Southern Cross radio and Southern Star provide opportunities for synergies and acceleration of all three strategic priorities

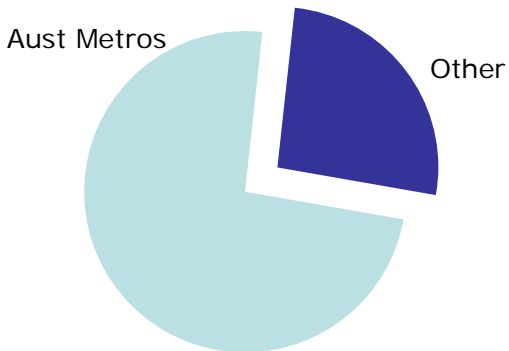
Earnings diversification

EBITDA splits

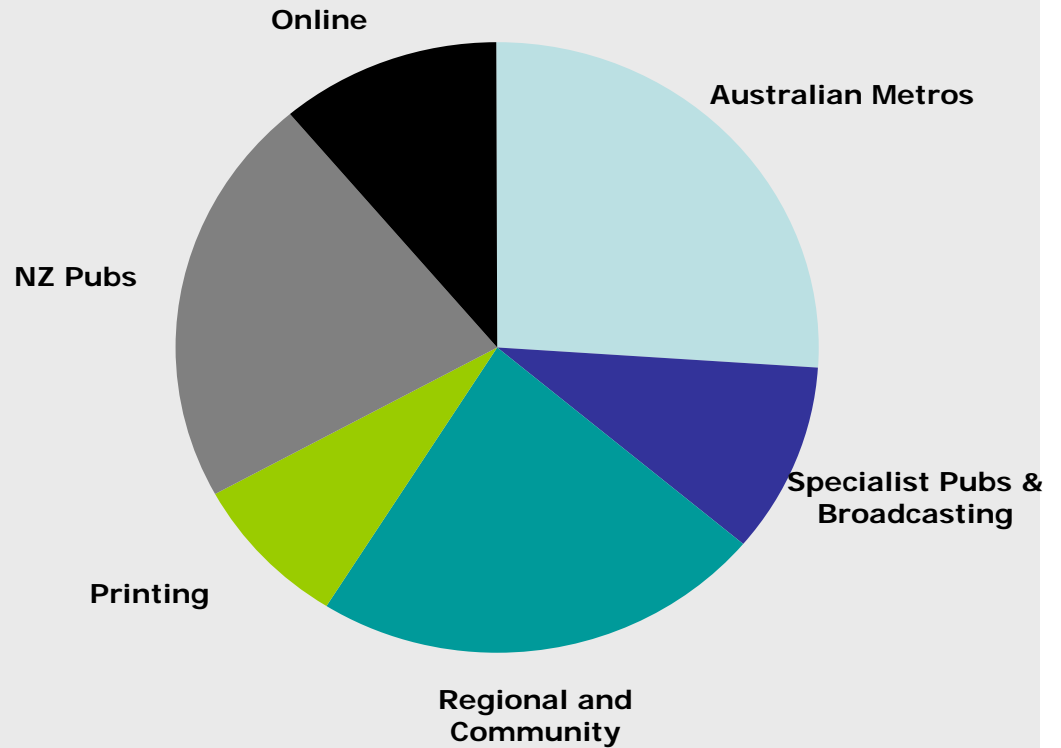
FY00



FY03



FY07*



**Includes 12 month results for Rural Press for FY07*

Key priorities

- **Achieving the synergies from the Rural Press merger**
- **Continuing strong investment and growth in Digital earnings**
- **Concluding the Southern Cross transaction**
- **Continuing evolution of working processes, capabilities and culture to adapt to the digital world**

Questions



APPENDICIES

- **Australian Publishing P&L - Fairfax only**
- **Digital P&L - Fairfax only**
- **New Zealand Publishing - Fairfax only**

Australian publishing

Fairfax Media
(excluding Rural Press)

A\$m	FY07 \$'m	FY06 \$'m	Var \$'m	Var %
Advertising	1,064.7	1,041.4	23.3	2.2%
Circulation	220.4	213.1	7.3	3.4%
Other revenues	40.9	25.1	15.8	63.1%
Total revenue	1,326.0	1,279.6	46.4	3.6%
Costs	1,031.8	981.9	(49.9)	(5.1%)
EBITDA	294.2	297.7	(3.5)	(1.2%)
Depreciation	72.9	66.6	(6.3)	(9.4%)
EBIT	221.4	231.1	(9.8)	(4.2%)
EBITDA margin	22.2%	23.3%		

Fairfax Digital

Fairfax Media
(excluding Rural Press)

A\$m	FY07 \$'m	FY06 \$'m	Var \$'m	Var %
Revenue	132.9	96.4	36.4	37.8%
Costs	95.8	72.1	(23.7)	(32.9%)
EBITDA	37.0	24.3	12.7	52.4%
Depreciation	5.2	3.2	(1.9)	(59.6%)
EBIT	31.9	21.1	10.8	51.2%
EBITDA Margins	27.9%	25.2%		

New Zealand publishing

Fairfax Media
(excluding Rural Press)

NZ\$m	FY07 \$'m	FY06 \$'m	Var \$'m	Var %
Advertising	424.6	427.8	(3.2)	(0.7%)
Circulation	137.3	134.3	3.0	2.2%
Other revenues	16.5	20.9	(4.4)	(21.1%)
Total revenue	578.4	583.0	(4.6)	(0.8%)
Costs	392.5	386.8	(5.7)	(1.5%)
EBITDA	185.9	196.2	(10.3)	(5.2%)
Depreciation	12.5	10.8	(1.7)	(15.7%)
EBIT	173.4	185.4	(12.0)	(6.5%)
EBITDA margin	32.1%	33.7%		