



Half Year Results

For the six months ended 28 December 2008

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Sankar Narayan, Chief Financial Officer

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Results summary

- Underlying trading (excl significant and non-recurring items)
 - Revenue up 0.5% to \$1,446.4m
 - EBITDA down 11.6% to \$370.0m (13.1% on a like-for-like constant currency basis)
 - EBIT down 14.1% to \$313.6m
 - Earnings per share down 26.0% to 9.7 cents per share
- Interim dividend 2.0 cents per share, franked to 75%
- Significant and non-recurring items total \$522.9m after tax
- Publishing cost reductions of 2%, excluding effect of acquisitions

Results summary (cont.)

- Fairfax Digital and Trade Me growth
- Australian Metropolitan and New Zealand publishing markets the worst affected by economic conditions
- Australian Regional and Community markets also affected but to a lesser degree
- Advertising environment, particularly in Sydney, hampered radio performance
- Economic conditions deteriorated significantly

Results summary (cont.)

Underlying results (excluding significant and non-recurring items)

| | Revenue | | | EBITDA | | |
|--|----------------|----------------|---------------|----------------|-----------------|--|
| | H1FY09 A\$m | H1FY08 A\$m | % Variance | H1FY09 A\$m | H1FY08* A\$m | % Variance |
| Australian Regional & Community Publications | 362.0 | 378.5 | (4.4%) | 102.4 | 112.5 | (9.0%) |
| Sydney and Melbourne Metropolitan Publications | 388.6 | 409.8 | (5.2%) | 70.0 | 91.1 | (23.2%) |
| Australian Printing | 50.8 | 54.3 | (6.4%) | 31.1 | 36.1 | (13.9%) |
| Specialist Publications | 167.8 | 168.9 | (0.7%) | 41.4 | 48.1 | (13.9%) |
| Online | 135.1 | 118.8 | 13.7% | 56.4 | 49.8 | 13.3% |
| New Zealand Publishing | 223.9 | 261.7 | (14.5%) | 58.7 | 82.2 | (28.6%) |
| Fairfax Radio Network (incl. Regional Radio) | 58.5 | 25.5 | n/m | 15.0 | 7.8 | n/m |
| TV Production & Distribution | 59.7 | 22.2 | n/m | 7.5 | 2.8 | n/m |
| Corporate | | | | -12.5 | -12.0 | |
| Total | 1,446.4 | 1,439.7 | 0.5% | 370.0 | 418.4 | (11.6%) |
| | | | | | | Like for Like constant currency (13.1%) |

Results summary (cont.)

→ Savings

- \$45m p.a. in Rural Press merger synergy benefits
- \$8m p.a. in Southern Cross Radio benefits
- Program implemented in August 2008 with cost savings above the announced \$50m target:
 - Annualised savings of A\$60m
 - H2FY09 costs will be A\$30m less than H1FY09 costs

Australian Regional and Community Publications

Comprises The Canberra Times and all Australian Regional & Community publications

220 publications throughout Australia

| | H1 FY09 A\$m | H1 FY08 A\$m | % change |
|--------------|-----------------|-----------------|-------------|
| Revenue | 362.0 | 378.5 | (4.4%) |
| Costs | 259.6 | 266.0 | 2.4% |
| EBITDA | 102.4 | 112.5 | (9.0%) |
| Depreciation | 5.7 | 5.2 | (9.6%) |
| EBIT | 96.7 | 107.3 | (9.9%) |

- Advertising volumes down 6.5%. Careful yield management
- Circulation revenue flat
- Cost reduction
- Successful print/online integration of Domain brand
- Minimal restructuring

Sydney and Melbourne Metropolitan Publications

Comprises Sydney and Melbourne metropolitan newspapers and magazines

4 metropolitan and 6 magazine publications

| | H1 FY09 A\$m | H1 FY08 A\$m | % change |
|--------------|-----------------|-----------------|-------------|
| Revenue | 388.6 | 409.8 | (5.2%) |
| Costs | 318.6 | 318.7 | 0.0% |
| EBITDA | 70.0 | 91.1 | (23.2%) |
| Depreciation | 22.7 | 20.9 | (8.6%) |
| EBIT | 47.3 | 70.2 | (32.6%) |

- Advertising revenues down 9.1%
- Circulation revenues virtually flat
- Total Metropolitan newspaper advertising volumes down 2%
 - Classifieds volumes down 5.7%. Weakness in Employment and Motors partially offset by higher real estate volumes
 - Excellent performance in Display volumes - up 5.6%. Both National and Retail stronger
- Magazine display volumes up 3.4%

Australian Printing

15 Printing plants throughout Australia

| | H1 FY09 A\$m | H1 FY08 A\$m | % change |
|--------------|-----------------|-----------------|-------------|
| Revenue* | 50.8 | 54.3 | (6.4%) |
| Costs* | 19.7 | 18.2 | (8.2%) |
| EBITDA | 31.1 | 36.1 | (13.9%) |
| Depreciation | 12.0 | 12.2 | 1.6% |
| EBIT | 19.1 | 23.9 | (20.1%) |

- Volume declines in external printing work
- New Ormiston plant successfully commissioned
- Burnie plant closed and work consolidated into Launceston
- Production efficiency improvements being achieved across the entire network

Specialist Publications

Comprises Fairfax Business Media, Australian, NZ & USA Agricultural Publications and Seniors Publications

| | H1 FY09 A\$m | H1 FY08 A\$m | % change |
|--------------|-----------------|-----------------|-------------|
| Revenue | 167.8 | 168.9 | (0.7%) |
| Costs | 126.4 | 120.8 | (4.6%) |
| EBITDA | 41.4 | 48.1 | (13.9%) |
| Depreciation | 1.6 | 0.7 | (128.6%) |
| EBIT | 39.8 | 47.4 | (16.0%) |

Note: Excluding currency effects and acquisitions, revenue declined 3.6% and costs increased 0.9%

Fairfax Business Media

- Advertising volumes declined 16.5% with Employment and National down
- Yields stronger
- Cover price increases
- Increased subscriber growth in AFR.com

Specialist Publications (Cont.)

Agricultural Publications

Australia

- Revenue flat with EBITDA up 4%
- Advertising volumes down 4.0% with yield improvements
- Horse Deals acquisition

USA and New Zealand

- Profitability in A\$ down marginally on last year

Online

Comprises Trade Me New Zealand & Fairfax Digital Australia

| | H1 FY09 A\$m | H1 FY08 A\$m | % change | Constant Currency % |
|--------------|-----------------|-----------------|-------------|------------------------|
| Revenue | 135.1 | 118.8 | 13.7% | 15.1% |
| Costs | 78.7 | 69.0 | (14.1%) | - |
| EBITDA | 56.4 | 49.8 | 13.3% | 16.1% |
| Depreciation | 5.3 | 4.3 | (23.3%) | - |
| EBIT | 51.1 | 45.5 | 12.3% | - |

Trade Me

→ In NZ\$

- Revenues up 22.1%
- EBITDA up 17.2%

→ Revenue growth in all categories

→ Market share improvements in all categories

→ Earn-out of NZ\$45.2 million (A\$ 35.5m) included in cash flow

Online (cont.)

Fairfax Digital

- Revenue up 12.3% with EBITDA up 14.4%
- Revenue growth in all categories
- Maintain leadership in news and information market
- Classified positions, particularly in real estate, improved considerably
- Continued investment in new initiatives such as The Vine, WAToday and BusinessDay

New Zealand Publishing - NZ\$m

Over 80 newspaper and 25 magazine / guide publications

| | H1 FY09 NZ\$m | H1 FY08 NZ\$m | % change |
|--------------|------------------|------------------|-------------|
| Revenue | 267.9 | 301.8 | (11.2%) |
| Costs | 197.7 | 206.9 | 4.4% |
| EBITDA | 70.2 | 94.9 | (26.0%) |
| Depreciation | 7.1 | 6.4 | (10.9%) |
| EBIT | 63.1 | 88.5 | (28.7%) |

- Recessionary market conditions
- Advertising revenues down 14.6%
- All advertising categories impacted, particularly real estate and employment
- Circulation revenues up 2.8%
- Management have reduced cost base - total costs down over 4%

Fairfax Radio Network

7 Metropolitan, 7 Regional and 13 Narrowcast licenses

Results

- As the Southern Cross assets were purchased in November 2007, comparatives to the previous corresponding period are not meaningful
 - Revenue \$58.5 million
 - EBITDA \$15.0 million
- Integration cost saving initiatives completed
- Sydney advertising market remains subdued, with the Melbourne, Brisbane and Perth markets stronger
- Ratings performance improved



Group Financials

Underlying Trading Performance

| | As reported | | Significant Items | | Underlying Trading Performance | | |
|-------------------|-----------------|-----------------|-------------------|-----------------|--------------------------------|-----------------|----------------|
| | H1 FY09 A\$m | H1 FY08 A\$m | H1 FY09 A\$m | H1 FY08 A\$m | H1 FY09 A\$m | H1 FY08 A\$m | % change |
| Revenue | 1,444.3 | 1,437.7 | - | - | 1,444.3 | 1,437.7 | 0.5% |
| Associate Profits | 2.1 | 2.0 | - | - | 2.1 | 2.0 | 5.0% |
| Costs | 1,616.8 | 1,033.6 | (540.4) | (12.3) | 1,076.4 | 1,021.3 | (5.4%) |
| EBITDA | (170.4) | 406.1 | 540.4 | 12.3 | 370.0 | 418.4 | (11.6%) |
| Depreciation | 57.4 | 53.3 | (1.0) | - | 56.4 | 53.3 | (5.8%) |
| EBIT | (227.8) | 352.8 | 541.4 | 12.3 | 313.6 | 365.1 | (14.1%) |

Underlying Trading Performance (cont.)

| | As reported | | Significant Items | | Underlying Trading Performance | | |
|------------------------------|-----------------|-----------------|-------------------|-----------------|--------------------------------|-----------------|----------------|
| | H1 FY09 A\$m | H1 FY08 A\$m | H1 FY09 A\$m | H1 FY08 A\$m | H1 FY09 A\$m | H1 FY08 A\$m | % change |
| EBIT | (227.8) | 352.8 | 541.4 | 12.3 | 313.6 | 365.1 | (14.1%) |
| Net Interest | 100.7 | 84.2 | - | - | 100.7 | 84.2 | (19.6%) |
| Profit before tax | (328.5) | 268.6 | 541.4 | 12.3 | 212.9 | 280.9 | (24.2%) |
| Tax | 36.4 | 72.3 | 18.5 | 3.7 | 54.9 | 76.0 | 27.8% |
| Net Profit | (364.9) | 196.3 | 522.9 | 8.6 | 158.0 | 204.9 | (22.9%) |
| Outside Equity Interest | 0.4 | 0.3 | - | - | 0.4 | 0.3 | - |
| Net Profit after tax | (365.3) | 196.0 | 522.9 | 8.6 | 157.6 | 204.6 | (23.0%) |
| SPS Dividend (net of tax) | 10.3 | 8.3 | - | - | 10.3 | 8.3 | (24.4%) |
| Net Profit after tax and SPS | (375.6) | 187.7 | 522.9 | 8.6 | 147.3 | 196.3 | (25.0%) |
| WANOS | 1,516.3 | 1,497.6 | - | - | 1,516.3 | 1,497.6 | - |
| Earnings per share (cents) | (24.8) | 12.5 | - | - | 9.7 | 13.1 | (26.0%) |

Significant and Non-Recurring Items

| | A\$m |
|---|----------------|
| Impairment of mastheads, licences and goodwill | 447.5 |
| <ul style="list-style-type: none"> • Based on recoverable amount of each Cash Generating Unit (CGU) • Key assumptions used for impairment: <ul style="list-style-type: none"> - No significant increase in budgeted gross margin or growth rate from the 2010 financial year - Growth rates of 2% to 5% for the impaired CGU's for the 2011 – 2013 financial years - Post tax discount rate applied of 9.5% - Terminal value rate applied of 2.75% | |
| Impairment of goodwill on sale of Southern Star | 30.1 |
| Impairment of plant, equipment and software | 1.4 |
| Restructuring and redundancy charges | 62.4 |
| | 541.4 |
| Income tax benefit | 18.5 |
| Significant and non-recurring items after tax | \$522.9 |

Cash Flow

| A\$m | Dec 08 | Dec 07 |
|---|----------------|----------------|
| Cash flows from operating activities | 205.2 | 211.1 |
| Acquisitions | (56.1) | (555.2) |
| Net PP&E Additions | (41.0) | (51.0) |
| SPS Dividend (pre-tax) | (14.7) | (12.4) |
| Proceeds from sale of investments | 37.8 | - |
| Ordinary dividends paid | (135.7) | (91.8) |
| Proceeds from issue of shares | - | 91.8 |
| Net debt (decrease)/increase | (16.2) | 152.5 |
| Net reduction in cash | 32.3 | 254.9 |
| Payment for shares – employee share trust | (11.6) | - |
| Net investing and financing activities | (205.2) | (211.1) |

Debt Structure

→ Hedging policy

- Approximately 50% fixed; 50% floating
- 1% drop in interest rates equals approximate \$12.5 million reduction in interest expense at current debt levels

→ Interest will reduce significantly in H2FY09

→ Debt levels expected to reduce with strong free cashflows, proceeds from Southern Star and reduced dividend payment

→ Covenant Details

(EBITDA based on underlying results only)

| | Actual | Covenant Limits |
|------------------------|--------|-----------------|
| Net debt to EBITDA | 3.2x | 4.0x max |
| EBITDA to net interest | 3.9x | 3.25x min |

→ Net Debt Calculation

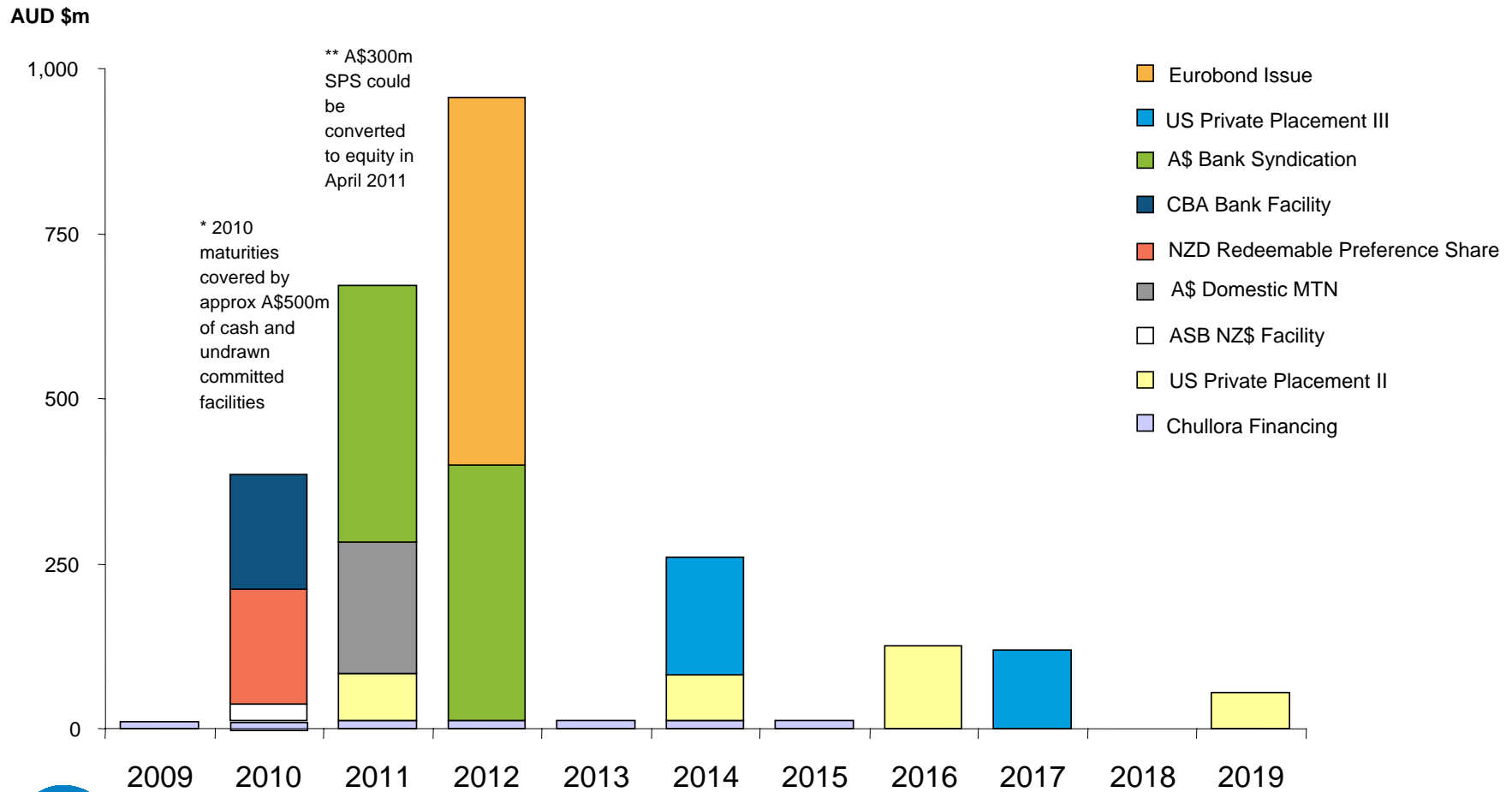
| | Dec 08 \$Am | June 08 \$Am |
|--|------------------|------------------|
| Current interest bearing liabilities | 12.2 | 15.8 |
| Non current interest bearing liabilities | 2,902.2 | 2,496.1 |
| Total interest bearing liabilities | 2,914.4 | 2,511.9 |
| Debt related derivatives | (303.0) | 98.3 |
| Cash and cash equivalents* | (66.5) | (93.9) |
| Net debt for covenant purposes | \$2,544.9 | \$2,516.3 |



* Includes cash held in assets held for sale

Committed Facility Maturity Profile

Drawn Committed Facilities Maturity Profile



Change in overhead allocation methodology

| | H1 FY08 EBITDA | | | H2 FY08 EBITDA | | | FY08 EBITDA | | |
|--|----------------|----------|----------|----------------|----------|----------|--------------|----------|----------|
| | New A\$m | Old A\$m | Variance | New A\$m | Old A\$m | Variance | New A\$m | Old A\$m | Variance |
| Australian Regional & Community Publications | 112.5 | 111.8 | 0.7 | 95.7 | 93.7 | 2.0 | 208.2 | 205.5 | 2.7 |
| Sydney and Melbourne Metropolitan Publications | 91.1 | 88.3 | 2.8 | 88.2 | 85.8 | 2.4 | 179.3 | 174.1 | 5.2 |
| Australian Printing | 36.1 | 36.9 | -0.8 | 35.4 | 36.2 | 0.8 | 71.5 | 73.1 | -1.6 |
| Specialist Publications | 48.1 | 48.5 | -0.4 | 37.8 | 37.5 | 0.3 | 85.9 | 86.0 | -0.1 |
| Online | 49.8 | 52.3 | -2.5 | 59.8 | 62.1 | -2.3 | 109.6 | 114.4 | -4.8 |
| New Zealand Publishing | 82.2 | 82.2 | 0.0 | 81.9 | 81.9 | 0.0 | 164.1 | 164.1 | 0.0 |
| Fairfax Radio Network | 7.8 | 7.8 | 0.0 | 11.9 | 11.9 | 0.0 | 19.7 | 19.7 | 0.0 |
| TV Production & Distribution | 2.8 | 2.8 | 0.0 | 13.8 | 13.8 | 0.0 | 16.6 | 16.6 | 0.0 |
| Corporate & Other | -12.0 | -12.2 | 0.2 | -11.7 | -10.1 | -1.6 | -23.7 | -22.3 | -1.4 |
| Total | 418.4 | 418.4 | 0.0 | 412.8 | 412.8 | 0.0 | 831.2 | 831.2 | 0.0 |

Change in overhead allocation methodology (cont.)

- To better compare results on a like-for-like basis, a change in overhead allocation methodology implemented in H1FY09 has been reflected in the comparative FY08 numbers.
- Previous table reflects adjusted FY08 comparative numbers
- Methodology change results in a greater responsibility for overheads across the Group

Current Trading Conditions

“Trading conditions in January were weaker and this has continued into February. While we anticipate some improvement in display advertising in March, classified advertising is generally expected to remain weak for at least the remainder of this financial year in both Australia and New Zealand. Our online businesses continue to generate growth, with trading in those sectors relatively steady. Further cost benefits from efficiency initiatives will flow through in the second half, and will provide some buffer to the weak market conditions.”

Our Key Focus

- Implement new management structure
- Continuous operational improvement
- Cost savings
- Leverage print/online opportunities