PANPA 2010 Winners

Newspaper of the Year
(Dailies 90,000+)

The Sydney Morning Herald

Newspaper of the Year
(Dailies 25,000- 90,000)

The Canberra Times

Sunday Newspaper of the Year

The Sun-Herald

Non-Daily Newspaper
(25,000 – 90,000)

THE LAND

Non-Daily Newspaper
(0 – 10,000)

Hawkesbury Gazette

Circulation
(10,000 – 25,000)

The Nelson Mail

Display Advertising
(25,000 – 90,000)
Wellingtonians Get It

The Dominion Post

Young Readers
(25,000 – 90,000)

Mercury

Fairfax Media

Half Year Results

For the six months ended 26 December 2010

Mr Greg Hywood
Chief Executive Officer & Managing Director

Mr Brian Cassell
Chief Financial Officer

Presentation Overview

1. Introduction and Group Results	Greg Hywood
2. Group Financials	Brian Cassell
3. Business Segment Performance	Greg Hywood
4. Strategic Direction and Current Trading Conditions	Greg Hywood

Fairfax Media

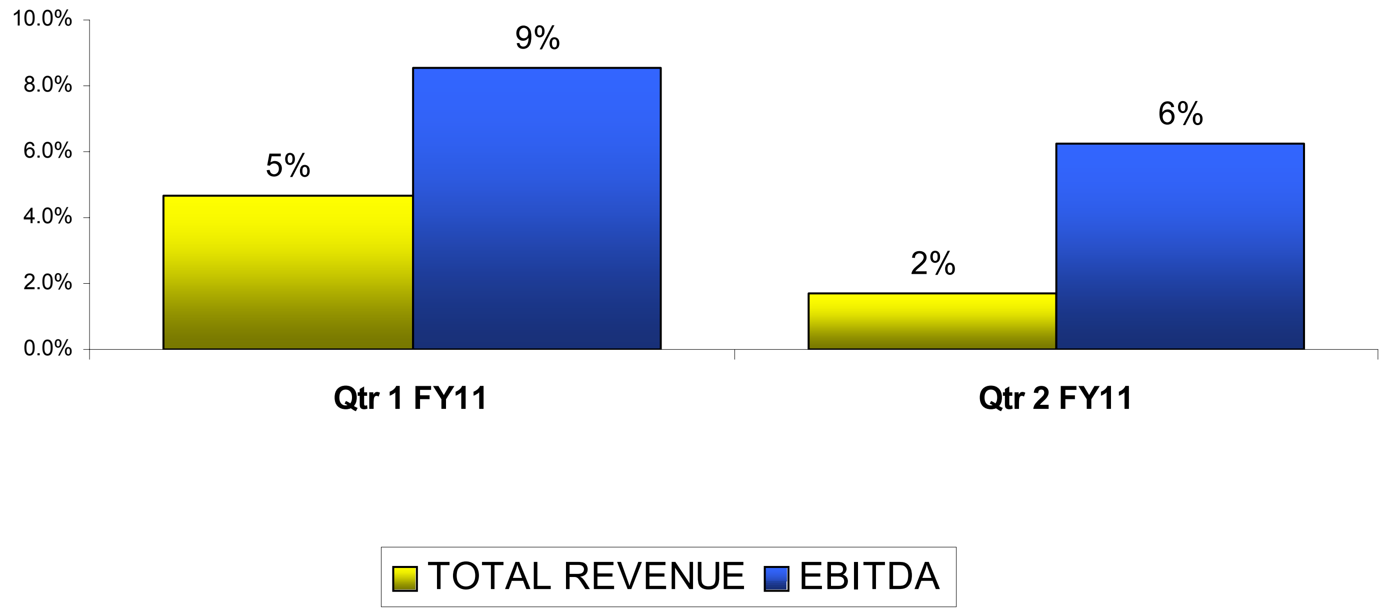
Financial Performance Summary

Revenue	$1,299.1m	▲	3.1%
EBITDA	$347.0m	▲	7.3%
NPAT (after SPS dividend)	$165.4m	▲	15.3%
EPS	7.03c	▲	15.3%
Dividend	1.5c	▲	36.4%
Trading Cash Flow	$347.6m	▲	26.2%
Net Debt (Excl. SPS)	$1,282.0m	▼	$153.0 m

On a Constant Currency basis:		
Revenue	▲	3.8%
EBITDA	▲	8.2%

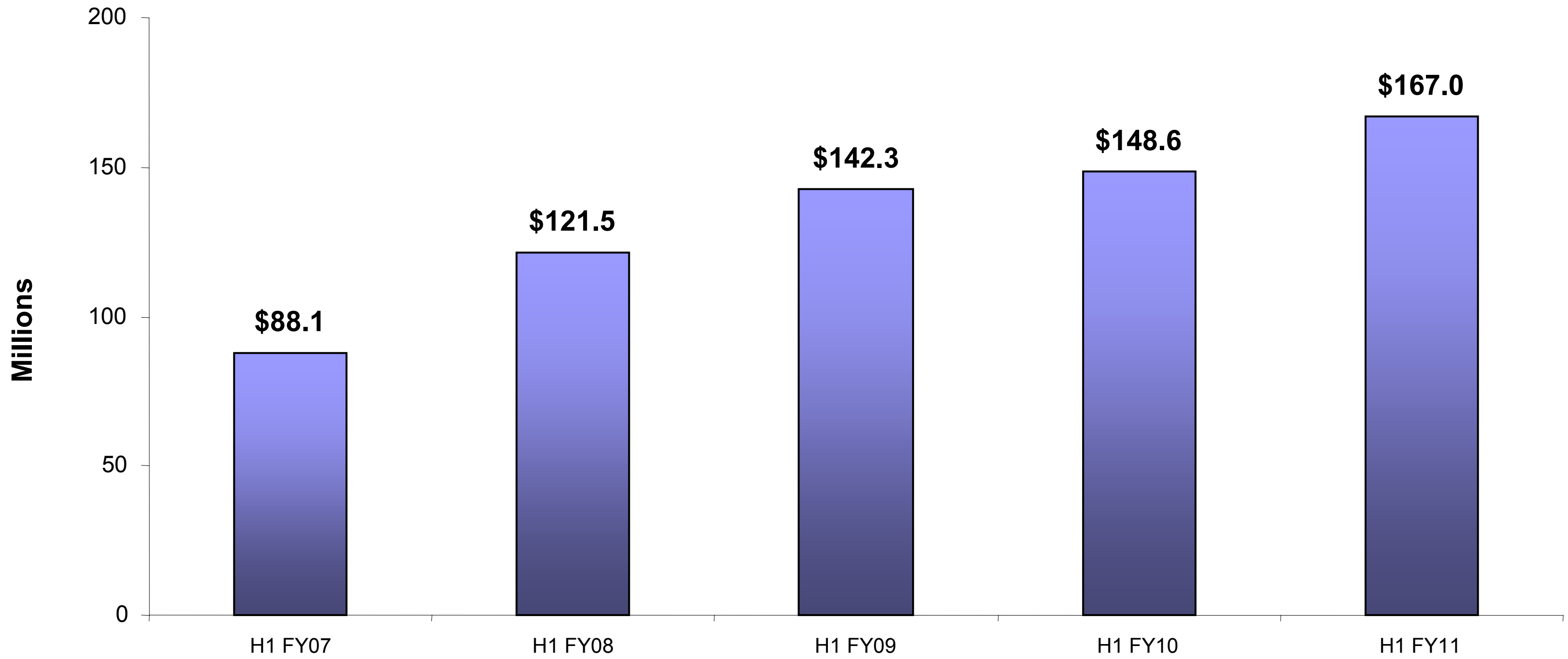
Fairfax Media

Growth by Quarters



Online revenues continue to grow

Includes Online segment, Key Categories online, Regional websites, NZ Publishing websites and US Agricultural Media websites



% of total revenue		8%	10%	12%	13%

- ✓ 90% increase in online revenues over 4 years
- ✓ Over 280 websites
- ✓ Leading news and information websites in Australia and New Zealand
- ✓ Variety of different revenue models

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MERCURY

Fairfax Media

Group Financials

Brian Cassell, Chief Financial Officer

Group Trading Performance

	As reported			Significant Items		Underlying Trading Performance		
	FY11 H1 A$'m	FY10 H1 A$'m	**% change**	**FY11 H1 A$'m**	FY10 H1 A$'m	**FY11 H1 A$'m**	FY10 H1 A$'m	**% change**
Revenue	**1,297.6**	1,258.8	3.1%	-	-	**1,297.6**	1,258.8	3.1%
Associate Profits	**1.4**	0.7	100.0%	-	-	**1.4**	0.7	100.0%
Costs	**952.0**	936.1	(1.7%)	-	-	**952.0**	936.1	(1.7%)
EBITDA	**347.0**	323.4	7.3%	-	-	**347.0**	323.4	7.3%
Depreciation	**56.2**	55.1	(2.0%)	-	-	**56.2**	55.1	(2.0%)
EBIT	**290.8**	268.3	8.4%	-	-	**290.8**	268.3	8.4%

	FY11 H1 A$'m	FY10 H1 A$'m
EBIT Margin	**22.4%**	21.3%

Fairfax Media

Group Trading Performance (cont.)

	As reported			Significant Items		Underlying Trading Performance		
	FY11 H1 A$'m	FY10 H1 A$'m	**% change**	**FY11 H1 A$'m**	FY10 H1 A$'m	**FY11 H1 A$'m**	FY10 H1 A$'m	**% change**
EBIT	**290.8**	268.3	8.4%	**-**	-	**290.8**	268.3	8.4%
Net Interest	**51.9**	63.2	17.9%	**-**	-	**51.9**	63.2	17.9%
Profit before tax	**238.9**	205.1	16.5%	-	-	**238.9**	205.1	16.5%
Tax	**66.0**	55.9	(18.1%)	**-**	-	**66.0**	55.9	(18.1%)
Net Profit	**172.9**	149.2	15.9%	-	-	**172.9**	149.2	15.9%
Outside Equity Interest	**0.6**	0.4	50.0%	**-**	-	**0.6**	0.4	-
Net Profit after tax	**172.3**	148.8	15.8%	-	-	**172.3**	148.8	15.8%
SPS Dividend (net of tax)	**6.9**	5.3	30.2%	**-**	-	**6.9**	5.3	30.2%
Net Profit after tax and SPS	**165.4**	143.5	15.3%	-	-	**165.4**	143.5	15.3%
WANOS	**2,352.0**	2,352.0				**2,352.0**	2,352.0	-
Earnings per share (cents)	**7.03**	6.10	15.3%			**7.03**	6.10	15.3%

Cash Flow

Net debt movement

A$'m	FY11 H1	FY10 H1
Cash In Flows		
Cash from trading	**347.6**	275.5
Proceeds from asset sales and investments	**5.2**	3.6
Net other inc exchange movements	**23.2**	(2.8)
	376.0	276.3
Cash Out Flows		
Net finance charges	**53.3**	54.7
Tax payments / (refunds)	**61.2**	(3.8)
Investment in acquired business / ventures	**11.2**	6.7
Investment in PP&E	**29.0**	56.3
Loans (repaid) / advanced	**19.9**	(15.0)
Dividends paid	**43.7**	7.2
Employee share trust	**4.7**	-
	223.0	106.1
Net Cash In Flow	**153.0**	170.2
Net Debt at beginning of period	**(1,435.0)**	(1,782.3)
Net Debt at end of period	**(1,282.0)**	(1,612.1)

Fairfax Media

Cost Movement

Strong cost management

	FY11 H1 $Am	FY10 H1 $Am	% change	Comments
Staff Costs (including redundancies)	**437.5**	425.1	▲ 2.9	Generally increased due to EBA conditions and increases in technical and sales staff
Newsprint and Paper	**129.8**	129.5	-	
Distribution and Production	**169.3**	169.5	-	
Promotion and Advertising	**63.7**	53.8	▲ 18.4	Company wide programs
Rents and Outgoings, Repairs and Maintenance	**43.7**	43.4	-	
Other costs	**107.1**	110.4	▼ 3.0	
Total Trading	**951.1**	931.7	▲ 2.1	
Impairments	**0.9**	4.4	n/m	
Total Costs	**952.0**	936.1	▲ 1.7	

Debt Structure

✓ Net Debt Calculation:

	Dec 10 $Am	Jun 10 $Am	Dec 09 $Am
Current interest bearing liabilities	**243.0**	269.7	252.7
Non current interest bearing liabilities	**1,074.1**	1,208.8	1,441.7
Total interest bearing liabilities	**1,317.1**	1,478.5	1,694.4
Debt related derivatives	**172.4**	74.4	36.6
Cash and cash equivalents	**(207.5)**	(117.9)	(118.9)
Net debt for covenant purposes	**1,282.0**	1,435.0	1,612.1

✓ Covenant Details:

	Actual Dec 10	Actual Jun 10	Covenant Limits
Net debt to EBITDA	**1.9x**	2.2x	4.0x max
EBITDA to net interest	**6.2x**	5.0x	3.25x min

Fairfax Media

Debt Structure

- ✓ Interest rates on drawn facilities:
  - Approximately 75% fixed; 25% floating at Dec 2010
  - Current average interest rate 8%
  - 1% change in floating interest rates equals approximately $3.2 million change in interest expense at current debt levels
- ✓ Targeting leverage at a range consistent with Investment Grade credit rating
- ✓ Debt levels in FY2011 expected to reduce in line with operating earnings post capex
  - Capital expenditure anticipated to be approximately $80 million
  - Depreciation approximately $115 to $120 million

Debt Maturities in 2011 – funded from operating cash flow		
Partial USPP II	**A$ 71 million**	**January 2011**
A$ Domestic MTN	**A$ 167.7 million**	**June 2011**

- ✓ SPS repurchase to be funded from undrawn bank facility in April 2011

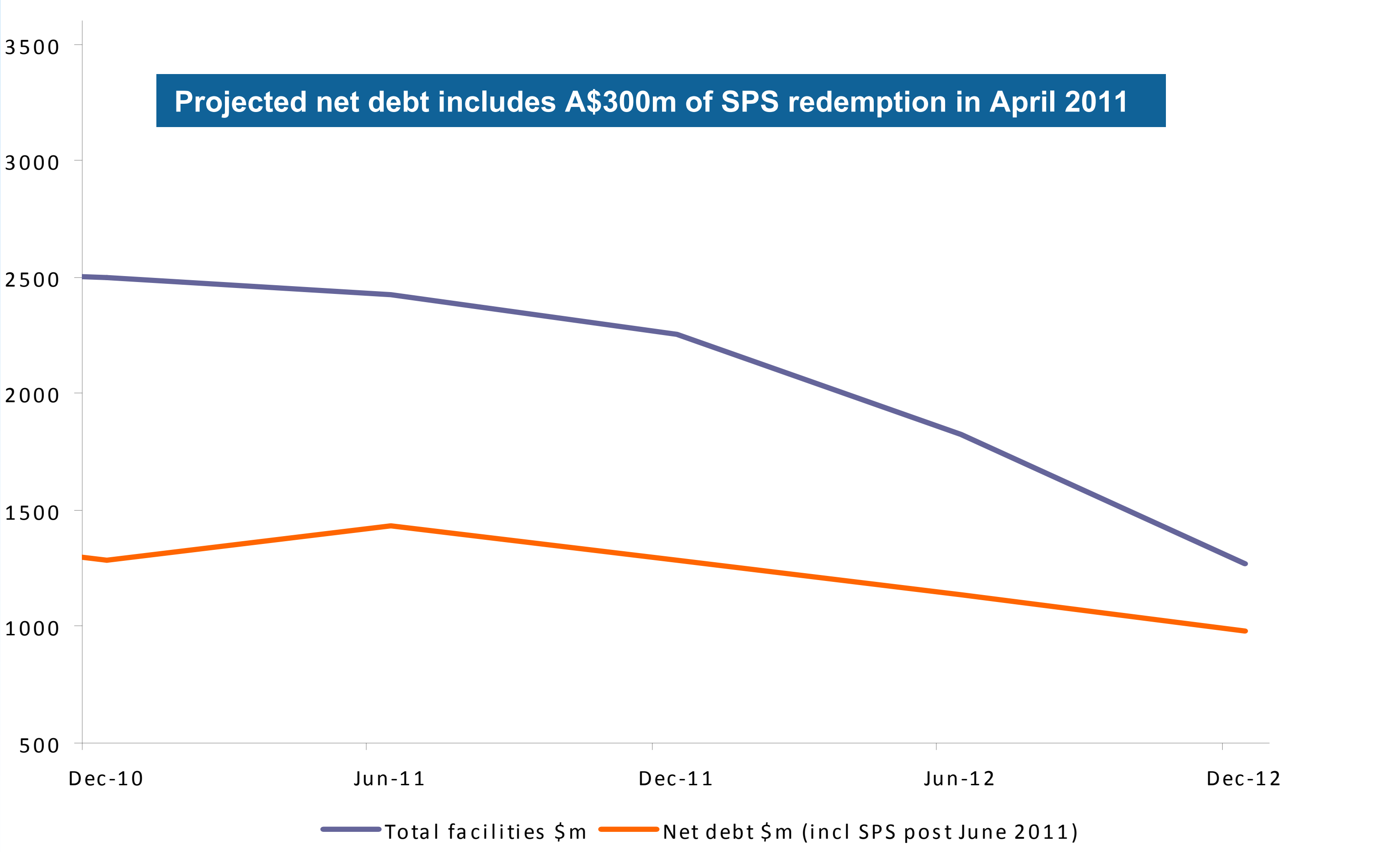
Fairfax Media

Stapled Preference Shares (A$300m)

- ✓ Reset date 30 April 2011
- ✓ Three Options:
  - Repurchase
  - Convert to ordinary shares at 2.5% discount
  - Step up coupon by 2.25% pa to 3.80% pa
- ✓ Directors have resolved to repurchase by means of a buyback
- ✓ Repurchase will be funded from undrawn bank facility
- ✓ Consensus FY2011 EBITDA has net debt/ EBITDA at 1.6x and repurchase would only increase this to 2.1x, well within target leverage

Fairfax Media

Projected debt facilities and net debt



Business Segments

	Revenue			EBITDA		
	FY11 H1 A$'m	FY10 H1 A$'m	**% change**	**FY11 H1 A$'m**	FY10 H1 A$'m	**% change**
Australian Regional Media	**270.2**	255.9	**5.6%**	**82.3**	74.9	**9.9%**
Metropolitan Media	**466.6**	457.4	**2.0%**	**60.1**	54.3	**10.7%**
Online - Fairfax Digital and Trade Me	**114.2**	101.8	**12.2%**	**58.0**	53.1	**9.2%**
Australian and NZ Printing	**44.5**	43.3	**2.8%**	**56.7**	57.6	**(1.6%)**
New Zealand Media	**192.3**	195.5	**(1.6%)**	**40.7**	38.0	**7.1%**
Specialist Media	**147.6**	142.7	**3.4%**	**35.4**	36.3	**(2.5%)**
Broadcasting	**57.5**	55.4	**3.8%**	**15.6**	15.8	**(1.3%)**
Corporate and Other	**6.2**	7.5	**(17.3%)**	**(1.8)**	(6.6)	**72.7%**
Total	**1,299.1**	1,259.5	**3.1%**	**347.0**	323.4	**7.3%**

Fairfax Media

Walkley 2010 Winners

Best Scoop of the Year

Lenore Taylor – SMH

"ETS off the Agenda until late next term"

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"Phoneariods@mearesy:looking back at moving forward"

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The Sydney Morning Herald

Fairfax Media

Business Segment Performance

Greg Hywood, CEO and Managing Director

Australian Regional Media

Comprises Australian Regional, ACT, Illawarra, Seniors and Newcastle Publishing

	FY11 H1 A$'m	FY10 H1 A$'m	% change
Advertising	**212.1**	198.7	6.7%
Circulation	**48.4**	49.1	(1.4%)
Other *	**10.8**	15.1	(28.5%)
Total Gross Revenue	**271.3**	262.9	3.2%
Internal Revenue *	**(1.1)**	(7.0)	-
Net Revenue	**270.2**	255.9	5.6%
Costs	**187.9**	181.0	(3.8%)
EBITDA	**82.3**	74.9	9.9%
EBIT	**79.0**	72.0	9.7%

* Small regional press sites transferred to Australian and New Zealand Printing Segment on 1 July 2010

- ✓ Growth across all regional areas
- ✓ Advertising markets:
  - National, Real Estate and Employment stronger
  - Retail softer into Christmas
- ✓ Online revenue grew 122% to $2.6 million
- ✓ Cost growth mainly due to promotions expense and introduction of gloss real estate section in Canberra
- ✓ Launch of www.jobs.com.au in regional areas
- ✓ Increased headcount in online sales and development

Fairfax Media

Online

Comprises Trade Me New Zealand and Fairfax Digital Australia news and transaction sites

	FY11 H1 A$'m	FY10 H1 A$'m	**% change**
Advertising	**59.5**	52.3	13.8%
Other	**54.8**	49.5	10.7%
Total Gross Revenue	**114.3**	101.8	12.3%
Internal Revenue	**(0.1)**	-	
Net Revenue	**114.2**	101.8	12.2%
Costs	**56.2**	48.7	(15.4%)
EBITDA	**58.0**	53.1	9.2%
EBIT	**51.1**	47.9	6.7%

Note: On a constant currency basis, revenue increased 14% and EBITDA 12%

Fairfax Media

Online

Comprises Trade Me New Zealand and Fairfax Digital Australia news and transaction sites

Trade Me (NZ $)	
Revenue increased	11.1%
EBITDA increased	8.3% to $NZ 47.7 million

- ✓ Strong revenue growth across all categories
- ✓ Product initiatives being developed
- ✓ Costs increased to invest in customer services and product development
- ✓ Employment traffic at parity with ex market leader generating growth in listings

Fairfax Digital		Like-for-like *
Revenue increased	15.3%	19.0%
EBITDA increased	17.1%	32.0%

- ✓ Digital advertising markets remained strong although did soften towards the end of the half
- ✓ Media revenue up 13%
- ✓ New ad serving technology installed to allow behavioural targeting
- ✓ Transactions revenue up 14%
- ✓ All transaction sites recorded strong revenue and earnings growth
- ✓ TenderLink.com acquisition completed February 2011
- ✓ Video advertising revenue increased 105% with demand continuing to grow

Fairfax Media

* Like-for-like adjustment relates to revenue and EBITDA transferred to other segments

Australian and New Zealand Printing

Comprises 15 Australian and 8 NZ printing centres

	FY11 H1 A$'m	FY10 H1 A$'m	**% change**
Total Gross Revenue	**283.2**	272.0	4.1%
Internal Revenue	**(238.7)**	(228.7)	
Net Revenue	**44.5**	43.3	2.8%
Costs	**(12.2)**	(14.3)	14.7%
EBITDA	**56.7**	57.6	(1.6%)
EBIT	**25.6**	24.9	2.8%

- ✓ Volume increases from existing clients offset some client losses
- ✓ Mandurah $8.5 million upgrade scheduled for completion during 4th Quarter FY11
- ✓ Growing third party distributions business increasing utilisation of distribution infrastructure
- ✓ Christchurch Press Centre withstood earthquake impact

Fairfax Media

Metropolitan Media

Comprises Sydney and Melbourne metropolitan newspapers and magazines, community publications and print & online classifieds

	FY11 H1 A$'m	FY10 H1 A$'m	% change
Advertising	**378.8**	369.5	2.5%
Circulation	**67.2**	71.0	(5.4%)
Other	**21.3**	17.3	23.1%
Total Gross Revenue	**467.3**	457.8	2.1%
Internal Revenue	**(0.7)**	(0.4)	
Net Revenue	**466.6**	457.4	2.0%
Costs	**406.5**	403.1	(0.8%)
EBITDA	**60.1**	54.3	10.7%
EBIT	**53.8**	49.5	8.7%

- ✓ The metropolitan newspapers - Sydney Morning Herald and The Age:
  - Grew revenue 5% and EBIT 51%.
  - Increased print real estate revenue 20%
  - Increased print motor revenue 2%
  - Increased print employment revenue 1%
- ✓ Fairfax Community Network papers revenue and earnings declined due to increased competition in Melbourne. Sydney stronger results
- ✓ Magazine revenue down 3% (like-for-like)
- ✓ Key category online revenue up 9%, strong real estate position offset weakness in employment and motors
- ✓ Strong cost disciplines in place
- ✓ Circulation initiatives showing positive effects in arresting declines
- ✓ Rationalising of loss making publications
- ✓ Classifieds being elevated to CEO direct report - will increase focus/attention

Fairfax Media

New Zealand Media

Approximately 100 newspaper and magazine publications and 19 websites

	FY11 H1 NZ$'m	FY10 H1 NZ$'m	**% change**
Advertising	**172.7**	167.8	2.9%
Circulation	**69.0**	70.6	(2.3%)
Other	**4.7**	5.0	(6.0%)
Total Gross Revenue	**246.4**	243.4	1.2%
Internal Revenue	**(0.6)**	(0.5)	
Net Revenue	**245.8**	242.9	1.2%
Costs	**193.7**	195.7	(1.0%)
EBITDA	**52.1**	47.2	10.4%
EBIT	**46.1**	41.6	10.8%

- ✓ Introduction of GST and other tax changes affected property and consumer spending
- ✓ Employment conditions across metropolitan markets tough; regionals reflecting some gains
- ✓ Circulation affected by rise in GST
- ✓ Online and mobile revenue grew 40% to NZ$4.3 million
- ✓ Christchurch Press 150th anniversary milestone in May 2011

Specialist Media

Comprises Financial Review Group & Australia, NZ and USA Agricultural Publications

	FY11 H1 A$'m	FY10 H1 A$'m	% change
Advertising	**98.6**	92.4	6.7%
Circulation	**36.0**	38.6	(6.7%)
Other	**13.1**	11.7	12.0%
Total Gross Revenue	**147.7**	142.7	3.5%
Internal Revenue	**(0.1)**	-	
Net Revenue	**147.6**	142.7	3.4%
Costs	**112.2**	106.4	5.5%
EBITDA	**35.4**	36.3	(2.5%)
EBIT	**33.2**	34.6	(4.0%)

Fairfax Media

Specialist Media

Comprises Financial Review Group & Australia, NZ and USA Agricultural Publications

Agricultural Publishing	
Revenue increased	3.1%
EBITDA up	4.0%

- ✓ On a constant currency basis, revenue up 5.6% and EBITDA 10.2%.
- ✓ Stronger advertising revenue offset slightly lower circulation revenue
- ✓ Good market conditions in eastern states offsetting extensive dry conditions in West Australia
- ✓ USA again performed stronger
- ✓ Developing online initiatives in livestock category
- ✓ The Land celebrating centenary as "The bible of the bush."

Financial Review Group	
Revenue up	4.0%
EBITDA declined	19.5%

- ✓ Advertising revenue increased 11.5%
- ✓ Circulation revenue down 7.7%
- ✓ AFR.com:
  - Subscriber growth up 53% to 6,711
  - 38,335 casual users
- ✓ Costs up 9.4% due to additional investment in new initiatives and increased promotional expenses

Fairfax Media

Broadcasting

Comprises Metropolitan and Regional radio stations

	FY11 H1 A$'m	FY10 H1 A$'m	% change
Advertising	**55.5**	53.3	4.1%
Other	**2.0**	2.1	(4.8%)
Total Gross Revenue	**57.5**	55.4	3.8%
Internal Revenue	**-**	-	
Net Revenue	**57.5**	55.4	3.8%
Costs	**41.9**	39.6	(5.8%)
EBITDA	**15.6**	15.8	(1.3%)
EBIT	**14.3**	14.8	(3.4%)

- ✓ 3AW, Magic 1278 and 6PR all recorded strong revenue growth
- ✓ 2UE ratings improved and new on-air line up should further improve market position
- ✓ Like-for-like costs up 2.5%, reported increase includes internal rent allocation
- ✓ Regional radio improved revenue 9% and EBIT 10%

Fairfax Media

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Fairfax Media

Strategic Direction and Current Trading

Greg Hywood, CEO and Managing Director

Strategic Direction

- ✓ Only one major change from structure announced November 2010
  - Classifieds separated from Metropolitan Media and report directly to CEO

- ✓ Three key objectives remain
  1. Transforming the Metropolitan business
  2. Improving underlying operating performances of all businesses
  3. Reshaping the Fairfax asset portfolio to lift long term growth rate

What next?

- ✓ Appoint senior management to key areas
- ✓ Transform the Metropolitan business

• Develop a sustainable metro publishing business	→	**Print initiatives** • Newspaper product development • Circulation strategies • Printing strategies • Distribution strategies • Cost reductions
• Digital content monetisation		**Digital initiatives** • Product/platform development • New business model development

Fairfax Media

Current Trading Conditions

Fairfax Media recorded a strong first half despite the well reported decline in consumer demand becoming evident over the final six weeks.

This trend in consumer sentiment continued into the new year with a resultant slowing in retail advertising.

While there have been some positive signs in recent weeks the extent of the improvement remains unclear.

Depending on whether slower retail advertising continues through this half our second half revenues could be in the range of plus or minus 5 percent on last year.

Fairfax Media