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THE DOMINION POST

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THE AGE

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SUN
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3AW 693
NEWS TALK



Half Year Results

For the six months ended 27 December 2009

Brian McCarthy, CEO & Managing Director

Brian Cassell, Chief Financial Officer

22 February 2010

The Sydney Morning Herald

trade me
Where Kiwis buy and sell online

96fm
Perth's Best Music

afr.com | FINANCIAL REVIEW

The Sun-Herald

FarmProgress
Nebraska
FARMER

weatherzone
Take your weather seriously - www.weatherzone.com.au

The Canberra Times

QUEENSLAND
Country Life

RSVP

THE PRESS

National Times
OPINION • ANALYSIS • COMMENTARY

Dungog Chronicle

FINANCIAL REVIEW

Waikato Times
As Waikato As It Gets

Underlying Trading Performance Summary

	As reported			Underlying Trading Performance			Continuing like-for-like Businesses
	FY10 H1 A\$m	FY09 H1 A\$m	% Variance	FY10 H1 A\$m	FY09 H1 A\$m	% Variance	% Variance
Revenue	1,258.8	1,444.3	(12.8%)	1,258.8	1,444.3	(12.8%)	(9.2%)
Associate Profits	0.7	2.1	(66.7%)	0.7	2.1	(66.7%)	(66.7%)
Costs	936.1	1,616.8	42.1%	936.1	1,076.4	13.0%	8.5%
EBITDA	323.4	(170.4)	n/a	323.4	370.0	(12.6%)	(10.8%)
Depreciation	55.1	57.4	4.0%	55.1	56.4	2.3%	1.6%
EBIT	268.3	(227.8)	n/a	268.3	313.6	(14.4%)	(12.5%)
Net Interest	63.2	100.7	37.2%	63.2	100.7	37.2%	-
Net profit after tax and SPS Dividend	143.5	(375.6)	n/a	143.5	147.3	(2.6%)	-
Earnings per share	6.1c	(23.1c)	n/a	6.1c	9.0c	(32.2%)	-

Notes: 1) FY09 H1 includes Southern Star which was sold in early 2009

2) Continuing like-for-like business excludes Southern Star

Business Units

Underlying results on a like-for-like basis (excluding significant and non-recurring items)

	Revenue			EBITDA		
	FY10 H1 A\$m	FY09 H1 A\$m	% Variance	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Australian Regional Media	255.9	270.4	(5.4%)	74.9	85.9	(12.8%)
Australian & NZ Printing	43.3	53.8	(19.5%)	57.6	58.0	(0.7%)
Metropolitan Media	457.4	515.5	(11.3%)	54.3	75.2	(27.8%)
Online - Fairfax Digital & Trade Me	101.8	94.2	8.1%	53.1	47.7	11.3%
New Zealand Media	195.5	222.1	(12.0%)	38.0	52.6	(27.8%)
Specialist Media	142.7	163.6	(12.8%)	36.3	39.8	(8.8%)
Broadcasting	55.4	55.7	(0.5%)	15.8	14.6	8.2%
Corporate and Other	7.5	11.3	(33.6%)	(6.6)	(11.2)	41.1%
Continuing Businesses	1,259.5	1,386.6	(9.2%)	323.4	362.6	(10.8%)
TV Production & Distribution	-	59.8	(100.0%)	-	7.4	(100.0%)
Total	1,259.5	1,446.4	(12.9%)	323.4	370.0	(12.6%)

Overview



- Modest lift in revenue run rate in second quarter. December revenues above last year
- On a constant currency basis advertising revenues down 18.1% in the first quarter and 4.0% in the second quarter compared to last year.
- Cost decline of 8.5% for continuing like-for-like businesses
- Greater confidence in an advertising market recovery
- Well positioned to take advantage of improved conditions via:
 - Implementation of a number of business opportunities across the group
 - Managing the cost base
 - Stronger balance sheet
- Dividend of 1.1 cents per share, unfranked
- Results exceed consensus estimates
- Compared to second half of 2009, revenue up 9.2% EBITDA up 37.4%

FY10 H1 vs FY09 H2

Underlying results on a like-for-like basis (excluding significant and non-recurring items)

	Revenue			EBITDA		
	FY10 H1 A\$m	FY09 H2 A\$m	% Variance	FY10 H1 A\$m	FY09 H2 A\$m	% Variance
Australian Regional Media	255.9	239.2	7.0%	74.9	65.8	13.8%
Australian & NZ Printing	43.3	42.6	1.6%	57.6	50.9	13.2%
Metropolitan Media	457.4	408.0	12.1%	54.3	26.7	103.4%
Online - Fairfax Digital & Trade Me	101.8	92.6	9.9%	53.1	43.1	23.2%
New Zealand Media	195.5	187.7	4.2%	38.0	31.5	20.6%
Specialist Media	142.7	134.6	6.0%	36.3	21.7	67.3%
Broadcasting	55.4	50.6	9.5%	15.8	10.3	53.4%
Corporate and Other	7.5	(1.5)	n/a	(6.6)	(14.6)	54.8%
Total	1,259.5	1,153.8	9.2%	323.4	235.4	37.4%

Initiatives



→ Melbourne businesses occupy Media House

→ Talent acquisition

→ Organisational changes:

- NZ Print and Publishing separated

- Print and online key categories merged

→ Business initiatives:

- Launch of nationaltimes.com.au and relaunch of drive.com.au

- Format changes- Weekday Sydney Morning Herald in Business and Sports and Business in The Age

- Upgrade to afr.com has accelerated subscriber growth

- New printing press in Christchurch, New Zealand

- Improved utilisation of Beresfield press

- Upgrade of Tamworth press

- Editorial and advertising management systems - Syd/Mel/NZ

- Circulation and Genera systems in NZ

→ Continue to strengthen Balance Sheet



Strategy Update



- Process continuing in conjunction with the Board
- Fundamentally moving to greater integration between print and online - platform agnostic
- Powerhouse of content
- New Technology developments - electronic readers
 - Important development for newspaper publishers
 - Another distribution medium
 - Offer products in whatever format customers want
 - Apps developed - Good Food Guide, Domain, Weatherzone and Broadcasting
 - Further development of apps in progress
 - Not locking into any one technology/open platforms
 - Production technology upgrades designed to facilitate any new directions

Cost Control

- Continuing businesses cost reductions of 8.5%
- Operating margin maintained at 26% on reduced revenue
- Major savings achieved:
 - Staff costs down 7.5%
 - Newsprint and paper down 9.2%
 - Production down 15.1%
- Continuous improvement within the businesses
- Second half overhead costs will have a broadly similar run-rate to first half



Current Market Conditions

The Canberra Times



Drive

The Sun-Herald



Mandurah Mail

WAtoday.com.au

The Timaru Herald

BRW.



Trading for the first six weeks of the second half has been stronger than for the same time last year. Whilst this is encouraging, revenue visibility and booking cycles remain quite short with no sustained trends evident.

Revenue growth is being experienced across the majority of media and digital operations but the New Zealand publishing market has remained subdued.

Based upon current market trends we anticipate earnings growth in the second half compared to the same period last year

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Group Financials

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Underlying Trading Performance

	As reported			Non- recurring Significant Items		Underlying Trading Performance		
	FY10 H1 A\$m	FY09 H1 A\$m	% Variance	FY10 H1 A\$m	FY09 H1 A\$m	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Revenue	1,258.8	1,444.3	(12.8%)	-	-	1,258.8	1,444.3	(12.8%)
Associate Profits	0.7	2.1	(66.7%)	-	-	0.7	2.1	(66.7%)
Costs	936.1	1,616.8	42.1%	-	(540.4)	936.1	1,076.4	13.0%
EBITDA	323.4	(170.4)	n/a	-	(540.4)	323.4	370.0	(12.6%)
Depreciation	55.1	57.4	4.0%	-	(1.0)	55.1	56.4	2.3%
EBIT	268.3	(227.8)	n/a	-	(541.4)	268.3	313.6	(14.4%)

Notes: 1) FY09 H1 includes Southern Star which was sold in early 2009.

2) Included in operating results are non-recurring items totalling a net loss of \$3.9million, comprising:

Unrealised gains on investments	2.4
Investment and PPE write-offs	(5.8)
Other minor losses	(0.5)

Underlying Trading Performance (cont.)

	As reported			Non- recurring Significant Items		Underlying Trading Performance		
	FY10 H1 A\$m	FY09 H1 A\$m	% Variance	FY10 H1 A\$m	FY09 H1 A\$m	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
EBIT	268.3	(227.8)	n/a	-	(541.4)	268.3	313.6	(14.4%)
Net Interest	63.2	100.7	37.2%	-	-	63.2	100.7	37.2%
Profit before tax	205.1	(328.5)	n/a	-	(541.4)	205.1	212.9	(3.7%)
Tax	55.9	36.4	(53.6%)	-	18.5	55.9	54.9	(1.8%)
Net Profit	149.2	(364.9)	n/a	-	(522.9)	149.2	158.0	(5.6%)
Outside Equity Interest	0.4	0.4	-	-	-	0.4	0.4	-
Net Profit after tax	148.8	(365.3)	n/a	-	(522.9)	148.8	157.6	(5.6%)
SPS Dividend (net of tax)	5.3	10.3	48.5%	-	-	5.3	10.3	48.5%
Net Profit after tax & SPS	143.5	(375.6)	n/a	-	(522.9)	143.5	147.3	(2.6%)
* WANOS	2,352.0	1,628.2	-	-	-	2,352.0	1,628.2	-
Earnings per share (cents)	6.1	(23.1)	n/a	-	-	6.1	9.0	(32.2%)

* WANOS for FY09 H1 has been adjusted to reflect the bonus element inherent in the 3 for 5 rights issue completed in April 2009

Cash Flow

Net debt movement

A\$m	FY10 H1	FY09 H1
Cash In Flows		
Cash from trading	276.6	354.5
Proceeds from asset sales/loans repaid	18.6	37.8
Net other inc exchange movements	(2.8)	(11.8)
	292.4	380.5
Cash Out Flows		
Net finance charges	54.6	96.8
Tax (refund)/payments	(3.8)	52.4
Investment in acquired business/ventures	7.9	56.8
Investment in PP&E	56.3	41.0
Loans repaid	-	11.6
Dividends paid	7.2	150.6
	122.2	409.2
Net Cash In Flow	170.2	(28.7)
Net Debt at beginning of period	(1,782.3)	(2,516.2)
Net Debt at end of period	(1,612.1)	(2,544.9)

Cash Flow

Period comparison

A\$m	Dec 09	Dec 08
Cash flows from operating activities	225.8	205.2
Investments in acquired business/ventures	(7.9)	(56.8)
Net investment in PP&E	(55.3)	(41.0)
Loans repaid	15.0	-
Proceeds from sale of investments	2.6	37.8
Dividends paid	(7.2)	(150.6)
Net debt (decrease)/increase	(122.3)	(15.3)
Net (increase)/reduction in cash	(50.7)	32.3
Payment for shares – employee share trust	-	(11.6)
Net investing and financing activities	(225.8)	(205.2)

Debt Structure

→ Net Debt Calculation:

	Dec 09 \$Am	Jun 09 \$Am	Dec 08 \$Am
Current interest bearing liabilities	252.7	183.5	12.2
Non current interest bearing liabilities	1,441.7	1,724.7	2,902.2
Total interest bearing liabilities	1,694.4	1,908.2	2,914.4
Debt related derivatives	36.6	(56.8)	(303.0)
Cash and cash equivalents	(118.9)	(69.1)	(66.5)
Net debt for covenant purposes	1,612.1	1,782.3	2,544.9

→ Interest rates:

- Approximately 75% fixed; 25% floating at December 2009
- Current average interest rate 7.5%
- 1% change in floating interest rates equals approximate \$4.0 million change in interest expense at current debt levels

Debt Structure

→ Debt levels expected to reduce in line with operating earnings post capital expenditure

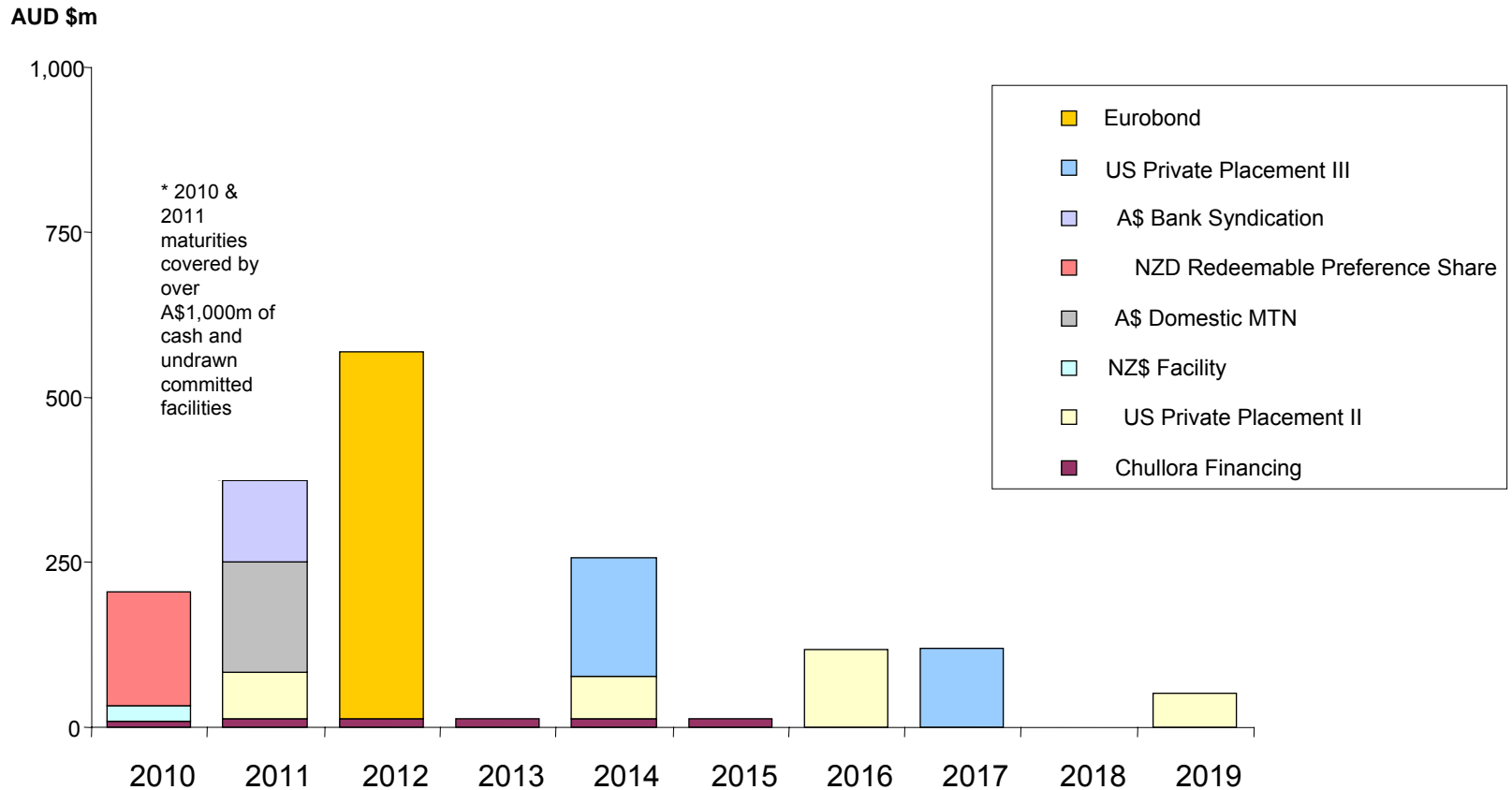
- Capital Expenditure anticipated to be approximately \$100 million
- Depreciation anticipated to approximate \$120 million
- RPS repayment from existing facilities:
 - NZ\$89.6m in March 2010
 - NZ\$96.9m in June 2010

→ Covenant Details

	Actual	Covenant Limits
Net debt to EBITDA	2.9x	4.0x max
EBITDA to net interest	5.1x	3.25x min

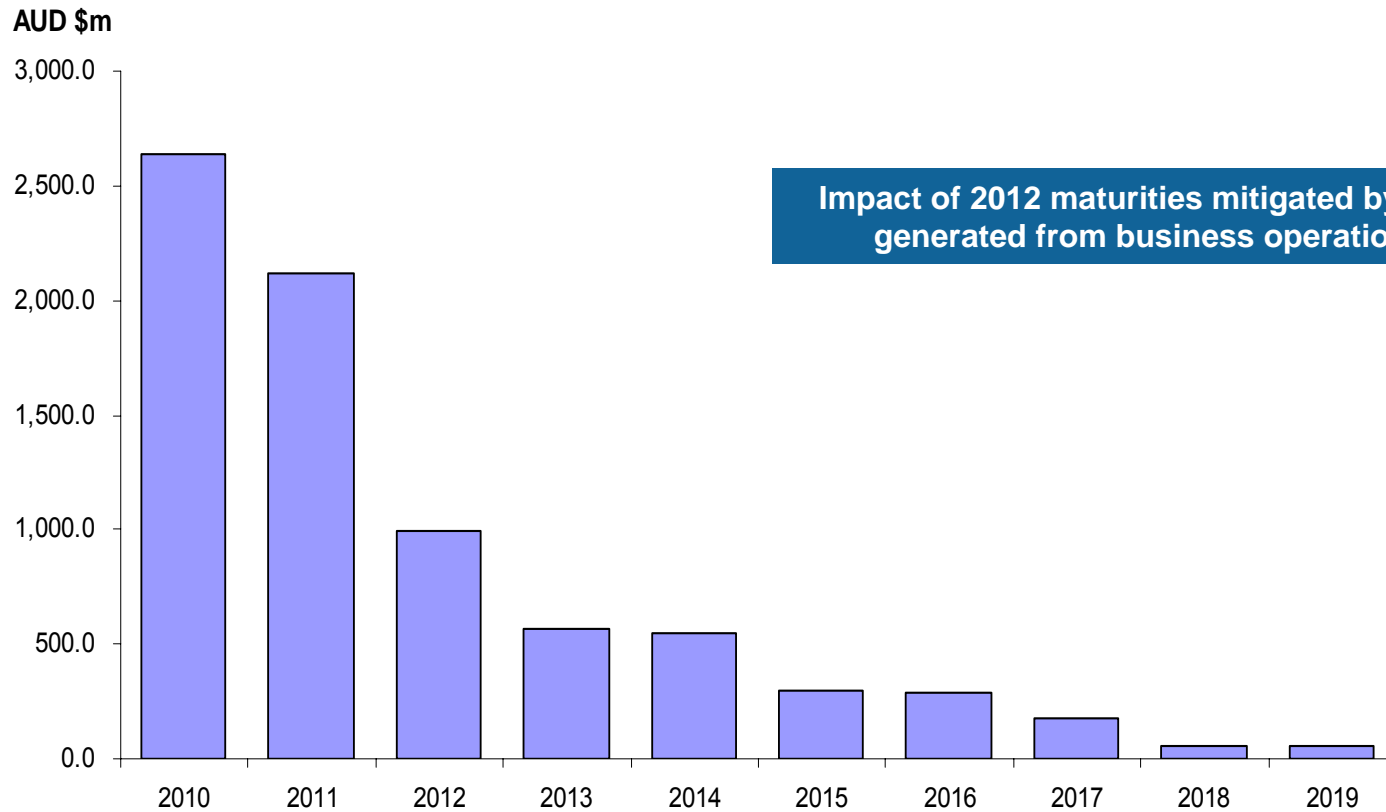
Drawn Committed Facility Maturity Profile

(By calendar year)



Committed Facilities

(By financial year)



Impact of 2012 maturities mitigated by cash generated from business operations

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Appendix 1

Detailed Business Unit Performance

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Waikato Times
As Waikato As It Gets

Australian Regional Media

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



	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Net Revenue	255.9	270.4	(5.4%)
Costs	181.0	184.5	1.9%
EBITDA	74.9	85.9	(12.8%)
EBIT	72.0	81.7	(11.9%)

- Circulation revenue up 3%
- Advertising revenue down 7%
- Advertising volumes down 5%
- Real estate and employment categories softer

Australian and New Zealand Printing

Comprises 16 Australian and 8 NZ printing centres



	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Gross Revenue	272.0	283.7	(4.1%)
Internal Revenue	(228.7)	(229.9)	(0.5%)
Net Revenue	43.3	53.8	(19.5%)
Costs	(14.3)	(4.2)	240.5%
EBITDA	57.6	58.0	(0.7%)
EBIT	24.9	24.0	3.7%

- Management of NZ printing presses now included in this segment
- External revenue affected by reduced pagination
- New Christchurch plant successfully commissioned
- Wellington plant extension completed
- Further Production efficiencies being achieved

Metropolitan Media

Comprises Sydney and Melbourne metropolitan newspapers and magazines, community publications and Print & Online classifieds

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the
(sydney)
magazine

The Sydney Morning Herald

MyCareer

The Sun-Herald

Sport&Style

Life
Sunday

THE AGE
theage.com.au

THE SUNDAY AGE

Drive

Fairfax Media

	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Net Revenue	457.4	515.5	(11.3%)
Costs	403.1	440.3	8.4%
EBITDA	54.3	75.2	(27.8%)
EBIT	49.5	69.9	(29.2%)

- Total advertising revenue down 15%
 - *Metropolitan and Community newspaper advertising volumes down 9%
 - Magazine volumes down 35%
 - Online key categories revenue down 14%

→ Circulation revenue flat

* Excludes online key categories volumes - employment, real estate, motors

Online

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

	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Net Revenue	101.8	94.2	8.1%
Costs	48.7	46.5	(4.7%)
EBITDA	53.1	47.7	11.3%
EBIT	47.9	43.2	10.9%

Trade Me

- In NZ\$ - Revenue up 14%, EBITDA up 15%
- The number one transaction and classified website in New Zealand.
- Trade Me Jobs continued to strengthen market position
- Further growth initiatives in areas such as travel

Fairfax Digital

- Total Revenue up 6%, EBITDA up 20%
- Strong growth in transaction revenues
- Display revenue down
- Brisbane Times, WA Today, The Vine and Weather Zone ahead of plan



New Zealand Media



	FY10 H1 NZ\$m	FY09 H1 NZ\$m	% Variance
Net Revenue	243.0	265.6	(8.5%)
Costs	195.7	202.7	3.5%
EBITDA	47.3	62.9	(24.8%)
EBIT	41.6	58.8	(29.3%)

- NZ economy has stabilised.....looking for advertising recovery
- Advertising revenue in NZ\$ down 12%
- Advertising volumes down 4%
- Circulation revenue up 1%

Specialist Media

Comprises Financial Review Group, Australian, NZ and USA Agricultural Publications



	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Net Revenue	142.7	163.6	(12.8%)
Costs	106.4	123.8	14.1%
EBITDA	36.3	39.8	(8.8%)
EBIT	34.6	38.2	(9.4%)

Financial Review Group

- Affected by global financial situation
- Advertising revenue down 26% on volume declines of 20%
- Circulation revenue down 9%
- Total costs reduced 17%
- Overhaul of news room and website technology - true multimedia
- www.afr.com gains
 - New site in November 2009 followed by new content
 - Dealbook, Street Talk, AFR TV is driving subscription growth

Specialist Media

(continued)

Agricultural Publications

Australia

- Dry conditions on East Coast during the half
- Advertising revenue down 3%
- Volumes down 2%
- Circulation revenue up 1%
- Total costs reduced 1%

USA and New Zealand (local currencies)

- Stronger profit performance from USA publications and events
- NZ profits lower



Broadcasting

Comprises Metropolitan and Regional radio stations



	FY10 H1 A\$m	FY09 H1 A\$m	% Variance
Revenue	55.4	55.7	(0.5%)
Costs	39.6	41.1	3.6%
EBITDA	15.8	14.6	8.2%
EBIT	14.8	13.6	8.8%

- Regional radio improved revenue and earnings
- Metropolitan radio group outperformed market
- Good cost control
- Line up changes at 2UE in Sydney

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