



23 August, 2007

**FAIRFAX MEDIA REPORTS NET PROFIT  
AFTER TAX OF \$263.5 MILLION, UP 15.9%  
FOR THE YEAR TO 1 JULY 2007**

**UNDERLYING NPAT OF \$251.1 MILLION, UP 9.9%  
(PRE NON-RECURRING ITEMS AND INCLUDING SPS DIVIDEND)**

**UNDERLYING EBITDA UP 13.1% TO \$571.4 MILLION  
(PRE NON-RECURRING ITEMS)**

**FAIRFAX DIGITAL EARNINGS UP 52.4% AND  
TRADE ME REPORTS EBITDA OF NZ\$50.4 MILLION**

**FINAL DIVIDEND OF 10.0 CENTS PER SHARE**

***David Kirk, CEO***

“During this past year, Fairfax Media has continued to implement its strategy of growth and diversification, resulting in a significant strengthening of the company as a diversified media group with strong platforms for future growth.

These are solid profit results. Strong performance in our digital businesses, regional and rural publications, financial publishing, and magazines more than offset ongoing economic weakness in the greater Sydney metro market and in New Zealand.

We are delivering on our mergers and investments. The integration of Rural Press with Fairfax Media is proceeding well, and we are fully on track to deliver cost synergies flowing from the merger of approximately \$45 million. Of these synergies, \$22 million will be realised in the 2008 financial year. These synergies are expected to be achieved over and above continued real cost savings in core publishing operations.

Trade Me also exceeded its pre-acquisition earnings targets resulting in NZ\$4.8 million being paid to the original shareholders of Trade Me as part of the agreed earn-out provision of the purchase.

Major achievements for the 2007 financial year include:

- The merger with Rural Press Limited.
- Acquisition of the Border Mail
- acquisition of the Riverina Media Group.
- Trade Me in New Zealand achieved the pre-acquisition earnings targets.
- Fairfax Digital achieving strong revenue and profitability growth, and continued online news leadership.

- Circulation growth in The Sydney Morning Herald, The Age and The Australian Financial Review.
- Excellent cost management of the publishing businesses, with real cost reductions of \$52 million in Australian publishing over the last 20 months.
- New online initiatives with the launches of Brisbanetimes.com.au, BusinessDay.com.au and afr.com.
- New property developments, with the One Darling Island headquarters announced for Sydney, sale of Spencer Street headquarters in Melbourne and plans underway for our new Melbourne headquarters.

These significant achievements were capped with the proposed acquisition later this year of the Southern Cross metropolitan radio assets and the Southern Star television production business.

Taken together, Fairfax Media in the years ahead will enjoy the benefits of these investments and strategic initiatives, with stronger and steadier earnings growth.

The year ahead will be one of implementation and execution. Our focus will be on:

- Successful integration of the Rural Press and Fairfax Media publishing businesses, development of their online assets, and full delivery of cost synergies.
- Relocation of our Sydney headquarters to One Darling Island, including introduction of our new digital newsroom of the future, and completion of property plans for new headquarters in Melbourne.
- Completion of the acquisition of the radio and video production assets of Southern Cross Broadcasting and harnessing cross promotion and content opportunities.

These are very positive and exciting times for the company, our staff and our shareholders.”

***Ronald Walker, Chairman***

“Our Board is very pleased to report solid results coupled with excellent returns, via our dividend and payout ratio, to our shareholders.

This has been a dynamic year of expansion and growth. We are the largest and most diversified media company in Australasia, and Fairfax Media is more competitive and successful than ever before.

Our merger and acquisition strategy has met our investment criteria and delivered value to our shareholders.

In the past 20 months, our Company has steadily moved forward along its strategic path with the purchase of Trade Me, the merger with Rural Press and the pending acquisition of the radio and video production businesses of Southern Cross Broadcasting.

These assets will continue to add wealth to our shareholders.

In November, we will move our Sydney operations to new premises at One Darling Island, which will provide our staff with the most up- to-date workplace amenities. In the

coming months our new landmark Melbourne headquarters will be announced, revitalising our operations in both cities.

We have many award winners in the Group, and we are very proud of The Age being named the Newspaper of the Year 2007 from the Pacific Area Newspaper Publishers Association.

Fairfax Media has a great future, led by dynamic people, backed by a very focussed Board. We have had the privilege of welcoming three additional directors, John B Fairfax, Nicholas Fairfax and Bob Savage.

I also want to pay tribute to our staff. Their dedication makes Fairfax Media the pre-eminent media organisation in this region and they are the key to our future growth.”

### TABLE OF RESULTS (excluding non-recurring items)

Fairfax Media and Rural Press merged on 9 May 2007 and the Statutory results represent the contribution of the Rural Press businesses since that date. The following table highlights the results, excluding non-recurring items of the two separate entities if the merger had not eventuated and provides a more meaningful comparison of the results to the previous twelve months.

Consolidated financial results (excluding non-recurring items):

- Trading revenue increased 11.0% to \$2,117.6 million.
- EBITDA grew 13.1% to \$571.4 million.
- Net Profit After Tax \$251.1 (post SPS), up 9.9%
- Earnings per share (including a pro-rata tax affected dividend of \$16.6 million on Stapled Preference Shares at 30 June 2007) of 23.21 cents, down 5.3%
- Final dividend of 10.0 cents per share, fully franked.

	Fairfax Media Pro-forma (1)		Rural Press Pro-forma (1)		Statutory (2)	
	At 1 July 2007	% on pcp	At 1 July 2007	% on pcp	At 1 July 2007	% on pcp
Revenue	2,018.1	6.0	610.0	3.7	2,117.6	11.0
EBITDA	537.6	6.4	209.4	6.9	571.4	13.1
Depreciation	90.3	(13.2)	20.7	-	94.0	(17.8)
EBIT	447.4	5.2	188.8	8.3	477.4	12.2
Interest					111.2	(14.4)
Tax					97.3	(4.2)
Minority Int.					1.1	-
NPAT					267.8	14.3
SPS Dividend(3)					16.6	(186.9)
NPAT (incl SPS)					251.1	9.9
EPS (incl SPS)					23.2	(5.3)
DPS					20.0	2.6

Notes:

(1) Pro-Forma results represent the 12 month results for Fairfax Media and Rural Press businesses separately and exclude all non-recurring items.

- (2) *Statutory results represent the consolidation of the Rural Press business into Fairfax Media Limited from the effective date of the merger being 9 May 2007 and exclude all non-recurring items.*
- (3) *The SPS dividend represents the portion of the dividend paid during the 2007 financial year after tax, applicable to the period 1 July 2006 to 1 July 2007. The actual dividend paid after tax amounted to \$17.9 million*

The non-recurring adjustment of \$4.3 million after tax includes profits on the sales of the Carsales investment and the Spencer Street, Melbourne property, offset by asset impairment writedowns, integration costs, restructuring and redundancy provisions, and property relocation provisions.

Including non-recurring items, the company's total net profit after tax was \$263.5 million for the year, up 15.9%. Including the actual SPS dividend paid of \$17.9 million, earnings per share fell 4.6% to 22.70 cents, reflecting the additional shares issued in May 2007 as part of consideration for the merger with Rural Press Limited.

As part of the company's ongoing capital management strategy, the company will offer a Dividend Reinvestment Plan (DRP) to shareholders which will include a 2.0% discount. The pricing period for the DRP will be between 4 and 17 September 2007. The DRP will be fully underwritten.

Based upon current estimates of income tax payable in Australia as a percentage of the total income taxes paid by the Company, it is anticipated that future dividends will be franked at 75%. With future growth of the company's Australian earnings, we expect higher levels of franking credits in later years.

Record date for the final ordinary dividend is 4 September 2007, and payable on 27 September 2007.

## **KEY AREAS OF ACTIVITY**

### ***FAIRFAX MEDIA (EXCLUDING RURAL PRESS)***

#### ***Australian Publishing***

- Total revenue grew 3.6% to \$1,326.0 million.
- Including acquisitions, costs increased 5.1%, with underlying costs up 1.7%.
- EBITDA decreased 1.2% to \$294.2 million.

Metro publishing revenues were affected by continued advertising weakness, particularly in New South Wales, but with Victoria showing improved revenues in the second half. Circulation at The Age was robust, and circulation continues to be strong at The Sydney Morning Herald.

Fairfax Magazines performed well, with solid revenue and profit growth.

Regional and Community Newspapers overall continued to post solid revenue and profit growth, with strong results from Victorian suburban property markets. Weaker real estate markets affected NSW community publications. The Border Mail delivered fully on expectations.

### ***Fairfax Business Media***

FBM continued strong revenue and profit growth, with robust advertising growth in The Australian Financial Review. Business magazines had a steady performance.

### ***Fairfax Digital***

Fairfax Digital's revenue was \$132.9 million, up 37.8%, with a profit at the EBITDA level of \$37.0 million, up 52.4% over the 2006 financial year.

Fairfax Digital successfully increased its revenue market share during the year, particularly during the second half, culminating in classified and display revenues growing strongly across all news and classified sites. Total traffic across all the Fairfax sites increased to over 14.3 million unique browsers per month, up 33.6% on the previous corresponding period. Fairfax Digital enjoys the absolute leadership position in online news with smh.com.au and theage.com.au, has the leading sites in online dating (RSVP), and holiday rentals (Stayz), and has strong positions in the employment, real estate and automotive classified categories. Fairfax Digital continues to invest in improving its competitive position in key markets, such as with Brisbanetimes.com.au, which reached 475,000 unique browsers in June, overtaking its principal online competitor in the market for that month.

### ***Fairfax Media New Zealand***

In NZ dollars:

- Advertising revenue decreased 0.7% to NZ\$424.6 million.
- Costs increased 1.5% (including acquisitions and restructuring costs).
- EBITDA was down 5.2% to NZ\$185.9million.

Slowly improving economic conditions led to advertising growth in the second half, with the benefits of cost reduction measures from the first half flowing through to yield an improvement in earnings as the year closed. Underlying publishing costs were well contained despite strong inflationary pressures on labour costs and an increase in newsprint pricing in the second half.

The New Zealand mastheads had solid circulation and readership performance.

### ***Trade Me***

For the year, Trade Me contributed NZ\$50.4million in EBITDA to the group result, fully delivering on Fairfax Media's acquisition targets. All aspects of the business are performing strongly. An earnout of NZ\$4.8 million was paid to the shareholders for exceeding the targeted EBITDA in the year ended 31 March 2007.

During the year:

- Live to site auction listings recently passed 960,000
- Motor Vehicle listings are currently over 46,000, and were up 21% YOY
- Real Estate listings exceed 42,000, and were up 64% YOY
- Jobs listings are currently over 9,000 following the launch of Trade Me Jobs in August 2006.

Trade Me will launch its travel site in the next month, with over 1,200 accommodation providers already committed.

## **RURAL PRESS LIMITED**

### **Rural Press Consolidated Results**

- Revenues were \$610.0 million, up 3.7%
- EBIT of \$188.8 million, up 8.3%
- EBITDA of \$209.4 million, up 6.9% (excluding costs associated with the Scheme of Arrangement)

### **Australian Publishing and Printing**

All areas of the company's regional and metropolitan publishing business made a sound contribution to the result in generally reasonable trading conditions. The publications were able to grow revenues and with good cost management continued to improve margins. Earnings in the agricultural publications were a small decline on the previous year due to the adverse seasonal conditions experienced in much of rural Australia during the year.

Printing revenues suffered from a very competitive market, although the earnings contribution improved reflecting the benefits from the upgrade programme implemented over recent years.

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A number of regional publishing acquisitions during the year, particularly the Riverina Media Group in Wagga Wagga and the Star, Mount Isa, further enhanced the group's footprint in regional Australia.

### **Offshore Publishing**

Performance from the US agricultural publishing business continued to improve on the solid gains made in the previous year with an earnings improvement of 32.3% on last year in US dollar terms. Some of this benefit was lost on translation with the stronger Australian dollar. New Zealand's contribution was down by a small amount with the subdued economic conditions.

### **Radio Broadcasting**

Earnings improvements were posted across the group. Particularly pleasing gains were made by the Queensland stations in Bundaberg and Ipswich.

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