

21 FEBRUARY 2005

**FAIRFAX REPORTS HALF YEAR NET PROFIT
AFTER TAX OF \$126.1 MILLION, UP 26.0%
(PRE NON-RECURRING ITEMS)**

**EBIT UP 17.7% TO \$212.9 MILLION
(PRE NON-RECURRING ITEM)**

**DIVIDEND INCREASED 36%
TO 7.5 CENTS PER SHARE**

“The benefits from our acquisitions and new plant, plus revenue initiatives and ongoing cost discipline, continue to drive strong operational performance and profit growth, leading to a further rise in dividends to shareholders.”

Fred Hilmer, CEO

Excluding the effects of non-recurring items in the current and previous corresponding period, the key highlights of trading performance of the Company for the six months ended 31 December 2004 are:

- Underlying trading revenue increased 6.6% to \$937.8 million**
- Earnings before Interest and Tax increased 17.7% to \$212.9 million**
- Net Profit after Tax increased 26.0% to \$126.1 million**
- Earnings per share (post-Presses dividend) increased 22.7%, to 12.77 cents**
- Cashflow from operations increased 34.4% to \$133.4 million**
- Dividend increased 36% to 7.5 cents per share fully franked**

Non-recurring items during the half were comprised of a profit of \$4.0 million on the sale of the Gordon & Gotch business and related assets in New Zealand, and a one-off tax gain of \$3.0 million.

Including these non-recurring items and the Presses dividend, the company's total net profit after tax was \$123.8 million, with earnings per share of 13.54 cents.

As a result of better advertising sales in the second quarter, Group EBIT (before the non-recurring item) increased 17.7%, to \$212.9 million.

The Board has announced an interim dividend of 7.5 cents per share, fully franked, an increase of 2.0 cents, or 36%, over last year's interim dividend. Record date for the dividend is 3 March 2005, and payable 31 March 2005.

As advised last year, the Company continues to offer a Dividend Reinvestment Plan to shareholders but has removed any discount on the issue of shares under this plan.

STATEMENT BY MR FRED HILMER CHIEF EXECUTIVE OFFICER

"The benefits from our acquisitions and new plant, plus revenue initiatives and ongoing cost discipline, continue to drive strong operational performance and profit growth, leading to a further rise in dividends to shareholders.

"Fairfax today has a more diverse and robust set of businesses, which all performed strongly in the half.

"We are well positioned for further revenue and earnings growth, and to take advantage of opportunities that may be afforded by any changes in the media laws."

KEY AREAS OF ACTIVITY

AUSTRALIAN PUBLISHING

Fairfax's Australian publishing businesses strengthened steadily as the half progressed, with solid trading leading into the Christmas period. Compared to the previous corresponding period:

- EBITDA increased 9.3% to \$165.5 million.
- Total revenue increased 5.0% to \$652.3 million.
- Advertising revenue increased 6.2% to \$536.1 million.
- Costs were well contained.

• **Metropolitan papers (*The SMH and The Age plus inserted magazines*)**. With the benefits of significant new publishing initiatives that strengthened our advertising platforms in Sydney and Melbourne, and good trading conditions, advertising revenues increased 3.9% to \$362.2 million due largely to increases in display volumes. Revenue growth accelerated towards the end of the first half, with strong gains in employment and retail advertising, along with significant overall growth in gross display advertising, which was up 9.4%. This offsets the effects of a significantly weaker real estate market, the Olympics and the Federal election. Total employment revenues in the metros across classified, display and online were up 12.2% in the first half. Retail display revenues grew sharply, while automotive revenues were softer.

• **Fairfax Business Media**. FBM generated revenue growth of 4.2%, driven by stronger display advertising especially in employment and commercial property. The results from new initiatives, particularly in travel and leisure, were extremely encouraging. *BRW* also improved its performance significantly.

• **Fairfax Regional and Community Newspapers**. FRCN's strategy of expanding its commercial footprint through both organic growth and strategic acquisitions (including Text Media and the *Port Stephens Examiner*) has resulted in revenue growth of 12.9%.

• **Circulation**. Over the half, circulation was weaker at the metropolitan newspapers. Improvement programs across the metro papers and their marketing and distribution are underway. While circulation was softer in Fairfax Business Media and FRCN, underlying circulation trends for both units in core markets are strong. In readership, which is critical to advertisers, Fairfax publications over the past year have extended their margin of leadership in the key AB demographic and gained share in most markets.

• **Costs**. Underlying cost growth (excluding the Text Media and *Port Stephens Examiner* acquisitions) was 1.2%. Cost savings initiatives undertaken last year, ongoing cost management and newsprint price savings offset cost increases due to inflation, special editorial activities (including the Olympics and the Federal election), and the introduction of new publications (including *theage(melbourne) magazine*).

FAIRFAX DIGITAL

Fairfax Digital has continued to progress in building a dynamic and competitive business. Fairfax Digital performed strongly, with revenue of \$25.6 million, up 44.6%, resulting in a profit at the EBITDA level of \$1.2 million. The classified sites have posted solid gains in listings and traffic, with total traffic across all Fairfax sites up 29% to over 6.9 million unique browsers per month. The classified sites will enjoy a stronger position in the market through the agreement announced today with Yahoo! to add Mycareer.com.au to Yahoo's distribution of Fairfax Digital's automobile and real estate classifieds.

To expand the base for Fairfax Digital's future profit growth, there will be continued re-investment of some of the profits in its brand and market position.

FAIRFAX NEW ZEALAND

Through effective execution of the strategy outlined at the time of acquisition, Fairfax New Zealand has generated further significant operating improvements. This is the result of the ongoing impact of initiatives taken last year on revenues and costs, and new initiatives in products and processes. The positive effects of these measures have been enhanced by the strong performance of the New Zealand economy.

Compared to the previous corresponding period, the underlying reported results are:

- EBITDA was NZ\$95.3 million, up 21.3%.
- EBIT was NZ\$90.2 million, up 26.0%.
- Advertising revenues increased 10%.
- Costs excluding divestments increased 0.8%.

The *Sunday Star-Times* also registered strong advertising revenue growth notwithstanding introduction of a new publication in the Auckland market. Fairfax New Zealand's websites are continuing to expand, particularly in online classifieds.

Costs were kept well under control as a number of the initiatives implemented since the acquisition continue to provide significant benefits. During the half, costs decreased 4.1% in local currency. Excluding the operating costs of divestments from the previous corresponding period, the underlying cost increase was 0.8%.

CAPITAL MANAGEMENT

As part of the Company's ongoing review of capital management initiatives, a review of its options in respect to Presses was conducted. This review has concluded that it is not in the best interests of ordinary shareholders to debt finance a buy-back of Presses at around the current prevailing market price.

The company also intends to convert Presses into ordinary shares when first permitted, pursuant to clause 3.3 (a)(i) of the terms, in July 2006. The company will consider a buy-back of ordinary shares at or around that time to minimise dilution.

STATEMENT BY MR DEAN WILLS CHAIRMAN OF THE BOARD OF DIRECTORS

The search to appoint our next CEO is continuing. It is the Board's objective to conclude the search expeditiously.

However, in the meantime, as today's results reflect, Fairfax is well managed under Fred Hilmer's ongoing leadership, with the Company performing strongly across its businesses. Fred Hilmer's arrangement with the Board has him continuing through calendar 2005 if required.

As announced to the ASX this morning, David Evans has agreed to join the Board. He brings considerable business and media experience to Fairfax and we look forward to working with him.

OUTLOOK

While it is too early in the half to provide meaningful guidance, advertising revenue growth is continuing. The Company expects further EBIT growth this half, the level of which will depend on the vitality of overall trading conditions.

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