



SYDNEY, 31 August, 2006

**FAIRFAX MEDIA REPORTS FULL YEAR NET PROFIT
AFTER TAX OF \$228.5 MILLION
(PRE NON-RECURRING ITEMS)**

**FAIRFAX DIGITAL REVENUES UP 76% WITH STRONG EARNINGS
GROWTH**

**EBIT STEADY AT \$425.5 MILLION
(PRE NON-RECURRING ITEMS)**

**FINAL DIVIDEND OF 11.5 CENTS PER SHARE – HIGHEST EVER
ANNUAL ORDINARY DIVIDEND OF 19.5 CENTS PER SHARE**

David Kirk, CEO

“Fairfax Media is being successfully reshaped for stronger earnings growth in the medium term. Our aim is steady growth in publishing and rapid growth in our internet businesses.

Growth in publishing will be achieved by continued diversification into regional, business, and magazine publishing; further alignment of the cost base; and strong circulation and readership that help drive advertising revenues.

We made strong progress against these objectives over the past year:

- Acquisition of the *Border Morning Mail*, the *Rodney Times*, *The Independent Financial Review*, and the launch of *Travel + Leisure* and *AFR Smart Investor*.
- Publishing cost growth held to 0.9%, and down in the second half.
- Circulation and readership growth in all major mastheads.

The rapid growth of our internet businesses is changing the overall growth and earnings profile of the company. Our integrated newsrooms have delivered us the clear No. 1 position in news and information online, driving new streams of fast growing revenue and earnings. We have leading positions in online personals and holiday accommodation, the first or second position in cars, and we are a strong second in employment and real estate. Improving our position in online employment and real estate is an absolute priority.

Trade Me is already showing itself to be an excellent acquisition for the company. The business is on track to deliver expected first year earnings targets of \$NZ45 million. Trade Me Jobs is exceeding expectations, with over 5,200 listings.

The new digital media world provides great opportunities for Fairfax to continue to diversify and grow. I am more than satisfied with the progress we have made since I joined the company last October. We can look forward in this financial year to continued rapid growth in our internet businesses and continued reshaping of our publishing business.”

Ronald Walker, Chairman

“This has been a year of challenge and achievement for Fairfax, with the company stronger today than ever before in our history. We have aggressively seized opportunities that will result in strategic growth and returns to our shareholders, and we face a very exciting future with confidence.”

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GROUP RESULTS

A\$M	JUNE 2006	JUNE 2005 (AIFRS adjusted)	% change
Revenue	1,907.8	1,873.4	1.8
EBITDA	505.2	507.4	(0.4)
EBIT	425.5	427.3	(0.4)
NPAT	228.5	237.6	(3.8)

Excluding the effects of non-recurring items in the current and previous corresponding period (AIFRS adjusted), the key highlights of trading performance of the Company for the year to 30 June 2006 are:

- Underlying trading revenue increased 1.8% to \$1,907.8 million
- Earnings Before Interest and Tax were steady at \$425.5 million
- Net Profit After Tax eased 3.8% to \$228.5 million
- Earnings per share (including a notional dividend of \$5.8 million on Stapled Preference Shares at 30 June 2006) decreased 5.2%, to 24.52 cents.
- Free cashflow per share continues to exceed reported earnings per share.
- Final dividend of 11.5 cents per share fully franked – resulting in the highest ordinary annual dividend paid by the company and representing an underlying payout ratio of 80%.

Non-recurring items during the half were comprised of a \$4.4 million profit from AAP Ltd on the sale of one of its operating divisions and major restructuring and redundancy costs of \$16.1 million

A notional dividend of \$5.8 million has been included in the result relating to the dividend which would be payable to holders of Stapled Preference Securities (SPS) at 30 June 2006.

Including these non-recurring items the company's total net profit after tax was \$227.5 million, with earnings per share of 24.41 cents.

The Board has announced a dividend of 11.5 cents per share, fully franked, bringing the total ordinary dividend for the year to 19.5 cents, an increase of 5%, or 1.0 cents, over last year. Record date for the dividend is 11 September 2006, and payable 6 October 2006.

The company continues to offer a Dividend Reinvestment Plan (DRP) to shareholders. A 2.5% discount will apply on shares issued under the DRP for the final dividend.

KEY AREAS OF ACTIVITY

AUSTRALIAN PUBLISHING

Results for the Australian publishing businesses reflected weaker advertising markets, particularly in NSW and Victoria, which offset growth from our Magazine, Regional and Business Media operations.

Costs were very well controlled, with costs falling in the second half

For the year:

- Total revenue eased 1.3% to \$1,279.6 million
- Costs increased 0.9% (flat excluding new initiatives).
- EBITDA declined 8.1% to \$297.7 million

Advertising markets weakened further in the second half of the year compared with the first half.

Metropolitan, Regional and Community Newspapers

Metro publishing revenues declined as a result of continuing difficult economic markets that affected all advertising categories in both New South Wales and Victoria. *The Age's* performance was also affected by the Commonwealth Games. Newspaper subscription levels increased across all major metropolitan publications. This has been accompanied by higher circulations and readership levels in the key AB readership demographic.

Fairfax General Magazines was steady in a very uneven advertising market for magazines. *Travel + Leisure, the(sydney)magazine* and *theage(melbourne)magazine* continued to perform ahead of expectations.

Fairfax Regional Newspapers posted solid revenue and profit growth, slightly offset by some weakness in the suburban community publications from a slowdown in real estate markets, particularly in NSW.

Fairfax Business Media

FBM continued its revenue and profit growth, driven by its pre-eminent position in financial publishing and in the premium employment advertising sector. The AFR enjoyed circulation gains across all editions. The consolidation and relaunch of the investor magazines, *AFR Smart Investor*, has been very successful in circulation and revenue growth, and *BRW* will undergo a similar relaunch. The new digital desktop product, AFR Access, has begun its rollout, with a good initial response in Australia and internationally.

Fairfax Digital

With growth stronger than the overall market, Fairfax Digital's revenue was \$96.4 million, up 75.6%, with a profit at the EBITDA level of \$24.3 million, up from \$6.6million in the 2005 financial year. Operating margins continued to expand in the half.

Revenues grew aggressively across all news and classified sites, with significant market share growth in display. Total traffic across all the Fairfax sites increased to over 3.2 million unique browsers per month. Fairfax Digital enjoys the leadership positions in online news (smh.com.au and theage.com.au), online dating (RSVP), and holiday rentals (Stayz), and has a strong #2 position in all the classified categories of automotive, real estate and employment. In the second half, the Drive.com.au automotive site has risen from #5 to second in audience reach. Fairfax Digital continues to invest in improving its competitive position in classified markets.

NEW ZEALAND PUBLISHING

Fairfax Media in New Zealand had underlying results that were up on last year. In NZ dollars:

- Advertising revenue increased 2% to NZ\$427.8 million
- EBITDA increased 2.8% to NZ\$196.2 million
- EBIT increased 3.0% to NZ\$185.4 million.

The slowdown in the New Zealand economy and currency rate fluctuations have affected advertising revenues and contributions to the Group result. Excluding acquisitions, underlying publishing costs were well contained despite strong inflationary pressures on labour costs.

The New Zealand mastheads had circulation and readership growth, with *The Sunday Star-Times* the country's #1 selling newspaper.

Trade Me

Following the acquisition in April 2006, Trade Me has contributed NZ\$9.3 million in EBITDA to this result. All areas of the business have experienced significant growth over the past five months. Since the announcement of the acquisition in March 2006:

- Items for sale have increased over 35%
- Motor vehicle classifieds have increased 25%
- Real Estate listings are up 127%
- Over 5,200 jobs are now listed on the site following the launch of Trade Me jobs on 8 August.

The rate of growth is anticipated to continue to accelerate in 2007 and the Company is confident that Trade Me will achieve its \$NZ45 million EBITDA target for the twelve months ending 31 March 2007.

OUTLOOK

As expected, trading conditions remain constrained in our core publishing markets. Fairfax Digital is performing strongly and Trade Me is meeting all expectations. It is too early to provide meaningful guidance.

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