



21 August, 2008

**FAIRFAX MEDIA REPORTS NET PROFIT
AFTER TAX OF \$386.9 MILLION, UP 47%,
FOR THE YEAR TO 29 JUNE, 2008**

UNDERLYING LIKE-FOR-LIKE EBIT OF \$722.1 MILLION, UP 8.7%

UNDERLYING EARNINGS PER SHARE OF 25.1 CENTS, UP 8.2%

**FAIRFAX DIGITAL EARNINGS UP 47%, AND
TRADE ME REPORTS EBITDA OF \$NZ70.1 MILLION, UP 39%**

FINAL DIVIDEND OF 10.0 CENTS PER SHARE

KEY FINANCIAL HIGHLIGHTS

Reported Results

- Revenue increased 34% to \$2.92 billion
- EBITDA grew 46% to \$818.3 million
- Net Profit After Tax \$386.9 million, up 47%
- Earnings per share 24.6 cents, up 8.1%

Like-for-like Results (excluding non-recurring items)

Fairfax Media and Rural Press merged on 9 May, 2007 and the Company acquired the radio assets of Southern Cross and the television production and distribution company Southern Star on 9 November, 2007.

To highlight the true comparative performance of the Company, the like-for-like results include the 2007 results of Rural Press for the twelve months to 1 July, 2007 and Southern Cross and Southern Star for the eight months ended 1 July, 2007.

- Revenue increased 2.9% to \$2.92 billion
- EBIT increased 8.7% to \$722.1 million (9.6% in constant currency)
- EBITDA grew 6.9% to \$831.2 million (7.8% in constant currency)
- Total costs increased 1.4% to \$2.09 billion

Excluded from the underlying results are non-recurring items totalling \$8.4 million after tax. The items relate to property costs associated with the relocation from Darling Park to the new facility in Darling Island, Pyrmont NSW (\$1.7 million after tax) and restructuring and redundancy charges (\$6.7 million after tax).

Operating Cash flows increased to \$419.7 million, up 15%, but were affected by the timing of cash payments of approximately \$50 million for provisions booked in last year's results.

David Kirk, CEO

We are reporting strong earnings growth through the year in the face of difficult economic conditions in Australia's metro markets and in New Zealand. Fairfax Media continued to grow in the second half with earnings per share up 7.7%. These results highlight the successful implementation of our strategy of diversification of revenue, investment in digital earnings growth and constant focus on operational improvement to drive earnings per share growth.

Our highest priority this year was to deliver on what we promised when we undertook substantial investment and expansion – and we have done so.

Full year key operating performance highlights include:

- Australian Regional and Community publications EBITDA up 7.8%
- Specialist (financial and agricultural) publishing EBITDA up 15.0%
- Fairfax Digital revenues up over 30%, and EBITDA up 46%
- Trade Me EBITDA up 39.0% to NZ\$70.1 million
- Overall costs up 1.4%
- Continued growth in New Zealand publishing in the second half of the year with EBITDA (local currency) improving by 0.6% on the prior year, and full year earnings up by 3.1% and by 4.3% on a like-for-like basis.

Overall, these are a very satisfactory set of results in the face of declining earnings for our Sydney and Melbourne metropolitan newspapers in Australia and tough trading conditions, particularly in New Zealand.

Ronald Walker, Chairman

“Our Board is very pleased to report strong earnings growth as a result of our singular focus on reaping the benefits of our merger with Rural Press and acquisition of Southern Cross, and the successful integration of those businesses into Fairfax Media and its operations in Australia, New Zealand and the USA.

Management has executed on the Board's strategy and delivered on these investments, ensuring strong returns to shareholders in the period.

Fairfax Media is the largest and most diversified media company in Australasia, and we continue to be more competitive and successful than ever before. No other major publishing company in the region has such strength in newspapers and magazines across metro, regional, financial, community, and agriculture publishing; a comprehensive portfolio of successful online news, classified and transaction businesses; and a strong radio network.

Therefore, while overall economic conditions are not robust at present, Fairfax Media is well positioned competitively.

We look forward to continued implementation of our strategic vision and the benefits it is delivering to everyone involved in this exceptional Company. I also want to thank our staff for their dedication and commitment.”

DIVIDEND

A final dividend of 10.0 cents, 75% franked (2007: 10.0 cents) has been declared by the Board. This brings total dividends for the year to 20.0 cents (2007: 20.0 cents).

Record date for the final ordinary dividend is 2 September 2008, and payable on 2 October 2008, franked at 75%. The company will continue to offer a Dividend Reinvestment Plan (DRP) to shareholders. There will be no discount. The pricing period for the DRP will be between 4 and 17 September 2008.

KEY AREAS OF ACTIVITY

Australian Regional and Community Publications (comprising The Canberra Times and all Australian Regional and Community publications)

- Revenue increased 5.5%
- Costs increased 4.6%. Excluding acquisitions, costs increased 2.1%
- EBITDA increased 7.8% to \$205.5 million

Regional and Community Newspapers overall continued to post strong revenue and profit growth in Canberra, Newcastle, and regional publications across Queensland, Victoria, South Australia, Tasmania and Western Australia. Weaker real estate markets affected NSW community publications.

Sydney and Melbourne Metropolitan Publications (comprising of Sydney and Melbourne metropolitan newspapers and magazines)

- Revenue declined 2.8%
- Costs declined 0.9%
- EBITDA declined 8.9% to \$174.1 million

Excluding the effect of an additional weekend trading in the 2007 financial year, EBITDA declined 7.3%.

Metro publishing revenues were weaker, with total revenues reflecting continued advertising weakness, particularly in Sydney. Melbourne market conditions were stronger but did weaken in the second half of the year. Circulation was strong with The Age a particular highlight.

Fairfax Magazines performed very well, with strong revenue and profit growth.

***Specialist Publications
(comprising Fairfax Business Media and Australian, NZ and USA agricultural publications)***

- Revenue increased 5.9%
- Costs increased 3.0%
- EBITDA increased 15.0% \$86.0 million

Fairfax Business Media had continued strong revenue and profit growth, with robust advertising growth in The Australian Financial Review. Business magazines had a steady performance, with stronger profit growth at *BRW*. Circulation of *The Australian Financial Review*, both on weekdays and during the weekend, has grown strongly.

Agriculture publishing had a strong year, notwithstanding drought conditions in parts of Australia, most notably southern and western NSW, with solid earnings growth on steady revenues and firm cost controls.

Offshore publishing. The US agricultural publishing business continued to enjoy solid gains with an earnings improvement of 38% on last year in US dollar terms. New Zealand agricultural publishing increased revenue and earnings.

Australian Printing

- Revenue declined by 1.0%
- Costs declined 9.5%
- EBITDA increased 3.5% to \$73.1 million

Printing operations benefited from restructuring, consolidation and investment, with good earnings growth.

***Online
(comprising Fairfax Digital in Australia and Trade Me in New Zealand)***

- Revenue increased by 33.0%
- Costs increased 26.8%
- EBITDA increased 41.1% to \$114.4 million

Fairfax Digital's revenue increased over 30%, with a profit at the EBITDA level of \$54.3 million, up 46.8% over the 2007 financial year.

Total traffic across all the Fairfax sites increased to over 16.5 million unique browsers per month, up 15% 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. *Brisbanetimes.com.au* has enjoyed strong growth over the year, and *WAtoday* has exceeded expectations thus far. Transaction revenues continue to grow strongly.

Revenue and earnings gains were also registered as a result of the upgrade of Rural Press masthead online sites and their integration into the overall Fairfax Digital network.

Trade Me

For the year Trade Me contributed NZ\$70.1 million in EBITDA to the group result, up 39%. These strong results triggered the payout to the principals of the earn-out on the acquisition of Trade Me of NZ\$45.2 million.

During the year:

- Live to site auction listings passed 1,180,118, an increase of 31%
- Motor Vehicle listings are currently over 59,409, up 37% YOY
- Real Estate listings exceeded 81,796, and were up 111% YOY
- Jobs listings reached 10,708, up 31%

Fairfax Media New Zealand

In NZ dollars:

- Revenue increased 2.5% to NZ\$592.8 million
- EBITDA increased 3.1% to NZ\$191.6 million, and by 4.3% on a like-for-like basis taking into account the additional weekend of trading which occurred in 2007

Fairfax New Zealand reported earnings growth and a marginal increase in revenues in local currency terms, notwithstanding a worsening of economic conditions during the second half of the year that affected employment and real estate advertising markets. In particular, the benefits of cost reduction measures continue to flow through to earnings. Underlying publishing costs were well contained despite strong inflationary pressures on labour costs. The New Zealand mastheads had solid circulation and readership performance.

Fairfax Radio Network (comprising metropolitan and regional radio networks)

On a like-for-like basis:

- Revenues decreased 2.1%
- Costs decreased 5.2%
- EBITDA increased 8.8% to \$19.7 million

The radio network enjoyed good performance in Melbourne, Perth and Brisbane, with Sydney operations stabilising. Overall ratings improved as the year progressed. Expected cost synergies have been fully achieved. Regional radio continued to grow solidly.

Southern Star

On a like-for-like basis:

- Revenues decreased 11.3%
- EBITDA increased 11.4% to \$16.6 million.

Southern Star fully delivered on expectations in the first eight months of ownership by Fairfax Media. The Company has announced the sale of Carnival Film & Television Ltd. in the UK to NBC Universal, which will generate proceeds to the Company of £22.5 million (or \$48.3 million at the current exchange rate).

COMMENT ON MARKET CONDITIONS

Consistent with conditions in the broader economy, advertising markets have slowed in the new financial year. We have limited visibility on how well advertising markets will perform this half.

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