

SYDNEY, 29 August, 2005

**FAIRFAX FULL YEAR UNDERLYING NET PROFIT  
OF \$234.1 MILLION, UP 23.7 %  
(AFTER PRESSES)**

**BOARD DECLARES SPECIAL DIVIDEND OF 5 CENTS PER  
SHARE BASED ON STRONG CASH FLOWS**

“Fairfax’s record net profit and earnings per share reflect the success of our strategy of diversification, selective investment, business improvement and continuing cost management. Record cash flows have enabled payment of a special dividend of 5 cents per share, bringing the total dividend for the year to 23.5 cents per share, up 42.4%, fully franked. The company’s strategies have repositioned and strengthened Fairfax significantly. As a result, the challenges to our revenue base over the past year from a weak New South Wales economy and declining real estate markets in Sydney and Melbourne have been more than offset by strong results in display, employment, magazines, regional and community publishing and Fairfax Digital in Australia, and continued exceptional growth in New Zealand.”

*Fred Hilmer, CEO*

“I am very proud to see Fairfax rise to this level of success and competitiveness, and to retire as Chairman of the Board with the company in such excellent shape. These results are a tribute to our management team, led by Fred Hilmer.”

*Dean Wills, Chairman (ret)*

Excluding the effects of non-recurring items<sup>1</sup> in the current and previous corresponding period, highlights of trading performance for the year ended 30 June 2005 are:

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<sup>1</sup> Non-recurring items during the year 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.

- Net profit after Tax and Presses dividends up 23.7% to \$234.1 million
- Free cashflow (operating cash flow less capital expenditure and Presses dividends) up 76.9% to \$277.1 million, with net debt reduced by \$157.8 million.
- Free cash flow per share of 30.2 cents, up 70.6%.
- Earnings before interest and tax up 15.6% to \$425.8 million, with second half EBIT up 13.7% to \$212.9 million
- Earnings per share (post-Presses dividend) 25.5 cents, up 19.2%
- Trading revenue increased 5.8% to \$1,873.4 million
- Dividends for the full year of 23.5 cents per share, up 42.4%, which includes a special dividend of 5 cents per share.”

**STATEMENT BY MR FRED HILMER, CHIEF EXECUTIVE OFFICER**

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“Fairfax has a number of growth initiatives underway, including the launch of Travel + Leisure magazine; the introduction of Domain Inner West in Sydney; new revenues from RSVP, the leading online dating website; and the introduction of the new AFR digital product. We are also making improvements in call centre selling and effectiveness.

“Operating margins have further improved, with publishing cost growth, excluding acquisitions, below 2%, even after absorbing new product initiatives in New Zealand and Australia.

“The restructure and establishment of the larger Metropolitan, Regional and Community Newspaper group allows us to capitalise on the gains of the past two years, including an improved operating focus that spans our metro-regional-community publishing footprint. These significant changes have been led by a strong and capable management team of great depth and talent who have been promoted from within. The new structure has been implemented smoothly. I want to express my thanks to my colleagues for their efforts.

“The exceptional performance of Fairfax New Zealand continues to reflect successful ongoing implementation of our strategies, assisted by a positive economic environment.

“With respect to potential legislation affecting the media industry, we are prepared to pursue opportunities afforded by any changes in the media ownership laws.

“As a result of all these factors, Fairfax today is a more diversified and balanced company that is performing strongly, with strategies for organic growth from our existing businesses and the capacity for further expansion through investment and acquisition.”

## KEY AREAS OF ACTIVITY

### **AUSTRALIAN PUBLISHING**

The Australian publishing businesses again recorded increases in revenues and profits during the year.

- Total revenue increased 3.7% to \$1,296.5million
- Advertising revenue increased 4.6% to \$1,058.3 million
- EBITDA increased 6.5% to \$ 324.9 million
- EBIT increased 7.3% to \$254.4 million
- Costs increased 2.8%, with underlying costs (excluding acquisitions) on continuing businesses up 1.4%.

Performance in the second half of the year was also stronger compared to the previous corresponding period.

- Advertising revenue increased 3.0% to \$522.2 million
- EBITDA increased 3.8% to \$ 159.4million
- EBIT increased 6.5% to \$125.0million
- Costs increased 2.0%, with underlying costs (excluding acquisitions) on continuing businesses up 1.6%

### ***Metropolitan, Regional and Community Newspapers***

Metro publishing revenue was up slightly during the year as strong growth in retail, national and employment display and classifieds advertising were offset by the overall weakness in the NSW economy and a declining market for real estate listings in both NSW and Victoria.

Fairfax General Magazines had very strong revenue growth, led by record revenues for *GoodWeekend* and *the(sydney)magazine* as well as an impressive commercial debut by *theage(melbourne)magazine*.

Fairfax Regional and Community Newspapers again posted strong double digit revenue growth, led by the acquisition of the Port Stephens Examiner and the Text Media publications. The unit now contributes over 20% of Australian revenues.

Circulation revenues were up slightly. The declines in circulation in the weekday and Saturday editions of the metro newspapers slowed in the second half. *The Sunday Age* reported a strong rise in circulation. There were good readership gains overall with solid market share gains in the key AB demographic.

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

FBM had improved trading conditions resulting in strong revenue growth and significant EBITDA growth over 2004, driven by strong display employment advertising, and further growth in business magazines, particularly *BRW* and in the travel and lifestyle areas. Key investor magazines have been successfully consolidated and will be relaunched under the AFR brand. FBM revenues now represent over 12% of total Australian revenues.

## ***Fairfax Digital***

Fairfax Digital's revenue was \$54.9 million, up 38.2%, with a profit at the EBITDA level of \$6.6 million. Operating margins expanded strongly in the second half. Fairfax Digital was profitable at the EBIT level for the first time, posting a gain of \$4.6 million. Total traffic across all the Fairfax sites increased 21% to over 8.1 million unique browsers per month. RSVP, the #1 online dating service, is performing ahead of expectations following its acquisition in July 2005.

## **NEW ZEALAND PUBLISHING**

Fairfax New Zealand's underlying results were well up on last year.

- Advertising revenue increased 9.4% to NZ\$419.4 million
- EBITDA increased 15.3% to NZ\$190.9 million
- EBIT increased 19.1% to NZ\$180.1 million.

The New Zealand performance in the second half of the year continued the strong growth experienced in the first half. When compared to the second half of last year:

- Advertising revenue increased 8.7% to NZ\$210.0 million
- EBITDA increased 10.0% to NZ\$95.6 million
- EBIT increased 12.9% to NZ\$89.9 million.

All aspects of Fairfax New Zealand continued their strong performance over the past year, with employment and real estate advertising markets driving advertising revenue growth of 9.4%. Higher earnings margins continue to reflect revenue initiatives and cost disciplines by management, resulting in sustained gains over and above cyclical factors. The New Zealand mastheads had stable circulation, with an increase in circulation revenues from organic growth in metro and regional franchises. Our papers held their competitive position in the Auckland market despite the launch of a new Sunday publication. The relaunched Jobstuff.co.nz employment site has increased market share in online listings.

Costs continue to be tightly managed, with costs reduced by 1.3% from last year. Excluding the impact of acquisitions and divestments, costs increased by 2.8%.

## **CAPITAL MANAGEMENT**

The record date for the final and special dividends announced today is 9 September 2005, and payable 11 October 2005.

As part of the company's capital management strategy, the Company continues to offer a Dividend Reinvestment Plan ("Plan"). There is no discount on the issue of shares under the Plan.

During the 2005 financial year, the Company implemented a capital management initiative – the issuance of NZ\$186 million in Redeemable Preference Shares in New Zealand – that will reduce the company's overall cost of financing.

## **MANAGEMENT TRANSITION**

David Kirk will formally commence as CEO on 21 November 2005. Fred Hilmer will step down proximate to that date. The Board has determined a retirement allowance of \$4.5 million for Mr Hilmer, consistent with his employment arrangements, and reflecting the timing and circumstances of the transition.

## **OUTLOOK**

While it is too early in the half to provide meaningful guidance, advertising revenue growth is continuing. The Company expects further earnings growth this half, the level of which will depend on the vitality of overall trading conditions. Further comment will be provided at the Annual General Meeting on 18 November 2005.

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