FAIRFAX MEDIA LIMITED
TRADING AND STRATEGIC PLAN UPDATE

SYDNEY, 3 May, 2011:- Fairfax Media Limited [ASX:FXJ] has today provided an update on current trading conditions and anticipated earnings for the 2011 financial year and an update on the implementation of the Strategic Review announced in November 2010 that includes gaining significant efficiencies from production processes allowing for further investment in quality journalism.

In total, revenues measured on an as reported basis for the second half to date are currently 4.5% lower than last year. This is within the range nominated at the time of the half yearly results announcement.

Operational controls have remained strong with second half costs tracking 1% up on last year. These costs include the development of the new iPad news applications due for launch shortly, the launch of the group-buying site Treat Me in New Zealand and the costs associated with the recent acquisitions of TenderLink and Occupancy.

While the rate of decline in advertising levels has abated slightly over the past month, the Company does not anticipate market conditions over the remainder of the current financial year improving sufficiently to offset the declines experienced to date.

Assuming current trading trends, the Company expects to report EBITDA of circa $600 million (excluding significant items) for the full financial year.

Greg Hywood, CEO and Managing Director, said significant items would be impacted by a series of cross company operational changes as the next stage of the implementation of the 2010 Strategic Review.

“These focus on streamlined production processes which bring reduced costs and allow reinvestment in quality journalism” Mr Hywood said.

The changes are focussed on Fairfax Media’s Australian and New Zealand Publishing, Printing and Distribution businesses.

A one off redundancy cost of approximately $25 million relating to these measures will be incurred in the 2011 financial year.

These changes will reduce net annual costs by approximately $15 million, commencing in the 2012 financial year.

Commenting on **current trading conditions** Mr Hywood said that since November 2010, Australian and NZ advertising markets have been weak, particularly in the retail sector which makes up more than 20% of advertising revenues.

“The overall softness is consistent with trading conditions reported by major clients and reflects poor consumer sentiment” he said.

“Revenues have also been directly affected by the flood conditions experienced in key markets early in the second half and the continuing impact of the Christchurch earthquake.

"The revenue declines have been experienced in Australian metropolitan and NZ publishing businesses.

"Regional publishing, Australian and New Zealand Online businesses, Radio and Agricultural publishing have shown revenue growth during the half.

"The relative strength of the Australian currency against the New Zealand dollar has had a negative impact on the translation of revenues and earnings from our NZ publishing and Trade Me businesses.

"The results anticipated for the 2011 financial year reflect poor cyclical trading conditions. We are not alone as a number of businesses dependent upon consumer discretionary expenditure are experiencing the same difficulties."

Mr Hywood said the **operational changes** emanating from the 2010 strategic review would position Fairfax well to take advantage of any recovery in the economy during 2012 and beyond.

"When we released our strategic review in November 2010 we signalled to the market that one of our first priorities was to establish sustainable publishing models.

"Since that time we have conducted a rigorous line-by-line review of costs and operations throughout the Company. A key decision has been to adopt global best practice with regard to the production processes.

"Gaining these efficiencies from our production processes is also facilitating further investment in the creation of quality, independent journalism.

"Fairfax will be investing in more high calibre reporters and writers, an expanded trainee program and multi-media training and equipment.

"Quality journalism and content will be key to maintaining and developing new markets and audiences – all of whom will have a choice of how and where they access information and services."

In closing Mr Hywood said: "I am confident that the changes announced today, combined with the new management team and the clear strategy we have before us, will create a much stronger, vibrant and profitable company."

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