

ANNOUNCEMENT

SYDNEY, April 4, 2003 – A memorandum to Fairfax staff from Fred Hilmer, Chief Executive Officer, is attached below. It outlines further steps that advance and build on the organisational initiatives begun last year.

Fred Hilmer
Chief Executive Officer
John Fairfax Holdings Limited

Dear Colleagues

Last year, following fundamental reviews of our editorial, advertising, and marketing and circulation functions, we implemented a number of organisational changes to help drive the business forward as our major capital investments – Tullamarine and the upgrade at Chullora – were being completed. The most significant was the formation of the Commercial Division, with responsibility for three key advertising categories for Herald Publications, *The Age* and f2.

These changes have provided a sharper focus on the competitive opportunities ahead, and have strengthened our capabilities in selling, marketing and commercial strategy.

However, with our new production capacity now in place and with a clearer view of our opportunities and challenges, I believe it is now timely to take these changes a step further. In summary, we will move to a more direct functional structure for our metropolitan newspapers, *The Sydney Morning Herald*, *The Sun-Herald*, *The Age* and *The Sunday Age*.

Under this structure editorial responsibility for all mastheads in Sydney and Melbourne will be vested in a Metropolitan Editor-in-Chief, who will in turn report directly to me. The editors of the Herald and Age newspapers will assume greater editorial responsibility over their publications.

The Commercial Division will be expanded to include all advertising sales in metro mastheads as well as our magazine division, marketing, promotions and subscriptions management.

Mark Scott will become Editor-in-Chief of Metropolitan Newspapers. Alan Revell will assume the newly-expanded role of Commercial Director. They bring exceptional qualities and skills to their new positions, and we wish them every success.

In addition, Michael Gawenda has been appointed Editor-in-Chief of The Age, with greater responsibility for editorial direction at the paper. Robert Whitehead continues as editor of The Sydney Morning Herald, and Phil McLean at The Sun-Herald. Robert will assume more responsibilities for the growth of Herald Publications.

In this structure, the Metropolitan Editor-in-Chief and the Commercial Director will work closely together on new initiatives, product development and operational coordination.

Responsibility for circulation and management of field sales will be assumed by Group Operations under Peter Graham. Administrative services (other than newsprint and related functions) will report through to Mark Bayliss, who will also assume line responsibility for all finance activities throughout the Group.

OBJECTIVES

The main objective of these changes is to further improve our capacity to grow organically.

With the printing capacity and other improvements in infrastructure now in place, we have significant opportunities in each of our business areas. These include:

1. Increasing and smoothing the rate of revenue growth:
 - In display via increased colour, further product innovation, and more sophisticated and aggressive selling activities.
 - In our key categories by using our capacity and other resources to focus on particular competitive challenges in the market. We also have potential to further bundle across f2 Network and our mastheads, and to grow f2 Network organically.
 - In circulation, by improving distribution, marketing and retail strategies across all our mastheads.
2. Continue improving editorial quality while steadily reducing costs. Maintaining distinctive products with their own identity and voice in each of our markets is central to our competitive advantage and the quality of our broadsheets. However, at the same time, we face an ongoing challenge of maintaining high-quality editorial content in the most effective and efficient way.
3. Continually improving efficiency and productivity:
 - In printing and distribution by fully exploiting all the advantages of our recent investments.
 - In support functions and staffing by continuing to streamline work processes by simplifying what we do and adopting Fairfax-wide processes.

4. Building up new areas of potential growth, such as Magazines, Regional and Community Papers and the f2 Network

ADVANTAGES OF NEW STRUCTURE

The new structure will better enable us to achieve each of these objectives. First, there is clear and unambiguous responsibility for all metro revenues and revenue growth at the most senior level. Second, the structure makes it far easier for a systematic, intensive focus on both editorial and commercial functions across our metro mastheads. More importantly, it encourages us to seek out and apply best practice in each function across our mastheads.

As a consequence of these changes, the positions currently held by Greg Hywood and Nigel Dews are not retained in the new structure. Greg has had an outstanding career with the company over many years as a journalist and executive. Most recently, he led the redesign of The Age and positioned it well for the future. His many contributions throughout the company are sincerely appreciated.

Nigel has seen f2 through all its phases of growth, turbulence and now stability and success, and he established the Commercial Division – indeed, a year ago he helped us see the imperative of moving in this direction, and he is supportive of the further steps we are taking today. I am grateful for all he has done. Nigel will remain on staff and will assist with the transition for the next few months.

These developments will better enable us to take fuller advantage of every opportunity to grow our publications, revenues and market shares. We have an excellent team throughout the company, and we will benefit from your continued commitment and dedication.

Sincerely,

Fred

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