Fairfax

**John Fairfax Holdings Limited**
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**201 SUSSEX STREET, SYDNEY, 2000**

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## ANNOUNCEMENT

# Fairfax reports a 94.2% increase in net profit after tax to $70.0 million for the 6 months ended 31 December 2002

SYDNEY, 12 February 2003 – John Fairfax Holdings Limited [ASX:FXJ] today announced a net profit after tax for the six months ended 31 December 2002 of $70.0 million, up 94.2% from the previous corresponding period. Excluding the $11 million significant item in the previous corresponding period, related to the write-down of the investment in CitySearch, net profit after tax was up 48.8%.

Earnings per share (post PRESSES dividend) were 8.39 cents, up 70.9% from last year; and up 31.2% from last year's earnings per share pre significant item.

On a trading basis, group EBIT rose 27.5% to $112.2 million. Publishing EBIT (excluding associate profits) was $114.5 million, up 11.1%. f2 Network's EBIT loss was $3.4 million, well down from the $15.3 million recorded for the corresponding period last year. Publishing revenues increased $16.8 million, or 2.9%. Revenues in f2 Network's continuing News and Classifieds business increased by $5.4 million, or 84.4%.

Total group costs were $466.7 million, a reduction of $14.1 million, or 2.9%, compared to the previous corresponding period.

Considering the strength of the balance sheet and the significantly reduced capital expenditures going forward as a result of the recent upgrades to production facilities, the Board is pleased to announce an increase in the fully franked interim dividend of 0.5 cents per share or 11.1% to 5.0 cents.

## Statement by Mr Fred Hilmer, Chief Executive Officer

With continuing firm management of all aspects of the business and an improvement in market conditions, we were able to secure gains in profit. Our mastheads have strengthened their leadership positions in their markets. While circulation levels have remained strong, readership and usage (the main drivers for advertisers) have seen a significant improvement against our major competitors and the market during the past year.

Three main factors underpin the result:

1. Resumption of revenue growth, reflecting both a stronger media market and a number of initiatives flowing from the reorganisation of sales activities in June 2002.

   In the first quarter, revenue growth improved only marginally over the previous corresponding period. However, in the second quarter growth increased by over 5% compared to the previous corresponding period. Display revenues accounted for the majority of the improvement. Classifieds also improved, notably employment and motor vehicle.

   Improved performance was achieved by most of the business units. Our regional and suburban newspapers have continued to post strong gains on last year. The metropolitan papers have seen solid growth, although the business publications market remains weak.

   A number of targeted sales initiatives, both in traditional and new areas, contributed to this result. Examples include special reports, themed issues of magazines, special value-adding classified promotions, and new retail advertising supplements and inserts.

2. Further cost reductions were achieved during the period. Total costs were down $14.1 million, or 2.9% from the prior year. Publishing costs increased by 1.9%, as increasing efficiencies and lower newsprint costs partly offset contracted wage and salary increases and additional costs from the dual running of the Tullamarine and Spencer Street printing facilities. Costs in f2 Network were reduced by $22.6 million or 63.3%.

   Underlying costs are expected to remain flat in the second half. As previously announced, the commissioning of Tullamarine will lead to a slight increase in reported total costs for the half. For the 2003 financial year, as a whole, we anticipate costs to be slightly lower than those of the 2002 financial year.

3. A significant reduction in the losses from f2 Network as a result of a more targeted approach and the closure of the CitySearch directory business. The EBIT loss improved to $3.4 million for the first half, a reduction of 77.7% on the previous corresponding period. Solid revenue growth of $5.4 million or 84.4% was achieved in the continuing News and Classifieds business. The f2 Network is well on track to achieve an EBIT loss below $10 million for the 2003 financial year, as previously foreshadowed.

We have also continued to make good progress in other areas of our business, notably commissioning of new printing facilities and strengthening of our newspaper franchises.

The new printing facility at Tullamarine and the upgrade at Chullora are now substantially complete and close to being fully operational. Both facilities have been completed within budget with the commissioning of both plants proceeding as planned. We now have printing capacity, quality and efficiencies at world best standards that will offer significant benefits going forward.

## Outlook

Trading in the first 5 weeks of the 2003 calendar year has continued at levels above 2002. However, it is still too early to forecast the result for the full year with any accuracy, especially with the continuing uncertainty in the international situation.

Should the current trading environment continue, we expect profit after tax in the second half to increase above last year's second half result of $43.3 million pre significant items, despite a one-off cost increase as a result of the commissioning of the Tullamarine printing facility.

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