Fairfax Reports Net Profit After Tax Up 134% to $125.5 Million

For The Financial Year Ended 30 June 2003

SYDNEY, September 9, 2003 -- John Fairfax Holdings Limited [ASX:FXJ] today announced a net profit after tax (pre-PRESSES dividend) for the financial year ended 30 June 2003 of $125.5 million, up 134% from last year's profit of $53.7 million. This is an increase of 39.1% on last year's $90.2 million after tax net profit pre-significant items and slightly ahead of that foreshadowed in the company's announcement of 5 August 2003.

Earnings per share were 14.4 cents, up 134% from last year, post-significant items and 29.1% pre-significant items.

Other highlights pre-significant items include:

- Group EBIT increased 23.1% to $201.3 million.
- Publishing EBIT increased 9.2% to $210.3 million.
- Publishing revenues increased $45.9 million, or 4.0%.
- f2's EBITDA loss narrowed to $1.7 million, an improvement of 92.5%. f2's EBIT loss of $9.0 million was within the range previously foreshadowed.
- f2 revenues, on a like-for-like basis, increased by $11.5 million, or 77.2%.
- Group costs remained well under control at $939.7 million, slightly below last year's level.

In light of these results and the improvement in cash flow, the Board has announced a final dividend for the year of 8 cents, fully franked, bringing the total dividend for the year to 13 cents per share, fully franked, an increase of 1.5 cents, or 13.0% over last year. Record date for the dividend is 31 October 2003, and payable 14 November 2003.

Statement by Mr Fred Hilmer, Chief Executive Officer

I am pleased with the result we are reporting to our shareholders for two reasons.

First, this is a good result in its own right, with strong profit growth in a tough market environment. Advertising revenues have increased, costs have been kept well under control, f2 losses have been significantly reduced and cash tightly managed.

Second, we have delivered this result while successfully completing projects that substantially strengthen our business but potentially involved significant risk in execution. These include the completion of the new plant at Tullamarine, on budget and with a favourable industrial relations outcome, and the acquisition of the New Zealand publishing assets of INL Limited, which was the largest acquisition in the company's history.

Key Areas of Activity

(1) **Fairfax New Zealand**. The integration of Fairfax New Zealand has proceeded smoothly following completion of the acquisition from INL on June 30, 2003. Under the leadership of Brian Evans, appointed as CEO of Fairfax NZ, the senior management team is in place and progressing programs to obtain the benefits of operating synergies throughout the New Zealand business. We are confident that we will achieve an EBITDA of at least NZ$130 million in the 2004 financial year, as previously foreshadowed.

(2) **Tullamarine and Chullora**. With Tullamarine fully operational and the upgrade at Chullora complete, printing operations have improved significantly. Production quality at the new plant is excellent. The new capacity has also enabled the introduction of substantially more colour in *The Age* and *The Australian Financial Review*. The Chullora upgrade is also yielding greater colour capacity in *The Sydney Morning Herald* and *The Sun-Herald*. To date, there is good new colour takeup from display advertising clients.

(3) **Costs.** Cost discipline has been maintained. Notwithstanding wage inflation of 5% (including the increase in the SGC levy), and double running costs at Spencer Street in the transition to Tullamarine of $7 million (as previously foreshadowed), cost increases have been substantially absorbed through tight cost management, with overall costs across the Group totalling $939.7 million, slightly below last year's level. Over the past three years, group costs have fallen and the underlying publishing division cost base has grown at slightly less than 1% per annum compound over the period. This cost discipline will continue going forward.

(4) Newspaper Franchises

Metropolitan papers. In a challenging year for advertising revenues, our metropolitan newspapers enjoyed revenue growth. Editorial quality is not only a strong source of pride but a competitive advantage for both *The Sydney Morning Herald* and *The Age*. Journalists at the *SMH* won the most prestigious award in journalism, the Gold Walkley. Our coverage of the war in Iraq and other major developments at home and abroad was distinctive and followed avidly.

For *The Sydney Morning Herald*, there were good readership gains on Saturdays, but circulation fell slightly year-on-year. Circulation was steady for *The Age* on weekdays, and *The Age* maintained a solid readership edge in the key AB audience demographic on weekdays and Saturdays. In a very competitive Sunday market, *The Sun-Herald* maintains a superior readership profile attractive to advertisers.

Display advertising was up sharply with particularly good results in retail and inserts. Classified advertising was ahead of last year, with growth in automotive helping to offset flat real estate and weakness in employment. *the (sydney) magazine* created a new revenue stream, and is popular with readers.

There is a current softness in employment advertising in New South Wales and Victoria, our key markets, with print and online job ad volumes declining by similar amounts from their respective peaks. However, in other geographical markets, where overall employment is stronger, print employment advertising revenues are also stronger. We are well placed in both segments to benefit from a recovery in employment advertising markets in New South Wales and Victoria.

Fairfax Business Media. FBM continued to experience difficult trading conditions, reflecting both local and global trends in financial and business services markets. In this environment, we continued to trade profitably, well ahead of international benchmarks for this sector. Our readership and paid circulation relative to target market size remains strong.

Regional and Community Newspapers. Compared to 2002, this part of our business registered EBITDA growth of 23.0%. The revenue and profit growth of this division has been strong relative to competitors in this sector for the past three years. Over the year, *The Newcastle Herald*, *Illawarra Mercury* and *Warrnambool Standard* all registered good circulation growth. *The Newcastle Herald* has now grown circulation by over 20% over the past five years.

f2. f2 is currently trading profitably at the EBITDA level, and we expect f2 to improve further this year. Classified revenues have grown substantially during the past 12 months, and web traffic is at record levels. All the classified sites (MyCareer.com.au, Domain.com.au, and Drive.com.au) are either #1 or #2 in their category in the NSW and Victoria markets.

Capital Management

Going forward, we expect that the company's cash generation will allow us to provide a higher return of funds to shareholders, and this is reflected in our dividend increase. Capital expenditure in our Australian business will be approximately one half of depreciation over the next two years, and two thirds of total depreciation including New Zealand. The Board has resolved, recognising that the company has completed its major expenditure programs, to adopt a dividend policy to provide shareholders with a payout ratio greater than 70% through the cycle.

Outlook

Compared with last year, trading in the first ten weeks of this financial year has been generally steady in Australia and stronger in New Zealand. In Australia, display advertising continues to grow strongly, while employment and real estate classified advertising has softened, consistent with market conditions in those sectors. The company is well positioned to benefit further from cyclical improvements in advertising markets.

Barring unforseen circumstances, we expect to continue earnings growth in 2004, the scale of which will depend on the vitality of further trading activity through the year.

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