FAIRFAX REVIEW

John Fairfax Holdings Limited ACN 008 663 161 — Concise Report 2000

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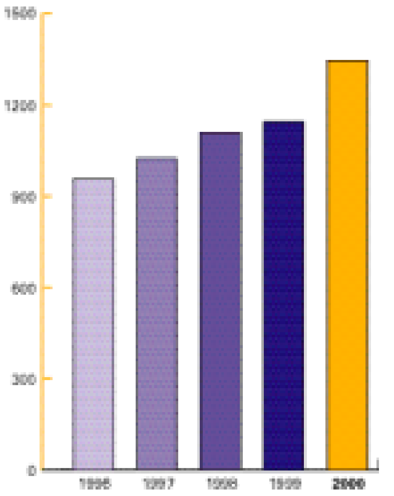
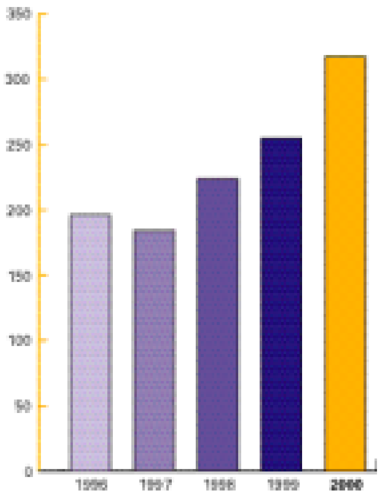
Financial Highlights | Results of operations

Results of operations	2000 $M	1999 $M	Variance %
Trading Revenue	1,344.9	1,144.8	17.5%
Earnings before interest and tax (EBIT)	317.2	254.9	24.4%
Net profit pre abnormals	168.7	134.5	25.5%
Net profit after abnormals	185.8	180.3	3.0%
Earnings per share pre abnormals	23.2¢	17.3¢	34.0%
Dividends per share	11.5¢	10.5¢	9.5%

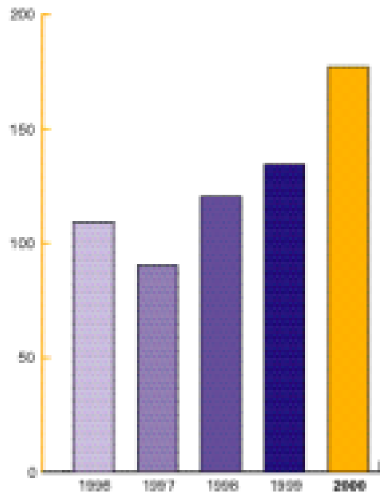
Trading revenue $M



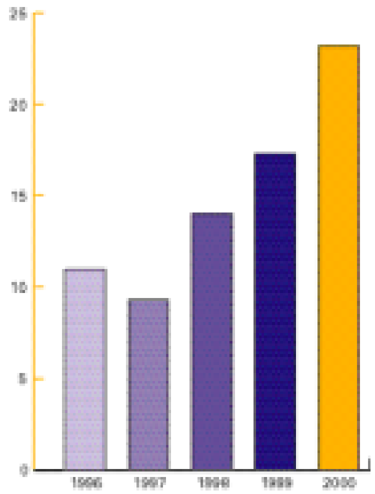
EBIT $M



Net profit pre abnormals $M



Earnings per share pre abnormals Cents



Chairman's report | Brian M. Powers

Continuing work to strengthen performance

We are pleased to report an excellent result for the 1999/2000 financial year. The result reflects our continuing work to strengthen the Company's operating and financial performance, and thereby earn returns commensurate with the leading market positions of our mastheads and brands.

Earnings per share pre abnormals increased 34% from 17.3 cents per share to 23.2 cents per share. The total improvement over the last 2 years for this key measure is over 65%. During the year, the Company built on gains made in productivity and quality to achieve outstanding increases in revenues. Our overall revenue growth of 17.5% year-on-year compares extremely favourably with the results achieved by other media companies, both in print and broadcasting. All parts of the Company contributed to this result.

Our investment in f2, the Fairfax interactive network, continued in the past year. This investment (a $40.7 million loss at the EBIT line equivalent to about 3.8 cents per share after tax) materially affected our overall financial result. Management and the Board continue to believe this expenditure is well justified. While many of the leading media groups in other parts of the world have been slow to exploit the internet to extend their brands and mastheads into new potential businesses, we made the decision to move more aggressively in this key strategic area.

Our highly popular network of sites attracts some 13 million page views per week. In addition to reinforcing our position as Australia's 'information provider of record,' these sites provide valuable traffic to the four online e-commerce sectors we have targeted: CitySearch Directories, Classified Supersites, Auctions/Shopping, and Financial Services.

We have achieved strong market positions in all these areas. This places us extremely well as the market enters what we believe will be a period of consolidation. As investors in the area become much more discerning, this will favour the companies, such as ours, which have established leading positions online, are well funded, and bring a natural competitive advantage to the business.

Our intrinsic value and prospects depend on the strength of three core assets: our brands and mastheads; our people; and the technologies we use to create, sell and distribute our content. Over the past year we have been working on improving each of these core assets.

Mastheads and Brands. By any measure, Fairfax's portfolio of mastheads and brands including *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, *The Sun-Herald*, *The Good Weekend* and *Business Review Weekly*, is outstanding. Each is a leader in a well-defined, highly valued segment of the media industry. Over the past year we have made significant investments in improving a number of these mastheads including a major redesign of *The Sydney Morning Herald*, the redesign and addition of magazine inserts in *The Sydney Morning Herald* and *The Age*, and improvements to both *The Australian Financial Review* and *Business Review Weekly*. Moreover, the brands are being extended online and their positioning reinforced by their presence in multiple media. As the media market continues to fragment, these mastheads and brands that deliver large, attractive audiences, become increasingly valuable. We are also adding new brands such as CitySearch Directories and **SOLD.com.au**, and a number of business titles including *MIS* that came with the acquisition of the Strategic Publishing Group.

Our People. The quality and reputation of our brands and mastheads depends on the ongoing efforts of a large number of our people producing editorial content, arranging advertising, printing and distribution, selling products and supporting these activities. Over the past year the Company benefited from a strengthened and stable top management team. At the same time, we are increasing the breadth and depth of staff training, extending and refining performance management, and continuing to bring in trainees, thereby renewing our pool of skilled journalists for the future. We have also been seeking to align employee and shareholder interests through staff share ownership plans. These have been well received, with about 50% of employees participating.

Technology. We are introducing significant improvements in our printing capabilities, and our systems. The new plant at Tullamarine (Victoria), and the additional colour and mailroom capacity to be added to Chullora (NSW) will give all our newspapers expanded capacity to accommodate improvements in editorial content and presentation and to meet advertiser demand for colour. The revamped sections and colour inserts in *The Sydney Morning Herald, The Sun-Herald* and *The Australian Financial Review* have refreshed those products and enabled them to achieve improved financial performance. We are also making investments to upgrade our computing systems and technologies that support our editorial, photographic, advertising and management functions.

In the coming years we will continue to pursue new platforms for growth: new outlets for our content, both in new technology or other media, and new geographical markets. We will also continue to advocate fundamental changes to media law and regulations that arbitrarily restrict our ability to compete in new areas – and therefore limit our ability to grow in Australia.

The current year began positively with revenue growing solidly year-on-year. As anticipated, our revenues have begun to be affected by the onset of the Sydney 2000 Olympics. However, we expect advertising revenues to return to healthy levels in October following the Olympics and, assuming the economy holds, would expect solid earnings growth this year.

On behalf of the Board, I want to thank management and staff for their dedication and commitment, and the hard work and sacrifices that inevitably accompany a result such as that achieved by Fairfax this year.

Chief Executive Officer's report | Frederick G. Hilmer AO

Our future is in our own hands

Two years ago, when I began my term as Chief Executive Officer, a number of pundits were forecasting a bleak or at least uncertain future for newspapers. Key threats – the internet and a possible decline in reading among the young- were seen to outweigh the proven robustness of what was being referred to as an 'old medium'. This year we are hearing different stories. For example, in July, Veronis Suhler, the US investment bank, reported in its *Communications Industry Forecast 2000-2004*:

> *'In 1999, the newspaper industry once again defied the skeptics who have been proclaiming the demise of this print format since the dawn of the Internet age ...*
> *The newspaper industry benefited from a strong national economy, and barring a worse than expected slowdown in economic growth, we project the newspaper segment will have another good year in 2000, with steady growth through 2004 ...'*

The results that we are reporting are consistent with these comments. By any measure, Fairfax has had an excellent year. Earnings per share pre abnormals are up 34% to 23.2 cents, and on a like for like basis, excluding the effect of businesses acquired during the year or sold in the previous year were up 46%. Profit after tax and abnormals reached a record of $185.8 million. Publishing earnings before interest and tax were up 33% to $358.0 million, reflecting an improvement in margin from 24% to 28%. At the same time, we continued to invest in f2 at planned levels, incurring a loss before interest and tax of $40.7 million.

The point that we take both from our results and the changing views about our industry is not one of complacency. We are operating in a contestable, competitive environment. Our share of our audience time and attention is being challenged by the internet, pay-TV, mobile phones, other hand-held devices, increasing hours worked and even the emergence of the 'coffee shop habit'. However, what these trends do indicate is that, provided we are prepared to confront the challenges we face and apply sufficient imagination, ingenuity and hard work to our businesses, we can continue to grow. In other words, our future is in our own hands.

As foreshadowed in last year's annual report, we are managing the business in terms of its four major components: General Newspapers, Fairfax Business Publications, Group Operations and f2. In each case, we are seeking to both strengthen and grow. At the same time, we are exploring opportunities beyond our existing geographic and product footprints through an exercise that we will carry out prudently and over a number of years.

General Newspapers

General Newspapers comprises our major metropolitan daily papers, *The Sydney Morning Herald, The Age* and *The Sun-Herald,* inserted magazines (in particular *The Good Weekend* and *SundayLife*) and our regional and community newspapers.
For these papers the 2000 fiscal year was marked by strong profitability, the highlight of which was outstanding growth in advertising and circulation revenues and in advertising volumes. For *The Sydney Morning Herald* advertising revenue was up 14.9%, driven by a display volume increase of 12.7%, and a classified volume increase of 5.5%.

The Age showed strong growth in advertising revenues, up 11.9%, with classified volumes up 4.3%, and display volumes up 9.4%.

The Sun-Herald enjoyed advertising revenue increases of 23.3%, and advertising volume growth of 14.0%. While circulation revenues continue to increase, overall circulation is in line with industry trends. *The Age* has shown firmer circulation on weekdays, and *The Sydney Morning Herald*'s weekday circulation has steadied. Readership figures were stronger in the last quarter of the year for *The Sydney Morning Herald*, and *The Sun-Herald*, and were steady for *The Age*. Regional publications are strong, with *The Newcastle Herald* continuing to register substantial circulation gains.

This growth reflects our dedication to continuous product improvement. Over the past 2 years almost every section of *The Sydney Morning Herald* and its overall format have been significantly upgraded. New sections have been added to *The Sun-Herald* and *The Age*. Additional magazines, most recently *e) mag* and *Uncorked*, have been introduced from *The Age* to *The Sydney Morning Herald* and further fundamental redesign for *The Age* is being examined as part of the Tullamarine project which will provide state-of-the-art printing capacity in Melbourne in 2002.

At the same time we are continuing to improve processes and efficiencies. Savings have been realised through Group Purchasing. On-time performance in printing and distribution is better and further improvements are planned this year. New technology is being used for producing copy and images.
The processes by which advertising is received are being streamlined and our financial systems are being upgraded. We see these types of changes as an integral part of how we need to manage the business.

Fairfax Business Publications

Fairfax Business Publications include *The Australian Financial Review*, its insert magazines *AFR Magazine* and *Boss, BRW, Shares, Personal Investment* and the titles of the Strategic Publishing Group acquired in December 1999.

Fairfax Business Publications made a major contribution to our growth in publishing this year, with revenues on a like for like basis up 25.4% due to growth in both advertising revenue (up 29.0%) and circulation revenue (up 18.4%). Circulation and readership levels for *The Australian Financial Review* are at record levels, with particularly strong sales of the Weekend Edition. *The Australian Financial Review* implemented significant content improvements such as the *Market Wrap*, covering all aspects of market news, and *Boss* magazine, which broke new ground in the area of management. *BRW* and *Shares* magazines performed well, reflecting the growing interest in comprehensive business and personal investment topics.

The acquisition of Strategic Publishing Group was a significant development that has added to our regional reach, and yielded immediate gains in revenues.

The Australian Financial Review Market Wrap on CNBC, shown each weeknight on pay-TV systems throughout Australia and Asia, adds to the reach of the masthead and its content. The joint venture with NewsAlert LLC enables financial and business-to-business websites to publish customised news and market data throughout the Asia-Pacific region.

Group Operations

The significant upgrades in print operations are proceeding to plan. The construction of the new plant at Tullamarine, Melbourne, is proceeding well. With volumes at Chullora, Sydney, already at record levels, the decision to provide additional printing capacity will enable *The Sydney Morning Herald*, *The Sun-Herald* and *The Australian Financial Review* to proceed further with a strategy of more colour, new editorial and advertising supplements, and other improvements.
Operational improvements have focused on time, cost and quality. Increased volume has been handled while improving on-time running and reducing costs. Cost reductions have been achieved through materials and service procurement savings. More effective use of existing capacity has reduced cost per printed page. A rationalisation of printing capacity has provided increased colour and quality to products such as *The Illawarra Mercury* and *The Sun-Herald*.

f2

f2 continued its development as a leading online company. f2 enjoyed strong revenue growth, up 122% to $55.4 million, and incurred a loss before interest and tax of $40.7 million, at the mid-point of indicated levels. Online revenues increased by 159% while offline revenues (print directory) grew by 18% on a like for like basis. Transaction revenues (the majority of which were generated by **SOLD.com.au**) grew by 100%, exceeding $1million for the first time.
Other key areas of revenue growth included:

- Banner advertising and sponsorships across the f2 network up 162%, year-on-year
- Online classified supersite listings up 180% year-on-year
- CitySearch revenues up 83% on a like for like basis.

This very strong revenue growth was supported by significant increases in traffic and visitors to the f2 network of sites. Total page views to the network increased by over 136% to 75.2 million in June 2000, while the number of site visits increased by 100%.

Increased cross promotion from the print products and further navigational integration among the sites has been an important contributor to this growth.

f2 continues to leverage the traffic volumes generated by the highly popular newspaper web sites, particularly *smh.com.au, theage.com.au*, and *afr.com.au* which collectively attract around 6.5 million page views per week. f2 news sites are collectively the most popular in Australia, and are at the forefront of adapting new technologies, such as streaming video and audio, to augment their content and coverage.

Costs were up 143% year-on-year reflecting both additional costs associated with acquisitions of new businesses and continued investment for growth in the key areas of CitySearch Directories, Classified Supersites (automotive, real estate and employment), Financial Services and Auctions/Shopping.

Consistent with our approach of putting our content into other media distribution networks, f2 is pursuing new ways to distribute its content through alliances and new delivery platforms such as broadband and WAP (wireless application protocol).

Other Developments

Beyond online, we are systematically examining other ways to improve and generate value from our content. For example, we are putting our content into other forms of media. *The Australian Financial Review Market Wrap*, seen on weeknights on pay-TV throughout Australia and Asia, is extending our business and market news franchise into broadband. Our f2 websites increasingly feature video and audio material.

In addition, we are seeking opportunities to take our content into new geographies as with the acquisition of Strategic Publishing Group and our joint venture with NewsAlert LLC, NewsAlert Asia Pacific.

We are, however, disappointed with the current policy framework for media and broadband content. It appears to have evolved from a preoccupation with the past, rather than an appreciation of present opportunities with an eye towards the future. However, we believe that markets, technology and the drive of talented people will inevitably overcome poor regulation. We will, in our determination to pursue new platforms for growth, continue to explore the opportunities before us.

We continue to strengthen our senior management team. New developments during the year have seen overall responsibility for Herald publications, including *The Sydney Morning Herald* and *The Sun-Herald*, assigned to Greg Hywood. Peter Graham is now responsible for all Group Operations, including those at Spencer Street in Melbourne. Alan Revell, who has done a superb job as Publisher and Editor-in-Chief of *The Sun-Herald*, has become Managing Director for Content and Commerce at f2, while Bob Copp has joined us to run CitySearch Directories after a number of years as Chief Operating Officer for Yellow Pages. We are also continuing our commitment to learning and development throughout the organisation and to the intake of trainees.

Finally, I would like to thank all of our staff who have not only done an outstanding job in a very busy year, but have also helped us make significant changes and improvements.

Management discussion and analysis | by Mark Bayliss

Earnings at record level

Financial Highlights

- Profit after tax and abnormals of $185.8 million – a record result
- Profit after tax pre abnormals up 25.9% to $168.7 million
- Earnings per share (pre abnormals) increased 34.0% to 23.2 cents
- Earnings Before Interest and Tax (EBIT) increased 24.4% to $317.2 million
- Revenues up 17.5% to $1.34 billion
- Interest cover based on EBITDA increased from 6.9 to 8.0 times.
- Sale of remaining shares held by AAPIS in AAPT

Overview

The operating results for the 2000 fiscal year reflect our strategy of transforming Fairfax into an increasingly dynamic and growing media company. Not only have we strengthened and grown our existing publishing businesses, we have also continued the development of f2 as a leading online company in Australia, and have pursued the growth and development of Fairfax into new geographic and new product areas.

These results reflect record earnings with all key financial indicators showing strong improvements off an already substantially improved base in the 1999 fiscal year. They are the result of an emphasis on delivering revenue growth from product and service improvements and innovations, whilst maintaining a continuing focus on cost containment. As a result, Fairfax earns a profit margin in its publishing businesses at the top levels of industry performance worldwide.

Group Performance

Fairfax achieved significant revenue growth, with revenues increasing by 17.5% to $1.34 billion. On a like for like basis, excluding the effects of businesses acquired during the year, or sold in the fiscal 1999 year, revenues increased 14.9% over last year to $1.29 billion. Fairfax continues to maintain its focus on margins, ensuring an appropriate balance between revenues and costs. On a like for like basis, costs grew by 11%, reflecting growth in the scale of the business. Total costs grew by 17.0% to $963.0 million, primarily driven by increased investment in f2 and further acquisitions in our publishing businesses. The effects of this operating leverage in the business combined to increase net profit pre abnormal items by 25.9% to $168.7 million, or by 36.6% on a like for like basis. EBIT margins improved from 23.0% last year to 26.7% this year on a like for like basis. Earnings per share pre abnormal items grew at an even higher rate due to the change in the capital base as a result of the share repurchase in January 1999, with a growth of 34.0% to 23.2 cents, or 45.8% on a like for like basis. Earnings per share pre abnormal items has now increased 66% since the focus on cost containment and revenue growth began two years ago.

Profit and Loss: Overview
like for like basis [1]

	2000 $m	1999 $m	Variance %
Trading Revenue	1287.3	1120.1	14.9%
Costs	882.9	795.4	(11.0%)
EBITDA	404.4	324.7	24.6%
Depreciation	62.5	66.3	5.9%
EBIT	341.9	258.4	32.4%

[1] Like for like basis excludes the effects of businesses acquired during the fiscal 2000 year or sold in the fiscal 1999 year

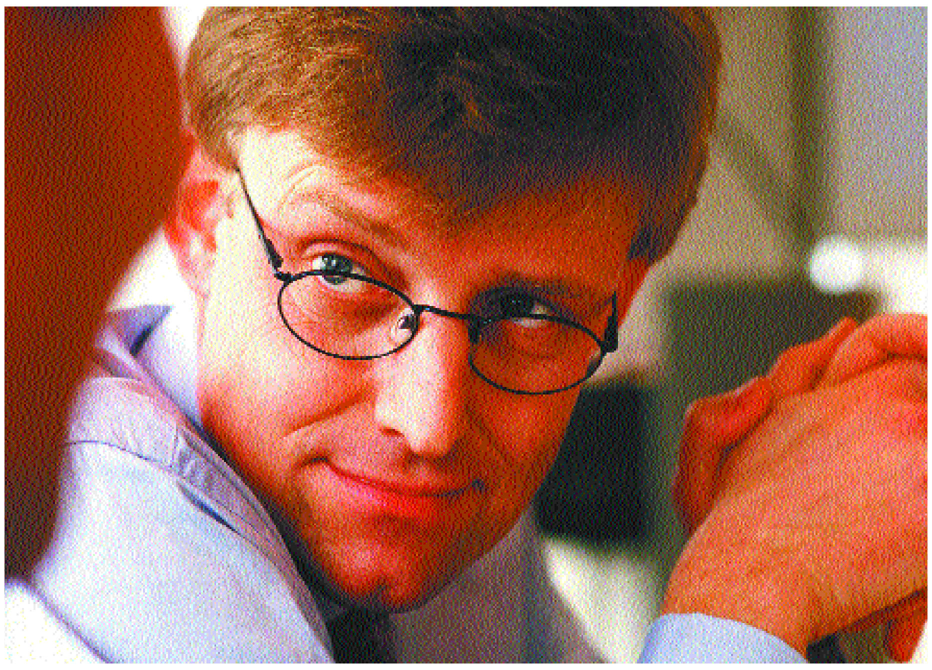
Publishing – A Strong and Growing Business

Revenues

Our publishing businesses (General Newspapers, Fairfax Business Publications and Group Operations) had an exceptional year. Revenues grew in total by 15.2%, (14.7% to $1.28 billion on a like for like basis), reflecting the continued focus on both yield management and volume growth. On a like for like basis, advertising revenues grew 16.6% to $1.03 billion and circulation revenues 6.7% to $219.7 million.

The Sydney Morning Herald posted a 14.9% increase in advertising revenue, driven by both volume and yield increases. Classified and display volumes increased by 5.5% and 12.7% respectively, while classified and display yield increased by 7.2% and 7.9% respectively. While circulation, consistent with overall industry trends, fell by 1.7% and 2.7% for the weekday and Saturday editions respectively, a 20 cent increase in the cover price for the Saturday edition to $1.70 in May 1999 contributed to an overall increase in circulation revenue of 2.9%.

The Age enjoyed an 11.9% improvement in advertising revenue over last year primarily driven by a strong focus on yield management. Classified volume was up 4.3% against last year while display volume was up 9.4%. Importantly, both Classified and Display yield increased by 7.8% and 14.8% respectively. Circulation volume increased 0.6% for the weekday edition, exceeding overall industry trends. Decline in weekend circulation levels was offset by a 10 cent increase in the cover price for the Sunday edition to $1.40 in August 1999.



The Australian Financial Review continued strong growth in advertising revenue posting a 33.6% increase year on year. Display volumes were up 20.9%, assisted by strong yield growth of 10.1%. Circulation of both the weekday and weekend edition rose by 4.3% and 9.6% respectively. Cover price was increased by 20 cents to $2.00 in September 1999.

The Sun-Herald delivered a 23.3% increase in advertising revenue driven by solid growth in both display advertising and yield management. Circulation volume decreased by 1.7%, changes to subscription rates and readership mix during the year partly offsetting this decline, with circulation revenue up 2.2%.

Magazine revenues were up 14.4%. The strong performance was largely due to advertising increases for *Good Weekend* magazine of 21.2% and *BRW* of 22.9%. All other magazines performed well, particularly *Personal Investor*, *Shares* and *SundayLife*.

Fairfax Community and Regional Newspapers delivered revenue gains of 17.5%. Advertising revenues were very strong in Fairfax Community Newspapers and Newcastle Newspapers, up 27.0% and 9.2% respectively on the previous year.

Costs

Publishing costs grew by 10.9% during the year, with a like for like increase of 10.2% to $857.3 million. The significant increases in advertising volumes and new product initiatives accounted for over half of this increase. Staff costs increased 7.9%. Newsprint prices as a whole remained stable and are not expected to rise significantly during the 2001 fiscal year.

Profit and Loss: Publishing
like for like basis [1]

	2000 $m	1999 $m	Variance %
Trading Revenue	1275.5	1112.1	14.7%
Costs	857.3	777.7	(10.2%)
EBITDA	418.2	334.4	25.1%
Depreciation	61.7	66.0	6.5%
EBIT	356.5	268.4	32.8%

f2 – A Leading Online Business

f2 continued its development as a leading online business during the year, with strong revenue growth – up 122% to $55.4 million – due to the significant increase in the scale of the business and its operations. This very strong revenue growth was supported by significant increases in traffic and visitors to the f2 network of sites. Costs were up 143% year on year reflecting both additional costs associated with acquisitions of new businesses and continued investment for growth. Loss before interest and tax of $40.7 million was at the mid point of the level we had projected.

We have continued to invest in f2 at planned levels. Our aim is to build attractive businesses in the long term both by complementing our existing publishing businesses and by providing the opportunity to enter new fields.

We anticipate continued investment where necessary with the aim of building a successful and profitable business in the medium term. With the base established, the focus is on continued revenue growth.

Profit and Loss: f2
like for like basis [1]

	2000 $m	1999 $m	Variance %
Trading Revenue	11.8	8.0	48.5%
Costs	25.6	17.7	(44.5%)
EBITDA	(13.8)	(9.7)	(41.3%)
Depreciation	0.7	0.3	(117.4%)
EBIT	(14.5)	(10.0)	(43.8%)

Key Statistics	2000 $m	1999 $m
EBITDA margin (%)	28.4%	28.1%
Net Debt to equity (%)	56.2%	74.8%
Interest cover (times)	8.0	6.9
Earnings per share - pre abnormals (cents)	23.2	17.3
Earnings per share - after abnormals (cents)	25.5	23.2
Dividends per share (cents)	11.5	10.5

Fairfax – A Growing Company

Our growth to date has focused largely on increased investment and development of f2 and investment in publishing - both through the new printing plant being built at Tullamarine, and the recent decision to increase capacity at Chullora.

We have also, however, started to take small and measured investments into new geographic and product areas, with expenditures of some $32 million during the year.

Balance Sheet

Fairfax's capital management strategy maintains an efficient balance sheet, and ensures that adequate cash flows are available to meet financial obligations while providing financial flexibility.

In addition to the new investments made during the year, we invested some $97 million in new additions to property, plant and equipment. A large element of this related to the construction of the new printing facility at Tullamarine. Looking forward to the fiscal 2001 year, we expect further significant capital expenditure as Tullamarine is finalised in addition to new expenditures at Chullora.

We also divested our remaining shareholding in AAPT.

Cash Flow and Debt

During the year, cash flow improved significantly, driven by both higher EBITDA and the receipt of some $108 million from sales of shares in AAPT and Vodafone held through our investment in AAPIS.

Fairfax has reduced its net debt levels by $124 million to $612 million at 30 June 2000, notwithstanding the substantial increases in tax payments as a result of the full utilisation of previous tax losses; capital expenditures of $97 million, principally on our printing infrastructure; investments in new businesses of $32 million; and dividends paid to shareholders of $80 million.

We are continuing to refine our debt portfolio to ensure that the maturity profile, mix and cost of debt is as optimal as possible given the dynamics of the money markets. In April 2000 we successfully completed a $150 million medium term note issue. This further assisted in the lengthening of the Group's funding whilst lowering the borrowing margin.

Gearing, as measured by net debt as a percentage of shareholders' funds, decreased from 74.8% last year to 56.2% this year. Interest cover based on EBITDA increased from 6.9 times to 8.0 times, resulting in the highest level of interest cover since re-listing in 1992.

Dividends

Cash dividends for fiscal 2000 were 11.5 cents per share. The interim dividend was 4.5 cents and the final dividend declared was 7.0 cents, both fully franked. This represents a 9.5% increase on last year's dividend of 10.5 cents per share, reflecting the Company's strong commitment to increasing shareholder value.

Abnormals

Abnormal gain for the year totalled $17.0 million, comprising:

- Share of associates' net profit of $59.4 million
- Restructure and systems costs of $14.5 million ($22.6 million gross)
- Write down of non-current assets $24.9 million
- f2 float investigation and costs associated with Project Metro of $3.0 million ($3.5 million gross)

Balance sheet data ($m)	2000 $m	1999 $m
Total assets	2152.7	2,105.2
Net debt	(611.9)	(736.0)
Shareholders' funds	1088.6	984.5

Cash flow data ($m)	2000 $m	1999 $m
Cash flow from operations	317.5	242.0
Capital expenditure	(97.0)	(53.3)
Interest paid (net)	(42.9)	(47.8)
Dividends paid	(80.2)	(77.5)
Cash flow per share (cents)	43.5	33.2
Net debt reduction/(increase)	124.1	(68.4)

Financial Systems and Procedures

As part of our ongoing commitment to improving the efficiency and competitiveness of our business, a number of major new initiatives were launched during the year.

A review of management policies and systems was commenced to improve the way Fairfax records, reports and acts on information. Other initiatives aimed at cutting waste and improving accountability and efficiency levels were also put in place. Our staff also faced increased workloads as a result of the introduction of the GST and ensuring Fairfax is Year 2000 compliant.

The structure and quality of the Group's finance team has also been strengthened with a number of appointments to senior positions. All of these are critical to building our core businesses and setting proper foundations for future growth.

The Board of Directors

From left to right: Brian Powers, Jonathan Pinshaw, Sir Roderick Carnegie, Dean Wills, Mark Burrows, Julia King, David Shein, David Gonski, Frederick Hilmer

Mr Brian M. Powers
Non-executive Chairman

Mr Powers is Managing Director of Hellman & Friedman LLC. He is also the former Chief Executive of Consolidated Press Holdings Limited, the former Executive Chairman and Managing Director of Publishing & Broadcasting Limited, the former Managing Director of Jardine Matheson Holdings Limited, Dairy Farm International Holdings Limited and Mandarin Oriental Holdings Limited and former Chairman of Hong Kong Land Holdings Limited and Jardine Fleming Holdings Limited. Age 51.

Mr Jonathan S. Pinshaw
Non-executive Deputy Chairman

Mr Pinshaw is Chairman of Big Colour Pages Pty Limited and Director of f2 Limited. He is a non-executive Director of Country Road Limited and was formerly Chief Executive-Australia of Brierley Investments Limited and Managing Director of Freedom Furniture Limited. Age 48.

Mr Mark Burrows
Non-executive Director

Mr Burrows is an investment banker and currently the Deputy Chairman of ING Baring Holdings Limited (UK), Deputy Chairman of Brambles Industries Limited, Chairman of the Sydney Theatre Company, and a Director of Burns Philp & Company Limited. He chaired the Companies and Securities Advisory Committee from 1989 to 1994 and was one of the principal participants in the creation of the Australian Securities Commission. Age 56.

Sir Roderick Carnegie
Non-executive Director

Sir Roderick Carnegie is the former Managing Director, Chief Executive and Chairman of CRA Limited and the founder of the Australian practice of McKinsey & Company. Sir Roderick is Chairman of Adacel Technologies Limited and World Competitive Practices Pty Ltd and the patron of the Australian Centre for Blood Diseases. He is a founding member of the General Motors Australian Advisory Council. Age 67.

Mr David Gonski
Non-executive Director

Mr Gonski is a solicitor and a principal of Wentworth Associates Pty Limited. He is Chairman of Morgan Stanley Dean Witter Australia Limited, the Bundanon Trust and President of the Art Gallery of New South Wales Trust. He is Deputy Chairman of Coca-Cola Amatil Limited and a Director of Westfield Holdings Limited. Age 47.

Mrs Julia King
Non-executive Director

Mrs King is President of Louis Vuitton India, a wholly owned subsidiary of the LVMH Group in France, the largest manufacturer and marketer of luxury goods in the world, and a Director of Servcorp Australian Holdings Pty Limited. Mrs King has wide experience in media and marketing and prior to joining Louis Vuitton, she was Managing Director of Lintas Advertising.

Mr David Shein
Non-executive Director

Mr Shein is Managing Director and major shareholder of Com Tech Communications Pty Limited, a company he started in July 1987. Com Tech is a specialist supplier of computer networking and communications products and a leading provider of networking, e-commerce and communications services to the Australian market. He is also a Director of Jarren Investments Pty Limited. Age 40.

Mr Dean Wills, AO
Non-executive Director

Mr Wills is one of Australia's leading businessmen. He has been President of the Business Council of Australia and a member of the board of the University of New South Wales Graduate School of Management. Formerly, he was both Chairman and Managing Director of Coca-Cola Amatil Limited and Chairman of National Mutual Life Association of Australasia Limited and National Mutual Holdings Limited. Presently, he is Deputy Chairman of the Australian Grand Prix Corporation and a Director of Westfield Holdings Limited, and the Australia Business Arts Foundation Limited. Age 67.

Mr Frederick G. Hilmer, AO
Chief Executive Officer

Prior to Mr Hilmer's appointment to Fairfax, he was Professor of Management at the Australian Graduate School of Management (AGSM) at the University of New South Wales and a Director of Port Jackson Partners Limited. Prior to joining the AGSM, Mr Hilmer was a partner of McKinsey & Company for 20 years and for the last nine of those years, he managed the Australian practice. Mr Hilmer is Deputy Chairman of Westfield Holdings Limited, former Chairman of Pacific Power Limited and former Deputy Chairman of Foster's Brewing Group Limited. Age 55.

The Sydney Morning Herald
The Sun-Herald

by Greg Hywood, Publisher and Editor-in-Chief

A new-look Herald, and running the business efficiently

The Sydney Morning Herald strategy is to produce the highest quality news while providing information specific to the changing needs and interests of its readers.

The last year has been devoted to delivering on that strategy.

The preparations for the overhaul of the newspaper introduced on 31 July 2000 took up the entire year. The result, based on extensive research of reader needs, was an entirely new look, structure and focus to the newspaper.

The Sydney Morning Herald took on a more traditional look in many respects. But by becoming more readily accessible during weekdays it better meets the needs of time-poor readers. Metropolitan was added as Sydney's pre-eminent source of art and entertainment information. This completed a package which over the year saw the addition or repositioning of many new sections. Domain became an outstanding property and home guide. Good Living and Money became full-colour tabloid liftouts. MyCareer was introduced as the source of employment, education and personal development opportunities.

The weekend paper added to its depth of news and analysis with a new focus on entertainment and Sydney life in Metropolitan and books, arts and ideas in the new Spectrum. Add to that the new Domain Homes and Apartments guide and Icon, reframed as the ultimate net source, and the weekend SMH has a depth and variety second to none.

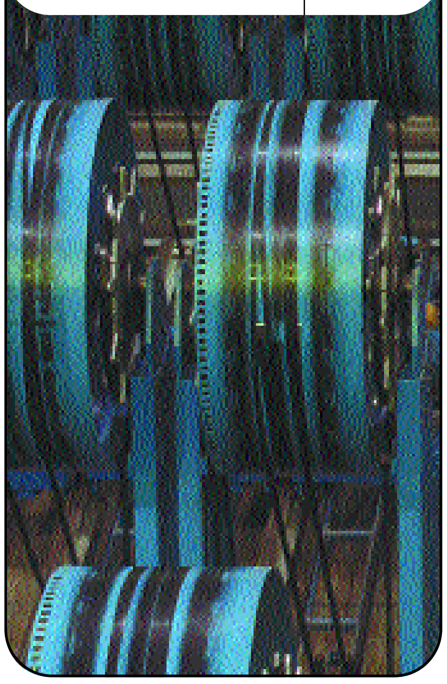
These significant but considered changes to *The Sydney Morning Herald* were designed to improve reader satisfaction. In doing so, they provide exceptional advertising environments for those who use the newspaper to find customers and grow their business.

The improvements were implemented against a background of continued focus on running the business efficiently. A new editorial production system was introduced to streamline page layout and sub-editing. Technology innovations such as digital cameras and electronic advertising delivery are all technical breakthroughs that contain costs while adding to quality and customer service.

Throughout, we were focused on organising our coverage of the 2000 Olympic Games in Sydney – the single greatest logistic exercise ever undertaken by *The Sydney Morning Herald*.

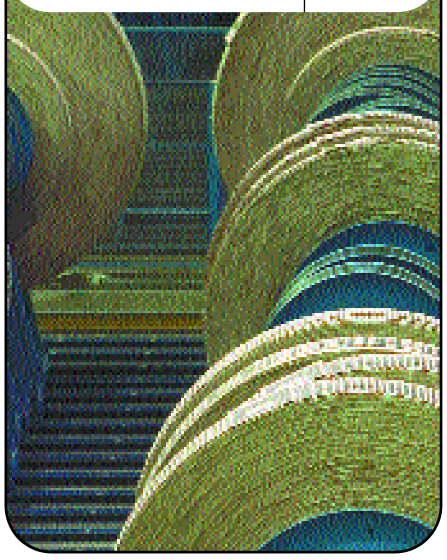
At a glance

Sydney Morning Herald	% variance over last year
Advertising Revenue	14.9
Classifieds Volume	5.5
Display Volume	12.7
Circulation Revenue	2.9
Net Average Circulation	(2.3)



At a glance

The Sun-Herald	% variance over last year
Advertising Revenue	23.3
Classifieds Volume	10.9
Display Volume	15.8
Circulation Revenue	2.2
Net Average Circulation	(1.7)



The Sun-Herald enjoyed advertising revenue increases of 23.3% and advertising volume growth of 14.0%. MyCareer was extended to *The Sun-Herald*, with a strong start. Readership improved towards the end of the year, and circulation is performing consistently in a fiercely competitive market.

Fairfax Regional Newspapers

■ *The Illawarra Mercury* has enjoyed a good trading year with a substantial lift in revenue and the prospect of increased revenues in the coming year.

The closure of the printing facility at Wollongong in August 1999 and the transfer of production operations to Fairfax Printers at Chullora also resulted in the opportunity for substantial additional colour for advertising and editorial.

Employment advertising volume continues to grow in the region and business and commercial property demand as well as residential building is also strong.

■ Newcastle Newspapers has experienced a very successful year with its *Newcastle Herald*, in the tabloid form remaining Australia's largest and fastest growing regional daily.

With circulation experiencing an enormous 13.9% increase since going tabloid in July 1998 and growing further during the year, this has been a clear indication of making the right decision.

Financially, Newcastle Newspapers has enjoyed a good trading year. The Sales Teams and the Promotions Department have excelled in meeting client demand, with various promotions to attract both readers and advertisers.

■ *The Warrnambool Standard* revenues performed strongly this year, up 12.3% on last year, with strong advertising growth, a cover price increase in June last year and a 30% increase in internet revenues. This year also saw the launch of new sections in Monday and Friday editions of 'The Standard', called 'Football 2000', an eight-page colour liftout each edition featuring photographs, previews and reviews of both local and national football leagues. Last year the paper launched a free weekly, *The Western Weekly*, to strengthen our position in the marketplace.

The Age

by Steve Harris Publisher and Editor-in-Chief

Growth and Achievement at The AGE

This has been a year of growth and achievement at *The Age*. Circulation increased Monday-Friday, exceeding overall industry trends, and there were strong readership gains across seven days (with over 1.1 million readers on Saturday). *The Age* journalists won over 80 awards for excellence in journalism, including five Walkley Awards and eight Melbourne Press Club awards (including the Gold Quill).

In its financial performance, *The Age* enjoyed record profit for year-end 30 June 2000. *The Age*'s advertising market share was the highest since 1995, with employment advertising increasing by 24%.

theage.com.au grew to the fourth most popular website in Australia for news and information, and leads Victoria with over 350,000 site visits per week. 60% of all internet users in Victoria are now regular users of **theage.com.au.**

Consistent with our longstanding commitment to the community, *The Age* conducted a highly acclaimed issues series of public forums – Vision 21: 'Defining Our Future' – attracting over 8,000 people through the year.

Our new real estate magazine, *Melbourne Property Guide*, was launched successfully, and our personal technology magazine, *e)mag*, continues to grow in popularity in NSW and Victoria.

At a glance

The Age	% variance over last year
Advertising Revenue	11.9
Classifieds Volume	4.3
Display Volume	9.4
Circulation Revenue	1.7
Net Average Circulation	(1.0)

Fairfax Business Publications | by Michael Gill, Publisher and Editor-in-Chief

Performance at record levels

The Australian Financial Review's circulation, both weekday and weekend, reached record levels during the strong sharemarket trading in early 2000.

AFR advertising performance was marked by strong volume growth, especially in the financial services and employment sectors.

The *AFR*'s Market Wrap liftout markets section has matched the successful pay-TV initiative of the AFR Market Wrap program in partnership with CNBC, broadcast every weeknight throughout Australia and Asia on pay television.

Further developments that extend and deepen the value of the *AFR* brand are under way, including substantial development of the *AFR* web site.

AFR Boss magazine was launched during the year, our first step directly into management education. *Boss* has quickly established a strong reputation and following, and is expected to offer a new platform for growth during this year.

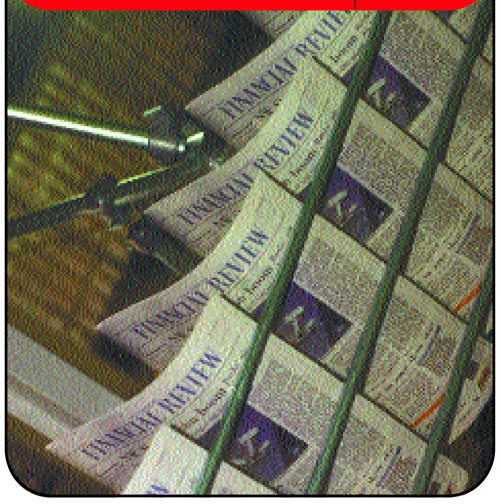
Shares magazine had a very strong year, topped by its highly successful launch of the subscription supplement *Shares Weekly*. *BRW* and *Personal Investor* have consolidated their positions, with some important editorial and design changes. Each of our business magazines showed strong growth year-on-year.

The Strategic Publishing Group, which was acquired in December 1999, has exceeded the targets set at acquisition. Leading titles *MIS*, *Business Online*, *CFO* and now *P4+* will provide a platform for our first growth outside Australia. Aside from the base in Singapore, the group operates in Sydney, New Zealand and Hong Kong. During the year, SPG opened our first publishing operation in London and launched *MIS UK* magazine.

Our strategic investment in NewsAlert LLC was followed by a confident second-round fund raising in April. Our joint venture, NewsAlert Asia Pacific, is due to begin operations early in the current financial year. NewsAlert provides important content resources to Fairfax Business Publications and will be a distributor of some of our content.

At a glance

Australian Financial Review	% variance over last year
Advertising Revenue	33.6
Classifieds Volume	N/A
Display Volume	20.9
Circulation Revenue	21.5
Net Average Circulation	5.1



f2, Fairfax Interactive Network | by Nigel Dews, Chief Executive

Continuing development as a leading online company

f2's business is growing in each of the four core areas of strategic growth:

CitySearch Directories

CitySearch.com.au and Big Colour Pages were acquired in two tranches for approximately $13 million. These businesses are being substantially improved and repositioned as a combined print/online phone and internet directory business. During the last year, as the repositioning has progressed, the business has incurred losses of approximately $17 million. These expenditures have provided an extremely cost-effective entry into what is believed to be a highly prospective business. Our goal is to build on our strong position in new generation directories, a market currently estimated at about $1 billion. During last year, CitySearch and Big Colour Pages began a national rollout of its online internet and telephone directories for Brisbane, Adelaide, Perth, the Sunshine and Gold Coasts, Townsville, Cairns and Darwin, adding to the established city guides and directories in Sydney, Melbourne and Canberra. In the past year, the number of paying businesses listed with **CitySearch.com.au** has grown from 4,000 to about 10,000.

Classified Supersites

Mycareer.com.au (employment), **drive.com.au** (automobiles) and **domain.com.au** (real estate), are consistently leaders in their categories. These sites benefited from further integration with co-branded Drive, MyCareer and Domain print products, which build additional brand awareness and provide a low cost source of traffic.

Financial Services

In financial services, f2 further developed its major brands, including **tradingroom.com.au** and **moneymanager.com.au**, generating traffic of over 8 million page views per month. To expand its financial services leadership, f2 and Macquarie Bank announced a major joint venture, which will begin business in the first quarter of calendar 2001, to provide a wide range of transaction based investment products and services.

Auctions / Shopping

Since its launch last July, **SOLD.com.au** has attracted over 120,000 registered users, more than 220 retail merchants, and has completed more than 160,000 successful auctions, with gross merchandise sales exceeding $16 million in merchandise. **SOLD.com.au** now has more Australian buyers and sellers, and more local listings per month, than any other site. According to Red Sheriff and ACNielsen NetRankings, **SOLD.com.au** is now the leading internet auction site in Australia.

New Distribution

Consistent with our approach of putting our content into other media distribution networks, f2 is pursuing new ways to distribute its content through alliances and new delivery platforms such as broadband and WAP (wireless application protocol).

Fairfax Community Newspapers | by Ian Crowther, General Manager

Expanded into new areas

Fairfax Community Newspapers has just completed its most successful year.

The network of 30 free suburban newspapers in Sydney and Melbourne experienced EBIT growth of more than 30% over last year, aided by revenue increases and cost reduction strategies.

Meeting the growth in demand for colour advertising has presented major challenges in both States. Improvements in paper content and design, as well as the additional colour pages, have led to significant growth in market shares in FCN's traditional markets.

Additionally, FCN has expanded into new areas of Melbourne, with acquisition of Moonee Valley and Moreland Community News, the Mornington Peninsula and Frankston-Longbeach Fliers and Valley Life covering the Nillumbik area.

The ongoing re-evaluation of structures and processes led to a number of significant process improvements and cost reductions within FCN. These include management reorganisation, production workflow changes, introduction of digital camera technology and electronic page sending.

Group buying opportunities and successful negotiation of long-term supplier contracts will assist cost control in the future.

Group Operations | by Peter Graham, Director Group Operations

Delivering on timeliness, costs and quality

Over the past year, Group Operations has, through improvements and growth in our business operations, laid the foundation for Fairfax's competitive advantage in our industry. We are the part of the business that delivers the timeliness, cost, and printed quality of our newspapers. How we do our job is critical to the Company's overall success.

Ontime running. Printing and delivering our products on time are critical.
Over the past 12 months, we have worked with our internal customers and our people to identify ways of improving our on-time performance. Our goal is to deliver all of our products in full, in time, every day – and we are targeting 100% on-time performance. Over the past year, our performance has improved, particularly on weekends. Continuous improvement and a commitment to capacity both in Sydney and Melbourne will help us achieve our 100% target over the next three years.

Cost reduction. Our cost per printed page has been reduced over the past year. This was achieved through a combination of lower input costs as a result of Group procurement and by making better use of our capacity by consolidating our printing operations.

Quality improvement. We have improved internal quality processes, and implemented better product management to take maximum advantage of greater colour capacity at Chullora. The result has been a sharper consistency in the quality of our reproductions and improved quality for advertisers.

Our competitive advantage is coming through our people. In times of stiff competition and heightened performance expectations, our future success will in large part be determined by our people. This year, great emphasis has been placed on our organisation, performance management, and learning and development. The continuing commitment of our staff will lead, in the future, to stronger service to our mastheads and our customers, both internal and external.

Group Publishing | by Robert Whitehead, Director Group Publishing

Going for gold in magazines and with the Olympics

Our magazines have had a strong year. Fairfax's flagship magazine, *Good Weekend*, completed a record year and consolidated its position as one of the pre-eminent homes of feature writing, adding a further two Walkley Awards for journalism. *Good Weekend* again scored the highest advertising revenue of any magazine in Australia.

SundayLife! has continued to improve its performance. Its strong demographic base, clearer identity and joint advertising sales with *Good Weekend* have enabled it to take a strong lead in Sunday magazine market share.

Magazines published jointly in weekday editions of *The Age* and *The Sydney Morning Herald* completed an exciting year and growth. The monthly lifestyle magazine *e) mag* is one of the hottest advertising vehicles of the year. *Uncorked*, a biannual wine title, was relaunched, and the award-winning *Ski Magazine*, again developed by *The Age*, made its debut in the *Sydney Morning Herald* in May 2000.

With respect to Group circulation issues, Fairfax has successfully completed most of the rollout of its new national newsagent system, following more than a year of negotiations and involving more than 25,000 individual contracts. The new Fairfax framework builds on the best of the past, adding performance criteria and incentives for growth in the future.

Immense activity was focused on our Group Olympics program. The Company's master plan for the Olympic Games contained a number of firsts for its editorial, commercial and sponsorship activities. During the Games themselves nearly 1,000 staff were expected to be deployed to ensure an Olympic editorial and business success for Fairfax.

The Sun-Herald was the official newspaper of the volunteers program, *The Sydney Morning Herald* was the presenting sponsor of the Olympic Arts Festival, CitySearch was the official on-line city guide, and Fairfax became a proud sponsor of the Paralympic Games to be held in October 2000.

Journalists from every daily newspaper in the group as well as from the online sites combined to create the Games editorial team. Overseas partnerships were also established, allowing a special *Sydney Morning Herald/Age* '100-days to Go' countdown supplement to be published simultaneously in countries reaching 10 million readers.

Commercially, the Olympic campaign embarked on a number of innovations across advertising and classified sales. The Company picked up the commitment to a Green Games by developing and introducing a new grade of quality recycled stock to ensure all newsprint sections of its Sydney papers had introduced recycled paper before the Games had begun. Maximising the Company's involvement as a corporate sponsor of the Games, unparalleled incentive programs for advertisers, newsagents and staff and a reader reward program were built to support Fairfax's objectives for business growth.