

RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

COST MANAGEMENT REDUCES IMPACT OF ADVERTISING DOWNTURN

SYDNEY, September 7, 2001 -- John Fairfax Holdings Limited [ASX:FXJ] today announced a net profit of \$128.1 million, down 31.1% from last year. The underlying trading profit pre significant items (previously classed as abnormal) was \$126.2 million, down 25.2% from last year. Earnings per share pre significant items were 17.3 cents, down 25.4% from last year.

On a trading basis, group EBITDA fell 19.4% to \$307.8 million, and EBIT fell 23.5% to \$242.6 million. Publishing EBIT fell 20.5% to \$284.5 million, and f2's EBIT fell 2.9% to a loss of \$41.9 million. The tough economic environment affected advertising revenues in particular, with trading revenues falling 4.2% to \$1.29 billion. The cost reduction programs announced in October 2000 have had a significant effect on the cost base of the business – particularly in the second half of the year – with costs reduced by \$25.8 million, or 5.2% from the previous corresponding period.

The Board is pleased to announce a final dividend of 7.0 cents per share (payable on 17 October 2001), bringing the total dividend for the year to 11.5 cents, unchanged from last year. This dividend will be fully franked.

Statement by Fred Hilmer, Chief Executive Officer

This result is a tale of two halves. The first half started strongly, with record revenues in July and August. Then came the Olympics and the associated cost pressures, coinciding with the beginnings of the current economic slowdown. The second half was quite different. In a weak and deteriorating advertising market, revenues fell by \$58.7 million, or 8.7%. Consequently, to achieve the results announced, we acted quickly to reduce costs significantly. For the second half, costs were down \$32.9 million, or 6.5% on the first half, and down \$25.8 million, or 5.2% on the corresponding second half a year ago. This \$25.8 million in cost reductions is comprised of publishing costs reductions of \$19.1 million, or 4.2%, and f2 cost reductions of \$6.7 million, or 14.2%.

Cost reductions were achieved in two ways. First, as revenues declined, volume related costs such as newsprint, supplies, distribution and variable labour were brought into line. The measures previously announced and currently in place – staff reductions via attrition and tight controls of pagination and discretionary spending – were effective in this regard and contributed about one-third of the achieved savings.

Second, we accelerated wherever possible our continuing work on restructuring the cost base. Improvements include streamlined payroll processing, adoption of computer-to-plate imaging, better controls of material usage, making better use of press capacity, and greater editorial copy sharing. These and other restructuring initiatives accounted for about two-thirds of the reduction in the cost base. As previously announced, further savings in the order of a reduction of about 200 positions are currently under way and will be implemented over the next year as new equipment and systems come on stream. These positions have been identified and redundancy costs provided in the current year.

Other factors underpinning this result include:

- capping the impact of newsprint price increases and the low Australian dollar via a new long-term contract;
- slowing the rate of wage inflation via new industrial agreements and a higher proportion of remuneration contingent on performance.

Over the past year we undertook a major re-appraisal of f2 in light of the slowing economy and current views of dot-com business potential. It was based on our experience with how people actually use the internet, its relation to our print businesses and our understanding of where profit potential might exist.

As a result, we have restructured the business and cut costs. We disposed of our interests in SOLD.com.au and withdrew from involvement in on-line broking. This followed the earlier sale of our interests in theSpot. The net effect of this restructuring was positive, given the \$18.3 million gain on SOLD.com.au compared with writeoffs in this period of \$4.8 million. At the same time, costs were reduced by 14.2%, or \$6.7 million, in the second half compared with the prior corresponding period.

f2 is now focused on two businesses:

- News and Classifieds. Our mastheads have long been and continue to serve as the papers of record in their various marketplaces. We have now successfully established our news sites, smh.com.au, theage.com.au and afr.com, as the leading internet news sites of record. Moreover, our classified sites remain strong and well positioned. News and classified revenues increased by \$1.7 million, or 13.6%. With improving revenues and reduced costs, the EBITDA loss for News and Classifieds was reduced from \$22.1 million last year to \$17.2 million. We see this as an essential investment that supports and strengthens our franchises while providing the opportunity to build a business.
- CitySearch Directories. CitySearch is a controlled and contained venture aimed at building a significant second directory business combining our content and online strengths. With the restructuring complete, revenues recovered in the second half to \$20.3 million, up 20.8% over the first half and back to the levels of a year ago. Trading over the first 2 months of this financial year is well above last year's levels, an encouraging result given the exceptionally weak market for advertising by small and medium-sized enterprises.

In view of the actions taken and underway, f2's loss is expected to fall significantly over the 2002 financial year in both News and Classifieds and CitySearch, subject to economic conditions.

Our corporate focus is clear: to build and improve our business and the mastheads and assets on which it rests. We have robust publishing franchises that perform well and have good growth prospects. Our major capital projects at Tullamarine and Chullora are on track, and will deliver improved capacity in terms of colour, flexibility and cost starting in the 2002-03 financial year. With our strong franchises in print and online, with costs well in hand and tightly controlled, and with the balance sheet strong, Fairfax is exceptionally well positioned to benefit from a pick up in the economy and to improve our strategic position even if the downturn is sustained.

This has been a demanding year for our staff. They have worked hard under challenging conditions while maintaining the quality of our journalism and service to all our customers, in print and online. I thank them for their efforts and dedication.

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Publishing and f2 Summary

Publishing. Revenues fell 4.1% to \$1,237.2 million. Advertising revenues fell 4.3% and circulation revenue 3.0%. Classified and display advertising volumes were significantly affected, with classified down 9.9% and display down 12.5%. While overall costs increased 2.8% to \$894.1 million, costs for the second half were reduced 4.2%, or \$19.1 million, over the corresponding half last year.

f2. Revenues fell 7.4% to \$51.3 million. CitySearch Directories revenues fell 13.5% due to the effects of the restructuring during the year. News and classified revenues increased 13.6%. Costs decreased 7.2% to \$86.6 million, with the decline coming in the second half of the year.

Significant items (after tax)

As announced during the course of the financial year, the major items in this category included profits from associates (AAPIS) of \$5.3 million; profit on the sale of SOLD.com.au of \$18.3 million; redundancy costs of \$16.9 million; write downs of \$2.1 million associated with the early exit from the TradingRoom joint venture; and f2 development costs of \$2.7 million.

Events subsequent to the end of the 2001 financial year

Fairfax will suspend publication of *Melbourne Express* indefinitely, effective Monday, September 10. While we have identified and successfully attracted a new market, with a new readership, there is not, in the current environment, strong enough advertising support for this segment. The costs to develop this business at this time are not justified by a reasonable estimate of its potential future profits. There are no writedowns associated with this decision.

Outlook for the 2002 financial year

The weak trading conditions that characterised the second half of the previous fiscal year have continued into this year. Without a pickup in advertising demand, the profit for the 2002 financial year could be well below the 2001 result.

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