

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2000

EPS PRE-ABNORMAL ITEMS DOWN 12.4% FROM LAST YEAR'S RECORD ONE-OFF EFFECTS OF OLYMPICS AND INDUSTRIAL ACTION, COMBINED WITH SOFTER ADVERTISING MARKET, AFFECT FIRST HALF RESULTS

STATEMENT BY MR FRED HILMER, CHIEF EXECUTIVE OFFICER

Overview

John Fairfax Holdings Limited [ASX:FXJ] today announced a profit after tax for the six months ended 31 December 2000 of \$77.4 million. Excluding the share of profits from associates, after-tax profit pre-abnormal items was \$72.1 million, down 18.1% on the previous corresponding period of \$88.0 million. Earnings per share were 10.6 cents, down 12.4% on pre-abnormal earnings per share of 12.1 cents last year.

This 12.4% decline in earnings per share pre-abnormal items comes after two years of record profits during which our earnings per share grew by some 65%. It reflects several one-off items, including the Olympics and industrial action, and the softening of the advertising market in a slowing economy. As reported at the Annual General Meeting in November, the Olympics and industrial action at *The Age* reduced earnings before interest, taxes, depreciation and amortisation (EBITDA) by approximately \$25 million. Excluding these two events, profit after tax would have been broadly in line with the previous corresponding period.

Publishing EBIT was down 13.6%, while f2's loss at the EBIT line increased by 24.1% to \$24.7 million, in the middle of the range indicated last year, partly as a result of increased depreciation and amortisation charges.

The interim dividend of 4.5 cents per share, fully franked, is the same as paid last year. Our commitment to quality journalism was demonstrated during the period by our outstanding, group-wide coverage of the Olympics, when we were able to demonstrate our capabilities to a world-wide audience. Our publications also continue to receive industry honours, winning 8 prestigious Walkleys, in print and online.

Revenues

Overall revenues increased 2.1% to \$673.4 million. On a like-for-like basis, excluding the effects of acquisitions and profits from associates, publishing revenues were up 0.8% over the corresponding period to \$637.3 million. Both circulation and advertising revenues for publishing showed gains (of 1.0% and 0.3% respectively). Classified and display advertising volumes were affected significantly by the Olympics, the strike at *The Age* and slower trading conditions. Gains were registered, however, in yields, with classifieds up 2.0% and display yield up 5.0%. Magazines performed well, with revenues up 5.3%.

- Advertising revenue: Advertising revenue increased by 5.7% for Fairfax Business Media and by 15.8% at *The Sun-Herald*. At *The Sydney Morning Herald* revenues declined 2.8%, reflecting the Olympic impact. At *The Age*, which was also affected by industrial action, advertising revenues declined by 3.7%.
- Circulation: Circulation revenues continue to increase. Overall circulation for *The Age* and *The Sydney Morning Herald* is down slightly, in line with industry trends. Readership figures are steady across all mastheads. Circulation and readership levels for *The Australian Financial Review* and its Weekend Edition are strong. *BRW*, *Shares* and *Personal Investor* magazines performed well, reflecting the growing interest in comprehensive business and personal investment topics.

Cost Management

While overall costs increased 9.4% to \$506.8 million, on a like-for-like basis publishing costs increased by \$30.5m over the period, or by 7.3%. Over half of this increase was due to the coverage of the Olympics and the additional costs of industrial action and new publications (e.g. *BOSS*, *Melbourne Property Guide*, *Asset*). After adjusting for these factors the underlying cost change over the period was below 3.0%.

Our cost base for the first four months was largely fixed given our commitments for coverage of the Games. Following the Olympics, and in response to a deterioration in the economy, further cost measures were put in place, including tight controls on staff hiring, pagination and discretionary spending. These measures did not have a significant effect on costs in the first half. Their impact is now evident and, excluding any additional new business initiatives, the cost base in the current period will be lower than that of the second half of last year.

Over the half we made solid progress in reducing future cost increases specific to our business. New arrangements were put in place for journalists and our printing staff in Melbourne. In addition, the new newsprint supply contract will produce more stable newsprint prices over the next several years.

However, even with these new arrangements, cost pressures remain. Therefore, longer term initiatives for improving cost efficiency are continuing. At the same time, we continue to invest in the business to ensure our long-term growth.

f2 Limited

We continued our investment in our f2 business, notwithstanding the major shift in sentiment by many investors in this area. The sector continues to be very dynamic, requiring participants to constantly monitor both their strategies and their implementation. However, we believe that it is an area that intersects with our core business in many ways, both mandating our active participation and positioning us well to create value.

Our experience with SOLD.com.au, the online auction site, is instructive. We created SOLD both to build it into a profitable business in its own right and to help drive users to our other sites. When it became apparent that the local online auction industry needed to consolidate to be viable, and that there was added value by having overseas listings and buyers on the site, we explored the opportunity of either merging or selling the business. This culminated in our sale of the business to Yahoo, the leading global internet company, and the use of the sale as a catalyst to craft a broader relationship with Yahoo. The financial impact of these transactions will result in a gain of approximately \$19 million in the current financial year. The economic value of the deal to Fairfax is in the order of \$30 million, of which about 80% will be paid in cash. Importantly, the agreement with Yahoo contains provisions which we believe will further increase users of our f2 sites, in particular CitySearch and Domain, and pays us for directing traffic to SOLD.

Our focus now is on creating value in our online directory, financial services, classified supersites, and news businesses. Over the period, our major initiative was to completely restructure and re-brand CitySearch directories. This unit, the largest in f2, is now positioned for growth.

As a result of the restructuring, revenues in directories decreased by \$5.1 million, and losses before interest, tax, depreciation and amortisation (EBITDA) increased by \$5.8 million, or 114%.

Other online revenues increased by \$1.9 million, or 34%, to \$7.5 million. Banner advertising and sponsorships across the f2 network are up 43% over the corresponding period, and classifieds online revenues up 89% over the corresponding period. Growth in these revenue streams in calendar year 2000 was up 100% over calendar year 1999.

Losses from these other businesses declined by \$2.6 million, or 19%, to \$11.0 million.

In financial services, f2's Tradingroom joint venture with Macquarie Bank to provide a wide range of transaction-based investment products and services, is on track to begin business early in the second quarter of this calendar year. This will build on the tradingroom.com.au brand, which is currently generating in excess of over 200,000 site visits per week, and has 170,000 members.

Overall, revenues in f2 decreased 11.6% to \$24.3 million. Costs remained flat at \$46.2 million, and online costs were reduced by \$0.7 million, or 4%. CitySearch Directories costs rose by a corresponding amount, reflecting the investment in its restructuring.

The total result over the period for f2 of the EBITDA loss of \$21.9 million is in the middle of the range indicated last year.

Events Subsequent to the Half Year End

We are continuing with our strategy of building for the future while carefully managing our costs.

In early January Greg Hywood was appointed Publisher and Editor-in-Chief of *The Age*, and Alan Revell assumed the same position at Herald publications, which include *The Sydney Morning Herald* and *The Sun-Herald*. John Allan, who has served most recently as Associate Publisher of *The Age*, has been appointed Publisher, Group General Magazines and Director, Group Metropolitan Advertising Sales. He will further develop the magazines' strengths and position in their markets and will help develop our group sales strategy to strengthen our metropolitan mastheads.

On 5 February 2001 Fairfax launched *Melbourne Express*, a new, free daily tabloid newspaper designed for commuters in Melbourne during the morning peak period. The financial impact of this initiative is not expected to have a significant effect upon the overall results of the company.

On 6 February 2001 *The Sydney Morning Herald* began joint publication and distribution with Italy's *Corriere Della Sera* (CsD), with copies of CsD packaged with the *Herald* and sold five days per week in selected neighbourhoods and on subscription. This has potential to strengthen the *Herald's* circulation base.

The arrangement referred to earlier regarding SOLD.com.au was entered into on 15 February 2001.

The Outlook for the Full Financial Year

The weak trading conditions experienced in the run-up to Christmas have continued in the early part of 2001. While the Reserve Bank recently announced interest rate cuts, the future course of the overall economy is of concern. Going forward, we expect continued volatility in trading conditions, making it difficult to forecast earnings with any degree of confidence. However, with no repeat of the effects in the first half of the Olympics and the industrial issues in Melbourne, and with moderate growth in the economy, we expect the second half results to be stronger than the first half, with profit for the full year (excluding gains from associates and asset sales) below that of last year.

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The Board is pleased to announce an interim dividend of 4.5 cents per share, fully franked, in line with last year, and payable on 16 March 2001.

16 February 2001