Merger of Fairfax Media and Rural Press

6 December 2006
Creating Australasia’s largest integrated metro, regional and rural print and digital media business

- A combination of two complementary businesses that together deliver:
  - Operational synergies
  - Revenue diversification
  - Enhanced growth opportunities
  - Management strength

- Australasia’s largest integrated metro, regional and rural print and digital media business characterised by:
  - Substantially enhanced metro, regional and rural footprint across Australasia
  - High cash flows and strong dividend yield
  - Reduced earnings volatility
  - Superior internet positions and expertise
  - Shared commitment to quality journalism and connecting with communities and readers

- EPS accretive to both Fairfax Media and Rural Press shareholders
Overview of the merged group

- Enterprise value of over $9 billion*
- Geographic footprint which covers the Sydney, Melbourne and Canberra metropolitan markets and significant regional and rural publishing and printing presence with over 240 regional, rural and community publications
- Substantial presence in New Zealand’s daily newspaper market and six agricultural publications
- The leading internet site in New Zealand, TradeMe.co.nz
- A significant agricultural publishing presence in the USA with over 20 titles
- 9 radio licences in Queensland and South Australia

* Based on current share prices
Transaction summary (1)

- Merger to proceed via two Schemes of arrangement (for Ordinary and Preferred shares)

- Under the merger proposal, each Rural Press Ordinary and Preferred shareholder will be entitled to receive for each share held:
  - 2 Fairfax Media shares and $3.30 in cash; or
  - 2.3 Fairfax Media shares and $1.80 in cash

- In addition, the Rural Press Board intends to declare a fully franked special dividend
  - 57.143 cents for each Ordinary share
  - 62.858 cents for each Preferred share
Synergy benefits of at least $35 million pa in 12 to 18 months

EPS accretive to both Fairfax Media and Rural Press shareholders

Fully franked interim dividends for the period to 31 December 2006 will be paid prior to merger completion subject to a maximum of:

- 30 cents for Rural Press Ordinary shares
- 33 cents for Rural Press Preferred shares
- 10 cents for Fairfax Media shares

Two non-executive Rural Press Directors will be invited to join the Fairfax Media Board

Fairfax Media dividend payout ratio is expected to remain at 80% post merger
Operational synergies

- Continued strong cost disciplines and sharing of best practices across combined portfolio
- Minimum of $35 million synergies pa in 12 to 18 months
  - Public company costs
  - Support and procurement savings
  - Printing and production costs
  - Expanded network for national advertisers
  - Enhanced national/local offers
- Additional opportunities
  - Further cost savings to emerge following detailed review
  - Higher penetration of local markets
  - Enhanced publishing/online offers
Revenue diversification

- Most diverse and comprehensive publishing revenue streams in Australasia
  - Metropolitan newspapers in Sydney, Melbourne and Canberra
  - Over 240 regional and community papers in every Australian State and ACT
  - Large stable of metropolitan, regional and community newspapers in New Zealand
  - Leading national business titles in Australia and New Zealand
  - Over 35 agricultural titles in Australia and New Zealand
  - General magazine publishing in Australia and New Zealand
  - Over 20 agricultural magazines in the USA

- Largest and most diverse internet portfolio in Australasia
  - #1 in national news and information
  - #1 or #2 in all national classified sites
  - Leading online business information platform
  - TradeMe.co.nz
  - Farmonline.com.au, yourguide.com.au and a range of other regional and agricultural sites

- Regional radio in Queensland and South Australia
Growth opportunities

- Footprint expansion into new and underpenetrated markets
- Acceleration of internet revenue growth and new online business development
  - National classifieds
  - Regional news and information services
  - Regional and rural trade and services
  - Cross-promotion through regional print and radio
- Printing optimisation and expansion
Current Fairfax Media shareholders benefit via…

- Further development of Fairfax Media as Australasia’s largest integrated metro, regional and rural print and digital media business
- Slight EPS accretion in 2008
- Superior growth through exposure to strong regional markets
- Increased geographic and revenue stream diversification
- Larger scale and expanded market positions to launch new initiatives - particularly in digital media
- New online revenue and growth opportunities in regional and rural news, classifieds and trade and services
- Reduced volatility of earnings with the addition of regional and rural publications
- Access to Rural Press management expertise
Key strengths of Rural Press’s business

- Market leader in specialised publishing – over 170 regional titles, over 60 agricultural publications and quality printing operations in all States of Australia and the ACT
- Commitment to high quality, localised content under the ‘Life is Local’ strategy
- Vast geographic footprint nationally and emerging presence in New Zealand and the US
- Proven management team with strong track record of delivering shareholder value
- Outstanding earnings growth (19.3% EPS CAGR from 2002 to 2006), high margins and returns to shareholders
- High degree of employee loyalty and significant investment in staff training
Rural Press stakeholders benefit via…

- Unique opportunity to become a shareholder in Australasia’s largest integrated metro, regional and rural print and digital media business
- Securing the leading online portfolio and capability in Australasia to drive local news and information, national classifieds and regional and rural trading and services
- Geographic and strategic diversification
- Significantly EPS accretive and the opportunity to share in synergy benefits
- Strong premium offered under the merger to recent share price performance
- Ongoing participation in a company with a superior growth profile driven through market leading digital presence
- Continued high dividend yield plus increased liquidity
- Scope for existing management and employees in larger and more diverse media organisation
Post merger financial information

- Rural Press special dividend of $120 million cash
- Transaction financed by:
  - Cash – up to $667 million
  - Issue of at least 405 million Fairfax Media shares
- Post merger Fairfax Media shares will total approximately 1,425 million (assuming shareholders do not elect the higher scrip alternative)
- If all Rural Press shareholders elect the higher scrip alternative, this would increase Fairfax Media shares by 60 million with a corresponding reduction in debt of $300 million
- EPS accretion to both sets of shareholders based on current consensus estimates for FY08
- Post merger net debt of $2.3 billion with an additional $0.3 billion of hybrids
- Net Debt / EBITDA (ex SPS’s) will be ~3x and EBITDA interest cover will be >4x
- FY08 Net Debt / EBITDA (ex SPS’s) is expected to be well below 3x
Transaction sequence

Key Milestones
- Independent expert appointed
- Submission of scheme booklet to ASIC and application for court hearing dates
- First court hearings
- Distribution of scheme booklets to Rural Press shareholders
- Rural Press shareholder meetings
- Second court hearing/ implementation of schemes

Indicative Dates
- December 2006
- Early February 2007
- Mid February 2007
- Late February 2007
- Late March 2007 / Mid April 2007
- Late April 2007
Senior management

- Brian McCarthy to become Deputy CEO and CEO Australia, responsible for metropolitan, regional, rural and magazine publishing and printing in Australia
- Rural Press USA assets and radio businesses to report through CEO Australia as an interim measure
- Fairfax Media New Zealand, Fairfax Business Media, Fairfax Digital and TradeMe to continue to report to the CEO, David Kirk
- Rural Press management will bolster publishing and printing expertise
Merger is consistent with Fairfax Media’s strategy

1. Defend and grow our publishing business
   - Continued diversification and expansion
   - Strong cost control disciplines
   - Continuing to set the news agenda
   - Building on Fairfax Media’s recent circulation successes

2. Rapid growth in digital
   - Building deep local news and information sites
   - Extension of strong positions in classifieds, dating and holiday rentals
   - Development of new categories and online services

3. Conversion into a digital media company
   - Continued integration of news gathering and story management for multiple media
   - Further development of capacity to distribute across multiple platforms
Appendix
Merged company will have a strongly diversified business and revenue mix

Fairfax Media  FY06 Revenue

- 39% Australian Metros (Syd & Mel)
- 28% Other Australian Publishing
- 27% NZ Publishing

Proforma FY06 Revenue

- 30% Australian Metros (Syd & Mel)
- 44% Other Australian Publishing
- 21% NZ Publishing

Note: Proforma FY06 excludes full year impact of the Border Mail and TradeMe acquisitions. FY07 will include significant growth in Digital revenues.
Strong financial performance of Rural Press

- Rural Press has been able to generate significant EBITDA margin and EPS growth in recent years
- Since 2002, Rural Press has approximately doubled EBITDA and EPS

Source: Rural Press company information.