Fairfax

Acquisition of Trademe.co.nz

trademe

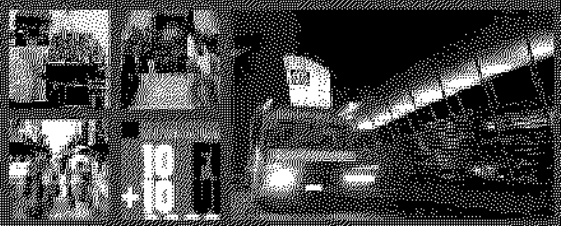
Where Kiwis buy and sell online

Overview

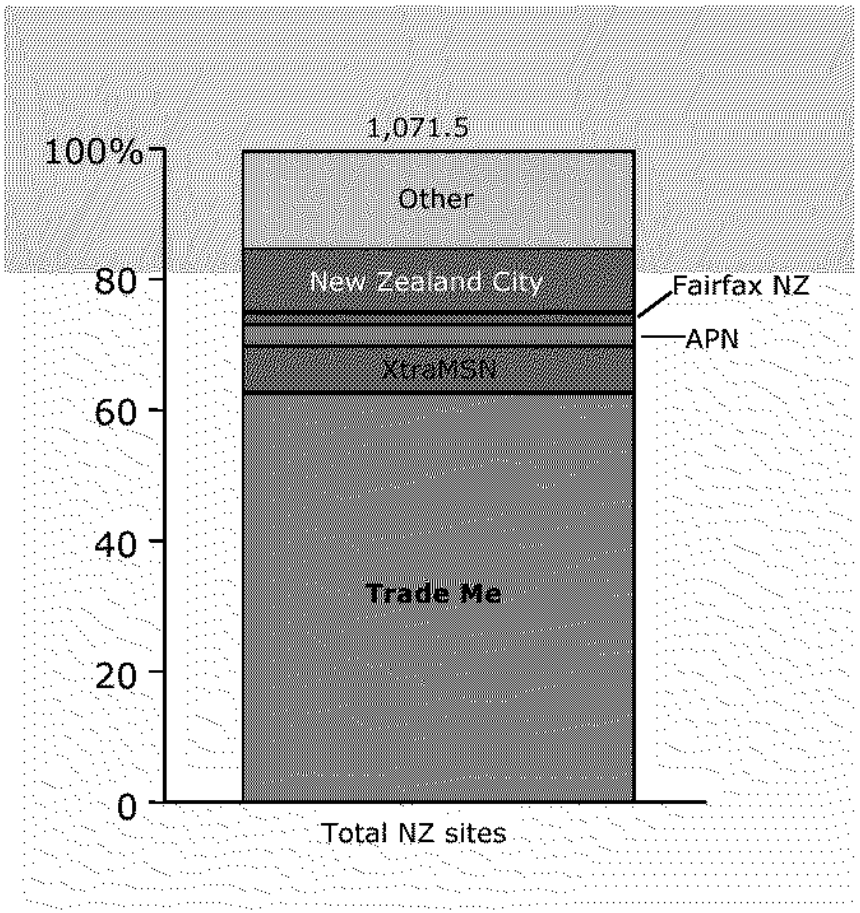
- Excellent fit both strategically and financially
- Trade Me is the leading internet business in New Zealand
  - Largest audience of all New Zealand websites with over 60% of New Zealand internet traffic
  - 1.2 million registered members (30% of New Zealand population) and gaining at 50,000 per month
  - Expected to host 35 million auctions this year and 15 million item sales
  - Incredibly strong consumer brand
- Acquisition price - NZ$700 million (A$625 million)
  - Multiple of 15-16x on forecast FY07 EBITDA
  - EPS neutral YR1, accretive YR2
- Earn out based on 10x of excess EBITDA over NZ$45 million FY07* or NZ$60 million EBITDA in FY08. Capped at NZ$50 million

*Trade Me operates on a 31 March close to the financial year

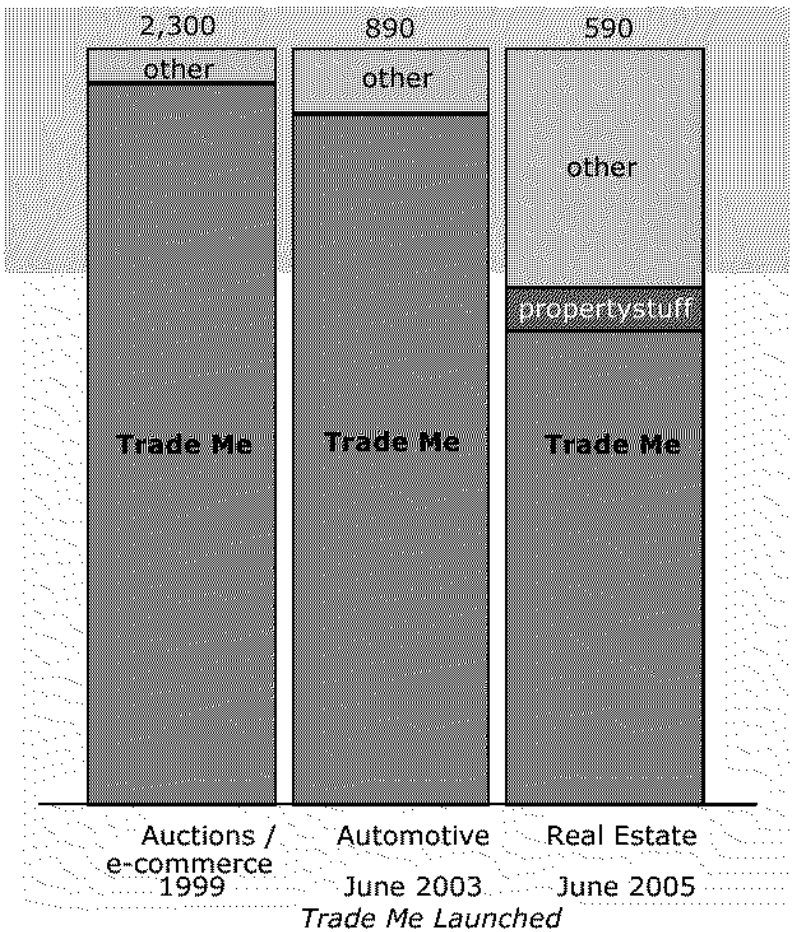
Trade Me leads the New Zealand internet space



Page impressions



Unique Browsers (000's)



Note: unique browsers includes duplicated users
Source: Nielsen Netratings Market Intelligence (Publisher - Domestic) for the month ended 31 January 2006

Trade Me started with general merchandise and has added other categories

Trade Me | Find Someone | Old Friends | SafeTrader

trademe
Where Kiwis buy and sell online

Login | Register | Help

Sort out your credit card debt
Low Interest MasterCard.
Click here to apply online. Westpac

Home | Browse | Sell | My Trade Me | Community

Search
All Listings
GO
NZ Auckland
Advanced search
Change my region

Login
email
password
GO
Keep me logged in on this computer
Forgot your password?

Why go high?
When you

Trade Me is **NZ's No.1** place to buy and sell online.
Currently **35,635** people online and **527,985** items for sale.

Antiques & collectables
Art
Baby gear
Books
Business, farming & industry
Cars, boats & motorbikes
Clothing
Computers
Crafts
DVDs & movies
Electronics & photography
Gaming
Home & living
Jewellery & watches
Mobile phones
Music & instruments
Personals
Pottery & glass
Real estate
Rentals & flatmates
Sports
Stamps & coins
Toys & models

Trade Me Motors
12,000+ Cars

Trade Me Property
11,000+ Properties

Rentals & Flatmates
2,000+ Listings

$1 Reserve | Hot | Latest Listings | Closing Soon | Stores

Make Trade Me your home page

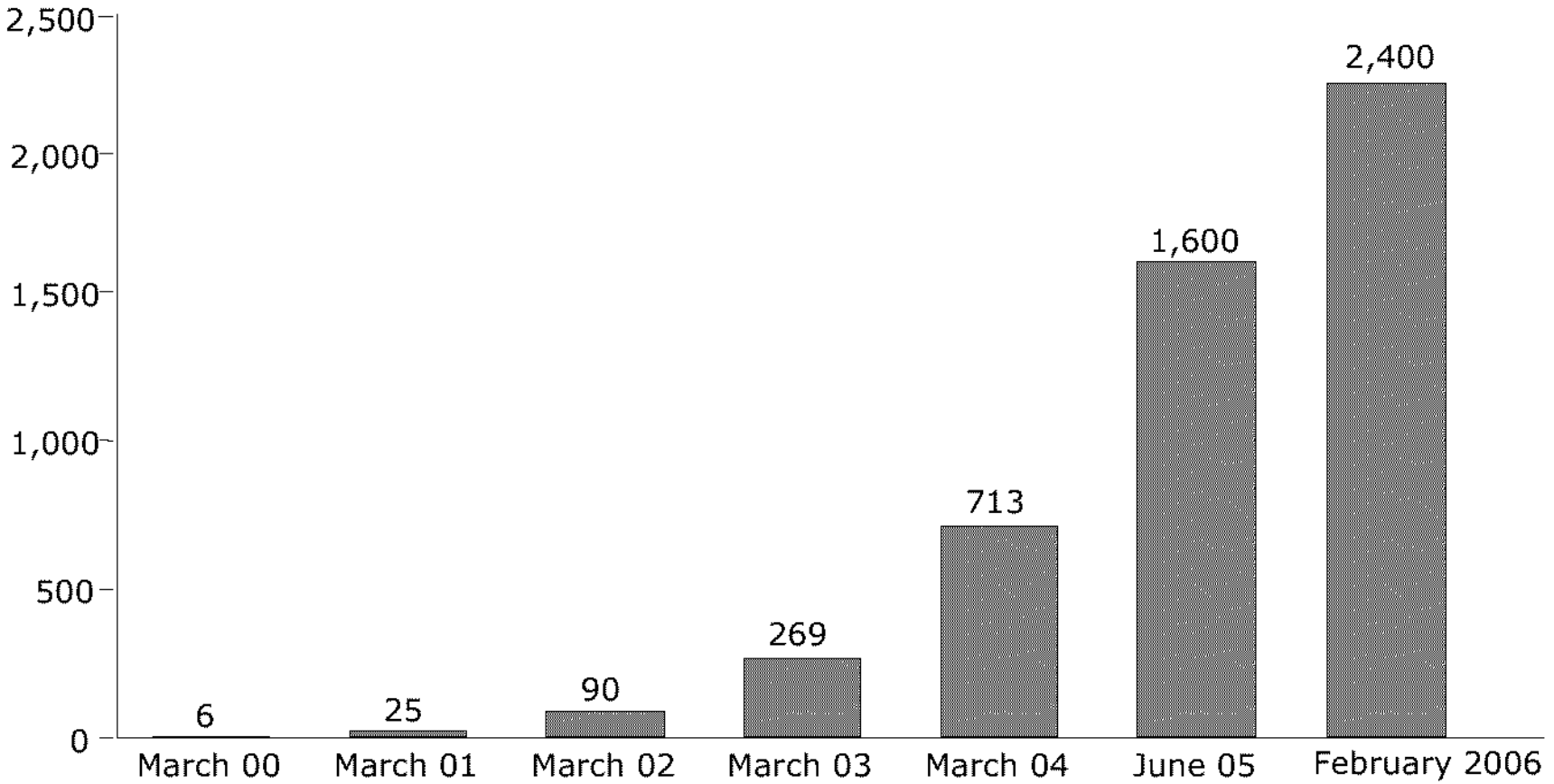
Homepage features more...

Selling Basics...
How does it work?
Creating a great listing
After the auction closes

Mobile Phones
Nokia
Alcatel
Sony
more...

Phenomenal growth

Trade me monthly auctions: March 2000 – February 2006



Demonstrated ability to leverage auction audience...

- Incredibly strong auction audience
  - Number 1 auction site
- Leveraged audience into cars and property
  - Trade Me Cars launched June 2003, quickly achieved audience and inventory leadership
  - Trade Me Property launched June 2005 and has achieved largest online audience
- Audience leadership drives the economics

Future growth will come from…

1. New Zealand online share of all categories is still relatively small

2. Leveraging the auction traffic into new categories i.e. Jobs

3. Revenue potential relative to audience reach has not been fully developed

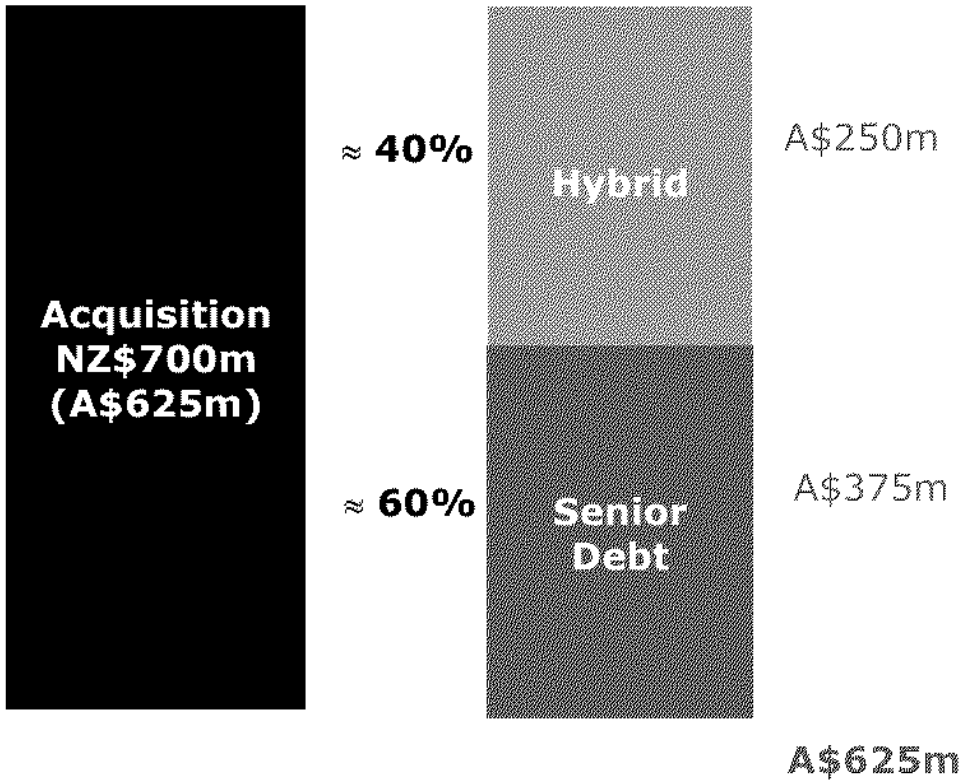
All underpinned by the strongest internet audience in New Zealand

Transaction funding and financial impacts

- Purchase price NZ$700 million
- Funded by a mix of A$250 million Hybrid Equity and balance in senior bank debt
- Price represents
  - FY06 EBITDA multiple of 26.9x
  - FY07 estimated EBITDA multiple of 15/16x
- Valuation based upon
  - Comparable EBITDA multiples for assets with similar growth rates
  - EPS sensitivities based on proposed funding structure and FXJ current capital structure
  - Discounted cash flows

All three valuation methodologies support the acquisition

Funded by Hybrid Equity and Senior Debt



- Step up Preference Security. Non-call period of 5 years
- Through an offer to institutional and sophisticated investors
- Equity for accounting purposes on consolidation
- 50% equity credit for S&P rating

- 364 day bridge to be refinanced in 2006

Exchange rate A$1 = NZ$1.12

The purchase price compares favourably with comparable valuations

Trade Me EBITDA multiples vs. benchmarks: FY06-07		
	FY06	FY07
Trade Me acquisition[1]	26.9x	15.6x
Seek[2]	19.5x	16.9x
Realestate.com.au[2]	31.1x	19.6x
eBay[3]	27.5x	21.5x

1. March 06 year end
2. June 06 year end
3. December 06 year end

Source: IRESS and Bloomberg 3 March 2006

Trade Me will be neutral to EPS accretive...

- Based on proposed funding structure
  - EPS neutral FY07
  - Minor EPS accretion FY08
- Based on current Fairfax capital structure (75% equity and 25% debt)
  - Minor EPS dilution FY07
  - EPS neutral FY08

Note: Accretion/Dilution based on Fairfax consensus numbers and forecasts for Trade Me

Fairfax balance sheet – pro forma following transaction

	Fairfax Actual Dec '05 A$m	Estimated * Trade Me Transaction A$m	Estimated Pro Forma Dec '05 A$m
Total Assets	3,555	629	4,184
Total liabilities	1,623	379	2,002
NET ASSETS	1,932	250	2,182
Total Equity	1,932	250	2,182

*Estimated transaction comprises purchase price plus acquired assets and liabilities

Summary

- Excellent fit both strategically and financially
- Enhances our New Zealand position
- Transforms us into the leading digital business in Australasia
- Continues to reshape our earnings mix towards higher growth digital businesses

Fairfax

trademe

Where Kiwis buy and sell online

FairfaxDigital

smh.com.au
The Sydney Morning Herald

THE AGE

MyCareer

drive.com.au

domain.com.au