



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
- At least 5 million visitors each month to websites including *smh.com.au*, *theage.com.au*, *farmonline.com.au*, *canberratimes.com.au* and *yourguide.com.au*
- 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

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

Transaction summary (2)

- 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

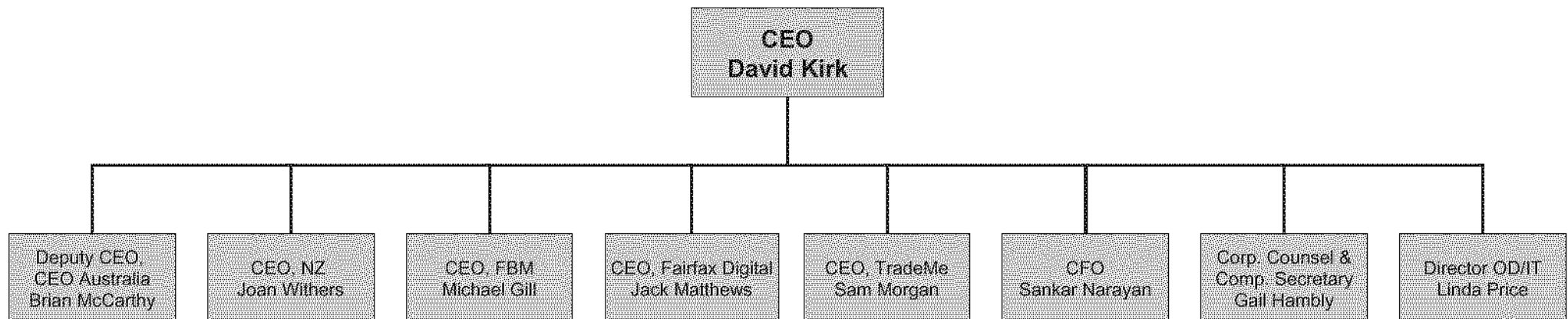
- Independent expert appointed
- Submission of scheme booklet to ASIC and application for court hearing dates
- First court hearings
- Distribution of scheme booklets to Rural Press shareholders
- Rural Press shareholder meetings
- Second court hearing/ implementation of schemes

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

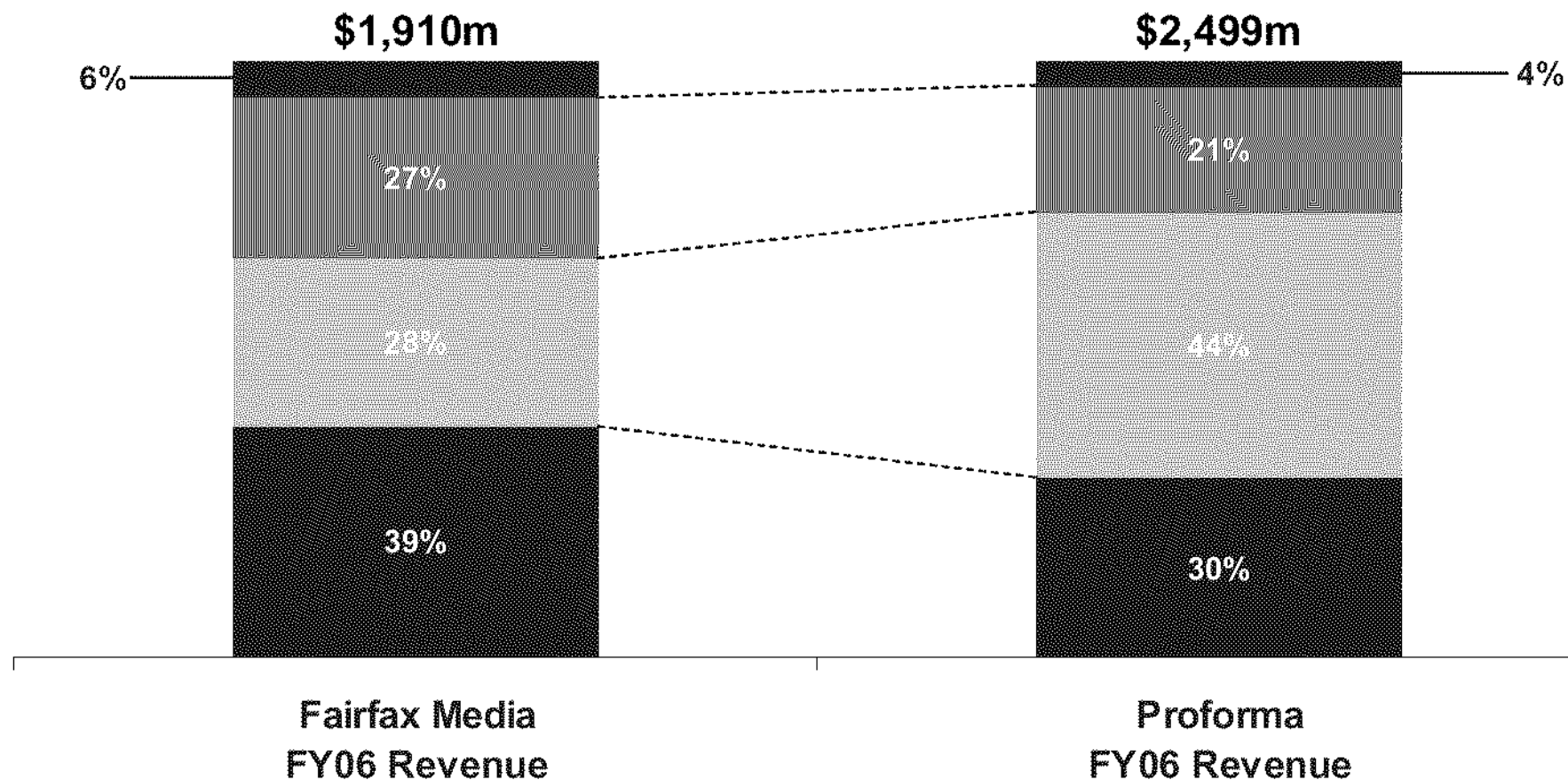
3. Conversion into a digital media company

- 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



■ Australian Metros (Syd & Mel)

■ Other Australian Publishing

■ NZ Publishing

■ Online

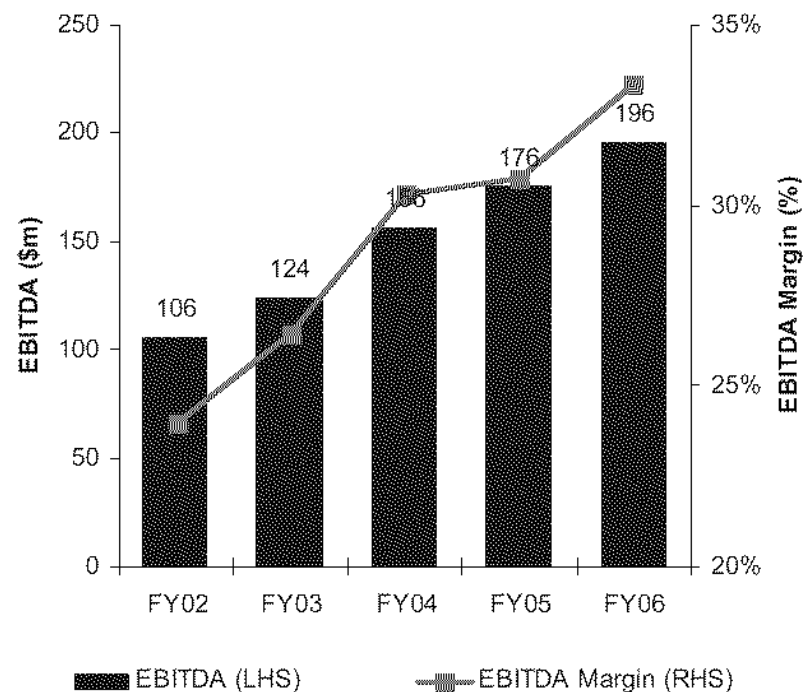
17 Note: Proforma FY06 excludes full year impact of the Border Mail and TradeMe acquisitions. FY07 will include significant growth in Digital revenues.



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

EBITDA Margins



Average EPS Growth

