



## TRANSCRIPTION

**Company:** Fairfax Media Proposed Merger With Rural Press Limited

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**Chair:**

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[START OF TRANSCRIPT]

David Kirk, CEO, Fairfax Media:

Welcome everyone and thank you very much for coming. I won't introduce the people on the stage as I'm sure they're known to you, and you can see the name cards there.

We're delighted to be here today to announce the proposal to merge Fairfax Media and Rural Press. We feel very good about this and believe together we're creating Australia's largest integrated metro, regional and rural print business and digital media business.

This is clearly a combination of two complementary businesses, and a combination that's been talked about and considered a natural business connection for some time. The elements that clearly make these two businesses complementary are the operational synergies and we'll come back and talk a little more about that later. The revenue diversification which is an important consideration in media industry, cyclical media industry. Clearly the two businesses have enhanced growth opportunities. That is to say the two management teams working together feel very confident that the merged entity will grow more quickly, than either the two business could have separately.

That's partly a consequence of synergies, but also a consequence of the long term complementarity of the assets and audiences of the two businesses. And we also believe very strongly that the merging of the two management teams creates a management bench strength which is unequalled throughout the media in this part of the world.

What we're doing is creating Australia's largest integrated metro, regional and rural print business; it covers the whole of Australia. And of course digital media business, as all of us in the media are needing to adapt the business.

We've got a very substantial footprint across Australia in metro, regional and rural papers. High cash flows and will maintain a very strong dividend yield. Reduced earnings volatility and very importantly, the merger creates superior internet positions and expertise by combining Fairfax's current national footprint and technology capability with Rural Press' audiences and deep local content and local connection to audiences.

The two organisations share a lot when it comes to values. Most notably I think the News organisation is a shared commitment to quality journalism and connecting with communities and readers, and doing that in a way which allow the advertisers to get to those communities effectively as well.

The deal is EPS accretive to both Fairfax Media and Rural Press shareholders, and again we can come back to that later.

Just to provide a little bit more flavour on the merged group. The business will have an enterprise value of over \$9 billion at current share prices, and a vast geographic footprint across the big metropolitan centres on the Eastern seaboard; Sydney, Melbourne and Canberra. And then of course across regional and rural Australia; 240 regional, rural and community publications.

Just as importantly, at least 5 million visitors each month to websites and a range – those audiences are not only broad but they are deep in the sense that there's a lot of people that go there. But there's a lot of people that go for very specific reasons and local communities or local niche audiences around agricultural publications, around business publications and so on.

The business maintains the Fairfax business name, maintains its substantial presence in New Zealand. And that's augmented by additional agricultural publications in that country. The company, the merged company clearly has the leading internet site in New Zealand in [trademe.co.nz](http://trademe.co.nz). The merged business also has a significant agricultural publishing presence in the USA with over 20 titles, and radio licences in Queensland and South Australia.

Then we summarise the transaction. Most of you will have the opportunity to absorb it through the press release and the material we've put out. The merger will proceed by two schemes of arrangement. Two schemes are required because there are two classes of share in Rural Press; the ordinary shares and the preferred shares. Each Rural Press ordinary and preferred shareholder will be entitled to receive for each share they hold, either two Fairfax Media shares and \$3.30 in cash, or 2.3 Fairfax Media shares and \$1.80 in cash.

In addition prior to the merger, the Rural Press Board intends to declare a fully franked special dividend, and you can see the cents per share there. They're the rather unusual non-rounded numbers, are due to the fact that the preferred shares have a constitutional right to a 10% greater dividend. And I think you'll find that the average comes to 60 cents per share.

Continuing on, synergy benefits are expected to be at least \$35 million to be achieved within the first 12 to 18 months. The deal is EPS accretive to both Fairfax Media and Rural Press shareholders after the achievement of synergies on

consensus forecasts for the two companies. Fully franked interim dividends for the period to 31<sup>st</sup> December '06 will be paid prior to the merger completion, subject to the maximum of 30 cents for Rural Press ordinary shares, 33 cents for preferred shares and 10 cents for Fairfax Media shares. So those are dividends in a way in the ordinary course of the first half.

Two non-executive Rural Press directors will be invited to join the Fairfax Media Board and the Rural Press Board will nominate those directors. Post the merger, the payout ratio for the merged entity is proposed and expected and indeed will remain at 80%.

Just coming into operational synergies. Value continued strong across disciplines in a sharing of best practices, and to this end the merging of managements we think is a very positive outcome for the merged entity. The minimum of \$35 million I've just talked about, clearly this has been quantified around public company costs, support costs, overhead costs, procurement savings, printing and production costs. A relatively small component of the synergies are allocated to revenue enhancement for the merged group, but the expanded network clearly has benefits for national advertisers, and we expect a somewhat higher penetration of regional publications.

Somewhat higher penetration for regional publications of national advertising. And of course enhanced national local offers where it's provided better bundled opportunity for advertisers. But stressing relatively small component of the \$35m allocated to revenue synergies.

There are clearly additional opportunities, and these will be gone after with vigour. There are further cost savings we think will emerge after more detailed review. There is clearly opportunity of a higher penetration of local markets and the development of expanded publications in order to achieve that. And we can clearly see and we've allocated at this case no additional benefit to – but we can clearly see in the future publishing online offers to advertisers because of the expanded footprint in both publishing and online.

Another clear benefit to both companies of the merger is revenue diversification, and I think it's without doubt that this merged organisation, certainly in this part of the world, and I know of none in any other part of the world frankly, that would have such a diverse range of publishing and digital online revenue sources.

So if you look at our publishing, the merged companies publishing revenue streams first, metropolitan newspapers in Sydney, Melbourne and Canberra, and then over 240 regional and community papers in every Australian State and of course the Australian Capital Territory, so that gives geographic diversity as well as diversity and a type of publishing model for metropolitan to regional.

The large stable of metropolitan, regional and community papers in New Zealand clearly that economy is somewhat counter cyclical to the Australian economy and has different exposures. The leading national business titles in Australia and New Zealand and again, the national business niche market is a different market with different dynamics than any of the preceding three markets.

And then over 35 agricultural titles, which in many ways have the business model and the defensibility of the business model is more like the Fairfax Business Media AFR type model. And that's a national niche audience which is aggregated for certain content purposes.

The general magazine publishing in both Australia and New Zealand, largely inserted magazines in Australia but largely news stand magazines in New Zealand, so again a diversification of publishing revenue. And finally, the agricultural magazines in the USA which gave us exposure to a clearly different geographic market, but also another content and audience market in agricultural publishing.

The largest and most diverse internet portfolio in Australasia and again I think this is absolutely without fear of contradiction, we have the number one national news and information site in Australia; [msn.com.au](http://msn.com.au) in the Age, and those are genuine national sites as I've talked about before. They're not State based sites.

We have number one or number two in all national classifieds in Australia. We have the leading online business information platform in AFR Access. We have [trademe.co](http://trademe.co) in New Zealand, which is the leading online transactions engine, the online auctions business, but also number one in motor vehicles, number one in housing, homes and number two in jobs in New Zealand. So number one or two in all the classified categories in New Zealand.

And in addition, the merged entity has a suite of rural and regional online sites; [farmonline.com.au](http://farmonline.com.au) and Your Guide are the leading two. But a range of other regional and agricultural sites which as we talked before, we think will very much benefit from the merger of the two businesses. And clearly the revenue diversification extends in a small way with the regional radio in Queensland and South Australia.

Additional growth opportunities, apart from higher overall system growth in this diversity, so more consistent growth and higher growth because of the combination of the two businesses. Additional growth opportunities will come from the expanded footprint across Australia for both businesses, and the ability to develop products into new and under penetrated markets. Sometimes markets which are geographically contiguous, just extending the footprint, and sometimes markets which are about extension of content to new audiences in and around the current audiences. But there's a clear opportunity to do that given the diversity of what we've got.

Very importantly, both companies as we work through the benefits and the prospects of bringing the two companies together, saw an acceleration of internet revenue growth and new online business development as a big opportunity with the merged entity. We think it's a good opportunity for us to drive our national classifieds harder, and our brands or at least the current Fairfax brands are The Domain, the My Career and the Drive.com.au brands. They clearly are national markets and national brands; need to be developed. And national brands need national audience and access to bundled buys with local publishing content

newspapers. So obviously a very strong opportunity to grow the national classifieds. It's clearly our markets which are right now being monetized very effectively by the leaders.

Regional news and information services are a big opportunity that has been begun by both businesses. Certainly Rural Pres has a clear strategy and is building on that right now. We think bringing the two businesses together will allow us to accelerate that and run faster. But a clear opportunity to get the leading position in deep local and regional news and information services.

Regional and rural trade and services. We believe there are transaction services that will develop over time, and we'll be extremely well positioned as a joint entity to go after. And also cross promotion through regional print and radio will be important in driving a greater share of that national and local advertising dollar. And clearly printing optimization and an expansion will be profitable – will be possible for the merged group as well.

Let me then quickly run through in summary the current Fairfax Media shareholders benefit, and then pass over to Brian to talk a little about Rural Press. Coming from a Fairfax Media shareholders perspective, this is a further development of the business as Australia's largest integrated metro, regional and rural print and digital media business. That establishes that, and we're a part of that. There is EPS accretion for the business post the achievement of the synergies in 2008, and we think that's a very good outcome for us. And I've just talked about, we definitely believe that the merged entity has superior growth characteristics across the board, and that largely comes from exposure to regional markets and indeed, the increased geographic diversity and revenue stream diversity, but provides a more stable earnings capability.

The larger scale and expanded market positions gives us a bigger platform and a stronger platform of which to launch new initiatives, and we say that particularly in digital media. And it is clear that the capacity to invest and grow and develop those businesses right now, is very important. New online revenue and growth opportunities, I've just talked about that, and regional and rural news and classified and trade and services, marrying deep content and connections and audiences with technology and national brands and capability, I think is the best match up you could have of any media company in Australia today.

And of course, again as I've talked about, access to Rural Press management expertise and merging the two groups, I think is a very important benefit to Fairfax Media shareholders. Thank you, and now Brian is going to take over.

Brian McCarthy, CEO, Rural Press:

Thanks David. Wasn't the cricket great last night? More important than all this. Sorry, just a joke. I think hopefully most of you know what Rural Press is about, so I won't go into this too much. We've got a few papers on regional titles and ag titles. We think we've got some pretty good printing operations strategically placed around Australia on the outskirts of metropolitan areas, which is strategically very important. And that life is local strategy, perhaps I could just

explain. We are rolling that out, and you've heard me talk about it, or those of you who know Rural Press have heard me talk about it in the past.

We just think that we would have got there in the end. We think under this scenario, we'll get there a hell of a lot of quick without any doubt, and in a better quality way. So the online opportunity for regional and rural Australia, I think, is fairly fundamental to why we're here today.

And I know there's broadband issues and that sort of thing, that are totally out of our control. What we need to be is prepared, take the space, so that when that all comes, we're ready. We think we've got a pretty good franchise in Rural Press in our markets. And obviously the joint company will have big operations in New Zealand. We've got a small operation in the US that's going on okay, and that will all blend in quite nicely and depending on where the new board decides to go, the US may indeed be a nice foundation to leverage off.

In terms of people, there's a last dot and the third last dot about people. I'm really hopeful and I've talked to David about it, that the staff training initiatives that I think have been an inherent core competency of our group, will continue into the enlarged group. I'm sure that will happen, and indeed I'm hopeful, I can't say today empathetically, that all the Rural Press management team will come across into the new organisation. But I'm not in a position to say yay or nay on that. And I think you know that we've made a few bob along the way.

Looking at the next one, it is going to be a big operation, quite exciting I think in terms of scale. The online in terms of our markets is important, as I said. I think if you look at the Fairfax assets and the Rural Press assets, there's a very good fit. There's not a lot of overlap if I can say that. There are a couple of little overlaps there we'll have to sort them out in due course, but overall we don't really step on each other's toes to any large degree. So it's a nice blend of left and right foot, is how I put it.

And it is attractive, I think, to most stakeholders in Rural Press, the shareholders I think, subject to how they feel about it, may or may not be happy. We as a board, think it's a good deal, and I think there's opportunities there for staff, as I said, if they want to be part of a bigger organisation, with opportunities in a bigger way, that our team can be considered as part of that process. And I think for customers, our customers, there's opportunity there, particularly in that online area, where I think we can jump right into that.

But I also think there'll be access to a lot of content that Fairfax has, that in a national sense that we don't really have at the moment. And David's already mentioned the dividends etc. We hope that Rural Press shareholders going forward, benefit from the Fairfax policy that's already in place, and that we can continue some growth there.

So gentleman and ladies, that's about all I wanted to say about Rural Press. I'll hand you back to Sankar.

S Narayan: David has talked about some of the high level transaction parameters, and what I want to do now is actually take you through the specifics, in terms of what the

deal sequence would be in terms of what the various funding components are. I'll talk a little bit about the EPS equation, and then finally talk about the gearing as well. Those are the three components that I want to touch upon now.

If you start off, both companies have indicated some interim dividends, that will be paid out of the operating cashflows of the two companies. We've talked about 30/33 for Rural Press, and to a maximum of 10 cents for Fairfax, that just comes out of the operating cashflows.

Post the scheme approval, you'd actually then get into the first phase, which is a special dividend. As David mentioned, it works out the two numbers to the third decimal point, actually works out to be 60 cents on average, and that translates to \$120 million cash. That will come out of Rural Press prior to the combination.

Then we get to the transaction itself. As we said, there are the two options to it. One is \$3.30 plus 2 Fairfax shares, or the other one is \$1.50 lower, which is \$1.80 plus 2.3 Fairfax shares. Let me just start off with the first option and work the numbers, and then talk about the variance to the next option. The first option is 2 Fairfax shares plus \$3.30. What that does is, \$3.30 works out to be \$6.67 in terms of the cash component, and this is assuming all shareholders actually choose the first option. We work up to extremes and then you can plot your own intermediate point, because it will be depending on the tax preferences and a lot of other preferences for the various shareholders.

In that option, which is \$3.30 plus 2 Fairfax shares, we would see the cash component being \$6.67, and then you'll actually have 405 million shares, which is the 200 million shares on issue, some options that can work times 2, gives you 405. You combine that with outstanding shares on issue for Fairfax now, you get 1.425 billion shares.

Now, let's go to the other extreme, where all shareholders choose the second option, \$1.80 plus 2.3. So the number of shares on issue would reduce by 60, since 405, you'll have 345, and the cash component reduces by 300 to 367. So we have established the two positions, and then you get an intermediate point between the two. EPS accretion, as David mentioned and followed up with Brian, slightly accretive for existing Fairfax shareholders, and significantly accretive for Rural Press shareholders, and that is post-synergies. And put a number of at least \$35 million, and anything on the upside lifts the accretion on both fronts quite significantly.

So what does it do, and as David said, these are based on consensus estimates for FY08. So going to the ratios in terms of the balance sheet, post all of that post-merger, we'd have total financial instruments apart from equity of about \$2.6 billion, that is, \$2.3 in net debt plus the \$300 million that we have as a hybrid that's currently on the Fairfax Media balance sheet. The ratios then post-merger is around 3X, and healthy EBITDA interest cover, quite comfortable with that level of leverage. It's quite conservative considering the deals that have been going on these days in the media sector. And it actually comes down next year to sub-3, so quite happy with the level of leverage there.



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I'll just briefly talk you through the sequence as well. As David said, two schemes. Prior to all of that we'll have an independent expert, or Rural Press will have an independent expert in December 2006, and following through the process, I'm not going to talk through each process, we see the whole process finishing by late April 2007, so the two schemes completing by that time.

There are some linkages between the two schemes, which have been detailed in the press release. And if you have any further questions, you can actually either ask me or anybody else here, or Gail Hambly is here as well, to talk you through and explain some of the scheme and linkages between the two. And that's pretty much it. Over to you David.

D Kirk: Okay. Just to finish up before we move to questions. Very importantly, senior management, Brian will take on the role in the new company of Deputy CEO and CEO of Australia, and in that role he'll have responsibility for all of the publishing business of the two merged entities in Australia. So it will be the metropolitan region, the rural, magazine publishing and printing business in Australia. That's a very big business.

As an interim measure also, while we think through what's our longer term solution, they're the USA assets and the radio businesses, will also report through to the CEO of Australia. The other P&L groupings in the organisation, that's Fairfax Media New Zealand, Fairfax Business Media, Fairfax Digital and Trade Me will continue to report directly to me.

It's worth saying again, and the fourth point there, that the Rural Press management will bolster the publishing and printing expertise right across the group.

Just then as a very brief summary, can tell you we've been talking as an organisation, now talking more specifically from a Fairfax Media today perspective, we've been talking about our strategy for the business. Clearly, we're defending and growing our newspaper business. We believe in our newspaper business. We think there's a lot of continued hard work to make that business as good as it can be. The driving diversification and expansion, strong cost control disciplines, great editorial setting the news agenda and distributing that as widely as possible, and building on our circulation successes, and nothing's changed with regard to that. And the merger's utterly consistent with that.

And the second point, rapid growth in digital, building online businesses that have great audience reach, have great content and are able to be monetised. And we think this merger very much supports that second strategic priority of the business, and thirdly, converting the business, adapting the business to the digital world, being, behaving and acting and having the processes and technology which allows us to be a genuine digital media company. Which means we can integrate news gathering and story development for multiple media, and then distribute that across a whole range of platforms. And of course, have advertisers come with us to monetise it.

So that is the end of the presentation, and I guess we are all very happy to take questions.

Question: (Roger Coleman, CCZ Equities) I'm just wondering, on page 6, which is the synergy gains, could you give some idea of how much is coming out of Fairfax gains in cost reduction from the merger, and how much is an advantage to Rural Press, in a sense? And then if it's mainly orientated to Rural Press, are there any benchmarking gains above or inside the Fairfax organisation with the new management team?

D Kirk: The synergy benefits are spread across a whole range of opportunities within the organisation. We're not releasing specific detailed information at this point in time, where and how they'll be achieved, except to say we feel comfortable that the number that we put down and the areas in which we're going after them, are completely accurate. There are certainly a range of benchmarks available for both companies, and we'll use whatever benchmarks are helpful to us in achieving the best possible outcome.

B McCarthy: Just to state the obvious Roger, there's probably a head office at North Richmond that unfortunately won't be there forever, so that's an obvious one on our side, that obviously corporate things are necessary. But I think, the important thing is, what we're saying is that there's 35 that we basically can identify today, in the time we've had available, and you would hope there's a bit more there.

Question: ...was related to benchmarking the Fairfax operations overall to Rural Press standards?

B McCarthy: Well from my side, David can comment, but I personally in Rural Press haven't had the opportunity to do that, in a really detailed manner. I think that comes later. And what emanates out of that, who knows, but I just don't think it's – we've identified the 35, we've both said there maybe a bit more there. I think the disciplines David's talked about on the top of that sheet you're looking at, page 6, says some disciplines and things, so the only metro paper we own is the Canberra Times. It will be extremely interesting, I think, to sort of sit down and compare the Canberra Times to some of the other properties which is where your mind's at? And I'm sure that will happen, but it certainly hasn't happened to date, Roger, would be my answer.

Question: (Fraser McLeish, ABN AMRO) Firstly, why is it being structured as a scheme? Is that just because of the press and ordinary issues, or is there some other reason for that?

D Kirk: Well, I think it's not uncommon at all in a situation where there's a major shareholder that's recommending the deal. That for efficiency purposes and because of some of the complexity around ords and prefs, that a scheme is the most effective way and efficient way of getting the deal done.

Question: Great, and just on the ad market at the moment, how are you seeing that in the run up to Christmas across both Fairfax and Rural Press, any improvement?

D Kirk: I don't think it's appropriate to make any comment, but there is no material change in the outlook statement that we gave at our AGM.

Question: It was worth a try.

Question: (Bill Gregersen of PPM) Just wondering your suggestion that the merger will be EPS accretive in 2008 for both sets of shareholders, just wondering if that assumes \$35 million in synergy benefits in that year? That's what I would assume from what you've said, but just wanted to be clear on that.

D Kirk: Yes it seems that a substantive part of the 35 is actually accreted by a few points, so even if we didn't achieve 35 it would still be accreted, but will be close to that. But we are comfortable with a 12-18 month time frame that we put for it.

Question: (George Coleman of Citigroup) Thank you. I guess one for you David if I may. Leaving the accretion as 5 which to some large part is a function of Fairfax's equity valuation, in stepping back a bit and underlying shareholder value terms, why does paying 25 times Rural Press' net income and what must be close to 15 times enterprise value make sense given the valuation disparity that represents to similar properties elsewhere in the world.

D Kirk: Well George, it is not really possible to leave EPS accretion aside. So to blindly say leave EPS accretion aside, that is the fundamental wash up of whether this is beneficial to Fairfax Media Shareholders in the first full year, the 08 year. Looking at that another way, if you look at EBITDA multiples, the EBITDA multiple of the merged entity post the acquisition and achievement of the synergies comes into line with what the current Fairfax Media EBITDA multiple is.

So I think that answers the question.

Question: David, just as a follow up, coming from a similar perspective – the question on this is why the timing – why now? Clearly this deal is not dependent on any regulatory change. What has brought all the stars into alignment right now?

D Kirk: That's exactly right. It's not and neither party felt that they needed to do any deal and anything in response to the regulatory environment. This was a deal that worked for both parties on relative share valuations. It hasn't always worked and I think in terms of a relative sense of alignment about the direction and focus of the company it hasn't worked in the past.

I guess in some ways, I don't know enough about the history to comment any further. Just to say that Brian and I both, probably a couple of months go, got together and thought well let's have a good look at this.

In principle it seems like it would work, let's sit down together in a methodical and sensible way and work through the detail of it and see if it is a deal that we think would work for both shareholders and both boards would be prepared to recommend. That's exactly what we did in a very methodical and unemotional and demonstrative way and we got to a deal that really worked. That's why we are here today.

Question: Thanks.

Question: (Alice Bennett of Merrill Lynch) Thank you. Just a couple of questions. Firstly I just wanted to clarify on the EPS accretion in 08. The press release is saying that's excluding one-off integration costs. I just wanted to get a feeling for the magnitude of those costs and whether it is still EPS accretive including those costs.

Secondly is there any shareholder approval required from Fairfax shareholders and is there any possibility of Fairfax shareholders having an input into whether the deal goes ahead.

Just lastly, just wondering if you have any plans yet to sell off some of the non-core smaller assets that Rural Press has, like the radio assets and the US operations.

D Kirk: Regarding the first one, we don't know what the transitional transaction, I can't remember what the proposal was but the costs of achieving the synergies might be. So we can't put a number on it because we don't know what it is. But we just wanted to make it clear that it doesn't include any, if there are any. So that's the point of that one.

The second point, the deal will be achieved by two schemes of arrangements and those are Rural Press' schemes of arrangement. So it will be Rural Press' shareholders who will vote on those two schemes.

And thirdly, no – there are no plans, we haven't looked at it, we haven't thought to at all, any potential divestments but basically I think we like just about everything. Both companies like just about everything they are getting from the other.

Question: Okay, thank you.

Question: (Cameron McKnight of JP Morgan) Thanks very much. Just a few questions for me. First do you have any plans to rationalise the news resources across Rural Press' market and secondly could you give us an outlined of any markets where Fairfax and Rural Press are in the same market and the merger would fail at the voices test.

Thirdly are you able to give us an indication if you know it of what broadband and the Internet penetration is across Rural Press' markets.

D Kirk: I will answer the first one and Brian might have to answer the second two.

I can't remember the first one now. What was the first one?

Question: Just in news resources and any plans to rationalise.

D Kirk: We don't have any, we haven't worked through the detail of anything like that at all.

B McCarthy: What was the other one?

D Kirk: The second one was about anywhere we might fail at the voices test by the overlap...



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B McCarthy: Oh right. As I said in my little speech, there's only a couple of markets that we overlap and they are really small. And to that degree, we see it as I said, with a left foot, right foot – two feet approach going forward. The small little areas, I'm sure David and his team will sort out with the regulatory body to remove those tiny areas where there is a little bit of overlap.

But it's not a big deal, that's tiny little markets where that's affected. In terms of the broadband, it depends where you are. If you're in Canberra for example, obviously the broadband is up and running pretty heavily there and the broadband penetration into Canberra is probably the highest of any market in Australia because of that high AP demographic and all the rest of it.

So that particular market is different to the rest of what I would call regional and rural Australia where the rollout is extremely slow and – I don't have a number for you – but it's very, very low and I would suggest it is more 10% or something like that if I had to nominate a figure.

Question: Great, thanks very much.

Question: (Owen Burrell of Goldman Sachs JB Were) Hi guys I've just got a couple of questions. Firstly with regard to Marinya Media, has John B Fairfax indicated his position and whether or not he will be a holder of his Fairfax shares post the merger.

The second question is on the Rural Press preference shares. Whether there will be capital gains tax rollover relief on those shares as a result of this merger?

B McCarthy: In terms of John and Marinya and the broader family, I'm really not in a position to speak on his behalf. There is a press conference this afternoon and I'm sure someone will ask him that question no doubt. I should that John is a very committed individual in terms of the process that we have in front of us.

It has got nothing to do with going back to the farm - that is not a driver, as David said. This is a professional pragmatic business decision; it has nothing to do with emotion and wanting to go back to the farm. So that's not an issue for John. It's a small by-product. So I would think in my opinion that John would be very, very committed to retaining his shares in Fairfax. For how long that is and all the rest of it, I've got no idea that is my opinion. That is a question for Marinya, but I would be very surprised if there's not very passionate supporters of this project.

Rural Press directors are entitled to two seats and we haven't decided who will occupy those two seats. It would be nice I think if John was one of them, but that's up to him.

So if you look at it from that viewpoint it is not as though we're coming across the exit, I think we are coming across to be part of improving and driving both businesses forward to create a bigger and stronger business and John, I think, would want to be part of that in his capacity as a director.

The second part of the question was rollover relief I think?

Question: Yes that's correct.

B McCarthy: The general answer is that rollover relief is available for both classes of shares to the extent that the cost base needs to be apportioned in the same ratio as the cash and equity consideration. That's the cost base is apportioned in that ratio and the rollover relief is available as though they were effectively one class of share on our side. That's the general answer. Each shareholder needs to look at their own position, but the expectation is that it will apply.

Question: Can I ask just another follow up question? What happens if one class of shares votes it down, and the other votes it up?

D Kirk: Sorry, rather than go into all the detail here, I'm happy to take follow up questions however the scheme and the linkages are set out in quite a bit of detail in the Appendix to the Press Release – so I would just probably direct you to that.

Question: Thank you.

Question: (Nola Hodgeson of UBS) Yeah most of mine have been asked, but just in terms of the magnitude of any break fee – I read through the bit that explained when there would be a break fee, but can you quantify what that would be?

D Kirk: Yes again, it's in the Appendix and it's \$10 million.

Question: Thank you.

Question: (Richard Ivors of Ord Minette) Mine have actually been asked, thank you.

Question: Just a very quick question, Brian are you going to go on the board?

B McCarthy: On the Board?

Question: Yes.

B McCarthy: No.

Question: Oh, I think you should! Make sure he's on the board okay? [Laughter]

Question: This is relating to a semi-board question Brian. How many years are you going to commit yourself to the business, especially given the chart – where you're near the number down the bottom left-hand-side of the organisational chart...

B McCarthy: Sorry what was that last bit?

Question: How many years are you going to commit yourself to that...

B McCarthy: Sorry the next bit? Oh, that's it?

Question: And I'm wondering how you know, you've run a public company, and now you are down the bottom left hand side on the organisational chart...

B McCarthy: I'm on the sheet! [Laughter]

Question: But, no this is an important question for valuation purposes and for benchmarking and it would be handy to know what your commitment is to the group and the length of term you expect to serve.

B McCarthy: You sound like my wife! She asked me the same question last night.

Look I think that's a very personal thing – I'm in good health, I enjoy the cut and thrust of what we do, I've given my word to David that I'll support him in the interests of the overall venture and I'm not a bloke that shakes hands and walks away from it.

I think I'm a bit older than David, you know, he's only a young pup! He's in kindergarten and I'm just sort of moving into primary school. I think there's a window there of some years would be my answer. I don't think it's ten years to be honest, but I think I'm very committed to seeing the project through it's disruptive phase I guess – in terms of staff and that sort of thing. You do have disruption. I want to see that and I want to with David put together a team to move forward that can create a vibrant and good future for the businesses.

In that sense I think it's important I'm staying on the left hand corner, in terms of our management team because I think if I wasn't on the left hand corner, that would be a different story, without you know, being too smart.

So I think our team is looking forward to getting into it as best we can with the other side. It's not one taking over the other and I think we are open-minded. But I haven't put a number on it, but it's less than ten – some other number. But I'm looking forward to getting into it seriously. It's not as though this thing's going to happen in April and then I nick off. I wouldn't do that. I'm too committed and too professional and I'm going to have shares in this business myself. My couple of shares will rollover.

So I have a vested interested personally in seeing that it's right and I feel I have some responsibility to all the people who have supported the company over the years to make sure it's a smooth transition and we set it in good shape and it's built properly going forward.

That's my commitment to you. Whether that takes six months, 12 months, 18 months, 2 years, 5 years or 10 years, I hope it's not that long – that's my commitment to see it through with David.

D Kirk: Okay, thank you very much.

[END OF TRANSCRIPT]