ASX RELEASE

Fairfax Media

Fairfax Scheme Booklet Released

Sydney, 12 October 2018: Fairfax Media Limited [ASX:FXJ] ("**Fairfax**" or "**Company**") is pleased to announce that the Australian Securities & Investments Commission has registered the Scheme Booklet in relation to the proposed merger of Fairfax and Nine Entertainment Co. Holdings Limited [ASX:NEC] by way of scheme of arrangement ("**Scheme**").

Earlier today the Federal Court of Australia approved the convening of a meeting of Fairfax shareholders ("**Scheme Meeting**") to consider and vote on the Scheme, and approved the despatch of the Scheme Booklet to Fairfax shareholders. The Scheme Meeting will be followed by an Annual General Meeting of Fairfax shareholders.

Scheme Booklet

The Scheme Booklet attached to this release sets out the information Fairfax shareholders require to evaluate the Scheme. A copy of the Scheme Booklet, which includes the Notice of Scheme Meeting and Notice of Annual General Meeting, will be despatched to Fairfax shareholders on or around 18 October 2018. The Scheme Booklet will also be available on the Fairfax website.

Independent Expert opinion

The Fairfax Board appointed Grant Samuel & Associates ("**Independent Expert**") to undertake an independent assessment of the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of Fairfax shareholders in the absence of a superior proposal. A copy of the Independent Expert report is annexed to the Scheme Booklet.

Board recommendation

In the absence of a superior proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of Fairfax shareholders, each Fairfax Director:

- recommends that all Fairfax shareholders vote in favour of the Scheme; and
- intends to vote in favour of the Scheme in relation to the Fairfax shares in which they have an interest.

Meeting details

The Scheme Meeting will be held at 10:00am (AEDT) on Monday 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009. The Annual General Meeting will be held immediately after the Scheme Meeting at 10:30am (AEDT) at the same venue.

Fairfax shareholders are able to vote at the Scheme Meeting in person or by completing and returning a proxy form to the Fairfax share registry by 10:00am on Saturday 17 November 2018. Further details on how to vote on the Scheme are included in the Scheme Booklet.

ACCC clearance

The ACCC is conducting a public informal review of the Scheme and has indicated that it expects to make a decision on whether to approve the Scheme on Thursday 8 November 2018.

Further information

If Fairfax shareholders have any questions or require further information in relation to the Scheme or the Scheme Booklet, they should call the Shareholder Information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) from Monday to Friday between 8:30am and 5:30pm (AEDT).

Ends

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Fairfax Media

Fairfax Media Limited
ABN 15 008 663 161

Nine

For personal use only

SCHEME BOOKLET

IN RELATION TO A PROPOSAL FROM NINE TO ACQUIRE ALL FAIRFAX SHARES FROM FAIRFAX SHAREHOLDERS FOR CASH CONSIDERATION AND NEW NINE SHARES.

VOTE IN FAVOUR

The Fairfax Directors unanimously recommend that you **vote in favour** of the Scheme, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial, taxation or other professional advisers. If you have recently sold all your Fairfax Shares, please ignore this Booklet. Fairfax has established a Shareholder Information Line which you should call if you have any questions in relation to the Scheme. The telephone number for the Shareholder Information Line is 1800 072 766 (callers within Australia) and +61 1800 072 766 (callers outside Australia). The Shareholder Information Line is open on Business Days between 8:30am and 5:30pm (Sydney time).

MACQUARIE

Financial Adviser

KING & WOOD MALLESONS
金杜律师事务所

Legal Adviser

IMPORTANT NOTICES

GENERAL

Fairfax Shareholders are encouraged to read this Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you have sold all of your Fairfax Shares, please ignore this Booklet.

DATE OF THIS BOOKLET

This Booklet is dated 12 October 2018.

PURPOSE OF THIS BOOKLET

The purpose of this Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and Implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of Fairfax Shareholders whether or not to approve the Scheme. This Booklet includes the explanatory statement and other information required to be sent to Fairfax Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

STATUS OF THIS BOOKLET

With regard to the New Nine Shares, this Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the Corporations Act.

RESPONSIBILITY FOR INFORMATION

The information contained in this Booklet other than the Nine Information, the Independent Expert's Report and the Independent Limited Assurance Report has been prepared by Fairfax and is the responsibility of Fairfax. None of Nine or its directors, officers or advisers assumes any responsibility for the accuracy or completeness of the Fairfax Information.

The Nine Information has been provided by Nine and is the responsibility of Nine. None of Fairfax or its directors, officers or advisers assumes any responsibility for the accuracy or completeness of the Nine Information.

The Independent Expert has prepared the Independent Expert's Report contained in Annexure A and takes responsibility for that report. None of Fairfax, Nine or their respective directors, officers and advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of Fairfax and Nine, respectively, in relation to the information which it has provided to the Independent Expert.

The Investigating Accountant has prepared the Independent Limited Assurance Report contained in Annexure B and takes responsibility for that report. None of Fairfax, Nine or their respective directors, officers and advisers assumes any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

ASIC, THE COURT AND THE ASX

A copy of this Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Booklet.

A copy of this Booklet has been lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Booklet.

IMPORTANT NOTICE ASSOCIATED WITH THE COURT UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has directed that the explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

a. has formed any view as to the merits of the Scheme or as to how you should vote on the Scheme (on this matter, you must reach your own decision);

IMPORTANT NOTICES

b. has prepared, or is responsible for, the content of this Booklet; or

c. has approved or will approve the terms of the Scheme.

NO INVESTMENT ADVICE

This Booklet does not constitute financial product advice and has been prepared without reference to individual Fairfax Shareholders or any other person. It is important that you read this Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers immediately. You should consult your taxation adviser as to the applicable tax consequences of the Scheme. A summary of the taxation considerations is set out in Section 13.

NOTICE OF SCHEME MEETING

The Notice of the Scheme Meeting is set out in Annexure E.

NOTICE OF ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting is set out in Annexure F.

NOTICE OF SECOND COURT DATE

On the Second Court Date, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Fairfax Shareholder may appear at the Second Court Hearing, expected to be held on Tuesday, 27 November 2018 at the Federal Court of Australia, Law Courts Building, 184 Phillip Street, Sydney NSW 2000. Any Fairfax Shareholder who wishes to oppose approval of the Scheme on the Second Court Date may do so by filing with the Court and serving on Fairfax a notice of appearance in the prescribed form together with any affidavit that the Fairfax Shareholder proposes to rely on.

NOTICE TO FAIRFAX SHAREHOLDERS IN JURISDICTIONS OUTSIDE AUSTRALIA

Fairfax Shareholders who are Ineligible Overseas Shareholders will not receive New Nine Shares under the Scheme. New Nine Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on the ASX, with the Sale Proceeds to be paid to Ineligible Overseas Shareholders, after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges. See Section 12.6.3 for further information.

Fairfax Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme.

This Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. In particular, this Booklet may not be distributed to any person, and the New Nine Shares may not be offered or sold, in any country outside Australia except to the extent provided in this Booklet. Refer to Section 14.10 for further information.

IMPLIED VALUE

You will receive some of your Scheme Consideration as New Nine Shares. Any reference to the implied value of the Scrip Consideration should not be taken as an indication that Fairfax Shareholders will receive cash in respect of this portion of the Scheme Consideration.

The implied value of the Scrip Consideration is not fixed. As Fairfax Shareholders are being offered New Nine Shares as part of their consideration for their Fairfax Shares under the Scheme, the implied value of the Scheme Consideration will vary with the market price of New Nine Shares.

If you are an Ineligible Overseas Shareholder, this also applies to the New Nine Shares which will be issued to the Sale Agent and sold on the ASX by the Sale Agent. Any cash remitted to Ineligible Overseas Shareholders from the net proceeds of such sales by the Sale Agent will depend on the market price of New Nine Shares at the time of sale by the Sale Agent.

IMPORTANT NOTICES

FORWARD LOOKING STATEMENTS

This Booklet contains certain forward looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, market conditions, results, performance or achievements of Fairfax, Nine or the Combined Group to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should' or other similar words.

Other than as required by law, none of Fairfax, Nine, their directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

The historical financial performance of Fairfax or Nine is no assurance or indicator of future financial performance of the Combined Group (or Fairfax or Nine in the scenario where the Scheme does not proceed). Neither Fairfax nor Nine guarantees any particular rate of return or the performance of the Combined Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Combined Group. The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of Nine reflect its present intentions as at the date of this Booklet and may be subject to change.

Subject to the Corporations Act and any other applicable laws or regulations, Fairfax and Nine disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to making a decision whether or not to vote in favour of the Scheme.

TAXATION IMPLICATIONS OF THE SCHEME

If the Scheme becomes Effective, there will be tax consequences for Scheme Participants which may include tax being payable. For further detail regarding general Australian tax consequences of the Scheme for certain Fairfax Shareholders, refer to Section 13. The tax treatment may vary depending on the nature and characteristics of the Fairfax Shareholders and their specific circumstances. Accordingly, Fairfax Shareholders should seek professional tax advice in relation to their particular circumstances.

PRIVACY AND PERSONAL INFORMATION

Fairfax, Nine and their respective share registries may need to collect personal information to Implement the Scheme. The personal information collected may include the name, contact details and details of holdings of Fairfax Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist Fairfax to conduct the Scheme Meeting and to assist Fairfax and Nine to Implement the Scheme. If you are an individual, you and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected. If you wish to exercise these rights, you may contact the Shareholder Information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) on Business Days between 8:30am and 5:30pm (Sydney time). The personal information collected may be disclosed to Fairfax, Nine and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, share brokers and any other service provider to the extent necessary to Implement the Scheme. If the personal information outlined above is not collected, Fairfax may be hindered in, or prevented from, conducting the Scheme Meeting or Implementing the Scheme. If you appoint an individual as your proxy, attorney or corporate representative to vote at the Scheme Meeting, you should inform that individual of the matters outlined above.

IMPORTANT NOTICES

NO INTERNET SITE IS PART OF THIS BOOKLET

Fairfax and Nine maintain websites. Any references in this Booklet to any website are for information purposes only and no information contained on any website forms part of this Booklet.

DEFINED TERMS

Capitalised terms used in this Booklet (other than in the Annexures which accompany this Booklet) are either defined in brackets when first used or are defined in the Glossary in Section 15.

The Glossary also sets out some rules of interpretation which apply to this Booklet. The Independent Expert's Report and the Independent Limited Assurance Report contain their own defined terms which are sometimes different from those set out in the Glossary in Section 15.

References to Sections and Annexures are to the named Sections in and Annexures to this Booklet.

FINANCIAL AMOUNTS

All financial amounts in this Booklet are expressed in Australian currency unless otherwise stated.

EFFECT OF ROUNDING

A number of figures, amounts, percentages prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

CHARTS AND DIAGRAMS

Any charts, diagrams, maps, graphs and tables appearing in this Booklet are illustrative only and may not be drawn to scale.

TIMETABLE AND DATES

All references to time in this Booklet are references to the time in Sydney, Australia, unless otherwise stated. The dates and times set out in the timetable in Section 4 are indicative only and are subject to change. Any changes to the timetable will be announced through the ASX and published on Fairfax's website (www.fairfaxmedia.com.au).

ADDITIONAL INFORMATION ABOUT THE SCHEME

Refer to Section 14.13 for information about the steps that Fairfax will take if information about the Scheme needs to be updated. If you have any questions or require further information in relation to this Booklet or the Scheme, you should call the Shareholder Information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) on Business Days between 8:30am and 5:30pm (Sydney time).

CONTENTS OF THIS SCHEME BOOKLET

1. LETTER FROM CHAIRMAN OF FAIRFAX

Dear Fairfax Shareholder,

On behalf of the Fairfax Board, I am pleased to provide you with this Booklet, which sets out the details you will need to consider in relation to the proposed merger of Fairfax and Nine. I encourage you to read this Booklet carefully, and to participate in this important new chapter for Fairfax by voting in favour of the Scheme.

On 26 July 2018, Fairfax and Nine announced that they had entered into a Scheme Implementation Agreement, pursuant to which Nine proposes to acquire 100% of outstanding Fairfax Shares via a Fairfax scheme of arrangement (**Scheme**).

If the Scheme is approved and Implemented, Eligible Shareholders will receive 0.3627 New Nine Shares in addition to $0.025 in cash for each Fairfax Share held.

Based on the closing price of Nine Shares of $2.520 on 25 July 2018 (being the last Trading Day prior to the announcement of the Scheme), the Scheme implies a value of $0.939 per Fairfax Share. This represents a:

- 21.9% premium to the closing price of Fairfax Shares on 25 July 2018 of $0.770; and
- 22.6% premium to the one-month volume weighted average price (**VWAP**) of Fairfax Shares on 25 July 2018 of $0.766[1].

Based on the closing price of Nine Shares on 9 October 2018, being the last practicable Trading Day prior to the date of this Booklet, the implied value of the Scheme Consideration is $0.819 per Fairfax Share, which represents a 0.5% premium to the closing price of Fairfax Shares on that date.

In assessing the Scheme, the Fairfax Board considered the advantages and disadvantages of the Scheme and undertook a comprehensive review of the potential alternatives available to Fairfax, including acquisition and divestment opportunities and maintenance of the status quo. An overview of the advantages and disadvantages considered by the Fairfax Board in its deliberations is available in Section 7 of this Booklet.

The Fairfax Board believes that the value and strategic opportunities offered by the Scheme reflect a compelling proposition for Fairfax Shareholders.

The Scheme brings together two largely complementary businesses to create a diversified portfolio of media assets, comprising Fairfax's mastheads, Nine's FTA TV network, high-growth digital businesses including Domain, Stan and 9Now, as well as radio interests through Macquarie Media. The at-scale creation of content and access to audiences, premium brands and data across this portfolio are expected to underpin the Combined Group's ability to compete in the changing media market and deliver value for shareholders.

The Combined Group will be supported by FY18 pro-forma historical underlying revenue of approximately $3,086 million and pro-forma historical underlying EBITDA of $483 million (before significant items and synergies)[2]. Financial position capacity will provide the Combined Group with the flexibility to pursue strategic investment in its portfolio and to explore market opportunities as and when they arise. The financial performance of Fairfax and Nine's operations are expected to be further enhanced through annualised cost synergies of at least $50 million, which are expected to be fully implemented over two years from Implementation of the Scheme. These synergies will be delivered across a number of areas, including technology, sales and corporate functions. The Combined Group may also be able to enhance the growth prospects for Domain and Stan and provide an improved proposition to advertisers.

The Scheme Consideration comprises both scrip and cash components and if the Scheme is Implemented, Fairfax Shareholders will own approximately 48.9% of the Combined Group. The Fairfax Board considered the significant scrip component to be particularly compelling as it provides Fairfax Shareholders with the opportunity to participate in the benefits expected to be unlocked from the Combined Group's combination of assets and strategic opportunities available to it.

In the absence of a Superior Proposal, the Fairfax Board has determined that the Scheme is in the best interests of Fairfax Shareholders and unanimously recommends that Fairfax Shareholders vote in favour of the Scheme. Each Fairfax Director intends to vote in favour of the Scheme, in relation to the Fairfax Shares held or controlled by him or her, in the absence of a Superior Proposal.

The Fairfax Board commissioned an independent expert, Grant Samuel, to prepare an Independent Expert's Report in relation to the Scheme. The Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal.

1. Refer to Section 7.1.9 for further VWAP calculations.
2. Refer to Section 10.5 for further information.

The Scheme can only be Implemented if approved by Fairfax Shareholders at the Scheme Meeting to be held at 10:00am (Sydney time) on Monday, 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009. As such, your vote is important and I strongly encourage you to take careful consideration of all of the information set out in this Booklet when deciding whether or not to vote in favour of the Scheme. You are invited to vote on the Scheme either in person at the Scheme Meeting or by completing and returning the accompanying Scheme Meeting Proxy Form to the Share Registry by 10:00am (Sydney time) on Saturday, 17 November 2018.

You should take into consideration all of the information set out in this Booklet when deciding whether or not to vote in favour of the Scheme, including the risks associated with holding New Nine Shares.

If you have any questions or require further information in relation to this Booklet or the Scheme, you should call the Shareholder Information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) on Business Days between 8:30am to 5:30pm (Sydney time). If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers without delay.

As the transformation of our business in recent years has shown, Fairfax has a strong record of embracing change and strategic decision-making to create shareholder value, building businesses such as Domain and Stan, while at the same time maximising the growth drivers of its core assets and maintaining its commitment to high-quality, independent journalism. This Scheme provides Fairfax Shareholders with an opportunity to continue their exposure to Fairfax's businesses and also the potential benefits flowing from the combination with Nine.

On behalf of the Fairfax Board, I would like to take this opportunity to thank you for your ongoing support of Fairfax and I look forward to your participation in the Scheme Meeting.

Yours sincerely,

Nick Falloon
Chairman
Fairfax Media Limited

2. LETTER FROM CHAIRMAN OF NINE

Dear Fairfax Shareholder,

On behalf of Nine, it is my pleasure to provide you with the opportunity to become a shareholder in the Combined Group through the Scheme.

Nine and Fairfax have a longstanding relationship, including through our investment in Stan. Nine and Fairfax share a genuine commitment to news and current affairs and importantly, a similar vision for the future of media.

The strategic rationale of a combination is compelling for Fairfax Shareholders, as it results in the creation of one of the largest multi-platform media companies in Australia with complementary premium assets and balance sheet capacity to take advantage of further growth opportunities. The Combined Group will have substantial scale in both traditional and digital media, presenting a powerful value proposition to media agencies and advertisers.

The Combined Group will bring together talent from both Nine and Fairfax, positioning it for growth in the rapidly changing media landscape.

As a Fairfax Shareholder, you have the opportunity to vote on the Scheme. A vote in favour of the Scheme by the requisite majority of shareholders will secure the combination of the two businesses. The merger unlocks the potential for significant value creation by combining the content, brands, audience reach and data of the respective businesses, including majority-owned group companies, Domain and Macquarie Media, as well as consolidating 100% ownership of Stan.

This Booklet provides important information in relation to the Scheme. Further details of the benefits of the Scheme to Fairfax Shareholders and reasons why you may consider voting for or against the Scheme are set out in Sections 3 and 7.

On behalf of Nine, I encourage you to read this Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held at 10:00am (Sydney time) on Monday, 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009.

We look forward to welcoming you as a Nine Shareholder following Implementation of the Scheme.

Yours sincerely,

P Costello

Peter Costello, AC
Chairman
Nine Entertainment Co. Holdings Limited

3. REASONS FOR VOTING FOR AND AGAINST THE SCHEME

This Section 3 provides a summary of the "Advantages and disadvantages of the Scheme" set out in detail in Section 7.

3.1 REASONS TO VOTE IN FAVOUR OF THE SCHEME

1	The Fairfax Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.
2	The Scheme combines two largely complementary businesses in Fairfax and Nine to create a multi-platform media company with reach across television, digital, print and radio. The diversified portfolio of assets and cross-platform capabilities may allow the Combined Group to drive enhanced audience engagement in a changing and dynamic media market.
3	Fairfax Shareholders are being offered Scrip Consideration and upon Implementation will own approximately 48.9% of the Combined Group. This allows existing Fairfax Shareholders to participate in the expected benefits from combining the two businesses, while also retaining exposure to Fairfax's current businesses and investments.
4	The Scheme is expected to deliver at least $50 million of annualised cost synergies within two years of Implementation. As owners of 48.9% of the Combined Group, Fairfax Shareholders will therefore share in the benefit of any realised synergies.
5	The Combined Group is expected to be able to provide an improved proposition to advertisers.
6	The Combined Group is expected to support the further growth of Domain, including through the promotional and content integration capabilities of Nine's FTA TV network.
7	The consolidation of the ownership interests and management of Stan in the Combined Group is expected to support Stan's strategic objectives and improve the Combined Group's ability to manage video content across its different video platforms.
8	Balance sheet capacity is expected to provide the Combined Group with the flexibility to consider and, if appropriate, to pursue strategic investment in future growth opportunities in addition to capital management.
9	The implied value of the Scheme Consideration represents a 21.9% premium over trading prices of Fairfax Shares on the ASX prior to the announcement of the Scheme.
10	The Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal.
11	No Superior Proposal has emerged as at the date of this Booklet.

Reasons why you may decide to vote in favour of the Scheme are set out in more detail in Section 7.1

3. REASONS FOR VOTING FOR AND AGAINST THE SCHEME

3.2 REASONS TO NOT VOTE IN FAVOUR OF THE SCHEME

1	You may disagree with the Fairfax Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests.
2	You may wish to confine your investment and exposure to a business with Fairfax's specific characteristics.
3	You may consider that there are risks associated with the integration of Fairfax and Nine and that these risks exceed the potential benefits of the Scheme.
4	You may believe there is potential for a Superior Proposal to be made in the foreseeable future.
5	The Scrip Consideration being offered has a fixed share ratio meaning that the implied value of the Scheme Consideration will not be known until the Implementation Date.
6	The future value of the New Nine Shares is not certain.
7	You may be concerned about specific risks associated with Nine's business.

Reasons why you may decide to not vote in favour of the Scheme are set out in more detail in Section 7.2.

4. TIMETABLE AND KEY DATES

EVENT	INDICATIVE TIME AND DATE
Date of the First Court Hearing on which the Court convenes the Scheme Meeting	Friday, 12 October 2018
Last time and date by which the Scheme Meeting Proxy Forms must be received by the Share Registry	10:00am (Sydney time) on Saturday, 17 November 2018
Last time and date by which the Annual General Meeting Proxy Forms must be received by the Share Registry	10:30am (Sydney time) on Saturday, 17 November 2018
Voting Record Date Time and date for determining eligibility to vote at the Scheme Meeting	7:00pm (Sydney time) on Saturday, 17 November 2018
Scheme Meeting	10:00am (Sydney time) on Monday, 19 November 2018
Annual General Meeting	10:30am (Sydney time) on Monday, 19 November 2018
IF THE SCHEME IS APPROVED BY THE REQUISITE MAJORITY OF FAIRFAX SHAREHOLDERS	
Second Court Date Date of the Second Court Hearing for approval of the Scheme	Tuesday, 27 November 2018
Effective Date Court order lodged with ASIC and the Scheme becomes Effective Last day of trading in Fairfax Shares on the ASX	Wednesday, 28 November 2018
Suspension of Fairfax Shares from trading on the ASX	Close of trading on Wednesday, 28 November 2018
Commencement of trading of New Nine Shares on the ASX on a deferred settlement basis	Thursday, 29 November 2018
Scheme Record Date Time and date for determining entitlements to the Scheme Consideration	7:00pm (Sydney time) on Friday, 30 November 2018
Implementation Date Cash Consideration to be paid and Scrip Consideration to be issued	Friday, 7 December 2018
Commencement of trading of New Nine Shares on the ASX on a normal settlement basis	Monday, 10 December 2018

All references to time in this Booklet are references to Sydney, Australia, time unless otherwise stated.

All dates following the date of the Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and published on Fairfax's website (www.fairfaxmedia.com.au).

5. ACTIONS FOR FAIRFAX SHAREHOLDERS

5.1 CAREFULLY READ THIS BOOKLET

You should read this Booklet in full before making any decision on how to vote on the Scheme Resolution.

There are answers to questions you may have about the Scheme, in Section 6.

If you have any additional questions in relation to this Booklet or the Scheme, please call the Shareholder information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) on Business Days between 8:30am and 5:30pm (Sydney time).

If you are in any doubt as to what you should do, you should seek independent legal, financial, taxation or other professional advice before voting on the Scheme.

5.2 INFORMATION CONTAINED IN THIS BOOKLET

Enclosed with this Booklet is:

- a yellow Scheme Meeting Proxy Form; and
- a white Annual General Meeting Proxy Form.

If you are unable to attend the Scheme Meeting and the Annual General Meeting in person, you can appoint a proxy to attend and vote on your behalf.

To appoint a proxy, complete the Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form. You can lodge your proxy forms online at the Share Registry's website, www.linkmarketservices.com.au, by going to the "Vote Online" section and following the prompts and instructions. Alternatively, complete and return these forms using the enclosed reply paid envelope, or by fax. Proxy forms can also be returned to Fairfax's registered office or hand delivered to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138.

Scheme Meeting Proxy Forms must be received by the Share Registry by 10:00am (Sydney time) on Saturday, 17 November 2018 and Annual General Meeting Forms must be received by the Share Registry by 10:30am (Sydney time) on Saturday, 17 November 2018. Proxy forms received after these times will be invalid.

5.3 SCHEME MEETING AND ANNUAL GENERAL MEETING DETAILS

5.3.1 Scheme Meeting

The Scheme Meeting is scheduled to be held at 10:00am (Sydney time) on Monday, 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009.

In order to proceed, the Scheme Resolution must be passed by the Requisite Majority of Fairfax Shareholders, being:

- a majority in number (more than 50%) of Fairfax Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Fairfax Shareholders, by corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution.

5.3.2 Annual General Meeting

The Annual General Meeting is scheduled to be held at 10:30am (Sydney time) on Monday, 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009, or as soon after that time as the Scheme Meeting has concluded.

5.4 VOTING

5.4.1 Voting by poll

Voting at both the Scheme Meeting and the Annual General Meeting will be conducted by way of a poll. Fairfax Shareholders will have one vote for every Fairfax Share held (subject to the restrictions on voting rights set out in the Notice of Scheme Meeting and Notice of Annual General Meeting, which are available at Annexure E and Annexure F, respectively).

5.4.2 Entitlement to vote

Each Fairfax Shareholder who is registered on the Share Register as the holder of a Fairfax Share at 7:00pm (Sydney time) on Saturday, 17 November 2018 may vote at both the Scheme Meeting and the Annual General Meeting in person, by proxy, attorney or, in the case of a corporate Fairfax Shareholder, by corporate representative (subject to the restrictions on voting rights set out in the Notice of Scheme Meeting and Notice of Annual General Meeting, which are available at Annexure E and Annexure F, respectively).

5.4.3 How to vote

Each Fairfax Shareholder who is entitled to vote can vote at either or both the Scheme Meeting and the Annual General Meeting:

- in person, by attending the Meetings. If you plan to attend the Meetings, please arrive at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009 30 minutes earlier than 10:00am (Sydney time) on Monday, 19 November 2018, if possible, so that your shareholding may be checked against the Share Register and your attendance noted. You must register your attendance on arrival;
- by appointing a proxy to attend and vote on your behalf; or
- by appointing an attorney or, in the case of a corporate Fairfax Shareholder, a corporate representative to attend and vote on your behalf.

5.4.3.1 Voting by proxy

If you are unable to attend the Scheme Meeting and Annual General Meeting in person, you can appoint a proxy to attend and vote on your behalf.

To appoint a proxy, complete the Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form. You can appoint a proxy by:

- lodging your appointment online at www.linkmarketservices.com.au;
- mailing the accompanying Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form using the enclosed reply paid envelope;
- faxing the accompanying Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form to +61 2 9287 0309; or
- hand delivering the accompanying Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138.

Alternatively, you may send or fax your proxy forms to Fairfax's registered office. For additional proxy forms, contact Link Market Services Limited on 1300 888 062 (or from outside Australia, +61 1300 888 062).

To be valid, your proxy form(s) must be received by the Share Registry by 10:00am (Sydney time) on Saturday, 17 November 2018 (for the Scheme Meeting Proxy Form) or by 10:30am (Sydney time) on Saturday, 17 November 2018 (for the Annual General Meeting Proxy Form).

For further information on proxy voting, refer to the detailed instructions contained in the Scheme Meeting Proxy Form and the Annual General Meeting Proxy Form.

5.4.3.2 Appointing an attorney

If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of each of the Fairfax Shareholder, Fairfax and the attorney, and also specify the meetings at which the appointment may be used. The power of attorney must be returned in the same manner, and by the same time, as outlined for the proxy forms.

5.4.3.3 Appointing a corporate representative

A corporate Fairfax Shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the Meetings and vote on its behalf. Corporate Fairfax Shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the Meetings for the purpose of registration.

A form for corporate representative appointment may be obtained from the Share Registry at www.linkmarketservices.com.au (see the "Resources", "Forms" section under the "Holding Management" heading) or from Link Market Services Limited, Level 12, 680 George Street, Sydney NSW.

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.1 What is a scheme of arrangement?	A scheme of arrangement is a statutory arrangement facilitated by Part 5.1 of the Corporations Act between a company and its shareholders. Schemes are commonly used to effect the acquisition of shares in a target company. Schemes must be approved by a requisite majority of shareholders and the Court in order to become binding on the target company's shareholders.	Section 12
6.2 What is the Scheme that I am being asked to consider?	Fairfax Shareholders are being asked to consider the proposed scheme of arrangement between Fairfax and Fairfax Shareholders as at the Scheme Record Date, under which it is proposed that Nine will acquire 100% of the outstanding Fairfax Shares, in return for which Fairfax Shareholders (excluding Ineligible Overseas Shareholders - see below) will receive the Scheme Consideration of 0.3627 New Nine Shares and $0.025 in cash for each Fairfax Share held. The Scheme requires approval by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting and approval by the Court at the Second Court Hearing in order to become Effective. A copy of the Scheme is contained in Annexure C.	Section 12
6.3 What is the Scheme Implementation Agreement and is it binding on me?	The Scheme Implementation Agreement contains various undertakings by Fairfax and Nine to pursue and progress the Scheme. The key terms of the Scheme Implementation Agreement are summarised in Section 14.8.1. The Scheme Implementation Agreement is binding on Fairfax only and not on Fairfax Shareholders. The Scheme will only become binding on Fairfax Shareholders if and when the Scheme is approved by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting.	Section 14.8.1
6.4 What should I do?	Fairfax Shareholders should read this Booklet carefully and in its entirety. Fairfax Shareholders may also choose to consult your financial, legal, taxation or other professional advisers in relation to any of the information contained in this Booklet. Based on this Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of corporate Fairfax Shareholders, a corporate representative, to vote on your behalf. Refer to Section 5.4 and Annexure E for further information on how to vote on the Scheme.	Section 5

QUESTION	RESPONSE	SECTION REFERENCE
6.5 Who is Nine?	Nine Entertainment Co. Holdings Limited (**Nine**) is the company that is offering the Scheme Consideration for your Fairfax Shares. Nine is listed on the ASX (ASX: NEC). Nine is an Australian media and entertainment company. Its key content verticals are news, sport, lifestyle and entertainment. Nine's portfolio of assets includes: • FTA TV network Nine Network, including broadcast channels 9, 9HD, 9Go!, 9Gem and 9Life; • BVOD service 9Now; • a 50% interest in Stan, with Fairfax owning the remaining 50% interest; and • a number of digital brands, including nine.com.au, 9news.com.au, 9Honey, Pedestrian TV and a majority interest in CarAdvice.	Section 9
6.6 Who is entitled to participate in the Scheme?	Persons who hold Fairfax Shares on the Scheme Record Date can participate in the Scheme.	Section 12.6
6.7 Will I have to pay brokerage fees on a transfer of Fairfax Shares to Nine Subsidiary?	No brokerage fees will be payable on the transfer of Fairfax Shares to Nine Subsidiary under the Scheme (unless you are an Ineligible Foreign Shareholder, in which case fees may apply).	

SCHEME PROCESS

6.8 What do the Fairfax Directors recommend?	In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Fairfax Shareholders, each Fairfax Director: • recommends that you vote in favour of the Scheme to be considered at the Scheme Meeting; and • intends to use the voting rights attached to any Fairfax Shares held or controlled by him or her, to vote in favour of the Scheme.	Section 3

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.9 What alternatives did the Fairfax Board consider?	The Fairfax Directors are of the view that the Scheme is more likely to enhance Fairfax Shareholder value in the long term than the other currently available alternatives, being acquisition and divestment opportunities and maintenance of the status quo. Having regard to the advantages, disadvantages and risks as set out in Sections 7 and 11 and the opportunity for both Fairfax and Fairfax Shareholders to realise the future growth of Fairfax and its various businesses, the Fairfax Board concluded that the Scheme is in the best interests of Fairfax Shareholders.	Section 1
6.10 What is the Independent Expert's opinion?	Grant Samuel, the Independent Expert, has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal. A complete copy of the Independent Expert's Report is contained in Annexure A.	Annexure A
6.11 What premium is being offered to the trading prices of my Fairfax Shares?	Based on the closing price of Nine Shares on the last Trading Day prior to the announcement of the Scheme (being $2.520 per Nine Share as at 25 July 2018), the Scheme implies a value of $0.939 per Fairfax Share. This represents a: • 21.9% premium to the closing price of Fairfax Shares as at 25 July 2018 ($0.770 per Fairfax Share); • 22.6% premium to the one-month VWAP of Fairfax Shares prior to the announcement of the Scheme as at 25 July 2018 ($0.766 per Fairfax Share); • 25.6% premium to the three-month VWAP of Fairfax Shares prior to the announcement of the Scheme as at 25 July 2018 ($0.747 per Fairfax Share); and • 31.0% premium to the six-month VWAP of Fairfax Shares prior to the announcement of the Scheme as at 25 July 2018 ($0.717 per Fairfax Share). Based on the closing price of Nine Shares on 9 October 2018, being the last practicable Trading Day prior to the date of this Booklet, the implied value of the Scheme Consideration is $0.819 per Fairfax Share, which represents a 0.5% premium to the closing price of Fairfax Shares on that date. Nine's trading price may reflect a range of factors including but not limited to (i) regulatory uncertainty about the Scheme; and (ii) realisation of the anticipated annualised cost synergies is not currently reflected in Nine's trading price but may be recognised over time.	Section 7.1.9

QUESTION	RESPONSE	SECTION REFERENCE
6.12 Why may I consider voting in favour of the Scheme?	Reasons why you should consider voting in favour of the Scheme comprise: • the Fairfax Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal; • the Scheme combines two largely complementary businesses in Fairfax and Nine to create a multi-platform media company with reach across television, digital, print and radio. A diversified portfolio of assets and cross-platform capabilities may allow the Combined Group to drive enhanced audience engagement in a changing and dynamic media market; • Fairfax Shareholders are being offered Scrip Consideration and upon Implementation will own approximately 48.9% of the Combined Group. This allows existing Fairfax Shareholders to participate in the expected benefits from combining the two businesses, while also retaining exposure to Fairfax's current businesses and investments; • the Scheme is expected to deliver at least $50 million of annualised cost synergies within two years of Implementation. As owners of 48.9% of the Combined Group, Fairfax Shareholders will share in the benefit of any realised synergies; • the Combined Group is expected to be able to provide an improved proposition to advertisers; • the Combined Group is expected to support the further growth of Domain, including through the promotional and content integration capabilities of Nine's FTA TV network; • the consolidation of the ownership interests and management of Stan in the Combined Group is expected to support Stan's strategic objectives and the Combined Group's ability to manage video content across its different video platforms; • balance sheet capacity is expected to provide the Combined Group with the flexibility to consider and, if appropriate, to pursue strategic investment in future growth opportunities, in addition to capital management; • the implied value of the Scheme Consideration represents a 21.9% premium over trading prices of Fairfax Shares on the ASX prior to the announcement of the Scheme; • the Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal; and • no Superior Proposal has emerged as at the date of this Booklet. Further detail is provided in Section 7.1.	Section 7.1

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.13 Why may I consider voting against the Scheme?	Reasons why you might consider voting against the Scheme comprise: • you may disagree with the Fairfax Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests; • you may wish to confine your investment and exposure to a business with Fairfax's specific characteristics; • you may consider that there are risks associated with the integration of Fairfax and Nine and that these risks exceed the potential benefits of the Scheme; • you may believe there is potential for a Superior Proposal to be made in the foreseeable future; • the Scrip Consideration being offered has a fixed share ratio meaning that the implied value of the Scheme Consideration will not be known until the Implementation Date; • the future value of the New Nine Shares is not certain; and • you may be concerned about specific risks associated with Nine's business. Further detail is provided in Section 7.2.	Section 7.2
SCHEME CONSIDERATION		
6.14 What will I receive if the Scheme is Implemented?	If you are an Eligible Shareholder and the Scheme is Implemented, you will receive 0.3627 New Nine Shares and $0.025 in cash for each Fairfax Share held at the Scheme Record Date. Refer to Section 12.6 to determine whether you are an Eligible Shareholder.	Sections 12.6, 12.7.7 and 12.7.8
6.15 How will fractional Scheme Consideration be treated?	If in calculating your Scheme Consideration you would be entitled to a fraction of a New Nine Share or a fraction of the Cash Consideration, the fractional entitlement will be rounded up or down (with any fractional entitlement of less than 0.5 being rounded down and any such fractional entitlement of 0.5 or more being rounded up) to the nearest whole number of New Nine Shares or cents (as applicable).	Section 12.7.9
6.16 I am a foreign Fairfax Shareholder. Does that make me an Ineligible Overseas Shareholder?	A Fairfax Shareholder who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom, or whose Registered Address is a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom, or who is acting on behalf of such a person, will be classified as an Ineligible Overseas Shareholder, unless Fairfax and Nine jointly determine that it is lawful and not unduly onerous or impracticable to issue that Fairfax Shareholder New Nine Shares when the Scheme becomes Effective.	Section 12.6.3.1

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QUESTION	RESPONSE	SECTION REFERENCE
6.17 How will Overseas Ineligible Shareholders be treated under the Scheme?	All Fairfax Shareholders are invited to participate in the Scheme and Ineligible Overseas Shareholders will participate in the Scheme on the same basis as all Eligible Shareholders. However, New Nine Shares will not be issued to Ineligible Overseas Shareholders. Instead, the New Nine Shares to which the Ineligible Overseas Investors would otherwise have been entitled will be issued to a Sale Agent and sold on the ASX. The Sale Agent will sell those New Nine Shares as soon as practicable (and in any case, not later than 30 days) after the Implementation Date and the Sale Agent will remit the Sale Proceeds to Nine and Nine will then remit the Sale Proceeds to each Ineligible Overseas Shareholder (after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges). Ineligible Overseas Shareholders will still receive the Cash Consideration, which will be paid in accordance with the process outlined in Section 12.6.3.1.	Section 12.6.3.1
6.18 Am I entitled to make an election on what consideration I will receive?	No. The Scheme Consideration is fixed, comprising Scrip Consideration, being 0.3627 New Nine Shares, and Cash Consideration, being $0.025 in cash, for each Fairfax Share that you hold as at the Scheme Record Date.	N/A
6.19 Can I choose to keep my Fairfax Shares?	No. If the Scheme is Implemented, your Fairfax Shares will be transferred to a wholly-owned Subsidiary of Nine and you will receive the Scheme Consideration. Provided that the Scheme Resolution is passed by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting and approved by the Court at the Second Court Hearing, this will occur even if you did not vote on the Scheme or if you voted against the Scheme Resolution.	Section 7.3.3 and Annexure D
6.20 Can I sell my Fairfax Shares?	Yes. You can sell your Fairfax Shares on the ASX at any time before the close of trading on the Effective Date. Trading in Fairfax Shares will be suspended from official quotation on the ASX from the close of trading on the Effective Date. You will not be able to sell your Fairfax Shares on the ASX after this time. If you sell your Fairfax Shares on the ASX prior to the Effective Date: • you will not receive the Scheme Consideration; • you may be required to pay brokerage on the sale of your Fairfax Shares; and • there may be different tax consequences for you compared with those consequences that would apply if you disposed of your Fairfax Shares under the Scheme.	N/A

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.21 Can I choose to receive cash instead of New Nine Shares?	No. There is no option for Fairfax Shareholders to elect to receive cash in place of the Scrip Consideration. On the Implementation Date, all Eligible Shareholders will receive Scheme Consideration comprising: • Scrip Consideration of 0.3627 New Nine Shares; and • Cash Consideration of $0.025 in cash, for each Fairfax Share held on the Scheme Record Date. Following Implementation, you may elect to sell your New Nine Shares on the ASX. Alternatively, you may elect to sell your Fairfax Shares on the ASX at any time before the close of trading on the Effective Date.	N/A
6.22 Can I subscribe for additional New Nine Shares under the Scheme?	No. There is no option for Fairfax Shareholders to elect to receive or to subscribe for additional New Nine Shares under the Scheme. The Scheme Consideration includes a fixed share offer ratio of 0.3627 New Nine Shares per Fairfax Share held on the Scheme Record Date. Fairfax Shareholders are able to purchase additional Nine Shares through normal trading on the ASX.	N/A
6.23 Is Nine bound to provide the Scheme Consideration?	In accordance with the Deed Poll, if the Scheme becomes Effective, Nine is bound to ensure that Scheme Participants receive the Scheme Consideration. A copy of the Deed Poll is included in this Booklet at Annexure D. Under the Scheme, Scheme Participants appoint Fairfax as their agent and attorney to enforce the Deed Poll.	Annexure D
6.24 When will I receive the Scheme Consideration?	If the Scheme becomes Effective, you will receive the Cash Consideration within two Business Days of the Implementation Date. Further, if you are an Eligible Shareholder you will have your name entered into the register of Nine Shareholders as the holder of your New Nine Shares, on the Implementation Date. If you are an Ineligible Overseas Shareholder, the net cash proceeds of the sale of the New Nine Shares to which you would otherwise have been entitled will be paid to you in accordance with the process outlined in Section 12.6.3.1. If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Scrip Consideration and payment of the Cash Consideration will also be delayed.	Sections 12.6.3, 12.7.7 and 12.7.8
6.25 How will I receive the cash component of the Scheme?	Within two Business Days after the Implementation Date, Nine will pay Scheme Participants the Cash Consideration by direct deposit into their nominated bank account. Scheme Participants will be required to advise the Share Registry of the details of their nominated bank account prior to the Scheme Record Date (if this information is not already held by the Share Registry). If you do not nominate a bank account by the Scheme Record Date, payment will be made by cheque sent to you by post to your registered address as it appears in the Share Register.	Section 12.7.8

QUESTION	RESPONSE	SECTION REFERENCE

VOTING AT THE MEETINGS

QUESTION	RESPONSE	SECTION REFERENCE
6.26 Who can vote at the Meetings?	**Voting on the Scheme at the Scheme Meeting** Fairfax Shareholders who are registered on the Share Register at 7:00pm (Sydney time) on Saturday, 17 November 2018 will be entitled to vote at the Scheme Meeting. **Voting at the Annual General Meeting** Fairfax Shareholders who are registered on the Share Register at 7:00pm (Sydney time) on Saturday, 17 November 2018 will be entitled to vote at the Annual General Meeting.	Section 5.4.2
6.27 When and where will the Meetings be held?	**Scheme Meeting** The Scheme Meeting is scheduled to be held at 10:00am (Sydney time) on Monday, 19 November 2018 at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009. **Annual General Meeting** The Annual General Meeting is scheduled to be held at 10:30am (Sydney time) on Monday, 19 November 2018 (or as soon after that time as the Scheme Meeting has concluded) at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009.	Sections 5.3.1 and 5.3.2
6.28 How do I vote at the Meetings?	**How to vote in person** If you are entitled to vote and wish to do so in person, you should attend the Scheme Meeting and the Annual General Meeting. If you are attending as an attorney, you must bring a copy of the authority under which the proxy forms were signed (unless you have already provided a copy of the authority to the Share Registry). If you are attending as a corporate representative, you must bring evidence of your authority. **How to vote by proxy** If you are unable to attend the Scheme Meeting and the Annual General Meeting in person, you can vote by proxy by completing and lodging your proxy forms online at the Share Registry's website, www.linkmarketservices.com.au. Alternatively, complete and return the yellow Scheme Meeting Proxy Form and the white Annual General Meeting Proxy Form accompanying this Booklet by using the enclosed reply paid envelope, or by fax. Proxy forms can also be hand delivered to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138. All proxy forms must be received by the Share Registry by 10:00am (Sydney time) on Saturday, 17 November 2018 for the Scheme Meeting Proxy Form and by 10:30am (Sydney time) on Saturday, 17 November 2018 for the Annual General Meeting Proxy Form. If an attorney signs a proxy form on your behalf, a copy of the authority under which the proxy form was signed must be received by the Share Registry at the same time as the proxy form (unless you have already provided a copy of the authority to the Share Registry). If you complete and return a proxy form, you may still attend a Meeting in person.	Section 5.4

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.29 What vote is required to approve the Scheme?	For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majority of Fairfax Shareholders, which is: • a majority in number (more than 50%) of Fairfax Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative); and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.	Section 5.3.1
6.30 What if I do not vote at the Scheme Meeting or do not vote in favour of the Scheme Resolution?	If you do not vote or vote against the Scheme Resolution, but the Scheme Resolution is approved by the Requisite Majority of Fairfax Shareholders, then, subject to the other Conditions Precedent to the Scheme being satisfied or waived (as applicable), and Court approval, the Scheme will be Implemented and binding on all Fairfax Shareholders, including those who did not vote or voted against the Scheme Resolution.	Section 7.3.3
6.31 When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting. The result will be accessible from the ASX's website (www.asx.com.au) and on Fairfax's website (www.fairfaxmedia.com.au). Even if the Scheme Resolution is passed by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting, the Scheme will not become Effective unless and until it is approved by the Court at the Second Court Hearing and the Court order is lodged with ASIC.	Section 12.3
TAX IMPLICATIONS OF THE SCHEME		
6.32 What are the Australian tax implications of the Scheme for Fairfax Shareholders?	A summary of the general Australian income tax, stamp duty and GST consequences for Fairfax Shareholders who participate in the Scheme is set out in Section 13. Each individual's tax position is different. Fairfax Shareholders are urged to consult their own professional tax advisers as to the specific tax consequences to them of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.	Section 13
6.33 Am I entitled to scrip for scrip capital gains tax roll-over relief?	Australian resident Fairfax Shareholders who would otherwise make a capital gain on the disposal of their Fairfax Shares under the Scheme should be eligible to choose scrip for scrip roll-over relief for that part of the capital gain that is referable to the receipt of New Nine Shares. The tax consequences of the Scheme will differ for each Fairfax Shareholder, and Fairfax Shareholders should consult their own professional tax advisers to seek advice which considers their individual circumstances.	Section 13

QUESTION	RESPONSE	SECTION REFERENCE
FURTHER QUESTIONS		
6.34 Are there any conditions that need to be satisfied before the Scheme can proceed?	As at the date of this Booklet, the outstanding Conditions Precedent which must be satisfied or waived (as applicable) before the Scheme can become Effective are: • **Fairfax Shareholder approval** – the Requisite Majority of Fairfax Shareholders approves the Scheme at the Scheme Meeting; • **ASIC approval** – ASIC provides any consents or approvals reasonably necessary to Implement the Scheme and the consents or approvals are not revoked; • **Court approval** – the Court approves the Scheme; • **no regulatory intervention** – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am (Sydney time) on the Second Court Date; • **no prescribed events** – no Fairfax Prescribed Events or Nine Prescribed Events have occurred between 25 July 2018 and 8:00am (Sydney time) on the Second Court Date; • **New Nine Shares** – the ASX approves the quotation of the New Nine Shares, subject to any customary conditions, and the approval is not revoked; • **Independent Expert opinion** – the Independent Expert issues a report which concludes that the Scheme is in the best interests of Fairfax Shareholders and does not change its opinion before 8:00am (Sydney time) on the Second Court Date; and • **representations and warranties** – the representations and warranties given by Fairfax and Nine under the Scheme Implementation Agreement are true and correct in all material respects. Further details regarding the Conditions Precedent are available at Section 12.	Section 12.2
6.35 Is the ACCC conducting a review of the Scheme?	Yes. The Australian Competition and Consumer Commission (**ACCC**) commenced a public informal review of the Scheme on 16 August 2018, which will consider the competition impact of the Scheme on consumers, advertisers and content creators and sellers in the markets in which Fairfax and Nine operate. The ACCC has indicated that the provisional date for announcement of the ACCC's decision (which may be a final decision or release of a Statement of Issues) is Thursday, 8 November 2018. Further details regarding the ACCC review process can be found in Section 7.3.1.	Section 7.3.1

6. QUESTIONS AND ANSWERS

QUESTION	RESPONSE	SECTION REFERENCE
6.36 When will the Scheme become Effective?	If the Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting, Fairfax will apply to the Court to approve the Scheme at the Second Court Hearing. The Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC. The Scheme is expected to become Effective on the Second Court Date or the Business Day following the Second Court Date.	Section 12.7.1
6.37 What happens if the Scheme is not Implemented?	If the Scheme is not Implemented: • you will not receive the Scheme Consideration; • you will retain your Fairfax Shares; and • Fairfax will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX.	Section 7.3.4
6.38 What happens if a Competing Transaction is proposed?	If a Competing Transaction is proposed to the Fairfax Board prior to the Second Court Date, the Fairfax Board will carefully consider the proposal and determine whether it is a Superior Proposal. Under the Scheme Implementation Agreement, Fairfax must notify Nine of any Competing Transaction and its terms. Nine has a matching right in relation to any Competing Transaction.	Section 7.1.11
6.39 Under what circumstances is a break fee payable?	Under the Scheme Implementation Agreement: • Fairfax must pay Nine a Break Fee of $20 million (excluding any applicable GST) if certain specified events occur, including if a Competing Transaction is announced before the End Date and completed within 12 months of the End Date; and • Nine must pay Fairfax a Reverse Break Fee of $20 million (excluding any applicable GST) if certain specified events occur, including if Nine fails to provide the Scheme Consideration as required. The Break Fee and Reverse Break Fee are not payable if the Scheme does not proceed solely as a result of the Requisite Majority of Fairfax Shareholders failing to approve the Scheme at the Scheme Meeting.	Section 7.3.7
6.40 Who can I contact if I have further questions in relation to this Booklet or the Scheme?	If you have any further questions about this Booklet or the Scheme, you should: • seek independent legal, financial, taxation or other professional advice; and • contact the Shareholder Information Line on 1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia). Fairfax is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to the ASX by Fairfax is available on the ASX's website at www.asx.com.au or on Fairfax's website www.fairfaxmedia.com.au.	Section 5.1

QUESTION	RESPONSE	SECTION REFERENCE
6.41 Will Fairfax pay a dividend in 2018?	Yes. Fairfax declared a second half cash dividend of $0.018 per Fairfax Share, franked at $0.009 per Fairfax Share (i.e. franked at 50%), which was paid on 6 September 2018.	N/A
6.42 Will Nine pay a final dividend in 2018?	Yes. Nine declared a cash dividend of $0.05 per Nine Share, fully franked, which will be paid on 17 October 2018.	N/A

COMBINED GROUP

6.43 What will the Combined Group be called?	The Combined Group will be called Nine Entertainment Co. Holdings Limited.	Section 10.1
6.44 What are Nine's intentions for Fairfax and the Combined Group if the Scheme is Implemented?	Following Implementation, Nine will review the scope and breadth of the Combined Group, to align with its strategic objectives and its digital future.	Section 10.3
6.45 Who will be the directors and the senior management of the Combined Group?	If the Scheme is Implemented, the Combined Group will be led by Nine's current Chief Executive Officer, Hugh Marks, and will be chaired by current Nine Chairman, Peter Costello, AC. Three current Fairfax Directors will be invited to join the Board of the Combined Group, which will also comprise existing Nine Directors Samantha Lewis and Catherine West. As at the date of this Booklet, it is anticipated that the following Fairfax Directors will join the Board of the Combined Group: • Nick Falloon (who will join the Board of the Combined Group as Deputy Chairman); • Patrick Allaway; and • Mickie Rosen.	Section 10.3.2
6.46 What will the dividend policy of the Combined Group be?	Following Implementation, the payment of future dividends to shareholders of the Combined Group will be at the discretion of the Directors of the Combined Group and will be a function of a number of factors, including general business conditions, the operating results and financial condition of the Combined Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Combined Group, and any other factors the Directors of the Combined Group may consider relevant.	Section 10.3.5

7. ADVANTAGES AND DISADVANTAGES OF THE SCHEME

7.1 ADVANTAGES OF THE SCHEME

This Section 7.1 summarises the reasons why the Fairfax Directors believe the Scheme is in the best interests of Fairfax Shareholders and have determined to unanimously recommend that Fairfax Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

This Section 7.1 should be read in conjunction with the other sections and information contained in this Booklet, including the Independent Expert's Report.

7.1.1 The Fairfax Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

The Fairfax Directors unanimously recommend that Fairfax Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

In making this recommendation, the Fairfax Directors have considered the advantages and disadvantages of the Scheme, including the information contained in:

- Section 7.1, 'Advantages of the Scheme';
- Section 7.2, 'Disadvantages of the Scheme';
- Section 11, 'Risk factors'; and
- Annexure A, 'Independent Expert's Report'.

7.1.2 The Scheme will create a diversified, multi-platform media company with reach across television, digital, print and radio

The Scheme combines two largely complementary businesses in Fairfax and Nine to create a leading, multi-platform media company. A diversified portfolio of assets and cross-platform capabilities is expected to allow the Combined Group to drive enhanced audience engagement in a changing and dynamic media market. This in turn means that the Combined Group could provide an improved advertising proposition with enhanced data to advertisers and agencies.

The Combined Group will comprise the following businesses:

- FTA TV network **Nine Network**, including broadcast channels 9, 9HD, 9Go!, 9Gem and 9Life;
- **Nine Digital**, comprising BVOD service 9Now and digital publishing assets including nine.com.au, 9news.com.au, 9Honey, Pedestrian TV and a majority interest in CarAdvice;
- subscription video on demand (SVOD) platform **Stan**;
- metropolitan news, business, sport and lifestyle media business **Australian Metro Media**, comprising print and digital mastheads including *The Sydney Morning Herald, The Age, The Australian Financial Review*, Fairfax Events and Entertainment and a portfolio of early and growth stage digital-focused businesses, including Allure Media, RSVP Oasis, Weatherzone, Healthshare, Skoolbo, Bellabox and Drive;
- a 59.4% shareholding in ASX-listed real estate media and technology services business **Domain**;
- a 54.5% shareholding in ASX-listed national news, talk and sport radio network **Macquarie Media**;
- rural, regional and agricultural print and digital media and events business **Australian Community Media**; and
- New Zealand print and digital media business **Stuff.**

Further information regarding the businesses and operations of the Combined Group can be found in Section 10.

Following Implementation, Fairfax Shareholders will retain exposure to the same assets to which they presently have exposure via their investments in Fairfax Shares, albeit via the Combined Group.

7.1.3 Scrip Consideration offered under the Scheme allows existing Fairfax Shareholders to participate in the expected benefits from combining the two businesses

If the Scheme is Implemented, Eligible Shareholders will receive 0.3627 New Nine Shares, in addition to $0.025 in cash, for each Fairfax Share held on the Scheme Record Date. Upon Implementation, existing Fairfax Shareholders will own approximately 48.9% of the Combined Group.

The scrip component of the Scheme Consideration allows Fairfax Shareholders the opportunity to participate as shareholders in the Combined Group and to share in the expected benefits from combining Fairfax with Nine, while retaining exposure to Fairfax's current businesses and investments. The benefits of combining Fairfax and Nine are set out in Sections 7.1.4 to 7.1.8.

7.1.4 The Scheme is expected to deliver at least $50 million of annualised cost synergies

The merger of Fairfax and Nine is expected to deliver at least $50 million of annualised cost synergies within two years of Implementation (excluding any costs incurred to realise those synergies and in implementing the Scheme).

Fairfax Shareholders will own approximately 48.9% of the Combined Group and will therefore share in the benefit of any realised synergies.

The cost synergies are expected to be delivered across a number of areas, including the technology, sales and corporate functions of the Combined

Group. The Combined Group may also explore how video and lifestyle-oriented content can be shared within the businesses. Further information regarding the potential cost synergies likely to result from Implementation of the Scheme can be found in Section 10.2.1.

7.1.5 The Combined Group is expected to be able to provide an improved proposition to advertisers

Fairfax and Nine will have access to the Combined Group's greater audience scale and differentiated content across television, print, digital and radio, which may enable the Combined Group to offer improved multi-platform propositions to advertisers.

Additionally, the Combined Group may be better positioned to utilise enhanced data for the benefit of advertisers, including through the data available from the Combined Group's various databases of signed-on users, including 9Now and Fairfax subscribers.

7.1.6 The combination of Fairfax and Nine's respective businesses is expected to support the further growth of Domain

As at the date of this Booklet, Fairfax's 59.4% shareholding in Domain accounts for a material part of Fairfax's market value.

After Implementation, Domain is expected to have access to the scaled audience of the multiple media platforms of the Combined Group and may also have improved access to the promotional and content integration capabilities of Nine's FTA TV network and property-oriented offerings. This access has the potential to provide audience and associated marketing benefits to Domain's portfolio of property solutions.

Domain's digital and mobile strategies may also be supported by access to data from the Combined Group's various databases, including those described in Section 7.1.5.

7.1.7 Consolidation of ownership interests and management of Stan may support strategic objectives and growth initiatives

Upon Implementation, the ownership interests in SVOD platform Stan, currently held in equal but separate holdings by Fairfax and Nine, will be consolidated in the Combined Group.

Consolidation of the ownership interests and management of Stan may allow the Combined Group to explore and pursue opportunities with domestic and global content providers and may give rise to more significant partnerships regarding the acquisition of content across the Combined Group's whole portfolio of broadcast and digital assets.

The Scheme may also facilitate cross-platform collaboration between the Combined Group's video-based offerings, including the Nine Network, 9Now and Stan, which may provide the Combined Group with flexibility to more dynamically meet audience demand and preferences, as well as maximising the value of content rights.

7.1.8 The Combined Group is expected to have balance sheet capacity

If the Scheme is Implemented, the Combined Group would have on a pro-forma basis:

- combined FY18 total underlying annual revenue and underlying EBITDA of approximately $3,086 million and $483 million (before significant items and synergies)[1]; and
- net debt as at 30 June 2018 of approximately $358 million, representing a net debt to EBITDA ratio of 0.7 times.

Upon Implementation of the Scheme, the Combined Group is expected to have balance sheet capacity to assist in responding to changes in market conditions and provide it with the flexibility to consider and, if appropriate, pursue strategic investment in future growth opportunities, in addition to capital management.

7.1.9 The implied value of the Scheme Consideration represents a 21.9% premium over trading prices of Fairfax Shares on the ASX prior to the announcement of the Scheme

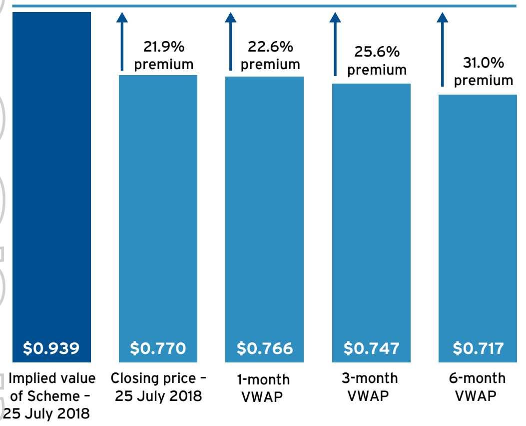
Based on the closing price of Nine Shares of $2.520 on 25 July 2018 (being the last Trading Day prior to the announcement of the Scheme), the Scheme implies a value of $0.939 per Fairfax Share. This represents a:

- 21.9% premium to the closing price of Fairfax Shares on 25 July 2018 of $0.770;
- 22.6% premium to the one-month volume weighted average price (**VWAP**) of Fairfax Shares on 25 July 2018 of $0.766;
- 25.6% premium to the three-month VWAP of Fairfax Shares on 25 July 2018 of $0.747; and
- 31.0% premium to the six-month VWAP of Fairfax Shares on 25 July 2018 of $0.717.

1. Refer to Section 10.5 for further information.

7. ADVANTAGES AND DISADVANTAGES OF THE SCHEME

FIGURE 1: IMPLIED VALUE OF THE SCHEME CONSIDERATION RELATIVE TO FAIRFAX TRADING PRICES



Based on the closing price of Nine Shares on 9 October 2018, being the last practicable Trading Day prior to the date of this Booklet, the implied value of the Scheme Consideration is $0.819 per Fairfax Share, which represents a 0.5% premium to the closing price of Fairfax Shares on that date. Nine's trading price may reflect a range of factors including but not limited to (i) regulatory uncertainty about the Scheme; and (ii) realisation of the anticipated annualised cost synergies is not currently reflected in Nine's trading price but may be recognised over time.

In addition to the Scheme Consideration of $0.939 as at 26 July 2018, Fairfax was permitted under the Scheme Implementation Agreement to declare a Financial Year 2018 second half cash dividend of $0.018 per Fairfax Share (franked at $0.009 per Fairfax Share). This cash dividend was paid to Fairfax Shareholders on 6 September 2018.

7.1.10 The Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal

The Fairfax Board appointed Grant Samuel to prepare an Independent Expert's Report for the Scheme. In doing so, Grant Samuel prepared an opinion as to whether the Scheme is in the best interests of Fairfax Shareholders, which is set out in full in Annexure A.

The Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal.

Fairfax Shareholders should review and consider the Independent Expert's Report in its entirety when determining whether or not to vote in favour of the Scheme.

7.1.11 No Superior Proposal has emerged

The Scheme Implementation Agreement prohibits Fairfax from soliciting a Competing Transaction. However, the Fairfax Board is permitted to respond to a genuine Competing Transaction that it determines in good faith and acting reasonably, having regard to advice from legal and financial advisers, is (or could become) a Superior Proposal and failing to respond would constitute a breach of the Fairfax Board's duties. Refer to Section 14.8 for further details of these restrictions.

As at the date of this Booklet, no such genuine Competing Transaction has emerged. However, there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meeting.

Fairfax will notify Fairfax Shareholders if a Superior Proposal is received before the Scheme Meeting.

7.2 DISADVANTAGES OF THE SCHEME

In the absence of a Superior Proposal, the Fairfax Board unanimously recommends that Fairfax Shareholders vote in favour of the Scheme and the Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders. Notwithstanding this recommendation and this conclusion, Fairfax Shareholders should read and consider the following potential disadvantages of the Scheme when determining how to exercise their vote at the Scheme Meeting.

7.2.1 You may disagree with the Directors' unanimous recommendation or the Independent Expert's conclusion and believe that the Scheme is not in your best interests

Notwithstanding the unanimous recommendation of the Fairfax Board and the conclusion of the Independent Expert, you may believe or receive advice that the Scheme is not in your best interests.

You are not obliged to follow the recommendation of the Fairfax Board nor to agree with the Independent Expert's conclusion.

7.2.2 You may wish to confine your investment and exposure to a business with Fairfax's specific characteristics

Fairfax Shareholders may wish to keep their Fairfax Shares and preserve their investment in a publicly-listed company with the specific characteristics of Fairfax, including its current exposure to print, digital and radio assets and their associated risk profiles.

The asset composition and exposure, earnings mix and risk profile of the two companies on a standalone basis are different. Sections 8 and 9 set out further detail on the standalone businesses of Fairfax and Nine, respectively.

Implementation of the Scheme may represent a disadvantage if you do not want to change your investment profile. Fairfax Shareholders should read this Booklet carefully to understand the implications of the Scheme and should seek investment, legal or other professional advice in relation to their own circumstances. Further information on the Combined Group can be found at Section 10.

7.2.3 You may consider that there are risks associated with the integration of Fairfax and Nine and that these risks exceed the potential benefits of the Scheme

As detailed in Section 10.2.1, the Combined Group is expected to realise at least $50 million in annualised cost synergies following Implementation, with these synergies taking up to two years to be fully realised across the Combined Group. Additionally, as mentioned in Section 10.2.2, Fairfax and Nine believe there is potential to realise additional benefits. Fairfax and Nine have not sought to quantify the potential additional benefits at this stage.

Fairfax Shareholders may believe that the integration of Fairfax and Nine, and the realisation of associated synergies, is more complicated, may take more time or may require costs that are not anticipated.

Failure to achieve the targeted synergies within the anticipated timeframe or in their entirety may have an unforeseen or adverse effect on the operations, financial performance or financial position of the Combined Group.

Further detail on the risks associated with the integration of Fairfax and Nine can be found in Section 11.4.3.

7.2.4 You may believe that there is potential for a Superior Proposal to be made in the foreseeable future

As at the date of this Booklet, no Competing Transaction has emerged. However, Fairfax Shareholders may consider that a Superior Proposal that is in the best interests of Fairfax Shareholders or an alternative proposal with better long term prospects for the Fairfax businesses could emerge in the foreseeable future. Implementation of the Scheme will mean that existing Fairfax Shareholders will not receive the benefit of any such Superior Proposal or alternative proposal.

The Scheme Implementation Agreement prohibits Fairfax from soliciting and responding to Competing Transactions, other than in certain circumstances. Refer to Section 14.8 for a summary of these restrictions. Fairfax will notify Fairfax Shareholders if a Superior Proposal is received before the Scheme Meeting.

7.2.5 The Scrip Consideration being offered has a fixed share ratio meaning that the implied value of the Scheme Consideration will not be known until the Implementation Date

If the Scheme is Implemented, Eligible Shareholders will receive Scrip Consideration in the form of a specified number of New Nine Shares, being 0.3627 New Nine Shares for each Fairfax Share held, in addition to Cash Consideration of $0.025 in cash for each Fairfax Share held. As the share ratio is fixed, the implied value of the Scrip Consideration for Fairfax Shareholders will fluctuate before the New Nine Shares are issued as consideration under the Scheme on the Implementation Date.

In deciding whether to vote in favour of the Scheme, Fairfax Shareholders should carefully consider the current market price of Nine Shares and the potential for that price to fall or rise before the New Nine Shares are issued under the Scheme on the Implementation Date.

7.2.6 The future value of the New Nine Shares is not certain

If the Scheme is Implemented, Eligible Shareholders will receive Scrip Consideration in the form of a specified number of New Nine Shares, being 0.3627 New Nine Shares for each Fairfax Share held, in addition to Cash Consideration of $0.025 in cash for each Fairfax Share held.

If the Scheme is approved by Fairfax Shareholders, the trading value of the New Nine Shares will depend on the price at which Nine Shares trade on the ASX on and after the Effective Date.

Following Implementation of the Scheme, the price of Nine Shares may fall or rise based on market conditions and the Combined Group's financial and operational performance.

If the price of Nine Shares falls, the value of the New Nine Shares received as Scrip Consideration will decline. If the price of Nine Shares increases, the value of the New Nine Shares received as Scrip Consideration will increase.

Accordingly, there is no guarantee as to the future value of the Scrip Consideration to be received by Fairfax Shareholders if the Scheme is Implemented.

7. ADVANTAGES AND DISADVANTAGES OF THE SCHEME

7.2.7 You may be concerned about specific risks associated with Nine's business

You should read Section 9, which summarises the business operations and strategy of Nine, to understand what additional businesses and assets you would be exposed to as a Nine Shareholder.

Additionally, there are a number of risks specific to holding New Nine Shares, which are described in further detail in Section 11.3.

Fairfax Shareholders should take these risks into account before deciding whether or not to vote in favour of the Scheme.

7.3 OTHER KEY CONSIDERATIONS IN RELATION TO VOTING ON THE SCHEME

Fairfax Shareholders should also take into account the following additional considerations in determining how to exercise their vote at the Scheme Meeting.

7.3.1 Australian Competition and Consumer Commission review

The ACCC is conducting a public informal review of the Scheme. The ACCC Review commenced on 16 August 2018 and the provisional date for the announcement of the ACCC's decision is 8 November 2018. The ACCC Review will consider the competition impact of the Scheme on consumers, advertisers and content creators and sellers in the markets in which Fairfax and Nine operate. The ACCC Review will involve consultation with industry stakeholders.

The ACCC has indicated that it expects to advise the outcome of the ACCC Review before or on 8 November 2018. The outcome may be a final decision by the ACCC not to oppose the Scheme or alternatively the ACCC may publish a Statement of Issues outlining its preliminary views on potential competition concerns and issues which require further consultation.

If the ACCC publishes a Statement of Issues, it will undertake further consultation with Nine, Fairfax and other relevant stakeholders prior to the ACCC making a final decision, which may be to not oppose the Scheme, to not oppose the Scheme subject to the acceptance of undertakings, or to oppose the Scheme.

The Second Court Date to approve the Scheme will not occur until as soon as practicable after the outcome of the ACCC Review has been announced. The Second Court Date is currently expected to occur on 27 November 2018.

7.3.2 Fairfax publications will retain control over editorial content

If the Scheme is Implemented, the ultimate ownership of the entities that own Fairfax's print and digital publications will be transferred to Nine. Fairfax's Charter of Editorial Independence, which enshrines principles of editorial independence, has been unanimously endorsed by the Nine Board.

7.3.3 The Scheme may be Implemented even if you vote against the Scheme or do not vote at all

If the Scheme is approved by the Requisite Majority of Fairfax Shareholders and the Court and all of the other Conditions Precedent to the Scheme are either satisfied or waived (as applicable):

- the Scheme will bind all Fairfax Shareholders, including those who did not vote on the Scheme Resolution and those who vote against it, meaning that all Scheme Participants will have their Scheme Shares transferred to a wholly-owned Subsidiary of Nine and all Scheme Participants will receive the Scheme Consideration; and
- Fairfax will be delisted from the ASX.

7.3.4 Implications for Fairfax and Fairfax Shareholders if the Scheme is not Implemented

If any Conditions Precedent, including Fairfax Shareholder approval and Court approval, are not satisfied or waived (as applicable) prior to the End Date, the Scheme will not proceed.

If the Scheme does not proceed, Fairfax Shareholders will not receive the Scheme Consideration and will retain their Fairfax Shares. Additionally, the advantages of the Scheme described in Section 7.1 will not be realised and the potential disadvantages of the Scheme described in Section 7.2 will not arise.

If the Scheme is not Implemented, Fairfax will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX.

Fairfax has incurred costs in respect of the Scheme prior to the date of this Booklet, including in relation to the conduct of negotiations with Nine, retention of advisers, provision of information to Nine, obtaining regulatory approval, engagement of the Independent Expert, and preparation of this Booklet. If the Scheme is not Implemented, Fairfax expects such transaction costs to be approximately $4 million (excluding GST). If the Scheme is Implemented, these costs are expected to be approximately $23 million (excluding GST), with this increase in transaction costs reflecting the additional costs associated with Implementation including the provision of directors' and officers' liability run off insurance to current directors and officers of Fairfax.

7.3.5 Conditionality of the Scheme

Implementation of the Scheme is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent, which are summarised at Section 12.2.

If the Conditions Precedent are not satisfied or waived (as applicable) by the End Date, the Scheme will not proceed and Fairfax Shareholders will not receive the Scheme Consideration.

As at the date of this Booklet, the outstanding Conditions Precedent which must be satisfied or waived (as applicable) before the Scheme can become Effective are:

- **Fairfax Shareholder approval** – the Requisite Majority of Fairfax Shareholders approves the Scheme at the Scheme Meeting;
- **ASIC approval** – ASIC provides any consents or approvals reasonably necessary to Implement the Scheme and the consents or approvals are not revoked;
- **Court approval** – the Court approves the Scheme;
- **no regulatory intervention** – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am (Sydney time) on the Second Court Date;
- **no prescribed events** – no Fairfax Prescribed Events or Nine Prescribed Events have occurred between 25 July 2018 and 8:00am (Sydney time) on the Second Court Date;
- **New Nine Shares** – the ASX approves the quotation of the New Nine Shares, subject to any customary conditions, and the approval is not revoked;
- **Independent Expert opinion** – the Independent Expert continues to conclude that the Scheme is in the best interests of Fairfax Shareholders and does not change its opinion before 8:00am (Sydney time) on the Second Court Date; and
- **representations and warranties** – the representations and warranties given by Fairfax and Nine under the Scheme Implementation Agreement remain true and correct in all material respects.

7.3.6 Exclusivity

The Scheme Implementation Agreement includes certain exclusivity arrangements that Fairfax has made in favour of Nine. These include customary no-shop and no-talk obligations, as well as obligations of notification of any unsolicited approaches and providing a matching right to Nine in the event that a Superior Proposal is received by Fairfax. Refer to Section 14.8.1 for further details.

7.3.7 Break Fee and Reverse Break Fee

Under the Scheme Implementation Agreement:

- Fairfax must pay Nine a Break Fee of $20 million (excluding any applicable GST) if certain specified events occur, including if a Competing Transaction is announced before the End Date and completed within 12 months of the End Date; and
- Nine must pay Fairfax a Reverse Break Fee of $20 million (excluding any applicable GST) if certain specified events occur, including if Nine fails to pay the Scheme Consideration as required.

The Break Fee and Reverse Break Fee are not payable if the Scheme does not proceed solely as a result of the Requisite Majority of Fairfax Shareholders failing to approve the Scheme at the Scheme Meeting.

8. OVERVIEW OF FAIRFAX

8.1 BUSINESS OVERVIEW

Fairfax operates a diversified portfolio of media and digital assets across information, marketplace and entertainment verticals.

8.2 OVERVIEW OF BUSINESS UNITS

Fairfax's portfolio is comprised of six primary business units across Australia and New Zealand.

8.2.1 Domain

Fairfax has a 59.4% shareholding in Domain, an ASX-listed real estate media and technology services business focused on the Australian property market.

The business offers residential, commercial and rural property marketing services and search tools, in addition to information for buyers, investors, sellers, renters and agents, via its listings portals on desktop and mobile, social media and print magazines.

Domain also provides media and lead-generation solutions for advertisers looking to promote their products and services to consumers. Domain creates property market content to engage consumers and support audience growth.

In addition to operating residential and commercial real estate portals, Domain provides data and technology services to real estate agencies through customer relationship management (**CRM**) software, property data subscriptions and research, and property inspection management tools.

Domain has expanded its offerings via a series of investments to include home loan broking services, a residential utilities product comparison service, and insurance services for home, contents and landlords. Distinct brands include Allhomes, Commercialrealestate.com.au, APM PriceFinder, MyDesktop, Homepass, Compare & Connect, Domain Loan Finder and Domain Insure.

Domain reaches a monthly audience of approximately 6.1 million consumers via digital platforms and 2.1 million consumers in print. The Domain apps have had more than 6.5 million downloads as at the end of FY18.

8.2.2 Australian Metro Media

Australian Metro Media (**AMM**) encompasses metropolitan news, sport, lifestyle and business media across various platforms including print, online, tablet and mobile.

AMM publication assets include *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, *The Canberra Times* and *The Sun-Herald*, and websites www.smh.com.au, www.theage.com.au, www.afr.com.au, www.canberratimes.com.au, www.brisbanetimes.com.au and www.WAtoday.com.au (and corresponding tablet and smartphone applications).

AMM's lifestyle brands and publications include *Good Food*, *Essential Baby*, *Essential Kids* and *Traveller*. Transactional businesses include *Find a Babysitter* and a 50% interest in 112 Pty Ltd, an automotive joint venture which operates the Drive.com.au business.

AMM reaches a monthly cross-platform audience of 11 million consumers.

Fairfax Events and Entertainment produces more than 50 annual events across sports, arts, business, food and wine and parenting, including the Sun-Herald City2Surf, the AFR Business Summit and Good Food Month.

AMM also includes a portfolio of early and growth-stage digital-focused businesses. The portfolio includes investments in digital publishing (Allure Media and Kin Community), online dating (RSVP Oasis), weather services (Weatherzone), e-health (Healthshare) and online education (Skoolbo).

8.2.3 Stan

Fairfax holds a 50% interest in SVOD platform Stan, a joint venture with Nine.

Stan offers a broad range of local and international programming to subscribers for a fixed monthly subscription fee, with no minimum term commitment. Stan's programming includes materials obtained through licensing agreements with international studios, including CBS' Showtime, Lionsgate's Starz and MGM.

During the 2018 Financial Year, Stan revenue increased 72% to $97 million, underpinned by growth in both the number of subscribers and the average revenue per user.

8.2.4 Macquarie Media

Following the 2015 merger between Fairfax Radio Network and the Macquarie Radio Network (**MRN**), Fairfax holds a 54.5% shareholding in the ASX-listed Macquarie Media, a national news, talk and sport radio network.

Macquarie Media operates the #1 rated commercial radio stations in Sydney (2GB) and Melbourne (3AW), as well as other capital city news and talk radio stations in Brisbane (4BC) and Perth (6PR).

Macquarie Media's sports offering is delivered via Australia's first national commercial sports radio network, the Macquarie Sports Radio franchise, which operates dedicated sports channels in Sydney (954AM), Melbourne (1278AM), Brisbane (882AM) and Perth (DAB+).

Macquarie Media has a network audience of 1.8 million people.

8.2.5 Australian Community Media

Australian Community Media (**ACM**) is a leading rural, regional and agricultural newspaper, digital media and events business reaching approximately five million people each month across print and digital.

ACM includes more than 160 regional and community-based publications. ACM's publications include *Newcastle Herald*, *The Examiner*, *The Border Mail*, *The Courier* and *Illawarra Mercury* along with approximately 130 publication-associated websites. ACM's portfolio of agricultural publications includes *The Land*, *Queensland Country Life* and *Stock & Land*.

Events run by ACM's Fairfax Rural Events team include AgQuip and CRT Farmfest Field Days.

8.2.6 Stuff NZ

Stuff (formerly Fairfax Media New Zealand) is an integrated multi-media business with brands across multiple platforms including newspapers, magazines, events and digital. Stuff reaches a cross-platform audience of 3.6 million New Zealanders every month via its digital and print brands.

Stuff's primary online offering stuff.co.nz is a leading digital destination, ranked by Nielsen Online Ratings as the #1 domestic website brand in New Zealand by unique audience[1]. The publishing business includes *The Dominion Post*, *The Press* and *The Sunday Star-Times* in a portfolio of regional and community newspapers, magazines and agricultural publications.

Stuff also owns 100% of Neighbourly Limited, which operates the hyper-local social network neighbourly.co.nz and has more than 600,000 members.

In addition, Stuff is a joint venture partner in the Kiwi Premium Ad Exchange (**KPEX**), a programmatic ad exchange to facilitate the buying of advertising across NZ premium publishers.

1. Nielsen Online Ratings (Average Unique Audience, August 17-July 18).

8.3 OPERATING MODEL AND REVENUE BREAKDOWN

Fairfax produces and distributes media content to consumers across a range of print and digital platforms. According to Enhanced Media Metrics Australia, the news industry audience measuring standard, the aggregated audience reach of Fairfax's Australian print and digital assets is greater than 12 million per month.

The primary means for generating revenue in Fairfax's 100% owned publishing businesses are:

- advertising and sponsorship products sold to businesses, governments and other advertisers across print and digital formats; and
- revenue through print and online news subscriptions and circulation.

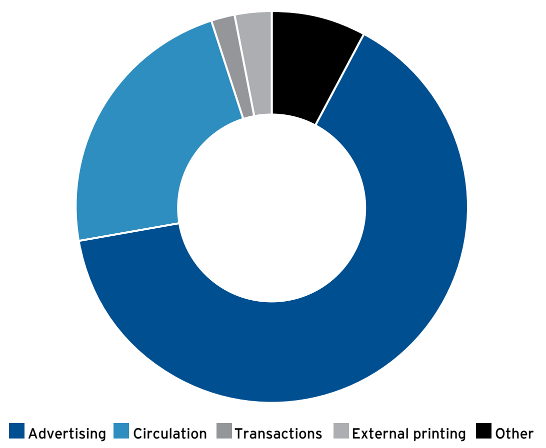
Domain generates revenue via four key categories, comprising:

- residential, developer and commercial listing fees across digital and print;
- subscriptions for websites, property data and CRM software;
- media revenues including display advertising, sponsorships and content marketing; and
- transaction-driven revenues including from home loans, insurance and utilities connections.

Macquarie Media derives revenue from advertising, royalties and commissions.

The revenue by category for Fairfax for the year ended 24 June 2018 is as follows:

FIGURE 2: FAIRFAX FY18 REVENUE

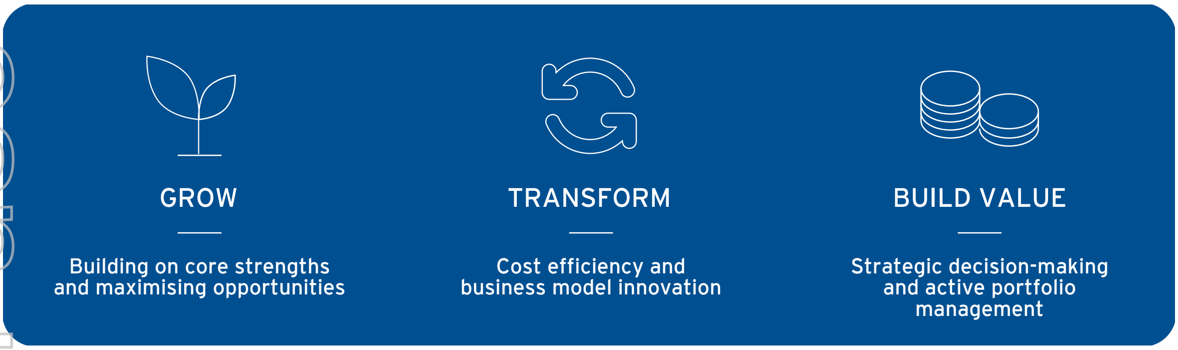


8. OVERVIEW OF FAIRFAX

8.4 BUSINESS STRATEGY AND INITIATIVES

Fairfax's strategy to build shareholder value across its portfolio of Domain, publishing and investment businesses is based on three strategic pillars:

FIGURE 3: FAIRFAX STRATEGY



This strategy is applied across businesses spanning a diversified portfolio of media assets with focused objectives:

FIGURE 4: FAIRFAX BUSINESS UNIT STRATEGIC FOCUS AND PRIORITIES

BUSINESS GROUP	STRATEGIC FOCUS	PRIORITIES
Domain	Growing core residential listings while expanding property ecosystem	• Continued growth in depth products • Geographic expansion • Transactional services growth
Australian Metro Media	Strengthening earnings and long term growth by driving digital performance and maximising print contribution	• Strong consumer offering to build audience loyalty and drive subscriptions • Market-leading commercial solutions for advertisers • Maximise earnings potential of print
Stan	Strengthening position as leading local SVOD platform	• Continue subscriber growth trajectory • Deliver world-class differentiated content proposition
Macquarie Media	Efficiently operating Australia's leading news, talk and sport radio network	• Ratings leadership in Sydney and Melbourne • Monetisation of network audience strength
Australian Community Media	Optimising operating structure, growing digital and maximising cash flows from low capital intensive and profitable print	• Maximise valuable cash flows of regional portfolio • Opportunities within the agricultural portfolio • Local news subscription initiatives
Stuff	Using power of Stuff brand to grow digital revenues while rationalising the long tail of print	• Use power of national Stuff brand to build new revenues • Improve digital audiences' average revenue per user • Profitable print

8.5 BOARD AND SENIOR MANAGEMENT

8.5.1 Board

The Fairfax Board comprises the directors set out below:

DIRECTOR	EXPERIENCE
 **Nick Falloon,** ***Chairman and Non-Executive Director***	*Appointed to the Fairfax Board 1 May 2015.* Mr Falloon was appointed Chairman of the Fairfax Board in September 2015. In November 2017, Mr Falloon was appointed to the Board of Domain Holdings Australia Limited as Chairman and Non-Executive Director, and served as its Executive Chairman from January 2018 until August 2018. Mr Falloon has more than 30 years' experience in the media industry, with 19 years working for the Packer-owned media interests from 1982 until 2001. Mr Falloon served as Chief Executive Officer of Publishing and Broadcasting Limited (**PBL**) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in television, pay TV, magazines, radio and the internet. From 2002, Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings. Mr Falloon holds a Bachelor of Management Studies from Waikato University in New Zealand. Other current Australian listed company directorships: Domain Holdings Australia Limited (appointed 16 November 2017)
 **Patrick Allaway,** ***Non-Executive Director***	*Appointed to the Fairfax Board 15 April 2016.* Mr Allaway has 30 years' experience in the global finance industry across financial markets, capital markets and corporate advisory. He commenced his career in investment banking with Citibank in New York, Sydney and London and with Swiss Bank Corporation in Zurich and London. Mr Allaway has had senior executive and non-executive board representation in large multinational companies in finance, retail, wholesale and media sectors. Mr Allaway is also presently a Non-Executive Director of Domain Holdings Australia Limited, Woolworths South Africa, David Jones Pty Limited and Country Road Group Pty Ltd. He has a Bachelor of Arts/Laws from The University of Sydney. Other current Australian listed company directorships: Domain Holdings Australia Limited (appointed 16 November 2017) Other current listed company directorships: Woolworths Holdings Limited South Africa (appointed 1 December 2014) Former Australian listed company directorships in last three years: Metcash Limited (resigned 25 June 2018)

8. OVERVIEW OF FAIRFAX

DIRECTOR	EXPERIENCE

Jack Cowin,
Non-Executive Director

Appointed to the Fairfax Board 19 July 2012.

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia, a business that has grown from a single food service outlet to one that employs more than 18,000 staff throughout Australia and New Zealand. Mr Cowin moved to Australia from Canada in 1969 to establish his business. In addition to operating 420 restaurants in Australia, the company operates five food manufacturing facilities, producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries.

Mr Cowin is also Chairman and largest shareholder of Domino's Pizza Enterprises Ltd, an ASX-listed company.

Other current Australian listed company directorships:

Domino's Pizza Enterprises Ltd (appointed 20 March 2014)

Former Australian listed company directorships in last three years:

Ten Network Holdings Limited (resigned 16 December 2015)

Gregory Hywood,
Executive Director

Appointed to the Fairfax Board (Non-Executive) 4 October 2010.

Appointed as Chief Executive Officer and Managing Director 7 February 2011.

Mr Hywood was appointed to the Fairfax Board in October 2010 and to the position of Chief Executive Officer and Managing Director on 7 February 2011. In March 2015, Mr Hywood was appointed to the Board of Macquarie Media Limited, an ASX-listed Australian media company operating radio stations. Mr Hywood has enjoyed a long career in the media and government. A Walkley Award winning journalist, he held a number of senior management positions at Fairfax including Publisher and Editor-in-Chief of each of *The Australian Financial Review*, *The Sydney Morning Herald/ Sun-Herald* and *The Age*. Mr Hywood was Executive Director in the Victorian Premier's Department between 2004 and 2006, Chief Executive of Tourism Victoria from 2006 to 2010 and a Director of The Victorian Major Events Company from 2006 until June 2016.

Other current Australian listed company directorships:

Macquarie Media Limited (appointed 31 March 2015)

James Millar, AM,
Non-Executive Director

Appointed to the Fairfax Board 1 July 2012.

Mr Millar is the former Chief Executive Officer of Ernst & Young (**EY**) in the Oceania Region and was a Director on their Global Board. Mr Millar commenced his career in the Insolvency and Reconstruction practice at EY, conducting some of the largest corporate workouts of the early 1990s. He has qualifications in both business and accounting. Mr Millar is a Non-Executive Director of Mirvac Limited and Macquarie Media Limited. He is Chairman of both the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities including being Chairman of the Vincent Fairfax Family Foundation. He is a former Chairman of Fantastic Holdings Limited and The Smith Family and a former Director of Helloworld Limited and Slater and Gordon Limited.

Other current Australian listed company directorships:

Mirvac Limited (appointed 19 November 2009)

Macquarie Media Limited (appointed 31 March 2015)

Former Australian listed company directorships in last three years:

Helloworld Limited (resigned 22 January 2016)

Slater and Gordon Limited (resigned 22 December 2017)

DIRECTOR | **EXPERIENCE**

Linda Nicholls, AO,
Non-Executive Director

Appointed to the Fairfax Board 26 February 2010.

Mrs Nicholls has more than 30 years' experience as a senior executive and company director in Australia, New Zealand and the United States. She is currently the Chair of Japara Healthcare and a Director of Medibank Private and Inghams Group Limited. Mrs Nicholls holds a Bachelor of Arts in Economics from Cornell University and a Masters of Business Administration from Harvard Business School, where she was formerly Trustee and Vice President of The Harvard Business School Alumni Board.

Other current Australian listed company directorships:

Japara Healthcare (appointed 19 March 2014)

Medibank Private (appointed March 2014)

Inghams Group Limited (appointed 7 October 2016)

Former Australian listed company directorships in last three years:

Sigma Pharmaceuticals (resigned 9 December 2015)

Pacific Brands Group (resigned 15 July 2016)

Mickie Rosen,
Non-Executive Director

Appointed to the Fairfax Board 1 March 2017.

Ms Rosen was appointed to the Fairfax Board on 1 March 2017 and has nearly three decades of strategic, operational and advisory experience at the intersection of media and technology. She has held executive roles for both large established companies such as Yahoo, News Corp and The Walt Disney Company and early stage start-ups. She is currently the President of Tribune Interactive and serves as a Non-Executive Board Director of Pandora Media in the USA.

Most recently, Ms Rosen advised a range of companies globally and was a Senior Advisor to the Boston Consulting Group. Prior to that, she served as Senior Vice-President of Yahoo's Global Media and Commerce division. She was also a partner with Fuse Capital, a digital media venture capital firm, and was the head of entertainment for Fox Interactive Media where she led strategic initiatives in digital, including serving as a lead on the creation of Hulu. Ms Rosen has also held executive roles with The Walt Disney Company and leading movie information and ticketing company, Fandango.

Ms Rosen built the foundation of her career with McKinsey & Company and has an MBA from Harvard Business School.

Todd Sampson,
Non-Executive Director

Appointed to the Fairfax Board 29 May 2014.

Mr Sampson is a Non-Executive Director of the Board of Qantas Airways Limited. He has an MBA and has spent nearly 20 years working as a strategic adviser with a diverse range of expertise including marketing, communication, digital transformation, new media, reputational risk and corporate turnaround. Both News Limited and *The Australian Financial Review* ranked him as one of Australia's most influential executives. He is also a writer, producer and host on a number of TV shows including Gruen Planet, The Project and the award winning documentary Redesign My Brain. Outside of work, he enjoys mountaineering and has climbed to the top of Mount Everest, unguided.

Other current Australian listed company directorships:

Qantas Airways Limited (appointed March 2015)

8.5.1.1 Fairfax Directors' intentions

If the Scheme is Implemented, the Fairfax Board will be reconstituted by directors nominated by Nine. Accordingly, it is for the reconstituted Fairfax Board to determine its intentions as to:

- the continuation of the business of Fairfax;
- any major changes, if any, to be made to the business of Fairfax; and
- the future employment of the present employees of Fairfax.

The current intention of Nine with respect to these matters is set out in Section 10.3.

If the Scheme is not Implemented, the current intention of the Fairfax Board is described in Section 7.3.4. Refer to Section 14.1.3 for more information regarding the interests of Fairfax Directors in Fairfax's marketable securities.

8.5.2 Senior management

Fairfax's executive management team includes the executives set out below.

Further information on Fairfax's executive management can be found on the company's website (www.fairfaxmedia.com.au).

SENIOR MANAGEMENT	EXPERIENCE
Gregory Hywood, ***Chief Executive Officer and Managing Director***	Refer to Section 8.5.1.
 **David Housego,** ***Chief Financial Officer***	Mr Housego was appointed as the Chief Financial Officer of Fairfax in December 2012 with responsibility for finance, group strategy, management of the transformation program, investor relations and workplace services. He also represents Fairfax on a number of Boards across Fairfax's digital investments and is a Director of Australian Associated Press. He was previously an Executive Director and Chief Financial Officer at Worley Parsons (ASX: WOR) from 1999 through 2010. Mr Housego has a Bachelor of Business from UTS with majors in management and accounting. He has completed a Master of Business Administration from the Graduate School of Management with Macquarie University and is also a Fellow of CPA Australia.
 **Gail Hambly,** ***Group General Counsel and Company Secretary***	Ms Hambly joined Fairfax in 1993 and is a commercial and media law specialist. She is a member of the Media and Communications Committee and the Privacy Committee for the Law Council of Australia, a member of the Advisory Board for the Centre of Media and Communications Law at the Melbourne Law School, a member of the Governance Institute of Australia and of the Australian Institute of Company Directors. She holds degrees in Law, Economics and Science. She is Chair of CopyCo Pty Limited and a Director of the Sydney Story Factory. Ms Hambly is also a Director of Domain Holdings Australia Limited.

SENIOR MANAGEMENT	EXPERIENCE
 **Dhruv Gupta,** ***Group Director, Strategy and Corporate Development***	Mr Gupta joined Fairfax in 2013 and is responsible for group strategy, mergers & acquisitions, and supporting key transformation and business initiatives across the business. Mr Gupta is also responsible for Fairfax's digital investments and represents Fairfax on the Boards of Stan, Weatherzone, 112/Drive and RSVP Oasis. Prior to joining Fairfax, he was an investment banker in Macquarie's telecommunications, media, entertainment and technology team, working with clients across the media and entertainment spaces on M&A, capital raisings and restructures. His career also includes working in Publishing and Broadcasting Limited's strategy and enterprises team, and as a management consultant for the Boston Consulting Group. Mr Gupta holds an MBA from Stanford University.
 **Michelle Williams,** ***Group Director, Human Resources***	Ms Williams joined Fairfax in 2004 and is responsible for the human resources strategy and its implementation across the group including learning and development, safety and human resource processes such as recruitment, performance and remuneration. Ms Williams spent several years working in the financial services industry in human resources, relationship management and process improvement roles prior to joining Fairfax. Ms Williams holds degrees in Science and Commerce.
 **Brad Hatch,** ***Director of Communications***	Mr Hatch is Fairfax's head of communications, with group-wide responsibility for managing the company's external and internal communications, spanning corporate affairs, media and public relations, investor and regulatory communications, brand, and community engagement. Before taking up this role in February 2012, he was a journalist, holding senior writing and editing roles at *The Australian Financial Review*, *DealBook* and *AFR BOSS* and *Capital* magazines. Prior to this, Mr Hatch worked in legal and investment management roles. Since becoming a separate ASX-listed company in November 2017, he also serves as head of corporate communications and corporate relations for Domain Holdings Australia Limited, of which Fairfax has a 59.4% shareholding. Mr Hatch holds a Bachelor of Economics (Honours) and Bachelor of Laws (Honours) from The University of Sydney and a Graduate Diploma of Legal Practice from the College of Law; and is admitted as a Solicitor of the Supreme Court of NSW. Mr Hatch is a member of the Board of the Australian Science Media Centre (AusSMC).

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SENIOR MANAGEMENT	EXPERIENCE
 **Allen Williams,** ***Managing Director, Australian Community Media and Printing***	In December 2017, Mr Williams took on responsibilities as Managing Director, Australian Community Media and Printing. Before this, he was Managing Director, Australian Publishing Media since April 2013. He has extensive media management experience in Australia and overseas. Prior to joining Fairfax Media New Zealand as CEO in 2009, he led a number of the company's operations across rural, regional and metropolitan markets in Australia and the United States. He returned to the company in 2007 following the Rural Press Limited merger with Fairfax. Across his career, he has worked at News Limited, Australian Consolidated Press and The Asher Joel Media Group. Mr Williams currently represents Fairfax as a Director of Australian Associated Press.
 **Chris Janz,** ***Managing Director, Australian Metro Publishing***	Mr Janz was appointed Managing Director of Australian Metro Publishing in February 2017 and was previously Director, Publishing Innovation. In his current role, Mr Janz oversees *The Australian Financial Review*, *The Sydney Morning Herald*, *The Age*, *Brisbane Times*, *WAtoday* and Fairfax's Life Media brands (*Traveller*, *Good Food*, *Essential Baby* and *Essential Kids*). Mr Janz was previously the founding CEO of HuffPost Australia, a joint venture between The Huffington Post and Fairfax, and has more than 20 years' experience building market-leading digital media businesses. He was also the founding CEO of Allure Media, one of Australia's largest independent digital publishers, and responsible for launching Business Insider, Gizmodo, Kotaku, Lifehacker, POPSUGAR and ShopStyle in Australia. Mr Janz's previous experience includes senior editorial roles at News Corp and production company Endemol Southern Star.
 **Martin Jolly,** ***Managing Director, Fairfax Events***	Mr Jolly was appointed Managing Director, Fairfax Events in January 2018 following Fairfax's acquisition of Sports Media and Entertainment 360 (**SME360**) – a sports marketing, events management and entertainment company. Mr Jolly is a highly knowledgeable executive with more than 30 years' experience in the sports, entertainment and media industries. Prior to founding SME360 in 2015, he was Senior Vice President and Managing Director for the Asia Pacific region at IMG. He joined IMG in 1990 and held several roles including Senior Vice President and Managing Director of Australia and New Zealand, General Manager of the Melbourne office, and a role where he established the National Sales and Marketing division. Prior to this, he held advertising and marketing sales roles at Seven Network.

SENIOR MANAGEMENT	EXPERIENCE
 **Sinead Boucher,** ***Chief Executive Officer, Stuff***	Ms Boucher was appointed Chief Executive Officer of Stuff in August 2017. Prior to this, she held the position of Fairfax New Zealand group executive editor from 2013. She has a long history with Fairfax, having started her career at Christchurch's *The Press* as a reporter in 1993. Over her years at Fairfax, Ms Boucher has been instrumental in the digital transformation of the business, having worked on Stuff since its infancy to build it up to New Zealand's largest domestic website. She continues to enable her journalists to push the boundaries of journalism for world-class results.
 **Robert Hutchinson,** ***Group Product Strategist and Product and Business Development Director***	Mr Hutchinson was appointed Group Product Strategist in 2017, and is also in an extended role as Product and Business Development Director for the New Zealand business. Mr Hutchinson joined Fairfax in 2013 as the New Zealand Product Development Director where he oversees e-commerce, video and mobile products and has played an instrumental role in the formation of local programmatic exchange KPEX. Previously, Mr Hutchinson has worked at the Australian Broadcasting Corporation in digital business development and creative director/user experience leadership roles. He is a Non-Executive Director of KPEX, Stuff Fibre and Neighbourly.

8.5.3 Remuneration and incentive plans

8.5.3.1 Remuneration and interests

Details of the current remuneration arrangements are included in the Remuneration Report, which can be found in Fairfax's 2018 Annual Report released 15 August 2018.

8.5.3.2 Executive Key Management Personnel incentive plans

Executive Key Management Personnel for FY18 were Greg Hywood, David Housego and Gail Hambly.

In summary, FY16 was the final year of the Transformation Incentive Plan (**TIP**) which was implemented following shareholder approval of the Remuneration Report at the 2013 Annual General Meeting. Following a comprehensive review, the TIP was replaced in 2017 by a new short term incentive (**STI**) and long term incentive (**LTI**) plan that continues to be heavily weighted toward achieving long term growth and shareholder value.

The STI component is assessed on an annual basis, and any payments to executive Key Management Personnel are made in deferred performance shares. Half of the shares are deferred for one year and the other half for two years.

Allocations for the LTI are made in performance rights, for nil consideration, rather than options. The number of performance rights to which an executive is entitled depends on the participant's role and responsibilities and is set at a fixed percentage of the executive's fixed remuneration at the time they participate in the LTI plan. Allocations are also subject to the achievement of three independent performance hurdles, two of which are performance against relative total shareholder return comparator groups and the third hurdle being a strategic measure.

8. OVERVIEW OF FAIRFAX

8.6 CAPITAL STRUCTURE

As at the date of this Booklet, Fairfax's issued securities are as follows:

TABLE 1: FAIRFAX CAPITAL STRUCTURE

TYPE OF SECURITY	NUMBER ON ISSUE
Fairfax Shares	2,299,475,546 (including 1,315,105 Fairfax Restricted Shares)
Fairfax Options	16,154,370
Fairfax Performance Rights	9,559,247
Fairfax Convertible Notes	281

8.7 SHARE PRICE HISTORY

Fairfax Shares are quoted on the ASX under the code 'FXJ'.

The closing price of Fairfax Shares on the ASX on 25 July 2018, being the last Trading Day prior to the announcement of the Scheme, was $0.770.

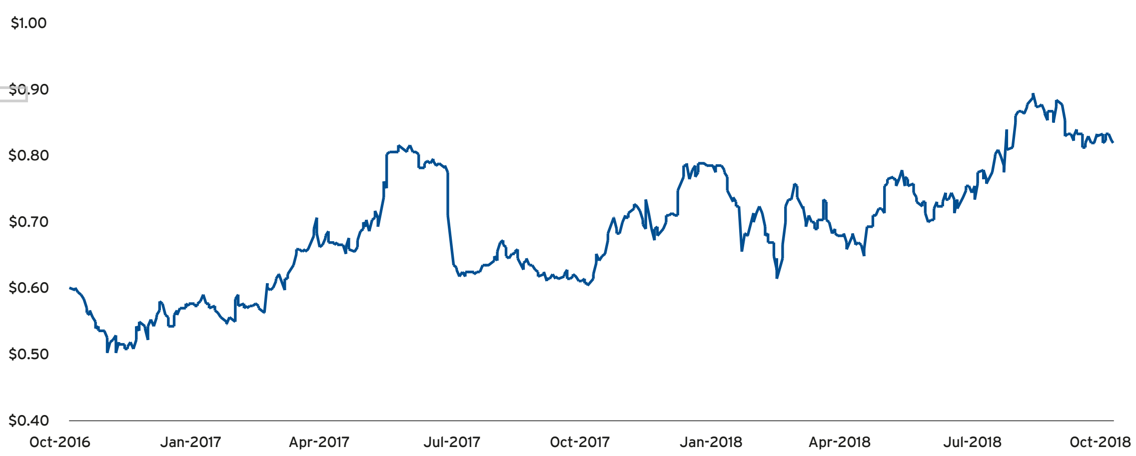
The closing price of Fairfax Shares on the ASX on 9 October 2018, the last practicable Trading Day before the date of this Booklet, was $0.815.

During the three months ended 9 October 2018:

- the highest recorded daily closing price for Fairfax Shares on the ASX was $0.890 on 14 August 2018; and
- the lowest recorded daily closing price for Fairfax Shares on the ASX was $0.755 on 13 July 2018.

Figure 5 shows the Fairfax Share price performance over the 24 months to 9 October 2018:

FIGURE 5: FAIRFAX SHARES – HISTORICAL SHARE PRICE PERFORMANCE



8.8 SUBSTANTIAL FAIRFAX SHAREHOLDERS

The substantial holders of Fairfax Shares as at 9 October 2018, being the last practicable Trading Day prior to the date of this Booklet, were as follows:

TABLE 2: SUBSTANTIAL FAIRFAX SHAREHOLDERS (AS AT 9 OCTOBER 2018)

SUBSTANTIAL FAIRFAX SHAREHOLDER	NUMBER OF FAIRFAX SHARES HELD	VOTING POWER
Ausbil Investment Management	178,558,749	7.8%
FIL Limited	172,105,943	7.5%
Legg Mason Asset Management Limited	139,560,053	6.1%
BlackRock Inc	138,542,522	6.0%
National Australia Bank Limited	116,137,720	5.1%

8.9 FAIRFAX HISTORICAL FINANCIAL INFORMATION

This Section 8.9 contains the following historical financial information of Fairfax:

- historical income statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 (**Fairfax Historical Income Statements**);
- historical statements of financial position as at 26 June 2016, 25 June 2017 and 24 June 2018 (**Fairfax Historical Statements of Financial Position**); and
- historical statements of cash flows for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 (**Fairfax Historical Statements of Cash Flows**),

(together, the **Fairfax Historical Financial Information**).

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Fairfax Historical Financial Information, a copy of which is included in Annexure B.

8.9.1 Basis of preparation

The Fairfax Historical Financial Information presented in this Booklet is in an abbreviated form and does not contain all presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act and should therefore be read in conjunction with the financial statements of Fairfax for the respective periods, including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements.

The Fairfax Historical Income Statements, Fairfax Historical Statements of Financial Position and Fairfax Historical Statements of Cash Flows are disclosed in Fairfax's financial statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018, which have been lodged with ASIC and are available from Fairfax's website (www.fairfaxmedia.com.au) or the ASX website (www.asx.com.au).

The Fairfax Historical Financial Information as at the end of and for the respective years have been derived from the Fairfax financial statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements. The significant accounting policies used in the preparation of the Fairfax Historical Financial Information are consistent with those set out in Fairfax's annual report for the years ended 26 June 2016, 25 June 2017 and 24 June 2018.

The Fairfax Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**), issued by the Australian Accounting Standards Board (**AASB**) which are consistent with International Financial Reporting Standards (**IFRS**).

Refer to Section 10.5.2.5 for further information on new accounting standards that are issued but not yet effective.

8.9.2 Explanation of certain non-IFRS financial measures

Fairfax uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 8.9 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall Fairfax business. The principal non-IFRS financial measures referred to in this Section 8.9 are as follows:

- **EBIT** is reported earnings/(losses) including significant items, before the following:
  - interest revenue or expense; and
  - income taxation expense,
- **EBITDA** is reported earnings/(losses) including significant items, before the following:
  - interest revenue or expense;
  - depreciation and amortisation; and
  - income taxation expense,
- **underlying EBITDA** represents reported EBITDA excluding significant items;
- **underlying revenue** represents reported revenue excluding significant items relating to revenue;
- **underlying expenses** represents reported expenses excluding significant items relating to expenses;
- **significant items** include those items presented as significant within the Fairfax financial statements. They relate to impairment charges, restructure and redundancy charges, gains on disposal of other entities and other items. Refer to Table 5 in Section 8.9.3 for additional detail; and
- **net debt** represents interest-bearing loans and borrowings less cash and cash equivalents.

8.9.3 Fairfax Historical Income Statements

Set out below are the Fairfax Historical Income Statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018:

TABLE 3: FAIRFAX HISTORICAL INCOME STATEMENTS

$m	YEAR ENDED 26 JUNE 2016[1]	YEAR ENDED 25 JUNE 2017	YEAR ENDED 24 JUNE 2018
Total revenue[2]	1,831	1,743	1,688
Expenses	(2,764)	(1,545)	(1,672)
Associate profits/(losses)	2	(1)	(1)
EBITDA	**(932)**	**197**	**15**
Depreciation and amortisation	(70)	(41)	(57)
EBIT	**(1,002)**	**156**	**(42)**
Net finance costs[3]	(11)	(10)	(7)
Net profit/(loss) before tax	**(1,013)**	**146**	**(49)**
Tax (expense)/benefit	251	(49)	(5)
Net profit/(loss) after tax	**(762)**	**97**	**(54)**
Net (profit)/loss attributable to non-controlling interest	(10)	(13)	(10)
Net profit/(loss) attributable to members of Fairfax	**(773)**	**84**	**(64)**

1. The FY16 Historical Income Statement presented above does not correspond to the FY16 Fairfax financial statements due to a change of accounting policy applied during FY17 in respect of deferred tax liabilities on indefinite life intangible assets. This accounting policy change was applied retrospectively in the FY17 Fairfax financial statements from the opening statement of financial position date of 29 June 2015. Refer to note 1 of the Fairfax 2017 financial statements for further details of the accounting policy change.
2. Total revenue from ordinary activities, excluding interest income of $7 million in FY16, $6 million in FY17 and $8 million in FY18. Interest income is presented within net finance costs above.
3. Net finance costs include finance costs less interest income as noted in Note 2 above.

TABLE 4: RECONCILIATION OF REPORTED REVENUE TO UNDERLYING REVENUE

$m	YEAR ENDED 26 JUNE 2016	YEAR ENDED 25 JUNE 2017	YEAR ENDED 24 JUNE 2018
Reported total revenue and income	**1,838**	**1,749**	**1,696**
Interest income	(7)	(6)	(8)
Total revenue	**1,831**	**1,743**	**1,688**
Revenue on disposal of controlled entities, property, plant and equipment and investments	-	(10)	(4)
Underlying revenue[1]	**1,831**	**1,733**	**1,684**

1. As reflected in total segment revenue from external customers within the operating segment note in the financial statements.

TABLE 5: RECONCILIATION OF EBITDA TO UNDERLYING EBITDA

$m	YEAR ENDED 26 JUNE 2016	YEAR ENDED 25 JUNE 2017	YEAR ENDED 24 JUNE 2018
EBITDA	**(932)**	**197**	**15**
Impairment of intangibles, inventories, investments and property, plant and equipment	1,152	34	224
Restructuring and redundancy	63	44	36
Net gains on disposal of controlled entities, property, plant and equipment and investments	-	(2)	(3)
Other	-	(1)	3
Total significant items	**1,215**	**75**	**259**
Underlying EBITDA[1]	**283**	**271**	**274**

1. As reflected in the management discussion and analysis report within the annual report.

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TABLE 6: SEGMENT INFORMATION

$m	YEAR ENDED 26 JUNE 2016[1]	YEAR ENDED 25 JUNE 2017[1]	YEAR ENDED 24 JUNE 2018
Underlying revenue			
Domain	296	320	357
Australian Metro Media	574	522	490
Australian Community Media[2]	485	428	400
New Zealand Media/Stuff	323	311	281
Macquarie Media/Radio	139	137	137
Corporate and Other	14	14	19
Total underlying revenue	**1,831**	**1,733**	**1,684**
Underlying EBITDA			
Domain	120	113	118
Australian Metro Media	39	49	53
Australian Community Media[2]	90	73	57
New Zealand Media/Stuff	55	52	37
Macquarie Media/Radio	25	32	33
Corporate and Other	(46)	(48)	(24)
Total underlying EBITDA	**283**	**271**	**274**

1. The FY17 segment financial information above does not correspond to the FY17 financial statements due to a change in the measure reported to the chief operating decision-maker in 2018 from EBIT to EBITDA. Refer to note 5 of the Fairfax 2018 financial statements for the restated 2017 segment note. For the same reason, the FY16 segment financial information above does not correspond to the FY16 financial statements. Refer to the 2016 full-year result announcement and investor presentation for the FY16 segment information.
2. Australian Community Media segment includes *The Canberra Times*. This will be reported in the Australian Metro Media segment for the year ending 30 June 2019.

8.9.4 Management commentary on Fairfax Historical Financial Information

Commentary of Fairfax's historical financial performance is outlined below. More information is available from Fairfax's annual financial statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018, which can be found on Fairfax's website (www.fairfaxmedia.com.au).

Following the Domain Separation on 22 November 2017, Fairfax owns a 59.4% interest in Domain. Fairfax owns a 54.5% interest in Macquarie Media since its acquisition in March 2015. Fairfax consolidates 100% of the results of these businesses with a non-controlling interest in the results separately presented within the income statement. The commentary set out below therefore reflects 100% of the results of these businesses.

For commentary on Stan performance, refer to Section 9.7.4.4.

8.9.4.1 Commentary on Fairfax Historical Financial Information for the year ended 24 June 2018

For the Financial Year ended 24 June 2018, Fairfax reported an underlying EBITDA of $274 million, which was 1% higher than the prior year.

Domain underlying EBITDA of $118 million increased 4% for the year, notwithstanding the impact of separation costs. Domain digital revenue increased 20%, with growth in core digital and new transactions businesses. Print revenue was 13% lower reflecting the transition to a digital business, somewhat offset by the launch of the Domain glossy magazine format.

Domain's underlying expenses increased 16% for the year, reflecting investment in the business and the impact of separation costs included for the first time.

Australian Metro Media revenue declined 6%, with advertising revenue benefiting from improved digital performance supported by the Google programmatic ad sales arrangement, as well as moderating print declines.

Circulation revenue declines moderated in the second half of the year, benefiting from 9% growth in digital subscription revenue for the year, and cover price increases.

Other revenues declined 5% reflecting the sale of Tenderlink in October 2016.

Australian Metro Media underlying expenses declined 8% for the year, with a 9% reduction in publishing costs largely from savings in staff, technology and print production.

Australian Community Media revenue declined 9%, with a relatively stable contribution from agricultural titles benefiting from strong agricultural commodity prices and digital investment in the sector. This was offset by weakness in regional advertising and circulation, with some impact from the closure of several unprofitable mastheads. Declines in local and real-estate print revenue contributed to the reduced advertising revenue outcome. Circulation declines reflected lower retail volumes.

Australian Community Media's continued strong cost discipline delivered a 6% reduction in expenses and underpinned underlying EBITDA margin of 16% for the year.

The New Zealand business, Stuff, reported total revenue down 8%, with digital revenue growth of 21%. Digital revenue benefited from strong growth from internet service provider Stuff Fibre and hyper-local social networking platform Neighbourly.

Stuff's underlying expenses declined 4% including a one-off provision, one-time items and investment in Stuff Fibre; adjusting for these items costs declined 6%.

Stuff's underlying EBITDA declined 27%. Weighing on the underlying EBITDA outcome was the impact of the sale or closure of around 35% of the NZ print publications, representing less than 5% of revenue. Revenue impacts were felt from the time of the announcement in February 2018, while cost benefits did not commence until after year end.

Macquarie Media made a solid underlying EBITDA contribution of $33 million. Macquarie Media's reported revenue was flat. Underlying revenue increased 4% excluding disposals and one-time items, underpinned by robust growth from the primary stations. Underlying EBITDA increased by 3%, with the margin expanding from 23% to 24%.

Depreciation and amortisation increased 40% for continuing businesses to $57 million due to increased product investment at Domain and Stuff, which has a short amortisation period.

Significant items amounting to a loss of $259 million were recorded. This included impairment of intangibles, inventories, investments and property, plant and equipment of $224 million, and restructuring and redundancy costs of $36 million. The majority of these expenses related to the publishing businesses, in particular Australian Community Media and Stuff.

8.9.4.2 Commentary on Fairfax Historical Financial Information for the year ended 25 June 2017

For the Financial Year ended 25 June 2017, Fairfax reported an underlying EBITDA of $271 million, which was 4% below FY16.

Domain underlying EBITDA of $113 million was 6% lower, reflecting Fairfax's strategic decision to continue to invest in Domain through a period of constrained listings in the first half of FY17. Domain delivered 19% growth in digital revenue. The transition to a digital business weighed on print revenue which declined 13% in FY17. Domain's operating expenses increased 17% in FY17, and 9% excluding the impact of acquisitions and one-offs. Digital expenses increased 34% (19% excluding costs associated with early-stage utilities connections businesses and one-offs). This reflected continued investment in staff, technology and product. Print expenses declined 6% which reflects the implementation of efficiencies, somewhat offset by investment in Domain's new magazine format.

The Australian Metro Media segment revenue declined 9%, with publishing advertising revenue down 17%. Overall circulation revenue was stable, benefiting from strong growth in paid digital subscriptions. Other revenue declined 9%, reflecting the sale of Tenderlink and lower growth from Events. After three years of rapid expansion, Events focused on consolidating its portfolio and optimising for profitability. The 12% reduction in Australian Metro Publishing costs in FY17 reflected acceleration in cost reduction in the second half of FY17. The 14% cost improvement in the second half of FY17 was partly attributable to early benefits from the Australian Metro Publishing restructure announced in April 2017.

Australian Community Media revenue declined 11%. Advertising revenue was down 12%, reflecting 2% growth in agriculture-related advertising, offset by weakness in national and classifieds advertising. Circulation revenue declined 11%, reflecting lower retail volumes. Australian Community Media's cost improvement of 9% reflected the achievement of the remaining transformation benefits and continued cost savings initiatives.

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New Zealand Media total revenue (in local currency) was down 7%, with digital revenue growth of 29%. Print advertising was impacted by weakness in retail, motor and leisure categories. Circulation revenue declined 5% in FY17, with stabilisation in the second half of FY17 reflecting improvements in yield. New Zealand Media's ongoing cost management delivered a 6% reduction in operating expenses, notwithstanding further investment in digital, underpinning stable margins. Stuff, New Zealand's leading local website, increased 11% year on year. This strong audience position was further bolstered by social platform Neighbourly's 810,000 monthly audience.

Macquarie Media made a solid underlying EBITDA contribution of $32 million. Macquarie Media revenue was down 1%, which was broadly consistent with the market. Cost and operational synergies, together with licence fee relief in the second half of FY17, delivered 26% uplift in underlying EBITDA and improvement in underlying EBITDA margin from 18% to 23%.

Depreciation and amortisation decreased 42% for continuing businesses to $41 million.

Significant items were a loss totalling $75 million. This included impairment of intangibles, inventories, investments and property, plant and equipment of $34 million, and restructuring and redundancy costs of $44 million. The majority of these expenses related to the publishing businesses, in particular Australian Metro Media and Australian Community Media.

8.9.4.3 Commentary on Fairfax Historical Financial Information for the year ended 26 June 2016

For the Financial Year ended 26 June 2016, Fairfax reported an underlying EBITDA of $283 million.

Domain, reported as a separate segment from 2016, performed strongly with an underlying EBITDA of $120 million, an increase of 40%. Domain's revenue continued to grow with strong performance across print and digital, reflecting organic growth and the impact of acquisitions. Digital advertising revenue increased 27% and underlying EBITDA increased by 50%.

The Australian Metro Media segment includes *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, Digital Ventures and Life & Events. The underlying EBITDA decline of 45% reflected ongoing structural shifts in advertising spend. Advertising revenue declined 13%, with publishing advertising revenue down 15% impacted by weakness in retail, communications and finance categories. This was somewhat offset by strong advertising revenue growth of 36% from Digital Ventures. Circulation revenue declined 1%, with strong growth in digital subscriptions of 17% to $38 million and improvements in print yield offsetting declines in print circulation volumes. Events revenue increased 33%, reflecting strong organic growth and the acquisition of OpenAir Cinemas. Digital Ventures continued to execute its strategy of value creation through investment in digital opportunities and managing its portfolio of digitally-focused assets. EBITDA margin expanded from 19% to 24%. Allure Media and Weatherzone both delivered strong revenue growth.

Australian Community Media underlying revenue declined 11%. Advertising revenue was down 12%, impacted by declines in supermarket-related advertising which was partially offset by print real estate. Australian Community Media achieved its annualised cost reduction target of $60 million. This underpinned the cost improvement of 12% and the second half of FY16 underlying EBITDA growth of 2%.

New Zealand Media total revenue was down 9%, with advertising revenue down 11% in local currency. Digital revenue growth of 36% was driven by growth in mobile, video and native advertising. New Zealand Media maintained cost control and delivered cost reduction of 8%, while continuing to invest in digital products. Stuff.co.nz maintained its position as the leading domestic website with an audience of two million as at May 2016. Neighbourly accelerated members by 28% in the second half of FY16 to 330,000, bringing combined Stuff/Neighbourly members to 700,000 across all platforms.

Macquarie Media made a solid underlying EBITDA contribution of $25 million, having achieved cost and operational synergies.

Depreciation and amortisation increased 8% for continuing businesses to $70 million, reflecting investment in product and property.

Significant items were a loss totalling $1,215 million. This included impairment of intangibles, inventories, investments and property, plant and equipment of $1,152 million, and restructuring and redundancy costs of $63 million. The majority of these expenses related to the publishing businesses, in particular Australian Metro Media and Australian Community Media.

8.9.5 Fairfax Historical Statements of Financial Position

Set out below are Fairfax's Historical Statements of Financial Position as at 26 June 2016, 25 June 2017 and 24 June 2018:

TABLE 7: FAIRFAX HISTORICAL STATEMENTS OF FINANCIAL POSITION

$m	AS AT 26 JUNE 2016[1]	AS AT 25 JUNE 2017	AS AT 24 JUNE 2018
Cash and cash equivalents	81	113	123
Trade and other receivables	339	299	279
Program rights and inventories	30	25	14
Other assets	-	9	-
Assets held for sale	15	9	2
Income tax receivable	5	-	10
Total current assets	**470**	**455**	**428**
Receivables	3	8	10
Equity-accounted investments	71	49	18
Other financial assets	2	2	3
Property, plant and equipment	150	178	127
Intangible assets	810	825	704
Pension assets	1	1	2
Deferred tax assets	41	46	50
Other assets	75	96	127
Total non-current assets	**1,153**	**1,205**	**1,041**
Total assets	**1,623**	**1,660**	**1,469**
Trade and other payables	251	233	220
Interest-bearing loans and borrowings	-	95	-
Current income tax liabilities	4	22	18
Provisions	112	104	123
Total current liabilities	**367**	**454**	**361**
Payables	6	-	-
Interest-bearing loans and borrowings	179	145	258
Deferred tax liabilities	21	24	-
Provisions	54	59	48
Derivative financial instruments	4	-	-
Total non-current liabilities	**264**	**228**	**306**
Total liabilities	**631**	**682**	**667**
Net assets	**992**	**978**	**802**
Contributed equity	4,597	4,605	4,074
Reserves	34	31	466
Retained earnings	(3,762)	(3,793)	(3,928)
Total equity attributable to equity holders of Fairfax	**869**	**843**	**612**
Non-controlling interests	123	135	190
Total equity	**992**	**978**	**802**

1. The FY16 Historical Statement of Financial Position presented above does not correspond to the FY16 Fairfax financial statements due to a change of accounting policy applied during FY17 in respect of deferred tax liabilities on indefinite life intangible assets. This accounting policy change was applied retrospectively in the FY17 Fairfax financial statements from the opening statement of financial position date of 29 June 2015. Refer to note 1 of the Fairfax 2017 financial statements for further details of the accounting policy change.

8.9.6 Fairfax Historical Statements of Cash Flows

Set out below are Fairfax's Historical Statements of Cash Flows for years ended 26 June 2016, 25 June 2017 and 24 June 2018:

TABLE 8: FAIRFAX HISTORICAL STATEMENTS OF CASH FLOWS

$m	YEAR ENDED 26 JUNE 2016	YEAR ENDED 25 JUNE 2017	YEAR ENDED 24 JUNE 2018
Cash flow from operating activities			
Receipts from customers	2,001	1,945	1,868
Payments to suppliers and employees	(1,817)	(1,717)	(1,635)
Dividends and distributions received	10	6	2
Interest received	5	1	1
Interest and other costs of finance paid	(19)	(14)	(14)
Income tax paid	(51)	(28)	(41)
Net cash flows from operating activities	**129**	**193**	**181**
Cash flow from investing activities			
Purchase of property, plant and equipment	(95)	(107)	(70)
Proceeds on disposal of property, plant and equipment	69	10	8
Acquisition of controlled entities, associates and joint ventures (net of cash acquired)	(46)	(13)	(4)
Loans advanced to other parties	(36)	(36)	(30)
Proceeds from sale of controlled entities, associates and joint ventures (net of cash disposed)	4	29	7
Net cash flows used in investing activities	**(104)**	**(117)**	**(89)**
Cash flow from financing activities			
Proceeds from borrowings	50	80	317
Repayment of borrowings and payment of borrowing costs	(160)	(18)	(290)
Purchase of rights plan shares	(2)	(2)	(1)
Payment for on market buy-back	(74)	-	-
Payment for share issue costs relating to Domain	-	-	(8)
Net payment for acquisitions of non-controlling interests in Subsidiaries	-	-	(5)
Dividends paid	(101)	(104)	(95)
Net cash flows used in financing activities	**(287)**	**(44)**	**(82)**
Net increase/(decrease) in cash and cash equivalents	**(262)**	**32**	**10**
Cash and cash equivalents at the beginning of the Financial Year	343	81	113
Cash and cash equivalents at the end of the Financial Year	**81**	**113**	**123**

8.9.6.1 Commentary on Fairfax Historical Statement of Cash Flows for the year ended 24 June 2018

Net cash inflow from operating activities was $181 million which decreased $12 million year on year with an increase in income taxes paid of $13 million. Cash and cash equivalents increased $10 million after capital expenditure of $70 million and dividends paid of $95 million.

Net debt was $136 million as at 24 June 2018.

8.9.6.2 Commentary on Fairfax Historical Statement of Cash Flows for the year ended 25 June 2017

Net cash inflow from operating activities was $193 million which increased $64 million year on year, benefiting from a reduction in redundancy payments of $30 million and income taxes paid of $23 million. Net cash outflow included capital expenditure of $107 million and dividends paid of $104 million. Cash and cash equivalents increased $32 million.

Net debt was $118 million at 25 June 2017.

8.9.6.3 Commentary on Fairfax Historical Statement of Cash Flows for the year ended 26 June 2016

Net cash inflow from operating activities was $129 million. Cash and cash equivalents decreased by $262 million after repayment of financial liabilities and payment of borrowing costs totalling $160 million, capital expenditure of $95 million, dividends paid of $101 million and on-market share buy-back of $74 million.

Net debt was $89 million at 26 June 2016.

8.10 FAIRFAX'S PUBLICLY AVAILABLE INFORMATION

Fairfax is a "disclosing entity" for the purpose of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Fairfax to notify the ASX of information about specified matters and events as they arise for the purpose of the ASX making that information available to participants in the market. Fairfax has an obligation under the ASX Listing Rules (subject to some exceptions) to notify the ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of Fairfax Shares. Pursuant to the Corporations Act and the ASX Listing Rules, Fairfax is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Fairfax Directors and an audit or review report, respectively. Copies of each of these documents and the ASX notifications can be obtained free of charge on the Fairfax website at www.fairfaxmedia.com.au or by visiting the ASX website at https://www.asx.com.au/asx/statistics/announcements.do. ASIC also maintains a record of documents lodged with it by Fairfax, and these may be obtained from the ASIC website at www.asic.gov.au.

8.11 MATERIAL CHANGES IN FAIRFAX'S FINANCIAL POSITION

To the knowledge of the Fairfax Directors, and except as disclosed elsewhere in this Booklet, the financial position of Fairfax as at 9 October 2018, the last practicable date prior to the date of this Booklet, has not materially changed since the 2018 Financial Year reporting date of 24 June 2018.

On 12 October 2018, Fairfax provided the following trading update based on unaudited management information and a trading update from Domain released on the same date:

- FY19 year-to-date overall group revenues are 5% below last year. Across Fairfax's reporting segments:
  - Domain digital revenue is up 6% and total revenue is 1% lower.
  - Australian Metro Media is down around 1%, with Metro publishing flat.
  - Australian Community Media is down around 10%.
  - Stuff (formerly New Zealand Media) is down around 16% including currency impact (down around 15% in local currency NZ$).
  - Macquarie Media is up around 3% (up 4% on a continuing business basis excluding the impact of disposals).
- Cost savings measures continue to be implemented across the Fairfax group.

9. OVERVIEW OF NINE

9.1 INTRODUCTION

This Section 9 has been prepared by Nine and is the responsibility of Nine. Fairfax does not assume any responsibility for the accuracy or completeness of the information contained in this Section 9.

For the 12 months to 30 June 2018, Nine generated total underlying revenue of $1,318 million and underlying EBITDA of $257 million[1].

As at September 2018, Nine's portfolio of media and entertainment businesses employed more than 3,000 people.

9.2 CORPORATE INFORMATION

Nine (ASX: NEC) is an Australian diversified media and entertainment company. Nine operates a leading FTA TV network (broadcasting Channel 9, 9HD, 9Go!, 9Gem and 9Life), broadcast video on demand (**BVOD**) service 9Now as well as digital brands nine.com.au, 9news.com.au, 9Honey, wwos.com.au and Pedestrian TV and holds a majority interest in CarAdvice. Nine holds a 50% interest in subscription video on demand (**SVOD**) platform Stan, a joint venture with Fairfax.

Based on market capitalisation, Nine is one of the top 150 listed companies on the ASX, with a market capitalisation of approximately $1.91 billion as at 9 October 2018, being the last practicable Trading Day prior to lodgement of this Booklet.

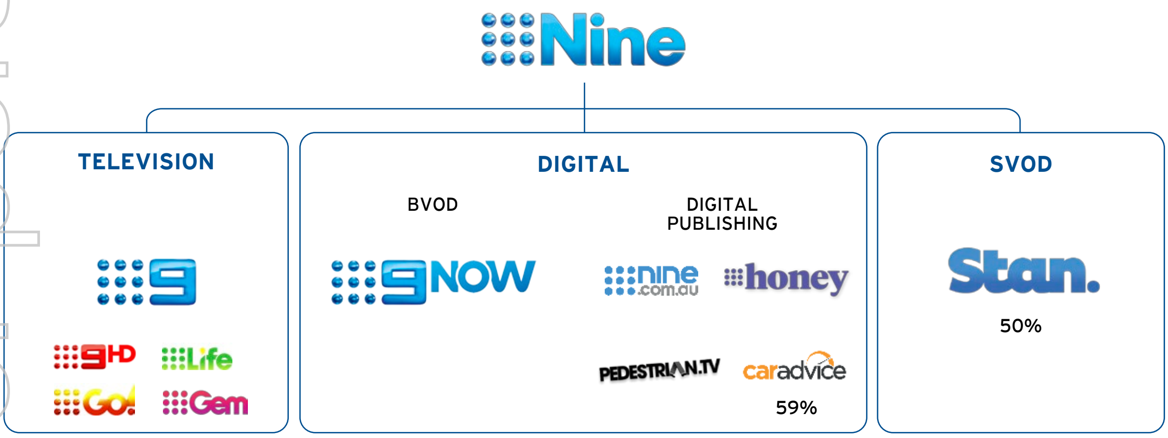
9.3 OPERATIONS AND INVESTMENTS

Nine's core businesses are categorised into two key areas:

- **Television** – comprised of Nine's FTA TV business across metropolitan and regional areas; and
- **Digital** – comprised of Nine's BVOD and digital publishing businesses.

In addition to its core businesses, Nine holds a 50% interest in Stan, a joint venture with Fairfax.

FIGURE 6: SUMMARY OF NINE'S BUSINESSES AND INVESTMENTS



1. Refer to Section 9.7.3 for a reconciliation of underlying revenue and underlying EBITDA.

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Nine's core businesses, Television and Digital, generate revenue via the following means:

- **Television** – revenue is generated through the sale of advertising, in-program integrations, sponsorship of Nine's broadcasts, and initiatives which closely associate a brand with Nine's programming, as well as fees paid by regional affiliates; and
- **Digital** – Nine's BVOD business generates revenue through the sale of advertising played before or during programming. Nine's digital publishing business generates revenue through display advertising and native advertising, and through the sale of advertising inserted during online videos.

The underlying revenue by category for Nine for the year ended 30 June 2018 was as follows:

- **Television**: $1,152 million; and
- **Digital**: $166 million (consisting of $41 million generated by BVOD and $125 million generated by digital publishing).

9.3.1 Television

Nine is one of Australia's three metropolitan commercial FTA TV networks and operates the linear broadcast channels: 9, 9HD, 9Go!, 9Gem and 9Life.

9.3.1.1 Operation of broadcast channels

Nine owns commercial television broadcast licences in Sydney, Melbourne, Brisbane, Perth and Adelaide as well as in regional Northern NSW and Darwin. These licences are granted under the Broadcasting Services Act and facilitate the broadcast of content via 9, 9HD, 9Go!, 9Gem and 9Life. In addition to commercial television broadcast licences, Nine holds a datacasting licence, which allows transmission of limited content such as home shopping and educational programs.

In conjunction with its licences, Nine has an allocation of broadcast spectrum in each licence area, which it can use for either broadcast channels or datacasting channels.

In areas where Nine does not own a broadcast licence, Nine's content is broadcast via affiliate agreements. Nine's primary affiliate is Southern Cross Media Group Limited which broadcasts Nine's TV content in regional Queensland, Southern NSW and regional Victoria.

9.3.1.2 Content

Nine's content offering focuses on large scale, locally produced content across key verticals of news, sport, entertainment and lifestyle.

Nine broadcasts content from a wide variety of sources including:

- reality programming, which is commissioned by Nine using external producers (e.g. *Australian Ninja Warrior*);
- news and current affairs content, which is substantially produced by Nine;
- sport, for which it obtains broadcast rights from sporting bodies (e.g. NRL, Australian Open tennis);
- drama, entertainment and lifestyle content, which may be produced by Nine, produced by external producers or acquired from third parties; and
- films which are licensed by Nine (e.g. from Warner Bros).

Television is the largest contributor to Nine's revenue, generating $1,152 million in underlying revenue and $238 million underlying EBITDA in FY18, up from $1,080 million in underlying revenue and $188 million underlying EBITDA in FY17[2].

Nine generates revenue from the sale of advertising and, increasingly, from developing other revenue opportunities connected to its content. This may include in-program integrations, sponsorship of Nine's program broadcasts and digital extensions. It also receives fees from regional affiliates for the supply of programming to those affiliates.

Nine focuses on the key advertiser demographics of people aged 25-54 and 16-39 and grocery buyers with children, from which most of its revenue is derived. In FY18, Nine was Australia's leading FTA TV network in ratings in these demographics and it achieved revenue share gains in this period. Nine also experienced growth in premium revenue (i.e. revenue not solely attributable to sale of advertising spots) and has realigned its cost base through various initiatives including a reduction of expenditure on international content and a move to a more flexible cost base for content.

2. Refer to segment information in Section 9.7.3.

9.3.2 Digital

9.3.2.1 BVOD

9Now is Nine's BVOD platform.

9Now allows registered users to live stream Nine Network's channels and to watch episodes of Nine's content on demand as a catch up service on a range of devices, including web, iOS, Android, TelstraTV, HbbTV, Apple TV, Chromecast, PlayStation, Fetch TV and most Smart TVs. 9Now also offers consumers access to short form video related to key programming.

BVOD content is monetised through the placement of advertising. For long form content, advertising will be inserted periodically throughout the program, in a similar sequence to the placement of advertising on the linear TV channels. Typically, short form content is accompanied by one advertisement shown prior to commencement of the video. As at 31 August 2018, 9Now had 6.7 million registered users.

9Now is a source of revenue growth for Nine, with underlying revenue of $41 million and underlying EBITDA of $19 million in FY18, up from $22 million of underlying revenue and $5 million of underlying EBITDA in FY17[3].

9.3.2.2 Digital publishing

Nine operates a range of digital publishing assets, which are built around the same content verticals as Nine's Television business – news, sport, entertainment and lifestyle – and which extend Nine's engagement with audiences and advertisers beyond broadcast TV.

Under the umbrella of nine.com.au, Nine operates the sites 9Honey, wwos.com.au and 9news.com.au. Nine also owns Pedestrian TV, a youth publishing business, and is a majority shareholder in CarAdvice, a publisher of online automotive editorial content in Australia.

Nine's digital publishing business generated underlying revenue of $125 million and underlying EBITDA of $15 million in FY18, compared to $133 million of underlying revenue and $24 million of underlying EBITDA in FY17[3], noting that FY17 was the final year of the Bing search arrangement with Microsoft, which contributed approximately $14 million in EBITDA to that result.

3. Refer to segment information in Section 9.7.3.

9.3.3 SVOD

Nine holds a 50% interest in SVOD platform Stan, a joint venture with Fairfax.

Stan offers a broad range of local and international programming to subscribers for a fixed monthly subscription fee, with no minimum term commitment. Stan's programming includes materials obtained through licensing agreements with international studios, including CBS' Showtime, Lionsgate's Starz and MGM.

During the 2018 Financial Year, Stan revenue increased 72% to $97 million, underpinned by growth in both the number of subscribers and the average revenue per user.

9.4 STRATEGY AND INITIATIVES

Nine's strategy is to "create great content, distribute it broadly, and engage audiences and advertisers".

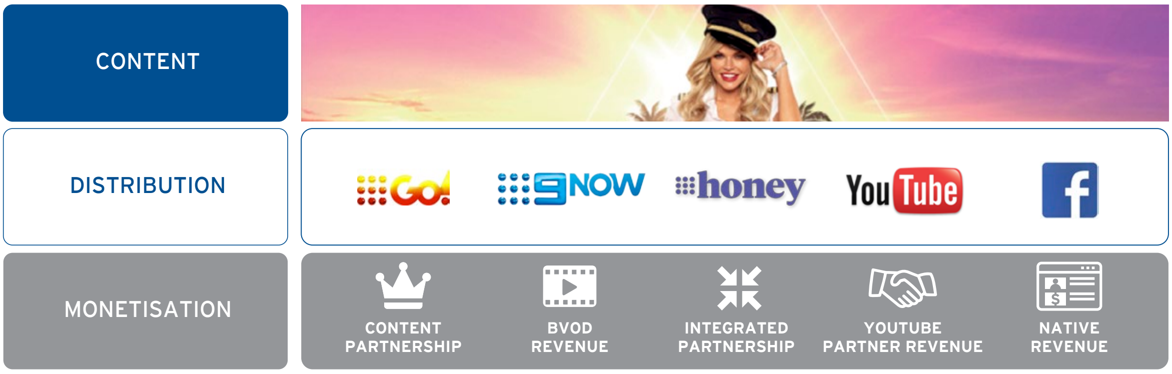
Nine's content strategy is to focus on large scale, locally produced entertainment formats intended to have broad appeal to audiences, which can be distributed across multiple platforms (FTA TV, BVOD, short form video and digital publishing) and which provide a range of opportunities to advertisers. It is Nine's intention that these formats, along with news and sport, will continue to drive Nine's content strategy and investment over the next several years.

In distribution, Nine's strategy is to continue to expand the platforms on which its content is available. As Nine has well-established distribution platforms in BVOD and SVOD, it is focused on improving its distribution on social media platforms such as YouTube. Distributing content beyond Nine's owned and operated environment allows Nine to reach new audiences and engage in new ways with existing viewers. A key area of focus in FY19 is reaching agreements with social media platforms that will enable Nine to commercialise viewing of Nine content on these platforms.

Nine's strategy with advertisers and agencies is to drive growth of premium revenue through new advertising products and data. Premium revenue is revenue generated from in-program integrations, sponsorships, content partnerships and high growth digital businesses: $245 million or 19% of total underlying revenue in FY18.

Nine's strategy is to grow this in coming years through the launch of addressable and targeted advertising underpinned by data and continual innovation in advertising formats to increase integration opportunities.

FIGURE 7: EXAMPLE OF NINE'S MONETISATION OF CROSS-PLATFORM VIEWING



In addition to supporting cross-platform consumption, Nine is executing specific initiatives across Television, BVOD and digital publishing to deliver its strategy.

9.4.1 Television

Nine's strategy for TV is to focus on content formats that improve the quality and relevance of broadcast content to its audiences.

In implementing this strategy, Nine has reoriented its programming schedule to be more heavily weighted to locally produced content, for example *The Block* and *Married At First Sight* and news and current affairs. These content formats have broad appeal and, when successful, aggregate large audiences. They also provide scope for a broad range of integrated and content-driven advertising opportunities.

Nine has sought to acquire and hold broad rights to these and other key content formats to enable cross-platform distribution and monetisation and expects that this will continue to be an ongoing focus of the business.

A further pillar of Nine's strategy in TV is to drive increased use of Nine's advanced automated trading platform, 9Galaxy.

Following a soft launch, Nine commenced commercial use of 9Galaxy in October 2017. 9Galaxy is an automated trading system designed to make buying television inventory from Nine easier and is currently used to book off-peak and multi-channel inventory (excluding sport). It uses predictive modelling to more accurately predict linear TV ratings, allowing Nine to guarantee the delivery of TV campaigns booked through 9Galaxy and removing the need for 'make-goods'.

The next phase of development for 9Galaxy is for 9Now inventory to be integrated into 9Galaxy, allowing linear TV inventory which is traded through 9Galaxy and BVOD inventory to be purchased in one transaction and on one platform. By the end of 2019, it is anticipated that the Virtual Oz industry data and Nine user data will be integrated into 9Galaxy, allowing Nine to trade against behavioural segments such as 'new car buyers' as well as age and gender demographics across linear TV and 9Now.

Nine will also focus on continued cost management in its core TV business, through better selection and acquisition of content and by realising operating efficiencies, such as through the establishment of a joint play-out centre with Seven Network.

Your Money, a new FTA TV channel was launched in October 2018. Your Money is a joint venture between Nine and Australian News Channel and will be focused on business and personal finance content.

9.4.2 Digital

9.4.2.1 BVOD

9Now's revenue grew by 89% to $41 million in FY18 from $22 million in FY17. Growth was driven by enhanced monetisation, obtaining new registered users and incremental viewing within 9Now's audience base.

A particular focus of Nine's strategy is to continue to grow engagement of existing registered users in order to grow incremental viewing. This is a significant opportunity as only a very small portion of 9Now's registered users currently use the platform each month. Nine intends to do this through marketing and product improvements, both informed by data insights gathered from the 9Now data asset.

9. OVERVIEW OF NINE

9.4.2.2 Digital publishing

Nine's strategy in digital publishing is to use Nine's brands, content and large scale audience to drive growth in premium advertising products.

Key opportunities include broad distribution of Nine's short form video across the nine.com.au network, growth of the women's lifestyle site 9Honey and enhanced commercialisation of Nine's proprietary data.

Nine will continue to drive growth of specialist publishers Pedestrian TV and CarAdvice; both high growth businesses provide advertisers access to highly targeted audiences and native advertising products.

9.4.3 SVOD

Nine's strategy in SVOD is to support the continued growth of Stan.

Nine does this by cross-promoting Stan across its multi-platform ecosystem and provision of strategic advice on content acquisitions. This aims to enhance Stan's content offer, drive new subscriber growth and reduce subscriber churn.

9.5 BOARD AND SENIOR MANAGEMENT

9.5.1 Nine Board

DIRECTOR	EXPERIENCE
 **Peter Costello, AC,** ***Independent Non-Executive Chairman***	*Appointed to the Nine Board February 2013.* Mr Costello was appointed to the Nine Board in February 2013 as an independent Non-Executive Director and in March 2016 became Chairman of the Nine Board. He is also a member of the Audit and Risk Management Committee. Mr Costello is currently Chairman of the Board of Guardians of Australia's Future Fund and serves on a number of domestic and international advisory boards. His business ECG Financial Pty Ltd is a boutique adviser on mergers and acquisitions, foreign investment, competition and regulatory issues which affect business in Australia. Mr Costello served as a member of the House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007. Prior to entering Parliament, Mr Costello was a barrister.
 **Hugh Marks,** ***Director and Chief Executive Officer***	*Appointed to the Nine Board February 2013.* Mr Marks was appointed Chief Executive Officer of Nine in November 2015. Prior to this, he had been an Independent Non-Executive Director since February 2013. Mr Marks has over 20 years' experience as a senior executive in content production and broadcasting in Australia and overseas. Before his appointment as CEO, he owned talent management agency RGM Artists and had ownership and management interests in a number of independent companies producing content for broadcast and pay TV. Before joining the Nine Board, Mr Marks was an authority member of the Australian Communications and Media Authority for more than two years. Previously, he was CEO of the Southern Star Group. Mr Marks has also worked with the Nine Network as legal counsel, and was Director of Nine Films & Television for seven years.

DIRECTOR	EXPERIENCE
 **David Gyngell,** ***Non-Executive Director***	*Appointed to the Nine Board November 2010.* Mr Gyngell was Nine's Chief Executive Officer from November 2010 until November 2015, having previously served as the Chief Executive Officer of Nine Network from September 2007. Mr Gyngell became a Non-Executive Director of Nine in November 2015. He has almost 20 years of experience at Nine and over 25 years' overall media sector experience. Previously, Mr Gyngell was Chief Executive Officer of Granada Television and a Director of International Management Group and Transworld Media International. He has also worked as Executive Director, Group Marketing and Communications for Publishing and Broadcasting Limited.
 **Janette Kendall,** ***Independent Non-Executive Director***	*Appointed to the Nine Board June 2017.* Ms Kendall was appointed to the Nine Board in June 2017 as an Independent Non-Executive Director and is a member of the People and Remuneration Committee. Ms Kendall has more than 23 years' board experience across public, private and not-for-profit organisations, spanning a range of industries including marketing and technology, advertising, digital media, supermarkets and the arts. She is currently a Non-Executive Director of ASX-listed Wellcom Group, Costa Group and Vicinity Centres as well as Placer Property and the Melbourne Theatre Company. Ms Kendall is a former senior executive who has held various roles in her career including Senior Vice President of Marketing at Galaxy Entertainment Group in Macau, China; Executive General Manager of Marketing at Crown Melbourne; General Manager, Pacific Brands; Managing Director of emitch Limited; and Executive Director of Clemenger BBDO. Other current Australian listed company directorships: Wellcom Group Limited (appointed 27 January 2016) Costa Group Holdings Limited (appointed 11 November 2016) Vicinity Centres (appointed 1 December 2017)
 **Samantha Lewis,** ***Independent Non-Executive Director***	*Appointed to the Nine Board March 2017.* Ms Lewis joined the Nine Board in March 2017 as an Independent Non-Executive Director and is Chair of the Audit and Risk Management Committee and a member of the People and Remuneration Committee. Ms Lewis has extensive financial experience, with 20 years at Deloitte Touche Tohmatsu including 14 years as a Partner. In that role, she led the audit of a number of major Australian listed companies, in the retail/FMCG and industrial sectors. During her time at Deloitte, Ms Lewis also provided accounting advice and transactional advisory services, including due diligence, IPOs and debt/equity raisings. Since retiring from Deloitte in 2014, Ms Lewis has been appointed to the Boards of ASX-listed Orora Limited and Aurizon Holdings Limited and is also the Chair of the Audit Committee of the Australian Prudential Regulatory Authority. She is a Member of the Institute of Chartered Accountants in both Australia, and England and Wales, and is a Member of the Australian Institute of Company Directors. Other Current Australian Listed Company Directorships: Orora Limited (appointed 1 March 2014) Aurizon Holdings Limited (appointed 17 February 2015)

DIRECTOR	EXPERIENCE
 **Catherine West,** ***Independent Non-Executive Director***	*Appointed to the Nine Board May 2016.* Ms West was appointed to the Nine Board in May 2016 as an Independent Non-Executive Director and is the Chair of the People and Remuneration Committee and a member of the Audit and Risk Management Committee. Ms West has more than 20 years' business and legal affairs experience in the media industry, both in Australia and the UK. Her most recent executive role was Director of Legal - Content Commercial and Joint Ventures for Sky Plc in the UK. In this role, Ms West was responsible for all of Sky's content relationships, distribution, commercial activities and joint ventures. Ms West is a Non-Executive Director of Southern Phones, a Graduate Member of the Australian Institute of Company Directors and Vice President of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse.

9.5.2 Corporate governance

The Nine Board is responsible for the corporate governance of Nine.

A summary of Nine's corporate governance policies is provided below. Full details including the Corporate Governance Statement, Charters and related corporate governance policies are available on Nine's website (http://www.nineentertainmentco.com.au/investor-centre).

Nine Board and management	The Nine Board is responsible for, and oversees, the governance of Nine. A key part of directors' responsibility is to ensure that an effective corporate governance structure operates within Nine. The Nine Board strives to build sustainable value for shareholders while protecting the assets and reputation of Nine. The Nine Board has delegated authority and power to manage Nine and its businesses to the CEO, within levels of authority specified by the Nine Board from time to time. The Nine Board ensures that the senior management team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the senior management team.
Board appointment and reviews	The processes to address succession of directors and ensuring that the Nine Board is comprised of an appropriate mix of skills, knowledge, diversity, independence and experience are managed by the Nine Board. The Nine Board regularly carries out a formal review of the performance of the Nine Board, its committees, senior management and each non-executive director.
Committees	The Nine Board has established an Audit and Risk Management Committee and a People and Remuneration Committee. The Audit and Risk Management Committee assists the Nine Board in fulfilling its responsibilities for corporate governance and oversight of Nine's financial reporting, internal control structure, risk management systems and external audit functions. The People and Remuneration Committee assists the Nine Board in fulfilling its responsibilities for corporate governance and oversight of certain of Nine's human resources policies and practices and workplace health and safety management. This includes remuneration policies and practices which enable Nine to attract and retain senior management and appropriately align their interests with those of key stakeholders. Both committees are empowered to investigate any matter, with full access to all books, records, company operations, and people of Nine and the authority to engage independent advisers and consultants as it determines necessary to carry out its duties.

Reporting and risk

The Nine Board is responsible for overseeing the establishment of, and approving, the risk management strategy and policies of Nine.

The Audit and Risk Management Committee oversees the effectiveness of Nine's financial controls and systems and the risk management function and evaluates the structure and adequacy of the Nine Group's insurance coverage periodically.

Nine management is responsible for establishing Nine's risk management framework, including identifying major risk areas and developing Nine's policies and procedures which are designed to identify, treat, monitor, report on and manage key business risks.

Nine has processes in place to identify and assess major risks, whether at an enterprise level or a project level, and to manage those risks. Nine's internal processes include establishing operating plans and budgets, periodic reforecasting and monitoring of progress against the approved plans and budgets.

Diversity

Nine acknowledges the positive outcomes that can be achieved through a diverse workforce, and recognises the contribution of diverse skills and talent from its directors, officers and employees.

For the purpose of Nine's Diversity Policy, diversity includes, but is not limited to, gender, age, ethnicity, cultural background, religion, sexual orientation, disability and mental impairment. The Nine Board is responsible for annually setting and monitoring objectives in relation to gender diversity, and other aspects of diversity, and assessing Nine's progress in achieving those objectives.

Corporate governance policies

Nine has adopted a number of other corporate governance policies including:

- a Code of Conduct which applies to all directors and employees of Nine and its Subsidiaries. Pursuant to the code, Nine will carry on business honestly and fairly and act only in ways that reflect well on Nine in strict compliance with all laws and regulations. The Code sets out obligations applicable to all persons performing work at the direction of, in connection with, or on behalf of Nine;
- a Securities Trading Policy which regulates dealing by Nine directors, certain officers of Nine and other designated persons, in securities in Nine. The policy sets black-out periods in which Nine Shares cannot be traded by directors and employees to whom the policy applies. It requires those individuals to obtain consent before any trading is undertaken outside a black-out period;
- a Disclosure Policy which sets out the processes which are followed by Nine to ensure that it complies with the ASX Listing Rules in relation to disclosure. Nine has a Disclosure Committee which is tasked with determining what information will be disclosed by Nine to the ASX, implementing procedures to ensure that disclosures to the ASX can be made, and trading halt requests can be lodged, immediately and preparing and approving proposed external announcements for release to the ASX; and
- a Shareholder Communication Policy which is designed to promote effective communications with shareholders and other stakeholders and encourage participation at Nine's general meetings. The policy designated Nine's website (www.nineentertainmentco.com.au) as the primary medium of providing information to all shareholders and stakeholders.

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9.5.3 Interests in Nine securities

As at the date of this Booklet, the interests of Nine Directors in Nine securities are set out in the table below:

Nine Director	NINE SHARES	NINE PERFORMANCE RIGHTS
Peter Costello, AC	301,786	-
Hugh Marks	1,632,177	2,331,453
David Gyngell	4,988,048	-
Janette Kendall	30,500	-
Samantha Lewis	40,000	-
Catherine West	40,000	-

9.5.4 Interest in Fairfax Shares

As at the date of this Booklet, no Nine Director has a Relevant Interest in any Fairfax Shares.

9.5.5 Senior management

As at the date of this Booklet, Nine's senior management team comprises the following members:

SENIOR MANAGEMENT	EXPERIENCE
Hugh Marks, ***Director and Chief Executive Officer***	*Refer to Section 9.5.1*
 **Greg Barnes,** ***Chief Financial Officer***	Mr Barnes joined Nine in July 2016 as Chief Financial Officer. Prior to this, he was at ASX-listed CSR Limited for seven years, including five and a half years as Group Chief Financial Officer, responsible for group financial outcomes. He played a leading role in the development and implementation of CSR's corporate strategy. Before joining CSR, he held senior finance roles with Dyno Nobel Limited and De La Rue Plc. Mr Barnes has broad market experience across a number of sectors including building materials, mining services, technology and software, as well as extensive international experience.
 **Alexi Baker,** ***Director of Strategy and Corporate Development***	Ms Baker joined Nine in 2011 and was appointed Director of Strategy and Corporate Development in March 2016. A strategy and transaction-focused executive with expertise across media, retail and digital, at Nine she is responsible for group strategy, mergers and acquisitions, and investments. Before joining Nine, Ms Baker was an equities analyst at Credit Suisse and Deutsche Bank.

SENIOR MANAGEMENT	EXPERIENCE
 **Michael Healy,** ***Director of Television***	Mr Healy was appointed Director of Television for Nine in December 2010 and has over 30 years of media experience with the network. He is responsible for all aspects of content on 9, 9HD, 9Go!, 9Gem and 9Life. Mr Healy started out with Channel Nine Perth in 1983 and relocated to Channel Nine Sydney in 1989. He previously held roles as Director of Programming for eight years and prior to that was Director of Presentation and Promotions for 10 years.
 **Rachel Launders,** ***General Counsel and Company Secretary***	Ms Launders joined Nine in 2015 as General Counsel and Company Secretary. She has worked with the Nine Group for over 10 years, having been a key external legal adviser as a Partner at Gilbert + Tobin. Ms Launders has played a central role in many strategic and defining transactions for the Nine Group over that time, including its IPO and the acquisition of the Perth and Adelaide Nine stations, affiliate arrangements and major sports rights. Ms Launders is a Director of Giant Steps Australia, a charity providing services to children and young adults with autism, a Fellow of the Financial Services Institute of Australasia, and a Member of the Australian Institute of Company Directors.
 **Tom Malone,** ***Director of Sport***	Mr Malone was appointed Director of Sport in February 2016 and is responsible for all live sport broadcast by Nine across its free-to-air and digital platforms, including tennis, rugby league, cricket, basketball, netball and golf. He joined Nine in 2006 and has held roles as Executive Producer of the Today Show (for six years) and Executive Producer of 60 Minutes (for three years). In 2011, he founded the annual Gold Telethon for the Sydney Children's Hospital. Mr Malone also serves as a Director of the Bradman Foundation on behalf of Channel Nine.
 **Helen McCabe,** ***Digital Content Director***	Ms McCabe joined Nine in 2016 as Head of Lifestyle to launch the 9Honey women's network. As Digital Content Director, she also has oversight of nine.com.au and Future Women. Her career includes being Editor-in-Chief of *The Australian Women's Weekly* and 12 years in newspapers. She was Deputy Editor of *The Sunday Telegraph* and Night Editor of *The Australian*. She was also News Limited's correspondent in London and spent nearly a decade in the Canberra Press Gallery. She began her career as a TV news reporter. Ms McCabe is on the Board of the Australian Indigenous Education Foundation and the Garvan Research Foundation.

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SENIOR MANAGEMENT	EXPERIENCE
 **Michael Stephenson,** ***Chief Sales Officer***	Mr Stephenson joined Nine in 2006 and was appointed Chief Sales Officer of Nine in March 2016. Mr Stephenson is responsible for overall sales strategy and total advertising revenue for Nine across all broadcast and digital assets. Prior to his current appointment, he held various roles at Nine including Director of Sales - Television and Director of Sales – Digital. Mr Stephenson has also held senior roles at both Network TEN and the Seven Network, in Sydney, Melbourne, Brisbane and Adelaide during his 25 years in media. Mr Stephenson serves as a Board member of OzTAM and is the Chairman of industry body ThinkTV.
 **Darren Wick,** ***Director of News and Current Affairs***	Mr Wick was appointed Director of News and Current Affairs in February 2012. He has been with the Nine Network for 23 years, and was Sydney News Director prior to his national appointment. His other roles over that period have included Executive Producer on *A Current Affair* and *Today Show*. Prior to joining Nine, Mr Wick began his career at News Ltd as a journalist on *The Daily Mirror* followed by a stint in the UK working in television news and current affairs at Worldwide Television News.
 **Lizzie Young,** ***Group Content Strategy Director***	Ms Young joined Nine in 2010 and was appointed Group Content Strategy Director in 2017. Prior to her appointment, she held various roles at Nine including Director of Content Partnerships and more recently was Director of Innovation, Partnerships & Client Experience. Ms Young is responsible for developing Nine's content commercialisation strategy and expanding its distribution network and the opportunities it delivers for brands. She has had a longstanding media career in television, radio and digital that includes production, integrated sales and marketing in Australia and abroad. In 2015, Ms Young won B&T Magazine's Women in Media Award for the sales category and in 2018 she was included in the B&T Women in Media Power List. She is a member of the Too Good Foundation Advisory Board.

9.6 INTERESTS IN FAIRFAX SHARES AND BENEFITS

9.6.1 Fairfax Shares and other securities on issue

Details of Fairfax issued securities are set out in Section 8.

9.6.2 Nine's interest in Fairfax Shares

Nine has no shares in Fairfax as at the date of this Booklet.

9.6.3 Acquisitions of Fairfax Shares by Nine or its Associates

Neither Nine nor any of its Associates has provided, or agreed to provide, consideration for Fairfax Shares under any purchase or agreement to purchase during the four months ending on the day immediately before the date of this Booklet.

9.6.4 Highest price paid for Fairfax Shares by Nine or its Associates

Neither Nine nor any of its Associates has provided, or agreed to provide, consideration for Fairfax Shares under any purchase or agreement to purchase during the four months ending on the day immediately before the date of this Booklet.

9.6.5 Pre-Scheme benefits

During the period of four months before the date of this Booklet, neither Nine nor any of its Associates gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person or an Associate of the other person to:

- vote in favour of the Scheme; or
- dispose of Fairfax Shares,

and which is not offered to all Fairfax Shareholders.

9.7 NINE HISTORICAL FINANCIAL INFORMATION

This Section 9.7 contains the following historical financial information of Nine:

- historical income statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 (**Nine Historical Income Statements**);
- historical statements of financial position as at 30 June 2016, 30 June 2017 and 30 June 2018 (**Nine Historical Statements of Financial Position**); and
- historical statements of cash flows for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 (**Nine Historical Statements of Cash Flows**),

(together, the **Nine Historical Financial Information**).

A number of figures, amounts, percentages prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Nine Historical Financial Information, a copy of which is included in Annexure B.

9.7.1 Basis of preparation

The Nine Historical Financial Information presented in this Booklet is in an abbreviated form and does not contain all presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act and should therefore be read in conjunction with the financial statements of Nine for the respective periods, including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements.

The Nine Historical Income Statements, Nine Historical Statements of Financial Position and Nine Historical Statements of Cash Flows are disclosed in the financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, which have been lodged with ASIC and are available from Nine's website (www.nineentertainmentco.com.au) or the ASX website (www.asx.com.au).

The Nine Historical Financial Information as at the end of and for the respective years have been derived from Nine's financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

The significant accounting policies used in the preparation of the Nine Historical Financial Information are consistent with those set out in Nine's annual report for the years ended 30 June 2016, 30 June 2017 and 30 June 2018.

The Nine Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (**AAS**), issued by the Australian Accounting Standards Board (**AASB**) which are consistent with the International Financial Reporting Standards (**IFRS**).

Refer to Section 10.5.2.5 for further information on new accounting standards that are issued but not yet effective.

9.7.2 Explanation of certain non-IFRS financial measures

Nine uses certain measures to manage and report on its businesses that are not recognised under AAS or IFRS. Pursuant to ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information', these measures are collectively referred to in this Section 9.7 as "non-IFRS financial measures".

Management uses these non-IFRS financial measures to evaluate the performance and profitability of the overall Nine business. The principal non-IFRS financial measures referred to in this Section 9.7 are as follows:

- **EBIT** is reported earnings/(losses) including significant items, before the following:
  - interest revenue or expense;
  - income taxation expense; and
  - profit from discontinued operations,
- **EBITDA** is reported earnings/(losses) including significant items, before the following:
  - interest revenue or expense;
  - depreciation and amortisation;
  - income taxation expense; and
  - profit from discontinued operations,
- **underlying revenue** represents reported revenue excluding significant items relating to revenue;
- **underlying expense** represents reported expenses excluding significant items relating to expenses;
- **underlying EBITDA** represents reported EBITDA excluding significant items;
- **underlying net cash flows from operating activities** represent reported cash flows from operating activities excluding the cash impact of significant items;
- **significant items** include those items presented as specific items within the Nine financial statements. They include impairment charges, restructure and redundancy charges, gains on disposal of assets, write-off of loans, withholding tax and mark to market of derivatives. Refer to Table 11 in Section 9.7.3 for additional detail; and
- **net debt** represents interest-bearing loans and borrowings less cash and cash equivalents.

9.7.3 Nine Historical Income Statements

Set out below are the Nine Historical Income Statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018:

TABLE 9: NINE HISTORICAL INCOME STATEMENTS

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
Total revenue[1]	1,282	1,238	1,395
Expenses	(1,186)	(1,388)	(1,081)
EBITDA	**96**	**(150)**	**314**
Depreciation and amortisation	(32)	(35)	(37)
EBIT	**64**	**(185)**	**277**
Net finance costs[2]	(7)	(6)	(2)
Net profit/(loss) before tax	**57**	**(191)**	**275**
Tax expense	(24)	(12)	(65)
Net profit/(loss) after tax from continuing operations	**33**	**(203)**	**210**
Profit from discontinued operations after tax	292	-	-
Net profit/(loss) attributable to members of Nine	**325**	**(203)**	**210**

1. Total revenue from ordinary activities, excluding interest income of $4 million in FY16, $7 million in FY17 and $9 million in FY18. Interest income is presented within net finance costs above.
2. Net finance costs include finance costs less interest income as noted in Note 1 above.

TABLE 10: RECONCILIATION OF TOTAL REVENUE TO UNDERLYING REVENUE

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
Total revenue	1,286	1,245	1,404
Interest income	(4)	(7)	(9)
Total revenue, excluding interest income	**1,282**	**1,238**	**1,395**
Net gains on disposal of property, plant and equipment	-	-	(77)
Underlying revenue[1]	**1,282**	**1,238**	**1,318**

1. As reflected in total segment revenue from continuing operations within the operating segment note in the financial statements.

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TABLE 11: RECONCILIATION OF EBITDA TO UNDERLYING EBITDA

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
EBITDA	**96**	**(150)**	**314**
Impairment of intangibles, inventories, investments and property, plant and equipment	81	347	(2)
Restructuring and redundancy	9	7	6
Net gains on disposal of property, plant and equipment	-	-	(77)
Write-off of loans	6	-	-
Withholding tax	-	(10)	-
Mark to market of derivatives	1	10	15
Onerous contracts	7	-	-
Other	2	2	1
Total significant items	**106**	**356**	**(57)**
Underlying EBITDA[1]	**202**	**206**	**257**

1. As reflected in group EBITDA from continuing operations within the operating and financial review section of the annual report.

TABLE 12: SEGMENT INFORMATION

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
Underlying revenue			
Television	1,130	1,080	1,152
Digital, comprising:	150	155	166
9Now	16	22	41
Digital publishing	134	133	125
Corporate	2	3	-
Total underlying revenue	**1,282**	**1,238**	**1,318**
Underlying EBITDA			
Television	184	188	238
Digital, comprising:	26	29	34
9Now	2	5	19
Digital publishing	24	24	15
Corporate	(10)	(12)	(16)
Share of associates	2	1	1
Total underlying EBITDA[1]	**202**	**206**	**257**

1. As reflected within the operating segment note of the Nine financial statements of the relevant years, and in the case of 9Now and digital publishing, the Nine annual results briefing

9.7.4 Management commentary on Nine Historical Financial Information

Commentary on Nine Historical Financial Information and underlying EBITDA is outlined below. More information is available from Nine's annual financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, which can be found on Nine's website (www.nineentertainmentco.com.au).

9.7.4.1 Commentary on Nine Historical Income Statement for the year ended 30 June 2018

For the 2018 Financial Year, Nine reported underlying revenue of $1,318 million and underlying EBITDA of $257 million. Underlying revenue increased by 6% while underlying EBITDA increased by 25% notwithstanding the negative impact of the first year of the new fixed spectrum charge of $11 million and the loss of profitability of the Bing search relationship of approximately $14 million.

Nine's Television segment reported underlying revenue growth of 7% for the year, on an improved share of a stronger FTA TV market. Reflecting this top line growth, FTA TV underlying EBITDA increased by 27% for the year, despite the introduction of the annual spectrum charge for FY18, as well as some incremental content spend targeted at revenue growth in future years (e.g. *Love Island Australia*). Within underlying EBITDA, costs were up 2%; however, this included the annual spectrum charge as well as an extra week of trading, which together added $16 million to costs. Excluding this, costs were 1% higher, which included an incremental $6 million of costs that related directly to the Nine Network's higher revenue.

Nine's Digital segment (which is comprised of BVOD and digital publishing) recorded an underlying revenue increase of 7%, underpinned by long form video, particularly 9Now and an increasing contribution from both Pedestrian TV and CarAdvice. This growth more than offset declining revenue in the traditional display category and the absence of contribution from Bing search revenue (approximately $14 million). Underlying EBITDA growth of 18% reflected this revenue growth and changing mix to increasing premium, and high margin revenues.

The Digital business' ability to grow underlying EBITDA in FY18 was significant given the negative impact of the absence of Bing search revenue, due to Microsoft discontinuing this relationship as a result of changes to their operations (approximately $14 million) as well as increased investment in the newer businesses of 9Honey and Future Women.

9.7.4.2 Commentary on Nine Historical Income Statement for the year ended 30 June 2017

For the 2017 Financial Year, Nine reported underlying revenue of $1,238 million and underlying EBITDA of $206 million. Underlying revenue declined by 3% while underlying EBITDA increased by 2%, inclusive of the $33 million benefit from the regulated removal of licence fees for the year.

Nine's Television segment reported an underlying revenue decline of 4% for the year, reflecting a soft FTA TV market and the impact of the Olympics. FTA TV underlying EBITDA grew in the period by 3% with the benefit of lower costs, including the regulated removal of licence fees for FY17. Within underlying EBITDA, costs declined in FY17 by 6%, or 2% excluding licence fees.

Nine's Digital segment recorded an underlying revenue increase of 3%. Digital delivered revenue growth in the second half, underpinned by long form video, particularly from 9Now and an increasing contribution from CarAdvice and Pedestrian TV. This growth more than offset declining revenue in the traditional display category. Underlying EBITDA growth of 11% reflected the ongoing impact of Nine's cost drive, as well as Nine's strategy of focusing on high margin and, primarily, owned and operated revenues.

9.7.4.3 Commentary on Nine Historical Income Statement for the year ended 30 June 2016

For the 2016 Financial Year, Nine reported underlying revenue of $1,282 million and underlying EBITDA of $202 million. Underlying revenue declined by 6% while underlying EBITDA decreased by 7%.

Nine's Television segment reported an underlying revenue decline of 7% for the year, reflecting a lower revenue share of a soft FTA TV market. Inclusive of the licence fee reduction, which added approximately $11 million, underlying EBITDA fell by 11%. Within underlying EBITDA, costs in FY16 decreased by 6%.

Nine's Digital segment reported a 19% increase in underlying EBITDA in the period, as the focus on more profitable revenue streams and firm cost management delivered margin improvement. Adjusted for the impact of the loss of Microsoft default traffic and the sale of HWW Pty Limited, underlying revenues were flat year on year.

9.7.4.4 Additional commentary on the performance of Stan for the year ended 30 June 2018

As at 30 June 2018, Nine and Fairfax each held a 50% equity interest in Stan. Since its formation in January 2015, up to 30 June 2018 Stan has been funded via the provision of loans to the value of $127 million from each of Nine and Fairfax. Loans have been used to fund initial set up costs, capital expenditure and operating losses incurred by Stan to date.

Stan's business model and strategy anticipated the incurrence of initial operating losses, while it established a suitable content offering, technology platform, brand and consumer proposition sufficient to attract and retain paying subscribers.

The capital structure of the Stan joint venture has meant that losses were not recognised in the income statements of either Nine or Fairfax. However, following Implementation of the Scheme, the financial performance of Stan will be consolidated into the Combined Group (refer Section 10.5 of this Booklet which presents the Combined Group Pro-Forma Historical Financial Information based on 2018 financial performance of Stan).

For the Financial Year ended 30 June 2018, Stan incurred EBITDA losses of $48 million on revenue of $97 million. Revenue growth in FY18 was 72%, which outpaced the increase in Stan's operating expenses of 23%. Losses reduced during the 2018 Financial Year, with losses for the three months to 30 June 2018 less than half that recorded in the three months to 30 September 2017.

9.7.5 Nine Historical Statements of Financial Position

Set out below are the Nine Historical Statements of Financial Position as at 30 June 2016, 30 June 2017 and 30 June 2018:

TABLE 13: NINE HISTORICAL STATEMENTS OF FINANCIAL POSITION

$m	30 JUNE 2016[1]	30 JUNE 2017	30 JUNE 2018
Cash and cash equivalents	43	67	36
Trade and other receivables	287	261	286
Program rights and inventories	139	190	190
Other assets	82	89	40
Total current assets	**551**	**607**	**552**
Receivables	59	96	134
Program rights and inventories	61	64	70
Property, plant and equipment	123	129	107
Intangible assets	1,126	912	912
Other assets	228	93	79
Total non-current assets	**1,597**	**1,294**	**1,302**
Total assets	**2,148**	**1,901**	**1,854**
Trade and other payables	328	248	225
Provisions	47	49	52
Other liabilities	31	21	62
Total current liabilities	**406**	**318**	**339**
Payables	48	60	34
Interest-bearing loans and borrowings	220	291	158
Deferred tax liabilities	182	182	173
Provisions	47	35	40
Derivative financial instruments	11	29	1
Total non-current liabilities	**508**	**597**	**406**
Total liabilities	**914**	**915**	**745**
Net assets	**1,234**	**986**	**1,109**
Contributed equity	747	749	745
Reserves	6	1	5
Retained earnings	481	236	359
Total equity attributable to equity holders of Nine	**1,234**	**986**	**1,109**

Note: Certain balances have been aggregated within other assets and other liabilities.

1. The FY16 Historical Statement of Financial Position presented above does not correspond to the FY16 Nine financial statements due to a change of accounting policy applied during FY17 in respect of deferred tax liabilities on indefinite life intangible assets. This accounting policy change was applied retrospectively in the FY17 Nine financial statements from the opening statement of financial position date of 1 July 2015. Refer to note 1 of the Nine 2017 financial statements for further details of the accounting policy change.

9.7.6 Nine Historical Statements of Cash Flows

Set out below are the Nine Historical Statements of Cash Flows for years ended 30 June 2016, 30 June 2017 and 30 June 2018.

TABLE 14: NINE HISTORICAL STATEMENTS OF CASH FLOWS

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
Cash flow from operating activities			
Receipts from customers	1,506	1,377	1,418
Payments to suppliers and employees	(1,406)	(1,323)	(1,226)
Dividends and distributions received	2	1	1
Interest received	2	2	2
Interest and other costs of finance paid	(16)	(11)	(8)
Income tax paid	(38)	(50)	(26)
Net cash flows from/(used in) operating activities	**50**	**(4)**	**161**
Cash flow from investing activities			
Purchase of property, plant and equipment	(34)	(33)	(23)
Purchase of other intangible assets	(24)	(9)	(10)
Proceeds on disposal of property, plant and equipment	-	-	135
Acquisition of Subsidiaries, net of cash acquired	(17)	(17)	(40)
Proceeds from/(Investments in) listed equities and associates	(89)	124	-
Loans advanced to other parties	(37)	(33)	(27)
Proceeds from sale of controlled entities (net of cash disposals)	535	-	-
Net cash flows from investing activities	**334**	**32**	**35**
Cash flow from financing activities			
Proceeds from borrowings	670	308	482
Repayment of borrowings and payment of borrowing costs	(1,027)	(238)	(617)
Purchase of rights plan shares	(49)	-	(5)
Dividends paid	(115)	(74)	(87)
Net cash flows used in financing activities	**(521)**	**(4)**	**(227)**
Net increase/(decrease) in cash and cash equivalents	**(137)**	**24**	**(31)**
Cash and cash equivalents at the beginning of the Financial Year	180	43	67
Cash and cash equivalents at the end of the Financial Year	**43**	**67**	**36**

TABLE 15: RECONCILIATION OF OPERATING CASH FLOWS TO UNDERLYING OPERATING CASH FLOWS

$m	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2018
Net cash flows from/(used in) operating activities	**50**	**(4)**	**161**
Cash impact of Warner Bros onerous contract provision	47	47	43
Interest and tax	52	59	33
Other items	8	7	6
Underlying net cash flows from operating activities[1]	**157**	**109**	**243**

1. As reflected in the Nine results briefings lodged with the ASX each financial year.

9.7.6.1 Commentary on Nine Historical Statement of Cash Flows for the year ended 30 June 2018

Underlying net operating cash flows were $243 million. The year on year improvement in operating cash flows largely reflects improved underlying EBITDA as well as the programming inventory rebuild, that was experienced in the preceding two reporting periods as Nine shifted its content mix from international to local content, nearing completion.

As at 30 June 2018, net debt was $121 million. Key cash flows during the year included the $125 million proceeds from the sale of Nine's Willoughby, Sydney site offset by a further $27 million investment in Stan, a $39 million earn-out payment relating to the acquisition of the Pedestrian TV minorities as well as timing and revenue-related working capital.

9.7.6.2 Commentary on Nine Historical Statement of Cash Flows for the year ended 30 June 2017

Underlying net operating cash flows were $109 million. This included the impact of ACMA licence fees paid in FY17, but relating to the FY16 year ($34.8 million). The shift to local content resulted in a marked increase in working capital over the 18 months to 30 June 2017, with the then current level being more reflective of future requirements.

As at 30 June 2017, net debt was $225 million. Key cash flows during the year included the $117 million proceeds from the sale of Nine's investment in Southern Cross Media Group Limited, tax paid on the Nine Live sale of $28 million, further investment in Stan and the acquisition of CarAdvice.

9.7.6.3 Commentary on Nine Historical Statement of Cash Flows for the year ended 30 June 2016

Underlying net operating cash flows were $157 million, impacted by the sale of Nine Live business, coupled with weaker operating cash flows from the FTA TV business. Nine invested $88 million in the acquisition of shares of Southern Cross Media Group Limited.

As at 30 June 2016, net debt reduced to $178 million from $507 million with the repayment of debt post the disposal of Nine Live business, partially offset by the cash utilised in the on-market buy-back of $49 million of Nine Shares during the period.

9.8 CAPITAL STRUCTURE

9.8.1 Nine securities

As at the date of this Booklet, Nine's issued securities are as follows:

TYPE OF SECURITY	NUMBER ON ISSUE
Nine Shares	871,373,191
Nine Performance Rights	7,189,070 Nine Performance Rights which are capable of being converted into 7,189,070 Nine Shares

9.8.2 Nine short term incentive plan

The Nine short term incentive plan is designed to align individual performance to the achievement of the business strategy and increased shareholder value. Awards are made annually and are aligned to the attainment of clearly defined group, business unit and individual targets. For some executives, 33% of any STI outcome is deferred into Nine Shares that vest in two equal tranches over two years, and cannot be traded until after they have vested. The remaining 67% is paid in cash.

9.8.3 Nine long term incentive plan

The Nine long term incentive plan involves the annual granting of performance rights to participants, to align long term remuneration outcomes with stakeholder interests benchmarked against the market and the delivery of Nine's strategic and operating goals. The first grant was issued in the 2016 Financial Year, with subsequent issues in the 2017 and 2018 Financial Years.

Nine Performance Rights are awarded based on the fixed amount to which the individual is entitled and the volume weighted average price which is calculated over the period commencing five trading days before and ending four trading days after the results release immediately following the start of the performance period (i.e. over a total period of 10 trading days).

Upon satisfaction of vesting conditions, each Nine Performance Right will, at Nine's election, convert to a Nine Share on a one-for-one basis or entitle the participant to receive cash to the value of a Nine Share. No amount is payable on conversion.

Nine Performance Rights which have been granted to date will vest:

- 50% subject to Nine's total shareholder return performance against S&P/ASX 200 Index companies representing consumer discretionary, consumer staples, information technology and telecommunication services; and
- 50% subject to the achievement of fully diluted earnings per share growth targets as set by the Nine Board over the performance period.

9.9 SUBSTANTIAL NINE SHAREHOLDERS

The substantial holders (5% or more) of Nine Shares as at 9 October 2018, being the last practicable Trading Day prior to the date of this Booklet, are as follows:

TABLE 16: SUBSTANTIAL NINE SHAREHOLDERS (AS AT 9 OCTOBER 2018)

SUBSTANTIAL NINE SHAREHOLDER	NUMBER OF NINE SHARES HELD	VOTING POWER
Bruce Gordon/Birketu Pty Ltd	130,477,718	15.0%
Deutsche Bank AG	103,197,740	11.8%
Pendal Group Limited	76,749,736	8.8%
UBS Group AG	50,114,177	5.8%
Legg Mason Asset Management Limited	45,956,947	5.3%
Vinva Investment Management	43,735,942	5.0%

9.10 SHARE PRICE HISTORY

Nine Shares are listed on the ASX under the code 'NEC'.

The closing price of Nine Shares on the ASX on 25 July 2018, being the last Trading Day prior to the announcement of the Scheme, was $2.520.

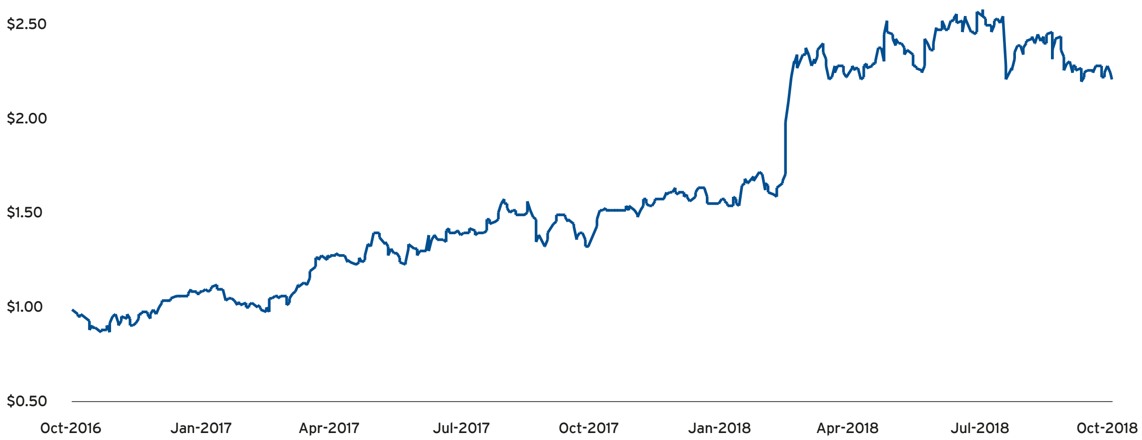
The closing price of Nine Shares on the ASX on 9 October 2018, the last practicable Trading Day before the date of this Booklet, was $2.190.

During the three months ended 9 October 2018:

- the highest recorded daily closing price for Nine Shares on the ASX was $2.560 on 10 July 2018; and
- the lowest recorded daily closing price for Nine Shares on the ASX was $2.180 on 18 September 2018.

Figure 8 below shows the Nine Share price performance over the 24 months to 9 October 2018:

FIGURE 8: NINE SHARES – HISTORICAL SHARE PRICE PERFORMANCE



9.11 DIVIDEND POLICY

Nine Shareholders are entitled to receive dividends declared in respect of Nine Shares in proportion to the number of Nine Shares they hold. The Nine Board retains the discretion to determine whether or not a dividend will be declared and the amount of any dividend payment, subject to the satisfaction of section 254T of the Corporations Act.

Before announcing the Scheme, Nine had a target dividend payout ratio of 50-70% of NPAT before significant items. Nine's dividend policy is consistent with its commitment to delivering strong, sustainable shareholder returns.

In the August 2018 results release, Nine announced the payment of a cash dividend of 5.0 cents per Nine Share, fully franked. Dividends relating to FY18 of 10.0 cents per Nine Share totalled $87 million which equated to a payout ratio of 55.6%.

Below is a summary of Nine's recent fully franked declared dividends:

TABLE 17: DIVIDEND PER NINE SHARE

	FINAL	INTERIM	TOTAL
FY16	4.0c	8.0c	12.0c
FY17	5.0c	4.5c	9.5c
FY18	5.0c	5.0c	10.0c

9.12 FUNDING OF CASH CONSIDERATION

The Scheme Consideration is comprised of Scrip Consideration and Cash Consideration components. Details of the Cash Consideration are set out below.

9.12.1 Cash Consideration

If the Scheme becomes Effective, each Eligible Shareholder will become entitled to $0.025 in cash for each Fairfax Share held on the Scheme Record Date. The Cash Consideration will be funded by the existing cash reserves and corporate facilities of Nine.

The Scheme is not subject to any financing conditions.

9.12.2 Corporate facilities

In February 2018, Nine completed the refinancing of its corporate debt facilities. The new facilities comprise of three, four and five-year revolving cash advance facilities of $400 million and a one-year $50 million working capital facility.

The facilities are provided by a syndicate comprising Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, UBS AG, Australia Branch and Sumitomo Mitsui Banking Corporation. The facilities are supported by guarantees from most of Nine's wholly-owned Subsidiaries but are otherwise provided on an unsecured basis. These facilities impose various affirmative and negative covenants on Nine and its Subsidiaries, including restrictions on encumbrances, and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

As part of the corporate facilities, Nine and its Subsidiaries are subject to certain customary financial covenants measured on a six-monthly basis. Nine and its Subsidiaries have complied with its financial covenant requirements to date, including for the year ended 30 June 2018.

Within 30 days of the Effective Date, Fairfax and some or all of its wholly-owned Subsidiaries will be required to accede as guarantors under Nine's corporate debt facilities. As a result, each of those entities will (among other things) provide a guarantee and indemnity and assume joint and several liability for all amounts outstanding under such corporate debt facilities, make certain representations and be bound by various positive and negative covenants included in those corporate debt facilities.

Following Implementation, Nine will also use a syndicated bridging facility as described in Section 10.5.12.

9.13 RIGHTS AND LIABILITIES ATTACHING TO NEW NINE SHARES

The rights and liabilities attaching to New Nine Shares which are issued to Fairfax Shareholders as Share Consideration will be the same as those attaching to existing Nine Shares. These rights and liabilities are detailed in the Nine Constitution, and are subject to the Corporations Act and the ASX Listing Rules.

The table below summarises some of the key rules in the Nine Constitution in relation to the rights and liabilities attached to Nine Shares in effect at the date of this Booklet. This summary does not purport to be exhaustive and must be read subject to the full text of the Nine Constitution.

Fairfax Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New Nine Shares in specific circumstances.

TABLE 18: SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO NINE SHARES UNDER THE NINE CONSTITUTION

Issue of further Nine Shares	The Nine Board may from time to time issue any share in the capital of Nine.
Nine Share transfers	Subject to the Nine Constitution, Nine Shares may be transferred by: • a written instrument of transfer which complies with the Nine Constitution; • a proper ASTC transfer, which is in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules; or • any other electronic system established or recognised by the ASX Listing Rules in which Nine participates in accordance with the rules of that system. The Nine Directors may refuse to register a transfer of shares: • if permitted to do so under the Nine Constitution or under the ASX Listing Rules; or • on which Nine has a lien or which are subject to forfeiture. The Nine Directors must refuse to register any transfer of shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law, the ASX Listing Rules or a restriction agreement.
Meetings of members	Each Nine Shareholder is entitled to receive written notice of, and except in certain circumstances to attend and vote at, general meetings of Nine and to receive all notices and other documents required to be sent to Nine Shareholders under the Nine Constitution, the Corporations Act and the ASX Listing Rules.
Voting	At a meeting of Nine Shareholders, each Nine Shareholder is entitled to attend and vote in person, by proxy or by representative. Each Nine Shareholder has one vote for each Nine Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each fully paid share held and in respect of each partly paid share, entitled to a fraction of a vote equivalent to the proportion which the amount paid up (excluding any amount credited as paid up) on that partly paid share bears to the total issue price of that share. Amounts paid in advance of a call are ignored when calculating the proportion.
Dividends	Holders of New Nine Shares will have the right to participate fully in all dividends, other distributions and entitlements declared by Nine in respect of ordinary shares on or after the Implementation Date.
Rights on winding up	If Nine is wound up, the liquidator may, with the sanction of a special resolution of the company or with the written consent of all shareholders entitled to vote on the matter: • divide the surplus assets of the company remaining after payment of its debts among the shareholders in proportion to the number of shares held by them (with partly paid shares counted as fractions of fully paid shares); • for that purpose, fix the value of assets and determine how the division is to be carried out between the shareholders and different classes of shareholders; and • vest assets of the company in trustees on any trusts determined by the liquidator for the benefit of the contributories.
Sale of non-marketable parcels	Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Nine Directors may sell Nine Shares which comprise less than a marketable parcel of Nine Shares.

Shareholding restrictions	Refer to Section 9.14 for an overview of shareholding restrictions which apply to Nine.
Variation of class rights	At present, Nine's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of Nine is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled: • with the written consent of the holders of not less than 75% of the issued shares of that class; or • with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. In either case, in accordance with the Corporations Act, the holders of at least 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.
Amendments to the Nine Constitution	The Constitution can only be amended by special resolution passed by 75% of the votes cast by shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of Nine. Nine must give at least 28 days written notice of a general meeting of Nine.

9.14 SHAREHOLDING RESTRICTIONS AND OTHER LIMITATIONS

There are a number of restrictions on shareholdings in Nine which arise under legislation, requirements of various regulatory authorities or by operation of the Nine Constitution.

This Section 9.14 provides an overview of these restrictions.

9.14.1 Compliance with the Broadcasting Services Act

The Broadcasting Services Act imposes a number of conditions and restrictions on the ownership and control of commercial FTA TV broadcasting licences issued under the Broadcasting Services Act. The Broadcasting Services Act prohibits transactions which would result in a reduction in media diversity in a particular geographic area (set by radio licence areas) based on a points system. These restrictions require that there are no fewer than five independent participants (including FTA TV, newspapers and radio) in metropolitan licence areas and no fewer than four independent participants in regional licence areas. In addition, a person, or television broadcaster, is prohibited from exercising control of more than one commercial FTA TV licence in a given licence area or more than two commercial radio broadcasting licences in a given licence area. This rule also applies to acting as a director of more than one licence holder.

If an unacceptable level of media diversity exists in a particular licence area, ACMA has the ability, among other things, to direct persons to dispose of their shares. The period for compliance with such a direction can range from one month to two years depending on the particular circumstances.

Compliance with the conditions and restrictions under the Broadcasting Services Act is essential, as a failure to comply may give rise to severe penalties.

To ensure compliance with these provisions of the Broadcasting Services Act, the Nine Constitution provides mechanisms to ensure that a person restricted from holding shares as a result of the Broadcasting Services Act does not hold shares. Accordingly, the Nine Constitution provides that:

- a person is not eligible to become or continue to be a holder of shares where, by reason of holding those shares and any other relevant circumstance, that person or some other person would contravene the Broadcasting Services Act;
- Nine has the power to require a person who is a shareholder, or seeking to become a shareholder, to provide Nine with a statutory declaration setting out certain information required under the Broadcasting Services Act in order to ensure compliance with the provisions of the Broadcasting Services Act;

- the Nine Board may, where a shareholder fails to comply with a request to provide the statutory declaration noted above, require the shareholder to dispose of their shares or appoint a person to dispose of those shares if the shareholder refuses to dispose of their shares when requested to do so; and
- if any subsidiary of Nine that holds a licence under the Broadcasting Services Act or any intermediate holding company of a licensed subsidiary which is a subsidiary of Nine ceases to be a wholly-owned subsidiary of Nine, Nine must, prior to the subsidiary ceasing to be wholly owned by Nine, procure that the subsidiary amends its constitution by adopting provisions which regulate the holding of shares in and control of the subsidiary to ensure compliance with the Broadcasting Services Act.

9.14.2 Foreign ownership restrictions

Under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and the *Foreign Acquisitions and Takeovers Regulation 2015* (**FATA**) all foreign persons need to apply for and receive foreign investment approval to make an investment of 5% or more in an entity or business that wholly or partially carries on an Australian media business, regardless of the value of the investment. Nine is an Australian media business under the FATA.

9.15 PUBLICLY AVAILABLE INFORMATION

Nine is a "disclosing entity" for the purpose of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Nine to notify the ASX of information about specified matters and events as they arise for the purpose of the ASX making that information available to participants in the market. Nine has an obligation under the ASX Listing Rules (subject to some exceptions) to notify the ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of Nine Shares. Pursuant to the Corporations Act and the ASX Listing Rules, Nine is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Nine Directors and an audit or review report, respectively. Copies of each of these documents and the ASX notifications can be obtained free of charge on the Nine website at https://www.nineentertainmentco.com.au/investor-centre/asx-announcements or by visiting the ASX website at https://www.asx.com.au/asx/statistics/announcements.do. ASIC also maintains a record of documents lodged with it by Nine, and these may be obtained from the ASIC website at www.asic.gov.au.

9.16 MATERIAL CHANGES IN NINE'S FINANCIAL POSITION

To the knowledge of the Nine Directors, and except as disclosed elsewhere in this Booklet, the financial position of Nine as at 9 October 2018, the last practicable date prior to the date of this Booklet, has not materially changed since the 2018 Financial Year reporting date of 30 June 2018.

On 12 October 2018, Nine provided the following trading update based upon unaudited management information:

- Since the end of FY18, while the metro FTA TV advertising market has been slightly softer than expected, Nine's share has been ahead. As a result, for the September quarter of FY19, Nine's metro FTA TV advertising revenue was broadly flat on the September quarter of FY18, adjusted for the one less week in FY19.
- Nine's digital revenues were around 10% ahead for the September quarter of FY19.
- Nine continues to expect FY19 Nine Group EBITDA of $280-300 million, before specific items.

10. OVERVIEW OF THE COMBINED GROUP

The Combined Group information contained in this Section 10 has been prepared by Nine and is the responsibility of Nine (except to the extent that the Combined Group information is based on information provided by Fairfax, for which Fairfax takes responsibility). Fairfax and the Fairfax Directors do not take any responsibility for the accuracy or completeness of the Combined Group information (except to the extent that the Combined Group information is based on information provided by Fairfax).

The statements of intention in this Section 10 have been formed on the basis of facts and information concerning Fairfax and the general business environment which are known to Nine as at the date of this Booklet.

Final decisions regarding the matters set out in this Section 10 will be made by Nine in light of all such material information, facts and circumstances at the relevant time. Accordingly, it is important to recognise that the statements set out in this Section 10 are statements of Nine's current intention only and in this respect constitute 'forward looking statements'. These statements of intention may change following Implementation and having regard to any new information which becomes available or as circumstances change.

10.1 OVERVIEW OF THE COMBINED GROUP

The Scheme combines two largely complementary businesses in Fairfax and Nine to create a leading, multi-platform media company.

The Combined Group will comprise the following businesses:

- FTA TV network **Nine Network**;
- **Nine Digital**, comprising BVOD service 9Now and digital publishing assets;
- SVOD platform **Stan**;
- metropolitan news, business, sport and lifestyle media and events business **Australian Metro Media**;
- 59.4% shareholding in ASX-listed real estate, media and technology services business **Domain**;
- 54.5% shareholding in ASX-listed national news, talk and sport radio network **Macquarie Media**;
- rural, regional and agricultural print and digital media and events business **Australian Community Media**; and
- New Zealand print and digital media and events business **Stuff**.

FIGURE 9: EXAMPLE OF THE COMBINED GROUP'S COMPLEMENTARY BUSINESSES AND BRANDS

LARGE SCALE BRANDS IN DIGITAL AND PUBLISHING

smh.com.au The Sydney Morning Herald | THE AGE | FINANCIAL REVIEW | nine.com.au | 9NEWS

LEADING TELEVISION AND RADIO BROADCASTERS

9 | 9HD | 9Gem | 9Go! | 9Life | 9NOW | 3AW 693 | 6PR 882 | 2GB 873AM | MACQUARIE SPORTS RADIO

DESTINATION FOR PROPERTY CLASSIFIEDS, HOME OWNERSHIP AND RELATED SERVICES

Domain | THE BLOCK

LARGE SCALE ONLINE VIDEO PLATFORM WITH STRATEGIC FLEXIBILITY

Stan. | 9NOW

AUTOMOTIVE

caradvice | Drive

FINANCE

FINANCIAL REVIEW | 9Finance

LIFESTYLE

GOOD WEEKEND | 9honey

EVENTS

CITY2SURF | Future Women

TRAVEL

Traveller | POSTCARDS

FOOD

goodfood | FAMILY FOOD FIGHT

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If the Scheme is Implemented, the Combined Group would have, on an FY18 pro-forma basis:

- combined total underlying pro-forma revenue of approximately $3,086 million;
- combined total underlying pro-forma EBITDA of approximately $483 million (before significant items and synergies)[1]; and
- a diversified earnings mix across FTA TV, video on demand, digital and print publishing, property classifieds and related services and radio.

10.2 OVERVIEW OF POTENTIAL SYNERGIES

10.2.1 Cost synergies

Fairfax and Nine have undertaken a review of the potential cost synergies that could result from Implementation of the Scheme.

As at the date of this Booklet, the Scheme is expected to realise at least $50 million of annualised cost synergies within two years of Implementation (excluding costs incurred to realise those synergies and in implementing the Scheme).

A range of outcomes and sources of cost synergies were identified during the review, and while the ultimate outcome may vary from what is described below, an indicative breakdown of these synergies into the following areas of the Combined Group is:

- technology and product (approximately $15 million) – streamlining of technology and related functions within both businesses, including savings resulting from migration to common technology platforms, consolidation of technology development functions and resources as well as procurement benefits from the combined volume of the two businesses;
- media sales (approximately $15 million) – savings are anticipated from removed duplication across sales teams, as well as commercial operations;
- corporate and divisional support functions (approximately $15 million) – the consolidation of two publicly listed corporate functions into one, and the integration of Nine's Digital business with Fairfax's Australian Metro Media business. This will remove or reduce duplicated costs including corporate/head office related costs (such as ASX listing costs and audit costs), corporate and divisional management (including Key Management Personnel), and support related functions. Functional areas where duplication of resources is anticipated include finance, human resources, marketing and property services; and
- content (approximately $5 million) – principally relating to the sharing of lifestyle-oriented content used by different but similar website brands run separately by Nine and Fairfax.

The expected time to achieve these synergies reflects the complexity of integrating the two businesses.

None of the cost synergies expected to be realised depend on the consolidation of Nine's and Fairfax's newsrooms or reducing the number of journalists employed in the newsrooms.

There is a risk that the estimated cost synergies may not be realised or that they may only be realised over a longer time period than the two years currently anticipated. There is also a risk that there will be unanticipated costs associated with this integration. Further detail regarding these risks is described in Sections 11.4.2 and 11.4.3.

10.2.2 Potential additional benefits

As at the date of this Booklet, Fairfax and Nine have not sought to specifically quantify any potential additional benefits that may result from Implementation of the Scheme.

There is potential for the Combined Group to realise additional benefits in the following areas:

- **improved advertiser proposition** – enhanced cross-platform reach and differentiated service offerings may enable the Combined Group to offer and deliver improved advertising and data solutions, underpinned by premium content, to advertisers and agencies;
- **Domain** – access to a scaled audience across multiple media platforms and to the promotional and content integration capabilities of Nine's television network has the potential to drive audience and associated marketing benefits; and
- **Stan** – simplified ownership may increase the flexibility of the Combined Group to manage video content across Stan and the FTA and BVOD platforms.

Further detail on the potential additional benefits associated with the Scheme can be found in Sections 7.1.1 to 7.1.11.

1. Refer to Section 10.5 for further information.

10. OVERVIEW OF THE COMBINED GROUP

10.3 INTENTIONS IN RELATION TO FAIRFAX AND THE COMBINED GROUP

This Section 10.3 outlines Nine's current intentions in relation to Fairfax and the Combined Group, including in relation to:

- the continuation of the business of Fairfax;
- any major changes to be made to the business of Fairfax; and
- the future employment of the present employees of Fairfax.

10.3.1 Operations of the Combined Group

It is intended that the Combined Group will be called Nine Entertainment Co. Holdings Limited and that Fairfax's existing business units will be integrated into Nine's corporate structure.

Following Implementation, Nine will review the scope and breadth of the Combined Group, to align with its strategic objectives and its digital future. Subject to that review, it is intended that the Combined Group will continue to operate Fairfax's businesses, including print.

Fairfax's Charter of Editorial Independence, which establishes conditions for producing news and journalistic content, with a view to enshrining editorial independence, has been unanimously endorsed by the Nine Board. Consistent with Nine's strategy to "create great content, distribute it broadly, and engage audiences and advertisers", it is intended that the Combined Group will continue to produce content under Fairfax owned brands which will appeal to audiences who may be different to the audiences who currently engage with Nine's content. Nine will also use its existing platforms to promote Fairfax content, so that it reaches new audiences. This is intended to maximise the total audience for all content produced by the Combined Group, which in turn will improve its appeal to a broad range of advertisers.

There are no current intentions to consolidate the regional news operation of Nine and Fairfax under the Combined Group.

It is expected that the Combined Group will focus on, amongst other things, the strategic benefits for Domain arising from being part of a larger media group with more diverse assets, and the ability to continue to grow Stan as a wholly-owned subsidiary.

10.3.2 Board and management of the Combined Group

It is intended that the Board of the Combined Group will comprise seven directors, comprising the Chief Executive Officer of the Combined Group, three current directors from Nine and three current directors from Fairfax.

Nine Chairman, Peter Costello, AC, will chair the Board of the Combined Group. Chief Executive Officer of the Combined Group, Hugh Marks (the current Nine Chief Executive Officer), and current Nine Directors, Samantha Lewis and Catherine West, will join Peter Costello, AC, on the Board of the Combined Group.

In addition, three current Fairfax Directors have been invited to join the Board of the Combined Group, being:

- current Fairfax Chairman, Nick Falloon (who will join the Board of the Combined Group as Deputy Chairman);
- Patrick Allaway; and
- Mickie Rosen.

The other members of the senior management of the Combined Group will be determined by the Nine Board as part of planning for Implementation.

10.3.3 Employees of the Combined Group

Following Implementation, the Combined Group will conduct an analysis of its ongoing resourcing requirements.

In circumstances where duplication of employee roles is identified, the present intention of Nine, where practicable and possible to do so, is to seek to allocate alternative responsibilities to those affected employees within the Combined Group. However, it will not be possible for Nine to offer suitable alternative roles in all instances. Where affected employees are unable to be allocated alternative responsibilities, those employees will receive payments and other benefits to which they are entitled on departure under their terms of employment.

There are no current plans to consolidate the newsrooms of Nine and Fairfax.

10.3.4 Corporate matters in relation to Fairfax

If the Scheme becomes Effective, it is intended that Fairfax Shares will be suspended from trading at the close of trading on the Effective Date. If the Scheme is Implemented, it is intended that Fairfax Shares will be delisted from the ASX shortly after the Implementation Date.

10.3.5 Dividend policy of the Combined Group

Following Implementation, the payment of future dividends to shareholders of the Combined Group will be at the discretion of the Directors of the Combined Group and will be a function of a number of factors, including general business conditions, the operating results and financial condition of the Combined Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, including the availability of franking credits, any contractual, legal or regulatory restrictions on the payment of dividends by the Combined Group, and any other factors the Directors of the Combined Group may consider relevant.

10.4 SHARE CAPITAL AND OTHER SECURITIES OF THE COMBINED GROUP

If the Scheme is Implemented, Nine will issue approximately 834,019,781 New Nine Shares to Fairfax Shareholders.

As a result of the Scheme, the number of Nine Shares on issue will increase from 871,373,191 (being the number of Nine Shares on issue as at the date of this Booklet) to approximately 1,705,392,972[2].

The Combined Group will also have a number of Nine Performance Rights on issue which are subject to the terms of the Nine Performance Rights Plan.

Fairfax has 281 Fairfax Convertible Notes on issue which are convertible into Fairfax Shares on a one-for-one basis. The convertible notes were issued under the Terms and Conditions of Debentures dated 11 December 1991 in connection with an earlier recapitalisation of Fairfax. Following Implementation, Nine intends to acquire all of the outstanding Fairfax Convertible Notes, whether by exercising its power of compulsory acquisition under section 664A of the Corporations Act or otherwise.

10.5 PRO-FORMA HISTORICAL FINANCIAL INFORMATION

10.5.1 Overview of historical financial profile of the Combined Group

The Combined Group Pro-Forma Historical Financial Information set out in this Section 10.5 has been prepared to illustrate the:

- historical income statement for the year ended 30 June 2018 (**Combined Group Pro-Forma Historical Income Statement**);
- historical statement of financial position as at 30 June 2018 (**Combined Group Pro-Forma Historical Statement of Financial Position**); and
- historical operating and investing cash flows for the year ended 30 June 2018 (**Combined Group Pro-Forma Historical Cash Flows**),

(together, the **Combined Group Pro-Forma Historical Financial Information**).

The Combined Group Pro-Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in Section 10.5.2;
- risk factors set out in Section 11; and
- other information contained in this Booklet.

2. Share issuance excluding any performance rights that may vest prior to the Scheme being implemented.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Combined Group Pro-Forma Historical Financial Information, a copy of which is included in Annexure B.

10.5.2 Basis of preparation

The Combined Group Pro-Forma Historical Financial Information set out in this Section 10.5 has been prepared in order to give Fairfax Shareholders an indication of the financial performance, financial position and cash flows of the Combined Group as if the Scheme had been implemented from 1 July 2017 in respect of the financial performance and cash flows and 30 June 2018 in respect of the financial position. It does not reflect the actual financial performance, financial position or cash flows of the Combined Group at the time of Implementation. It has been prepared for illustrative purposes only for the purpose of this Booklet.

The Combined Group Pro-Forma Historical Financial Information presented in this Section 10.5 is based on the:

- Fairfax Historical Financial Information, as at and for the year ended, 24 June 2018 (presented in Section 8.9);
- Nine Historical Financial Information, as at and for the year ended, 30 June 2018 (presented in Section 9.7); and
- pro-forma adjustments described in Sections 10.5.4, 10.5.7 and 10.5.10 (**Pro-Forma Adjustments**).

The historical financial information presented in this Section 10.5 has been derived from the consolidated financial statements of Fairfax for the Financial Year ended 24 June 2018 and from the consolidated financial statements of Nine for the Financial Year ended 30 June 2018.

The consolidated financial statements of Fairfax for the Financial Year ended 24 June 2018 and the consolidated financial statements of Nine for the Financial Year ended 30 June 2018 were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

The Combined Group Pro-Forma Historical Financial Information has been prepared on the basis that the historical financial information of Fairfax for the Financial Year ended 24 June 2018 is materially representative of historical financial information of Fairfax for the 12-month period to 30 June 2018.

10. OVERVIEW OF THE COMBINED GROUP

The Combined Group Pro-Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent with IFRS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 30 June 2018 in the Combined Group Pro-Forma Historical Statement of Financial Position and from 1 July 2017 in the Combined Group Pro-Forma Historical Income Statement and the Combined Group Pro-Forma Historical Cash Flows.

The historical financial information of Fairfax and Nine has been prepared in accordance with the significant accounting policies described in their respective financial statements for the year ended 24 June 2018 and 30 June 2018 respectively. In preparing the Combined Group Pro-Forma Historical Financial Information, Nine has undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Combined Group and could be reliably estimated. No material differences have been identified by Nine.

10.5.2.1 Basis of consolidation

On Implementation of the Scheme, Nine will gain control over Fairfax and therefore under AASB 3 Business Combinations (**AASB 3**), Nine is required to recognise the identifiable net assets of Fairfax at fair value on the date of acquisition within the Combined Group Pro-Forma Historical Statement of Financial Position. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

There is an accounting policy choice available in AASB 3 in relation to determining the measurement basis of non-controlling interests on acquisition. The acquirer can decide whether to recognise the non-controlling interests acquired at fair value or at the proportionate share of identifiable net assets. The Pro-Forma Adjustments assume a proportionate share of identifiable net assets approach is adopted in remeasuring the non-controlling interests associated with Domain and Macquarie Media on acquisition by Nine. The value of these estimated non-controlling interests will change when the purchase price accounting has been finalised.

On Implementation of the Scheme, Nine will gain control over Fairfax and Stan. Nine will therefore consolidate the results of Fairfax and Stan from the date of acquisition (being 1 July 2017 for the purposes of the Combined Group Pro-Forma Historical Income Statement and the Combined Group Pro-Forma Historical Cash Flows). Any intercompany transactions between Nine, Fairfax and Stan will be eliminated on consolidation.

10.5.2.2 Accounting for Stan

As Stan is currently 50% owned, and Nine gains control of Stan following Implementation of the Scheme, a step acquisition of the Stan business occurs. Under a step acquisition, AASB 3 requires the acquirer to determine the fair value of the original 50% equity interest at the date of acquisition, and recognise any gain or loss on the carrying value in the income statement in the year control is acquired.

Nine has estimated the fair value of Stan to be between $350 million and $600 million and has adopted an estimated fair value of Stan of $420 million at this time. In estimating the fair value of the 50% of Stan currently owned by Nine, a 10% discount has been applied to the enterprise value to recognise the current joint ownership of Stan. Nine has therefore estimated the fair value of its 50% interest in Stan at $190 million on a debt free basis. After reflecting the attributable debt of Stan of $127 million, the estimated gain of $63 million associated with the fair value uplift on the 50% equity value of Stan has been recognised as an increase in retained earnings with a corresponding increase in goodwill.

AASB 3 allows 12 months from the date of acquisition for the fair value of the original 50% equity interest to be finalised. In finalising the purchase price accounting, Nine intends to commission an independent valuation of the Stan business and therefore the fair value of Stan and the associated gain will change when this valuation is finalised.

No gain was reflected in the Combined Group Pro-Forma Historical Income Statement as this was prepared on the assumption that Stan was already wholly owned from 1 July 2017.

On Implementation of the Scheme, Stan will join the Nine tax consolidated group as it will become a wholly-owned subsidiary of Nine at that date. In the period to 30 June 2018, Stan has incurred tax losses of approximately $257 million arising from trading activities. These losses will become available for utilisation by the Nine tax consolidated group subject to an available fraction limitation based on the taxable income of the Nine tax consolidated group. As it is now considered probable that these tax losses will be able to be utilised, a deferred tax asset of $77 million has been recognised in the Combined Group Pro-Forma Historical Statement of Financial Position at 30 June 2018 as part of the acquisition accounting for Stan.

10.5.2.3 Preliminary purchase price accounting

AASB 3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. Nine has not finalised the identification and valuation of Fairfax or Stan's assets and liabilities, with finalisation to take place after Implementation of the Scheme. For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 24 June 2018 historical statement of financial position of Fairfax and 30 June 2018 historical statement of financial position of Stan.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Combined Group Pro-Forma Historical Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.

For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Pro-Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Pro-Forma Historical Statement of Financial Position.

10.5.2.4 Presentation

The Combined Group Pro-Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that Nine is the acquiring entity for accounting purposes.

Pro-Forma Adjustments have been made to reflect the financial impacts of the combination of Fairfax and Nine. The Combined Group Pro-Forma Historical Financial Information presented in this Section 10.5 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

The principal non-IFRS financial measures referred to in this Section 10.5 are consistent with those of Nine. Refer to Section 9.7.2 for explanations of the non-IFRS measures discussed.

The most recent Fairfax year end is 24 June 2018. The most recent Nine and Stan year ends are 30 June 2018. The Combined Group Pro-Forma Historical Financial Information has been prepared, as at and for the year ended, 30 June 2018 and, in doing so, it has been assumed that the historical financial statements of Fairfax for the Financial Year ended 24 June 2018 are materially representative of the historical financial information for the 12-month period to 30 June 2018.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Group Pro-Forma Historical Financial Information presented in this Section 10.5. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading of Fairfax after 24 June 2018, and Nine and Stan subsequent to 30 June 2018, which is not reflected in the historical financial information of Fairfax, Nine or Stan;
- the ultimate timing of Implementation of the Scheme to combine Fairfax and Nine;
- the value of a Nine Share on the Implementation Date which will change the value of goodwill recognised on acquisition;
- differences between the estimated amount of transaction costs and the amount ultimately incurred;
- differences between the estimated value of executive incentives and the amount ultimately settled;
- differences between the estimated value of non-controlling interests and the amount ultimately determined;
- differences between the estimated amount of the fair value of Nine's equity interest held in Stan at acquisition date and the amount ultimately determined;

- finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, including the value of all assets and liabilities acquired in accordance with the relevant accounting standards. This may include the allocation of purchase price notionally attributed to non-amortising intangibles in this Section 10.5 ultimately being attributed to amortising intangibles on completion of the purchase price accounting adjustments, the amortisation of which could adversely impact reported earnings of the Combined Group;
- finalisation of the resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards; and
- the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of Fairfax and Nine (further details of which are provided in this Section 10).

10.5.2.5 Standards issued but not yet effective

AASB 15 Revenue from Contracts with Customers (**AASB 15**) and AASB 9 Financial Instruments (**AASB 9**) were effective for the Combined Group from 1 July 2018. Fairfax and Stan have performed a preliminary analysis of the impact of implementation of AASB 15 and AASB 9 and based on the work performed to date do not expect a material adjustment. Nine has performed a detailed assessment of the impact of applying AASB 15 and the remaining phase of AASB 9 and determined the estimated impact to opening retained profits as at 1 July 2018 as a reduction of approximately $2 million. No pro-forma adjustments have been included in relation to this.

AASB 16 Leases (**AASB 16**) will be effective for the Combined Group from 1 July 2019. The Combined Group has not yet assessed the impact of this standard on the financial statements.

10.5.3 Combined Group Pro-Forma Historical Income Statement

This Section 10.5.3 outlines the Combined Group Pro-Forma Historical Income Statement as though the Scheme was implemented on 1 July 2017.

TABLE 19: COMBINED GROUP PRO-FORMA HISTORICAL INCOME STATEMENT

$m	FAIRFAX	NINE	STAN (A)[3]	INTERCOMPANY ELIMINATIONS/ INTEREST COST (B)[4]	COMBINED GROUP PRO-FORMA HISTORICAL
Total revenue[1]	1,688	1,395	97	(13)	3,167
Expenses	(1,673)	(1,081)	(145)	13	(2,886)
EBITDA	**15**	**314**	**(48)**	**-**	**281**
Depreciation and amortisation	(57)	(37)	(3)	-	(97)
EBIT	**(42)**	**277**	**(51)**	**-**	**184**
Net finance costs[2]	(7)	(2)	(13)	(5)	(27)
Net profit/(loss) before tax	**(49)**	**275**	**(64)**	**(5)**	**157**
Tax (expense)/benefit	(5)	(65)	17	2	(51)
Net profit/(loss) after tax	**(54)**	**210**	**(47)**	**(3)**	**106**
Net (profit)/loss attributable to non-controlling interest	(10)	-	-	-	(10)
Net profit/(loss) attributable to equity holders of the parent	**(64)**	**210**	**(47)**	**(3)**	**96**

1. Total revenue from ordinary activities, excludes interest income which is presented within net finance costs above.
2. Net finance costs include finance costs less interest income as noted in Note 1 above.
3. Refer to Section 10.5.4.1 for an explanation of adjustment (A).
4. Refer to Section 10.5.4.2 for an explanation of adjustment (B).

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TABLE 20: RECONCILIATION OF TOTAL REVENUE TO UNDERLYING REVENUE

YEAR ENDED 30 JUNE 2018 $m	FAIRFAX	NINE	STAN (A)	INTERCOMPANY ELIMINATIONS/ INTEREST COST (B)	COMBINED GROUP PRO-FORMA HISTORICAL
Total revenue	1,696	1,404	97	(26)	3,171
Interest income	(8)	(9)	-	13	(4)
Total revenue, excluding interest income	**1,688**	**1,395**	**97**	**(13)**	**3,167**
Net gains on disposal of controlled entities, property, plant and equipment and investments	(4)	(77)	-	-	(81)
Underlying revenue	**1,684**	**1,318**	**97**	**(13)**	**3,086**

TABLE 21: RECONCILIATION OF EBITDA TO UNDERLYING EBITDA

YEAR ENDED 30 JUNE 2018 $m	FAIRFAX[1]	NINE[2]	STAN	COMBINED GROUP PRO-FORMA HISTORICAL
EBITDA	**15**	**314**	**(48)**	**281**
Impairment of intangibles, inventories, investments and property, plant and equipment	224	(2)	-	222
Restructuring and redundancy	36	6	-	42
Net gains on disposal of controlled entities, property, plant and equipment and investments	(3)	(77)	-	(80)
Mark to market of derivatives	-	15	-	15
Other	3	1	-	4
Total significant items	**259**	**(57)**	**-**	**203**
Underlying EBITDA	**274**	**257**	**(48)**	**483**

1. Fairfax significant items as reported in Fairfax's financial statements for the year ended 24 June 2018, comprise:
   - impairment of intangibles, property, plant and equipment and other assets due to cash generating unit testing of $163 million, comprising impairments for New Zealand Media ($105 million), Australian Regional Media ($48 million), Australian Digital Transactions ($9 million) and Radio ($7 million), offset by impairment reversals of $6 million for Agricultural Media;
   - impairment of other intangibles, inventories, investments and property, plant and equipment of $61 million;
   - restructuring and redundancy charges of $36 million;
   - net gains on sale of $3 million including Satellite Music Australia Pty Ltd; and
   - one-off defamation costs for Macquarie Media of $3 million.
2. Nine significant items as reported in Nine's financial statements for the year ended 30 June 2018, include:
   - program stock provision write-up of $2 million;
   - restructuring and redundancy costs of $6 million;
   - pre-tax gain on sale of $77 million on disposal of Willoughby, Sydney and Tynte Street, Adelaide properties; and
   - mark to market of derivatives of $15 million.

10.5.4 Adjustments to the Combined Group Pro-Forma Historical Income Statement

10.5.4.1 Adjustment (A) – Stan

Through the Implementation of the Scheme, Nine will gain 100% ownership of Stan and therefore gain control of Stan and consolidate its results from the date of acquisition. The adjustment reflects:

- the impact of the consolidation of Stan's results for the year ended 30 June 2018 (net loss before tax of $64 million) and a tax expense of $2 million; and
- an associated $19 million tax benefit, arising on those losses which would be able to be utilised by the Combined Group.

10.5.4.2 Adjustment (B) – intercompany eliminations/interest cost

The adjustment reflects the impact of eliminating intercompany transactions between Fairfax, Nine and Stan during the year ended 30 June 2018 as follows:

- $13 million of revenues derived for the provision of advertising, primarily to Stan;
- an associated $13 million reduction in costs incurred, primarily by Stan, for those services; and
- estimated additional finance costs of $5 million associated with the additional debt funding of $112 million (refer to Table 22), and associated tax benefit impact of $2 million.

10.5.5 Items not reflected in the Combined Group Pro-Forma Historical Income Statement

The Combined Group Pro-Forma Historical Income Statement has not been adjusted to reflect:

- the trading of Fairfax after 24 June 2018, or Nine or Stan since 30 June 2018;
- any potential synergies, any costs of realising synergies and business improvements arising following Implementation as outlined in Section 10.2;
- estimated transaction costs of approximately $23 million (excluding GST) for Fairfax and approximately $15 million (excluding GST) for Nine expected to be incurred directly in relation to the Scheme in the Financial Year ending 30 June 2019;
- any potential gain as a result of the fair valuation of Nine's equity interest previously held in Stan exceeding the current carrying value, on acquisition;
- any potential write-off of costs previously capitalised as borrowing costs, on refinancing;
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of the Implementation of the Scheme and the finalisation of the purchase price accounting for the Scheme; and
- any potential tax impact which may arise as a result of the Implementation of the Scheme and the finalisation of the accounting for the acquisition.

10.5.6 Combined Group Pro-Forma Historical Statement of Financial Position

This Section 10.5.6 outlines the Combined Group Pro-Forma Historical Statement of Financial Position as at 30 June 2018 as though the Scheme was Implemented on 30 June 2018.

TABLE 22: COMBINED GROUP PRO-FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

$m	FAIRFAX	NINE	STAN (A)	PPA (B)	ELIMINATIONS (C)	COMBINED GROUP PRO-FORMA HISTORICAL
Cash and cash equivalents	123	36	11	-	-	170
Trade and other receivables	279	286	2	-	-	567
Program rights and inventories	14	190	128	-	-	332
Other assets[1]	12	40	-	-	-	52
Total current assets	**428**	**552**	**141**	**-**	**-**	**1,121**
Receivables[2]	137	134	-	-	(254)	17
Program rights and inventories	-	70	-	-	-	70
Property, plant and equipment	127	107	-	-	-	234
Intangible assets	704	912	4	1,439	-	3,059
Deferred tax assets	50	-	-	93	-	143
Other assets[3]	23	79	-	-	-	102
Total non-current assets	**1,041**	**1,302**	**4**	**1,532**	**(254)**	**3,625**
Total assets	**1,469**	**1,854**	**145**	**1,532**	**(254)**	**4,746**
Trade and other payables	220	225	90	-	-	535
Provisions	123	52	1	-	-	176
Other liabilities[4]	18	62	-	-	-	80
Total current liabilities	**361**	**339**	**91**	**-**	**-**	**791**
Payables	-	34	57	-	-	91
Interest-bearing loans and borrowings	258	158	254	112	(254)	528
Deferred tax liabilities	-	173	-	-	-	173
Provisions	48	41	-	-	-	89
Total non-current liabilities	**306**	**406**	**311**	**112**	**(254)**	**881**
Total liabilities	**667**	**745**	**402**	**112**	**(254)**	**1,672**

$m	FAIRFAX	NINE	STAN (A)	PPA (B)	ELIMINATIONS (C)	COMBINED GROUP PRO-FORMA HISTORICAL
Net assets	**802**	**1,109**	**(257)**	**1,420**	**-**	**3,074**
Contributed equity	4,074	745	-	1,827	(4,074)	2,572
Reserves	466	5	-	-	(466)	5
Retained earnings	(3,928)	359	(257)	36	4,185	395
Total equity attributable to equity holders of the parent	**612**	**1,109**	**(257)**	**1,863**	**(355)**	**2,972**
Non-controlling interests	190	-	-	(88)	-	102
Total equity	**802**	**1,109**	**(257)**	**1,775**	**(355)**	**3,074**

1. Other current assets is the aggregate of prepayments, assets held for sale, income tax receivable and other assets.
2. Receivables is the aggregate of receivables and other assets.
3. Other non-current assets is the aggregate of investments accounted for using the equity method, prepayments and pension assets.
4. Other current liabilities is the aggregate of current income tax liabilities and derivative financial instruments.

10.5.7 Adjustments to the Combined Group Pro-Forma Historical Statement of Financial Position

10.5.7.1 Adjustment (A) – Stan

Through the Implementation of the Scheme, Nine will gain control over Stan. The adjustment reflects the estimated impact of the consolidation of Stan's historical financial position at 30 June 2018 (net liabilities of $257 million).

10.5.7.2 Adjustment (B) – purchase price accounting (PPA)

The Combined Group Pro-Forma Historical Statement of Financial Position has been prepared in accordance with the acquisition accounting principles as set out in AASB 3 on the basis of provisional amounts as noted below.

TABLE 23: PROVISIONAL ACQUISITION ACCOUNTING

$m	
Consideration paid	
Share Consideration[1]	1,827
Cash Consideration[2]	57
Estimated executive incentives[3]	17
Total consideration	**1,901**
Net assets acquired – Fairfax[4]	802
Net liabilities acquired – Stan[5]	(257)
Deferred tax asset on executive incentive[3,11]	5
Deferred tax asset on Stan tax losses[5,11]	77
Total net assets acquired	**627**
Non-controlling interests[6]	102
Fair value uplift on Stan[7]	63
Goodwill and other intangible assets recognised[8]	**1,439**
Transaction costs incurred – Nine	(15)
Transaction costs incurred – Fairfax	(23)
Total transaction costs[9]	**(38)**
Tax impact at 30%[11]	11
Fair value uplift on Stan[7]	63
Retained earnings adjustment	**36**
Increase in interest-bearing loans and borrowings[10]	112
Cash Consideration	(57)
Transaction costs	(38)
Estimated executive incentives	(17)
Net cash outflow	**-**

1. Estimated Scrip Consideration of $1,827 million assumes 2,299.4 million Fairfax Shares are acquired in exchange for 834,019,781 New Nine Shares, at an assumed trading price of Nine Shares on the Implementation Date of $2.19.
2. Cash Consideration of $57 million, being for 2,299.4 million of Fairfax Shares at $0.025 per share.
3. Payment of Fairfax executive incentives on Implementation estimated at $17 million related to pre-combination services in accordance with AASB 3, which is paid in cash. The associated tax effect of $5 million has been recognised as an increase to deferred tax assets.
4. The net assets of Fairfax as at 24 June 2018 derived from its financial statements.
5. The net liabilities of Stan as at 30 June 2018 derived from its financial statements. Stan income tax losses are expected to become available for utilisation by the Nine tax consolidated group subject to an available fraction limitation based on the taxable income of the Nine tax consolidated group. The associated tax effect of $77 million has been recognised as an increase to deferred tax assets.
6. The non-controlling interests in the Fairfax financial statements for the Financial Year ended 24 June 2018 of $190 million are recalculated to the estimated proportionate share of the identifiable net assets (excluding goodwill) of Macquarie Media and Domain attributable to non-controlling interests, resulting in a reduction of $88 million at 24 June 2018.

7. After reflecting the attributable debt of Stan of $127 million, the estimated gain of $63 million associated with the fair value uplift on the 50% equity value of Stan has been recognised as an increase in retained earnings with a corresponding increase in goodwill.
8. Recognition of resulting estimated goodwill and other intangible assets of $1,439 million.
9. Estimated transaction costs of approximately $23 million (excluding GST) for Fairfax and $15 million (excluding GST) for Nine expected to be incurred directly in relation to the Scheme. Transaction costs are assumed to be expensed as incurred and are presented as a reduction in retained earnings. The associated tax effect of $11 million has been recognised as an increase to deferred tax assets.
10. The increase in non-current interest-bearing loans and borrowings of $112 million is to fund the payment of the cash consideration of $57 million, the estimated cash payment for the Fairfax executive incentive schemes of $17 million and the estimated transaction costs of $38 million.
11. Total deferred tax assets recognised of $93 million, including $5 million on executive incentives, $77 million on Stan tax losses and $11 million on transaction costs.

As discussed in Section 7.2.5, as a result of changes in the Nine Share price, the implied value of the Scheme Consideration is likely to change between the date of this Booklet, the date of the Scheme Meeting and the Implementation Date.

10.5.7.3 Adjustment (C) – eliminations

The Combined Group Pro-Forma Historical Statement of Financial Position has been adjusted to reflect:

- derecognition of the contributed equity of Fairfax of $4,074 million;
- derecognition of the pre-acquisition reserves of Fairfax of $466 million;
- derecognition of the pre-acquisition retained losses of Fairfax of $3,928 million and derecognition of the retained losses of Stan of $257 million, totalling $4,185 million; and
- the estimated impact of eliminating shareholder loans from Fairfax and Nine to Stan at 30 June 2018 of $254 million.

10.5.8 Items not reflected in the Combined Group Pro-Forma Historical Statement of Financial Position

The Combined Group Pro-Forma Historical Statement of Financial Position has not been adjusted to reflect:

- the trading of Fairfax after 24 June 2018, or Nine or Stan since 30 June 2018;
- finalisation of the purchase price accounting for the acquisition of Fairfax, including identification and measurement of all purchase price accounting adjustments and tax cost base resetting;
- any potential synergies, costs of realising synergies and business improvements arising following Implementation as outlined in Section 10.2;
- payment of dividends of $97 million[3] as announced by Fairfax, Nine, Domain and Macquarie Media, with a payment date subsequent to 30 June 2018; and
- any debt drawdowns or repayments as a consequence of the change of control as a result of the Scheme and any associated borrowing costs. Additional information on debt facilities are set out in Section 10.5.12.

10.5.9 Combined Group Pro-Forma Historical Cash Flows

This Section 10.5.9 outlines the Combined Group Pro-Forma Historical Cash Flows as though the Scheme was Implemented on 1 July 2017.

The Combined Group Pro-Forma Historical Cash Flows exclude any cash flows from financing activities on the basis that the financing activities and capital structure will change after Implementation.

3. Dividends of $97 million represents the cash distribution to shareholders outside of the Combined Group represented by Fairfax of $41 million, Nine of $44 million, DHG of $9 million and MRN of $3 million, this excludes the dividends received by Fairfax from MRN and DHG.

TABLE 24: COMBINED GROUP PRO-FORMA HISTORICAL CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

$m	FAIRFAX	NINE	STAN (A)	INTEREST COST (B)	COMBINED GROUP PRO-FORMA HISTORICAL
Cash flow from operating activities					
Receipts from customers	1,868	1,418	106	-	3,392
Payments to suppliers and employees	(1,635)	(1,226)	(156)	-	(3,017)
Dividends received	2	1	-	-	3
Interest received	1	2	-	-	3
Interest and other costs of finance paid	(14)	(8)	-	(5)	(27)
Income tax paid	(41)	(26)	19	2	(46)
Net cash flows from/(used in) operating activities	**181**	**161**	**(31)**	**(3)**	**308**
Cash flow from investing activities					
Purchase of property, plant and equipment	(70)	(23)	-	-	(93)
Purchase of other intangible assets	-	(10)	(3)	-	(13)
Proceeds on disposal of property, plant and equipment	8	135	-	-	143
Acquisition of Subsidiaries, joint ventures and associates, net of cash acquired	(4)	(40)	-	-	(44)
Loans from/(to) other parties	(30)	(27)	54	-	(3)
Proceeds from sale of Subsidiaries, joint ventures and associates (net of cash disposed)	7	-	-	-	7
Net cash flows from/(used in) investing activities	**(89)**	**35**	**51**	**-**	**(3)**
Combined Group net cash flows from/(used in) operating and investing activities	**92**	**196**	**20**	**(3)**	**305**

10.5.10 Adjustments to the Combined Group Pro-Forma Historical Cash Flows

10.5.10.1 Adjustment (A) – Stan

Through the Implementation of the Scheme, Nine will gain control over Stan. The adjustment reflects:

- the impact of the consolidation of Stan's cash flows for the year ended 30 June 2018;
- a reduction of income tax paid of $19 million, reflecting the estimated income tax benefit on consolidation of Stan; and
- a reduction of loans advanced to other parties of $54 million, as a result of Stan becoming a subsidiary.

10.5.10.2 Adjustment (B) – interest cost

Estimated additional finance costs of $5 million associated with the additional debt funding of $112 million (refer to Table 22), and associated tax benefit impact of $2 million.

10.5.11 Items not reflected in the Combined Group Pro-Forma Historical Cash Flows

The Combined Group Pro-Forma Historical Cash Flows have not been adjusted to reflect:

- the trading of Fairfax after 24 June 2018, or Nine or Stan since 30 June 2018;
- any potential synergies, costs of realising synergies and business improvements arising following Implementation as outlined in Section 10.2;
- estimated transaction costs of approximately $23 million (excluding GST) for Fairfax and approximately $15 million (excluding GST) for Nine expected to be incurred directly in relation to the Scheme in the Financial Year ending 30 June 2019;
- estimated payment of executive incentives of approximately $17 million (before tax) for Fairfax on Implementation;
- Cash Consideration associated with the Scheme of $57 million;
- payment of dividends of $97 million[4] as announced by Fairfax, Nine, Domain and Macquarie Media, with a payment date subsequent to 30 June 2018; and
- any debt drawdowns or repayments, as the Combined Group Pro-Forma Cash Flows do not present cash flows from financing activities.

10.5.12 Debt facilities and cash

Nine has obtained formal commitments for a $200 million bridging facility for a duration of 18 months. The bridging facility is conditional on the Scheme being Implemented and will commence on the Implementation Date. Terms are materially consistent with Nine's existing syndicated facilities and Nine will utilise this syndicated bridging facility while keeping its existing facilities (described in Section 9.12.2) on foot. The bridging facility will be used to pay down the debt facilities of the wholly-owned Fairfax entities, which at 30 June 2018 totalled $35 million. Macquarie Media's and Domain's financing will not require refinancing or repayment on Implementation due to waivers granted by their lenders. The bridging facility will also be used to meet other costs of Implementing the Scheme, as well as any working capital requirements.

4. Dividends of $97 million represents the cash distribution to shareholders outside of the Combined Group represented by Fairfax of $41 million, Nine of $44 million, DHG of $9 million and MRN of $3 million, this excludes the dividends received by Fairfax from MRN and DHG..

TABLE 25: PRO-FORMA HISTORICAL NET DEBT AS AT 30 JUNE 2018

AS AT 30 JUNE 2018 $m	FAIRFAX (WHOLLY-OWNED ENTITIES)	NINE	STAN	PRO-FORMA ADJUST-MENTS	COMBINED GROUP (WHOLLY-OWNED ENTITIES) PRO-FORMA HISTORICAL	DOMAIN	MACQUARIE MEDIA	COMBINED GROUP PRO-FORMA HISTORICAL
Interest-bearing loans and borrowings	(35)	(158)	-	(112)	(305)	(188)	(35)	(528)
Cash and cash equivalents	44	36	11	-	91	61	18	170
Net debt	**10**	**(122)**	**11**	**(112)**	**(213)**	**(127)**	**(18)**	**(358)**

The increase in non-current interest-bearing loans and borrowings of $112 million is to fund the payment of the Cash Consideration of $57 million, the cash payment for the Fairfax executive incentive schemes of approximately $17 million and the estimated transaction costs of $38 million.

11. RISK FACTORS

11.1 INTRODUCTION

In considering the Scheme, you should be aware that there are a number of risk factors, both general and specific, associated with the Scheme. This Section 11 outlines:

- specific risks relating to Fairfax and its business, including your current investment in Fairfax Shares (see Section 11.2);
- specific risks relating to Nine and its business (see Section 11.3);
- specific risks relating to the Scheme and the creation of the Combined Group (see Section 11.4); and
- general risks relating to share ownership (see Section 11.5).

The outline of risks in this Section 11 is a summary only and should not be considered exhaustive. This Section 11 does not purport to list every risk that may be associated with an investment in Fairfax, Nine or the Combined Group now or in the future, and the occurrence or consequences of some of the risks described in this Section 11 may be partially or completely outside the control of Fairfax, Nine or the Combined Group. You should carefully consider the risk factors discussed in this Section 11, as well as the other information contained in this Booklet before voting on the Scheme.

11.2 SPECIFIC RISKS RELATING TO FAIRFAX AND ITS BUSINESS

11.2.1 Changes to regulation

The activities Fairfax engages in, and will engage in, and the level of competition it faces, and will face, will depend to a significant extent on:

- the licences granted to Fairfax and to third parties; and
- government policy and the way in which the relevant governments exercise their broad powers in relation to the manner in which the relevant businesses are conducted.

Regulation at the state, territory and federal government level is subject to change and Fairfax has no control over the regulations that apply to its current or proposed activities. Pending and future changes in legislation, regulation or government policy, or decisions by courts and/or governments, may impact on Fairfax's business. For example, laws restricting Fairfax from advertising certain types of products could in turn have an adverse impact on Fairfax's revenues and financial performance.

11.2.2 Advertising market conditions

Fairfax revenues are dependent in part upon the performance of the general advertising market in Australia, which is influenced by the level of economic growth across Fairfax's target markets. Fairfax is exposed to fluctuations in the level of advertising expenditure as, consistent with industry practice, it does not have long term agreements with its advertisers. There is no guarantee that the level of advertising expenditure in Australia will increase in the future and there is a risk it may contract.

If there is a general weakening within advertising markets, the financial performance of Fairfax may be adversely impacted.

11.2.3 Lack of growth in the online advertising industry or share of that industry

The growth prospects of Fairfax's digital publishing businesses depend in part on an increase in the size and Fairfax's share of the online advertising industry. The size of the online advertising industry will be affected by various factors, including the level of penetration of the internet, consumer usage of online platforms, and the comparative popularity of other forms of media with advertisers and media buyers.

Fairfax's digital publishing businesses face strong competition for share of the Australian online advertising industry from well-established players in key segments, for example, from Google and Facebook. There is a risk that advertisers may choose to advertise primarily with other online businesses.

The online advertising industry is characterised by constant innovation and low barriers to entry, which can result in the creation of new websites or trends that may cause changes in consumer behaviour (e.g. the growth of social media) and further reduce the level of demand by online advertisers for Fairfax's products.

Each of these risks could have an adverse effect on Fairfax's revenue.

11.2.4 Reliance on audience size and engagement

The size of Fairfax's audience and its level of engagement are important to Fairfax's publishing businesses. If users do not continue to perceive Fairfax's news content to be useful, reliable or entertaining, it may not be able to attract audience numbers or retain and maintain its level of audience reach. Declines in the audience numbers or level of audience engagement may impact Fairfax's ability to generate revenue from display advertising and/or to drive subscription and circulation revenue.

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11.2.5 Potential for further print revenue declines

Advertising in print is undergoing structural decline, as some consumers shift their media consumption to online media platforms. There is a risk that the decline in print revenues may continue or accelerate in the future, which may adversely affect Fairfax's financial performance.

11.2.6 Potential declines in property market conditions

Domain's business is focused on the Australian property market, which is subject to changing conditions due to macroeconomic factors including interest rates, unemployment rates and consumer confidence. A significant change in one or more of these factors can affect conditions in the property market, impacting listing and transaction levels, which has the potential to reduce the demand for Domain's services, this in turn could decrease the value of Fairfax's investment in Domain or the dividends received from Domain.

11.2.7 Reliance on attracting and retaining high-performing executives and other employees

Fairfax relies on its ability to attract and retain experienced and high-performing executives and other employees (including journalists and creative talent). The failure to achieve this may adversely affect Fairfax's ability to develop and implement its business strategies, result in a material increase in the costs of obtaining experienced and high-performing executives and other employees (including journalists and creative talent), and may ultimately lead to a loss of revenue and profitability.

11.2.8 Technology

The media industry is subject to rapid and significant changes in technology and the impact of this change on Fairfax may not be able to be predicted accurately. The cost of implementing emerging technologies can be significant. The development or prospective development of new technology, or use, or prospective use, of existing technology may have a material adverse effect on the operating or financial performance of Fairfax.

11.2.9 Systems security failure

Systems security and protecting customer data are critical for businesses operated by Fairfax. While Fairfax invests in its technology and infrastructure and has implemented policies and procedures to address security and data risks, there can be no guarantee that these will be sufficient to ensure data security. Any breach of data security and/or leakage of data could adversely affect Fairfax's reputation and financial position.

11.2.10 Increased competition

Fairfax may be subject to increased competition from existing and new entrants at any time. In particular, Fairfax faces competition from Australian government supported media businesses which are expanding their online presence, including the Australian Broadcasting Corporation and Special Broadcasting Service.

Additionally, Fairfax continues to face competition online from existing and new businesses in both its publishing and real estate businesses.

While Fairfax may employ strategies to mitigate the impact of these and other market participants, there remains a risk that Fairfax's future profitability could be negatively affected by increased competition.

11.2.11 Litigation, disputes and investigations

From time to time, Fairfax may become involved in litigation, disputes and investigations by regulatory bodies and/or other third parties. Litigation and disputes may be with or without merit. The costs of defending and settling legal claims can be substantial, even with respect to claims which have no merit.

When Fairfax becomes subject to any legal proceedings, the inherent uncertainty of the litigation process could have a material adverse effect on Fairfax's operational and/or financial position, through increased costs or the payment of damages. There is also the risk that Fairfax's reputation may suffer due to the profile of, and public scrutiny surrounding, any regulatory investigation or litigation or dispute, regardless of the outcome.

11.2.12 Reliance on third parties

Fairfax is reliant on a number of third parties in the operation of its businesses. Areas where Fairfax has significant reliance on third parties include suppliers of paper, printing and distribution services, technology, call centres and outsourced support services such as accounting.

Failure of, significant interruption to, or reduction in the quality of third party products and services upon which Fairfax relies for a sustained period of time may result in Fairfax being unable to provide certain services during that period or providing a less attractive service, which may have an adverse impact on the operating and/or financial performance of Fairfax.

11. RISK FACTORS

11.2.13 Reliance on dividends from Domain and Macquarie Media

Fairfax currently holds an interest of 59.4% in Domain and 54.5% in Macquarie Media. Fairfax relies in part on the dividends received from its shareholdings in these companies. Declines in the financial performance of Domain and/or Macquarie Media or changes in their respective dividend policies may limit Fairfax's access to this dividend stream and negatively impact on Fairfax's financial position.

11.2.14 Performance of print and online news subscriptions

Circulation and subscriptions to Fairfax's print and online news services accounted for approximately 23% of Fairfax's revenues in FY18. The loss of existing subscribers or decline in the growth of new subscribers would not only impact Fairfax's subscription revenues, but may also potentially impact on the marketability of advertising space in these platforms. This could negatively impact on Fairfax's financial performance.

11.2.15 Performance of Stan

Stan faces strong competition from other subscription video on demand (**SVOD**) providers including Netflix, Foxtel Now and Amazon Prime Video. Consumers also have options to access video content other than through SVOD platforms. Piracy, in particular, can impact Stan's business as consumers can, in certain circumstances, view the same or similar content offered by Stan free of charge. The increasing number of choices available to consumers for video content may cause Stan subscribers to discontinue their subscription, downgrade to a smaller, less expensive package or purchase similar services from other providers which they would have previously purchased from Stan.

Stan depends on having access to a range of popular content in order to compete with other providers and maximise its audience share and subscription revenues. If Stan cannot obtain or retain rights to popular content, Stan's subscriptions revenues may decline.

In addition to the availability of popular content, existing subscribers may also cancel their subscription due to a perception that they do not use the service sufficiently, the need to cut household expenses or competitive services providing better value or experience. Stan seeks to continually add new subscribers both to replace cancelled subscriptions and expand the current subscriber base. Any decrease in the subscriber base may adversely affect Stan's subscription revenues.

If Stan does not grow subscription revenues as expected, Stan may not be able to adjust expenditures such that the financial performance of the business may be adversely impacted.

11.2.16 Prior corporate actions

Fairfax has previously been the subject of, or undertaken a range of, corporate actions. Those actions may have required the exercise of judgement in assessing the approach which should be taken or the treatment of the corporate action or the effect of it, including from a tax or accounting standpoint. Fairfax interacts with regulatory authorities on a range of issues as part of its ongoing operations. Where Fairfax is aware that the ATO takes a differing view, before exercising their judgment it is the practice of the Fairfax Directors to take legal and tax advice. Where a regulatory authority holds a different view, it may take action to require Fairfax to make appropriate adjustments to its approach or treatment and that could have a material adverse impact on Fairfax at some time in the future.

11.2.17 Execution and operations

Fairfax's businesses are subject to operational risks of various kinds, including inaccurate reporting, industrial action, printing facility breakdowns and other execution risks. These risks could have a negative effect on Fairfax's reputation and its ability to conduct its business without disruption or at the budgeted level of cost in various ways. This may affect Fairfax's financial and operating performance.

11.2.18 Non-compliance with regulation

Regulations and other laws can restrict the content which can be shown (e.g. restrictions on advertising certain products, such as cigarettes) or the manner in which Fairfax can report on certain matters (e.g. defamation laws, among others, may affect news reporting).

Fairfax has an established regulatory compliance function and governance framework. Fairfax's regulatory compliance function monitors compliance with existing regulations, the political and regulatory environment and Fairfax's adherence to internal processes.

Failure to comply with these laws could result in administrative actions or legal proceedings against Fairfax, which could attract fines and civil and criminal liability.

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11.3 SPECIFIC RISKS RELATING TO NINE AND ITS BUSINESS

As both Fairfax and Nine operate in the media industry, many of the specific risks relating to Fairfax and its business apply equally to Nine, including those specified in Sections 11.2.1, 11.2.2, 11.2.3, 11.2.4, 11.2.7, 11.2.8, 11.2.9, 11.2.10, 11.2.11, 11.2.12, 11.2.15, 11.2.16, 11.2.17 and 11.2.18. In addition to these common risks, Nine and its business are exposed to the following additional specific risks:

11.3.1 Competition from other broadcasters and other sources

The Australian media industry is highly competitive, with a number of operators competing for audience share and advertising revenue through a broad range of media platforms, including FTA TV and pay television, newspapers, magazines, radio, online, social media, cinema, outdoor and other platforms. This competition has intensified as a result of digital and internet-based technologies. Nine is primarily reliant on generating advertising revenue from broadcasting activities. In attracting advertising revenue, FTA TV broadcasters such as Nine compete primarily on the basis of audience share ratings, programming content and advertising rates. With the continued development of alternative forms of media, particularly digital media, Nine may face increased competition for advertising revenue.

The actions of an existing competitor or the entry of new competitors in a media segment in which Nine operates or in other parts of the media sector may make it difficult for Nine to grow or maintain its revenues, which in turn may have a material adverse effect on Nine's profitability.

Adverse rating or content performance could impact Nine's ability to generate advertising revenues.

11.3.2 Changes in consumer and advertiser behaviour

Newer technologies, including video on demand, are increasing the number of media and entertainment choices available to audiences. Some of these technologies provide consumers with the ability to skip programming and advertisements. These technological developments and new sources of content may cause changes in consumer behaviour. This in turn may fragment audiences by providing additional viewing alternatives to television, which may make Nine's content offerings less attractive to viewers, advertisers and distributors of programming content. This may reduce the level of advertising expenditure that is directed to existing media, such as to FTA TV, including Nine.

Acquiring, developing and using new and existing technologies are important to Nine maintaining its competitive position across its various businesses. If Nine uses technology or equipment that is not as effective, cost efficient or attractive to consumers, if it fails to employ technologies desired by its customers before its competitors do so or if it fails to execute effectively on its technology initiatives, its businesses could be adversely affected. Developing or supporting new technology platforms may require significant capital expenditure by Nine. There is no certainty that Nine will have access to adequate capital to allow it to make the necessary investments or that investments in new technology platforms will be successful in attracting customers, advertisers and distributors of programming content.

Any failure to develop or implement successful new technology platforms could result in a decline in Nine's audience share and ability to generate revenues.

11.3.3 Lack of popular programming content, or loss of broadcasting rights, licences or distribution agreements, or the renewal of these agreements on less favourable terms

Nine depends on having access to a range of popular programming content across a number of genres in order to maximise its audience share performance, to ensure that advertisers and media buyers are willing to continue placing advertising with Nine and that quota requirements for certain types of programming content are met. The success of the content that Nine obtains or creates is substantially dependent on consumer tastes and preferences that can change in unpredicted ways. If Nine experiences a decrease in ratings performance, or if it cannot obtain or retain rights to popular content, Nine's business may be adversely affected.

Nine obtains a substantial amount of its programming content from third parties, including broadcasting rights to major sporting events, as well as licensing or commissioning local and international entertainment content from studios, distributors and production houses (some of which may have considerable power in renegotiations of Nine's agreements).

If Nine is unable to obtain or retain attractive programming content or is unable to do so on competitive terms, it may experience a reduction in its audience share and as a consequence, it may lose advertising revenue.

In addition to securing content from third parties, Nine also develops and produces some of its own programming content. There is no guarantee that the content it produces will result in Nine increasing or maintaining its audience share relative to that of its FTA TV competitors, or increasing or maintaining its level of advertising revenue. In addition, certain costs of producing programming content may be outside the control of Nine.

Certain programming content must be acquired by Nine in advance of when it is broadcast. If there is a change in circumstances between the date of acquisition and when it is available to be broadcast (e.g. a decline in the overall size of advertising industry expenditure or a change in consumer behaviour or preferences), Nine may realise a loss on that content. In addition, because Nine may experience higher upfront costs to acquire or to produce certain content (e.g. higher costs from accelerating production ahead of schedule in order to promote or distribute new content to compete with other FTA TV networks or other media segments), Nine may experience reductions in its cash flows, which may adversely affect Nine's ability to pay dividends or to meet its debt servicing obligations.

11.3.4 Changes in regulation of the FTA TV industry

11.3.4.1 Anti-siphoning legislation

Anti-siphoning legislation in Australia currently protects FTA TV networks' preferred access to broadcast rights for events of national importance and cultural significance. If changes were made to the anti-siphoning list that reduced the number of sports, or otherwise made it easier for major sporting events to be shown on pay TV, there is a risk that Nine could lose coverage of some of its current sporting programs when the rights for those sports come up for renewal, or that Nine may be forced to pay more for exclusive broadcast rights. This may result in an increase in Nine's costs or a decline in audience share for Nine, including for its other programming, which may cause Nine to lose advertising revenue, this would have an adverse impact on Nine's financial performance.

11.3.4.2 Licensing

Currently, Nine holds one of only three commercial FTA TV broadcasting licences in each of the Sydney, Melbourne, Brisbane, Adelaide, Perth, Northern New South Wales and Darwin licence areas. If there was a change in government policy on the number of commercial FTA TV broadcasting licences to be issued, which resulted in legislative changes allowing for the issue of a fourth commercial FTA TV licence, Nine could be adversely affected as a result of greater competition for programming content and advertising revenue.

ACMA may exercise its discretion to require Nine to give undertakings to address compliance matters, to impose additional licence conditions on Nine or to suspend one or more of Nine's licences in the future (e.g. if Nine breaches applicable regulations). Additionally, ACMA has the power to decline to renew Nine's broadcasting licences at their expiry, subject to the restrictions set out in the Broadcasting Services Act.

11.3.4.3 Regulation of content

Nine's programming is subject to conditions imposed by ACMA under Nine's FTA TV licences, which require that minimum levels of Australian produced programming content are shown by Nine. Compliance with these requirements may entail higher costs for Nine to acquire or produce programming content or may prevent Nine from being able to broadcast what may be the optimal mix of programming content to maximise advertising revenue and audience share. It is also possible that changes could be made to these requirements in the future, which may further heighten those costs.

Failure to comply with these laws could result in administrative actions, imposition of additional licence conditions by ACMA, legal proceedings issued against Nine, fines and civil and criminal liability. These laws may change from time to time and the Nine business may become subject to further laws and restrictions which could affect its operations (such as by restricting it from advertising certain types of products) this could in turn have an adverse impact on Nine's revenues and financial performance.

11.3.4.4 Media ownership

As described in Section 9.14, there are a number of restrictions on shareholdings in Nine which arise under legislation, requirements of various regulatory authorities or the Nine Constitution. The nature of those restrictions may change in the future due to changes in government policy, which could have adverse implications for Nine's business or the value of Nine Shares. For example, an increase in foreign ownership restrictions on media could reduce the level of demand for Nine Shares; alternatively, if there is a reduction in restrictions, there is a risk that Nine's competitors could increase the scope of their activities to the detriment of Nine's audience share and revenues.

11.3.5 Changes to network affiliation or program supply agreements

Nine supplies content to its affiliates pursuant to network affiliation or program supply agreements in certain regional areas in Australia where it does not own local broadcast television stations. There can be no assurance that any of these agreements will be renewed in the future on acceptable terms, or at all. The loss of any of these agreements (which could reduce the reach of Nine's television programming and its attractiveness to advertisers), or the renewal of these agreements on less favourable terms, could adversely affect Nine's revenue and profitability.

11.3.6 Execution and operations

Nine's businesses are subject to operational risks of various kinds, including power failure, transmission failure, systems failure, data loss, inaccurate reporting, industrial action (such as at film and television production studios or in sporting competitions broadcast by Nine), cyber attacks and other execution risks. These risks could have a negative effect on Nine's reputation and its ability to conduct its business without disruption or at the budgeted level of cost in various ways. This may affect Nine's financial and operating performance.

For example, Nine relies on the presentation and play-out centre in Sydney to provide play-out services for Nine's FTA TV licence areas and Nine's affiliates also rely on their presentation and play-out facilities. There is a risk that the functions of any of these presentation and play-out facilities may be interrupted due to systems failure, power failure, cyber attacks, natural disasters or other reasons and that Nine's or its affiliates' disaster recovery facilities are for some reason unable to function as designed. This could result in Nine or its affiliates needing to utilise alternative play-out facilities, which may cause Nine to experience temporarily higher costs or an interruption to broadcasting if alternatives are unavailable or, in the case of Nine affiliates' play-out facilities, a reduction in the level of revenue earned by Nine from its affiliates.

11.4 SPECIFIC RISKS RELATING TO THE SCHEME AND THE CREATION OF THE COMBINED GROUP

11.4.1 Potential variation in the value of New Nine Shares

Nine has offered 0.3627 New Nine Shares per Fairfax Share held plus $0.025 in cash for each Fairfax Share held under the terms of the Scheme. As this share ratio is fixed, the number of New Nine Shares to be received by Fairfax Shareholders in the context of the Scheme will remain unchanged even if the market value of New Nine Shares differs relative to the pre-Implementation market values of Nine Shares and Fairfax Shares.

No adjustment will be made to such ratio due to fluctuations in the market price of Nine Shares or Fairfax Shares. Accordingly, any such fluctuations may adversely affect the market value of Nine Shares (including the market value of the New Nine Shares) from time to time.

11.4.2 Synergies

There is a risk that the expected synergies described in Section 10.2 may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time, or involve greater costs to achieve, than anticipated.

The ability to realise the synergies will be dependent on, among other things, Fairfax and Nine being integrated in an efficient, effective and timely manner without material disruption to their respective businesses. Any failure to achieve the anticipated benefits and synergies could impact the financial performance and position of the Combined Group. See immediately below regarding integration risks.

11.4.3 Integration

The Scheme will involve the combination of the businesses of Fairfax and Nine which have previously operated independently. There is a risk that unexpected issues and complications may arise during the process of integration. There is a risk that the Combined Group may face unanticipated liabilities and costs, operational disruption and possible loss of key employees, customers or market share if integration is not achieved in a timely and orderly manner.

Potential factors that may influence a successful integration include:

- difficulty in managing a significantly larger organisation;
- difficulty in aligning and executing the strategy of the Combined Group;

- difficulty in consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- difficulty in integrating management information systems;
- difficulty in merging the culture and management styles of two organisations;
- loss of advertiser support;
- loss of consumer support;
- lower than expected cost synergies;
- unintended losses of key employees;
- unanticipated market conditions;
- changes in the regulatory environment, or regulatory conditions imposed in connection with the Scheme, impacting the ability of the Combined Group to use its increased scale, presence and market intelligence to achieve anticipated benefits; and/or
- difficulty in refinancing the current debt facilities of Fairfax.

Integration planning based on public information is taking place to mitigate the risk of these issues occurring. However, a risk remains that difficulties may arise.

11.4.4 Employees

The Combined Group's success following Implementation will depend in part upon its ability to retain people who are currently key employees of Nine and Fairfax. Employee retention may be particularly challenging during the pendency of the Scheme and following integration of Nine and Fairfax, as employees may experience uncertainty about their future roles.

If there is a departure of key employees during the pendency, or as a result, of the Scheme, the Combined Group's business could be adversely affected.

Furthermore, the Combined Group may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the business, and the Combined Group's ability to realise the anticipated benefits of the Scheme may be adversely affected.

In addition, there could be disruptions to or distractions for the workforce and management associated with activities of labour unions or the integration of employees into the Combined Group. Although that potential concern is identified as a major topic and will be covered as such in the integration planning, no assurance can be given that the Combined Group will be able to attract or retain its employees as successfully as Nine and Fairfax have in the past, or that the Combined Group will have the benefit of the ongoing employment of current key employees of Nine and Fairfax following Implementation of the Scheme.

Implementation of the Scheme could result in the termination of management positions or employment contracts of certain executives or employees of Nine or Fairfax, resulting in significant redundancy payments.

Certain key executives and other employees of Nine or Fairfax and their respective Subsidiaries may terminate their management positions or their employment contracts on their own initiative or that of the Combined Group as a result of the Scheme. If members of the Combined Group's senior management depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted.

11.4.5 Litigation

In connection with the Scheme, Nine and/or Fairfax could face new claims and litigation, in particular brought by partners, suppliers, competitors and/or regulators of Nine or Fairfax, or by investors in connection with the Scheme.

11.4.6 Due diligence

The negotiations between Fairfax and Nine were conducted on the basis of the information that was publicly available to each party and on voluntary limited disclosure by each party to the other.

While Fairfax and Nine consider the due diligence investigations to have been adequate and consistent with market practice for a transaction of this type, the investigations were undertaken within a limited timeframe and both parties have not been able to verify the accuracy, reliability or completeness of all of the information provided to them against independent data. Furthermore, consistent with market practice in Australia the warranties provided by Fairfax and Nine in the Scheme Implementation Agreement are more limited than what a seller in a privately negotiated share acquisition agreement would normally provide.

As a result, following Implementation of the Scheme, unknown liabilities of Fairfax or Nine may arise, or expected types of liabilities may be greater than anticipated, and this may have a negative impact on the profitability, results of operations, financial position, market value and share price of the Combined Group, which the relevant party might otherwise have discovered if it had conducted a complete due diligence review and obtained extensive warranties from the other party.

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11.4.7 After-market

If a large number of shareholders in the Combined Group do not intend to continue to hold their Nine Shares (including, for Fairfax Shareholders, those New Nine Shares received as Scheme Consideration) after Implementation and instead choose to sell, there is a risk that the trading price of Nine Shares will be adversely impacted by selling.

The Sale Agent will be issued New Nine Shares attributable to Ineligible Overseas Shareholders. The precise number of New Nine Shares issued to the Sale Agent will not be known until after the Scheme Record Date (being the date for determining a Fairfax Shareholder's entitlement to receive the Scheme Consideration). However, on the basis of the recent composition of the Share Register, the New Nine Shares issued to the Sale Agent are expected to be less than 0.02% of the total number of New Nine Shares issued under the Scheme.

11.4.8 Conditions Precedent

Implementation of the Scheme is subject to a number of Conditions Precedent, outlined in Section 12.2 including that no court or Regulatory Authority (including the ACCC) takes any action to restrain or prohibit the Scheme. Certain of these Conditions Precedent are beyond the control of Fairfax and Nine. There can be no guarantee that the Conditions Precedent to the Scheme will be satisfied or waived (as applicable) in a timely manner or at all. Any failure or delay in satisfying the Conditions Precedent could prevent or delay Implementation of the Scheme, which could reduce the benefits that Nine expects to obtain from the Scheme, increase the costs associated with the Scheme and impede successful integration of Nine's and Fairfax's businesses.

11.4.9 Tax consequences for Fairfax Shareholders

If the Scheme proceeds, there may be tax consequences for Fairfax Shareholders, including tax payable on any gain on the disposal of Fairfax Shares. Fairfax Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them. Further information on the tax consequences of the Scheme is set out in Section 13.

11.4.10 Reputation

Brands are key assets of Fairfax and Nine. Successful maintenance of the reputation and value associated with these brand names will be critical to the Combined Group's businesses and their strategy for the future.

It is possible that, if the Scheme is Implemented, the strategies described in this Booklet may not be achieved, resulting in the erosion of the reputation or value associated with the brand names, which in turn could have an adverse effect on the performance and operations of the Combined Group.

Other events, including a material non-compliance with regulations, or licence terms or a breach of or failure in information and technology systems, could have an adverse impact on the Combined Group's reputation and the value of its brands and increase expenditure due to additional security costs and/or potential claims for compensatory damages.

11.4.11 Domain and Macquarie Media

Each of Domain and Macquarie Media is a separate company which has minority investors and is listed on the ASX. As such, decisions by their respective boards and the actions of those companies must be made having regard to their separate interests. This may mean that if their interests diverge from those of the Combined Group, the relevant company may adopt an approach contrary to the preferences of the Combined Group.

11.4.12 Purchase price accounting

The Combined Group Pro-Forma Historical Statement of Financial Position at 30 June 2018 has been prepared on the basis of the assumptions set out in Section 10.5.7. The actual values which will be attributable to each of these assumptions will only be determined at the Implementation Date. As part of integration, including through the process of purchase price allocation, the Combined Group will need to consider the carrying values of Fairfax assets and liabilities. Accordingly, there will be a risk that the Combined Group Pro-Forma Historical Statement of Financial Position may be materially different from that presented in Section 10.5.6.

11.5 GENERAL RISKS IN RELATION TO SHARE OWNERSHIP

11.5.1 Stock market fluctuations and economic conditions

The New Nine Shares, which will be issued if the Scheme is Implemented, do not carry any guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The value of the New Nine Shares will be determined by the share market and will be subject to a range of factors beyond the control of Fairfax, Nine and the Combined Group.

These factors include the demand for and availability of Nine Shares, movements in domestic interest rates, exchange rates, fluctuations in Australian and international share markets and general domestic and economic activity. Returns from an investment in the New Nine Shares may also depend on general share market conditions, as well as the performance of the Combined Group.

11.5.2 General economic conditions

The performance of the Combined Group will be affected by domestic and global economic conditions. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption, consumer spending and sentiment, employment levels, industrial disruption, and other conditions, are outside the control of the Combined Group and may result in material adverse impacts on the Combined Group's business and operating results.

11.5.3 Equity dilution

The Combined Group may undertake offerings of equities in the future. Factors including the increase in the number of fully paid shares issued, the ability of an individual shareholder to participate in the equity offer and the issue price and the possibility of selling such equities, may have an adverse effect on the financial position or voting power of any individual shareholder.

11.5.4 Access to capital

The Combined Group will rely on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms, may be materially adversely affected by volatility in financial markets, either globally or impacting a particular geographic region, industry or economic sector, or by a downgrade in its credit rating. For these or other reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or such increase to the costs of obtaining, financing could materially adversely affect the Combined Group's operations or financial performance.

11.5.5 Ability to service or refinance debt

The Combined Group may become unable to service or refinance its existing debt, or obtain new debt, on acceptable terms or at all, depending on future performance and cash flows of the Combined Group which are affected by various factors, some of which are outside the Combined Group's control, such as interest and exchange rates, general economic conditions and global financial markets. If any of these scenarios materialise, the Combined Group may be unable to raise financing on acceptable terms to repay maturing indebtedness. This could adversely affect the longer term prospects and financial performance of its business. Additionally, ongoing requirements to meet debt covenants may impact the Combined Group's ability to refinance debt.

11.5.6 Tax

A change to the current tax regime may affect shareholders in the Combined Group. Personal tax liabilities will be the responsibility of each investor in the Combined Group. The Combined Group will not be responsible for tax or penalties incurred by investors in the Combined Group.

11.5.7 Change in accounting or financial reporting standards

AAS are set by the AASB and are outside the Combined Group's control. Changes to accounting standards issued by the AASB (including the introduction of AASB 16 Leases from 1 January 2019), or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the Combined Group's financial statements.

12. DETAILS OF THE SCHEME

12.1 BACKGROUND TO THE SCHEME

On 26 July 2018, Fairfax and Nine announced that they had entered into a Scheme Implementation Agreement under which the two companies will merge. The key terms of the Scheme Implementation Agreement are summarised in Section 14.8.1.

12.1.1 Key steps to Implement the Scheme

The key steps to Implement the Scheme are as follows:

- **Scheme Meeting** – Fairfax Shareholders will vote on whether to approve the Scheme at the Scheme Meeting (currently expected to be at 10:00am (Sydney time) on 19 November 2018);
- **Court approval** – if the Scheme is approved by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting, Fairfax will apply to the Court to approve the Scheme on the Second Court Date (currently expected to be 27 November 2018);
- **Scheme becomes Effective** – if the Court approves the Scheme, and all the Conditions Precedent to the Scheme have been satisfied or waived (as applicable), Fairfax will lodge with ASIC an office copy of the Court order approving the Scheme. Fairfax expects to lodge this with ASIC on 28 November 2018, following which the Scheme will become Effective (but will not be Implemented until the Implementation Date);
- **suspension of trading in Fairfax Shares** – Fairfax Shares are expected to be suspended from trading on the ASX with effect from the close of trading on the Effective Date (currently expected to be 28 November 2018);
- **Scheme Record Date** – Fairfax Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered in the Share Register as the holders of Fairfax Shares on the Scheme Record Date.[1] The Scheme Record Date is currently expected to be 7:00pm (Sydney time) on 30 November 2018;
- **Implementation** – the Scheme will be Implemented - all Fairfax Shares held by Fairfax Shareholders on the Scheme Record Date will be transferred directly or indirectly to Nine and Scheme Participants will receive the Scheme Consideration;
- **trading commences** – New Nine Shares commence trading on the ASX on a normal settlement basis (currently expected to be 10 December 2018); and
- **delisting** – after the Scheme has been Implemented, Fairfax will apply for termination of the official quotation of Fairfax Shares on the ASX and to have itself removed from the official list of the ASX.

1. Ineligible Overseas Shareholders will not be entitled to receive any New Nine Shares, and will instead receive cash under the Sale Facility for any New Nine Shares they would otherwise have been entitled to receive. Refer to Section 12.6 for more information.

12.2 CONDITIONS PRECEDENT TO IMPLEMENTATION

12.2.1 Overview

The Scheme is subject to a number of Conditions Precedent set out in clause 3.1 of the Scheme Implementation Agreement including, but not limited to, the following:

- **Fairfax Shareholder approval** – the Requisite Majority of Fairfax Shareholders approves the Scheme at the Scheme Meeting;
- **ASIC approval** – ASIC provides any consents or approvals reasonably necessary to Implement the Scheme and the consents or approvals are not revoked;
- **Court approval** – the Court approves the Scheme;
- **no regulatory intervention** – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am (Sydney time) on the Second Court Date;
- **no prescribed events** - no Fairfax Prescribed Events or Nine Prescribed Events have occurred between 25 July 2018 and 8:00am (Sydney time) on the Second Court Date;
- **New Nine Shares** – the ASX approves the quotation of the New Nine Shares, subject to any customary conditions, and the approval is not revoked;
- **Independent Expert opinion** – the Independent Expert issues a report which concludes that the Scheme is in the best interests of Fairfax Shareholders and does not change its opinion or withdraws its report before 8:00am (Sydney time) on the Second Court Date; and
- **representations and warranties** – the representations and warranties given by Fairfax and Nine under the Scheme Implementation Agreement are true and correct in all material respects as at the time given.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Agreement.

12.2.2 Status of no regulatory intervention Condition Precedent

The ACCC commenced its public review on 16 August 2018 and the provisional date for the announcement of the ACCC's decision is 8 November 2018. The ACCC review process is continuing and the ACCC has been provided with substantial information by Fairfax and Nine. At this stage of the process, the ACCC has not identified any areas of continuing inquiry that cause it preliminary competition concerns in relation to the Implementation of the Scheme.

12.2.3 Status of other Conditions Precedent

As at the last practicable date before the date of this Booklet, Fairfax and Nine were not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or waived (as applicable). However, a number of Conditions Precedent are outside the control of Fairfax and Nine. To this extent, Fairfax intends to work with Nine and relevant third parties (including all relevant Regulatory Authorities) to enable the Conditions Precedent to be satisfied or waived (as applicable). The risks associated with a failure to obtain, or delay in, satisfaction or waiver of the Conditions Precedent are discussed further in Section 11.4.8.

12.3 SCHEME MEETING

For the Scheme to proceed, the Requisite Majority of Fairfax Shareholders must approve the Scheme at the Scheme Meeting. If the Scheme Resolution is not approved by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting, it will not be Implemented and Fairfax will not apply to the Court for any further orders in connection with the Scheme.

The result of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting. The result will be accessible from the ASX's website (www.asx.com.au) and on Fairfax's website (www.fairfaxmedia.com.au).

On 12 October 2018 at the First Court Hearing, the Court made the requisite orders that the Scheme Meeting be convened and that this Booklet be despatched to Fairfax Shareholders. The Scheme Meeting is scheduled to be held at the Pitt Street Room, Ground Floor, Domain Offices, 55 Pyrmont Street, Pyrmont NSW 2009 at 10:00am (Sydney time) on Monday, 19 November 2018. The orders made by the Court convening the Scheme Meeting do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Booklet.

The terms of the Scheme are contained in Annexure C and the Notice of Scheme Meeting is set out in Annexure E. Each Fairfax Shareholder who is registered on the Share Register as the holder of a Fairfax Share at 7:00pm (Sydney time) on 17 November 2018 is entitled to attend and vote at the Scheme Meeting. Voting at the Scheme Meeting will be by poll. Refer to Section 5.4 for details of how to vote at the Scheme Meeting.

12.4 COURT APPROVAL

Fairfax will apply to the Court for an order approving the Scheme if:

- the Scheme is approved by the Requisite Majority of Fairfax Shareholders at the Scheme Meeting; and
- all other Conditions Precedent are satisfied or waived (as applicable).

The date on which the Court hears Fairfax's application is the Second Court Date, which is expected to be on Tuesday, 27 November 2018. Any change to this date will be announced through the ASX and published on Fairfax's website (www.fairfaxmedia.com.au).

The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majority of Fairfax Shareholders. Any Fairfax Shareholder may appear at the Second Court Hearing, expected to be held on Tuesday, 27 November 2018 at the Federal Court of Australia, Law Courts Building, 184 Phillip Street, Sydney NSW 2000. Any Fairfax Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Fairfax a notice of appearance in the prescribed form together with any affidavit that the Fairfax Shareholder proposes to rely on.

12.5 CONSEQUENCES OF APPROVING THE SCHEME

If the Court approves the Scheme at the Second Court Hearing, Fairfax and Nine will procure the taking of all steps necessary to Implement the Scheme, including:

- Fairfax will lodge with ASIC an office copy of the Court order approving the Scheme under section 411(10) of the Corporations Act, at which time the Scheme will become Effective;
- at the close of trading on the Effective Date, Fairfax will be suspended from trading on the ASX;
- on the Implementation Date, all of the Fairfax Shares held by Fairfax Shareholders on the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on 17 November 2018) will be transferred to Nine Subsidiary, and in return Nine will procure that the Scheme Consideration is provided to Scheme Participants in accordance with the terms of the Scheme as summarised in Section 14.8.1; and
- following the Implementation Date, the Sale Agent will sell all New Nine Shares issued to it in accordance with the terms of the Scheme and will remit the Sale Proceeds to Nine, and Nine will then remit the Sale Proceeds to the relevant Ineligible Overseas Shareholder (after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges). Refer to Section 12.6 to determine whether you are an Eligible Shareholder or Ineligible Overseas Shareholder.

12.6 ENTITLEMENT TO PARTICIPATE IN THE SCHEME

12.6.1 Fairfax Shareholders

The way in which an individual Fairfax Shareholder participates in the Scheme will depend on whether that shareholder is an:

- Eligible Shareholder; or
- Ineligible Overseas Shareholder.

12.6.2 Eligible Shareholders

Eligible Shareholders are Fairfax Shareholders (as at the Scheme Record Date) who are not Ineligible Overseas Shareholders. If the Scheme becomes Effective and is Implemented, each Eligible Shareholder will receive the following in respect of each Fairfax Share held on the Scheme Record Date:

- Scrip Consideration of 0.3627 New Nine Shares for each Fairfax Share; and
- Cash Consideration of $0.025 in cash for each Fairfax Share.

12.6.3 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are Fairfax Shareholders who are (or who are acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom or whose Registered Address is a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom or who is acting on behalf of such a person unless Fairfax and Nine jointly determine that:

- it is lawful and not unduly onerous and not unduly impracticable to issue that Fairfax Shareholder with New Nine Shares when the Scheme becomes Effective; and
- it is lawful for that Fairfax Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Singapore, Hong Kong and the United Kingdom.

12.6.3.1 Operation of the Sale Facility

Ineligible Overseas Shareholders will participate in the Scheme on the same basis as all Eligible Shareholders. However, New Nine Shares will not be issued to Ineligible Overseas Shareholders. Instead, the New Nine Shares to which the Ineligible Overseas Shareholders would otherwise have been entitled will be issued to the Sale Agent and sold, within 30 days of the Implementation Date, on the ASX at a price determined by the Sale Agent in good faith. The Sale Agent will remit the Sale Proceeds to Nine, and Nine will then remit the Sale Proceeds to each Ineligible Overseas Shareholder (after deducting applicable brokerage, stamp duty and other selling costs, taxes and charges).

The Sale Proceeds will be paid to each Ineligible Overseas Shareholder in Australian dollars by:

- direct credit to the nominated bank account as noted on the Share Register on the Scheme Record Date; or
- where an account has not been provided, cheque drawn on an Australian bank and sent by pre-paid ordinary post (or if the Ineligible Overseas Shareholder's Registered Address is outside Australia, by pre-paid airmail post).

The payment of the Sale Proceeds to Ineligible Overseas Shareholders through the Sale Facility will be in full satisfaction of the rights of Ineligible Overseas Shareholders to New Nine Shares under the Scheme.

Full details of this process are contained in clause 6.7 of the Scheme (which is set out in Annexure C).

12. DETAILS OF THE SCHEME

12.7 IMPLEMENTATION OF THE SCHEME

12.7.1 Effective Date

The Scheme will become Effective on the Effective Date, being the date on which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such other date as the Court determines or specifies in the order. Fairfax intends to lodge the order of the Court with ASIC on the next Business Day after the Second Court Date, which is currently expected to be 28 November 2018.

If the Scheme becomes Effective, Fairfax will immediately give notice of the event to the ASX.

Once the Scheme becomes Effective, Fairfax and Nine will become bound to Implement the Scheme in accordance with its terms.

12.7.2 Deed Poll

Nine and Nine Subsidiary have executed a Deed Poll in favour of the Scheme Participants, under which Nine and Nine Subsidiary agree to perform all of their obligations in relation to the Scheme if the Scheme becomes Effective.

12.7.3 Suspension of trading in Fairfax Shares

Fairfax Shares will be suspended from trading on the ASX from close of trading on the Effective Date (currently expected to be 28 November 2018).

12.7.4 Scheme Record Date

Only Fairfax Shareholders who appear in the Share Register on the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on 30 November 2018) will be entitled to receive the Scheme Consideration as Scheme Participants.

12.7.5 Determination of Scheme Participants

For the purpose of determining which Fairfax Shareholders are eligible to participate in the Scheme, dealings in Fairfax Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Share Register as the holder of the relevant Fairfax Shares as at the Scheme Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry before the Scheme Record Date with sufficient time to allow for registration of the transferee before or on the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purpose of determining entitlements under the Scheme, Fairfax will not accept for registration or recognise any transmission or transfer application in respect of Fairfax Shares received after the Scheme Record Date.

12.7.6 Implementation Date

The Scheme will be Implemented on the Implementation Date (currently expected to be 7 December 2018). On that date, all Fairfax Shares will be transferred directly or indirectly to Nine in return for the Scheme Consideration.

12.7.7 Issue of Scrip Consideration

If the Scheme becomes Effective, Fairfax must procure that, in consideration for the transfer to Nine Subsidiary of the Fairfax Shares, Nine issues to the Scheme Participants (or the Sale Agent on behalf of Ineligible Overseas Shareholders) the Scrip Consideration.

12.7.8 Payment of Cash Consideration

If the Scheme becomes Effective:

- Nine must, by no later than two Business Days before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Participants into a trust account operated by or on behalf of Fairfax (except that the amount of any interest on the amount deposited will be to Nine's account); and
- within two Business Days after the Implementation Date, subject to receipt of the Scheme Consideration from Nine, Fairfax must pay (or procure payment) from the trust account, to each Scheme Participant an amount equal to the Cash Consideration for each Fairfax Share transferred to Nine Subsidiary on the Implementation Date by that Scheme Participant.

Unless otherwise directed by the Scheme Participants before the Scheme Record Date, Fairfax will make the payment of the Cash Consideration by:

- direct credit to the nominated bank account as noted on the Share Register on the Scheme Record Date; or
- where an account has not been provided, cheque drawn on an Australian bank and sent by pre-paid ordinary post (or if the Ineligible Overseas Shareholder's Registered Address is outside Australia, by pre-paid airmail post).

12.7.9 Fractional entitlements and rounding

If the number of Fairfax Shares held by a Scheme Participant as at the Scheme Record Date is such that the aggregate entitlement of the Scheme Participant to Scheme Consideration comprises:

- New Nine Shares such that a fractional entitlement to a New Nine Share arises; or
- cash, such that a fractional entitlement to a cent arises,

then the entitlement of that Scheme Participant must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of New Nine Shares (or cents, as applicable), and any such fractional entitlement of 0.5 or more will be rounded up to the nearest whole number of New Nine Shares (or cents, as applicable).

12.7.10 Trading in New Nine Shares

Nine will seek confirmation from the ASX that, from the Business Day after the Effective Date (or any later date as the ASX requires), the New Nine Shares will be listed for quotation on the official list of the ASX.

The New Nine Shares are expected to commence trading on the ASX, initially on a deferred settlement basis from 29 November 2018 and, from the first Business Day after the Implementation Date being 10 December 2018 (or any later date as the ASX requires), on a normal settlement basis.

The exact number of New Nine Shares to be issued to each Scheme Participant will not be known until after the Scheme Record Date and will not be confirmed to each Scheme Participant until they receive their holding statements following the Implementation Date. It is the responsibility of each Scheme Participant to confirm their holdings of New Nine Shares before they trade them, to avoid the risk of committing to sell more than will be issued to them.

Fairfax Shareholders who sell New Nine Shares before they receive their holding statements or confirm their holdings of New Nine Shares, do so at their own risk. Neither Fairfax nor Nine takes any responsibility for such trading.

12.7.11 Dividend not affected by the Scheme

In accordance with the terms of the Scheme Implementation Agreement, from 25 July 2018 until 8:00am (Sydney time) on the Second Court Date, Fairfax is permitted to declare a cash dividend of up to $0.018 per Fairfax Share which may be partially franked, provided it does not cause the franking account of Fairfax to be (or be deemed to be) in a deficit position at the Effective Date.[2]

2. The expected franking account balance is subject to a number of variables, including tax instalment payments, tax refunds and Implementation timing.

A second half cash dividend of $0.018 per Fairfax Share, franked at $0.009 per Fairfax Share, was declared on 15 August 2018 and was paid by Fairfax on 6 September 2018. The payment of this cash dividend was not contingent on the approval of the Scheme and will not be funded by Nine.

12.7.12 Delisting of Fairfax

After the Scheme has been Implemented, Fairfax will request that the ASX removes it from the official list of the ASX. The delisting is expected to occur shortly following the Implementation Date.

12.7.13 Warranty by Scheme Participants

The Scheme provides that each Scheme Participant is taken to have warranted to Nine, and appointed and authorised Fairfax as its attorney and agent to warrant to Nine and Nine Subsidiary, that:

- all of their Fairfax Shares (including any rights and entitlements attaching to those Fairfax Shares) which are transferred under the Scheme will, as at the date of the transfer, be fully paid and free from any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth), or any agreement to create any of the foregoing or allowing any of the foregoing to exist; and
- they have full power and capacity to sell and to transfer their Fairfax Shares (including any rights and entitlements attaching to those Fairfax Shares) to Nine Subsidiary.

Fairfax undertakes that it will provide such warranty to Nine and Nine Subsidiary as agent and attorney of each Scheme Participant.

Fairfax Shareholders should be aware that, to the extent that this warranty is untrue in respect of their Fairfax Shares, and their Fairfax Shares are not transferred under the Scheme free of third party interests, they may be liable to compensate Nine for any damage caused to those parties resulting from such encumbrance.

13. TAXATION IMPLICATIONS

13.1 INTRODUCTION

The following is a general description of certain Australian tax consequences of the Scheme (assuming it becomes Effective) for Fairfax Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian tax law and administrative practice in effect at the date of this Booklet. It is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Fairfax Shareholder. Fairfax Shareholders are advised to seek their own independent professional tax advice in relation to their own particular circumstances.

The comments set out below are relevant only to those Fairfax Shareholders who hold their Fairfax Shares on capital account. The description does not address the Australian tax consequences for Fairfax Shareholders who:

- hold their Fairfax Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- acquired their Fairfax Shares pursuant to an employee share, option or rights plan;
- are subject to the taxation of financial arrangements rules in Division 230 of ITAA 1997 in relation to gains and losses on their Fairfax Shares; or
- are non-residents of Australia who hold their Fairfax Shares in carrying on a business at or through a permanent establishment in Australia.

Fairfax Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian tax law. These comments relate to Australian tax law only.

13.2 AUSTRALIAN RESIDENT SHAREHOLDERS

If the Scheme is Implemented, Nine Subsidiary will acquire all of the Fairfax Shares that Nine does not already own from Fairfax Shareholders. Fairfax Shareholders will receive Scrip Consideration of 0.3627 New Nine Shares for each Fairfax Share held on the Scheme Record Date. In addition, Fairfax Shareholders will receive Cash Consideration of $0.025 in cash for each Fairfax Share held on the Scheme Record Date.

As discussed in more detail below, the disposal of Fairfax Shares to Nine Subsidiary under the Scheme will give rise to a capital gains tax (**CGT**) event for Fairfax Shareholders. Subject to the comments in Section 13.2.3, an Australian tax resident Fairfax Shareholder who would otherwise make a capital gain on the disposal of their Fairfax Shares under the Scheme should be eligible to choose scrip for scrip roll-over relief for that part of a capital gain that is referable to the receipt of New Nine Shares (i.e. Scrip Consideration) in exchange for their Fairfax Shares.

13.2.1 Capital gains tax

The disposal of Fairfax Shares by Fairfax Shareholders to Nine Subsidiary under the Scheme will constitute a CGT event A1 (for Australian CGT purposes).

The time of the CGT event will be when the Fairfax Shareholders transfer their Fairfax Shares to Nine Subsidiary under the Scheme (i.e. the Implementation Date).

13.2.2 Calculation of capital gain or capital loss (apart from scrip for scrip roll-over relief)

Fairfax Shareholders will make:

- a capital gain to the extent that their capital proceeds from the disposal of their Fairfax Shares are more than the cost base (or in some cases, indexed cost base) of those Fairfax Shares; or
- a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Fairfax Shares.

Subject to choosing scrip for scrip roll-over relief (discussed below), a Fairfax Shareholder who makes a capital gain on disposal of their Fairfax Shares will be required to include the net capital gain (if any) for the income year in their assessable income.

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Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain or net capital loss. Any net capital gain is included in assessable income and is subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains. Specific loss rules apply to Fairfax Shareholders that are companies. These rules limit the ability to offset capital losses in a current or later income year.

13.2.2.1 Cost base of Fairfax Shares

The cost base of the Fairfax Shares will generally include the amount paid, and the market value of any property given, to acquire the Fairfax Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the Fairfax Shareholder. The reduced cost base of Fairfax Shares will be similarly determined.

Fairfax Shareholders who held their Fairfax Shares on the Domain Separation Scheme Record Date (i.e. 17 November 2017) are required to reduce the cost base of their Fairfax Shares by the Capital Reduction Pro-Rata Amount of $0.233 per share (refer to the Domain Separation Scheme Booklet and the Domain Separation section of the Fairfax website).

13.2.2.2 Capital proceeds

The capital proceeds for the disposal of the Fairfax Shares will be the aggregate of the market value of the Scrip Consideration, determined as at the Implementation Date, and the amount of the Cash Consideration received by a Fairfax Shareholder for their Fairfax Shares (i.e. the Scheme Consideration).

The cash dividend paid to Fairfax Shareholders on 6 September 2018 should not be included as capital proceeds for the disposal of Fairfax Shares under the Scheme.

The market value of the Scrip Consideration (i.e. the New Nine Shares) will be made available to Fairfax Shareholders on the Fairfax website following Implementation of the Scheme.

13.2.2.3 CGT discount

Individuals, complying superannuation entities or trustees that have held Fairfax Shares for at least 12 months (but do not index the cost base of their Fairfax Shares) may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their Fairfax Shares by:

- 50% in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- 33⅓% for complying superannuation entities.

The CGT discount will not be available to a Fairfax Shareholder that is a company.

13.2.3 Choosing scrip for scrip roll-over relief

Fairfax Shareholders who make a capital gain on disposal of their Fairfax Shares under the Scheme may choose to apply scrip for scrip roll-over relief for that part of a capital gain that is referable to the receipt of the Scrip Consideration. No roll-over relief is available for that part of a capital gain that is referable to the receipt of the Cash Consideration.

If, and to the extent that, scrip for scrip roll-over relief is available and chosen by a Fairfax Shareholder, the capital gain that would otherwise arise will be disregarded.

Nine will not make a choice under section 124-795(4) of the ITAA 1997 to deny scrip for scrip roll-over relief.

Fairfax Shareholders must make a choice to apply scrip for scrip roll-over relief before lodging an income tax return for the income year in which the Implementation Date occurs. A Fairfax Shareholder will provide sufficient evidence of having chosen scrip for scrip roll-over relief by the way they prepare their income tax return (i.e. by excluding the disregarded capital gain from assessable income). There is no need to lodge a separate notice with the ATO.

Where a Fairfax Shareholder chooses scrip for scrip roll-over relief, the Fairfax Shareholder will make a capital gain to the extent that the Cash Consideration that the Fairfax Shareholder receives exceeds a proportionate part of the cost base for the shareholder's Fairfax Shares. The capital gain will be calculated as follows:

$$\text{Capital gain on exchanging Fairfax Shares} = \text{Cash Consideration} - \left(\frac{\text{Cash Consideration}}{\text{Cash Consideration + market value of Scrip Consideration at Implementation Date}} \times \text{Cost base of Fairfax Shares} \right)$$

Roll-over is not available if a capital loss arises on the exchange of the Fairfax Shares.

Where a Fairfax Shareholder has chosen scrip for scrip roll-over relief, the first element of the cost base of the New Nine Shares received as Scrip Consideration should be equal to the cost base of their original Fairfax Shares, reduced by the amount of the cost base that is reasonably attributable to the Cash Consideration, calculated as follows:

$$\text{Cost base of New Nine Shares} = \text{Cost base of Fairfax Shares} \times \frac{\text{Market value of Scrip Consideration at Implementation Date}}{\text{Cash Consideration + market value of Scrip Consideration at Implementation Date}}$$

Where scrip for scrip roll-over relief has been chosen by a Fairfax Shareholder, the New Nine Shares will be taken to be acquired at the time the Fairfax Shares were originally acquired, for the purpose of any subsequent application of the CGT discount.

The benefit of choosing scrip for scrip roll-over relief will depend upon the individual circumstances of each Fairfax Shareholder.

13.2.4 Where scrip for scrip roll-over is not chosen or available

Where scrip for scrip roll-over relief is not chosen or is not available in relation to a Fairfax Shareholder's disposal of Fairfax Shares under the Scheme:

- the capital gain or capital loss from the disposal of the shareholder's Fairfax Shares will be taken into account in calculating the shareholder's net capital gain for the income year ending 30 June 2019; and
- the first element of the cost base of each New Nine Share (i.e. the Scrip Consideration) received should be an amount equal to the market value of the New Nine Share determined as at the Implementation Date.

The acquisition date of the New Nine Shares will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the New Nine Shares.

13.2.5 Example

The following example illustrates how to calculate the potential capital gain arising in respect of the Scheme, how the cost base of New Nine Shares issued under the Scheme is determined, and the impact of choosing scrip for scrip roll over.

The figures in this example are for illustrative purposes only, address a hypothetical situation and are not necessarily indicative of the actual tax implications of the CGT regime to Fairfax Shareholders. Fairfax Shareholders should seek their own independent tax advice as to the tax implications of the Scheme. Fairfax Shareholders who are not residents of Australia for tax purposes should also obtain specific independent tax advice on the application of the laws of their country of residence (for tax purposes) in determining the tax consequences of the disposal of their Fairfax Shares.

Assume that a Fairfax Shareholder:

- owns 1,000 Fairfax Shares;
- has a cost base of $0.50 per Fairfax Share; and
- has a total cost base in Fairfax Shares of $500, being 1,000 Fairfax Shares x $0.50 cost base per Fairfax Share.

Further, assume that the market value of New Nine Shares on the Implementation Date is $2.520 (i.e. the same as the closing price of Nine Shares on 25 July 2018).

Capital proceeds

The capital proceeds received by a Fairfax Shareholder as a result of the Scheme Consideration would be:

= 1,000 Fairfax Shares x $0.939 capital proceeds per Fairfax Share

= $939

made up as follows:

Cash Consideration	$0.025	x	1,000	= $25
Scrip Consideration	$0.914*	x	1,000	= $914
Total capital proceeds	$0.939	x	1,000	= $939

* This figure is based on 0.3627 of the assumed market value of New Nine Shares on the Implementation Date (i.e. $2.520 x 0.3627).

Capital gain – apart from scrip for scrip roll-over relief

If scrip for scrip roll-over relief is not chosen or is not available, the capital gain is:

= capital proceeds less cost base

= $939 – $500

= $439

Cost base of New Nine Shares – apart from scrip for scrip roll-over relief

If scrip for scrip roll-over relief is not chosen or is not available, the cost base of the New Nine Shares should be an amount equal to the market value of the New Nine Shares received:

= ($2.520 x 0.3627) x 1,000

= $0.914 x 1,000

= $914

Scrip for scrip roll-over chosen – capital gain recognised

If scrip for scrip roll-over relief is chosen then, based on the first formula in Section 13.2.3, the capital gain that arises to the Fairfax Shareholder on the exchanging Fairfax Shares is $11.69, which is calculated as follows:

$$\text{Capital gain on exchanging Fairfax Shares} = \$25 - \left(\frac{\$25}{\$25 + \$914} \times 500 \right)$$

$$= \$11.69$$

Scrip for scrip roll-over chosen – cost base of New Nine Shares

If scrip for scrip roll-over relief is chosen, then, based on the second formula in Section 13.2.3, the Fairfax Shareholder's cost base of the New Nine Shares acquired under the Scheme is $486.69, which is calculated as follows:

$$\text{Cost base of New Nine Shares} = \$500 \times \frac{\$914}{\$25 + \$914}$$

$$= \$486.69$$

13. TAXATION IMPLICATIONS

13.2.6 Implications of holding Nine Shares

As a consequence of participating in the Scheme, a Fairfax Shareholder will cease to be a shareholder of Fairfax and will become a shareholder of Nine.

Dividends (and any attached franking credits) received by an Australian tax resident shareholder of Nine would generally be required to be included in the assessable income of such a shareholder.

13.3 NON–RESIDENT SHAREHOLDERS

For Fairfax Shareholders who are not Australian tax residents (including Ineligible Overseas Shareholders), the disposal of their Fairfax Shares should have no CGT consequences if the Fairfax Shares are not "taxable Australian property".

The Fairfax Shares will only be "taxable Australian property" for non-resident Fairfax Shareholders who:

- hold their Fairfax Shares in carrying on a business at or through a permanent establishment in Australia; or
- are individuals who made an election to disregard a CGT event I1 capital gain or capital loss in respect of their Fairfax Shares when they ceased to be an Australian tax resident.

For other Fairfax Shareholders who are not Australian tax residents, no component of the Fairfax Shares should be taxable Australian property as the underlying value of each share is not principally derived from Australian real property.

13.4 STAMP DUTY

No stamp duty should be payable by Fairfax Shareholders in relation to the disposal of Fairfax Shares to Nine under the Scheme.

13.5 GOODS AND SERVICES TAX

Fairfax Shareholders should not be liable to GST in respect of a disposal of their Fairfax Shares.

Fairfax Shareholders may be charged GST on costs (such as adviser fees relating to their participation in the Scheme) that relate to the Scheme. Fairfax Shareholders may be entitled to input tax credits for such costs, but should seek independent professional tax advice in relation to their individual circumstances.

14. ADDITIONAL INFORMATION

14.1 INTERESTS OF FAIRFAX DIRECTORS

14.1.1 Fairfax Directors

The Fairfax Directors at the date of lodgement of this Booklet for registration by ASIC were:

- Nick Falloon, Chairman and Non-Executive Director;
- Patrick Allaway, Non-Executive Director;
- Jack Cowin, Non-Executive Director;
- Gregory Hywood, Chief Executive Officer and Managing Director;
- James Millar, AM, Non-Executive Director;
- Linda Nicholls, AO, Non-Executive Director;
- Mickie Rosen, Non-Executive Director; and
- Todd Sampson, Non-Executive Director.

14.1.2 Securities in Fairfax held by, or on behalf of, Fairfax Directors

Except as stated in this Section 14.1:

- there are no marketable securities of Fairfax held by or on behalf of Fairfax Directors as at the date of this Booklet;
- no Fairfax Director holds, or has any interest in, marketable securities of Nine or any other member of the Nine Group; and
- there has been no dealing by any of the Fairfax Directors in any marketable securities of Fairfax or Nine or any other member of the Nine Group in the four months preceding 9 October 2018, the last practicable Trading Day prior to the date of this Booklet.

14.1.3 Interests of Fairfax Directors in marketable securities of Fairfax

The following table shows the marketable securities of Fairfax held by, or on behalf of, each Fairfax Director as at 9 October 2018, the last practicable date prior to the date of this Booklet:

FAIRFAX DIRECTOR	FAIRFAX SHARES (INCLUDING FAIRFAX RESTRICTED SHARES)	FAIRFAX OPTIONS	FAIRFAX PERFORMANCE RIGHTS
Nick Falloon	541,003	-	-
Patrick Allaway	120,000	-	-
Jack Cowin	3,000,000	-	-
Gregory Hywood	1,966,641	9,333,332	3,140,773
James Millar	200,000	-	-
Linda Nicholls	256,905	-	-
Mickie Rosen	-	-	-
Todd Sampson	87,831	-	-

Fairfax Directors who hold Fairfax Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration on the same terms as all other Fairfax Shareholders.

Each Fairfax Director intends to vote any Fairfax Shares held or controlled by him or her in favour of the Scheme, in the absence of a Superior Proposal.

14.1.4 Interests and dealings of Fairfax Directors in securities in Nine or any other member of Nine Group

No Fairfax Director has a Relevant Interest in any securities in Nine or any other member of the Nine Group.

14.1.5 Agreements or arrangements with any Fairfax Director in connection with the Scheme

If the Scheme proceeds, the following Fairfax Directors will be appointed to the Board of the Combined Group:

- Nick Falloon, who will join the Board of the Combined Group as Deputy Chairman;
- Patrick Allaway; and
- Mickie Rosen.

14.1.6 Payments or other benefits to Fairfax Directors, or secretaries or executive officers of Fairfax

Except as set out below or otherwise disclosed in this Booklet:

- there is no payment or other benefit that is proposed to be made or given to any Fairfax Director, secretary or executive officer of Fairfax (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Fairfax (or any of its Related Bodies Corporate) as a consequence of or in connection with the Scheme and no Fairfax Director, or secretary or executive officer of Fairfax (or any of its Related Bodies Corporate) has had or is to have the amount of any payment or benefit which may be made to them upon their loss of office or retirement from office, materially affected by the Scheme;
- the Fairfax Directors do not have any other interests in a contract entered into by Nine or any other member of the Nine Group;
- there are no contracts or arrangements between a Fairfax Director and any person in connection with or conditional upon the outcome of the Scheme; and
- the Fairfax Directors do not have a material interest in relation to the Scheme.

The table below shows the Fairfax Options and Fairfax Performance Rights held by executive officers of Fairfax as at 9 October 2018, the last practicable date prior to the date of this Booklet as well as the approximate cash payments to be made to those executive officers if the Scheme becomes Effective in exchange for the cancellation of their Fairfax Options and Fairfax Performance Rights. In addition, if the Scheme becomes Effective, executive officers of Fairfax will receive cash payments of approximately $5.0 million (of which $1.4 million will be received by Gregory Hywood) in aggregate in relation to other incentive arrangements, which are described further in Sections 14.1.6.2 to 14.1.6.4.

FAIRFAX EXECUTIVE OFFICER	FAIRFAX OPTIONS	FAIRFAX PERFORMANCE RIGHTS	AGGREGATE ESTIMATED CASH PAYMENTS FOR CANCELLATION OF FAIRFAX OPTIONS AND FAIRFAX PERFORMANCE RIGHTS ($ MILLION)[1]
Gregory Hywood	9,333,332	3,140,773	$5.8
David Housego	0	1,864,834	$0.9
Gail Hambly	3,645,832	1,226,864	$2.3
Other Fairfax executive officers	3,175,206	3,326,776	$3.0
Total	**16,154,370**	**9,559,247**	**$12.0**

The table below shows the Fairfax Restricted Shares held by executive officers of Fairfax as at 9 October 2018, the last practicable date prior to the date of this Booklet. All of the Fairfax Restricted Shares[2] on issue will vest with effect from the Effective Date in order to allow the beneficial holders to receive the Scheme Consideration.

FAIRFAX EXECUTIVE OFFICER	FAIRFAX RESTRICTED SHARES
Gregory Hywood	130,132
David Housego	97,123
Gail Hambly	50,832
Other Fairfax executive officers	1,037,018
Total	**1,315,105**

1. This figure represents the aggregate of all estimated payments to be made to the relevant Fairfax executive officer as described in Sections 14.1.6.1 to 14.1.6.4.
2. In order to satisfy the vesting of Fairfax Restricted Shares an independent trustee company established pursuant to the Fairfax Equity Incentive Plan Rules will transfer sufficient Fairfax Shares to the relevant holders prior to the Record Date.

In addition, if the Scheme is Implemented, the Board of the Combined Group will determine the executive officers of the Combined Group as soon as practicable after the Implementation Date. If any executive officers of Fairfax cease to be employees of the Combined Group following Implementation, they may be entitled to termination payments in accordance with the terms of their employment contracts.

14.1.6.1 Fairfax Restricted Shares, Fairfax Options and Fairfax Performance Rights

As at the date of this Booklet, there are:

- 1,315,105 outstanding Fairfax Restricted Shares;
- 16,154,370 outstanding Fairfax Options that have fully vested; and
- 9,559,247 outstanding Fairfax Performance Rights.

The Fairfax Board will, subject to the Scheme becoming Effective:

- accelerate the vesting of all outstanding Fairfax Restricted Shares[3] with effect from the Effective Date in order to allow the beneficial holders to receive the Scheme Consideration;
- cancel all outstanding Fairfax Options with effect from the Effective Date in exchange for an approximate aggregate cash payment of $7.5 million; and
- cancel all outstanding Fairfax Performance Rights with effect from the Effective Date in exchange for an approximate aggregate cash payment of $4.5 million.

The ASX has granted Fairfax a waiver in respect of ASX Listing Rule 6.23.2 to the extent necessary to permit Fairfax to cancel the Fairfax Options and Fairfax Performance Rights for consideration without obtaining the approval of Fairfax Shareholders.

The consideration payable in respect of the Fairfax Options represents the maximum value of those entitlements, having regard to the fact that these Fairfax Options have fully vested. The consideration payable in respect of the Fairfax Performance Rights is based on the value of the maximum potential entitlements, discounted to reflect the pro-rata portion (approximately 50%) of the performance period which is expected to have elapsed on Implementation.

14.1.6.2 Amounts owing in lieu of FY16 and FY17 Fairfax Options

Pursuant to the Domain Separation Scheme Booklet lodged with the ASX on 22 September 2017 and approved by Fairfax Shareholders on 2 November 2017, Fairfax Options issued under the FY16 and FY17 Transformation Incentive Plan vested on a pro-rata basis according to the respective proportions of the performance periods completed and taking into account performance targets in those plans.

The FY16 and FY17 Fairfax Options that vested were cancelled in exchange for cash consideration payable in three equal tranches in December 2017, September 2018 and September 2019. If the Scheme becomes Effective, the Fairfax Board will accelerate the payment of the final tranche owing to participants, totalling approximately $1.0 million.

14.1.6.3 FY18 and FY19 short term incentives

Under the FY18 Short Term Incentive Plan, executives earned approximately $2.0 million that would in the normal course be allocated in the form of Fairfax Shares restricted until September 2019. If the Scheme becomes Effective, the Fairfax Board will pay the $2.0 million in cash rather than in Fairfax Restricted Shares.

The maximum value of all FY19 STI entitlements is $3.9 million (to be paid through a combination of cash and Fairfax Shares). If the Scheme becomes Effective, the Fairfax Board will cancel these entitlements in exchange for cash consideration of approximately $2.0 million, which is based on the value of the maximum potential entitlements, discounted to reflect the pro-rata portion (approximately 50%) of the performance period which is expected to have elapsed on Implementation.

14.1.6.4 FY18 bonus Fairfax Shares

Certain Fairfax executives would be entitled to receive 39,641 bonus Fairfax Shares, under the Fairfax Voluntary Share Investment Plan, if they continued to hold Fairfax Shares purchased by them during FY18 until August 2019. If the Scheme becomes Effective, the Fairfax Board will cancel the executives' entitlements to those bonus Fairfax Shares for nil consideration.

3. In order to satisfy the vesting of Fairfax Restricted Shares an independent trustee company established pursuant to the Fairfax Equity Incentive Plan Rules will transfer sufficient Fairfax Shares to the relevant holders prior to the Scheme Record Date.

14. ADDITIONAL INFORMATION

14.2 INDEPENDENT EXPERT

Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report set out in Annexure A advising as to whether, in its opinion, the Scheme is in the best interests of Fairfax Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Fairfax Shareholders, in the absence of a Superior Proposal.

14.3 IMPLICATIONS FOR CREDITORS OF FAIRFAX

The Scheme, if Implemented, is not expected to materially prejudice Fairfax's ability to pay its creditors. No material new liability will be incurred by Fairfax or its Subsidiaries as a consequence of Implementation of the Scheme other than the transaction costs described in Section 7.3.4 and payments to holders of Fairfax Options and Fairfax Performance Rights. Nine intends to refinance Fairfax's existing secured debt facilities on Implementation, which would otherwise become repayable without a waiver from the relevant lenders. Fairfax and its Subsidiaries have paid and are paying all their creditors substantially within Fairfax's normal terms of trade. Each Fairfax company is solvent and is trading in an ordinary commercial manner.

14.4 CONSENTS AND DISCLAIMERS

14.4.1 Consents

The following parties have given and have not withdrawn, before the time of registration of this Booklet by ASIC, their written consent to be named in this Booklet in the form and context in which they are named:

- Macquarie Capital (Australia) Limited as financial adviser to Fairfax;
- King & Wood Mallesons as legal adviser to Fairfax;
- Grant Samuel as Independent Expert;
- Ernst & Young Transaction Advisory Services Limited as Investigating Accountant;
- Ernst & Young as auditor to Fairfax, Nine and Stan, and as a provider of financial due diligence services to Fairfax;
- Greenwoods & Herbert Smith Freehills Pty Ltd as tax adviser to Fairfax; and
- Link Market Services Limited as Fairfax's securities registry.

Grant Samuel & Associates Pty Limited has also given and has not withdrawn, before the time of registration of this Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Booklet in the form and context in which it is included and to all references in this Booklet to that report in the form and context in which they appear.

Ernst & Young Transaction Advisory Services Limited has also given and has not withdrawn, before the time of registration of this Booklet with ASIC, its written consent to the inclusion of its Independent Limited Assurance Report in this Booklet in the form and context in which it is included and to all references in this Booklet to that report in the form and context in which they appear.

Nine has also given and has not withdrawn, before the time of registration of this Booklet with ASIC, its written consent to the inclusion of the Nine Information in the form and context in which it is included and to all references in this Booklet to the Nine Information in the form and context in which they appear.

14.4.2 Disclaimers

None of the persons referred to in Section 14.4.1 has authorised or caused the issue of this Booklet and does not make or purport to make any statement in this Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in Section 14.4.1 disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Booklet other than as described in Section 14.4.1 with that person's consent.

The Nine Information has been prepared by and is the responsibility of Nine. Fairfax does not assume responsibility for the accuracy or completeness of the Nine Information.

14.5 FEES

The amount of the fees and expenses incurred by Fairfax in connection with the Scheme, including the fees and expenses of financial advisers, lawyers, accountants, and communication consultants, is estimated at approximately $23 million (excluding GST). This includes fee and expense estimates for professional services paid or payable to:

- Macquarie Capital (Australia) Limited for acting as financial adviser to Fairfax ($14.5 million);
- King & Wood Mallesons for acting as legal adviser to Fairfax ($1.5 million);
- Grant Samuel for acting as Independent Expert ($1.1 million);
- Ernst & Young Transaction Advisory Services Limited for acting as Investigating Accountant ($0.1 million);
- Ernst & Young for providing financial due diligence services ($0.35 million);
- Greenwoods & Herbert Smith Freehills Pty Ltd for acting as tax advisers to Fairfax ($0.15 million); and

Other transaction costs (including in relation to the Share Registry) are estimated at $5.5 million.

In aggregate, if the Scheme is not Implemented, Fairfax expects to pay approximately $4 million (excluding GST) in transaction costs.

14.6 STATUS OF REGULATORY CONDITIONS

Implementation of the Scheme is subject to various approvals, consents or Fairfax relief being obtained from various Regulatory Authorities. As at the date of lodgement of this Booklet with ASIC for registration, Fairfax and Nine have applied for all of the regulatory approvals, consents or relief which they consider are necessary or desirable for the purpose of Implementing the Scheme.

14.7 ASIC RELIEF AND ASX WAIVERS AND CONFIRMATIONS

14.7.1 ASIC relief

ASIC has granted, or agreed in principle to grant, relief from paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations, which requires this Booklet to set out particulars of any payment or benefit made or given to any Fairfax Director, secretary or executive officer of Fairfax (or any of its Related Bodies Corporate) as compensation for loss of office in Fairfax (or any of its Related Bodies Corporate), or as consideration for or in connection with his or her retirement from office in Fairfax (or any of its Related Bodies Corporate). ASIC has granted Fairfax relief from this requirement so that this Booklet is only required to disclose particulars of payments made or benefits given to a Fairfax Director, secretary or executive officer in relation to their resignation or retirement from office where those payments or benefits are made in connection with or are materially affected by the Implementation of the Scheme. Fairfax is also able to describe such payments or benefits on an aggregate (rather than individual) basis and, unless that person is a Fairfax Director, refrain from disclosing the name of any director, secretary or executive officer who will lose office or retire from office in connection with the Scheme.

14. ADDITIONAL INFORMATION

14.7.2 ASX waivers and confirmations

Fairfax has applied for, and ASX has granted, the following waivers and confirmations in relation to certain ASX Listing Rules as they apply to Fairfax:

- a waiver in respect of ASX Listing Rule 6.23.2 to the extent necessary to permit Fairfax to cancel the Fairfax Options and Fairfax Performance Rights for consideration without obtaining the approval of Fairfax Shareholders;
- confirmation under ASX Listing Rule 15.1.3 that ASX does not object to the draft Booklet; and
- confirmation that the timetable for the Implementation of the Scheme is acceptable to ASX.

14.8 AGREEMENTS IN CONNECTION WITH THE SCHEME

14.8.1 Scheme Implementation Agreement

On 25 July 2018, Fairfax and Nine entered into a Scheme Implementation Agreement which sets out the steps required to be taken by the parties to give effect to the Scheme. The key terms of the Scheme Implementation Agreement are summarised below.

14.8.1.1 Conditions Precedent

The Conditions Precedent are summarised in Section 12.2 of this Booklet and are set out in full in clause 3.1 of the Scheme Implementation Agreement. As at the date of this Booklet, the Fairfax Directors are not aware of any circumstances which would cause the outstanding Conditions Precedent not to be satisfied or waived (as applicable).

14.8.1.2 No existing discussions or negotiations

Fairfax will promptly enforce the terms of any confidentiality agreement entered into in relation to a Competing Transaction and will enforce any standstill obligations, except in relation to a Superior Proposal where Nine has failed to provide a matching or superior proposal.

Fairfax has represented and warranted that at the date of the Scheme Implementation Agreement, it was not in discussions or negotiations with any third party regarding any Competing Transaction.

14.8.1.3 No-shop

During the Exclusivity Period, Fairfax must ensure that it and its representatives do not directly or indirectly solicit, invite, encourage or initiate any enquiries, negotiations or discussions (or communicate any intention to do these things) with a view to obtaining a Competing Transaction.

14.8.1.4 No-talk

During the Exclusivity Period, Fairfax must ensure that it and its representatives do not:

- negotiate or enter into or participate in negotiations or discussions with any person regarding a Competing Transaction even if that Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by Fairfax or its representatives, or the person has publicly announced the Competing Transaction; or
- disclose any non-public information about the businesses or affairs of that party to a third party (other than to its representatives or auditor or a Regulatory Authority) other than in the ordinary course of business or as required under existing contractual obligations.

Notwithstanding the above, the no-talk restriction does not apply if the Fairfax Board has determined in good faith and acting reasonably after consultation with its financial and legal advisers that the Competing Transaction (which was not solicited, invited, encouraged or initiated by Fairfax in breach of the no-shop provision) could reasonably be considered to become a Superior Proposal and failing to respond to such a Competing Transaction would be reasonably likely to constitute a breach of their fiduciary or statutory duties.

14.8.1.5 Notice of Competing Transaction

During the Exclusivity Period, Fairfax must immediately notify Nine if it or any of its representatives receives an unsolicited approach with respect to any Competing Transaction and must disclose the general nature of the approach.

14.8.1.6 Matching right

During the Exclusivity Period, Fairfax must not enter into any agreement to give effect to a Competing Transaction and must use its best endeavours to procure that none of the Fairfax Directors changes their recommendation in favour of the Scheme, to publicly recommend an actual, proposed or potential Competing Transaction unless:

- the Fairfax Board acting in good faith to satisfy its fiduciary or statutory obligations determines the Competing Transaction is a Superior Proposal;
- Fairfax has provided Nine with the material terms and conditions of the Competing Transaction, including price, conditions, timing, break fees (if any) and the identity of the offeror, following which Fairfax has given Nine at least five Business Days to provide a matching or superior proposal; and
- Nine has not announced or otherwise formally proposed a matching or superior proposal to the terms of the Competing Transaction by the expiry of the above five Business Day period.

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14.8.1.7 Nine counterproposal

If Nine exercises its matching right and provides a counterproposal prior to the expiry of the five Business Day period referred to above, Fairfax must procure that the Fairfax Board considers the counterproposal and if the Fairfax Board, acting reasonably and in good faith, determines that the counterproposal would provide an equivalent or superior outcome for Fairfax Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the counterproposal, then:

- Fairfax and Nine must use their best endeavours to agree the amendments to the Scheme Implementation Agreement and, if applicable, the Scheme, Deed Poll and related documentation; and
- Fairfax must use its best endeavours to procure that each of the Fairfax Directors continues to recommend the Scheme (as modified by the counterproposal) to Fairfax Shareholders.

Any material modification to a Competing Transaction will re-trigger Fairfax's obligation to offer Nine a right to match the modified Competing Transaction and propose a further counterproposal.

14.8.1.8 Break Fee

Fairfax has agreed to pay Nine a Break Fee of $20,000,000 (excluding any applicable GST) if the Scheme does not proceed because:

- before or on the End Date a Competing Transaction is announced or any Fairfax Director recommends, promotes or otherwise endorses a Competing Transaction and within 12 months of the End Date the third party who announced or made the Competing Transaction (or any or its Associates) completes a Competing Transaction or acquires more than 50% of Fairfax;
- any Fairfax Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of the Fairfax Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); or
- Nine terminates the Scheme Implementation Agreement due to a material breach by Fairfax.

14.8.1.9 Reverse Break Fee

Nine has agreed to pay Fairfax a Reverse Break Fee of $20,000,000 (excluding any applicable GST) without withholding or set-off if the Scheme does not proceed because:

- Fairfax terminates the Scheme Implementation Agreement due to a material breach by Nine; or
- Nine does not issue the Scrip Consideration or pay the Cash Consideration in accordance with the Scheme Implementation Agreement, Scheme or Deed Poll.

14.8.1.10 Termination by Nine

Nine may terminate the Scheme Implementation Agreement at any time prior to 8:00am (Sydney time) on the Second Court Date if any Fairfax Director:

- changes its recommendation to vote in favour of the Scheme (including any adverse modification to the recommendation or otherwise makes a public statement indicating that they no longer support the Scheme); or
- recommends a Competing Transaction.

14.8.1.11 Termination by Fairfax

Fairfax may terminate the Scheme Implementation Agreement if the Fairfax Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of the no-shop provision is a Superior Proposal and Fairfax has complied with the matching right provisions.

14.8.1.12 Termination by either party

Either party may terminate the Scheme Implementation Agreement:

- if the Scheme has not become Effective before or on the End Date;
- at any time prior to 8:00am (Sydney time) on the Second Court Date if:
    - the other party is in material breach of its obligation to use reasonable endeavours to procure the satisfaction of the Conditions Precedent, its obligation to produce this Booklet and Implement the Scheme as soon as reasonably practicable in accordance with the timetable or its specific obligations set out in clause 5.2 or 5.3 of the Scheme Implementation Agreement (as applicable); or

14. ADDITIONAL INFORMATION

- the representations and warranties given by the other party as to capacity to enter the Scheme Implementation Agreement and solvency (among others) are not true and correct,

 and the relevant circumstances remain unremedied after five Business Days;

- if there is a present or anticipated breach or non-fulfilment of a Condition Precedent which is not waived and the Scheme has not become Effective by the End Date, and if the parties cannot reach agreement within five Business Days as to an alternative way forward after consulting in good faith (provided that if the relevant Condition Precedent may be waived by and exists for the benefit of one party only, only that party may terminate the Scheme Implementation Agreement); or
- if agreed to in writing by Nine and Fairfax.

14.8.2 Scheme

The proposed Scheme under Part 5.1 of the Corporations Act between Fairfax and Scheme Participants, as generally summarised in this Booklet, is included in Annexure C, subject to any modifications or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by Fairfax and Nine.

14.8.3 Deed Poll

The Deed Poll requires Nine and Nine Subsidiary to perform their obligations under the Scheme, including the obligation on Nine to provide the Scheme Consideration to each Scheme Participant, subject to the Scheme becoming Effective. A copy of the Deed Poll is included in Annexure D.

14.9 LODGEMENT OF BOOKLET

The Booklet was given to ASIC on Friday, 14 September 2018 in accordance with section 411(2)(b) of the Corporations Act. ASIC takes no responsibility for the content of this Booklet.

14.10 INTERNATIONAL OFFER RESTRICTIONS

No action has been taken to register or qualify the New Nine Shares or otherwise permit a public offering of such securities in any jurisdiction outside Australia.

Based on the information available to Fairfax as at the date of this Booklet, Fairfax Shareholders whose Registered Addresses on the Scheme Record Date are in the following jurisdictions will be entitled to have New Nine Shares issued to them pursuant to the Scheme, subject to the qualifications, if any, set out below or otherwise disclosed in this Booklet in respect of that jurisdiction:

- Australia;
- New Zealand;
- Hong Kong, where (i) the Fairfax Shareholder is a "professional investor" (as defined in the Securities and Futures Ordinance of Hong Kong) and (ii) the number of non-professional investors does not exceed 50;
- Singapore;
- United Kingdom; and
- any other person or jurisdiction in respect of which Fairfax and Nine reasonably believe that it is not prohibited and not unduly onerous or impractical to Implement the Scheme and to issue New Nine Shares to a Fairfax Shareholder with a Registered Address in such jurisdiction.

Nominees, custodians and other Fairfax Shareholders who hold Fairfax Shares on behalf of a beneficial owner resident in Australia, New Zealand, Hong Kong, Singapore or the United Kingdom may forward this Booklet (or accompanying documents) to such beneficial shareholder but may not forward this Booklet to any person in any other country without the consent of Fairfax.

This Booklet does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this Booklet may not be distributed to any person, and the New Nine Shares may not be offered or sold, in any country outside Australia except to the extent provided below.

14.10.1 Hong Kong

WARNING: The contents of this Booklet have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Scheme. If you are in any doubt about any of the contents of this Booklet, you should obtain independent professional advice.

This Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Booklet in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purpose of issue, this Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Fairfax Shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Booklet in Hong Kong.

This Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this Booklet is addressed.

14.10.2 New Zealand

The New Nine Shares are not being offered to the public within New Zealand other than to existing Fairfax Shareholders with Registered Addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

14.10.3 Singapore

This Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of New Nine Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (**SFA**) will not apply.

This Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of New Nine Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to New Nine Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment adviser if you are in doubt about such

14. ADDITIONAL INFORMATION

investments or investment services. Nothing in this Booklet constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Fairfax nor Nine is in the business of dealing in securities or holds itself out or purports to hold itself out to be doing so. As such, Fairfax and Nine are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

14.10.4 United Kingdom

Neither this Booklet nor any other document relating to the Scheme has been delivered for approval, to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**) has been published or is intended to be published in respect of the New Nine Shares.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue of the New Nine Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Fairfax. In the United Kingdom, this Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be distributed or directed within the circumstances described in Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as **Relevant Persons**).

The investments to which this Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Booklet or any of its contents.

14.11 FAIRFAX DIRECTORS' STATEMENTS

The issue of this Booklet has been authorised by the Fairfax Board.

The Fairfax Board has given (and not withdrawn) its consent to lodgement of this Booklet with ASIC.

14.12 OTHER INFORMATION MATERIAL TO THE MAKING OF A DECISION IN RELATION TO THE SCHEME

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any of the Fairfax Directors, or any director of a Related Body Corporate of Fairfax (other than Domain and Macquarie Media), which has not previously been disclosed to Fairfax Shareholders.

14.13 SUPPLEMENTARY INFORMATION

To the extent required by the ASX Listing Rules, the Corporations Act and any other applicable law, Fairfax will issue a supplementary document to this Booklet if it becomes aware of any of the following, between the date of lodgement of this Booklet for registration by ASIC and the Effective Date:

- a material statement in this Booklet is or becomes false or misleading in a material respect;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet has occurred; or
- a significant new matter that has arisen which would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances and subject to obtaining any relevant approvals, Fairfax may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Fairfax's website (www.fairfaxmedia.com.au); or
- making an announcement to ASX.

15. GLOSSARY

15.1 INTERPRETATION

In this Booklet (other than the Annexures):

a. except as otherwise provided, all words and phrases used in this Booklet have the meanings (if any) given to them in the Corporations Act;

b. headings are for ease of reference only and will not affect the interpretation of this Booklet;

c. words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;

d. all dates and times are Sydney, Australia times, unless otherwise stated; and

e. a reference to a Section or Annexure is to a Section in or Annexure to this Booklet, unless otherwise stated.

15.2 GLOSSARY

The following is a glossary of certain terms used in this Booklet.

DEFINED TERM	MEANING
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission.
ACCC Review	the public informal review of the Scheme being conducted by the ACCC.
ACMA	Australian Communications and Media Authority.
Annual General Meeting	the annual general meeting of Fairfax Shareholders.
Annual General Meeting Proxy Form	the white proxy form for the Scheme Meeting which accompanies this Booklet.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 of the *Corporations Act*.
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.
ASX Listing Rules	the listing rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.
ASX Settlement Operating Rules	the operating rules of the clearing and settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).
ATO	Australian Taxation Office.
Booklet	this scheme booklet.
Break Fee	an amount equal to $20 million (excluding any applicable GST).
Broadcasting Services Act	the *Broadcasting Services Act 1992* (Cth).

15. GLOSSARY

DEFINED TERM	MEANING
Business Day	a business day as defined in the ASX Listing Rules.
BVOD	broadcast video on demand.
Capital Reduction Pro-Rata Amount	$0.233 per Fairfax Share held on the Domain Separation Scheme Record Date.
Cash Consideration	the component of the Scheme Consideration that will be paid in cash, being $0.025 per Fairfax Share, subject to and in accordance with the Scheme.
CHESS	the Clearing House Electronic Subregister System, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Combined Group	Nine and the entities owned and/or controlled by Nine following implementation of the Scheme.
Combined Group Pro-Forma Historical Cash Flows	the historical operating and investing cash flows of the Combined Group for the year ended 30 June 2018 in Section 10.5.9.
Combined Group Pro-Forma Historical Financial Information	the Combined Group Pro-Forma Historical Income Statement, Combined Group Pro-Forma Historical Statement of Financial Position and Combined Group Pro-Forma Historical Cash Flows.
Combined Group Pro-Forma Historical Income Statement	the historical income statement of the Combined Group for the year ended 30 June 2018 in Section 10.5.3.
Combined Group Pro-Forma Historical Statement of Financial Position	the historical statement of financial position of the Combined Group as at 30 June 2018 in Section 10.5.6.
Competing Transaction	a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed, would mean a person (other than Nine or its Related Bodies Corporate) whether alone or together with its Associates would: a. directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 20% or more of the Fairfax Shares (other than as custodian, nominee or bare trustee); b. acquire control of Fairfax, within the meaning of section 50AA of the Corporations Act; c. directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by Fairfax; or d. otherwise acquire, or merge (including by a reverse takeover bid, scheme of arrangement or dual listed company structure) with, Fairfax.
Conditions Precedent	the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement.
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Court	the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act.

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DEFINED TERM	MEANING
Deed Poll	the deed poll, substantially in the form of Annexure D.
Domain	Domain Holdings Australia Limited (ABN 43 094 154 364).
Domain Separation	the demerger of Domain entities from Fairfax.
Domain Separation Scheme Record Date	7:00pm (Sydney time) on 17 November 2017.
EBITDA	earnings/(losses) before interest revenue or expense, depreciation and amortisation, income taxation expense and including significant items.
Effective	when used in relation to the Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective (currently expected to occur on 28 November 2018).
Eligible Shareholder	any Scheme Participant who is not an Ineligible Overseas Shareholder.
End Date	1 March 2019, or such other date as is agreed by Fairfax and Nine.
Exclusivity Period	the period from 25 July 2018 until the earliest of: a. the expiration of the period of good faith negotiation pursuant to clause 3.6 of the Scheme Implementation Agreement if the Fairfax Shareholders fail to approve the Scheme at the Scheme Meeting and Fairfax and Nine fail to reach agreement under clause 3.5 of the Scheme Implementation Agreement; b. the termination of the Scheme Implementation Agreement; and c. the End Date.
Fairfax	Fairfax Media Limited (ABN 15 008 663 161) and, as the context requires, its Subsidiaries.
Fairfax Board	the board of directors of Fairfax.
Fairfax Convertible Note	a convertible note issued by Fairfax under the Terms and Conditions of Debentures dated 11 December 1991 which can be converted to one Fairfax Share.
Fairfax Director	a director of Fairfax.
Fairfax Equity Incentive Plan Rules	the Equity Incentive Plan Rules operated by Fairfax and adopted by the Fairfax Board on 2 December 2013, as revised on 8 December 2016.
Fairfax Historical Financial Information	the Fairfax Historical Income Statements, Fairfax Historical Statements of Financial Position and Fairfax Historical Statements of Cash Flows.
Fairfax Historical Income Statements	the historical income statements of Fairfax for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 in Section 8.9.3.
Fairfax Historical Statements of Cash Flows	the historical statements of cash flows of Fairfax for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 in Section 8.9.6.

15. GLOSSARY

DEFINED TERM	MEANING
Fairfax Historical Statements of Financial Position	the historical statements of financial position of Fairfax as at 26 June 2016, 25 June 2017 and 24 June 2018 in Section 8.9.5.
Fairfax Information	the information in this Booklet other than the Nine Information, the Independent Expert's Report and the Independent Limited Assurance Report.
Fairfax Option	an option issued by Fairfax over Fairfax Shares under the Fairfax Transformation Incentive Plan.
Fairfax Performance Right	a performance right issued by Fairfax under the Fairfax Equity Incentive Plan Rules.
Fairfax Prescribed Event	has the meaning given in clause 1.1 of the Scheme Implementation Agreement.
Fairfax Restricted Share	a Fairfax Share allocated to an executive officer of Fairfax under the Fairfax Equity Incentive Plan Rules, which entitles the holder to the release of the restriction on the Fairfax Share upon the satisfaction of the applicable vesting restriction.
Fairfax Share	an ordinary fully paid share in the capital of Fairfax.
Fairfax Shareholder	each person registered in the Share Register as the holder of Fairfax Shares.
First Court Hearing	the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act to convene the Scheme Meeting.
FTA TV	free-to-air television in Australia.
FY	the 12-month period ended: a. in relation to Fairfax, 26 June 2016, 25 June 2017 or 24 June 2018 (as applicable); b. in relation to Nine, 30 June in the relevant year; and c. in relation to the Combined Group, 30 June in the relevant year. A reference to **Financial Year** has a corresponding meaning.
Grant Samuel	Grant Samuel & Associates Pty Limited (ACN 050 036 372).
GST	has the same meaning as in the GST Law.
GST Law	has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and any other legislation or regulation relating to the imposition or administration of GST.
IFRS	International Financial Reporting Standards.
Implementation	the issuing and payment (as applicable) of the Scheme Consideration to Scheme Participants and the transfer of all Fairfax Shares to Nine Subsidiary pursuant to the Scheme. A reference to **Implement**, **Implemented**, **Implementing**, or **Implementation of the Scheme** has a corresponding meaning.
Implementation Date	the date scheduled for Implementation, being the fifth Business Day following the Scheme Record Date (currently expected to be 7 December 2018).
Independent Expert	Grant Samuel.

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DEFINED TERM	MEANING
Independent Expert's Report	the report of the Independent Expert, as set out in Annexure A.
Independent Limited Assurance Report	the report of the Investigating Accountant, as set out in Annexure B.
Ineligible Overseas Shareholder	a Fairfax Shareholder who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom, or whose Registered Address is a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom, or who is acting on behalf of such a person unless Nine and Fairfax jointly determine that: a. it is lawful and not unduly onerous and not unduly impracticable to issue that Fairfax Shareholder with New Nine Shares when the Scheme becomes Effective; and b. it is lawful for that Fairfax Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories, New Zealand, Hong Kong, Singapore and the United Kingdom.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844).
ITAA 1997	the *Income Tax Assessment Act 1997* (Cth).
Key Management Personnel	has the meaning given in section 9 of the Corporations Act.
LTI	long term incentive.
Macquarie Media	Macquarie Media Limited (ABN 32 063 906 927).
Meetings	the Scheme Meeting and Annual General Meeting.
New Nine Shares	the Nine Shares to be issued to Scheme Participants as Scrip Consideration.
Nine	Nine Entertainment Co. Holdings Limited (ABN 60 122 203 892).
Nine Board	the board of directors of Nine.
Nine Director	a director of Nine.
Nine Group	Nine and its Subsidiaries.
Nine Historical Financial Information	the Nine Historical Income Statements, Nine Historical Statements of Financial Position and Nine Historical Statements of Cash Flows.
Nine Historical Income Statements	the historical income statements of Nine for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 in Section 9.7.3.
Nine Historical Statements of Cash Flows	the historical statements of cash flows of Nine for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 in Section 9.7.6.
Nine Historical Statements of Financial Position	the historical statements of financial position of Nine as at 30 June 2016, 30 June 2017 and 30 June 2018 in Section 9.7.5.

15. GLOSSARY

DEFINED TERM	MEANING
Nine Information	information regarding the Nine Group and the Combined Group provided by Nine to Fairfax in writing for inclusion in this Booklet, being the 'Letter from the Chairman of Nine' in Section 2, 'Questions and answers' 6.5 and 6.42 to 6.46 in Section 6, the 'Advantages and disadvantages of the Scheme' in Sections 7.1.2, 7.1.8 and 7.3.2, the 'Overview of Nine' in Section 9, the 'Overview of the Combined Group' in Section 10 (on the basis noted), the 'Specific risks relating to Nine and its business' in Section 11.3, the 'Specific risks relating to the Scheme and the creation of the Combined Group' in Section 11.4, 'Trading in New Nine Shares' in Section 12.7.10, statements as to Nine's intentions with respect to roll-over relief election in Section 13.2.3 and the refinancing of existing secured debt facilities in Section 14.3 and definitions relating to Nine or the Combined Group.
Nine Network	Nine Network Australia Pty Limited (ABN 88 008 685 407) and, where the context requires, includes certain of its Subsidiaries.
Nine Performance Rights	a performance right issued by Nine under the Performance Rights Plan operated by Nine and adopted by the Nine Board on 1 November 2013, as revised on 14 May 2018.
Nine Prescribed Event	has the meaning given in clause 1.1 of the Scheme Implementation Agreement.
Nine Share	an ordinary fully paid share in the capital of Nine.
Nine Shareholder	each person registered in the Nine share register as the holder of Nine Shares.
Nine Subsidiary	Petelex Pty Ltd (ACN 096 683 626).
Notice of Annual General Meeting	the notice of Annual General Meeting as set out in Annexure F.
Notice of Scheme Meeting	the notice of Scheme Meeting as set out in Annexure E.
NPAT	net profit after tax.
Registered Address	in relation to a Fairfax Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Regulatory Authority	includes: a. the ASX, the ACCC, ACMA, ASIC and the Australian Takeovers Panel; b. a government or governmental, semi-governmental or judicial entity or authority; c. a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and d. any regulatory organisation established under statute.
Related Body Corporate	has the meaning given in the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.

DEFINED TERM	MEANING
Requisite Majority of Fairfax Shareholders	in relation to the Scheme Resolution: a. a majority in number (more than 50%) of Fairfax Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Fairfax Shareholders, by corporate representative); and b. at least 75% of the total number of votes cast on the Scheme Resolution.
Reverse Break Fee	an amount equal to $20 million (excluding any applicable GST).
Sale Agent	the entity (or entities) to be appointed by Nine and Fairfax (jointly) to sell or facilitate the transfer of the New Nine Shares attributable to Ineligible Overseas Shareholders, under the Sale Facility.
Sale Facility	the facility described in clause 6.7 of the Scheme.
Sale Proceeds	the proceeds of sale of New Nine Shares by the Sale Agent through the Sale Facility payable to each Ineligible Overseas Shareholder.
Scheme	the scheme of arrangement (under Part 5.1 of the Corporations Act under which all the Fairfax Shares will be transferred to Nine Subsidiary) in the form of Annexure C, together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.
Scheme Consideration	the Scrip Consideration and the Cash Consideration.
Scheme Implementation Agreement	the scheme implementation agreement dated 25 July 2018 between Nine and Fairfax, a copy of which was released to the ASX alongside Fairfax's announcement of the Scheme on 26 July 2018.
Scheme Meeting	the meeting to be convened by the Court at which Fairfax Shareholders will vote on the Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of that meeting.
Scheme Meeting Proxy Form	the yellow proxy form for the Scheme Meeting which accompanies this Booklet.
Scheme Participant	each person who is a Fairfax Shareholder as at the Scheme Record Date.
Scheme Record Date	7:00pm (Sydney time) on the second Business Day following the Effective Date or such other date as Fairfax and Nine agree (currently expected to be 30 November 2018).
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme.
Scrip Consideration	0.3627 New Nine Shares for each Fairfax Share held at 7:00pm (Sydney time) on the Scheme Record Date.
Second Court Date	the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or declines to approve the Scheme.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
Share Register	the register of Fairfax Shares.
Share Registry	Link Market Services Limited (ACN 083 214 537).

15. GLOSSARY

DEFINED TERM	MEANING
Shareholder Information Line	1800 072 766 (callers within Australia) or +61 1800 072 766 (callers outside Australia) on Business Days between 8:30am and 5:30pm (Sydney time).
Stan	the subscription video on demand service provider currently owned by Fairfax and Nine in equal proportions.
STI	short term incentive.
Subsidiary	of an entity means another entity which: a. is a subsidiary of the first entity within the meaning of the Corporations Act; and b. is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements.
Superior Proposal	a bona fide Competing Transaction which the Fairfax Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is: a. reasonably capable of being completed, taking into account all aspects of the Competing Transaction, including its conditions; and b. of a higher financial value and is more favourable to Fairfax Shareholders than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, and legal, regulatory and financial matters.
SVOD	subscription video on demand.
Trading Day	has the meaning given in the ASX Listing Rules.
Voting Record Date	7:00pm (Sydney time) on Saturday, 17 November 2018, or such other date as notified by Fairfax to the ASX.
VWAP	volume weighted average price.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

GRANT SAMUEL

12 October 2018

The Directors
Fairfax Media Limited
1 Darling Island Road
Pyrmont NSW 2009

Dear Directors

Merger with Nine Entertainment Co. Holdings Limited

1 Introduction

On 26 July 2018, Fairfax Media Limited ("Fairfax") and Nine Entertainment Co. Holdings Limited ("Nine") announced that they had entered into a Scheme Implementation Agreement under which it is proposed that the two companies merge. The merger is to be implemented by way of a scheme of arrangement under Section 411 of the *Corporations Act, 2001 (Cth)* ("Corporations Act") between Fairfax and its shareholders (the "Scheme"). If the Scheme is implemented, eligible Fairfax shareholders will receive consideration of:

- 0.3627 Nine shares; plus
- $0.025 cash,

for each Fairfax share held. Following completion of the Scheme, Fairfax shareholders will own 48.9% of the Combined Group and Nine shareholders will own 51.1%.

The current Chief Executive Officer ("CEO") of Nine, Mr Hugh Marks, will be the CEO of the Combined Group. The board of the Combined Group will comprise seven directors, four from Nine, including Mr Hugh Marks and the current Chairman of Nine, Mr Peter Costello AC (as Chairman of the Combined Group), and three from Fairfax, being Mr Nick Falloon (who will join the Combined Group board as Deputy Chairman), Mr Patrick Allaway and Ms Mickie Rosen.

Nine is an Australian media and entertainment group with annual revenue in excess of $1.3 billion. It is listed on the Australian Securities Exchange ("ASX") and, prior to announcement of the Scheme, had a market capitalisation of $2.2 billion. The Combined Group will include Nine's free-to-air ("FTA") television network, a portfolio of digital businesses (including a 59.4% interest in Domain Holdings Australia Limited ("Domain") and 100% of Stan Entertainment Pty Ltd ("*Stan*")), Fairfax's newspaper and digital publishing businesses and its 54.5% interest in ASX-listed Macquarie Media Limited's ("Macquarie Media") metropolitan AM radio network.

The Scheme is subject to a number of conditions that are summarised in the Notice of Meeting and Explanatory Statement ("Scheme Booklet") to be sent by Fairfax to its shareholders.

The directors of Fairfax have unanimously recommended that Fairfax shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Fairfax shareholders.

The directors of Fairfax have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Fairfax shareholders. A copy of the report (including this letter) will accompany the Scheme Booklet to be sent to shareholders by Fairfax. This letter contains a summary of Grant Samuel's opinion and main conclusions.

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GRANT SAMUEL

2 Summary of Opinion

In Grant Samuel's opinion, the Scheme is in the best interests of Fairfax shareholders, in the absence of a superior proposal.

The Australian media sector has experienced substantial disruption and structural change over the past ten years as a result of digitisation. The proliferation of the internet and developments in technology such as the introduction of smartphones and tablets, coupled with the growth of digital platforms such as Google, Facebook, Apple and *Netflix*, have radically changed audience behaviours, the way in which Australians consume media content and the way in which advertising is supplied.

Traditional media business models are no longer appropriate. This is evidenced by the continual decline in revenue and earnings from Fairfax's newspaper publishing businesses, despite constant business resets and ongoing reductions in cost. Traditional media businesses, including Fairfax, have been forced to change (i.e. expand into digital platforms and co-operate with their competitors) to remain relevant to audiences and advertisers and compete more effectively with their global digital counterparts. Fairfax has had some success in this regard, through the development and successful ASX listing of Domain and its subscription video on demand ("SVOD") joint venture with Nine, *Stan*.

Access to audience at scale is critical to the success of businesses that rely on advertising or subscribers. However, the adaptation of traditional media businesses to the digital world has been held back by restrictive media ownership regulation put in place prior to the introduction of the internet. The recent relaxation of a number of media control and diversity rules has provided the impetus for consolidation amongst existing media businesses, including the Scheme.

The Scheme brings together two traditional Australian media groups with complementary businesses to create a leading integrated, diversified Australian media business with multiple digital and traditional assets. It involves Nine acquiring 100% of the shares in Fairfax but, while the Scheme is technically a control transaction, the commercial reality is that, from a shareholder's perspective, it is a merger. Fairfax shareholders will, in aggregate, own 48.9% of the Combined Group and Nine shareholders will own 51.1%.

Accordingly, the analysis of fairness is different to that for a conventional control transaction. Rather than estimating the full underlying value of Fairfax including a control premium, the Scheme will be fair to Fairfax shareholders if the share of the value of the Combined Group received by them is equal to (or greater than) their proportionate contribution of value. Specifically, Grant Samuel has considered the relative contributions of sharemarket value and fundamental (underlying) value.

On the basis of sharemarket value, the aggregate interest of Fairfax shareholders in the Combined Group is materially favourable in comparison to the share contributed by them (reflecting the premium inherent in the Scheme terms at the time of announcement). Based on share prices over the three months prior to announcement of the Scheme on 26 July 2018, Fairfax shareholders are contributing approximately 45% of the value but are receiving a 48.9% share of the value. The outcome is similar in terms of relative contributions of fundamental value. Based on Grant Samuel's estimate of fundamental value, Fairfax shareholders are contributing approximately 45% of equity value compared to the 49.5% of that value they will receive (i.e. 48.9% of the Combined Group plus 2.5 cents per Fairfax share). In effect, Nine is "paying away" synergy benefits arising from the merger to Fairfax shareholders to enhance the attraction of the transaction to Fairfax shareholders. The premium also provides Fairfax shareholders with some level of "insurance" against any post announcement weakness in the Nine share price.

Accordingly, in Grant Samuel's view, the terms of the Scheme are fair to Fairfax shareholders. As the terms of the Scheme are fair, they are also reasonable and, therefore, the Scheme is in the best interests of Fairfax shareholders, in the absence of a superior proposal.

In any event, Grant Samuel believes that the advantages and benefits of the Scheme for Fairfax shareholders outweigh the disadvantages, costs and risks. The key benefits include:

- the Combined Group will be better positioned to achieve strategic outcomes that Fairfax is not able to deliver on its own, including:
  - an integrated, more attractive offering to advertisers enabling the Combined Group to better compete against global digital platforms through:
    - greater audience scale and multiple audience touchpoints;
    - differentiated service offerings across multiple platforms (television, print, digital and radio) but through a single provider; and
    - improved data solutions;
  - supporting and accelerating the growth of Domain through access to Nine's national FTA network (providing enhanced marketing reach and increased brand exposure) and the opportunity to integrate the *Domain* brand with Nine content;
  - increased content purchasing power as the Combined Group will be able to acquire content across its entire portfolio of broadcast and digital assets (FTA television, broadcast video on demand ("BVOD") and SVOD). The ability to invest more in content will provide access to high quality local content, an important competitive differentiator in an increasingly global environment; and
  - greater flexibility/optionality for *Stan* to enter into new strategic partnerships as a result of consolidating its ownership and management under a single shareholder;
- significant cost synergies, primarily in information technology ("IT"), media sales and corporate overheads. Fairfax and Nine have estimated annual cost synergies of at least $50 million to be fully realised within two years of implementation of the Scheme. These cost synergies have a notional benefit (before one off costs) of around 26 cents per Combined Group share[1] if they are realised in full;
- a stronger balance sheet, which should provide additional financial flexibility and enhanced capacity to invest in growth opportunities as they arise; and
- a material uplift in earnings per share and dividends per share for Fairfax shareholders (on an equivalent basis) if the expected cost synergies are realised in full.

The disadvantages, costs and risks of the Scheme are not trivial but are outweighed by the benefits. They include:

- the Scheme will result in Fairfax shareholders having a significantly lower exposure to Domain and a very significant exposure to FTA television broadcasting. While there is a higher degree of risk associated with the future operating performance of Nine Network relative to Domain, Fairfax shareholders will also have a significantly lower exposure to the challenging market conditions experienced by newspaper publishing;
- the integration of the two businesses will inevitably give rise to risks of delays and unanticipated costs;
- Fairfax shareholders will be faced with a new Chairman and CEO running the Combined Group, albeit there will be some continuity with three representatives from Fairfax on the Combined Group board;
- the expected cost synergies are uncertain and subject to risks as to achievability and time frame. These risks are magnified to the extent that some of the cost synergies are expected to be realised in the second year following implementation of the Scheme. However, the cost synergies estimate

[1] Calculated as $50 million of estimated cost synergies multiplied by an estimated EBITDA multiple of 9 times divided by the number of Combined Group shares on issue (1,705.4 million). This figure is before estimated integration costs which have not been quantified. The EBITDA multiple used in the estimate of the notional value is a blended rate reflecting the mix of businesses of the Combined Group. It compares to the FY19 EBITDA multiples at which Fairfax and Nine have been trading of 11.3 times and 7.4 times respectively.

is regarded by Fairfax as conservative and the Scheme may also generate revenue synergies (which have not yet been quantified);

- **transaction costs are estimated at $38 million and there will also be subsequent integration costs (which have not been quantified); and**
- **based on recent Nine share prices, the terms of the Scheme do not deliver a full premium for control to Fairfax shareholders (although a full premium for control would not be expected given the transaction is essentially a merger). On the other hand, recent prices probably reflect some risking by the market for the uncertainty of completion and the achievability of the cost synergies.**

  However, there are no absolute impediments to a future change of control transaction and Fairfax shareholders are receiving some premium under the Scheme (around 22% based on share prices immediately prior to announcement of the Scheme).

Overall, Grant Samuel's judgement is that Fairfax shareholders will be better off if the Scheme is implemented than if it is not. The combined effect of the premium implicit in the Scheme terms and the potential value uplift if the expected cost synergies are realised should mean that the market value of a Fairfax shareholder's interest in the Combined Group (together with the cash payment of 2.5 cents per share) will be greater than the market value of their Fairfax shareholding in the absence of the Scheme (or any other similar transaction).

3 Key Conclusions

- **The commercial rationale for the Scheme is compelling**

  The Scheme will create one of the largest multi-platform media companies in Australia, with a diversified portfolio of assets across FTA television broadcasting, BVOD, SVOD, publishing, and digital platforms as well as online real estate media and technology services and radio.

  The Combined Group will be Australia's largest ASX listed media group[2], with a pro forma market capitalisation of $3.8 billion (based on a Nine share price of $2.25). It will have pro forma consolidated FY18[3] revenue of $3.1 billion and pro forma consolidated FY18 EBITDA[4] of $483 million (or $531 million before *Stan's* EBITDA loss of $48 million).

  The Scheme better positions the Combined Group to achieve strategic outcomes that Fairfax is not able to deliver on its own in an increasingly digital and global media sector:

  - it enables the Combined Group to provide an improved proposition to advertisers, better positioning it to compete against global digital platforms such as Facebook and Google. The improved proposition will increase the relevance of the Combined Group to advertisers through:
    - using the greater audience scale and the Combined Group's cross-platform capabilities and service offerings to drive audience engagement;
    - a suite of differentiated service offerings and cross promotion opportunities for advertisers across television, print, digital and radio;
    - the ability to offer improved data solutions, underpinned by the combined databases of signed on users (including 9Now and Fairfax subscribers) and premium content; and
    - simplified execution though a single service provider.

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2 News Corporation ("News Corp") is larger than the Combined Group, but its primary listing is on the New York Stock Exchange. Class B Voting Common Stock in the form of CHESS Depositary Interests are listed on the ASX but they have a market capitalisation of less than $1 billion.

3 FYXX = financial year end June 20XX.

4 EBITDA is earnings before net interest, tax, depreciation and amortisation and significant items (i.e. it includes net profits of associates and other income).

The improved proposition for advertisers should lead to greater audience engagement and assist in increasing advertising market share, revenue and margins;

- it should support and accelerate the growth of Domain through leveraging the Combined Group's expanded marketing platform and cross promotion. The Combined Group will be able to provide enhanced marketing reach and increased brand exposure through Nine's national FTA network and integration of the *Domain* brand with Nine content (e.g. *The Block*). This should result in a stronger *Domain* brand and drive growth in revenue from a larger (national) audience; and
- consolidation of the ownership and management of *Stan* under a single shareholder will simplify its governance and operating structure and should provide benefits to the Combined Group in terms of increased content purchasing power with domestic and global content providers as the Combined Group will be able to acquire content across its entire portfolio of broadcast and digital assets, and the opportunity for cross-platform marketing. 100% ownership of Stan should also provide flexibility/optionality for new strategic partnerships that would not otherwise be possible.

Fairfax and Nine estimate that the Scheme will generate at least $50 million in annual cost synergies, across IT, media sales, corporate and divisional support functions (including procurement efficiencies) and content sharing. One off costs associated with achieving the cost synergies have not been quantified. These synergies are expected to be fully realised within two years of implementation of the Scheme.

There are risks and uncertainties associated with these cost synergies (see below). Accordingly, there is no certainty that they will be realised. Moreover, the risk of realisation is increased to the extent that some of the synergies are not expected to be realised immediately, but rather during the two years following implementation of the Scheme.

The estimated cost synergies (before one off costs) have a notional value of 26 cents per Combined Group share[1] if they are realised in full.

The Scheme also has the potential to provide revenue synergies. While Fairfax and Nine have not quantified the revenue synergies possibly available, they could add materially to the estimated $50 million of cost synergies.

- **The terms of the Scheme are fair to Fairfax shareholders**

  The Scheme involves Nine acquiring 100% of the shares in Fairfax. In a typical control transaction, fairness involves comparing the full underlying value of the target with the value of the offer (with any scrip component to be valued at "market" value (i.e. minority value)). However, while there are factors that would suggest that there is a "change of control" (e.g. the proposed board and CEO), upon implementation of the Scheme, Fairfax shareholders will, in aggregate, own 48.9% of the Combined Group, there will be no controlling shareholder and Fairfax shareholders will retain the opportunity to receive a control premium at some time in the future. On this basis, in Grant Samuel's opinion, the better view is that merger analysis is the appropriate basis on which to evaluate fairness.

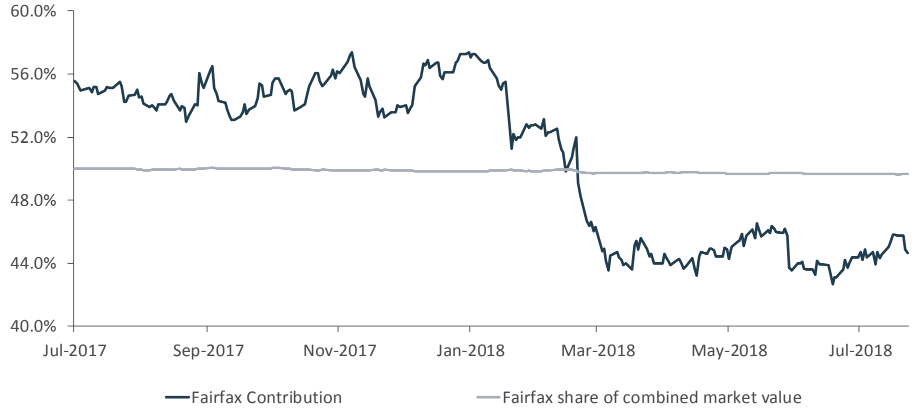
  Accordingly, in assessing fairness, rather than estimating the full underlying value of Fairfax including a premium for control, Grant Samuel has compared the share of the value of the Combined Group received by Fairfax shareholders with the relative contribution by Fairfax shareholders of sharemarket value and fundamental (underlying) value.

  Sharemarket Value

  Fairfax's contribution to the aggregate sharemarket value of the two companies (based on daily closing prices) compared to the share of the combined sharemarket value received by Fairfax shareholders (based on trading from 1 July 2017 to 25 July 2018, the last trading date prior to announcement of the Scheme) is shown in the following chart:

FAIRFAX – SHARE OF COMBINED MARKET VALUE

1 JULY 2017 TO 25 JULY 2018



Source: IRESS and Grant Samuel analysis
Note: Fairfax shareholders' share of the combined market value includes the cash component of the Scheme consideration (2.5 cents per Fairfax share)

The following table shows the relative contributions based on volume weighted average prices ("VWAPs") compared to the relative values received under the Scheme terms by the shareholders of each company across different periods prior to announcement of the Scheme:

FAIRFAX – SHARE OF COMBINED SHAREMARKET VALUE

		25 JULY 2018		PERIOD TO 25 JULY 2018 (VWAP)				
		LAST PRICE	VWAP	ONE WEEK	ONE MONTH	THREE MONTHS	SIX MONTHS	TWELVE MONTHS
Fairfax								
Price		$0.770	$0.773	$0.788	$0.766	$0.747	$0.717	$0.704
Market capitalisation ($ millions)	A	1,771	1,777	1,812	1,761	1,718	1,649	1,619
Nine								
Price		$2.520	$2.522	$2.510	$2.503	$2.428	$2.253	$1.900
Market capitalisation ($ millions)	B	2,196	2,198	2,187	2,181	2,116	1,963	1,656
Combined sharemarket value ($ millions)	***C=A+B***	**3,966**	**3,975**	**3,999**	**3,942**	**3,833**	**3,612**	**3,274**
Fairfax % contribution	**A/C**	**44.6%**	**44.7%**	**45.3%**	**44.7%**	**44.8%**	**45.6%**	**49.4%**
Nine % contribution	B/C	55.4%	55.3%	54.7%	55.3%	55.2%	54.4%	50.6%
Combined sharemarket value after cash component ($ millions)	***D = C – E[1]***	**3,909**	**3,918**	**3,942**	**3,885**	**3,776**	**3,554**	**3,217**
Share of combined sharemarket value received ($ millions)								
Fairfax	F = (D x 48.9%[2]) + E[1]	1,969	1,973	1,985	1,957	1,904	1,796	1,631
Nine	G = (D x 51.1%[2])	1,997	2,002	2,014	1,985	1,929	1,816	1,644
Fairfax % received	**F/C**	**49.6%**	**49.6%**	**49.6%**	**49.6%**	**49.7%**	**49.7%**	**49.8%**
Nine % received	G/C	50.4%	50.4%	50.4%	50.4%	50.3%	50.3%	50.2%

Source: IRESS and Grant Samuel analysis
Notes:
1. Where E = the cash component ($57.5 million), calculated as 2,299.5 million Fairfax shares x 2.5 cents per share
2. On implementation of the Scheme existing Fairfax shareholders will own 48.9% of the Combined Group and existing Nine shareholders will own 51.1%

The analysis demonstrates that, based on recent sharemarket prices prior to the announcement (since late January 2018), Fairfax shareholders are contributing a lower share of the combined sharemarket value (44.6-45.6%) than they are receiving (49.6-49.7%).

Fundamental Value

The table below compares the value contributed by Fairfax and Nine shareholders based on Grant Samuel's estimate of the fundamental value of each to the share of fundamental value received by the shareholders of each company:

FUNDAMENTAL VALUE ANALYSIS ($ MILLIONS)

		FUNDAMENTAL VALUE RANGES	
		LOW	HIGH
Fairfax (Section 8.2 of the full report)	A	1,993.6	2,153.0
Nine (Section 8.3 of the full report)	B	2,389.4	2,614.4
Combined Group (aggregate)	C = A+B	**4,383.0**	**4,767.4**
Less: cash component to Fairfax shareholders	D[1]	(57.5)	(57.5)
Pro forma Combined Group (aggregate)	E = C - D	**4,325.5**	**4,709.9**
Value Received – Fairfax	F = (48.9%[2] x E) + D	**2,172.7**	**2,360.6**
Value Received – Nine	G = (51.1%[2] x E)	**2,210.3**	**2,406.8**
Relative Value Contributed			
Fairfax shareholders	**A/C**	**45.5%**	**45.2%**
Nine shareholders	B/C	54.5%	54.8%
Relative Value Received			
Fairfax shareholders	**F/C**	**49.6%**	**49.5%**
Nine shareholders	G/C	50.4%	50.5%

Source: Grant Samuel analysis
Note:
1. Where D = the cash component ($57.5 million), calculated as 2,299.5 million Fairfax shares x 2.5 cents per share
2. On implementation of the Scheme existing Fairfax shareholders will own 48.9% of the Combined Group and existing Nine shareholders will own 51.1%

The values are based on Grant Samuel's estimate of the fundamental value of the operating businesses of Fairfax and Nine (see Section 8.1 of the full report for a detailed discussion of the valuation approach). In particular, it should be noted that:

- separate values have been ascribed to each operating business. Australian Metro Media, Australian Community Media, Stuff, Domain, Macquarie Media, *Stan* and Nine's FTA television broadcasting and digital publishing business have each been valued separately;
- the value of each operating business (other than *Stan*) has been assessed by reference to the capitalisation of earnings methodology with the discounted cash flow ("DCF") methodology used as a cross check, and reflect the characteristics and outlook for each business; and
- the values for each business represent a "control" value (i.e. value of 100% of the business) but do not purport to represent the full underlying value that might be realised if the businesses were sold on the open market as the analysis does not take into account the synergies that might be available to potential purchasers. The full realisable value for each company would include value for factors such as listed company and head office cost savings as well as operational savings. Synergies have been excluded to assist in ensuring the value of the various businesses is estimated consistently across the two companies.

This analysis shows that Fairfax shareholders are receiving a greater share of the fundamental value of the Combined Group (49.5-49.6%)[5] than their contribution of value (45.2-45.5%[6]).

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5 Midpoint value received 49.5%. If the fundamental value ranges are matched on a low/high and high/low basis, the relative value received by Fairfax shareholders is 49.5% and the midpoint does not change.

6 Midpoint value contribution 45.3%. If the fundamental value ranges are matched on a low/high and high/low basis, the relative value contribution by Fairfax shareholders is in the range 43.3-47.4% but the midpoint does not change.

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Conclusion

Overall, the analysis shows that Fairfax shareholders' collective share of value will be greater than their contribution of value to the Combined Group. This outcome is the corollary of the premium implicit in the transaction terms at the time of announcement and suggests that Nine is "paying away" synergy benefits arising from the merger to Fairfax shareholders.

Accordingly, in Grant Samuel's opinion, the terms of the Scheme are fair to Fairfax shareholders.

Value of the Consideration

Fairfax shareholders will receive shares in Nine plus 2.5 cents cash per share under the Scheme. The market value of the consideration will therefore depend on the Nine share price. The table below summarises the value parameters of the Scheme at various alternative Nine share prices:

SCHEME VALUE PARAMETERS

	NINE SHARE PRICE						
	\$2.15	**\$2.25**	**\$2.35**	**\$2.45**	**\$2.55**	**\$2.65**	**\$2.75**
Value of Scheme per Fairfax share	\$0.80	\$0.84	\$0.88	\$0.91	\$0.95	\$0.99	\$1.02
Premium							
- last price on 25 July 2018 (\$0.77)	4.5%	9.2%	13.9%	18.7%	23.4%	28.1%	32.8%
"Payment" for cost synergies							
- value range – low (\$ millions)	(143)	(60)	24	107	191	274	358
- value range – high (\$ millions)	(302)	(219)	(136)	(52)	31	115	198

Source: Grant Samuel analysis

Based on a Nine share price of \$2.25, the Scheme provides to Fairfax shareholders consideration with a market value of \$0.84 per Fairfax share which does not correspond to a full takeover value of Fairfax (although a full premium for control should not be expected given the transaction is essentially a merger). However, while the recent trading range should incorporate the impact of the Scheme on Nine (including the potential cost synergies which are already in the public domain), the effects are likely to be discounted to reflect:

- uncertainty as to whether the Scheme will be implemented because of the regulatory uncertainty relating to competition approvals; and
- risks associated with realising the estimated cost synergies, which are expected to be realised over a two year period.

In this context, a Nine share price of \$2.25 implies multiples of Combined Group pro forma proportionate FY18 EBITDA (before cost synergies) of 9.8 times (8.8 times if the expected \$50 million of cost synergies are assumed in full) suggesting little value for cost synergies is being factored into recent Nine share prices. Furthermore, these EBITDA multiples include \$48 million of EBITDA losses from *Stan*. If these losses are excluded from EBITDA, the implied EBITDA multiple falls to 8.8 times (8.0 times if the expected \$50 million of cost synergies are assumed in full). These multiples do not take into account any revenue synergies that might be generated by the Combined Group.

Accordingly, it is reasonable to expect some improvement in the Nine share price once there is certainty of implementation of the Scheme and as evidence of achievement of the expected cost synergies emerges. Completion of the Scheme may also see a greater focus on the strategic benefits and revenue potential. At prices of \$2.55 and above, Fairfax shareholders would be receiving a substantial premium and a significant payment for synergies. Trading at these prices implies multiples of Combined Group pro forma proportionate FY18 EBITDA (before cost synergies) of at least 11.1 times, 9.9 times if the expected \$50 million of cost synergies are assumed in full and 9.0 times if the *Stan* losses are also excluded.

In any event, the value of the consideration cannot be compared directly with a takeover offer price (where shareholders give up control to a third party bidder). The nature of the Scheme means that:

- shareholders have an ongoing exposure to the future performance of the businesses and will share in any synergy benefits that are realised;
- shareholders still have the potential to receive an offer for the Combined Group incorporating a premium for control; and
- any comparison needs to take into consideration a range of factors in addition to value (e.g. residual exposure, tax and certainty of completion).

- **Fairfax has been valued at $1.99-2.15 billion (excluding synergies)**

The valuation of Fairfax (excluding synergies) is set out in Section 8.2 of the full report and is summarised below:

FAIRFAX – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Newspapers	9.1	490.0	575.0
Domain (59.4% interest)	9.2	1,425.6	1,485.0
Macquarie Media (54.5% interest)	9.3	152.6	163.5
Corporate overheads	8.2.4	(105.0)	(120.0)
Value of business operations	**8.2.2**	**1,963.2**	**2,103.5**
Interests in joint ventures and associates[7]	8.2.3	241.6	266.6
Other assets and liabilities	8.2.5	(94.0)	(99.9)
Enterprise value		**2,110.8**	**2,270.2**
Adjusted net borrowings	8.2.6	(117.2)	(117.2)
Value of equity		**1,993.6**	**2,153.0**

The values for each business operation exclude any synergies that may be available to potential acquirers. On this basis, while the value attributed to Fairfax by Grant Samuel represents a "control" value, it does not represent full underlying value[8].

The overall multiples implied by the valuation of Fairfax's business operations are summarised below:

FAIRFAX'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	FULL REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted proportionate EBITDA[9]				
FY18 (adjusted actual)	8.1.2	225.7	8.7x	9.3x
FY19 (adjusted broker median)[10]	8.1.2	210.5	9.3x	10.0x
Multiple of adjusted proportionate EBITA[9]				
FY18 (adjusted actual)	8.1.2	184.5	10.6x	11.4x
FY19 (adjusted broker median)[10]	8.1.2	167.0	11.8x	12.6x

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7 Including a 50% interest in *Stan*.

8 See Section 8.1 of the full report for details of Grant Samuel's valuation approach, including the calculation of adjusted earnings.

9 Proportionate EBITDA and EBITA include 100% of Fairfax's newspaper publishing business operations, 59.4% of Domain and 54.5% of Macquarie Media. EBITA is earnings before net interest, tax, amortisation of acquired intangible assets and significant items.

10 Fairfax and Nine have not included FY19 forecast information in the Scheme Booklet. To provide an indication of Fairfax's and Nine's expected financial performance, Grant Samuel has considered brokers' forecasts (see Appendix 1 (Fairfax) and Appendix 2 (Nine) to the full report).

Caution is warranted in interpreting the implied overall multiples for Fairfax's business operations which are blended multiples for the newspaper publishing, online and radio businesses and reflect significantly higher multiples for Domain (at 18.2-19.0 times forecast EBITDA) and much lower multiples for the newspaper publishing businesses (at 3.7-4.4 times forecast EBITDA, which is again a blend of higher multiples for Australian Metro Media relative to Australian Community Media and Stuff). The implied multiples reflect the particular attributes of each of Fairfax's business operations, taking into account factors such as:

- the diversified portfolio of media assets across newspaper publishing, online and radio which would be difficult to replicate;
- the well established and recognised state-based and national brands, including *The Sydney Morning Herald*, *The Australian Financial Review*, *The Canberra Times* and *Domain* and its leading national metropolitan AM radio network;
- Fairfax's historical financial performance and track record of performance over the last four years, in particular, the challenging conditions facing the newspaper publishing business and Fairfax's response to this through business resets and a focus on cost control and the high growth achieved by Domain in revenue and earnings;
- upside potential in the newspaper publishing businesses (particularly Australian Metro Media) from the News Corp printing arrangements and the arrangement with Google as well as the ability to continue to reduce costs across the newspaper publishing portfolio;
- the significant quantum of proportionate earnings that comes from newspaper publishing (63% of proportionate FY18 EBITDA); and
- the long term growth expectations for newspaper publishing (and differences between metropolitan and regional markets, with some stabilisation emerging in metropolitan markets), online classified advertising (positive notwithstanding exposure to the property cycle and the potential for increased competition) and radio (maintaining its advertising market share).

The value was cross checked to DCF analyses for each business operation (enabling different assumptions to be made for revenue growth, EBITDA margins and in perpetuity growth rates) using discount rates of 10.5-11.5% for newspapers and Macquarie Media and 9.5-10.5% for Domain.

- **Nine has been valued at $2.39-2.61 billion (excluding synergies)**

The valuation of Nine (excluding synergies) is set out in Section 8.3 of the full report and is summarised below:

NINE – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	8.3.2	2,400.0	2,600.0
Interests in joint ventures and associates[7]	8.3.3	240.6	265.6
Other assets and liabilities	8.3.5	(84.0)	(84.0)
Enterprise value		**2,556.6**	**2,781.6**
Adjusted net borrowings	8.3.6	(167.2)	(167.2)
Value of equity		**2,389.4**	**2,614.4**

As with Fairfax, the values for each business operation exclude any synergies that may be available to potential acquirers and, therefore, the value attributed to Nine by Grant Samuel does not represent full underlying value[8].

The overall multiples implied by the valuation of Nine's business operations are summarised below:

NINE'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	FULL REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	268.8	8.9x	9.7x
FY19 (adjusted broker median) [10]	8.1.2	292.3	8.2x	8.9x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	232.1	10.3x	11.2x
FY19 (adjusted broker median) [10]	8.1.2	256.8	9.3x	10.1x

The implied multiples reflect the particular attributes of Nine's business operations, taking into account factors such as:

- it is one of only three commercial FTA television broadcasting networks in Australia with national coverage (including five city metropolitan coverage and regional northern New South Wales and Darwin, with other regions covered through affiliation agreements);
- over recent years, it has consistently been the leading commercial FTA television broadcaster in terms of share of viewing (after allowing for the impact of key events such as Olympics and Commonwealth Games) and revenue share;
- Nine's recent track record of performance, in particular, the significant uplift in FY18 revenue and EBITDA and the guidance provided for a further material uplift in FY19 based on growth in revenue share and a decline in costs (in part due to the change in summer sport from cricket to tennis but also reflecting ongoing tight cost control);
- the strong and growing contribution from Nine's portfolio of high growth digital platforms (in particular, 9Now) and digital publishing assets; and
- the long term outlook for FTA television broadcasting. While this sector of the media industry is mature, and the outlook is for its share of advertising spend to continue to decline on an overall basis, the metropolitan (as opposed to the regional) FTA television broadcasting market is currently showing some growth as advertisers are rediscovering television's ability to deliver audience efficiently and effectively at scale.

The value was cross checked to DCF analysis using discount rates of 10.5-11.5%.

- ***Stan* has been valued at $450-500 million (excluding synergies)**

  Grant Samuel has estimated the value of 100% of *Stan's* business operations to be in the range $450-500 million. On this basis, the value of the 50% interests in *Stan* owned by Fairfax and Nine are each estimated to have a value of $225-250 million (including shareholder loans).

  The value of *Stan* is impossible to estimate with any level of precision as it is in its start up phase and while it has achieved considerable growth in subscribers and revenues, it has not yet reached breakeven. There is no directly comparable transaction or listed company for *Stan* (*Netflix* is not directly comparable as it is a profitable business).

  Grant Samuel considered a number of different bases for attributing value to *Stan*, including the investment to date by the joint venture parties, Nine's estimate of the fair value of Stan for the purposes of the Combined Group pro forma statement of financial position, broker valuations of *Stan*, other parameters such as value per subscriber and revenue multiples, and DCF analysis.

  However, for the purposes of the Scheme, the estimated value of *Stan* is not critical as Fairfax and Nine each have a 50% interest in the *Stan* joint venture and Fairfax shareholders will collectively hold almost 50% (a 48.9% interest) in the Combined Group.

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- **The Combined Group will have considerable financial flexibility**

  The Combined Group will be a larger and financially more robust company than Fairfax on a standalone basis. The Combined Group's gearing will be lower than the gearing of Fairfax (10.4% vs 14.4%, based on book values), although gearing based on market values does increase marginally from 4.1% (based on a Fairfax share price of $0.77 and proportionate net borrowings of $75 million) to 7.2% (based on a Combined Group share price of $2.25 and proportionate net borrowings of $298 million). Net borrowings to EBITDA will also increase marginally (from 0.5 times to 0.7 times). In both cases, these remain very conservative gearing metrics. The Combined Group should be able to raise debt and equity, if required, on more attractive terms than those available to Fairfax, providing additional financial flexibility and enhanced capacity to invest in growth opportunities as they arise.

- **There is a material uplift in earnings per share and dividends per share if the expected cost synergies are realised in full**

  The Scheme is expected to result in a material uplift in attributable earnings per share (before significant items) and dividends per share for Fairfax shareholders (on an equivalent basis) if the cost synergies are realised in full. The impact is illustrated below based on pro forma results for FY18, the merger ratio, the pro forma analysis set out in Section 6.4 of the full report, and a Combined Group share price of $2.25:

PRO FORMA FY18 IMPACT PER EQUIVALENT FAIRFAX SHARE

	FAIRFAX STANDALONE	COMBINED GROUP	EQUIVALENT FAIRFAX SHARE	CHANGE	
				ABSOLUTE	%
INCLUDING *STAN* LOSSES[11]					
Earnings per share (before significant items)					
- before cost synergies	5.4c	13.7c	5.1c	(0.3)c	-5.4%
- after cost synergies	5.4c	15.7c	5.9c	0.5c	+8.8%
Dividends per share					
- before cost synergies	2.9c	7.6c	2.8c	(0.1)c	-2.0%
- after cost synergies	2.9c	8.7c	3.3c	0.4c	+12.7%
EXCLUDING *STAN* LOSSES[11]					
Earnings per share (before significant items)					
- before cost synergies	5.4c	16.3c	6.1c	0.7c	+12.9%
- after cost synergies	5.4c	18.4c	6.9c	1.5c	+27.1%
Dividends per share					
- before cost synergies	2.9c	9.1c	3.4c	0.5c	+16.9%
- after cost synergies	2.9c	10.2c	3.8c	0.9c	+31.6%

Source: Scheme Booklet and Grant Samuel analysis

Based on the analysis including *Stan's* losses, the uplift in earnings per share (before significant items) is underpinned by achievement of the expected cost synergies. While earnings per share decreases if cost synergies are excluded, this primarily reflects the inclusion of *Stan's* losses (of which Fairfax shareholders are contributing 50%). If cost synergies are included, the uplift in earnings per share is material as the pro forma analysis assumes the cost synergies are available immediately upon

[11] Grant Samuel has analysed the impact of the Scheme on attributable earnings per share (before significant items) and dividends per share for Fairfax shareholders on two bases, including the *Stan* losses and excluding the *Stan* losses. The Combined Group will consolidate *Stan* as it will own 100% (and therefore its revenue and earnings (losses or profits) will be shown in the Combined Group's income statement). However, Fairfax accounts for its 50% interest in the *Stan* joint venture as an equity accounted investment which had a carrying value of nil as at 24 June 2018 and, as a result, *Stan's* losses are not presently recognised in Fairfax's share of profits/(losses) of associates and joint ventures (i.e. its revenue and losses are not shown in Fairfax's income statement). Consequently, it is arguably more appropriate to compare Fairfax's FY18 earnings per share (before significant items) and dividends per share to the Combined Group excluding *Stan*.

implementation. In reality, the cost synergies are expected to emerge over a two year integration period.

Based on the analysis excluding *Stan's* losses (which is arguably more comparable to the Fairfax standalone earnings per share and dividends per share[11]), the uplift in earnings per share (before significant items) is substantial, even before the cost synergies.

In both cases, the pro forma analysis is before the one off costs associated with achieving the cost synergies.

Nonetheless, a material increase in earnings per share is necessary for Fairfax shareholders given the Combined Group will have a lower proportion of its total earnings from the higher rated Domain business (relative to Fairfax on a standalone basis).

To the extent earnings per share increases, dividends per share increases based on Nine's FY18 dividend payout ratio of 56% of operating profit after tax ("OPAT") but before significant items. It should be noted that Nine's FY18 dividend payout ratio effectively represents an increase in payout ratio for Fairfax shareholders as on a standalone basis, Fairfax paid out 53% of OPAT before significant items as dividends in FY18.

- **There are some disadvantages, costs and risks which are not trivial but are outweighed by the advantages and benefits**

  The disadvantages, costs and risks of the Scheme include:

  Change in the mix of exposure

  If the Scheme is implemented, Fairfax shareholders will have a:

  - significantly lower exposure to the high growth Domain business (14% of Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads compared to 30% in the absence of the Scheme); and
  - a very significant exposure to FTA television broadcasting (47% of Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads).

  On the other hand, Fairfax shareholders will also have significantly lower exposure to the newspaper publishing businesses (36% based on Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads compared to 63% in the absence of the Scheme).

  The exposure to SVOD through *Stan* will remain approximately the same given that Fairfax and Nine each have a 50% interest in the *Stan* joint venture and Fairfax shareholders will collectively hold a 48.9% interest in the Combined Group. While there is a very small reduction in exposure, it is not material in the context of the overall Scheme (at around 15 basis points or 0.15%).

  There will undoubtedly be some Fairfax shareholders who will not welcome the dilution of their exposure to the Domain business (and its replacement with a substantial exposure to FTA television), particularly in view of:

  - the strong performance of Domain over the past three years (average annual growth of 17% in revenue and 11% in EBITDA) relative to the performance of Nine's FTA television broadcasting business (average annual growth of -2% in revenue and 5% in EBITDA); and
  - the growth outlook for the online sector, which is regarded as positive relative to the more subdued environment facing the FTA television sector.

  While these factors are important, Fairfax shareholders also need to recognise that:

- the Domain business has its own challenges that could impact on future returns to shareholders, including the cyclicality of property markets (in addition to general economic conditions) and threats of new competition and new participants;
- Nine's FTA television broadcasting business generated an uplift in revenue (+6.7%) and a substantial uplift in EBITDA (+26.5%) in FY18 reflecting strong momentum in the metropolitan FTA television market, an increase in revenue market share and control over costs. Further growth is expected in FY19, particularly from cost savings associated with the change in summer sports from cricket to tennis and an increasing contribution from Nine's high growth digital publishing businesses;
- Fairfax's newspaper publishing businesses, to which shareholders are currently fully exposed, face challenges as standalone businesses which are arguably greater than the challenges facing Nine's FTA television business;
- the Combined Group will have a more diverse exposure to the various sectors of the media industry;
- the Combined Group will retain a controlling interest in Domain that should enable it to maximise the business opportunities between the two entities and extract full value from any future corporate transactions; and
- they are receiving a share of value (circa 49.5%) that is higher than the value that they are contributing, whether measured by sharemarket or fundamental value.

In any event, Fairfax shareholders who wish to have a greater exposure to Domain can sell their Combined Group shares and acquire Domain shares on the ASX (although they will incur brokerage costs in doing so).

Transaction and Integration Costs

Fairfax and Nine will each incur transaction costs in relation to the Scheme. Transaction costs are estimated to total approximately $38 million ($23 million for Fairfax and $15 million for Nine). The Combined Group will also incur integration costs associated with achieving the cost savings which have not been quantified. However, these integration costs are one off and unlikely to be material in the context of the Combined Group.

Fairfax shareholders will, in aggregate, bear 48.9% of these costs (as well as 48.9% of the integration costs). The transaction costs represent less than 1% of the pro forma market capitalisation of the Combined Group.

Integration Risks

The benefits of the Scheme relate largely to the broader strategic benefits and cost synergies expected to be realised through the combination and integration of the Fairfax and Nine businesses. However, it should be recognised that the businesses are quite different from each other. Realisation of the expected benefits will not be an automatic consequence of the Scheme but will require the successful integration and ongoing management of the Combined Group. Business integrations are inherently risky. There may be unanticipated issues or costs that arise on integration of the Combined Group. The Combined Group will have a much broader range of operations and will, as a result, be more complex and intrinsically more difficult to manage than Fairfax on a standalone basis.

Given the risks involved, it is to be expected that the share market value of the Combined Group will only fully reflect the benefits of the Scheme over time, as the integration process is successfully completed, expected cost synergies are realised and management demonstrates its ability to leverage real value from the stronger strategic positioning of the Combined Group.

Other

There are a number of other costs, disadvantages and risks for Fairfax shareholders:

- shareholders may realise a capital gain on the cash consideration received under the Scheme as capital gains tax ("CGT") rollover relief is not available for this component of the consideration (see Section 7.4 of the full report). However, shareholders will have received a cash amount from which any CGT can be paid;
- some shareholders may not want to hold Nine shares. However, they will be able to sell their shares into an enlarged market for Nine shares, although there is no certainty that they will be able to realise the scrip received for an amount equivalent to the value attributed by the merger terms (e.g. due to transaction costs and the risks associated with any sharemarket investment); and
- Section 11 of the Scheme Booklet details a number of other risks relating to investment in Fairfax, Nine and the Combined Group, and the Scheme. Shareholders should consider these risks in making a decision on whether to vote in favour of the Scheme.

- **No alternative superior proposal has emerged and, in any event, the Scheme does not prevent shareholders participating in any future change of control transaction**

Fairfax shareholders could choose to reject the Scheme, in the expectation that Fairfax would be better off on a standalone basis, or that a superior proposal might be made by some third party.

The decision as to the relative merits of alternative proposals is not just a question of the headline price. If a counter proposal is, for example, a 100% cash offer (or even a predominantly cash offer), then shareholders are very clearly selling control of Fairfax to a third party under which they will have no ongoing exposure to the business and its growth potential or benefit from any synergies (i.e. it is a one time sale opportunity).

In contrast, under the Scheme they are not giving up control but will continue to have an exposure (albeit diluted) to the Fairfax businesses and have a 48.9% (aggregate) share of future growth and any cost synergies realised from the Scheme (which are notionally worth around 26 cents per Combined Group share[1] (before one off costs) if achieved in full). They will also retain the opportunity to sell "control" of the Combined Group at some future time.

In addition, there may be other differences between alternative proposals, including:

- taxation consequences. For example, a cash offer may result in material CGT liabilities for some shareholders while scrip offers may provide CGT rollover relief; and
- certainty and timing of completion particularly where regulatory approvals are required.

Accordingly, any comparison of proposals must be a more nuanced comparison across a number of dimensions (e.g. value, control, residual exposure, tax and certainty).

In Grant Samuel's view, Fairfax shareholders would be worse off if the Scheme did not proceed and Fairfax continued as a standalone company. Fairfax would not enjoy the strengthened strategic position that should result from the Scheme and would not have the benefit of the cost synergies expected to be realised through the Scheme. Moreover, the Scheme does not prevent some change of control proposal for the Combined Group emerging in the future. The Combined Group will have a largely open share register and arguably will be a more attractive target than Fairfax on a standalone basis.

It is not possible to know whether there may be an alternative that is superior to the Scheme. In any event, there is no meaningful obstacle to some third party making an alternative proposal to Fairfax prior to the meeting at which shareholders will vote on the Scheme (although Nine's matching right might be a disincentive to any competing proposal). If this arises it would be considered on its merits.

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4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Fairfax shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Fairfax in relation to the Scheme.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Fairfax. In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders, based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Fairfax, Nine or the Combined Group. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE PROPOSED MERGER
WITH NINE ENTERTAINMENT CO. HOLDINGS LIMITED

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

12 OCTOBER 2018

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

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FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The *Corporations Act, 2001 (Cth)* requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Fairfax Media Limited in relation to the proposed merger with Nine Entertainment Co. Holdings Limited ("the Fairfax Report"), Grant Samuel will receive a fixed fee of $1.05 million plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 10.3 of the Fairfax Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Fairfax Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 10.3 of the Fairfax Report:

> ***"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Fairfax or Nine or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.***
>
> ***Grant Samuel advises that it was retained by Fairfax to provide an independent expert's report in relation to the demerger of Domain dated 22 September 2017. Grant Samuel does not consider that this assignment affects its ability to provide an unbiased opinion in relation to the Scheme.***
>
> ***Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.***
>
> ***Grant Samuel will receive a fixed fee of $1.05 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.***
>
> ***Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."***

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Fairfax Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the *Corporations Act, 2001 (Cth)*.

Grant Samuel is only responsible for the Fairfax Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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Appendices

1 Terms of the Scheme

On 26 July 2018, Fairfax Media Limited ("Fairfax") and Nine Entertainment Co. Holdings Limited ("Nine") announced that they had entered into a Scheme Implementation Agreement under which it is proposed that the two companies merge. The merger is to be implemented by way of a scheme of arrangement under Section 411 of the *Corporations Act, 2001 (Cth)* ("Corporations Act") between Fairfax and its shareholders (the "Scheme"). If the Scheme is implemented, eligible Fairfax shareholders will receive consideration of:

- 0.3627 Nine shares; plus
- $0.025 cash,

for each Fairfax share held. Following completion of the Scheme, Fairfax shareholders will own 48.9% of the Combined Group and Nine shareholders will own 51.1%.

The current Chief Executive Officer ("CEO") of Nine, Mr Hugh Marks, will be the CEO of the Combined Group. The board of the Combined Group will comprise seven directors, four from Nine, including Mr Hugh Marks and the current Chairman of Nine, Mr Peter Costello AC (as Chairman of the Combined Group), and three from Fairfax, being Mr Nick Falloon (who will join the Combined Group board as Deputy Chairman), Mr Patrick Allaway and Ms Mickie Rosen.

Nine is an Australian media and entertainment group with annual revenue in excess of $1.3 billion. It is listed on the Australian Securities Exchange ("ASX") and, prior to announcement of the Scheme, had a market capitalisation of $2.2 billion. The Combined Group will include Nine's free-to-air ("FTA") television network, a portfolio of digital businesses (including a 59.4% interest in Domain Holdings Australia Limited ("Domain") and 100% of Stan Entertainment Pty Ltd ("*Stan"*)), Fairfax's newspaper and digital publishing businesses and its 54.5% interest in ASX listed Macquarie Media Limited's ("Macquarie Media") metropolitan AM radio network.

The Scheme is expected to realise annualised, pro forma cost synergies of at least $50 million, which will be fully implemented over two years.

The Scheme is subject to a number of conditions that are summarised in the Notice of Meeting and Explanatory Statement ("Scheme Booklet") to be sent by Fairfax to its shareholders, including Australian Securities & Investments Commission ("ASIC") and Federal Court of Australia approvals and the approval of Fairfax shareholders by the requisite majorities (see Section 2.1).

Other elements of the Scheme include the following:

- ineligible overseas shareholders[1] will not receive Nine shares. Such shareholders will receive in cash the proceeds from the sale on the ASX of the Nine shares to which they would otherwise have been entitled, after deducting applicable brokerage costs, stamp duty and other selling costs, taxes and charges;

[1] A Fairfax shareholder who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories, New Zealand, Hong Kong, Singapore or the United Kingdom or whose address is a place outside Australia and its external territories, New Zealand, Hong Kong, Singapore or the United Kingdom or who is acting on behalf of such a person unless Fairfax and Nine jointly determine that it is lawful and not unduly onerous and not unduly impracticable to issue that Fairfax shareholder with Nine shares and it is lawful for that Fairfax shareholder to participate in the Scheme.

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- Fairfax has agreed to certain exclusivity arrangements during the exclusivity period[2], including no-shop and no-talk restrictions and a notification obligation in relation to any competing transaction[3]. The no-talk restriction is subject to a carve out in respect of the fiduciary or statutory obligations of Fairfax directors;
- Nine has been granted a right to match a competing transaction for Fairfax;
- a $20 million break fee is payable (and in some circumstances potential damages):
  - by Fairfax to Nine if the Scheme does not proceed because a competing transaction announced prior to 1 March 2019 is completed (or the third party acquires more than 50% of Fairfax) within 12 months of 1 March 2019, there is a change of recommendation by a Fairfax director except where the change in recommendation is made after the independent expert concludes that the Scheme is not in the best interests of Fairfax shareholders[4] or Nine terminates the Scheme Implementation Agreement for a material breach by Fairfax; and
  - by Nine to Fairfax if Fairfax terminates the Scheme Implementation Agreement for a material breach by Nine or Nine does not pay the consideration offered under the Scheme; and
- there must be no outstanding Fairfax employee incentives (performance rights, options and restricted shares[5]) by the time that the Scheme becomes effective. All Fairfax employee incentives must vest (to the extent they are unvested) and the holder must receive either Fairfax shares (that will be entitled to participate in the Scheme) or a cash payment in lieu of Fairfax shares in exchange for the cancellation of the employee incentives.

The directors of Fairfax have unanimously recommended that Fairfax shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Fairfax shareholders.

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[2] The period from 25 July 2018 to the earlier of expiry of the period of good faith negotiation following Fairfax shareholders failing to approve the Scheme and Fairfax and Nine failing to reach agreement on a way forward, the termination of the Scheme Implementation Agreement or 1 March 2019 (or such other date as is agreed by Fairfax and Nine).

[3] A competing transaction is a proposal, transaction or arrangement which, if completed, would result in a third party (other than Nine):
- directly or indirectly acquiring a relavant interest in 20% or more of Fairfax shares;
- acquiring control of Fairfax;
- directly or indirectly acquiring, obtaining a right to acquire or otherwise obtaining an economic interest in all or a substantial or material part of the assets of or business conducted by Fairfax; or
- otherwise acquiring or merging with Fairfax.

[4] Other than where a competing proposal has been proposed before the report is issued which the independent expert may reasonably regard to be on more favourable terms than the Scheme.

[5] See Section 4.7.1 for details of these employee incentives.

2 Scope of the Report

2.1 Purpose of the Report

Under Section 411 of the Corporations Act ("Section 411"), the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Fairfax shareholders, the Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of Fairfax have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Fairfax shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet to be sent to shareholders by Fairfax.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Fairfax shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Fairfax in relation to the Scheme.

Voting for or against the Scheme is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Fairfax, Nine or the Combined Group. These are investment decisions upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, ASIC has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. The Scheme involves Nine acquiring 100% of Fairfax and therefore qualifies as a control transaction.

In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8).

For most other transactions the expert should consider the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not. In this case, if the advantages outweigh the disadvantages, such a proposal would be in the best interests of shareholders.

For the purposes of a control transaction, "fair" and "reasonable" are treated as two separate concepts. Fairness involves questions of value while reasonableness relates to a variety of other issues that might impact on a shareholder's decision as to whether or not to accept an offer or vote in favour of a change of control transaction.

Fairness is a more demanding criteria. A "fair" proposal will always be "reasonable" but a "reasonable" proposal will not necessarily be "fair". A proposal could be considered "reasonable" if there were valid reasons to accept an offer or vote in favour notwithstanding that it was not "fair" (e.g. if the bidder already controlled the target and the offer was well above the prevailing market price).

Under RG111, fairness in a control transaction is to be assessed by comparing the value of the consideration offered with the full underlying value of the target assuming 100% of the target was available to be acquired. Where the consideration comprises scrip in the offeror, the value of the consideration is to be assessed as the expected trading price of those securities (i.e. on a minority or portfolio interest basis) post completion of the transaction.

RG111 does provide for some flexibility in the basis of the assessment of fairness depending on the particular circumstances of the transaction. RG111.31 states that a different approach may be appropriate where there is a "merger of entities of equivalent value when control of the merged entity will be shared between the "bidder" and "target"." In this case, "the expert may be justified in using an equivalent approach to valuing the securities of the "bidder" and the "target"." This alternative analysis is generally referred to as "merger analysis" and normally involves comparison of the exchange ratio with the relative contributions of the two sets of shareholders across a range of parameters (including sharemarket value and estimated fundamental value).

From the perspective of Fairfax shareholders, there are factors that infer that there is a "change of control" in favour of Nine under the Scheme:

- Nine will acquire 100% of Fairfax;
- the market value of the acquirer (Nine) exceeded that of the target company (Fairfax) immediately prior to announcement of the Scheme;
- on the date of announcement of the Scheme, the agreed terms implied a premium for Fairfax's shareholders of 21.9% compared to the price at which Fairfax shares last traded; and
- Mr Hugh Marks, the current Nine CEO, and Mr Peter Costello AC, the current Chairman of Nine, will continue in these roles for the Combined Group.

However:

- Fairfax shareholders will collectively own 48.9% of the Combined Group and, accordingly, will effectively share control with Nine shareholders and will share in a little under half of the synergies;
- other than the Chairman, the board of the Combined Group will comprise equal participation from Nine and Fairfax (i.e. three directors from Nine, including Mr Hugh Marks and three directors from Fairfax). In any event:
  - board positions are ultimately subject to the control of shareholders and Fairfax shareholders will, in aggregate, have substantial influence over voting in relation to board appointments;
  - perceived changes of control at a board or management level (which are temporal in nature) should not be confused with changes of control at a shareholder level; and

- the balance of the senior management team (other than the CEO) will be determined by the board of the Combined Group; and

- based on substantial shareholder notices lodged for Fairfax and Nine at the date of this report, while three shareholders are expected to hold more than 5% of the shares on issue in the Combined Group on implementation of the Scheme, two of those are investment managers or hold shares pursuant to securities lending or other arrangements (Deutsche Bank AG will have a 6.1% interest[6] and Legg Mason Asset Management Australia Limited will have a 5.7% interest). Interests associated with Mr Bruce Gordon (including Birketu Pty Ltd ("Birketu") and WIN Corporation Pty Ltd ("WIN Corporation")), will have a 7.7% interest in the Combined Group[7]. Accordingly, Fairfax shareholders will retain the opportunity to receive a takeover offer incorporating a premium for control at some time in the future. In this regard, Fairfax shareholders will not give up control by participating in the Scheme and will retain their interest in the Fairfax business (albeit diluted). This situation contrasts directly with, say, a cash takeover where shareholders have effectively sold the business to a third party.

While the Scheme does not precisely fit the "merger of equals" envisaged under RG111.31, in Grant Samuel's opinion, merger analysis is the appropriate basis on which to evaluate fairness.

Accordingly, Grant Samuel has assessed whether the Scheme is fair by comparing the share of value of the Combined Group received by Fairfax shareholders with the value contributed by Fairfax shareholders to that entity. For this purpose, Grant Samuel has had regard to relative contributions of both sharemarket value and estimated fundamental value. In any event, Grant Samuel has also considered the terms of the Scheme from a takeover/change of control perspective.

In assessing reasonableness, the advantages and disadvantages of the Scheme have been considered, including:

- the expected quantum and timing of synergies expected as a result of the Scheme;
- the impact of the Scheme on the strategic positioning of the Combined Group and the longer term benefits that might flow from that positioning;
- the impact of the Scheme on key investment metrics for Fairfax shareholders (e.g. earnings, dividends);
- the investment characteristics of the Combined Group compared to Fairfax on a standalone basis;
- the impact on the composition of the share register and sharemarket liquidity;
- the likelihood of an alternative offer and the opportunity for alternative transactions in future;
- other advantages and benefits of the Scheme for Fairfax shareholders; and
- other disadvantages, costs and risks of the Scheme for Fairfax shareholders.

2.3 Sources of Information

In preparing this report, Grant Samuel held discussions with, and obtained information from, senior management of Fairfax and its advisers and senior management of Nine and its advisers.

The following information was utilised and relied upon, without independent verification, in preparing this report:

- the Scheme Booklet (including earlier drafts);

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[6] Including the cash settled share swap entered into with interests associated with Mr Bruce Gordon in relation to 95,591,638 Nine shares.

[7] Excluding the cash settled share swap entered into with Deutsche Bank AG in relation to 95,591, Nine shares.

- annual reports of Fairfax for the four years ended June 2018;
- annual reports of Nine for the four years ended 30 June 2018;
- press releases, public announcements, media and analyst presentation material and other public filings by Fairfax and Nine including information available on their websites;
- brokers' reports and recent press articles on Fairfax, Nine and the Australian media industry;
- sharemarket data and related information on Australian and international listed companies engaged in various relevant sectors of the media industry and on acquisitions of companies and businesses in these sectors;
- information relating to the Australian media sector (including relevant sectors);
- other confidential documents, board papers, presentations, working papers and third party reports provided by Fairfax including the budget for FY19[8] and longer term projections prepared by Fairfax management; and
- non-public confidential information provided by Nine, including the budget for FY19 and longer term projections prepared by Nine management.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Fairfax, Nine and their advisers. Grant Samuel has considered and relied upon this information. Fairfax has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is in the best interests of Fairfax shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

[8] FYXX is the year end June 20XX.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Fairfax or Nine. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the budget for Fairfax for FY19 ("Fairfax FY19 Budget") prepared by management and approved by the directors of Fairfax;
- the budget for Nine for FY19 ("Nine FY19 Budget") prepared by management and approved by the directors of Nine;
- the pro forma consolidated income statement for the Combined Group for FY18 assuming the Scheme was implemented on 1 July 2017 ("Combined Group pro forma income statement");
- the pro forma consolidated cash flow statement for the Combined Group for FY18 assuming the Scheme was implemented on 1 July 2017 ("Combined Group pro forma statement of cash flows"); and
- the pro forma consolidated financial position for the Combined Group as at 30 June 2018 assuming the Scheme was implemented on that date ("Combined Group pro forma statement of financial position").

Fairfax is responsible for the Fairfax FY19 Budget and Nine is responsible for the Nine FY19 Budget (collectively, the "forward looking information"). Nine is responsible for the Combined Group pro forma income statement, the Combined Group pro forma statement of cash flows and the Combined Group pro forma statement of financial position (except to the extent that the Combined Group pro forma income statement, the Combined Group pro forma statement of cash flows and the Combined Group pro forma statement of financial position are based on information provided by Fairfax, for which Fairfax takes responsibility) (collectively, the "pro forma information").

Grant Samuel has considered and, to the extent deemed appropriate, relied on the forward looking information and the pro forma information for the purposes of its analysis. Grant Samuel has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. However, Grant Samuel considers that, based on the enquiries it has undertaken and only for the purpose of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the forward looking information and the pro forma information have been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the Fairfax FY19 Budget and the Nine FY19 Budget have been approved by the directors of Fairfax and Nine respectively;
- both Fairfax and Nine have sophisticated management and financial reporting processes. The forward looking financial information has been prepared through a detailed budgeting process involving preparation of "ground up" forecasts by management and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance; and
- the pro forma information set out in Section 10.5 of the Scheme Booklet has been subject to review by Ernst & Young Transaction Advisory Services Limited ("EY") and its Independent Limited Assurance Report is attached as Annexure B to the Scheme Booklet.

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Fairfax and Nine have not included any forward looking information in the Scheme Booklet and therefore the Fairfax FY19 Budget and the Nine FY19 Budget have not been disclosed in this report.

To provide an indication of the expected financial performance of Fairfax and Nine, Grant Samuel has considered brokers' forecasts for Fairfax (see Appendix 1) and Nine (see Appendix 2). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuations of Fairfax and Nine (including their various business operations). Based on the information it has reviewed, Grant Samuel considers that the median brokers' FY19 forecasts for Fairfax and Nine represent information that is useful for analytical purposes (except where noted otherwise).

The information provided to Grant Samuel also included longer term projections prepared by the management of Fairfax and Nine. Grant Samuel has not relied on these projections for the purposes of its report but has considered this information in its review of the future business strategies and prospects for Fairfax and Nine.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Fairfax and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Scheme are accurate and complete;
- the information set out in the Scheme Booklet sent by Fairfax to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Scheme are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Industry Overview

3.1 Australian Media Sector

The Australian media sector comprises a mix of commercial and publicly funded operators across a number of platforms. The main platforms are television, print media, radio, online, outdoor and cinema. In recent years, every aspect of the media sector has experienced disruptive change. The proliferation of the internet and developments in technology such as the introduction of smartphones and tablets, coupled with the rise of digital businesses such as Google and Facebook, have radically changed audience behaviours, the way in which Australians consume media content and the way in which advertising is supplied and monetised.

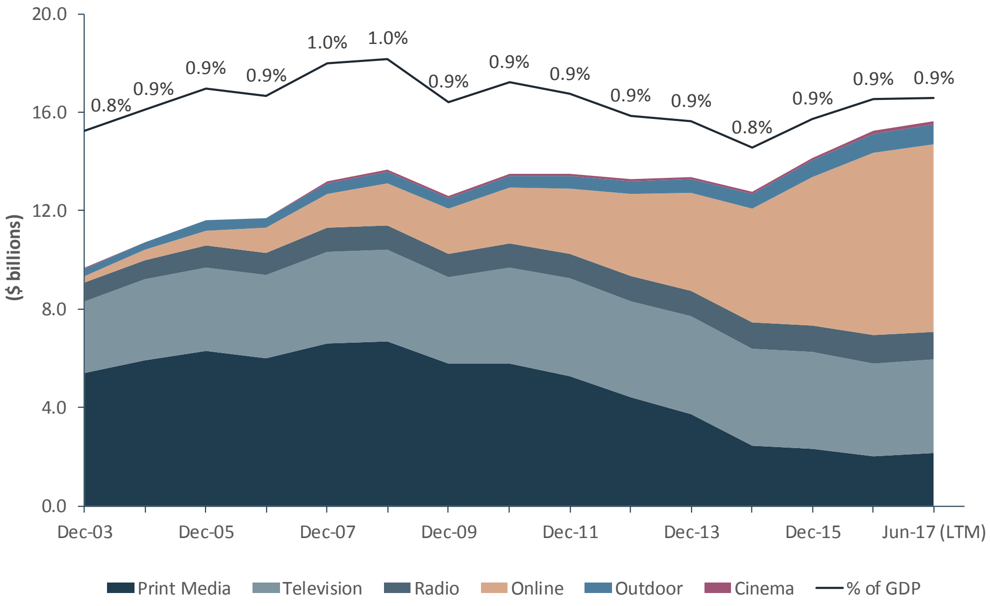
Advertising Revenue

Advertising is the main source of revenue for the media sector. Australian advertising expenditure has demonstrated growth over the long term, increasing from $9.7 billion in 2003 to $15.6 billion in the 12 months ended 30 June 2017[9], at an average annual rate of 3.6%. Advertising revenue is generally driven by broad macroeconomic conditions both in Australia and globally, including general levels of economic activity in the economy, business confidence, consumer sentiment and the political environment.

The chart below shows the growth in the overall advertising market and advertising spend as a proportion of Australian Gross Domestic Product ("GDP"), as well as the share of advertising expenditure for each of the main platforms over the 13½ years to 30 June 2017:

AUSTRALIA – ADVERTISING SPEND BY PLATFORM AND AS A PERCENTAGE OF GDP

DECEMBER 2003 TO JUNE 2017



Source: CEASA, IMF World Economic Database (July 2018)

Advertising expenditure declined in 2009 as a result of the impact of the global financial crisis. However, it recovered in 2010 to levels consistent with those achieved in 2008. Through the period from 2011 to 2014, advertising expenditure was flat, reflecting general business and consumer uncertainty as a result of factors

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9 Source: The CEASA Report - Advertising Expenditure in Main Media, June 2017.

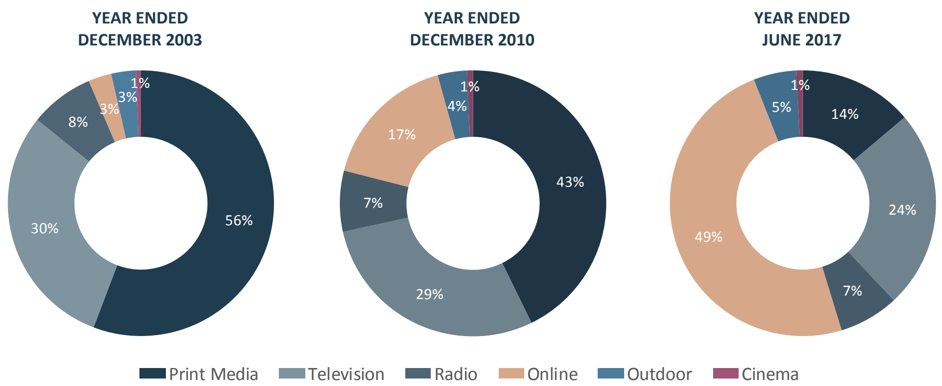
such as the European debt crisis and global economic weakness. However, the positive outlook for the Australian economy (in particular the property market) saw advertising revenue increase strongly over the following 2½ years (average annual growth of 6.9%).

Recent Trends

The digitalisation and rapidly evolving ways of distributing media content across the platforms has forced advertisers to shift their spending accordingly to reach their target audiences and increase the overall effectiveness of their campaigns. The charts below show the vast shift in spend by platform between 2003 and 2017:

AUSTRALIA – ADVERTISING SPEND BY PLATFORM

DECEMBER 2003 TO JUNE 2017



Source: CEASA

The chart above shows the significant structural decline in print media over the past 13½ years as consumers have moved online to access news and entertainment content. The share of advertising spend for print media has declined from 56% in 2003 to only 14% in 2017 as lower circulation of print newspapers and magazines has meant that advertisers have been less inclined to spend on this platform. Over the same period, online (which includes online advertising for newspaper mastheads) has grown its total share of the market increasing from less than 3% in 2003 just under 50% in 2017. This structural shift to online reflects the increase in internet penetration and the take up of mobile devices as well as its relative efficiency in terms of cost, target marketing and measurability compared to traditional platforms.

In contrast, television and radio have experienced only modest declines in share of advertising spend, in part due to high barriers to entry and heavy regulation which have acted as a deterrent for new entrants, as well as relatively stable mass audiences in an increasingly fragmented market. Television's share of advertising spend has fallen from 30% in 2003 to 24% in 2017 and radio has declined from 8% in 2003 to 7% in 2017. Outdoor advertising and cinema account for a relatively immaterial share of total advertising spend, although outdoor advertising's share of total advertising spend increased significantly over the period from 2010 to 2017 (from 1% to 5%) following the introduction of an audience measurement system and digitalisation of outdoor displays (which allowed several different advertisements to be shown from one site). These innovations increased the measurement and cost efficiency of outdoor advertising, increasing its popularity with advertisers.

Over the period from 2010 to June 2017, the largest growth has been experienced by online (average annual growth of 20%), followed by outdoor (7%) and cinema (3%). Radio has been relatively resilient, growing at an average annual rate of 1.5% and television has been flat. Print media has declined (at an average annual rate of 11%. Over the same period, advertising expenditure in the media grew by an average of 1.8% per annum, below average growth in GDP of 2.7% per annum.

Regulation

The Australian media sector is heavily regulated. The *Broadcasting Services Act 1992 (Cth)* is the overarching legislation and broadly covers issues relating to content regulation and media ownership in Australia. As this legislation was put in place prior to the introduction of the internet, it primarily covers the traditional platforms of television, radio and print newspapers, which were the dominant media platforms at the time.

Due to advances in technology and the resulting shifts in the media landscape, the legislation has been amended over time. Notable amendments to the regulatory environment include:

- the *Broadcasting Services Amendment (Online Services) Act 1999 (Cth),* which established the legislative framework for online content regulation in Australia; and
- the *Broadcasting Legislation Amendment (Television and Radio Licence Fees) Act 2016 (Cth)*, which reduced the licence fees payable by commercial television and radio broadcasters to be more competitive with the media sector globally.

However, in a digital environment where online (and largely unregulated) platforms have grown to almost 50% of media advertising expenditure, the media ownership laws have prevented traditional media providers from structuring their businesses efficiently or achieving the scale necessary to adapt and compete with newer, largely unregulated services.

After a long period of negotiation, the *Broadcasting Legislation Amendment (Broadcasting Reform) Act 2017 (Cth)* was enacted on 16 October 2017, repealing a number of media control and diversity rules in the *Broadcasting Services Act 1992 (Cth),* most importantly the:

- two-out-of-three rule (the cross-media ownership rule), which prevented a person[10] being in a position to control more than two of the three regulated media platforms (commercial television, commercial radio or newspaper) in the same licence area; and
- 75% audience reach rule, which prevented a person[10] being in a position to control commercial television broadcasting licences with a combined licence area population in excess of 75% of the Australian population.

In addition, the Federal Government has introduced changes that will protect and enhance the amount of local television content in regional Australia as well as introducing an incentive for local content to be filmed in the local area.

The Federal Government has maintained other media control and diversity rules, including the:

- one-to-a-market television rule, which prevents a person[10] being in a position to control more than one commercial television broadcasting licence in the same licence area;
- two-to-a-market radio rule, which prevents a person[10] being in a position to control more than two commercial radio licences in the same licence area; and
- the 5/4 or the minimum voices rule, which requires at least five independent media "voices" (across commercial television, commercial radio and associated newspapers) to be present in a metropolitan licence area (the mainland state capital cities) and at least four in a regional licence area.

Content regulation that remains in place includes:

- anti-siphoning rules, under which FTA commercial broadcasters have a first right to purchase rights to key sporting and cultural events; and
- Australian content quotas which require all FTA commercial broadcasters to broadcast a minimum of 55% Australian programming between 6am and midnight. Additional sub-quotas are applied for drama, documentaries and children's programming.

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[10] Either in their own right or as a director of one or more companies.

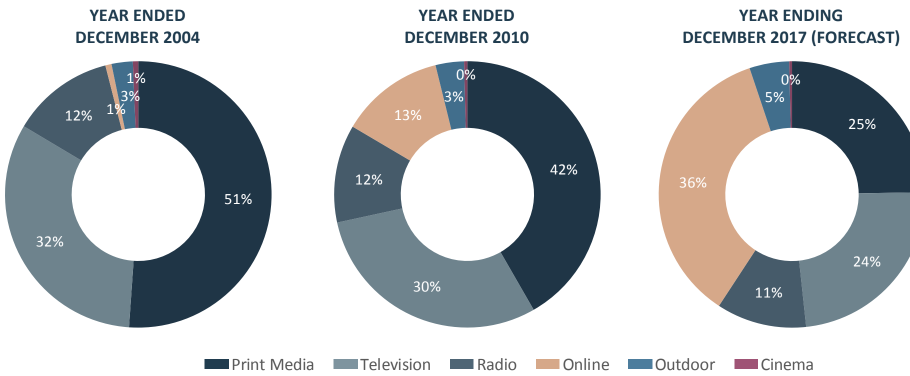
However, the *Broadcasting Legislation Amendment (Broadcasting Reform) Act 2017 (Cth)* does introduce a new regulatory framework that requires the provision of local content by regional commercial television broadcasters that are controlled by a network covering more than 75% of Australia's population.

The deregulation of the Australian media sector is expected to provide traditional media providers with an improved ability to compete with digital and online platforms.

3.2 New Zealand Media Sector

The New Zealand media sector generated approximately NZ$2.4 billion in advertising revenue in the 12 months ended 31 December 2017. Although a considerably smaller market than Australia, the New Zealand media sector also comprises six main platforms and has seen a major shift in the advertising spend by platform with the increase in internet penetration (in particular, to the online platform). The charts below show the shift in spend by platform between 2004 and 2017:

NEW ZEALAND – ADVERTISING SPEND BY PLATFORM



Source: Zenith

The major trends are consistent with those seen in the Australian media sector. The largest decline has been in print media, which has experienced an average annual decline in adverting spend of around 4%, reducing its share from over half of total advertising spend in 2004 to less than 25% in 2017. At the same time, online has grown substantially, from 1% in 2001 to over 35% in 2017 (albeit it has a lower share of total advertising spend than online in Australia at around 50%). Television has experienced an average annual decline in advertising spend of around 1% per annum, resulting in a more modest, steady decline in share of advertising spend from 32% to 24%. Radio has generally maintained its share at around 11-12%.

Total advertising spend grew at an average rate of 1.6% per annum between 2004 and 2017, below the average rate of GDP growth for the same period of 2.5% per annum.

Regulation of the media sector in New Zealand is less stringent compared to Australia. For example, the primary regulator of print media is the New Zealand Press Council ("NZPC"), a member-based organisation. Since January 2017, the NZPC has also had jurisdiction over the online content of its members. Members of the NZPC are required to comply with its statement of principles, which includes requirements for fairness, accuracy, privacy, conflicts of interest and corrections. The NZPC has no statutory powers. Similarly, television (including FTA and pay television but not on-demand services) and radio are overseen by the Broadcasting Standards Authority.

4 Profile of Fairfax

4.1 Background

Fairfax's origins can be traced to the acquisition of *The Sydney Herald* (subsequently renamed *The Sydney Morning Herald*) in 1841. Under the control of the Fairfax family for almost 150 years, the John Fairfax & Sons business grew to become a leading Australian media company with newspaper, magazine and television operations. In 1987, Warwick Fairfax Jr launched a leveraged privatisation bid for the company and, as a consequence, the remainder of the Fairfax family sold their interests. Following the sharemarket collapse in late 1987, the company struggled to service its high level of debt and in 1990 was placed in receivership. In May 1992, the company was relisted on the ASX as John Fairfax Holdings Limited.

From 1998, a new management team commenced a process to diversify the business away from Australian metropolitan broadsheet newspapers by acquiring suburban and regional titles, expanding into New Zealand and acquiring online assets such as *Stayz* (an Australian holiday rental website). In 2006, John Fairfax Holdings Limited acquired *Trade Me* (New Zealand's largest online classifieds business) and *The Border Mail* newspaper and the company changed its name to Fairfax Media Limited. Fairfax merged with ASX listed Rural Press Limited in 2007 (adding *The Canberra Times*, a number of regional newspapers, radio stations, websites and agricultural publications) and separately acquired a radio business.

Around this time, Fairfax's businesses came under considerable pressure from audience fragmentation, changed advertiser behaviours and increased competition associated with rapid growth in internet penetration and the migration of consumers to digital platforms. In response, Fairfax undertook a detailed review and, in 2010, commenced a business transformation program.

During this period, the challenging market conditions also resulted in a period of board and share register instability. Nevertheless, management focussed on the development of a multi-platform business model. To assist in this process, Fairfax completed an initial public offering of 34% of Trade Me Group Limited ("Trade Me") in December 2011, raising $264 million to reduce debt. Although it was successfully developing digital platforms, managing the accelerating migration of consumers to mobile digital platforms while operating a legacy print media cost base placed immense pressure on Fairfax's operating performance. As a result, in June 2012, Fairfax announced fundamental changes to its metropolitan print business (including a move to "compact" print formats, the introduction of digital subscriptions, the closure of two print facilities and the introduction of a digital first editorial model), acceleration of group wide cost reductions and the staged sell down of its remaining 60% interest in *Trade Me* (including the sale of a 51% in December 2012 which raised $616 million) to strengthen the company's balance sheet.

Since then, Fairfax has continued developing its business model by investing in digital businesses and leveraging its publications while at the same time reducing the cost base of its traditional print media business and managing its financial position. Key initiatives undertaken include:

- continuing to invest in the Domain business by providing marketing and promotional support (e.g. editorial content, traffic referrals from metropolitan websites to the Domain website, advertising placements across Fairfax print and digital networks) and by acquisition (e.g. Property Data Solutions, *Allhomes* and the remaining 49.99% of Metro Media Publishing). In February 2017, Fairfax announced a strategic review of its Domain business in preparation for its separation into a new Fairfax controlled company listed on the ASX. The separation was completed in November 2017, with Fairfax shareholders at the time receiving shares in Domain representing 40% of Domain's issued capital and Fairfax holding 60%[11];
- merging its radio network with the ASX listed Macquarie Radio Network Limited to form Macquarie Media and, at the time, selling Perth 96FM;

[11] Fairfax's shareholding in Domain has subsequently fallen to 59.4% following the issue of 5,623,734 Domain shares as part consideration for the acquisition of shares in Review Property Pty Ltd ("Review Property") on 28 February 2018.

- investing in digital businesses such as *Stan* (a subscription video on demand ("SVOD") joint venture with Nine) and non-publishing revenue streams such as the events business (e.g. OpenAir Cinema);
- the sale of certain businesses (e.g. *Stayz*);
- the repayment of borrowings and an on-market share buyback; and
- the substantial restructuring of its business operations, including entering into agreements with News Corporation ("News Corp") in July 2018 to use each other's printing networks.

In May 2017, a consortium comprising TPG Group and Ontario Teachers' Pension Plan (the "TPG Consortium"), provided Fairfax with an unsolicited indication of interest to acquire 100% of Fairfax for cash and scrip consideration. This was followed by a revised indicative proposal under which Fairfax shareholders would receive $1.20 cash[12] for each Fairfax share ("the TPG Proposal"). Fairfax also received an indicative proposal from funds affiliated with Hellman & Friedman LLC (together, "H&F") to acquire 100% of Fairfax at a cash price of between $1.225 to $1.250[12] per Fairfax share ("the H&F Proposal"). The Fairfax board invited the TPG Consortium and H&F to conduct due diligence but, in July 2017, announced that it had not received a binding offer from either party and had ceased discussions.

Today, Fairfax is a leading Australian and New Zealand multi-platform media company publishing news, information and entertainment, selling advertising in print and digital formats and operating a radio broadcast network. It is a top 200 ASX listed company and, prior to the announcement of the Scheme, had a market capitalisation of approximately $1.8 billion.

4.2 Business Overview and Strategy

Fairfax operates a portfolio of businesses across information, marketplace and entertainment assets in Australia and New Zealand. It has a multi-platform business model engaging with consumers via print media, digital media, events and other businesses. Its key business operations are summarised below:

FAIRFAX – BUSINESS OPERATIONS

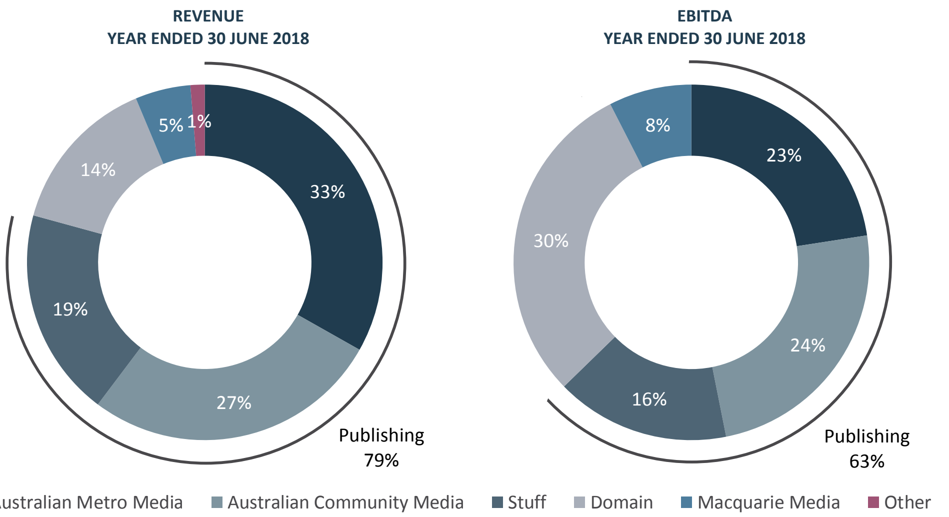
	INTEREST	DESCRIPTION
Australian Metro Media	100.0%	Australian metropolitan newspapers, digital media, transactions and events (including *The Sydney Morning Herald*, *The Age*, *The Australian Financial Review*, *BrisbaneTimes.com.au* and *WAtoday.com.au*)
Australian Community Media	100.0%	Australian rural, regional and agricultural newspaper and digital media business with more than 160 regional publications and community-based websites
stuff	100.0%	Integrated multi-media business in New Zealand with a range of brands across multiple platforms including newspapers, magazines, events, websites and mobile
Domain	59.4%	ASX listed real estate media and technology services business focused on the Australian property market
MACQUARIE MEDIA LIMITED	54.5%	ASX listed national network of news, talk and sports radio stations across Australia targeted at people aged 40-plus
Stan.	50.0%	Australian SVOD platform launched in 2015

Source: Fairfax

12 $1.20 is equivalent to approximately $0.80 and $1.225-1.250 is equivalent to approximately $0.815-0.83 on an adjusted basis (i.e. allowing for the impact of the separation of Domain in November 2017).

The majority of Fairfax's revenue and earnings (on a pro forma proportionate basis[13]), is generated by its publishing businesses. In FY18, 79% of Fairfax's revenue but only 63% of EBITDA[14] (before any contribution from the Other segment) was derived from Australian Metro Media, Australian Community Media and Stuff. In contrast, Domain generated 14% of revenue and 30% of EBITDA (before any contribution from the "Other" segment and is therefore before corporate overheads):

FAIRFAX – CONTRIBUTION BY BUSINESS (PRO FORMA PROPORTIONATE BASIS)



Source: Fairfax

Fairfax's businesses are described, and their financial performance is discussed, in Section 4.9 of this report.

Since 2012, Fairfax has focussed on transforming its business to meet the rapid structural change in the media sector. In doing so, it has focused on:

- growing by building on core strengths and maximising opportunities;
- transforming through cost efficiency and business model innovation; and
- creating value through strategic decision making and portfolio management.

Fairfax has restructured its publishing businesses to develop more sustainable business models. It has not only removed costs but rebuilt the technology, processes and teams supporting the businesses. Fairfax has also focussed on how and when it delivers its publications to audiences and on offering new more competitive advertising platforms and subscription models.

Fairfax leverages the large scale, high quality audiences of its publishing businesses in supporting growth businesses, of which Domain is the prime example. With its origins in the print real estate classifieds sections of *The Sydney Morning Herald* and *The Age*, Domain is now a leading real estate media and technology services platform across the Australian property sector. Fairfax is working to replicate this success in other media verticals and associated businesses (e.g. *Stan*).

Implementation of this strategy over the past eight years has transformed Fairfax from a traditional media model with a large fixed cost base into a diversified and growth-focused portfolio of multimedia and digital assets with a lower, flexible cost base.

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13 Pro forma proportionate basis reflects Fairfax's 59.4% interest in Domain and its 54.5% interest in Macquarie Media and assumes that Fairfax held these interests in Domain and Macquarie Media for the full FY18 financial year. In these charts it is shown before any contribution from the "Other" segment and is therefore before corporate overheads.

14 EBITDA is earnings before net interest, tax, depreciation and amortisation and significant items (i.e. it includes net profits of associates and other income).

GRANT SAMUEL

4.3 Financial Performance

Historical Financial Performance

The historical financial performance of Fairfax for the four years ended 24 June 2018 is summarised below:

FAIRFAX – SUMMARISED HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL *52 WEEKS*	26 JUNE 2016 RESTATED[15] *52 WEEKS*	25 JUNE 2017 ACTUAL *52 WEEKS*	24 JUNE 2018 ACTUAL *52 WEEKS*
Revenue	**1,853.1**	**1,830.5**	**1,732.6**	**1,684.0**
Share of net profit of associates	0.3	1.6	(0.6)	(0.9)
Operating expenses	(1,564.1)	(1,548.8)	(1,460.9)	(1,408.9)
EBITDA	**289.4**	**283.3**	**271.1**	**274.2**
Depreciation and other amortisation	(64.8)	(62.9)	(35.9)	(51.5)
EBITA[16]	**224.6**	**220.4**	**235.2**	**222.7**
Amortisation of acquired intangible assets	(0.2)	(7.2)	(4.8)	(5.3)
EBIT[17]	**224.4**	**213.2**	**230.3**	**217.4**
Net interest expense	(16.3)	(11.1)	(9.8)	(6.8)
Operating profit before tax	**208.1**	**202.1**	**220.5**	**210.6**
Income tax expense	(59.9)	(59.2)	(64.3)	(62.2)
Operating profit after tax ("OPAT")	**148.2**	**142.9**	**156.2**	**148.4**
Non-controlling interests (before significant items)	(4.6)	(10.4)	(13.6)	(23.5)
OPAT attributable to Fairfax shareholders	**143.6**	**132.5**	**142.6**	**124.9**
Significant items after tax	(60.5)	(905.1)	(58.7)	(188.7)
NPAT[18] attributable to Fairfax shareholders	**83.2**	**(772.6)**	**83.9**	**(63.8)**
STATISTICS				
Basic earnings per share[19]	*6.1c*	*5.7c*	*6.2c*	*5.4c*
Dividends per share	*4.0c*	*4.0c*	*4.0c*	*2.9c*
Dividend payout ratio[20]	*67%*	*70%*	*64%*	*54%*
Amount of dividend franked[21]	*100%/50%*	*50%/70%*	*70%/100%*	*100%/50%*
Revenue growth	*-0.7%*	*-1.2%*	*-5.3%*	*-2.8%*
EBITDA growth	*-7.5%*	*-2.1%*	*-4.3%*	*+1.2%*
EBITA growth	*+2.1%*	*-1.9%*	*+6.7%*	*-5.3%*
EBITDA margin	*15.6%*	*15.5%*	*15.6%*	*16.3%*
EBITA margin	*12.1%*	*12.0%*	*13.6%*	*13.2%*
Interest cover (EBITDA/net interest expense)	*17.8x*	*25.5x*	*27.6x*	*40.5x*

Source: Fairfax and Grant Samuel analysis

15 FY16 results restated in FY17 to reflect a change in accounting policy for the determination of deferred taxes on indefinite life assets.

16 EBITA is earnings before net interest, tax, significant items and amortisation of acquired intangible assets (i.e. it includes net profits of associates and other income).

17 EBIT is earnings before net interest, tax and significant items (i.e. it includes share of net profits of associates and other income).

18 NPAT is net profit after tax.

19 Basic earnings per share is before significant items after tax but after non-controlling interests.

20 Dividend payout ratio is based on basic earnings per share (underlying).

21 Franking of interim/final dividend.

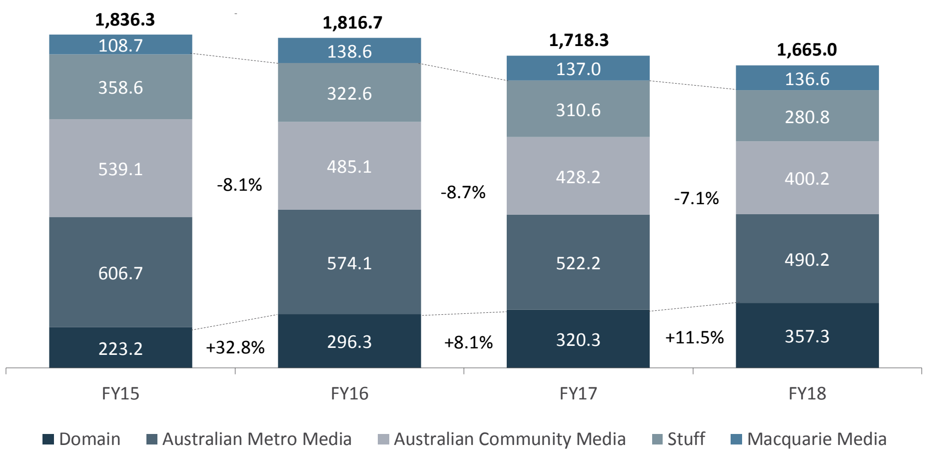
Fairfax's revenue and earnings have declined over the period reflecting its ongoing transition from a traditional media business to a multi-platform media business. On a consolidated basis, the rate of decline has slowed as Fairfax has reshaped and restructured its print media businesses with an increased focus on the monetisation of its digital platform and other growth businesses. Notwithstanding the overall decline in earnings, EBITDA margins have remained relatively stable as the removal of surplus print and other costs and organisational simplification have driven a substantial reduction in Fairfax's cost base. Despite a further decline in revenue in FY18 and the impact of separation costs on Domain, EBITDA increased for the first time in over four years, primarily due to a reduction in Australian Metro Media publishing costs (savings in staff, technology and production) and a 50% reduction in corporate overheads (albeit some corporate overheads were passed on to business operations).

Other points to note in relation to Fairfax's financial performance are:

- depreciation and amortisation declined in FY17 following the impairment of assets in FY16 but has returned to more normal levels in FY18. As a result, EBITA and EBIT were considerably higher in FY17;
- net interest expense has reduced over the period as Fairfax has paid down borrowings (primarily from the sale of businesses), resulting in increasingly conservative interest cover; and
- non-controlling interests primarily relate to Macquarie Media, Domain (from 22 November 2017) and the Domain agent ownership model.

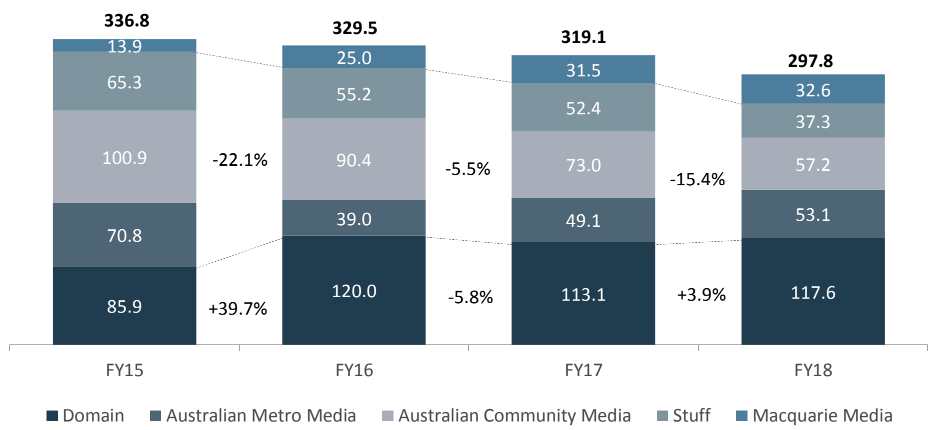
While the consolidated results provide a perspective, the Fairfax transformation is better analysed by reviewing the performance of its business segments (before any contribution from the Other segment) as illustrated below for the period from FY15 to FY18 (on a reported or 100% basis)[22]:

FAIRFAX – REVENUE BY BUSINESS ($ MILLIONS)



[22] This presentation differs from that in Section 4.2 which shows Fairfax's proportionate interest in the FY18 revenue and EBIT of each of its business operations (i.e. 59.6% of Domain and 54.5% of Macquarie Media).

FAIRFAX – EBITDA BY BUSINESS ($ MILLIONS)



Source: Fairfax

The underlying mix of Fairfax's earnings has changed substantially. Over the past four years, the combined revenue from Australian Metro Media, Australian Community Media and Stuff has declined by 22% with the combined EBITDA contribution declining by 38%. This deterioration has occurred notwithstanding the increasing contribution from non-print revenue streams (e.g. digital advertising, subscriptions, digital businesses and events) within these business segments. The contraction in these businesses has been partially offset by:

- a material increase in the contribution from Domain with revenue increasing from 12% to 21% of Fairfax's total revenue and EBITDA increasing from 26% to 39% of total EBITDA (before corporate overheads), although this increase also reflects:
  - the impact of the acquisition of the remaining 49.99% interest in Metro Media Publishing in January 2015, which had previously been recognised as an equity accounted associate; and
  - 100% of Domain's revenue and EBITDA, as Domain remains consolidated by Fairfax subsequent to its separation, even though Fairfax has retained a 59.4% interest (with the remaining 40.6% interest in Domain shown as a non-controlling interest).

  Moreover, as Domain operates on higher margins (around 35-40%) compared to the other segments (around 10-25%), the transition has helped stabilise consolidated earnings; and
- an increase in the contribution from the radio segment following the merger which formed Macquarie Media in March 2015. While a relatively small business, it should be noted that FY16 is the first full year contribution of the merged business and includes synergy benefits.

Consistent with the implementation of major repositioning and restructuring initiatives, Fairfax has reported a range of significant items over the period:

FAIRFAX – SIGNIFICANT ITEMS AFTER TAX ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 RESTATED	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Impairment	(28.5)	(860.9)	(28.9)	(175.9)
Restructuring and redundancy costs	(46.6)	(44.4)	(32.8)	(26.6)
Gains and losses on controlled entities and investments	14.1	-	2.1	2.6
Defamation costs	-	-	-	(2.1)
ACMA licence fee reduction	-	-	0.7	-
Significant items (after tax)	**(61.0)**	**(905.3)**	**(59.0)**	**(202.0)**
Non-controlling interests	0.5	0.2	0.4	13.3
Significant items (after tax) attributable to Fairfax shareholders	**(60.4)**	**(905.1)**	**(58.7)**	**(188.7)**

Source: Fairfax

Fairfax's dividend policy is that directors determine the level of dividends to be paid for each reporting period taking into account the company's financial performance, funding position and a range of forward looking factors. Over recent years, this policy has resulted in a dividend payout ratio of 54-70%.

Forecast Financial Performance

Fairfax has not publicly released earnings forecasts for FY19. On 12 October 2018, Fairfax and Domain released trading updates to the ASX for FY19 year-to-date. These trading updates stated that:

- for FY19 year-to-date, overall Fairfax group revenues were approximately 5% below the equivalent period last year. In particular:
  - Domain overall revenue was 1% lower, although total digital revenue was 6% higher;
  - Australian Metro Media revenue was 1% lower;
  - Australian Community Media revenue was approximately 10% lower;
  - Stuff revenue was approximately 16% lower (15% in local currency); and
  - Macquarie Media revenue was approximately 3% higher;
- cost savings measures continue to be implemented across the Fairfax group; and
- Domain expects a low-single digits increase in pro forma underlying costs (excluding investment in new transactions and businesses) and a mid-to-high single digits increase in pro forma total costs (where pro forma costs in FY18 assume a full year of separation).

The Fairfax trading update that overall Fairfax group revenues were approximately 5% below the equivalent period last year is consistent with the update on trading environment and outlook provided in conjunction with the release of Fairfax's FY18 results on 15 August 2018. While Domain's revenue has continued to be impacted by a subdued listings environment in Sydney and Melbourne, to counteract this impact, Domain is pursuing additional cost initiatives that are expected to result in pro forma costs increasing at a lower rate than was expected in August 2018.

To provide an indication of the expected future financial performance of Fairfax, Grant Samuel has considered brokers' forecasts for Fairfax (see Appendix 1). Set out below is a summary of the forecast financial performance for Fairfax (before significant items):

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FAIRFAX – FORECAST FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED	
	24 JUNE 2018 ACTUAL	JUNE 2019 BROKER MEDIAN
Revenue	1,684.0	1,637.5
EBITDA	274.2	276.7
EBITA	222.7	222.4
EBIT	217.4	217.0

Source: Grant Samuel analysis (see Appendix 1)

The median brokers' forecast for FY19 indicates a 2.8% decline in revenue and a flat EBITDA (at an EBITDA margin of 16.9%). Brokers do not forecast EBITA. To provide an indication of forecast EBITA Grant Samuel has added back to the median brokers' forecast for EBIT an estimate for amortisation of acquired intangible assets of $5.4 million. See Appendix 1 for details.

Not all brokers provide a breakdown of earnings forecasts by business operation and those that do only provide revenue and EBITDA. To provide an indication of EBIT and EBITA, Grant Samuel has allocated the consolidated forecast FY19 depreciation and amortisation of each of the brokers between the business divisions in the same proportion as depreciation and amortisation has been forecast by Fairfax in the FY19 Budget and has allocated the $5.4 million of amortisation of acquired intangible assets between Domain and Stuff. See Appendix 1 for details.

The resulting median brokers' forecasts by business operation are useful for analytical purposes:

FAIRFAX – FORECAST FINANCIAL PERFORMANCE BY BUSINESS ($ MILLIONS)

	YEAR ENDED	
	24 JUNE 2018 ACTUAL	JUNE 2019 BROKER MEDIAN
Australian Metro Media		
Revenue	490.2	472.0
EBITDA	53.1	59.0
EBITA	47.7	51.0
Australian Community Media		
Revenue	400.2	359.6
EBITDA	57.2	41.5
EBITA	52.4	37.8
Stuff		
Revenue	280.8	262.0
EBITDA	37.3	32.0
EBITA	23.3	20.0
Domain		
Revenue	357.3	393.4
EBITDA	117.6	130.4
EBITA	96.6	107.9
Macquarie Media		
Revenue	136.6	139.3
EBITDA	32.6	34.0
EBITA	28.7	30.4

Source: Grant Samuel analysis (see Appendix 1)

4.4 Financial Position

The financial position of Fairfax as at 24 June 2018 is summarised below:

FAIRFAX – SUMMARISED FINANCIAL POSITION ($ MILLIONS)

	AS AT 24 JUNE 2018 ACTUAL
Trade receivables and prepayments (including income tax receivable)	289.9
Inventories	13.8
Trade and other payables (including current tax liabilities)	(232.2)
Net working capital	**71.5**
Property, plant and equipment	126.7
Intangible assets	703.9
Deferred tax assets (net)	50.2
Equity accounted investments	18.3
Assets held for sale and available for sale investments	4.4
Other finanical assets	127.2
Provisions	(171.1)
Other assets and liabilities	5.2
Total funds employed	**936.3**
Cash and cash equivalents	123.1
Interest bearing liabilities	(257.7)
Net borrowings	**(134.7)**
Net assets	**801.7**
Non-controlling interests	(190.0)
Equity attributable to Fairfax shareholders	**611.6**
STATISTICS	
Shares on issue at period end (million)	*2,299.5*
Net assets per share	*26.6c*
NTA[23] per share	*5.3c*
Gearing[24]	*14.4%*
Gearing (Fairfax definition: net interest bearing debt/EBITDA)	*0.5x*

Source: Fairfax and Grant Samuel analysis

The vast majority (around 75%) of Fairfax's total funds employed is represented by intangible assets. Approximately 50% of intangible assets is goodwill, with the balance attributed to mastheads and tradenames, radio licences, software and customer relationships (all of which were subject to impairment charges totalling $135.4 million in FY18):

23 NTA is net tangible assets, which is calculated as net assets attributable to Fairfax shareholders less intangible assets attributable to Fairfax shareholders. Intangible assets attributable to Fairfax shareholders has been adjusted to exclude that portion of the intangible assets attributable to the non-controlling interests (which has already been deducted through the deduction for the non-controlling interests).

24 Gearing is net borrowings divided by net assets plus net borrowings.

FAIRFAX – INTANGIBLE ASSETS BY BUSINESS ($ MILLIONS)

	AS AT 24 JUNE 2018				
	GOODWILL	LICENCES, MASTHEADS AND TRADENAMES	SOFTWARE	CUSTOMER RELATIONSHIPS	TOTAL
Australian Metro Media	12.7	40.0	26.1	-	78.8
Austrtalian Community Media	11.7	47.4	2.5	-	61.6
Stuff	13.9	39.8	8.1	0.1	61.9
Domain	209.5	7.7	27.3	43.9	288.4
Macquarie Media	109.1	103.1	1.0	-	213.2
Total	**356.9**	**238.0**	**65.0**	**44.0**	**703.9**

Source: Fairfax

Goodwill and licences, mastheads and tradenames for Domain and Macquarie Media account for around 60% of Fairfax's intangible assets.

Equity accounted investments of $18.3 million are Fairfax's interests in associates and joint ventures:

FAIRFAX – ASSOCIATES AND JOINT VENTURES

	BUSINESS SEGMENT[25]	ACTIVITIES	INTEREST
Associates			
Australian Associated Press Pty Ltd	Corporate	News agency business and information service	47.0%
Healthshare Pty Ltd	AMM	Information technology tools for healthcare practioners and consumers	28.2%
NGA.net Pty Ltd	AMM	E-recruitment software provider	23.7%
RSVP.com.au Pty Limited	AMM	Online dating services	57.5%
Digital Radio Broadcasting	MM	Digital audio broadcasting	various
Oneflare Pty Ltd	Domain	Home services marketplace	26.8%
Joint Ventures			
Future Energy New Zealand Limited	Stuff	Electricity retailer	49.0%
Future Foresight Group Pty Ltd	AMM	Weather safety and risk information provider	50.0%
Gippsland Regional Publications Partnership	ACM	Newspaper publishing and printing	50.0%
Stan Entertainment Pty Ltd	-	SVOD provider (see Section 4.9.6)	50.0%
Other	various	various	various
Homepass Pty Ltd	Domain	Real estate agent services application	33.8%
Total			

Source: Fairfax, Domain and Macquarie Media FY18 Annual Reports

A number of Fairfax's investments (including *Stan*) had carrying values of nil as at 24 June 2018 and, as a result, their losses are not recognised in Fairfax's share of profits/(losses) of associates and joint ventures. Fairfax's cumulative share of losses from these investments that have not been recognised as at 24 June 2018 is $113.3 million, including $36.8 million in relation to FY18.

Assets held for sale of $1.7 million are properties in Australia and New Zealand that are being actively marketed and for which the sale is highly probable. These properties are shown in the balance sheet at the lower of carrying amount and fair value less costs to sell. Available for sale investments of $2.7 million are minority shareholdings in ASX listed Pacific Star Network Limited held by Macquarie Media.

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25 AMM is Australian Metro Media, ACM is Australian Community Media and MM is Macquarie Media.

Other financial assets are shares in unlisted entities (held by Australian Community Media) of $0.3 million and a loan to the *Stan* joint venture of $126.9 million.

Provisions primarily reflect employee benefits but also include:

- property provisions of $49.1 million (made up of make good provisions of $8.4 million, deferred lease incentives of $37.1 million and onerous lease provisions of $3.5 million) [26];
- restructuring and redundancy provisions[27] of $3.3 million; and
- contingent consideration in relation to Domain's acquisition of shares in Review Property of $16.7 million.

Other assets and liabilities includes an obligation under a put option. During FY17, Fairfax recognised a put option to the remaining shareholder over their ownership interest in a consolidated entity. The holder of the put option has the right to "put" their shares to Fairfax at any time. The purchase consideration payable under the put option is based on the fair value of the shareholding as determined by an independent valuer. The fair value of the obligation under the put option as at 24 June 2018 was $6.0 million.

Interest bearing liabilities as at 24 June 2018 comprise the following unsecured bank facilities:

FAIRFAX – NET BORROWINGS AS AT 24 JUNE 2018 ($ MILLIONS)

FACILITY	FAIRFAX	DOMAIN	MACQUARIE MEDIA
Type of facility	Syndicated bank facilities	Syndicated bank facility	Revolving cash facility
Term/maturity	Nov 2020/Nov 2021	Nov 2020/Nov 2021	Sept 2020
Facility size	1. $100 million 2. NZ$25 million	$250 million	$45 million
Amount drawn	(35.0)	(188.0)	(35.8)
Cash and short term deposits	44.5	60.9	17.6
Net (borrowings)/cash	**9.5**	**(127.1)**	**(18.2)**
Debt issuance costs	0.4	(0.7)	-
Net (borrowings)/cash after debt issuance costs	**9.9**	**(126.4)**	**(18.2)**

Source: Fairfax, Domain and Macquarie Media FY18 Annual Reports

Interest bearing liabilities in the summarised financial position above are shown net of capitalised debt issuance costs of $1.0 million.

As at 24 June 2018, 100% controlled Fairfax entities (i.e. Australian Metro Media, Australian Community Media and Stuff) were in a net cash position of $9.5 million (before capitalised debt issuance costs).

Non-controlling interests relate to the 45.5% of Macquarie Media ($119.3 million) and the 40.6% of Domain ($59.4 million) that Fairfax does not own, the minority interests under Domain's agent ownership model ($10.8 million) and other non-controlling interests (totalling $0.5 million).

Since year end, Fairfax has declared a 1.8 cent per share dividend, partly franked to 50%, which was paid on 6 September 2018.

[26] Make good provisions and deferred lease incentives are amortised over the term of the lease. An onerous lease provision is recorded if the unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received. Where the decision is made to vacate premises or there is excess capacity and the lease is considered to be onerous, a provision is recorded.

[27] A restructuring or redundancy provision is recognised when Fairfax is demonstrably committed to either terminating the employment of a current employee according to a detailed formal plan without the possibility of withdrawal or providing a termination benefit as a result of an offer made to encourage voluntary redundancy.

4.5 Cash Flow

Fairfax's cash flow for the four years ended 24 June 2018 is summarised below:

FAIRFAX – SUMMARISED CASH FLOW ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 RESTATED	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
EBITDA	**289.4**	**283.3**	**271.1**	**274.2**
Redundancy payments	(35.6)	(63.3)	(33.5)	(25.5)
Changes in working capital and other adjustments	(66.8)	(37.3)	(9.7)	(16.7)
Capital expenditure	(61.8)	(95.0)	(106.6)	(69.8)
Proceeds on disposal of assets	20.2	68.5	10.1	7.7
Net interest paid	(12.6)	(13.9)	(13.2)	(13.1)
Tax paid	(18.7)	(51.0)	(28.4)	(40.9)
Cash flow from operations	**113.9**	**91.5**	**89.8**	**115.9**
Dividends received	8.0	10.5	6.4	1.6
Dividends paid	(96.7)	(101.2)	(103.7)	(95.4)
Acquisitions of businesses, associates and joint ventures	(56.6)	(46.1)	(13.4)	(11.0)
Proceeds on disposal of businesses, associated and joint ventures	77.7	3.6	28.7	6.8
Loans repaid by/(advanced to) other parties (net)	(11.2)	(35.3)	(35.5)	(29.7)
Share buyback	(37.9)	(73.9)	-	-
Other	(1.1)	(1.5)	(1.6)	(5.9)
Net cash generated/(used)	**(3.9)**	**(152.4)**	**(29.3)**	**(17.7)**
Net cash/(borrowings) – opening (before debt issueance costs)	*67.6*	*63.7*	*(88.7)*	*(118.0)*
Net cash/(borrowings) – closing (before debt issuance costs)	*63.7*	*(88.7)*	*(118.0)*	*(135.7)*

Source: Fairfax and Grant Samuel analysis

The divestment of assets saw Fairfax reach a net cash position at the end of FY14 after having reported net debt of over $1.4 billion only three years earlier. Notwithstanding the costs associated with the business restructuring during this period, Fairfax has continued to invest in growth opportunities. It has:

- generated annual cash flow from operations of $90-120 million. The improved cash flow from operations in FY18 of $116 million was driven mainly by lower capital expenditure and, to a lesser extent, lower redundancy payments;
- incurred net capital expenditure totalling $333 million of which more than 50% has related to product development and digital systems;
- spent $127 million on acquiring businesses and investing in other opportunities. The main focus of expenditure has been on Domain and its related businesses (e.g. the balance of Metro Media Publishing, Property Data Solutions, *Allhomes* and Review Property); and
- extended a loan to the *Stan* joint venture (balance as at 24 June 2018 of $126.9 million).

Fairfax has also focussed on capital management and completed a $111.8 million on-market share buyback over the twelve months to February 2016.

4.6 Taxation Position

Under the Australian tax consolidation regime, Fairfax and its wholly owned Australian resident entities have elected to be taxed as a single entity. As at 24 June 2018, Fairfax had $395.2 million in Australian carried forward capital losses which are not recognised on the balance sheet but are available to offset against future capital gains (subject to continuing to meet statutory tests).

Fairfax pays tax in New Zealand. One of Fairfax's New Zealand subsidiaries has carried forward income tax losses of $10 million. However, the majority of these losses are only able to be offset against future income of that entity and cannot be transferred to offset tax payable by other New Zealand entities in the Fairfax group.

Fairfax has an Australian franking account balance of $0.5 million after allowing for payment of the 50% franked final dividend for FY18 of 1.8 cents per share.

4.7 Capital Structure and Ownership

4.7.1 Capital Structure

Fairfax has the following securities on issue:

- 2,299,475,546 ordinary shares (including 1,315,105 restricted shares, which are unvested employee incentive shares held by Fairfax's Executive Employee Share Plan Trust for the purpose of issuing shares under the long term incentive plan);
- 9,559,247 performance rights; and
- 16,154,370 options over unissued ordinary shares.

Fairfax also has 281 fully paid debentures on issue. These debentures were issued in the 1990s, are unsecured non-voting securities, have interest entitlements equivalent to ordinary dividends, rank equally with ordinary shares on winding up and are convertible into ordinary shares on one for one basis at the option of the holder (providing conversion does not breach certain conditions).

Fairfax operates four employee incentive plans:

- an Exempt Employee Share Plan, where eligible employees may salary sacrifice up to $1,000 of pre tax salary per annum for the purchase of Fairfax shares at market price on the ASX;
- a Deferred Employee Share Plan, where eligible employees may salary sacrifice between $1,000 and $5,000 of pre tax salary per annum for the purchase of Fairfax shares at market price on the ASX. Participants must nominate a "lock" period of either three, five or seven years during which their shares must remain in the plan unless they leave Fairfax;
- a short term incentive of deferred performance shares based on achievement of annual financial and non-financial performance criteria. 50% of any performance shares granted are deferred for one year and the remaining 50% are deferred for a two year period; and
- a long term equity-based incentive scheme based on creating growth in shareholder value. During FY17 Fairfax introduced a new plan (Executive Incentive Plan) to replace the previous incentive plan (Transformation Incentive Plan). Under the:
  - Executive Incentive Plan, eligible executives are granted performance rights. Each right entitles the participant to receive one share in Fairfax for nil consideration. Rights generally vest at the end of a three year performance period subject to the achievement of performance hurdles and vested rights can be settled by either the purchase of shares on market, the issue of new shares or a cash payment; and
  - Transformation Incentive Plan, eligible executives were granted options. Each option entitles the participant to receive one share in Fairfax in return for the exercise price of each option, subject to achieving performance hurdles. These options had an initial three year performance period from 1 July 2015 to 30 June 2018 and if the performance hurdles were not achieved, there are two further re-testing opportunities at six monthly intervals in the fourth year. Any options that remain unvested after the final test on 30 June 2019 lapse immediately.

Performance rights and options do not have any voting rights or entitlement to dividends. In the event of a change of control, the board may determine to vest some or all of the performance rights and options.

4.7.2 Ownership

At 29 August 2018, Fairfax had approximately 23,000 registered shareholders. The top 20 registered shareholders account for approximately 90% of the ordinary shares on issue and are principally institutional nominee or custodian companies. Fairfax has a significant retail investor base with a majority of registered shareholders classified as retail although this represents less than 10% of shares on issue. Fairfax shareholders are predominantly Australian based investors (over 97% of registered shareholders and 99% of securities on issue).

Fairfax has received notices from the following substantial shareholders:

FAIRFAX – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[28]
Ausbil Investment Management	20 August 2015	178,558,749	7.77%
FIL Limited	5 March 2018	172,105,943	7.48%
Legg Mason Global Asset Management Limited	26 April 2017	139,560,053	6.07%
Blackrock Group	18 April 2018	138,542,522	6.02%
National Australia Bank Limited	29 August 2018	116,137,720	5.05%

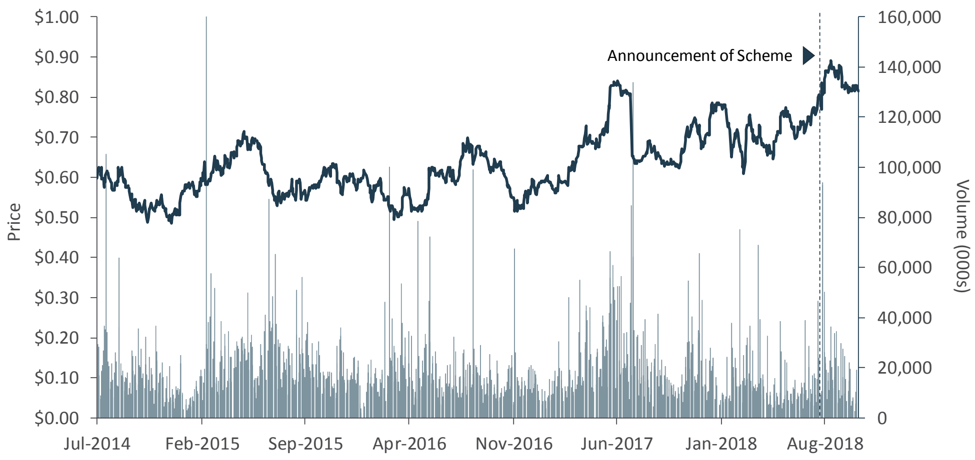
Source: Fairfax and IRESS

4.8 Share Price Performance

The following graph illustrates the movement in the Fairfax share price and trading volumes since 1 July 2014:

FAIRFAX – SHARE PRICE AND TRADING VOLUME

JULY 2014 TO OCTOBER 2018



Source: IRESS

Notes: 1. On 9 February 2015 more than 600 million Fairfax shares traded (including the sale by Hancock Prospecting Pty Limited of its 14.99% interest by way of an underwritten block trade) but the volume in excess of 150 million shares is not shown on this graph

2. Fairfax share price has been adjusted for the separation of Domain effective from 16 November 2017

[28] Based on 2,299,475,546 shares on issue.

From mid-2014 to 20 February 2017 (the last trading day prior to announcement of the proposed separation of Domain), Fairfax shares traded in a broad range of $0.80-$1.00 ($0.532-0.665 per share on an adjusted basis[29]). Movements within that band generally reflected activity following corporate performance announcements. The share price closed at $0.87 ($0.578 on an adjusted basis) on 20 February 2017 and traded up 10% to around $1.00 ($0.665 on an adjusted basis) in the weeks following announcement of the proposed separation of Domain.

Following announcement of the unsolicited TPG Proposal on 8 May 2017, the Fairfax share price jumped around 20% to trade in the range $1.06-1.27 ($0.705-0.845 on an adjusted basis). The announcement on 3 July 2017 that Fairfax had not received a binding offer from either the TPG Consortium or Hellman & Friedman, saw the share price drop back to just below $1.00 ($0.665 on an adjusted basis), where it traded prior to momentum regarding changes to media ownership rules in late July 2017. Following the release of its FY17 results on 16 August 2017, Fairfax shares traded in the range $0.93-1.035 ($0.618-0.688 on an adjusted basis).

Following the commencement of trading in Domain shares on the ASX on 15 November 2018, Fairfax shares generally traded around $0.70. While the share price reacted positively to announcements such as Australian Metro Media's arrangement with Google on digital advertising, technology and product development (trading as high as $0.7975 in late December 2017), Fairfax's 1HY18[30] results in February 2018 (trading in a range around $0.75) and the presentation to the Macquarie Australia Conference in early May 2018, the momentum was not maintained and the share price drifted back down to around $0.65-0.70 between these announcements. However, there was a sustained improvement in the share price following announcement of the printing arrangements with News Corp in mid July 2018, with Fairfax shares trading as high as $0.82 on the day of announcement.

The Fairfax share price closed at $0.77 on 25 July 2018, the last trading day prior to announcement of the Scheme. Since announcement of the Scheme, Fairfax shares have traded in the range $0.7875-0.8975, at a volume weighted average price ("VWAP") of $0.8435.

Fairfax is a top 200 ASX listed company and a member of most major Australian sharemarket indices. It is a reasonably liquid stock with no restrictions on its free float. Average weekly volume in the twelve months prior to announcement of the Scheme represented 3.3% of shares on issue or annual turnover of around 172% of total issued capital.

The following graph illustrates the performance of Fairfax shares since 1 July 2014 relative to the S&P/ASX 200 index and S&P/ASX 200 Media index (in which Fairfax has a weighting of around 20%):

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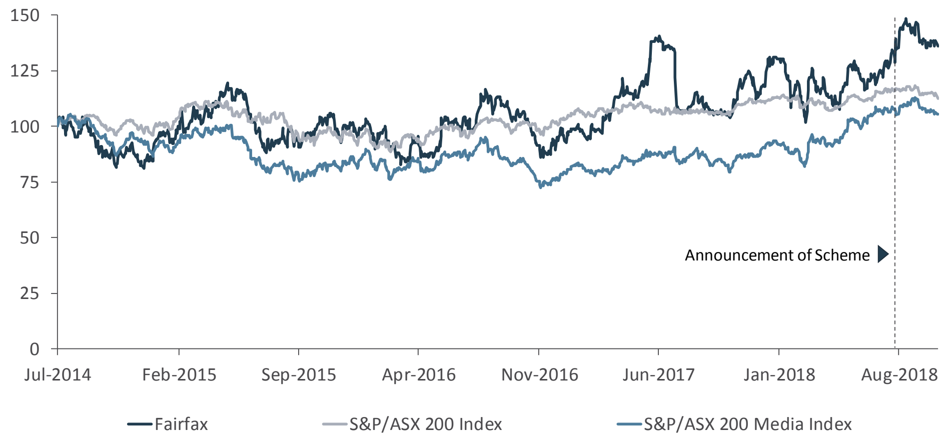
[29] Share prices on an adjusted basis has been adjusted for the impact of the separation of Domain.

[30] 1HYXX = the six months ended December 20XX.

FAIRFAX VS S&P/ASX 200 INDEX VS S&P/ASX 200 MEDIA INDEX

JULY 2014 TO OCTOBER 2018



Source: IRESS

Although there have been some periods of slight over and under performance, trading in Fairfax shares from July 2014 up to announcement of the Scheme on 26 July 2018 (other than the period surrounding receipt of the TPG Proposal and the H&F Proposal from May to July 2017) was generally consistent with the S&P/ASX 200 index. Excluding the May to July 2017 period and a period of outperformance in April 2015, Fairfax shares also traded broadly in line with the S&P/ASX 200 Media index up to July 2018.

4.9 Business Operations

4.9.1 Australian Metropolitan Media

Sector Overview

Print media (newspaper and magazines) has undergone a significant structural change over the past ten years. Circulation has declined as consumers have moved online to access news and entertainment content. The impact of this decline is reflected in print media's diminishing share of the advertising market, which has fallen from around 50% in 2007 ($7 billion) to 14% in June 2017 ($2.2 billion).

Most print publications have an online presence. While digital subscription revenue has grown, and digital advertising revenue is also recording steady growth, these gains are not expected to offset print losses such that overall advertising spend in print media (across metropolitan, regional and community) is expected to continue to decline at a rate of 8% per annum over the period from 2018 to 2022[31].

As a result, print media has focused on adjusting its cost base to reflect changing consumer preferences and providing more integrated solutions to advertisers.

Operations

Australian Metro Media is a metropolitan news, sport, lifestyle and business publisher across print and digital platforms. Its assets include:

[31] PwC Australian Entertainment & Media Outlook 2018-2022.

- the news publishing platform of Australian metropolitan newspapers in print and digital format (*The Sydney Morning Herald*, *The Age*, *The Australian Financial Review* and *The Canberra Times*[32]) together with the digital only format of *BrisbaneTimes.com.au* and *WAtoday.com.au*;
- lifestyle brands and publications including *Good Food*, *Essential Baby/Essential Kids* and *Traveller*;
- transactional businesses including *Find a Babysitter* and a 50% interest in 112 Pty Ltd, an automotive joint venture that operates the *Drive.com.au* business;
- a portfolio of early and growth stage digital-focused businesses, including investments in digital publishing (*Allure Media* and *Kin Community*), online dating (*RSVP Oasis*), weather services (*Weatherzone*), e-health (*Healthshare*) and online education (*Skoolbo*); and
- Fairfax Events and Entertainment, which consists of lifestyle-oriented experiences focused on sports, arts, business, food and wine and parenting and which includes the Sports Media and Entertainment ("SME360") business acquired in January 2018.

Australian Metro Media reaches a monthly audience of 11 million across its platforms.

Historical Operating Performance

The historical operating performance of Australian Metro Media for the four years ended 24 June 2018 is summarised below:

AUSTRALIAN METRO MEDIA – HISTORICAL OPERATING PERFORMANCE[33] ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Advertising	309.3	269.5	225.5	203.9
Circulation	230.2	227.7	226.8	220.1
Other	67.2	76.9	69.9	66.2
Total revenue	**606.7**	**574.1**	**522.2**	**490.2**
Share of profit of associates	(0.5)	0.4	0.1	0.5
Expenses	(535.4)	(535.6)	(473.3)	(437.6)
EBITDA	**70.8**	**39.0**	**49.1**	**53.1**
Depreciation and other amortisation	(40.2)	(24.9)	(5.0)	(5.4)
EBITA	**30.6**	**14.1**	**44.1**	**47.7**
Amortisation of acquired intangible assets	(0.1)	(0.3)	-	-
EBIT	**30.5**	**13.8**	**44.1**	**47.7**
STATISTICS				
Revenue growth	*-6.6%*	*-5.4%*	*-9.0%*	*-6.1%*
EBITDA growth	*+14.2%*	*-44.9%*	*+25.9%*	*+8.2%*
EBITA growth	*-51.8%*	*-53.9%*	*+212.6%*	*+8.3%*
EBITDA margin	*11.7%*	*6.8%*	*9.4%*	*10.8%*
EBITA margin	*5.0%*	*2.5%*	*8.5%*	*9.7%*

Source: Fairfax

Revenue is almost entirely generated from the metropolitan newspaper mastheads. In line with the newspaper print market generally, revenue (both advertising and circulation) and earnings declined sharply

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32 *The Canberra Times* is part of Australian Metro Media from 1 July 2018.

33 Australian Metro Media's operating performance does not include *The Canberra Times*, which was transferred from Australian Community Media to Australian Metro Media on 1 July 2018. *The Canberra Times* will be reported as part of Australian Metro Media's financial results in FY19 (and subsequent years). Australian Metro Media's operating performance does include a contribution from Fairfax's printing operations.

over the decade to FY16 but is now showing signs of stability. While revenue has continued to decline over FY17 and FY18, the decline moderated in FY18 (with cover price increases offsetting volume declines) and following a rebuild of the operating model, Australian Metro Media has delivered a step change in earnings over the last two years.

Digital revenue has been impacted by increased competition from online publishers and platforms such as YouTube and Facebook, although this decline has also slowed in FY18 as a result of the arrangement with Google. Australian Metro Media's strategy to drive digital growth is reflected in digital and non-print share of revenue increasing from 28% in 1HY14 to 35% in 1HY18, with digital subscription revenue increasing by around 150% over the same period.

In addition, Australian Metro Media has continued to focus on reducing costs. While costs were flat in FY16, an accelerated cost out in the second half of FY17 resulted in an 11.6% reduction in costs. A further 7.5% reduction in the cost base was achieved in FY18 across staff (as a result of an editorial restructure in July 2017), technology and print production.

Strategy and Outlook

Australian Metro Media is focused on continuing to rebuild its operating model to establish a growing, profitable, digitally led business. Its strategic initiatives for FY19 include:

- strengthening its consumer offering to build audience loyalty and grow subscriptions;
- creating innovative commercial solutions for key customers (e.g. new platforms and apps for *The Sydney Morning Herald* and *The Age* and new products for *The Australian Financial Review*), while efficiently servicing the long tail of print advertisers; and
- maximising the earnings potential and longevity of print.

Revenue and earnings in FY19 are expected to benefit from:

- momentum in digital subscriptions;
- growth in digital advertising revenue from the arrangement with Google (full year impact);
- an annualised cost saving of approximately $15 million (across Australian Metro Media and Australian Community Media) resulting from Fairfax's arrangements with News Corp in relation to the sharing of both companies' printing networks in New South Wales and Queensland; and
- further reduction in the cost base.

These benefits are expected to be offset by continuing declines in print advertising and circulation revenues.

4.9.2 Australian Community Media

Sector Overview

Regional newspapers are a subset of the print media sector (see Section 4.9.1 for discussion of the print media sector).

Regional print revenue decline has historically been partially mitigated by its community-based nature and deeper engagement with local communities. However, the ability to generate advertising revenue in more recent years has been severely impacted by regional specific economic conditions such as drought and the slowdown in the mining industry.

Operations

Australian Community Media is a rural, regional and agricultural newspaper and digital media business reaching approximately 5 million people per month. Its portfolio includes:

- over 160 regional and community-based publications including *Newcastle Herald*, *The Examiner*, *The Border Mail*, *The Courier* and *Illawarra Mercury* and approximately 130 associated websites; and
- specialist agricultural publications including *The Land*, *Queensland Country Life*, and *Stock and Land*.

Australian Community Media also produces a range of rural events.

Historical Operating Performance

The historical operating performance of Australian Community Media for the four years ended 24 June 2018 is summarised below:

AUSTRALIAN COMMUINITY MEDIA – HISTORICAL OPERATING PERFORMANCE[34] ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Total revenue	**539.1**	**485.1**	**428.2**	**400.2**
Share of profit of associates	2.2	1.8	1.4	1.4
Expenses	(440.5)	(396.5)	(356.6)	(344.4)
EBITDA	**100.9**	**90.4**	**73.0**	**57.2**
Depreciation and other amortisation	(23.5)	(16.0)	(5.5)	(4.8)
EBITA	**77.4**	**74.4**	**67.5**	**52.4**
Amortisation of acquired intangible assets	-	-	-	-
EBIT	**77.4**	**74.4**	**67.5**	**52.4**
STATISTICS				
Revenue growth	*-8.1%*	*-10.0%*	*-11.7%*	*-6.5%*
EBITDA growth	*-33.6%*	*-10.4%*	*-19.2%*	*-21.6%*
EBITA growth	*-31.3%*	*-4.0%*	*-9.2%*	*-22.4%*
EBITDA margin	*18.7%*	*18.6%*	*17.0%*	*14.3%*
EBITA margin	*14.4%*	*15.3%*	*15.8%*	*13.1%*

Source: Fairfax

Australian Community Media is predominantly a print business, with more than 90% of revenue generated from print advertising and circulation revenue. Revenue is diversified among mastheads with the top five contributing only 28% of total revenue. The business has experienced substantial declines in advertising and circulation revenue over the past four years (as shown in the table above), but this has been offset in part by its ability to continually take costs out of the business, with an average annual reduction in costs of 8%. As a result, it was able to maintain its EBITDA margins in the range 17-19% up until FY18.

The rate of revenue decline abated in FY18, assisted by a stable contribution from agricultural publications, however, there was significant decline in earnings driven by a much smaller reduction in costs (around 3.5% compared to around 10% in prior years), causing the EBITDA margin to fall to 14.3%.

Strategy and Outlook

Australian Community Media is focused on optimising its operating structure to grow digital while continuing to maximise cash flows from its long tail of print publications. Its strategic initiatives for FY19 include pursuing growth opportunities in the agricultural publications business (above that of traditional publishing).

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34 Australian Community Media's operating performance includes:

- *The Canberra Times*, which was a publication in Australian Community Media until 30 June 2018, after which it was transferred to Australian Metro Media. *The Canberra Times* will be reported as part of Australian Metro Media's financial results in FY19 (and subsequent years); and
- a contribution from Fairfax's printing operations.

Performance in the short term will be impacted by the extended period of drought in regional Australia (particularly in New South Wales and Queensland), although Australian Community Media will also benefit from the print arrangements with News Corp (see Section 4.9.1 for details).

4.9.3 Stuff

Sector Overview

The print media sector in New Zealand is facing the same challenges and trends as Australian print media. While its rate of decline has not been as steep, with print media's share of the New Zealand advertising market falling from around 50% In 2007 (NZ$1.1 billion) to around 25% (NZ$600 million) in 2017, this is offset, in part, by the relatively small size of the New Zealand market (with a population of around 4 million).

As circulation and readership have declined, advertisers have shifted their spend to online platforms. While print media has embraced digital, it is a very competitive market (with Facebook and Google commanding much of the advertising market) and it has been difficult for print media to get a foothold, with revenue contribution from digital remaining relatively small across the New Zealand market (at around 10%).

Operations

Stuff (previously known as New Zealand Media), is an integrated multi-platform media business in New Zealand, with a range of brands across newspapers, magazines, events, websites and mobile. It reaches approximately 3.6 million New Zealanders every month (approximately 88% of the country's population) via its digital and print brands.

Stuff's digital assets include:

- the top ranked New Zealand news website *stuff.co.nz,* which reaches a monthly audience of over 2 million people;
- the hyper-local social network website *neighbourly.co.nz,* which offers free, private websites for neighbours to share local information in suburbs across New Zealand and has over 600,000 members; and
- NZ Fibre Communications Limited, which operates the internet service provider *stuff-fibre.co.nz* ("Stuff Fibre").

Its publications include:

- metropolitan newspapers *The Dominion Post*, *The Press* and *The Sunday Star-Times* with a combined monthly readership of 1.26 million; and
- a portfolio of regional and community newspapers, magazines and agricultural publications such as *TV Guide*, *NZ House and Garden* and *Cuisine*.

In addition, Stuff is a joint venture partner in the Kiwi Premium Ad Exchange, a programmatic ad exchange to sell advertising across New Zealand premium publishers.

Stuff also provides a range of consumer events in New Zealand.

On 7 September 2016, Fairfax announced that it had signed a merger implementation agreement with NZME Limited ("NZME") to effect the merger of NZME and Stuff. Under the merger, NZME would acquire all the shares in Fairfax New Zealand Limited from Fairfax in consideration for NZ$55 million in cash and NZME shares equal to a 41% shareholding in NZME. On 3 May 2017, Fairfax was advised by the New Zealand Commerce Commission of its decision to decline to grant the authorisation to the proposed merger. NZME and Fairfax filed an appeal against this decision in the High Court of New Zealand, which dismissed the appeal on 19 December 2017. NZME and Fairfax subsequently applies for leave to appeal the

High Court of New Zealand decision, but this was dismissed on 25 September 2018. While the appeal process continued, the merger implementation agreement between NZME and Stuff was terminated on 6 March 2018.

Historical Operating Performance

The historical operating performance of Stuff for the four years ended 24 June 2018 is summarised below:

STUFF – HISTORICAL OPERATING PERFORMANCE[35] ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Total revenue	**358.6**	**322.6**	**310.6**	**280.8**
Share of profit of associates	(0.8)	(1.2)	0.1	(1.0)
Expenses	(292.5)	(266.2)	(258.3)	(242.5)
EBITDA	**65.3**	**55.2**	**52.4**	**37.3**
Depreciation and other amortisation	(10.9)	(11.7)	(10.4)	(14.0)
EBITA	**54.4**	**43.5**	**42.0**	**23.3**
Amortisation of acquired intangible assets	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	**54.3**	**43.4**	**41.9**	**23.2**
STATISTICS				
Revenue growth	*-1.1%*	*-10.0%*	*-3.7%*	*-9.6%*
EBITDA growth	*-10.0%*	*-15.5%*	*-5.0%*	*-28.8%*
EBITA growth	*-9.0%*	*-20.0%*	*-3.4%*	*-44.6%*
EBITDA margin	*18.2%*	*17.1%*	*16.9%*	*13.3%*
EBITA margin	*15.2%*	*13.5%*	*13.5%*	*8.3%*

Source: Fairfax

While digital revenue has been growing strongly (+36% in FY16, +29% in FY17 and +21% in FY18), it represents only a small proportion of Stuff's total revenue. Stuff is predominantly a print business, with approximately 80% of revenue in FY18 from print advertising and circulation revenue. Revenue is relatively concentrated, with the top five mastheads contributing half of revenue.

Stuff has reported declining revenue and earnings over the past four years reflecting difficult market conditions. However, as a result of strong cost management (average annual reduction in costs of 6% over the past four years while investing in digital, events and venture businesses), it had been able to maintain its EBITDA margins in the range 13.5-15% up until FY18. The significant decline in revenue and earnings in FY18 was driven by further declines in print advertising and despite a continued focus on rationalising the cost base and focusing on digital offerings. In response, Stuff implemented a transformation program to achieve cost savings through the closure of 35% of print publications, restructure of other operating executives and transition to compact format print mastheads. Stuff's FY18 results were also impacted by one off provisions and additional investment in Stuff Fibre, partially offset by gains on sale. The full year benefit from the transformation program is expected to be reflected in Stuff's FY19 results.

Strategy and Outlook

Stuff's immediate focus is to transition to a standalone digital publishing and ventures business with a variable, profitable print add-on. Consequently, its strategic initiatives for FY19 include:

- executing a transformation of its publishing business; and
- continuing to develop its digital ventures and businesses.

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[35] Stuff's operating performance is shown in A$ and includes New Zealand external print revenue and earnings.

The operating performance of Stuff is expected to continue to decline in the short to medium term as the transformation will take time to execute in full.

4.9.4 Domain

Sector Overview

Overall online advertising has experienced strong double-digit growth over the past ten years, with its share of total advertising expenditure growing from around 10% in 2007 ($1.3 billion) to almost 50% in June 2017 ($7.6 billion). This growth corresponds with a substantial increase in internet penetration over the same period, with developments in both broadband and mobile connectivity (ADSL/National Broadband Network, 3/4G) as well as technological progress in terms of devices (smartphones, tablets, smart televisions etc.) and reflects consumers increasingly turning to the internet to access services as a result of its greater convenience and lower cost of usage.

Online advertising comprises number of verticals including search, display, classifieds and video. While the overall sector is expected to grow at a rate in the high single digits over the period from 2018 to 2022[31], the vast majority of this growth is driven by online streaming platforms (both video and audio/music), which are a relatively new segment of the industry (and largely subscription based). In contrast, the core online advertising market (search, classifieds and display) is becoming increasingly saturated. The online classified advertising vertical (in which Domain operates) is expected to grow at a more subdued rate of around 3% per annum over the period from 2018 to 2022[31].

Domain's main competitor in the digital property advertising sector is REA Group Limited ("REA") (publisher of realestate.com.au, property.com.au and realcommercial.com.au), although there are also a number of smaller operators. The combined FY18 revenue of REA and Domain was $1.2 billion, indicating a market share for Domain of just over 30% and combined market average annual growth over the FY15-FY18 period of 19%.

Operations

Fairfax owns a 59.4% interest in Domain, an ASX listed real estate media and technology services business that focuses on the Australian property market, providing:

- residential, new development and commercial property marketing solutions for buyers, investors, sellers, renters, landlords and real estate agents across Australia via real estate portals on desktop, mobile, social media and print magazines;
- media and lead-generation solutions for advertisers looking to promote their products and services to consumers;
- transactional services for consumers including home loan brokerage, insurance product services, utility product comparison and connection services, and home improvement and local trade services; and
- data and technology services through customer relationship management software, property data subscriptions and research, and property inspection management tools.

The *Domain* brand is positioned as a platform at the centre of the Australian property ecosystem, creating property market content to engage consumers and support audience growth.

Domain reaches a monthly audience of 6.1 million Australians via digital platforms and 2.1 million via print. The customer base of the business is diverse, including residential and commercial real estate agencies and professionals, property developers, financial services companies, retailers, utilities companies, media, government and consumers.

Domain operates an agent ownership model which enables real estate agencies to own shares in certain Domain businesses.

A new CEO, Jason Pellegrino, commenced with Domain on 27 August 2018.

Historical Operating Performance

The historical operating performance of Domain (on a 100% basis) for the four years ended 24 June 2018 is summarised below:

DOMAIN – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Digital	154.1	195.3	232.1	278.9
Print	69.1	101.0	88.3	77.1
Other	-	-	-	1.3
Total revenue	**223.2**	**296.3**	**320.3**	**357.3**
Share of profit of associates	3.1	(0.6)	(1.2)	(1.4)
Expenses	(140.4)	(175.7)	(206.0)	(238.3)
EBITDA	**85.9**	**120.0**	**113.1**	**117.6**
Depreciation and other amortisation	(5.0)	(5.3)	(12.0)	(20.9)
EBITA	**80.9**	**114.7**	**101.1**	**96.6**
Amortisation of acquired intangible assets	-	(6.8)	(4.7)	(5.3)
EBIT	**80.9**	**107.8**	**96.4**	**91.4**
STATISTICS				
Revenue growth	*+45.1%*	*+32.8%*	*+8.1%*	*+11.5%*
EBITDA growth	*+45.8%*	*+39.7%*	*-5.7%*	*+3.9%*
EBITA growth	*na*	*+41.7%*	*-11.8%*	*-4.4%*
EBITDA margin	*38.5%*	*40.5%*	*35.3%*	*32.9%*
EBITA margin	*36.3%*	*38.7%*	*31.6%*	*27.0%*

Source: Fairfax

Domain generates revenue from property listings (print and digital format), product subscriptions, media revenues (display advertising, sponsorships, content marketing), property data and research and transactional services (e.g. brokerage of home loans).

It has achieved average annual growth in revenue and EBITDA of 17% and 11% respectively over the period FY15-FY18. This has been achieved through organic growth, acquisitions and investment in digital technology and specialists.

While Domain continued to grow revenue in FY17 and FY18, reporting revenue growth of 8.1% and 11.5% respectively, EBITDA declined by 5.7% in FY17 due to investment ahead of growth.

FY18 only reflects Domain as a standalone entity from 22 November 2017 and therefore does not reflect a full year of additional operating and listed company costs (which would have added a further $1.8 million to expenses[36]). The adjusted FY18 EBITDA for a full year of separation would be $115.7 million.

Strategy and Outlook

Domain's strategic focus is to continue to grow the core residential listings business while expanding its position in the property ecosystem. Its strategic initiatives for FY19 include:

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[36] As disclosed in Domain's the FY18 Annual Report.

- continuing growth in depth product (i.e. premium products that provide greater visibility and leads) and agent services penetration;
- expanding agents and listings coverage;
- growing active users and quality enquiries (leads);
- creating mobile-centric platforms at the centre of the property ecosystem; and
- growing transactional revenues (e.g. home loans, insurance and utilities connections).

The outlook for Domain is for continued growth in digital, with revenue growth underpinned by an uplift in residential yields and growth in new transactional revenues as well as focus on cost control. In conjunction with the release of its FY18 results on 13 August 2018, Domain noted that, in relation to FY19:

- the first six weeks of 1HY19 saw a subdued listings environment in Domain's largest market, Sydney (albeit this was against a high base in the prior year);
- digital revenue is expected to benefit from initiatives being undertaken to continue the strong growth in depth penetration achieved in FY18 and there were early signs of improvement in Victoria; and
- pro forma underlying costs (excluding investment in new transactions businesses) are expected to increase by mid-single digits. Pro forma total costs are expected to increase by high-single digits.

4.9.5 Macquarie Media

Sector Overview

Despite being a traditional platform and facing increasing competition from alternative media platforms, particularly online, the radio broadcasting sector has been relatively resilient over the past ten years. Its share of the advertising market has remained relatively stable at 7.5% in 2007 ($1.0 billion) and 7.3% in the 12 months ended June 2017 ($1.1 billion).

The key to the success of the radio broadcasting sector and continuing to draw large audiences is consistent content and good talent. While radio broadcasting has introduced digital radio (both DAB and internet radio), this format has struggled with competition from alternatives such as podcasts or music streaming services such as Spotify, Apple Music, Pandora and SoundCloud. This is particularly the case for FM stations as a result of the ability to easily replicate music strategies. In contrast, the commercial news-talk format (mostly AM stations) that relies more heavily on talent (and in which Macquarie Media operates) has been able to maintain its audience share and its appeal to advertisers.

The radio broadcasting sector is expected to experience modest, low single digit growth over the period from 2018 to 2022[31] through the introduction of new products and distribution platforms (podcasts, streaming, on-demand and Digital Radio Plus (DAB+). As digital mediums grow, this should also provide opportunities for radio to offer advertisers more ways to target their audiences.

Operations

Following the merger of Fairfax Radio Network and Macquarie Radio Network in March 2015, Fairfax holds a 54.5% shareholding in the ASX listed Macquarie Media, which operates a network of news, talk and sports stations across Australia, with an audience of 1.8 million people. The radio network comprises:

- *2GB* and *Macquarie Sports Radio 954* in Sydney. *2GB* is the number one rated commercial radio station in Sydney;
- *3AW* and *Macquarie Sports Radio 1278* in Melbourne. *3AW* is the number one rated commercial radio station in Melbourne;
- *4BC* and *Macquarie Sports Radio 882* in Brisbane; and
- *6PR* in Perth.

Macquarie Media switched its three east coast stations to the new *Macquarie Sports Radio* format during FY18.

Historical Operating Performance

The historical operating performance of Macquarie Media (on a 100% basis) for the four years ended 24 June 2018 is summarised below:

MACQUARIE MEDIA – HISTORICAL OPERATING PERFORMANCE ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Total revenue	**108.7**	**138.6**	**137.0**	**136.6**
Share of profit of associates	-	-	0.2	(0.2)
Expenses	(94.8)	(113.6)	(105.7)	(103.8)
EBITDA	**13.9**	**25.0**	**31.5**	**32.6**
Depreciation and other amortisation	(2.8)	(2.6)	(3.3)	(3.9)
EBITA	**11.1**	**22.4**	**28.2**	**28.7**
Amortisation of acquired intangible assets	-	-	-	-
EBIT	**11.1**	**22.4**	**28.2**	**28.7**
STATISTICS				
Revenue growth	*+4.7%*	*+27.5%*	*-1.1%*	*-0.3%*
EBITDA growth	*-0.5%*	*+80.1%*	*+26.3%*	*+3.3%*
EBITA growth	*+3.4%*	*+101.7%*	*+26.2%*	*+1.8%*
EBITDA margin	*12.7%*	*18.0%*	*23.0%*	*23.8%*
EBITA margin	*10.2%*	*16.1%*	*20.6%*	*21.0%*

Source: Fairfax

The vast majority of Macquarie Media's revenue comes from advertising. Revenue and EBITDA have been relatively stable, following the substantial uplift in revenue, earnings and margins from the merger of Fairfax Radio Networks and Macquarie Media in March 2015 (FY16 was the first full year for the merged group). While revenue has fallen slightly, FY16 and FY17 include revenue from Radio 2CH Pty Limited (sold in January 2017) and Satellite Music Australia Pty Limited (sold in July 2017). Removing the impact of these disposals and one off items results in underlying revenue and EBITDA increasing by 4% and 10% respectively in FY18. EBITDA has also benefited from improving margins as a result of tight control over expenses (which have fallen by an average of almost 4.5% each year over the past two years).

The growth in revenue in FY18 was achieved on the back of continued strong ratings performance by *2GB* and *3AW* and despite the switch of other east coast stations to the sports format, which is expected to take time to build audience and revenues.

Strategy and Outlook

Macquarie Media's strategy is to continue building Australia's leading news/talk/sport radio network. Strategic initiatives for FY19 include:

- maintaining its number one ratings status in Sydney and Melbourne and maximising the commercial opportunity that this long term market performance provides; and
- building and commercialising *Macquarie Sports Radio* as a national sports ratio network.

Macquarie Media expects that successful implementation of these initiatives will drive further revenue gains in the order of 4%[37].

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37 As per the Macquarie Media FY18 Results Announcement on 8 August 2018.

4.9.6 Stan

Sector Overview

SVOD is a subset of the television media sector (see Section 5.2 for discussion of the television media sector). The main revenue driver for SVOD is subscription fees. While there is a small amount of advertising revenue generated by the sector, pure SVOD participants provide advertising free services as a point of differentiation and this is one of their main attractions.

SVOD has experienced very strong growth since Netflix, Inc. ("*Netflix*") and *Stan* launched in Australia in 2015, with total subscription revenue increasing from $149 million in 2015 to $850 million in 2017[38]. This phenomenal growth has been driven by increasing awareness of the product and growth in the addressable market (through growth in broadband penetration and increased uptake of internet connected devices including smartphones, smart televisions, set-top boxes and gaming consoles).

Telecommunications companies and internet service providers are active in the SVOD sector, bundling SVOD with data and access to improve the value proposition for customers and increase customer retention. Bundling gives SVOD providers greater exposure to potential customers and more certain revenue streams.

Other than *Stan*, the main participants in the Australian SVOD sector are the United States-based *Netflix* and *Amazon Prime Video,* and *Foxtel Now*:

- *Netflix* is the number one SVOD service in Australia. It has the largest content library, and while *Netflix* does not publish subscriber numbers, estimates of subscribers range from 2.7 million to 3.9 million. It has increasingly been focusing on original content (such as *House of Cards* and *Orange is the New Black*) in addition to providing access to movies and television shows;
- *Amazon Prime Video* is reasonably new to the Australian market (entering in 2017) and its library is less extensive than that of *Stan* or *Netflix*, but it does have exclusive content and relatively low subscription fees;
- *Foxtel Now* is part of the Foxtel pay television offering of live television, live sport and on-demand episodes of television shows.

These SVOD providers also compete with pay television providers such as *Foxtel* and *Fetch* and, to some extent, with the BVOD services of FTA television broadcasters.

With SVOD household penetration currently around 43% compared to 70% in the United States and 60% in the United Kingdom[39] (where the SVOD market is more developed), the pace of growth is expected to continue at an average rate of around 30% per annum over the period from 2018 to 2022[31].

Key risks facing the SVOD sector include:

- piracy (i.e. the ability of consumers to, in certain circumstances, view the same or similar content offered by SVOD on illegally operated websites free of charge); and
- the potential for major content studios (e.g. Disney, NBC Universal) and other large producers of film and television product (e.g. HBO) to withdraw their content and go direct to consumers. SVOD providers that invest in original content will be protected from this risk to some extent, although research shows that the majority of viewing on aggregator platforms (like *Stan*) is licensed content.

[38] Source: The Australian Home Entertainment Distributors Association, Statistics 2015 to 2017.

[39] Source: Telsyte.

Operations

Fairfax holds a 50% interest in *Stan*, an Australian SVOD joint venture with Nine that was launched in January 2015 and offers selected movies and television shows by subscription. By August 2018, *Stan* had an active subscriber base of 1.1 million.

Stan has content distribution partnerships with local and international content providers, including Sony Pictures, the Australian Broadcasting Corporation ("ABC"), the Special Broadcasting Service ("SBS") and its World Movies subsidiary, Viacom, BBC Worldwide, MGM, Showtime, Starz/Lionsgate, CBS, Village Roadshow and Warner Bros. International Television Distribution. A number of these partnerships are strategic, long term output deals. In addition, *Stan* has commissioned the production of original Australian content exclusive to *Stan* (including *Wolf Creek*, *Romper Stomper* and *The Other Guy*). This original Australian content, coupled with broad access to content under local and international studio partnerships, differentiates *Stan* from its competitors.

Stan is available in three different price packages ($10, $12 and $15 per month). Each package provides access to the same movies and television shows, but different price packages determine the quality audiences can watch at, the number of devices that can be used for offline viewing and how many devices can be streaming simultaneously. A 30-day free trial is available for new *Stan* subscribers.

Historical Operating Performance

The historical operating performance of *Stan* (on a 100% basis) for the year ended 24 June 2018 and other operating data for *Stan* are summarised below:

STAN – HISTORICAL OPERATING PERFORMANCE[40] ($ MILLIONS)

	YEAR ENDED			
	28 JUNE 2015 ACTUAL	26 JUNE 2016 ACTUAL	25 JUNE 2017 ACTUAL	24 JUNE 2018 ACTUAL
Revenue				**96.8**
Expenses				(145.3)
EBITDA				**(48.5)**
Active subscribers at period end (million)	*~0.2*	*~0.5*	*~0.8*	*~1.0*
STATISTICS				
Subscriber growth			*+50%*	*+25%*
Revenue growth			*+150%*	*+72%*
Expenses growth			*+25%*	*+23%*

Source: Fairfax, Nine, Scheme Booklet

Stan has achieved substantial growth in revenue over the past three years, reaching just under $100 million in FY18 from a combination of growth in active subscribers and the first price package increases since launch. At the same time, the increase in operating expenses over this period has been considerably lower. While *Stan* is not yet profitable, EBITDA losses have declined over the past three years. In FY18, there was a 50% reduction in EBITDA losses from the first quarter of FY18 to the fourth quarter of FY18.

Strategy and Outlook

Stan is the number two SVOD provider in Australia (after *Netflix*) and is focused on strengthening its position as the leading local SVOD platform. Its strategic initiatives for FY19 include:

- continuing its subscriber growth trajectory to build platform reach; and
- delivering a world class differentiated content proposition.

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40 Prior year financial information for *Stan* is not included as it has not been made public by Fairfax or Nine.

5 Profile of Nine

5.1 Background

The history of the Nine Network dates back to 1956 when Frank Packer launched TCN-9 in Sydney. TCN9 was the first commercial broadcaster to obtain an FTA television TV licence from the Federal Government and telecast programmes on a regular basis. Eight years later, the National Television Network, a partnership with GTV-9 in Melbourne (also owned by Frank Packer), NWS-9 in Adelaide and QTQ-9 in Brisbane, was formed. This collaboration was the basis of Nine Network Australia Limited ("Nine Network Australia").

In December 1987, Kerry Packer (who inherited the network from his father), sold TCN-9 and GTV-9 to Bond Media Limited ("Bond Media") for $1.05 billion (in cash and subordinated debt in Bond Media), and the network was expanded through the acquisition of QTQ-9 Brisbane and STW-9 Perth. In July 1990, following Bond Media going into bankruptcy, Kerry Packer took back control of Nine Network Australia by converting the subordinated debt into a 37% stake in Bond Media.

In 1994, Nine Network Australia merged with Australian Consolidated Press Limited (a media publishing company also controlled by the Packer family) to create Publishing and Broadcasting Limited ("PBL"). In the late 1990s, PBL invested in a number of online ventures such as *Ninemsn*, a joint venture with Microsoft and a joint venture with eBay Inc to launch *eBay* sites in Australia and New Zealand. In 1999, PBL acquired Crown Limited (operator of the Crown casino and entertainment complex in Melbourne), which became the largest of PBL's businesses, contributing almost half its revenue. During this period, PBL continued to expand its media holdings with the acquisitions of a 25% interest in the *Foxtel* cable and satellite television service, a 50% interest in *Fox Sports* and a 33% interest in *Sky News Australia*.

In October 2006, PBL entered into an agreement with CVC Asia Pacific ("CVC") to create a new media group, PBL Media Holdings Pty Limited ("PBL Media") (excluding the entertainment business), in which PBL and CVC each held a 50% economic interest. In 2007, PBL Media acquired *Ticketek*, Allphones Arena and NBN Television. In late 2007, CVC acquired a further 25% stake in PBL Media and it effectively became the sole owner in December 2008 after it injected new equity and restructured the company's debt facilities.

PBL Media was rebranded as Nine Entertainment Co. in 2010. In September 2012, Nine sold its ACP Magazines to the Bauer Media Group for $525 million.

In February 2013, a majority of Nine's senior and mezzanine lenders (led by Apollo Global Management ("Apollo") and Oaktree Capital Management (Oaktree")) and a subsidiary of CVC completed a debt restructuring scheme of arrangement under which the existing senior debt (of $2.2 billion) and subordinated debt (of $1.1 billion) was exchanged for new shares in Nine and cash. After this restructuring, the senior lenders held a 95.5% interest in Nine and the mezzanine lenders and CVC held a 4.5% interest. In 2013, Nine also acquired WIN Corporation's Adelaide and Perth television stations for $362.5 million.

Nine listed on the ASX via an initial public offer ("IPO") in December 2013. The largest shareholders prior to the IPO were Oaktree (with a 27.8% interest) and Apollo (with a 25.6% interest). Post the IPO, Oaktree and Apollo reduced their interests to 14.2% and 21.8% respectively.

In 2014, Nine co-founded the online streaming company *Stan* with Fairfax, initially investing approximately $50 million into the business. During FY15, Nine sold its live ticketing, entertainment and sports event business, Nine Live (including *Ticketek* and Allphones Arena) for $640 million to focus on its FTA television, digital and SVOD businesses.

In March 2018, Nine announced that it had acquired the rights to all premium tennis played in Australia for the 2020 to 2024 seasons for approximately $300 million. The agreement includes exclusive live rights (including FTA, subscription television, streaming, mobile and social media) and extensive broadcast video on demand ("BVOD") rights to the Australian Open as well as the lead up tournaments (the Hopman Cup and the Brisbane, Sydney and Hobart Internationals). Nine subsequently also acquired the 2019 Australian Open broadcasting rights from Seven for approximately $49 million. In April 2018, Nine announced that it had not been granted rights in relation to Australian international cricket matches from the 2018/19 summer.

Today, Nine is a leading media company that engages in television broadcasting, BVOD, SVOD and digital publishing in Australia. It is a top 200 ASX listed company and, prior to the announcement of the Scheme, had a market capitalisation of approximately $2.2 billion.

5.2 Sector Overview

The Australian television sector is made up of FTA television broadcasters, pay television broadcasters and video on demand platforms. FTA broadcasters can be segmented into metropolitan or regional, and government funded or commercial. Most FTA television broadcasters also broadcast television content online for no charge (BVOD). Nine operates in the FTA segment as a commercial FTA television broadcaster serving the metropolitan markets, along with Seven West Media Limited ("Seven") (owner of Seven Network) and CBS Corporation (owner of Network Ten). There are also two government funded broadcasters operating in the metropolitan markets, the ABC and SBS (although they do not rely on advertising revenue[41]).

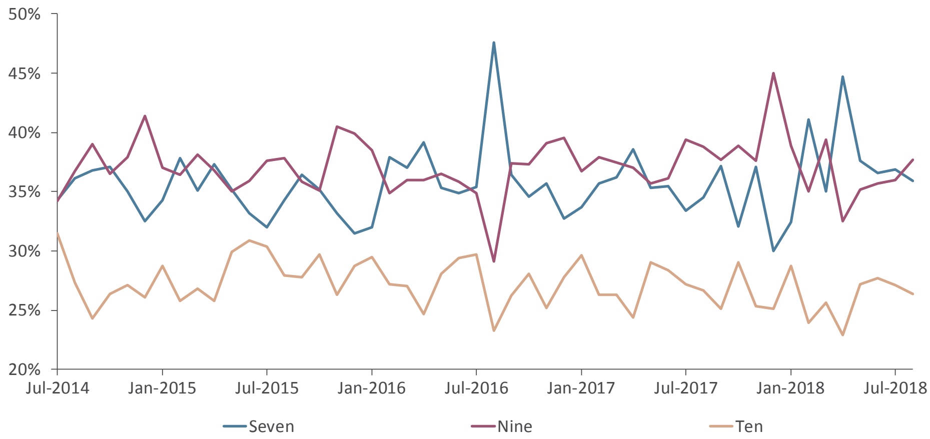
The FTA television broadcasting sector is highly competitive. The key drivers of performance for FTA commercial television broadcasters are:

- the size of the Australian advertising market, the share attributed to metropolitan FTA television and each FTA television broadcasters' share of that market. As a result of no switching costs for viewers between FTA television broadcasters, market share is directly related to individual FTA television broadcaster ratings.

  The consolidated five city metropolitan commercial FTA television broadcasting share of viewing from July 2014 to July 2018 is summarised below:

METROPOLITAN NETWORK COMMERICAL SHARE OF VIEWING[42]

JULY 2014 TO JULY 2018



Source: OzTAM

Note: Data © OzTam Pty Limited 2018. The Data may not be reproduced, published or communicated (electronically or in hard copy) without the prior permission of OzTAM. Grant Samuel has obtained permission from OzTAM to reproduce the data in the chart above

41 While SBS does have some advertising, approximately 70% of its revenue comes from Federal Government appropriations (Source: SBS Annual Report 2017).

42 Consolidated network metropolitan share, 6am to midnight, people aged 25-54.

Over the past four years, Nine Network has consistently been the leading commercial FTA television broadcaster in terms of share of viewing, after taking into account the impact of key events such as Olympics and Commonwealth Games. While Network Seven has held the leading ratings share for some periods, these have largely coincided with its broadcasting of the Summer Olympics (August 2016), the Winter Olympics (February 2018) and the Commonwealth Games (April 2018). The ratings share of both Nine Network and Network Ten fell considerably during the broadcast of these events. However, the impact is short-lived, and advertising for these types of key events is sold separately to the normal schedule, such that their impact does not have any material effect on a broadcaster's ability to attract advertising spend;

- the ability to provide content that appeals to viewers, either through securing programming rights or acquiring or developing their own content (news, entertainment and lifestyle). Broadcasting rights for live sport events and production of entertainment shows represent a considerable expense for FTA television broadcasters. However, investment in content is critical to maintain viewer ratings and market share; and
- the regulatory environment (see Section 3 for discussion of recent regulatory changes).

The television broadcasting sector has faced ongoing structural changes and increasing competition over the past ten years as more Australians have shifted towards viewing video content online (e.g. BVOD, SVOD and platforms such as YouTube). This has led to advertisers shifting their spend to online platforms where they can potentially reach larger audiences and better measure the effectiveness of their campaigns. Over the period from 2010 to June 2017, total television advertising spend has generally been around $3.8 billion, although its share of total advertising spend has fallen from 29% to 24%[31]. The trend to online consumption of content is expected to continue as a result of developments such as the National Broadband Network rollout, (which will provide high-speed internet and increased coverage to the Australian population) and faster 5G mobile networks.

FTA television networks have responded by launching BVOD services, investing in time sensitive content such as live sports and news, and developing Australian light entertainment programmes aimed at maximising viewership. A combination of the continued growth of BVOD platforms and advertisers returning to FTA broadcast television because of its ability to deliver effectively and efficiently at scale and in a brand safe environment, has seen a reversal in the downward trend in FY18, at least in the important metropolitan markets. Metropolitan FTA television broadcasting advertising spend grew by 2.5%[43] in FY18, the first increase in four years. However, total television broadcasting advertising spend (including regional and pay television) increased by only 0.5%[43] over the same period.

Market commentators have varying views on the outlook for the overall FTA television broadcasting sector although there is a common view that, at best, the outlook is flat. However, Nine expects the metropolitan FTA market to grow by around 1% in FY19. Online services such as BVOD and SVOD are also expected to grow substantially (albeit from relative low bases). Investment in enhancing and monetising BVOD services will be the key to growth in advertising revenue for FTA television broadcasters.

[43] Think TV, commercial revenue share, 12 months to June 2018.

5.3 Business Operations

Nine's key business operations are its FTA television broadcasting business, Nine Network (including Nine's digital platform) and its 50% interest in *Stan*. It also has a number of other investments that complement its digital business. These business operations are described in more detail below.

5.3.1 Nine Network

The Nine Network is one of three Australian commercial FTA television networks, operating through multi-channel platforms to provide news, lifestyle, entertainment and sport to Australian audiences. It covers the five metropolitan areas (Adelaide, Brisbane, Melbourne, Perth and Sydney) as well as regional northern New South Wales and Darwin. Nine also broadcasts into other parts of Australia through affiliation agreements with regional licence holders. Nine's primary affiliate is Southern Cross Broadcasting Limited ("Southern Cross"), which broadcasts Nine's television content in regional Queensland, southern New South Wales and regional Victoria.

Nine reports its operations through two segments, Television and Digital. Television represents Nine's FTA television broadcasting operations and Digital includes broadcast video on demand ("BVOD") and digital publishing across a number of online platforms.

Television

Nine's FTA television broadcasting operations deliver content across four digital channels, each with a specific target audience. The channel mix is part of Nine's strategy to create a cluster of complementary channels that cover all key audiences. A summary of the FTA television channels is set out below:

NINE – FTA TELEVISION CHANNELS

CHANNEL	DESCRIPTION
9 9HD	Main broadcasting channels focusing on the 24-54 year old demographic. Broadcasts the majority of live sports (NRL and, from 2019, the Australian Open), original entertainment shows (such as *Married at First Sight*, *Australian Ninja Warririor* and *The Block*) and its flagship 6pm news bulletin
Go!	Youth channel focusing on the 16-39 year old demographic. Offers a mix of comedy, reality, general entertainment, movies, animation and drama. Broadcasts comedy shows such as *Two & A Half Men*, *The Middle*, *2 Broke Girls* and past seasons of *Big Bang Theory*, Australian reality shows such as *Love Island Australia* and overseas shows such as *Celebrity Big Brother US*
Gem	General entertainment and movies channel focusing on the 35+ years female demographic as well as families. Programs are female-skewed, but also cover a range of genres including crime, lifestyle, drama, classic sitcoms, comedies, live sport and repeat high definition or silver screen films
Life	Broadcasts mostly lifestyle and reality programs, such as *Million Dollar Listing*, *The Real Housewives* and the United States' largest renovation shows, *Fixer Upper* and *House Hunters*. Licensing agreement with Discovery Inc. for the distribution of a number of formats. Demographic focus is people aged 18-54 years old

Source: Nine

Television is the main contributor to Nine's revenue, representing just under 90% of total operating revenue over the past four years. However, it is a mature business. Television revenue has declined at an average rate of 1.7% per annum over the past three years, albeit there has been a 6.7% uplift in revenue in FY18 (see Section 5.4 for further discussion).

Digital

Nine's digital strategy is to leverage the proprietary content developed for its FTA network (sports, news, lifestyle and entertainment) in an online environment, where viewership is more traceable (as viewers are required to register to access the platform). As a result, advertising is able to be more targeted and measurable, and can often command a price premium. Digital also provides Nine with diversification of revenue streams from its traditional FTA television broadcasting and is a higher growth market. Nine's digital platforms are summarised below:

NINE – DIGITAL PLATFORMS

PLATFORM	DESCRIPTION
9NOW	BVOD platform that offers content streaming from Channel 9, 9Go!, 9Gem and 9Life on a live basis and catch up basis, as well as some short form programming such as clips made for 9Now. Launched in February 2016 and was the leading BVOD platform in Australia in June 2018, with an audience of approximately 2.6 million viewers. As at August 2018, had 6.7 million registered users and reported a 93% increase in video streams in FY18
9Honey	Dedicated lifestyle network targeting Australian woman. Relaunched in November 2016, consolidating multiple verticals into a single lifestyle brand targeting different aspects of the Australian woman's life. As at June 2018, had a unique audience of approximately 2.4 million people
nine.com.au	Formerly Ninemsn, an online source of news, sport, entertainment and lifestyle content. Acts as a gateway for Nine's suite of digital assets such as *9Now* and *9Honey*. As at June 2018, nine.com.au and the netowrk of sites under it had a unique audience of approximately 8.2 million people
PEDESTRIAN.TV	Youth publishing business engaging over 1 million young Australians each month with pop culture musings and creative jobs listings across its own and other social media platforms

Source: Nine

Digital contributed approximately 13% of Nine's revenue and EBITDA (before corporate overheads and contribution from associates) in FY18. While the contribution from digital is relatively small, it consists of higher growth businesses (see Section 5.4 for further discussion).

Strategy

Nine's strategy is to create great content, distribute it broadly and engage audiences and advertisers. More specifically, this involves:

- focusing on large scale, locally produced entertainment formats intended to have broad appeal to audiences, which can be distributed across multiple platforms and which provide a range of opportunities to advertisers;
- continue to expand the distribution platforms on which its content is available (e.g. social media platforms such as YouTube) to reach new audiences and engage in new ways with existing viewers; and
- drive growth of premium revenue (i.e. program integrations, sponsorships, content partnerships and digital businesses) from advertisers and agencies through new advertising products and data.

As a FTA television broadcasting business, Nine has been directly impacted by declines in the television advertising market, driven by a shift in viewer preferences towards consuming content online. Over the past 2-3 years, Nine has developed its digital publishing portfolio and on demand platforms (such as *9Now* and *Stan*) to maintain its relevance in an increasingly digital environment.

Nine is focused on the following business growth strategies for FY19:

- maintaining the strong momentum and consolidate Nine Network's position as the leading FTA network through:
  - continuing the strong ratings performance since the start of 2017 into 2019 and growing revenue share from FY18 (particularly in the absence of any key events such as the Olympics on other networks);
  - optimising returns in FTA television broadcasting through:

- improved broadcasting rights deals (for example, forgoing cricket broadcasting rights and replacing them with rights to broadcast the Australian Open);
- growing premium revenue (new inventory types, expansion into new categories and an enhanced sales approach);
- maintaining disciplined cost management; and
- targeting increased sales efficiency and optimising inventory usage through the *9Galaxy* automated trading platform; and

- continuing to make targeted investments in content to reflect audience preferences;

- continue to grow its digital media assets through:
  - growing its audience by increasing its content and the ways customers find and access this content, including via tablets and mobile devices, particularly online video; and
  - increasing advertising revenue through growth in audience and inventory as well as making use of its data assets to improve yields and the effectiveness of advertising; and
- optimise the returns associated with Nine's premium free content and audience reach by continuing to identify and pursue opportunities where it can increase its content and rights to use content and broadening the utilisation of this content across its multi-platform ecosystem as well as third party platforms.

5.3.2 Stan

Nine holds a 50% interest in *Stan*. See section 4.9.6.for discussion of the sector overview, historical operating performance, strategy and outlook for *Stan*.

5.3.3 Other Investments

Nine has a number of other investments that complement its digital assets and provide further avenues of growth in advertising or other revenues:

NINE – OTHER INVESTMENTS

	INTEREST	DESCRIPTION
caradvice	59.2%	Leading publisher of online automotive editorial content in Australia, providing high-quality, independent editorial content for new car buyers and influencers, with a key focus on video and audio casting. Nine has an option to acquire the remaining 40.8% interest in FY19 and FY20. Minority shareholders also hold options to put their remaining shares to Nine during FY19 and FY20
RateCity	50%	Australian financial comparison website that helps people find products that suit their needs and save their money in areas such as home loans, personal loans, credit cards, super funds and car loans
YellowBrickRoad	17.8%	ASX listed, full-service wealth management company that offers products and services for home loans, commercial loans, financial planning, insurance, superannuation, investments, accounting and tax
LiteracyPlanet	27.0%	Online English literacy education business which operats across Australia, the United Kingdom and the United States, covering key literacy skill areas with a curriculum suitable from preschool to Year 12
Future Women	80.0%	Premium online susbription site aimed at female professionals and entrpreneurs and offering live events, workshops, speakers, video sessions, mentoring and access to in-depth research and insights. Nine has an option to acquire the remaining 20% interest in FY21 and FY22

Source: Nine

5.4 Financial Performance

The historical financial performance of Nine for the four years ended 30 June 2018 is summarised below:

NINE – SUMMARISED HISTORICAL FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED 30 JUNE			
	2015 RESTATED[44]	2016 RESTATED[15]	2017 ACTUAL	2018 ACTUAL
Revenue	**1,371.4**	**1,282.4**	**1,237.8**	**1,318.2**
Share of profits of associates	3.4	2.1	0.2	1.2
Operating expenses	(1,157.6)	(1,082.8)	(1,032.4)	(1,062.2)
EBITDA	**217.2**	**201.7**	**205.6**	**257.2**
Depreciation and amortisation	(30.0)	(32.3)	(35.3)	(36.7)
EBITA	**187.1**	**169.5**	**170.3**	**220.5**
Net interest expense	(28.3)	(6.8)	(5.6)	(2.2)
Operating profit before tax	**158.9**	**162.6**	**164.7**	**218.2**
Income tax expense	(47.3)	(45.5)	(41.1)	(61.5)
OPAT	**111.6**	**117.1**	**123.6**	**156.7**
Profit from discontinued operations after tax	5.5	291.5	-	-
Significant items after tax	(709.2)	(83.9)	(327.1)	53.0
NPAT attributable to Nine shareholders	**(592.2)**	**324.8**	**(203.4)**	**209.7**
STATISTICS				
Basic earnings per share[19]	*11.9*	*13.3*	*14.2*	*18.0*
Dividends per share	*9.2*	*12.0*	*9.5*	*10.0*
Dividend payout ratio[20]	*77%*	*90%*	*67%*	*56%*
Amount of dividend franked	*100%*	*100%*	*100%*	*100%*
Revenue growth	*nc[45]*	*-6.5%*	*-3.5%*	*+6.5%*
EBITDA growth	*nc*	*-7.1%*	*+1.9%*	*+25.1%*
EBITA growth	*nc*	*-9.4%*	*+0.5%*	*+29.5%*
EBITDA margin	*15.8%*	*15.7%*	*16.6%*	*19.5%*
EBITA margin	*13.6%*	*13.2%*	*13.8%*	*16.7%*
Interest cover (EBITDA/net interest expense)[46]	*7.7x*	*37.6x*	*36.5x*	*114.5x*

Source: Nine and Grant Samuel analysis

Along with the FTA television broadcasting industry in general, the past four years have been a period of transition for Nine. Revenue and earnings have generally fallen over the period FY15 to FY17, reflecting a soft FTA advertising environment and increasing competition from other platforms for advertising spend (albeit over this period Nine has increased its market share within the FTA category). Tight control over its cost base over this period has not been sufficient to stem the decline in earnings, even after a licence fee reduction of $11 million in FY16. However, the further licence fee relief of $32.8 million in FY17 did enable Nine to report a modest improvement in earnings. Both revenue and earnings grew strongly in FY18, as the metropolitan advertising market grew and Nine was able to improve its audience ratings performance in key demographics while controlling costs.

44 FY15 and FY16 restated to reflect the divestment of Nine Live in July 2015.

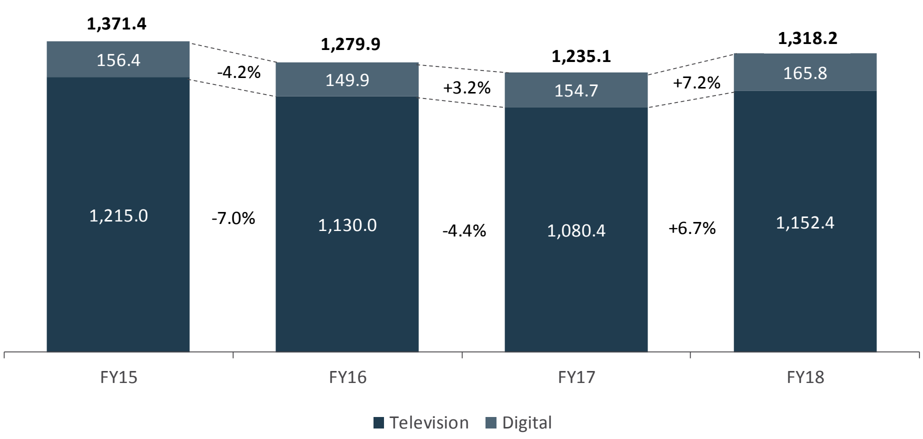
45 nc = not calculated.

46 This definition of interest cover differs from that used by Nine. The use of EBITDA/net interest expense allows comparison to Fairfax and to the Combined Group.

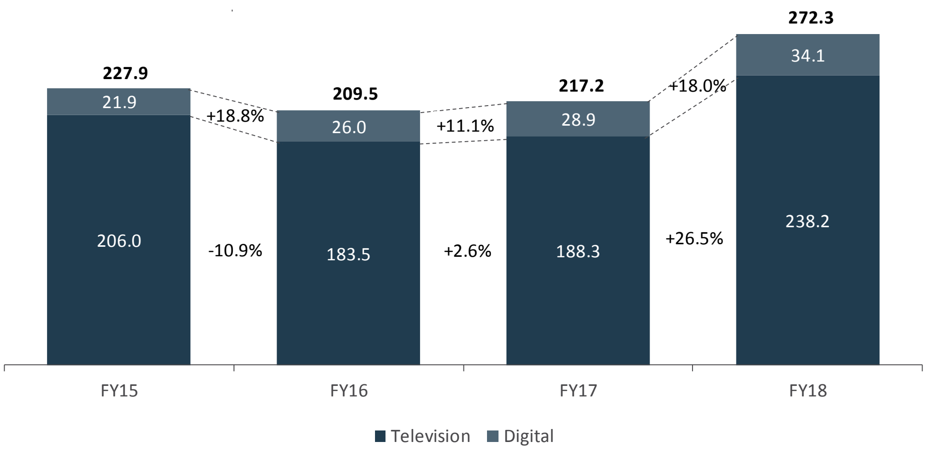
During FY16, Nine sold Nine Live for $640 million to focus on its FTA television, digital and SVOD businesses. This divestment deleveraged Nine considerably, reflected in interest cover increasing from 7.7 times in FY15 to 37.6 times in FY16.

Following the sale of Nine Live, and to counteract the decline in Television revenue and earnings, Nine commenced a repositioning of its business from a FTA television broadcaster to a creator and cross-platform distributor of premium video content, focusing on producing local content (such as *Married at First Sight*, *The Block*, *Australian Ninja Warrior* and *The Voice*) and growing its digital assets (BVOD and digital publishing). The performance of Nine's Television and Digital segments for the period from FY15 to FY18 is illustrated below:

NINE – REVENUE[47] BY BUSINESS SEGMENT ($ MILLIONS)



NINE – EBITDA[48] BY BUSINESS SEGMENT ($ MILLIONS)



47 Revenue for the purposes of this chart excludes corporate revenue.

48 EBITDA for the purposes of this chart is before corporate overheads and contribution from associates.

NINE – EBITDA MARGIN BY BUSINESS SEGMENT

	YEAR ENDED 30 JUNE			
	2015 RESTATED	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL
Television	17.0%	16.2%	17.4%	20.7%
Digital	14.0%	17.4%	18.7%	20.6%

Source: Nine

Digital revenue has grown at an average rate of 2.0% per annum over the past three years (compared to an average decline of 1.7% per annum for Television), with higher growth of 3.2% in FY17 and 7.2% in FY18. Digital EBITDA has grown at an average annual rate of 15.9% over the past three years (compared to 5.0% for Television). In FY16, the Digital business was refocused on its more profitable businesses, with consumer product development focused on news, sport, entertainment and lifestyle. This refocus resulted in a material improvement in the Digital EBITDA margin in FY17 to 18.7% (from 14.0% in FY15).

After a slow start to FY17 due to the 2016 Rio Olympic Games broadcast on Seven Network (which led to viewership declines for Nine Network), Nine's FTA ratings and revenue share gained momentum in 2HY17 and continued into FY18. The strong growth in revenue and earnings in FY18 reflected the combination of a number of factors:

- for Television:
  - strong momentum in the metropolitan FTA television market, which experienced its first growth in four years, increasing by 2.5%;
  - Nine consolidating its number one position in the market during the year, with a revenue market share of 38.6% (up 2.9 percentage points over FY17); and
  - continued control over costs, despite the introduction of an annual spectrum charge to replace television licence fees and an extra week of trading in FY18 (which together added approximately $16 million to operating expenses);

  resulted in an increase in revenue and EBITDA of 6.7% and 26.5% respectively. As a consequence, the EBITDA margin increased from 17.4% in FY17 to 20.7% in FY18; and
- for Digital, growth in revenue and EBITDA of 7.2% and 18.0% respectively (and an increase in the EBITDA margin from 18.7% to 20.6%), underpinned by long form video (*9Now*) and increased contributions from CarAdvice and Pedestrian TV, which more than offset declining revenue in the traditional display category and the loss of revenue from the Bing contract (circa $14 million).

Consistent with the operational changes in its business over the past four years, Nine has reported a number of significant one-off items over the period:

NINE – SIGNIFICANT ITEMS ($ MILLIONS)

	YEAR ENDED			
	30 JUNE 2015 ACTUAL	30 JUNE 2016 ACTUAL	30 JUNE 2017 ACTUAL	30 JUNE 2018 ACTUAL
Goodwill impairment	(667.3)	(17.2)	(260.0)	-
Licence impairment	(99.5)	(16.1)	-	-
Program stock provisions/write-downs	(57.4)	(47.9)	(87.5)	1.7
Profit on assets held for sale	-	-	-	76.9
Restructuring and termination costs	(1.4)	(8.7)	(7.2)	(5.8)
Other	(21.6)	(15.7)	(0.9)	(16.1)
Significant items (before tax)	**(847.2)**	**(105.6)**	**(355.6)**	**56.7**
Income tax (expense)/benefit on signfiicant items	138.0	21.7	28.5	(3.8)
Significant items (after tax)	**(709.2)**	**(83.9)**	**(327.1)**	**53.0**

Source: Nine

Nine's dividend policy is that directors determine the level of dividends to be paid in each reporting period taking into account the company's financial performance, balance sheet requirements and a range of forward looking factors, such as new investment opportunities. Prior to announcement of the Scheme, Nine had a target dividend payout ratio of 50-70% of OPAT before significant items. Over the past four years, Nine's dividend payout ratio has ranged from 56% (FY18) to 90% (FY16).

Forecast Financial Performance

In conjunction with the release of its FY18 results on 23 August 2018, Nine provided the following trading update:

- for the September quarter, metropolitan television revenues were trading around 1% ahead and core digital advertising revenue are around 15% ahead of the same time last year;
- the metropolitan FTA market is expected to grow at around 1% in FY19. Nine's stronger ratings performance since the start of 2017 is expected to continue in 2019 and Nine is expecting to grow revenue share from FY18 (given the absence of key events on other networks);
- FY19 FTA costs are expected to decline by 2-3% reflecting the change in summer sports from cricket to tennis as well as ongoing tight cost controls (e.g. reduced spend on international content and industry joint venture initiatives); and
- strong growth in digital EBITDA is expected, underpinned by continued growth in 9Now (with the benefit of addressable advertising) and recent sales momentum in digital publishing.

On this basis, Nine is expecting to report group EBITDA in the range $280-300 million.

On 12 October 2018, Nine released a trading update to the ASX for the first quarter of FY19 confirming its FY19 EBITDA guidance (before specific items). While the metropolitan FTA market was slightly softer than expected, Nine's share has been ahead. As a result, Nine's metropolitan FTA advertising revenue was broadly flat compared to the first quarter of FY18 (adjusted for one less week in FY19). Digital revenue for the first quarter of FY19 was around 10% ahead of the prior year.

Nine has not included any forward looking information in the Scheme Booklet and therefore the Nine FY19 Budget has not been disclosed in this report. To provide an indication of the expected future financial performance of Nine, Grant Samuel has considered brokers' forecasts for Nine (see Appendix 2).

Set out below is a summary of the forecast financial performance for Nine:

NINE – FORECAST FINANCIAL PERFORMANCE ($ MILLIONS)

	YEAR ENDED	
	30 JUNE 2018 ACTUAL	30 JUNE 2019 BROKER MEDIAN
Revenue	1,318.2	1,340.9
EBITDA	257.2	293.5
EBITA	220.5	258.0

Source: Grant Samuel analysis (see Appendix 2)

The median brokers' forecast for FY19 indicates FY19 EBITDA of $293.5 million which is consistent with the guidance provided by Nine.

5.5 Financial Position

The financial position of Nine as at 30 June 2018 is summarised below:

NINE – SUMMARISED FINANCIAL POSITION ($ MILLIONS)

	AS AT 30 JUNE 2018 ACTUAL
Trade receivables and prepayments	305.1
Inventories (including current program rights)	190.4
Trade and other payables (including program contract payables)	(261.1)
Net working capital	**234.5**
Property, plant and equipment (net)	106.5
Goodwill	416.5
Other intangible assets	495.5
Program rights (non current, net of program payables)	43.2
Equity accounted investments	12.5
Defined benefit plan asset	25.6
Assets held for sale	18.5
Investment in Yellow Brick Road Holdings Limited ("Yellow Brick Road")	4.5
Loans to related parties	130.0
Deferred tax liabilities	(173.0)
Derivative financial instruments	(26.8)
Provisions	(91.8)
Other assets and liabilities	34.8
Total funds employed	**1,230.3**
Cash and cash equivalents	36.4
Interest bearing liabilities	(157.6)
Net borrowings	**(121.3)**
Net assets	**1,109.0**
STATISTICS	
Shares on issue at period end (million)	*871.4*
Net assets per share	*$1.27*
NTA per share	*$0.23*
Gearing	*9.9%*
Gearing (Fairfax definition: interest bearing debt/EBITDA)	*0.5x*

Source: Nine and Grant Samuel analysis

Similar to Fairfax, the vast majority (almost 75%) of Nine's total funds employed is represented by intangible assets. Approximately 46% of intangible assets is goodwill, with the balance attributed to the Nine Network and NBN Television licences and capitalised software development costs:

NINE – INTANGIBLE ASSETS BY BUSINESS ($ MILLIONS)

	AS AT 30 JUNE 2018		
	LICENCES	GOODWILL	TOTAL
Nine Network	466.8	301.9	768.7
NBN Television	11.0	3.3	14.3
Nine Digital	-	47.6	47.6
Pedestrian TV (Pedestrian Group Pty Ltd and Pedestrian Corporation Holdings Pty Ltd)	-	19.3	19.3
CarAdvice.com Pty Ltd ("CarAdvice")	-	43.8	43.8
Future Women Pty Ltd ("Future Women")	-	0.6	0.6
Total	**477.8**	**416.5**	**894.3**

Source: Nine

Over 85% of Nine's intangible assets are attributable to the Nine Network (including NBN Television), reflecting the significant value of its television licences.

As at 30 June 2018, program rights (net of program contract payables) were $124.2 million ($81.0 million current and $43.2 million non-current). Program rights, including those acquired overseas, are recorded at cost less amounts charged to the profit and loss statement and any write-downs. Current program contract payables include $33.0 million payable to Warner Bros by 30 June 2019 as final settlement in relation to Nine exiting its life of series obligations arrangements with Warner Bros in 2016.

Equity accounted investments of $12.5 million are Nine's interests in associates and joint ventures:

NINE – ASSOCIATES AND JOINT VENTURES

	ACTIVITIES	INTEREST
Darwin Digital Television Pty Ltd	Television broadcasting	50.0%
Intrepica Pty Ltd	Online learning service	27.0%
Oztam Pty Ltd	Television audience measurement	33.0%
RateCity Pty Ltd	Financial product comparison service operator	50.0%
Stan Entertainment Pty Ltd	SVOD service	50.0%
TX Australia Pty Ltd	Telvision transmision	33.0%

Source: Nine

Nine's investment in *Stan* had a carrying value of nil as at 30 June 2018 and, as a result, its losses are not recognised in Nine's share of profits/(losses) of associates and joint ventures. Nine's cumulative share of losses from its investment in *Stan* that have not been recognised as at 30 June 2018 is $127.3 million, including $32.1 million in relation to FY18.

Other asset balances as at 30 June 2018 include:

- a defined benefit plan asset of $25.6 million, representing the difference between the fair value of plan assets of $58.5 million and the present value of defined benefit obligations of $32.9 million. Nine's defined benefits plan is closed to new members. Nine has not made employer contributions to the plan since June 2013 and does not expect to make contributions to the plan in FY19. The expected payments under the plan are around $4 million per year (for the next ten years);
- assets held for sale of $18.5 million which represent the National Playout Centre and assets in Newcastle and Perth. Contracts for the National Playout Centre and Newcastle assets had been entered into as at 30 June 2018, with the net proceeds from sale of the National Playout Centre in line with its carrying value and a gain on sale expected in relation to disposal of the Newcastle assets; and
- loans to related parties include a loan to the *Stan* joint venture of $126.9 million and loans to other related parties of $3.1 million (including a $2.9 million loan to Darwin Digital Television Pty Ltd).

Derivative financial liabilities represent the expected cost to exercise options to acquire the remaining interests in controlled entities (i.e. the 40.8% interest in CarAdvice for $26.2 million and the 20.0% interest in Future Women for $0.6 million). The option in relation to CarAdvice is expected to be exercised in FY19. The option exercise price in both cases is to be determined at the date of exercise of the option based on the EBITDA of the relevant business at the time.

Provisions primarily reflect employee benefits but also include:

- $18.4 million for onerous contract provisions in relation to the cost of rent for the Willoughby site (and other property related costs) which the group considers to be in excess of a market rent; and
- $10.6 million relating to the value of services to be provided to Nine Live (over the next three years) and Australian Consolidated Press Limited (over the next 12 months) following their disposal.

Nine has a syndicated bank facility of $450 million available to it with maturities over the period from February 2019 to February 2023. As at 30 June 2018, $160 million was drawn under this facility. Interest bearing liabilities in the summarised financial position above are shown net of capitalised debt issue costs of $2.4 million. In addition, Nine has a $15 million bank guarantee facility and a $1 million revolving cash facility available on a rolling annual basis (drawn to $11.7 million and undrawn respectively as at 30 June 2018).

Since year end, Nine has declared a fully franked 5 cent dividend per share which will be paid on 17 October 2018.

5.6 Cash Flow

Nine's cash flow for the four years ended 30 June 2018 is summarised below:

NINE – SUMMARISED CASH FLOW ($ MILLIONS)

	YEAR ENDED 30 JUNE			
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL
EBITDA	**217.2**	**201.7**	**205.6**	**257.2**
Changes in working capital and other adjustments	(76.3)	24.5	(59.2)	(66.3)
Capital expenditure	(27.0)	(34.4)	(32.9)	(22.7)
Proceeds on disposal of assets	-	-	0.1	134.5
Net interest paid	(18.8)	(13.7)	(9.3)	(6.3)
Tax paid	(9.5)	(38.1)	(49.6)	(26.2)
Cash flow from operations	**85.6**	**140.0**	**54.8**	**270.4**
Dividends received	3.3	2.5	1.2	1.0
Dividends paid	(78.8)	(114.7)	(73.9)	(87.1)
Acquisitions of businesses, associates and joint ventures	(55.3)	(40.6)	(26.4)	(49.1)
Proceeds on disposal of businesses, associates and joint ventures	20.9	534.7	-	-
Loans to associates	(24.1)	(36.7)	(32.8)	(27.3)
Share buyback	(61.7)	(49.0)	-	-
Other	(12.5)	-	-	(4.7)
Net cash generated/(used)	**(141.5)**	**347.2**	**46.9**	**103.2**
Net cash/(borrowings) – opening	*(383.3)*	*(524.8)*	*(177.6)*	*(224.5)*
Net cash/(borrowings) – closing	*(524.8)*	*(177.6)*	*(224.5)*	*(121.3)*

Source: Nine and Grant Samuel analysis

Over the past three years, Nine has reduced its net debt position from $525 million to $121 million, primarily through the sale of business operations such as Nine Live (sold during FY16 for an enterprise value of $640 million) and the sale and leaseback of its Willoughby head office (sold during FY18). At the same time, Nine has continued to invest in growing its business. It has:

- generated annual cash flow from operations ranging from $55 million to $140 million (excluding the impact from the sale of its Willoughby head office in FY18);
- incurred capital expenditure of almost $120 million;
- spent around $280 million on acquiring businesses and investing in other opportunities. The main focus of expenditure has been on Nine's digital business, including the acquisitions of Pedestrian TV, Microsoft's stake in Nine Digital Pty Ltd (formerly Ninemsn Pty Ltd), CarAdvice.com Pty Ltd and to a lesser extent Future Women Pty Ltd;
- extended a loan to the *Stan* joint venture (balance as at 30 June 2018 of $126.9 million).

Nine also focused on capital management and completed an $111 million on-market share buy-back during FY15 and FY16.

5.7 Taxation Position

Under the Australian tax consolidation regime, Nine and its wholly owned Australian resident entities have elected to be taxed as a single entity.

As at 30 June 2018, Nine had:

- no carried forward income tax losses or capital losses;
- accumulated franking credits of $38.1 million (after adjusting for franking credits which will arise from the payment of the current tax liability); and
- an exempting account balance of $41.1 million (as a result of its IPO in December 2013). Exempting credits will generally only be of benefit to certain foreign resident shareholders by providing an exemption from Australian dividend withholding tax. The exempting credits will generally not give rise to a tax offset for Australian shareholders.

5.8 Capital Structure and Ownership

5.8.1 Capital Structure

Nine has the following securities on issue:

- 871,373,191 ordinary shares (including 256,094 shares held by a trust controlled by Nine which have been purchased to enable Nine to satisfy performance rights to certain senior management); and
- 7,189,070 performance share rights.

Nine operates two employee incentive plans for senior executives:

- a short term incentive of deferred shares based on achievement of annual financial and individual objectives (i.e. individual objectives related to the executive's role and responsibilities). 33% of any short term incentive is delivered as Nine shares that vest in two equal tranches over years and cannot be traded until they have vested. Any unvested shares may be forfeited if the executive ceases to be an employee before a vesting date. The executive is entitled to all benefits of holding the deferred shares in the period before vesting including dividends and voting rights. The board acquires shares on market to satisfy awards under this component of the short term incentive plan. The remaining 67% of any short term incentive is paid in cash; and
- a long term incentive plan under which senior executives are granted performance rights. Each right entitles the participant to receive one share in Nine for nil consideration. Rights vest at the end of a

three year performance period subject to the achievement of certain performance hurdles and employment conditions. Performance rights have no dividend entitlements or voting rights. In the event of a change of control, the board has the discretion to accelerate vesting of some or all of a participant's performance rights.

5.8.2 Ownership

As at 27 August 2018, Nine had approximately 3,000 registered shareholders. The largest shareholder in Nine is interests associated with Mr Bruce Gordon (including Birketu and WIN Corporation) which own a 14.97% interest in Nine. Other than interests associated with Mr Bruce Gordon, the top 20 registered shareholders account for almost 80% of the ordinary shares on issue and are principally institutional nominee or custodian companies. Nine has a significant retail investor base with a majority of registered shareholders classified as retail although this represents only around 15% of shares on issue. Nine shareholders are predominantly Australian based investors (over 98%% of registered shareholders and 70% of securities on issue).

Nine has received notices from the following substantial shareholders:

NINE – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE[49]
Interests associated with Mr Bruce Gordon	14 September 2018	130,477,718	14.97%
Deutsche Bank Group	17 September 2018	103,197,740[50]	11.84%
Pendal Group Limited	1 May 2018	76,749,736	8.81%
UBS Group AG	20 September 2018	50,114,177	5.75%
Legg Mason Asset Management Australia Limited	20 June 2018	45,956,947	5.27%
Vinva Investment Management	13 June 2018	43,735,942	5.02%

Source: Nine, IRESS

In March 2016, January 2018 and over the period from July to October 2018, interests associated with Mr Bruce Gordon increased their exposure to Nine by entering into cash settled share swaps with Deutsche Bank Group for a further 95,591,638 shares (approximately 11%). While the swap does not constitute a relevant interest in the shares (as it does not confer any power to control trading of those shares or to exercise any right to vote attaching to them), it does increase their economic exposure to Nine to approximately 26%.

49 Based on 871,373,191 shares on issue.

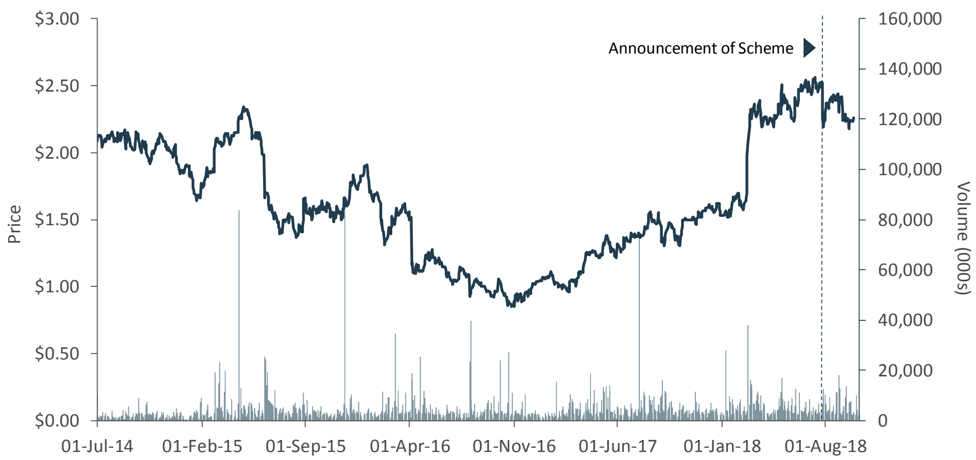
50 Includes 95,591,638 shares held under the cash settled share swap with interests associated with Mr Bruce Gordon.

5.9 Share Price Performance

The following graph illustrates the movement in the Nine share price and trading volumes since 1 July 2014:

NINE – SHARE PRICE AND TRADING VOLUME

JULY 2014 TO OCTOBER 2018



Source: IRESS

Nine's share price performance over the past four years can be analysed as two distinctive periods:

- a period of general decline in share price from May 2015 until October 2016 when Nine traded as low as $0.85 per share. Over this period, a number of events negatively impacted the share price, the most important of which was a sector-wide correction in July 2015, when viewership data indicated a mid-single digit contraction in the television advertising market driven by further shifts to online. This, in turn, was part of the reason for the downwards revision to FY16 full year guidance announced to the market in April 2016. Over the same period, media speculation regarding a potential merger with Southern Cross, changes to the shareholder structure (the exit of Apollo and the acquisition of a substantial stake by interests associated with Mr Bruce Gordon) and corporate actions such as the sale of Nine Live caused some share price volatility, although the predominant trend remained a downward one; and
- a period of general improvement in the share price from October 2016 until announcement of the Scheme on 26 July 2018. Over this period, Nine benefited from favourable regulatory changes such as the removal of broadcasting license fees and the relaxation of media ownership rules. Nine also continued to improve its business, focusing on cost reduction in its core FTA television business and growing its online assets (mainly BVOD).

  These changes, combined with improving market fundamentals, culminated in the announcement of very strong results for 1HY18 in February 2018, as a result of which Nine's share price increased from a trading range of $1.60-1.70 to $2.20-2.30 (an increase of around 35%).

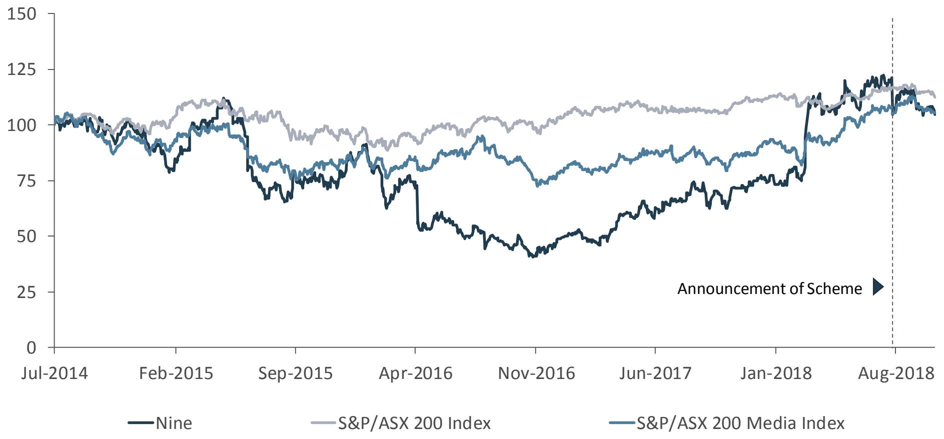
The share price continued its upwards trend on the back of announcements in relation to securing the Australian Open tennis rights and upgraded guidance for FY18, closing at $2.52 on 25 July 2018, the last trading day prior to announcement of the Scheme. Immediately following announcement of the Scheme, the Nine share price fell significantly, reaching a low of $2.15 on 30 July 2018, reflecting uncertainty about the rationale for the Scheme. However, the share price has subsequently recovered as investors have obtained a better understanding of, and become more comfortable with, the impact of the Scheme. Since announcement of the Scheme, Nine shares have traded in the range $2.150-2.565, at a VWAP of $2.311.

Nine is a top 200 ASX listed company and a member of most major Australian sharemarket indices. Nine has been a reasonably liquid stock even though it arguably only has a free float of approximately 85% (if the interests associated with Mr Bruce Gordon are excluded from the free float). Average weekly volume over the twelve months prior to the announcement of the Scheme represented 2.8% of average shares on issue (3.3% of the free float) or annual turnover of around 147% of total issued capital (173% of the free float).

The following graph illustrates the performance of Nine shares since 1 July 2014 relative to the S&P/ASX 200 index and S&P/ASX 200 Media index (in which Nine has a weighting of around 20%):

NINE VS S&P/ASX 200 INDEX VS S&P/ASX 200 MEDIA INDEX

JULY 2014 TO OCTOBER 2018



Source: IRESS

Nine shares have generally traded line with the S&P/ASX 200 Media index other than:

- during the period from the end of February to April 2016, when Nines shares underperformed the S&P/ASX 200 Media index following the release of disappointing 1HY16 results in February 2016 and a further downwards revision to guidance for FY16 in April 2016, as well as broader concerns around a decline in the metropolitan FTA market;
- some moderate outperformance in late June 2017 following announcement of the removal of television licence fees (which has a direct positive impact on FY17 earnings) and October 2017 following announcement of the changes to media ownership laws; and
- substantial outperformance following the release of strong 1HY18 results in February 2018.

As a result of these company and television broadcasting sector specific events, Nine shares have generally underperformed relative to the S&P/ASX 200 index over the period from July 2014 to July 2016 but has subsequently outperformed the S&P/ASX 200 index.

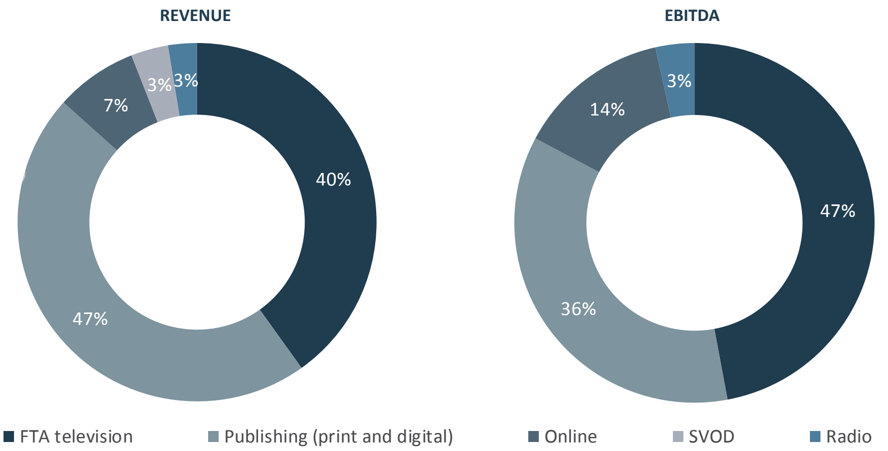
6 Profile of the Combined Group

6.1 Operations

The Combined Group will be one of the largest multi-platform media companies in Australia, with a diversified portfolio of assets across FTA television broadcasting, BVOD, SVOD, publishing, and digital platforms as well as controlling interests in companies operating in online real estate media and technology services (Domain) and radio (Macquarie Media). The Combined Group will operate under the Nine name.

It will have pro forma consolidated FY18 revenue of $3.1 billion and pro forma consolidated FY18 EBITDA of $483 million (or $531 million before *Stan's* EBITDA loss of $48 million). The contribution by business to pro forma proportionate FY18 revenue and pro forma proportionate EBITDA for the Combined Group is shown below:

COMBINED GROUP – PRO FORMA PROPORTIONATE FY18 CONTRIBUTION BY BUSINESS[51]



Source: Scheme Booklet

Following implementation of the Scheme, Nine will review the scope and breadth of the Combined Group, to align with its strategic objectives and its digital future. Nine's strategy is to create great content, distribute it broadly, and engage audiences and advertisers. The various limbs of this strategy across content, distribution, and advertisers and agencies is summarised in Section 5.1 of this report and set out in more detail in Section 9.4 of the Scheme Booklet.

A detailed description of the Combined Group is set out in Section 10 of the Scheme Booklet.

6.2 Directors and Management

The Combined Group's board will comprise seven directors of whom three will be current directors of Fairfax and four will be current directors of Nine. There will be six non-executive directors and one executive director (Mr Hugh Marks). The current Chairman of Nine (Mr Peter Costello AC) will be Chairman. The three Fairfax representatives on the board of the Combined Group will be Mr Nick Falloon (who will join the Combined Group board as Deputy Chairman), Mr Patrick Allaway and Ms Mickie Rosen.

The senior management of the Combined Group is expected to be drawn from the existing management teams of Fairfax and Nine. The current CEO of Nine will be CEO of the Combined Group.

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[51] For the purposes of these charts, revenue and EBITDA exclude corporate. *Stan* has also been excluded from contribution to EBITDA as it contributed an EBITDA loss of $48 million in FY18.

6.3 Capital Structure and Ownership

Following implementation of the Scheme, the Combined Group will have approximately 1,705.4 million shares on issue. It will also have 7.2 million performance rights on issue (held by existing Nine executives). Former Fairfax shareholders will collectively own 48.9% of the shares on issue and former Nine shareholders will collectively hold 51.1%. Based on substantial shareholder notices lodged as at the date of this report, while three shareholders are expected to hold more than 5% of the shares on issue in the Combined Group on implementation of the Scheme, two of those are investment managers or hold shares pursuant to securities lending or other arrangements (Deutsche Bank AG will have a 6.1% interest[6] and Legg Mason Asset Management Australia Limited will have a 5.7% interest). Interests associated with Mr Bruce Gordon (including Birketu Pty Ltd ("Birketu") and WIN Corporation Pty Ltd ("WIN Corporation")), will have a 7.7% interest in the Combined Group[7].

6.4 Earnings and Dividends

The Combined Group pro forma income statement (including a description of the assumptions and adjustments made) is set out in Section 10.5 of the Scheme Booklet.

The Combined Group pro forma income statement represents the aggregation of Fairfax's FY18 financial performance (see Section 4.3), Nine's FY18 financial performance (see Section 5.4) and *Stan's* FY18 financial performance[52] (as the Combined Group will own 100% of *Stan*) and is presented before the impact of the expected synergies (column A in the table below).

For analytical purposes, Grant Samuel has adjusted the Combine Group pro forma income statement to present three other pro forma scenarios (not shown in the Scheme Booklet):

- after the estimated cost synergies of $50 million as if they had been achieved in full over the FY18 year (column B in the table below); and
- excluding *Stan* (which is accounted for by Fairfax as an equity accounted investment but as the investment had a carrying value of nil as at 24 June 2018, its losses are not recognised in Fairfax's share of profits/(losses) of associates and joint ventures):
  - before taking into account the impact of estimated synergies (column C in the table below); and
  - after taking into account the impact of estimated synergies (column D in the table below).

These additional scenarios have been shown for illustrative purposes only, to assist Fairfax shareholders to understand the impact of the Scheme on earnings per share and dividends per share (relative to Fairfax's FY18 earnings per share and dividends per share). They do not purport to reflect the expected actual financial performance of the Combined Group if the Scheme had been implemented on 1 July 2017. In particular, they do not show any integration costs (these have not been quantified) and they do not take into account that the estimated cost synergies are expected to be realised in full over a two year period. There is no guarantee that the synergies will be realised, and the risk of realisation is increased by the time period over which they are expected to be realised.

The Combined Group pro forma income statement as presented in the Scheme Booklet (column A) and under each of the scenarios outlined above (columns B, C and D) is summarised below.

[52] *Stan's* FY18 financial performance was a net loss before tax of $64 million. The Combined Group pro forma income statement also reflects an associated $19 million tax benefit arising on those losses which can be utilised by the Combined Group.

COMBINED GROUP PRO FORMA INCOME STATEMENT ($ MILLIONS)

	BEFORE SYNERGIES (SCHEME BOOKLET) (A)	ADJUSTED BY GRANT SAMUEL		
			EXCLUDING *STAN*	
		AFTER SYNERGIES (B)	BEFORE SYNERGIES (C)	AFTER SYNERGIES (D)
Revenue	**3,086**	**3,086**	**3,002**	**3,002**
Share of net profit of associates	-	-	-	-
Operating expenses	(2,603)	(2,553)	(2,471)	(2,471)
EBITDA	**483**	**533**	**531**	**581**
Depreciation and other amortisation	(91)	(91)	(88)	(88)
EBITA	**392**	**442**	**443**	**493**
Amortisation of acquired intangible assets	(5)	(5)	(5)	(5)
EBIT	**387**	**437**	**438**	**488**
Net interest expense	(27)	(27)	(14)	(14)
Operating profit before tax	**360**	**410**	**424**	**474**
Income tax expense	(103)	(118)	(122)	(137)
OPAT	**257**	**292**	**302**	**337**
Non-controlling interests (before significant items)	(24)	(24)	(24)	(24)
OPAT attributable to Combined Group shareholders	**233**	**268**	**278**	**313**
Significant items after tax	(136)	(136)	(136)	(136)
NPAT attributable to Combined Group shareholders	**97**	**132**	**142**	**177**
STATISTICS				
Shares on issue (million)	*1,705.4*	*1,705.4*	*1,705.4*	*1,705.4*
Basic earnings per share[19]	*13.7c*	*15.7c*	*16.3c*	*18.4c*
Dividends per share[53]	*7.6c*	*8.7c*	*9.1c*	*10.2c*
EBITDA margin	*15.7%*	*17.3%*	*17.7%*	*19.4%*
EBITA margin	*12.7%*	*14.3%*	*14.8%*	*16.4%*
Interest cover (EBITDA/net interest expense)	*17.9x*	*19.7x*	*37.9x*	*41.5x*

Source: Scheme Booklet and Grant Samuel analysis
Note: Grant Samuel has expanded the Combined Group pro forma income statement for analytical purposes, including to present EBITA, significant items, non-controlling interests before significant items and OPAT attributable to Combined Group shareholders

The Combined Group pro forma income statement has been prepared on the basis of the following assumptions:

- the Scheme was implemented on 1 July 2017;
- the consolidated financial performance of Fairfax for the 52 weeks ended 24 June 2018 was materially representative of the 12 months ended 30 June 2018;
- adjustments for:
  - $13 million in intercompany revenues derived from providing advertising, primarily to *Stan* (and an equivalent $13 million reduction in costs incurred, primarily by *Stan*, for those services); and
  - the estimated finance cost associated with the estimated $112 million increase in net borrowings under the Scheme (including for payment of the cash consideration to Fairfax shareholders, payment of transaction costs and acceleration of the Fairfax executive incentive schemes);

[53] While the dividend policy will be determined by the Combined Group board, for analysis purposes, Grant Samuel has estimated dividends per share assuming Nine's FY18 dividend payout ratio (based on OPAT before significant items attributable to Combined Group shareholders) of 56%. This is consistent with Nine's target dividend payout ratio (prior to announcement of the Scheme) of 50-70% of OPAT before significant items.

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- the issue of 834.0 million Nine shares to Fairfax shareholders; and
- no adjustments for:
  - any synergies which are expected to be realised upon implementation of the Scheme or any integration costs incurred;
  - any transactions of Fairfax during the period from 25 to 30 June 2018;
  - estimated transaction costs of $38 million (before tax) expected to be incurred in relation to the Scheme;
  - any potential write off of costs previously capitalised as borrowings costs (on refinancing);
  - additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of finalisation of purchase price accounting for the Scheme; and
  - any potential tax impact which may arise as a result of the Scheme and finalisation of the accounting for the acquisition.

The Combined Group pro forma EBITDA shown in the table above represents consolidated EBITDA and includes 100% of the EBITDA from Domain and Macquarie Media (as well as the losses from *Stan*). To better reflect the EBITDA attributable to Combined Group shareholders, Grant Samuel has also calculated Combined Group pro forma proportionate EBITDA as follows:

COMBINED GROUP PRO FORMA PROPORTIONATE EBITDA ($ MILLIONS)

	BEFORE SYNERGIES (SCHEME BOOKLET) (A)	ADJUSTED BY GRANT SAMUEL		
			EXCLUDING *STAN*	
		AFTER SYNERGIES (B)	BEFORE SYNERGIES (C)	AFTER SYNERGIES (D)
Pro forma EBITDA	**483**	**533**	**531**	**581**
EBITDA attribtuable to non-controlling interests in Domain	(48)	(48)	(48)	(48)
EBITDA attributable to non-controlling interests in Macquarie Media	(15)	(15)	(15)	(15)
Pro forma proportionate EBITDA	**420**	**470**	**468**	**518**

Source: Fairfax FY18 Annual Report, Scheme Booklet, Grant Samuel analysis

The Combined Group proportionate EBITDA is used in Grant Samuel's analysis in Section 7.2.3 of this report.

As the Scheme is expected to complete in December 2018, the impact of the Scheme on Nine's actual FY19 earnings will be material albeit Nine and Fairfax will only be merged for just over six months. Nine will also incur the transaction costs which are not reflected in the Combined Group pro forma income statement. FY20 will be the first full year of operation of the Combined Group.

The payment of dividends to shareholders of the Combined Group will be at the discretion of the board of the Combined Group and will be a function of a number of factors, including general business conditions, the operating results and financial condition of the Combined Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the availability of franking credits), any contractual, legal or regulatory restrictions on the payment of dividends by the Combined Group, and any other factors the directors of the Combined Group may consider relevant.

If the Scheme is implemented, it is expected to complete on 10 December 2018. As a result, Fairfax shareholders will be Combined Group shareholders by 31 December 2018. The approach to payment of dividends set out above will therefore apply in relation to any dividend declared in respect of the six months ending 31 December 2018.

6.5 Financial Position

The Combined Group pro forma statement of financial position (including a description of the assumptions and adjustments made) is set out in Section 10.5 of the Scheme Booklet. The Combined Group pro forma financial position represents the aggregation of Fairfax's financial position as at 24 June 2018 (see Section 4.4), Nine's financial position as at 30 June 2018 (see Section 5.5) and *Stan's* financial position as at 30 June 2018 (net liabilities of $257 million).

The Combined Group pro forma statement of financial position is summarised below:

COMBINED GROUP PRO FORMA STATEMENT OF FINANCIAL POSITION ($ MILLIONS)

	AS AT JUNE 2018 PRO FORMA
Trade receivables and prepayments (including income tax receivable)	597
Inventories (including current program rights)	332
Trade and other payables (including current tax liabilities and program contract payables)	(583)
Net working capital	**346**
Property, plant and equipment	233
Intangible assets	3,059
Program rights (net of program payables)	43
Equity accounted investments	31
Deferred tax liabilities	(30)
Provisions	(247)
Other assets and liabilities	(3)
Total funds employed	**3,432**
Cash and cash equivalents	170
Interest bearing liabilities	(528)
Net borrowings	**(358)**
Net assets	**3,074**
Non-controlling interests	(102)
Equity attributable to Combined Group shareholders	**2,972**
STATISTICS	
Shares on issue at period end (million)	*1,705.4*
Net assets per share	*174.3c*
NTA per share	*2.3c*
Gearing	*10.4%*
Gearing (Fairfax definition: net interest bearing debt/EBITDA) – pre and post synergies, including Stan	*0.7x*

Source: Scheme Booklet and Grant Samuel analysis
Note: Grant Samuel has adjusted the presentation of the Pro Forma Financial Position for analytical purposes

The Combined Group pro forma financial position recognises all aspects of the Scheme. It reflects:

- the acquisition of Fairfax by the issue of 834.0 million Nine shares and the payment of $57 million in cash;
- transaction costs associated with implementation of the Scheme (which are assumed to be expensed as incurred and are presented as a reduction in retained earnings) and the acceleration of the Fairfax executive incentive schemes (and associated movements in deferred tax assets);

- the net liabilities of *Stan* as at 30 June 2018 and a deferred tax asset of $77 million in relation to Stan's accumulated losses[54];
- preliminary purchase price accounting including the recalculation of non-controlling interests in Fairfax to the proportionate share of the identifiable net assets of Domain and Macquarie Media, a gain on the step acquisition of *Stan*, recognition of goodwill (based on a trading price of Combined Group shares of $2.19) and associated movements in deferred tax liabilities. Purchase price accounting will not be finalised until after implementation of the Scheme;
- the estimated $112 million increase in net borrowings under the Scheme (including for payment of the cash consideration to Fairfax shareholders, payment of transaction costs and acceleration of the Fairfax executive incentive schemes) and the reduction in cash to pay the estimated $5 million interest on these net borrowings; and
- eliminations to:
  - de-recognise Fairfax's contributed equity, pre-acquisition reserves and pre-acquisition retained losses and *Stan's* pre-acquisition retained losses; and
  - eliminate the shareholder loans from Fairfax and Nine to *Stan* as at 30 June 2018 of $254 million.

It does not reflect:

- any transactions of Fairfax during the period from 25 to 30 June 2018;
- any synergies which are expected to be realised upon implementation of the Scheme or any integration costs incurred;
- payment of dividends of $97 million as announced by Fairfax, Nine, Domain and Macquarie Media, with a payment date subsequent to 30 June 2018; and
- any debt drawdowns or repayments as a consequence of the change in control as a result of the Scheme and any associated borrowing costs.

The Combined Group pro forma financial position shows that the Combined Group will have net borrowings of $358 million and gearing of 10.4%.

The Combined Group pro forma net borrowings shown in the table above represents consolidated net borrowings and includes 100% of the net borrowings from Domain and Macquarie Media (as well as the losses from *Stan*). To better reflect the net borrowings attributable to Combined Group shareholders, Grant Samuel has also calculated Combined Group pro forma proportionate net borrowings as follows:

COMBINED GROUP PRO FORMA PROPORTIONATE NET BORROWINGS ($ MILLIONS)

	AS AT JUNE 2018 PRO FORMA
Pro forma net borrowings	**(358)**
Net borrowings attribtuable to non-controlling interests in Domain	52
Net borrowings attributable to non-controlling interests in Macquarie Media	8
Pro forma proportionate net borrowings	**(298)**

Source: Domain FY18 Annual Report, Macquarie media FY18 Annual Report, Scheme Booklet, Grant Samuel analysis

The Combined Group proportionate EBITDA is used in Grant Samuel's analysis in Section 7.2.3 of this report.

54 Stan's losses are expected to become available for utilisation by the Combined Group tax consolidated group subject to an available fraction limitation based on the taxable income of the Combined Group tax consolidated group. The associated tax effect of $77 million has been recognised as an increase in deferred tax assets.

7 Evaluation of the Scheme

7.1 Summary

In Grant Samuel's opinion, the Scheme is in the best interests of Fairfax shareholders, in the absence of a superior proposal.

The Australian media sector has experienced substantial disruption and structural change over the past ten years as a result of digitisation. The proliferation of the internet and developments in technology such as the introduction of smartphones and tablets, coupled with the growth of digital platforms such as Google, Facebook, Apple and *Netflix*, have radically changed audience behaviours, the way in which Australians consume media content and the way in which advertising is supplied.

Traditional media business models are no longer appropriate. This is evidenced by the continual decline in revenue and earnings from Fairfax's newspaper publishing businesses, despite constant business resets and ongoing reductions in cost. Traditional media businesses, including Fairfax, have been forced to change (i.e. expand into digital platforms and co-operate with their competitors) to remain relevant to audiences and advertisers and compete more effectively with their global digital counterparts. Fairfax has had some success in this regard, through the development and successful ASX listing of Domain and its SVOD joint venture with Nine, *Stan*.

Access to audience at scale is critical to the success of businesses that rely on advertising or subscribers. However, the adaptation of traditional media businesses to the digital world has been held back by restrictive media ownership regulation put in place prior to the introduction of the internet. The recent relaxation of a number of media control and diversity rules has provided the impetus for consolidation amongst existing media businesses, including the Scheme.

The Scheme brings together two traditional Australian media groups with complementary businesses to create a leading integrated, diversified Australian media business with multiple digital and traditional assets. It involves Nine acquiring 100% of the shares in Fairfax but, while the Scheme is technically a control transaction, the commercial reality is that, from a shareholder's perspective, it is a merger. Fairfax shareholders will, in aggregate, own 48.9% of the Combined Group and Nine shareholders will own 51.1%.

Accordingly, the analysis of fairness is different to that for a conventional control transaction. Rather than estimating the full underlying value of Fairfax including a control premium, the Scheme will be fair to Fairfax shareholders if the share of the value of the Combined Group received by them is equal to (or greater than) their proportionate contribution of value. Specifically, Grant Samuel has considered the relative contributions of sharemarket value and fundamental (underlying) value.

On the basis of sharemarket value, the aggregate interest of Fairfax shareholders in the Combined Group is materially favourable in comparison to the share contributed by them (reflecting the premium inherent in the Scheme terms at the time of announcement). Based on share prices over the three months prior to announcement of the Scheme on 26 July 2018, Fairfax shareholders are contributing approximately 45% of the value but are receiving a 48.9% share of the value. The outcome is similar in terms of relative contributions of fundamental value. Based on Grant Samuel's estimate of fundamental value, Fairfax shareholders are contributing approximately 45% of equity value compared to the 49.5% of that value they will receive (i.e. 48.9% of the Combined Group plus 2.5 cents per Fairfax share). In effect, Nine is "paying away" synergy benefits arising from the merger to Fairfax shareholders to enhance the attraction of the transaction to Fairfax shareholders. The premium also provides Fairfax shareholders with some level of "insurance" against any post announcement weakness in the Nine share price.

Accordingly, in Grant Samuel's view, the terms of the Scheme are fair to Fairfax shareholders. As the terms of the Scheme are fair, they are also reasonable and, therefore, the Scheme is in the best interests of Fairfax shareholders, in the absence of a superior proposal.

In any event, Grant Samuel believes that the advantages and benefits of the Scheme for Fairfax shareholders outweigh the disadvantages, costs and risks. The key benefits include:

- the Combined Group will be better positioned to achieve strategic outcomes that Fairfax is not able to deliver on its own, including:
  - an integrated, more attractive offering to advertisers enabling the Combined Group to better compete against global digital platforms through:
    - greater audience scale and multiple audience touchpoints;
    - differentiated service offerings across multiple platforms (television, print, digital and radio) but through a single provider; and
    - improved data solutions;
  - supporting and accelerating the growth of Domain through access to Nine's national FTA network (providing enhanced marketing reach and increased brand exposure) and the opportunity to integrate the *Domain* brand with Nine content;
  - increased content purchasing power as the Combined Group will be able to acquire content across its entire portfolio of broadcast and digital assets (FTA television, BVOD and SVOD). The ability to invest more in content will provide access to high quality local content, an important competitive differentiator in an increasingly global environment; and
  - greater flexibility/optionality for *Stan* to enter into new strategic partnerships as a result of consolidating its ownership and management under a single shareholder;
- significant cost synergies, primarily in information technology ("IT"), media sales and corporate overheads. Fairfax and Nine have estimated annual cost synergies of at least $50 million to be fully realised within two years of implementation of the Scheme. These cost synergies have a notional benefit (before one off costs) of around 26 cents per Combined Group share[55] if they are realised in full;
- a stronger balance sheet, which should provide additional financial flexibility and enhanced capacity to invest in growth opportunities as they arise; and
- a material uplift in earnings per share and dividends per share for Fairfax shareholders (on an equivalent basis) if the expected cost synergies are realised in full.

The disadvantages, costs and risks of the Scheme are not trivial but are outweighed by the benefits. They include:

- the Scheme will result in Fairfax shareholders having a significantly lower exposure to Domain and a very significant exposure to FTA television broadcasting. While there is a higher degree of risk associated with the future operating performance of Nine Network relative to Domain, Fairfax shareholders will also have a significantly lower exposure to the challenging market conditions experienced by newspaper publishing;
- the integration of the two businesses will inevitably give rise to risks of delays and unanticipated costs;
- Fairfax shareholders will be faced with a new Chairman and CEO running the Combined Group, albeit there will be some continuity with three representatives from Fairfax on the Combined Group board;
- the expected cost synergies are uncertain and subject to risks as to achievability and time frame. These risks are magnified to the extent that some of the cost synergies are expected to be realised in

[55] Calculated as $50 million of estimated cost synergies multiplied by an estimated EBITDA multiple of 9 times divided by the number of Combined Group shares on issue (1,705.4 million). This figure is before estimated integration costs which have not been quantified. The EBITDA multiple used in the estimate of the notional value is a blended rate reflecting the mix of businesses of the Combined Group. It compares to the FY19 EBITDA multiples at which Fairfax and Nine have been trading of 11.3 times and 7.4 times respectively.

the second year following implementation of the Scheme. However, the cost synergies estimate is regarded by Fairfax as conservative and the Scheme may also generate revenue synergies (which have not yet been quantified);

- transaction costs are estimated at $38 million and there will also be subsequent integration costs (which have not been quantified); and
- based on recent Nine share prices, the terms of the Scheme do not deliver a full premium for control to Fairfax shareholders (although a full premium for control would not be expected given the transaction is essentially a merger). On the other hand, recent prices probably reflect some risking by the market for the uncertainty of completion and the achievability of the cost synergies.

  However, there are no absolute impediments to a future change of control transaction and Fairfax shareholders are receiving some premium under the Scheme (around 22% based on share prices immediately prior to announcement of the Scheme).

Overall, Grant Samuel's judgement is that Fairfax shareholders will be better off if the Scheme is implemented than if it is not. The combined effect of the premium implicit in the Scheme terms and the potential value uplift if the expected cost synergies are realised should mean that the market value of a Fairfax shareholder's interest in the Combined Group (together with the cash payment of 2.5 cents per share) will be greater than the market value of their Fairfax shareholding in the absence of the Scheme (or any other similar transaction).

7.2 Fairness

7.2.1 Approach

The Scheme involves Nine acquiring 100% of the shares in Fairfax. In a typical control transaction, fairness involves comparing the full underlying value of the target with the value of the offer (with any scrip component to be valued at "market" value (i.e. minority value)). However, while there are factors that would suggest that there is a "change of control" (e.g. the proposed board and CEO), upon implementation of the Scheme, Fairfax shareholders will, in aggregate, own 48.9% of the Combined Group, there will be no controlling shareholder and Fairfax shareholders will retain the opportunity to receive a control premium at some time in the future. On this basis, as discussed in Section 2.2 of this report, while the Scheme does not precisely fit the "merger of equals" exception envisaged by RG111.31 (which provides for an alternative approach that values both parties on the same basis), in Grant Samuel's opinion, the better view is that merger analysis is the appropriate basis on which to evaluate fairness.

Accordingly, in assessing fairness, rather than estimating the full underlying value of Fairfax including a premium for control, Grant Samuel has compared the share of the value of the Combined Group received by Fairfax shareholders with the relative contribution by Fairfax shareholders of:

- sharemarket value. This analysis considers the value the sharemarket places on Fairfax and Nine; and
- Grant Samuel's estimate of fundamental (underlying) value.

For completeness, Grant Samuel has also considered the terms of the Scheme from the perspective of a takeover/change of control transaction.

7.2.2 Merger Analysis

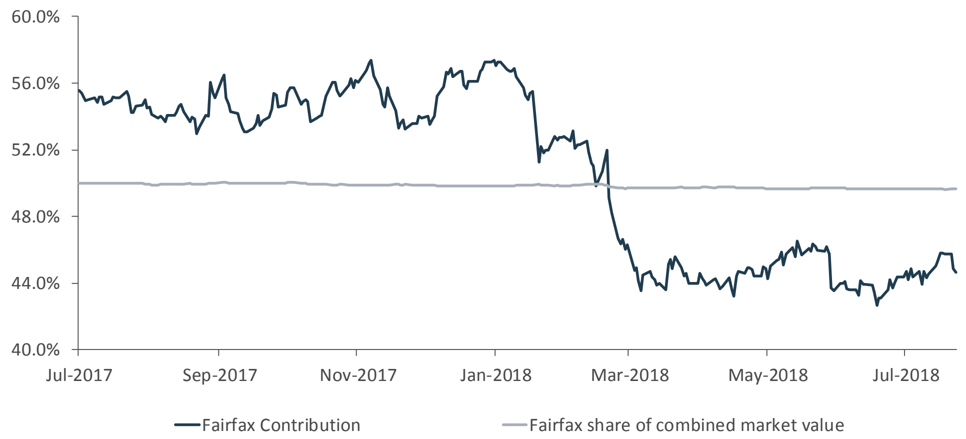
Sharemarket Value

There is an active, well informed market for shares in both Fairfax and Nine. Accordingly, sharemarket values provide an objective measure of the contributions of value to the Combined Group to be made by each of Fairfax and Nine shareholders. Given the active markets in both Fairfax and Nine, it is reasonable to conclude that pre-announcement sharemarket values reflect the market's consensus view on the value of both companies (at that time).

Fairfax's contribution to the aggregate sharemarket value of the two companies (based on daily closing prices) compared to the share of the combined sharemarket value received by Fairfax shareholders (based on trading from 1 July 2017 to 25 July 2018, the last trading date prior to announcement of the Scheme) is shown in the following chart:

FAIRFAX – SHARE OF COMBINED MARKET VALUE

1 JULY 2017 TO 25 JULY 2018



Source: IRESS and Grant Samuel analysis

Note: Fairfax shareholders' share of the combined market value includes the cash component of the Scheme consideration (2.5 cents per Fairfax share)

The following table shows the relative contributions based on VWAPs compared to the relative values received under the Scheme terms by the shareholders of each company across different periods prior to announcement of the Scheme:

FAIRFAX – SHARE OF COMBINED SHAREMARKET VALUE

		25 JULY 2018		PERIOD TO 25 JULY 2018 (VWAP)				
		LAST PRICE	VWAP	ONE WEEK	ONE MONTH	THREE MONTHS	SIX MONTHS	TWELVE MONTHS
Fairfax								
Price		\$0.770	\$0.773	\$0.788	\$0.766	\$0.747	\$0.717	\$0.704
Market capitalisation (\$ millions)	A	1,771	1,777	1,812	1,761	1,718	1,649	1,619
Nine								
Price		\$2.520	\$2.522	\$2.510	\$2.503	\$2.428	\$2.253	\$1.900
Market capitalisation (\$ millions)	B	2,196	2,198	2,187	2,181	2,116	1,963	1,656
Combined sharemarket value (\$ millions)	***C=A+B***	**3,966**	**3,975**	**3,999**	**3,942**	**3,833**	**3,612**	**3,274**
Fairfax % contribution	**A/C**	**44.6%**	**44.7%**	**45.3%**	**44.7%**	**44.8%**	**45.6%**	**49.4%**
Nine % contribution	B/C	55.4%	55.3%	54.7%	55.3%	55.2%	54.4%	50.6%
Combined sharemarket value after cash component (\$ millions)	***D = C – E[1]***	**3,909**	**3,918**	**3,942**	**3,885**	**3,776**	**3,554**	**3,217**
Share of combined sharemarket value received (\$ millions)								
Fairfax	F = (D x 48.9%[2]) + E[1]	1,969	1,973	1,985	1,957	1,904	1,796	1,631
Nine	G = (D x 51.1%[2])	1,997	2,002	2,014	1,985	1,929	1,816	1,644
Fairfax % received	**F/C**	**49.6%**	**49.6%**	**49.6%**	**49.6%**	**49.7%**	**49.7%**	**49.8%**
Nine % received	G/C	50.4%	50.4%	50.4%	50.4%	50.3%	50.3%	50.2%

Source: IRESS and Grant Samuel analysis

Notes:
1. Where E = the cash component (\$57.5 million), calculated as 2,299.5 million Fairfax shares x 2.5 cents per share
2. On implementation of the Scheme existing Fairfax shareholders will own 48.9% of the Combined Group and existing Nine shareholders will own 51.1%

The analysis demonstrates that, based on recent sharemarket prices prior to the announcement (since late January 2018), Fairfax shareholders are contributing a lower share of the combined sharemarket value (44.6-45.6%) than they are receiving (49.6-49.7%). Based on prices in mid to late 2017, the terms are not favourable, but these prices are not relevant as they do not take account of more recent events including the public release of 1HY18 and FY18 results for both Fairfax and Nine.

In theory, the most recent share prices reflect the "best" market estimate of values, because they incorporate the most recent information on broader economic and business conditions and company specific matters such as operating performance.

Immediately prior to announcement of the Scheme, Fairfax and Nine were trading at different earnings multiples:

SHAREMARKET RATINGS (PRE ANNOUNCEMENT)

	FY19 (BROKER MEDIAN FORECAST)	
	FAIRFAX	NINE
Last price (25 July 2018)	\$0.77	\$2.52
EBITDA multiple	9.6x	8.0x
EBITA multiple	11.7x	8.8x
Price earnings (NPAT) multiple	13.8x	12.6x

Source: Brokers' reports, Grant Samuel analysis

As Fairfax owns less than 100% of Domain and Macquarie Media, the above multiples have adjusted enterprise value for the market value of non-controlling interests in Domain and Macquarie Media (rather than the usual book value adjustment, which is considerably lower and would result in lower multiples for Fairfax relative to Nine).

The differential likely reflects market views as to various factors including:

- the relative strengths and weaknesses of the respective media businesses. Fairfax's trading multiples, in particular, are blended multiples for all of its business operations; and
- the attractions of the Domain business which is generally accorded a much higher earnings multiple than other media platforms because of its significantly higher growth potential.

However, there is no reason to believe these differences reflect anything other than rational assessments of a well informed market.

Accordingly, it is reasonable to conclude that the sharemarket values for both companies immediately prior to announcement of the Scheme provide the best indication of the sharemarket's views on the value of Fairfax and Nine on a standalone basis (at that time).

Nevertheless, analysis of relative contributions of value based on sharemarket prices needs to be treated with some caution. Sharemarket views on value can shift significantly in short periods of time. The sharemarket prices of Fairfax and Nine have exhibited some volatility over the past six months (albeit both share prices have trended upward over this period) and the Nine share price has risen sharply since the beginning of 2017 (from just over $1.00 to around $2.50). In any event, to the extent that there is mispricing by the market, the analysis of contributions of estimated fundamental (underlying) value should provide additional comfort.

In this context, it is important to note that:

- more than two months have elapsed since announcement of the Scheme. Both companies have announced results for FY18. It is not possible to reliably assess where the shares of the two companies would now be trading if the Scheme had not been agreed.

  The FY18 results for both companies released in August 2018 were generally in line with market expectations, which was not surprising as both companies had provided guidance in the prior months. Fairfax reported positive results for Australian Metro Media, *Stan* and Domain, but these were offset by falls in Australian Community Media and Stuff. Nine reported strong growth in revenue and earnings on the back of advertising market growth and market share gains as well as continued growth in its digital publishing businesses.

  Grant Samuel is not aware of any other announcements or events in this period (relating to business operations) that would have had a material impact on the share prices of either company; and
- the Nine share price has shown some volatility following announcement of the Scheme. It has traded as high as $2.565 and as low as $2.150. While recent prices reflect Nine's FY18 results as well as a general decline in the market, the share price also appears to have been influenced by initial reaction to, and some regulatory uncertainty associated with, the Scheme. On 9 October 2018, Nine shares closed at a price of $2.19, 13% lower than the price immediately prior to announcement of the Scheme.

On balance, Grant Samuel believes that the sharemarket analysis is sufficiently robust to be a valuable benchmark in assessing the relative contribution of value by Fairfax shareholders.

Fundamental Value

The table below compares the value contributed by Fairfax and Nine shareholders based on Grant Samuel's estimate of the fundamental value of each company as set out in Sections 8.2 and 8.3 of this report to the share of fundamental value received by the shareholders of each company. The values:

- are based on Grant Samuel's estimate of the fundamental value of the operating businesses of Fairfax and Nine (see Sections 8.2 and 8.3 respectively). In particular, it should be noted that:
  - separate values have been ascribed to each operating business. Australian Metro Media, Australian Community Media, Stuff, Domain, Macquarie Media and *Stan* have each been valued separately and Nine's FTA television broadcasting and digital publishing businesses have been valued separately;
  - the value of each operating business (other than *Stan*) has been assessed by reference to the capitalisation of earnings methodology with the discounted cash flow ("DCF") methodology used as a cross check, and reflect the characteristics and outlook for each business; and
  - the values for each business represent a "control" value (i.e. value of 100% of the business) but do not purport to represent the full underlying value that might be realised if the businesses were sold on the open market as the analysis does not take into account the synergies that might be available to potential purchasers. The full realisable value for each company would include value for factors such as listed company and head office cost savings as well as operational savings. Synergies have been excluded to assist in ensuring the value of the various businesses is estimated consistently across the two companies; and
- reflect the balance sheets as at June 2018 but allow for the payment of final dividends paid by both Fairfax and Nine.

Estimates of the fundamental value of Fairfax and Nine are imprecise:

- the traditional media sectors are mature, and most have been undergoing significant change with participants experiencing sharp declines in audiences, revenues and earnings over recent years in the face of increased competition from digital/online platforms. Continued disruption and change is expected although the extent of the impact is difficult to predict with any reliability;
- the value of *Stan* is impossible to estimate with any level of precision as it is in its start up phase and while it has achieved considerable growth in subscribers and revenues, it has not yet reached breakeven. There is no directly comparable transaction or listed company for *Stan* (*Netflix* is not directly comparable as it is a profitable business). However, for the purposes of the Scheme, the estimated value of *Stan* is not critical as Fairfax and Nine each have a 50% interest in the *Stan* joint venture and Fairfax shareholders will collectively hold almost 50% (i.e. a 48.9% interest) in the Combined Group; and
- there are few, if any, meaningful recent Australian benchmarks from which to estimate appropriate earnings multiples for a change of control transaction (i.e. for assessing fundamental value) for the FTA television broadcasting, newspaper publishing and online advertising businesses. Grant Samuel has considered international benchmarks, but these have limitations in terms of comparability given different regulatory and market structures.

Nonetheless, the analysis suggests that Fairfax shareholders are contributing a 45.2-45.5%[56] share of the fundamental value of the Combined Group:

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[56] Midpoint value contribution 45.3%. If the fundamental value ranges are matched on a low/high and high/low basis, the relative value contribution by Fairfax shareholders is in the range 43.3-47.4% but the midpoint does not change.

GRANT SAMUEL

FUNDAMENTAL VALUE ANALYSIS ($ MILLIONS)

		FUNDAMENTAL VALUE RANGES	
		LOW	HIGH
Fairfax (Section 8.2)	A	1,993.6	2,153.0
Nine (Section 8.3)	B	2,389.4	2,614.4
Combined Group (aggregate)	C = A+B	**4,383.0**	**4,767.4**
Less: cash component to Fairfax shareholders	D[1]	(57.5)	(57.5)
Pro forma Combined Group (aggregate)	E = C - D	**4,325.5**	**4,709.9**
Value Received – Fairfax	F = (48.9%[2] x E) + D	**2,172.7**	**2,360.6**
Value Received – Nine	G = (51.1%[2] x E)	**2,210.3**	**2,406.8**
Relative Value Contributed			
Fairfax shareholders	**A/C**	**45.5%**	**45.2%**
Nine shareholders	B/C	54.5%	54.8%
Relative Value Received			
Fairfax shareholders	**F/C**	**49.6%**	**49.5%**
Nine shareholders	G/C	50.4%	50.5%

Source: Grant Samuel analysis

Note: 1. Where D = the cash component ($57.5 million), calculated as 2,299.5 million Fairfax shares x 2.5 cents per share

2. On implementation of the Scheme existing Fairfax shareholders will own 48.9% of the Combined Group and existing Nine shareholders will own 51.1%

This analysis shows that Fairfax shareholders are receiving a greater share of the fundamental value of the Combined Group (49.5-49.6%)[57] than their contribution of value (45.2-45.5%).

Grant Samuel has not made any adjustment to its fundamental value analysis in light of the Fairfax and Domain trading updates for FY19 year-to-date (announced on 12 October 2018) on the basis that they reflect only three months of trading and are largely consistent with the update on trading environment and outlook provided in conjunction with the release of Fairfax's FY18 results on 15 August 2018 and the FY19 outlook provided in conjunction with the release of Domain's FY18 results on 13 August 2018. While Domain is facing a subdued outlook, this reflects the cyclical nature of the property market which was taken into account in attributing a value to Domain.

In any event, it is the relative valuation of Fairfax and Nine that is relevant for the purposes of the Scheme. In this regard, Nine has also released to the ASX a trading update for the first quarter of FY19 in which it has confirmed the FY19 guidance provided in conjunction with the release of its FY18 results on 23 August 2019. Consequently, even if there was a reduction in the value of Domain and a consequent reduction in the value of Fairfax (without a corresponding reduction in the value of Nine), this would simply reduce the fundamental value contributed by Fairfax shareholders to the Combined Group relative to the share of fundamental value received by Fairfax shareholders. This outcome would reinforce the fairness of the terms of the Scheme to Fairfax shareholders.

Other Parameters

Grant Samuel has not considered the relative contributions of Fairfax and Nine shareholders to the Combined Group based on other financial metrics (such as earnings or net assets):

- an analysis based on earnings contributions is not useful because it does not take into account the different multiples appropriate for each business. In particular, Fairfax's major earnings contributor is its publishing businesses (63% of pro forma proportionate FY18 EBITDA before corporate overheads) which warrant much lower earnings multiples than its online and radio businesses (albeit Fairfax does

57 Midpoint value received 49.5%. If the fundamental value ranges are matched on a low/high and high/low basis, the relative value received by Fairfax shareholders is 49.5% and the midpoint does not change.

not own 100% of these businesses). In contrast, Nine is purely a FTA television broadcasting business with no exposure to publishing or radio (although it does have digital publishing platforms). Fairfax and Nine each have an equal interest in *Stan*, but it is not yet generating positive earnings; and

- an analysis based on net assets is not meaningful because the most significant asset in the balance sheets of Fairfax and Nine is goodwill and other intangible assets, the quantum of which depends on, inter alia:
  - the extent of recent acquisitions;
  - the level of impairments; and
  - capitalisation and amortisation policies of the respective companies.

  Analysis based on net tangible assets would be misleading as they are an immaterial factor in the market valuation of either business.

Conclusion

The contribution of value by Fairfax shareholders to the Combined Group relative to the share of value received under the terms of the Scheme is summarised below:

FAIRFAX SHAREHOLDERS - SHARE OF VALUE

	VALUE CONTRIBUTED	VALUE RECEIVED	UPLIFT	
			ABSOLUTE	%
Sharemarket Value (VWAP)				
Announcement	44.7%	49.6%	4.9%	+11.0%
One month	44.7%	49.6%	5.0%	+11.1%
Three months	44.8%	49.7%	4.9%	+10.9%
Fundamental Value				
High	45.2%	49.5%	4.4%	+9.6%
Low	45.5%	49.6%	4.1%	+9.0%

As the relative contributions by Fairfax shareholders based on sharemarket value and fundamental value are similar, Grant Samuel has not selected one basis of assessing value as being more important than the other (which would have been necessary if the two approaches resulted in materially different outcomes that were not otherwise able to be explained).

Overall, the analysis shows that Fairfax shareholders' collective share of value will be greater than their contribution of value to the Combined Group. This outcome is the corollary of the premium implicit in the transaction terms at the time of announcement and suggests that Nine is "paying away" synergy benefits arising from the merger to Fairfax shareholders to enhance the attraction of the transaction to Fairfax shareholders. The premium also provides Fairfax shareholders with some level of "insurance" against any post announcement weakness in the Nine share price.

Accordingly, in Grant Samuel's opinion, the terms of the Scheme are fair to Fairfax shareholders.

7.2.3 Takeover Analysis

While Grant Samuel does not consider it to be the appropriate basis for evaluation, the Scheme can also be looked at as a takeover/change of control transaction. Under this construct, it is necessary to assess a value for the consideration being offered. In this case, Fairfax shareholders will receive 0.3627 shares in Nine plus 2.5 cents cash for each share in Fairfax. The market value of the consideration will therefore depend on the Nine share price.

Conventionally, for a scrip offer, the starting point is the market price of the offeror's shares. It is then necessary to address two questions, whether:

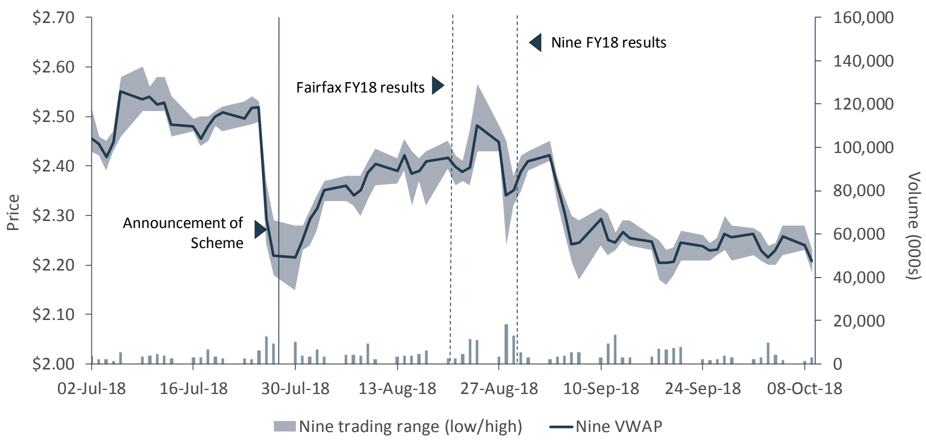
- there any reason why the market price is not a true reflection of the fair market value of the offeror's shares; and
- the Scheme, if implemented, will have a material impact on the price.

Nine shares are well traded with reasonable liquidity and Nine is closely followed by a number of analysts. However:

- the Nine share price fell sharply following announcement of the Scheme on 26 July 2018 and has been relatively volatile since, trading in a relatively wide range of $2.150-2.565:

NINE – SHARE PRICE AND TRADING VOLUME

2 JULY 2018 – 9 OCTOBER 2018



Source: IRESS

While the share price declined on announcement of the Scheme, it then generally trended upward, impacted by specific events such as the release Nine's FY18 results on 23 August 2018, which had a positive effect. However, more recently, the share price has traded back down to around $2.20-2.25, in line with a general decline in the market; and

- the Scheme will have a material impact on Nine, almost doubling its issued capital and more than doubling EBITDA, materially changing the mix of earnings and realising (if achieved) cost synergies of at least $50 million per annum. However, the impacts are all readily able to be estimated by the market (analysts can easily prepare models combining the businesses from publicly available data) and the terms of the Scheme and estimated cost synergies have been in the public domain since announcement of the Scheme on 26 July 2018. In this respect, the impacts should be already incorporated into the Nine share price.

  At the same time, the impacts of the Scheme are unlikely to be fully incorporated in recent trading (i.e. the benefits are risk adjusted) reflecting:

  - a risk that the Scheme will not be completed either because shareholders do not approve it, an alternative offeror succeeds or there are regulatory actions (e.g. stopping the transaction or imposing changes that incur significant costs or otherwise adversely impact earnings). In this respect, there is some regulatory uncertainty (relating to competition approvals). The Australian Competition & Consumer Commission ("ACCC") has commenced an informal review of the Scheme, submissions for which closed on 7 September 2018. This regulatory uncertainly is likely to weigh on Nine's share price until the ACCC announces its decision on the Scheme, which is expected to be on 8 November 2018.

In any event, even if the regulatory uncertainty is resolved, some risks will remain (shareholder approval, alternative offeror) until the Scheme is implemented; and

- risks associated with realising the estimated cost synergies, which are expected to be realised over a two year period (see Section 7.3.2 for a discussion on the expected synergy benefits and Section 7.3.3 for a discussion on integration risks).

The table below summarises the value parameters of the Scheme at various alternative Nine share prices:

SCHEME VALUE PARAMETERS

	NINE SHARE PRICE						
	$2.15	$2.25	$2.35	$2.45	$2.55	$2.65	$2.75
Combined Group parameters							
Pro forma FY18 EBITDA multiple[58]							
- no cost synergy benefits	9.4x	9.8x	10.2x	10.7x	11.1x	11.5x	11.9x
- with cost synergy benefits	8.4x	8.8x	9.2x	9.5x	9.9x	10.2x	10.6x
Pro forma FY18 price earnings multiple[58]							
- no cost synergy benefits	15.7x	16.5x	17.2x	17.9x	18.7x	19.4x	20.1x
- with cost synergy benefits	13.7x	14.3x	14.9x	15.6x	16.2x	16.9x	17.5x
Pro forma FY18 dividend yield[59]							
- no cost synergy benefits	3.5%	3.4%	3.2%	3.1%	3.0%	2.9%	2.8%
- with cost synergy benefits	4.1%	3.9%	3.7%	3.6%	3.4%	3.3%	3.2%
Value for Fairfax shareholders							
Value of Scheme per Fairfax share	$0.80	$0.84	$0.88	$0.91	$0.95	$0.99	$1.02
Premium							
- last price on 25 July 2018 ($0.77)	4.5%	9.2%	13.9%	18.7%	23.4%	28.1%	32.8%
"Payment" for cost synergies							
- value range – low ($ millions)	(143)	(60)	24	107	191	274	358
- value range – high ($ millions)	(302)	(219)	(136)	(52)	31	115	198

Source: Grant Samuel analysis

In considering these parameters, it is important to note that the pro forma earnings and dividends used in the table:

- are based on FY18 results, not forecast earnings; and
- where cost synergies are assumed, reflect the full benefit of cost synergies although these are only expected to be fully realised within two years of implementation of the Scheme (and will incur some level of integration costs).

Based on a Nine share price of $2.25, the Scheme provides to Fairfax shareholders consideration with a market value of $0.84 per Fairfax share which does not correspond to a full takeover value of Fairfax. However, as discussed above, recent Nine share prices are unlikely to be incorporating fully the impacts of

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58 Calculated based on Combined Group shares on issue (1,705.4 million), pro forma proportionate net borrowings, pro forma proportionate EBITDA and pro forma operating profit after tax (with and without cost synergies) as set out in Sections 6.4 and 6.5. Pro forma proportionate EBITDA includes *Stan* losses of $48 million. Excluding the *Stan* losses, the implied EBITDA multiples are 9-10% lower (8.5-10.7 times before cost synergies and 7.6-9.6 times after cost synergies) and the implied price earnings multiples are 14-16% lower (13.2-16.9 times before cost synergies and 11.7-15.0 times after cost synergies).

59 Calculated based on dividends per share (with and without cost synergies) as set out in Section 6.4. Pro forma operating profit after tax includes *Stan* losses of $45 million. Excluding the *Stan* losses, the implied dividends are higher and therefore the implied dividend yields are higher (3.3-4.2% before cost synergies and 3.7-4.7% after cost synergies).

the Scheme. In this context, a Nine share price of $2.25 implies multiples of Combined Group pro forma proportionate FY18 EBITDA (before cost synergies) ($420 million) of 9.8 times (8.8 times if the expected $50 million of cost synergies are assumed in full) suggesting little value for cost synergies is being factored into recent Nine share prices. Furthermore, these EBITDA multiples include $48 million of EBITDA losses from Stan. If these losses are excluded from EBITDA, the Combined Group pro forma proportionate FY18 EBITDA (before cost synergies) increases to $468 million and the implied EBITDA multiple falls to 8.8 times (8.0 times if the expected $50 million of cost synergies are assumed in full). These multiples do not take into account any revenue synergies that might be generated by the Combined Group.

Accordingly, it is reasonable to expect some improvement in the Nine share price once there is certainty of implementation of the Scheme and as evidence of achievement of the expected cost synergies emerges. Completion of the Scheme may also see a greater focus on the strategic benefits and revenue potential. At prices of $2.55 and above, Fairfax shareholders would be receiving a substantial premium and a significant payment for synergies. Trading at these prices implies multiples of Combined Group pro forma proportionate FY18 EBITDA (before cost synergies) of at least 11.1 times (9.9 times if the expected $50 million of cost synergies are assumed in full) and at least 9.9 times (9.0 times if the expected $50 million of cost synergies are assumed in full) if the *Stan* losses are excluded.

In any event, as discussed in Section 7.4, the value of the consideration cannot be compared directly with a takeover offer price (where shareholders give up control to a third party bidder). The nature of the Scheme means that:

- shareholders have an ongoing exposure to the future performance of the businesses and will share in any synergy benefits that are realised;
- shareholders still have the potential to receive an offer for the Combined Group incorporating a premium for control; and
- any comparison needs to take into consideration a range of factors in addition to value (e.g. residual exposure, tax and certainty of completion).

7.3 Reasonableness

7.3.1 Conclusion

As the Scheme is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Scheme which shareholders should consider in determining whether or not to vote for the Scheme. These factors (which comprise both advantages and benefits and disadvantages, costs and risks) are set out below.

7.3.2 Advantages and Benefits

Strategic Benefits

The Scheme better positions the Combined Group to achieve strategic outcomes that Fairfax is not able to deliver on its own in an increasingly digital and global media sector:

- it enables the Combined Group to provide an improved proposition to advertisers, better positioning it to compete against global digital platforms such as Facebook and Google. The improved proposition will increase the relevance of the Combined Group to advertisers through:
  - using the greater audience scale and the Combined Group's cross-platform capabilities and service offerings to drive audience engagement (i.e. multiple audience touchpoints across television, print, digital and radio and the ability to direct audiences to other platforms);

- a suite of differentiated service offerings and cross promotion opportunities for advertisers across television, print, digital and radio;
- the ability to offer improved data solutions, underpinned by the combined databases of signed on users (including 9Now and Fairfax subscribers) and premium content; and
- simplified execution though a single service provider.

The improved proposition for advertisers should lead to greater audience engagement and assist in increasing advertising market share, revenue and margins;

- it should support and accelerate the growth of Domain (i.e. geographical expansion and revenue from transactions based businesses) through leveraging the Combined Group's expanded marketing platform and cross promotion. The Combined Group will be able to provide:
  - enhanced marketing reach and increased brand exposure through Nine's national FTA network; and
  - integration of the *Domain* brand with Nine content (e.g. *The Block*).

  This should result in a stronger *Domain* brand and drive growth in revenue from a larger (national) audience; and
- consolidation of the ownership and management of *Stan* under a single shareholder will simplify its governance and operating structure and should provide benefits to the Combined Group in terms of:
  - increased content purchasing power with domestic and global content providers as the Combined Group will be able to acquire content across its entire portfolio of broadcast and digital assets (FTA television, BVOD and SVOD)[60] and the opportunity for cross-platform marketing. A greater ability to invest, in particular, in quality local content, will better position the Combined Group to succeed in an increasingly global environment where local content is an important competitive differentiator. It should assist in driving subscriber growth (through the ability to better meet audience demand and preferences) and provide content acquisition efficiencies; and
  - providing flexibility/optionality for new strategic partnerships that would not otherwise be possible. For example, bringing a third party investor into *Stan* would be more attractive to potential third party investors and more straightforward to execute when there is a single 100% owner of the business.

Cost Synergies

It is expected that the Scheme will generate at least $50 million in annual cost synergies. These synergies are expected to be fully realised within two years of implementation of the Scheme.

The expected $50 million in cost synergies include:

- IT and product cost savings (approximately $15 million) from consolidating the IT systems currently operated by Fairfax and Nine (such as sales, human resources and accounting) and procurement efficiencies;
- media sales savings (approximately $15 million) from removal of duplication in advertising sales teams and commercial operations;
- corporate and divisional support function savings (approximately $15 million) from removal of duplication (in public company and board costs and support functions such as divisional management, finance and administration); and
- content cost savings (approximately $5 million) through sharing content across platforms.

None of the cost synergies expected to be realised depend on the consolidation of Nine's and Fairfax's newsrooms or reducing the number of journalists employed in the newsrooms. In addition, Fairfax's

[60] The joint ownership of *Stan* inhibits the ability to acquire cross platform content.

Charter of Editorial Independence, which establishes conditions for producing news and journalistic content, with a view to enshrining editorial independence, has been unanimously endorsed by the Nine board.

One off costs associated with achieving the cost synergies have not been quantified.

There is no guarantee that the cost synergies will be realised. Moreover, the risk of realisation is increased to the extent that some of the synergies are not expected to be realised immediately, but rather during the two years following implementation of the Scheme. See Section 7.3.3 for a discussion of the risks and uncertainties associated with these synergies.

The quantum of the estimated cost synergies is significant but not, on its own, compelling, having regard to aggregate pro forma consolidated FY18 EBITDA for the Combined Group of $483 million. However, the Scheme has the potential to realise revenue synergies in addition to the $50 million of expected cost synergies. The strategic rationale for the Scheme is largely based around the ability of the Combined Group to utilise the combined assets (traditional and digital), scale, marketing platforms and purchasing power to increase advertising market share and subscribers, and to grow revenue. Fairfax and Nine have not quantified the revenue synergies possibly available, but they could add materially to the estimated $50 million of cost synergies.

As Fairfax shareholders will collectively own 48.9% of the shares in the Combined Group, to the extent that they continue to hold shares in the Combined Group, they will share in the synergies that are realised through the combination of Fairfax and Nine. The estimated cost synergies (before one off costs) have a notional value of 26 cents per Combined Group share[55] if they are realised in full.

Balance Sheet Strength

The Combined Group will be a larger and financially more robust company than Fairfax on a standalone basis. The Combined Group's gearing will be lower than the gearing of Fairfax (10.4% vs 14.4%, based on book values), although gearing based on market values does increase marginally from 4.1% (based on a Fairfax share price of $0.77 and proportionate net borrowings of $75 million) to 7.2% (based on a Combined Group share price of $2.25 and proportionate net borrowings of $298 million). Net borrowings to EBITDA will also increase marginally (from 0.5 times to 0.7 times). In both cases, these remain very conservative gearing metrics. The Combined Group should be able to raise debt and equity, if required, on more attractive terms than those available to Fairfax, providing additional financial flexibility and enhanced capacity to invest in growth opportunities as they arise.

Impact on Earnings and Dividends

The Scheme is expected to result in a material uplift in attributable earnings per share (before significant items) and dividends per share for Fairfax shareholders (on an equivalent basis) if the cost synergies are realised in full. The impact is illustrated below based on pro forma results for FY18, the merger ratio, the pro forma analysis set out in Section 6.4 of this report, and a Combined Group share price of $2.25:

PRO FORMA FY18 IMPACT PER EQUIVALENT FAIRFAX SHARE

	FAIRFAX STANDALONE	COMBINED GROUP	EQUIVALENT FAIRFAX SHARE	CHANGE	
				ABSOLUTE	%
INCLUDING *STAN* LOSSES					
Earnings per share (before significant items)					
- before cost synergies	5.4c	13.7c	5.1c	(0.3)c	-5.4%
- after cost synergies	5.4c	15.7c	5.9c	0.5c	+8.8%
Dividends per share					
- before cost synergies	2.9c	7.6c	2.8c	(0.1)c	-2.0%
- after cost synergies	2.9c	8.7c	3.3c	0.4c	+12.7%

PRO FORMA FY18 IMPACT PER EQUIVALENT FAIRFAX SHARE (CONT)

	FAIRFAX STANDALONE	COMBINED GROUP	EQUIVALENT FAIRFAX SHARE	CHANGE	
				ABSOLUTE	%
EXCLUDING *STAN* LOSSES					
Earnings per share (before significant items)					
- before cost synergies	5.4c	16.3c	6.1c	0.7c	+12.9%
- after cost synergies	5.4c	18.4c	6.9c	1.5c	+27.1%
Dividends per share					
- before cost synergies	2.9c	9.1c	3.4c	0.5c	+16.9%
- after cost synergies	2.9c	10.2c	3.8c	0.9c	+31.6%

Source: Scheme Booklet and Grant Samuel analysis

Grant Samuel has analysed the impact of the Scheme on attributable earnings per share (before significant items) and dividends per share for Fairfax shareholders on two bases, including the *Stan* losses and excluding the *Stan* losses. The Combined Group will consolidate *Stan* as it will own 100% (and therefore its revenue and earnings (losses or profits) will be shown in the Combined Group's income statement). However, Fairfax accounts for its 50% interest in the *Stan* joint venture as an equity accounted investment which had a carrying value of nil as at 24 June 2018 and, as a result, *Stan's* losses are not presently recognised in Fairfax's share of profits/(losses) of associates and joint ventures (i.e. its revenue and losses are not shown in Fairfax's income statement). Consequently, it is arguably more appropriate to compare Fairfax's FY18 earnings per share (before significant items) and dividends per share to the Combined Group excluding *Stan*.

Based on the analysis including *Stan's* losses, the uplift in earnings per share (before significant items) is underpinned by achievement of the expected cost synergies. While earnings per share decreases if cost synergies are excluded, this primarily reflects the inclusion of *Stan's* losses (of which Fairfax shareholders are contributing 50%). If cost synergies are included, the uplift in earnings per share is material as the pro forma analysis assumes the cost synergies are available immediately upon implementation. In reality, the cost synergies are expected to emerge over a two year integration period.

Based on the analysis excluding *Stan's* losses (which is arguably more comparable to the Fairfax standalone earnings per share and dividends per share), the uplift in earnings per share (before significant items) is substantial, even before the cost synergies (a 13% uplift before cost synergies and a 27% uplift after cost synergies).

In both cases, the pro forma analysis is before the one off costs associated with achieving the cost synergies. Furthermore, the above analysis is based on:

- the assumptions underlying the Combined Group pro forma analysis and the actual earnings per share impact may be different following finalisation of acquisition accounting; and
- historical (FY18) earnings and the actual impact in FY19 and subsequent years will depend on the operating performance of the Combined Group.

Nonetheless, a material increase in earnings per share is necessary for Fairfax shareholders given the Combined Group will have a lower proportion of its total earnings from the higher rated Domain business (relative to Fairfax on a standalone basis).

To the extent earnings per share increases, dividends per share increases based on Nine's FY18 dividend payout ratio (56% of OPAT before significant items) as shown above. It should be noted that Nine's FY18 dividend payout ratio effectively represents an increase in payout ratio for Fairfax shareholders as on a standalone basis, Fairfax paid out 54% of OPAT before significant items as dividends in FY18. If the Scheme is implemented, the payment of dividends will be determined by the board of the Combined Group having regard to financial and other circumstances at the time.

Increased market presence

The Combined Group will have a pro forma market capitalisation of $3.8 billion (based on a Nine share price of $2.25). On this basis, it will be a top 100 ASX company (rank around 85), and Australia's largest ASX listed media group[61].

Increased scale should increase investor awareness and liquidity although:

- both Fairfax and Nine are already well within the S&P/ASX 200 (the key investment index), ranking around 135 and 145 respectively;
- both Fairfax and Nine already have reasonable liquidity and the merger itself will not directly have any impact on liquidity except for the benefit of combining into a single pool; and
- there is no net effect on index weighting that would automatically lead to increased demand for shares in the Combined Group.

7.3.3 Disadvantages, Costs and Risks

Change in the mix of exposure

If the Scheme is implemented, Fairfax shareholders will have a:

- significantly lower exposure to the high growth Domain business. Based on Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads, the contribution from Domain will fall to 14% from 30% in the absence of the Scheme; and
- a very significant exposure to FTA television broadcasting. Based on Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads, the contribution from FTA television broadcasting will increase to 47% from nil in the absence of the Scheme.

On the other hand, Fairfax shareholders will also have significantly lower exposure to the newspaper publishing businesses (print and online). Based on Combined Group pro forma proportionate FY18 EBITDA before *Stan* losses and corporate overheads, the contribution from newspaper publishing will fall to 36% from 63% in the absence of the Scheme.

The exposure to SVOD through *Stan* will remain approximately the same given that Fairfax and Nine each have a 50% interest in the *Stan* joint venture and Fairfax shareholders will collectively hold a 48.9% interest in the Combined Group. While there is a very small reduction in exposure, it is not material in the context of the overall Scheme (at around 15 basis points or 0.15%).

There will undoubtedly be some Fairfax shareholders who will not welcome the dilution of their exposure to the Domain business (and its replacement with a substantial exposure to FTA television), particularly in view of:

- the strong performance of Domain over the past three years (average annual growth of 17% In revenue and 11% in EBITDA) relative to the performance of Nine's FTA television broadcasting business (average annual growth of -2% in revenue and 5% in EBITDA); and
- the growth outlook for the online sector, which is regarded as positive relative to the more subdued environment facing the FTA television sector.

While these factors are important, Fairfax shareholders also need to recognise that:

- the Domain business has its own challenges that could impact on future returns to shareholders:
  - earnings are vulnerable to the cyclicality of property markets (in addition to general economic conditions); and

[61] News Corp is larger than the Combined Group, but its primary listing is on the New York Stock Exchange. Class B Voting Common Stock in the form of CHESS Depositary Interests are listed on the ASX but they have a market capitalisation of less than $1 billion.

- while the online sector is growing its share of the total advertising market, it is not immune from competition and new participants (even if they do not necessarily become a significant force);

- Nine's FTA television broadcasting business generated an uplift in revenue (+6.7%) and a substantial uplift in EBITDA (+26.5%) in FY18 reflecting strong momentum in the metropolitan FTA television market, an increase in revenue market share and control over costs. Further growth is expected in FY19, particularly from cost savings associated with the change in summer sports from cricket to tennis and an increasing contribution from Nine's high growth digital publishing businesses;
- Fairfax's newspaper publishing businesses, to which shareholders are currently fully exposed, face challenges as standalone businesses which are arguably greater than the challenges facing Nine's FTA television business;
- the Combined Group will have a more diverse exposure to the various sectors of the media industry;
- the Combined Group will retain a controlling interest in Domain that should enable it to maximise the business opportunities between the two entities and extract full value from any future corporate transactions; and
- they are receiving a share of value (circa 49.5%) that is higher than the value that they are contributing, whether measured by sharemarket or fundamental value.

In any event, Fairfax shareholders who wish to have a greater exposure to Domain can sell their Combined Group shares and acquire Domain shares on the ASX (although they will incur brokerage costs in doing so).

Transaction and Integration Costs

Fairfax and Nine will each incur transaction costs in relation to the Scheme. Transaction costs are estimated to total approximately $38 million ($23 million for Fairfax and $15 million for Nine). The Combined Group will also incur integration costs associated with achieving the cost savings which have not been quantified. However, these integration costs are one off and unlikely to be material in the context of the Combined Group.

Fairfax shareholders will, in aggregate, bear 48.9% of these costs (as well as 48.9% of the integration costs). The transaction costs represent less than 1% of the pro forma market capitalisation of the Combined Group.

Of the total costs, approximately $4 million will be incurred by Fairfax (and therefore its shareholders) on a standalone basis if the Scheme is not implemented (around 0.002 cents per Fairfax share). In certain circumstances, Fairfax will also be liable to pay Nine a $20 million break fee (although not if shareholder approval is not forthcoming). On the other hand, in certain circumstances, Nine will be liable to pay Fairfax a $20 million break fee.

Integration Risks

The benefits of the Scheme relate largely to the broader strategic benefits and cost synergies expected to be realised through the combination and integration of the Fairfax and Nine businesses. The extent of the strategic benefits and the quantum of the cost synergies essentially reflect the complementary nature of the Fairfax and Nine businesses. However, it should be recognised that the businesses are quite different from each other. Realisation of the expected benefits will not be an automatic consequence of the Scheme but will require the successful integration and ongoing management of the Combined Group. Business integrations are inherently risky. There may be unanticipated issues or costs that arise on integration of the Combined Group. The Combined Group will have a much broader range of operations and will, as a result, be more complex and intrinsically more difficult to manage than Fairfax on a standalone basis.

Given the risks involved, it is to be expected that the share market value of the Combined Group will only fully reflect the benefits of the Scheme over time, as the integration process is successfully completed, expected cost synergies are realised and management demonstrates its ability to leverage real value from the stronger strategic positioning of the Combined Group.

Other

There are a number of other costs, disadvantages and risks for Fairfax shareholders:

- shareholders may realise a capital gain on the cash consideration received under the Scheme as capital gains tax ("CGT") rollover relief is not available for this component of the consideration (see Section 7.4). However, shareholders will have received a cash amount from which any CGT can be paid;
- some shareholders may not want to hold Nine shares. However, they will be able to sell their shares into an enlarged market for Nine shares, although there is no certainty that they will be able to realise the scrip received for an amount equivalent to the value attributed by the merger terms (e.g. due to transaction costs and the risks associated with any sharemarket investment); and
- Section 11 of the Scheme Booklet details a number of other risks relating to investment in Fairfax, Nine and the Combined Group, and the Scheme. Shareholders should consider these risks in making a decision on whether to vote in favour of the Scheme.

7.4 Other Matters

Alternatives

Fairfax has agreed to no-shop and no-talk restrictions and Nine has a right to match a competing transaction for Fairfax. Fairfax and Nine have agreed to pay each other $20 million break fees if the Scheme does not go ahead (in certain prescribed circumstances). The $20 million break fees (approximately 0.9 cents per Fairfax share and 2.3 cents per Nine share) are not material having regard to the standalone values of the two companies.

In deciding to enter into the Scheme Implementation Agreement, the Fairfax board undertook a comprehensive review of the potential alternatives available to Fairfax, including acquisition and divestment opportunities and maintenance of the status quo. Based on this process, the board decided to recommend the Scheme to Fairfax shareholders (in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Fairfax shareholders). However, Fairfax shareholders could choose to reject the Scheme, in the expectation that Fairfax would be better off on a standalone basis, or that a superior proposal might be made by some third party.

The decision as to the relative merits of alternative proposals is not just a question of the headline price. If a counter proposal is, for example, a 100% cash offer (or even a predominantly cash offer), then shareholders are very clearly selling control of Fairfax to a third party under which they will have no ongoing exposure to the business and its growth potential or benefit from any synergies (i.e. it is a one time sale opportunity).

In contrast, under the Scheme they are not giving up control but will continue to have an exposure (albeit diluted) to the Fairfax businesses and will have a 48.9% (aggregate) share of future growth and any cost synergies realised from the Scheme (which are notionally worth around 26 cents per Combined Group share[55] (before one off costs) if achieved in full). They will also retain the opportunity to sell "control" of the Combined Group at some future time.

In addition, there may be other differences between alternative proposals including:

- taxation consequences. For example, a cash offer may result in material CGT liabilities for some shareholders while scrip offers may provide CGT rollover relief; and
- certainty and timing of completion particularly where regulatory approvals are required.

Accordingly, any comparison of proposals must be a more nuanced comparison across a number of dimensions (e.g. value, control, residual exposure, tax and certainty).

In Grant Samuel's view, Fairfax shareholders would be worse off if the Scheme did not proceed and Fairfax continued as a standalone company. Fairfax would not enjoy the strengthened strategic position that should result from the Scheme and would not have the benefit of the cost synergies expected to be realised through the Scheme. Moreover, the Scheme does not prevent some change of control proposal for the Combined Group emerging in the future. The Combined Group will have a largely open share register and arguably will be a more attractive target than Fairfax on a standalone basis.

It is not possible to know whether there may be an alternative that is superior to the Scheme. In any event, there is no meaningful obstacle to some third party making an alternative proposal to Fairfax prior to the meeting at which shareholders will vote on the Scheme (although the matching right might be a disincentive to any competing proposal). If this arises it would be considered on its merits.

Market Value Implications

Fairfax shares have traded at much stronger prices since announcement of the Scheme. Fairfax shares closed at $0.77 on 25 July 2018 (the last trading day before announcement). On the day of the announcement, the share price rose to as high as $0.88 (up 14%) and closed 8% higher at $0.835.

Since announcement of the Scheme, Fairfax shares have traded at prices well above pre-announcement prices, in the range $0.7875-0.8975 and at a VWAP of $0.8435, a 9.5% premium to the closing share price of $0.77 on 25 July 2018. The S&P/ASX 200 index has declined slightly over the same period (closing at 6,247.6 on 25 July 2018 and 6,041.1 on 9 October 2018, a decline of 3%).

While it is not possible to predict with any confidence the price at which Fairfax shares would trade in the absence of the Scheme, on a standalone basis the Fairfax share price could be expected to reflect factors including the following:

- the pressures faced by Fairfax's newspaper publishing businesses (particularly Australian Community Media and Stuff), as illustrated by the FY18 results for these business divisions; and
- expectations of flat NPAT and dividends for Fairfax over the period to FY21, as suggested by the median of brokers' forecasts (with the continued decline in newspaper publishing offset by growth in Domain).

On the other hand, with the relaxation of media ownership laws in October 2017, there is the potential that, if the Scheme is not implemented, Fairfax shares may remain at elevated levels if there is the prospect of some alternative corporate activity (although this should have been reflected in share prices prior to announcement of the Scheme).

In Grant Samuel's view, there is a risk that Fairfax shares would trade at prices below recent prices, potentially back to levels close to those at which Fairfax shares were trading prior to announcement of the Scheme (circa $0.75-0.80 per share). At a minimum, shares in a standalone Fairfax could be expected to trade at prices that did not reflect the cost synergies and other benefits expected to be realised through the Scheme.

Taxation Consequences

Details on taxation consequences of the Scheme for Australian resident and non-resident shareholders that hold their investment on capital account are set out in Section 13 of the Scheme Booklet.

The Scheme will give rise to a CGT event for Fairfax shareholders. Australian resident shareholders should be eligible to receive CGT rollover relief for that part of a capital gain that is referable to the exchange of Fairfax shares for Combined Group shares. If shareholders receive rollover relief, the capital gain that would otherwise be generated will be deferred until they dispose of their Combined Group shares.

No CGT rollover relief is available for that part of a capital gain that is referable to the receipt of the cash consideration. Consequently, Fairfax shareholders will realise a capital gain to the extent that the cash consideration received exceeds a proportionate part of the cost base for the Fairfax shareholder's Fairfax shares[62].

The cost base of the Combined Group shares received should be equal to the cost base of a Fairfax shareholder's original Fairfax shares, reduced by the amount of the cost base that is attributable to the cash consideration[63]. Furthermore, the Combined Group shares will be taken to be acquired at the time the Fairfax shares were originally acquired.

For a shareholder who chooses not to receive rollover relief, the CGT provisions will apply. The acquisition date of the Combined Group shares will be the implementation date and the cost base of the Combined Group shares received should be the market value of the Combined Group shares on implementation.

In any event, the taxation consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

Ineligible Foreign Shareholders

Ineligible foreign shareholders[1] are not entitled to receive shares in the Combined Group. However:

- the Combined Group shares that they would otherwise have received will be sold on market and they will receive the cash proceeds on sale (after payment of applicable brokerage costs, stamp duty and other selling costs taxes and charges);
- they can acquire Nine shares through the ASX if they wish to retain an exposure to the Combined Group; and
- shareholders representing less than 0.2% of Fairfax's issued shares are expected to be affected by these provisions.

7.5 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Fairfax.

In any event, the decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Fairfax, Nine or the Combined Group. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

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62 The capital gain referable to the receipt of the cash consideration will be calculated as:

$$cash\ consideration - \left(\frac{cash\ consideration}{(cash\ consideration + market\ value\ of\ Combined\ Group\ shares\ on\ implementation)} x\ cost\ base\ of\ Fairfax\ shares\right)$$

63 The cost base of the Combined Group shares will be calculated as:

$$cost\ base\ of\ Fairfax\ shares\ x\ \left(\frac{market\ value\ of\ Combined\ Group\ shares\ on\ implementation}{cash\ consideration + market\ value\ of\ Combined\ Group\ shares\ on\ implementation}\right)$$

8 Value Analysis Summary

8.1 Approach to Value Analysis

8.1.1 Overview

The purpose of the value analysis is to enable an assessment of the relative contributions of value by the shareholders of Fairfax and Nine compared to the share of the Combined Group that they each receive. In this context, the critical issue is not so much the absolute level of value but rather that the valuations of the two companies are estimated on a consistent basis. Accordingly, the values for the business operations have been estimated on the basis of fair value for 100% of the business as a going concern but on a standalone basis excluding synergies (i.e. as they are currently operated). The reasons for this approach include the following:

- where the potential synergy benefits are effectively being shared by the two sets of shareholders in a predominantly scrip based merger, they are not directly relevant to the measurement of relative value contributions (synergies are seldom contributed exclusively by, or solely attributable to, one or other party and any allocation will inevitably be arbitrary);
- significant cost synergies have been identified as part of the Scheme but:
  - the standard approach to valuation is to incorporate only those synergies available to, or common to, more than one potential acquirer (e.g. listed company/head office cost savings). Synergies unique to one acquirer are excluded;
  - other potential acquirers would likely have different types and amounts of operating synergies (beyond listed company/head office cost savings) available to them but estimating such benefits for as yet unknown parties is highly speculative;
  - a "cash buyer" of Fairfax would have a different approach to the level of synergies it was prepared to "pay away" to Fairfax shareholders;
  - to estimate the full realisable value of both companies it would be necessary to make an estimate of potential (common) synergies for an acquirer of each of Fairfax's and Nine's businesses (i.e. controlling interests in Domain and Macquarie Media, Fairfax's Australian and New Zealand newspaper businesses, Nine's FTA television broadcasting and digital publishing businesses and *Stan*). The data to undertake this analysis is not readily available; and
  - analysis of dis-synergies that might arise in separating the businesses would also be required. If the businesses are assessed as individual operations potentially sold to different acquirers it would be necessary to estimate the incremental operating costs that would be incurred.

The net effect is that incorporating synergies would add considerable complexity and uncertainty to the valuation task (exacerbating any reliability issues) without adding any meaningful degree of insight into the fairness or otherwise of the terms of the Scheme.

As such, the values estimated by Grant Samuel represent a "control" value but do not represent the full underlying value that might be realised if the businesses were sold on the open market in a competitive process where acquirers would factor in synergies available to them (as envisaged for control transactions by RG 111). To ensure that the appropriate earnings multiples are considered, Grant Samuel has focused on the post synergy earnings multiples implied by relevant transactions. These multiples remove the impact of synergies and reflect a "control" value without synergies.

The values attributed to the business operations of Fairfax and Nine by Grant Samuel are judgements derived through iterative processes having regard to a number of valuation methodologies and parameters. A general discussion of valuation methodologies is set out in Appendix 3. The primary focus (other than for

Stan) was on the capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) methodology with DCF analysis used as a cross check.

The iterative process involves:

- selecting an initial value range for the business operations (based on a review of market evidence on multiples and the output of DCF analysis, with more weight being placed on the market evidence in this case);
- reviewing the implied multiples (historical and forecast EBITDA and EBITA) and the relationship with the net present value outcome of the DCF analysis; and
- then, if necessary, adjusting the value range until Grant Samuel is satisfied that the final value range is reasonable across all of these parameters, taking into account the specific attributes of the business, its outlook and its risk profile.

Stan is currently loss making and its value is inherently uncertain. Grant Samuel considered a number of different bases for attributing value to *Stan*, including the investment to date by the joint venture parties, Nine's estimate of the fair value of *Stan* for the purposes of the Combined Group pro forma statement of financial position, broker valuations of *Stan*, other parameters such as value per subscriber and revenue multiples, and DCF analysis. Revenue multiples and value per subscriber are common industry rules of thumb used in the media industry as an indicator of value, particularly for businesses that are in the start up phase (i.e. not yet generating positive earnings).

Grant Samuel is not aware of any commonly used rules of thumb that are appropriate for the other business operations of Fairfax and Nine and a net assets/realisation of assets methodology is not appropriate for either company. The objective is to determine values that are consistent with the market evidence as to multiples and value per subscriber and fit with the output of DCF analysis.

Grant Samuel's values for the equity in Fairfax and Nine have then been estimated by aggregating the estimated value of each company's business operations together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities.

8.1.2 Specific Issues

The following factors should be noted when considering the values assessed by Grant Samuel:

Single Business or Sum of the Parts Valuation

In estimating values for the operating businesses of Fairfax and Nine, Grant Samuel considered whether to value each as an integrated business or as a portfolio of businesses. While there are arguments supporting valuation of the business operations of each company as a single business (e.g. economic drivers of the businesses are similar), Fairfax's business operations have been valued separately as:

- they are structured and operated as separate divisions with limited interactions at a customer level (even the newspaper publishing businesses target different regions (metropolitan and community) and countries (Australia and New Zealand), albeit there is customer interaction across business divisions (i.e. between Fairfax newspaper subscribers/readers, Domain and Macquarie Media's metropolitan AM radio network);
- Domain and Macquarie Media are completely separate ASX listed companies in which Fairfax has a controlling interest (and representation on the board), but does not operate;
- transaction evidence is available for each of the business divisions (albeit some of this evidence is from several years ago or involves international comparisons); and
- there are a number of listed companies comparable to each of the business divisions.

Fairfax's Events and Entertainment business has been included in the valuation of Australian Metro Media (which is where it is reported in Fairfax's annual accounts). While the Events and Entertainment business is a significantly different business to metropolitan newspaper publishing in terms of growth outlook and key drivers, it is a very small part of Fairfax's business operations (generating just over 1% of FY19 EBITDA) and does not justify being valued separately.

Nine's FTA television broadcasting business and its digital publishing business have been valued as a single business as they are operated on an integrated basis (i.e. they share content and some share the *Nine* brand) and Nine considers digital publishing an integral part of its media offering. The contribution from digital activities is also relatively small relative to Nine's overall revenue and earnings (around 13%).

Earnings for Valuation Purposes

For valuation purposes, Grant Samuel has used as its starting point the FY18 reported historical earnings, the Fairfax FY19 Budget and the Nine FY19 Budget, and FY19 broker median forecasts for Fairfax (and each of its business operations) and Nine. Adjustments have been made to the reported FY18 earnings, the Fairfax FY19 Budget and the Nine FY19 Budget, and FY19 broker median forecasts to:

- ensure consistency between the historical and forecast earnings. These adjustments relate to:
  - removing the impact of a 53 week year (rather than the usual 52 week year) from the Nine reported FY18 earnings and the Fairfax FY19 Budget;
  - in relation to Fairfax:
    - reflecting a full year impact of the News Corp printing arrangements and the transfer of *The Canberra Times* from Australian Community Media to Australian Metro Media in the reported FY18 earnings of Australian Metro Media and Australian Community Media;
    - including a full year of separation costs in the reported FY18 earnings of Domain; and
    - reallocating corporate overheads that were allocated to Australian Metro Media in the Fairfax FY19 Budget back to corporate; and
  - in relation to Nine's reported FY18 earnings:
    - removing the impact of a non-recurring ACMA licence accrual release;
    - including the impact of additional costs associated with the new NRL rights deal and the sale and leaseback of Nine's Newcastle property; and
    - including the estimated impact of the change in summer sports from cricket to tennis; and
- remove the earnings contribution from associates as interests in associates and joint ventures have been valued separately from Fairfax's and Nine's business operations. For the purposes of this adjustment, it has been assumed that the FY19 broker median forecast earnings include a contribution from associates equivalent to that included in the Fairfax FY19 Budget and the Nine FY19 Budget.

These adjustments ensure that the FY18 reported historical earnings, the Fairfax FY19 Budget and the Nine FY19 Budget, and FY19 broker median forecasts for Fairfax (and each of its business operations) and Nine are shown on a consistent basis. The adjustments made to reported FY18 earnings and the FY19 broker median forecasts are set out below:

GRANT SAMUEL

FAIRFAX – CALCULATION OF EARNINGS FOR VALUATION PURPOSES ($ MILLIONS)

	REPORT SECTION REFERENCE	FY18 REPORTED	FY19 BROKER MEDIAN
Consolidated (100% of Domain and Macquarie Media)			
Reported/Broker median EBITDA	4.3/Appendix 1	274.2	276.7
News Corp printing arrangements		15.0	-
Full year of Domain separation costs		(1.8)	-
Other adjustments		(0.2)	-
Associates		0.9	1.5
Adjusted EBITDA for valuation purposes		**288.1**	**278.2**
Depreciation and other amortisation	4.3/Appendix 1	(51.5)	(54.3)
Adjusted EBITA for valuation purposes		**236.6**	**223.9**
Australian Metro Media			
Reported/Broker median EBITDA	4.9.1/Appendix 1	53.1	59.0
News Corp printing arrangements (55%)		8.3	-
The Canberra Times		3.3	-
Associates		(0.5)	(0.5)
Adjusted EBITDA for valuation purposes		**64.2**	**58.5**
Depreciation and other amortisation	4.9.1/Appendix 1	(5.4)	(8.0)
Adjusted EBITA for valuation purposes		**58.8**	**50.5**
Australian Community Media			
Reported/Broker median EBITDA	4.9.2/Appendix 1	57.2	41.5
News Corp printing arrangements (45%)		6.7	-
The Canberra Times		(3.3)	-
Associates		(1.4)	(1.4)
Adjusted EBITDA for valuation purposes		**59.2**	**40.1**
Depreciation and other amortisation	4.9.2/Appendix 1	(4.8)	(3.7)
Adjusted EBITA for valuation purposes		**54.4**	**36.4**
Stuff			
Reported/Broker median EBITDA	4.9.3/Appendix 1	37.3	32.0
Associates		1.0	1.0
Adjusted EBITDA for valuation purposes		**38.3**	**33.0**
Depreciation and other amortisation	4.9.3/Appendix 1	(14.0)	(12.0)
Adjusted EBITA for valuation purposes		**24.3**	**21.0**
Domain (100%)			
Reported/Broker median EBITDA	4.9.4/Appendix 1	117.6	130.4
Full year of Domain separation costs		(1.8)	-
Associates		1.4	1.2
Adjusted EBITDA for valuation purposes		**117.2**	**131.6**
Depreciation and other amortisation	4.9.4/Appendix 1	(20.9)	(22.5)
Adjusted EBITA for valuation purposes		**96.2**	**109.1**
Macquarie Media (100%)			
Reported/Broker median EBITDA	4.9.5/Appendix 1	32.6	34.0
Other adjustments		(0.3)	-
Associates		0.2	-
Adjusted EBITDA for valuation purposes		**32.5**	**34.0**
Depreciation and other amortisation	4.9.5/Appendix 1	(3.9)	(3.6)
Adjusted EBITA for valuation purposes		**28.6**	**30.4**

Source: Fairfax, brokers' reports, Grant Samuel analysis

These earnings figures are referred to in Section 9.1.3 (Australian Metro Media), Section 9.1.4 (Australian Community Media), Section 9.1.5 (Stuff), Section 9.2.2 (Domain) and Section 9.2.3 (Macquarie Media) of this report as "adjusted EBITDA" and "adjusted EBITA".

NINE – CALCULATION OF EARNINGS FOR VALUATION PURPOSES ($ MILLIONS)

	REPORT SECTION REFERENCE	FY18 REPORTED	FY19 BROKER MEDIAN
Reported/Broker median EBITDA	5.4/Appendix 2	257.2	293.5
53 to 52 week adjustment		(9.7)	-
Other adjustments[64]		22.5	-
Associates		(1.2)	(1.2)
Adjusted EBITDA for valuation purposes		**268.8**	**292.3**
Depreciation and other amortisation	5.4/Appendix 2	(36.7)	(35.5)
Adjusted EBITA for valuation purposes		**232.1**	**256.8**

Source: Nine, brokers' reports, Grant Samuel analysis

These earnings figures are referred to in Section 9.4 of this report as "adjusted EBITDA" and "adjusted EBITA".

In addition, as Fairfax does not own 100% of Domain and Macquarie Media, for the purposes of analysing the overall multiples implied by the valuation of Fairfax's business operations, it is necessary to calculate proportionate EBITDA and EBITA (i.e. incorporating 100% of Fairfax's newspaper publishing businesses, 59.4% of Domain and 54.5% of Macquarie Media. The proportionate analysis is set out below:

FAIRFAX – CALCULATION OF PROPORTIONATE EARNINGS FOR VALUATION PURPOSES ($ MILLIONS)

	FY18 REPORTED	FY19 BROKER MEDIAN
Reported/Broker median proportionate EBITDA	211.7	209.5
News Corp printing arrangements	15.0	-
Proportionate full year of Domain separation costs	(1.1)	-
Proportionate associates	0.1	1.0
Adjusted proportionate EBITDA for valuation purposes	**225.7**	**210.5**
Proportionate depreciation and other amortisation	(41.2)	(43.5)
Adjusted proportionate EBITA for valuation purposes	**184.5**	**167.0**

Source: Fairfax, brokers' reports, Grant Samuel analysis

These earnings figures are referred to in Section 8.2.2 of this report as "adjusted proportionate EBITDA" and "adjusted proportionate EBITA".

Performance Rights and Options

Both Fairfax and Nine have performance rights on issue (and Fairfax also has options) that have not yet vested and are subject to meeting certain performance hurdles and employment conditions. As part of the Scheme, holders of Fairfax's 9,559,247 performance rights, 16,154,370 options and participants in Fairfax's FY18 and FY19 short term incentive plans will receive an aggregate cash payment of approximately $16.0 million in return for the cancellation of these employee incentives. Nine's 7,189,070 performance share rights will remain on issue.

In assessing fundamental value, it would be appropriate to adjust the value of both Fairfax and Nine for the vesting or cancellation of performance rights and options. In effect:

- Fairfax shareholders are contributing approximately $16.0 million less to the Combined Group as this amount of cash will be paid out to performance right and option holders prior to implementation of the Scheme; and

64 Other adjustments include the AMCA licence accrual release, additional costs associated with the new NRL rights deal, the impact of the change in summer sport from cricket to tennis and the sale and leaseback of the Newcastle property.

- if the Scheme is implemented, Fairfax shareholders will bear 48.5% of the cost of the vesting of Nine's performance share rights (in the form of dilution of their aggregate share of the Combined Group).

However, the extent to which Nine's performance share rights will vest is uncertain (as they are subject to meeting certain performance hurdles and employment conditions). If it was assumed that all performance share rights were to vest, this would result in the issue of a further 7,189,070 shares in Nine (and the Combined Group). Based on a Nine share price of $2.25, these shares would have a cash value of $16.2 million. This would be the maximum number of shares issued (and it is unusual for 100% of performance share rights to vest).

Grant Samuel has not made any adjustment to the fundamental value of Fairfax or Nine for the vesting and/or cancellation of performance rights and options on the basis that:

- the cash amounts are similar; and
- in any event, the impact is immaterial, representing less than 1% of the market capitalisation of each of Fairfax and Nine.

DCF Analysis

Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuations. Grant Samuel has developed high level DCF models having regard to the Fairfax FY19 Budget and Fairfax longer term projections prepared by the management of Fairfax and the Nine FY19 Budget and Nine longer term projections prepared by management of Nine. These DCF models allow the key drivers of earnings and capital expenditure to be modelled. The DCF models are based on a number of assumptions that Grant Samuel considers reasonable. However, the models do not constitute a forecast or projection by Grant Samuel of the future performance of Fairfax's or Nine's business operations and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the models.

Valuation Date

Fairfax and Nine have been valued as at 30 June 2018 and the DCF analysis has been prepared from 1 July 2018. The primary reference point for the valuations are the respective balance sheets as at 24 June 2018 (for Fairfax) and 30 June 2018 (for Nine). While adjustments have been made for significant subsequent events such as the payment of FY18 final dividends, no adjustments have been made for movements in other balance sheet items.

Franking Credits

Under Australia's dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for tax paid by a company. The franking credit attaches to any dividends paid by a company and the franking credit offsets personal tax for Australian investors. To the extent that personal tax has been fully offset the individual will receive a refund of the balance of the franking credit. Franking credits therefore have value to the recipient.

However, in Grant Samuel's opinion, while acquirers are attracted by franking credits there is no clear evidence that they will actually pay extra for a company with them (at any rate the sharemarket evidence used by Grant Samuel in valuing Fairfax's and Nine's business operations will already reflect the market value impact of the existence of franking credits). Further, franking credits are not an asset of the company in the sense that they can be readily realised for a cash sum that is capable of being received by all shareholders. The value of franking credits can only be realised by shareholders themselves when they receive distributions. Importantly, the value of franking credits is dependent on the tax position of each individual shareholder. To some shareholders (e.g. overseas shareholders) they may have very little or no value. Similarly, if they are attached to a distribution which would otherwise take the form of a capital gain taxed at concessional rates there may be minimal net benefit (in fact, there may be some categories of shareholders who are worse off in this situation such as shareholders with a capital loss on disposal of the shares).

Accordingly, while franking credits may have value to some shareholders they do not affect the underlying value of the company itself. No value has therefore been attributed to accumulated franking credits (after allowing for the final FY18 dividend) in the context of the respective values of Fairfax or Nine as a whole.

It should also be noted that, in recent years, Fairfax has not always franked its dividends to 100% due to its limited franking credits, which reflect the proportion of Fairfax's earnings represented by Stuff, as well as the quantum and timing of dividend payments by less than 100% owned businesses (Macquarie Media and, from November 2017, Domain).

8.2 Value of Fairfax

8.2.1 Summary

For the purposes of its relative contribution analysis, Grant Samuel has valued Fairfax in the range $1.99-2.15 billion. The valuation is summarised below:

FAIRFAX – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	8.2.2	1,963.2	2,103.5
Interests in joint ventures and associates	8.2.3	241.6	266.6
Other assets and liabilities	8.2.5	(94.0)	(99.9)
Enterprise value		**2,110.8**	**2,270.2**
Adjusted net borrowings	8.2.6	(117.2)	(117.2)
Value of equity		**1,993.6**	**2,153.0**

The valuation represents the estimated control value of Fairfax on a standalone basis. It includes a premium for control but does not include any value for synergies that may be available to purchasers of Fairfax. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Fairfax shares to trade on the ASX.

8.2.2 Business Operations

Grant Samuel's valuation of Fairfax's business operations is summarised below:

FAIRFAX - VALUATION OF BUSINESS OPERATIONS ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Newspapers	9.1	490.0	575.0
Domain (59.4% interest)	9.2	1,425.6	1,485.0
Macquarie Media (54.5% interest)	9.3	152.6	163.5
Corporate overheads	8.2.4	(105.0)	(120.0)
Value of business operations		**1,963.2**	**2,103.5**

The valuation of each of Fairfax's business operations is considered in more detail in Section 9.1 (Newspapers), Section 9.2 (Domain) and Section 9.3 (Macquarie Media). Corporate overheads are considered in Section 8.2.4.

The values attributed to each business operation represent overall judgements having regard to capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) with DCF analysis used as a cross check.

The overall multiples implied by the valuation of Fairfax's business operations are summarised below:

FAIRFAX'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted proportionate EBITDA[65]				
FY18 (adjusted actual)	8.1.2	225.7	8.7x	9.3x
FY19 (adjusted broker median)[66]	8.1.2	210.5	9.3x	10.0x
Multiple of adjusted proportionate EBITA[65]				
FY18 (adjusted actual)	8.1.2	184.5	10.6x	11.4x
FY19 (adjusted broker median)[66]	8.1.2	167.0	11.8x	12.6x

Caution is warranted in interpreting the implied overall multiples which are blended multiples for the newspaper publishing, online and radio businesses and reflect the particular attributes of these businesses, taking into account factors such as:

- the diversified portfolio of media assets across newspaper publishing, online and radio which would be difficult to replicate;
- the well established and recognised state-based and national brands, including *The Sydney Morning Herald*, *The Australian Financial Review*, *The Canberra Times* and *Domain* and its leading national metropolitan AM radio network;
- Fairfax's historical financial performance and track record of performance over the last four years, in particular:
  - the challenging conditions facing the newspaper publishing business and Fairfax's response to this through business resets and a focus on cost control; and
  - the high growth achieved by Domain in revenue and earnings;
- upside potential in the newspaper publishing businesses (particularly Australian Metro Media) from the News Corp printing arrangements and the arrangement with Google as well as the ability to continue to reduce costs across the newspaper publishing portfolio;
- the significant quantum of proportionate earnings that comes from newspaper publishing (63% of proportionate FY18 EBITDA); and
- the long term growth expectations for newspaper publishing (and differences between metropolitan and regional markets, with some stabilisation emerging in metropolitan markets), online classified advertising (positive notwithstanding exposure to the property cycle and the potential for increased competition) and radio (maintaining its advertising market share).

8.2.3 Interests in Joint Ventures and Associates

Grant Samuel's valuation of Fairfax's interests in joint ventures and associates is summarised below:

FAIRFAX - VALUATION OF INTERESTS IN JOINT VENTURES AND ASSOCIATES ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Stan (50% interest)	9.5	225.0	250.0
Proportionate associates and other joint ventures	refer below	16.6	16.6
Value of interests in joint ventures and associates		**241.6**	**266.6**

65 Proportionate EBITDA and EBITA include 100% of Fairfax's newspaper publishing business operations, 59.4% of Domain and 54.5% of Macquarie Media.

66 Fairfax has not included FY19 forecast information in the Scheme Booklet. To provide an indication of Fairfax's expected financial performance, Grant Samuel has considered brokers' forecasts (see Appendix 1).

The valuation of Fairfax's interest in *Stan* is considered in more detail in Section 9.5. The value attributed to *Stan* represents an overall judgement having regard to a number of methodologies and parameters including DCF analysis and multiples of revenue and value per subscriber.

The values attributed to investments in associates and other joint ventures are based on the book value of equity accounted investments as at 24 June 2018 of $18.3 million (see Section 4.4). This figure has been adjusted to reflect only the 59.4% of associates and joint ventures owned by Domain and the 54.5% of associates owned by Macquarie Media.

In Grant Samuel's view, it is appropriate to value these investments at their carrying value on the basis that:

- they collectively contributed a proportionate loss in FY18 and are budgeted to generate a further loss in FY19; and
- they are immaterial in the context of the overall valuation of Fairfax.

8.2.4 Corporate Overheads

For the purposes of this analysis, Fairfax's FY19 corporate overheads are approximately $29 million[67]. These costs represent costs associated with running Fairfax's head office and include:

- the Fairfax executive office (such as costs associated with the Chief Executive Officer/Managing Director and Chief Financial Officer, company secretarial and legal, corporate affairs, treasury, tax etc.);
- listed company expenses (such as directors fees, annual reports and shareholder communications, share registry and listing fees and dividend processing); and
- certain group shared services not fully recharged to the business operations during the year.

Grant Samuel has attributed a capitalised value of $(105)-(120) million to these corporate overheads. This value represents multiples of 3.5-4.1 times FY19 EBITDA (based on the Fairfax FY19 Budget), consistent with the overall multiples implied by Grant Samuel's valuation of Fairfax's newspaper publishing business operations (of 3.7-4.4 times FY19 EBITDA based on broker median forecasts) (see Section 9.1.1).

This multiple range is lower than the multiple range implied by the aggregate value attributed to Fairfax's business operations for FY18 and FY19. This average is impacted by the high multiples attributed to Domain and, to a lesser extent, Macquarie Media. While Fairfax owns controlling interests in these companies, they are completely separate ASX listed companies which Fairfax does not operate. Consequently, it would not be appropriate to use these higher multiples as they are not reflective of an allocation on an activity basis.

8.2.5 Other Assets and Liabilities

Fairfax's other assets and liabilities have been valued in the range $(94)-(100) million (including its proportionate interest in the other assets and liabilities of Domain and Macquarie Media) and include:

- properties in Australia and New Zealand that are being actively marketed by Fairfax (measured at the lower of carrying amount and fair value less costs to sell), shares in unlisted entities and Fairfax's proportionate share of a minority shareholding in ASX listed Pacific Star Network Limited ("Pacific Star") and loans to employees held by Macquarie Media (aggregate total of $3.6 million);
- a defined benefit plan surplus of $1.8 million[68];

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67 This figure for corporate overheads differs from the reference to an annualised run rate for corporate overheads below $20 million provided by Fairfax in conjunction with the release of its FY18 results on 15 August 2018 as it excludes profit from associates and reallocates back to corporate overheads costs that were transferred to Australian Metro Media in the Fairfax FY19 Budget. These adjustments have been made on the basis that Fairfax's interests in associates have been valued separately (and therefore need to be excluded from corporate overheads) and for consistency with the basis on which brokers' have forecast Australian Metro Media and corporate overheads in FY19.

68 The defined benefit plan surplus has been included as a surplus asset on the basis of the number of employees remaining in the plan and the expected duration of the plan. In addition, Fairfax was making contributions to the plan up until March 2018 and the impact on EBITDA is immaterial.

- deferred consideration (for Neighbourly and SME360), the obligation under the put option and Fairfax's proportionate share of Domain's contingent consideration in relation to the acquisition of Review Property (aggregate total of $(22.9) million);
- net costs associated with implementation of the New Corp printing arrangements of $7.5 million;
- provisions for defamation claims (including Fairfax's proportionate share of defamation claims relating to Macquarie Media), restructuring and redundancy provisions (including Fairfax's proportionate share of restructuring and redundancy provisions at Domain) and property provisions in relation to make good, deferred lease incentives and onerous leases (including Fairfax's proportionate interest in property provisions at Domain) (all net of tax) (aggregate total of $(35.8) million); and
- non-controlling interests, primarily Fairfax's proportionate interest in the Domain agent ownership model[69] (aggregate total of $(33.2)-(39.1) million).

No separate value has been attributed to:

- accumulated franking credits as at 24 June 2018 of $0.5 million;
- carried forward tax losses as at 24 June 2018, on the basis that the majority of these losses are only able to be offset against future income of a particular Fairfax New Zealand entity, with the balance relating to an excess of franking credit offsets over income tax payable, which must be recognised as tax losses carried forward for accounts purposes (but is not for practical purposes a carried forward tax loss); and
- carried forward capital losses as at 24 June 2018 of $395.2 million. While the losses can be carried forward indefinitely, they can only be utilised if capital gains are generated.

8.2.6 Net Borrowings

Fairfax's net borrowings for valuation purposes are $117.2 million. This amount reflects Fairfax's net borrowings as at 24 June 2018 adjusted as follows:

FAIRFAX – ADJUSTED NET BORROWINGS ($ MILLIONS)

	SECTION REFERENCE	AS AT 24 JUNE 2018
Net borrowings as at 24 June 2018	4.4	(134.7)
Debt issuance costs	refer below	(1.0)
Net borrowings atrtributable to Domain non-controlling interest	refer below	51.6
Net borrowings attributable to Macquarie Media non-controlling interest	refer below	8.3
Payment of 2HY18 dividend	4.3	(41.4)
Adjusted net borrowings		**(117.2)**

Debt issuance costs have been added back to net borrowings as this is a non-cash asset (that is amortised over the life of the relevant borrowings).

Net borrowings as at 24 June 2018 of $134.7 million is consolidated net borrowings, including 100% of the net borrowings of Domain and Macquarie Media. Net borrowings have been adjusted to exclude that proportion of the net borrowings of Domain and Macquarie Media that is attributable to the non-controlling interests in these companies:

- Domain's net borrowings (before debt issuance costs) of $127.1 million have been adjusted by $51.6 million (equal to $127.1 million multiplied by 40.6%); and
- Macquarie Media's net borrowings (before debt issuance costs) of $18.2 million have been adjusted by $8.3 million (equal to $18.2 million multiplied by 45.5%).

[69] The non-controlling agent ownership model interest in Domain has been estimated by applying a multiple of 6-7 times to the forecast EBITDA leakage of $9.4 million. The multiple selected takes into account Domain's recent acquisition of Review Property at 9 times historical EBITDA as well as the specific characteristics of the remaining agencies in the agency ownership model.

8.3 Value of Nine

8.3.1 Summary

For the purposes of its relative contribution analysis, Grant Samuel has valued Nine in the range $2.39-2.61 billion. The valuation is summarised below:

NINE – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Business operations	8.3.2	2,400.0	2,600.0
Interests in joint ventures and associates	8.3.3	240.6	265.6
Other assets and liabilities	8.3.5	(84.0)	(84.0)
Enterprise value		**2,556.6**	**2,781.6**
Adjusted net borrowings	8.3.6	(167.2)	(167.2)
Value of equity		**2,389.4**	**2,614.4**

The valuation represents the estimated control value of Nine on a standalone basis. It includes a premium for control but does not include any value for synergies that may be available to purchasers of Nine. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Nine shares to trade on the ASX.

8.3.2 Business Operations

Grant Samuel has attributed a value to Nine's business operations in the range $2,400-2,600 million.

The valuation of Nine's business operations is considered in more detail in Section 9.4. The value attributed to Nine's business operations represents an overall judgement having regard to capitalisation of earnings or cash flows (multiples of EBITDA and EBITA) with DCF analysis used as a cross check.

8.3.3 Interests in Joint Ventures and Associates

Grant Samuel's valuation of Nine's interests in joint ventures and associates is summarised below:

NINE - VALUATION OF INTERESTS IN JOINT VENTURES AND ASSOCIATES ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Stan (50% interest)	9.5	225.0	250.0
Associates and other joint ventures	refer below	15.6	15.6
Value of interests in joint ventures and associates		**240.6**	**265.6**

The valuation of Nine's interest in *Stan* is considered in more detail in Section 9.5. The value attributed to *Stan* represents an overall judgement having regard to a number of methodologies and parameters including DCF analysis and multiples of revenue and value per subscriber.

The values attributed to investments in associates and other joint ventures are based on the book value of equity accounted investments as at 30 June 2018 of $12.5 million (see Section 5.5) and includes loans to associates and joint ventures of $3.1 million.

In Grant Samuel's view, it is appropriate to value these investments at their carrying value on the basis that:

- they collectively contributed $1.2 million to FY18 EBITDA (less than 0.5% of total EBITDA) and are budgeted to contribute a similar proportion of FY19 EBITDA; and
- they are immaterial in the context of the overall valuation of Nine.

8.3.4 Corporate Overheads

As Grant Samuel has valued Nine's business operations as a single unit, the historical and forecast EBITDA and EBITA used to determine the implied valuation parameters for Nine's business operations are net of corporate overheads. Consequently, no separate allowance has been made for corporate overheads.

8.3.5 Other Assets and Liabilities

Nine's other assets and liabilities have been valued at $(84) million and include:

- properties for which contracts of sale have been entered into as at 30 June 2018 (National Playout Centre and Newcastle) or which are intended to be sold (Perth), including an expected gain on sale of the Newcastle property (net of deposit received and tax) and a minority shareholding in ASX listed Yellow Brick Road (aggregate total of $29.6 million);
- a defined benefit plan surplus of $25.6 million[70];
- options to acquire minority interests in CarAdvice and Future Women (aggregate total of $(26.8) million). While Nine is not obliged to exercise these options, this amount is analogous to a non-controlling interest as Nine consolidates the performance of CarAdvice and Future Women in its accounts;
- provisions for onerous contracts and the value of services that Nine has contracted to provide to Nine Live and ACP Magazines following their disposal (all net of tax) (aggregate total of $(20.3) million);
- the expected cost to fit out Nine's new head office; and
- the final settlement payment to Warner Bros of $33 million (while this amount is tax deductible, the tax deduction was obtained when the settlement agreement was signed so no tax deduction is available in relation to this final payment).

No separate value has been attributed to Nine's accumulated franking credits as at 30 June 2018 of $38.1 million or its exempting account balance of $41.1 million (see Section 8.1.2).

8.3.6 Net Borrowings

Nine's net borrowings for valuation purposes are $167.2 million. This amount reflects Nine's net borrowings as at 30 June 2018 adjusted as follows:

NINE – ADJUSTED NET BORROWINGS ($ MILLIONS)

	REPORT SECTION REFERENCE	AS AT 30 JUNE 2018
Net borrowings as at 30 June 2018	5.5	(121.3)
Debt issuance costs	refer below	(2.4)
Payment of 2HY18 dividend	5.4	(43.5)
Adjusted net borrowings		**(167.2)**

Debt issuance costs have been added back to net borrowings as this is a non-cash asset (that is amortised over the life of the relevant borrowings).

[70] The defined benefit plan surplus has been included as a surplus asset on the basis that the surplus is approximately 45% in excess of the present value of the plan's obligations as at 30 June 2018. While there are still around 75 employees in the plan and it is likely to run for at least a further 10 years, Nine has not made contributions to the plan since 2013 and it is considered unlikely that it will need to make contributions to the plan in the future.

9 Value of Business Operations

9.1 Newspaper Publishing

9.1.1 Summary

Grant Samuel has estimated the value of Fairfax's newspaper publishing business operations (before corporate overheads) to be in the range $490-575 million. The valuation is summarised below:

NEWSPAPER PUBLISHING – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Australian Metro Media	9.1.3	275.0	320.0
Australian Community Media	9.1.4	100.0	120.0
Stuff	9.1.5	115.0	135.0
Newspaper publishing business operations		**490.0**	**575.0**

The primary approach to valuation was capitalisation of earnings (see Sections 9.1.3, 9.1.4 and 9.1.5) with DCF analysis used as a cross check (see Section 9.1.6).

As discussed in Section 8.1 of this report, it is important to note that Grant Samuel's estimate does not include any allowance for synergies potentially available to an acquirer. Accordingly, while the value estimated by Grant Samuel represents a "control" value, it does not represent the full underlying value that might be realised if Australian Metro Media, Australian Community Media and/or Stuff were sold on the open market in a competitive process.

The overall multiples implied by the valuation of Fairfax's newspaper publishing business operations are summarised below:

NEWSPAPER PUBLISHING – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted proportionate EBITDA				
FY18 (adjusted actual)	8.1.2	161.7	3.0x	3.6x
FY19 (adjusted broker median)[66]	8.1.2	131.6	3.7x	4.4x
Multiple of adjusted proportionate EBITA				
FY18 (adjusted actual)	8.1.2	137.5	3.6x	4.2x
FY19 (adjusted broker median)[66]	8.1.2	107.9	4.5x	5.3x

The implied overall multiples are blended multiples for all of Fairfax's newspaper publishing businesses and reflect the particular attributes of these businesses, taking into account factors such as:

- the well established and recognised state-based and national brands, including *The Sydney Morning Herald*, *The Australian Financial Review* and *The Canberra Times*;
- the historical financial performance and track record of the newspaper publishing businesses over the last four years, in particular, the challenging conditions facing the business and Fairfax's response to this through business resets and a focus on cost control;
- upside potential (particularly for Australian Metro Media) from the News Corp printing arrangements and the arrangement with Google as well as the ability to continue to reduce costs across the newspaper publishing portfolio; and
- the long term growth expectations for newspaper publishing, and the differences between metropolitan and regional markets, with some stabilisation emerging in metropolitan markets.

9.1.2 Market Evidence

Transaction Evidence

There have been no recent transactions of a material size involving newspaper publishing businesses in Australia. In this regard, it is worth noting that:

- numerous small transactions (involving the acquisition of single publications or small businesses) have taken place, consistently at around 3 times EBITDA. For example, the Australian Regional Media division ("ARM") of APN News & Media Limited was acquired by News Corp in June 2016 at pre synergy multiples of 2.0 times historical and 3.1 times forecast EBITDA. ARM was a leading publisher in regional Queensland and northern New South Wales with a portfolio of 12 daily newspapers, 60 community newspapers and non-daily publications and over 30 regional news websites and mobile sites.

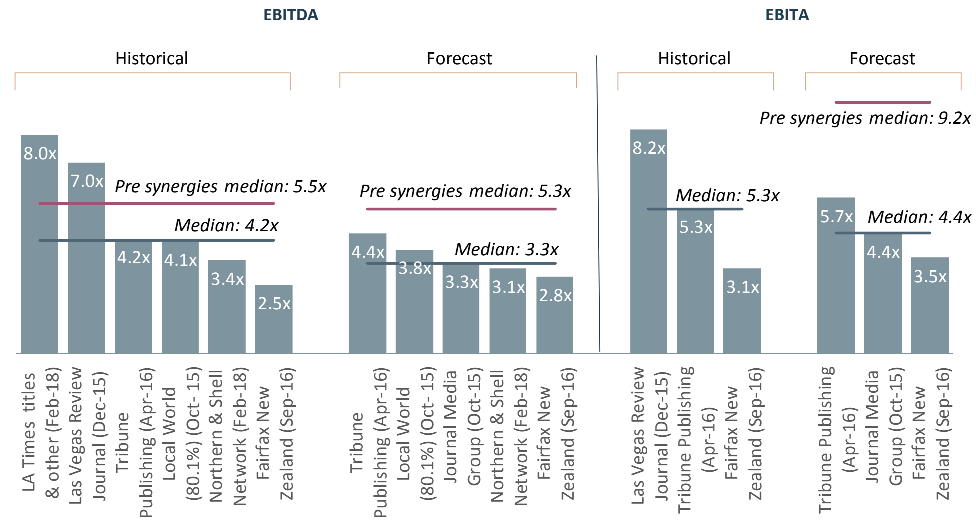
  While it is difficult to extrapolate this evidence to substantial businesses such as Fairfax's newspaper business operations, these recent transactions reflect the impact on multiples of the relatively weak outlook for publishing businesses in Australia; and

- the Fairfax New Zealand transaction is the proposed merger with NZME (which was blocked by the competition regulator) and does not reflect a control premium.

Consequently, Grant Samuel has considered recent acquisitions of newspaper publishing companies in the United States and the United Kingdom. While the valuation parameters implied by these transactions warrant caution given the different market and regulatory dynamics in these countries, they provide a useful benchmark, particularly given the similarities in terms of newspaper publishing's declining share of advertising spend and the requirement to adapt and change their business models to survive.

Appendix 4 contains an analysis of the earnings multiples implied by these transactions. The following charts summarise the historical and forecast post synergies EBITDA and EBITA multiples:

NEWSPAPER PUBLISHING TRANSACTIONS – HISTORICAL AND FORECAST EARNINGS MULTIPLES (POST SYNERGIES)



Source: Grant Samuel analysis (see Appendix 4). The historical pre synergies median EBITA multiple has not been shown as it is 20.6 times.

While there have been some outliers, market evidence from the United States and the United Kingdom indicates that transactions involving newspaper publishing businesses have generally taken place at post synergies multiples of 3-4 times forecast EBITDA and 4.5 times forecast EBITA. In forming this view, Grant Samuel has taken into account the following:

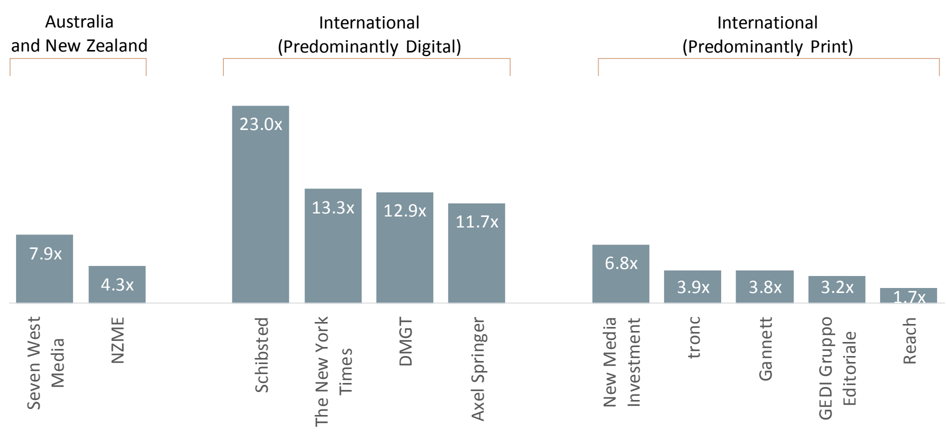
- there is evidence of relatively high historical multiples of earnings being paid for newspapers where a private buyer has been involved (e.g. LA Times, San Diego Union-Tribune etc and Las Vegas Review-Journal). However, these are not reliable benchmarks as private buyers are not necessarily driven by the economics of a transaction;
- there does not appear to be any material difference between the multiples paid for national titles (e.g. Northern & Shell Network) and regional titles (e.g. Local World Holdings Limited, Journal Media Group, Inc.);
- the higher multiples implied by Gannett Co., Inc.'s ("Gannett") proposed acquisition of Tribune Publishing Company (now tronc, Inc.) have been given less weight as the offer was rejected and was ultimately unsuccessful after Gannett terminated discussions in November 2016; and
- forecast multiples that are higher than historical multiples are indicative of the challenges facing the publishing sector and the continuing decline in earnings from print businesses.

Evidence from Sharemarket Prices

Appendix 4 contains analysis of the earnings multiples implied by share prices as at 31 August 2018 for a selection of Australian and international companies operating in the newspaper publishing sector.

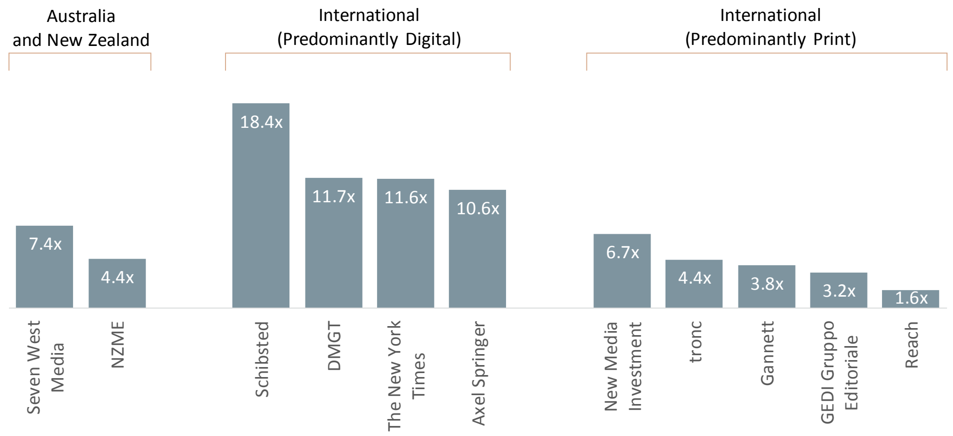
The following charts summarise the historical and forecast EBITDA multiples:

LISTED NEWSPAPER PUBLISHING COMPANIES – HISTORICAL EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

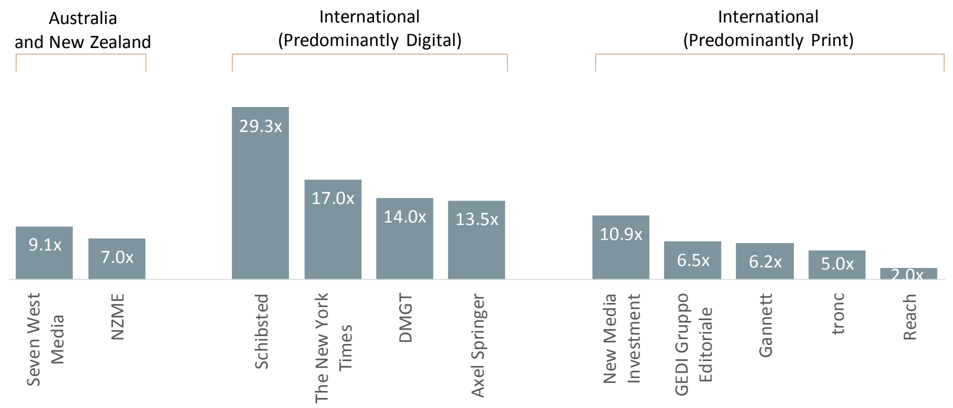
LISTED NEWSPAPER PUBLISHING COMPANIES – FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

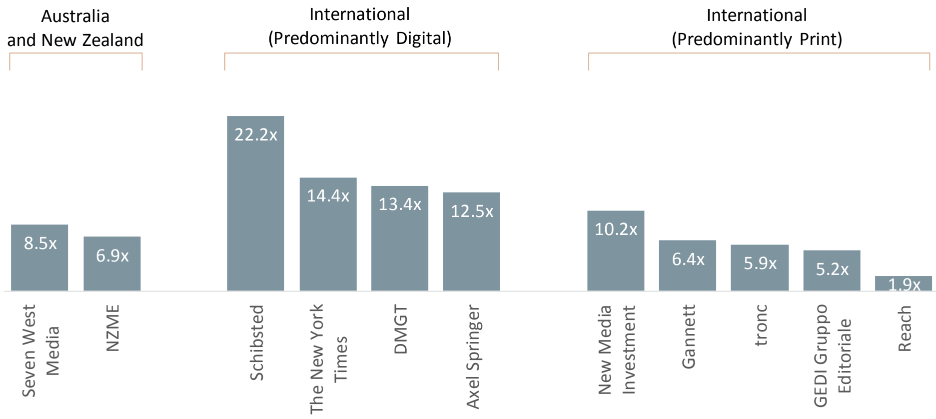
The following charts summarise the historical and forecast EBITA multiples:

LISTED NEWSPAPER PUBLISHING COMPANIES – HISTORICAL EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

LISTED NEWSPAPER PUBLISHING COMPANIES – FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

The following factors are relevant to considering the comparable trading multiples:

- the multiples for the listed companies are based on share prices as at 31 August 2018 and therefore do not incorporate a premium for control;
- none of the Australian and New Zealand listed companies is a "pure" publishing business:
  - Seven West Media Limited ("Seven West") publishes *The West Australian* (the leading metropolitan newspaper in Western Australia), *The Sunday Times* and digital sites *thewest.com.au* and *PerthNow* as well as 20 regional newspapers, *Quokka* (Western Australia's leading classified newspaper) and has a 49.9% interest in Community Newspapers Group (17 titles across Perth). It also owns Pacific Magazines. However, only around 20% of revenue and 15% of EBITDA is derived from its newspaper and magazine publishing businesses. The majority of its revenue and earnings is generated from its FTA television broadcasting operations, the Seven Network; and
  - NZME is an integrated media and entertainment company which owns and operates a portfolio of radio, digital, e-commerce and print brands in New Zealand. It generates approximately 62% of EBITDA from its newspaper and magazine publishing business (with 32% of EBITDA coming from its radio business). Its trading multiples may also be impacted by the stalled merger with Stuff (although the merger implementation agreement was terminated in March 2018).

  The trading multiples of these companies reflect their business mix. The appropriate trading multiple for a "pure" metropolitan newspaper publishing business would be expected to be lower than Seven West (to allow for the impact of its substantial higher market rated FTA television broadcasting business). Similarly, regional newspaper publishing businesses would be expected to trade at lower multiples than NZME (to allow for the impact of its higher market rated radio business); and
- the international trading multiples indicate that:
  - not unexpectedly given the relative outlook for digital compared to print publishing, there is a clear differential between newspaper publishers with predominantly digital revenue (which are, excluding outliers, trading at 10.5-11.5 times forecast EBITDA and 12.5-14.5 times forecast EBITA) and those with predominantly print revenue (which are, excluding outliers, trading at 3-4.5 times forecast EBITDA and 5-6.5 times forecast EBITA);

- the premium multiples at which Schibsted Media Group ("Schibsted") (digital focus) and New Media Investment Group Inc. ("New Media") (print focus) are trading reflect:
  - the large proportion of Schibsted's revenue (almost 50%) and earnings (approximately 30%) that come from its online platforms and its strong growth prospects (with brokers expecting revenue to grow at an average annual rate of 18% over the next three years). As a result, its trading multiples more closely resemble those of online classified advertising businesses (see Section 9.2.2); and
  - New Media's aggressive acquisition strategy and proven ability to acquire and integrate new assets which has seen it grow to a portfolio of over 600 community publications in 565 markets across 38 states in the United States and a reach of 22 million people every week. While it derives around 45% of its revenue from traditional print advertising (and only 11% from digital advertising[71]), its sheer size provides operating leverage and brokers expect New Media to continue to grow revenue at an average of around 12% per annum over the next three years; and
- Reach plc ("Reach") (formerly Trinity Mirror plc) trades at lower multiples relative to its peers following announcement of a £108 million loss in the six months ended 31 July 2018 after it wrote down the value of its local newspapers by £150 million because of a more challenging than expected outlook for its regional businesses. Its trading multiples are likely to also reflect ongoing civil claims against it in relation to phone hacking (with a further £7.5 million, or 10% of EBITDA, set aside to settle these claims).

Despite differences in market and regulatory dynamics, these international benchmarks provide recent value guidance for the newspaper publishing sector. Importantly, the trading multiples reflect similar trends to those experienced in Australia (i.e. the continuing decline in revenue and earnings from traditional media and the positive outlook for digital and online platforms).

9.1.3 Australian Metro Media

Summary

Grant Samuel estimates the value of Australian Metro Media to be in the range $275-320 million.

Earnings Multiple Analysis

The earnings multiples implied by the valuation of Australian Metro Media are summarised below:

AUSTRALIAN METRO MEDIA – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	64.2	4.3x	5.0x
FY19 (adjusted broker median) [66]	8.1.2	58.5	4.7x	5.5x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	58.8	4.7x	5.4x
FY19 (adjusted broker median) [66]	8.1.2	50.5	5.4x	6.3x

In Grant Samuel's opinion, the multiples implied for the business operations of Australian Metro Media of 4.7-5.5 times forecast EBITDA and 5.4-6.3 times forecast EBITA are reasonable having regard to the specific attributes of Australian Metro Media's business, trends in the newspaper publishing sector and current economic conditions. In this regard:

[71] The balance of revenue comes from circulation/subscription fees (35%) and commercial print, distribution and events (10%).

- the implied multiples are:
  - at the top end or above the multiples implied by relevant international transactions of 3-4 times forecast post synergies EBITDA and 4.5 times forecast post synergies EBITA, although less weight is put on these multiples as they reflect the specific attributes of the businesses being acquired;
  - above the trading multiples for international newspaper publishing companies with predominantly print revenue of 3-4.5 times forecast EBITDA but in line with the forecast EBITA multiples of 5-6.5 times, which is considered appropriate as these multiples do not incorporate a premium for control; and
  - below the trading multiples for Seven West of 7.4 times forecast EBITDA and 8.5 times forecast EBITA but above the trading multiples for NZME of 4.4 times forecast EBITDA (but below its forecast EBITA multiple of 6.9 times, although less weight is put on EBITA multiples given the differences in asset ownership and depreciation policies). This is considered appropriate given the impact of Seven West's FTA television broadcasting business on its trading multiples and the lack of control premium in these trading multiples.

The implied multiples take into account the specific attributes of Australian Metro Media, including:

- the well established and recognised state-based and national brands, including *The Sydney Morning Herald*, *The Australian Financial Review* and *The Canberra Times*;
- the historical track record of performance of Australian Metro Media, which has reported an average annual decline of almost 7% in revenue and 9% in EBITDA over the past three years but with a turnaround in EBITDA in FY17 and FY18 following a rebuild of the operating model and a continued focus on cost control;
- upside potential from the News Corp printing arrangements and the arrangement with Google as well as the ability to continue to reduce costs. The arrangement with Google, in particular, is expected to drive growth in digital advertising revenue; and
- the poor long term growth expectations for newspaper publishing generally (across print advertising and circulation), albeit there appears to be some stabilisation emerging in metropolitan markets.

9.1.4 Australian Community Media

Summary

Grant Samuel estimates the value of Australian Community Media to be in the range $100-120 million.

Earnings Multiple Analysis

The earnings multiples implied by the valuation of Australian Community Media are summarised below:

AUSTRALIAN COMMUNITY MEDIA – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	59.2	1.7x	2.0x
FY19 (adjusted broker median) [66]	8.1.2	40.1	2.5x	3.0x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	54.4	1.8x	2.2x
FY19 (adjusted broker median) [66]	8.1.2	36.4	2.7x	3.3x

The EBITDA multiples implied by Gant Samuel's valuation of Australian Community Media are slightly below those implied by relevant international transactions and also below the trading multiples of comparable Australian, New Zealand and international newspaper publishing companies. Less emphasis has been placed on the implied EBITA multiples as Australian Community Media has minimal depreciation expense as its assets have been written down significantly over the past two years.

In Grant Samuel's opinion, these relatively low multiples are appropriate given the specific attributes and outlook for Australian Community Media, including:

- it is predominantly a print business, with print representing approximately 90% of revenue;
- in line with the Australian newspaper print market generally, it has reported a substantial decline in revenue and earnings over the past three years, with an average decline of 9.5% in revenue and 17.2% in EBITDA, despite continuing to take costs out of the business; and
- the outlook for Australian Community Media is relatively poor. While it is focused on growing its digital business and pursuing growth opportunities in the agricultural publications business, these represent a relatively small proportion of overall revenue and earnings. The outlook, at least in the short term, is for revenue and earnings to continue to decline, impacted by the extended period of drought in regional Australia and despite the benefits from the print arrangements with News Corp.

9.1.5 Stuff

Summary

Grant Samuel estimates the value of Stuff to be in the range $115-135 million.

Earnings Multiple Analysis

The earnings multiples implied by the valuation of Stuff are summarised below:

STUFF – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	38.3	3.0x	3.5x
FY19 (adjusted broker median) [66]	8.1.2	33.0	3.5x	4.1x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	24.3	4.7x	5.6x
FY19 (adjusted broker median) [66]	8.1.2	21.0	5.5x	6.4x

The EBITDA multiples implied by Gant Samuel's valuation of Stuff are consistent with the multiples implied by relevant international transactions (3-4 times post synergies forecast EBITDA) and the trading multiples of predominantly print international publishing companies (3-4.5 times forecast EBITDA) but below the trading multiples of Australian newspaper publishing companies. While the trading multiples do not include a premium for control:

- the larger size of the international companies compared to Stuff would warrant some premium in their trading multiples relative to multiples for Stuff;
- the trading multiples for Seven West are not comparable to Stuff; and
- the trading multiples for NZME (of 4.4 times forecast EBITDA and 6.9 times forecast EBITA) are slightly above the multiples implied by the valuation of Stuff. In Grant Samuel's opinion, this is appropriate (despite the fact that they do not reflect a control premium), given NZME's larger size (enterprise value of NZ$247 million and FY17[72] revenue of NZ$388 million and EBITDA of NZ$66 million), higher margins (FY17 EBITDA margin of 17%) and significant radio business (34% of EBITDA).

[72] NZME has a December year end.

Other factors that Grant Samuel has taken into account in assessing the appropriateness of the multiples implied by its valuation of Stuff include:

- they are higher than the post synergies multiples implied by the proposed merger of Stuff with NZME (of 2.8 times forecast EBITDA and 3.5 times forecast EBITA). These multiples do not reflect a premium for control. This is a relevant benchmark despite the fact that it has not been completed as it is very recent and involves Stuff. The multiples implied by the valuation of Stuff of 3.5-4.1 times forecast EBITDA and 5.5-6.4 times forecast EBITA are consistent with these merger multiples after allowing for a premium for control;
- they are consistent with the 3.5-4.5 times EBITDA that New Media, a very active acquirer of regional newspapers in the United States, targets for acquired titles;
- they are higher than the multiples implied by the valuation of Australian Community Media of 2.5-3.0 times forecast EBITDA which is appropriate given Stuff's greater proportion of digital revenue (20% in FY18), higher margin and outlook for less deterioration in revenue and earnings over next few years; and
- the specific attributes of, and the outlook for, Stuff, including:
  - it has reported a substantial decline in revenue and earnings over the past three years, with an average decline of 7.8% in revenue and 17% in EBITDA, despite continuing to take costs out of the business; and
  - notwithstanding its implementation of a transformation program to achieve cost savings through the closure of 35% of print publications, an operating restructure and transition to compact format print mastheads, Stuff's operating performance is expected to continue to decline in the short to medium term as the transformation will take time to fully implement (and there is no certainty that it will be successful).

9.1.6 DCF Analysis

Grant Samuel has prepared a high level DCF analysis of Fairfax's newspaper publishing business operations as a cross check to the capitalisation of earnings based valuation. The DCF model has been developed by Grant Samuel having regard to the Fairfax FY19 Budget and longer term projections for Fairfax prepared by the management of Fairfax. Grant Samuel has made adjustments to the longer term projections to reflect its judgement on certain matters.

The DCF model forecasts nominal ungeared after tax cash flows from 25 June 2018 to 30 June 2028, a period of ten years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth assumption. Grant Samuel has developed separate revenue and margin projections for Australian Metro Media, Australian Community Media and Stuff to allow the analysis to reflect the different growth outlooks for each newspaper publishing business and has consolidated the resulting cash flows for valuation purposes.

Revenue, earnings and capital expenditure for FY19 are based on the Fairfax FY19 Budget. The DCF model assumes that from FY20:

- total revenue declines by an average of 1.5% per annum driven by a continual decline in revenue at Australian Community Media and Stuff (despite the focus on digital platforms), partly offset by subdued growth in revenue at Australian Metro Media;
- ongoing EBITDA margin erosion at Australian Community Media and Stuff as these businesses are unable to continue to reduce costs in line with declining revenue, partly offset by Australian Metro Media maintaining its EBTDA margin. These trends result in a 4.7% average annual decline in EBITDA over the period of the cash flows;

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- corporate overheads are excluded;
- capital expenditure starting at around $30 million but declining to around $20 million over the period of the cash flows to match the decline in revenues;
- net working capital of 5% of revenue; and
- Australian corporate tax rate of 30% for Australian Metro Media and Australian Community Media and New Zealand corporate tax rate of 28% for Stuff.

A discount rate (weighted average cost of capital) in the range 10.5-11.5% and a perpetual growth rate of 0% have been used for the purposes of this analysis. The discount rate range has been calculated assuming:

- a cost of equity of 9.1-9.7% calculated utilising the Capital Asset Pricing Model ("CAPM"). The variables selected were a risk free rate of 2.5% (the current 10 year Commonwealth Government bond rate), a market risk premium of 6.0% (a standard rate adopted by Grant Samuel) and a beta factor of 1.1-1.2 (based on the betas of Australian listed media companies);
- a pre tax cost of debt of 4.0%; and
- a debt/equity mix of 10-20% debt and 80-90% equity.

Application of the CAPM gives a discount rate in the range 7.8-9.0%. However, strict application of the CAPM at the present time gives results that are arguably unrealistically low (primarily because of very low government bond rates) and are often inconsistent with other measures. In particular, Grant Samuel does not believe that the current low level of global interest rates is sustainable over the long term and, in our view, the risk is clearly towards a rise in bond yields (which is already happening in the United States and the United Kingdom). Having regard to this and other matters, Grant Samuel considers a discount rate above the calculated WACC to be an appropriate measure of the cost of capital. Accordingly, for this purpose, Grant Samuel has adopted a discount rate in the range 10.5-11.5%.

The net present value outcome of the DCF analysis is $520-562 million, which is broadly consistent with Grant Samuel's estimated value of Fairfax's publishing operations (before corporate overheads) of $490-575 million.

9.2 Domain

9.2.1 Summary

Grant Samuel estimates the value of Fairfax's 59.4% interest in Domain's business operations to be in the range $1,426-1,485 million, based on an estimated value for 100% of Domain's business operations of $2,400-2,500 million:

DOMAIN – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
Value of Domain business operations	2,400.0	2,500.0
Fairfax ownership interest	59.4%	59.4%
Value of Fairfax's 59.4% interest in Domain's business operations	**1,425.6**	**1,485.0**

The primary approach to valuation was capitalisation of earnings with DCF analysis used as a cross check (see Section 9.3.3).

As Fairfax owns a controlling 59.4% interest in Domain, Grant Samuel has not allowed for any discount from the value of its proportionate 59.4% interest.

As discussed in Section 8.1 of this report, it is important to note that Grant Samuel's estimate does not include any allowance for synergies potentially available to an acquirer. Accordingly, while the value estimated by Grant Samuel represents a "control" value, it does not represent the full underlying value that might be realised if Fairfax's controlling 59.4% interest in Domain was sold on the open market in a competitive process.

9.2.2 Earnings Multiple Analysis

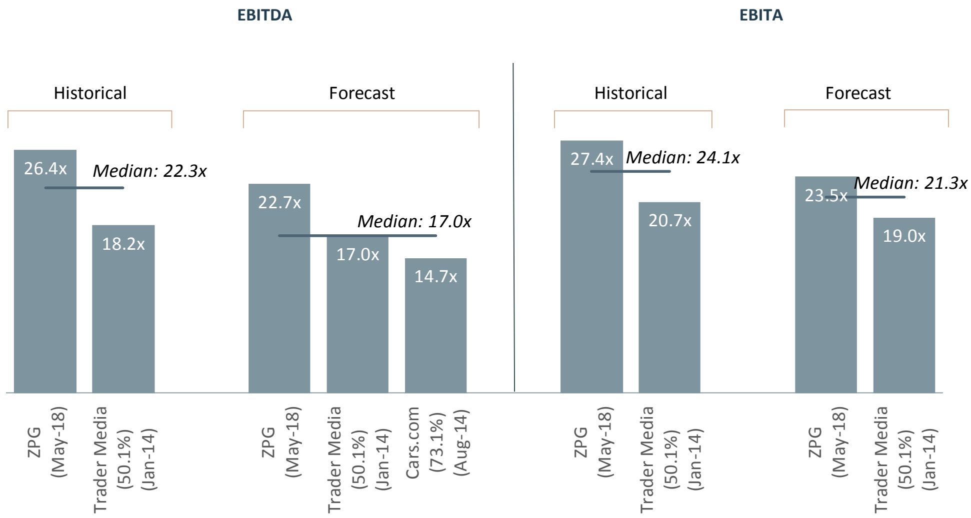
Transaction Evidence

There have been no transactions involving online real estate businesses of substantial size in Australia for which meaningful valuation parameters can be calculated. Transactions that have taken place, both in Australia and internationally, have generally involved start up businesses that were not generating positive earnings at the time of their acquisition.

Appendix 4 contains an analysis of the earnings multiples implied by selected recent acquisitions of online advertising businesses internationally (real estate and automotive). While there have been a number of acquisition of smaller digital businesses in Australia, the necessary information to calculate post synergy multiples is not generally available. However, these transactions have taken place at similar multiples to those implied by international transactions. For example, REA's acquisition of Hometrack Australia Pty Ltd (a provider of residential property data services to the financial sector) in May 2018 took place at a multiple of 18.6-21.7 times forecast EBITDA (pre synergies).

The following charts summarise the historical and forecast EBITDA and EBITA multiples for the international transactions:

ONLINE ADVERTISING TRANSACTIONS – HISTORICAL AND FORECAST EARNINGS MULTIPLES (POST SYNERGIES)[73]



Source: Grant Samuel analysis (see Appendix 4)

The transaction evidence indicates that online advertising businesses have been acquired at very high multiples of earnings (even on a post synergies basis), reflecting their significant growth potential. In relation to these transactions:

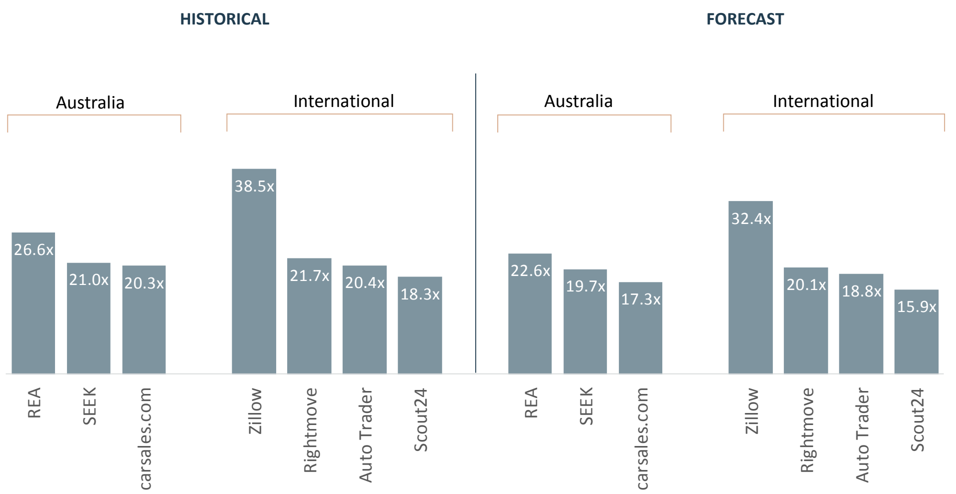
[73] No pre synergies earnings multiples have been shown in the chart above as they are either than same as the post synergies multiples (i.e. the transactions were not in-market acquisitions) or they are significantly higher than the post synergies multiples.

- the 2018 acquisition of ZPG plc ("ZPG") by Silver Lake Partners is the most relevant. ZPG owns and operates a number of online property portals, including Zoopla. Along with the market leader, Rightmove plc ("Rightmove"), Zoopla dominates online searches by people looking to buy or rent homes in the United Kingdom. It has established strong positions in the property classifieds, home and financial services markets;
- Trader Media Group ("Trader Media") and Classified Ventures LLC (which owns Cars.com) both operate in the automotive sector. Cars.com is a leading independent research site for car shoppers in the United States, with approximately 30 million monthly visits and Trader Media operates the United Kingdom's leading website and digital marketplace for motorists (including AutoTrader, Deltapoint, RAZSOR, 2nd Byte and Autotrade-mail). AutoTrader is the United Kingdom's number one motoring digital marketplace with over 11.5 million monthly users (Trader Media Group was subsequently rebranded Auto Trader Group and was relisted via a £2 billion IPO in March 2015); and
- ZPG and Trader Media were acquired by funds advised by private equity firms and the post synergies multiples are the same as the pre synergies multiples. However, to the extent that there is an expectation that cost savings and revenue enhancements will be achieved under private equity ownership, the "true" post synergies multiples implied by these acquisitions are arguably lower than 17-23 times forecast EBITDA and 19-24 times forecast EBITA.

Evidence from Sharemarket Prices

There is only one Australian listed company with operations similar to Domain (REA). Consequently, Grant Samuel has considered international listed online real estate companies as well as listed companies in Australia and internationally that operate primarily in online advertising. Appendix 4 sets out the earnings multiples implied by the share prices of these companies as at 31 August 2018. The following charts summarise the historical and forecast EBITDA and EBITA multiples for these companies:

LISTED ONLINE ADVERTISING COMPANIES – HISTORICAL AND FORECAST EBITDA MULTIPLES



Source: Source: Grant Samuel analysis (see Appendix 4)

LISTED ONLINE ADVERTISING COMPANIES – HISTORICAL AND FORECAST EBITA MULTIPLES

HISTORICAL **FORECAST**

Source: Source: Grant Samuel analysis (see Appendix 4)

The main conclusions that can be drawn from this analysis are:

- the multiples for the listed companies are based on share prices as at 31 August 2018 and therefore do not incorporate a premium for control;
- the Australian companies trade at around 20-27 times historical and 17-23 times forecast EBITDA and 22-30 times historical and 19-25 times forecast EBITA. These relatively high trading multiples reflect the market leading positions of each of the comparable companies in their respective markets as well as the high growth potential of their international operations:
  - REA is a multinational digital advertising company specialising in property. It has operations and investments in Australia, Asia and North America. In Australia, it operates the leading residential, commercial and share property websites, realestate.com.au, realcommercial.com.au and flatmates.com.au. REA is controlled by News Corp, which hold a 61.6% interest;
  - SEEK Limited ("SEEK") is Australia's leading employment, career and recruitment site. It operates online employment classified advertising platforms in twelve countries including Australia, New Zealand, China, Brazil, Mexico, Africa and across South East Asia. It has exposure to 4 billion people and relationships with over 800,000 employers and 180 million candidates; and
  - Carsales.com Limited ("Carsales.com") provides online automotive advertising services (classified and display). It is the largest online automotive, motorcycle and marine classifieds business in Australia, with a network of sites including carsales.com.au, bikesales.com.au, boatsales.com.au, caravancampingsales.com.au, trucksales.com.au and farmmachinerysales.com.au, as well as other sites related to the automotive industry including redbook.com.au and motoring.com.au. Carsales.com Ltd also has operations across the Asia Pacific region and has interests in leading online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico. Carsales.com also has a data research services business although this is a much smaller part of its business; and
- the international listed companies focused on online classified advertising (other than Zillow Group, Inc. ("Zillow")) are trading in a range of around 16-20 times forecast EBITDA and around 17-20 times forecast EBITA. Zillow and Rightmove are the market leaders in online real estate advertising in the United States and the United Kingdom respectively. Auto Trader Group plc ("Auto Trader") is the

United Kingdom's leading automotive digital marketplace and Scout24 AG ("Scout24") operates leading digital platforms specialising in the real estate (approximately 65% of revenue) and automotive (approximately 35% of revenue) sectors in Germany and other European countries.

The premium multiples at which Zillow trades may reflect the larger addressable market (i.e. population) in the United States relative to the United Kingdom and Australia, which provides much greater opportunities for growth.

Implied Multiples for Domain

The earnings multiples implied by the valuation of 100% of Domain are summarised below:

DOMAIN – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	117.2	20.5x	21.3x
FY19 (adjusted broker median) [66]	8.1.2	131.6	18.2x	19.0x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	96.2	24.9x	26.0x
FY19 (adjusted broker median) [66]	8.1.2	109.1	22.0x	22.9x

The multiples implied for the business operations of Domain are in the order of 18-19 times forecast EBITDA and 22-23 times forecast EBITA. In Grant Samuel's opinion, these very high multiples are appropriate taking into account the market evidence, the specific attributes of Domain's business and its growth outlook. In this regard, the implied multiples are:

- within the range of multiples implied by recent international transactions, and, more specifically, above the median (of 17.0 times forecast EBITDA and 21.3 times forecast EBITA). While ZPG was acquired at considerably higher multiples of earnings (22.7 times forecast EBITDA and 23.5 times forecast EBITA), these are arguably pre synergies multiples (given the expectation that cost savings and revenue enhancements will be achieved by the private equity acquirer) and the effective post synergies multiples would be lower;
- consistent with the multiples implied by the acquisition of small online businesses in Australia after taking into account expected synergies; and
- generally towards the low end of the range of trading multiples for both Australian and international listed companies operating in online advertising. While these trading multiples do not include a premium for control, in Grant Samuel's view these lower multiples are reasonable having regard to the market leading positions of each of the comparable companies in their respective markets as well as the high growth potential of their international operations. In contrast, Domain only operates in the Australian market where it has a strong number two position (after REA).

The implied multiples take into account the specific attributes of Domain, including:

- the well established *Domain* brand;
- Domain's recent track record of performance, achieving average annual growth of 17% in revenue and 11% in EBITDA over the past three years. Growth in Domain's core digital and transactions businesses has more than offset the decline in its print business (even after initiatives to reduce the print cost base);

- opportunities for growth from:
  - increasing depth penetration in existing markets and geographic expansion (especially in Queensland); and
  - growth in transactions revenue,

  and the operating leverage that should result from an increase in scale. By way of comparison, REA (which is 2.5 times the size of Domain in terms of revenue) generated an FY18 EBITDA margin of 64% in its Australian business whereas Domain generated a 40% margin in its digital business (offset in part by a 26% EBITDA margin in its print business); and
- the positive outlook for the online adverting market as it continues to take market share from traditional platforms (especially publishing). However, this outlook is tempered by:
  - Domain's number two position in the Australian market after REA (which is considerably larger);
  - the potential for an increase in competition from existing participants such as REA or new entrants to the sector; and
  - its exposure to the property cycle in addition to general economic conditions. Housing prices, particularly in Sydney and Melbourne, have eased in recent months and the outlook for property market conditions is, at best, mixed.

Domain is listed on the ASX. Prior to announcement of the Scheme, it was trading at multiples of 15.1 times forecast EBITDA and 18.2 times forecast EBITA. Subsequent to announcement of the Scheme, Domain's share price has increased by around 9% and, as at 9 October 2018, it was trading at multiples of 15.4 times forecast EBITDA and 18.6 times forecast EBITA. In both cases, these multiples are below the range implied by Grant Samuel's valuation. In this regard:

- Grant Samuel's valuation incorporates a premium for control (which is reflected in the higher multiples implied by the valuation); and
- although Domain is 59.4% owned by Fairfax and therefore only has a free float of 40.6% of its issued capital, the stock appears to enjoy a reasonable level of liquidity. Since announcement of the Scheme, an average of 1.9 million shares (0.32% of issued shares and 0.80% of the free float) have changed hands daily at a VWAP of $3.42. In the month prior to announcement of the Scheme, an average of 1.8 million shares (0.31% of issued shares and 0.76% of the free float) changed hands daily at a VWAP of $3.14.

9.2.3 DCF Analysis

Grant Samuel has prepared a high level DCF analysis of Domain's business operations as a cross check to the capitalisation of earnings based valuation. The DCF model has been developed by Grant Samuel having regard to the Fairfax FY19 Budget and longer term projections for Domain prepared by the management of Fairfax. Grant Samuel has made adjustments to the longer term projections to reflect its judgement on certain matters.

The DCF model forecasts nominal ungeared after tax cash flows from 25 June 2018 to 30 June 2028, a period of ten years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth assumption.

Revenue, earnings and capital expenditure for FY19 are based on the Fairfax FY19 Budget. The DCF model assumes that from FY20:

- total revenue increases by an average of just over 8% per annum, reflecting a combination of average annual growth of around 10% in digital revenue, offset by a decline of around 1.5% per annum in print revenue;

- expansion of the digital EBITDA margin as the business increases in scale and benefits from its largely fixed cost base, offset by a moderate decline in the print EBIDA margin through to FY24 after which it stabilises. These trends result in annual average growth in EBITDA of around 11.5% over the period of the cash flows;
- capital expenditure increases from around $25 million to $30 million per annum over the period of the cash flows, reflecting the growth in revenue;
- net working capital of 5% of revenue; and
- corporate tax rate of 30%.

A discount rate (weighted average cost of capital) in the range 9.5-10.5% and a perpetual growth rate of 3.5% have been used for the purposes of this analysis. The discount rate range has been calculated assuming:

- a cost of equity of 8.5-9.1% calculated utilising the CAPM. The variables selected were a risk free rate of 2.5% (the current 10 year Commonwealth Government bond rate), a market risk premium of 6.0% (a standard rate adopted by Grant Samuel) and a beta factor of 1.0-1.1 (based on the betas of Australian and international listed online advertising/classifieds companies);
- a pre tax cost of debt of 4.0%; and
- a debt/equity mix of 10-20% debt and 80-90% equity.

Application of the CAPM gives a discount rate in the range 7.4-8.5%. As set out in Section 9.1.6, Grant Samuel considers a discount rate above the calculated WACC to be an appropriate measure of the cost of capital. Accordingly, for this purpose, Grant Samuel has adopted a discount rate in the range 9.5-10.5%.

The discount rate adopted for Domain of 9.5-10.5% is lower than that adopted for Fairfax's newspaper publishing businesses (reflecting the lower beta utilised). In Grant Samuel's view, this is appropriate given the relative risks facing newspaper publishing and online advertising/classifieds businesses.

The net present value outcome of the DCF analysis is $2,254-2,666 million. Grant Samuel's estimated value for 100% of Domain of $2,400-2,500 million is consistent with (albeit towards the top end of) the net present value outcome.

9.3 Macquarie Media

9.3.1 Summary

Grant Samuel estimates the value of Fairfax's 54.5% interest in Macquarie Media's business operations to be in the range $153-164 million, based on an estimated value for 100% of Macquarie Media's business operations of $280-300 million:

MACQUARIE MEDIA – VALUE ANALYSIS SUMMARY ($ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
Value of Macquarie Media business operations	280.0	300.0
Fairfax ownership interest	54.5%	54.5%
Value of Fairfax's 54.5% interest in Macquarie Media's business operations	**152.6**	**163.5**

The primary approach to valuation was capitalisation of earnings with DCF analysis used as a cross check (see Section 9.3.3).

As Fairfax owns a controlling 54.5% interest in Macquarie Media, Grant Samuel has not allowed for any discount from the value of its proportionate 54.5% interest.

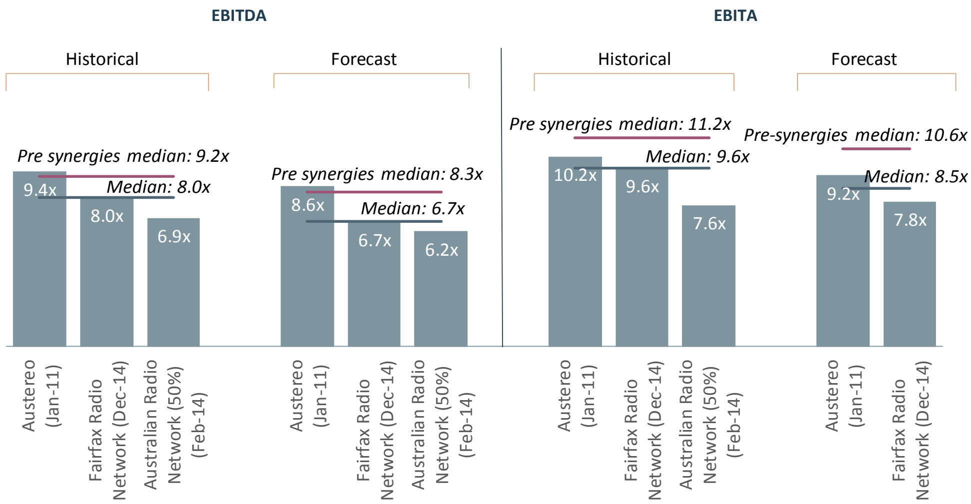
As discussed in Section 8.1 of this report, it is important to note that Grant Samuel's estimate does not include any allowance for synergies potentially available to an acquirer. Accordingly, while the value estimated by Grant Samuel represents a "control" value, it does not represent the full underlying value that might be realised if Fairfax's controlling 54.5% interest in Macquarie Media was sold on the open market in a competitive process.

9.3.2 Earnings Multiple Analysis

Transaction Evidence

Appendix 4 contains analysis of the earnings multiples implied by recent transactions involving radio networks in Australia. In addition to considering recent transactions, Grant Samuel has also considered the 2011 acquisition of Austereo Group Limited ("Austereo") by Southern Cross, given the size of the transaction, its similarities to Macquarie Media (albeit it is an FM network) and the resilience of the radio sector in terms of share of advertising spend in Australia. The following chart summarises the relevant historical and forecast post synergies earnings multiples:

RADIO TRANSACTIONS – HISTORICAL AND FORECAST EARNINGS MULTIPLES (POST SYNERGIES)



Source: Grant Samuel analysis (see Appendix 4)

The main conclusions that can be drawn from this transaction evidence are:

- acquisitions of metropolitan radio networks have generally taken place at higher multiples than those that applied to regional radio networks; and
- transactions that involve two parties merging (i.e. Fairfax Radio Network) or a party buying out the interest of a joint venture partner (i.e. Australian Radio Network) may not reflect a full control premium.

Nevertheless, the transactions that have occurred indicate that multiples in the range of 6.2-8.6 times forecast EBITDA (post synergies) and 7.8-9.2 times forecast EBITA (post synergies) have been paid for Australian metropolitan radio networks.

A number of transactions involving "pure play" radio businesses have also been completed recently in Europe and North America. These include:

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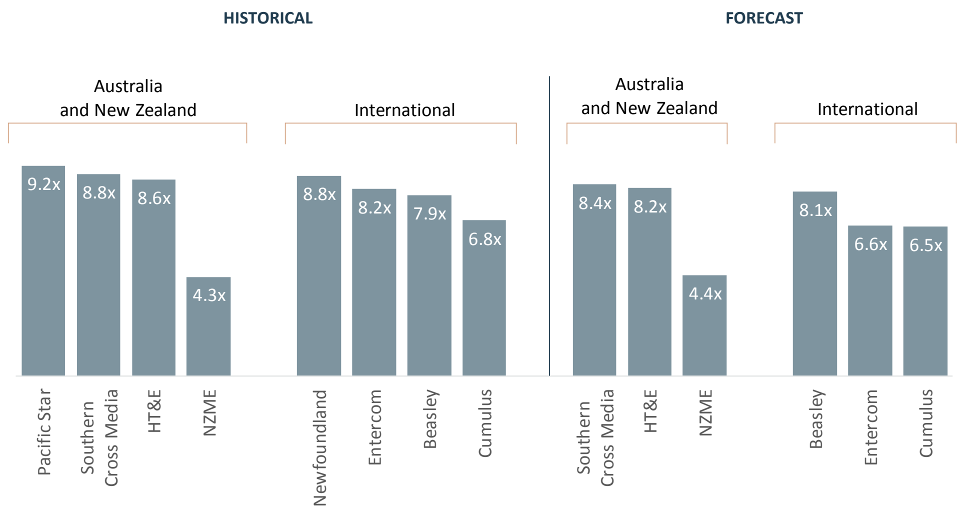
- the acquisition by Group M6 of the French radio division of RTL Group in December 2016 for €199.8 million. RTL Group controlled Group M6 with a 48.3% interest and the transaction was part of a strategic restructure of its French radio and television activities into one entity and to obtain synergy benefits. The transaction implied forecast (post synergies) multiples of 5.6 times EBITDA and 6.7 times EBITA; and
- the February 2017 proposal to merge Entercom Communications Corp. and CBS Radio Inc. The merged company would be one of the largest radio broadcasters in the United States with a platform of 224 radio stations in 23 markets, including the leading sports platform, leadership in the news and news/talk format as well as music and entertainment formats. The terms of the merger did not include a premium for control and implied multiples of 6.6 times historical and 6.2 times forecast post synergies EBITDA for CBS Radio.

While caution is warranted in considering these international benchmarks in the context of the Australian radio broadcasting sector (due to differences in growth expectations, industry and market conditions and differing regulatory and tax regimes which impact valuations and, therefore, multiples), they provide recent value guidance for the radio broadcasting sector.

Sharemarket Evidence

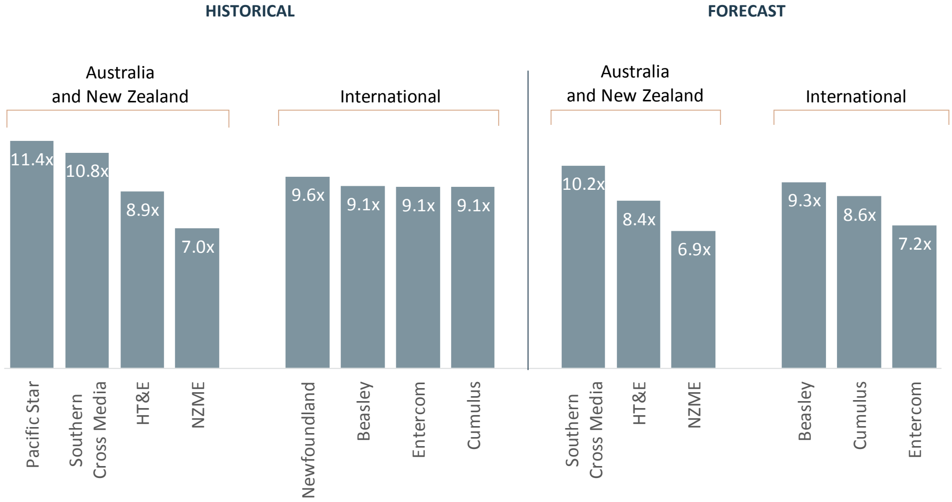
The Australian radio broadcasting industry is concentrated and therefore Grant Samuel has also considered the sharemarket rating of North American listed companies with significant radio broadcasting activities. Appendix 4 contains analysis of these earnings multiples and the following charts summarise the historical and forecast EBITDA and EBITA multiples:

LISTED RADIO COMPANIES – HISTORICAL AND FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

LISTED RADIO COMPANIES – HISTORICAL AND FORECAST EBITA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

The main conclusions that can be drawn from this analysis are:

- the Australian companies trade at 8.6-9.2 times historical and 8.2-8.4 times forecast EBITDA and 8.9-11.4 times historical and 8.4-10.2 times forecast EBITA:
  - Southern Cross generates most of its revenue (67%) from its national metropolitan and regional commercial radio networks (AM, FM and digital, including the *Hit Network* and *Triple M*), but also owns and operates FTA television broadcasting across a number of regional areas of Australia;
  - following the sale of its Adshel outdoor advertising business to oOh!media Limited for $570 million (completed at the end of September 2018) and utilisation of the net proceeds to repay all debt and return capital to shareholders (via a special dividend and share buyback), HT&E's operations will comprise Australian Radio Network (an Australian metropolitan radio network), a small outdoor advertising business in Hong Kong (which has an immaterial impact on earnings) and minor investments in several digital businesses. HT&E's trading multiples have been adjusted to reflect the sale of Adshel and should therefore reflect the trading multiples of an almost "pure" metropolitan radio network; and
  - Pacific Star owns and operates two AM radio stations in Melbourne and two digital only radio stations and also has a magazine publishing business and events and entertainment services. It completed a merger with Crocmedia Pty Ltd (a sports media content business) in March 2018 and in September 2018 announced the sale of part of its publishing division responsible for non-sport related publications. Historical multiples have been able to be calculated based on pro forma information but no forecast earnings are available;
- NZME is an integrated media and entertainment company which owns and operates a portfolio of radio, digital, e-commerce and print brands in New Zealand. Its low sharemarket rating reflects the contribution of the newspaper and magazine publishing business (62% of EBITDA) relative to its radio business (32% of EBITDA) and may also be impacted by the stalled merger with Stuff (although the merger implementation agreement was terminated in March 2018);
- the North American listed companies focused on radio broadcasting are trading in a range of around 6.5-8 times forecast EBITDA and around 7-9.5 times forecast EBITA; and

- the earnings multiples for the listed companies do not reflect a premium for control and indicate that limited growth in earnings is expected in the forecast period.

Implied Multiples for Macquarie Media

The earnings multiples implied by the valuation of 100% of Macquarie Media are summarised below:

MACQUARIE MEDIA – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	32.5	8.6x	9.2x
FY19 (adjusted broker median) [66]	8.1.2	34.0	8.2x	8.8x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	28.6	9.8x	10.5x
FY19 (adjusted broker median) [66]	8.1.2	30.4	9.2x	9.9x

The multiples implied for the business operations of Macquarie Media are in the order of 8-9 times forecast EBITDA and 9-10 times forecast EBITA. In Grant Samuel's opinion, these multiples are reasonable as they reflect the specific attributes of Macquarie Media's business, trends in the radio broadcasting sector and current economic conditions. In this regard, the implied multiples are:

- at the top end or above the multiples implied by relevant Australian transactions of 6.2-8.6 times forecast post synergies EBITDA (median 6.7 times) and 7.8-9.2 times forecast post synergies EBITA (median 8.5 times). This is appropriate given that the multiples at the low end of the range were for acquisitions that did not incorporate a premium for control. The top end of the range of multiples implied by relevant Australian transactions are the multiples implied by the acquisition of Austereo. While this transaction took place several years ago and involved the acquisition of two national FM radio networks (*Today* and *Triple M*) and a digital network, is it a relevant benchmark given its general similarities to Macquarie Media (i.e. national network, leading market share) and the resilience of the radio sector in terms of share of advertising spend in Australia over the past ten years; and
- generally at the top end or above the trading multiples for the Australian and North American radio broadcasting companies. This is appropriate as the multiples of listed radio broadcasters do not include a premium for control and Macquarie Media would be considered an attractive acquisition target by other Australian media companies. In this regard:
  - Southern Cross is trading at EBITDA multiples just above the low end of the range implied by the valuation of Macquarie Media (8.8 times historical and 8.4 times forecast EBITDA) and at EBITA multiples just above the top end of the range (10.8 times historical and 10.2 times forecast EBITA) although its premium multiples are justified as it is considerably larger than Macquarie Media (market capitalisation of over $1 billion and FY18 EBITDA of $155 million); and
  - the North American evidence, while supportive, is less relevant in an assessment of the value of Macquarie Media given these companies generally have a wider range of activities, operate under different regulatory frameworks, and, at the top end of the range, are significantly larger than Macquarie Media.

The implied multiples take into account the specific attributes of Macquarie Media, including:

- its major market presence, operating the only metropolitan AM radio network including leading radio stations in the two biggest Australian radio markets (Sydney and Melbourne);
- it has no direct competitor. Although Macquarie Media does compete with the FM radio networks, its audience is "stickier" as it is not reliant on music. On the other hand, Macquarie Media is dependent

on talent, either retaining existing talent or being able to replace existing talent with talent that can draw equivalent audiences (and therefore advertising spend);

- since the merger was completed in 2015, Macquarie Media has achieved significant synergies (in FY16 and FY17), and has continued to generate growth in revenue and EBITDA in FY18 (after allowing for the impact of the sale of *2CH*);
- upside from the new national sports radio network, *Macquarie Sports Radio*, which is expected to generate revenue growth in FY19 in the order of 4%; and
- while there is uncertainty in the outlook for traditional media businesses, radio broadcasting is holding its market position, albeit with limited real growth expectations. Nevertheless, the risk of competition from other radio broadcasters and other forms of media remains.

Macquarie Media is listed on the ASX. Prior to announcement of the Scheme it was trading at very high multiples (8.6 times forecast EBITDA and 9.6 times forecast EBITA), within the range implied by Grant Samuel's valuation (which is a control value). In this regard:

- Macquarie Media is 54.5% owned by Fairfax with a further 32.4% owned by John Singleton Promotions Pty Limited. As a result, the free float represents only 13.2% of Macquarie Media's issued capital. The stock is very thinly traded and small trades can move the market. Since announcement of the Scheme, an average of 6,675 shares (0.004% of issued shares and 0.03% of the free float) have changed hands daily at a VWAP of $1.84. In the month prior to announcement of the Scheme, an average of only 2,018 shares (0.001% of issued shares and 0.009% of the free float) changed hands daily at a VWAP of $1.52;
- there has been market speculation in relation to a transaction involving Macquarie Media since mid 2017 (despite Fairfax announcing that it was not seeking offers or undertaking a process to realise its investment in Macquarie Media). As a result, it is likely that trading in Macquarie Media shares has been pricing in possibility of a control transaction for some time; and
- Macquarie Media's market capitalisation has increased by around $60 million (22%) following announcement of the Scheme (and its forecast multiples have increased to 10.3 times forecast EBITDA and 11.5 times forecast EBITA). In Grant Samuel's view, these multiples would reflect not only a premium for control, but also the possibility of substantial synergies between Nine and Macquarie Media which are not reflected in Grant Samuel's valuation.

9.3.3 DCF Analysis

Grant Samuel has prepared a high level DCF analysis of Macquarie Media's business operations as a cross check to the capitalisation of earnings based valuation. The DCF model has been developed by Grant Samuel having regard to the Fairfax FY19 Budget and longer term projections for Macquarie Media prepared by the management of Fairfax. Grant Samuel has made adjustments to the longer term projections to reflect its judgement on certain matters.

The DCF model forecasts nominal ungeared after tax cash flows from 1 July 2018 to 30 June 2028, a period of ten years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth assumption.

Revenue and earnings for FY19 are based on the Fairfax FY19 Budget. In conjunction with its FY18 results announcement, Macquarie Media stated that it expected revenue growth in the order of 4% in FY19. The Fairfax FY19 Budget is consistent with this guidance. The DCF model assumes that from FY20:

- revenue increases by an average of 1.3% per annum reflecting the relatively defensive nature of radio as an advertising medium and assuming that Macquarie Media maintains its number one ratings status in the key Sydney and Melbourne markets;

- this growth in revenue and a continued focus on cost control allows some modest expansion of the EBITDA margin (by around 200 basis points through to FY28). As a result, there is an average annual increase in EBITDA of just over 2%;
- capital expenditure of $3.5-4.0 million per annum (consistent with the historical trend);
- net working capital of 5% of revenue; and
- corporate tax rate of 30%.

A discount rate (weighted average cost of capital) in the range 10.5-11.5% (see Section 9.1.6 for details) and a perpetual growth rate of 2.5% have been used for the purposes of this analysis. The discount rate is the same as that adopted for Fairfax's newspaper publishing businesses.

The net present value outcome of the DCF analysis is $267-299 million, which is broadly consistent with Grant Samuel's estimated value of 100% of Macquarie Media's business operations of $280-300 million.

9.4 Nine's Business Operations

9.4.1 Summary

Grant Samuel estimates the value of Nine's business operations to be in the range $2,400-2,600 million. The primary approach to valuation was capitalisation of earnings with DCF used as a cross check.

As discussed in Section 8.1 of this report, it is important to note that Grant Samuel's estimate does not include any allowance for synergies potentially available to an acquirer. Accordingly, while the value estimated by Grant Samuel represents a "control" value, it does not represent the full underlying value that might be realised if Nine's business operations were sold on the open market in a competitive process.

9.4.2 Earnings Multiple Analysis

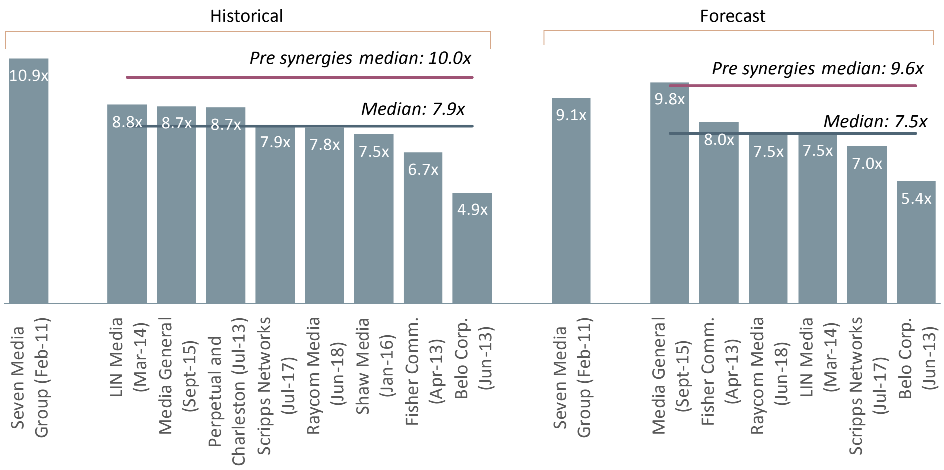
Transaction Evidence

There have been no transactions involving FTA television broadcasting businesses in Australia over the past five years which provide any meaningful valuation parameters. While Ten Network Holdings Limited ("Ten") was acquired by a subsidiary of CBS Corporation for approximately $170 million (to refinance secured borrowings and pay certain creditors) in October 2017, no meaningful valuation parameters are able to be calculated as Ten was loss making and had entered into voluntary administration prior to its acquisition. Consequently, Grant Samuel has considered:

- the April 2011 acquisition of Seven Media Group by West Australian Newspapers Holdings Limited for $4.1 billion (the most recent transaction involving the acquisition of an Australian FTA television broadcasting business); and
- recent acquisitions of television broadcasting companies in the United States. While the valuation parameters implied by these transactions warrant caution given the different market and regulatory dynamics in the United States, they provide a useful benchmark, particularly given the similarities in terms of television broadcasting's declining share of advertising spend.

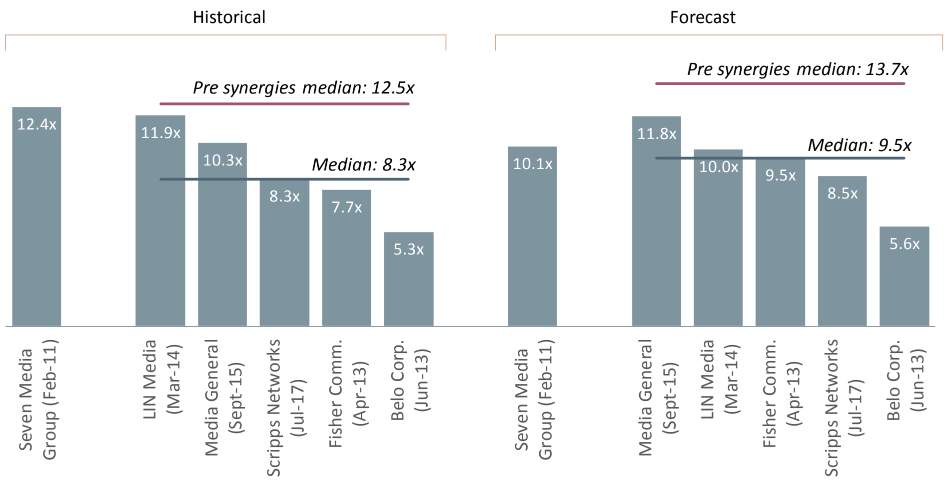
Appendix 4 contains an analysis of the earnings multiples implied by these transactions. The following charts summarise the historical and forecast post synergies EBITDA and EBITA multiples:

TELEVISION BROADCASTING TRANSACTIONS – HISTORICAL AND FORECAST EBITDA MULTIPLES (POST SYNERGIES)



Source: Grant Samuel analysis (see Appendix 4)

TELEVISION BROADCASTING TRANSACTIONS – HISTORICAL AND FORECAST EBITA MULTIPLES (POST SYNERGIES)



Source: Grant Samuel analysis (see Appendix 4)

The acquisition of Seven West Media Group took place at multiples of 10.9 times historical and 9.1 times forecast EBITDA (post synergies) and 12.4 times historical and 10.1 times forecast EBITA (post synergies). When considering these multiples, it needs to be recognised that:

- Seven West Media Group comprised the Seven Network as well as Pacific Magazines and a 50% interest in Yahoo!7 (an Australian and New Zealand online platform), although the Seven Network represented the vast majority of earnings (85-90% of EBITDA); and
- the transaction took place seven years ago. At that time:
  - television had a larger share of the advertising market (around 29% compared to less than 25% today) although the outlook was for flat total advertising expenditure reflecting general business and consumer uncertainty due to the European debt crisis and global economic weakness at the time; and

- television broadcasting digital platforms (including BVOD) were at an earlier stage in their development.

In relation to the transactions in the United States:

- they involve the acquisition of regional (rather than national) networks, reflecting the decentralised nature of the United States television broadcasting sector;
- a number of United States television broadcasters derive a significant proportion of their revenue and earnings from political advertising (in particular, Media General, Inc. ("Media General"), LIN Media LLC ("LIN Media"), Fisher Communications, Inc. ("Fisher Comm.") and Belo Corporation ("Belo")). Elections follow a two year cycle in even years (i.e. 2016, 2018), with revenue and earnings generally lower (and therefore implied multiples higher) in odd years; and
- taking the political cycle into account, the data indicates:
  - multiples of 7-9 times (median 7.9 times) historical and 7-8 times (median 7.5 times) forecast post synergies EBITDA; and
  - multiples of 8-10 times (median 8.3 times) historical and 9-10 times (median 9.5 times) forecast post synergies EBITA.

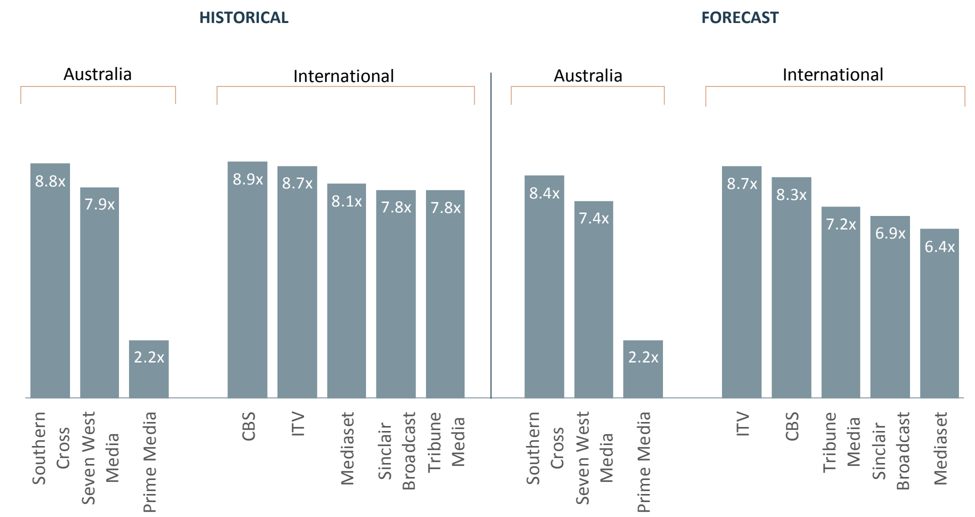
  The lack of material differential between the historical and forecast multiples is indicative of the limited growth in television broadcasting earnings.

Evidence from Sharemarket Prices

Appendix 4 contains analysis of the earnings multiples implied by share prices as at 31 August 2018 for a selection of Australian and international television broadcasting companies.

The following chart summarises the relevant historical and forecast EBITDA multiples[74]:

LISTED TELEVISION BROADCASTING COMPANIES – HISTORICAL AND FORECAST EBITDA MULTIPLES



Source: Grant Samuel analysis (see Appendix 4)

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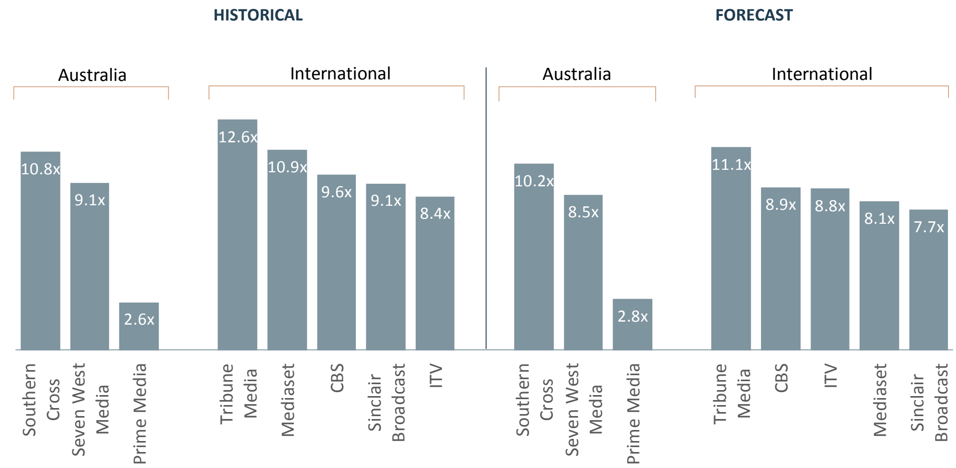
[74] SKY Network Television Limited has been excluded from the charts as it generates only a small proportion of its revenue (less than 10%) from advertising with the balance from subscriptions. The international television broadcasting companies that generate substantial earnings from content distribution (RTL Group, Discovery, Inc., Viacom Inc. and AMC Networks Inc.) have also been excluded (albeit their trading multiples are not dissimilar to those of the international television broadcasters included in the charts).

The following chart summarises the relevant historical and forecast EBITA multiples:

LISTED TELEVISION BROADCASTING COMPANIES – HISTORICAL AND FORECAST EBITA MULTIPLES



Source: Grant Samuel (see Appendix 4)

The following factors are relevant to considering the comparable trading multiples:

- the multiples for the listed companies are based on share prices as at 31 August 2018 and therefore do not incorporate a premium for control;
- neither of the two largest Australian listed companies is a "pure" metropolitan FTA television broadcaster:
  - Seven West owns and operates the Seven Network (comprising the five metropolitan cities plus regional Queensland) but derives around 20% of revenue and 15% of EBITDA from its newspaper and magazine publishing businesses; and
  - Southern Cross owns and operates FTA television broadcasting across a number of regional areas of Australia, but generates most of its revenue (67%) from its national metropolitan and regional commercial radio networks (AM, FM and digital, including the *Hit Network* and *Triple M*).

  Prime Media Group Limited ("Prime Media") is a pure FTA television broadcaster but owns and operates only in the regional markets of northern and southern New South Wales, Canberra, Victoria and the Gold Coast as well as regional Western Australia.

  The trading multiples of these companies reflect their business mix and, in the case of Prime Media, its lack of scale. The appropriate trading multiple for a "pure" metropolitan FTA television broadcasting business would be expected to be higher than Seven West (to allow for the impact of its publishing businesses) and more in line with Southern Cross. On this basis, trading multiples of, say 8.5 times historical and 8 times forecast EBITDA and 10 times historical and 9 times forecast EBITA would not be unreasonable for a "pure" FTA television broadcaster; and
- despite differences in market and regulatory dynamics, international FTA television broadcasters are generally trading at similar multiples to the Australian listed companies, at around 7-9 times historical and forecast EBITDA and 8-11 times historical and 8-9 times forecast EBITA.

Implied Multiples for Nine

The multiples implied by the valuation of Nine's business operations are summarised below:

NINE'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	REPORT SECTION REFERENCE	VARIABLE ($ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Multiple of adjusted EBITDA				
FY18 (adjusted actual)	8.1.2	268.8	8.9x	9.7x
FY19 (adjusted broker median)[75]	8.1.2	292.3	8.2x	8.9x
Multiple of adjusted EBITA				
FY18 (adjusted actual)	8.1.2	232.1	10.3x	11.2x
FY19 (adjusted broker median)[75]	8.1.2	256.8	9.3x	10.1x

The multiples implied by the valuation of Nine's business operations are blended multiples reflecting its FTA television broadcasting business (which would warrant a relatively lower multiple but represents the majority of Nine' EBITDA) and its digital publishing business (which would warrant a relatively higher multiple but represents a much smaller proportion of Nine's EBITDA).

The multiples implied by the valuation of Nine's business operations are:

- slightly lower than those implied by the acquisition of Seven West Media Group (of 10.9 times historical and 9.1 times forecast post synergies EBITDA and 12.4 times historical and 10.1 times forecast post synergies EBITA). Seven West Media Group is similar to Nine in many aspects (a network of the five metropolitan cities plus one regional and affiliation agreements for other regional areas and the leading network in terms of audience share at the time). However, in Grant Samuel's view these slightly lower multiples are justified given changes in the outlook for FTA television broadcasting's share of the advertising market over the past seven years (offset in part by the growth potential of Nine's digital publishing businesses); and
- above the median and generally at (or just above) the top end of the range of multiples implied by the transactions in the United States. This is considered appropriate taking into account the different market and regulatory dynamics and the specific attributes of Nine's business operations (refer below).

The implied multiples reflect the particular attributes of Nine's business operations, taking into account factors such as the following:

- it is one of only three commercial FTA television broadcasting networks in Australia with national coverage (including five city metropolitan coverage and regional northern New South Wales and Darwin, with other regions covered through affiliation agreements);
- over recent years, Nine has consistently been the leading commercial FTA television broadcaster in terms of share of viewing (after allowing for the impact of key events such as Olympics and Commonwealth Games) and revenue share;
- Nine's recent track record of performance, in particular, the significant uplift in FY18 revenue and EBITDA and the guidance provided for a further material uplift in FY19 based on growth in revenue share and a decline in costs (in part due to the change in summer sport from cricket to tennis but also reflecting ongoing tight cost control);

[75] Nine has not included FY19 forecast information on the Scheme Booklet although it has provided guidance for FY19 EBITDA. To provide an indication of Nine's expected financial performance, Grant Samuel has considered brokers' forecasts (see Appendix 2). The median brokers' forecast EBITDA is consistent with the guidance provided by Nine.

- the strong and growing contribution from Nine's portfolio of high growth digital platforms (in particular, 9Now) and digital publishing assets; and
- the long term outlook for FTA television broadcasting. While this sector of the media industry is mature, and the outlook is for its share of advertising spend to continue to decline on an overall basis, the metropolitan (as opposed to the regional) FTA television broadcasting market is currently showing some growth as advertisers are rediscovering television's ability to deliver audience efficiently and effectively at scale.

On balance, taking these factors into account, Grant Samuel believes that the multiples implied by the valuation of Nine's business operations of 8.2-8.9 times forecast EBITDA and 9.3-10.1 times forecast EBITA are appropriate.

In terms of relativities, the multiples implied by the valuation of Nine's business operations are similar to those implied by Grant Samuel's valuation of Macquarie Media of 8.2-.8.8 times forecast EBITDA and 9.2-9.9 times forecast EBITA (see Section 9.3.2). Grant Samuel considers this to be appropriate taking into account:

- the higher margins for Macquarie Media relative to Nine's business operations offset by the higher growth outlook for Nine's business operations relative to Macquarie Media (acknowledging that the margins and growth outlook for Nine's business operations reflect a blend of FTA television broadcasting and digital publishing);
- the relatively small proportion of the value of Nine's business operations attributed to the higher growth digital publishing businesses (such that its impact on the overall multiple is relatively small); and
- the EBITDA and EBITA for Macquarie Media included in the Fairfax FY19 Budget are slightly higher than the broker median forecasts for FY19. While this difference is not material for analytical purposes, it does have the impact of reducing the multiples implied by the valuation of Macquarie Media by 0.2x.

9.4.3 DCF Analysis

Grant Samuel has prepared a high level DCF analysis of Nine's business operations as a cross check to the capitalisation of earnings based valuation. The DCF model has been developed by Grant Samuel having regard to the Nine FY19 Budget and longer term projections for Nine prepared by the management of Nine. Grant Samuel has made adjustments to the longer term projections to reflect its judgement on certain matters.

The DCF model forecasts nominal ungeared after tax cash flows from 1 July 2018 to 30 June 2028, a period of ten years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth assumption.

Revenue, earnings and capital expenditure for the year ended 30 June 2019 are based on the Nine FY19 Budget. The DCF model assumes that from FY20:

- the key drivers of revenue are:
  - the metropolitan FTA advertising market remains flat and Nine's share is maintained in the range 39-40%;
  - agency fees are a fixed percentage of advertising revenue, consistent with the Nine FY19 Budget;
  - regional and affiliate revenue declines by 1% per annum; and
  - digital publishing revenue grows by approximately 10% per annum.

  These assumptions result in average revenue growth of 2% per annum over the forecast period.

- the FTA television broadcasting EBITDA margin remains constant but there is an increase in the digital publishing EBITDA margin, reflecting its increase in scale over the forecast period. As a result, EBITDA increases by approximately 4% per annum over the forecast period;
- corporate overheads increase by 2.5% per annum, in line with inflation;
- capital expenditure in the range $25-30 million per annum;
- net working capital of 5% of revenue; and
- corporate tax rate of 30%.

A discount rate (weighted average cost of capital) in the range 10.5-11.5% (see Section 9.1.6 for details) and a perpetual growth rate of 2% have been used for the purposes of this analysis.

The net present value outcome of the DCF analysis is $2,392-2,677 million, which is broadly consistent with Grant Samuel's estimated value of Nine's business operations of $2,400-2,600 million.

9.5 *Stan*

9.5.1 Summary

Grant Samuel estimates the value of 100% of *Stan's* business operations to be in the range $450-500 million. On this basis, the value of the 50% interests in *Stan* owned by Fairfax and Nine are estimated to have a value of $225-250 million (including shareholder loans):

***STAN* – VALUE ANALYSIS SUMMARY ($ MILLIONS)**

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Value of business operations		450.0	500.0
Net borrowings (shareholder loans)	4.4, 5.5	(253.8)	(253.8)
Value of 100% of equity		**196.2**	**246.2**
Value of 50% interest in Stan			
Value of 50% of equity		98.1	123.1
Shareholder loan	4.4, 5.5	126.9	126.9
Value of 50% interest in *Stan*		**225.0**	**250.0**

Grant Samuel has considered a number of different bases for attributing value to *Stan*, including the investment to date by the joint venture parties, Nine's estimate of the fair value of *Stan* for the purposes of the Combined Group pro forma statement of financial position, broker valuations of Stan, other valuation parameters such as value per subscriber and revenue multiples and DCF analysis (see Section 9.5.2).

As both Fairfax and Nine each hold a 50% interest in *Stan* no discount has been applied to the value of a 50% interest for lack of control. Furthermore, both have contributed identical loans to *Stan* of $126.9 million as at 30 June 2018. Consequently, the value of the 50% interests held by each of Fairfax and Nine is identical.

As discussed in Section 8.1 of this report, it is important to note that Grant Samuel's estimate does not include any allowance for synergies potentially available to an acquirer. Accordingly, while the value estimated by Grant Samuel represents a "control" value, it does not represent the full underlying value that might be realised if *Stan's* business operations were sold on the open market in a competitive process.

The estimated valuation range of $450-500 million reflects the particular attributes of *Stan*, taking into account factors such as:

- *Stan's* strong position as the number two SVOD service in Australia (behind *Netflix*) and its differentiated competitive position with a focus on local content;
- its track record of growth since its launch in January 2015. Revenue has grown at an average rate of 365% per annum and growth in subscribers has averaged 120% per annum. Losses have been consistently declining, with the FY18 fourth quarter EBITDA loss less than 50% of the FY18 first quarter EBITDA loss; and
- the positive outlook for SVOD services in Australia given the current penetration rate of around 43% (compared to 70% in the United States and 60% in the United Kingdom), tempered by risks to the sector in terms of:
  - new competitors (the closures of *Presto*[76] and ASX listed *Quickflix* in early 2017 are indicative of the competitive nature of the SVOD market and the limited value in being the number three or four players in a market of Australia's size); and
  - the cost and availability of high quality content, particularly the potential for global content studios to withdraw content and establish their own direct-to-consumer strategies in Australia.

9.5.2 Basis of Valuation

Stan was launched in January 2015 and is still in its start up phase. Despite strong growth in subscribers and revenue over the past 3½ years, Stan is still generating EBITDA and cash losses.

While the outlook for *Stan* is positive, it is almost impossible to make a reliable prediction about where the business will go in terms of subscriber growth, content costs and margins. Any one of a number of equally plausible scenarios is possible at this point in time. This will be the case until *Stan* reaches the scale required to generate profits (which is not expected to be in FY19).

Ultimately, the value ascribed to *Stan* is not critical for the purposes of this analysis. Fairfax and Nine each own a 50% interest in the *Stan* joint venture and Fairfax shareholders will, in aggregate, hold almost 50% (48.9%) of the Combined Group.

Grant Samuel has estimated a value for *Stan* of $450-500 million. In forming this view, Grant Samuel has considered the valuation bases set out below.

Cost of the Investment to Date

Fairfax and Nine each contributed $50 million to *Stan* when it was established in late 2014. Since then, both joint venture partners have funded Stan's losses, and as at 30 June 2018 each had contributed $126.9 million to the *Stan* joint venture, making the total investment to date $253.8 million.

It would be reasonable to assume that Fairfax and Nine would not continue to fund *Stan* if they did not believe that it would eventually generate positive earnings and cash flows. Grant Samuel's estimate of value for *Stan* of $450-500 million represents an 80-100% uplift on the investment to date.

In Grant Samuel's opinion, this represents an appropriate uplift given the momentum in terms of subscriber and revenue growth.

Nine's Estimate of the Fair Value of *Stan*

For the purposes of preparing the Combined Group pro forma statement of financial position, Nine has estimated the fair value of *Stan* to be in the range $350-600 million.

Grant Samuel's valuation for *Stan* of $450-500 million is within Nine's estimate.

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76 Presto was a joint venture between Seven West Media and Foxtel.

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Broker Valuations of *Stan*

A number of brokers following Fairfax and Nine have attributed a value to *Stan*. These broker valuations are summarised below:

***STAN* – BROKER VALUATIONS[77] ($ MILLIONS)**

BROKER	DATE	VALUE
Broker 1	16 August 2018	450
Broker 2	15 August 2018	480
Broker 3	15 August 2018	480
Broker 4	15 August 2018	500
Broker 5	23 August 2018	350
Minimum		*350*
Maximum		*500*
Median		***480***

Source: Brokers' reports, Grant Samuel analysis

Broker valuations of Stan range from $350 million to $500 million, with a median valuation of $480 million. Grant Samuel's estimate of value for Stan of $450-500 million is consistent with this range.

Other Valuation Parameters

There is no directly comparable transaction or listed company for *Stan. Netflix* is a direct competitor to *Stan* and the number one SVOD service in Australia. It is *Stan's* closest peer for comparison purposes, but making a direct comparison is difficult given *Netflix's* scale and global reach. *Netflix* is also a profitable business. It has a market capitalisation of around US$160 billion and trades at a forecast EBITDA multiple of more than 50 times. However, multiples of revenue and value per subscriber implied by *Netflix's* trading price do provide a benchmark against which the value of *Stan* can be compared.

The relative valuation parameters are summarised below:

***STAN* – IMPLIED VALUATION PARAMETERS**

	VARIABLE	VALUE RANGE	
		LOW	HIGH
Stan			
Multiple of revenue (historical)	$96.8 million	4.6x	5.2x
Value per subscriber (as at August 2018)	1.1 million	$409	$454
Netflix			
Multiple of revenue (historical)	US$15.8 billion	10.4x	
Value per subscriber	124.9 million	US$1,317	

Source: S&P Global Market Intelligence, Grant Samuel analysis

While the value per subscriber implied by Grant Samuel's valuation of *Stan* of $409-454 and the historical revenue multiple of 4.6-5.2 times are well below the value per subscriber and revenue multiple at which *Netflix* is trading at of US$1,317 ($1,830) and 10.4 times historical revenue (which do not include any premium for control), in Grant Samuel's view this is appropriate given the relative size and scale benefits and the profitability of *Netflix* relative to *Stan*.

[77] Grant Samuel is aware of one additional broker that has attributed a value to Stan of $1 billion. This value has been excluded from the table as it assumes Stan generates $100 million in EBITDA and has two million subscribers by FY22 but does not risk adjust these assumptions. In any event, including it in the table would simply widen the broker value range to $350-1,000 million. Th median value of $480 million would not change.

DCF Analysis

Grant Samuel has prepared a high level DCF analysis of *Stan's* business operations. The DCF model has been developed by Grant Samuel having regard to the longer term projections for *Stan* prepared by management.

The DCF model forecasts nominal ungeared after tax cash flows from 1 July 2018 to 30 June 2028, a period of ten years, with a terminal value calculated at 30 June 2028 by capitalising net after tax cash flows using a perpetual growth assumption.

Extrapolation of the management projections results in a very high value for *Stan*, but this does not allow for the risks associated with achieving these cash flows and should be treated with considerable caution, particularly as *Stan* is still in its start up phase and loss making. To put this risk in context, in October 2016[78], *Stan* was projecting cash flow breakeven in FY18, which did not eventuate as *Stan* made a conscious decision to invest in content and subscriber growth ahead of short term profitability.

Using management projections for FY19 and the following assumptions for FY20 to FY28, the DCF analysis generates a net present value outcome of $469-546 million:

- average annual revenue growth of around 16% per annum (with much higher growth in earlier years) driven by:
  - net additions to subscribers of 250,000 per annum, gradually declining to 100,000 per annum by the end of the cash flow period, resulting in average annual growth in subscribers of 11%; and
  - annual increases in revenue per subscriber to allow for movement of existing and new subscribers to higher monthly price packages as well as periodic increases in package prices. While annual increases vary from year to year, average growth in revenue per subscriber is around 4% over the period of the cash flows;
- a gradual improvement in the EBITDA margin up to 30% by FY24 (and remaining at around that level) as *Stan* becomes profitable and obtains scale benefits. Gross profit margins (which are after content costs) increase to around 60% and other expenses (marketing, staff, technology) grow by 7.5% per annum. In comparison, *Netflix* is expected to generate an EBITDA margin of around 20% in FY20. *Netflix's* EBITDA margin may be supressed by high content production costs (although if *Netflix* did not produce content, it would have to buy it, which would also be expensive) and lower margins in countries where it is arguably in a start up phase as a result of its global expansion;
- capital expenditure of around $4 million per annum;
- net working capital of 7.5% of revenue; and
- corporate tax rate of 30%. It is assumed that *Stan* is able to utilise its existing (and future) tax losses so that cash tax is not paid until FY26.

A discount rate (weighted average cost of capital) in the range 11.5-12.5% (see Section 9.1.6 for details) and a perpetual growth rate of 2.5% have been used for the purposes of this analysis.

The discount rate adopted for Stan of 11.5-12.5% is higher than that adopted for Fairfax's newspaper publishing and radio businesses and Nine's FTA television and digital publishing business operations (of 10.5-11.5%). This is a judgement by Grant Samuel to reflect the additional risks associated with achieving the financial projections. While this type of risk should theoretically be reflected in the cash flows (i.e. considering a number of possible scenarios and risk weighting the probability of each occurring in arriving at a final set of cash flows), it is common market practice to instead adopt a higher discount rate to reflect this risk.

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[78] Source: *Stan* Investor Briefing, 26 October 2016.

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10 Qualifications, Declarations and Consents

10.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 550 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD and Stephen Wilson MCom (Hons) CA SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Teo Covalciuc BSc (Hons) assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

10.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Fairfax shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Fairfax and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

Grant Samuel has had no involvement in Fairfax's due diligence investigation in relation to the Scheme Booklet and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of Fairfax.

10.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Fairfax or Nine or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel advises that it was retained by Fairfax to provide an independent expert's report in relation to the demerger of Domain dated 22 September 2017. Grant Samuel does not consider that this assignment affects its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $1.05 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

10.4 Declarations

Fairfax has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Fairfax has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Fairfax are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Fairfax and its advisers. Advance drafts of this report were also provided by Fairfax to Nine. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

10.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to shareholders of Fairfax. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

10.6 Other

The accompanying letter dated 12 October 2018 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

12 October 2018

Grant Samuel & Associates

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APPENDIX 1 – FAIRFAX BROKER CONSENSUS FORECASTS

Fairfax has not publicly released earnings forecasts for FY19[1]. Accordingly, the FY19 multiples implied by the valuation of Fairfax in the Grant Samuel report are based on median broker forecasts. Set out below is a summary of forecasts prepared by brokers that follow Fairfax in the Australian sharemarket:

FAIRFAX – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA[2]	EBIT[3]
Broker 1	15 August 2018	1,621.0	272.0	217.0
Broker 2	15 August 2018	1,628.0	274.0	218.0
Broker 3	16 August 2018	1,637.5	283.1	221.1
Broker 4	15 August 2018	1,627.0	278.0	215.0
Broker 5	15 August 2018	1,650.1	376.7	214.2
Broker 6	16 August 2018	1,663.5	281.5	220.5
Broker 7	15 August 2018	1,640.0	293.0	230.0
Broker 8	15 August 2018	1,667.3	273.9	211.4
Broker 9	15 August 2018	1,632.0	276.0	216.0
Minimum		*1,621.0*	*272.0*	*211.4*
Maximum		*1,667.3*	*293.0*	*230.0*
Median		***1,637.5***	***276.7***	***217.0***
Amortisation of acquired intangible assets				*5.4*
Median EBITA				***222.4***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Fairfax;
- the brokers presented are those who have published research on Fairfax following Fairfax's announcement of its FY18 results on 15 August 2018;
- Grant Samuel is aware of only three other brokers that follow Fairfax. These brokers have not released any research on Fairfax subsequent to Fairfax's announcement of its FY18 results on 15 August 2018;
- as far as is possible to identify from a review of the broker's reports, Grant Samuel believes that the forecasts of FY19 EBITDA and EBITA:
  - do not make any allowance for the fact that FY19 will be a 53 week year for Fairfax (which is allowed for in Fairfax FY19 Budget;
  - include share of profits from associates; and
  - do not incorporate any one-off adjustments or non-recurring items; and
- none of the brokers have separately identified amortisation of acquired intangible assets. Grant Samuel has assumed that $5.4 million of the median broker forecast for depreciation and amortisation of $59.7 million relates to amortisation of acquired intangible assets, resulting in a median EBITA[4] of $222.4 million.

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1 FYXX is the financial year end June 20XX.

2 EBITDA is earnings before net interest, tax, depreciation, amortisation, and significant items.

3 EBIT is earnings before net interest, tax and significant items.

4 EBITA is earnings before net interest, tax, amortisation of acquired intangible assets and significant items.

The median brokers' forecasts for FY19 are sufficiently close to the Fairfax FY19 Budget to be useful for analytical purposes.

Set out below is a summary of forecasts for Fairfax's business divisions prepared by brokers that follow Fairfax in the Australian sharemarket. When reviewing this data the following should be noted:

- only five of the nine brokers that have published research on Fairfax since the release of Fairfax's FY18 results provided forecasts by business division for FY19; and
- none of the brokers:
  - provide forecasts of EBIT. Grant Samuel has allocated the consolidated forecast FY19 depreciation and amortisation of each of the brokers between the business divisions in the same proportion as depreciation and amortisation has been forecast by Fairfax in the FY19 Budget; and
  - has separately identified amortisation of acquired intangible assets. These intangible assets are held in Domain and Stuff. Grant Samuel has assumed that:
    - $5.3 million of the median broker forecast for Domain's depreciation and amortisation of $27.8 million relates to amortisation of acquired intangible assets, resulting in a median EBITA for Domain of $107.9 million; and
    - $0.1 million of the median broker forecast for Stuff's depreciation and amortisation of $12.2 million relates to amortisation of acquired intangible assets, resulting in a median EBITA of $21.9 million.

  None of the other business divisions have acquired intangible assets and therefore EBITA is equivalent to EBIT for Australian Metro Media, Australian Community Media and Macquarie Media.

The FY19 median brokers' forecasts for Australian Metro Media, Australian Community Media, Stuff, Domain and Macquarie Media are sufficiently close to the Fairfax FY19 Budget to be useful for analytical purposes.

AUSTRALIAN METRO MEDIA – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA	EBIT
Broker 1	15 August 2018	468.0	53.0	45.8
Broker 2	16 August 2018	472.0	59.0	51.0
Broker 3	15 August 2018	468.0	63.0	54.9
Broker 4	15 August 2018	480.4	56.4	48.3
Broker 5	15 August 2018	493.0	62.6	54.9
Minimum		*468.0*	*53.0*	*45.8*
Maximum		*493.0*	*63.0*	*54.9*
Median		***472.0***	***59.0***	***51.0***

Source: Brokers' reports, Grant Samuel analysis

AUSTRALIAN COMMUNITY MEDIA – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA	EBIT
Broker 1	15 August 2018	361.0	43.0	39.7
Broker 2	16 August 2018	359.6	41.5	37.8
Broker 3	15 August 2018	357.0	35.0	31.2
Broker 4	15 August 2018	375.8	44.3	40.6
Broker 5	15 August 2018	324.3	39.0	35.4
Minimum		*324.3*	*35.0*	*31.2*
Maximum		*375.8*	*44.3*	*40.6*
Median		***359.6***	***41.5***	***37.8***

Source: Brokers' reports, Grant Samuel analysis

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STUFF – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA	EBIT
Broker 1	15 August 2018	249.0	33.0	22.2
Broker 2	16 August 2018	255.3	34.1	22.1
Broker 3	15 August 2018	262.0	32.0	19.8
Broker 4	15 August 2018	265.5	32.0	19.9
Broker 5	15 August 2018	267.4	29.0	17.4
Minimum		*249.0*	*29.0*	*17.4*
Maximum		*267.4*	*34.1*	*22.2*
Median		***262.0***	***32.0***	***19.9***
Amortisation of acquired intangible assets				*0.1*
Median EBITA				***20.0***

Source: Brokers' reports, Grant Samuel analysis

DOMAIN – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA	EBIT
Broker 1	15 August 2018	390.0	127.0	101.0
Broker 2	16 August 2018	395.8	133.7	105.0
Broker 3	15 August 2018	396.0	133.0	103.8
Broker 4	15 August 2018	387.2	125.3	96.3
Broker 5	15 August 2018	393.4	130.4	102.6
Minimum		*387.2*	*125.3*	*96.3*
Maximum		*396.0*	*133.7*	*105.0*
Median		***392.5***	***130.4***	***102.6***
Amortisation of acquired intangible assets				*5.3*
Median EBITA				***107.9***

Source: Brokers' reports, Grant Samuel analysis

MACQUARIE MEDIA – BROKER FORECASTS FOR THE YEAR ENDING JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA	EBIT
Broker 1	15 August 2018	141.0	35.0	31.6
Broker 2	16 August 2018	139.9	34.8	31.0
Broker 3	15 August 2018	139.0	34.0	30.2
Broker 4	15 August 2018	139.3	33.9	30.1
Broker 5	15 August 2018	139.0	34.0	30.4
Minimum		*139.0*	*33.9*	*30.1*
Maximum		*141.0*	*35.*	*31.6*
Median		***139.3***	***34.0***	***30.4***

Source: Brokers' reports, Grant Samuel analysis

APPENDIX 2 – NINE BROKER CONSENSUS FORECASTS

In conjunction with the release of its FY18[1] results on 23 August 2018, Nine provided guidance for FY19 EBITDA in the range $280-300 million. This guidance was confirmed by Nine[2] in a trading update provided on 12 October 2018. However, Nine has not included any forward looking information in the Scheme Booklet. Accordingly, the FY19 multiples implied by the valuation of Fairfax in the Grant Samuel report are based on median broker forecasts. Set out below is a summary of forecasts prepared by brokers that follow Nine in the Australian sharemarket:

NINE – BROKER FORECASTS FOR YEAR ENDING 30 JUNE 2019 ($ MILLIONS)

BROKER	DATE	REVENUE	EBITDA[3]	EBIT[4]
Broker 1	24 August 2018	1,344.7	288.9	253.8
Broker 2	23 August 2018	1,329.0	291.0	np[5]
Broker 3	23 August 2018	1,333.5	284.0	255.1
Broker 4	23 August 2018	1,381.0	315.0	272.0
Broker 5	23 August 2018	1,339.7	301.8	265.0
Broker 6	23 August 2018	1,342.0	296.0	258.0
Minimum		*1,329.0*	*284.0*	*253.8*
Maximum		*1,381.0*	*315.0*	*272.0*
Median		***1,340.9***	***293.5***	***258.0***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Nine;
- the brokers presented are those who have published research on Nine following Nine's announcement of its FY18 results and earnings guidance for FY19 on 23 August 2018;
- Grant Samuel is aware of only one other broker that follows Nine. This broker has not released any research on Nine that includes earnings forecasts subsequent to Nine's announcement of its FY18 results and earnings guidance for FY19 on 23 August 2018;
- as far as is possible to identify from a review of the broker's reports, Grant Samuel believes that the forecasts of FY19 EBITDA and EBITA:
  - include share of profits from associates; and
  - do not incorporate any one-off adjustments or non-recurring items; and
- as Nine does not have any acquired intangible assets, EBITA[6] is equivalent to EBIT.

The median brokers' forecasts for FY19 are sufficiently close to the Nine FY19 Budget to be useful for analytical purposes.

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1 FYXX is the financial year end June 20XX.

2 Before specific items.

3 EBITDA is earnings before net interest, tax, depreciation, amortisation and significant items.

4 EBIT is earnings before net interest, tax and significant items.

5 np = not provided.

6 EBITA is earnings before net interest, tax, amortisation of acquired intangible assets and significant items.

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APPENDIX 3 – VALUATION METHODOLOGIES

1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT (or EBITA) or NPAT. These are referred to respectively as EBITDA multiples, EBIT multiples (or EBITA multiples) and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT (or EBITA) multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBITA or EBIT if depreciation or non-cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBITA and EBIT can better adjust for differences in relative capital expenditure intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company’s own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and sharemarket conditions at the time; and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings

between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;

- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBITA multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cash flow valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. However, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

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APPENDIX 4 - MARKET EVIDENCE

Valuation analysis involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on sharemarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business being valued as well as the prevailing economic conditions.

Fairfax Media Limited ("Fairfax") and Nine Entertainment Co. Holdings Limited ("Nine") operate in the media industry in Australia and New Zealand through publishing, free-to-air television broadcasting, digital platforms and radio. Grant Samuel's review of evidence of valuation parameters has encompassed transactions and listed companies involved in similar activities in Australia and internationally.

1. Valuation Evidence from Transactions

Set out below is a summary of recent transactions that Grant Samuel considers relevant to the valuation of Fairfax and Nine and for which there is sufficient information to calculate meaningful valuation parameters. In this regard:

- only transactions over the past five years have been presented, other than by exception (i.e. where there is limited transaction evidence and the transaction in question is particularly relevant in considering the fundamental value of Fairfax and/or Nine).

  The pace of structural change in the media industry in Australia and internationally over the past ten years means that transactions that have taken place more than five years ago do not provide meaningful benchmarks for analysing transactions that are taking place today. In some cases, even transactions that have taken place 3-5 years ago need to be treated with caution given the significant changes in certain sectors of the media industry even over the past five years;

- while there has been considerable activity in the media sector internationally over the past five years, meaningful valuation parameters are not able to be calculated for many transactions as they:
  - they have been acquired by private investors (who do not make transaction details public);
  - involve acquisition of part of a business (e.g. one or a number of titles out of a group) for which individual earnings information is not available;
  - involve acquisitions of businesses that have operations across more than one media channel;
  - involve acquisition of businesses that have gone into bankruptcy; or
  - involve the acquisition of businesses that were otherwise loss-making or were in the start-up phase and not yet generating earnings (this is particularly the case for subscription video on demand businesses).

  In contrast, there has been relatively little activity in the Australian media industry (in part due to media ownership regulations which were only relaxed in October 2017); and

- where transactions have involved in-sector acquisitions (i.e. media companies acquiring other media companies), there are usually significant synergies available to the merged business. Valuation parameters calculated on a post-synergy basis have also been included in the table below where this information is available. Post synergy transaction multiples re more relevant to an assessment of the fundamental valuation of Fairfax and Nine in the context of assessing the Proposed Transaction (see Section 8.1 of the report).

The recent transactions are categorised by primary activity and region:

RECENT TRANSACTION EVIDENCE

DATE	TARGET	TRANSACTION	CONSIDERATION[1] (MILLIONS)	BEFORE SYNERGIES: EBITDA MULTIPLE[2] (TIMES) HIST[4]	BEFORE SYNERGIES: EBITDA MULTIPLE[2] (TIMES) FCAST[6]	BEFORE SYNERGIES: EBITA MULTIPLE[3] (TIMES) HIST	BEFORE SYNERGIES: EBITA MULTIPLE[3] (TIMES) FCAST	AFTER SYNERGIES: EBITDA MULTIPLE (TIMES) HIST	AFTER SYNERGIES: EBITDA MULTIPLE (TIMES) FCAST	AFTER SYNERGIES: EBITA MULTIPLE (TIMES) HIST	AFTER SYNERGIES: EBITA MULTIPLE (TIMES) FCAST
Publishing											
Australia and New Zealand											
Sep-16	Fairfax New Zealand	Merger with NZME	A$153	na[5]	na	na	na	2.5	2.8[6]	3.1	3.5[6]
Jun-16	Australian Regional Media	Acquisition by News Corp	A$37	2.0	3.1	3.6	na	na	na	na	na
International											
Feb-18	Northern & Shell Network	Acquisition by Trinity Mirror	£168[7]	5.4	4.9	na	na	3.4	3.1	na	na
Feb-18	LA Times, San Diego Union-Tribune and other Californian titles	Acquisition by Patrick Soon-Shiong	US$590	~8.0	na	na	na	~8.0	na	na	na
Apr-16	Tribune Publishing	Proposed acquisition by Gannett[8]	US$475	5.5	5.9	7.7	8.6	4.2	4.4	5.3	5.7
Dec-15	Las Vegas Review-Journal	Acquisition by Sheldon Adelson	US$140	19.4	na	33.4	na	7.0	na	8.2	na
Oct-15	Local World Holdings	Acquisition of 80.1% not already owned by Trinity Mirror	£193	5.2	4.9	na	na	4.1	3.8	na	na
Oct-15	Journal Media Group	Acquisition by Gannett	US$300	na[9]	5.7	na	9.8	na	3.3	na	4.4
Jul-15	Financial Times	Acquisition by Nikkei	£844	35.2	na	na	na	na	na	na	na
Jun-14	Mecom	Acquisition by De Persgroep	£196	2.7	3.1	na	na	na	na	na	na
Sep-13	Local Media Group	Acquisition by New Media Investment Group	US$82	na	3.4[10]	na	na	na	na	na	na

1 Implied equity value if 100% of the company or business had been acquired.

2 Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items. Raycom Media EBITDA represents operating cash flow as reported in the transaction announcement.

3 Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

4 Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.

5 na = not available.

6 Forecast transaction multiples based on actual FY17 performance.

7 Including the assumption of £41.2 million of pension liabilities.

8 This acquisition was ultimately unsuccessful after Gannett Co., Inc, terminated discussions to acquire Tribune Publishing Company (renamed tronc, Inc.) on 1 November 2016.

9 No historical multiples are able to be calculated for the acquisition of Journal Media Holdings as it was formed from the merger of The E.W. Scrips Company and Journal Communications, Inc. in April 2015.

10 Net of US$33 million value of real estate, forecast EBITDA multiple was 2.5 times.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

RECENT TRANSACTION EVIDENCE (CONT)

DATE	TARGET	TRANSACTION	CONSID-ERATION[1] (MILLIONS)	BEFORE SYNERGIES EBITDA MULTIPLE[2] (TIMES)		BEFORE SYNERGIES EBITA MULTIPLE[3] (TIMES)		AFTER SYNERGIES EBITDA MULTIPLE (TIMES)		AFTER SYNERGIES EBITA MULTIPLE (TIMES)	
				HIST[4]	FCAST[6]	HIST	FCAST	HIST	FCAST	HIST	FCAST
Broadcasting											
Australia											
May-17	Southern Cross Media's northern New South Wales television business	Acquisition by WIN Corporation	A$55	5.5	na	na	na	na	na	na	na
Feb-11	Seven Media Group	Acquisition by West Australian Newspapers	A$1,981	11.3	9.4	12.9	10.5	10.9	9.1	12.4	10.1
International											
Jun-18	Raycom Media	Proposed acquisition by Gray Television	US$3,647	9.5	9.0	na	na	7.8	7.5	na	na
Jul-17	Scripps Networks	Acquisition by Discovery	US$11,700	9.7	9.3	10.3	10.6	7.9	7.0	8.3	8.5
Jan-16	Shaw Media	Acquisition by Corus Entertainment	CAD2,650	8.6	na	na	na	7.5	na	na	na
Sep-15	Media General	Acquisition by Nextstar Media	US$2,210	10.3	11.8	12.5	14.8	8.7	9.8	10.3	11.8
Mar-14	LIN Media	Acquisition by Media General	US$1,600	11.6	9.5	17.6	13.7	8.8	7.5	11.9	10.0
Jul-13	Perpetual Corp. and Charleston TV	Acquisition by Sinclair	US$985	10.7	na	na	na	8.7	na	na	na
Jun-13	Belo Corp.	Acquisition by TEGNA	US$1,426	8.3	9.8	9.3	10.4	4.9	5.4	5.3	5.6
Apr-13	Fisher Communications	Acquisition by Sinclair	US$373	11.3	15.7	14.4	22.4	6.7	8.0	7.7	9.5
Radio											
Australia											
Dec-14	Fairfax Radio Network	Merger with Macquarie Radio Network	A$141	27.6	16.4	64.9	25.1	8.0	6.7	9.6	7.8
Feb-14	Australian Radio Network	Acquisition of 50% not already owned by APN News & Media	A$493	6.9	6.2	7.6	na	6.9	6.2	7.6	na
Aug-13	Prime Radio Group	Acquisition by Grant Broadcasters	A$25	7.4	6.8	10.4	9.3	na	na	na	na
Jan-11	Austereo	Acquisition by Southern Cross Media	A$724	10.9	9.8	12.0	10.6	9.4	8.6	10.2	9.2
Online/Digital											
International											
May-18	ZPG	Acquisition by Silver Lake	£2,224	26.4	22.7	27.4	23.5	26.4	22.7	27.4	23.5
Aug-14	Cars.com	Acquisition of 73.1% not already owned by Gannett	US$2,462	28.6	na	na	na	na	14.7	na	na
Jan-14	Trader Media Group	Acquisition of 50.1% not already owned by Apax Partners	£1,226	18.2	17.0	20.7	19.0	18.2	17.0	20.7	19.0

Source: Grant Samuel analysis[11]

[11] Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters.

2. Valuation Evidence from Sharemarket Prices

Set out below are the sharemarket ratings of listed media companies that Grant Samuel considers relevant to the valuation of Fairfax and Nine:

SHAREMARKET RATINGS OF SLEECTED LISTED MEDIA COMPANIES

COMPANY	PLATFORM[12]	MARKET CAPITALISATION[13] (MILLIONS)	EBITDA MULTIPLE[14] (TIMES)		EBITA MULTIPLE[15] (TIMES)	
			HISTORICAL[16]	FORECAST[16]	HISTORICAL	FORECAST
Multi-platform						
International						
CBS	FTV(US), P	US$19,937	8.9	8.3	9.6	8.9
RTL Group	FTA, R, D	€9,908	8.3	8.0	9.8	9.4
News Corp	P, C, PTV	US$7,646	8.5	6.6	12.5	13.5
DMGT	P, C, O	£2,671	12.9	11.7	14.0	13.4
Publishing						
Australia						
NZME	P, R	NZ$127	4.3	4.4	7.0	6.9
International						
Schibsted	P, C	NOK71,586	23.0	18.4	29.3	22.2
Axel Springer	P, C	€6,765	11.7	10.6	13.5	12.5
The New York Times	P, O	US$3,842	13.3	11.6	17.0	14.4
Gannett	P	US$1,162	3.8	3.8	6.2	6.4
New Media Investment Group	P	US$953	6.8	6.7	10.9	10.2
Tronc	P	US$585	3.9	4.4	5.0	5.9
Reach	P	£204	1.7	1.6	2.0	1.9
GEDI Gruppo Editoriale	P	€158	3.2	3.2	6.5	5.2
Broadcasting						
Australia and New Zealand						
Seven West Media	FTA(M), P	A$1,515	7.9	7.4	9.1	8.5
SKY Network Television	PTV	NZ$837	3.7	4.3	5.7	6.6
Prime Media	FTA(R)	A$84	2.2	2.2	2.6	2.8
International						
Discovery	FTV(US), PTV	US$19,726	9.8	8.6	12.7	11.8
Viacom	FTA(US), D	US$11,796	7.1	6.8	7.5	7.2
ITV	FTA, D	£6,423	8.7	8.7	8.4	8.8
AMC Networks	FTA(US), D	US$3,576	7.6	7.6	8.1	8.1

12 P = publishing, FTA(M) = Free-to-air (metropolitan), FTA(R) = Free-to-air (regional), FTA(US) = Free-to-air (United States) (includes cable and broadcasting networks), PTV = pay television, R = Radio, C - online classifieds, O = strong online presence, D = content production and distribution.

13 Market capitalisation based on sharemarket prices as at 31 August 2018.

14 Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation and significant items.

15 Represents gross consideration divided by EBITA. EBITA is earnings before net interest, tax, significant items and amortisation of acquired intangible assets (i.e. it includes net profits of associates and other income).

16 Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.

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SHAREMARKET RATINGS OF SLEECTED LISTED MEDIA COMPANIES (CONT)

COMPANY	PLATFORM[12]	MARKET CAPITALISATION[13] (MILLIONS)	EBITDA MULTIPLE[14] (TIMES)		EBITA MULTIPLE[15] (TIMES)	
			HISTORICAL[16]	FORECAST[16]	HISTORICAL	FORECAST
Broadcasting (cont)						
International (cont)						
Mediaset	FTA, PTV	€2,911	8.1	6.4	10.9	8.1
Tribune	FTA(US)	US$3,233	7.8	7.2	12.6	11.1
Sinclair	FTA(US)	US$2,961	7.8	6.9	9.1	7.7
Radio						
Australia						
Southern Cross	R, FTA(R)	A$1,061	8.8	8.4	10.8	10.2
HT&E[17]	R	A$911	8.6	8.2	8.9	8.4
Pacific Star[18]	R, P	A$79	9.2	na	11.4	na
International						
Entercom[19]	R	US$1,119	8.2	6.6	9.1	7.2
Cumulus	R	US$342	6.8	6.5	9.1	8.6
Newfoundland	R	C$356	8.8	na	9.6	na
Beasley	R	US$208	7.9	8.1	9.1	9.3
Online/Digital						
Australia						
REA	C	A$12,003	26.6	22.6	29.5	25.2
SEEK	C	A$7,848	21.0	19.7	24.5	25.0
carsales.com	C	A$3,766	20.3	17.3	21.5	18.7
International						
Zillow	C	US$9,616	38.5	32.4	nm[20]	nm
Rightmove	C	£4,427	21.7	20.1	21.8	20.3
Scout24	C	€4,780	18.3	15.9	19.4	16.6
Auto Trader	C	£4,254	20.4	18.8	20.6	19.4

Source: Grant Samuel analysis

The multiples shown above are based on sharemarket prices as at 31 August 2018 and do not reflect a premium for control. The data presented for each company is the most recent annual historical result plus the subsequent two forecast years.

Each of the Australian and New Zealand companies has a June year end except for HT&E Limited ("HT&E") and NZME Limited ("NZME"), which have a December year end. Each of the international companies has a December year end except for Auto Trader Group plc ("Auto Trader Group"), which has a March year end and Viacom Inc. ("Viacom") and Daily Mail and General Trust plc ("DMGT"), which have a 30 September year end.

Commentary on relevant trading multiples is set out in Section 9 of this report.

17 HT&E multiples adjusted for the sale of Adshel.

18 The historical EBITDA multiple for Pacific Star Network Limited ("Pacific Star") is based on pro forma EBITDA to allow for a full year impact of acquisitions during the year.

19 The historical and forecast multiples for Entercom Communications Corp. ("Entercom") are based on pro forma financials for the merger with CBS Radio Inc.

20 nm = not meaningful.

ANNEXURE B – INDEPENDENT LIMITED ASSURANCE REPORT

Building a better working world

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12 October 2018

The Board of Directors
Fairfax Media Limited
1 Darling Island Road
Pyrmont, Sydney, NSW, 2009

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON FAIRFAX HISTORICAL FINANCIAL INFORMATION, NINE HISTORICAL FINANCIAL INFORMATION AND COMBINED GROUP PRO-FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Fairfax Media Limited ("Fairfax") to report on the historical financial information of Fairfax, the historical financial information of Nine Entertainment Co. Holdings Limited ("Nine") and the pro-forma historical financial information of Fairfax and Nine (the "Combined Group") for inclusion in the scheme booklet to be dated on or about 12 October 2018 ("Scheme Booklet"), and to be issued by Fairfax, in relation to a proposal from Nine to acquire all Fairfax shares from Fairfax shareholders for cash and new Nine shares via a scheme of arrangement (the "Scheme").

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Bryan Zekulich is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Fairfax Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of Fairfax:

- the historical income statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 3 of Section 8.9.3 of the Scheme Booklet;
- the historical statements of financial position as at 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 7 of Section 8.9.5 of the Scheme Booklet; and
- the historical statements of cash flows for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 8 of Section 8.9.6 of the Scheme Booklet.

(Hereafter the "Fairfax Historical Financial Information").

The Fairfax Historical Financial Information as at and for the respective years have been derived from the Fairfax financial statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

The Fairfax Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting

Standards ("AAS"), issued by the Australian Accounting Standards Board ("AASB") which are consistent with International Financial Reporting Standards ("IFRS").

Nine Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following historical financial information of Nine:

- the historical income statements for years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 9 of Section 9.7.3 of the Scheme Booklet;
- the historical statements of financial position as at 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 13 of Section 9.7.5 of the Scheme Booklet; and
- the historical statements of cash flows for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 14 of Section 9.7.6 of the Scheme Booklet.

(Hereafter the "Nine Historical Financial Information").

The Nine Historical Financial Information as at and for the respective years have been derived from Nine's financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 which were audited by Ernst & Young in accordance with the Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

The Nine Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS, issued by the AASB which are consistent with IFRS.

Combined Group Pro-Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of the Combined Group:

- the historical income statement for the year ended 30 June 2018 as set out in table 19 of Section 10.5.3 of the Scheme Booklet (the "Combined Group Pro-Forma Historical Income Statement");
- the historical statement of financial position as at 30 June 2018 as set out in table 22 of Section 10.5.6 of the Scheme Booklet (the "Combined Group Pro-Forma Historical Statement of Financial Position"); and
- the historical operating and investing cash flows for the year ended 30 June 2018 as set out in table 24 of Section 10.5.9 of the Scheme Booklet (the "Combined Group Pro-Forma Historical Cash Flows").

(Hereafter the "Combined Group Pro-Forma Historical Financial Information").

(the Fairfax Historical Financial Information, the Nine Historical Financial Information and the Combined Group Pro-Forma Historical Financial Information is collectively referred to as the "Financial Information").

The Combined Group Pro-Forma Historical Financial Information has been based on the historical financial information of Fairfax as at and for the year ended 24 June 2018, the historical financial information of Nine as at and for the year ended 30 June 2018, and adjusted for the effects of pro forma adjustments described in Sections 10.5.4, 10.5.7 and 10.5.10 of the Scheme Booklet.

The Combined Group Pro-Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS, which are consistent with IFRS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 30 June 2018 in the Combined Group Pro-Forma Historical Statement of Financial Position or from 1 July 2017 in the

Combined Group Pro-Forma Historical Income Statement and Combined Group Pro-Forma Historical Cash Flows.

Due to its nature, the Combined Group Pro-Forma Historical Financial Information does not represent the Combined Group's actual or prospective financial position, financial performance or cash flows.

The Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Fairfax are responsible for the preparation and presentation of the Fairfax Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Fairfax Historical Financial Information and included in the Combined Group Pro-Forma Historical Financial Information. This includes responsibility for such internal controls as the directors of Fairfax determine are necessary to enable the preparation of Fairfax Historical Financial Information that are free from material misstatement, whether due to fraud or error.

The directors of Nine are responsible for the preparation and presentation of the Nine Historical Financial Information and the Combined Group Pro-Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Fairfax Historical Financial Information, Nine Historical Financial Information and included in the Combined Group Pro-Forma Historical Financial Information. This includes responsibility for such internal controls as the directors of Nine determine are necessary to enable the preparation of the Nine Historical Financial Information and the Combined Group Pro-Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Fairfax Historical Financial Information, Nine Historical Financial Information and the Combined Group Pro-Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

Building a better working world

5. Conclusions

Fairfax Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Fairfax Historical Financial Information comprising:

- the historical income statements for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 3 of Section 8.9.3 of the Scheme Booklet;
- the historical statements of financial position as at 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 7 of Section 8.9.5 of the Scheme Booklet; and
- the historical statements of cash flows for the years ended 26 June 2016, 25 June 2017 and 24 June 2018 as set of out in table 8 of Section 8.9.6 of the Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 8.9.1 of the Scheme Booklet.

Nine Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Nine Historical Financial Information comprising:

- the historical income statements for years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 9 of Section 9.7.3 of the Scheme Booklet;
- the historical statements of financial position as at 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 13 of Section 9.7.5 of the Scheme Booklet; and
- the historical statements of cash flows for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 as set of out in table 14 of Section 9.7.6 of the Scheme Booklet.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 9.7.1 of the Scheme Booklet.

Combined Group Pro-Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Combined Group Pro-Forma Historical Financial Information comprising:

- the historical income statement for the year ended 30 June 2018 as set out in table 19 of Section 10.5.3 of the Scheme Booklet;
- the historical statement of financial position as at 30 June 2018 as set out in table 22 of Section 10.5.6 of the Scheme Booklet; and
- the historical operating and investing cash flows for the year ended 30 June 2018 as set out in table 24 of Section 10.5.9 of the Scheme Booklet,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 10.5.2 of the Scheme Booklet.

6. Restriction on Use

Without modifying our conclusions, we draw attention to the Important Notices]and Section 10.5.2 of the Scheme Booklet, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Scheme other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited

Bryan Zekulich
Director and Representative

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $110,000 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young provided financial due diligence related to this transaction of $385,000 (inclusive of GST). Ernst & Young may provide other professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in the relevant sections of the Scheme Booklet related to this transaction, and as specified above, Ernst & Young Transaction Advisory Services and Ernst & Young, including any of its directors or partners, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of this Report.

5. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

6. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

7. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

8. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

KING&WOOD MALLESONS
金杜律师事务所

Scheme of Arrangement

Dated 2018

Fairfax Media Limited (ABN 15 008 663 161) ("**Fairfax**")

Scheme Participants

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com

Scheme of Arrangement
Contents

Scheme of Arrangement

Details

Parties

Fairfax	Name	**FAIRFAX MEDIA LIMITED**
	ABN	15 008 663 161
	Formed in	Australia
	Address	1 Darling Island Road, Pyrmont, New South Wales 2009
	Email	ghambly@fairfaxmedia.com.au
	Attention	General Counsel
Scheme Participants	Each person registered as a holder of fully paid ordinary shares in Fairfax as at 7.00pm on the Record Date.	
Governing law	New South Wales	

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Business Day means a business day as defined in the Listing Rules.

Cash Scheme Consideration means $0.025 for each Fairfax Share held at 7:00pm on the Record Date.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed in writing by Nine and Fairfax.

Deed Poll means the deed poll dated 9 October 2018 executed by Nine substantially in the form of Annexure B of the Scheme Implementation Agreement or as otherwise agreed by Nine and Fairfax under which Nine covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

Details means the section of this agreement headed “Details”.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any “security interest” as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

End Date means 1 March 2019 or such other date as is agreed by Nine and Fairfax.

Fairfax Convertible Note means a convertible note issued under the Terms and Conditions of Debentures dated 11 December 1991 which can be converted into one Fairfax Share.

Fairfax Option means an option issued by Fairfax over Fairfax Shares under the Fairfax Transformation Incentive Plan.

Fairfax Performance Right means a performance right issued by Fairfax under the Fairfax Equity Incentive Plan Rules.

Fairfax Restricted Share means a Fairfax Share allocated to an executive officer of Fairfax under the Fairfax Equity Incentive Plan Rules, which entitles the holder to the release of the restriction on the Fairfax Share upon the satisfaction of the applicable vesting restriction.

Fairfax Share means a fully paid ordinary share in the capital of Fairfax.

Fairfax Shareholder means each person registered in the Register as a holder of Fairfax Shares.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Fairfax.

Implementation Date means the fifth Business Day following the Record Date or such other date as is agreed by Nine and Fairfax.

Ineligible Overseas Shareholder means a Fairfax Shareholder who is (or is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories and New Zealand, or whose address shown in the Register is a place outside Australia and its external territories and New Zealand or who is acting on behalf of such a person unless Nine and Fairfax jointly determine that:

(a) it is lawful and not unduly onerous and not unduly impracticable to issue that Fairfax Shareholder with New Nine Shares when the Scheme becomes Effective; and

(b) it is lawful for that Fairfax Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories and New Zealand.

Ineligible Overseas Shareholder Sale Facility means the facility to be conducted in accordance with clause 6.7.

Listing Rules means the Listing Rules of the ASX.

New Nine Shares means the Nine Shares to be issued to Scheme Participants as Scheme Consideration.

Nine means Nine Entertainment Co. Holdings Limited (ABN 60 122 203 892).

Nine Share means a fully paid ordinary share in the capital of Nine.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means the fifth Business Day following the Second Court Date or such other date as Fairfax and Nine agree.

Register means the register of members of Fairfax maintained by or on behalf of Fairfax in accordance with section 168(1) of the Corporations Act.

Registered Address means, in relation to a Fairfax Shareholder, the address shown in the Register.

Scheme means this scheme of arrangement between Fairfax and Scheme Participants under which all of the Scheme Shares will be transferred to Nine under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Fairfax and Nine in accordance with clause 10 of this Scheme.

Scheme Consideration means the consideration payable by Nine for the transfer of Fairfax Shares held by a Scheme Participant to Nine, being, in respect of each Fairfax Share:

(a) the Cash Scheme Consideration; and

(b) the Scrip Scheme Consideration.

Scheme Implementation Agreement means the scheme implementation agreement dated 25 July 2018 between Fairfax and Nine under which, amongst other things, Fairfax has agreed to propose this Scheme to Fairfax Shareholders, and each of Nine and Fairfax has agreed to take certain steps to give effect to this Scheme.

Scheme Meeting means the meeting of Fairfax Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which Fairfax Shareholders will vote on this Scheme.

Scheme Participant means each person who is a Fairfax Shareholder as at 7.00pm on the Record Date.

Scheme Share means a Fairfax Share held by a Scheme Participant as at the Record Date and, for the avoidance of doubt, includes any Fairfax Shares issued on or before the Record Date.

Scrip Scheme Consideration means 0.3627 New Nine Shares for each Fairfax Share held at 7:00pm on the Record Date.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Subsidiary has the meaning given to it in the Corporations Act.

Trust Account means the trust account operated by or on behalf of Fairfax to hold the Cash Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 of this Scheme.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

(a) the singular includes the plural and vice versa;

(b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);

(c) a reference to a document also includes any variation, replacement or novation of it;

(d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;

(e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;

(f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(g) a reference to a time of day is a reference to Australian Eastern Standard Time;

(h) a reference to dollars, $ or A$ is a reference to the currency of Australia;

(i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;

(j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;

(k) a reference to any thing (including an amount) is a reference to the whole and each part of it;

(l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;

(m) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and

(n) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day.

2 Preliminary

2.1 Fairfax

Fairfax is:

(a) a public company limited by shares;

(b) incorporated in Australia and registered in Australian Capital Territory; and

(c) admitted to the official list of the ASX and Fairfax Shares are officially quoted on the stock market conducted by ASX.

As at 9 October 2018, Fairfax’s issued securities comprise 2,299,475,546 Fairfax Shares (including 1,315,105 Fairfax Restricted Shares), 16,154,370 Fairfax Options, 9,559,247 Fairfax Performance Rights and 281 Fairfax Convertible Notes.

2.2 Nine

Nine is:

(a) a public company limited by shares; and

(b) incorporated in Australia and registered in Victoria.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

(a) in consideration of the transfer of each Scheme Share to Nine, Fairfax will procure Nine to provide the Scheme Consideration to Fairfax on behalf of each Scheme Participant in accordance with the terms of this Scheme;

(b) all Scheme Shares will be transferred to Nine on the Implementation Date; and

(c) Fairfax will enter the name of Nine in the Register in respect of all Scheme Shares transferred to Nine in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

Fairfax and Nine have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

2.5 Deed Poll

Nine has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;

(b) all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the conditions precedent in item 3.1(b) and 3.1(c)) in accordance with the terms of the Scheme Implementation Agreement;

(c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Fairfax and Nine having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and

(d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clause 5

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

3.3 Certificate in relation to conditions precedent

Fairfax and Nine must provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(c) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(c) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, Fairfax must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 4.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Nine and Fairfax agree in writing.

5.2 Transfer and registration of Fairfax Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clause 6 of this Scheme and Nine having provided Fairfax with written confirmation of the provision of the Scheme Consideration:

(a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Nine without the need for any further act by any Scheme Participant (other than acts performed by Fairfax as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:

 (i) Fairfax delivering to Nine a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and

 (ii) Nine duly executing the Share Scheme Transfer and delivering it to Fairfax for registration; and

(b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, Fairfax must enter the name of Nine in the Register in respect of all Scheme Shares transferred to Nine in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Nine of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Fairfax Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, Nine will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Fairfax of Nine in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to Nine and is deemed to have authorised Fairfax to warrant to Nine as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

(a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Nine under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

(b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Nine under the Scheme.

5.7 Transfer free of Encumbrances

To the extent permitted by law, all Fairfax Shares (including any rights and entitlements attaching to those shares) which are transferred to Nine under this Scheme will, at the date of the transfer of them to Nine, vest in Nine free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Nomination of acquirer Subsidiary

If Nine nominates a **Nine Nominee** (as defined in clause 2.3 of the Scheme Implementation Agreement) to acquire Fairfax Shares under the Scheme:

(a) references to the transfer of Scheme Shares to Nine and the entering of Nine into the Register, will be read as references to Nine Nominee; and

(b) the warranties given to Nine under clause 5.6 by Fairfax as agent and attorney for the Scheme Participant, are also given to Nine Nominee.

6 Scheme Consideration

6.1 Consideration under the Scheme

On the Implementation Date, Fairfax must procure that, in consideration for the transfer to Nine of the Fairfax Shares, Nine:

(a) pays to the Scheme Participants the Cash Scheme Consideration; and

(b) issues to the Scheme Participants (or to the nominee in the case of Ineligible Overseas Shareholders, in accordance with clause 6.7) the Scrip Scheme Consideration,

in accordance with this clause 6.

6.2 Satisfaction of obligations

The obligation of Nine to procure payment of the Cash Scheme Consideration pursuant to clause 6.1 of this Scheme will be satisfied by Fairfax procuring Nine no later than 2 Business Days before the Implementation Date to deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Cash Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Nine's account).

6.3 Payment of Cash Scheme Consideration

Within 2 Business Days after the Implementation Date, subject to receipt of the Scheme Consideration from Nine in accordance with clause 6.2 of this Scheme, Fairfax must pay to each Scheme Participant an amount equal to the Cash Scheme Consideration for each Scheme Share transferred to Nine on the Implementation Date by that Scheme Participant.

Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 7.00pm on the Record Date.

6.4 Unclaimed monies

Fairfax may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

(a) is returned to Fairfax; or

(b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Fairfax must reissue a cheque that was previously cancelled under this clause 6.4.

6.5 Orders of a Court

In the case of notice having been given to Fairfax (or the Registry) of an order made by a court of competent jurisdiction:

(a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6 of this Scheme, then Fairfax must procure that payment is made in accordance with that order; or

(b) which would prevent Fairfax from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, Fairfax will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Cash Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

6.6 Scheme participants' agreements

Under this Scheme, each Scheme Participant (and the nominee on behalf of the Ineligible Overseas Shareholders) irrevocably:

(a) agrees to become a member of Nine, to have their name entered in the Nine register, accepts the Nine Shares issued to them and agrees to be bound by the Nine constitution;

(b) agrees and acknowledges that the issue of Nine Shares in accordance with clause 6.1 constitutes satisfaction of all that person's entitlements under this Scheme;

(c) acknowledges that the Scheme binds Fairfax and all of the Scheme Participants from time to time (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting); and

(a) consents to Fairfax and Nine doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

6.7 Ineligible Overseas Shareholder Sale Facility

Where a Scheme Participant is an Ineligible Overseas Shareholder, each Ineligible Overseas Shareholder authorises Nine to:

(a) issue to a nominee appointed by Nine any Nine Shares to which an Ineligible Overseas Shareholder would otherwise be entitled to (**Relevant Nine Shares**);

(b) procure, as soon as reasonably practicable after the Implementation Date, and in no event no more than 30 days after the Implementation Date, that the nominee:

(i) sells or procures the sale of all of the Relevant Nine Shares issued to the nominee pursuant to clause 6.7(a), in the ordinary course of trading on the ASX at such price as the nominee determines in good faith; and

(ii) remits to Nine the proceeds of sale (free of any applicable brokerage, stamp duty and other selling costs, taxes and charges, which are to be paid by Nine); and

(c) promptly after the last sale of the Relevant Nine Shares in accordance with clause 6.7(b)(i), pay to each Ineligible Overseas Shareholder an amount equal to the proportion of the net proceeds of sale received by

Nine under clause 6.7(b)(ii) to which that Ineligible Overseas Shareholder is entitled, in full satisfaction of their entitlement to the Relevant Nine Shares.

Neither Fairfax nor Nine make any representation as to the amount of proceeds of sale to be received by Ineligible Overseas Shareholders under the Ineligible Overseas Shareholder Sale Facility. Both Fairfax and Nine expressly disclaim any fiduciary duty to the Ineligible Overseas Shareholders which may arise in connection with the Ineligible Overseas Shareholder Sale Facility.

6.8 Shares to rank equally

Nine covenants in favour of Fairfax (in its own right and on behalf of the Scheme Participants) that:

(a) the New Nine Shares will rank equally in all respects with all existing Nine Shares;

(b) it will do everything reasonably necessary to ensure that trading in the New Nine Shares commences by the first Business Day after the Implementation Date; and

(c) on issue, each New Nine Share will be fully paid and free from any Encumbrance.

6.9 Joint holders

In the case of Fairfax Shares held in joint names:

(a) any Nine Shares to be issued under this Scheme must be issued and registered in the names of the joint holders and entry in the Nine Register must take place in the same order as the holders' names appear in the Register;

(b) any cheque required to be sent under this Scheme will be payable to the joint holders and sent to either, at the sole discretion of Fairfax, the holder whose name appears first in the Register as at the Record Date or to the joint holders; and

(c) any document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Fairfax, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Fairfax if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 7.00pm on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the Register is kept.

7.2 Register

Fairfax must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 7.00pm on the Record Date.

7.3 No disposals after Effective Date

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

Fairfax will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 7.00pm on the Record Date (except a transfer to Nine pursuant to this Scheme and any subsequent transfer by Nine or its successors in title).

7.4 Maintenance of Fairfax Register

For the purpose of determining entitlements to the Scheme Consideration, Fairfax will maintain the Register in accordance with the provisions of this clause 7.4 until the Scheme Consideration has been issued to the Scheme Participants and Nine has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to Nine contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Nine and its successors in title). After 7.00pm on the Record Date, each entry current on the Register as at 7.00pm on the Record Date (other than entries in respect of Nine or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within 3 Business Days after the Record Date Fairfax will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 7.00pm on the Record Date are available to Nine in such form as Nine reasonably requires.

7.7 Quotation of Fairfax Shares

Suspension of trading on ASX in Fairfax Shares will occur from the close of trading on ASX on the Effective Date.

7.8 Termination of quotation of Fairfax Shares

After the Scheme has been fully implemented, Fairfax will apply:

(a) for termination of the official quotation of Fairfax Shares on ASX; and

(b) to have itself removed from the official list of the ASX.

8 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Fairfax and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

(a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;

(b) enforcing the Deed Poll against Nine,

and Fairfax accepts such appointment.

9 Notices

9.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Fairfax, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Fairfax's registered office or at the office of the registrar of Fairfax Shares.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 General

10.1 Variations, alterations and conditions

Fairfax may, with the consent of Nine (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

10.2 Further action by Fairfax

Fairfax will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

10.3 Authority and acknowledgement

Each of the Scheme Participants:

(a) irrevocably consents to Fairfax and Nine doing all things necessary or expedient for or incidental to the implementation of this Scheme; and

(b) acknowledges that this Scheme binds Fairfax and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Fairfax.

10.4 No liability when acting in good faith

Without prejudice to the parties' rights under the Scheme Implementation Agreement, neither Fairfax nor Nine, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

10.5 Enforcement of Deed Poll

Fairfax undertakes in favour of each Scheme Participant to enforce the Deed Poll against Nine on behalf of and as agent and attorney for the Scheme Participants.

10.6 Stamp duty

Nine will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

11 Governing law

11.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

11.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

Deed Poll

Dated 9 October 2018

Nine Entertainment Co. Holdings Limited (ABN 60 122 203 892) ("**Nine**")

and

Petelex Pty Ltd (ABN 38 096 683 626) ("**Nine Nominee**")

In favour of each person registered as a holder of fully paid ordinary shares in Fairfax Media Limited (ABN 15 008 663 161) ("**Fairfax**") as at 7.00pm on the Record Date ("**Scheme Participants**")

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com

Deed Poll
Contents

Deed Poll

Details

TO COME

Parties

Nine	Name	**NINE ENTERTAINMENT CO. HOLDINGS LIMITED**
	ABN	60 122 203 892
	Formed in	Australia
	Address	24 Artarmon Road, Willoughby, New South Wales 2068
	Email	rlaunders@nine.com.au
	Attention	General Counsel
Nine Nominee	Name	**PETELEX PTY LTD**
	ABN	38 096 683 626
	Formed in	Australia
	Address	24 Artarmon Road, Willoughby, New South Wales 2068
	Email	rlaunders@nine.com.au
	Attention	General Counsel
In favour of	Each registered holder of fully paid ordinary shares in Fairfax as at 7.00 pm on the Record Date.	
Governing law	New South Wales	

Recitals

A The directors of Fairfax have resolved that Fairfax should propose the Scheme.

B The effect of the Scheme will be that all Scheme Shares will be transferred to Nine.

C Fairfax and Nine have entered into the Scheme Implementation Agreement.

D In the Scheme Implementation Agreement, Nine agreed (amongst other things) to provide the Scheme Consideration to Fairfax on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.

E Each of Nine and Nine Nominee is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

F The effect of the Scheme will be that the Fairfax Shares, together with all rights and entitlements attaching to them, will be transferred to Nine Nominee in exchange for the Scheme Consideration.

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Scheme Implementation Agreement means the scheme implementation agreement dated 25 July 2018 between Fairfax and Nine under which, amongst other things, Fairfax has agreed to propose the Scheme to Fairfax Shareholders, and each of Nine and Fairfax has agreed to take certain steps to give effect to the Scheme.

Scheme means the proposed scheme of arrangement between Fairfax and Scheme Participants under which all the Scheme Shares will be transferred to Nine under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Nine and Fairfax, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Fairfax and Nine in accordance with clause 10 of the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme or the Scheme Implementation Agreement, as applicable.

1.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

1.3 Nature of deed poll

Each of Nine and Nine Nominee acknowledges that this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it.

2 Conditions precedent and termination

2.1 Conditions precedent

The obligations of Nine and Nine Nominee under clause 4 are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Nine and Nine Nominee under this document will automatically terminate and the terms of this document will be of no further force or effect if:

(a) the Scheme has not become Effective on or before the End Date; or

(b) the Scheme Implementation Agreement is terminated in accordance with its terms.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

(a) Nine and Nine Nominee are released from their obligations to further perform this document except those obligations contained in clause 7.2 and any other obligations which by their nature survive termination; and

(b) each Scheme Participant retains the rights, powers or remedies they have against Nine and Nine Nominee in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

Nine will comply with its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

4 Scheme Consideration

4.1 Compliance with Scheme obligations generally

Subject to clause 2, each of Nine and Nine Nominee covenants in favour of Scheme Participants to observe and perform the steps attributed to it under, and otherwise to comply with, the Scheme as if named as a party to the Scheme and do all acts and things necessary to give effect to the Scheme.

4.2 Provision of Scrip Scheme Consideration

(a) Subject to clause 2, Nine will on the Implementation Date, issue to each Scheme Participant (or to a nominee appointed by Nine in respect of Ineligible Overseas Shareholders) the Scrip Scheme Consideration in accordance with clause 6 of the Scheme.

(b) The Nine Shares to be issued under the Scheme will be validly issued and fully paid up and will rank equally in all respect with all other Nine Shares on issue as at the Implementation Date.

4.3 Payment of Cash Scheme Consideration

Subject to clause 2, Nine covenants in favour of each Scheme Participant to pay the Cash Scheme Consideration to the Trust Account on behalf of each Scheme Participant in accordance with the Scheme.

4.4 Manner of payment

Nine's undertaking to provide the Cash Scheme Consideration to Fairfax on behalf of each Scheme Participant is satisfied by Nine, no later than 2 Business Days before the Implementation Date, depositing in Immediately Available Funds the aggregate amount of the Cash Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Nine's account).

4.5 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by Nine must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 7.00pm on the Record Date.

5 Representations and warranties

Each of Nine and Nine Nominee represents and warrants that:

(a) (**status**) it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;

(b) (**power**) it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;

(c) (**no contravention**) the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:

(i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;

(ii) any law binding on or applicable to it or its assets; or

(iii) any Encumbrance or document binding on or applicable to it;

(d) (**authorisations**) it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;

(e) (**validity of obligations**) its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and

(f) (**solvency**) is not Insolvent.

6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Nine and Nine Nominee have fully performed their obligations under this document; or

(b) the earlier termination of this document under clause 2.2.

7 Costs

7.1 Costs

If the Scheme becomes Effective, Nine agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of Fairfax Shares to Nine Nominee in accordance with the terms of the Scheme) except for amounts covered by clause 7.2.

7.2 Stamp duty and registration fees

Nine:

(a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and

(b) indemnifies each Scheme Participant against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 7.2(a).

8 Notices

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

9 General

9.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

(a) the variation is agreed to by Fairfax and Nine in writing; and

(b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Nine and Nine Nominee must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

9.2 Partial exercising of rights

Unless this document expressly states otherwise, if Nine or Nine Nominee does not exercise a right, power or remedy in connection with this document fully or at a given time, they may still exercise it later.

9.3 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

9.4 Assignment or other dealings

Nine, Nine Nominee and each Scheme Participant may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of Nine and Fairfax.

9.5 Further steps

Each of Nine and Nine Nominee agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

10 Governing law and jurisdiction

10.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. Each of Nine and Nine Nominee submits to the non-exclusive jurisdiction of the courts of that place.

10.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on Nine or Nine Nominee by being delivered or left at its respective address as set out in the Details.

EXECUTED as a deed poll

Signing page

DATED: __9 October 2018__

EXECUTED by **NINE ENTERTAINMENT CO. HOLDINGS LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:

[SIGNED]

....
Signature of director

HUGH MARKS

....
Name of director (block letters)

[SIGNED]

....
Signature of ~~director/~~company secretary

RACHEL LAUNDERS

....
Name of ~~director/~~company secretary (block letters)

EXECUTED by **PETELEX PTY LTD** in accordance with section 127(1) of the Corporations Act 2001 (Cth) by authority of its directors:

[SIGNED]

....
Signature of director

HUGH MARKS

....
Name of director (block letters)

[SIGNED]

....
Signature of ~~director/~~company secretary

RACHEL LAUNDERS

....
Name of ~~director/~~company secretary (block letters)

Deed Poll

Annexure A - Scheme

ANNEXURE E – NOTICE OF SCHEME MEETING

Notice of Scheme Meeting

Fairfax Media Limited (ABN 15 008 663 161) (**Fairfax** or **Company**) hereby gives notice that by order of the Federal Court of Australia (**Court**) made on 12 October 2018 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a general meeting of Fairfax Shareholders (**Scheme Meeting**) will be held at 10:00am (Sydney time) on Monday 19 November 2018 in the Pitt Street Room, Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009.

INFORMATION ABOUT THE SCHEME

Information about the Scheme is set out in the Booklet, of which this Notice forms part. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary in Section 15 of the Booklet, unless indicated otherwise.

PURPOSE OF THE SCHEME MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Fairfax and the holders of its fully paid ordinary shares.

CHAIRMAN OF THE SCHEME MEETING

The Court has directed that Nick Falloon, or failing him James Millar, be Chairman of the Scheme Meeting and has directed the Chairman of the Scheme Meeting to report the result of the Scheme Meeting to the Court.

AGENDA

Scheme Resolution

To consider and, if thought fit, to agree (with or without amendment) the following resolution:

'*That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Fairfax Media Limited and the holders of its fully paid ordinary shares as contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (without or without modification as approved by the Federal Court of Australia).*'

SCHEME BOOKLET

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Booklet, of which this Notice forms part.

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporation Act, the Scheme (without or without modification) must be approved by an order of the Court. If the resolution put to the Scheme Meeting is passed by the Requisite Majority of Fairfax Shareholders and the other conditions to the Scheme are satisfied, Fairfax intends to apply to the Court on 27 November 2018 for approval of the Scheme.

SCHEME MEETING ONLINE WEBCAST

Fairfax Shareholders can view a live webcast of the Scheme Meeting online at
http://www.fairfaxmedia.com.au/Investor/webcasts

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Voting and Proxy Instructions

YOUR VOTE IS IMPORTANT

You are entitled to vote at the Scheme Meeting only if you are registered as a shareholder of the Company at 7:00pm (Sydney time) on 17 November 2018

Voting procedure

The Company will be using electronic voting handheld devices at the Scheme Meeting.

The Chairman of the meeting intends to put the resolution set out in the agenda to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange (**ASX**) as soon as practicable after the meeting.

The Chairman of the meeting intends to vote any undirected proxies in favour of the Scheme Resolution.

Requisite Majority

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- a majority in number (more than 50%) of Fairfax Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Fairfax Shareholders, by corporate representative); and
- Fairfax Shareholders holding at least 75% of the total number of votes cast on the Scheme Resolution.

Registration

You should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, if possible, so that your shareholding can be checked against Fairfax's share register and attendances noted. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Appointing a proxy

If you are unable to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes. If a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting; however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting; however, if the member votes on the resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the resolution.

For your vote to count, your proxy form must be received by the Company's share registry, Link Market Services Limited, no later than 48 hours prior to the commencement of the meeting i.e. by **10:00am (Sydney time) on Saturday 17 November 2018**. To lodge your proxy, you may:

- mail it to Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- deliver it by hand to Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138;

- fax it to +61 2 9287 0309; or
- lodge it online at www.linkmarketservices.com.au (click the proxy icon and follow the prompts). For online proxy lodgement, you will need to enter your SRN or HIN shown at the top right hand side of your personalised proxy form with the notice of meeting. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.

Alternatively, you may send or fax your proxy form to the Company's registered office at 1 Darling Island Road, Pyrmont NSW 2009 or fax (02) 9282 1633. For additional proxy forms, contact Link Market Services Limited on 1300 888 062 (or from outside Australia, +61 1300 888 062).

Further instructions for appointing a proxy are included in the proxy form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to the proposed resolution; and
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purpose of voting on that resolution and must vote in accordance with the written direction of that member.

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meeting for the purpose of registration. The appointment may be for this meeting only or for all meetings of the Company. Shareholders can download an Appointment of Corporate Representation form from www.linkmarketservices.com.au/public/forms/general.

Power of attorney

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by Link Market Services or the Company at least 48 hours before the meeting i.e. by 10:00am (Sydney time) on Saturday 17 November 2018 (unless it has been previously provided).

Shareholder questions

If you have any additional questions in relation to this notice or the Scheme, call the Shareholder Information Line on 1800 072 766 (within Australia) and +61 1800 072 766 (outside Australia) between the hours of 8:30am and 5:30pm (Sydney time) Monday to Friday.

By order of the Fairfax Board

Gail Hambly
Company Secretary

12 October 2018

Registered Office
Fairfax Media Limited
1 Darling Island Road
Pyrmont NSW 2009
Ph: +61 2 9282 2833
Fax: +61 2 9282 1633
Web: www.fairfaxmedia.com.au

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

Fairfax Media Limited
ABN 15 008 663 161
1 Darling Island Road
Pyrmont NSW 2009

Dear Shareholder,

I am pleased to enclose the Notice of Meeting and Proxy Form for the Fairfax Media Limited Annual General Meeting. The meeting will be held on **Monday 19 November 2018, commencing at 10:30 am (or as soon thereafter following the conclusion of the Scheme Meeting of the Company) on the Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009.**

Shareholders attending the AGM will be able to register from 9:30am (i.e. before the Scheme Meeting) at the venue.

The AGM will be webcast live at http://www.fairfaxmedia.com.au/Investors/webcasts.

The resolutions on the agenda this year are for:

- the re-election of Directors;
- the approval of the allocation of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director of Fairfax (**CEO**), Mr Gregory Hywood, under the Fairfax Executive Incentive Plan; and
- adoption of the 2018 Remuneration Report.

Although shareholders are being asked to approve the CEO's incentive award, the award will only be made if the proposed merger with Nine does not proceed.

Details of the proposed resolutions are discussed in the Explanatory Notes attached to this Notice of Meeting. The Board recommends that shareholders vote in favour of each resolution.

If you would like to submit questions for consideration by the Board before the meeting, please complete and return the shareholder question form that is included with the Notice of Meeting.

The Board hopes you are able to attend the Annual General Meeting and you will take the opportunity to meet with my fellow Directors and senior executives. I look forward to seeing you.

Yours faithfully

Nick Falloon
Chairman

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

Notice of Annual General Meeting

Fairfax Media Limited (ABN 15 008 663 161) (**Fairfax** or **the Company**) hereby gives notice that the Annual General Meeting (**AGM**) of shareholders will be held at 10:30 am (AEDT) (or as soon thereafter following the conclusion of the Scheme Meeting of the Company) on Monday 19 November 2018 on the Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009.

AGENDA

A. Chairman's address to shareholders

B. Chief Executive Officer & Managing Director's address to shareholders

C. Discussion of the Financial Report, Directors' Report and Auditors' Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 24 June 2018.

D. Resolutions 1 – 3: Re-election of Directors

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. 'That Mr Nick Falloon be re-elected as a Non-executive Director of the Company.'
2. 'That Mr Jack Cowin be re-elected as a Non-executive Director of the Company.'
3. 'That Mr James Millar be re-elected as a Non-executive Director of the Company.'

The Board (other than the relevant Director for his own re-election) recommends that shareholders vote in favour of Resolutions 1-3.

E. Resolution 4: Grant of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director of Fairfax under the Fairfax Executive Incentive Plan for FY2019

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

4. 'That approval be given for all purposes, including ASX Listing Rule 10.14, to grant to the Chief Executive Officer & Managing Director of the Company, Mr Gregory Hywood:

    a) Performance Shares; and

    b) Performance Rights,

    on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the terms of the Fairfax Executive Incentive Plan.'

The Board (Mr Hywood abstaining) recommends that shareholders vote in favour of Resolution 4.

Note: the voting exclusion set out below applies to Resolution 4.

F. Resolution 5: Adoption of Remuneration Report

To consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

5. 'That the Company's Remuneration Report for the financial year ended 24 June 2018 be adopted.'

The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Board recommends that shareholders vote in favour of Resolution 5.

Note: the voting exclusion set out below applies to Resolution 5.

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

AGM ONLINE WEBCAST

Shareholders can view a live webcast of the AGM online at http://www.fairfaxmedia.com.au/Investors/webcasts

ANNUAL REPORT

The 2018 Fairfax Media Annual Report is available on our investor website http://www.fairfaxmedia.com.au/Investors/annual-reports.

In line with our commitment to the environment and our focus on lowering costs, unless you elect otherwise, we will provide our Annual Report to you by making it available on our website. You will still have the option of receiving, free of charge, a printed copy of the Annual Report or alternatively receiving your shareholder communications by email. To arrange this, please update your details by contacting Link on 1300 888 062 (or from outside Australia, +61 2 8280 7670).

VOTING EXCLUSION STATEMENTS

Voting Exclusion Statement for Resolution 4

*The Company will **disregard** any votes cast on Resolution 4:*

- *in favour of the resolution by or on behalf of Mr Hywood or any of his associates, regardless of the capacity in which the vote is cast; and*
- *as a proxy by a member of the key management personnel (KMP) at the date of the AGM or their closely related parties,*

unless the vote is cast as proxy for a person who is entitled to vote on Resolution 4:

- *in accordance with the directions on the proxy form; or*
- *by the Chairman of the meeting as proxy pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of a member of the Company's KMP).*

Voting Exclusion Statement for Resolution 5

*The Company will **disregard** any votes cast on Resolution 5:*

- *by or on behalf of a member of the KMP named in the Company's Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or*
- *as a proxy by a member of the KMP on the date of the AGM or their closely related parties,*

unless the vote is cast as proxy for a person who is entitled to vote on Resolution 5:

- *in accordance with the directions on the proxy form; or*
- *by the Chairman of the meeting as proxy pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of the Company's KMP).*

Voting and Proxy Instructions

YOUR VOTE IS IMPORTANT

You are entitled to vote at the AGM only if you are registered as a shareholder of the Company at 7:00 pm (AEDT) on 17 November 2018

Voting procedure

The Company will be using electronic voting hand held devices at the AGM again this year. The Chairman of the meeting intends to put all Resolutions set out on the agenda to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange (ASX) as soon as practicable after the meeting. The Chairman of the meeting intends to vote any undirected proxies in favour of all resolutions.

Appointing a proxy

If you are unable to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of the Company and may be an individual or a body corporate.

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint up to two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes. If a member appoints two proxies, neither may vote on a show of hands if they both attend the meeting, however, they will be entitled to vote on a poll.

The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting, however, if the member votes on any resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the resolution.

For your vote to count, your proxy form must be received by the Company's share registry, Link Market Services (Link), no later than 48 hours prior to the commencement of the meeting i.e. by **10:30 am (AEDT) on Saturday 17 November 2018**. To lodge your proxy, you may:

- mail it to Fairfax Media Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235;
- deliver it by hand to Link at Level 12, 680 George Street, Sydney 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138;
- fax it to +61 2 9287 0309; or
- lodge it online at www.linkmarketservices.com.au (click the proxy icon and follow the prompts). For online proxy lodgement, you will need to enter your SRN or HIN shown at the top right hand side of your personalised proxy form with the notice of meeting. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.

Alternatively, you may send or fax your proxy form to the Company's registered office at 1 Darling Island Road, Pyrmont NSW 2009 or fax (02) 9282 1633. For additional proxy forms, contact Link on 1300 888 062. Further instructions for appointing a proxy are included in the proxy form.

Default of proxy votes to Chairman in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to a proposed resolution; and
- a member has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purposes of voting on that resolution and must vote in accordance with the written direction of that member.

Important information regarding appointing the Chairman of the meeting or another member of KMP (or their closely related parties) as your proxy in relation to Resolutions 4 and 5

Except in the case of the Chairman of the meeting, the members of the Company's KMP (which includes each of the Directors) and their closely related parties (which includes spouses, dependents, certain other family members and controlled companies) will not be able to vote your proxies on Resolutions 4 or 5, unless you direct them how to vote on the relevant resolution. If you intend to appoint a member of the KMP (such as one of the Directors) or one of their closely related parties as your proxy, please ensure that you direct them how to vote on Resolutions 4 and 5.

If you appoint the Chairman of the meeting as your proxy (or the Chairman of the meeting is appointed as your proxy by default), you can direct the Chairman how to vote by ticking the relevant boxes next to each resolution on the proxy form (i.e. 'for, 'against', 'abstain'). If no direction is provided, then by completing and submitting the proxy form, you will be expressly authorising the Chairman of the meeting to exercise your proxy as the Chairman thinks fit, even though those resolutions are connected with the remuneration of the Company's KMP.

The Chairman of the meeting intends to vote any undirected proxies in favour of Resolutions 4 and 5.

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

appointment, which the representative must bring to the meeting for the purposes of registration. The appointment may be for this meeting only or for all meetings of the Company. Shareholders can download an Appointment of Corporate Representation form from www.linkmarketservices.com.au/public/forms/general.

Power of attorney

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by Link or the Company at least 48 hours before the meeting i.e. by 10:30 am (AEDT) on Saturday 17 November 2018 (unless it has been previously provided).

Shareholder questions

If you wish to submit a question prior to the meeting, please complete the shareholder question form at the back of this Notice of Meeting. Questions must be received by Link by 5:00pm (AEDT) Monday 12 November 2018. You may post or fax questions to Link or lodge them online (see instructions on the question form). Shareholders who attend the meeting will have an opportunity at the meeting to ask relevant questions.

By order of the Board

Gail Hambly
Company Secretary

12 October 2018

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the forthcoming AGM. They relate to the resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice of Meeting. These Explanatory Notes form part of the Notice of Meeting.

AGENDA ITEM C
Financial Report, Directors' Report and Auditors' Report

The Financial Report, the Directors' Report and the Auditors' Report for the financial year ended 24 June 2018 will be tabled at the meeting.

The Financial Report, the Directors' Report and the Auditors' Report are contained in the 2018 Fairfax Annual Report ('Annual Report') which is available at *www.fairfaxmedia.com.au*.

At the meeting, shareholders will be given a reasonable opportunity to comment on or ask questions about the Group's management and financial performance. The Company's Auditor will be present at the meeting and shareholders will also be given the opportunity to ask the Auditor questions on the conduct of the audit, the preparation and content of the Auditors' report, the accounting policies adopted by the Company for the preparation of the financial statements and the independence of the Auditor.

AGENDA ITEM D
Resolutions for the re-election of the Directors

Resolutions 1, 2 and 3 are supported by the Board

Resolution 1

Mr Nick Falloon

Independent Non-executive Director

Appointed: 26 March 2015

Last elected: 5 November 2015

Board Committees: Chair of Nominations Committee and Member of the Audit and Risk Committee and People and Culture Committee

Mr Falloon is retiring by rotation and standing for re-election in accordance with Rule 6.1(e) of the Company's Constitution and Listing Rule 14.4.

Mr Falloon was appointed Chairman of the Board in September 2015. In November 2017, Mr Falloon was appointed to the Board of Domain Holdings Australia (Domain) as Chairman and Non-Executive Director, and served as Executive Chairman of Domain bewteen 22 January 2018 and 27 August 2018.

Mr Falloon has more than 30 years' experience in the media industry.

Mr Falloon served as Chief Executive Officer of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in television, pay TV, magazines, radio and the internet. From 2002 Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings.

Mr Falloon holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

The Board (Mr Falloon abstaining) unanimously recommends the re-election of Mr Falloon to the Board.

Resolution 2

Mr Jack Cowin

Independent Non-executive Director

Appointed: 19 July 2012

Last re-elected: 5 November 2015

Mr Cowin is retiring by rotation and standing for re-election in accordance with Rule 6.1(e) of the Company's Constitution and Listing Rule 14.4.

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

Mr Cowin is the Founder and Executive Chairman of Competitive Foods Australia, a business that has grown from a single food service outlet to one that employs more than 18,000 staff throughout Australia and New Zealand. Mr Cowin moved to Australia from Canada in 1969 to establish his business. In addition to operating 420 restaurants in Australia, the company operates five food manufacturing facilities producing frozen value-added meat products as well as processing fresh vegetables. It exports to 29 countries.

Mr Cowin is also a Chairman and the largest shareholder of Domino's Pizza Enterprises Ltd, a listed public company and the largest shareholder and a Director of BridgeClimb.

The Board (Mr Cowin abstaining) unanimously recommends the re-election of Mr Cowin to the Board.

Resolution 3

Mr James Millar

Independent Non-executive Director

Appointed: 1 July 2012

Last re-elected: 5 November 2015

Mr Millar is retiring by rotation and standing for re-election in accordance with Rule 6.1(e) of the Company's Constitution and Listing Rule 14.4.

Mr Millar is the former Chief Executive Officer of Ernst & Young (EY) in the Oceania Region and was a Director on their Global Board. Mr Millar commenced his career in the Insolvency and Reconstruction practice at EY, conducting some of the largest corporate workouts of the early 1990's. He has qualifications in both business and accounting. Mr Millar is a Non-Executive Director of Mirvac Limited and Macquarie Media Limited. He is Chairman of both the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities where he is Chairman of the Vincent Fairfax Family Foundation. He is a former Chairman of Fantastic Holdings Limited and Director of Helloworld Limited and Slater and Gordon Limited and a former Chairman of The Smith Family.

The Board (Mr Millar abstaining) unanimously recommends the re-election of Mr Millar to the Board.

AGENDA ITEM E
Grant of Performance Shares and Performance Rights to Chief Executive Officer & Managing Director under the Fairfax Executive Incentive Plan for FY19

Resolution 4 is supported by the Board

Resolution 4

Please note that if the proposed merger with Nine Entertainment Co. Holdings Limited (Nine) is approved by shareholders and proceeds, it is intended that the award of Performance Shares and Performance Rights under Resolution 4 will not be made to the CEO (even if it is approved by shareholders at the AGM).

Shareholders should review the Notice of Meeting with this background in mind.

Background

The Executive Incentive Plan

The Company's Executive Incentive Plan (Plan) is designed to reward senior executives if they achieve the strategic short term and long term goals for the Company over a three year period.

Similar to last year, the Plan is heavily weighted toward achieving medium to long term growth and financial performance, based on objective measurable goals, and to align with growth in shareholder value.

CEO's participation in the Plan for FY19

ANNEXURE F - NOTICE OF ANNUAL GENERAL MEETING

Resolution 4 seeks shareholder approval for the CEO to participate in the Plan and for the grant of Performance Shares and Performance Rights to Mr Hywood under the Plan if the merger with Nine does not proceed.

The CEO's grant for FY19 has 2 components:

1. Long Term Incentive (**LTI**): delivered in the form of Performance Rights following the 2018 AGM; and
2. Short Term Incentive (**STI**): if STI performance targets are met, any award will be delivered 60% in Performance Shares and 40% in cash following the end of FY19.

The key terms of Mr Hywood's participation in the Plan for FY19 are set out below.

Why is shareholder approval being sought?

The Company is seeking approval for the equity grants under the Plan as a matter of good corporate governance and in accordance with ASX Listing Rule 10.14, to preserve flexibility for the Board to issue the Performance Shares or any shares in the Company allocated on vesting of Performance Rights under the Plan.

The Board will exercise its discretion in determining how to source any shares at the relevant time with the best interests of the Company's shareholders in mind.

Incentive opportunity under the Plan

The CEO's maximum incentive opportunity remains unchanged at 200% of his fixed remuneration (**Plan Incentive**).Seventy percent of the CEO's Plan Incentive opportunity is LTI and the remaining 30% is STI.

The CEO's fixed remuneration as at the date of this Notice is $1.6 million per annum, and will not increase in FY19.

Details of the CEO's FY19 LTI grant

If the merger with Nine does not proceed, the CEO's FY19 LTI will be granted as exercisable Performance Rights.

A Performance Right is a right to receive an ordinary share in the Company at no cost, subject to the satisfaction of performance conditions. However, the Company retains discretion to pay a cash equivalent payment instead of allocating shares (for example, this will often be appropriate where Performance Rights vest after cessation of employment).

The Performance Rights do not have dividend or voting rights attached to them.

Quantum & number of Performance Rights

The CEO's maximum LTI opportunity for FY19 is $2,240,000 and the CEO will be awarded a maximum of 3,096,488 Performance Rights.

This number of Performance Rights has been determined by dividing the maximum opportunity by the volume weighted average price (VWAP) of Company shares traded on the ASX over the 60 trading up to and including the 30 June 2018 ($0.7234). However, the Board may exercise its discretion to award a lower number of Performance Rights than the maximum if it believes it is appropriate due to market conditions.

Performance hurdles for the FY19 LTI award

The Performance Rights will only vest if the performance hurdles are met at the end of a three year performance period, ending on 30 June 2021. There is no retest of the hurdles if they fail the test. Any Performance Rights that do not meet the vesting criteria at the test date will lapse.

Any Performance Rights that vest will become exercisable (at no cost to the CEO) for a period of up to three years from the vesting date. Any Performance Rights that remain unexercised at the end of this period will lapse.

The three (3) independent performance hurdles remain unchanged from FY18 for FY19:

1. 35% of the allocation will have a Relative TSR performance hurdle with an S&P ASX 200 Index comparator group.
2. 35% of the allocation will have a Relative TSR performance hurdle with an S&P ASX 300 Media Index comparator group.

3. 30% of the allocation will have a performance hurdle based on a strategic measure.

Due to the commercial sensitivity of the strategic measure, it will not be disclosed to the market at the current time, but will be disclosed after the test period has finished.

For each of the above Relative TSR hurdles, the percentage of Performance Rights that vest at the end of the performance period will be determined by reference to the following table:

Fairfax's Relative TSR rank	Percentage of Rights That Vest
Below 51st percentile	0%
At the 51st percentile	50%
Between the 51st - 75th percentile	Straight line pro rata vesting between 50% - 100%
At or above the 75th percentile	100%

The Board has chosen the two Relative TSR comparator groups as it believes these 2 measures together will be a reflection of the Company's performance against the market generally but also against its industry peers facing similar structural change.

The Board retains discretion to deem the performance hurdles not met if vesting would otherwise only occur as a result of extraneous factors that do not, in the reasonable opinion of the Board, reflect true Company performance.

Details of the CEO's FY19 STI grant

STI opportunity & performance targets

The CEO has the opportunity to receive an STI award with a maximum of 30% of the Plan Inccentive (which equates to $960,000).

If the merger with Nine does not proceed, any STI award that the CEO becomes entitled to receive will be delivered by a combination of 40% in cash and 60% in Performance Shares following the end of FY19 if annual targets based on Company strategy are met. The targets are set by the Board at the beginning of the financial year.

The FY19 targets are financially based to grow shareholder value over time. They reflect specific accountabilities for the CEO, including achieving the EBITDA targets, identified revenue growth, effective management of costs and other strategic goals to maximise value for shareholders. The specific targets for Mr Hywood for FY19 are commercially sensitive at this time. However, the Company will report on the targets and achievement against them in its 2019 Remuneration Report.

Performance Share deferral periods

Any Performance Shares earned will not be immediately available to the executive. Fifty percent of the earned shares will be deferred for 1 year and the other 50% for 2 years post grant. This further aligns the value to the CEO of the Performance Shares with the Company's share price over the longer term.

Number of Performance Shares

The number of Performance Shares granted (if any) will depend on the value of Fairfax shares after the August 2019 results announcement, and will be determined by dividing 60% of the CEO's STI outcome by the VWAP of Fairfax shares traded over the 5 trading days commencing on the day after the August 2019 results announcement (2019 VWAP).

Because the maximum number of Performance Shares that may be granted is based on the 2019 VWAP, it cannot be determined until after the FY19 results announcement. However, by way of example, if Mr Hywood met all of the set targets for FY19, a maximum of $576,000 (60% of $960,000) would be deferred into equity. If the relevant VWAP over the 5 trading days commencing on the day after the August 2019 results announcement was $1.00, Mr Hywood would receive 576,000 Performance Shares.

Cessation of employment

Unvested Performance Shares and Performance Rights will generally be forfeited or will lapse if Mr Hywood resigns or his employment is terminated for cause. In other circumstances, the unvested awards remain on foot subject to the original performance hurdles (in the case of the Performance Rights) and the relevant deferral period (in the case of Performance Shares) and will be tested in the normal course.

However, the Board has the discretion to lapse or forfeit all or any of the unvested Performance Rights and Performance Shares.

Vested but unexercised Performance Rights will be forfeited if Mr Hywood's employment is terminated for cause, or will remain on foot in other circumstances of cessation of employment. Any vested Performance Rights that remain on foot will be exercisable up to the 1st anniversary of the date of cessation.

Other information provided under ASX Listing Rule 10.15

If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Performance Rights and Performance Shares granted to Mr Hywood and any shares issued pursuant to this approval will not use up part of the Company's 15% placement capacity available under ASX Listing Rule 7.1.

- Mr Hywood is the only Director (or associate of a Director) entitled to participate the Plan.
- In accordance with the approval of shareholders at the 2017 AGM of Mr Hywood's FY18 grant under the Plan, he was granted 3,140,773 Performance Rights under the LTI at no cost.
- In relation to Mr Hywood's short term incentive award for FY18, Mr Hywood is eligible to receive a total STI award of $663,880. Due to the proposed merger with Nine, no Performance Shares have been allocated to Mr Hywood to date.

  If the merger with Nine proceeds, no Performance Shares will be granted to Mr Hywood. Instead the amount that would ordinarily have been delivered to My Hywood by granting Performance Shares will be paid in cash upon Scheme Implementation.

  If the merger does not proceed, Performance Shares will be granted to Mr Hywood at a time to be determined in the future. This may be following the Fairfax Media Half Year Results Announcement in February 2019 using a VWAP of the Fairfax share price in the 5 days commencing on the day after the Half Year Results Announcement to determine the number of Performance Shares that will be granted.
- Any Performance Rights and Performance Shares issued to Mr Hywood under the Plan with shareholder approval are issued at no cost to him as they form part of his remuneration.
- No loans will be made by the Company in relation to the acquisition of securities under the Plan.
- As noted above, it is intended that the Performance Rights and Performance Shares described above will only be awarded to Mr Hywood if the Nine merger does not proceed.

  If the merger does not proceed, it is intended that the Performance Rights will be granted to Mr Hywood shortly after the Fairfax Media Half Year Results Announcement and Performance Shares (if earned) would be allocated shortly after the August 2019 results announcement. In any event, the grant of Performance Rights and allocation of any earned Performance Shares will be no later than 12 months after the 2018 AGM.

The Board (Mr Hywood abstaining) unanimously recommends that shareholders approve Resolution 4.

AGENDA ITEM F
Resolution 5 - Adoption of Remuneration Report

Resolution 5 is supported by the Board

The Remuneration Report, which forms part of the Fairfax 2018 Annual Report (available at www.fairfaxmedia.com.au), sets out the Company's remuneration policies and practices together with details of the remuneration arrangements for the Directors, Chief Executive Officer & Managing Director, and Executive KMP.

At the AGM, shareholders will be given a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Under the Corporations Act, this vote is advisory only and does not bind the Directors or the Company.

A summary of our remuneration practices and incentive plans in place in FY18 is set out below.

Following the end of FY18, Fairfax announced a proposed merger with Nine. Both companies have entered into a Scheme Implementation Agreement with the proposed merger expected to be completed by the end of the 2018 calendar year. The FY18 Remuneration Report relates to FY18 and should be viewed in this manner.

Executives and Board Remuneration in FY18

Key remuneration highlights in FY18 are as follows:

- No Executive KMP received an increase in base pay in FY18
- Executive KMP continued to voluntarily invest 10% of their annual fixed remuneration into the purchase of Company shares.
- Director base pay and Committee fees remained unchanged in FY18.
- During the reporting period the Chairman received additional fees which are reported in the statutory remuneration tables and includes:
    - Additional fees relating to work during the private equity process and separation of Domain.
    - Director fees paid by Domain for his role as Chairman of Domain.
    - Fees paid by Domain for his role as Executive Chairman at Domain following the resignation of its Chief Executive Officer effective from 22 January 2018.

Executive Incentive Plan:

The FY18 Executive Incentive Plan (EIP) remained largely unchanged from FY17. It continued to be heavily weighted towards achieving long-term growth, with a small portion based on the delivery of shorter term objectives. All incentives for Executive KMP were delivered entirely through equity.

The EIP includes Short Term Incentive (STI) and Long Term Incentive (LTI) designed to reward senior executives if they achieve the strategic short term and long term goals for the Company.

To ensure alignment with shareholders, both the STI and LTI in FY18 are awarded in equity using a face value methodology to make the equity allocations. The LTI is normally measured over a three-year period with no re-test. Any STI earned is deferred for a period of 1 - 2 years.

The EIP is heavily weighted towards achieving medium to long term growth, is based on objective measurable goals, and aligns with growth in shareholder value.

Short term incentives: In FY18 for Executive KMP the incentive was focused on the achievement of Group EBITDA targets and successful Domain separation. Short term incentive payments to Executive KMP reflect strong EBITDA performance and the achievement of metrics related to the Separation of Domain.

Long term incentives: Due to the Domain separation, the value of the FY16 Transformation Incentive Options (TIP) Options and FY17 EIP Performance Rights was crystallised and partial vesting occurred. As approved by shareholders at the Scheme meeting on 2 November 2017, 17% of the FY16 Options and 23% of the FY17 Rights vested with the obligation cash settled and paid over 3 equal tranches (post Domain Separation, September 2018 and [September] 2019) subject to continuing employment at the relevant payment dates. The remainder of each grant, 83% of the FY16 Options and 77% of the FY17 Rights, was forfeited.

The FY18 LTI allocation remains in the testing window and none of these Rights were available to vest during the financial year.

The Board unanimously recommends that shareholders approve the adoption of the Remuneration Report.

The Voting Exclusion Statements for Resolutions 4 and 5 are set out in the Notice of Meeting.

ANNEXURE F – NOTICE OF ANNUAL GENERAL MEETING

SHAREHOLDER QUESTION FORM

YOU MAY SUBMIT QUESTIONS TO THE AGM BEFORE THE MEETING DATE

Your questions regarding the Company that are relevant to the Annual General Meeting are important to us. We invite you to use this form to submit any questions that you may have on the:

- financial statements or the business, operations or management of the Company;
- conduct of the audit;
- content of the Auditor's Report; or
- other agenda items.

You may return this form in the reply paid envelope provided, or fax it to +61 2 9287 0309 or you can submit your questions online if you got to www.linkmarketservices.com.au, click on 'AGM Questions' and follow the prompts. All questions must be received by 5:00pm (AEDT) on Monday 12 November 2018. We will attempt to respond to as many of the frequently asked questions as possible at the AGM.

The Chairman will also permit the Auditor to answer written questions submitted to the Auditor.

Shareholder's name

Shareholder's address

Shareholder's email address

Shareholder Reference Number or Holder Identification Number

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Please tick the relevant box: My question/s is/are for the: ☐ Chairman ☐ Auditor

Question/s

Fairfax Media Limited collects this information in order to confirm that you are a shareholder. The information is also provided to Link Market Services who holds Fairfax's share registry. You may access the information about you by contacting Link whose contact details are set out above. If you do not provide the information we will be unable to submit your question to the Chairman or Auditor.

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CORPORATE DIRECTORY

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www.linkmarketservices.com.au
Telephone: 1300 888 062

Financial adviser
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Level 4, 50 Martin Place
Sydney NSW 2000

Legal adviser
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Independent Expert
Grant Samuel & Associates Pty Limited
Level 19, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant
Ernst & Young Transaction Advisory Services Limited
200 George Street
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Greenwoods & Herbert Smith Freehills Pty Ltd
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161 Castlereagh Street
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Auditor
Ernst & Young
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LODGE YOUR PROXY

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X99999999999

PROXY FORM

I/We being a shareholder(s) of Fairfax Media Limited (**Company**) and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am on Monday, 19 November 2018 at the Ground floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolution

	For	Against	Abstain*
1 'That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between Fairfax Media Limited and the holders of its fully paid ordinary shares as contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (without or without modification as approved by the Federal Court of Australia).'	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

FXJ PRX1801A

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on a resolution in accordance with your directions, the Chairman of the Meeting will become your proxy in respect of that resolution. A proxy need not be a shareholder of the Company.

PROXY VOTING BY THE CHAIRMAN OF THE MEETING

On a poll, the Chairman of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chairman of the Meeting sees fit. If the Chairman of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting the Proxy Form you are expressly authorising the Chairman of the Meeting to exercise your proxy on the Resolution.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Saturday, 17 November 2018,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Fairfax Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

Fairfax Media Limited
ABN 15 008 663 161
1 Darling Island Road
Pyrmont NSW 2009

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Fairfax Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 888 062

PROXY FORM

I/We being a member(s) of Fairfax Media Limited (**Company**) and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am (AEDT) (or as soon thereafter following the conclusion of the Scheme Meeting of the Company) on Monday, 19 November 2018 at the Ground Floor, Domain, 55 Pyrmont Street, Pyrmont NSW 2009** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 4 & 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, by completing and submitting this form, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 4 & 5, as he sees fit even though the Resolutions are connected directly or indirectly with the remuneration of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

Resolutions	For	Against	Abstain*
1 Re-election of Mr Nick Falloon as a Non-executive Director of the Company			
2 Re-election of Mr Jack Cowin as a Non-executive Director of the Company			
3 Re-election of Mr James Millar as a Non-executive Director of the Company			
4 Grant of Performance Shares and Performance Rights to the Chief Executive Officer & Managing Director of Fairfax under the Fairfax Executive Incentive Plan for FY2019			
5 Adoption of Remuneration Report			

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. If you leave this section blank, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the Chairman's stated voting intentions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses, subject to any voting restrictions that apply to the proxy. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

If you are entitled to cast two or more votes at the Meeting, you are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

VOTING RESTRICTIONS FOR MEMBERS OF KMP

Please note that if you appoint a member of the KMP (other than the Chairman of the Meeting) or one of their closely related parties (such as spouses, dependents and controlled companies) as your proxy, they will not be able to vote your proxy on Resolutions 4 & 5, unless you direct them how to vote by marking a voting box in Step 2. If the Chairman of the Meeting is or becomes your proxy for Resolutions 4 & 5, but you do not mark a voting box for the relevant Resolution, then by completing and submitting the Proxy Form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy on the relevant Resolutions as he thinks fit, even though the Resolution is connected with the remuneration of the KMP.

SIGNING INSTRUCTIONS

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BY MAIL
Fairfax Media Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX
+61 2 9287 0309

BY HAND
delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.