

Sydney, 22 December 2014

Media release

Merger: Macquarie Radio Network and Fairfax Radio Network

Macquarie Radio Network Limited [ASX:MRN] (**MRN**) together with Fairfax Media Limited [ASX:FXJ] (**Fairfax**) today announced they have entered into a merger implementation agreement (**MIA**) to unite their respective radio businesses. A summary of the key terms of the MIA is attached to this announcement.

MRN will acquire 100% of the share capital of Fairfax Radio Network Pty Limited (**FRN**) in exchange for the issuance of new MRN ordinary shares to Fairfax and an equalising cash payment of approximately \$18 million based on the net debt positions of FRN and MRN at completion. On completion of the transaction, existing MRN shareholders will hold 45.5%, and Fairfax will hold the remaining 54.5% of the fully diluted MRN ordinary shares on issue.

The proposed 'merger of equals' brings together Australia's leading news-talk radio operations which occupy number one overall ratings' positions in Sydney (MRN'S 2GB) and Melbourne (Fairfax's 3AW). The joint venture will also consolidate the operations of an additional five radio stations across Australia: 2UE (Sydney), Magic 1278 (Melbourne), 4BC (Brisbane), Magic 882 (Brisbane) and 6PR (Perth). As part of the transaction and due to regulatory requirements, MRN will seek to divest 2CH and Macquarie Regional Radio network. The transaction does not include FRN's 96FM (Perth) station.

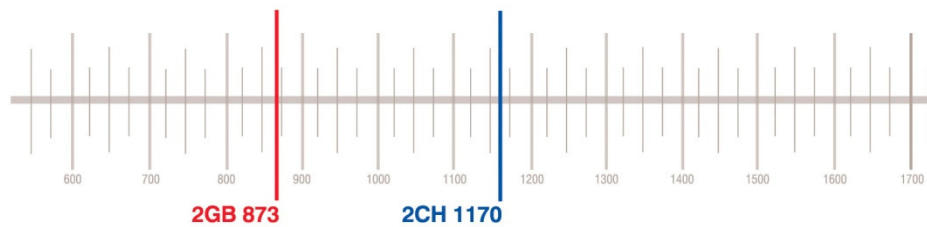
Russell Tate, currently Executive Chairman and CEO of MRN, will head the merged operations as Executive Chairman for an interim 12 months supported by Adam Lang, currently FRN's Managing Director, who will be appointed Chief Operating Officer. In addition to Tate, the Board of Directors will comprise a second MRN nominee, two Fairfax nominees, and one Independent Director.

Tate commented that "the combination of the two networks will unlock significant cost and revenue synergies, and provide national advertisers with ease of access to the increasingly important 45 - 69 year demographic which all seven stations in the combined group attract."

John Singleton, currently the major shareholder of MRN, said: "Joining forces is a win for both MRN and FRN. Radio was the world's first form of social media, and the only one I understand."

Approval of the transaction by MRN shareholders is required under the Corporations Act and ASX Listing Rules. Shareholders will receive an Explanatory Memorandum, including a Notice of Meeting and Independent Expert's Report, for an Extraordinary General Meeting expected to be held in March 2015.

The proposed transaction is subject to a number of other conditions precedent, which will be detailed in the Explanatory Memorandum that accompanies the Notice of Extraordinary General Meeting. For example, the transaction remains subject to certain regulatory approvals. The transaction is expected to complete around March 2015 pending the satisfaction of the conditions.



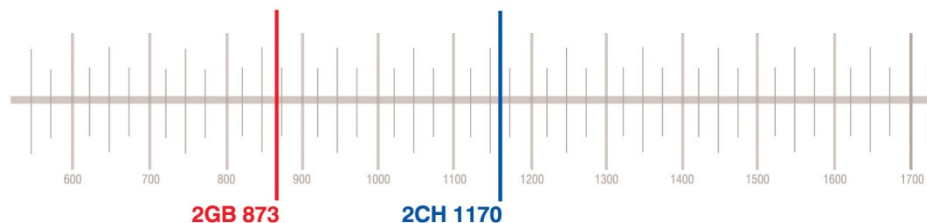
Each of MRN's directors intends to recommend that MRN shareholders vote in favour of the proposed transaction at the Extraordinary General Meeting, subject to no superior proposal being received.

Each of John Singleton and Mark Carnegie has indicated that, as the major shareholder and a substantial shareholder, respectively, they will support the proposed transaction and vote in favour of it at the upcoming Extraordinary General Meeting, assuming the various conditions in the MIA are satisfied, the Independent Expert determining that the proposed transaction is in the interests of all shareholders and no superior proposal is received.

MRN is being advised by M. H. Carnegie & Co., Minter Ellison, Gilbert + Tobin and KPMG. Fairfax is being advised by Macquarie Capital, Herbert Smith Freehills and McGrathNicol.

Kate Thompson

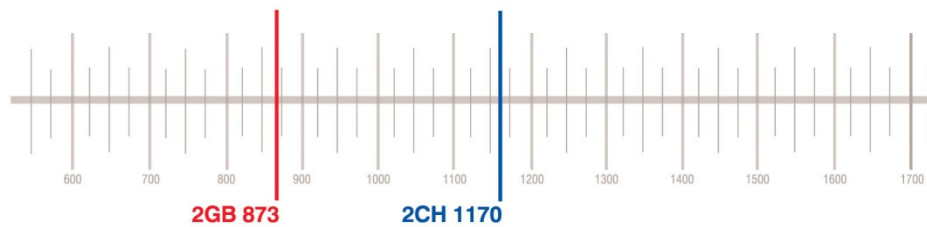
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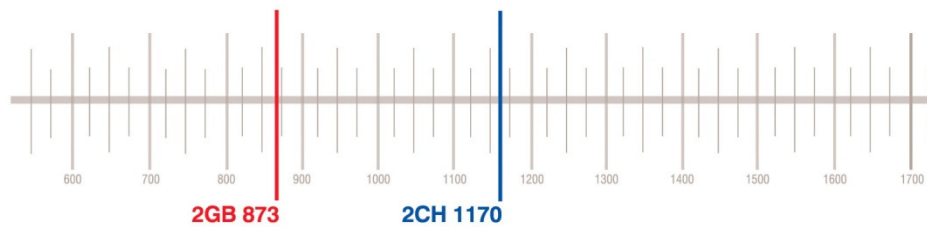
Attachment - Key Terms of the MIA

MRN and Fairfax entered into the MIA on 21 December 2014. The MIA sets out the obligations of the parties in connection with the proposed transaction described below, as well as the conditions and other key terms. The table below summarises the key terms of the MIA (which will be described in more detail in the Explanatory Memorandum accompanying the Notice of Meeting that will be sent to MRN shareholders).

| Topic | Summary |
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| Outline of proposed transaction | MRN will acquire 100% of the share capital of FRN in exchange for the issuance of 93,196,512 new MRN ordinary shares to Fairfax and an equalising cash payment of approximately \$18 million (subject to standard working capital and net debt-related post-completion adjustments). |
| Conditions precedent | <p>The implementation of the transaction is subject to a number of conditions precedent including:</p> <ul style="list-style-type: none"> • approval from the Australian Communications and Media Authority (ACMA) and no objection or action from the Australian Competition and Consumer Commission; • approval by MRN shareholders pursuant to section 611, item 7 of the Corporations Act of the acquisition by Fairfax of MRN ordinary shares as part of the scrip consideration (MRN Shareholder Resolution); • no material adverse change to the business, assets, liabilities, financial or trading position, profitability or prospects of either the MRN (and its related bodies corporate) (MRN Group) or FRN (and its related bodies corporate) (FRN Group), each taken as a whole, occurs, or is reasonably likely to occur prior to the completion date under the MIA; • no "prescribed occurrence" in relation to MRN Group (except Macquarie Regional Radio and Radio 2CH) or FRN Group prior to the completion date under the MIA; • no temporary restraining order, preliminary or permanent injunction or other order is issued by any court or government agency preventing or delaying the transaction; • completion of the sale of 100% of the shares in Radio 96FM to an entity that is not an FRN subsidiary; and • the businesses of MRN and FRN (and their respective subsidiaries) are conducted materially in the ordinary course, and in particular, MRN and FRN (and their respective subsidiaries) do not agree or commit to do certain specified actions. |
| Termination | <p>Either party may terminate the MIA if the conditions precedent are not satisfied or waived by 30 April 2015 (End Date).</p> <p>Fairfax may terminate the MIA at any time before completion if:</p> <ul style="list-style-type: none"> • any member of the MRN Board fails to recommend the transaction or any member of the MRN Board withdraws, adversely revises or adversely modifies his or her recommendation that MRN shareholders vote in favour of the MRN Shareholder Resolution; or |



| Topic | Summary |
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| | <ul style="list-style-type: none"> any member of the MRN Board makes a public statement indicating that they no longer recommend the transaction or recommending, supporting or endorsing another transaction (including any competing proposal). |
| Exclusivity – no shop and no talk | <p>'No shop'</p> <p>MRN and its related persons must not, during the period from signing until the earlier of termination, completion or the End Date (Exclusivity Period), solicit any competing offer or proposal from any other person to:</p> <ul style="list-style-type: none"> directly or indirectly acquire a relevant interest in or have a right to acquire a legal, beneficial or economic interest in, or control of, 15% or more of MRN shares; acquire control of MRN; directly or indirectly acquire a relevant interest in or have a right to acquire a legal, beneficial or economic interest in, or control of, all or a material part of MRN's business or assets or the business or assets of MRN and its related bodies corporate; otherwise directly or indirectly acquire or merge with MRN; or require MRN to abandon, or otherwise fail to proceed with the transaction, <p>(Competing Proposal).</p> <p>'No talk'</p> <p>MRN must not, during the Exclusivity Period:</p> <ul style="list-style-type: none"> consider, participate in or continue any negotiation with respect to any inquiry, offer or proposal to make, or that would lead to the making of a Competing Proposal; or disclose any non-public information about the business or affairs of the MRN Group to a third party (other than a government agency) with a view to obtaining, or which would reasonably be expected to lead to the receipt of a Competing Proposal. <p>'Fiduciary exception'</p> <p>The 'no talk' restrictions outlined above do not prohibit any action or inaction by MRN or any of its related persons in relation to an actual, proposed or potential Competing Proposal if compliance would, in the opinion of the MRN Board formed in good faith after receiving written advice from its legal advisors, constitute or would be likely to constitute a breach of any of the fiduciary or statutory duties of the directors of MRN, provided that the Competing Proposal was not brought about by a breach of the 'no shop' restriction.</p> <p>'Notification of approaches'</p> |



| Topic | Summary |
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| | <p>During the Exclusivity Period, MRN must as soon as possible (but within 2 business days) notify Fairfax:</p> <ul style="list-style-type: none"> • if it becomes aware of any negotiations or approaches or expressions of interest in relation to a Competing Proposal; or • of the provision by MRN of any non-public information about the business or affairs of the MRN Group to a third party (other than a government agency) in connection with a Competing Proposal. <p>'Matching right and superior proposal'</p> <p>During the Exclusivity Period, MRN must not enter into any legally binding agreement, arrangement or understanding pursuant to which MRN, a third party or both proposes to give effect to a Competing Proposal and must use its best endeavours to procure that none of its directors change their recommendation in favour of the transaction to publicly recommend a Competing Proposal or against the transaction, unless:</p> <ul style="list-style-type: none"> • if the MRN Board, acting in good faith and in order to satisfy what the members of the MRN Board consider to be their statutory or fiduciary duties, determines that the Competing Proposal would be or would be likely to a superior proposal; • MRN has provided Fairfax with the material terms and conditions of the Competing Proposal (including price); and • MRN has given Fairfax at least 4 business days after the provision of such information to provide a matching or superior proposal and Fairfax has not announced a matching or superior proposal by the expiry of the 4 business days. |
| Divestment of Radio 2CH and Macquarie Regional Radio | Following completion under the MIA but within the period specified by the ACMA, MRN must, if required by the ACMA, take all reasonable, necessary and appropriate steps to divest MRN's ownership interest in Radio 2CH and Macquarie Regional Radio or effect such other transaction or take such other actions as the ACMA otherwise requires. |
| Warranties and indemnities | The MIA contains warranties and indemnities given by MRN and Fairfax that can be considered customary for an agreement such as the MIA. |
| Transition Services Agreement | The parties must negotiate in good faith and use all reasonable endeavours to agree the terms and conditions under which Fairfax and its related bodies corporate (other than FRN Group) and the FRN Group will provide shared support to each other commencing on completion on an ongoing basis until such time as the Transitional Services Agreement is terminated. |
| Trade Mark Licence | Fairfax must grant MRN, MRN Group and FRN Group a licence to use certain Fairfax trade marks for a period of 6 months after completion. |