



MERGER OF FAIRFAX RADIO NETWORK AND MACQUARIE RADIO NETWORK

FAIRFAX SALE OF 96FM TO APN

SYDNEY, 22 December 2014: Fairfax Media Limited [ASX:FXJ] (**Fairfax**) today announced that it would merge its Fairfax Radio Network (**FRN**) (excluding 96FM) with Macquarie Radio Network Limited [ASX:MRN] (**MRN**), resulting in Fairfax receiving approximately \$18 million of cash following completion and a 54.5% shareholding in an enlarged MRN, which will remain a listed entity.

The merger is expected to unlock significant value. Fairfax will be the majority shareholder in a stronger national radio network, including the leading News, Talk and Sport stations in Sydney and Melbourne.

The merger remains subject to MRN shareholder and regulatory approval and satisfaction of other customary conditions.

Fairfax has at the same time also entered into an agreement to sell its Perth-based 96FM to APN News & Media Limited [ASX, NZX:APN] (**APN**) for cash consideration of approximately \$78 million.

The two transactions once completed will result in Fairfax receiving approximately \$96 million of cash in total.

FRN/MRN Merger

Fairfax and MRN have entered into a merger implementation agreement (MIA) to consolidate FRN and MRN. MRN will acquire 100% of the shares of FRN. The transaction will result in Fairfax receiving shares in MRN and an equalising cash payment based on the prospective debt positions of FRN and MRN. On completion of the transaction Fairfax will own 54.5% of MRN with existing MRN shareholders owning 45.5%. The transaction does not include FRN's 96FM (Perth).

The transaction will consolidate the operations of FRN/MRN metropolitan talk and music stations across Australia, including 2GB and 2UE in Sydney, 3AW and Magic 1278 in Melbourne, 4BC and Magic 882 in Brisbane, and 6PR in Perth. MRN will divest its 2CH station and Macquarie Regional Radio network to comply with regulatory requirements of the merger. The transaction is subject to MRN shareholder approval. The transaction is expected to be complete in March 2015.

A summary of the key terms of the MIA is attached to this announcement.

Fairfax Chief Executive Officer and Managing Director Greg Hywood said: "This is a compelling transaction for both Fairfax and MRN. The merger creates a genuine national Talk radio network that was not previously available to advertisers. The

merger provides both cost and revenue synergies from enhanced network and sales opportunities that will create a more efficient and effective network for News, Talk and Sports radio along with music stations.

“The merger brings together the greatest mix of talkback talent ever assembled in a single radio network. Leading presenters engage listeners with an unprecedented quality and diversity of commentary, entertainment and sport coverage,” Mr Hywood said.

The Board of the combined entity will consist of five Directors, including MRN’s Executive Chairman and Chief Executive Officer Russell Tate as Executive Chairman, two Fairfax nominees, one further MRN nominee, and one Independent Director.

The combined entity will be led by Mr Tate as Executive Chairman for an interim 12-month period, with FRN Managing Director Adam Lang appointed Chief Operating Officer.

Sale of 96FM to APN

Fairfax has simultaneously entered into an agreement to sell 96FM to APN for approximately \$78 million. The transaction is subject to Foreign Investment Review Board approval and is expected to complete in February 2015.

Mr Hywood said: “In considering the MRN transaction, Fairfax considered it appropriate to accept a compelling offer for our Perth music station 96FM from APN.

“The station is a strong strategic fit with APN and we believe they are the natural owners of this station for the future.”

– ENDS –

Contact:

Brad Hatch
Director of Communications
+61 2 9282 2168

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
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>

Topic	Summary
	<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 • 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).
<p>Exclusivity – no shop and no talk</p>	<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.

Topic**Summary****'Fiduciary exception'**

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.

'Notification of approaches'

During the Exclusivity Period, MRN must as soon as possible (but within 2 business days) notify Fairfax:

- 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.

'Matching right and superior proposal'

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:

- 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.

Topic	Summary
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.