



ASX / MEDIA RELEASE

3 July 2007, Sydney

MACQUARIE MEDIA GROUP ^{TM1} AND FAIRFAX MEDIA LIMITED

MACQUARIE MEDIA GROUP AND FAIRFAX MEDIA ANNOUNCE AGREEMENTS TO ACQUIRE THE ASSETS OF SOUTHERN CROSS BROADCASTING

Macquarie Media Group (MMG) and Fairfax Media Limited (Fairfax Media) today announce a proposal to acquire Southern Cross Broadcasting (Australia) Limited (Southern Cross). MMG, through a wholly owned special purpose acquisition vehicle, is proposing to acquire all of the shares in Southern Cross through a Scheme of Arrangement proposed by Southern Cross. MMG and Fairfax Media have entered into an arrangement which contemplates, following completion of the Scheme of Arrangement, Fairfax Media acquiring Southern Cross' radio business, Southern Star, Satellite Music Australia and other associated businesses. MMG will retain Southern Cross' regional television operations (Southern Cross TV) and associated businesses.

TRANSACTION HIGHLIGHTS

MMG through a wholly owned special purpose acquisition vehicle to acquire 100% of Southern Cross through a Scheme of Arrangement

Southern Cross shareholders will receive \$17.41 cash per Southern Cross share, which includes a \$0.36 per share fully franked special dividend

In addition to the total consideration of \$17.41 per share, Southern Cross shareholders will also receive a fully franked dividend of \$0.37 per share for the half year ended 30 June 2007 that the Southern Cross board intends to declare in due course

Arrangement between MMG and Fairfax Media for Fairfax Media to acquire Southern

¹ Trade mark of Macquarie Bank Limited.

Macquarie Media Management Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and Macquarie Media Management Limited's obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("MBL"). MBL provides a limited AUD5,000,000 guarantee as required by the Australian Securities and Investments Commission in respect of Corporations Act obligations of Macquarie Media Management Limited as a responsible entity of a managed investment scheme. MBL does not otherwise guarantee or provide assurance in respect of the obligations of Macquarie Media Management Limited, the performance of funds managed by Macquarie Media Management Limited or the repayment of capital

Cross' radio business including metropolitan radio stations in Sydney, Melbourne, Brisbane, and Perth, television production business Southern Star, Satellite Music Australia and the Southern Cross View digital media businesses, on completion of the Scheme of Arrangement

MMG retains Southern Cross' regional television operations (Southern Cross TV) and associated businesses

The proposal provides full and fair value for Southern Cross shareholders

- 20.2% premium to Southern Cross' closing share price of \$14.49 on 16 November 2006 (the day before MMG announced its acquisition of a strategic stake which resulted in an increase in the Southern Cross share price of 7.7% on 17 November 2006); and
- 29.8% premium to Southern Cross' three month VWAP to 16 November 2006 of \$13.41 (excluding the acquisition of MMG's strategic stake)

The proposal is unanimously supported by the Directors of Southern Cross

MMG currently holds a 13.8% interest in Southern Cross, which it acquired in November 2006.

Under the proposal, Southern Cross shareholders will receive \$17.41 cash per Southern Cross share, which includes a \$0.36 per share fully franked special dividend. In addition to the total consideration of \$17.41 per share, Southern Cross shareholders will also receive a fully franked dividend of approximately \$0.37 per share for the half year ended 30 June 2007 that the Southern Cross board intends to declare in due course. The transaction implies an enterprise value for Southern Cross of approximately \$1.35 billion.

"The acquisition proposal delivers immediate value to Southern Cross shareholders and provides them with highly attractive consideration for their shares, in addition to maximising franking credits for shareholders," said Mr Alex Harvey, Managing Director of MMG.

Mr Ronald Walker, Chairman of Fairfax Media, said, "MMG and Fairfax Media are the best placed in the media industry to propose this acquisition, and we are the best stewards for these assets. This proposal maximises the value to Southern Cross shareholders."

The directors of Southern Cross unanimously support the proposed Scheme of Arrangement. They recommend that Southern Cross shareholders vote in favour of the scheme in the absence of a superior proposal and subject to receiving an opinion from the independent expert retained by Southern Cross that the scheme is in the best interests of Southern Cross shareholders.

Southern Cross Board members intend to vote in favour of the proposal at the Extraordinary General Meeting on this basis.

Attractive Premium for Southern Cross Shareholders

The offer of \$17.41 per Southern Cross share represents:

- 20.2% premium to Southern Cross' closing share price of \$14.49 on 16 November 2006 (the day before MMG announced its acquisition of a strategic stake which resulted in an increase in the Southern Cross share price of 7.7% on 17 November 2006);
- 29.8% premium to Southern Cross' three month VWAP to 16 November 2006 of \$13.41 (excluding the acquisition of MMG's strategic stake); and
- 8.8% premium to Southern Cross' closing share price of \$16.00 on 29 June 2007.

The enterprise value implied by the proposal represents a multiple of 12.8 times Southern Cross' FY2007 normalised EBITDA (excluding Channel Nine Adelaide's contribution to EBITDA and licence fee rebates and including share of profits from associates). This represents an attractive multiple of Southern Cross' earnings and is comparable to the multiples implied by other recent control transactions in the Australian media sector.

Arrangement between MMG and Fairfax Media

MMG and Fairfax Media have entered into an arrangement which contemplates that following completion of the Scheme of Arrangement, Fairfax Media will acquire Southern Cross' radio business, Southern Star, Satellite Music Australia, Southern Cross Syndication, the Southern Cross View digital media businesses and Tricom.

In addition, MMG has conditionally agreed to acquire nine commercial radio broadcast licences serving five regional licence areas in South Australia and Queensland and the related narrowcast licences serving these States, currently majority owned by Fairfax Media.

The net consideration for these sale and purchase transactions is expected to be approximately \$480 million to be paid in cash. The sale and purchase transactions are conditional on the successful completion of the Southern Cross Scheme of Arrangement and required regulatory approvals.

Management and Employees

MMG and Fairfax Media have great respect for the depth of the Southern Cross management team. MMG and Fairfax Media will draw on the significant management expertise of both their existing businesses and Southern Cross to ensure that the complementary businesses and cultures are integrated and operated effectively. The

key business line responsibilities are expected to be largely unchanged, however final decisions regarding the structure of the businesses will be announced following completion of the Scheme of Arrangement.

Benefits of Proposed Acquisition for MMG Security Holders

Macquarie Regional Radioworks and Southern Cross TV are highly complementary businesses. The combined group will create Australia's leading regionally focused media business reaching a potential audience of approximately 7.5 million or 95% of Australia's population outside the mainland State capital cities.

"This acquisition meets MMG's strict investment criteria. Southern Cross TV is a strong business with stable cash flows, strong market positions and the potential for business improvements as the skills and commitment of the employees are leveraged across MMG's combined regional media assets," Mr Harvey said.

"Southern Cross provides television broadcasts in approximately 80% of the regions in which Macquarie Regional Radioworks operates. MMG is excited about increasing its commitment to these regional areas and continuing to provide outstanding local news, entertainment and advertising services to Australians who live outside the capital cities. The combined business will be able to offer its advertising clients unparalleled audience reach and access to innovative promotional and marketing strategies."

The proposed acquisition is expected to have a number of benefits for MMG security holders including:

- Earnings diversification resulting from exposure to the Australian regional television market and an expanded base of local and national advertising clients;
- Long term growth from expanded advertising platform and business improvements;
- Improved position with national advertisers due to expansion of the population covered by MMG's Australian media assets; and
- Increased exposure to some of Australia's fastest growing regions on the east coast of Australia.

MMG's total consideration for the Southern Cross assets before transaction costs is approximately \$820 million (including \$165 million paid for its strategic stake in November 2006), implying a multiple of 12.8 times the FY2007 earnings of the Southern Cross TV (excluding licence fee rebates) and other businesses acquired by MMG. Further MMG has agreed to pay Fairfax Media \$40 million to acquire its regional commercial and narrowcast radio licences. The acquisition is expected to be

distribution per security accretive based on estimated pro forma earnings for the year ended 30 June 2007 including pro forma synergies.²

Benefits of Proposed Acquisition for Fairfax Media Shareholders

“Our proposed acquisition of the metropolitan radio and video assets of Southern Cross is a meaningful expansion of Fairfax Media’s businesses and our leadership position in key markets in both content and distribution,” Mr Walker, said.

“It builds on our achievements – our merger with Rural Press, the acquisition of Trade Me, our publishing business in New Zealand, and our strong success online in Australia – in extending Fairfax Media’s growth in publishing, digital and electronic media.”

“This transaction is earnings positive for our shareholders, and will contribute to Fairfax Media’s future growth.”

Mr David Kirk, CEO of Fairfax Media, said “Our proposed acquisition is a strategic extension for Fairfax Media into metropolitan radio and video production. It will enhance our position across all distribution channels.”

“The metro radio business offers synergies to Fairfax Media. It provides promotional benefits in Sydney and Melbourne, and assists, via the stations in Brisbane and Perth, the national reach and effectiveness of all of Fairfax Media’s news and classified internet platforms.”

“The video entertainment properties will be important drivers for the next wave of growth in our digital businesses.”

“Video entertainment will become increasingly key to online businesses in the future, even as they continue to serve television and pay TV distribution platforms and give us an active presence in those media.”

“Financially, the acquisition (post cost synergies) is earnings per share accretive and meets our investment criteria for returns.”

Funding of the Scheme of Arrangement

MMG will fund the purchase price for the Southern Cross shares it does not currently own, the retirement of the existing Southern Cross debt facilities and associated transaction costs from the following sources:

² Pro forma distribution per security assuming MMG’s estimates of Southern Cross’ earnings for the year ending 30 June 2007, with full synergies achieved in the first 12 months, after funding costs and excluding non-recurring restructuring and one-off costs associated with the transaction.

- Senior debt facility totalling approximately \$940 million secured against the combined assets of Southern Cross TV and Macquarie Regional Radioworks (with net proceeds of approximately \$633 million after the refinance of Macquarie Regional Radioworks' existing debt facilities);
- Bridge debt facility totalling approximately \$153 million which will be repaid within an 18 month period utilising the proceeds from the sale of certain assets which are required to be divested following MMG obtaining control of Southern Cross TV (see "Regulatory Approvals" below for further details), or other options including a potential refinance of Taiwan Broadband Communications; and
- Proceeds from the sale of Southern Cross' radio business, Southern Star and associated businesses to Fairfax Media for estimated net consideration of \$480 million.

MMG does not anticipate undertaking an equity raising to fund the acquisition of Southern Cross.

Fairfax Media funding for the acquisition will initially be financed from debt facilities and cash at bank. Fairfax Media may consider using the Dividend Reinvestment Plan to reduce debt levels post this transaction.

Regulatory Approvals

The proposed acquisition is conditional on MMG receiving approval from the Australian Communications and Media Authority (ACMA) for temporary contraventions of the ownership and control restrictions set out in the Broadcasting Services Amendment (Media Ownership) Act. To support the application for ACMA approval MMG proposes to enter into undertakings with ACMA to divest certain assets within an agreed timeframe.

Twelve regional radio licence areas will be impacted by the media diversity rule as a result of MMG's proposed acquisition of Southern Cross TV. These licence areas together accounted for less than 7.5% of Macquarie Regional Radioworks' FY2006 EBITDA. MMG will work with the management of these assets to ensure that any impact of divestment is minimised, they are divested as going concerns and that we are able to extract maximum value for MMG's security holders.

MMG's acquisition of the commercial radio licences from Fairfax Media may also lead to contraventions of the rules mentioned above. During completion of the Scheme of Arrangement, MMG will make appropriate arrangements, including seeking ACMA approval for such contraventions. The proposed acquisition is also conditional on clearance from the Australian Consumer and Competition Commission (ACCC). The ACCC has been consulted regarding the acquisition.

Terms of Merger Implementation Agreement and Anticipated Timing

MMG and Southern Cross have entered into a Merger Implementation Agreement, under which they have agreed to proceed with the proposal by way of a Scheme of Arrangement which is expected to be completed in October 2007. Implementation of the proposal is conditional on the satisfaction of a number of conditions precedent including the approval of Southern Cross shareholders at a vote anticipated to be held at an Extraordinary General Meeting in October 2007. MMG and its associates will not be able to vote their 14.46% shareholding in Southern Cross at the Southern Cross Extraordinary General Meeting.

It is expected that the Scheme Booklet (including an Independent Expert's Report) and notice of Extraordinary General Meeting will be sent to Southern Cross shareholders in September 2007.

The key terms of the Merger Implementation Agreement (including break fee arrangements) are summarised in the ASX statement from Southern Cross.

Shareholder Information

Further information on the proposal will be lodged with the ASX and included on MMG's website at www.macquarie.com.au/mmg. MMG security holders with further questions on the acquisition proposal should contact MMG's investor relations team on 1800 811 745 from within Australia or +612 8232 9440 from outside Australia.

Fairfax Media shareholders should contact Fairfax Media's investor relations team on +612 9282 3846.

Macquarie Bank Limited is acting as financial adviser to MMG, and Clayton Utz is acting as MMG's legal adviser. Lazard is acting as financial adviser to Fairfax Media, and Freehills is acting as Fairfax Media's legal adviser.

Analyst Briefing

Date: Tuesday, 3 July 2007

Time: 12.00 pm Australian Eastern Standard Time

Teleconference access numbers are:

Freecall Australia - 1800 268 165

Freecall UK - 0808 234 1416

Freecall New Zealand - 0800 450 782

Freecall Hong Kong - 800 964 227

Freecall USA - 1866 207 8735

Freecall Singapore - 800 616 311

Metered access - 612 9696 0679

For further information, please contact:

Macquarie Media Group

Investor Enquiries

Clare Battellino

Tel: (61 2) 8232 8059

Mob: (61) 412 646 386

Email: clare.battellino@macquarie.com

Media Enquiries

Karen Halbert

Tel: (61 2) 8232 6755

Mob: (61) 412 119 389

Email: karen.halbert@macquarie.com

Fairfax Media

Investor Enquiries

Frank Sufferini

Tel: (61 2) 9282 3846

Mob: (61) 416 241 501

Email: fsufferini@fairfaxmedia.com.au

Media Enquiries

Bruce Wolpe

Tel: (61 2) 9282 3640

Mob: (61) 412 259 276

Email: bwolpe@fairfaxmedia.com.au