UNSOLICITED NON-BINDING INDICATIVE PROPOSAL FROM TPG CONSORTIUM

SYDNEY, 8 May 2017: Fairfax Media Limited (**Fairfax or Company**) (ASX:FXJ) on the evening of Friday, 5 May 2017 received an unsolicited, preliminary, non-binding indication of interest from a consortium including TPG Group (**TPG**) and Ontario Teachers' Pension Plan Board (together with its affiliates, **OTTP**) (collectively, the **TPG Consortium**) to acquire Fairfax for a combination of cash and scrip consideration in a newly listed vehicle (**Indicative Proposal**).

The effect of the Indicative Proposal, if implemented, would be for the TPG Consortium to acquire Domain, Australian Metro Media, Events and Digital Ventures (excluding Stan) for cash consideration of $0.95 per share; while existing Fairfax shareholders would retain 100% of Australian Community Media, New Zealand Publishing, and shareholdings in Macquarie Media Limited and Stan, through a distribution to them of scrip in a listed vehicle containing those businesses and the existing Fairfax net indebtedness.

The key terms of this Indicative Proposal are summarised in Appendix A of this announcement.

The Indicative Proposal is subject to a number of conditions, including due diligence, shareholder approval at the Fairfax scheme meetings which would be required to implement the Indicative Proposal, and obtaining requisite regulatory approvals, including Foreign Investment Review Board (FIRB) approval.

The Fairfax Board of Directors is reviewing the Indicative Proposal. The Fairfax Board notes that there is no certainty that the Indicative Proposal is capable of being implemented given the complexity involved in splitting the businesses. This proposed split of businesses may not optimise shareholder value.

Fairfax shareholders do not need to take any action in response to the Indicative Proposal and the Fairfax Board will update shareholders when it has been fully assessed.

There is no certainty the Indicative Proposal will result in an offer for Fairfax, what the terms of any offer would be, or whether there will be a recommendation by the Fairfax Board.

Regardless of any potential proposal, the Fairfax Board believes that Fairfax has a very attractive future and that the Company is well positioned to continue to deliver shareholder value. Fairfax is continuing to progress the announced potential separation of Domain Group.

Macquarie Capital and Herbert Smith Freehills are advising Fairfax.

– ENDS –

Contacts:

Brad Hatch
Director of Communications
+61 2 9282 2168

APPENDIX A – Summary of the TPG Consortium's Indicative Proposal

KEY TERMS

- Consideration under the TPG Consortium's Indicative Proposal comprises:
  - $0.95 in cash (**Cash Consideration**); and
  - One share in a newly listed company (described by the TPG Consortium as "**New Media Co**"), which the TPG Consortium has valued at $0.25 - $0.30 per share (**Scrip Consideration**)
- New Media Co would be created by demerging and listing the following existing Fairfax assets: Australian Community Media, New Zealand Media, Macquarie Media and Stan
- The Indicative Proposal would be executed via two inter-conditional schemes of arrangement which would implement:
  - The demerger and listing of New Media Co, containing Australian Community Media, New Zealand Media, shareholdings in Macquarie Media and Stan, and the existing Fairfax net indebtedness; and
  - The 100% acquisition of Fairfax, which would comprise at that time of only Domain Group, Australian Metro Media, Events and Digital Ventures (excluding Stan) (described by the TPG Consortium as "**Domain Co**")
- New Media Co would be separately listed on the ASX
- The TPG Consortium propose to fund the Cash Consideration through a combination of equity (to be provided by the TPG Consortium) and debt. The level of acquisition indebtedness has not been specified

KEY ASSUMPTIONS

The Indicative Proposal is based on a number of key assumptions, including:

- Domain Co
  - Domain FY17 EBITDA of $115m, described as being based on broker consensus
  - Australian Metro Media, Events and Digital Ventures combined FY17 EBITDA of $34m, described as being based on broker consensus
  - The TPG Consortium acquires Domain Co on a cash-free/debt-free basis
  - Inclusion of corporate costs attributable to Domain Co (assumed quantum not specified)
- New Media Co assumptions
  - All financial indebtedness of Fairfax is transferred to New Media Co
  - No assumptions underlying the TPG Consortium's valuation for New Media Co have been provided

KEY CONDITIONS

- Final approval of each TPG Consortium member following satisfactory completion of a period of due diligence
- Requisite regulatory approvals, including approval from the Australian Foreign Investment Review Board
- Unanimous recommendation of the Fairfax Board of the Indicative Proposal, in the absence of a superior proposal and subject to an independent expert concluding that the Indicative Proposal is in the best interests of shareholders
- Agreeing a Demerger Scheme Implementation Deed
- Agreement of mutual facilitation arrangements to govern the implementation of the Indicative Proposal
- Deal protection mechanisms, including exclusivity arrangements, no-shop, no-talk, matching rights and break fee arrangements
- Other terms, including no material adverse change (to Fairfax or financial markets), no Fairfax distributions or material transactions, requisite regulatory approvals and third party consents