Macquarie Media Management Limited
A Member of the Macquarie Group of Companies
ABN 16 115 524 019
AFS Licence No. 292297

Macquarie Media Holdings Limited
ABN 91 116 024 536

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MACQUARIE

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Macquarie Media Group TM[1] – Announcement of Significant Buyback

On 29 October 2008, Macquarie Media Group (MMG) announced that it was undertaking a Capital Management Review. MMG today announces the results of that Review and provides an operational update.

Overview

The Board and management of MMG have decided on the following actions:

- An on-market buyback of up to 10% of MMG stapled securities and intention to seek security holder approval for an additional buyback of up to A$50m of MMG securities;
- Retaining the A$325m cash on hand (equivalent to A$1.51 per stapled security) to ensure maximum flexibility for the potential future re-financing of debt facilities;
- Revising the distribution policy to fund the buyback and build further cash on hand:
    - The distribution for the period to 31 December 2008 will be 4.5 cents per stapled security, approximating the interest income earned on cash deposits held by MMG less corporate overheads;
- Using American Consolidated Media's (ACM) current cash on hand and future cash earnings to pay down existing debt ahead of the current maturity dates; and
- Funding future Macquarie Southern Cross Media (MSCM) growth capital expenditure substantially from operating cash flows.

Mr Max Moore-Wilton, Chairman of MMG, said "MMG is confident that the steps outlined today will position the Group with the right capital structure and balance sheet through the economic cycle, supporting the long-term growth of our business."

[1] Trade mark of Macquarie Group Limited

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Supplementary Information

Capital Management and Balance Sheet Strength

Mr Moore-Wilton said that “The announcement of a buyback of MMG securities reinforces our belief in the value of MMG’s businesses. Given the level of MMG’s recent security price, acquiring our own stock is an attractive strategy for MMG and reflects our confidence in our Australian operations. It is unlikely that any external acquisitions would offer a level of return at least equivalent to that we believe to be available from a buyback”.

MMG will commence with an immediate on-market buyback of up to 10% of MMG’s securities and in early 2009 intends to seek security holder approval at an Extraordinary General Meeting for an additional buyback of up to A$50m of MMG securities.

“We are aware of the significant impact of the decline in MMG’s security price and the value our security holders place on distributions; however, retaining the A$325m cash and the majority of operating cash flows enables MMG to fund this buyback whilst ensuring it has maximum flexibility for the potential future re-financing of debt facilities”, added Mr Moore-Wilton.

With no debt at the fund level and all debt facilities held at the asset level, MMG’s financial position is sound and its balance sheet remains strong. These debt facilities have attractive terms and there are no maturities until June 2010 for ACM and November 2010 for MSCM.

Mr Mark Dorney, CEO of MMG, said “The Capital Management Review highlighted the attractiveness of the existing facilities within each of our businesses. In assessing options with key lenders it became clear that the benefit to investors of early prepayment today did not outweigh the benefit of retaining the existing attractive financing packages.

“In respect of ACM, the outlook for the overall US economy has changed since MMG first acquired the business in February 2007. Consequently, we have taken the decision to use ACM’s current and future cash earnings to pay down its existing business level debt. This is a prudent strategy as it strengthens ACM’s financing position without materially drawing down on MMG's cash on hand.

“In addition, future capital expenditure for MSCM from the start of the new year, including the completion of digital roll-out, will be substantially funded through operating cash flows,” added Mr Dorney.

Operating Update

MMG's regional media businesses continue to deliver sound performance despite challenging advertising conditions, demonstrating the resilience of its regional media markets. For the 6 months to 31 December 2008, based on preliminary management estimates, operating cash earnings (post maintenance capex)[2] are expected to be approximately A$40m, equivalent to operating cash earnings per stapled security of 18.6 cents.

Mr Dorney said "In Australia, our strong local franchises across multiple regional markets, the ability to offer our advertisers an integrated radio and television campaign and our flexible cost base, leave MSCM well placed in the current environment. The Australian business accounts for 84% of MMG's operating earnings.

"Taking into account the more demanding external environment, and noting higher revenue levels in the previous December half driven by advertising associated with the Federal Election and the adverse impact of the Olympic Games in August 2008, MSCM has performed soundly for the five months to 30 November 2008."

Australian Advertising Revenue[3] 5 months to 30 November 2008	% of total revenue	% change on pcp		
		Radio	TV	Combined
Local[4]	47.8%	1.2%	(2.0)%	(0.4)%
National	44.2%	(21.0)%	(7.0)%	(10.0)%
Total Advertising	92.0%	(5.5%)	(5.1)%	(5.2)%
Other Operations Revenues[5]	8.0%	4.5%	13.1%	9.4%
Total Operations Revenues[5]	100.0%	(4.7)%	(4.0)%	(4.2)%

[3] Like-for-like basis including Southern Cross TV as if owned for the entire prior corresponding period (pcp), based on unaudited management accounts
[4] Excludes contra revenue
[5] Includes commissions, production revenue, sponsorship income and promotions income and contra revenues but excludes government licence fee rebates

"As expected, all media in the United States has been adversely affected by the challenging economy; however, as almost all of ACM's revenues come from local communities, ACM is less exposed to the more volatile national advertising market than major city newspaper operators," Mr Dorney said.

US Revenue[6] 5 months to 30 November 2008	% of total revenue	% change on pcp
Display Advertising Revenue	52.0%	(5.2)%
Classified Advertising Revenue	16.3%	(22.9)%
Other Revenue (inc. Circulation, Commercial Printing and Online)	31.7%	5.9%
Total Revenue	100.0%	(5.6)%

[6] Like-for-like including Chesapeake and Brown as if owned for the entire pcp and prepared on a constant currency basis, based on unaudited management accounts

The MMG Board will conduct its regular review of the carrying value of its investments at the time of the finalisation of its half yearly results on 24 February 2009. This review will take

[2] Cash earnings before depreciation and amortisation after interest, tax and maintenance capital expenditure. Forecast operating earnings are based on unaudited management accounts and management's estimate of business performance to 31 December 2008. As actual performance may differ from current estimates, the result announced in February 2009 may differ from this current forecast.

account of these more challenging external conditions, particularly in the US. Should the carrying value of any investment require adjustment, there would be a non-cash charge which will not impact on the operating cash earnings of MMG.

Distribution Policy

MMG's distribution policy has been revised, with the Board determining the distribution for each six month period based on the specific needs of the business at that time. A distribution of 4.5 cents per stapled security has, therefore, been announced for the period to 31 December 2008.

Final distribution for 6 months to 31 December 2008	4.5 cents per stapled security
Stapled securities trade ex-entitlement	23 December 2008
Record date	31 December 2008
Estimated payment date	17 February 2009

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