

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 Media Group^{®1} - Expectation of American Consolidated Media Covenant Breach

Macquarie Media Group (**MMG**) advises that preliminary management estimates of the financial performance of its investment, American Consolidated Media LLC (**ACM**), for the quarter ended 30 September 2009 indicate that Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**), despite reflecting a lower rate of decline than that experienced in the six months to 30 June 2009, are down 21% on the 30 September 2008 quarter.

Notwithstanding this, ACM continues to generate positive operational free cash flows from which it is meeting all interest payments under its US\$133.7 million business level bank facility (the **ACM Facility**) with a Debt Service Cover Ratio² for the 12 months to 30 September 2009 of 2.16x. From the remainder of its free cash flows, ACM continues to reduce the principal under the ACM Facility, including US\$9.5 million repaid since 1 December 2008 and a further expected prepayment of approximately US\$2.4m (subject to finalisation of the US accounts) by 7 November 2009, to be funded from ACM's current cash holdings of US\$6.0 million.

As previously advised to the market, when ACM last filed financial statements with its external lenders it had limited headroom on its leverage covenant (the ratio of ACM bank debt to EBITDA) which is tested quarterly.³ Whilst the latest internal estimates of ACM's financial performance to 30 September 2009 are preliminary only and subject to a number of assumptions, if these preliminary estimates hold true and if requested amendments or waivers are not forthcoming, ACM will not be compliant with certain covenants under the ACM Facility at their next testing dates (as set out below), in particular:

- management expects that ACM will not comply with the leverage covenant under the ACM Facility when it files its unaudited management accounts for the trailing twelve months to 30 September 2009 with ACM's lenders on or before 30 November 2009; and
- while US audit procedures on the accounts for ACM for the year to 30 June 2009 are still being finalised, based on ACM's expected non-compliance with the September 2009 leverage covenant and the uncertainty around its ability to extend or refinance the ACM

¹ Registered trademark of Macquarie Group Limited

² Debt Service Cover ratio for ACM means the ratio of Net Cash Flow to interest expense in connection with ACM Facility for a trailing 12 month period. Net Cash Flow is defined as EBITDA less cash tax paid less capital expenditures plus (in the case of a decrease) or minus (in the case of an increase) the change in average working capital and plus interest income.

³ Refer page 10 of the 2009 Full Year Results Presentation dated 20 August 2009.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

Facility which matures on 29 June 2010⁴, management expects that any audit report issued on the US GAAP accounts will include a "going concern" or like qualification which would also not comply with covenants under the ACM Facility, when filed with ACM's lenders on or before 28 October 2009.

ACM was acquired in February 2007 and is indirectly wholly owned by Macquarie Media International Limited (**MMIL**), one of the stapled entities comprising MMG.⁵ If ACM ceases to comply with the covenants under the ACM Facility, and if requested amendments or waivers are not provided, the ACM lenders will have the right to accelerate ACM's repayment obligations and potentially to take beneficial ownership of ACM (**Relevant Event**). If a Relevant Event occurred, MMIL would lose control of ACM and would only receive a return on its equity and other interests in ACM if ACM's obligations to its creditors (including its drawn debt under the ACM Facility) were satisfied in full. The carrying value on the MMG balance sheet of net assets relating to ACM as at 30 June 2009 was US\$81.2million. ACM comprised less than 17% of MMG's operating EBITDA in the year to June 2009 and is considered a non-core investment.

The ACM Facility is secured only against ACM and ACM's assets. The MMG parent level entities have not provided any guarantees nor security in favour of ACM or its lenders. There are no cross default provisions between the business level bank facility of MMG's core investment, Macquarie Southern Cross Media Pty Ltd, and the ACM Facility. Further, and as previously advised⁶, MMG has no plans to provide any parent level cash injections or other financial support or guarantee to ACM or its lenders.

Discussions are ongoing with ACM's lenders in relation to ACM's request for the necessary amendments to the existing covenants and for an extension to the maturity date of the ACM Facility⁷. These discussions are incomplete and there can be no assurance that any amendment or extension will be provided, or that the requested waivers will be provided.

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⁴ For further details refer to note 1 to MMG's full year accounts to 30 June 2009 including the note: "there is significant uncertainty whether new facilities or other funding will be available to ACM to repay or refinance the facilities at or prior to their maturity and whether ACM will be able to renegotiate certain loan covenants by the next Testing Date and therefore whether the MMIL Group will continue as a going concern."

⁵ MMG is a stapled structure comprising Macquarie Media Holdings Limited (ABN 91 116 024 536) (**MMHL**), Macquarie Media Trust (ARSN 116 151 467) (**MMT**) (the responsible entity of which is Macquarie Media Management Limited (ABN 16 115 524 019)) and MMIL. The issued units of MMT and ordinary shares of MMHL and MMIL are stapled together and quoted jointly on ASX. As a result, each such unit and share cannot be traded separately.

⁶ Refer page 10 of the 2009 Full Year Results Presentation dated 20 August 2009 for further details

⁷ For further details refer to note 1 to MMG's full year accounts to 30 June 2009