

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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ASX RELEASE / MEDIA RELEASE

Macquarie Media Group¹ – Repositioning Australia's largest regional radio and television business

Macquarie Media Group (**MMG**)² today announces a series of initiatives intended to enhance security holder value, optimise the capital and corporate structure of MMG and reposition Australia's leading regional radio and television operator for the future:

- Recapitalisation:
 - Underwritten \$294 million capital raising by way of a 1 for 1 single bookbuild accelerated renounceable entitlement offer at \$1.55 per stapled security (**Entitlement Offer**);
 - Application of the net proceeds of the Entitlement Offer and available cash at MMG's parent level to reduce net debt in Macquarie Southern Cross Media Pty Ltd (**MSCM**);
 - MMG (excluding American Consolidated Media LLC (**ACM**)) net debt to EBITDA 2.7x and EBITDA to interest cover of 4.3x (adjusted pro-forma FY09)
 - MMG (including ACM) net debt to EBITDA 3.4x and EBITDA to interest cover of 3.2x (adjusted pro-forma FY09)
- Proposal to internalise the management of MMG (rights which are currently held by Macquarie Group (**Macquarie**)) for \$40.5 million (**Internalisation**);
- Proposal to simplify the corporate structure of MMG by converting from a triple stapled structure into a single holding company (**Corporatisation**); and
- Proposal to transition MMG's corporate governance framework to that of a single publicly listed Australian company, continuing to include a majority of independent directors³.

¹ Registered trademark of Macquarie Group Limited

² Macquarie Media Group comprises Macquarie Media Trust (ARSN 116 151 467) (**MMT**), Macquarie Media Holdings Limited (ABN 91 116 024 536) (**MMHL**) and Macquarie Media International Limited (EC 37694, ARBN 118 577 423) (**MMIL**). Macquarie Media Management Limited (ABN 16 115 524 019) (AFS Licence No. 292297) (**MMML**) is the responsible entity of MMT and manager of each of MMHL and MMIL. MMML is a member of the Macquarie Group of companies

³ In determining the status of a director, MMG currently applies the standards of independence required by the Macquarie Funds Management Policy, which are similar to but not the same as the *ASX Corporate Governance Principles and Recommendations* (the **Principles**). The full details of MMG's independence criteria are set out in MMG's Corporate Governance Statement contained in the 2009 Annual Report which is available on MMG's website: www.macquarie.com/mmg. If the Internalisation proceeds, by December 2010 MMG intends to transition to apply the definition of independence as set out in the Principles

The combination of all of the initiatives has the potential to attract new investors to MMG by addressing concerns some investors may have about the relatively high level of gearing in MSCM, investing in externally managed listed funds and investing in listed stapled securities.

The Entitlement Offer is subject to customary underwriting conditions, but is not conditional on the proposed Internalisation and Corporatisation. The Internalisation and Corporatisation initiatives are subject to the conditions set out in the Investor Information Booklet including completion of the Entitlement Offer, MMG security holder approval and lenders' approval or refinancing of the business level bank facilities within MSCM and ACM on terms permitting these initiatives. Accordingly there are a range of potential outcomes for investors depending on how many of the above initiatives proceed. See Sections 1.3 and 5.8 of the Investor Information Booklet for further information.

The Independent Expert appointed by the Independent Board Committees (**IBC**), Ernst & Young Transaction Advisory Services Limited, has concluded that the proposed Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates.

Commenting on the above measures, the Chairman of MMG's Australian Independent Board Committees, Mr Leon Pasternak, said:

"The measures announced today represent a significant step in the development of MMG. We are confident that these series of initiatives will transform MMG into a simpler, independent and appropriately capitalised Australian-focused media company. In particular, the recapitalisation will significantly reduce the debt in our core business, MSCM, and the restructure to an internally managed company has the potential to attract a wider range of investors.

"The MMG Independent Directors intend to unanimously recommend that MMG security holders vote in favour of the Internalisation, subject to there being no superior competing proposal and the Independent Expert not changing or withdrawing its conclusion that the Internalisation is fair and reasonable to non associated MMG security holders." said Mr Pasternak.

The Boards of MMHL and MMML have today also appointed Mr Pasternak as Deputy Chairman.

MMG Chief Executive Officer, Mr Mark Dorney, will oversee the Recapitalisation, Internalisation, Corporatisation and repositioning of MMG until security holder approval of the Internalisation. MSCM Chief Executive, Mr Rhys Holleran, will then assume the additional responsibility of CEO of MMG.

"These measures are intended to reposition our business to provide a strong platform for the future. As the largest regionally focused broadcaster in Australia, MMG is well placed to benefit from a recovery in the Australian media market", said Mr Dorney.

The IBC was established to consider the Internalisation proposal and has been advised by RBS Corporate Finance, Clayton Utz and Conyers Dill & Pearman.

Entitlement Offer

The Entitlement Offer comprises a 1 for 1 single bookbuild accelerated renounceable entitlement offer at \$1.55 per new MMG security, to raise approximately \$294 million. The Entitlement Offer price represents:

- a 38% discount to MMG's last closing price of \$2.50⁴; and
- a 23% discount to the Theoretical Ex-Rights Price of \$2.025⁵.

⁴ As at close on 27 October 2009

⁵ Theoretical Ex-Rights Price is the theoretical MMG security price post the Entitlement Offer which is weighted for the market capitalisation of MMG immediately before the announcement and the value of the new MMG securities to be issued under the Entitlement Offer which are issued at a discount

MMG's largest security holder, Macquarie, has committed to take up its entitlement in respect of its 24.8% principal holding⁶ in full.

The Entitlement Offer (excluding Macquarie's 24.8% principal holding) is fully underwritten by RBS Equity Capital Markets (Australia) Limited and Macquarie Capital Advisers Limited in equal proportions.

Management Arrangements Following Internalisation

Upon receiving security holder approval for the Internalisation, the current operational head of MSCM, Mr Rhys Holleran, will assume the additional responsibility of Chief Executive Officer of MMG. Mr Dorney will then return to Macquarie as an Executive Director of Macquarie Capital.

Mr Holleran has worked in various media roles over a 22 year period. He was Managing Director of RG Capital Radio from 1997 until its sale in 2004 to Macquarie. He was appointed CEO to MSCM in November 2007 where he has overseen the integration of the MSCM radio and television business.

Mr Pasternak said: "Mark and the Macquarie team have built Australia's leading regional media business, combining RG Capital Radio and DMG Regional Radio and then establishing Australia's only cross media broadcaster through the acquisition of Southern Cross Broadcasting's television business."

Commenting on the initiatives, Mr Dorney said:

"I look forward to leading MMG through this important transition and repositioning it as a stand-alone publicly listed company and to giving Rhys my full support as he prepares to step into the role of CEO of the group following security holder approval of the Internalisation."

Trading Update

Preliminary management estimates of the financial performance of MSCM for the quarter ended 30 September 2009 indicate that revenue and EBITDA declined at a lower rate than experienced in the six months to 30 June 2009 with revenue down 5.6% and EBITDA down 5.1% on the three months to 30 September 2008. The business is operating within financial covenants.

The revenue and earnings environment in the United States remains challenging. Preliminary management estimates of the financial performance of ACM for the quarter ended 30 September 2009 indicate that revenue and EBITDA declined at a lower rate than experienced in the six months to 30 June 2009, with revenue down 15.8% and EBITDA down 21.1% on the three months to 30 September 2008. As announced on 13 October 2009, if as expected ACM ceases to comply with 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 take enforcement action which may ultimately result in MMG losing beneficial ownership of ACM.

Termination of Buy-Back Programs

As a result of the announced initiatives, MMG has decided to terminate all of its current buy-backs with immediate effect.

Further Information

Further details of the Entitlement Offer, Internalisation and Corporatisation are contained in the Investor Information Booklet and the Investor Information Summary lodged with the ASX today. The Investor Information Booklet includes, among other things, details of the Entitlement Offer (Section 4), details of the Internalisation including the conditions (Section 5), details of the Corporatisation including the

⁶ As at 23 October 2009, Macquarie has a principal holding of 47.0 million MMG securities (24.8% of MMG securities on issue). This principal holding is held by the Macquarie Capital business division of Macquarie (through MMML and Macquarie Capital Group Limited)

conditions (Section 6), details of Macquarie's interests in MMG and these initiatives (including their potential effect on Macquarie's holding of MMG securities) (section 8), risk factors (Section 11), the Independent Expert's Report (Annexure 1) and details of the selling restrictions (Annexure 3).

MMG security holders will be asked to consider and approve the Internalisation and Corporatisation at meetings proposed to be held in December 2009. A Notice of Meeting and Explanatory Memorandum will be sent to security holders in early November 2009.

For further information, please contact:

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