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

Macquarie Media International Limited
EC 37694, ARBN 118 577 423

No. 1 Martin Place
SYDNEY NSW 2000
GPO Box 4294
SYDNEY NSW 1164
AUSTRALIA

Telephone +61 2 8232 9440
Facsimile +61 2 8232 4713
Internet www.macquarie.com/mmg

3 November 2009

The Manager
Company Notices Section
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Macquarie Media Group® [1] (MMG) – Single bookbuild accelerated renounceable entitlement offer (Entitlement Offer)

In accordance ASX Listing Rule 3.17, please find attached the following documents relating to the retail component of MMG's Entitlement Offer, which will be mailed to Eligible Retail Security Holders by 4 November 2009:

1. Retail Entitlement Offer Booklet containing:
    - Chairman's letter
    - Key dates for the Entitlement Offer
    - How to apply
    - ASX announcements

2. Sample Entitlement and Acceptance Form

Only Eligible Retail Security Holders may participate in the retail component of the Entitlement Offer.

A notification to ineligible security holders will be released to ASX separately.

Yours faithfully,

Mark Dorney
Macquarie Media Group

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

[1] Registered trademark of Macquarie Group Limited

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.

MACQUARIE MEDIA GROUP®
RETAIL ENTITLEMENT OFFER
3 NOVEMBER 2009

MACQUARIE

Details of a 1 for 1 renounceable entitlement offer of stapled securities in Macquarie Media Group (Offer Securities) at an offer price of $1.55 per Offer Security.

The Retail Entitlement Offer closes at 5:00pm (AEDT) on Friday, 20 November 2009.

Macquarie Media Group (MMG) comprises Macquarie Media Trust (ARSN 116 151 467) (MMT), Macquarie Media Holdings Limited (ABN 91 116 024 536) (MMHL) and Macquarie Media International Limited (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.

This is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read in their entirety. Please call your professional adviser or the MMG Offer Information Line on 1800 252 693 (within Australia) or +61 3 9415 4218 (outside Australia) if you have any questions.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

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® Registered trademark of Macquarie Group Limited

Disclaimer and Important Notices

Important notices

This Booklet is issued by Macquarie Media Group (MMG). MMG 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 Macquarie entity.

Not a prospectus or product disclosure statement

This Booklet is not a prospectus, disclosure document (as defined under the *Corporations Act 2001* (Cth) (Corporations Act)), product disclosure statement or other offering document that has been prepared to be lodged with a regulatory body under Australian law or under any other law.

No cooling off

No cooling off rights apply to the Retail Entitlement Offer - you cannot withdraw your application once it has been accepted.

No investment advice

This Booklet does not constitute financial products advice or purport to contain all the information that a prospective investor may require in evaluating a possible investment in MMG nor does it contain all the information which would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. This Booklet has been prepared without taking account of any person's investment objectives, financial situation or particular needs and prospective investors should conduct their own independent investigation and assessment of the Entitlement Offer (as defined in this Booklet) and the information contained in, or referred to in, this Booklet. Independent financial and taxation advice should be sought before making any investment decision in relation to the Entitlement Offer.

Responsibility for Information

This Booklet has been prepared by MMML (as responsible entity of MMT), MMHL and MMIL based on information available to them and is their responsibility alone. The information in this Booklet remains subject to change without notice. MMG reserves the right to withdraw or vary the timetable without notice. To the maximum extent permitted by law, MMG, each Macquarie entity, the Underwriters and their respective affiliates, officers, employees, agents, advisers and intermediaries disclaim all liability that may otherwise arise due to any information contained in this Booklet being inaccurate or due to information being omitted from this Booklet, whether by way of negligence or otherwise and no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinions and conclusions contained in this Booklet.

The historical information in this Booklet is, or is based upon, information that has been released to the market. It should be read in conjunction with MMG's other periodic and continuous disclosure announcements including the MMG results for the year ended 30 June 2009 lodged with the ASX Limited (ASX) on 20 August 2009 and announcements to the ASX available at www.asx.com.au.

A copy of this Booklet will be lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Booklet.

An investment in MMG is subject to investment risk including possible loss of income and principal invested. Please see the "Risk factors" of the Investor Information Booklet in Appendix C for further details.

The pro-forma financial information provided in the Investor Information Booklet in Appendix C is for illustrative purposes only and is not represented as being indicative of MMG's views on its future financial condition and/or performance.

None of the Underwriters and Macquarie, nor any of their respective affiliates, officers, employees, agents, advisers and intermediaries, nor MMG's advisers nor any other person named in this Booklet other than MMG, have authorised or caused the issue, submission, despatch or provision of this Booklet and, except as outlined below, none of them makes or purports to make any statement in this Booklet and there is no statement in this Booklet which is based on any statement by any of them.

Neither Macquarie nor any of its respective directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of such information.

Foreign Investors

No action has been taken to register the Entitlement Offer or otherwise permit a public offering of securities outside Australia and New Zealand. This Booklet does not constitute an offer of securities for sale in the United States. Neither this booklet nor the accompanying Entitlement and Acceptance Form may be distributed or released in the United States.

The Entitlements under the Retail Entitlement Offer may not be taken up by persons in the United States or by nominees or custodians who act for the account or benefit of persons in the United States.

The Securities offered under the Entitlement Offer have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Offer Securities may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

For foreign selling restrictions, please refer to the Investor Information Booklet in Appendix C.

Disclosures regarding forward looking statements

This Booklet contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this Booklet involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of MMG, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Currency

Unless stated otherwise, all dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

ASX waivers

MMG has obatined certain waivers from the ASX Listing Rules. The waivers, amongst other matters, allow MMG to ignore, for the purposes of determining those entitled to receive entitlements, transactions occurring after the announcement of the trading halt on 28 October 2009 in MMG's stapled securities (other than registrations of ITS (Integrated Trading System) transactions which were effected before the announcement) (post ex-date transactions).

Transactions ignored under this provision are to be ignored in determining holders and registered holders, and holdings and registered holdings, of MMG stapled securities as at the record date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired MMG stapled securities in a post ex-date transaction you will not be entitled to receive an Entitlement in respect of those securities.

Date

This Booklet is dated 3 November 2009.

Contents

Chairman's Letter

1. Key dates for the Entitlement Offer

2. How to apply

Appendix A - Repositioning of MMG, ASX announcement dated 28 October 2009

Appendix B - Investor Information Summary dated 28 October 2009

Appendix C - Investor Information Booklet including Independent Expert's Report dated 28 October 2009

Appendix D - Confirmation of American Consolidated Media Covenant Breach, ASX announcement dated 29 October 2009

Appendix E - Institutional Entitlement Offer Completion, ASX announcement dated 30 October 2009

Enquiries

If you have any questions, please call the MMG Offer Information Line on 1800 252 693 (local call cost from within Australia) or +61 3 9415 4218 (from outside Australia) at any time from 8:30am to 5:30pm (AEDT) Monday to Friday during the Retail Entitlement Offer period, or consult your stockbroker, accountant, tax adviser or other independent professional adviser.

No investment advice. Seek taxation advice

This Booklet has been prepared without taking account of any person's investment objectives, financial situation or particular needs and prospective investors should conduct their own independent investigation and assessment of the Entitlement Offer (as defined in this Booklet) and the information contained in, or referred to in, this Booklet. Independent financial and taxation advice should be sought before making any investment decision in relation to the Entitlement Offer.

Eligible Retail Security Holders who are resident in Australia for tax purposes and who hold MMG securities as capital assets for taxation purposes should refer to Section 10 of Appendix C (commencing on page 90 of that Appendix) for a general summary of the Australian tax implications of the Retail Entitlement Offer.

Website

www.macquarie.com/mmg

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GPO Box 4294
SYDNEY NSW 1164
AUSTRALIA

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Facsimile (612) 8232 4713
Internet www.macquarie.com/mmg

3 November 2009

Dear Security Holder,

On behalf of the Boards of Macquarie Media Group (MMG or the Group), we are pleased to invite you to participate in an underwritten 1 for 1 renounceable entitlement offer (Entitlement Offer) of new MMG stapled securities (Offer Securities) at an offer price of $1.55 (Offer Price) per Offer Security. Proceeds from the $294 million Entitlement Offer plus available parent level cash will be used to reduce net debt in Macquarie Southern Cross Media (MSCM), thereby improving MMG's capital position and establishing a platform for future growth.

As announced on 30 October 2009, the institutional component of the Entitlement Offer has been completed, raising approximately A$175 million and representing approximately 94% acceptance by Eligible Institutional Security Holders.

Following the Entitlement Offer and reduction in MSCM net debt (Recapitalisation), you will be asked to vote, at a meeting to be held in December 2009, on proposals to internalise management (Internalisation), and to simplify MMG's corporate structure by converting from a triple stapled structure to a single publicly listed Australian company (Corporatisation).

The Internalisation and Corporatisation initiatives are subject to conditions precedent, including security holder approval. We have provided further details on the proposed Internalisation and Corporatisation in the enclosed Investor Information Booklet. Notices of Meeting and an Explanatory Memorandum will be sent to security holders in early November 2009. The Investor Information Booklet also contains important information on the Recapitalisation to assist you in deciding whether to participate in the Entitlement Offer.

These initiatives are intended to enhance security holder value, optimise the capital and corporate structure of MMG and reposition the business for the future. They represent a significant step in the development of MMG.

The Independent Directors of MMG intend to unanimously recommend that 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 in the Independent Expert's Report that the Internalisation is fair and reasonable to non-associated MMG security holders.

MMG's strengthened capital position and gearing ratios are indicated below (on a post Recapitalisation and Internalisation basis):

- MMG (excluding American Consolidated Media (ACM), which is considered "non-core") net debt to EBITDA ratio of 2.7x and EBITDA to Interest Cover of 4.3x (pro-forma FY09); and
- MMG (including ACM) net debt to EBITDA ratio of 3.4x and EBITDA to Interest Cover of 3.2x (pro-forma FY09)

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.

You will find in this Retail Entitlement Offer booklet (Booklet) the following important information:

- a timetable of key dates of the Entitlement Offer;
- instructions on "How to apply", detailing how to accept all or part of your Entitlement in the Retail Entitlement Offer if you choose to do so;
- ASX announcements relating to the Entitlement Offer (Appendices A and E);
- an Investor Information Summary (Appendix B);
- an Investor Information Booklet including Independent Expert's Report (Appendix C);
- Confirmation of ACM Covenant Breach, ASX announcement (Appendix D) (refer also to Section 7.3 of Appendix C); and
- a personalised Entitlement and Acceptance Form which details your Entitlement and a reply paid envelope (separate enclosure).

You should read this information, including in particular the Investor Information Booklet and Independent Expert's Report in Appendix C, carefully and in its entirety before deciding whether to invest in Offer Securities. In particular, you should consider the risk factors outlined in section 11 of the Investor Information Booklet that could affect the operating and financial performance of MMG or the value of an investment in MMG.

Entitlements are renounceable in that security holders who do not take up all of their Entitlement (or allow their Entitlement to lapse) or are not eligible to participate in the Entitlement Offer, will have the Offer Securities to which they would otherwise be entitled, offered for sale through a bookbuild process (Bookbuild). Any proceeds realised in excess of the Offer Price of $1.55 per Offer Security will be paid from proceeds of successful Bookbuild participants pro rata to those security holders who do not take up all of their Entitlement (or allow their Entitlement to lapse) or who are not eligible to participate in the Entitlement Offer (for more information, see the information under the heading "How to apply"). Entitlements will not be able to be traded on the ASX or privately transferred.

You should consult your stockbroker, accountant, tax adviser or other independent professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

The Retail Entitlement Offer is scheduled to open on Tuesday, 3 November 2009.

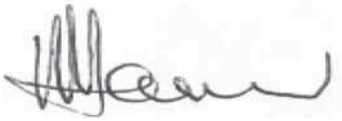
To participate in the Retail Entitlement Offer, you need to ensure that your completed Entitlement and Acceptance Form, together with your payment of Application Monies by cheque, bank draft or money order, are received by the Registry (at the address specified on the Entitlement and Acceptance Form) or payment via BPAY® is received by no later than 5:00pm (AEDT) on Friday, 20 November 2009.

On behalf of the Boards of MMG, we thank you for your continued support of MMG and invite you to consider this investment opportunity.

If you have any questions regarding the Retail Entitlement Offer, please call the MMG Offer Information Line on 1800 252 693 (within Australia) or +61 3 9415 4218 (from outside Australia), or visit our website at www.macquarie.com/mmg.

Yours sincerely,

Max Moore-Wilton
Chairman
Macquarie Media Management Limited
Macquarie Media Holdings Limited



Michael Hamer
Chairman
Macquarie Media International Limited

Key dates for the Entitlement Offer

1

Event	Date
Institutional Entitlement Offer opens and commencement of trading halt	Wednesday, 28 October 2009
Institutional Entitlement Offer closes	Thursday, 29 October 2009
Trading halt ends and results of Institutional Entitlement Offer announced	Friday, 30 October 2009
Record Date for determining Entitlement to subscribe for Offer Securities	Monday, 2 November 2009 at 7:00pm (AEDT)
Retail Entitlement Offer opens	Tuesday, 3 November 2009
Last date for receipt of applications for early settlement of the Retail Entitlement Offer (Early Retail Close Date)	Tuesday, 10 November 2009 at 5:00pm (AEDT)
Settlement of Offer Securities under the Institutional Entitlement Offer and Retail Entitlement Offer applications received by the Early Retail Close Date	Wednesday, 11 November 2009
Allotment of Offer Securities under the Institutional Entitlement Offer and under the Retail Entitlement Offer for applications received by the Early Retail Close Date (Initial Allotment) and normal trading of those Offer Securities expected to commence on ASX	Thursday, 12 November 2009
Despatch of holding statements for Offer Securities issued under the Initial Allotment	Monday, 16 November 2009
Last date for receipt of applications under the Retail Entitlement Offer (Retail Entitlement Offer Final Close Date)	Friday, 20 November 2009 at 5:00pm (AEDT)
Bookbuild	Friday, 27 November 2009
Settlement of remaining Offer Securities under the Retail Entitlement Offer and the Bookbuild	Wednesday, 2 December 2009
Allotment of remaining Offer Securities under the Retail Entitlement Offer and the Bookbuild (Final Allotment)	Thursday, 3 December 2009
Normal trading of Offer Securities issued under the Final Allotment on ASX	Friday, 4 December 2009
Despatch of holding statements for Offer Securities issued under the Final Allotment, and proceeds (if any) from the Bookbuild expected to be despatched	Monday, 7 December 2009

Dates and times in this Booklet are indicative only and subject to change. All times and dates refer to Australian Eastern Daylight Saving Time (AEDT).

MMG reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, or to withdraw the Retail Entitlement Offer without prior notice. Accordingly, applicants are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Retail Entitlement Offer opens. No cooling-off rights apply to applications submitted under the Retail Entitlement Offer.

How to apply

2

1. The Retail Entitlement Offer

Eligible Retail Security Holders are being offered the opportunity to subscribe for 1 new MMG stapled security (Offer Security) for every 1 existing MMG stapled security held at 7:00pm (AEDT) on Monday, 2 November 2009 (Entitlement), at the issue price of $1.55 per Offer Security (Retail Entitlement Offer).

Offer Securities issued pursuant to the Retail Entitlement Offer will be fully paid and rank equally with existing MMG stapled securities on issue.

2. Eligible Retail Security Holders

The Retail Entitlement Offer is made to Eligible Retail Security Holders including those security holders who:

- are registered as a holder of MMG stapled securities as at 7:00pm (AEDT) on Monday, 2 November 2009 (Record Date);
- have a registered address in Australia or New Zealand;
- are not in the United States or a person acting for the account or benefit of a person in the United States; and
- are not an Eligible Institutional Security Holder or an Ineligible Security Holder.

MMG, in its absolute discretion, reserves the right to determine whether a security holder is an Eligible Retail Security Holder and therefore able to participate in the Retail Entitlement Offer, or an Ineligible Security Holder and therefore unable to participate in the Retail Entitlement Offer. MMG disclaims all liability to the maximum extent permitted by law in respect of the determination as to whether a security holder is an Eligible Retail Security Holder or an Ineligible Security Holder.

MMG may (in its absolute discretion) extend the Retail Entitlement Offer to certain security holders who could have qualified as Eligible Institutional Security Holders but did not participate in the Institutional Entitlement Offer (subject to compliance with applicable law).

3. Read the enclosed information:

Please read the information in this Booklet and the Entitlement and Acceptance Form.

The Retail Entitlement Offer is not being made under a product disclosure statement or prospectus. Rather, the Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues to be offered by providing certain confirmations to the market. It does not contain all of the information which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Offer Securities.

As a result, it is important for Eligible Retail Security Holders to read and understand the publicly available information on MMG and the Entitlement Offer prior to deciding whether or not to accept all or part of their Entitlement. In particular, please refer to the materials contained in this Booklet, MMG's Annual Reports and other announcements by MMG made available at www.macquarie.com/mmg or www.asx.com.au.

4. Consider the Retail Entitlement Offer in light of your particular investment objectives and circumstances

Please consult with your stockbroker, accountant, tax adviser or other independent professional adviser if you have any queries or are uncertain about any aspects of the Entitlement Offer. In particular, please refer to the "Risk factors" section of Appendix C (commencing on page 94 of that Appendix).

5. Consider the taxation implications of participating in the Entitlement Offer

Eligible Retail Security Holders who are resident in Australia for tax purposes and who hold MMG securities as capital assets for taxation purposes should refer to Section 10 of Appendix C (commencing on page 90 of that Appendix) for a general summary of the Australian tax implications of the Retail Entitlement Offer.

6. What is my Entitlement?

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 Offer Security for every 1 MMG stapled security you held as at the Record Date of 7:00pm (AEDT) on Monday, 2 November 2009. If you have more than one holding of MMG stapled securities, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

7. What is the early acceptance opportunity?

Eligible Retail Security Holders have the opportunity to be allotted Offer Securities at the same time as Eligible Institutional Security Holders on Thursday, 12 November 2009 (Initial Allotment). Refer to Option 1 in Section 8.1 for further details.

Otherwise, the Retail Entitlement Offer closes at 5:00pm (AEDT) on Friday, 20 November 2009 (Retail Entitlement Offer Final Close Date), with Offer Securities to be allotted on Thursday, 3 December 2009 (Final Allotment).

8. What are my choices?

If you are an Eligible Retail Security Holder, you may do any one of the following:

- take up all or part of your Entitlement (see section 8.1); or
- do nothing, in which case all of your Entitlement will lapse (see section 8.2).

8.1 Taking up all or part of your Entitlement

If you wish to take up all or part of your Entitlement you have two options.

Option 1 – Early acceptance by the Early Retail Close Date

You have the opportunity to be allotted Offer Securities on Thursday, 12 November 2009 if you make payment of Application Monies so that payment is received by MMG by no later than 5:00pm (AEDT) on the Early Retail Close Date on Tuesday, 10 November 2009. If you take up this opportunity, you must either:

- pay by BPAY®, in which case you do not need to submit your personalised Entitlement and Acceptance Form. If your BPAY® payment is not received by MMG by 5:00pm (AEDT) on the Early Retail Close Date on Tuesday, 10 November 2009, you will not be included in the Initial Allotment of Offer Securities occurring on Thursday 12 November 2009. For instructions on how to pay by BPAY® refer to section 9 below

OR

- complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies in the form of a cheque, bank draft or money order so that your Entitlement and Acceptance Form and payment are received by MMG by no later than 5:00pm (AEDT) on the Early Retail Close Date on Tuesday, 10 November 2009 and cleared funds are received by commencement of settlement on the first settlement date, Wednesday, 11 November 2009. If cleared funds are not received by this time, the Registry will retain your Application Monies and process your application as part of the Retail Entitlement Offer as though you submitted your payment after the Early Retail Close Date.

  The completed Entitlement and Acceptance Form, together with Application Monies, should be mailed using the reply paid envelope provided with this Booklet or otherwise mailed to the Registry at the following address:

  MMG Entitlement Offer
  c/o Computershare Investor Services Pty Limited
  GPO Box 253
  Sydney NSW 2001
  Australia

  For instructions on payment by cheque, bank draft or money order, refer to section 10 below.

Option 2 – Acceptance after the Early Retail Close Date but by the Retail Entitlement Offer Final Close Date

Alternatively, you may choose to participate by the Retail Entitlement Offer Final Close Date (Friday, 20 November 2009). In this event Offer Securities will be allotted to you on the Final Allotment date being Thursday, 3 December 2009. If you take this opportunity, you must either:

- pay by BPAY® so that your payment is received by MMG by 5:00pm (AEDT) on the Retail Entitlement Offer Final Close Date on Friday, 20 November 2009. If you pay by BPAY® you do not need to submit your personalised Entitlement and Acceptance Form. For instructions on how to pay by BPAY® refer to section 9 below

OR

- complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies in the form of a cheque, bank draft or money order so that your Form and payment are received by MMG by 5:00pm (AEDT) on the Retail Entitlement Offer Final Close Date on Friday, 20 November 2009.

  The completed Entitlement and Acceptance Form, together with Application Monies, should be mailed using the reply paid envelope provided with this Booklet or otherwise mailed to the Registry at the following address:

  MMG Entitlement Offer
  c/o Computershare Investor Services Pty Limited
  GPO Box 253
  Sydney NSW 2001
  Australia

For instructions on payment by cheque, bank draft or money order, refer to section 10 below.

No Offer Securities will be issued to you in respect of an application if payment of the Application Monies is not received by MMG by 5:00pm (AEDT) on the Retail Entitlement Offer Final Close Date (Friday, 20 November 2009).

If an Eligible Security Holder chooses to apply for part of their Entitlement, they may still potentially receive a payment for that part of their Entitlement not taken up. The Offer Securities to which these security holders would otherwise be entitled will be offered for sale through the Bookbuild. Any premium realised in the Bookbuild that is in excess of the Offer Price of $1.55 per Offer Security (Premium) will be paid from proceeds of successful Bookbuild participants pro-rata to those Eligible Security Holders who do not fully take up their Entitlement (or allow their Entitlement to lapse) and to Ineligible Security Holders.

There may be no Premium, in which case no payment will be made to Eligible Retail Security Holders who do not take up their full Entitlement (or allow their Entitlement to lapse) or to Ineligible Security Holders. The ability to sell Offer Securities under the Bookbuild and the ability to obtain any Premium will be dependent on various factors, including market conditions. To the maximum extent permitted by law, neither MMG, nor the Underwriters, nor their agents or affiliates, will be liable for any failure to procure applications under the Bookbuild at a price in excess of the Offer Price.

8.2 Allowing all of your Entitlement to lapse

If an Eligible Security Holder takes no action and allows all of their Entitlement to lapse, they may still potentially receive a payment for their lapsed Entitlement. Ineligible Security Holders may also potentially receive a payment for Entitlements they would have received had they been eligible to participate in the Entitlement Offer. The Offer Securities to which these security holders would otherwise be entitled will be offered for sale through the Bookbuild. Any Premium will be paid pro-rata to Eligible Security Holders who do not fully take up their Entitlement (or allow their Entitlement to lapse) and to Ineligible Security Holders.

There may be no Premium, in which case no payment will be made to Eligible Retail Security Holders who do not take up their full Entitlement (or allow their Entitlement to lapse), or to Ineligible Security Holders. The ability to sell Offer Securities under the Bookbuild and the ability to obtain any Premium will be dependent on various factors, including market conditions. To the maximum extent permitted by law, neither MMG, nor the Underwriters, nor their agents or affiliates, will be liable for any failure to procure applications under the Bookbuild at a price in excess of the Offer Price.

9. How to pay by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form (which includes the Biller Code and your unique Customer Reference Number (CRN)). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that personalised Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of Offer Securities as is covered in full by your Application Monies.

When completing your BPAY® payment, please be sure to use the specific Biller Code and unique CRN provided on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that form. If you inadvertently use the same CRN for more than one of your Entitlements, you will be deemed to have applied only for Offer Securities on the Entitlement to which that CRN applies.

You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payments and you should therefore take this into consideration when making your payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5:00pm (AEDT) on Tuesday, 10 November 2009 if you wish to be included in the Initial Allotment of Offer Securities (as described in section 7) or otherwise by 5:00pm (AEDT) on Friday, 20 November 2009.

10. How to pay by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "MMG Entitlement Offer" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to $1.55 multiplied by the number of Offer Securities that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of Offer Securities you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole Offer Securities as your cleared Application Monies will pay for and to have specified that number of Offer Securities on your personalised Entitlement and Acceptance Form. Alternatively, your application will not be accepted.

Cash payments will not be accepted. Receipts for payment will not be issued.

11. What is the position with nominees?

The Retail Entitlement Offer is being made to all Eligible Retail Security Holders (as defined in Section 2 of "How to apply"). MMG is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of MMG stapled securities.

Where any Eligible Retail Security Holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Retail Entitlement Offer is compatible with applicable foreign laws. Any person in the United States with a holding through a nominee may not participate in the Retail Entitlement Offer and the nominee must not take up any Entitlement or send this Booklet or any other materials relating to the Entitlement Offer into the United States. MMG is not able to advise on foreign laws.

12. Warranties made on acceptance of the Retail Entitlement Offer

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have acknowledged, represented and warranted that you are an Eligible Retail Security Holder.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on your behalf and on behalf of each person on whose account you are acting that:

(a) you and each person on whose account you are acting are not in the United States, and are not otherwise a person to whom it would be illegal to make an offer of or issue Offer Securities under the Retail Entitlement Offer;

(b) you and each person on whose account you are acting acknowledge that the Entitlements and the Offer Securities have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the Offer Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws;

(c) you and each person on whose account you are acting are in compliance with all relevant laws and regulations (including, without limitation, the requirements of the Corporations Act 2001, the Foreign Acquisitions and Takeovers Act 1975, the Australian Government's foreign investment policy and the Broadcasting Services Act 1992) and the constitutions of MMHL and MMT and bye-laws of MMIL and you will not cease to be in compliance if you take up your allocation of Offer Securities. In addition, by the allocation or acquisition of Offer Securities, you and each person on whose account you are acting, will not obtain "company interests", as defined in the Broadcasting Services Act 1992, in MMG greater than or equal to 15%; and

(d) you and each person on whose account you are acting have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States.

13. Refunds

Any Application Monies received for more than your final allocation of Offer Securities will be refunded on or around Monday, 7 December 2009. No interest will be paid to applicants on any Application Monies received or refunded.

Repositioning of MMG ASX announcement
Dated 28 October 2009

A

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

Macquarie Media International Limited
EC 37694, ARBN 118 577 423

No.1 Martin Place
SYDNEY NSW 2000
GPO Box 4294
SYDNEY NSW 1164
AUSTRALIA

Telephone +61 2 8232 9440
Fax +61 2 8232 4713
Internet www.macquarie.com/mmg

28 October 2009

ASX RELEASE / MEDIA RELEASE

Macquarie Media Group®[1] – 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 directors[3].

[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

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.

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 $2.50[4];and
- a 23% discount to the Theoretical Ex-Rights Price of $2.025[5].

[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 holding[6] 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:

Investor Enquiries
Mark Dorney
Chief Executive Officer
Tel: 02 8232 9440
Email: mark.dorney@macquarie.com

Leon Pasternak
Deputy Chairman
Macquarie Media Management Limited
Macquarie Media Holdings Limited

Media Enquiries
John Hurst
Cannings Corporate Communications
Tel: (02) 8284 9900
Mob : 0418 708 663
Email: jhurst@cannings.net.au

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This document contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this document involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of MMG, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO PERSONS IN THE UNITED STATES.

Investor Information Summary
Dated 28 October 2009

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Macquarie Media Group®
Investor Information Summary
Repositioning Australia's largest regional radio and television business

28 October 2009

® Registered trademark of Macquarie Group Limited

Disclaimer

DISCLAIMER

This summary is issued by Macquarie Media Group ("MMG"). MMG 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 ("Macquarie").

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This summary has been prepared by MMML (as responsible entity of MMT), MMHL and MMIL based on information available to them. The historical information is derived from sources believed to be accurate at the date of this summary. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinions and conclusions contained in this summary. To the maximum extent permitted by law, neither MMG nor any member of Macquarie (including MMML), their respective directors, officers, employees, agents, advisers or intermediaries nor any other person accepts any liability for any loss arising from the use of this summary or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on their part.

GENERAL SECURITIES WARNING

This summary is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or under any other law. It is for information purposes only and is not an invitation nor offer of securities for subscription, purchase or sale in any jurisdiction. This summary does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of MMG stapled securities.

This summary does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in MMG nor does it contain all the information which would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001. This summary has been prepared without taking account of any person's investment objectives, financial situation or particular needs and prospective investors should conduct their own independent investigation and assessment of the Entitlement Offer (as defined in this summary) and the information contained in, or referred to in, this summary.

The information in this summary remains subject to change without notice. MMG reserves the right to withdraw or vary the timetable for the Entitlement Offer, Internalisation or Corporatisation without notice. To the maximum extent permitted by law, MMG, Macquarie, the underwriters and their respective affiliates, officers, employees, agents and advisers disclaim all liability that may otherwise arise due to any information contained in this summary being inaccurate or due to information being omitted from this summary, whether by way of negligence or otherwise.

The historical information in this summary is, or is based upon, information that has been released to the market. It should be read in conjunction with MMG's other periodic and continuous disclosure announcements including the MMG results for the year ended 30 June 2009 lodged with the Australian Securities Exchange ("ASX") on 20 August 2009 and announcements to the ASX available at www.asx.com.au including the Investor Information Booklet lodged with ASX by MMG on the date of this summary.

An investment in MMG is subject to investment risk including possible loss of income and principal invested. Please see the Risk Factors on page 28 and 29 of this summary and Section 11 of the Investor Information Booklet for further details.

Disclaimer

The pro-forma financial information provided in this summary is for illustrative purposes only and is not represented as being indicative of MMG's views on its future financial condition and/or performance.

None of the underwriters and Macquarie, nor any of their respective affiliates, officers, employees, agents, advisers, nor MMG's advisers and intermediaries nor any other person (other than MMG), have authorised, permitted or caused the issue, submission, despatch or provision of this summary and, except to the extent referred to in this summary, none of them makes or purports to make any statement in this summary and there is no statement in this summary which is based on any statement by any of them. Macquarie has provided and is responsible for the information contained in this summary concerning its principal holding in MMG Securities ("Macquarie Information"). Neither MMG nor any of its directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Macquarie Information.

No action has been taken to register the Entitlement Offer or otherwise permit a public offering of securities outside Australia and New Zealand. This summary does not constitute an offer of securities for sale in the United States of America, or to any person that is, or is acting for the account or benefit of any person who is in the United States of America, or in any other jurisdiction in which such an offer would be illegal. This summary may not be distributed or released in the United States of America.

The securities in the proposed Entitlement Offer have not been, and will not be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United States of America, and may not be offered or sold in the United States of America to, or for the account or benefit of any person who is in the United States unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

All dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

The pro-forma financial information included in this summary does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission. Investors should also be aware that certain financial data included in this summary are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, including EBITDA (earnings before interest, taxes, depreciation, amortisation and one-offs). The disclosure of such non-GAAP financial measures in the manner included in this summary would not be permissible in a registration statement under the U.S. Securities Act. MMG believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of MMG. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included in this summary.

This summary contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this summary involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of MMG, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Introduction and overview

(see Section 1 of the Investor Information Booklet)

- The Boards of MMG propose 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
- The specific initiatives are:
  - 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")[1]
    - Net Entitlement Offer proceeds, together with available cash at MMG's parent level, to be applied to reduce net debt in Macquarie Southern Cross Media Pty Ltd ("MSCM") to $306 million
  - Internalisation: Proposal to internalise the management of MMG for $40.5 million by terminating the existing management rights of Macquarie ("Internalisation")
  - Corporatisation: Proposal to simplify the corporate structure of MMG by converting from a triple stapled structure into a single holding company ("Corporatisation")
  - Proposal to transition MMG's corporate governance framework to that of a single publicly listed Australian company, continuing to include a majority of independent directors[2]
  - Internalisation and Corporatisation proposals are subject to conditions (including MMG security holder approvals) that are detailed in the Investor Information Booklet at sections 5.5 and 6.4
- Independent Expert (Ernst & Young Transaction Advisory Services Limited) has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates (see Annexure 1 to the Investor Information Booklet)

Notes:

1. Customary underwriting conditions apply. See Sections 4 and 12.2 of the Investor Information Booklet

2. 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.mmgaustralia.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

Introduction and overview (cont'd)

(see Section 1 of the Investor Information Booklet)

- Recapitalisation positions MMG well for the future[1]:
  - MMG (excluding American Consolidated Media LLC ("ACM")) net debt to EBITDA of 2.7x and EBITDA to interest cover of 4.3x (adjusted pro-forma FY09)
  - MMG (including ACM) net debt to EBITDA of 3.4x and EBITDA to interest cover of 3.2x (adjusted pro-forma FY09)
- MMG will continue to provide investors with exposure to Australia's largest regional broadcasting business, MSCM
  - MSCM refinancing discussions expected to move forward positively given proposed reduction in MSCM debt
- MMG's ownership of ACM is considered a non-core investment
  - If, as expected and previously disclosed to the market, ACM ceases to comply with covenants under the ACM business level bank 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[2]
  - Further to the potential covenant breaches disclosed on 13 October 2009, as the US GAAP accounts of ACM are subject to audit finalisation, there may be further financial adjustments that impact the relevant covenants which may mean that ACM was also non-compliant with the leverage covenant under the ACM facility at 30 June 2009 when US GAAP accounts are expected to be filed on or about 28 October 2009 (US time)
  - MMG reiterates that it does not intend to make any cash contributions to ACM from MMG's parent level cash or to provide any other financial support or guarantee to ACM or its lenders

Notes:
1. Financials presented on a post-Internalisation basis and MMG (including ACM) and MMG (excluding ACM) basis having regard to ACM's non-core status
2. Refer MMG announcement of 13 October 2009 and sections 7.3 and 11.2 of the Investor Information Booklet

Repositioning Australia's largest regional radio and television business

		Refer for Further Information
Recapitalisation	• Underwritten $294 million capital raising by way of a 1 for 1 single bookbuild accelerated renounceable Entitlement Offer. The Entitlement Offer is subject to customary underwriting conditions but is not conditional on the other proposed initiatives being implemented • Net Entitlement Offer proceeds and available cash at MMG's parent level (after transaction costs and Internalisation payment, should it proceed) to be applied to reduction of MSCM debt • MMG has decided to terminate all of its current buy-backs with immediate effect	Pages 14-17 of this summary and Sections 4 and 12.2 of the Investor Information Booklet
Internalisation proposal	• Consideration of $40.5 million payable in cash to Macquarie, with completion to occur on satisfaction of conditions precedent • Internalisation involves termination of Macquarie's management role, provision of transitional services and acquisition of the shares in MMML, the manager of MMG • Independent Board Committees ("IBC") established to consider Internalisation proposal – appointed Financial Adviser (RBS Corporate Finance Limited), Legal Advisers (including Clayton Utz in respect of Australian legal matters) and Independent Expert (Ernst & Young Transaction Advisory Services Limited) • Consideration evaluated against a number of valuation approaches and other benchmarks and reflects negotiations on the value to both parties of the management fees and the costs of supplying management services • Internalisation payment takes into account the MSCM Asset Advisory Agreement under which base and performance fees would become payable if Macquarie is removed as manager of MMG without Macquarie's consent • New corporate name to be proposed for security holder approval in due course	Pages 19-22 of this summary and Sections 5 and 12.3 of the Investor Information Booklet (including conditions precedent relating to security holder and financier approvals)
Corporatisation proposal	• Simplifies MMG's corporate structure by converting from a triple stapled structure to a single holding company • Corporatisation to follow completion of Internalisation and satisfaction of conditions precedent • Targeted post-Corporatisation dividend payout ratio of approximately 40% to 60% of Adjusted NPAT[1] (subject to prevailing circumstances, board discretion and available profits)	Pages 24-25 of this summary and Sections 6 and 12.4 of the Investor Information Booklet (including conditions precedent relating to security holder, financier, court & regulatory approvals)

Note: 1. NPAT excluding the impact of non-cash and fair value items such as impairment charges, changes in the fair value of derivatives and other items which are non-recurring

Repositioning Australia's largest regional radio and television business (cont'd)

		Refer for Further Information
Governance framework	• Subject to completion of Internalisation and Corporatisation, transition of MMG's corporate governance framework to that of a single publicly listed Australian company, continuing to include a majority of independent directors • Leon Pasternak has been appointed as new Deputy Chairman of MMHL and MMML with immediate effect	Section 5.17 of the Investor Information Booklet
Management	• MMG CEO Mark Dorney will continue in his role to oversee the Recapitalisation, Internalisation, Corporatisation and repositioning of MMG until security holder approval of the Internalisation • Current MSCM CEO Rhys Holleran will then assume the additional responsibility of CEO of MMG • Mark Dorney will then return to Macquarie as an Executive Director of Macquarie Capital	Section 5.18 of the Investor Information Booklet
Transitional services	• Ongoing transitional services support from Macquarie under a Transitional Services Agreement until 31 December 2010 and on a cost-plus 15% basis for up to 3 months thereafter at MMG's discretion • If completion of Internalisation does not occur, MMG will retain its triple stapled security structure and external management with base and potentially performance fees payable to Macquarie	Sections 5.19 and 5.20 of the Investor Information Booklet

Note: 1. Refer MMG announcement of 13 October 2009

Repositioning Australia's largest regional radio and television business (cont'd)

		Refer for Further Information
Trading update	• MSCM: Preliminary management estimates of the financial performance of MSCM for the quarter ended 30 September 2009 indicate that MSCM's revenue and EBITDA declined at a lower rate than experienced in the 6 months to 30 June 2009 with revenue down 5.6% and EBITDA down 5.1% on the 3 months to 30 September 2008. The business is currently operating within financial covenants	Section 3.2 of the Investor Information Booklet
	• ACM: 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 ACM's revenue and EBITDA declined at a lower rate than experienced in the 6 months to 30 June 2009, with revenue down 15.8% and EBITDA down 21.1% on the 3 months to 30 September 2008. As stated in the announcement 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	Sections 3.2 and 7.3 of the Investor Information Booklet
Exclusivity	• MMG subject to no shop and notification obligations, subject to fiduciary exception	Section 12.3 of the Investor Information Booklet
Risk factors	• See 'Summary of risks and disadvantages of the initiatives' on pages 28-29 and relevant sections of the Investor Information Booklet	Pages 28-29 of this summary and sections 1.8, 5.15, 6.8 and 11 of Investor Information Booklet

Investor Information Booklet supplementing this summary

- Further details regarding the MMG initiatives described in this summary are set out in the Investor Information Booklet lodged by MMG with ASX on the date of this summary
- This is a summary only and is qualified in its entirety by the Investor Information Booklet which you should read in full
- The Investor Information Booklet contains material similar to that which will be contained in an explanatory memorandum for the Internalisation and Corporatisation proposals including:
  - The advantages and disadvantages of the initiatives and the alternatives considered by MMG (Sections 1.7, 1.8, 5.14, 5.15, 6.7 and 6.8)
  - Information concerning the resolutions to be proposed at the MMG meetings to consider the Internalisation and Corporatisation (Sections 5.7, 5.24 and 6.10)
  - Information about the status of the conditions to the Internalisation and Corporatisation, including the debt conditions (Sections 5.5 and 6.4)
  - Information regarding the control implications of the Entitlement Offer (Sections 4.7 and 8.2)
  - Full details of all Macquarie's interests in MMG, the Recapitalisation, Internalisation and Corporatisation (Section 8)
  - Full summaries of all key transaction documents (Section 12)
- The Investor Information Booklet also sets out in Annexure 1 an Independent Expert's Report from Ernst & Young Transaction Advisory Services Limited which has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates

Business overview[1]

- MMG business overview is presented both including and excluding ACM, as ACM is considered non-core
- The analysis below is presented for the year ended 30 June 2009 on a non-statutory adjusted pro-forma post-Recapitalisation, Internalisation and Corporatisation basis. Refer to Section 9 of the Investor Information Booklet for further details including the nature of the adjustments to the statutory financial information

	MMG including ACM		ACM	MMG excluding ACM[2]	
Description	• Holding company[2] • Includes MSCM • Includes ACM		• Non-core going forward • No plans for cash injections from parent level • If preliminary estimates of financial performance to 30 September 2009 hold true and requested amendments or waivers from lenders are not forthcoming, ACM will not be compliant with certain covenants under the ACM facility	• Comprises MSCM and head office • Core part of the business going forward • Net Entitlement Offer proceeds, along with available cash at the MMG parent level, will be applied to reduce net debt in MSCM	
$m	Entitlement Offer Price	TERP[4]		Entitlement Offer Price	TERP[4]
Price	$1.55	$2.025	N/A	$1.55	$2.025
Securities on issue Post-Recap	379	379	N/A	379	379
Implied Equity Value	587	767	N/A	587	767
Net Debt[3]	468	468	162	306	306
Implied Enterprise Value	1,055	1,235	N/A	893	1,073
FY09 Adjusted Pro-forma Post-Recapitalisation, Internalisation and Corporatisation[1]					
EBITDA	137		25	113	
EBIT	106		13	93	
Net interest	42		16	26	
Pre-tax operating profit	64		(3)	67	
EV/EBITDA	7.7x	9.0x	N/A	7.9x	9.5x
Adjusted NPAT	45		(3)	48	
Adjusted EPS (cents)	11.9		(0.8)	12.7	

Notes:
1. Numbers are presented on an adjusted pro-forma post-Recapitalisation, Internalisation and Corporatisation basis. Refer to Section 9 of the Investor Information Booklet for further details
2. ACM and MSCM are wholly-owned subsidiaries of MMG and are not separately quoted
3. Figures are illustrative only, assuming exclusion of ACM
4. 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

Summary financial position

(see Sections 4.4 and 9 of the Investor Information Booklet)

- MMG's gearing metrics are presented both including and excluding ACM, as ACM is considered non-core
- Net Entitlement Offer proceeds and available cash at the MMG parent level will be used to reduce MSCM gearing and to pay the Internalisation consideration (if the Internalisation proceeds)
- MMG's net debt (excluding ACM) after Internalisation will be $306 million

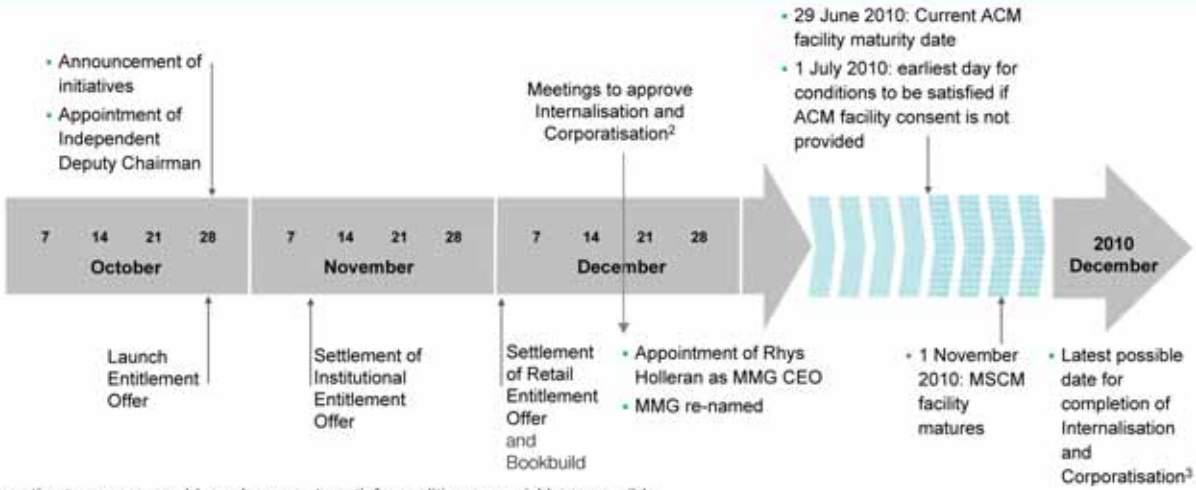
		MMG including ACM	MMG excluding ACM
Actual as at 30 June 2009	Net debt	$691m	$529m
	Net debt / EBITDA	5.0x	4.6x
	EBITDA / Net interest expense	2.0x	2.1x
	EBIT / Net interest expense	1.5x	1.7x
Pro-forma post Recapitalisation[1]	Net debt	$427m	$265m
	Net debt / EBITDA	3.2x	2.5x
	EBITDA / Net interest expense	3.1x	4.1x
	EBIT / Net interest expense	2.4x	3.4x
Adjusted Pro-forma Post-Recapitalisation, Internalisation and Corporatisation[2]	Net debt	$468m	$306m
	Net debt / EBITDA	3.4x	2.7x
	EBITDA / Net interest expense	3.2x	4.3x
	EBIT / Net interest expense	2.5x	3.6x

Notes:

1. Pro-forma gearing metrics have been adjusted to reflect full year impact of the Entitlement Offer, after associated transaction costs of $9.9 million and application of available cash at the MMG parent level to repay MSCM debt (excluding estimated $11.5 million in interest rate swap costs), $2.9 million increase in finance cost in relation to ACM expected breach of loan covenants, additional $6.7 million management fee and $8.3 million in relation to distributions and buybacks subsequent to 30 June 2009. Refer to Section 9 of the Investor Information Booklet for further details

2. Reflects the pro-forma adjustments relating to Recapitalisation and Internalisation, and certain non-cash, fair value and one-off items. Refer pro-forma Section 9 of the Investor Information Booklet for more details

Summary timetable[1]



- All parties to use reasonable endeavours to satisfy conditions as quickly as possible
- MSCM refinancing discussions expected to move forward positively given proposed reduction in MSCM debt
- ACM discussions currently underway regarding requested amendments or waivers in relation to the ACM facility with respect to a potential breach of covenants

Note:

1. Timetable is indicative only and subject to change in MMG's absolute discretion

2. Security holder vote on Internalisation and Corporatisation intended to occur on the same day if possible

3. Internalisation and Corporatisation are subject to a number of conditions precedent (including lender consent or refinancing) and may be completed earlier. See Investor Information Booklet (Section 5.5 and 6.4). If Internalisation does not complete, existing external MMG management arrangements and corporate structure will remain in place

1 Recapitalisation

(see Section 4 of the Investor Information Booklet)

Recapitalisation overview

(see Section 4 of the Investor Information Booklet)

Offer structure & size	• Underwritten 1 for 1 single bookbuild accelerated renounceable entitlement offer of $294 million • Entitlements of renouncing security holders, and entitlements which would have been offered to ineligible security holders, will be sold via a single bookbuild on 27 November 2009 following completion of the Retail Entitlement Offer. Any proceeds from successful bookbuild participants in excess of the Entitlement Offer price will be paid to these security holders
Entitlement ratio & offer price	• 1 new MMG stapled security for every 1 existing MMG stapled security held at the Record Date (7.00pm AEST, Monday 2 November 2009) • Entitlement Offer price of $1.55 per stapled security - 38% discount to last closing price[1] of $2.50 per stapled security - 23% discount to Theoretical Ex-Rights Price[2] of $2.025 per stapled security
Conditionality	• Entitlement Offer is subject to customary underwriting conditions but is not conditional on Internalisation or Corporatisation proceeding
Ranking	• New MMG securities issued under the Entitlement Offer will be issued fully paid and will rank equally in all respects with existing MMG stapled securities, including entitlement to 1H10 distribution
Macquarie participation	• Macquarie has committed to taking up its entitlement in respect of its 24.8% principal holding in full[3]

Note:

1. As at close 27 October 2009

2. Theoretical Ex-Rights Price is the theoretical security price post the Entitlement Offer which is weighted for MMG's market capitalisation 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

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

Recapitalisation overview (cont'd)

(see Section 4 of the Investor Information Booklet)

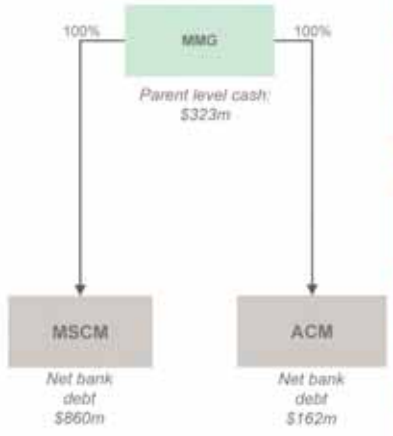
Underwriting and effect on Macquarie	• The Entitlement Offer (excluding Macquarie's 24.8% principal holding) is fully underwritten in equal proportions by RBS Equity Capital Markets (Australia) Limited and Macquarie Capital Advisers Limited • Macquarie's voting power may increase from its current 26.5% to a maximum of approximately 45% to the extent that it is required to take up any shortfall under the underwriting agreement • See Sections 4.7, 8.2 and 12.2 for details of the potential impact of the underwriting on Macquarie's voting power and the underwriting terms
Use of proceeds	• Net Entitlement Offer proceeds and available cash at the MMG parent level (after Internalisation payment, if Internalisation proceeds) will be used to reduce MSCM net debt • MMG has no plans to apply any proceeds or parent level cash to reduce business level gearing within ACM • Reduction of MSCM net debt associated with the Entitlement Offer will occur regardless of Internalisation or Corporatisation, subject to the Entitlement Offer proceeding • Entitlement Offer and MSCM debt reduction will increase base fees for Macquarie based on increased Net Investment Value[1] of MMG until completion of the Internalisation
Selling restrictions and ineligible security holders	• Certain security holders resident outside Australia and New Zealand are not eligible to participate in the Entitlement Offer • Refer Sections 4.13, 4.21 and Annexure 3 of the Investor Information Booklet

Note: 1. The market value of MMG securities plus the amount of any external borrowings and the amount firmly committed to future investments less the amount invested in cash or cash equivalents

Application of proceeds

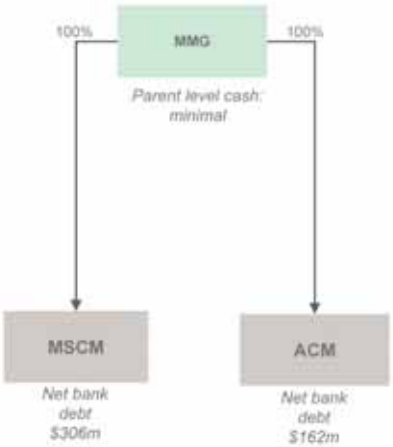
(see Sections 4.4 and 9 of the Investor Information Booklet)

Pre-Recapitalisation[1]



Sources and Uses of Funds ($m)	
Parent Level Cash	$323
Entitlement Offer	$294
Total Sources	**$617**
Cash for Debt Paydown	$(555)
Internalisation[2]	$(41)
Underwriting and Other Fees	$(10)
Interest Rate Swap Break Costs[3]	$(12)
Total Uses	**$(617)**

Post-Recapitalisation



Notes:

1. Cash at the MMG parent level and net debt figures sourced from the audited MMG Financial Report and unaudited MMG Management Report for the year ended 30 June 2009 (subject to adjustment to parent level cash for post balance date payment of FY09 final distribution and buy-backs completed up to 5 August 2009). ACM facilities are in USD and therefore subject to exchange rate changes

2. If Internalisation proceeds

3. These costs to be paid from existing parent level cash. "Interest Rate Swap Break Costs" relates to the estimated costs of $11.5 million that may arise as a result of breaking existing interest rate swaps as a result of debt reduction. Refer Section 8.3 of the Investor Information Booklet

Entitlement Offer timetable[1]

(see Section 4 of the Investor Information Booklet)

Event	Date
Announcement of the Entitlement Offer and commence trading halt	Wednesday, 28 October 2009
Institutional Entitlement Offer open	Wednesday, 28 October 2009
Institutional Entitlement Offer close	Thursday, 29 October 2009
Trading halt ends and results of Institutional Entitlement Offer announced	Friday, 30 October 2009
Record Date for the Entitlement Offer	7.00pm AEDT Monday, 2 November 2009
Retail Entitlement Offer opens	Tuesday, 3 November 2009
Mailing of entitlement and acceptance form and Retail Entitlement Offer Booklet to eligible retail security holders	By Wednesday, 4 November 2009
Early Retail Entitlement Offer close	5.00pm AEDT Tuesday, 10 November 2009
Settlement of the Institutional Entitlement Offer and Early Retail Entitlement Offer applications	Wednesday, 11 November 2009
Allotment of new securities under the Institutional Entitlement Offer and Early Retail Entitlement Offer applications, and normal trading of those securities expected to commence on ASX	Thursday, 12 November 2009
Retail Entitlement Offer closes	5.00pm AEDT Friday, 20 November 2009
Bookbuild	Friday, 27 November 2009
Settlement of the Retail Entitlement Offer and Bookbuild	Wednesday, 2 December 2009
Allotment of new securities under the Retail Entitlement Offer and Bookbuild	Thursday, 3 December 2009
Normal trading of remaining new securities expected to commence on ASX	By Friday, 4 December 2009
Despatch of holding statements for Retail Entitlement Offer and Bookbuild	By Monday, 7 December 2009

Note: 1. Timetable is subject to change in MMG's absolute discretion. MMG reserves the right to withdraw or vary the timetable for the Entitlement Offer without notice. In particular, MMG reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Retail Entitlement Offer without notice

2 Internalisation

(see Section 5 of the Investor Information Booklet)

Internalisation overview

(see Section 5 of the Investor Information Booklet)

Overview of Internalisation proposal

- MMG and Macquarie have agreed terms, subject to certain conditions being satisfied, to internalise the management of MMG for total cash consideration of $40.5 million
  - Termination of all management rights including MSCM Asset Advisory Agreement
  - Transitional services to be provided by Macquarie until 31 December 2010 and on a cost-plus 15% basis for up to 3 months thereafter at MMG's discretion
  - Management fees continue to be payable up to completion of Internalisation
- Independent Expert (Ernst & Young Transaction Advisory Services Limited) has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates (see Annexure 1 to the Investor Information Booklet)
- Independent Directors of MMG intend to unanimously recommend that security holders vote in favour of the Internalisation, subject to the Independent Expert not changing or withdrawing its conclusion in the Independent Expert's Report and no superior proposal arising. Independent Directors reserve the right to change their recommendation if their fiduciary duties require it
- Initiative evaluated against a range of alternatives by IBC and Financial Adviser (RBS Corporate Finance (Australia) Limited). Consideration evaluated against a range of benchmarks and reflects negotiations on the value to both parties of the management fees and the costs of supplying management services
- Explanatory Memorandum and Notices of Meeting expected to be sent to security holders in November 2009
- MMG subject to no shop and notification obligations, subject to fiduciary exception – refer Section 12.3 of the Investor Information Booklet
- Refer to Section 12.3 of the Investor Information Booklet for further details of the Internalisation, including description of the key Internalisation agreements

Internalisation overview (cont'd)

(see Section 5 of the Investor Information Booklet)

Conditions to Internalisation (see Section 5.5 of the Investor Information Booklet) include:

- Successful completion of the Entitlement Offer
- Approval of MMG security holders through an ordinary resolution - Macquarie and its associates will not be entitled to vote on these resolutions
- Independent Expert not changing or withdrawing its conclusion that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates
- MSCM lenders' approval or refinancing on terms permitting Internalisation
- If completion is to take place prior to 1 July 2010 (being after the current maturity date of the ACM facility of 29 June 2010), ACM lenders' approval or refinancing on terms permitting Internalisation is required. If ACM facility consent or refinancing is not obtained by 1 July 2010, this condition ceases to apply.
- MMG and Macquarie to do all things reasonably necessary to satisfy conditions as soon as possible, with a 10 December 2010 end date for satisfaction of conditions. Further information on the conditions and the status of the conditions is set out in Sections 5.5 and 12.3 of the Investor Information Booklet[1]
- If completion does not occur on or before 10 December 2010, existing management arrangements stay in place

Note: 1. Termination events also apply. See Section 5.5 of the Investor Information Booklet

Internalisation proposal assessment procedures

(see Sections 1.9 and 1.10 of the Investor Information Booklet)

- MMG management conducted a full review for the MMG Boards of potential strategic options available to address security holder feedback on the capital structure, corporate structure and external management arrangements impacting on the value of MMG securities
- After considering management analysis, and preliminary discussions with Macquarie, the MMG Boards established the IBC to review the strategic options in more detail
- The IBC then appointed RBS Corporate Finance (Australia) Limited as Financial Adviser to provide a detailed review of strategic options available to MMG, which included Internalisation
- The following additional appointments were made by the IBC:
  - Legal Advisers (including Clayton Utz in respect of Australian legal matters and Conyers Dill & Pearman in respect of Bermudan legal matters)
  - Independent Expert (Ernst & Young Transaction Advisory Services Limited)
- Upon commencement of the evaluation of Internalisation, the Boards of MMG also put in place protocols to manage actual and potential conflicts of interest and the flow of information between Macquarie and MMG
- Additionally, Macquarie directed the senior MMG management team to be solely answerable to the IBC in respect of the proposals
- All fees payable to the Underwriters in connection with the Recapitalisation tested against a number of recent market benchmarks

Internalisation valuation considerations

(see Section 5.12 of the Investor Information Booklet)

Management fees – historic and illustrative go-forward

- Average base management fee of ~$9.7 million over FY2006 to 2009[1]
  - In addition, there have been performance fees paid[2]
- Illustrative go-forward management fees[3]
  - Application of available MMG parent level cash increases management fees[4]
    - FY09 base fee of $1.3 million reflects temporary impact of cash held at parent level
    - $7.1 million pro-forma base fee assuming current $2.50 security price, no Entitlement Offer and application of MMG parent level cash
  - Post-Recapitalisation (Entitlement Offer and application of available parent level cash), pro-forma base management fee of $11.4 million[5,6]

Internalisation payment

- $40.5 million payment in cash on completion in relation to the termination of Macquarie's management role including under MMG parent level management services agreements, MMT constitution and MSCM Asset Advisory Agreement[7]. Transitional services to be provided from completion of the Internalisation until at least 31 December 2010
- Internalisation payment determined using a number of valuation approaches including DCF valuation of estimated cost savings, a multiples based analysis drawing on estimated fees payable, and other benchmarks

Internalisation expected to benefit MMG security holders

- Additional management costs estimated to be up to $4.5 million post-Internalisation; implies a saving of $6.9 million based on illustrative go-forward management fee of $11.4 million post-Recapitalisation
- Internalisation initially expected to be neutral to positive to MMG earnings
- Expected to be increasingly positive to earnings on the assumption of future security price increases

Note:

1. Base Management Fees have been: FY06: $9.2m, FY07: $14.4m, FY08: $11.4m, FY09: $1.3m. MMG was listed for 3 of 4 quarters in FY06. Average reflects this timing

2. Performance Fee of $9.3 million paid in FY06

3. Figures are forward looking estimates and assume Recapitalisation completes. Actual results may vary

4. Base Management Fees calculated as 1.5% of the Net Investment Value. Net Investment Value is the market value of MMG Securities plus the amount of any external borrowings and the amount firmly committed to future investments less the amount invested in cash or cash equivalents. Refer to section 8.8 of the Investor Information Booklet for further details

5. Based on closing price as at 27 October 2009 of $2.50 per security

6. Assumes cash at the MMG parent level of $322.9 million applied to the payment for Internalisation and interest rate swap break costs to reduce debt in MSCM. MMG market capitalisation as at 27 October is $474m, and net proceeds from entitlement offer are $284m, implying a Net Investment Value of $757m. Base Management Fee of $11.4m is calculated as 1.5% x the Net Investment Value

7. Refer to Section 8.8 of the Investor Information Booklet and MMG website www.macquarie.com/mmg for overview of existing management agreements

3 Corporatisation

(see Section 6 of the Investor Information Booklet)

Corporatisation overview

(see Section 6 of the Investor Information Booklet)

Overview of Corporatisation proposal

- MMG proposes to simplify its corporate structure by converting from a triple stapled structure to a single holding company
- Rationale for proposed Corporatisation includes:
  - Creating a simplified structure that may have greater appeal to a broader range of investors
  - Corporatisation will allow MMG to pay franked dividends over time (for further detail, refer sections 6 and 10 of the Investor Information Booklet)
  - Potential to reduce head office costs due to reduced administrative complexity
  - Unification under one Board of Directors, providing for a simpler governance structure
  - Simplified financial reporting requirements
- Targeted post-Corporatisation dividend payout ratio of approximately 40% to 60% of Adjusted NPAT (subject to prevailing circumstances, board discretion and available profits)

Corporatisation overview (cont'd)

(see Section 6 of the Investor Information Booklet)

Conditions to Corporatisation (see Section 6.4 of the Investor Information Booklet) include:

- Certain ASIC relief and ASX waivers and confirmations
- Approval of MMG security holders (Macquarie will be entitled to vote on these resolutions)
- Completion of the Internalisation
- Court approval for a scheme of arrangement for MMIL
- Bermudan regulatory approval
- MSCM lenders' approval or refinancing on terms which permit the Corporatisation
- If completion is to take place prior to 1 July 2010 (being after the current maturity date of the ACM facility of 29 June 2010), ACM lenders' approval or refinancing on terms which permit the Corporatisation is required. If ACM facility consent or refinancing is not obtained by 1 July 2010, this condition ceases to apply.

4 Additional Information

Possible outcomes of the initiatives

(see Sections 1.3 and 5.8 of the Investor Information Booklet)

- As the Recapitalisation precedes implementation of the Internalisation and the Corporatisation (detailed in the Investor Information Booklet), the Recapitalisation will take place irrespective of whether or not the Internalisation and the Corporatisation are implemented
- Therefore, there are four main outcomes which may occur:
  - None of the initiatives are implemented
  - The Recapitalisation is implemented but not the Internalisation or the Corporatisation
  - The Recapitalisation and the Internalisation are implemented but not the Corporatisation
  - All the initiatives are implemented
- The general commercial impact of the last three possible outcomes on MMG and on the interests of MMG security holders can be broadly described as:

		Refer to Investor Information Booklet Section
Recapitalisation but no Internalisation or Corporatisation	• MSCM's net debt reduced • MMG remains triple stapled structure • Macquarie's existing management rights remain • Macquarie's base management fees increase as a result of higher Net Investment Value of MMG following the Recapitalisation	1.3, 4, 5, 6 and 8
Recapitalisation and Internalisation but no Corporatisation	• MSCM's net debt reduced • MMG pays consideration, terminates Macquarie's existing management rights and internalises management • MMG remains a triple stapled structure	1.3, 4, 5, 6 and 8
All initiatives implemented	• MSCM's debt reduced • MMG pays consideration, terminates Macquarie's existing management rights and internalises management • MMHL (an MMG entity) becomes sole holding company listed on ASX	1.3, 4, 5, 6 and 8

- The table above is a high level summary only and MMG security holders considering whether or not to participate in the Entitlement Offer must consider all of the materials contained in the Investor Information Booklet to assess the potential impact of the initiatives

Summary of risks and disadvantages of the initiatives

(see Sections 1.8, 5.15, 6.8 and 11 of the Investor Information Booklet)

- The key risks and disadvantages associated with the initiatives described below are not the only ones facing MMG or associated with an investment in MMG securities (refer Sections 1.8, 5.15, 6.8 and 11 of the Investor Information Booklet)

Recapitalisation:

- If Internalisation does not occur (or until completion of the Internalisation), MMG will continue to pay fees to Macquarie but on the increased post-Recapitalisation Net Investment Value
- There are a number of risks and uncertainties which are both MMG-specific and of a more general nature that may affect the future financial performance and position of MMG and the value of MMG securities
- There is no guarantee that new MMG securities will trade at or above the Entitlement Offer issue price
- ACM is expected not to be compliant with certain covenants under the ACM facility, in which case 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
- MMG parent entities and members of the MSCM group have not given any guarantees, security or any other form of contractual credit support in favour of ACM or its lenders in respect of the ACM facility, and on that basis MMG believes that liability and recourse in relation to the ACM facility is limited to members of the ACM group and their assets. However MMG cannot exclude the possibility that lenders or other creditors could seek to make other claims against the MMG parent entities or members of the MSCM group. MMG does not believe there would be a reasonable basis for such claims
- Macquarie could increase its voting power in MMG above its current 26.5% (which includes Macquarie's principal holding of 24.8%) to a maximum of approximately 45%

Internalisation:

- Unanticipated changes in key assumptions may reduce the expected net present value of cost savings from Internalisation
- MMG will incur incremental annual costs associated with internalised management as well as one-off external transaction and implementation costs
- After the Internalisation, MMG will need to attract and retain additional staff and develop additional infrastructure appropriate for an independent, listed media company, to replace the services currently performed by Macquarie
- The transition from external to internal management may cause a level of head office disruption, even though Macquarie has agreed to provide transitional services to MMG for a period after completion to assist in achieving a smooth separation and transition

Summary of risks and disadvantages of the initiatives (cont'd)

(see Sections 1.8, 5.15, 6.8 and 11 of the Investor Information Booklet)

Internalisation (cont'd):

- While the IBC believes that the Internalisation (coupled with the other announced initiatives) will assist in reflecting the underlying asset values of MMG's businesses in MMG stapled securities, there is no guarantee that the MMG security price will increase
- If the Internalisation is implemented, MMG will cease to use the "Macquarie" name and logos and MMG and its businesses will be renamed and re-branded. There can be no certainty as to what impact that will have on the MMG security price
- The Internalisation may impact MMHL's ability to carry forward prior year tax losses for recoupment against taxable income of future years if certain currently proposed changes to taxation laws are ultimately legislated
- Internalisation is subject to a number of conditions precedent and if these conditions are not satisfied or waived, completion of the Internalisation may not occur

Corporatisation:

- Following the Corporatisation, MMG would only be able to pay dividends (other than a return of capital or buy-back) to the extent that it has generated a net profit for the period or had accumulated positive retained earnings (rather than being able to distribute excess free cash flow as a distribution from MMT)
- Transaction costs will be incurred, including the costs associated with holding the relevant meetings and seeking the consent of the Bermudan Court
- Post Corporatisation, MMG is likely to commence paying tax much earlier than if it were to remain part of a triple stapled structure. This means that in due course, MMG will commence paying franked dividends which would be less advantageous to certain foreign security holders and other entities that are not able to fully utilise franking credits (for further detail, refer section 6 of the Investor Information Booklet)
- Ineligible Overseas Security Holders will have the majority of their MMG securities sold through a foreign nominee sale process. No guarantees can be made in relation to the amount of proceeds received
- The Corporatisation is subject to satisfaction of various conditions, which may or may not be satisfied

Investor Information Booklet
Including Independent Expert's Report
Dated 28 October 2009

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MACQUARIE MEDIA GROUP®

INVESTOR INFORMATION BOOKLET

RECAPITALISATION AND
INTERNALISATION AND CORPORATISATION PROPOSALS

28 OCTOBER 2009

MACQUARIE

® Registered trademark of Macquarie Group Limited

Macquarie Media Holdings Limited
(ABN 91 116 024 536)

Macquarie Media International Limited
(EC 37694) (ARBN 118 577 423)

Macquarie Media Trust
(ARSN 116 151 467)

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Contents

Disclaimer and Important Notices **4**

1. Overview **6**

1.1 Overview of proposed transactions 6
1.2 Timetable to implement initiatives 8
1.3 Possible outcomes of the initiatives 10
1.4 Macquarie's involvement in the initiatives 11
1.5 Termination of buy-back programs 12
1.6 Independent Expert's Report and Independent Directors' recommendation 12
1.7 Summary of the benefits of the initiatives 12
1.8 Disadvantages and risks of the initiatives 13
1.9 Strategic review and establishment of Independent Board Committees 15
1.10 Alternatives considered by the IBC 15
1.11 Impact of the Internalisation and Corporatisation on the structure of MMG 16
1.12 Management 17

2. Questions and answers **18**

2.1 Initiatives generally 18
2.2 Recapitalisation 19
2.3 Internalisation 23
2.4 Corporatisation 27

3. Overview of MMG and trading update **28**

3.1 MMG's businesses 28
3.2 Trading update 28
3.3 Events leading to current initiatives 29
3.4 Distribution policy 31
3.5 Termination of buy-back programs 31

4. Recapitalisation **32**

4.1 Details of the Entitlement Offer 32
4.2 Offer structure 32
4.3 Purpose of the Entitlement Offer 33
4.4 MMG's gearing after the Recapitalisation 34
4.5 Macquarie's participation / intentions 35
4.6 Underwriting 35
4.7 Macquarie voting power 35
4.8 Conditionality 35

4.9 Renounceability and Bookbuild ... 35
4.10 Record date ... 35
4.11 Institutional Entitlement Offer ... 36
4.12 Retail Entitlement Offer ... 36
4.13 Ineligible Security Holders – Foreign nominee process ... 36
4.14 Shortfall dispersion ... 36
4.15 Custodian/Nominee security holders ... 37
4.16 Ranking of new MMG securities ... 37
4.17 Quotation and trading ... 37
4.18 Reconciliation ... 37
4.19 CHESS ... 37
4.20 Media regulatory policy ... 37
4.21 International selling restrictions ... 37
4.22 Taxation ... 38
4.23 Entitlement Offer timetable ... 38

5. Internalisation ... 39
5.1 Overview ... 39
5.2 Internalisation transactions ... 39
5.3 Consequences of the Internalisation for MMG ... 40
5.4 Consideration payable to Macquarie in respect of the Internalisation ... 40
5.5 Conditions to completion of the Internalisation and termination rights ... 41
5.6 Exclusivity ... 42
5.7 Required security holder approvals ... 42
5.8 Relationship of the Internalisation to other initiatives ... 43
5.9 Alternatives considered by the IBC ... 44
5.10 Independent Expert concludes that the Internalisation is fair and reasonable ... 45
5.11 Directors' recommendation ... 45
5.12 Internalisation payment considerations ... 45
5.13 Relationship of the Internalisation to existing financing arrangements ... 49
5.14 Advantages of the Internalisation ... 49
5.15 Disadvantages and risks of the Internalisation ... 50
5.16 Tax implications ... 52
5.17 Governance transition ... 52
5.18 Management transition ... 53
5.19 Transitional services ... 53
5.20 Implications if the Internalisation is not approved ... 54
5.21 Directors' interests in the outcome of the Internalisation Resolutions ... 54
5.22 Payment of fees to IBC ... 56
5.23 No other information known to MMG ... 56
5.24 Other resolutions to be considered in the context of the Internalisation ... 56

6. Corporatisation ... 58
6.1 Overview ... 58
6.2 Corporatisation transactions ... 58
6.3 Tax ... 60
6.4 Conditions and status of the conditions ... 60
6.5 Foreign securities laws and Ineligible Overseas Security Holders ... 61
6.6 MMG Board Recommendation ... 62
6.7 Advantages of the Corporatisation ... 62
6.8 Disadvantages of the Corporatisation ... 62
6.9 Cash distribution and ongoing dividend policy ... 63
6.10 Explanation of the Corporatisation Resolutions ... 63
6.11 Implementing the Corporatisation ... 65
6.12 Effect of the Corporatisation ... 66
6.13 Governance transition ... 66
6.14 Implications if the Corporatisation is not approved ... 67
6.15 Rights and liabilities attaching to Media Holdco shares ... 68

7. Financing update 68
7.1 MMG - parent level debt 68
7.2 MSCM Facility 68
7.3 ACM Facility 68

8. Macquarie interests 71
8.1 Overview of current arrangements with Macquarie 71
8.2 Impact of Recapitalisation on Macquarie 71
8.3 Impact of debt pay down and refinancing(s) on Macquarie 74
8.4 Impact of the Internalisation on Macquarie 74
8.5 Impact of the Corporatisation on Macquarie 75
8.6 Other arrangements with Macquarie 75
8.7 Summary of ongoing arrangements with Macquarie 76
8.8 Summary of fees payable to Macquarie under existing management and advisory arrangements 77
8.9 Summary of termination rights under existing management and advisory arrangements 78

9. Financial information 79
9.1 Introduction 79
9.2 Basis of preparation 79
9.3 Income statement information 79
9.4 Balance Sheet information 86
9.5 Future financial performance of MMG 88
9.6 Solvency 89
9.7 Basis of preparation of financial reports 89

10. Tax 90
10.1 Entitlement Offer 90
10.2 Internalisation 92
10.3 Corporatisation 92

11. Risk factors 94
11.1 Introduction 94
11.2 Debt risk factors 94
11.3 The Internalisation and the Corporatisation 96
11.4 Risk factors relating to Macquarie being MMG's major security holder and manager 98
11.5 Risk factors inherent to media investments 98
11.6 General business risks 102
11.7 General risk factors 103

12. Additional matters 105
12.1 Summary of material agreements 105
12.2 Entitlement Offer material contracts 106
12.3 Internalisation material contracts 110
12.4 Corporatisation material contracts 115
12.5 Employment contract for Rhys Holleran 116
12.6 Summary of rights and liabilities attaching to Media Holdco shares and description of other material provisions of Media Holdco's constitution 116
12.7 ASX waivers 118
12.8 ASIC modifications/exemptions 119
12.9 Interests of MMG directors 119
12.10 Other material information 119
12.11 Governing law 119
12.12 Financial data 119

13. Glossary 120

Annexure 1 - Independent Expert's Report

Annexure 2 - Independence criteria

Annexure 3 - Selling restrictions

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All references in this Investor Information Booklet to Macquarie's voting power in MMG securities are stated on the basis that as at 23 October 2009:

(a) 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 (MCGL)); and

(b) Macquarie has a relevant interest in 50.2 million MMG securities (26.5% of MMG securities on issue). This includes the Principal Holding and a further 3.2 million MMG securities (1.7% of MMG securities on issue) which are held by Macquarie entities for a range of different purposes and in different capacities due to the broad nature of Macquarie's operations (including funds management, hedging, custodial and fiduciary services).

The above percentages have been determined on the basis that as at 23 October 2009 MMG had 189,409,130 securities on issue.

Unless stated otherwise, all references in this Investor Information Booklet to Macquarie's holding of MMG securities are references to its Principal Holding.

Foreign Investors

No action has been taken to register the Entitlement Offer or otherwise permit a public offering of securities outside Australia and New Zealand. This Investor Information Booklet does not constitute an offer of securities for sale in the United States. This Investor Information Booklet may not be distributed or released in the United States.

The Entitlements under the Entitlement Offer may not be taken up by persons in the United States or by nominees or custodians to the extent that they act for the account or benefit of persons in the United States. The new MMG securities have not been, and will not be, registered under the US Securities Act, or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new MMG securities may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

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This Investor Information Booklet contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this Investor Information Booklet involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of MMG, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Unless stated otherwise, all dollar values are in Australian dollars (A$) and financial data is presented as at the date stated.

Date

This Investor Information Booklet is dated 28 October 2009.

Overview

1

1.1 Overview of proposed transactions

The Boards of MMG propose a series of initiatives intended to enhance security holder value, optimise the capital and corporate structure of MMG and re-position the business for the future.

The specific initiatives are the Recapitalisation (including the Entitlement Offer), the Internalisation and the Corporatisation.

In respect of the timing of these initiatives:

- the Entitlement Offer: MMG is proceeding now; and
- the Internalisation and the Corporatisation: MMG proposes to hold security holder meetings as soon as possible to consider these initiatives.

In order to assist MMG security holders in making an informed decision about whether to participate in the Entitlement Offer, including in light of these further proposed initiatives, MMG is providing MMG security holders with detailed information now in relation to the proposed Internalisation and the Corporatisation.

Recapitalisation

	Refer to Sections
MMG proposes to raise up to $294 million under the Entitlement Offer. MMG is offering Eligible Security Holders the opportunity to subscribe for 1 new MMG security for every 1 existing MMG security which they hold on the record date (Monday, 2 November 2009 at 7.00 pm (AEDT).	4
The Offer Price per new MMG security is $1.55.	
The Entitlement Offer is renounceable. MMG security holders who do not take up their Entitlement may receive an amount from proceeds paid by Institutional Investors who apply through a bookbuild process for MMG securities in respect of those Entitlements not taken up.	4.2 and 4.9
The Entitlement Offer is fully underwritten by RBS Equity Capital Markets (Australia) Limited (RBS) and Macquarie Capital Advisers Limited (Macquarie Capital) (each an Underwriter or Joint Lead Manager), excluding Macquarie's 24.8% Principal Holding.	4.6 and 12.2
Macquarie has committed to take up its full Entitlement with respect to its Principal Holding of 24.8% of MMG Securities.	4.5
The net proceeds of the Entitlement Offer, together with $271 million of available cash at MMG's parent level, will be applied to reduce net debt in Macquarie Southern Cross Media Pty Limited (MSCM) to $306 million (collectively, the Recapitalisation).[1]	4.3 and 9.4
The Entitlement Offer is subject to customary underwriting conditions, but is not conditional on either the Internalisation or the Corporatisation being implemented.	12.2

Internalisation

	Refer to Sections
MMML, a Macquarie entity currently acts as responsible entity of MMT and manager of each of MMHL and MMIL (together the entities that comprise MMG). Following successful completion of the Entitlement Offer, MMG proposes to internalise its management structure, which would involve the termination of Macquarie's management role with MMG.	5
As consideration for the termination of Macquarie's existing management rights, MMG will pay Macquarie $40.5 million in cash. A significant consideration in determining this amount was the ability to eliminate Macquarie's rights under the Asset Advisory Agreement.	5.1, 5.2, 5.4, 5.12 and 8
The existing management arrangements will continue until completion of the Internalisation and Macquarie will continue to receive management fees during this period.	5.1, 5.4 and 5.18
Following completion of the Internalisation, certain transitional services will be provided to MMG by Macquarie until 31 December 2010. These services may be extended at the option of MMG for a further 3 months.	5.19
The Internalisation is subject to a number of conditions, including: ■ successful completion of the Entitlement Offer; ■ approval of MMG security holders (Macquarie will not be entitled to vote on the Internalisation Resolutions); ■ the Independent Expert not changing or withdrawing its conclusion in the Independent Expert's Report (which is set out in Annexure 1) that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates; and ■ lenders' approval or refinancing of the business level bank facilities within MSCM and American Consolidated Media, LLC (ACM) (the MSCM Facility and the ACM Facility) on terms which permit the Internalisation.	5.5
MMG has agreed to certain exclusivity arrangements with Macquarie subject to certain fiduciary carve-outs.	5.6
Following the Internalisation, it is proposed to transition MMG's corporate governance framework to that of a single publicly listed Australian company.	5.17
MMG proposes to change its name following security holder approval.	5.15(g) and 5.24

Corporatisation

	Refer to Sections
MMG proposes to simplify its corporate structure by converting from a triple stapled structure to a single holding company.	6
MMG currently comprises MMHL, an Australian company, MMIL, a Bermudan company, and MMT, an Australian registered managed investment scheme. The ordinary units of MMT and ordinary shares of MMHL and MMIL are stapled together and quoted jointly on the ASX.	6.2
The Corporatisation will involve termination of the MMG stapling arrangements, following which MMG security holders will, through a series of steps, exchange their units in MMT and shares in MMIL for additional shares in MMHL so that MMHL becomes the sole listed parent company of MMG.	
The Corporatisation is subject to a number of conditions, including: ■ certain ASIC relief and ASX waivers and confirmations; ■ approval of MMG security holders (Macquarie will be entitled to vote on these resolutions); ■ completion of the Internalisation; ■ Court approval for a scheme of arrangement for MMIL; ■ Bermudan regulatory approval; and ■ lenders' approval or refinancing of the MSCM Facility and the ACM Facility on terms which permit the Corporatisation.	6.4

Further information in relation to the Internalisation and the Corporatisation will be provided in the Notices of Meetings and Explanatory Memorandum convening the meetings of MMG security holders (containing similar information to that contained in Sections 5 to 12 of, and the Annexures to, this Investor Information Booklet as well as any updates to that information up to the date of the Notices of Meetings) to consider and vote on the resolutions in connection with the Internalisation and the Corporatisation. It is expected that the Notices of Meetings and the Explanatory Memorandum will be despatched to MMG security holders in November 2009, with the meetings to be held in late December 2009, although MMG reserves the right to vary the timetable, or to proceed with or to withdraw the initiatives, in its absolute discretion.

1 Assuming the Internalisation and Recapitalisation occur. If the Internalisation does not occur the MSCM net debt will be reduced to $265 million following the Recapitalisation.

1.2 Timetable to implement initiatives

Set out below is an indicative timetable for the implementation of the initiatives.

High Level Summary Timetable[2]

October 2009

- Announcement
- Launch Entitlement Offer
- MMG and Macquarie to do all things reasonably necessary to satisfy conditions to Internalisation and Corporatisation as soon as possible. Refinancing and/or consent discussions with lenders commence
- Appointment of Leon Pasternak as Deputy Chairman of MMHL and MMML

November 2009

- Settlement of Institutional Entitlement Offer and early retail acceptances (11 November 2009)
- Despatch of Notices of Meetings and Explanatory Memorandum
- Bookbuild of renounced entitlement and entitlement of Ineligible Security Holders (27 November 2009)

December 2009

- Settlement of Retail Entitlement Offer and Bookbuild (2 December 2009)
- Meetings to approve the Internalisation and the Corporatisation
- MMG entities re-named (subject to security holder approval)
- Current MSCM CEO Mr Rhys Holleran assumes the additional responsibility of MMG CEO on security holder approval of the Internalisation
- Earliest possible time to complete the Internalisation

January 2010

- Earliest possible time to complete the Corporatisation (following receipt of Court approvals)

- 29 June 2010 current maturity date for the ACM Facility
- 1 July 2010 earliest day for conditions to be satisfied if ACM Facility is not refinanced or consent is not provided
- 1 November 2010 current maturity date for the MSCM Facility

December 2010

- Latest possible date for completion of the Internalisation and the Corporatisation[3]

2 The timetable is indicative only and subject to change in MMG's absolute discretion. Security holder meetings to vote on the Internalisation and the Corporatisation intended to occur on the same day if possible.

3 The Internalisation and Corporatisation are subject to a number of conditions (including financier consent or refinancing) and may be completed earlier. See Sections 5.5 and 6.4. If the Internalisation and Corporatisation do not complete by this date, existing MMG management arrangements will continue.

A key condition for implementation of each of the Internalisation and the Corporatisation is MMG security holder approval. At the time of the security holder meetings some or all of the other conditions to completion of the Internalisation and the Corporatisation may not have been satisfied.

A further key condition for implementation of each of the Internalisation and the Corporatisation is lender approvals or refinancing of the MSCM Facility and the ACM Facility on terms that permit those initiatives to occur. MMG's businesses have their own bank facility arrangements - one facility provided to MSCM and one facility provided to ACM. The MMG parent entities have not guaranteed or provided any security in respect of these facilities.

This means that in order to implement the Internalisation and the Corporatisation the lenders must give their prior approval or the relevant facility agreements must be renegotiated or refinanced. MMG proposes to further progress the ongoing discussions with MSCM's and ACM's lenders with a view to resolving these conditions precedent. MMG will announce to the ASX any material developments in relation to the status of these conditions precedent.

In the case of the MSCM Facility, it is anticipated that the proposed reduction of MSCM net debt from the proceeds of the Entitlement Offer and from available cash at MMG's parent level will increase the prospects that the condition can be satisfied as part of a potential refinancing of MSCM business level debt.

In the case of the ACM Facility, if consent or refinancing is not obtained by 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), the ACM financing condition ceases to apply to the Internalisation and the Corporatisation. Accordingly, MMG considers that the existence of this condition is one which could delay rather than prevent the Internalisation and/or Corporatisation occurring. In the event that the ACM Facility syndicate takes enforcement action in respect of the ACM Facility, MMG and Macquarie may consider whether it is appropriate for this condition to be retained.

The transaction arrangements for the Internalisation and the Corporatisation permit a period of up to 10 December 2010 for the conditions to be satisfied.

There can be no assurance that all of the conditions to the Internalisation and/or the Corporatisation will be satisfied and therefore that either of those initiatives will proceed.

1.3 Possible outcomes of the initiatives

The Recapitalisation precedes implementation of the Internalisation and the Corporatisation. Each of the Recapitalisation, Internalisation and Corporatisation are subject to conditions.

As a result, there are four main outcomes that could occur:

- none of the initiatives are implemented;
- the Recapitalisation is implemented, but not the Internalisation or the Corporatisation;
- the Recapitalisation and the Internalisation are implemented but not the Corporatisation; or
- all the initiatives are implemented.

The general commercial impact of each possible outcome on MMG and on the interests of MMG security holders can be broadly described as follows:

Possible outcomes	Key features	Refer to Section
None of the initiatives implemented (would only occur if the Entitlement Offer is not completed)	■ MSCM's net debt level remains unchanged ■ Macquarie's existing management rights remain ■ MMG remains a triple stapled structure	Sections 1.8, 8.7 and 8.8
Recapitalisation implemented but no Internalisation or Corporatisation	■ MSCM's net debt reduced ■ MMG remains a triple stapled structure ■ Macquarie's existing management rights remain ■ Macquarie's base management fees increase as a result of higher Net Investment Value[4] of MMG following the Recapitalisation	Sections 1.8, 4, 5, 6 and 8
Recapitalisation and Internalisation implemented but no Corporatisation	■ MSCM's net debt reduced ■ MMG pays consideration, terminates Macquarie's existing management rights and internalises management ■ MMG remains a triple stapled structure	Sections 1.8, 4, 5, 6 and 8
All initiatives implemented	■ MSCM's net debt reduced ■ MMG pays consideration, terminates Macquarie's existing management rights and internalises management ■ MMHL (an MMG entity) becomes sole holding company listed on ASX	Sections 1.8, 4, 5, 6 and 8

This is a high level summary only. MMG security holders considering whether or not to participate in the Entitlement Offer should consider all of the information contained in this Investor Information Booklet to assess the potential impact of the initiatives on them. A more detailed comparison of the various outcomes after the Entitlement Offer takes place is set out in Section 5.8. Section 2 contains a detailed question and answer section to assist MMG security holders to assess the initiatives.

4 Net Investment Value is the Market Value of MMG securities plus the amount of any external borrowings and the amount firmly committed to future investments less the amount invested in cash or cash equivalents. Market Value is the volume weighted average market capitalisation over the last 15 ASX trading days of each quarter.

1.4 Macquarie's involvement in the initiatives

Macquarie has various roles and interests in respect of the initiatives. The broad nature of these interests can be summarised as follows. This is a high level summary only. Refer to Section 8 for further details.

Current position	Way affected if initiatives proceed
24.8% Principal Holding in MMG securities	■ Macquarie has committed to take up its full Entitlement on the same terms as all holders for approximately $72.8 million[5]
Existing management rights	■ Terminated for total cash consideration of $40.5 million[6] ■ As part of the termination of its management rights, Macquarie has agreed to provide certain transitional services to MMG until 31 December 2010. MMG may elect to receive all or part of those services for a further 3 months, which will be charged on a cost plus 15% basis. The amount that would be payable by MMG if it elects to receive all of the services for the full 3 months is not expected to exceed $500,000 ■ MMG will continue to pay management fees (indicatively estimated to be $11.4 million per annum)[7] to Macquarie until the completion of the Internalisation (based on the higher Net Investment Value of MMG following the Recapitalisation)[6] ■ Macquarie loses its special MMG Board appointment rights but existing Macquarie directors remain on boards and Michael Carapiet will also be appointed to the MMHL board. All directors will become subject to retirement by rotation[6]
Joint Lead Manager role on the Entitlement Offer (including impact on Macquarie's voting power)	■ Fees of approximately $2.8 million[5] ■ Macquarie may be required to subscribe for any shortfall (after shortfall dispersion) in equal proportion with RBS and at the same price as all other MMG security holders[5] ■ Notwithstanding dispersion arrangements, it is possible that Macquarie could increase its voting power in MMG above its current 26.5% (which includes Macquarie's Principal Holding of 24.8%) to a maximum of approximately 45%, as described in Sections 4.7 and 8.2(a)
Other pre-existing roles ■ Debt refinancing adviser to MSCM and ACM ■ Swap counterparty ■ Transactional banking provider ■ A member of the ACM Facility syndicate	■ Generally unchanged, see Section 8. In relation to swaps, the position is yet to be finalised, see Section 8.3(a) ■ Fees and other amounts payable are: — MSCM debt refinancing adviser: approximately $2.5 million upon refinancing of the debt — ACM debt refinancing adviser: approximately US$0.5 million / $0.6 million upon rollover of the debt — swap counterparty (assuming all swaps with Macquarie are terminated): maximum of $4.9 million of swap break costs — transaction banking provider: Macquarie received less than $14,000 in fees during FY 2009 — a member of the ACM Facility syndicate (representing 6% of the facility limit): Macquarie received US$0.5 million in interest to the 12 months to 30 June 2009

For a description of how MMG has dealt with any actual or potential conflicts arising from Macquarie's involvement, see Section 1.9.

5 Arises from the Entitlement Offer.
6 Arises from the Internalisation.
7 Based on the Theoretical Ex Rights Price of $2.025 and the higher Net Investment Value following the Recapitalisation.

1.5 Termination of buy-back programs

As a result of its decision to proceed with the initiatives, the boards of MMG have decided to terminate all of MMG's current buy-backs with immediate effect.

1.6 Independent Expert's Report and Independent Directors' recommendation

The Boards of MMG have established independent board committees (together, the IBC). The IBC has appointed the Independent Expert to opine on the Internalisation. On the basis of the matters discussed in the Independent Expert's Report, the Independent Expert has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates. The Independent Expert's Report is set out in full in Annexure 1.

The MMG directors who are independent of Macquarie (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 MMG security holders other than Macquarie and its associates.

Most of the Independent Directors were appointed by Macquarie. However, they are required to satisfy independence criteria which are mostly consistent with the criteria set out in the ASX Corporate Governance Principles. The main differences in the criteria used by MMG are set out in Annexure 2. Refer also to Section 5.21 for details of fees and other financial benefits paid to the directors by Macquarie for their roles on the Boards of MMG or the boards of other Macquarie managed vehicles. The table in Section 5.21 also explains why the Independent Directors meet the MMG independence criteria.

1.7 Summary of the benefits of the initiatives

(a) Recapitalisation

The Entitlement Offer is being conducted primarily to reduce debt in MSCM. The Entitlement Offer and the reduction of the debt in MSCM (together the Recapitalisation) will occur regardless of whether the Internalisation or the Corporatisation proceed. It is expected that the reduction of debt in MSCM will:

- reduce MSCM's net debt to EBITDA leverage ratios;
- reduce the interest payments made by MSCM under the MSCM Facility;
- improve the terms on which the MSCM Facility can be refinanced; and
- alleviate investor concerns about the level of net debt and the risk of failure to refinance the MSCM Facility.

MMG does not intend to apply any proceeds from the Entitlement Offer to reduce business-level bank debt within ACM.

For more information on the benefits of the Recapitalisation see Sections 4.3 and 4.4.

(b) Internalisation

The IBC has explored a range of options seeking to deliver value to MMG security holders, including the Internalisation (see Section 1.10). The IBC believes that the Internalisation would:

- eliminate ongoing and potential base management and performance fees otherwise payable to Macquarie (this includes the termination of the Asset Advisory Agreement);
- be neutral to positive to net earnings and, if there is an increase in the MMG security price, increasingly positive over time;
- remove concerns some investors may have about investing in externally managed listed funds;
- in conjunction with the reduction of MSCM's net debt following the Recapitalisation and the Corporatisation, attract a broader range of investors; and
- result in a management team focused on the MSCM core business and led by the current MSCM CEO, Rhys Holleran; and
- allow MMG to become a standalone media operator.

For more information on the benefits of the Internalisation see Section 5.14.

(c) Corporatisation

The Boards of MMG consider that the benefits of the Corporatisation include:

- creating a simplified structure that may have greater appeal to a broader range of investors;
- the potential for MMG to reduce its head office costs due to reduced administrative complexity;
- the unification of MMG under one board of directors of MMHL; and
- simplified financial reporting requirements.

For more information on the benefits of the Corporatisation see Section 6.7.

1.8 Disadvantages and risks of the initiatives

The risks and disadvantages associated with the initiatives are summarised below.

(a) Recapitalisation

- If Internalisation does not occur (or until completion of the Internalisation), MMG will continue to pay fees to Macquarie, but on the increased post-Recapitalisation Net Investment Value. Following completion of the Entitlement Offer, the pay down of MSCM's net debt as proposed and based on the Theoretical Ex-Rights Price for MMG securities of $2.025, the base fees payable by MMG to Macquarie would be approximately $11.4 million per annum. This compares with a base fee of $7.1 million per annum which would be payable assuming a security price of $2.50 and assuming that MMG parent level cash was applied to pay down MSCM net debt and the Entitlement Offer component of the Recapitalisation did not occur.
- There are a number of risks and uncertainties which are both specific to MMG and of a more general nature that may affect the future financial performance and position of MMG and the value of MMG securities including those set out in Section 11.
- There is no guarantee that new MMG securities will trade at or above the Offer Price nor that there will at all times be sufficient buyers of MMG securities to enable their timely disposal or their disposal at a price which the seller may have expected to achieve (see Section 11.7(b)).
- MMG security holders need to be aware that ACM is expected not to be compliant with certain covenants under the ACM Facility, in which case 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 (see Section 7.3).
- Notwithstanding the dispersion arrangements in place, there is the potential that Macquarie could increase its voting power in MMG above its current 26.5% (which includes Macquarie's Principal Holding of 24.8%) to a maximum of approximately 45%, as described in Section 8.2.

(b) Internalisation

- The IBC is of the opinion that the consideration to be paid for the Internalisation is less than the value of increased earnings which will be achieved by removing the external manager and the Internalisation should therefore be value enhancing for MMG security holders. However, this opinion is based on a number of assumptions concerning future matters and there can be no assurance that these will occur.
- If the Internalisation is implemented, MMG will incur incremental annual costs associated with internalised management that have been estimated at up to $4.5 million per annum although these are anticipated to be substantially less than the increased earnings achieved by ceasing to pay base fees to Macquarie. MMG will also incur one off external transaction and implementation costs estimated at approximately $1.8 million up until the date of this document. Further amounts may be paid to professional advisers in accordance with their usual time-based charges.
- After the Internalisation, MMG will need to either rely on its existing infrastructure and staff or attract and retain additional staff and develop additional infrastructure appropriate for an independent listed media company, to replace the services currently provided by Macquarie.
- Macquarie will continue to provide transitional services to MMG for a period after the completion of the Internalisation to assist MMG in achieving a smooth separation and transition to internalised management. However, the transition from external to internal management may cause a level of head office disruption.

- While the IBC believes that the Internalisation (coupled with the other announced initiatives) will assist in reflecting the underlying asset values of MMG's businesses in the value of MMG securities, there is no guarantee that the MMG security price will increase.
- If the Internalisation is implemented, MMG will cease to use the "Macquarie" name and logos and MMG and its businesses will be renamed and re-branded. There can be no certainty as to the impact that this may have on the MMG business or security price.
- If the Internalisation is approved, the level of day to day interaction with Macquarie personnel and general access to Macquarie resources and services will reduce. MMG may not enjoy the same access to acquisition opportunities from the Macquarie networks as has historically been the case.
- The Internalisation may impact MMHL's ability to carry forward prior year tax losses for recoupment against taxable income of future years if certain currently proposed changes to taxation laws are ultimately legislated. These proposed changes are at a preliminary stage and may be altered as a result of ongoing consultations prior to finalisation and hence, their potential impact cannot be definitively determined at this time. The ultimate impact of these proposed legislative changes, if enacted as currently proposed, would be that MMG would commence paying franked dividends at an earlier stage than if it were able to rely on its existing tax losses as presently permitted (see Section 10.2).
- The Internalisation is subject to a number of conditions and if these conditions are not satisfied or waived, completion of the Internalisation may not occur (see Section 5.5).

(c) Corporatisation

- Under its existing structure, MMG is able to distribute excess free cash flows to security holders predominantly as a distribution from MMT to security holders. Following the Corporatisation, MMG would only be able to distribute cash (other than a return of capital or buy back) by way of dividend to the extent that it has generated a net profit for the period or had accumulated positive retained earnings.
- Transaction costs will be incurred as part of the Corporatisation, including the costs associated with convening the relevant meetings and seeking the consent of the Court including adviser fees, financial, legal, tax, accounting and other costs.
- Ineligible Overseas Security Holders will have the vast majority of their MMG securities monetised through a foreign nominee sale process (see Section 6.5).
- The Corporatisation will result in MMG moving to a single holding company, MMHL. The corporatised MMHL group is likely to commence paying tax much earlier than if it were to remain part of a triple stapled structure. This means that in due course any MMHL dividends will be franked subject to the availability of franking credits. This may be disadvantageous to certain foreign shareholders and other investors that are not able to fully utilise the franking credits or who have a preference for pre-tax distributions.
- The Corporatisation is subject to satisfaction of various conditions, which may or may not be satisfied (see Section 6.4).

1.9 Strategic review and establishment of Independent Board Committees

The Boards of MMG have been focussed on strategies designed to enhance security holder value.

As part of this process, the MMG CEO and management team conducted a full review for the Boards of MMG of potential strategic options available to address security holder feedback on the capital structure, corporate structure and external management arrangements and their respective impacts on the value of MMG securities.

After considering management analysis and preliminary discussions with Macquarie, the Boards of MMG established the IBC to review some of the potential strategic options in more detail. Given Macquarie's personal interest in the Internalisation and as an underwriter and a major security holder of MMG in relation to the Entitlement Offer, the IBC comprises only directors who are independent of Macquarie[8]. In determining the status of a director, MMG applies the standards of independence required by the Macquarie Funds Management Policy which have been adopted by MMG and are described in Annexure 2. In this regard, it should be noted that this policy is not wholly consistent with the ASX Corporate Governance Principles and Recommendations, as MMG has previously disclosed in its annual reports and on its website.

The composition of the IBC is as follows:

- the MMHL IBC comprises Leon Pasternak (Chairman), Tony Bell and Chris de Boer;
- the MMML IBC comprises Leon Pasternak (Chairman), Tony Bell and Chris de Boer; and
- the MMIL IBC comprises Michael Hamer (Chairman), Michael Leverock, Bob Richards and Leon Pasternak.

The IBC engaged RBS Corporate Finance as financial adviser, Clayton Utz as Australian legal adviser and Conyers Dill & Pearman as Bermudan legal adviser.

To ensure the best interests of MMG security holders were advanced on an independent basis, the boards of MMHL, MMML and MMIL also adopted IBC management protocols to govern their conduct. The protocols are designed to ensure that the Independent Directors prefer and protect the interests of MMG security holders in their negotiations with Macquarie.

1.10 Alternatives considered by the IBC

The IBC conducted a detailed review of strategic options available to MMG which included Internalisation. The options evaluated by the IBC covered a range of alternatives including:

- maintaining the status quo and negotiating with lenders to extend facility maturity dates;
- returning MMG parent level cash to security holders and/or undertaking an orderly divestment of assets (including the winding up of MMG);
- privatisation of MMG;
- equity funded strategic acquisitions;
- capital raising initiatives (including equity and hybrid capital raising alternatives);
- internalisation of management; and
- simplification of MMG's corporate structure.

Further details of these alternatives are set out in Section 5.9. The IBC ultimately concluded that the combination of initiatives described in this Investor Information Booklet would best address key issues with MMG's corporate and capital structure.

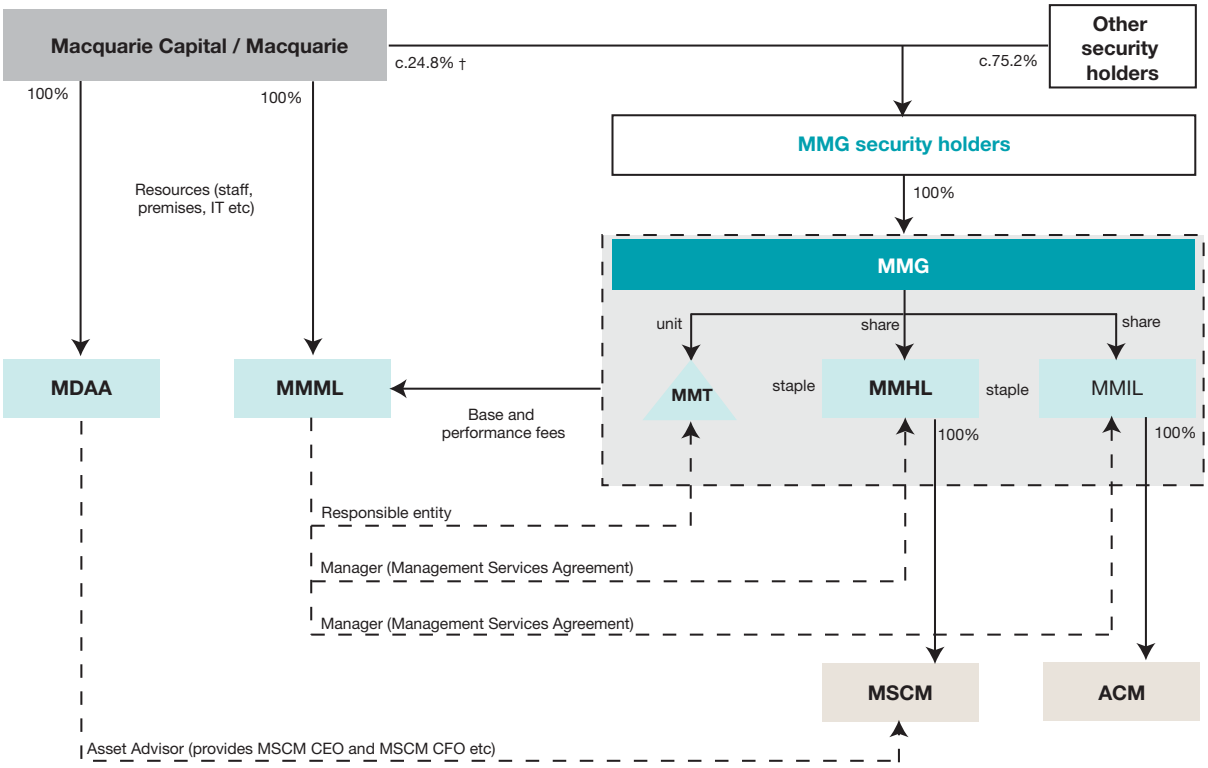
Ultimately, a decision on whether the Internalisation and the Corporatisation should be approved is a matter for the MMG security holders.

8 A portion of the MMG director fees of Leon Pasternak, Tony Bell and Chris de Boer are paid by MMML which is a Macquarie entity. All Independent Directors of MMHL and MMIL other than Tony Bell and Michael Leverock are appointed by MMML pursuant to the A and B Special Share rights. Tony Bell was the managing director of Southern Cross Broadcasting (Australia) Limited prior to its acquisition by MMG but the IBC considers that he is independent of Macquarie and has the ability and willingness to operate independently, objectively, and to challenge the Boards and management of MMG. Michael Hamer also serves on the board of another Macquarie managed vehicle, Macquarie International Infrastructure Fund Limited, a Bermuda based mutual fund company listed on the Singapore Stock Exchange. Bob Richards also serves on the boards of the entities comprising another Macquarie managed vehicle, Macquarie Special Situations Fund, an unlisted special opportunities vehicle based in Bermuda. Despite these interests, the Boards of MMG consider that each of these directors satisfies the independence criteria set out in Annexure 2.

1.11 Impact of the Internalisation and Corporatisation on the structure of MMG

Structure diagrams for MMG before and after the Internalisation and Corporatisation are shown below including the management arrangements with Macquarie.

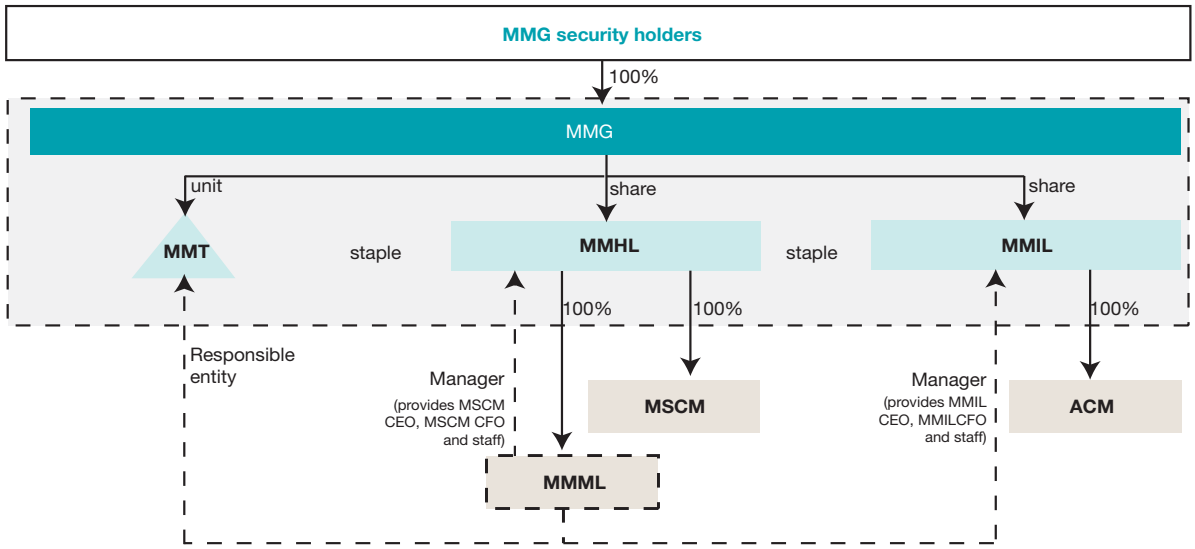
Current structure



† 24.8% represents Macquarie's Principal Holding

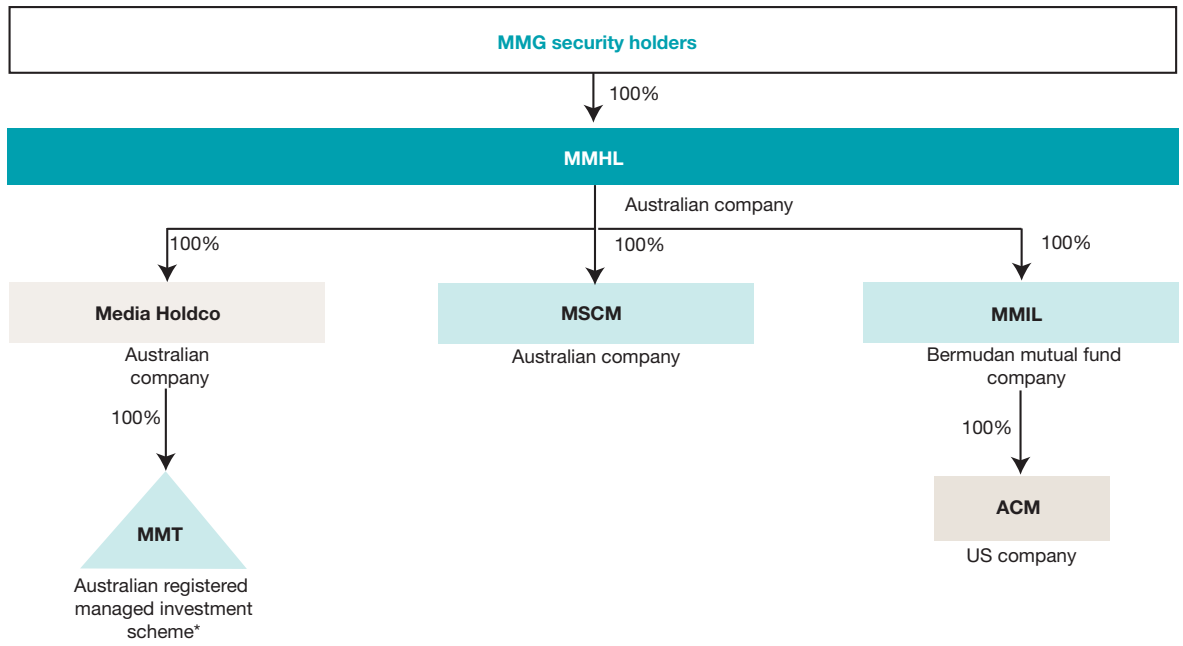
Post Internalisation

Following the Internalisation, MMML will be owned by MMHL and the external management arrangements with Macquarie will have ceased. A simplified version of this structure is shown below.



Post Internalisation and Corporatisation

Following the Internalisation and the Corporatisation, MMHL will be the sole parent entity of MMG and the external management arrangements with Macquarie will have ceased. A simplified version of this structure is shown below.



* MMT may subsequently cease to be a registered managed investment scheme.

1.12 Management

The proposed management changes are consistent with the refocus of MMG on its core Australian media operations.

Mark Dorney, the current Chief Executive Officer of MMG, will continue in his role to oversee the important phase of the Recapitalisation, Internalisation and Corporatisation and repositioning of MMG until security holder approval of the Internalisation. Mr Dorney will then return to Macquarie as an Executive Director of Macquarie Capital.

Rhys Holleran, the current Chief Executive Officer of MSCM, will assume the additional responsibility of Chief Executive Officer of MMG from security holder approval of the Internalisation. Mr Holleran will continue to be employed by Macquarie until completion of the Internalisation, at which point he will become an employee of MMG.

The current Chief Financial Officer of MMG, Liam Buckley, will continue in that role until completion of the Internalisation. The Boards of MMG will conduct an executive search for a replacement Chief Financial Officer to join MMG following the Internalisation.

During the period prior to Internalisation and up to the end of the period during which MMG has the benefit of transitional services provided by Macquarie (being 31 December 2010 or, if requested by MMG, a further 3 month period), MMG will also seek to employ additional head office staff to replace some of the services currently provided by Macquarie under its management arrangements with MMG.

Questions and answers

2

2.1 Initiatives generally

Question	Answer	Section for further information
Why is MMG adopting these initiatives?	The Boards of MMG have proposed these initiatives to enhance MMG security holder value, optimise the capital and corporate structure of MMG and reposition Australia's leading regional radio and television operator for the future.	Sections 4.3 and 4.4
Why are MMG security holders being provided with information on the Internalisation and the Corporatisation now?	To enable MMG security holders to make an informed decision on whether to participate in the Entitlement Offer in light of the further proposed initiatives.	Sections 1.1 and 1.2
What was MMG's process in considering the Internalisation proposal?	The Boards of MMG established the IBC to consider the Internalisation and to ensure the best interests of MMG security holders were advanced on an independent basis. The IBC engaged RBS Corporate Finance as financial adviser, Clayton Utz as Australian legal adviser and Conyers Dill & Pearman as Bermudan legal adviser.	Section 1.9
What was the basis for the choice of underwriters?	Macquarie Capital and RBS were selected as underwriters because of their strong media sector experience and capital markets capabilities and because they have research coverage of, and are active brokers of MMG securities.	
What alternative options were considered by the IBC?	Details of the options considered are set out in Sections 1.10 and 5.9.	Sections 1.10 and 5.9
Where do I find information about Macquarie's involvement in the initiatives?	Information about Macquarie's involvement in the initiatives and its ongoing involvement with MMG is set out in Sections 1.4 and 8.	Sections 1.4 and 8

2.2 Recapitalisation

Question	Answer	Section for further information
What is the Recapitalisation?	Raising of capital by MMG under the Entitlement Offer and the application of net proceeds of the Entitlement Offer and available MMG parent level cash to pay down MSCM debt.	Sections 1.1 and 4
What is the Entitlement Offer?	The Entitlement Offer is a single bookbuild accelerated renounceable entitlement offer by MMG to Eligible Security Holders. The Entitlement Offer comprises the following three steps: ■ the Institutional Entitlement Offer ■ the Retail Entitlement Offer ■ the Bookbuild.	Sections 1.1 and 4
How much will be raised through the Entitlement Offer?	MMG will raise approximately $294 million.	Section 4.1
How is a person's Entitlement determined?	One new MMG security for every one existing MMG security held on the record date.	Section 4.1
Can Eligible Security Holders apply for additional MMG securities beyond their Entitlement?	No, Eligible Security Holders cannot apply for further MMG securities unless they are invited to participate in the Bookbuild in respect of the Entitlement Offer.	Section 4.14
What is the offer price under the Entitlement Offer?	The Offer Price will be $1.55 per new MMG security.	Section 4.1
What is the ranking of new MMG securities?	The new MMG securities will from issue rank equally in all respects with existing MMG securities, including as to any December 2009 interim distribution.	Section 4.16
What are the key risks associated with an investment in MMG under the Entitlement Offer?	There are a number of risks associated with an investment in MMG as well as a number of risks and disadvantages associated with the initiatives. The key risks and disadvantages associated with an investment in MMG, and with respect to the initiatives are summarised in Section 1.8 and set out in detail in Section 11. Before making an investment decision MMG security holders should read the entire Investor Information Booklet and carefully consider these risk factors.	Sections 1.8 and 11
Is the Entitlement Offer underwritten?	Yes, in equal proportions by RBS and Macquarie Capital (excluding Macquarie's Principal Holding of 24.8%). Macquarie has committed to take up its full Entitlement with respect to its Principal Holding in MMG.	Sections 4.6 and 12.2
What are the fees and costs of the Entitlement Offer?	Underwriting fees of approximately $5.5 million will be paid out of the proceeds of the Entitlement Offer (2.50% of the Offer proceeds (excluding in respect of Macquarie's Principal Holding of 24.8%)).	Sections, 4.6 and 12.2
Is the Entitlement Offer conditional on the Internalisation and Corporatisation	No. However, both the Internalisation and Corporatisation are conditional on the Entitlement Offer completing.	Sections 4.8, 5.5 and 6.4

Question	Answer	Section for further information
What is the purpose of the Entitlement Offer?	It is being conducted primarily to reduce the net debt in MSCM. Accordingly, MSCM intends to use the net proceeds of the Entitlement Offer, together with certain available parent level cash, to reduce MSCM net debt.	Sections 1.7, 4.3 and 4.4
Does MMG need to raise capital to pay the consideration to Macquarie under the Internalisation proposal?	No. MMG has sufficient parent level cash to make this payment.	Sections 4.3 and 5.4
Why is the Entitlement Offer occurring before the proposals to Internalise and Corporatise are put to members?	The Boards of MMG have decided that it is important for MMG to reduce MSCM's debt now and therefore believe that the Entitlement Offer should proceed immediately while the market is conducive to such capital raisings. As the Internalisation and Corporatisation need to be considered at security holder meetings and are subject to other conditions including the approval of MSCM's and ACM's lenders or refinancing of the MSCM Facility and ACM Facility on terms which permit those initiatives to occur, the Boards of MMG have decided to proceed with the Entitlement Offer in advance of these other initiatives.	Sections 3.3, 5.5 and 6.4
What is the intention of Macquarie in relation to its security holding?	Macquarie has committed to take up its full Entitlement under the Entitlement Offer in respect of its 24.8% Principal Holding of MMG securities. Except for this commitment, Macquarie has confirmed to MMG that it has no other intentions regarding its security holding. Future possibilities therefore include Macquarie continuing to hold, increasing or reducing its security holding.	Sections 4.5 and 11.4(b)
What will Macquarie's interest be post Entitlement Offer?	Macquarie's holding could increase as a result of it being required to subscribe for MMG securities as Underwriter if there is a shortfall under the Entitlement Offer. See Section 8.2 for a description of the shortfall dispersion mechanisms and effect on Macquarie's holding in MMG. There is the potential that, despite these mechanisms, Macquarie could increase its voting power in MMG above its current 26.5% (including its Principal Holding of 24.8%) to a maximum of approximately 45%.	Sections 4.5, 4.7, 4.14 and 8.2
Does the Entitlement Offer change a security holder's position?	The Entitlement Offer is a one for one entitlement offer. During the course of the Entitlement Offer, a security holder's position may change depending on both their own participation in the Entitlement Offer and the participation of other security holders.	Section 4.1
Why is MMG conducting the Entitlement Offer after conducting buy-backs?	Circumstances have changed. At the time the on-market buy-back was announced in December 2008, the MMG security price was well below MMG's cash backing per security. The MMG security price is now above its cash backing per security and hence indicates that the market is ascribing value to the underlying equity MMG has in MSCM.	Section 3.3

Question	Answer	Section for further information
Are there change of control provisions under MMG's finance facilities, or other material contracts?	Yes, each of the MSCM Facility and the ACM Facility are subject to events of default in the event of a change in control including as a result of Macquarie ceasing to manage MMG. This is why the Internalisation and Corporatisation are subject to lender conditions. There are no other change of control provisions triggered by the Recapitalisation, Internalisation or Corporatisation in other MMG material contracts.	Sections 7.2(d) and 7.3
What is MMG's refinancing strategy in respect of the MSCM Facility?	Following the Recapitalisation, MSCM will seek to achieve market standard terms that reflect MSCM's more conservative gearing level.	Section 7.2(c)
What is the current status in respect of compliance with debt covenants under the MSCM Facility?	MSCM was in compliance with all covenants under the MSCM Facility with sufficient headroom as at 30 June 2009 and based on preliminary management estimates MMG also expects MSCM will be compliant as at 30 September 2009.	Section 7.2(a)
What is the status of discussions with lenders in connection with refinancing of the MSCM Facility?	MMG has been in ongoing discussions with the MSCM Facility syndicate concerning plans for a refinancing of the existing facility. While such discussions have not yet progressed to a stage which would warrant any further disclosure being made, MMG will announce to the ASX any material developments in relation to these discussions.	Section 7.2(c)
What is the current status in respect of compliance with debt covenants under the ACM Facility?	On 13 October 2009, MMG disclosed that, based on preliminary management estimates, it expects that ACM will be non-compliant with certain covenants under the ACM Facility. 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 take enforcement action which may ultimately result in MMG losing beneficial ownership of ACM.	Section 7.3
Are any proceeds from the Entitlement Offer being used to repay the ACM Facility?	No. The net proceeds from the Entitlement Offer are being used to pay down the MSCM Facility.	Sections 4.3 and 4.4

Question	Answer	Section for further information
Have the MMG parent entities or members of the MSCM group provided any guarantees or security in relation to the ACM Facility?	No. MMG parent entities and members of the MSCM group have not given any guarantees or security, or given any other form of contractual credit support, to ACM's external lenders in respect of the ACM Facility, and on that basis MMG considers that liability and recourse in relation to the ACM Facility is limited to members of the ACM group and their assets. However, MMG cannot rule out the possibility that lenders or other creditors could seek to make other claims against the MMG parent entities or members of the MSCM group. MMG does not believe that there would be a reasonable basis for such claims. Nonetheless, such a claim may involve the expenditure by MMG or MSCM of management time and legal costs in defending any such claims.	Section 7.3
If ACM is in default under its debt facility, what effect will this have on the Internalisation and Corporatisation conditions?	If the ACM Facility consent or refinancing is not obtained by 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), the conditions relating to the ACM Facility cease to apply. Accordingly, the ACM Facility condition is one which could delay rather than prevent the initiatives occurring.	Sections 5.5 and 6.4
What is the status of discussions with lenders in connection with refinancing of the ACM Facility?	Discussions are ongoing with the ACM Facility syndicate concerning requested amendment and extension of that facility. While such discussions have not yet progressed to a stage which would warrant any further disclosure being made, MMG will announce to the ASX any material developments arising out of these discussions.	Section 7.3
Will the Entitlement Offer impact MMG's distribution policy?	No. However, if the Corporatisation occurs, MMG proposes to move to a dividend payout ratio of between 40% to 60% of Adjusted NPAT (subject to prevailing circumstances, board discretion and available profits).	Section 3.4 and 6.9
What are the tax implications of the Entitlement Offer?	A summary of the general tax implications for Australian resident Eligible Retail Security Holders is set out in Section 10.1. The discussion is in general terms, is not intended to provide specific advice in relation to circumstances of any particular security holder and does not deal with the tax implications of the Entitlement Offer for security holders who are not resident in Australia. All security holders (both Eligible Security Holders and Ineligible Security Holders) should seek their own tax advice before deciding how to deal with their Entitlement.	Section 10.1

2.3 Internalisation

Question	Answer	Section for further information
What is the Internalisation proposal?	A proposal to internalise the current external management of MMG for a cash consideration to Macquarie of $40.5 million.	Sections 1.1 and 5.1
What are the main elements of the Internalisation?	On completion of the Internalisation: ■ all of Macquarie's management rights in respect of MMG (including the Asset Advisory Agreement) will be terminated; ■ MMHL will acquire the current manager of MMG, MMML, from Macquarie; ■ Macquarie will provide certain transitional services to MMG; and ■ following the transitional services period, MMG will be responsible for the cost of all of its staff.	Section 5.2
What are the key documents for the Internalisation?	The Implementation Deed, Share Sale Agreement, Funds Management Resources Agreement Supplemental Deed and Transitional Services Deed.	Section 12.3
What are the main consequences of Internalisation for MMG?	■ Termination of Macquarie's management role with MMG. ■ Elimination of the base fees MMG pays to Macquarie and any future liability of MMG for performance fees to Macquarie. ■ MMG incurring one-off external transaction and implementation costs. ■ Transition to a new corporate governance framework for MMG. ■ MMG taking on internal management.	Section 5.3
What is the rationale for the Internalisation?	The Internalisation will eliminate base and performance fees potentially payable to Macquarie, provide clearer control over representation on the Boards of MMG and provide greater flexibility for MMG to operate as a standalone entity. The incremental costs associated with internalised management, which MMG will assume, should be less than the amounts which would be payable to Macquarie in base and performance fees.	Sections 5.3 and 5.14

Question	Answer	Section for further information
Why should Macquarie be paid to terminate the existing management arrangements?	While MMG can terminate the appointment of Macquarie as manager of MMHL and MMIL and responsible entity of MMT by security holder vote, there are a number of consequences for MMG if Macquarie is removed as manager without Macquarie's consent, including the obligation to commence payment of base and potentially performance fees to Macquarie under the Asset Advisory Agreement. Macquarie has agreed to terminate the Asset Advisory Agreement as part of the termination arrangements. Details of the Asset Advisory Agreement were disclosed in the MMG Prospectus and Product Disclosure Statement dated 18 October 2005, and in MMG's subsequent financial reports, including its most recent Annual Report released on 25 September 2009. See MMG's corporate website (http://www.macquarie.com.au/mmg) for further details. As part of the termination arrangements, Macquarie has agreed to provide transitional services to ensure the smooth transition to an internal management structure.	Section 5.12
How was the consideration for the Internalisation calculated?	The payment to Macquarie has been negotiated between the IBC with the assistance of its financial adviser, RBS Corporate Finance, and Macquarie on an arm's length basis. The IBC had regard to a number of factors and valuation methodologies in assessing the amount of the proposed payment.	Section 5.12
What are the conditions to the Internalisation?	The Internalisation has a number of conditions, including: ■ completion of the Entitlement Offer; ■ Independent Expert not changing or withdrawing its conclusion prior to the meetings of MMG security holders; ■ MMG security holder approval - ordinary resolution with Macquarie and its associates not voting; ■ MSCM lender consent, or refining on terms permitting the Internalisation; and ■ if the Internalisation is to take place prior to 1 July 2010 ACM lender consent or refinancing on terms permitting the Internalisation. MMG will announce to the ASX any material developments in the status of these conditions.	Section 5.5
Will the Internalisation cause any default under MMG's finance facilities?	No, the Internalisation is conditional on consents being granted by the MSCM Facility and the ACM Facility lenders or refinancing of those facilities on terms which permit the Internalisation.	Sections 5.13 and 7.2

Question	Answer	Section for further information
Will the MSCM and ACM financing conditions be satisfied?	MMG has not made any formal approach to the MSCM Facility syndicate or the ACM Facility syndicate seeking consent to the Internalisation or the Corporatisation and so does not know what view those lenders will take in relation to such request. However, with respect to the MSCM Facility, MMG believes that following the Recapitalisation and the reduction in MSCM's net debt, the refinancing of the MSCM Facility on satisfactory terms or obtaining a requisite consent is significantly more likely than is currently the case. However, no assurance can be given that any refinancing will occur or that the required consent will be given. In relation to ACM, please see the next question below.	Sections 7.2(c) and 7.2(d)
Why is there a difference between the MSCM and ACM financing conditions?	The MSCM business is a core business of MMG. The ACM business is non-core to MMG's ongoing activities. The ACM financing condition is intended to fall away on 1 July 2010 after the current maturity date for the ACM Facility (being 29 June 2010).	Sections 5.5, 5.6 and 7
Can either party terminate the Implementation Deed?	Yes, the termination rights include if the conditions are not satisfied by 10 December 2010 or if the majority of the Independent Directors change or withdraw their recommendation in relation to the Internalisation.	Sections 5.5 and 12.3(a)
What are the risks of the Internalisation not proceeding?	The Internalisation will not occur in circumstances which include if the conditions are not satisfied or if the majority of the Independent Directors change or withdraw their recommendation in relation to the Internalisation Resolutions.	Section 5.5
What is the Independent Expert's opinion on the Internalisation?	The Independent Expert has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates.	Section 5.10 and Annexure 1
Are there benefits to Internalisation?	Yes, the IBC expects the Internalisation to deliver a number of benefits for MMG and MMG security holders.	Sections 5.3 and 5.14
What are the disadvantages of the Internalisation?	While the Independent Directors intend to recommend that MMG security holders vote in favour of the Internalisation, there are some risks and disadvantages associated with the Internalisation which MMG security holders should consider.	Sections 1.8, 5.15 and 11
What resolutions are required to approve the Internalisation?	The only security holder resolutions required to approve the Internalisation are resolutions to approve the benefits payable to Macquarie. These are ordinary resolutions.	Sections 5.6 and 5.24
Is Macquarie able to vote on the Internalisation Resolutions?	No, Macquarie is a related party interested in the resolutions.	Section 5.7
Does the Internalisation change a security holder's position?	Internalisation does not change an MMG security holder's position but rather changes the investment profile in respect of their holding of MMG securities.	Section 5.8

Question	Answer	Section for further information
Who will be managing MMG until completion of the Internalisation?	Macquarie will continue to manage MMG until completion of the Internalisation pursuant to the Management Services Agreements, Asset Advisory Agreement and MMT constitution.	Sections 1.12, 5.1 and 5.18
What will Macquarie's role be post completion of the Internalisation?	Ongoing transitional services will be provided to MMG by Macquarie until 31 December 2010. These services may be extended at the option of MMG for a further 3 months. Macquarie may also continue to have arm's length business dealings with MMG in the ordinary course of business.	Sections 5.2(f) and 5.19
Is the Internalisation conditional on the Entitlement Offer?	Yes, the Internalisation is conditional on the completion of the Entitlement Offer.	Section 5.5
What will happen if the Internalisation does not proceed but the Entitlement Offer has occurred?	The net proceeds of the Entitlement Offer and certain available MMG parent level cash will still be applied to reduce the MSCM net debt, however, in these circumstances, MSCM net debt would be reduced to $265 million.	Section 4.3
What additional fees are likely to be incurred as a result of proceeding with the Entitlement Offer before the Internalisation and Corporatisation initiatives?	There is no proposal for the Internalisation or Corporatisation to precede the Entitlement Offer. However if the initiatives did occur in that sequence there would be no change to the Internalisation payment of $40.5 million as the amount is based on factors and methodologies that do not depend on the sequencing of the initiatives. Nevertheless, Macquarie will be entitled to increased base management fees during the period up to completion of the Internalisation of notionally $4.3 million per annum.	Section 5.12

2.4 Corporatisation

Question	Answer	Section for further information
What is the Corporatisation?	The Corporatisation is a proposed restructure of MMG from a triple stapled structure to a single publicly listed Australian company. MMG security holders will end up holding only MMHL shares.	Sections 1.1 and 6.1
What is the rationale for the Corporatisation?	The rationale for the Corporatisation is to adopt a simplified corporate structure which is expected to provide a number of benefits to MMG security holders.	Sections 6.3 and 6.7
What are the conditions to the Corporatisation?	The Corporatisation has a number of conditions including: ■ MMG security holder approvals in relation to the resolutions required to implement the Corporatisation, including special and ordinary resolutions to effect de-stapling, the Trust Scheme and the Share Scheme; ■ completion of the Internalisation; ■ Court approval of the Share Scheme; ■ MSCM lender consent or refinancing on terms permitting the Corporatisation; ■ if the Corporatisation is to take place prior to 1 July 2010, ACM lender consent or refinancing on terms permitting the Corporatisation; ■ ASIC relief and ASX waivers and/or confirmations; and ■ the approval of the Bermuda Monetary Authority. MMG will announce to the ASX any material developments in the status of these conditions.	Section 6.4
What security holder approvals are required for the Corporatisation?	A number of security holder approvals are required for the Corporatisation. Some of these are ordinary resolutions, some special resolutions and one is a scheme resolution (requiring at least 75% approval by value and more than 50% by number) .	Section 6.10
Is Macquarie able to vote on the Corporatisation Resolutions?	Yes. Macquarie only has an interest in the Corporatisation Resolutions as an MMG security holder.	Section 8.5
Why is the Corporatisation conditional on the Internalisation?	If the Corporatisation were to occur without the Internalisation having been implemented, it would have an impact on the existing Macquarie management arrangements and it would be necessary to amend those arrangements in light of the revised corporate structure.	
What happens if the Corporatisation does not proceed?	MMG will remain a triple stapled structure and MMG security holders will continue to hold MMG securities, each security comprising an MMHL ordinary share, an MMT unit and an MMIL ordinary share, all stapled together. However, if the Internalisation proceeds, MMG will be an internally managed structure rather than externally managed as it currently is.	Section 6.14

Overview of MMG and trading update

3

3.1 MMG's businesses

MMG currently has 2 wholly owned regional media businesses:

- MSCM was formed through the combination of MMG's existing regional radio operations and the regional free-to-air television operations acquired through MMG's acquisition of Southern Cross Broadcasting in November 2007. MSCM is Australia's largest regional broadcaster with the ability to reach a potential audience of approximately 7.5 million people, or 95% of Australia's population outside the mainland state capital cities. MSCM is the only regionally focused broadcaster able to provide customers with a comprehensive large scale integrated advertising creative solution across radio and television. This business is considered core to MMG going forward.
- ACM was acquired by MMG in February 2007 and is the fifth largest specialty community newspaper group in the United States focused on population areas of less than 15,000 people. With approximately 100 titles, spread across 18 regional areas, in 10 states, ACM's portfolio is diversified across a range of local communities each with their own underlying economic drivers. This business is considered to be non core to the ongoing activities of MMG.

3.2 Trading update

MMG's 2 operating businesses are currently trading as follows:

- **MSCM:** Preliminary management estimates of the financial performance of MSCM for the quarter ended 30 September 2009 indicate that MSCM's revenue and EBITDA declined at a lower rate than experienced in the 6 months to 30 June 2009 with revenue down 5.6% and EBITDA down 5.1% on the 3 months to 30 September 2008. The business is currently operating within financial covenants.

  MSCM has current bank debt of approximately $873 million, maturing on 1 November 2010. The business is currently operating within financial covenants under the MSCM Facility.
- **ACM:** 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 ACM's revenue and EBITDA, declined at a lower rate than experienced in the 6 months to 30 June 2009, with revenue down 15.8% and EBITDA down 21.1% on the 3 months to 30 September 2008. ACM has current bank debt of US$134 million, maturing on 29 June 2010, and

based on preliminary management estimates, MMG expects that ACM will not be compliant with certain covenants under the ACM Facility (see Section 7.3). 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 take enforcement action which may ultimately result in MMG losing beneficial ownership of ACM. The ACM operation is considered non-core to the activities of MMG and ACM's debt facilities are not guaranteed by MMG. As MMG has stated previously, it does not intend to make any cash contributions to ACM from MMG's parent level cash or to provide any other financial support or guarantees to ACM or its lenders. Discussions are ongoing with ACM's lenders in relation to ACM's request for necessary amendments to the existing covenants and for an extension to the maturity date of the ACM Facility. 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. There can be no assurance that MMG will continue to control ACM or that MMG's investment in ACM will have a positive value, see Section 11.2(a).

For further information on the MMG group's financing arrangements, see Section 7.

3.3 Events leading to current initiatives

Almost all of MMG's parent level cash was derived from the sale of MMG's 60% interest in Taiwan Broadband Communications in June 2008.

MMG considered a range of initiatives in respect of the use of its parent level cash in late 2008 and through 2009 including MSCM debt reduction and refinancing (and has continued to evaluate them on an on-going basis as the market dynamics have changed).

These initiatives were measured against the retention of the parent level cash particularly in the context of market and financial uncertainties resulting from the general financial crisis.

MMG's evaluation of any MSCM debt reduction was made in the context of its ability to refinance the MSCM debt on satisfactory terms. A key issue for the MSCM lenders in considering the financing was the application of MMG parent level cash to reduce the MSCM debt as these lenders did not have direct access to this cash under the terms of the MSCM Facility. However, even with the application of the MMG parent level cash to reduce the MSCM debt, MMG did not believe it would be able to secure satisfactory terms as to fees, margins, ability to pay dividends and covenant levels as a stand-alone initiative.

As a result, MMG sought to undertake capital management initiatives designed to improve its cash backing per security and earnings per security while preserving its flexibility in the on-going discussions with MSCM lenders.

MMG commenced an on-market buy-back in January 2009. At the time the on-market buy-back was announced in December 2008, the MMG security price of $0.575 per security was substantially below the cash backing per security. At an extraordinary general meeting on 14 April 2009 MMG security holders approved a further buy-back program capped at the lesser of 86,956,521 MMG securities and approximately $50 million worth of MMG securities, comprising an off-market buy back tender followed by an on-market buy back.

MMG conducted the off-market buy-back tender on 4 May 2009. MMG bought back 14.7 million securities at a price of $1.50 per security representing 7.1% of its issued capital at the time for a total amount of $22.1 million. The buy-back price of $1.50 was the top of the tender range.

The buy-backs have been executed at a volume weighted average price of $1.28 per security, a substantial discount to the parent level cash backing of $1.51 per security when the on-market buy-back was first announced in December 2008. As at 5 August 2009 a total of $32.8 million worth of securities (or 11.9% of securities on issue) had been bought back under the combined buy-backs.

The buy-backs enabled MMG to improve its cash backing per security (in addition to earnings per security) by buying back its own securities at a substantial discount to underlying cash backing.

Recognising the importance of retaining flexibility regarding its on-going negotiations with the MSCM lenders, the buy-backs were fully funded from a reduction in the distribution payout ratio since December 2008 with current parent level cash now of $323 million versus $324 million shortly after the on-market buy-back was announced at that time.

Since the buy-backs commenced, the position has changed:

- MMG's closing security price has increased from a low of $0.545 on 27 February 2009 to $2.50 on 27 October 2009, which is 47% above its cash backing per security of $1.70;
- there has been a significant improvement in the overall equity markets since that time and a large number of successful secondary raisings by listed companies to pay down debt;
- the time before the maturity date of the MSCM debt has reduced and the MSCM debt becomes a current liability on 1 November 2009; and
- the debt markets have started to stabilise.

As a result, following the process described in Section 1.9 and considering the alternatives noted in Sections 1.10 and 5.9, the MMG Boards have proposed the Recapitalisation, Internalisation and Corporatisation initiatives which are intended to enhance security holder value and optimise the capital and corporate structure of MMG.

The IBC believes it is important to reduce MSCM's debt and therefore believes that the Entitlement Offer should proceed now while the market is conducive to such capital raisings. As the Internalisation and Corporatisation need to be considered at security holder meetings and are subject to other conditions including the approval of MSCM's and ACM's lenders or refinancing of the facilities on terms which permit those initiatives to occur, the Boards of MMG have decided to proceed with the Entitlement Offer in advance of these other initiatives.

The IBC did not believe that it was appropriate for the Internalisation or Corporatisation to precede the Entitlement Offer as:

- this would have meant deferring the Entitlement Offer to late December 2009 or late January 2010 at the earliest as the equity markets close over the usual Christmas period. MMG believes it is appropriate to proceed now with the Entitlement Offer while the market is conducive to such capital raisings and after 1 November 2009 the MSCM debt of $860 million would become a current liability for accounting purposes; and
- while MMG has sufficient parent level cash to pay the Internalisation consideration, the Internalisation is subject to MSCM and ACM lender consent or refinancing conditions. MMG believes that it would be more difficult to obtain MSCM lender consent on a timely basis in the absence of the Recapitalisation or like transaction. The Recapitalisation is likely to result in greater progress in relation to the MSCM refinancing as it would have the effect of reducing the MMG (excluding ACM) net debt/EBITDA ratio from its current 4.6 times to 2.5 times post Recapitalisation (and 2.7 times post Recapitalisation and Internalisation). See Sections 4.4 and 9 for further details regarding the financial effect of the Recapitalisation.

MMG has not been buying back securities in recent months pending evaluation and negotiation of the Recapitalisation, Internalisation, and Corporatisation transactions and advancement of the refinancing discussions.

3.4 Distribution policy

(a) Current policy

MMG's current distribution policy is that distributions are determined by the MMG Boards for each six month period based on the specific needs of the business at the time.

(b) Impact if the Recapitalisation proceeds but not the Corporatisation

If the Recapitalisation proceeds or the Recapitalisation and Internalisation proceed but not the Corporatisation. MMG's current distribution policy will not be affected.

(c) Impact if Corporatisation occurs

Prior to the completion of the Corporatisation, it is proposed that MMT will make a final cash distribution to MMT unitholders of its net taxable income for the year-to-date.

Following the Corporatisation, MMG would move to a tax paying position (following utilisation of available tax losses), and accordingly MMG would in the future be in a position to pay franked dividends (subject to availability of profits and franking credits).

While the MMG directors will need to assess the appropriate level of dividend payments in light of the prevailing circumstances at the relevant time, including by reference to the level of profits that are available for distribution and the capital needs of MMG, it is currently expected that the proposed post-Corporatisation dividend payout rate will be approximately 40% to 60% of Adjusted NPAT.

3.5 Termination of buy-back programs

As a result of its decision to proceed with the Recapitalisation, MMG has terminated all buy-back programs with immediate effect.

Recapitalisation

4

The Recapitalisation refers to the raising of capital by MMG under the Entitlement Offer and the application of the Entitlement Offer and available MMG parent level cash to pay down MSCM debt.

4.1 Details of the Entitlement Offer

MMG is seeking to raise approximately $294 million through the Entitlement Offer. The Entitlement Offer comprises an Institutional Entitlement Offer (conducted on an accelerated basis) and the Retail Entitlement Offer.

MMG will be offering Eligible Security Holders the opportunity to subscribe for one new MMG security for every one existing MMG security held on the record date.

The Offer Price for the Entitlement Offer will be $1.55 per new security. This is a:

- 38% discount to last closing price[9] of $2.50 per security; and
- 23% discount to Theoretical Ex-Rights Price of $2.025 per security.

It is expected that approximately 189.4 million new MMG securities will be issued under the Entitlement Offer.

4.2 Offer structure

The Entitlement Offer will be structured as follows:

- **Institutional Entitlement Offer** - Eligible Institutional Security Holders will be invited by the Underwriters to take up all or part of their Entitlement on an accelerated timetable.
- **Retail Entitlement Offer** - Eligible Retail Security Holders will be sent a Retail Entitlement Offer booklet on 3 November 2009 together with a personalised Entitlement and Acceptance Form and will need to decide whether or not they will take up all or part of their Entitlement (or do nothing).
- **Bookbuild** - Offer Securities representing Entitlements not taken up by Eligible Security Holders, and those that would have been offered to Ineligible Security Holders had they been entitled to participate in the Entitlement Offer, will be offered under a bookbuild process to selected Institutional Investors.

Eligible Retail Security Holders include persons who:

- are registered as MMG security holders on the record date;
- have a registered address in Australia or New Zealand;

9 As at close 27 October 2009.

- are not in the United States or a person acting for the account or benefit of a person in the United States; and
- are not an Eligible Institutional Security Holder or an Ineligible Security Holder.

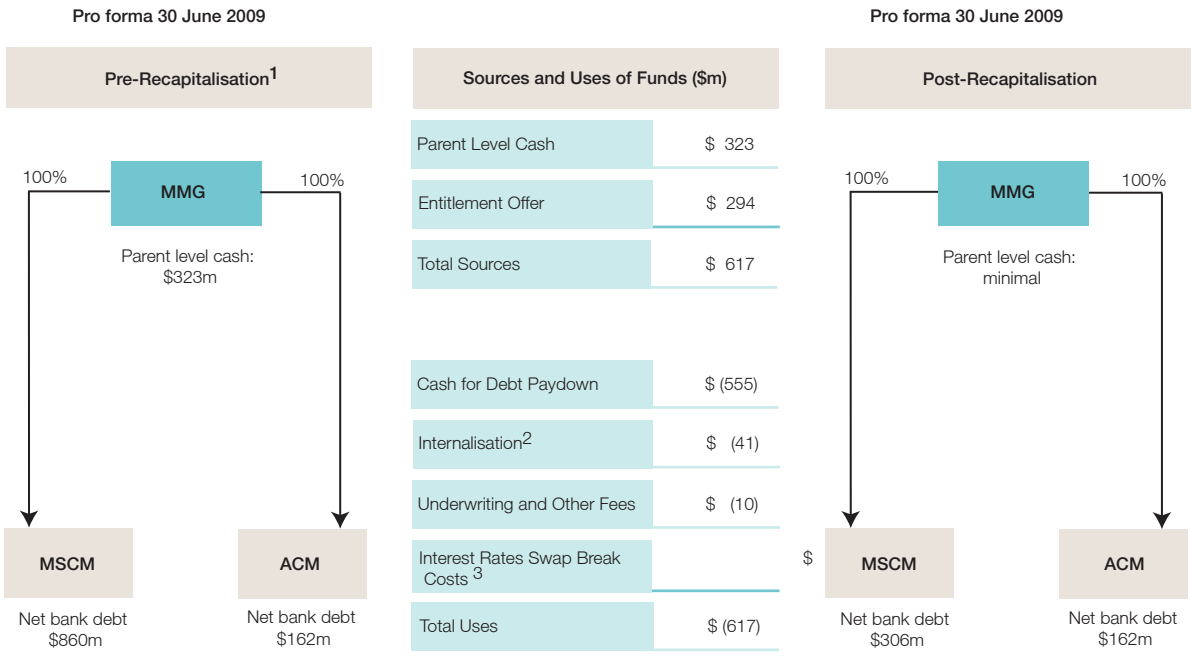
The Joint Lead Managers will conduct the Bookbuild process referred to above by inviting Institutional Investors, which may include Eligible Institutional Security Holders to bid, at various possible prices, for the Offer Securities representing Entitlements not taken up by Eligible Security Holders and those that would have been offered to Ineligible Security Holders had they been entitled to participate in the Entitlement Offer. The manner in which these Offer Securities will be offered to investors under the Entitlement Offer and the Underwriting Agreement is further detailed in Section 4.14.

4.3 Purpose of the Entitlement Offer

Following the Entitlement Offer, MMG intends to use the net proceeds of the Entitlement Offer and certain available MMG parent level cash to reduce MSCM's net debt to $306 million[10].

MMG has no plans to apply any proceeds of the Entitlement Offer or any MMG parent level cash to reduce business level debt within ACM.

Debt Update



Notes:

1. Parent level cash and net debt figures sourced from the audited MMG Financial Report and unaudited MMG Management Report for the year ended 30 June 2009 (subject to adjustment to parent level cash for post balance date payment of FY2009 final distribution and buy-backs completed up to 5 August 2009). The ACM facility is in US$ and therefore is subject to exchange rate changes.
2. If the Internalisation proceeds.
3. These costs to be paid from existing parent level cash. "Interest Rate Swap Break Costs" relates to the estimated costs of $11.5 million that may arise as a result of breaking existing interest rate swaps as a result of the MSCM debt reduction.

10 Assuming the Internalisation and Recapitalisation occur. If the Internalisation does not occur the MSCM net debt will be reduced to $265 million following the Recapitalisation.

4.4 MMG's gearing after the Recapitalisation[11]

MMG's gearing metrics are presented below to show MMG both including and excluding ACM, as ACM is considered non-core to MMG's ongoing activities.

(a) MMG including ACM

	Actual 30 June 2009	Pro-forma Post-Recapitalisation[12] 30 June 2009	Adjusted pro-forma Post-Recapitalisation and Internalisation[13,14] 30 June 2009
Net debt[14]	$691.3m	$427.4m	$467.9m
Net debt / EBITDA[15]	5.0x	3.2x	3.4x
EBITDA / Net interest expense	2.0x	3.1x	3.2x
EBIT / Net interest expense	1.5x	2.4x	2.5x

MMG has no intention to inject any parent level cash or provide any other financial support or guarantees to ACM or its lenders. Further, the ACM Facility is not guaranteed or secured by MMG parent entities or MSCM.

(b) MMG excluding ACM

The net proceeds of the Entitlement Offer and certain available parent level cash set out in Section 4.3, will be used to pay down the MSCM Facility by $555 million to approximately $317.9 million facility borrowings (representing gross MSCM debt)[16].

	Actual 30 June 2009	Pro-forma Post-Recapitalisation[12] 30 June 2009	Adjusted pro-forma Post-Recapitalisation and Internalisation[13,14] 30 June 2009
Net debt[14]	$529.1m	$265.2m	$305.7m
Net debt / EBITDA[17]	4.6x	2.5x	2.7x
EBITDA / Net interest expense	2.1x	4.1x	4.3x
EBIT / Net interest expense	1.7x	3.4x	3.6x

The MMG gearing metrics (excluding ACM) after the Recapitalisation will be in line with other media sector companies. MMG believes that with the application of the net proceeds of the Entitlement Offer and certain available MMG parent level cash to pay down MSCM's net debt, the refinancing of the MSCM Facility on satisfactory terms or obtaining the requisite consent is significantly more likely than is currently the case. However, no assurance can be given that the existing MSCM Facility syndicate members will provide the required consent or agree to a refinancing.

11 Calculated from information in Section 9.
12 Pro-forma gearing metrics have been adjusted to reflect full year impact of the Entitlement Offer, (after associated transaction costs of $9.9 million and application of available parent level cash to repay MSCM's net debt). Refer to Section 9 for further details.
13 Reflects pro-forma adjustments relating to Recapitalisation and Internalisation, and certain non-cash, fair value and one-off items. Refer to Section 9 for details.
14 Net debt is the drawn balance under the relevant facilities excluding the impact of any unamortised capitalised establishment costs, net of cash on hand.
15 FY2009 pro-forma EBITDA for MMG including ACM post Entitlement Offer but pre-Internalisation is $132.1 million. See Section 9 for further details.
16 Assuming the Internalisation and Recapitalisation occur. If the Internalisation does not occur the MSCM Facility borrowings will be reduced to approximately $277.5 million following the Recapitalisation
17 FY2009 pro-forma EBITDA for MMG excluding ACM post Entitlement Offer but pre-Internalisation is $107.4 million.

4.5 Macquarie's participation / intentions

Macquarie has committed to take up its full entitlement under the Entitlement Offer in respect of its 24.8% Principal Holding of MMG securities. Except for this commitment, Macquarie has confirmed to MMG that it has no other intentions regarding its security holding. Future possibilities therefore include Macquarie continuing to hold, increasing or reducing its security holding.

4.6 Underwriting

The Entitlement Offer (excluding Macquarie's Principal Holding of 24.8%) will be fully underwritten in equal proportions by RBS and Macquarie Capital.

See Section 12.2 for further details in relation to the terms of the Underwriting Agreement.

4.7 Macquarie voting power

Please refer to Section 8 for the potential impact of the Entitlement Offer on Macquarie's voting power in MMG.

The extent to which Macquarie's voting power in MMG may increase from its current 26.5% (including its Principal Holding of 24.8%) as a result of the Entitlement Offer and the Underwriting Agreement will depend on the extent to which Eligible Security Holders other than Macquarie participate in the Entitlement Offer, and the extent to which other investors (which will not include Macquarie) take up shortfall securities before Macquarie Capital is required to subscribe for its share of the new MMG securities in accordance with the Underwriting Agreement. Notwithstanding dispersion arrangements, there is the potential that Macquarie could increase its voting power in MMG above its current 26.5% to a maximum of approximately 45%, as described in Section 8.2.

4.8 Conditionality

The Entitlement Offer and subsequent reduction of MSCM's net debt will occur (unless the Underwriters terminate the Underwriting Agreement, see Section 12.2) regardless of whether the Internalisation or Corporatisation goes ahead.

The MMG directors reserve the right to withdraw the Entitlement Offer at any time, in which case MMG will refund application monies without interest. If settlement under the Institutional Entitlement Offer has occurred, MMG may not be able to withdraw the Entitlement Offer or may only be able to withdraw the Entitlement Offer with respect to new MMG securities yet to be issued.

4.9 Renounceability and Bookbuild

Entitlements will be renounceable, which means that Eligible Institutional Security Holders and Eligible Retail Security Holders can choose to take up or not take up all or part of their Entitlement Offer. Securities equal in number to those not taken up by Eligible Security Holders and those which would otherwise have been offered to Ineligible Security Holders will be offered to selected Institutional Investors (which may include Eligible Institutional Security Holders) through the Bookbuild process. If the price achieved in the Bookbuild (Clearing Price) is higher than the Offer Price for the Entitlement Offer of $1.55, Eligible Security Holders who do not take up their Entitlement in full (and Ineligible Security Holders) will receive an amount, from the Clearing Price paid by successful participants in the Bookbuild, equal to the difference between the Clearing Price and the Offer Price of $1.55 per security sold, or will be paid nothing if the Clearing Price is equal to the Offer Price.

The Bookbuild will be conducted on 27 November 2009.

Entitlements are not able to be traded on ASX or privately transferred.

4.10 Record date

The record date for determining Entitlements is Monday, 2 November 2009 at 7:00 pm (AEDT).

4.11 Institutional Entitlement Offer

The Institutional Entitlement Offer will be conducted between 28 October 2009 and 29 October 2009. Settlement of the issue of new MMG securities under the Institutional Entitlement Offer is expected to occur on Wednesday, 11 November 2009.

Eligible Institutional Security Holders will be those MMG security holders who the Underwriters determine have successfully received an offer to subscribe for new MMG securities under the Institutional Entitlement Offer on the basis that they are Institutional Investors, including where the offer is made to a person for whom the security holder holds securities.

4.12 Retail Entitlement Offer

The Retail Entitlement Offer will be made to Eligible Retail Security Holders, including those security holders who:

(a) are registered as MMG security holders on the record date;

(b) have a registered address in Australia or New Zealand;

(c) are not in the United States or a person acting for the account or benefit of a person in the United States; and

(d) are not an Eligible Institutional Security Holder or an Ineligible Security Holder.

MMG, in its absolute discretion, reserves the right to determine whether a security holder is an Eligible Retail Security Holder and therefore able to participate in the Retail Entitlement Offer, or an Ineligible Security Holder and therefore unable to participate in the Retail Entitlement Offer. MMG disclaims all liability to the maximum extent permitted by law in respect of the determination as to whether a security holder is an Eligible Retail Security Holder or an Ineligible Security Holder.

MMG may (at its absolute discretion) extend the Retail Entitlement Offer to certain security holders who could have qualified as Eligible Institutional Security Holders but did not participate in the Institutional Entitlement Offer (subject to compliance with applicable law).

The Retail Entitlement Offer is expected to open on 3 November 2009 and close on 20 November 2009.

Settlement of the issue of new MMG securities under the Retail Entitlement Offer is expected to occur on 2 December 2009.

4.13 Ineligible Security Holders – Foreign nominee process

Pursuant to the Bookbuild, MMG intends to appoint a nominee for Ineligible Security Holders and will issue the nominee with rights to subscribe for the Offer Securities which would otherwise have been available for subscription by Ineligible Security Holders had they been eligible to participate in the Entitlement Offer. Through the Bookbuild, those rights will be offered for sale by the nominee to selected Institutional Investors (which may include Eligible Institutional Security Holders) - excluding Macquarie in a principal capacity. Any proceeds from the sale of those rights, calculated, per security, as the Clearing Price less the Offer Price of $1.55 (net of expenses, if any), will be distributed to Ineligible Security Holders on a pro-rata basis.

4.14 Shortfall dispersion

A shortfall will arise under the institutional and retail components of the Entitlement Offer to the extent that Eligible Security Holders do not take up their Entitlement under the Entitlement Offer in full and to the extent that there are Ineligible Security Holders. Under the Entitlement Offer and Underwriting Agreement, the new MMG securities will be offered to investors in the manner summarised in the table[18] below:

Entitlement Offer
Institutional Entitlement Offer and Retail Entitlement Offer
First, existing Eligible Security Holders pro-rata to their holding
Bookbuild
Second, Institutional Investors (which may include Eligible Institutional Security Holders) (in each case other than Macquarie)
Third, institutional sub-underwriters other than Macquarie
Fourth, Underwriters or their nominees in respect of any remaining shortfall

Further information on how to apply under the Retail Entitlement Offer will be included in the Retail Entitlement Offer Booklet. Further information on applying under the Institutional Entitlement Offer (and the Bookbuild) will be provided separately to selected Institutional Investors by the Joint Lead Managers.

18 References to Macquarie in the table are references to Macquarie acting in a principal capacity and exclude Macquarie acting in a custodial capacity in respect of securities held on behalf of third party beneficiaries.

4.15 Custodian/Nominee security holders

MMG security holders holding MMG securities on behalf of persons who are resident outside Australia or New Zealand are responsible for ensuring that taking up their Entitlement does not breach the laws and regulations in the relevant overseas jurisdiction. The submission of an Entitlement and Acceptance Form or the making of a BPAY® payment will constitute a representation that there has been no breach of such laws or regulations. MMG security holders who are nominees are therefore advised to seek independent advice as to how they should proceed.

A nominee must not send any materials relating to the Entitlement Offer into the United States and must not submit an Entitlement and Acceptance Form or otherwise accept the Retail Entitlement Offer on behalf of a person in the United States.

4.16 Ranking of new MMG securities

New MMG securities issued pursuant to the Entitlement Offer will rank equally in all respects (including as to payment of any December 2009 interim distribution) with existing MMG securities from the date of issue.

4.17 Quotation and trading

In accordance with the Listing Rules, MMG will apply to ASX for the official quotation of the new MMG securities issued under the Entitlement Offer. Subject to approval being granted, quotation of the new MMG securities is expected to commence on:

- 12 November 2009 for new MMG securities issued under the Institutional Entitlement Offer and early retail acceptances (on a normal settlement basis); and
- 4 December 2009 for new MMG securities issued under the Retail Entitlement Offer and Bookbuild (on a normal settlement basis).

Holding statements will be despatched in accordance with the relevant Listing Rules. It is the responsibility of each applicant to confirm their holding before trading in new MMG securities. Any applicant who sells new MMG securities before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. MMG and the Underwriters disclaim all liability, whether in negligence or otherwise, to any person who trades in new MMG securities before receiving their holding statement.

4.18 Reconciliation

In some instances investors may believe that they will own more MMG securities than they actually do on the record date. This results in a need for reconciliation. If reconciliation is required, it is possible that MMG may need to issue a small quantity of additional new MMG securities to ensure all Eligible Security Holders receive their full Entitlement.

4.19 CHESS

The new MMG securities will participate from the date of commencement of quotation in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd. They must be held in uncertificated form (i.e. no security certificate will be issued) on the CHESS subregister under sponsorship of a sponsoring participant (usually a broker) or on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored subregister to the CHESS subregister under sponsorship of a sponsoring participant or vice versa by contacting your sponsoring participant.

4.20 Media regulatory policy

Under Australia's foreign investment policy all portfolio investments by foreign persons in the media sector of 5% or more and all non-portfolio investments in media investments irrespective of size require prior approval from the Australian Government.

The Broadcasting Services Act imposes certain restrictions on the control of media operations in Australia. Control under the Broadcasting Services Act can arise in various circumstances and will be deemed if a person acquires more than 15% of MMG securities. Any person seeking to do so should obtain their own advice.

The submission of an Entitlement and Acceptance Form or the making of a BPAY® payment will constitute a representation that there has been no breach of such laws or regulations.

4.21 International selling restrictions

This Investor Information Booklet and any accompanying documents do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Investor Information Booklet and any accompanying documents in jurisdictions outside Australia and New Zealand may be restricted by law and anyone who receives this Investor Information Booklet and accompanying documents should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the securities or the Entitlement Offer or otherwise permit a public offering of securities in any jurisdiction outside Australia or New Zealand.

Refer to Annexure 3 for specific restrictions in respect of various jurisdictions.

4.22 Taxation

A summary of the Australian general tax implications for Australian resident Eligible Retail Security Holders is set out in Section 10.1.

This discussion is in general terms and is not intended to provide specific advice in relation to circumstances of any particular security holder. Eligible Retail Security Holders should seek their own tax advice before deciding how to deal with their Entitlement.

4.23 Entitlement Offer timetable

Event	Date
Announcement of the Entitlement Offer and commencement of trading halt	Wednesday, 28 October 2009
Institutional Entitlement Offer opens	Wednesday, 28 October 2009
Institutional Entitlement Offer closes	Thursday, 29 October 2009
Trading halt ends and results of Institutional Entitlement Offer announced	Friday, 30 October 2009
Record date for determining Entitlement to subscribe for new MMG securities	Monday, 2 November 2009 at 7:00 pm (AEDT)
Retail Entitlement Offer opens	Tuesday, 3 November 2009
Last date for receipt of applications for early settlement of the Retail Entitlement Offer (Early Retail Close Date)	Tuesday, 10 November 2009 at 5:00 pm (AEDT)
Settlement of Institutional Entitlement Offer, and Retail Entitlement Offer Applications received by the Early Retail Close Date	Wednesday, 11 November 2009
Allotment of new MMG securities under the Institutional Entitlement Offer and under the Retail Entitlement Offer for applications received by the Early Retail Close Date (Initial Allotment)	Thursday, 12 November 2009
Expected normal trading of new MMG securities under the Initial Allotment on ASX	Thursday, 12 November 2009
Despatch of holding statements for new MMG securities issued under the Initial Allotment	Monday, 16 November 2009
Last date for receipt of applications under the Retail Entitlement Offer (Retail Entitlement Offer Final Close Date)	Friday, 20 November 2009 at 5:00 pm (AEDT)
Bookbuild	Friday, 27 November 2009
Settlement of remaining new MMG securities under the Retail Entitlement Offer and the Bookbuild	Wednesday, 2 December 2009
Allotment of remaining new MMG securities under the Retail Entitlement Offer and the Bookbuild (Final Allotment)	Thursday, 3 December 2009
Normal trading of new MMG securities issued under the Final Allotment on ASX	Friday, 4 December 2009
Despatch of holding statements for new MMG securities issued under the Final Allotment Proceeds (if any) from the Bookbuild expected to be dispatched	Monday, 7 December 2009

Note: The timetable is subject to change in MMG's absolute discretion. MMG reserves the right to withdraw or vary the timetable for the Entitlement Offer without notice. In particular, MMG reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications either generally or in a particular case or to withdraw the Retail Entitlement Offer without notice.

Internalisation

5

5.1 Overview

On the date of this Investor Information Booklet, MMG and Macquarie entered into an implementation deed whereby the parties have agreed to internalise the management of MMG for total cash consideration of $40.5 million (the Implementation Deed). The Internalisation is subject to the satisfaction of the conditions set out in Section 5.5. Macquarie will continue to be entitled to management fees calculated on the existing basis under the MMT constitution and Management Services Agreements up to completion of the Internalisation and will continue to provide management services to MMG during that period.

5.2 Internalisation transactions

On completion of the Internalisation:

(a) the Asset Advisory Agreement will be terminated;

(b) MMHL will acquire MMML from a Macquarie subsidiary. This will bring Macquarie's management arrangements with MMG to an end. (MMML is the current manager of MMIL and MMHL under the Management Services Agreements and responsible entity of MMT and has never conducted any business other than the roles it has performed for MMG. When acquired by MMHL, MMML will have net assets of $50,000);

(c) MMML will terminate its resource arrangements with Macquarie;

(d) a termination fee will be paid to Macquarie;

(e) MMHL will acquire a perpetual intellectual property licence from Macquarie (in respect of MMG related materials which are owned by Macquarie including the MMG internal financial model); and

(f) Macquarie will provide transitional support services to MMG up to 31 December 2010 including senior personnel, information technology, compliance and risk management assistance, human resources support and accounting and taxation compliance services. The IBC considers transitional services would cost up to $1.7 million per annum (albeit that the period for the services may be less than a full year depending on when completion of the Internalisation occurs). MMG, at its sole discretion, may elect to extend the transitional services for 3 months beyond 31 December 2010 for a fee to be based on a cost-plus 15% methodology.

Section 12.3 summarises the material contracts relating to the Internalisation.

5.3 Consequences of the Internalisation for MMG

The Internalisation will result in:

- the termination of Macquarie's management role with MMG. Macquarie's ongoing arrangements with MMG are set out in Section 8.7;
- elimination of the base fees MMG pays to Macquarie and any future liability of MMG for performance fees to Macquarie. Base fees have averaged $9.7 million per annum in the 3 years and 8 months that MMG has been listed and base and performance fees totalling $45.6 million have been paid since listing;
- elimination of any potential liability under the Asset Advisory Agreement to pay fees to Macquarie;
- Macquarie receiving the consideration set out in Section 5.4 from MMG;
- changes in the MMG management structure as MMG transitions to internal management with the support of Macquarie under the Transitional Services Deed until 31 December 2010 with an additional 3 months at MMG's sole discretion (see Section 5.18);
- MMG incurring one-off external transaction and implementation costs estimated at $1.8 million up until the date of this document. Further amounts may be paid to professional advisers in accordance with their usual time-based charges[19];
- the renaming of MMG;
- transitioning to a new corporate governance framework for MMG, as described in Section 5.17; and
- MMG will incur ongoing incremental costs estimated at up to $4.5 million per annum. These costs are in addition to those costs incurred by MMG as part of its existing operations.

5.4 Consideration payable to Macquarie in respect of the Internalisation

The financial benefits to be provided to Macquarie in respect of the Internalisation, if it is completed, comprise:

- the total cash consideration of $40.5 million;
- if completion of the Internalisation does not occur at the end of a calendar quarter, Macquarie will receive a cash amount equal to the base fee which would have been payable under the MMT constitution and Management Services Agreements for the period to completion. This payment is designed to place the parties in the same position as if management fees had continued to accrue daily up to completion of the Internalisation; and
- if MMG elects to extend the transitional services for 3 months beyond 31 December 2010, fees for those services to be based on a cost-plus 15% methodology.

As a result of paying Macquarie the above amounts in connection with the Internalisation, MMG will forgo the opportunity cost or benefit of spending this cash in other ways (e.g. further paying down MSCM net debt) or returning it to security holders. However, these alternatives would not remove MMG's ongoing requirement to pay fees to Macquarie. The reasons for the Internalisation and the benefits that the IBC believes will accrue to MMG if the Internalisation proceeds are set out in Section 5.14.

In addition MMG will continue to pay management fees to Macquarie until the completion of the Internalisation (based on the higher Net Investment Value of MMG following the Recapitalisation).

19 Excludes costs associated with Entitlement Offer and Corporatisation.

5.5 Conditions to completion of the Internalisation and termination rights

The Internalisation is subject to the following conditions:

Condition	Status of conditions
Completion of the Entitlement Offer	The Entitlement Offer is fully underwritten (excluding Macquarie's 24.8% Principal Holding). The Underwriting Agreement is subject to a number of customary termination events which are summarised in Section 12.2.
Independent Expert's Report: The Independent Expert not changing or withdrawing its conclusion in the Independent Expert's Report (which is set out in Annexure 1) that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates.	MMG is not aware of any intention to change the conclusion or withdraw the report.
MMHL security holder approval: MMHL security holders approving the benefits provided to Macquarie under the Internalisation for the purposes of Part 2E of the Corporations Act and Listing Rule 10.1. (A number of other resolutions will be considered at the time of the general meeting to approve the Internalisation but the Internalisation is not dependent on the outcome of those resolutions, see Section 5.24).	Macquarie and its associates (including MMG directors who are not independent of Macquarie) are excluded from voting on this resolution. The Independent Expert has concluded that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates
MSCM Facility: Either all consents and waivers required under the MSCM Facility are granted, or the MSCM Facility is refinanced or amended on terms without an event of default/review event or the facility otherwise becoming due and payable as a consequence of the Internalisation.	Discussions are ongoing with the MSCM Facility syndicate concerning refinancing. A formal approach will be made to the MSCM Facility syndicate seeking consent to the Internalisation after the date of this Investor Information Booklet. MMG believes that with the application of the net proceeds of the Entitlement Offer and certain available MMG parent level cash to pay down MSCM's net debt, the refinancing of the MSCM Facility on satisfactory terms or obtaining the requisite consent is significantly more likely than is currently the case. However, no assurance can be given that the existing MSCM Facility syndicate members will provide the required consent or agree to a refinancing.
ACM Facility: If completion of the Internalisation is to take place prior to 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), either all consents and waivers required under the ACM Facility are granted, or the ACM Facility is refinanced or amended on terms without an event of default or otherwise becoming due and payable as a consequence of the Internalisation.	Discussions are ongoing with the ACM Facility syndicate concerning seeking necessary amendments and extension to the ACM Facility and waivers of potential covenant non-compliance (see Section 7.3). A formal approach will be made to the ACM Facility syndicate seeking consent to the Internalisation after the date of this Investor Information Booklet. However, if ACM Facility consent or refinancing is not obtained by 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), this condition ceases to apply. Accordingly, MMG considers that the existence of this condition is one which could delay rather than prevent the Internalisation occurring. In the event that the ACM Facility syndicate takes enforcement action against ACM in respect of the ACM Facility, MMG and Macquarie may consider whether it is appropriate for this condition to be retained.

Condition	Status of conditions
The Implementation Deed not having been terminated: The Implementation Deed can be terminated for various reasons outlined below, including if the majority of the IBC change their recommendation on fiduciary grounds (including as a result of a superior competing transaction).	MMG is not aware of any such action.

Macquarie and MMG have agreed to do all things reasonably necessary to satisfy these conditions as quickly as possible and in any event by no later than 10 December 2010. MMG will announce to the ASX any material developments in the status of these conditions.

MMG or Macquarie may terminate the Implementation Deed if:

- any of the conditions are not fulfilled or waived by 10 December 2010;
- the MMG security holder resolutions are not passed;
- the Share Sale Agreement is terminated;
- a majority of the Independent Directors change or withdraw their recommendation prior to the MMG security holder meetings to consider the Internalisation; or
- there is a temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing any aspect of the Internalisation.

In addition:

- MMG may terminate the Implementation Deed if there is a prescribed occurrence in relation to MMML in its personal capacity or there is a material breach of Macquarie's warranties or obligations under the Implementation Deed; and
- Macquarie may terminate the Implementation Deed if there is a material breach of MMG's warranties or obligations under the Implementation Deed.

5.6 Exclusivity

MMG has agreed that until the conditions to the Internalisation are satisfied or waived, it must not solicit a competing transaction. In addition MMG is obliged to notify Macquarie of certain current or future competing transactions. In all cases these provisions are subject to a fiduciary exception. Further details are set out in Section 12.3(a).

5.7 Required security holder approvals

MMG security holders are required to approve the benefits to be provided to Macquarie under the Internalisation for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.1 as:

- the Internalisation constitutes the acquisition of a substantial asset from Macquarie as a substantial holder of more than 10% of the MMG securities; and
- Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party without member approval, unless it occurs pursuant to an exception in the Corporations Act. The requirements of Chapter 2E also apply to managed investment schemes (such as MMT) under section 601LA of the Corporations Act.

The Explanatory Memorandum in respect of the Internalisation proposal is expected to be sent to MMG security holders in November 2009. Other associated resolutions will be considered at the meeting to consider the Internalisation Resolutions (see Section 5.24), however, the outcome of the Internalisation Resolutions is not dependent on the passing of those ancillary resolutions.

Approval for the Internalisation Resolutions requires the passing of ordinary resolutions, meaning they must be approved by more than 50% of MMG security holders present in person or by proxy and entitled to vote at each meeting. Macquarie and its associates (including Macquarie nominated directors) will not vote on these resolutions as Macquarie is a related party.

5.8 Relationship of the Internalisation to other initiatives

The Internalisation is conditional on the Entitlement Offer proceeding but is not conditional on the Corporatisation proceeding. The Corporatisation is conditional on both the Entitlement Offer and the Internalisation proceeding. There can be no assurance that the relevant conditions to the Internalisation and Corporatisation initiatives will be satisfied or that either or both of those initiatives will proceed.

Set out below is a table indicating the type of investment to be held by MMG security holders, the circumstances where this may occur and the principal consequences for MMG security holders. The table below assumes in all cases that the Recapitalisation will have occurred.

Circumstances where this occurs	Type of security	Consequences for Investors
If the Internalisation and Corporatisation do not occur	Externally managed triple stapled security	■ MMG will continue to be externally managed by Macquarie and MMG will continue to pay management fees as per the current arrangements (see Section 5.14(a)). ■ Aside from the appointment of Mr Leon Pasternak as Deputy Chairman of MMHL and MMML, there will be no changes to the governance or management of MMG. ■ Recapitalisation positions MMG well for the future. ■ No termination fee of $40.5 million will be paid. ■ Macquarie's base management fee increases as a result of the likely higher Net Investment Value of MMG post-Recapitalisation (see Section 8.3). ■ No incremental costs will be borne by MMG from internalising management functions (although it will bear its own transaction costs in relation to the evaluation of these proposals). ■ The triple stapled structure will continue. ■ Any MMG distributions will be unfranked.
If the Internalisation occurs but the Corporatisation does not	Internally managed triple stapled security	■ MMG will be internally managed and the current management and asset advisory arrangements will cease. Incremental costs will be borne by MMG from internalising management functions. ■ Payment of management fees will cease. ■ MMG will be renamed. ■ MMG's corporate governance structure will change and MMG will need to recruit some additional head office staff to replace staff previously provided by Macquarie. ■ Recapitalisation positions MMG well for the future. ■ Termination fee of $40.5 million will be paid to Macquarie. ■ The triple stapled structure will continue. ■ Any MMG distributions will be unfranked.
If the Internalisation and Corporatisation occur	Internally managed company structure	■ MMHL will become new listed parent for entire MMG group. The triple stapled structure will cease. ■ MMG will be renamed. ■ MMG's corporate governance structure will change and MMG will need to recruit some additional head office staff to replace staff previously provided by Macquarie. ■ MMHL will be internally managed and the current management and asset advisory arrangements will cease. Incremental costs will be borne by MMG from internalising management functions. ■ Payment of management fees will cease. ■ Recapitalisation positions MMG well for the future. ■ Termination fee of $40.5 million will be paid to Macquarie. ■ MMG will move to a position where it will be able to pay fully franked dividends subject to the availability of profits and franking credits.

5.9 Alternatives considered by the IBC

The IBC conducted a detailed review of strategic options available to MMG which included Internalisation. The options evaluated by the IBC covered a range of alternatives including:

Alternatives	Considerations
Maintaining the status quo and negotiating with lenders to refinance or to extend facility maturities	Based on the discussions with the MSCM syndicate around refinancing of the existing facility, MMG did not believe it would be able to secure satisfactory terms as to fees, margins, ability to pay dividends and covenant levels without reducing MSCM's net debt ahead of refinancing. The Boards of MMG have therefore decided it is important for MMG to reduce its MSCM debt now so as to be able to negotiate more competitive market standard deal terms for the MSCM debt refinancing.
Winding up MMG by returning parent level cash to investors and an orderly divestment of assets	MMG considered that an orderly divestment of underlying assets would not maximise value to security holders, due to the limited capacity of both industry buyers and financial sponsors to fund acquisitions at the present time as well as the likely impact of cyclical low earnings on the valuation that such buyers would apply pending evidence of a sustained and established recovery in advertising markets.
Privatisation of MMG	In addition to considerations in the preceding paragraph, the IBC considered the possibility (or otherwise) of a third party wishing to privatise MMG without Macquarie's assistance and concluded that such prospects were low due to the existing Asset Advisory Agreement as the management fees (performance and base) under that agreement would be triggered if Macquarie was removed as responsible entity and manager to MMG without Macquarie's consent. Refer to Sections 5.12(a) and 8.8 for further details on the Asset Advisory Agreement.
Equity funded strategic acquisitions	It was considered that raising equity to fund new acquisitions which may or may not be complementary to MSCM's existing operations and hence may or may not generate synergies would not provide a solution to refinancing of the debt facility of MMG's core business, MSCM, which becomes a current liability on 1 November 2009. The Boards' view is that MMG investors are more likely to support an equity raising which addresses MSCM's high level of gearing, than an equity raising in order to fund acquisitions.
Capital raising initiatives (including equity and hybrid capital raising alternatives)	MMG believes that the capital raising is important to facilitate MSCM debt being refinanced on satisfactory terms. However the IBC also considers that security holder value would be further enhanced by putting forward the Internalisation and Recapitalisation initiatives. The combination of all of the initiatives has the potential to remove concerns some investors may have about investing in MMG due to (a) the relatively high level of gearing in MSCM (b) investment in externally managed listed funds and (c) investment in listed stapled securities. It should be noted that Internalisation or Corporatisation initiatives are subject to security holder approval
Internalisation of management	While each Independent Director intends to recommend that MMG security holders vote in favour of the Internalisation (see Section 5.11) in the absence of a Superior Proposal and subject to the Independent Expert not changing its recommendation, the Internalisation as a stand-alone initiative does not address the refinancing of MMG's core asset, MSCM.
Simplification of MMG's corporate structure	While the MMG Boards intend to recommend that MMG security holders vote in favour of the Corporatisation (see Section 6.6), the Corporatisation as a stand-alone initiative does not address the refinancing of MMG's core asset, MSCM.

The IBC concluded that the initiatives described in this Investor Information Booklet would best address the majority of concerns some investors may have with respect to MMG's corporate and capital structure.

Ultimately, a decision on whether the Internalisation and Corporatisation should be approved is a matter for the MMG security holders (excluding Macquarie and its associates in the case of the Internalisation). Furthermore, completion of the Internalisation and/or Corporatisation will not prevent other alternatives being considered or implemented at a later time.

5.10 Independent Expert concludes that the Internalisation is fair and reasonable

The IBC engaged the Independent Expert to provide an independent expert's report in relation to the Internalisation proposal. A copy of its report is attached as Annexure 1.

The Independent Expert has concluded that the Internalisation proposal is fair and reasonable to MMG security holders other than Macquarie and its associates.

5.11 Directors' recommendation

(a) IBC

For the reasons set out in this Investor Information Booklet, 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 MMG security holders (other than Macquarie and its associates) each Independent Director intends to:

- recommend that MMG security holders vote in favour of the Internalisation Resolutions; and
- vote any MMG securities that they hold in favour of the Internalisation Resolutions.

(b) Other directors

Max Moore-Wilton is a former employee of, and is currently a consultant to, Macquarie. Michael Carapiet and alternate director, John Roberts, are employees of Macquarie. As Macquarie will receive a financial benefit in relation to the Internalisation (see Section 5.4), these directors will not make any recommendations in respect of the Internalisation Resolutions.

5.12 Internalisation payment considerations

The consideration was negotiated between the IBC and Macquarie and in the opinion of the IBC represents an arm's length payment for termination of the management arrangements. In assessing the consideration to be paid, the IBC received financial advice from RBS Corporate Finance as to the appropriateness of the payment. In that regard, the IBC gave consideration to the following factors and valuation methodologies:

(a) Asset Advisory Agreement

In evaluating the Internalisation proposal against other potential transactions, the IBC took into account the adverse consequences that would arise for MMG under the Asset Advisory Agreement if Macquarie was removed as manager without Macquarie's consent. Details of these arrangements were disclosed in the MMG Prospectus and Product Disclosure Statement dated 18 October 2005, and in MMG's subsequent financial reports, including its most recent Annual Report released on 25 September 2009. See MMG's corporate website (http://www.macquarie.com.au/mmg) for further details.

Macquarie provides certain services to MSCM (including the provision of the MSCM CEO and CFO) under the Asset Advisory Agreement, which commenced on the date of listing of MMG. No fees are currently payable under that agreement, however, on the removal of Macquarie as manager of MMHL or as responsible entity of MMT, MMG would be required to pay base and performance fees under the Asset Advisory Agreement. These fees would be in addition to any fees that MMG might otherwise pay in respect of management.

Base fees under the Asset Advisory Agreement are calculated as 1.5% per annum of the market value of MSCM, with performance fees calculated as 20% of the difference between the return on the market value of MSCM over the period and the benchmark return (being 6% plus the annual CPI change benchmark (compounded annually)). Unless otherwise agreed by Macquarie, or unless the Asset Advisory Agreement is terminated, the removal of Macquarie as manager would trigger Macquarie's right to receive these fees.

The Asset Advisory Agreement cannot be terminated except in limited circumstances (see Section 8.8). The basis of paying the base fees under the Asset Advisory Agreement is broadly similar to the base fees under the Management Services Agreements and MMT constitution, save that the Management Services Agreements and MMT constitution are based on Net Investment Value, which references the market value of MMG securities which are listed, whereas the Asset Advisory Agreement is based on the market value of MSCM.

However, the IBC expects that the total fees payable under the Asset Advisory Agreement on an ongoing basis could exceed those otherwise payable under the Management Services Agreements and the MMT constitution, since there is a greater likelihood that performance fees may become payable under the Asset Advisory Agreement as the entitlement to the performance fee under the Asset Advisory Agreement is not subject to the need to recoup any accumulated underperformance deficits from prior periods to offset Macquarie's entitlement to the performance fee. As a result, under the Asset Advisory Agreement, performance fees would be immediately payable if the market value of MSCM increases by greater than 6% plus the annual CPI change benchmark (compounded annually).

(b) Valuation considerations

The IBC considered it appropriate to consider both the current and proposed capital structure following the Recapitalisation in applying the valuation methodologies. The IBC concluded that the sequencing of the initiatives would not change their assessment of the Internalisation consideration.

Net present value of internalising management

The IBC considered a number of methodologies, primarily based on DCF, for the purposes of estimating the net present value of the increased earnings to MMG from the elimination of management fees. The DCF was constructed using a ten year explicit forecast period and then applying a terminal value growth rate, to reflect the perpetual nature of the underlying agreements (see Section 8.8 for details of termination rights). This analysis assessed the potential value of the base management fee from which an estimated internalised management cost was then deducted to determine the potential cost saving from the Internalisation after-tax.

The DCF incorporates the Board endorsed initiatives which are proposed to optimise the capital and corporate structure of MMG's business and to enhance MMG security holder value. The IBC assessed the value of the Internalisation based on the capital structure post-Recapitalisation due to a number of factors:

- Based on the discussions with the MSCM syndicate around extending facility maturities, MMG did not believe it would be able to secure satisfactory terms as to fees, margins, ability to pay dividends and covenant levels without reducing MSCM's net debt ahead of refinancing by more than the available MMG parent level cash.
- The Boards of MMG therefore decided that an Entitlement Offer was necessary to raise further funds which, together with available parent level cash, would be used to reduce MSCM debt sufficiently to be able to negotiate more competitive market standard deal terms for the MSCM debt refinancing.
- The Boards of MMG believe that the entitlement offer should proceed immediately while the market is conducive to such capital raisings.

Calculation of Annual Cost Savings

For illustrative purposes, the analysis below assumes:

- Market capitalisations of $474 million (based on current security price of $2.50) and $360 million (based on a 2-month VWAP of $1.90);
- Net Entitlement Offer proceeds of approximately $284 million (based on a 1 for 1 Entitlement Offer at a $1.55 issue price, net of transaction costs);
- Base management fee of 1.5% of the adjusted market capitalisation as a proxy for the Net Investment Value after application of a majority of parent level cash to pay down MSCM debt; and
- Post-Internalisation incremental internal management costs of up to $4.5 million.

Analysis based on the 2-month VWAP of $1.90 has been used as the basis for calculating the net annual cost savings rather than the current security price of $2.50, which has increased substantially since MMG's price query response on 13 October 2009 regarding the proposed initiatives (including the prospects of Internalisation). A 2-month VWAP also incorporates trading in MMG's securities since the full year 2009 results announcement on 20 August 2009.

The various agreements outline the basis for calculation of the management fees as 1.5% of the Net Investment Value. The Net Investment Value (for the purposes of estimating the base fee) has been based on the market capitalisation of MMG on the basis that existing MMG parent level cash (after transaction costs and the Internalisation payment) will be applied to reduce MSCM's net debt as part of the Recapitalisation.

The net annual cost savings from Internalisation in the DCF valuation for the first forecast period would be calculated as follows:

$m	Current Share Price ($2.50)	2 month VWAP ($1.90)
Market Capitalisation	473.5	360.0
Recapitalisation proceeds	283.7	283.7
Adjusted Market Capitalisation	757.2	643.6
Base Fee (1.5%)	11.4	9.7
less incremental internalised management cost	(4.5)	(4.5)
Net Cost Savings (pre-tax)	6.9	5.2

Net cost savings for the remaining DCF periods are then estimated based on assumed growth rates for the adjusted market capitalisation (being a key driver of the base management fee) and for the incremental internalised management cost (given its influence in determining the future saving to MMG from the Internalisation).

An alternative benchmark to cross-check the analysis above is to reference the pro-forma base fees that would have been payable in the 2009 financial year assuming the proposed initiatives (including the Recapitalisation) had occurred (see Section 9.3 for pro-forma financials). It is estimated base management fees of $8 million would have been payable in the 2009 financial year if parent level cash had been applied to pay down MSCM debt and Recapitalisation had occurred on 1 July 2008, yielding a pre-tax cost saving of $3.5 million per annum.

Net Present Value of Future Savings

The IBC estimated the net present value of future savings to be in the range of $35 to $60 million, as calculated using various ranges for the base case assumptions outlined above.

The net present value range was determined with reference to a series of sensitivity analyses on the DCF valuation. Below is a simplified example of the DCF methodology utilised. It should be noted that the number of scenarios and forecast variables considered by the IBC were more detailed than the case provided below.

Key sensitivities focused on the:

- 10 year DCF using a post-tax weighted average cost of capital of 11% with a perpetuity calculation using terminal value growth rate of 2.5%;
- the current and proposed capital structure for MMG;
- current parent level cash applied to reduce net debt in MSCM[20];
- base fee of 1.5% per annum of Net Investment Value;
- annual market capitalisation growth of 2-10%;
- internalised management cost of up to $4.5 million per annum;
- management cost growth rate of 3-5%; and
- tax rate of 30%.

The annual market capitalisation growth range of 2-10% is considered conservative in comparison to the assumed weighted average cost of capital of 11%.

A management cost growth of 4% would be consistent with the 10 year historical average weekly earnings growth rate in Australia[21].

Outlined below is a high level summary of the net present value of future savings on a post-Recapitalisation basis using a market capitalisation based on the 2 month VWAP of $1.90.

20 Assumes parent level cash of $322.9 million applied to the payment for Internalisation, transitional services, interest rate swap break costs, related transaction costs and to reduce debt in MSCM.
21 Source: Australian Bureau of Statistics (ABS).

Management Cost Growth Rate (%)	Annual Market Capitalisation Growth Rate (%)				
	2.0%	4.0%	6.0%	8.0%	10.0%
3.0%	41.0	51.5	63.4	77.1	92.7
4.0%	38.5	49.0	60.9	74.6	90.2
5.0%	35.8	46.3	58.2	71.9	87.5

Using the midpoints of the market capitalisation growth range (6%) and the management salary cost growth range (4%), the potential net present value of cost savings to MMG is $60.9 million. The most conservative assumptions for both the market capitalisation growth (2%) and the management cost growth (5%) results in a potential net present value of cost saving of $35.8 million post-Recapitalisation.

The IBC's analysis excluded the prospect of any future payment of performance fees, since under the Management Services Agreements and MMT constitution, any underperformance deficit from prior periods must be made up before future performance fees can be earned. Due to the underperformance deficit incurred to date, the future payment of a performance fee in the short to medium term is considered unlikely. Performance fees have not been paid since 2006. If performance fees were to be payable in future years (which as described above is more likely under the Asset Advisory Agreement), the net present value of annual savings would be greater.

Multiple of annual base fees

The IBC considered the earnings multiple of the Internalisation payment as a benchmark for cross-checking purposes.

The payment to Macquarie represents a multiple of:

- 3.6 times the base fee estimate of $11.4 million (with the base fee assuming that all elements of the Recapitalisation have occurred and based on the current security price of $2.50);
- 5.7 times the base fee estimate of $7.1 million (with the base fee assuming that the Entitlement Offer has not occurred but that the other element of the Recapitalisation, being the application of MMG parent level cash has occurred and based on the current security price of $2.50); and
- 5.1 times the base fee estimate of $8.0 million which would otherwise have been payable in the 2009 financial year assuming the Recapitalisation had occurred.

The IBC notes that the average base fee since listing has been $9.7 million per annum.

$9.3 million in performance fees have been paid by MMG to Macquarie since listing in late 2005, although the payment of future performance fees is considered unlikely given accumulated deficits. However, if performance fees were payable, the multiple of the Internalisation payment would be lower.

Following the Recapitalisation, Macquarie will be entitled to increased base management fees during the period up to completion of the Internalisation of notionally $4.3 million per annum (being $11.4 million per annum (assuming that all entitlements of the Recapitalisation have occurred at the Offer Price) versus $7.1 million per annum (assuming that the Entitlement Offer has not occurred but that the other element of the Recapitalisation, being the application of MMG parent level cash to MSCM debt has occurred)).

The IBC considered all multiples having regard to the effect of the Recapitalisation on the base management fees payable to Macquarie under the Management Services Agreements and the MMT constitution. In this regard, the IBC was of the opinion that a significant capital raising and the application of most of the MMG parent level cash were necessary as part of the refinancing of the MSCM debt. Therefore the more appropriate multiple was on the basis of capital being raised, rather than the 5.7 times multiple.

In any event, the IBC considers these multiples to be reasonable relative to multiples paid in recent comparable transactions, and thus on the basis of this benchmark, the IBC regards the payment to Macquarie as reasonable for MMG security holders.

Value of transitional services

In valuing the payment to Macquarie, the IBC also took into account the value of the transitional services to be provided by Macquarie and estimates that those services would otherwise cost $1.7 million per annum (albeit that the period for the services may be less than a full year depending on when completion of the Internalisation occurs).

5.13 Relationship of the Internalisation to existing financing arrangements

(a) MSCM Facility

The removal of Macquarie as manager of MMHL would trigger an event of default under the MSCM Facility. Accordingly the Internalisation is subject to a condition that either all consents and waivers required under the MSCM Facility are granted, or the MSCM Facility is refinanced or amended on terms without the Internalisation causing an event of default or review event under the new facility or the new facility not otherwise becoming due and payable.

(b) ACM Facility

The removal of Macquarie as manager of MMHL and MMIL and as responsible entity of MMT would trigger an event of default under the ACM Facility (in addition to the potential existing non-compliance with the ACM Facility (see Section 7.3)). Accordingly the Internalisation is subject to a condition that if completion of the Internalisation is to take place prior to 1 July 2010, either all consents and waivers required under the ACM Facility are granted, or the ACM Facility is refinanced or amended on terms without the Internalisation causing an event of default.

5.14 Advantages of the Internalisation

The IBC considers that the Internalisation is an important further step in enhancing security holder value. The main benefits of the Internalisation are:

(a) Eliminating the MMG management base fees and performance fees payable to Macquarie

The MMT constitution and the Management Services Agreements provide that MMG pays ongoing base fees to Macquarie for management services provided by MMML to the entities.

Macquarie's entitlement to these fees is summarised in Sections 8.2 and 8.8, see MMG's corporate website for further details (http://www.macquarie.com.au/mmg).

The MMG management base and performance fees since listing are detailed below.

Under the Internalisation, the ongoing liability for base and performance fees to be paid to Macquarie will cease from completion of the Internalisation.

While MMG will incur additional costs as a result of internalised management, the IBC believes that the anticipated increased earnings of MMG as a result of removing the ongoing liability to pay fees to an external manager will substantially outweigh the anticipated additional costs (see Section 5.12 above).

MMG management base and performance fees since listing

Financial year ending 30 June ($m)	2006 (from November 2005 listing)	2007	2008	2009	Total
Base fees	9.2	14.4	11.4	1.3*	36.3
Performance fees	9.3	0.0	0.0	0.0	9.3
Total fees	18.5	14.4	11.4	1.3	45.6

* Note: The FY2009 base fees ($1.3 million) were substantially lower than previous years, primarily as a result of cash being retained at the MMG parent level. Assuming that the Entitlement Offer has not occurred but that the other element of the Recapitalisation has occurred, being the application of MMG parent level cash, and based on the current security price of $2.50 the base management fee estimate is $7.1 million.

(b) Terminating the Asset Advisory Agreement

The Asset Advisory Agreement will be terminated as part of the Internalisation. This will occur prior to MMHL acquiring MMML. No fees will become payable under the Asset Advisory Agreement as a result of the Internalisation. As a result of terminating the Asset Advisory Agreement, MMG will incur additional costs of employing the CEO and CFO of MSCM directly. These additional costs have been factored into the additional costs analysis in Section 5.15(b).

(c) Termination of board appointment rights

Macquarie will no longer have any special rights to appoint directors to the MMG boards.

MMML (in its personal capacity) currently has the right to appoint up to 50% of the MMHL and MMIL directors as a result of holding the MMHL A Special Share and the MMIL A Special Share. MMML (as responsible entity of MMT) currently has the right to appoint up to 25% of the directors of MMHL and MMIL as a result of holding the MMHL B Special Share and MMIL B Special Share. Macquarie currently has the right to appoint all of the MMML directors as MMML is a Macquarie entity.

Following completion of the Internalisation:

- the MMHL A Special Share and MMIL A Special Share will either be cancelled or redeemed; and
- the MMHL B Special Share and MMIL B Special Share will be held by MMML as an MMG subsidiary (and may in due course be cancelled or redeemed if the Corporatisation proceeds. See Section 6.2 and 6.10(c)).

(d) Entity without external management

As a result of the Internalisation, MMG can evolve from being a media investment vehicle into an independent stand-alone company primarily focused on regional media in Australia.

Many of the skills the Macquarie management team brought to expand MMG's asset base may become less relevant as MMG concentrates on achieving operational excellence in its existing Australian media businesses.

The individuals who currently manage MMG are employed by Macquarie and perform a range of functions for Macquarie. The IBC believes implementing the Internalisation will:

- result in a management team focussed on the MSCM core business led by the current MSCM CEO, Rhys Holleran; and
- better align incentives of employees as they will be remunerated directly by MMG.

(e) Ability to attract a wider range of investors

Under the Internalisation, MMG will cease to be externally managed, removing concerns some investors may have with investing in externally managed listed funds. The IBC believes that this has the potential to attract new investors to MMG that may previously have been unable to invest in an externally managed entity or were reluctant to do so.

(f) Disaggregation

To the extent that Institutional Investors and debt lenders aggregate investments in Macquarie managed funds for the purpose of assessing concentration risk, the Internalisation will remove MMG from this grouping and may increase their willingness to invest in, and to lend to, MMG.

5.15 Disadvantages and risks of the Internalisation

(a) Cost of the Internalisation to be borne by MMG security holders

The IBC is of the opinion that the Internalisation consideration to be paid is less than the cost savings which will be achieved by removing the external manager, and that the Internalisation should therefore be value enhancing for MMG security holders. However, this opinion is based on a number of assumptions concerning future matters and there can be no assurance that these will occur.

(b) Additional costs to MMG

If the Internalisation is implemented, MMG will incur incremental annual costs associated with internalised management that have been estimated at up to $4.5 million per annum. The additional annual costs that will be incurred if the Internalisation proceeds are anticipated to be substantially less than the increased earnings achieved as a result of ceasing to pay base and performance fees to Macquarie (for example, base fees have averaged $9.7 million per annum since MMG was listed).

MMG will also incur one off external transaction and implementation costs estimated at approximately $1.8 million up until the date of this document. Further amounts may be paid to professional advisers in accordance with their usual time-based charges. The one-off costs are in addition to those costs incurred by MMG as part of its normal operations. The IBC believes the one-off costs are reasonable in view of the likely increase in MMG's future earnings due to the elimination of the management fees paid externally to Macquarie.

(c) MMG will need to establish staff and head office infrastructure for an independent listed media company

As an externally managed entity, Macquarie currently provides key staff and head office services to MMG including information technology, compliance and risk management assistance, human resources support and accounting and taxation compliance services. The CEO and CFO of MMG are provided under the Management Services Agreements and MMT constitution. The CEO and CFO of MSCM are provided under the Asset Advisory Agreement.

After the Internalisation, MMG will need to rely on its existing infrastructure and staff, attract and retain additional staff and develop additional head office infrastructure appropriate for an independent listed media company, to replace the services currently fulfilled by Macquarie.

Until completion of the Internalisation, Macquarie will continue to provide management services under its existing management arrangements. Thereafter, Macquarie will provide certain transitional services in relation to the period between completion of the Internalisation and 31 December 2010 (with a right, in MMG's sole discretion, to receive the services for a further 3 months for fees to be based on a cost-plus 15% methodology). The IBC has considered a detailed, bottom up, estimation of these incremental costs, which have been estimated at up to $4.5 million per annum.

(d) Potential head office disruption

Macquarie will continue to provide transitional services to MMG for a period after the completion of the Internalisation to assist MMG in achieving a smooth separation and transition to internalised management structure. However, the transition from external to internal management may cause a level of head office disruption.

There will also be a number of senior management changes in MMG following the security holder vote and completion of the Internalisation. Apart from the CEO and CFO, MMG will need to hire additional staff (including potentially from within the Macquarie executives currently providing services to MMG) to fill some head office functions. There is no assurance MMG will be able to replicate the functions which Macquarie provided as an external manager or the terms on which those functions may be made available.

(e) No certainty that internalisation of management will improve the market rating or security price of MMG securities

One of the key objectives of the Internalisation is to grow value for all security holders by addressing the gap between the MMG security price and the Boards' view of the underlying value of MMG's assets. While the IBC believes that the Internalisation (coupled with the other announced initiatives) will assist in reflecting the underlying asset values of MMG's businesses in the value of MMG securities, there is no guarantee that the MMG security price will increase. Furthermore, the MMG security price may be affected by other factors that are unrelated to the Internalisation such as performance of the underlying businesses and movements in the overall equity markets.

(f) Conditions may not be satisfied

The Internalisation is subject to satisfaction of various conditions, which may or may not be satisfied (see Section 5.5).

(g) Removal of Macquarie branding

MMG is currently branded with the "Macquarie" name and corporate logos. If the Internalisation is implemented, MMG will cease to use the "Macquarie" name and logos and MMG and its businesses will be renamed and re-branded. There can be no certainty as to the impact that may have on the MMG business or security price.

(h) Reduced association with Macquarie

If the Internalisation is approved, the level of day to day interaction with Macquarie personnel and general access to Macquarie resources and services will reduce. We also note that historically Macquarie has been a source of acquisition opportunities for MMG and due to both the management arrangements and its security holding it has been in its interests

to make media transactions available to MMG. If the Internalisation proceeds Macquarie will continue to be a major security holder in MMG and on this basis will continue to be interested in the success of MMG. However, with the cessation of management arrangements MMG may not enjoy the same access to acquisition opportunities from the Macquarie networks as has historically been the case.

(i) MMG tax losses

Under current law, MMG's ability to recoup its prior year tax losses should not be impacted by the Internalisation, however, under proposed changes to taxation laws, MMG's ability to recoup its prior year tax losses may be impacted. The form of these proposed changes has not yet been finalised and hence it is difficult to be definitive on their likely impact. MMG's carry-forward tax losses as at 30 June 2009 are approximately $36.8 million.

5.16 Tax implications

A portion of the $40.5 million paid to Macquarie is expected to be tax deductible over a period of 5 years. MMG is intending to seek a ruling from the Australian Taxation Office in this regard, and a portion will comprise the cost base in shares acquired by MMG companies (to the extent that consideration is stated to be paid for those shares). See Section 10 for further details of the tax implications of the Internalisation.

5.17 Governance transition

If the Internalisation proceeds, it will be appropriate (subject to any necessary security holder approvals) to introduce a governance framework for MMG that is similar to those in place for other ASX listed entities, but which recognises MMG's particular circumstances.

It is proposed that the boards of MMG will be constituted as follows following the Internalisation:

(a) **MMHL / MMML:** Max Moore-Wilton (Chairman) (associated with Macquarie), Michael Carapiet (an employee of Macquarie), Leon Pasternak (Deputy Chairman), Chris de Boer and Tony Bell; and

(b) **MMIL:** Michael Hamer (Chairman), Max Moore-Wilton (associated with Macquarie), Bob Richards (Deputy Chairman) and Michael Leverock.

The key features of MMG's proposed governance framework include:

- Macquarie will no longer have any special rights to appoint directors to the MMG Boards[22];
- rights for security holders to appoint one third of directors (including the Macquarie appointed directors) annually with re-election on a 3 year rotational basis;
- a majority of independent directors (currently comprising the members of the IBC) will continue to sit on the Boards of MMG (and the MMHL board post-Corporatisation). While independence will initially be determined in accordance with the current criteria applied by MMG[23], by December 2010 MMG intends to transition to apply the definition of independence as set out in the ASX Corporate Governance Principles;
- all directors who have been appointed by Macquarie under the special appointment rights that it has as the holder of the MMHL A Special Share and the MMIL A Special Share and that MMML (as responsible entity of MMT) has as the holder of the MMHL B Special Share and the MMIL B Special Share will stand for re-election either at the 2010 annual general meeting or the 2011 annual general meeting. At the 2010 annual general meeting it is currently proposed that at least Max Moore-Wilton, Michael Carapiet and Leon Pasternak will stand for re-election;
- it is not intended that there will be any alternate directors on the MMG Boards[24]; and
- Leon Pasternak has been appointed as Deputy Chairman of MMHL and MMML with immediate effect.

22 MMML (in its personal capacity) currently has the right to appoint up to 50% of the MMHL and MMIL directors as a result of holding the MMHL A Special Share and the MMIL A Special Share. MMML (as responsible entity of MMT) currently has the right to appoint up to 25% of the directors of MMHL and MMIL as a result of holding the MMHL B Special Share and MMIL B Special Share. Macquarie currently has the right to appoint all of the MMML directors as MMML is a Macquarie entity.

23 In determining the status of a director, MMG applies the standards of independence required by the Macquarie Funds Management Policy which have been adopted by MMG and are described in Annexure 2.

24 It is intended that John Roberts will cease to be an alternate director.

5.18 Management transition

The proposed management changes are consistent with the refocus of MMG on its core Australian regional media operations.

Mark Dorney, the current Chief Executive Officer of MMG, will continue in his role to oversee the important phase of the Recapitalisation, Internalisation and Corporatisation and repositioning of MMG until security holder approval of the Internalisation. Mr Dorney will then return to Macquarie as an Executive Director of Macquarie Capital.

Rhys Holleran, the current Chief Executive Officer of MSCM, will assume the additional responsibility of Chief Executive Officer of MMG from security holder approval of the Internalisation. Mr Holleran will continue to be employed by Macquarie until completion of the Internalisation, at which point he will become an employee of MMG. A summary of the key terms of Mr Holleran's employment arrangements to apply from Internalisation are set out in Section 12.5.

The current Chief Financial Officer of MMG, Liam Buckley, will continue in that role until completion of the Internalisation. The Boards of MMG will conduct an executive search for a replacement Chief Financial Officer to join MMG following the Internalisation.

During the period prior to Internalisation and up to the end period during which MMG has the benefit of transitional services provided by Macquarie (being 31 December 2010 or, if requested by MMG, a further 3 month period), MMG will also seek to employ additional head office staff to replace some of the services currently provided by Macquarie under its management arrangements with MMG.

The MMG Boards intend to introduce a long term incentive plan for senior management following completion of the Internalisation. No decision has been made on the terms of this arrangement.

5.19 Transitional services

The MSCM business has premises available which it is anticipated will be utilised for MMG following completion of the Internalisation. It is expected that other staff within the MSCM business will assume additional responsibilities in relation to functions currently undertaken by MMG staff and new employees will be recruited during the transitional services period if and when required by MMG.

Ongoing transitional services support will be provided to MMG by Macquarie under the Transitional Services Deed until 31 December 2010. These services include access to senior personnel, interim premises, information technology support, compliance and risk management assistance, human resources support and accounting and tax compliance services. These services will be provided to MMG at no cost until 31 December 2010. The IBC considers transitional services would cost up to $1.7 million per annum (albeit that the period for the services may be less than a full year depending on when completion of the Internalisation occurs). MMG has a right to discontinue any of the services on 7 days notice to Macquarie.

MMG may at its sole discretion request transitional services for an additional 3 months after 31 December 2010. Any additional services provided during this period to be based on a cost-plus 15% methodology. It is difficult to provide a meaningful estimate of the size of the fees that would be payable in practice after 31 December 2010, as MMG has a right to request that only particular additional services are provided to it. Therefore the time frame for provision of the services and the amount that MMG may be required to pay is largely within MMG's control. The amount that would be payable by MMG if it elects to receive all of the services for the full 3 months is not expected to exceed $500,000. MMG has made no decision as to whether or not it will request these additional transitional services. Any decision would be made closer to 31 December 2010.

Under the Transitional Services Deed, Macquarie has an obligation to provide suitably qualified employees to carry out the services.

Upon cessation of transitional services, MMG may or may not decide to outsource part or all of these functions, which will have an impact upon total employee numbers.

5.20 Implications if the Internalisation is not approved

If the Internalisation is not approved by security holders Macquarie will continue in its role as manager. In particular:

- Macquarie will continue as external manager of MMG and MMG will continue to pay base fees and potentially performance fees to Macquarie in future periods, but based on the likely higher Net Investment Value of MMG following the Recapitalisation;
- Macquarie will continue as adviser to MSCM under the Asset Advisory Agreement and MSCM will potentially be required to pay base fees and performance fees to Macquarie in future periods if there is a relevant trigger event (e.g. Macquarie is removed as manager of MMG);
- management will remain with Macquarie and will not transfer to MMG;
- MMG will not make a cash payment of $40.5 million to Macquarie as consideration for the Internalisation;
- MMG will not change its name;
- MMG will not acquire MMML;
- the corporate governance features which are proposed to be introduced as part of the Internalisation will not be implemented (except that Leon Pasternak will continue as Deputy Chairman of MMHL and MMML); and
- the Corporatisation will not occur at this time. Whether Corporatisation or some other form of restructure occurs at a later point in time would be subject to further consideration by the Boards of MMG.

5.21 Directors' interests in the outcome of the Internalisation Resolutions

The following table lists the MMG Boards' assessment of the independence of the directors of MMG. For each of those directors who are assessed as being independent according to the independence criteria set out in Annexure 2, it contains the quantum of fees or other financial benefits that the director received from a Macquarie entity in the 12 months to 30 June 2009.

In addition to the amounts set out in the table below, members of the IBC have been remunerated for their additional duties in performing those roles (see Section 5.22 below).

Further, it is proposed to increase the aggregate director remuneration limit under the MMHL constitution of $400,000 per annum to $1,000,000 per annum to address the restructure of MMG. This resolution is required as the director fees of all of the current MMML directors other than Michael Carapiet are paid by MMML, which is currently a Macquarie entity. Following Internalisation when MMML is acquired by MMHL these fees would be taken into account in the aggregate director remuneration limit under the MMHL constitution.

MMG directors may also have an indirect interest in the outcome of the proposal through their holding of any MMG securities. Details of each director's holding in MMG securities are set out in Section 12.9.

Director	Independence assessment	Status
Max Moore-Wilton (MMML and MMHL Chairman and MMIL director)	■ Mr Moore-Wilton is a former employee and currently a consultant to Macquarie.	Not independent
Leon Pasternak (MMML and MMHL Deputy Chairman)	■ Appointed to the MMHL board by MMML pursuant to its MMHL A Special Share rights. ■ Mr Pasternak is a senior partner of national law firm, Freehills, which provides legal services to Macquarie on commercial terms. In the 3 years to 30 June 2009, Freehills' billings to MMG, Macquarie and other Macquarie managed vehicles over the previous full year have not, in aggregate, exceeded 5% of Freehills' total revenues for that year. Mr Pasternak does not himself provide any legal services to MMG or Macquarie. He does not participate in any consideration of the possible engagement of Freehills by MMG.	Independent

Director	Independence assessment	Status
Leon Pasternak (MMML and MMHL Deputy Chairman) (continued)	■ Mr Pasternak receives $42,500 per annum in director fees from MMML, a Macquarie entity. ■ Despite these interests, the Boards of MMG consider that Mr Pasternak satisfies the independence criteria set out in Annexure 2.	
Tony Bell (MMML and MMHL director)	■ Mr Bell was the managing director of Southern Cross Broadcasting (Australia) Limited prior to its acquisition by MMG in November 2007. ■ Mr Bell receives $42,500 per annum in director fees from MMML, a Macquarie entity. ■ Despite these interests, the Boards of MMG consider that Mr Bell satisfies the independence criteria set out in Annexure 2.	Independent
Michael Carapiet (MMML director and MMHL and MMIL alternate director)	■ Mr Carapiet is an employee of Macquarie.	Not independent
Chris de Boer (MMML and MMHL director)	■ Appointed to the MMHL board by MMML pursuant to its MMHL B Special Share rights. ■ Mr de Boer receives $42,500 per annum in director fees from MMML, a Macquarie entity. ■ The Boards of MMG consider that Mr de Boer satisfies the independence criteria set out in Annexure 2.	Independent
Michael Hamer (MMIL Chairman)	■ Appointed to the MMIL board by MMML pursuant to its MMIL A Special Share rights. ■ Mr Hamer's director fees are paid by MMG. ■ Mr Hamer receives director fees from another Macquarie managed vehicle, Macquarie International Infrastructure Fund, a Bermuda based mutual fund company listed on the Singapore Stock Exchange which is not a Macquarie entity. ■ Mr Hamer has not received any financial benefit from Macquarie in the last 12 months. ■ Despite these interests, the Boards of MMG consider that Mr Hamer satisfies the independence criteria set out in Annexure 2.	Independent
Michael Leverock (MMIL director)	■ Mr Leverock's director fees are paid by MMG. ■ Mr Leverock has not received any financial benefit from Macquarie in the last 12 months. ■ The Boards of MMG consider that Mr Leverock satisfies the independence criteria set out in Annexure 2.	Independent
Bob Richards (MMIL Deputy Chairman)	■ Appointed to the MMIL board by MMML pursuant to its MMIL B Special Share rights. ■ Mr Richards' director fees are paid by MMG. ■ Mr Richards serves on the boards of the entities comprising another Macquarie managed vehicle, Macquarie Special Situations Fund, an unlisted special opportunities vehicle based in Bermuda which is not a Macquarie entity. ■ Mr Richards has not received any financial benefit from Macquarie in the last 12 months. ■ Despite these interests, the Boards of MMG consider that Mr Richards satisfies the independence criteria set out in Annexure 2.	Independent
John Roberts (MMML, MMHL and MMIL alternate director)	■ Mr Roberts is an employee of Macquarie.	Not independent

5.22 Payment of fees to IBC

Additional fees are payable to the members of the IBC in recognition of the additional time and duties that they have been required to undertake in relation to the consideration of the initiatives. These services have included undertaking activities generally performed by management, including spending time evaluating the initiatives, reviewing and negotiating the terms of the Internalisation with Macquarie, and attending IBC meetings.

The fees payable in respect of these additional services performed by the IBC, calculated on a daily basis (or, in the case of the MMIL IBC, as a flat fee), equate at the date of this document to a total of approximately $500,000. The proposed increase in MMHL director fees referred to in Section 5.24(d) will address the payment of MMHL director fees in excess of the annual cap of $400,000 set out in MMHL's constitution, to enable the MMHL IBC fees to be paid.

5.23 No other information known to MMG

Other than as set out in this document (including in the Independent Expert's Report), there is no other information known to MMG or any of its directors that is reasonably required by MMG security holders in order to decide whether it is in the best interests of MMG security holders to pass the Internalisation Resolutions.

5.24 Other resolutions to be considered in the context of the Internalisation

Set out below are the additional resolutions to be put to MMG security holders in the context of the Internalisation. The Internalisation is not subject to these resolutions being passed, although in the context of the Internalisation the MMG directors intend to recommend that MMG security holders vote in favour of the resolutions described below:

(a) Change of name - special resolution

If the Internalisation is approved, the "Macquarie" name will no longer be relevant to the operations of the group. Following the Internalisation, MMG is required to remove the "Macquarie" name from the MMG brand and to take steps to change the name of MMG entities to a name excluding "Macquarie". This will require a special resolution at a general meeting of MMHL, which must be passed by at least 75% of the votes cast by MMHL security holders present in person or by proxy and entitled to vote on the resolution, and an ordinary resolution at a general meeting of MMIL, which must be passed by more than 50% of the votes cast by MMIL shareholders present in person or by proxy and entitled to vote on the resolution. It is currently envisaged that these resolutions will take effect from the time of passing of the resolution even if the conditions to the Internalisation are not satisfied or waived. MMG does not expect that any MMHL security holders or MMIL shareholders will be excluded from voting on this resolution. There is no requirement for a security holder meeting of MMT to change its name. That change can be effected through a supplemental deed poll, which MMG will procure immediately after approval of the Internalisation.

(b) Cancellation of MMHL A Special Share - special resolution

Special resolutions will be put to MMHL shareholders to:

(i) cancel for nil consideration the MMHL A Special Share subject to Internalisation occurring; and

(ii) remove the special provisions of the MMHL constitution relating to the MMHL A Special Share.

Each of these resolutions must be passed by at least 75% of the votes cast by MMHL shareholders present in person or by proxy and entitled to vote on the resolutions. MMG does not expect that any MMHL shareholders will be excluded from voting on these resolutions. If the resolutions are not passed MMG will have 12 months after MMML is acquired to either dispose of the MMHL A Special Share or MMML.

(c) Removal of special provisions relating to MMIL A Special Share - special resolution

Following completion of the Internalisation it is proposed that MMIL will redeem the MMIL A Special Share for nominal consideration with the consent of the holders of such shares. A special resolution will be put to MMIL shareholders to remove the special provisions of the MMIL bye-laws relating to the MMIL A Special Share. This resolution must be passed by more than 75% of the votes cast by MMIL shareholders present in person or by proxy entitled to vote on the resolution. MMG does not expect that any MMIL shareholders will be excluded from voting on this resolution.

(d) Ordinary resolution of MMHL to approve increase of aggregate director remuneration

It is proposed to increase the aggregate director remuneration limit under the MMHL constitution of $400,000 per annum to $1,000,000 per annum to address the restructure of MMG. This resolution is required as the director fees of all of the current MMML directors other than Michael Carapiet are paid by MMML, which is currently a Macquarie entity. Following Internalisation when MMML is acquired by MMHL these fees would be taken into account in the aggregate director remuneration limit under the MMHL constitution. This increase would also facilitate the payment by MMHL of annual director fees in excess of the current $400,000 limit to enable the MMHL IBC fees to be paid, reflecting the extra duties performed by the members of the MMHL IBC as described in Section 5.22.

In accordance with Listing Rule 10.17 and the MMHL constitution, this increase will require an ordinary resolution passed by more than 50% of the votes cast by MMHL shareholders present in person or by proxy and entitled to vote on the resolution. The members of the MMHL IBC and their associates will be excluded from voting in respect of this matter.

Corporatisation

6

6.1 Overview

On the date of this Investor Information Booklet, MMG, MMML and MDAA, entered into the Corporatisation Implementation Deed, whereby the parties have agreed to use their respective reasonable endeavours to restructure MMG from a triple stapled structure to a single publicly listed Australian company. The Corporatisation is subject to the satisfaction of the conditions set out in Section 6.4. A summary of the Corporatisation Implementation Deed is set out in Section 12.4.

The Corporatisation will not change the underlying MMG businesses.

6.2 Corporatisation transactions

There are 6 key steps in the Corporatisation, being:

(a) **De-stapling of securities:** the MMG securities will be de-stapled - this is required so that the MMT and MMIL securities will be able to be transferred to implement the further steps in the Corporatisation;

(b) **MMT makes a cash distribution to MMT unitholders:** this reflects a final cash distribution to MMT unitholders of MMT's net taxable income for the financial year-to-date immediately prior to the implementation of the Corporatisation;

(c) **MMT acquired by Media Holdco for Media Holdco shares:** Media Holdco will acquire all of the MMT units in return for the issue to MMT unitholders of one new Media Holdco share for every one MMT unit pursuant to the Trust Scheme. Media Holdco will be a newly incorporated Australian company with a special constitution to facilitate the implementation of the Corporatisation;

(d) **Media Holdco acquired by MMHL for MMHL shares:** after confirmation that all former MMT unitholders have been registered as Media Holdco shareholders, the directors of MMHL will meet and decide whether to issue a notice to Media Holdco's directors (on behalf of Media Holdco shareholders) for the exchange of shares in Media Holdco for shares in MMHL. MMHL will then acquire all of the Media Holdco shares from MMG security holders in exchange for the issue of new MMHL shares. The final ratio for this exchange will not be known until the relevant time and will reflect the value of MMT relative to MMHL, however, it will involve a very large number of MMHL shares for every one Media Holdco share[25];

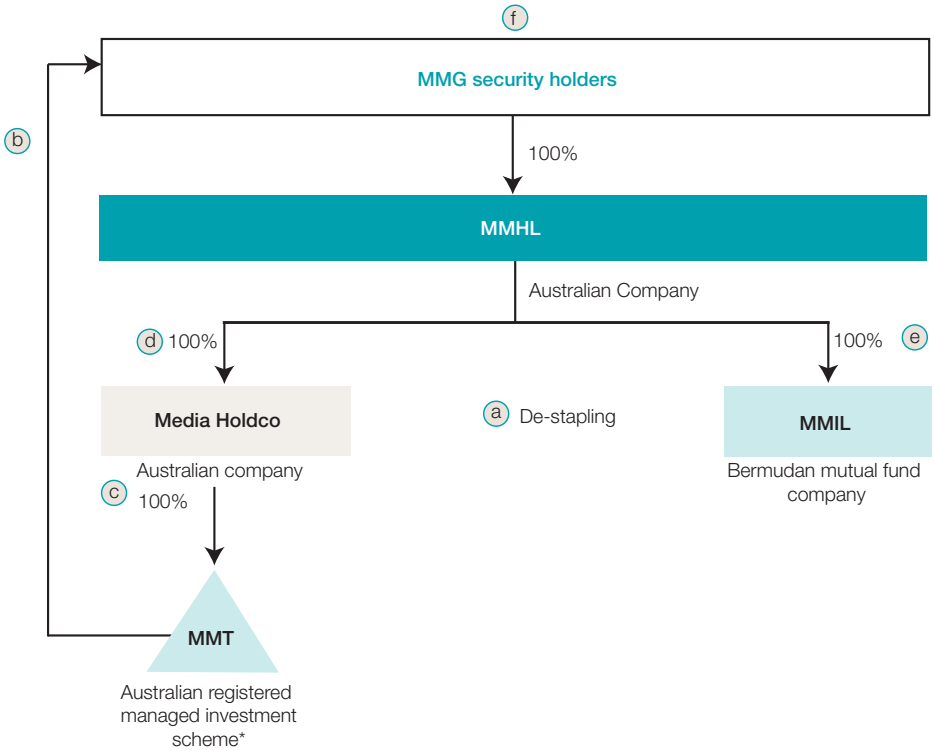
25 If completion of the Corporatisation were to occur as at the date of this document the ratio would be 2234 MMHL shares for every one Media Holdco share.

(e) **MMIL acquired by MMHL for MMHL shares:** MMHL will acquire all of the MMIL shares in return for the issue to MMG security holders of new MMHL shares pursuant to the Share Scheme. The final ratio for this exchange will not be known until the relevant time and will reflect the value of MMIL relative to MMHL, however, it will involve a very large number of MMHL shares for every one MMIL share[26]; and

(f) Share Consolidation: MMHL will undertake a share consolidation such that MMG security holders hold the same number of MMHL shares as the number of MMG securities that they held prior to the Corporatisation. The ratio of the consolidation will not be known until the relevant time, but will involve a very large decrease in the number of MMHL shares on issue[27].

It is also proposed to cancel (for nil consideration) or redeem the MMHL B Special Share and MMIL B Special Share (which currently gives the holder the right to appoint up to 25% of the MMHL and MMIL directors respectively) from the time determined by MMG and announced to the ASX after the date of completion of the Corporatisation and before 31 December 2010. It is also proposed to cancel the MMHL Redeemable Preference Shares for nil consideration subject to Corporatisation occurring.

As a result of the Corporatisation, current MMG security holders will hold shares in a single holding company, MMHL. In turn, MMHL will hold all the MMIL shares and all the shares in Media Holdco, which will in turn hold all the MMT units, as detailed below.



*MMT may subsequently cease to be a registered managed investment scheme.

(a) De-staple securities
(b) Cash distribution from MMT to MMT security holders
(c) Media Holdco acquires MMT and issues shares to MMG security holders
(d) MMHL acquires shares in Media Holdco from MMG security holders in return for the issue of MMHL shares
(e) MMHL acquires all the shares in MMIL from MMG security holders in return for the issue of MMHL shares
(f) Share consolidation

26 If completion of the Corporatisation were to occur as at the date of this document the ratio would be 265 MMHL shares for every one MMIL share.

27 If completion of the Corporatisation were to occur as at the date of this document the number of MMHL shares on issue would be consolidated at a ratio of 2500 to one.

6.3 Tax

The taxation consequences of the Corporatisation for MMG security holders will depend on the personal taxation and financial circumstances of each MMG security holder. General taxation implications of the Corporatisation are discussed in Section 10 and it is important that you read this carefully. MMG security holders should consult their own taxation advisers about the taxation consequences for them if the Corporatisation is implemented.

6.4 Conditions and status of the conditions

The Corporatisation is subject to a number of conditions. Importantly, the Corporatisation will only proceed if the Internalisation is completed. Set out below are all of the conditions to the implementation of the Corporatisation, together with a discussion on the status of these conditions.

Condition	Status
MMG security holder approvals - in relation to the Corporatisation Resolutions, including special, scheme and ordinary resolutions to effect de-stapling, Trust Scheme and Share Scheme and cancellation of the MMHL B Special Share and the MMHL Redeemable Preference Shares (see Section 6.10 for details of the relevant resolutions and voting exclusions).	The relevant MMG security holder meetings to consider the Corporatisation Resolutions are expected to be held in late December 2009 on the same day (but as separate meetings) as the meetings to consider the Internalisation Resolutions, with meeting materials expected to be mailed to MMG security holders in November 2009.
Completion of Internalisation	See Section 5.5 for discussion of conditions relating to Internalisation.
Court approval of the Share Scheme	An application for approval of the Court to the Share Scheme will be made if the Corporatisation Resolutions are passed by the requisite majorities of MMG security holders. Approval of the Court to the Share Scheme will be determined under Bermudan law.
MSCM Facility: Either all consents and waivers required under the MSCM Facility are granted, or the MSCM Facility is refinanced or amended on terms without an event of default/review event or the facility otherwise becoming due and payable in the event of Corporatisation.	See Section 5.5.
ACM Facility: If completion of the Corporatisation is to take place prior to 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), either all consents and waivers required under the ACM Facility are granted, or the ACM Facility is refinanced or amended on terms without an event of default or otherwise becoming due and payable in the event of Corporatisation.	See Section 5.5.
Receipt of any necessary or desirable ASIC and ASX relief	MMG will liaise with ASIC and ASX in relation to the required relief.
The approval of the Bermuda Monetary Authority	This is expected to be a routine matter and the condition is likely to have been complied with prior to the despatch of the Explanatory Memorandum.

MMG will announce to the ASX any material developments in the status of these conditions.

6.5 Foreign securities laws and Ineligible Overseas Security Holders

(a) Eligible Security Holders

It is currently expected, MMG security holders whose addresses are shown in the register on the record date for the Trust Scheme and Share Scheme as being in the following jurisdictions will be entitled to have new MMHL shares and Media Holdco shares issued to them pursuant to the Corporatisation, subject to the qualifications, if any, set out below in respect of that jurisdiction:

- Australia;
- New Zealand, where the MMG security holder is a habitual investor for the purposes of the Securities Act 1978 (New Zealand);
- the United Kingdom, where the MMG security holder is (i) an investment professional (for the purposes of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO), (ii) a high net worth company or other entity (for the purposes of Article 49 of the FPO), or (iii) a sophisticated investor (for the purposes of Article 50 of the FPO);
- Hong Kong, where the total number of MMG security holders to whom the Trust Scheme relates does not exceed 50 and where the issue of new MMHL shares and Media Holdco shares complies with the private placement provisions of the Securities and Futures Ordinance (Hong Kong);
- the Isle of Man;
- Papua New Guinea, where the MMG security holder is an institutional holder for the purposes of the Securities Act 1997 (PNG);
- Sweden, where the MMG security holder is a qualified investor for the purposes of the Swedish Financial Services Authority and relevant securities and futures laws of Sweden or if there are no more than 99 MMG security holders in Sweden;
- Norway, where the MMG security holders are all professional investors for the purposes of the securities and futures laws of Norway or the number of MMG security holders is less than 100 and the issue of new MMHL shares and Media Holdco shares would not exceed a value of €100,000 (within Norway);
- Singapore, where the issue of new MMHL shares and Media Holdco shares would be in compliance with section 273 of the Securities and Futures Act, Chapter 289 of Singapore, or (i) pursuant to a private placement (where offers are made to no more than 50 persons), (ii) to institutional investors, or (iii) to relevant persons, for the purposes of the Securities and Futures Act, Chapter 289 of Singapore;
- Switzerland;
- the United States, where the MMG security holder is an accredited investor (under the US Securities Act) or if the MMG security holder is a non-accredited investor, there are not more than 35 non-accredited investors in total in the United States; and
- any other jurisdiction in which MMHL reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Share Scheme and Trust Scheme and to issue MMHL shares to an MMG security holder with a registered address in such jurisdiction.

(b) Ineligible Overseas Security Holders

MMG security holders who do not satisfy the criteria referred to in Section 6.5(a) or who MMG subsequently determines are resident in a jurisdiction in respect of which the issue to them of MMHL shares under the Share Scheme or Trust Scheme is prohibited or unduly onerous or impractical will be Ineligible Overseas Security Holders.

MMHL and Media Holdco shares will not be issued to Ineligible Overseas Security Holders. Under the Trust Scheme, MMT units held by Ineligible Overseas Security Holders will be transferred to the Sale Agent. As an MMT unitholder, the Sale Agent will then have issued to it Media Holdco shares, which will be exchanged for MMHL shares. Under the Share Scheme, the MMHL shares to which the Ineligible Overseas Security Holders would otherwise have been entitled will be issued to the Sale Agent. The Sale Agent will sell the MMHL shares it receives and the net proceeds from the sales will be remitted to the Ineligible Overseas Security Holders. Ineligible Overseas Security Holders will still hold the MMHL shares that they held prior to the Corporatisation, although the number of MMHL shares will significantly decrease due to the Share Consolidation and their percentage interest in MMHL will also decrease relative to other security holders who are issued MMHL shares in exchange for Media Holdco shares.

6.6 MMG Board Recommendation

The Boards of MMG have considered the proposed Corporatisation and believe it to be in the best interests of MMG and MMG security holders. The MMG directors believe the Corporatisation will assist in delivering long-term value to MMG security holders through providing MMG with a simplified structure.

For the reasons set out in this Investor Information Booklet, each MMG director intends to:

- recommend that MMG security holders vote in favour of the Corporatisation Resolutions; and
- vote any MMG securities that they hold in favour of the Corporatisation Resolutions.

6.7 Advantages of the Corporatisation

The MMG Boards consider that the main benefits of the Corporatisation are:

(a) Creating a simplified structure that may have greater appeal to a broader range of investors

MMG believes that a simplified corporate structure may attract greater interest from some investors whose limited understanding of the trust structure or investment mandate may have precluded investment in MMG previously.

(b) Potential to reduce head office costs due to reduced administrative complexity

The Corporatisation will enable the potential reduction of costs through elimination of duplicative financial, audit, director and other related costs associated with having three separate listed parent entities in a triple stapled structure.

(c) Unification under one board of directors, providing for a simpler governance structure

MMG believes that unification under a single board of directors is consistent with governance best practice.

(d) Simplified financial reporting requirements

The Corporatisation will produce greater clarity in relation to the reporting structure applying to MMG. MMG's current triple stapled structure requires the production of multiple sets of accounts and a complex tax statement for investors to review their security holding - the new structure will require only one set of financial accounts for MMG security holders and a simplified tax statement.

6.8 Disadvantages of the Corporatisation

Although the MMG Boards unanimously recommend that MMG security holders vote in favour of the Corporatisation, MMG security holders should take into account the following potential disadvantages of the Corporatisation:

(a) Distribution of cash flow in excess of profits becomes more complex

Under the existing structure, MMG is able to distribute excess free cash flows to security holders predominantly as a distribution from MMT to security holders. Following the Corporatisation, MMG would only be able to distribute cash (other than a return of capital or buy back) by way of a dividend to the extent that it has generated a net profit after tax for the period or had accumulated positive retained earnings, in line with other Australian companies.

(b) Tax

The Corporatisation will result in MMG moving to a single holding company, MMHL. The corporatised MMHL group is likely to commence paying tax much earlier than if it were to remain part of a triple stapled structure. This means that in due course any MMHL dividends will be franked subject to the availability of franking credits. This may be disadvantageous to certain foreign shareholders and other investors that are not able to fully utilise the franking credits or who have a preference for pre-tax distributions.

(c) Transaction costs

Transaction costs will be incurred as part of the Corporatisation, including costs associated with convening the relevant meetings and seeking the consent of the Court, adviser fees, financial, legal, tax, accounting and other costs. These costs will largely be incurred in presenting the Corporatisation proposal to members.

However, it should be noted that there will be ongoing cost savings should the Corporatisation be effected (see Section 6.7(b)).

(d) Ineligible Overseas Security Holders will essentially be cashed out

Ineligible Overseas Security Holders will not receive MMHL shares under the Corporatisation. Instead, the MMHL (or Media Holdco) shares which those security holders would otherwise have received under the Corporatisation if they were not Ineligible Overseas Security Holders will be issued to the Sale Agent. The Sale Agent will sell those MMHL shares and net proceeds from the sales will be remitted to the relevant security holders. Ineligible Overseas Security Holders will still hold the MMHL shares that they held prior to the Corporatisation, although their interest in MMG will have been diluted due to the issue of new MMHL shares under the Corporatisation.

(e) Investors may prefer pre-tax distributions

Certain investors may prefer the existing triple stapled structure where they receive pre-tax distributions from MMT.

(f) Conditions may not be satisfied

The Corporatisation is subject to satisfaction of various conditions, which may or may not be satisfied (see Section 6.4).

6.9 Cash distribution and ongoing dividend policy

Prior to the completion of the Corporatisation, it is proposed that MMT will make a final cash distribution to MMT unitholders of its net taxable income for the financial year-to-date.

Following the Corporatisation, MMG would move to a tax paying position (following utilisation of available tax losses), and accordingly MMG would in the future be in a position to pay franked dividends (subject to availability of profits and franking credits).

While the MMG directors will need to assess the appropriate level of dividend payments in light of the prevailing circumstances at the relevant time, including by reference to the level of profits that are available for distribution and the capital needs of MMG, it is currently expected that the proposed post-Corporatisation dividend payout rate will be approximately 40% to 60% of Adjusted NPAT.

6.10 Explanation of the Corporatisation Resolutions

The Corporatisation comprises two separate but inter-conditional schemes and a number of other inter-conditional resolutions required to effect the Corporatisation, including the De-Stapling Resolutions, the resolutions to effect the Trust Scheme and the Share Scheme, and a resolution to effect the Share Consolidation. The schemes are:

- the **Trust Scheme** - which is the arrangement under which MMT unitholders approve amendments to the MMT constitution to facilitate the transfer of MMT units to Media Holdco; and
- the **Share Scheme** - a Bermudan law scheme of arrangement pursuant to section 99 of the Companies Act 1981 of Bermuda under which the Court will be asked to sanction the transfer of all MMIL shares to MMHL in consideration for the allotment and issue to MMG security holders of MMHL shares.

Each of the Corporatisation Resolutions are set out below. Each Corporatisation Resolution will be inter-conditional with each other Corporatisation Resolution, and none of them will become effective until each of the Corporatisation Resolutions have been passed by the requisite majorities of MMG security holders.

Macquarie does not have any interest (financial or otherwise) in the outcome of the Corporatisation Resolutions, other than as a security holder of MMG.

(a) MMIL Resolutions

Share Scheme Resolution

The Share Scheme is a court supervised arrangement between MMIL and MMIL shareholders, pursuant to which it is proposed that all of the issued and outstanding MMIL shares will be transferred to MMHL in consideration for the Share Scheme Consideration.

The Share Scheme Resolution will be considered at the Share Scheme Meeting to be convened by order of the Court, and must be approved by a majority in number representing three fourths in value of the holders of MMIL shares present and voting, either in person or by proxy, at the Share Scheme Meeting. MMG does not expect that any MMIL shareholders will be excluded from voting at this meeting.

De-stapling Resolutions

MMIL shareholders will be required to approve the de-stapling of MMIL shares from MMT units and MMHL shares by amending the MMIL bye-laws to remove the provisions in it which provide for the stapling and to approve the termination of the Share Stapling Deed. These resolutions will be considered at the MMIL Special General Meeting and will include a special resolution, namely a resolution passed by at least 75% of the votes cast by MMIL shareholders present in person or by proxy and entitled to vote on the resolution, and an ordinary resolution, namely a resolution passed by more than 50% of the votes cast by MMIL shareholders present in person or by proxy and entitled to vote on these resolutions. MMG does not expect that any MMIL shareholders will be excluded from voting on these resolutions.

(b) MMT Resolutions

The Trust Scheme is an arrangement pursuant to which all of the MMT units are transferred to Media Holdco. This transfer requires the MMT unitholders to approve 3 separate resolutions. All of these resolutions will be considered at the Trust Scheme Meeting. MMG expects that all MMT unitholders will have the same interest in these resolutions and thus all MMT unitholders including Macquarie will be entitled to vote.

De-stapling Resolutions

MMT unitholders will be required to approve the de-stapling of MMT units from MMHL shares, and the de-stapling of MMT units from MMIL shares by amending the MMT constitution, to approve an amendment to the MMIL bye-laws to remove the provisions in the MMIL bye-laws which provide for the stapling and to approve the termination of the Share Stapling Deed. These resolutions include a special resolution, which must be passed by at least 75% of the votes cast by MMT unitholders present in person or by proxy and entitled to vote on the resolution, and 2 ordinary resolutions which must be passed by more than 50% of the votes cast by MMT unitholders present in person or by proxy and entitled to vote on these resolutions. MMG does not expect that any MMT unitholders will be excluded from voting on these resolutions.

Amendment Resolution

The MMT unitholders will be required to approve amendments to the MMT constitution, which will authorise all actions necessary or desirable for the transfer of MMT units to Media Holdco to be made. The amendment to the MMT constitution will be set out in the Supplemental Deed Poll, which will introduce specific mechanical provisions into the MMT constitution which have the effect of each MMT unitholder appointing MMML as responsible entity of MMT as its attorney and agent to effect the transfer of its MMT units to Media Holdco.

The amendment to the MMT constitution must be approved by special resolution passed by at least 75% of the votes cast by MMT unitholders present in person or by proxy and entitled to vote on the resolution. MMG does not expect that any MMT unitholders will be excluded from voting on this resolution.

Acquisition Resolution

MMT unitholders will also be required to approve the acquisition by MMHL and Media Holdco of all the MMT units for the purposes of Item 7 of section 611 of the Corporations Act.

The acquisition of MMT units by Media Holdco and MMHL under the Trust Scheme must be approved as an ordinary resolution passed by more than 50% of the votes cast by MMT unitholders present in person or by proxy and entitled to vote on the resolution. MMG does not expect that any MMT unitholders will be excluded from voting on this resolution.

(c) MMHL Resolutions

The resolutions MMHL shareholders are required to pass to effect the Corporatisation will be considered at the MMHL General Meeting. MMG does not expect that any MMHL shareholders will be excluded from voting at this meeting.

De-stapling Resolutions

MMHL shareholders will be required to approve the de-stapling of MMHL shares from the MMIL shares and MMT units by amending the MMHL constitution to remove the provisions in it which provide for the stapling and to approve the termination of the Share Stapling Deed. These resolutions will include a special resolution, which must be passed by at least 75% of the votes cast by MMHL security holders present in person or by proxy and entitled to vote on the resolution, and an ordinary resolution which must be passed by more than 50% of the votes cast by MMHL shareholders present in person or by proxy and entitled to vote on these resolutions. MMG does not expect that any MMHL shareholders will be excluded from voting on these resolutions.

Resolution to approve issue of MMHL shares

MMHL shareholders may be required to approve the issue of new MMHL shares under the Share Scheme and in exchange for Media Holdco shares following the Trust Scheme under ASX Listing Rule 7.1. If required, this resolution will be an ordinary resolution and must be passed by more than 50% of the votes cast by MMHL shareholders present in person or by proxy and entitled to vote on the resolution. MMG does not expect that any MMHL shareholders will be excluded from voting on this resolution.

Resolution to cancel the MMHL B Special Share and MMHL Redeemable Preference Shares

MMHL shareholders will be required to approve the cancellation of the MMHL B Special Share and MMHL Redeemable Preference Shares currently held by MMML as responsible entity of MMT for nil consideration from the time determined by MMG and announced to the ASX after the date of completion of the Corporatisation and before 31 December 2010 and remove the special provisions of the MMHL constitution relating to these shares. These resolutions will be special resolutions which must be passed by at least 75% of the votes cast by MMHL security holders present in person or by proxy. MMG does not expect that any MMHL shareholders will be excluded from voting on these resolutions. These resolutions are required as after Corporatisation, MMT will be a wholly owned subsidiary of MMHL and under the Corporations Act, MMHL would have 12 months after completion of Corporatisation to either dispose of these shares or MMML.

Resolution to effect the Share Consolidation

MMHL shareholders will be required to approve the Share Consolidation. The Share Consolidation must be approved as an ordinary resolution passed by more than 50% of the votes cast by MMHL shareholders present in person or by proxy and entitled to vote on the resolution. MMG does not expect that any MMHL shareholders will be excluded from voting on this resolution.

6.11 Implementing the Corporatisation

(a) Meetings

An application will be made to the Court for an order to convene the Share Scheme Meeting at which the required resolutions to approve the Share Scheme (pursuant to which MMHL will acquire all of the MMIL shares) will be proposed.

The Share Scheme Meeting, the MMIL Special General Meeting, the Trust Scheme Meeting and the MMHL General Meeting are expected to be held consecutively in late December 2009. These meetings will be held on the same day as meetings to consider the Internalisation Resolutions, but will be held as separate meetings. Notices of meeting are expected to be despatched to MMG security holders in November 2009.

(b) Court approval of Share Scheme

In the event that:

(i) all the Corporatisation Resolutions are approved by the requisite majority of MMIL shareholders, MMT unitholders and MMHL shareholders; and

(ii) all conditions to the Schemes (other than Court approval) have been satisfied or remain capable of being satisfied or (where applicable) waived,

MMG will apply to the Court for an order approving the Share Scheme.

Application is made by filing with the Court a signed petition in respect of the Share Scheme together with the relevant supporting documents. The court hearing usually takes place approximately 10 days after the Share Scheme Meeting. The Court's role is to consider whether or not to exercise its discretion to sanction the Share Scheme.

(c) Implementation steps

If the Court makes orders approving the Share Scheme and all of the other Corporatisation Conditions have been satisfied or waived, MMG will take or procure the taking of the steps required for the Corporatisation to be implemented, including:

- lodging with ASIC the modification to the MMT constitution under section 601GC(2) of the Corporations Act; and
- lodging with the Registrar of Companies in Bermuda a copy of the Court order given under section 99 of the Bermudan Companies Act 1981 approving the Share Scheme.

Upon the lodgement of the Court order and the modification of the MMT constitution with ASIC, the Corporatisation will take effect following the steps set out in Section 6.2 and:

- all MMT units held by Ineligible Overseas Security Holders will be transferred to the Sale Agent and the Sale Agent will be registered as the holder of those MMT units;
- MMT will execute a master transfer on behalf of all Trust Scheme Participants to transfer all the MMT units to Media Holdco and deliver the master transfer to Media Holdco or otherwise effect a transfer of such MMT units in CHESS and enter the name of Media Holdco in the register in respect of all MMT units;
- Media Holdco will provide the Trust Scheme Consideration to each Trust Scheme Participant;
- the directors of MMHL will meet upon confirmation that the transfers of all MMT units have been registered. If they so resolve, MMHL will issue a notice to Media Holdco to acquire all of the Media Holdco shares from Trust Scheme Participants in exchange for a very large number of MMHL shares for every Media Holdco share they hold in a ratio to be determined at the relevant time (see Section 6.2)[28];
- under the powers given to Media Holdco under the Media Holdco Constitution, Media Holdco will confirm receipt of the notice from MMHL and will execute a master transfer on behalf of all Trust Scheme Participants (pursuant to powers granted to Media Holdco in the Media Holdco Constitution) to transfer all the Media Holdco shares to MMHL and deliver the master transfer to MMHL and enter the name of MMHL in the Media Holdco company register in respect of all Media Holdco shares;
- MMHL will issue to Trust Scheme Participants MMHL shares for the Media Holdco shares in the ratio described above;
- MMHL shareholders will exchange their shares in MMIL for the Share Scheme Consideration which MMHL will provide to each Share Scheme Participant;
- if required, MMIL will execute a master transfer on behalf of all Share Scheme Participants to transfer all the MMIL shares to MMHL and deliver the master transfer to MMHL or otherwise effect a transfer of such MMIL shares in CHESS and procure the entry of the name of MMHL in the MMIL company register in respect of all MMIL shares; and
- the Sale Agent will proceed with the sale of the MMHL shares it has received in respect of Ineligible Overseas Security Holders as described in Section 6.5(b) and will then remit those proceeds to the Ineligible Overseas Security Holders.

(d) Warranty by MMG security holders about their MMG securities

The Share Scheme, the Supplemental Deed Poll and the Media Holdco Constitution will each contain a provision, the effect of which is that all Scheme Participants, including those who vote against the Corporatisation Resolutions and those who do not vote, will be deemed to have warranted to MMG that their MMG securities are fully paid and are not subject to any encumbrances or interests of third parties.

28 If completion of the Corporatisation were to occur as at the date of this document the ratio would be 2234 MMHL shares for every one Media Holdco share.

6.12 Effect of the Corporatisation

If the Corporatisation is implemented, MMG security holders will hold their investment in MMG through MMHL only, a single Australian listed company. Corporatisation will not change the structure of the underlying business or operations of MMG.

6.13 Governance transition

If the Corporatisation is approved, MMG will transition to become a single Australian listed company.

It is proposed that the MMHL board will be constituted as follows following the Corporatisation: Max Moore-Wilton (Chairman) (associated with Macquarie), Michael Carapiet (an employee of Macquarie), Leon Pasternak (Deputy Chairman), Chris de Boer and Tony Bell.

See Section 5.17 which sets out further detail in relation to the governance framework following Internalisation, which will also be applicable following Corporatisation. It is likely that MMIL Independent directors will, following Corporatisation, step down from their board appointments as MMIL will be wholly owned by MMHL.

6.14 Implications if the Corporatisation is not approved

If the Corporatisation does not proceed because one of the conditions set out in Section 6.4 is not satisfied or waived, MMG will remain as a triple stapled structure and MMG security holders will continue to hold MMG securities, each security comprising an MMHL ordinary share, an MMT unit and an MMIL ordinary share, all stapled together. However, if the Internalisation proceeds, MMG will be an internally managed structure rather than externally managed as it is currently.

6.15 Rights and liabilities attaching to Media Holdco shares

If the Corporatisation is implemented, MMG security holders will receive Media Holdco shares. These Media Holdco shares will then be exchanged for MMHL shares.

The rights and liabilities attaching to ownership of Media Holdco shares arise from a combination of the Media Holdco Constitution, statute and the general law. A summary of the significant rights attaching to the Media Holdco shares and a description of other material provisions of the Media Holdco Constitution is set out in Section 12.6.

Financing update

7

7.1 MMG - parent level debt

None of the MMG parent entities are party to any bank financing arrangements. Further, none of the MMG parent entities provide any other financial support or guarantee to MSCM or ACM in relation to the MSCM Facility and the ACM Facility.

The cash available to MMG (as at 20 August 2009 - from the pro forma financial statements) is $323 million, see Section 9.

Notwithstanding any MSCM debt reduction from MMG parent level cash, MMG will retain sufficient cash at the MMG parent entity level for working capital purposes.

7.2 MSCM Facility

(a) Current status

MSCM has facilities comprising a $941 million 3 year interest only term loan (including a revolving $100 million tranche which is currently undrawn), as well as a $70 million working capital and capital expenditure facility which is currently drawn to $31.5 million. The facility is scheduled to mature on 1 November 2010. Interest rate swaps have been entered into for 90% of the drawn down principal.

As at 30 June 2009, $873 million had been drawn down under the MSCM Facility.

Based on preliminary financial information received for the quarter ended 30 September 2009, it is expected that MSCM will be in compliance with its covenants under the MSCM Facility at that date.

(b) Proceeds of the Entitlement Offer

The net proceeds of the Entitlement Offer and certain available parent level cash (after making allowances for the costs of the Internalisation, underwriting and other fees, interest rate swap break costs and anticipated distributions) will be applied to pay down the gross debt under the MSCM Facility to approximately $318 million (resulting in MSCM net debt of $306 million)[29].

The result of the pay down of this debt is that MMG will benefit by eliminating the negative differential on interest earned on the cash deposits held by MMG which currently approximate 3.9% relative to the current average interest paid on the MSCM Facility of 8.5%. It will also lead to an immediate margin reduction on remaining debt under the MSCM Facility, from 2.0% down to 1.1%. The reduced level of MSCM leverage is also expected to improve the terms on which MSCM's debt facilities are able to be refinanced.

29 Assumes available parent level cash of $323 million is applied to the Internalisation payment and interest rate swap break costs to reduce debt in MSCM.

(c) Refinancing

MMG has been in ongoing discussions with the MSCM Facility syndicate concerning refinancing. While discussions have not progressed to a stage which would warrant any further disclosure being made, MMG believes that with the application of the net proceeds of the Entitlement Offer and certain available MMG parent level cash to pay down the MSCM net debt to $306 million[30], the refinancing of MSCM on market standard terms that reflect MSCM's more conservative leverage post-Recapitalisation is significantly more likely than is currently the case. However, no formal approach has been made to the MSCM Facility syndicate and no assurance can be given that the existing MSCM Facility syndicate members will agree to a refinancing. MSCM will continue discussions with its banking syndicate to advance the terms and timing of any debt refinancing and MMG will announce to the ASX any material developments arising out of such discussions.

It is intended that all of the MSCM capital expenditure will continue to be funded from the operating cash flows of MSCM.

(d) Conditions to the Internalisation and the Corporatisation

The MSCM Facility is subject to various events of default relating to Macquarie's management rights in respect of MMG. These events of default apply where MMHL and MSCM are no longer managed by a Macquarie entity. In order to avoid the Internalisation and Corporatisation giving rise to one of these events of default, the Internalisation and Corporatisation are subject to conditions that require MSCM lenders' approval or refinancing of the MSCM Facility on terms which permit the initiatives being implemented.

No formal approach has yet been made to the MSCM Facility syndicate seeking consent to the Internalisation or the Corporatisation. MMG proposes to make such an approach after the date of this Investor Information Booklet.

Further details of the conditions which attach to the Internalisation and Corporatisation generally are set out in Sections 5.5 and 6.4 respectively.

30 Assuming the Internalisation and Recapitalisation occur. If the Internalisation does not occur the MSCM net debt will be reduced to $265 million following the Recapitalisation

7.3 ACM Facility

ACM has facilities comprising an interest only 3 year term loan facility which is drawn to US$133.7 million at 30 June 2009, and a US$10 million working capital facility, which is currently undrawn. The term loan facility limit has been reduced by US$9.5 million following the partial prepayment of debt since December 2008. The facility is scheduled to mature on 29 June 2010. Interest rate swaps have been entered into for 92% of the drawn down principal over the period to the loan's maturity.

As at 30 June 2009, US$133.7 million had been drawn down under the ACM Facility and ACM had US$3.6 million cash on hand. On 13 October 2009, MMG disclosed that whilst its 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 be non-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 12 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 leverage covenants and the uncertainty around its ability to extend or refinance the ACM Facility which matures on 29 June 2010, 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 about 28 October 2009 (US time).

Further to the potential covenant breaches disclosed on 13 October 2009, as the US GAAP accounts of ACM are subject to audit finalisation, there may be further financial adjustments that impact the relevant covenants which may mean that ACM was also non-compliant with the leverage covenant under the ACM Facility at 30 June 2009 when US GAAP accounts are expected to be filed on or about 28 October 2009 (US time).

ACM was acquired in February 2007 and is indirectly wholly owned by MMIL. 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 take enforcement action which may ultimately result in MMG losing 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$81.2 million. ACM comprised less than 17% of MMG's operating EBITDA in the year to 30 June 2009 and is considered a non-core investment.

The ACM Facility is secured only against members of the ACM group and their assets. The MMG parent level entities and members of the MSCM group have not provided any guarantees, security or any form of contractual credit support in favour of ACM or its lenders in respect of the ACM Facility. There are no cross default provisions between the business level bank facility of MMG's core investment, MSCM, and the ACM Facility. 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 forbearance and waivers of the potential covenant non-compliance, ACM's request for the necessary amendments to the existing covenants and for an extension to the maturity date of the ACM Facility. ACM has received an initial draft of a forbearance term sheet from the ACM facility agent. There can be no assurance that any forbearance, amendment or extension will be provided, or that the requested waivers will be provided. MMG will announce to the ASX any material developments arising out of such discussions.

The ACM Facility contains an event of default if there is any change of control. A change of control includes circumstances whereby MMG ceases to be managed by a Macquarie entity. Accordingly, the Internalisation and the Corporatisation initiatives are subject to conditions relating to the ACM Facility. If completion of the Internalisation and Corporatisation initiatives is to take place prior to the current maturity date of the ACM Facility (29 June 2010), then completion will be subject to ACM lenders' approval or extension of the ACM Facility on terms which permit the initiatives to proceed. In the event that the ACM Facility syndicate takes enforcement action against ACM in respect of the ACM Facility, MMG and Macquarie may consider whether it is appropriate for this condition to be retained.

Macquarie interests

8

8.1 Overview of current arrangements with Macquarie

(a) External management of MMG by Macquarie

MMML, a Macquarie entity, is the manager of MMHL and MMIL under the Management Services Agreements and is also the responsible entity of MMT. In its capacity as manager and responsible entity of the entities comprising MMG, MMML provides management services to MMG and has responsibility for the day-to-day operations of MMG. MMML is entitled to quarterly management fees consisting of base management fees (calculated as 1.5% per annum of the Net Investment Value) and performance fees (payable in the event that certain returns are achieved), as detailed in Section 8.8.

MDAA, another Macquarie entity, provides advisory services to MSCM under the Asset Advisory Agreement. No fees are currently payable under this agreement. However, fees would become payable under the Asset Advisory Agreement if Macquarie was no longer involved in the management of MMG or if MMG is no longer listed, i.e. if:

- a Macquarie company ceases to be the responsible entity of MMT (other than through retirement);
- the MMHL Management Services Agreement is terminated (other than by the manager); or
- MMHL or MMT is delisted or MMG securities cease to be quoted.

If any of these events occur, MDAA is entitled to quarterly management fees consisting of base management fees (calculated as 1.5% per annum of the market value of MSCM) and performance fees (payable in the event that certain returns are achieved) as detailed in Section 8.8.

MMML and MDAA have performed the management roles described above since the listing of MMG (or, in the case of the MMIL Management Services Agreement, since the addition of MMIL to the MMG stapled structure).

In addition to the fees described above, MMG's current management arrangements provide for additional fees for other services provided on a transactional basis by Macquarie entities if approved under MMG's related party protocols.

The Management Services Agreements, MMT constitution and Asset Advisory Agreement provide for termination and/or the removal of the manager, responsible entity and adviser (respectively) in certain limited circumstances. These rights of termination and removal are summarised in Section 8.9.

Refer to http://www.macquarie.com.au/mmg, MMG Prospectus and Product Disclosure Statement dated 18 October 2005 and MMG's subsequent financial reports for further details in respect of the Management Services Agreements, MMT constitution and the Asset Advisory Agreement.

(b) MMG's major security holder

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 MCGL). Macquarie has committed to take up its full Entitlement with respect to its Principal Holding in MMG.

Macquarie Group Limited currently has a relevant interest in 50.2 million MMG securities (26.5% of MMG securities on issue). This includes the Principal Holding and a further 3.2 million MMG securities (1.7% of MMG securities on issue) which are held by Macquarie entities for a range of different purposes and in different capacities due to the broad nature of Macquarie's operations (including funds management, hedging, custodial and fiduciary services).

(c) Board structure

Macquarie has the right to appoint directors to the MMHL and MMIL boards. Currently Macquarie (through MMML) holds the MMHL A Special Share and the MMIL A Special Share and, in accordance with the MMHL constitution and MMIL bye-laws, is entitled to appoint up to 50% of the directors of MMHL and MMIL respectively. MMML in its capacity as responsible entity of MMT holds the MMHL B Special Share and the MMIL B Special Share and, in accordance with the MMHL constitution and MMIL bye-laws, is entitled to appoint up to 25% of the directors of MMHL and MMIL respectively. Following completion of the Internalisation, Macquarie will no longer have any special rights to appoint directors to the MMG Boards (see Section 5.17 for further details).

(d) Lender to ACM

A Macquarie entity is a member of the ACM Facility syndicate, with loan exposure of US$8.6 million ($9.8 million) representing 6% of the facility limit.

(e) Other Macquarie involvement

A number of other Macquarie entities provide services to MMG, including the following:

- Macquarie has been mandated by each of MSCM and ACM (in their personal capacity) to advise on the renegotiation of the MSCM Facility and ACM Facility, respectively. These mandates were entered into in March 2009 in the case of MSCM and September 2009 in the case of ACM. The potential fees from these mandates are set out in Section 8.3(b). These fees have been approved in accordance with MMG's related party policy;
- MBL is the counter party to $93.8 million of the interest rate swaps held by MSCM at market rates; and
- Macquarie provides services to MMG for transactional banking. Also from time to time, MMG places funds on deposit with MBL and uses MBL for foreign exchange services. All services are at commercial rates.

(f) Total fees paid to Macquarie

Total fees paid by MMG to Macquarie (which includes management fees, fees relating to the buy backs, financial advisory fees and debt advisory fees) in the financial years ending 30 June 2008 and 30 June 2009 were $41.9 million. Total fees payable by MMG to Macquarie from 1 July 2009 to the date of this Investor Information Booklet are $92,000.

(g) Impact of proposed initiatives

Following implementation of the initiatives detailed in this Investor Information Booklet, a number of the arrangements between Macquarie and MMG will change. Set out below is the impact of the Recapitalisation, the Internalisation and the Corporatisation on the current arrangements between Macquarie and MMG.

8.2 Impact of Recapitalisation on Macquarie

(a) Security holding

Macquarie has committed to take up its full Entitlement with respect to its Principal Holding of MMG securities. This will mean that Macquarie's Principal Holding will remain at least at 24.8% as a result of the Entitlement Offer. MMG is not aware of the intentions of the other Macquarie entities regarding the additional 1.7% relevant interest that Macquarie has over and above its Principal Holding.

The Entitlement Offer is fully underwritten (other than in respect of Macquarie's Principal Holding of 24.8%), in equal proportions, by Macquarie Capital and RBS.

As described in Section 4.14, a shortfall dispersion process will be in place to allocate any Entitlements that are not taken up by other MMG security holders before the Underwriters take up any shortfall. If the Underwriters are required to take up a shortfall, Macquarie's relevant interest may increase above the current 26.5%, with Macquarie taking up 50% of any shortfall.

Macquarie Capital is a Macquarie entity so any new MMG securities taken up by Macquarie Capital pursuant to the underwriting will increase the voting power of Macquarie. The extent to which Macquarie's voting power in MMG may increase and, accordingly, the actual voting power of Macquarie following the Entitlement Offer will depend on:

(i) the extent to which Eligible Security Holders other than Macquarie take up the institutional and retail components of the Entitlement Offer; and

(ii) the extent of the success of the shortfall dispersion process as described in Section 4.14 under both the retail and institutional components of the Entitlement Offer (i.e. the extent to which investors take up shortfall securities before Macquarie Capital is required to subscribe for Offer Securities in accordance with the Underwriting Agreement).

A number of possible outcomes based on example take ups for these 2 variables (which are not guaranteed to occur) are set out in the table below.

Potential absolute increase in Macquarie's relevant interest due to Underwriting Agreement

		% take-up of shortfall securities by non-underwriters				
		0%	**25%**	**50%**	**75%**	**100%**
% take-up of Entitlements by non-Macquarie security holders[31]	**0%**	18%	14%	9%	5%	0%
	25%	14%	10%	7%	3%	0%
	50%	9%	7%	5%	2%	0%
	75%	5%	3%	2%	1%	0%
	100%	0%	0%	0%	0%	0%

For example, if no security holders other than Macquarie applied for their Entitlement, Macquarie would continue to hold voting power of 26.5% in MMG (including a Principal Holding of 24.8%) and underwritten exposure to subscribe or procure subscription to a further 18% (totalling ~45% if all such subscriptions are taken up by Macquarie entities), and RBS[32] would have an underwritten economic exposure for 18%[33], on a fully diluted basis. Therefore the maximum amount that Macquarie's holding could increase to is approximately 45%. This is not considered by MMG to be likely.

The Underwriting Agreement does not permit any entity to subscribe for MMG securities if it would put that entity in a position to exercise 'control' of MMG for the purposes of the Broadcasting Services Act.

31 Full take up of Entitlements by Macquarie security holders assumed.
32 At the date of this letter RBS does not have a substantial holding in MMG.
33 The maximum holding in MMG that RBS is permitted to hold in compliance with FIRB Policy is limited to 5% (absent FIRB approval). Accordingly to the extent that the shortfall securities, if any, RBS is obliged to take up would cause RBS to breach the 5% restriction, RBS will pay to MMG the Offer Price in respect of all such shortfall securities but the excess of the shortfall securities will only be issued to RBS as and when it is permitted to acquire such securities. Macquarie has also agreed that, in the exceedingly unlikely event that its voting power would increase above 45% as a result of RBS's inability to acquire shortfall securities above 5%, it will adopt a similar mechanism such that Macquarie's voting power can never exceed 45%.

(b) Entitlement Offer fees

Macquarie and RBS have entered into the Underwriting Agreement with MMG summarised in Section 12.2. Macquarie and RBS will each receive approximately $2.8 million in fees ($5.5 million in total) for their role as Joint Lead Managers.

(c) Management Fees

Macquarie will continue to receive management fees under the Management Services Agreements and the MMT constitution after the Recapitalisation based on the Net Investment Value of MMG. Macquarie will continue to receive management fees under the Management Services Agreements and the MMT constitution after the Recapitalisation based on the Net Investment Value of MMG. The Net Investment Value, and consequently, the management fees payable to Macquarie, are expected to increase as a result of the Recapitalisation. This is because the proceeds of the Entitlement Offer and certain available MMG parent level cash will be applied to pay down MSCM debt, and the Net Investment Value is based on the market value of MMG securities less cash held at the MMG parent level (among other things).

8.3 Impact of debt pay down and refinancing(s) on Macquarie

(a) Swap breaks

As part of its commercial activities to reduce exposure to fluctuating interest rates and in the ordinary course of its business activities, MMG enters into interest rate hedging arrangements with various counterparties, including Macquarie entities. These swaps are on arm's length terms.

MMG currently has $788.7 million of interest rate swaps in place in respect of the MSCM Facility. The fair market value of these swaps was $31.7 million as at 30 June 2009. As a result of the Recapitalisation and MMG's policy with regard to interest rate hedging, MMG will need to break some of these interest rate swaps.

MBL is the counter party to $93.8 million of the interest rate swaps held by MMG.

MMG currently intends to terminate $237.3 million of interest rate swaps at an estimated cost of $11.5 million. The individual interest rate swaps to be terminated are yet to be finalised, however, it is likely that those swaps that have a longer maturity will be terminated in the first instance. If all swaps for which Macquarie is counterparty were to be terminated, the maximum swap break payment payable to Macquarie based on the market value of those swaps as at 30 June 2009 is $4.9 million.

(b) Debt advisory and arranging fees

As noted in Sections 7.2 and 7.3, discussions have commenced with MSCM's and ACM's lenders regarding potential refinancing of the MSCM Facility which matures on 1 November 2010 and requested extension and amendment of the ACM Facility which matures on 29 June 2010.

Macquarie Capital has been mandated to assist MSCM and ACM in refinancing or extending their debt facilities. Following the Entitlement Offer, MMG will use funds raised to pay down the debt under the MSCM Facility and will continue to negotiate the terms of a refinancing. If the facilities are re-financed or extended, it is expected Macquarie Capital will receive:

- MSCM refinancing: 0.8% of the total debt that is refinanced (approximately $2.5 million if an amount of $317.9 million were to be refinanced);
- ACM extension or refinancing: approximately US$0.5 million/$0.6 million upon extension or refinancing of the debt (on a fixed fee basis).

8.4 Impact of the Internalisation on Macquarie

(a) Management of MMG

Between security holder approval and completion of the Internalisation the current management arrangements under the Management Services Agreements and MMT constitution will continue. From completion of the Internalisation, Macquarie will cease to be the owner of MMML and cease to manage MMG. Accordingly, Macquarie will no longer receive fees under the Management Services Agreements and MMT constitution. The Asset Advisory Agreement will also be terminated.

At completion of the Internalisation, certain key employees currently employed by Macquarie will cease to be employed by Macquarie and become employed by MMG. This is outlined in Section 5.18.

Macquarie will provide transitional services support to MMG pursuant to the Transitional Services Deed following completion of the Internalisation.

(b) Consideration paid for the Internalisation

- If the Internalisation is completed, Macquarie will receive a total consideration of $40.5 million; and
- If MMG elects to extend the transition services for 3 months beyond 31 December 2010, Macquarie will be paid for those services based on a cost-plus 15% methodology. The amount that would be payable by MMG if it elects to receive all of the services for the full 3 months is not expected to exceed $500,000.

(c) Impact of the Internalisation on the payment of management fees

Macquarie will continue to receive management fees as described in Section 8.1(a) above until completion of the Internalisation.

If completion of the Internalisation does not occur at the end of a calendar quarter, Macquarie will receive an amount equivalent to any management fees which would be payable to MMML if the existing management arrangements were terminated on that day. The payment of this additional amount is designed to place the parties in the same position as if management fees had continued to be paid up to completion.

Post-completion of the Internalisation, Macquarie will no longer receive any management fees.

(d) Security holding

Macquarie's security holding interest will remain unchanged as a result of the Internalisation. Macquarie intends to transfer the MMG securities currently held by MMML to another wholly owned subsidiary of Macquarie, MDAA, prior to completion of the Internalisation.

MMG securities may be positively revalued by the market as a result of the implementation of the initiatives. Macquarie as a MMG security holder would benefit from any such revaluation, although only in the same capacity as all other MMG security holders.

(e) Board

Macquarie will no longer have any special rights to appoint directors to the MMG Boards. From completion of the Internalisation, Macquarie will have 2 nominees, including the Chairman, Max Moore-Wilton and Michael Carapiet, on the board of MMHL. Going forward, all directors, including the current Macquarie appointed directors, will stand for re-election every 3 years, commencing at the 2010 annual general meeting.

8.5 Impact of the Corporatisation on Macquarie

As the Corporatisation is conditional on completion of the Internalisation, at the time of implementation of the Corporatisation, Macquarie would no longer be manager of MMHL or MMIL nor responsible entity of MMT. Accordingly, Macquarie's interests in the Corporatisation will be no different from any other MMG security holder's interest.

8.6 Other arrangements with Macquarie

(a) Banking services

MMG currently uses MBL for transactional banking. MBL is also used from time to time to hold funds on deposit for MMG. These arrangements are provided at arm's length, on normal commercial terms and in accordance with MMG's related party policy. MMG currently has made no decision whether it will continue these arrangements in the future.

For the year ended 30 June 2009, Macquarie received approximately $14,000 of bank fees from MMG and MMG received $469,000 of interest income from Macquarie as a result of these banking services.

(b) Foreign exchange

From time to time, MMG utilises foreign exchange services provided by Macquarie. These services are provided at arm's length, on normal commercial terms and in accordance MMG's related party policy.

(c) Other

Other than as set out in this Section 8, there are no other arrangements between MMG and Macquarie as at the date of this document.

Any other arrangements between MMG and Macquarie in the future will be assessed by the Board of MMG on a case-by-case basis.

8.7 Summary of ongoing arrangements with Macquarie

The table below summarises the existing arrangements between MMG and Macquarie, the impact of the Recapitalisation, Internalisation and Corporatisation on those arrangements and which arrangements will continue.

	Current position	Impact of Recapitalisation	Impact of Internalisation	Impact of Corporatisation	Ongoing arrangements
Transaction payments to Macquarie	n/a	Fee payable for role as Joint Lead Manager - $2.8 million	$40.5 million	n/a	n/a
Management services and fees	Continue	Continue on the expanded capital base and reduced parent level debt	Cease on completion Management base fees payable up until completion	n/a	n/a
Asset Advisory Agreement	On foot but no fees payable currently	No change	Terminates on completion	n/a	n/a
Transitional services	n/a	n/a	Through until 31 December 2010, plus 3 months if requested by MMG at cost plus 15%	n/a	n/a
Security holding	24.8% Principal Holding / 26.5% voting power	Subscribe for 47 million securities (being its pro-rata entitlement) for $72.8 million Potential increase as a result of underwriting	No impact	No impact	No impact
Debt re-financing advisory fees	Ongoing	As a result of the Recapitalisation, it is anticipated that MSCM refinancing will be more likely to occur and if so, fees will be payable	Role will end when refinancing occurs	Role will end when refinancing occurs	No decision has been made about ongoing involvement
Swaps	No change	May result in some swaps being broken	No impact	No impact	No impact
Transactional banking	No change	No decision has been made about whether these arrangements will continue in the future			
Member of ACM Facility syndicate	No change	No change	No change	No change	No change
Board appointment rights	Rights as holder of MMHL/MMIL A Special Shares (in personal capacity) and MMHL/MMIL B Special Shares (as responsible entity of MMT) to appoint up to 75% of MMHL and MMIL boards. Macquarie appoints all of the directors of MMML, a Macquarie entity. MMHL and MMML non-executive chairman is a former employee and current consultant of Macquarie	No change	Macquarie will no longer have any special rights to appoint directors to the MMG Boards; Macquarie nominees will continue as MMHL, MMML and MMIL directors and an additional Macquarie nominee will be appointed to the MMHL board as a casual vacancy. See Section 5.17 for details of the MMG Boards	No change	Existing MMHL directors will continue subject to re-election on rotation

8.8 Summary of fees payable to Macquarie under existing management and advisory arrangements

Fees under Management Services Agreements / MMT constitution

Base fee

Payable quarterly.

Base fee = 1.5% per annum of Net Investment Value.

The responsible entity and the manager may, where the non-executive directors of MMML so determine, apply the base fee in subscription for MMG securities. The price of the MMG securities in these circumstances is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date.

Performance fee

Payable quarterly if earned.

Payable in the event that MMG accumulation index (the Return) outperforms 6% per annum plus the annual Australian consumer price index (CPI) change (the Benchmark Return) in any quarter having made up for underperformance in previous quarters.

Performance fee = 20% of the amount (if any) by which the Return exceeds the Benchmark Return for that period.

Any underperformance deficit from prior periods must be made up before future performance fees can be earned.

The responsible entity and the manager may, where the non-executive directors of MMML so determine, apply the performance fee in subscription for MMG securities. The price of the MMG securities in these circumstances is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date.

Other services provided by Macquarie companies

Additional market based fees will be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie companies and as approved under MMG's related party protocols.

Fees under Asset Advisory Arrangements

Asset base fee

Payable quarterly.

Asset base fee = 1.5% per annum of the market value of MSCM.

Market value is the amount for which all investments in MSCM and its subsidiaries by MMG entities could be exchanged between willing, knowledgeable parties in an arm's length transaction at that date, as determined by the asset adviser and reviewed by an independent expert.

The asset adviser may, where the non-executive directors of MMML and MMHL so determine, apply the asset base fee in subscription for MMG securities. The price of the MMG securities in these circumstances is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date.

Asset performance fee

Payable annually if earned.

Payable as 20% of the actual return (if any) generated above a 6% per annum plus the annual Australian consumer price index (CPI) change benchmark (compounded annually) less any asset performance fees previously paid.

The asset adviser may, where the non-executive directors of MMML and MMHL so determine, apply the asset performance fee in subscription for MMG securities. The price of the MMG securities in these circumstances is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the calculation date.

Other services provided by Macquarie companies

Additional market based fees will be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie companies and as approved under MMG's related party protocols.

Note: Asset base fees and performance fees only become payable if Macquarie is no longer involved in the management of the stapled entities or if MMG is no longer listed, i.e. if:

- a Macquarie company ceases to be the responsible entity of the trust (other than through retirement);
- the MMHL Management Services Agreement is terminated (other than by the manager); or
- MMHL or the trust is delisted or MMG securities cease to be quoted.

There is no double counting of fees under the Asset Advisory Agreement while Macquarie is manager of MMG.

8.9 Summary of termination rights under existing management and advisory arrangements

Termination rights under Management Services Agreements / MMT constitution

Each of MMT, MMHL and MMIL may terminate the appointment of the responsible entity/manager, without cause, by security holder vote. The manager of the companies can only be removed on a vote if the responsible entity of MMT is also removed.

For each of MMT, MMHL and MMIL, the resolution must be passed by more than 50% of votes cast at a meeting by security holders entitled to vote. MMML and its associates may vote its securities on the resolution.

MMML, as manager of MMHL and MMIL, can also be removed for cause being where it is in liquidation, ceases to carry on business, ceases to hold any authorisation necessary to lawfully perform its obligations or commits a material breach of the relevant agreements that cannot be remedied.

In the case of MMT, ASIC or a court may replace the responsible entity where there are solvency issues or members are likely to suffer a loss because the responsible entity has breached the Corporations Act.

Pursuant to the Corporations Act, MMML, as responsible entity of MMT, can retire if it first convenes a unitholders meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity.

MMML may resign as manager of MMHL and MMIL by giving not less than 90 days' written notice.

Where removal events have occurred in the case of MMIL and MMHL, the directors of those entities retain discretion as to whether to terminate the services of MMML, as manager. As the directors must act in the interests of security holders, it is considered unlikely that they would not terminate the MMHL Management Services Agreement or MMIL Management Services Agreement in the situation where security holders have voted to remove the responsible entity and the manager.

Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable under the Management Services Agreements and MMT constitution but, in the case of MSCM, asset advisory fees would then become payable to MDAA.

Termination rights under the Asset Advisory Agreement

MSCM may terminate the appointment of the asset adviser following a sustained period of underperformance (failure to meet a specified performance test in any 5 out of 8 consecutive quarters), including the most recent full quarter, by security holder vote following the fee commencement date (see Section 8.7). Accordingly, underperformance, if any, prior to that time is not taken into account in considering this termination event.

The resolution must be passed by more than 50% of votes cast at a meeting by security holders entitled to vote. Macquarie and its associates may vote their securities on the resolution.

MDAA, as asset adviser, can also be removed for cause being where it is in liquidation, ceases to carry on business, ceases to hold any authorisation necessary to lawfully perform its obligations, or commits a material breach which cannot be remedied or which can be remedied but remains unremedied for 90 days after notice of breach is given.

MDAA, as asset adviser, may resign by giving not less than 90 days' written notice.

Where removal events have occurred, MSCM's directors retain discretion as to whether to terminate the services of MDAA, as asset adviser.

Asset base fees and performance fees accrued to the date of termination are payable.

Financial Information

9

9.1 Introduction

The financial information set out in this Section 9 illustrates the indicative financial performance and position of MMG subsequent to the assumed completion of the Recapitalisation, the Internalisation and the Corporatisation initiatives as if they were effective on 1 July 2008 for the purposes of the income statement and at 30 June 2009 for the balance sheet.

The financial information in this Section 9 comprises the following:

- Pro-forma Historical Income Statement for MMG for the financial year ended 30 June 2009;
- Summarised Pro-forma Historical Balance Sheet for MMG as at 30 June 2009 (collectively including the above Pro-forma Historical Income Statement for the financial year ended 30 June 2009; the Pro-forma Historical Financial Information);
- Earnings per security, adjusted earnings per security and net assets per security for MMG for the financial year ended 30 June 2009;
- Illustrative impact of excluding ACM from both the income statement for the year ending 30 June 2009 and the balance sheet as at 30 June 2009; and
- Assumptions and notes relevant to the above.

9.2 Basis of preparation

The Pro-forma Historical Financial Information set out below is based on information extracted from MMG's audited Financial Report for the financial year ended 30 June 2009 and has been prepared in accordance with the accounting policies and basis of preparation set out in that report.

Copies of MMG's audited Financial Report for the financial year ended 30 June 2009 can be found on MMG's website at www.macquarie.com/mmg. The information set out below does not contain all of the disclosures required by the Australian Accounting Standards applicable to an annual financial report under the Corporations Act.

9.3 Income statement information

(a) Pro-forma Historical Income Statement for the financial year ended 30 June 2009

The table below sets out MMG's Pro-forma Historical Income Statement for the financial year ended 30 June 2009. Adjustments have been made to give effect to the Recapitalisation, the Internalisation and the Corporatisation initiatives as if they had been effective for the entire 12 months and therefore occurred on 1 July 2008. The final column in the table below equates to Adjusted NPAT which is NPAT excluding the impact of non cash and fair value items

such as impairment charges, changes in fair value of derivatives and other items which are non-recurring. The references to the dividend policy throughout this Investor Information Booklet relate to this Adjusted NPAT. This information is provided for illustrative purposes only and is not represented as being indicative of MMG's view on the future financial performance of MMG.

Pro-forma Historical Income Statement for the year ended 30 June 2009

$ millions	MMG 30 June 2009 (extracted from audited Financial Report)	Pro-forma post Recapitalisation (pre-Internalisation)	Pro-forma post Recapitalisation and Internalisation	Pro-forma post Recapitalisation, Internalisation and Corporatisation	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation (Non Statutory Financial information)
Revenue from continuing operations[i]	**526.6**	**526.6**	**526.6**	**526.6**	**526.6**
Employee expenses	(145.4)	(145.4)	(149.9)[iii]	(149.9)	(148.2)[iv]
Operating expenses[ii]	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)
Management fee expense	(1.3)	(8.0)[v]	-[v]	-	-
EBITDA	**138.8**	**132.1**	**135.6**	**135.6**	**137.3**
Depreciation and amortisation expenses	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)
Net Interest expense	(70.7)	(42.3)[vi]	(42.3)	(42.3)	(42.3)
PBT (pre-impairments and other)	**36.6**	**58.3**	**61.8**	**61.8**	**63.5**
Impairment of goodwill	(138.9)	(138.9)	(138.9)	(138.9)	-[vii]
Internalisation payment[xiv]	-	-	(40.5)	(40.5)	-
Other[viii]	(19.3)	(17.9)	(17.9)	(17.9)	0.7
PBT (post-impairments and other)	**(121.6)**	**(98.5)**	**(135.5)**	**(135.5)**	**64.2**
Taxation[ix]	37.0	(12.1)	(13.2)	(13.2)	(19.3)
NPAT	**(84.6)**	**(110.6)**	**(148.7)**	**(148.7)**	**44.9**
Weighted average number of securities (# million)[x]	**209.8**	**378.8**	**378.8**	**378.8**	**378.8**
EPS (cents per security)	**(32.8)**[xii]	**(29.2)**	**(39.3)**	**(39.3)**	**11.9**

The above Pro-forma Historical Income Statement should be read in conjunction with the accompanying notes.

Detailed in the table below is the calculation of Adjusted NPAT which is not in accordance with the Australian Accounting Standards. This calculation has only been made in order to present an Adjusted NPAT for dividend policy purposes.

Calculation of Adjusted NPAT consistent with the dividend policy detailed in Section 9.5 – Non Statutory Financial Information

$ millions	MMG 30 June 2009 (extracted from audited Financial Report)	Pro-forma post Recapitalisation (pre-Internalisation)	Pro-forma post Recapitalisation and Internalisation	Pro-forma post Recapitalisation, Internalisation and Corporatisation	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation (Non Statutory Financial information)
Add back tax effected (except for the impairment charge which is a permanent difference) certain non cash, fair value item and one off items[xiii]	154.0	153.1	153.1	153.1	
Add back internalisation payment[xiv]	-	-	40.5	40.5	-
Adjusted NPAT	**69.4**	**42.5**	**44.9**	**44.9**	**44.9**
Weighted average number of securities (# million)[x]	**209.8**	**378.8**	**378.8**	**378.8**	**378.8**
Adjusted EPS (cents per security)[xi]	**26.9[xii]**	**11.2**	**11.9**	**11.9**	**11.9**

Notes:

i) Revenue from continuing operations included in the MMG Financial Report is $546.9 million which is made up of sales revenue, government grant revenue and interest income. Interest income of $20.3 million has been reclassified and included in net interest expense below.

ii) Operating expenses is made up of broadcast and production costs, occupancy costs, promotions and marketing costs and administration costs.

iii) This increase in employee expense relates to incremental costs that will be incurred as a result of the Internalisation. The additional management costs have been estimated to be approximately $4.5 million. This estimate does not include the potential one off costs of $1.8 million that will arise as a result of the Internalisation.

iv) The reduction relates to MSCM redundancy costs of $1.7 million which have been adjusted on the basis that they are non-recurring consistent with the definition of Adjusted NPAT.

v) $1.3 million was the actual management fee paid in the financial year ended 30 June 2009. A management fee of $8.0 million would have been payable in this financial year had the enlarged number of securities on issue resulting from the Entitlement Offer, and subsequent application of parent level cash (less minimal cash being held at the parent level) to pay down debt at MSCM, been completed. Post the Internalisation, no management fee will be paid.

vi) Actual net interest expense at 30 June 2009 is made up as follows

Finance costs per the 30 June 2009 MMG Financial Report	$101.1m
Interest income per the 30 June 2009 MMG Financial Report	$(20.3)m
Reclassify amortisation of borrowing costs to other expenses below	$(10.1)m
Net interest expense	**$70.7m**

Interest income has been reduced by $1.6 million due to the buy-back of MMG securities being assumed to take place on 1 July 2008 and being funded from the available cash balance in all scenarios.

Finance costs have been reduced by $32.9 million as a result of the application of net proceeds from the Entitlement Offer and parent level cash used to prepay MSCM's borrowings. A weighted average interest rate of 8.5% has been assumed on the net debt outstanding.

Finance costs have been increased by $2.9 million in relation to ACM expected breach of loan covenants under the ACM Facility. The margin has been increased by 2% as provided for under the ACM Facility where there is a subsisting event of default.

vii) The impairment charge recorded for the financial year ended 30 June 2009 of $138.9 million is in relation to the assets of ACM and has been excluded in arriving at the Adjusted NPAT for each of the scenarios above.

viii) The following table details the breakdown of "Other" expense in the Pro-forma Historical Income Statement.

Pro-forma Historical Income Statement for the year ended 30 June 2009

$ millions	MMG 30 June 2009 (extracted from audited Financial Report)	Pro-forma post Recapitalisation (pre-Internalisation)	Pro-forma post Recapitalisation and Internalisation	Pro-forma post Recapitalisation, Internalisation and Corporatisation	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation (Non Statutory Financial information)
Other income - majority relates to foreign exchange gains	47.2	45.1	45.1	45.1	0.6
Fair value movements on derivatives	(57.5)	(54.0)	(54.0)	(54.0)	(1.0)
Share of net profits of investments accounted for using equity method	1.1	1.1	1.1	1.1	1.1
Amortisation of borrowing costs	(10.1)	(10.1)	(10.1)	(10.1)	-
Total	**(19.3)**	**(17.9)**	**(17.9)**	**(17.9)**	**0.7**

The movement from $19.3 million to $17.9 million relates to foreign exchange gains, one-off costs and fair value movement on interest rate swaps and other financial derivatives associated with Taiwan Broadband Communications (TBC) which are non-recurring. The adjustment from $17.9 million to $0.7 million (net income) relates to the reversal of net foreign exchange gains and fair value movements in interest rate swaps and derivatives relating to ACM and MSCM, amortisation of finance costs and other one-off costs, which have been added back to arrive at Adjusted NPAT.

ix) The pro-forma tax adjustments relate to the application of an effective tax rate of 30% of PBT excluding impairment charge and charge relating to the Internalisation payment applied to the pro-forma scenarios. In respect of the Internalisation payment a portion may be tax deductible as described in Section 5.16 but as the quantum has not yet been determined the associated tax benefit has not been reflected.

x) The weighted average number of securities on issue for the financial year ended 30 June 2009 and the number of securities on issue as at 30 June 2009 were 209,835,415 and 190,997,516 respectively. Subsequent to 30 June 2009, MMG bought back securities so that the number of securities on issue as at 13 October 2009 was 189,409,130. This number of securities has been used as the base in deriving the number of additional MMG securities issued as a consequence of the Entitlement Offer to result in a new total of 378,818,260.

xi) Adjusted earnings per share calculation has been provided for illustrative purposes only and is calculated as Adjusted NPAT per weighted average number of securities. It has not been calculated in accordance with Australian Accounting Standards and will therefore vary from the statutory reported EPS.

xii) This EPS calculated based on the weighted average number of MMG securities for the year ended 30 June 2009 has been restated to reflect the adjustment factor of 1.23x resulting from the Entitlement Offer.

xiii) In arriving at the Adjusted NPAT (defined as the NPAT excluding the impact of non-cash and fair value items such as impairment charges, changes in the fair value of derivatives and other items which are non-recurring), certain items were added back to be consistent with the definition. The reconciliation to Adjusted NPAT has been provided as the future dividend policy is intended to be based on Adjusted NPAT. For the purposes of the Adjusted NPAT add backs, the add backs have been tax effected by an assumed tax rate of 30% except for the impairment charge and Internalisation payment which has been assumed to be a permanent difference.

The reduction from $154.0 million to $153.1 million relates to the reversal of the impact net of tax of foreign exchange gains, fair value movements on derivatives and other one-off costs relating to TBC, which have been excluded from each of the pro-forma scenarios above.

Impairment charge of $138.9 million in relation to the assets of ACM, as explained in Note (vii). The remaining $14.2 million relates to Other expense and Employee expenses in the Pro-forma Historical Income Statement.

The following table details the breakdown of the impact net of tax excluding the impairment charge which is a permanent difference, of certain non cash, fair value item and one off items expense in arriving at the Adjusted NPAT calculation.

Calculation of Adjusted NPAT consistent with the dividend policy detailed in Section 9.5 – Non Statutory Financial Information

$ millions	MMG 30 June 2009 (extracted from audited Financial Report)	Pro-forma post Recapitalisation (pre-Internalisation)	Pro-forma post Recapitalisation and Internalisation	Pro-forma post Recapitalisation, Internalisation and Corporatisation
Impairment	138.9	138.9	138.9	138.9
Net foreign exchange gains	(32.7)	(31.1)	(31.1)	(31.1)
Fair value movements on interest rate swaps and other derivatives	38.7	36.7	36.7	36.7
Amortisation of borrowing costs	7.1	7.1	7.1	7.1
Other one-off costs	2.0	1.5	1.5	1.5
Total	**154.0**	**153.1**	**153.1**	**153.1**

xiv) The pro-forma adjustment of $40.5 million is in relation to the potential charge to the income statement relating to the full Internalisation payment. Assuming that the Internalisation and the Corporatisation proceed, this charge will be reflected in the Income Statement for the financial year ending 30 June 2010. As detailed in Section 9.4(b)(iii), the allocation of this amount to its respective components is not yet complete but it is likely that the majority would be recorded as a charge to the income statement. However as the item is non-recurring, it has been excluded from the Adjusted Pro-forma Historical Income Statement.

Assuming that the Internalisation and the Corporatisation proceed, the Income Statement for the financial year ending 30 June 2010 will also include potential other one-off costs of approximately $1.8 million relating to the Internalisation. No adjustment has been made for these potential other one-off costs on the basis that it is non-recurring.

Illustrative impact of excluding ACM from the Pro-forma Historical Income Statement

On 13 October 2009, MMG announced to the ASX that based on management's latest estimate of financial performance it is expected that ACM will breach certain debt covenants under the ACM Facility on or before certain testing dates (the first of which is anticipated to be on 28 October 2009 (US time), see Section 7.3.

If ACM ceases to comply with the covenants within the ACM Facility and 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 its ACM interests) (Relevant Event).

If a Relevant Event occurred, MMIL could 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$81.2 million.

MMG regularly reviews the carrying value of its assets to determine if there are any assets which are impaired. As information has been prepared on a pro-forma basis at 30 June 2009 in this document, separate consideration of the impairment charge that would be calculated at the date of this document has not been presented as the circumstances below contemplate a set of transactions for presentation as if at 30 June 2009. If the impairment charge was calculated at the date of this document, the charge would be dependent on actions taken by the lending syndicate, the results of operations of the ACM business and the recoverable value of ACM's assets. Accordingly further impairment charges may be recorded in the MMG December 2009 Interim Report. While the carrying value of MMG's net assets in ACM at 30 June 2009 was US$81.2 million any impairment charge that may be required would be against the aggregate value of all of ACM's non-current assets which may result in an impairment charge being greater or less than the net assets (as calculated taking into account the related bank debt outstanding) in that business. However, in those circumstances, whether an impairment charge is recognised will depend upon the actions taken by the ACM Facility syndicate under the ACM Facility and the relevant law in operation. It should be noted that any impairment charge will be a non-cash charge and may not affect the price at which MMG's equity interests in ACM could be realised.

Should the Relevant Event be such that MMG loses beneficial ownership of ACM, then in accordance with AASB 127 Consolidated Financial Statement and Separate Financial Statements, if MMG no longer controlled ACM, there would be a deemed divestment reflecting the loss of control. Assuming the proceeds from such divestment would be limited to any amounts that are residual subsequent to the settlement of all creditors which based on current estimates is likely to be US$nil, then the financial statements of MMG would be required to account for the divestment of ACM from the date on which control was lost and a loss on divestment recorded in the accounts of MMG in respect of any assets that MMG no longer controlled, and a loss recorded accordingly. Had these circumstances transpired at 30 June 2009, there would have been a loss of US$81.2 million, being the ACM net assets recorded in the MMG accounts.

The table below provides an illustrative impact on the Pro-forma Income Statement for the financial year ended 30 June 2009 if ACM were excluded. The illustrative impact assumes the loss of accounting control over ACM for the amount of residual proceeds after settlement of all creditors, such amount estimated to be $nil. Deconsolidation accounting, including recognition of a loss on deconsolidation (assumed to occur for $nil consideration) has not been presented on the basis that it is non-recurring. As detailed above, if MMG lost control of ACM on 30 June 2009 and received $nil consideration then the loss on deconsolidation that would have been recorded would have been US$81.2 million which represented the net assets of ACM at 30 June 2009.

Illustrative impact on the Pro-forma Income Statement if ACM were excluded

$ millions	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation	Exclude ACM	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation excluding ACM
Income Statement Impact			
EBITDA	137.3	(24.7)[(i)]	112.6
Adjusted NPAT	44.9	3.2	48.1
Adjusted EPS (cents per share)	11.9	0.8	12.7

(i) The ACM EBITDA is calculated as follows

	$m
Revenue	130.9
Less Employee expenses	(49.7)
Operating expenses	(56.5)
ACM EBITDA	**24.7**

The above calculations assume that ACM is excluded from MMG results for the year ended 30 June 2009. The calculations illustrate the impact on key income statement items. The actual outcome may vary depending on the facts and circumstances of ACM's relationship with its lenders and may include the following:

- lenders take enforcement action which may result in MMG losing beneficial ownership of ACM equity and therefore control of ACM. ACM would be excluded as illustrated above although as noted above a deconsolidation has not been shown;
- lenders take enforcement action which may result in MMG losing beneficial ownership of all or certain assets of ACM and MMG continues to consolidate remaining balance sheet items and record a loss as a result of the loss of ownership of certain assets of ACM; or
- MMG continues to control the ACM business upon reaching agreement with lenders. In this scenario there may need to be further impairment charges made against the current carrying value of the ACM assets. The impact of any further impairment charges is not illustrated but will have no cash impact.

As the actual outcome at this stage is uncertain, the quantum of any loss arising cannot be predicted. As noted above, if MMG were to have lost control of ACM on 30 June 2009 and received $nil consideration, then the loss on deconsolidation that would have been recorded would have been US$81.2 million which represented the net assets of ACM at 30 June 2009. This information is provided for illustrative purposes only and is not represented as being indicative of MMG's view on the potential loss that may be recorded.

9.4 Balance Sheet information

(a) Summarised Pro-forma Historical Balance Sheet for MMG as at 30 June 2009

The table below sets out the summarised Pro-forma Historical Balance Sheet for MMG assuming the Recapitalisation and the Internalisation and the Corporatisation initiatives were effective on 30 June 2009.

$ millions	MMG 30 June 2009 (extracted from audited Financial Report)	Pro-forma post Recapitalisation and post balance sheet date adjustments	Pro-forma post Recapitalisation and Internalisation and post balance sheet date adjustments	Pro-forma post Recapitalisation, Internalisation and Corporatisation and post balance sheet date adjustments
Current assets				
Cash and cash equivalents	347.0	56.3	15.8	15.8
Other current assets	96.6	99.6	99.6	99.6
Non-current assets				
Plant, property and equipment	183.9	183.9	183.9	183.9
Intangible assets	1,317.0	1,317.0	1,317.0	1,317.0
Other non-current assets	65.6	65.6	65.6	65.6
Total assets	**2,010.1**	**1,722.4**	**1,681.9**	**1,681.9**
Current liabilities				
Borrowings	175.4	165.7	165.7	165.7
Other current liabilities	109.1	91.5	91.5	91.5
Non-current liabilities				
Borrowings	862.9	318.0	318.0	318.0
Other non-current liabilities	19.6	19.6	19.6	19.6
Total liabilities	**1,167.0**	**594.8**	**594.8**	**594.8**
Net Assets /Liabilities	**843.1**	**1,127.6**	**1,087.1**	**1,087.1**
Equity				
Equity attributable to security holders	842.8	1,127.3	1,086.8	1,086.8
Minority interest	0.3	0.3	0.3	0.3
Total equity	**843.1**	**1,127.6**	**1,087.1**	**1,087.1**
Net debt*	**691.3**	**427.4**	**467.9**	**467.9**
Securities on issue (# million)	**191.0**	**378.8**	**378.8**	**378.8**
Net assets per security ($ per security)	**4.41**	**2.98**	**2.87**	**2.87**

The above Pro-forma Historical Balance Sheet should be read in conjunction with the accompanying notes.

* Net debt equates to current and non current borrowings less cash and cash equivalents.

The following pro-forma adjustments have been made to the above balance sheet as at 30 June 2009.

Notes:

(i) Adjustments relating to post balance sheet date events

Represents the FY2009 final distribution of $6.1 million and on-market buy-back settlements of $2.2 million post-balance sheet date. These amounts were funded from cash and in respect of the final distribution resulted in a reduction in other current liabilities of $6.1 million.

(ii) Adjustments relating to the Recapitalisation

Proceeds of the Entitlement Offer assumed to be $294 million and transaction costs of $9.9 million including underwriting fees of $5.5 million. The proceeds are then applied to prepay MSCM debt. An adjustment has been made to recognise the deferred tax asset in relation to the Entitlement Offer transaction costs amounting to $3.0 million.

Assumes pro-forma parent level cash of $270.9 million ($322.9 million at 20 August 2009 less $40.5 million potential Internalisation costs and $11.5 million of estimated costs to break interest rate swaps which resulted in a reduction in other current liabilities) is applied to prepay debt.

(iii) Adjustments relating to the Internalisation

The Internalisation payment of $40.5 million is assumed to be funded from cash.

The purchase price allocation is yet to be finalised. The payment made in respect of the Internalisation has been recognised within retained earnings on the basis that it is likely that the majority of the payment will be recorded as a charge to the Income Statement as explained further in this note. The payment will be allocated between the extinguishment of the Asset Advisory Agreement with Macquarie and the fair value of any assets and liabilities acquired as a result of a business combination, with any residual amounts allocated to goodwill. Any amounts allocated to goodwill are likely to be charged to the Income Statement as an immediate impairment charge following Internalisation. Any amounts allocated to the Asset Advisory Agreement would be expensed in full at the time at which they become an obligation of the MMG group. As detailed in Section 5.16 a portion of this amount may be tax deductible although as the quantum of this amount has not yet been determined the associated tax benefit has not been reflected.

As referred to in Section 10.2 there is an exposure draft that may become law in relation to the availability of the historical tax losses which will potentially require derecognition of deferred tax assets if accumulated losses were no longer available. No adjustment has been made on the basis that this legislation has not yet been enacted.

(iv) Adjustments relating to the Corporatisation

The Corporatisation proposals represent a reorganisation of the economic entity historically described as Macquarie Media Group and will result in MMHL becoming the new parent entity. They do not result in any new businesses joining the MMG economic entity. As such, it will be appropriate for the MMHL group consolidated financial statements to reflect a continuation of the existing MMG consolidated financial statements and accordingly no adjustments have been made on the basis that MMHL group is essentially the same economic entity post-Corporatisation as the MMG group pre-Corporatisation.

A final distribution will be paid to security holders upon completion of the Corporatisation process. As this relates to the first half of the financial year ending 30 June 2010, no adjustment has been made.

(v) Reclassifications

For ease of comparison and presentation, the following reclassifications have been made from the statutory accounts of MMG for the financial year ended 30 June 2009:

- $1.2 million capitalised borrowing costs and $0.2 million current lease liabilities have been included in Other Current Liabilities rather than Current Borrowings
- $10.5 million capitalised borrowing costs and $0.3 million non-current lease liabilities have been included in Other Non-Current Liabilities rather than Non-Current Borrowings.

(b) Illustrative impact of excluding ACM from the Pro-forma Historical Balance Sheet as at 30 June 2009

The table below shows the impact of excluding ACM on the MMG Pro-forma Historical Balance Sheet at 30 June 2009 for key selected balance sheet titles.

$ millions	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation	Exclude ACM	Adjusted Pro-forma post Recapitalisation, Internalisation and Corporatisation excluding ACM
Balance Sheet Impact			
Total assets	1,681.9	(296.2)	1,385.7
Total liabilities	(594.8)	195.7	(399.1)
Net Assets	**1,087.1**	**(100.5)**	**986.6**
Net debt	(467.9)	162.2	(305.7)
Securities on Issue (# million)	378.8	378.8	378.8
Net assets per security ($ per security)	**2.87**	**(0.27)**	**2.60**

Refer to Section 9.3(b) for further details.

9.5 Future financial performance of MMG

(a) Forecast financial information

The MMG Boards have determined not to include specific forecast financial information with respect to MMG in this Investor Information Booklet. MMG's performance in any period will reflect a number of factors that cannot be predicted and which are outside MMG's control. As a consequence, the MMG directors do not believe that there is a reasonable basis for inclusion of a forecast in this Investor Information Booklet.

The future financial performance of MMG's businesses is subject to the risk factors set out in Section 11.

(b) Post-Corporatisation dividend policy

Post the Corporatisation of MMG it is anticipated that the dividend payout ratio will be approximately 40% to 60% of Adjusted NPAT[34]. It is expected that MMHL will have sufficient profits to pay such dividends regardless of any non-cash or non-recurring charges, including any charges for impairment of assets, that may be reflected in the consolidated financial statements.

9.6 Solvency

As at the date of this Investor Information Booklet, the MMG Boards are of the view that there are reasonable grounds to believe that each of the MMG parent entities is able to pay its debts as and when they become due and payable. MMG intends to retain adequate parent level cash for working capital purposes.

34 Post-Corporatisation, the MMHL Board will need to assess the appropriate level of dividend payments in light of the prevailing circumstances at the relevant time, including by reference to the available profits of MMHL and the MMG group, the financial and taxation position of MMHL and the MMG group and the determinations of the board from time to time. Further, MMG currently has $36.8 million in tax losses which, under current law, will be available to offset against future taxable income. After utilisation of the available losses it is expected that the MMHL group would be required to pay tax and therefore able to pay franked dividends to its shareholders. However, see Section 10 as there are possible tax changes which would mean that post-Internalisation MMG would be unable to rely on the availability of those tax losses.

9.7 Basis of preparation of financial reports

The financial reports of the MMG entities for the 2009 financial year were prepared on a going concern basis. Included in note 1 to those financial reports were additional disclosures on the basis upon which the MMG directors concluded that there were reasonable grounds that MMG would continue as a going concern.

The directors of MMG remain of the view that there are reasonable grounds to expect that MMT, MMHL and their respective groups will continue as a going concern because of their available parent level cash and its potential use, the Entitlement Offer, the potential to refinance existing facilities and their respective abilities to generate operating cash flows in excess of interest payments. The directors' view regarding this matter will not be affected by the Internalisation or the Corporatisation.

However, due to the anticipated non-compliance with the ACM Facility described in Section 7.3, the directors of MMIL are of the view that there remains 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 and therefore whether the MMIL group will continue as a going concern.

Tax

10

Set out below is a general summary of the Australian tax implications of the Retail Entitlement Offer, Internalisation and Corporatisation for Eligible Retail Security Holders who are residents of Australia for tax purposes and who hold MMG securities as capital assets for taxation purposes. The summary below does not, therefore, apply to MMG security holders who do not hold their MMG securities (or will not hold their MMG Entitlement) on capital account, for example, those who hold their MMG securities as assets used in carrying on a business of share trading, banking or insurance, those who hold their MMG securities as trading stock or those who have acquired their MMG securities for the profit making purpose of on-sale at a profit.

The summary below is a general guide only and Eligible Retail Security Holders should seek specific tax or financial advice applicable to their particular circumstances.

Eligible and Ineligible Institutional Security Holders should obtain their own taxation advice in relation to the Entitlement Offer.

10.1 Entitlement Offer

(a) Granting of MMG Entitlement

The market value of the MMG Entitlement at the time of grant will not be included in the assessable income of an Eligible Retail Security Holder.

(b) Taxation Treatment for MMG Security Holders if the Entitlement is not taken up in full

The correct application of the law is unclear where an Eligible Retail Security Holder's MMG Entitlement lapses and they receive proceeds equal to the difference between the Clearing Price and the Offer price of $1.55 as a result of the Bookbuild.

For residents of Australia, the lapsing of the MMG Entitlement will constitute a Capital Gains Tax ("CGT") event and the CGT provisions must be considered.

For CGT purposes:

- Where the MMG Entitlement is issued to an Eligible Retail Security Holder, capital gains tax will generally be payable under the capital gains tax provisions in respect of any capital gain made on the lapsing of the MMG Entitlement by the Eligible Retail Security Holder. The taxable capital gain will generally equal the consideration received on the lapsing less any non-deductible incidental costs associated with the acquisition of the MMG

Entitlement or the lapsing (although some Eligible Retail Security Holders may be able to offset capital losses against the capital gain).

- Eligible Retail Security Holders who acquired their existing MMG securities at least 12 months before the lapsing of their MMG Entitlement may be able to discount the capital gain (after the application of any capital losses) by a half in the case of an individual or a trust (other than a trust that is a complying superannuation entity), or by one-third in the case of a complying superannuation entity.

However the Australian Commissioner of Taxation has expressed the view that any proceeds received by an Eligible Retail Security Holder in these circumstances are to be treated as an unfranked dividend (in the case of a company) or as ordinary income (for any entity), and are not to be taxed under the CGT provisions. On that basis:

(i) if the proceeds are treated as an unfranked dividend, an Eligible Retail Security Holder in receipt of such proceeds will be subject to tax on income account as having received an unfranked dividend (without the benefit of any tax offsets under the dividend imputation rules);

(ii) if the proceeds are treated as ordinary income, an Eligible Retail Security Holder in receipt of such proceeds will be subject to tax on income account.

The Commissioner has also stated that the receipt of such proceeds should not be treated as a capital gain for tax purposes, such that the capital gains tax discount does not apply.

It is not clear whether the position adopted by the Commissioner is correct at law. Nevertheless, the Commissioner has stated that taxpayers in receipt of such proceeds should return the proceeds as an unfranked dividend or ordinary income. Any Eligible Retail Security Holders who allow their MMG Entitlement to lapse and receive proceeds as a result of the Bookbuild are strongly advised to obtain professional advice on the taxation of such proceeds.

For foreign residents, the payment of the proceeds equal to the difference between the Clearing Price and the Offer price of $1.55 as a result of the Bookbuild will be subject to any applicable Australian withholding tax.

(c) Exercising the MMG Entitlement

No capital gains tax liability will arise on the exercise of the MMG Entitlement.

Eligible Retail Security Holders who exercise some or all of their MMG Entitlement and subscribe for new MMG securities will acquire those new MMG securities with an overall cost base for capital gains tax purposes equal to the Offer price of $1.55 plus any non-deductible incidental costs they incur in acquiring the new MMG securities. The new MMG securities will be taken to have been acquired on the day on which the MMG Entitlement is exercised.

MMG Security Holders will need to split the Offer price between a MMHL share, an MMT unit, and a MMIL share to determine the cost base of each share / unit. The MMG Tax Guide, available in August 2010, will contain information that may assist MMG Security Holders in completing this calculation. A copy of MMG Tax Guides for previous years can be found on the MMG website: http://www.macquarie.com.au/au/mmg/investor_centre/distributions.htm

(d) New MMG securities

Eligible Retail Security Holders who exercise some or all of their MMG Entitlement will acquire new MMG securities. Any future dividends or distributions received in respect of those new MMG securities will be subject to the same taxation treatment as dividends or other distributions received on existing MMG securities held in the same circumstances.

On any future disposal of new MMG securities, Eligible Retail Security Holders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New MMG securities. The cost base of those MMG securities is described above.

New MMG securities will be treated for the purposes of the capital gains tax discount as having been acquired when the Eligible Retail Security Holder exercised their Entitlement to subscribe for new MMG securities. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those new MMG securities, they must be held for at least 12 months after the date of exercise before the disposal occurs and all other applicable requirements must be satisfied.

10.2 Internalisation

The Internalisation should not directly impact the taxation treatment of Eligible Retail Security Holders.

At 30 June 2009, the MMHL tax consolidated group had available tax losses to be carried forward to future years of approximately $36.8 million. The cancellation of the MMHL A Special Share and MMHL B Special Share may, however, impact MMHL's ability to carry forward prior year tax losses for recoupment against taxable income of future years if certain changes to taxation laws are ultimately legislated as currently proposed. These changes are at a preliminary stage and may be altered as a result of ongoing consultations prior to finalisation and hence their potential impact cannot be definitively determined at this time. The ultimate impact if these proposed changes are legislated as currently proposed would be that MMG would commence paying franked dividends at a stage earlier than if it were able to rely on its existing tax losses.

10.3 Corporatisation

It is not currently anticipated that Eligible Retail Security Holders will be required to recognise a taxable amount as a result of the reorganisation steps in the Corporatisation which directly impact them. This is on the basis that the 6 key steps in the Corporation are anticipated to have the following tax effects:

(a) **De-stapling:** the de-stapling of securities in MMHL, MMIL and MMT should not impact the tax position of MMG security holders.

(b) **MMT makes a cash distribution to MMT unitholders:** this will reflect MMT's net taxable income for the year-to-date immediately prior to the Corporatisation to which those unitholders would have been entitled in any event. The part year distribution is required because MMT will become part of MMHL's consolidated group for tax purposes as part of the Corporatisation and its income year as a stand-alone trust will then be taken to end.

(c) **MMT acquired by Media Holdco for Media Holdco shares:** the acquisition of MMT units from MMG security holders by Media Holdco at this step would be treated as an acquisition at the prevailing market value of the MMT units. Depending on an individual MMG security holder's cost base in their MMT units, this could result in that MMG security holder realising a capital gain or loss on the exchange.

The MMG security holder could then elect for CGT rollover relief to apply; the effect would be that any capital gain or loss would be disregarded and the aggregate cost base of the MMT units would be allocated pro-rata across the Media Holdco shares issued to the MMG security holder and treated as the cost base of the new Media Holdco shares for that security holder. Where CGT rollover relief was not elected, the MMG security holder would be required to recognise the capital gain or loss and the new Media Holdco shares would have an aggregate cost base which reflected the market value of the exchanged MMT units of the relevant MMG security holder.

(d) **Media Holdco acquired by MMHL for MMHL shares:** where the directors of MMHL decide to issue a notice for the exchange of MMHL shares for Media Holdco shares, each MMG security holder will transfer their Media Holdco shares to MMHL in consideration for a number of new MMHL shares which will reflect the prevailing market value of the Media Holdco shares being exchanged for the MMHL shares.

The exchange may result in a capital gain (or loss) for the exchanging MMG security holder, particularly where rollover relief was elected at step (c) above and the cost base of the security holder's exchanged Media Holdco shares reflects the historic cost base of their MMT units.

Where a capital gain would arise from the exchange as set out above, the MMG security holder could elect for CGT rollover relief to apply. Where rollover relief was elected, the capital gain of the security holder on the exchange would be disregarded and the aggregate cost base of the security holder's Media Holdco shares would be allocated pro-rata across their new MMHL shares and treated as the cost base of those new MMHL shares. Where CGT rollover relief was elected at step (c) above and this step, the new MMHL shares would be taken to have been acquired when the MMG security holder acquired their original MMT units for the purpose of the CGT discount rules that can apply to individuals and certain trusts.

The above rollover is not available where a MMG security holder would otherwise make a capital loss (rather than a capital gain). In that event, the exchanging MMG security holder should recognise a cost base for their new MMHL shares equal to the market value of the exchanged Media Holdco shares.

(e) **MMIL acquired by MMHL for MMHL shares:** similarly to step (d) above, MMHL will also acquire MMIL from MMG security holders in exchange for the issue of a number of MMHL shares which will reflect the prevailing market value of the MMIL shares at the time of the exchange.

This exchange may result in a capital gain or loss for an exchanging MMG security holder, depending on the cost base of their MMIL shares.

Where a capital gain would arise from the exchange, the MMG security holder could elect for CGT rollover relief to apply. Where CGT rollover relief was elected, the capital gain of the security holder on the exchange would be disregarded and the aggregate cost base of the security holder's MMIL shares would be allocated pro-rata across their new MMHL shares and treated as the cost base of those new MMHL shares. For the purpose of the CGT discount rules that apply to individuals and certain trusts, the new MMHL shares would be taken to have been acquired which the security holder's original MMIL shares were acquired.

The above rollover is not available where a MMG security holder would otherwise make a capital loss (rather than a capital gain). In the event, the exchanging MMG security holder should recognise a cost base for their new MMHL shares equal to the market value of the exchanged MMIL shares.

(f) **Share consolidation:** the consolidation of MMHL's shares on issue after the share exchanges pursuant to the steps above to convert the number of MMHL shares on issue back to the pre-Corporatisation number will result in a like consolidation of the cost base of MMHL shares then held by each MMG security holder.

The potential indirect effect on Eligible Retail Security Holders of currently proposed changes to tax loss rules has been noted in 10.2 above.

The Corporatisation will result in MMG moving to a single holding company, MMHL. The corporatised MMHL group is likely to commence paying tax much earlier than if it were to remain part of a triple stapled structure. This means that MMHL will, in due course, also commence paying franked dividends to shareholders. This would be disadvantageous to certain foreign shareholders and other entities that are not able to fully utilise the franking credits and other investors who have a preference for pre-tax distributions

Risk factors

11

11.1 Introduction

A number of risks and uncertainties, which are both specific to MMG and of a more general nature, may affect the future financial performance and position of MMG and the value of MMG securities. You should carefully consider the following risk factors, as well as the other information provided by MMG in connection with the Entitlement Offer, and consult your financial and legal advisers before deciding whether to invest in new MMG securities. The risks and uncertainties described below are not the only ones facing MMG or associated with an investment in MMG securities. Additional risks and uncertainties may also become important factors that adversely affect MMG's financial performance and position.

The risk factors are set out in the following sections:

- debt risk factors
- risk factors relating to the Internalisation and Corporatisation initiatives, including that they may not proceed
- risk factors relating to Macquarie being MMG's major security holder and manager
- risk factors relating to media investments generally
- general risk factors

11.2 Debt risk factors

(a) Potential ACM Facility covenant non-compliance

As set out in Section 7.3, on 13 October 2009, MMG disclosed that whilst its 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 be non-compliant with certain covenants under the ACM Facility at their next testing dates. 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 take enforcement action (which may ultimately result in MMG losing beneficial ownership of ACM) (Relevant Event). If a Relevant Event occurred, MMIL could 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.

MMG cannot rule out the possibility that lenders or other creditors could seek to make claims against the MMG parent entities or members of the MSCM group in any enforcement proceedings (or other proceedings) in relation to the ACM Facility, and seek to recover any shortfall or loss from MMG parent entities or members of the MSCM group, notwithstanding that MMG parent entities and members of the MSCM group have not given any guarantees or security to, or given any form of contractual credit support to, ACM's external lenders in respect of the ACM Facility.

MMG does not believe that there would be a reasonable basis for any such claim. Nonetheless, such a claim may involve the expenditure by MMG entities or MSCM of management time and legal costs in defending any such claims.

(b) ACM Facility extension or refinancing

The ACM Facility will need to be extended or refinanced on or prior to its current 29 June 2010 maturity date if it is still on foot. An inability to extend or refinance the ACM Facility on satisfactory terms at that time could adversely affect MMG group's consolidated financial performance and position. Further information about the ACM Facility is set out in Section 7.3. In light of MMG's stated position that it has no plans to provide any parent level cash injections or other financial support or guarantee to ACM or its lenders and the anticipated non-compliance with financial covenants described above, it may be difficult to refinance the ACM Facility at all or on terms as favourable as is currently the case. Any extension or refinancing may be on more onerous terms (including higher margins) than the current facility.

(c) ACM lender condition

The Internalisation and Corporatisation initiatives are subject to a condition that if completion is to take place prior to 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), ACM lender approval, refinancing or amendment is required. If completion takes place after that time, then those transactions will not be subject to that condition on the basis that absent an extension or waiver the principal and interest would be repayable on that maturity date. It is possible that the existence of this condition may make it less likely that such an extension or waiver is obtained. In the event that the ACM Facility lenders take enforcement action against ACM in respect of the ACM Facility, MMG and Macquarie may consider whether it is appropriate for this condition to be retained.

(d) MSCM Facility refinancing

The MSCM Facility will need to be refinanced on or prior to its current 1 November 2010 maturity date. The inability to refinance this facility on satisfactory terms could adversely affect MMG's financial performance and position. Detailed disclosures were made in MMG's financial report for the year ended 30 June 2009 in relation to the MSCM bank debt facility and its maturity profile. Further details on MMG's expectations concerning the refinancing are set out in Section 7.2(c).

(e) Timing of the Internalisation and the Corporatisation

The Internalisation and Corporatisation are subject to MSCM lender approval, refinancing or amendment and if completion is to take place prior to 1 July 2010 (being after the current maturity date of the ACM Facility of 29 June 2010), ACM lender approval, refinancing, or amendment. No assurance can be made that the respective lenders will consent to the initiatives or the timing of any such consent.

(f) Default risk

MMG has no external bank debt, however its subsidiaries, MSCM and ACM, are subject to covenants in their respective external bank debt facilities, including amongst other things, interest coverage and leverage tests. MMG has no material assets other than its investment in MSCM, and ACM and cash held in the MMG entities. If ACM or MSCM were to breach any of their respective covenants, all principal and interest under the relevant business level facility could be immediately declared repayable by MSCM and ACM respectively.

Further, MSCM and ACM external bank debt matures on 1 November 2010 and 29 June 2010 respectively and must be repaid or refinanced by these dates by MSCM or ACM.

If enforcement proceedings are taken for the recovery of debts due, MMG may lose control of the ACM or MSCM businesses and would only receive a return after the debt obligations relating to the respective business have been satisfied. This may result in impairment losses if the fair value of MMG's investment in the relevant business is written down.

More specific disclosures concerning MMG's investment in ACM are set out in Section 7.3.

(g) Change of control under debt facilities

As is customary for facilities of this type, each of the MSCM Facility and the ACM Facility are subject to events of default in the event of a change of control. This includes circumstances where MMG ceases to be managed by Macquarie or MMG ceases to control the relevant borrower. If an event of default arises, the lenders may require repayment of outstanding principal and interest by the relevant borrower in relation to the applicable facility.

11.3 The Internalisation and the Corporatisation

The Internalisation and the Corporatisation may or may not occur, resulting in investors holding an investment in either an externally managed triple stapled group, an internally managed triple stapled group or an internally managed company. The Internalisation and Corporatisation initiatives are subject to a number of conditions set out at Sections 5.5 and 6.4. No assurance can be given that the Internalisation and Corporatisation initiatives will proceed. It is possible that the Internalisation initiative could proceed without the Corporatisation occurring.

If the Internalisation proceeds:

(a) Cost of the Internalisation to be borne by MMG security holders

The IBC is of the opinion that the Internalisation consideration to be paid is less than the cost savings which will be achieved by removing the external manager, and that the Internalisation should therefore be value enhancing in net present value terms for MMG security holders. This opinion is based on a number of assumptions concerning future matters and there can be no assurance that these will occur.

(b) Additional costs to the account of MMG

If the Internalisation is implemented, MMG will incur incremental annual costs associated with internalised management that have been estimated at up to $4.5 million per annum. The additional annual costs that will be incurred if the Internalisation proceeds are anticipated to be substantially less than the savings achieved from ceasing to pay base and performance fees to Macquarie (for example, base fees have averaged $9.7 million per annum since MMG was listed).

MMG will also incur one-off external transaction and implementation costs estimated at approximately $1.8 million up until the date of this document. Further amounts may be paid to professional advisers in accordance with their usual time-based charges. The one-off costs are in addition to those costs incurred by MMG as part of its normal operations. The IBC believes the one-off costs are reasonable in view of the likely increase in MMG's future earnings due to the elimination of the management fees paid externally to Macquarie.

(c) MMG will need to establish staff and head office infrastructure for an independent listed media company

As an externally managed entity, Macquarie currently provides key staff and head office services to MMG including information technology, compliance and risk management assistance, human resources support and accounting and taxation compliance services. The CEO and CFO of MMG are provided under the Management Services Agreements and MMT constitution. The CEO and CFO of MSCM are provided under the Asset Advisory Agreement.

After the Internalisation, MMG will need to rely on its existing head office infrastructure and staff, attract and retain additional staff and develop additional infrastructure appropriate for an independent listed media company, to replace the services currently fulfilled by Macquarie.

Until completion of the Internalisation, Macquarie will continue to provide management services under its existing management arrangements. Thereafter, Macquarie will provide certain transitional services in relation to the period between completion of the Internalisation and 31 December 2010 (with a right, in MMG's sole discretion, to receive the services for a further 3 months for fees to be based on a cost-plus 15% methodology). The IBC has considered a detailed, bottom up, estimation of these incremental costs, which have been estimated at up to $4.5 million per annum.

(d) Potential head office disruption

Macquarie will continue to provide transitional services to MMG for a period after the completion of the Internalisation to assist MMG in achieving a smooth separation and transition to internalised management. However, the transition from external to internal management may cause a level of head office disruption.

There will also be a number of senior management changes in MMG following the security holder vote and completion of the Internalisation. Apart from the CEO and CFO, MMG will need to hire additional staff (including potentially from within the Macquarie executives currently providing services to MMG) to fill some head office functions. There is no assurance MMG will be able to replicate the functions which Macquarie provided as an external manager or the terms on which those functions may be made available.

(e) No certainty that internalisation of management will improve the market rating or security price of MMG securities

One of the key objectives of the Internalisation is to grow value for all security holders by addressing the gap between the MMG security price and the Boards' view of the underlying value of MMG's assets. While the IBC believes that the Internalisation (coupled with the other announced initiatives) will assist in reflecting the underlying asset values of MMG's businesses in the value of MMG securities, there is no guarantee that the MMG security price will increase. Furthermore the MMG security price may be affected by other factors that are unrelated to the Internalisation such as performance of the underlying assets and movements in the overall equity markets.

(f) Conditions may not be satisfied

Internalisation is subject to satisfaction of various conditions, which may or may not be satisfied (see Section 5.5).

(g) Removal of Macquarie branding

MMG is currently branded with the "Macquarie" name and corporate logos. If the Internalisation is implemented, MMG will cease to use the "Macquarie" name and logos and MMG and its businesses will be renamed and re-branded. There can be no certainty as to the impact that may have on the MMG security price.

(h) Reduced association with Macquarie

If the Internalisation is approved, the level of day to day interaction with Macquarie personnel and general access to Macquarie resources and services will reduce. We also note that historically Macquarie has been a source of acquisition opportunities for MMG and due to both the management arrangements and its security holding it has been in its interests to make media transactions available to MMG. If the Internalisation proceeds Macquarie will continue to be a major security holder in MMG and on this basis will continue to be interested in the success of MMG. However, with the cessation of management arrangements, MMG may not enjoy the same access to acquisition opportunities from the Macquarie networks as has historically been the case.

(i) MMG tax losses

Under current law, MMG's ability to recoup its current tax losses should not be impacted by the Internalisation, however, under proposed changes to taxation laws, MMG's ability to recoup its current tax losses may be impacted. The form of these proposed changes has not yet been finalised and hence it is difficult to be definitive on their likely impact. MMG's carry-forward tax losses as at 30 June 2009 are approximately $36.8 million.

If the Internalisation does not proceed:

(j) No Corporatisation

If the Internalisation does not proceed, the Corporatisation will not occur and as such the benefits of a simplified corporate structure will not be obtained.

(k) Impact on management fees

The effect of the application of the net proceeds of the Entitlement Offer and certain available parent level cash to reduce MSCM net debt is expected to lead to higher base management fees under the management arrangements with Macquarie as it will likely increase the Net Investment Value.

(l) Reliance on the manager

Security holders must rely on the judgement of MMML and, in particular, on the judgement of its respective principals and officers to advise on the conduct and affairs of MMG. MMG's success depends, in some part, on the performance of the manager. Because Macquarie provides the personnel to the manager of MMG, the loss of any key personnel by Macquarie as a whole could potentially materially affect the manager's ability to effectively manage MMG. In addition, as such personnel will have been provided to MMML or MMG on a non-exclusive basis, there can be no assurance that such personnel or resources will be available at the times and to the extent required by MMG.

(m) Removal of manager and termination of the Asset Advisory Agreement

In the event that the Macquarie manager is removed (other than as part of the Internalisation), a Macquarie entity will still be entitled to provide advisory services to MSCM (via the Asset Advisory Agreement) in addition to any fees payable to the incoming manager under the MMT constitution. This is likely to make it less likely that any control transaction for MMG would occur (and any associated control premium would be payable) without the consent or approval of Macquarie. See Section 5.12 for more information.

11.4 Risk factors relating to Macquarie being MMG's major security holder and manager

(a) Macquarie's voting power may increase as a result of the Entitlement Offer

Macquarie's voting power in MMG is currently 26.5%, including a Principal Holding of 24.8%. This voting power may increase up to a maximum of approximately 45% to the extent that Macquarie is obliged to take up shortfall securities under the Entitlement Offer. MMG has sought to address this issue through the appointment of a joint underwriter, RBS, and through an appropriate shortfall dispersion process as described in Section 4.14.

(b) Macquarie's stake in MMG

Following completion of the Entitlement Offer, Macquarie will have a Principal Holding of at least 24.8% of the MMG stapled securities. Macquarie has confirmed to MMG that it has no current intentions with respect to its Principal Holding in MMG. If Macquarie sells or is perceived as intending to sell a substantial number of MMG securities, the market price of MMG securities could be adversely affected. The Macquarie holding in MMG may prevent or facilitate a third party obtaining control of MMG.

In addition, Macquarie could seek to increase its stake in MMG through acquisitions permitted under the 3% creep or otherwise in a manner permitted under the takeover laws to take control of MMG. Given its existing stake, it may be that Macquarie does not need to make a takeover offer or implement a scheme of arrangement to achieve a practical level of commercial control or at least influence over MMG.

(c) Macquarie as a Relevant Person under the Broadcasting Services Act

Section 11.5(f) below sets out certain risks concerning persons deemed to be controllers of MMG for the purposes of the Broadcasting Services Act. Macquarie is treated as a Relevant Person for the purposes of the Broadcasting Services Act. This has the result that conduct that may be engaged in by Macquarie can have regulatory consequences for MMG even though MMG has no right to control the conduct of Macquarie. For further details see Section 11.5(f).

11.5 Risk factors inherent to media investments

(a) Media industry downturn and change

The media industry is driven by a number of factors, including economic growth, population growth, technological changes and applicable regulation. Each of these factors is in turn influenced by a number of different factors, most of which are outside of the control of MMG. Changes in any of, or the expectations relating to, these factors or other factors which affect the media industry may have a material adverse effect on MMG's financial performance and position.

(b) Exposure to the advertising cycle

MMG's revenues and earnings are predominantly derived from advertising in television and radio broadcasting and online platforms with respect to MSCM and from advertising in newspapers with respect to ACM. MMG is therefore leveraged to fluctuations in the advertising markets in regional Australia and the United States. This in turn is influenced, in part, by the general condition of the economy which by its nature is cyclical and subject to change. Advertising expenditure in any market is dependent on a number of factors including advertising market conditions, gross domestic product growth and overall economic performance. A prolonged downturn in the advertising market may adversely impact MMG's financial performance and position.

(c) Competition in the media sector

The media sectors in Australia and the United States can be competitive, with a number of operators competing for market share through similar, the same or substitute products. The competitive landscape can be affected by a number of external factors such as the impact of government policies, changes in technologies and the emergence of competitive platforms. MMG faces competition from both traditional media groups and other media companies utilising new technologies including cable, satellite, online, mobile and other distribution platforms. The actions of an existing competitor or the entry of new competitors or the issue of new broadcasting licences in either a media sector in which MMG operates or generally may have an adverse effect on MMG's financial and operating performance.

(d) Technology risk and audience fragmentation

The media sector is subject to rapid and significant change in technology and the impact of this change on MMG and its businesses cannot be predicted. The cost of implementing emerging and future technologies could be significant. The development or anticipated development of new technology, or use, or anticipated use, of existing technology may have a material adverse effect on the financial performance and position of MMG. The increasing penetration of new technologies such as the internet, IPTV, mobile television, DVB-H and other portable media devices may impact on MSCM's radio and television operations by providing alternatives for consumers to obtain content.

(e) Regulatory risk

MMG may be affected by changes in government policy or legislation applicable to companies in the media sector in various geographies. There is a risk that MMG's returns from investments in media assets may be adversely affected by failure to comply with, or changes to, such regulatory regimes. Where applicable, MMG seeks to ensure that its investments have appropriate systems in place to minimise risks from non-compliance. Ownership in the television, radio and newspaper sectors is regulated in part in Australia by the provisions of the Broadcasting Services Act. The Broadcasting Services Act imposes restrictions on the ownership and control of commercial television broadcasting licences, commercial radio broadcasting licences and certain newspapers. MMG's ability to make further acquisitions in the Australian media sector will be subject to these provisions. Overall, changes in regulation in the media sector may have a material adverse effect on the financial performance and position of MMG.

(f) Risk that investors are deemed to be controllers of MMG investee companies holding licences under the Broadcasting Services Act

This risk only applies to persons (Relevant Persons) who are in a position to exercise control of MMG under the Broadcasting Services Act. The tests of control under the Broadcasting Services Act are complex and involve questions of legal and de facto control. Without limiting the circumstances under which control can be attributed under the Broadcasting Services Act, a Relevant Person will control MMG if it holds more than 15% of MMG securities. The constitutions of MMHL and MMT and the bye-laws of MMIL are subject to requirements of the Broadcasting Services Act, which impose certain conditions and restrictions on Relevant Persons holding interests in corporations that control commercial television and radio broadcasting licences under the Broadcasting Services Act. The purpose of these provisions in the constitutions is to provide an effective mechanism to ensure that Relevant Persons who are restricted from holding securities as a result of the provisions of the Broadcasting Services Act do not hold securities. Under the MMT and MMHL constitutions and the MMIL bye-laws, MMML (in its capacity as responsible entity of MMT), MMHL and MMIL may, in certain circumstances prescribed by the Broadcasting Services Act and the constitutions

of MMT and MMHL and bye-laws of MMIL, order the divestiture of MMG securities held by Relevant Persons to avoid breaching the requirements of the Broadcasting Services Act. A failure by a Relevant Person or a failure by MMG to comply with the requirements of the Broadcasting Services Act could lead to severe penalties, including the loss of a licence under the Broadcasting Services Act held by any MMG investee company.

(g) Change of law / Government action

There is a risk that the Government or a government agency will repeal, amend, enact or promulgate a new law or regulation, or that a government authority will issue a new interpretation of a law or regulation which may have a material adverse effect on MSCM's operations.

Industry regulation is currently being reviewed by the Government in the context of the National Broadband Network (NBN). The Government is also currently conducting a review of television anti-siphoning laws in Australia. It is impossible to predict what changes might be made to the regulatory framework in which MMG operates or how this might impact on MMG's business.

(h) Loss of licences / licence renewals

A loss of one or more television or radio broadcasting licence may have a material adverse effect on MMG, its business and prospects. MMG currently has no reason to expect and does not expect the cancellation of any of its licences.

Australian commercial television and radio broadcasting licences are valid for five years and are renewed by the ACMA upon application and payment of renewal fees. The ACMA will only refuse a licence renewal application if it decides the licensee is likely to commit an offence under the Broadcasting Services Act or breach the conditions of the licence. Although MSCM manages its operations in a manner designed to minimise the risk of licence cancellation, there is a risk the ACMA could refuse to renew one or more of MSCM's licences and this could have a material adverse effect on MSCM and therefore the financial performance and position of MMG.

(i) Analogue switch-off / Digital switchover

The Government timetable for switchover from analogue to digital television provides for a staggered transition through to the end of 2013 which may involve additional capital expenditure and operating costs for MSCM. In order to provide television services to underserved (or "blackspot") areas following analogue switch-off, the Government has proposed a regional satellite service solution which could offer an enhanced range of (non-commercially viable) services that may operate in direct competition with MSCM's services, including especially its Central Satellite Television Service.

(j) Multi-channelling

Commercial free-to-air broadcasters are currently permitted to provide one standard definition and one high definition multi-channel in addition to their primary channels. MSCM is providing the ONE multi-channel in markets where it has affiliation arrangements with Ten Network and has agreed to provide 7Two (the Seven multi-channel) in Tasmania where it has a program supply agreement with the Seven Network. In the absence of further review by the Government, the legislation currently provides that following the end of the simulcast period full multi-channelling will be permitted (with the only limitation being the amount of available spectrum). This could result in additional channels being made available by MSCM and its competitors and have a material impact on the market conditions in which MSCM currently operates.

(k) 4th FTA Television Licence

There is a statutory requirement for a review of new commercial television services (the fourth television licence) before 1 January 2012. The introduction of a fourth commercial television licence could cause audience fragmentation and consequently may reduce revenues to existing free to air licensees.

(l) Radio licences

It is for the ACMA to determine whether any new commercial radio broadcasting licences should be made available in accordance with planning criteria (subject to a six year moratorium on the allocation of digital radio licences to apply in a licence area once the digital radio start up date has been determined). In many of the licence areas where MSCM operates, current media ownership restrictions would prevent MSCM from bidding for any additional licences, thereby resulting in increased competition in those licence areas, reducing revenues.

(m) Digital radio

While digital radio services have commenced in the capital cities, there is currently no definitive timetable for the introduction of digital radio across regional Australia. The commencement of digital radio broadcasting in regional Australia will be determined by the ACMA.

There is a risk that the introduction of digital radio into regional markets will cause substantial change and may result in commercial radio operators being required to incur substantial capital expenditure to invest in the infrastructure necessary for digital radio broadcasting. There is a risk that the introduction of digital radio could impact the capital expenditure commitments and operating expense profile of MSCM if not offset by appropriate subsidy from Government and therefore have a material adverse effect on the financial performance and position of MMG.

(n) National Broadband Network

On 7 April 2009, the Government announced plans to establish a new company to build and operate the NBN, which aims to connect 90% of all Australian homes, schools and workplaces with broadband services with speeds up to 100 megabits per second. The NBN could result in viewers migrating from television to the online platform for movies, social networking, access to niche programming and new television-like services delivered over IP networks and hence adversely impacting MMG's earnings.

(o) Key supply agreements with Ten Network and Seven Network

The MSCM business relies on a large number of individual contracts and business alliances. Any circumstance which causes the early termination or non-renewal of one or more of its key business alliances or contracts, in particular MSCM's affiliation agreements with the Ten Network and its program supply agreements with Seven Network, could adversely impact on MMG, its business, operations, results and prospects.

(p) Trigger events

If there is any change to the controllers of the MSCM commercial television and radio broadcasting licences under the Broadcasting Services Act or those licences otherwise come to form part of another registrable media group, that will constitute a "trigger event" under the Broadcasting Services Act and mean that MSCM's regional radio licensees are required to meet minimum service standards for local news and information, submit new local content plans and maintain existing levels of local presence under the Broadcasting Services Act. This could result from circumstances beyond MMG's control and impose additional costs on MMG.

(q) Exposure to the United States economy

A proportion of MMG's revenue and earnings is derived from ACM, a specialist owner of community newspapers in the United States which is fully owned by MMG. As a result, an investment in MMG will include exposure to possible fluctuations in the United States economic cycle and other associated risks such as adverse movements in currency exchange rates and different regulatory and operating environments.

11.6 General business risks

(a) Divestment and acquisition activities

From time to time MMG evaluates acquisition and divestment opportunities. Any acquisition and/or divestment would lead to a change in the sources of MMG's earnings and could increase the volatility of its earnings. Acquisitions involve a number of special risks beyond MMG's control, including failure of the acquired business to achieve expected results, failure to identify material risks or liabilities associated with the acquired business prior to its acquisition, diversion of management's attention and the failure to retain key personnel of the acquired business, some or all of which could have a material adverse effect on MMG's business, cash flow and ability to pay distributions on the securities. In addition, failure to successfully integrate acquisitions or to maintain focus on existing operations may adversely impact MMG's business.

(b) Strategy execution

MMG may not be able to execute effectively the strategies for its businesses including identifying revenue opportunities, achieving cost savings and continuous operational improvements.

(c) Recruitment and retention of key personnel

The broadcasting and publishing industries are highly dependent on the talent, creative and sales abilities and technical skills of the personnel of the service providers and the relationships their personnel have with clients, listeners and viewers. MMG competes with other companies in the media sector to recruit and retain key executives and professional staff. There is no assurance that MMG will be able to recruit or retain skilled and experienced employees on acceptable terms. A loss of key personnel, or the inability to attract new qualified personnel, may detrimentally impact MMG's financial performance and position.

(d) Systems failure

Additionally, failure of any technology system such as those relied upon by MMG's television and radio broadcasting businesses, could result in business interruption, the loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect MMG's financial performance and position.

(e) Asset impairment risk

Under Australian Accounting Standards, certain assets such as licences and mastheads are held at cost and reviewed at least annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may be impaired. Intangible assets which are considered to have indefinite lives include goodwill and free to air television and commercial radio broadcasting licences in Australia and mastheads in the United States.

(f) ACM potential event of default

As indicated in Section 7.3, based on preliminary management estimates ACM will not be compliant with certain covenants under the ACM Facility at their next testing dates. 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 take enforcement action which may ultimately result in MMG losing beneficial ownership of ACM (Relevant Event). If a Relevant Event occurred, MMIL could 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$81.2 million. In the event of a Relevant Event, there may be an impairment charge against the carrying value of MMG's interests in ACM.

Individual assets that are subject to amortisation or depreciation are also reviewed for impairment whenever there are indicators of impairment, and at least annually. If there is a non-cash impairment in the carrying value of assets, changes to the carrying amounts of these assets of MMG could have an adverse impact on the reported financial performance and position of MMG in the period that any impairment charge is recorded and could increase the volatility of reported earnings.

(g) Risks related to changes in taxation law

Future changes in taxation law in Australia and the United States, including changes in interpretation or application of the law by the courts or taxation authorities in those countries, may affect the taxation treatment of an investment in MMG securities, or the holding or disposal of those securities. Changes may also impact upon MMG's tax position, which may impact the value of MMG securities. For example, see Section 10.2 for a potential change in law that may impact upon the ability of MMG to utilise its carry forward tax losses. Each security holder is encouraged to seek their own professional tax advice in connection with their investment and any application for new MMG securities under the Entitlement Offer. Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which MMG operates, may impact MMG's future tax liabilities.

(h) Litigation and legal risk

Legal and other claims or disputes may arise from time to time with respect to MMG or its operating businesses. There can be no assurance that any such dispute or claim will be covered by insurance cover held by MMG. Legal risks include, but will not be limited to customer claims, advertiser claims, defamation claims, environmental claims, personal injury claims, employment disputes, regulatory or government action and legal action from special interest groups. Any legal dispute or claim may have a material adverse effect on the financial performance and position of MMG.

(i) Foreign exchange and foreign country risk

MMG has operations in jurisdictions other than Australia (particularly the United States and Bermuda) and acquires goods and services in foreign denominated currencies and from entities outside Australia. The impact of such exchange rate risk cannot be predicted reliably. As such, MMG manages its exchange rate risks to minimise any adverse effect on its financial position. MMG's foreign exchange hedging policy permits the use of, and MMG does use, from time to time, derivative instruments such as forwards, swaps, currency options and foreign currency borrowings as hedges of foreign currency. MMG may have residual exposure, which may have a material adverse effect on MMG's future financial performance and position. To the extent that MMG invests outside Australia (particularly in relation to MMG's investment in ACM), security holders could be exposed to other risks associated with foreign investment. Such risks include differences in relative inflation and interest rates, less liquid capital markets with increased volatility, different regulatory and operating environments, variations in infrastructure required to support business activities, social and political instability or unrest and the risk of natural disaster. These risks may materially affect the value of foreign investments made by MMG (including ACM), which may affect its financial performance, financial position, cash flows, distributions, growth prospects and the trading price of securities.

(j) Future payment of distributions

MMG's future dividend or other distribution levels will be determined by the relevant Board(s) of MMG, having regard to the operating results and financial position of MMG. There is no guarantee that any dividend or other distribution will be paid or, if paid, that they will be paid at previous levels.

11.7 General risk factors

(a) Economic conditions

The performance of MMG may be influenced by changes in various general economic factors in Australia and the United States including, but not limited to:

- the response in Australia and the United States to the general financial situation;
- the current recession in the United States and risk of recession in Australia;
- level of economic activity and the resultant impact on advertising market conditions;
- unemployment levels and the amount of consumer discretionary spend;
- consumer and business sentiment;
- interest rates, inflation and currency exchange rates;
- labour costs;
- fiscal and monetary policy of central banks; and
- other changes in economic conditions which may affect the revenue or costs of MMG.

Material adverse changes to these general economic factors may have an adverse impact on the financial performance and position of MMG.

(b) General risks relating to equity investments and markets

Investors should be aware that there are risks associated with any investment in securities markets. Investors should recognise that the trading price of MMG securities may fall as well as rise with movements in the equity capital markets in Australia and internationally, and be driven by a number of factors, including some outside the control of MMG. Such factors include:

- economic conditions in Australia, the United States and elsewhere;
- general movements in local and international stock markets;
- investor sentiment in the Australian and international stock markets;
- changes in interest rates, exchange rates and the rate of inflation;
- changes in fiscal, monetary, regulatory and other government policies; and
- international hostilities.

It should be noted that there is no guarantee that the new MMG securities will trade at or above the Offer Price nor that there will at all times be sufficient buyers of MMG securities to enable their timely disposal or their disposal at a price which the seller may have expected to achieve. It should also be noted that the historic security price performance of MMG's securities provides no guidance as to its future security price performance.

Additional matters

12

12.1 Summary of material agreements

Summarised below are the material agreements which Macquarie, MMG and other relevant parties have entered into to give effect to the Entitlement Offer, the Internalisation and the Corporatisation. Further detail is included in Sections 12.2, 12.3 and 12.4.

(a) Entitlement Offer

(Underwriting Agreement) MMG and the Underwriters have entered into an underwriting agreement under which the Underwriters have agreed to underwrite the Entitlement Offer (other than in respect of Macquarie's Principal Holding of 24.8% of MMG securities). Refer to Section 12.2 for further details.

(b) Internalisation

(i) (Implementation Deed) This deed documents the process for the internalisation of the management of MMG including the termination of the existing management, asset advisory and intellectual property licensing arrangements, the approval of the security holder resolutions necessary to give effect to the Internalisation and the provision by Macquarie of certain transitional services. Refer to Section 12.3(a) for further details.

(ii) (Share Sale Agreement) This agreement provides for the sale of all of the shares in MMML to MMHL. Refer to Section 12.3(b) for further details.

(iii) (Transitional Services Deed) This deed documents the terms upon which Macquarie Capital Group Limited (MCGL) will provide transitional services to MMG following completion of the Internalisation until 31 December 2010 (plus a further 3 months if MMG elects) to facilitate the ongoing conduct of the business of MMG and to enable MMG to operate independently and separately from Macquarie as soon as practicable. Refer to Section 12.3(c) for further details.

(iv) (Funds Management Resources Agreement Supplemental Deed) This deed provides for the termination of the Funds Management Resources Agreement between MCGL and MMML. Refer to Section 12.3(d) for further details.

(v) (Intellectual Property Licence) Under this licence, MCGL grants to MMG, with effect from completion of the Internalisation, a perpetual, irrevocable, worldwide, non-exclusive licence to use certain materials relating to MMG. Refer to Section 12.3(e) for further details.

(vi) (Deed of Termination of MSCM Asset Advisory Agreement) This deed provides for the termination of the Asset Advisory Agreement. Refer to Section 12.3(f) for further details.

(c) Corporatisation

(Corporatisation Implementation Deed) This document sets out the process for the Corporatisation so that MMHL becomes the sole listed parent company of the MMG group, and MMT and MMIL become directly or indirectly wholly owned by MMHL. Refer to Section 12.4(a) for further details.

12.2 Entitlement Offer material contracts

Underwriting Agreement

The Entitlement Offer is underwritten by Macquarie Capital and RBS. The key terms and the termination events arising under the Underwriting Agreement are set out below.

(a) Summary of key terms

The Underwriting Agreement is between MMML (as responsible entity of MMT), MMHL and MMIL (together, Issuers) and the Underwriters, Macquarie Capital and RBS.

Under the Underwriting Agreement, the Underwriters agree to underwrite the Entitlement Offer (other than in respect of the securities held in a principal capacity by MMML and Macquarie Capital Group Limited (together, Cornerstone) (approximately 24.8%)).

The agreement is subject to a number of customary conditions precedent. Also included as a condition precedent is receipt of a commitment by the Cornerstone to participate in the Entitlement Offer for all of the Cornerstone securities.

The number of securities that an Underwriter can itself take up may also be restricted if certain events occur in relation to FATA, FIRB policy or Part 5 of the Broadcasting Services Act. If such an event occurs, the Underwriters must still pay the Issuers and continue to procure subscribers for those securities. Under the agreement, Macquarie Group Limited's voting power in MMG may also not exceed 45% (see Section 8.2 and footnotes 34-36 inclusive in that section).

In consideration for underwriting and managing the Entitlement Offer, the Issuers agree to pay to the Underwriters in equal proportion 2.50% of gross proceeds of the Entitlement Offer (ignoring Cornerstone proceeds), plus reasonable expenses.

The Issuers and the Underwriters each give certain representations and warranties. In addition, the Issuers agree to indemnify the Underwriters and parties associated with them in respect of certain loss suffered in connection with the Entitlement Offer (subject to certain limitations and exclusions).

An Underwriter may terminate any of its obligations under the Underwriting Agreement if any of the termination events set out below occur. A number of the termination events (marked with "*") only permit an Underwriter to terminate if, in its reasonable opinion, the event has or is likely to have a material adverse effect on the MMG group, the price of the Issuers' securities, or the Entitlement Offer, or the Underwriter will or is likely to contravene applicable laws. An insolvency event in relation to ACM, or a breach, amendment, waiver, termination or claim under any ACM debt facility cannot lead to a breach of representation or warranty, or give rise to a termination event, except in limited circumstances relating to breaches of US laws, or misleading, deceptive or incomplete disclosure of information.

(b) Termination events

Information*	The due diligence committee report or any information supplied by or on behalf of an Issuer to an Underwriter for the purposes of the due diligence investigations, the offer materials, or the Entitlement Offer, is false, misleading or deceptive (including by omission), in each case when considered in its final form and in the light of all other information so supplied in writing to the Underwriter before the date of the Underwriting Agreement.
Entitlement Offer Cleansing Statement	The Entitlement Offer cleansing statement is defective, or a corrective statement is issued or is required to be issued under the Corporations Act (as modified by ASIC Class Order 08/35).
New circumstance*	An obligation arises on the Issuers to give ASX a notice in accordance with section 708AA(12)(a) or 1012DAA(12)(a) of the Corporations Act (as included in the Corporations Act by ASIC Class Order 08/35).
Market Fall	The S&P/ASX 200 Index is: ■ at any time until 12 pm on the business day after the institutional closing date, lower than 90% of the level of that index as at the close of normal trading on ASX on the business day immediately preceding the date of the Underwriting Agreement (Starting Level); ■ at the close of normal trading on ASX on any business day from and including the date of the Underwriting Agreement until the first settlement date, lower than 85% of the Starting Level and remains at or below that level for at least 2 consecutive business days; or ■ at the close of normal trading on ASX on any business day from and including the first settlement date until the second settlement date, lower than 85% of the Starting Level and remains at or below that level for at least 2 consecutive business days.
Adverse change*	Any adverse change, or development (including but not limited to any regulatory change but excluding a change or development that the Underwriters are aware of, or would reasonably be expected to be aware of based on written material contained in the due diligence committee report (including its annexures, supporting documents and work papers to the extent provided to the Underwriters in the course of the due diligence investigations), as a result of the Corporatisation and Internalisation proposals) in the condition, financial or otherwise, or in the assets, liabilities, business, operations, management, profits, losses or prospects of the material group members taken as a whole.
Misleading disclosure	A statement contained in the offer materials is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive or a matter required to be included (having regard to the requirements of sections 708AA and 1012DAA the Corporations Act) is omitted from the offer materials, other than, in each case, an immaterial statement or omission.
Future matters*	Any estimate or expression of opinion, belief, expectation or intention, or statement relating to future matters (including any forecast or prospective financial statements, information or data or the assumptions or sensitivity in relation thereto) in any offer materials is or becomes incapable of being met.
Change of law*	There is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to prohibit or adversely affect or regulate the Entitlement Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the offer securities.

Listing	Either: ■ MMG ceases to be admitted to the official list of ASX or the securities cease trading or are suspended from official quotation or cease to be quoted on the ASX (other than a trading halt requested by the Issuers and consented to (such consent not to be unreasonably withheld or delayed) to by the Underwriters to facilitate the Entitlement Offer); ■ ASX makes any official statement to any person, or indicates to the Issuers or the Underwriters that it will not grant permission for the official quotation of institutional acceptance securities, institutional shortfall securities or retail acceptance securities; or ■ if permission for the official quotation of institutional acceptance securities, institutional shortfall securities, retail acceptance securities or retail shortfall securities is granted before the date of allotment and issue of those offer securities, the approval is subsequently withdrawn, qualified (other than by way of customary conditions) or withheld.
Notifications	Either: ■ ASIC gives notice of an intention to apply for an order under section 1324, 1324B or 1325 of the Corporations Act in relation to the Entitlement Offer or offer materials or to prosecute or impose a penalty on, or commence a proceeding against, the Issuers; or ■ an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Entitlement Offer or the offer materials; or ■ ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Entitlement Offer or the offer materials, and that intention, application, notice, investigation or hearing (as applicable) becomes public (other than by act or omission of an Underwriter, except where required by law or a regulatory body) or is not withdrawn within 2 Business Days after it is made or in any event before 2 pm on the second settlement date.
Withdrawal	An Issuer withdraws or indicates that it does not intend to proceed with the Entitlement Offer or any part of the Entitlement Offer or withdraws any of: ■ the Entitlement Offer cleansing statement; ■ the announcement released by the Issuer to announce the Entitlement Offer (including the investor presentation materials); ■ the announcement released by the Issuer regarding the completion of the institutional entitlement offer; ■ the announcement released by the Issuer regarding the issue of securities on the first issue date; or ■ the retail entitlement offer booklet.
Market disruption	Any of the following occurs: ■ a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or ■ trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading, in either case the effect of which is such as to make it, in the reasonable judgment of an Underwriter, impractical to promote the Entitlement Offer or to enforce contracts to allot and issue the offer securities.
Hostilities*	Hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, or Japan.
Political or economic conditions*	The occurrence of any adverse change or disruption to financial, political or economic conditions, currency exchange rates or financial markets in Australia, the United States or the United Kingdom or any change or development involving a prospective adverse change in any of those conditions or markets.

Warranties*	A warranty contained in the Underwriting Agreement on the part of an Issuer is untrue or incorrect when given or taken to be given or becomes untrue or incorrect.
Certificate	A certificate which is required to be furnished by the Issuers under the Underwriting Agreement is not furnished when required or is untrue, incorrect or misleading in a material respect.
Timetable	Any event specified in the Underwriting Agreement (including in the timetable) is: ■ to the extent that event is scheduled to occur before the first settlement date, delayed (other than delays where the event concerned nevertheless occurs on the same day on which it is scheduled to occur); or ■ to the extent that the event is scheduled to occur after the first settlement date, delayed for more than 2 business days, in both cases, without the prior written consent of the Underwriters.
Breach*	An Issuer fails to perform or observe any of its obligations under the Underwriting Agreement.
Compliance*	Either: ■ a contravention by an Issuer or any group member of the Corporations Act, a constitution (or equivalent applicable documents), or any of the Listing Rules, any applicable laws, or a requirement, order or request, made by or on behalf of the ASIC, ASX, NZSC or any government agency; or ■ any offer materials or any aspect of the Entitlement Offer does not comply with the Corporations Act, the Listing Rules, the ASIC Modifications, the ASX Waivers or any other applicable law or regulation.
Responsible Entity	The responsible entity (MMML) ceases to hold all necessary authorisations required by it to be the responsible entity of MMT or ceases to be the responsible entity of MMT, or MMT ceases to be a validly subsisting trust registered as a managed investment scheme in accordance with Chapter 5C of the Corporations Act or is terminated.
Change in board or management	A change in the CEO of MSCM, or a change in the board of directors of an Issuer occurs, except as notified to the Underwriters before the date of the Underwriting Agreement or disclosed in the offer materials.
Change of Control	A scheme of arrangement or reconstruction is announced by the Issuers except as notified to the Underwriters before the date of the Underwriting Agreement or disclosed in the offer materials.
Prosecution	Any of the following occurs: ■ a director of an Issuer is charged with an indictable offence relating to any corporate or finance matters or anything that involves fraud; ■ *any government agency commences any public proceedings against an Issuer or any director in their capacity as a director of an Issuer, or announces that it intends to take such action; or ■ any director of an Issuer is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.
ASX Waivers and ASIC Modifications	ASX withdraws or revokes the ASX waivers, or ASIC amends in a material respect the ASX waivers or the ASIC modifications, respectively.
Trading Halt	A trading halt ends before the expiry of the relevant period referred to in the timetable without the prior written consent of the Underwriters.

12.3 Internalisation material contracts

As stated above, MMG, Macquarie and other related entities have entered into an Implementation Deed and other agreements to give effect to the Internalisation. The Implementation Deed documents the process for the internalisation of the management of MMG which is currently conducted by MMML under the Management Services Agreements and MMT constitution, summaries of which are available on the MMG website (http://www.macquarie.com.au/mmg). A summary of the key terms of the Implementation Deed for the Internalisation is set out in Section 12.3(a).

Under the proposed Internalisation steps, MMHL will acquire the shares in MMML. That arrangement is documented in the Share Sale Agreement, the terms of which are also summarised in Section 12.3(b).

Copies of the Implementation Deed and Share Sale Agreement are available on the MMG website (http://www.macquarie.com.au/mmg).

(a) Implementation Deed

Parties	Macquarie Group Holdings No. 3 Pty Limited (MGH3), MMML, MMML as responsible entity of MMT, MMHL, MMIL, MDAA, MCGL and Macquarie Financial Holdings Limited (MFHL).
Background	The purpose of the Deed is to document the agreement between the parties to implement the Internalisation, specifically: ■ the termination of existing management, asset advisory and intellectual property licensing arrangements; ■ the approval of the Internalisation Resolutions; ■ the continued performance by MMML of its obligations under the Management Services Agreements, MMT constitution and Asset Advisory Agreement until completion of the Internalisation; ■ the provision of transitional services, intellectual property and employees under the Transitional Services Deed by MCGL to MMG until completion of the Internalisation; ■ to require MGH3, MMHL and MFHL to enter into an agreement for the sale of the shares in MMML to MMHL; and ■ the payment by MMG to MCGL of the Internalisation consideration.
Conditions	The Internalisation will not be implemented unless: ■ completion of the Entitlement Offer occurs; ■ the Independent Expert issues its report finding that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates and not changing its conclusion or withdrawing its report prior to the meetings of MMG security holders; ■ the MMG security holders pass the resolutions required to implement the Internalisation under ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act; ■ the conditions to the Share Sale Agreement have been satisfied or are otherwise of no effect.
Completion	Completion of the Internalisation under the Implementation Deed will not take place until 5 business days after the conditions to the Share Sale Agreement have been satisfied.
Consideration	After completion of the sale of MMML to MMHL, MCGL will receive $40.5 million in accordance with the Funds Management Resources Agreement as consideration for giving up its rights to future fees for the provision of resources to MMG through MMML and MDAA and for facilitating, structuring and co-operating with MMG in relation to the Internalisation and the provision of assets, services and resources to MMG and its subsidiaries.

Boards of MMG - Recommendations	The MMG Independent Directors will unanimously recommend the Internalisation subject to qualifications that no Superior Competing Transaction (as defined in paragraph 1.4 below) emerges and the Independent Expert opines that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates. MMG will use its best endeavours to include a statement in the Explanatory Memorandum that the Independent Directors will vote their MMG securities in favour of the MMG security holder resolutions. The Independent Directors will not change or withdraw a recommendation except if the Independent Expert opines that the Internalisation is not fair and reasonable to MMG security holders other than Macquarie and its associates or they determine in good faith acting reasonably that maintaining the recommendation would constitute a breach of director's fiduciary duties or statutory obligations.
Exclusivity	MMG has agreed to certain exclusivity provisions in relation to the Internalisation proposal. Those provisions (in substantively the same form as in the Deed) are as follows: **1.1 No solicitation** Subject to 1.3 below, until the conditions to the Internalisation are satisfied or waived, MMG will not (directly or indirectly), without Macquarie's prior written consent, through its director, officer, security holder, employee, representative, agent or adviser or any of their Related Bodies Corporate initiate, induce, solicit, invite or encourage another person to initiate a Competing Transaction (as defined in paragraph 1.4 below) or continue any existing Competing Transaction or negotiate the terms of a Competing Transaction with another person. **1.2 Notification of Competing Transaction** (a) Subject to 1.3 below, MMG must promptly notify Macquarie of any current or future Competing Transaction which the Independent Directors believe is reasonably likely to become a Superior Competing Transaction. (b) A notice given under 1.2(a) must be given in writing and must, subject to any applicable confidentiality obligations, state key details of the proposal (including the proposed price and the identity of the person making the proposal). **1.3 Exceptions to exclusivity provisions** The obligations imposed by 1.1 and 1.2 upon MMG and the Independent Directors do not apply if, after receiving written advice from their external legal and financial advisers, the Independent Directors determine in good faith and acting reasonably that complying with any of those obligations would or would be likely to constitute a breach of a director's fiduciary or statutory obligations (including because any Competing Transaction constitutes a Superior Competing Transaction or might reasonably be expected to become a Superior Competing Transaction). **1.4 Definitions** Competing Transaction means any proposal by a third party (including, but not limited to, by Macquarie or its Related Bodies Corporate) in relation to a transaction or arrangement under which if such transaction or arrangement is completed: (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in the whole or a part of the business conducted by MMG or MMG's assets or its Related Bodies Corporate; (b) a person would acquire (whether directly or indirectly) control of MMG within the meaning of section 50AA of the Corporations Act; (c) a person would acquire a relevant interest in, or voting power of, 50% or more of all MMG Securities on issue; (d) a person would otherwise acquire, or merge or amalgamate with, MMG or any of its Related Bodies Corporate; (e) MMG would be required to abandon or otherwise fail to proceed with the Transaction by whichever means; or (f) would result in a change of control of MMML, other than as contemplated by the Transaction.

Exclusivity (continued)	Superior Competing Transaction means a bona fide Competing Transaction received by MMG after the date of this Deed which the Independent Directors have determined, in good faith after consultation with and the receipt of advice from their external legal and financial advisers, is in their reasonable opinion: (g) reasonably capable of being completed, taking into account all aspects of the Competing Transaction and the person making it; and (h) more favourable to MMG Security Holders (as a whole) than the Transaction, taking into account all the terms and conditions of the Competing Transaction, provided that a Competing Transaction will not constitute a Superior Competing Transaction where it can be implemented simultaneously, concurrently, in conjunction with or in addition to the Transaction or where MMG is not required under the terms of the proposal to abandon or cease to proceed with the Transaction. For the avoidance of doubt, the MMG Corporate Restructure will not constitute a Competing Transaction. Note: Capitalised terms used in paragraph 1.4 have the same meaning as in the Deed. References to the Transaction should be read as references to the Internalisation.
Management fees	Immediately prior to the completion of the Internalisation, MMML will receive from MMHL an amount equal to the total of any accrued base fees payable to MMML under the Management Services Agreements and the MMT constitution up to the date of completion of the Internalisation. MMML will then pay that amount to MCGL.
Governance	From MMG security holder approval, MMML will not seek to exercise its rights to appoint directors of MMHL or MMIL which it has as the holder of the MMHL A Special Share and MMIL A Special Share nor dispose of those shares.
Acquisition of MMML shares and cancellation of A Special Shares	Upon completion MMHL will acquire MMML under the Share Sale Agreement. The MMHL A Special Share held by MMML will be cancelled for nil consideration if approved by shareholders by a special resolution and the MMIL A Special Share held by MMML will be redeemed for $1.
Use of "Macquarie" name	MMG must stop using the "Macquarie" name and the "MMG" ASX Code no later than 3 months from completion of the Internalisation.
Warranties	The parties provide the usual mutual warranties to each other in relation to status, capacity, authority, power and solvency.
Explanatory Memorandum Information	MMG takes responsibility for all of the information in the Explanatory Memorandum other than the Macquarie information and the Independent Expert's Report. MGH3 takes responsibility for the information MGH3 is required to include in the Explanatory Memorandum.
Maximum Claim	The maximum aggregate liability of MGH3 on the one hand and MMG on the other hand, under the Implementation Deed and the Transaction Documents is limited to the Termination Fee (being the fee payable under Funds Management Resources Agreement Supplemental Deed).
Macquarie Guarantee	The performance of MGH3's obligations is guaranteed by MFHL.
Termination Rights	MMG or MGH3 may terminate the Deed if: ■ any of the conditions are not fulfilled or waived by 10 December 2010; ■ the Internalisation Resolutions are not passed; ■ the Share Sale Agreement is terminated; ■ a majority of the Independent Directors change or withdraw their recommendation prior to the meetings of MMG security holders; or ■ there is a temporary restraining order or injunction preventing any aspect of the Internalisation. MMG may terminate if there is a prescribed occurrence in relation to MMML in its personal capacity or there is a material breach of MGH3's warranties or obligations under the Deed. MGH3 may terminate if there is a material breach of MMG's warranties or obligations under the Deed.
Employees	MMG may solicit or encourage those officers or employees of Macquarie who have been engaged in working for MMG to accept employment with MMHL with effect from completion of the Internalisation. MGH3 must not discourage any such persons from accepting an offer from MMG and must not poach employees who transfer to MMG for a period of 12 months after completion.

Directors' Releases	Each of MGH3 and MMG/MMML releases the directors, officers or employees of the other in connection with any breach of any representations and warranties or disclosures containing any statement which is false or misleading provided that the director, officer or employee has not acted fraudulently, dishonestly or in breach of trust.
Notification and consent requirements	From signing to completion, MGH3 must ensure that each of the Macquarie entities that is a controller of the MSCM regional commercial radio broadcasting licences at the date of the Deed continues to be a controller of those licences and that no new Macquarie entity becomes a controller of those licences for the purposes of the Broadcasting Services Act. From completion of the Internalisation, MGH3 will consult with MMG before doing anything which might have such an effect. These provisions do not prevent Macquarie dealing with, or disposing of, any MMG securities, and only apply for so long as Macquarie is a controller of the MSCM licences.

(b) Share Sale Agreement

Parties	MGH3, MMHL and MFHL
Background	The purpose of the Agreement is to provide for MGH3's sale of all of the shares in MMML to MMHL.
Conditions	The sale of the shares in MMML to MMHL is conditional upon: ■ either all consents and waivers required under the MSCM Facility are granted, or the MSCM Facility is refinanced or amended on terms without an event of default/review event or the facility otherwise becoming due and payable; ■ until the later of the satisfaction of the other conditions and 12:01 am on 1 July 2010, either all consents and waivers required under the ACM Facility are granted, or the ACM Facility is refinanced or amended on terms without an event of default or otherwise be coming due and payable; and ■ the conditions of the Implementation Deed (other than the condition relation to satisfaction of the conditions to the Share Sale Agreement) are satisfied or waived and the Implementation Deed has not been terminated.
Consideration	The consideration for the sale of the MMML shares to MMHL is $50,000. MGH3 is required to deliver MMML on completion with net assets of $50,000.
Conduct of business prior to completion	Customary restrictions on the conduct of the business and other activities of MGH3 and MMML apply prior to completion.
Warranties	MMHL provides warranties in relation to its authority to enter into the Agreement, its solvency, and its knowledge of breach of warranties. MGH3 provides customary warranties in relation to capacity, title to shares, compliance with law, finance statements, assets, contracts, employees, business, information, insurance and litigation.
Limitations of warranties	The Agreement is subject to customary qualifications on warranties and liability expected in a transaction of this nature.
Tax indemnity	MGH3 indemnifies MMG in relation to all matters pertaining to the payment, assessment, and reporting of the tax affairs of MMML pre-completion of the Internalisation.
Release of guarantee	MMHL will ensure that MMML is capitalised up to $5 million on completion of the Internalisation. If MMHL and MGH3 are unable to obtain a release of a Macquarie entity from liability under a Macquarie guarantee, from completion of the share sale MMHL will indemnify that member against any liability arising under that Macquarie guarantee.
Macquarie Guarantee	The performance of MGH3's obligations under the Agreement is guaranteed by MFHL.
Termination Rights	The Agreement automatically terminates if any of the conditions are not fulfilled or are incapable of being fulfilled by 10 December 2010, or the Implementation Deed is terminated. MMHL may terminate the Agreement before completion of the share sale if there is a breach by MGH3 of warranties which would give rise to a claim exceeding various specified amounts unless MGH3 has indemnified MMHL in respect of that breach to MMHL's satisfaction.

(c) Transitional Services Deed

Parties	MMML as responsible entity of MMT, MMHL, MMIL and MCGL
Background	The purpose of the Deed is to document the agreement between the parties upon which MCGL will provide transitional services to MMG for a period following completion of the Internalisation to facilitate the ongoing conduct of the business of MMG and to enable MMG to operate independently and separately from Macquarie as soon as practicable after completion of the Internalisation.
Services	Macquarie must provide the following services from completion of the Internalisation to 31 December 2010: ■ Interim Support Services: including if requested by MMG, interim premises for a period of 60 days on and from the date of completion of the Internalisation; financial reporting, accounting and tax; compliance and risk management; information technology; human resources; public affairs and communication; communication and marketing; business management; treasury; company secretarial and legal; and the provision of quarterly economic forecasts developed by Macquarie Capital Funds Limited; and ■ Separation Services: including in relation to premises; information technology; compliance/risk management; tax and accounting; and human resources, (the Services).
Price and Payment	MMG will pay MCGL for out of pocket expenses and, if the term is extended by MMG, fees based on a cost-plus 15% methodology for an extended period of up to 3 months.
Indemnity and liability	MCGL indemnifies MMG for breach in connection with the provision of compliance and risk management services, and the gross negligence, fraud, wilful misconduct, recklessness or dishonesty of MCGL and its employees, agents etc. MCGL's aggregate liability under the Deed is capped at $1.7 million. MMG indemnifies MCGL against liabilities or claims arising out of the provision of the Services, except where caused by the breach of the Deed by Macquarie, its employees, agents etc.
Termination Rights	MMG may terminate the Deed (either in whole or in relation to any services) if MCGL commits a material breach of the Deed, if an insolvency event occurs in relation to MCGL or at any time on 7 days' notice. MCGL may terminate the Deed if MMG commits a material breach of the Deed or if an insolvency event occurs in relation to MMG.

(d) Funds Management Resources Agreement Supplemental Deed

The Supplemental Deed terminates the Funds Management Resources Agreement between Macquarie and MMML with immediate effect after MMHL acquires the shares in MMML. MMML will pay Macquarie $40.5 million as consideration for Macquarie agreeing to terminate and forgo its rights under the Funds Management Resources Agreement as well as the matters listed in clause 4.2 of the Implementation Deed which include facilitating, structuring and cooperating with MMG in relation to the Internalisation.

(e) Licence of Intellectual Property

From completion of the Internalisation, Macquarie grants to MMG a perpetual, irrevocable, worldwide non-exclusive licence to use, amongst other specified licensed materials, all materials (including documents, operating manuals, software, financial models, tax models and related data) in the worksite database of MMG in the information systems maintained by Macquarie including the MMG internal financial model.

(f) Deed of Termination of MSCM Asset Advisory Agreement

Provides for the Asset Advisory Agreement to be terminated. This document will be executed at completion of the Internalisation. MDAA releases MSCM from its obligations and liabilities to pay performance fees and base fees under the Asset Advisory Agreement.

(g) Other deeds of termination

Deeds of termination will also be entered into at completion of the Internalisation terminate a sub-advisory agreement between MMML and Macquarie Capital Funds Inc, a reimbursement agreement between ACM and Macquarie Capital Funds Inc and certain licences and sub-licenses pursuant to which MMG currently uses "Macquarie" trade marks.

12.4 Corporatisation material contracts

It is proposed that, following the Internalisation, MMG undergo a corporate restructure (the Corporatisation) so that MMHL becomes the sole listed parent company of the MMG group and MMT and MMIL come to be directly or indirectly wholly owned by MMHL. MMG and MMML (in its personal capacity and in its capacity as responsible entity of MMT) will enter into a Corporatisation Implementation Deed to give effect to the Corporatisation.

(a) Corporatisation Implementation Deed

Parties	MMML, MMML as responsible entity of MMT, MMHL, MMIL and MDAA.
Background	The purpose of the Corporatisation Implementation Deed is to document the agreement between the parties to implement a Corporatisation of MMG so that MMHL becomes the sole listed parent company of the MMG Group and MMT and MMIL come to be directly or indirectly wholly owned by MMHL, to take effect after completion of the Internalisation.
Conditions	The Corporatisation will not be implemented unless and until: ■ completion of the Internalisation occurs; ■ the passing of the necessary MMG security holder resolutions to effect the Corporatisation; ■ the proposed Bermudan scheme of arrangement between MMIL and MMIL shareholders has become effective; ■ all necessary ASIC and ASX relief required to effect the Corporatisation is granted; ■ either all consents and waivers required under the MSCM Facility are granted, or the MSCM Facility is refinanced or amended on terms without an event of default/review event or the facility otherwise becoming due and payable; and ■ until the later of the satisfaction of the other conditions and 12:01 am on 1 July 2010, either all consents and waivers required under the ACM Facility are granted, or the ACM Facility is refinanced or amended on terms without an event of default or otherwise becoming due and payable; and ■ there are no restraining orders, injunctions or other orders preventing any aspect of the Corporatisation.
Obligations to implement Corporatisation	Each of MMML as responsible entity of MMT, MMHL and MMIL must execute all documents and do all things necessary for the implementation and performance of the Corporatisation. This includes: (a) convening meetings for the purposes of obtaining all necessary security holder resolutions; (b) applying for a Court order to convene the meeting of MMIL shareholders; (c) preparing and lodging all documents required under the Corporations Act, Listing Rules and Bermudan Companies Act 1981; and (d) commencing any Court proceedings and seeking all Court orders necessary to implement the Corporatisation. MDAA is a party to the Corporatisation Implementation Deed to agree to execute all necessary documents to terminate the Share Stapling Deed (subject to relevant security holder approval).

12.5 Employment contract for Rhys Holleran

Rhys Holleran has entered into a conditional employment contract with MMHL which provides for him to be employed by MMHL with effect from completion of the Internalisation and continue as CEO of the post-Corporatisation MMG group. Mr Holleran's employment by MMHL is conditional upon Mr Holleran entering into a comprehensive employment contract on terms agreed with MMHL and his employment with the Macquarie coming to an end.

If the Internalisation occurs, but not the Corporatisation, MMG will continue to be a triple-stapled structure and Mr Holleran will be the CEO of MMG including each of MMHL, MMIL and MMML in its capacity as responsible entity of MMT.

The key terms of his employment contract will be as follows:

- Recognition of prior service with Macquarie reflecting his accrued entitlement subject to certain conditions.
- Fixed remuneration of $430,000 per annum (adjusted each 30 June for CPI increases) plus 9% superannuation guarantee contributions.
- Mr Holleran will be reimbursed for or provided with a fully maintained motor vehicle and reimbursed in respect of his home telephone, mobile phone and broadband line on terms determined by MMHL from time to time.
- An annual short term incentive bonus may be payable of not less than 0.25% of MMG's EBITDA plus 3% of organic EBITDA increase over the prior financial year adjusted for the financial year ended 30 June 2009 for the Internalisation (for the purposes of these calculations, MMG's EBITDA will exclude the ACM business).
- Each annual bonus will be paid as soon as possible after MMG's annual accounts are audited in respect of the relevant financial year and in any case no later than 30 October each year.
- If MMHL terminates Mr Holleran's employment with notice or by making a payment in lieu of notice after itself giving notice prior to the end of a financial year, Mr Holleran will be entitled to a pro-rata share of any annual bonus that would have been payable for that financial year.
- If Mr Holleran terminates his employment with notice, or MMHL terminates Mr Holleran's employment summarily for serious misconduct or by making a payment in lieu of notice after Mr Holleran has given notice prior to the end of a financial year, Mr Holleran will not be entitled to a pro rata share of any annual bonus that would have been payable for that financial year.
- If Mr Holleran's employment terminates after the end of a financial year (other than summarily for serious misconduct), but before the payment date for any annual bonus, Mr Holleran will receive the annual bonus payable for the previous financial year. Mr Holleran will not be entitled to receive a bonus payment if his employment is terminated summarily for serious misconduct.
- Mr Holleran will be invited to participate in any long term incentive arrangements which are implemented by MMHL.
- Any termination payments or benefits that Mr Holleran may be entitled to receive in connection with the termination of this employment will be subject to applicable law and any other requirements applicable to MMHL as his employer, from time to time.
- Mr Holleran's performance will be reviewed in accordance with a formal review process.
- Mr Holleran may terminate his employment on 6 months' notice and MMHL may terminate Mr Holleran's employment on 12 months' notice.

12.6 Summary of rights and liabilities attaching to Media Holdco shares and description of other material provisions of Media Holdco's constitution

(a) Introduction

If the Corporatisation is implemented, MMG security holders will receive Media Holdco shares. These Media Holdco shares will subsequently be exchanged for MMHL shares.

The rights and liabilities attaching to ownership of Media Holdco shares arise from a combination of the Media Holdco Constitution, statute and the general law. A summary of the significant rights attaching to the Media Holdco shares and a description of other material provisions of the Media Holdco Constitution relevant to the Corporatisation process is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of shareholders.

(b) Voting at a general meeting

At a general meeting of Media Holdco, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each share held.

(c) Meetings of members

Each shareholder is entitled to receive notice of, attend and vote at general meetings of Media Holdco and to receive all notices, accounts and other documents required to be sent to shareholders under the Media Holdco Constitution and the Corporations Act.

(d) Dividends

The board of Media Holdco may from time to time resolve to pay dividends to shareholders out of the profits of Media Holdco and fix the amount of the dividend, whether the dividend is franked, the franking percentage and the franking class, the time for determining entitlements to the dividend and the timing and method of payment.

(e) Transfer of Shares

Shares may not be transferred to any person other than MMHL, and the board of Media Holdco must refuse to register any transfer of shares unless the transferee is MMHL.

(f) Issue of further Shares

Subject to the Corporations Act, and any rights and restrictions attached to a class of shares, Media Holdco may issue, or grant options in respect of further shares on such terms and conditions as its directors resolve.

(g) Winding up

If Media Holdco is wound up, then subject to any rights or restrictions attached to a class of shares, any surplus must be divided among Media Holdco's members in the proportions which the amount paid (including amounts credited) on the shares of a member is of the total amount paid and payable (including amounts credited) on the shares of all members of Media Holdco.

(h) Share buy-backs

Subject to the Corporations Act, Media Holdco may buy back shares in itself on terms and at times determined by the Board.

(i) Variation of class rights

Media Holdco's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled by special resolution of shareholders and:

- with the consent in writing of the holders of three quarters of the issued shares included in that class; or
- with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

(j) Directors – appointment and removal

Under the Media Holdco Constitution, the minimum number of directors that may comprise the board is three and the maximum is fixed by the directors but may not be more than 12 unless the shareholders pass a resolution varying that number. Directors are elected at annual general meetings of Media Holdco.

(k) Directors – voting

Questions arising at a meeting of the board will be decided by a majority of votes of the directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

(l) Directors – remuneration

The directors, other than any executive director shall be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by Media Holdco in general meeting. The Media Holdco Constitution also makes provision for Media Holdco to pay all reasonable expenses of directors in attending meetings and carrying out their duties.

(m) Indemnities

Media Holdco, to the extent permitted by law, indemnifies each director against any liability incurred by that person as an officer of Media Holdco or its subsidiaries, and legal costs incurred by that person in defending an action for a liability of that person.

Media Holdco, to the extent permitted by law, may make a payment (whether by way of advance, loan or otherwise) to a director in respect of legal costs incurred by that person in defending an action for a liability of that person. Media Holdco, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a director against any liability incurred by that person as an officer of Media Holdco or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person.

Media Holdco, to the extent permitted by law, may enter into an agreement or deed with a director or a person who is, or has been an officer of Media Holdco or its subsidiaries, under which Media Holdco must do all of the following:

- keep books of Media Holdco and allow either or both that person and that person's advisers access to those books on the terms agreed;
- indemnify that person against any liability incurred by that person as an officer of Media Holdco or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person; and
- make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs incurred by that person in defending an action for a liability of that person.

(n) Amendment

The Media Holdco Constitution can only be amended by special resolution passed by at least three quarters of shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of Media Holdco.

(o) Transfer of shares to MMHL

If Media Holdco receives:

(i) a notice from MMHL requiring Media Holdco to transfer all Media Holdco shares to MMHL; and

(ii) a deed poll duly executed by MMHL in favour of all Media Holdco shareholders agreeing to issue to them a very large number of MMHL shares, in a ratio to be determined at the relevant time, for every one Media Holdco share[35],

all of the Media Holdco shares will be transferred to MMHL without the need for any further act by any Media Holdco shareholders (other than acts performed by Media Holdco as attorney or agent of the Media Holdco shareholders) and Media Holdco will execute a master transfer on behalf of all Media Holdco shareholders; will deliver the master transfer to MMHL and will enter the name of MMHL in the register in respect of all Media Holdco shares.

12.7 ASX waivers

In order to conduct the Entitlement Offer, MMG has sought certain waivers from the Listing Rules. ASX has granted MMG waivers from Listing Rules 3.20, 7.1, 7.40 and 10.11 subject to a number of conditions including that:

- all security holders are offered their pro-rata share of the Entitlement Offer unless Listing Rule 7.7.1 would permit the security holder to be excluded from the Entitlement Offer;
- Offer Securities are offered under the Institutional Entitlement Offer and Retail Entitlement Offer at the same price and same ratio; and
- related parties do not participate beyond their pro-rata share other than under bona fide underwriting arrangements.

The waivers also allow MMG to ignore, for the purposes of determining those entitled to receive entitlements, transactions occurring after the announcement of the trading halt in MMG's securities (other than registrations of ITS (Integrated Trading System) transactions which were effected before the announcement) (post ex-date transactions).

35 If completion of the Corporatisation were to occur as at the date of this document the ratio would be 2234 MMHL shares for every one Media Holdco share.

Transactions ignored under this provision are to be ignored in determining holders and registered holders, and holdings and registered holdings, of MMG securities as at the record date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired MMG securities in a post ex-date transaction you will not be entitled to receive an Entitlement in respect of those securities.

12.8 ASIC modifications/exemptions

MMG has sought certain relief from ASIC in relation to the following sections of the Corporations Act in relation to the Entitlement Offer:

- sections 601FC(1)(d) and 601GAA(3)(g) as notionally inserted by ASIC Class Order 05/26, to allow the Entitlement Offer to fall within the requirements of that Class Order;
- section 1017E, to permit MMG to use a single bank account for application money received for new MMG securities; and
- section 1019A, to exempt the Entitlement Offer from the cooling-off requirements imposed by that section.

MMG also intends to seek from ASIC a modification of Item 7 of section 611 of the Corporations Act to permit MMG security holders to vote an acquisition resolution in relation to the Corporatisation (see Section 6.10).

12.9 Interests of MMG directors

The directors intend to vote the securities they own or control in favour of all of the resolutions, except where they are not permitted to cast a vote (under the voting exclusions which will be contained in the Explanatory Memorandum).

Director	Number of MMG securities held as at 27 October 2009
Max Moore-Wilton	688,517
Michael Carapiet	309,050
Tony Bell	70,000
Michael Hamer	0
Leon Pasternak	359,849
Michael Leverock	0
Bob Richards	0
Chris de Boer	40,000
John Roberts (alternate director)	500,000

12.10 Other material information

Except as disclosed elsewhere in this document, the MMG entities are not aware of any other information that is:

- material to the making of a decision by a security holder whether to apply for the Entitlement Offer securities;
- known to MMG; and
- not previously disclosed to MMG security holders.

12.11 Governing law

This Investor Information Booklet is governed by the law applicable in New South Wales, Australia.

12.12 Financial data

All dollar values in this Investor Information Booklet are in Australian Dollars (A$) unless otherwise stated.

Glossary

13

$	Australian Dollars
ACM	American Consolidated Media, LLC
ACM Facility	The credit agreement between ACM, Royal Bank of Canada, RBC Capital and others dated 29 June 2007 (as amended)
ACMA	The Australian Communications and Media Authority
Adjusted NPAT	NPAT excluding the impact of non-cash and fair value items such as impairment charges, changes in the fair value of derivatives and other items which are non-recurring
Asset Advisory Agreement	The asset advisory agreement dated 18 October 2005 between MDAA and MSCM, as amended from time to time
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691
Australian Accounting Standards	The requirements of the Australian Accounting Standards (including Australian equivalents to International Financial Reporting Standards), other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views, the requirements of the Corporations Act in relation to the preparation and content of accounts and, to the extent that any matter is not covered by them, means generally accepted accounting principles applied from time to time in Australia
Boards of MMG or MMG Boards	The boards of each of MMHL, MMML as responsible entity of MMT and MMIL
Bookbuild	The bookbuild to be conducted in connection with the Entitlement Offer as described in Section 4.9, pursuant to which certain Institutional Investors (which may include Eligible Institutional Security Holders) will be invited to bid, at various possible prices, for Offer Securities not taken up by Eligible Security Holders or which would have been offered to Ineligible Security Holders had they been entitled to participate in the Entitlement Offer
Broadcasting Services Act	Broadcasting Services Act 1992 (Cth)
CHESS	Clearing House Electronic Subregister System

Clearing Price	has the meaning set out in Section 4.9
Corporations Act	Corporations Act 2001 (Cth)
Corporatisation	The proposed restructure of MMG pursuant to which MMHL will become the sole listed parent company of the MMG group and MMT and MMIL will come to be directly or indirectly wholly owned by MMHL
Corporatisation Conditions	The conditions to the Corporatisation Implementation Deed
Corporatisation Implementation Deed	The deed between MMML, MMML as responsible entity of MMT, MMHL, MMIL and MDAA under which the parties agree to undertake the Corporatisation and various related matters
Corporatisation Resolutions	The De-Stapling Resolutions, the Share Scheme Resolution, the Trust Scheme Resolutions and the resolutions to approve the issue of MMHL shares and the Share Consolidation
Court	The Bermuda Supreme Court
DCF	Discounted cash flows
De-Stapling Resolutions	In respect of MMT, MMIL and MMHL, the resolutions of MMT unitholders, MMIL shareholders and MMHL shareholders to approve the de-stapling of MMG securities and to amend the MMT constitution, the MMIL bye-laws and the MMHL constitution to remove the stapling provisions
EBITDA	Earnings before interest, taxes, depreciation and amortisation
Eligible Institutional Security Holder	has the meaning given in Section 4.11
Eligible Retail Security Holders	has the meaning set out in Section 4.12
Eligible Security Holders	Eligible Institutional Security Holders and Eligible Retail Security Holders
Entitlement	The right of certain MMG security holders to subscribe for MMG securities pursuant to the Entitlement Offer
Entitlement Offer	The 1 for 1 single bookbuild renounceable entitlement offer at the subscription price of $1.55 per security proposed to be conducted by MMG
Explanatory Memorandum	The notices of meetings and explanatory memorandum (including any supplement to it or replacement of it) to be prepared by MMG and despatched to MMG security holders which contains: ■ the Internalisation Resolutions and the ancillary resolutions; and ■ the information regarding the transaction required by the Corporations Act, the Bermudan Companies Act 1981, the Listing Rules and applicable policies of ASIC and ASX.
FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth)
FIRB	Foreign Investment Review Board
GAAP	Generally Accepted Accounting Principles
IBC	The independent board committees of MMHL, MMIL and MMML collectively
Implementation Deed	The implementation deed dated on the date of this document between MGH3, MMML, MMML as responsible entity of MMT, MMHL, MMIL, MDAA , MFHL and MCGL.
Independent Directors	The independent directors of MMIL, MMHL and MMML. MMG applies the standards of independence required by the Macquarie Funds Management Policy, which have been adopted by MMG and are described in Annexure 2
Independent Expert	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
Independent Expert's Report	The report prepared by the Independent Expert to be provided to the independent directors of MMG and MMG security holders providing an opinion whether the Internalisation, including any consideration payable to Macquarie, is fair and reasonable to those security holders other than Macquarie and its associates

Ineligible Overseas Security Holder	has the meaning set out in Section 6.5(b)
Ineligible Security Holder	A security holder that: ■ is not an Eligible Retail Security Holder; ■ is not an Eligible Institutional Security Holder; or the Underwriters and MMG agree will be an Ineligible Security holder for the purposes of the Entitlement Offer
Institutional Entitlement Offer	The pro-rata entitlement offer of securities to institutional security holders and Institutional Investors under the Entitlement Offer
Institutional Investor	A person who warrants or represents to an Underwriter that they are a person: ■ if in Australia, who is an "exempt investor" as defined in ASIC Class Order 08/35; or ■ in any other case, to whom offers of new MMG securities may lawfully be made without the need for a lodged product disclosure statement, prospectus or other disclosure document or other lodgement, registration, filing with or approval by a government agency (other than one with which MMG is willing to comply), and in an "offshore transaction" in compliance with Regulation S
Internalisation	The proposed transaction pursuant to which the management of MMG will be internalised through a process involving the acquisition of the shares in MMML by MMHL, the cessation of the management arrangements between MMG and Macquarie and the provision of transitional services by Macquarie as described in Section 5
Internalisation Resolutions	The resolutions under Listing Rule 10.1 and Part 2E of the Corporations Act to be put to MMG security holders at a special general meeting to facilitate the Internalisation
Joint Lead Managers	Macquarie Capital and RBS
Listing Rules	The Listing Rules of ASX Limited
Macquarie	Macquarie Group Limited ABN 94 122 169 279 and each of its related bodies corporate and, where the context requires, includes a reference to Macquarie Group Limited acting through one or more of its wholly owned subsidiaries
Macquarie Capital	Macquarie Capital Advisers Limited ABN 79 123 199 548
Macquarie Information	The information in relation to Macquarie and its associates that has been prepared by Macquarie and provided to MMG for inclusion in this Investor Information Booklet being: ■ The definition of "Principal Holding"; ■ The information under the heading "References to Macquarie's holding in MMG Securities" of the Disclaimer and Important Notices Section and all equivalent statements in this Investor Information Booklet relating to the Principal Holding and the quantum and nature of Macquarie's holding, relevant interest and/or voting power in MMG securities; ■ The statements about Macquarie's intentions in relation to its Principal Holding; ■ The statement "Macquarie may consider whether it is appropriate for this condition to be retained" in Section 1.2 and all equivalent statements in this Investor Information Booklet; and ■ The statement "Macquarie intends to transfer the MMG securities currently held by MMML to another wholly owned subsidiary of Macquarie, MDAA, prior to completion of the Internalisation" in Section 8.4(d).
Management Services Agreements	The MMHL Management Services Agreement and the MMIL Management Services Agreement

Market Value	Market Value is the volume weighted average market capitalisation over the last 15 ASX trading days of each quarter
MBL	Macquarie Bank Limited ABN 46 008 583 542
MCGL	Macquarie Capital Group Limited ABN 54 096 705 109
MDAA	Macquarie Diversified Asset Advisory Pty Limited ACN 114 099 795
Media Holdco	A company to be incorporated as a subsidiary of MMHL which will acquire the units in MMT from MMT unitholders under the Corporatisation in exchange for Media Holdco Shares
Media Holdco Constitution	The constitution of Media Holdco as amended from time to time
Media Holdco Shares	A share in Media Holdco
MFHL	Macquarie Financial Holdings Limited ABN 63 124 071 398
MGH3	Macquarie Group Holdings No. 3 Pty Limited ABN 82 124 071 478
MMG	Macquarie Media Group, comprising MMT (represented by its responsible entity, MMML), MMHL and MMIL
MMG entities	Each of MMT (represented by its responsible entity, MMML), MMHL and MMIL
MMG security holder	A holder of MMG securities
MMG securities	Securities in the stapled group consisting of MMT, MMHL and MMIL
MMHL	Macquarie Media Holdings Limited ABN 91 116 024 536
MMHL A Special Share	The “A Special Share”, as that term is defined in the MMHL constitution
MMHL B Special Share	The “B Special Share”, as that term is defined in the MMHL constitution
MMHL General Meeting	A general meeting of MMHL shareholders convened for the purposes of considering the Corporatisation Resolutions in respect of MMHL
MMHL Management Services Agreement or MMHL MSA	The management services agreement dated 18 October 2005 between MMML and MMHL, as amended from time to time
MMHL Redeemable Preference Shares	Redeemable preference shares in the capital of MMHL held by Trust Company Limited as custodian and agent of MMML as responsible entity of MMT
MMHL shares	Ordinary shares in MMHL
MMIL	Macquarie Media International Limited ARBN 118 577 423
MMIL A Special Share	The “A Special Share”, as that term is defined in the MMIL bye-laws
MMIL B Special Share	The “B Special Share”, as that term is defined in the MMIL bye-laws
MMIL shares	Ordinary shares in MMIL
MMIL Special General Meeting	A special general meeting of MMIL shareholders convened for the purposes of considering the Corporatisation Resolutions in respect of MMIL
MMIL Management Services Agreement or MMIL MSA	The management services agreement dated 15 February 2006 between MMML and MMIL, as amended from time to time
MMML	Macquarie Media Management Limited ABN 16 115 524 019
MMT	Macquarie Media Trust ARSN 116 151 467
MMT unitholders	A holder of MMT units
MMT units	Units in MMT
MSCM	Macquarie Southern Cross Media Pty Limited ABN 78 109 243 110
MSCM Facility	The syndicated facility agreement dated 4 September 2004 between MSCM and certain of its subsidiaries, National Australia Bank Limited ABN 12 004 044 937, ANZ Fiduciary Services Pty Ltd ABN 91 100 709 493 and others (as amended)
Net Investment Value	Net Investment Value is the Market Value of MMG securities plus the amount of any external borrowings and the amount firmly committed to future investments less the amount invested in cash or cash equivalents
NPAT	Net profit after tax

Offer Price	$1.55 being the price at which Eligible Security Holders may apply for securities under the Entitlement Offer
Offer Securities	The MMG securities to be offered, or allotted and issued under the Entitlement Offer
Principal Holding	MMG securities held by the Macquarie Capital business division of Macquarie (through MMML and MCGL) in respect of which the Macquarie Capital business division of Macquarie is able to control the exercise of the Entitlement
RBS	RBS Equity Capital Markets (Australia) Limited ABN 17 000 757 111
RBS Corporate Finance or **Financial Adviser**	RBS Corporate Finance (Australia) Limited ABN 48 008 583 551
Recapitalisation	The raising of capital by MMG under the Entitlement Offer and the application of the net proceeds of the Entitlement Offer and available MMG parent level cash to pay down MSCM debt
Record Date	7.00 pm on the record date referred to in Section 4.10
Regulation S	Regulation S promulgated under the US Securities Act
Retail Entitlement Offer	The pro-rata entitlement offer of securities to Eligible Retail Security Holders under the Entitlement Offer
Sale Agent	The Sale Agent to be appointed by MMG to arrange for the sale of MMHL shares in respect of Ineligible Overseas Security Holders
Scheme Participants	The Share Scheme Participants and the Trust Scheme Participants
Share Consolidation	The consolidation of all MMHL shares whereby a number of fully paid issued ordinary shares in MMHL (equal to one plus the number of MMHL shares issued for every Media Holdco share plus the number of MMHL shares issued for every MMIL share under the Corporatisation) will be converted into one MMHL fully paid issued ordinary share pursuant to Section 254H of the Corporations Act.
Share Sale Agreement	The share sale agreement between MGH3, MMHL and MFHL under which it is proposed that MMHL will acquire all of the shares of MMML under the Internalisation
Share Scheme	A Bermudan law scheme of arrangement in relation to the exchange of shares in MMIL for shares in MMHL as part of the Corporatisation
Share Scheme Consideration	The consideration to be provided to the Share Scheme Participants under the Share Scheme being a very large number of new MMHL shares to be determined, for every one MMIL share[36]
Share Scheme Meeting	A meeting of shareholders of MMIL for the purposes of considering the Share Scheme
Share Scheme Participant	A MMIL shareholder on the date for determining entitlement to participate in the Share Scheme
Share Scheme Resolution	The resolution to be passed by MMIL shareholders to approve the Share Scheme
Share Stapling Deed	The share stapling deed dated 15 February 2006 between MMML as responsible entity of MMT, MMHL, MMIL, MMML and MDAA
Supplemental Deed Poll	The deed which introduces amendments in the MMT constitution appointing MMML as the agent of each MMT unitholder to effect the transfer of MMT units to MMIL
Theoretical Ex-Rights Price	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
Transitional Services Deed	The transitional services deed entered into between MMG and Macquarie under which Macquarie will provide transitional services to MMG

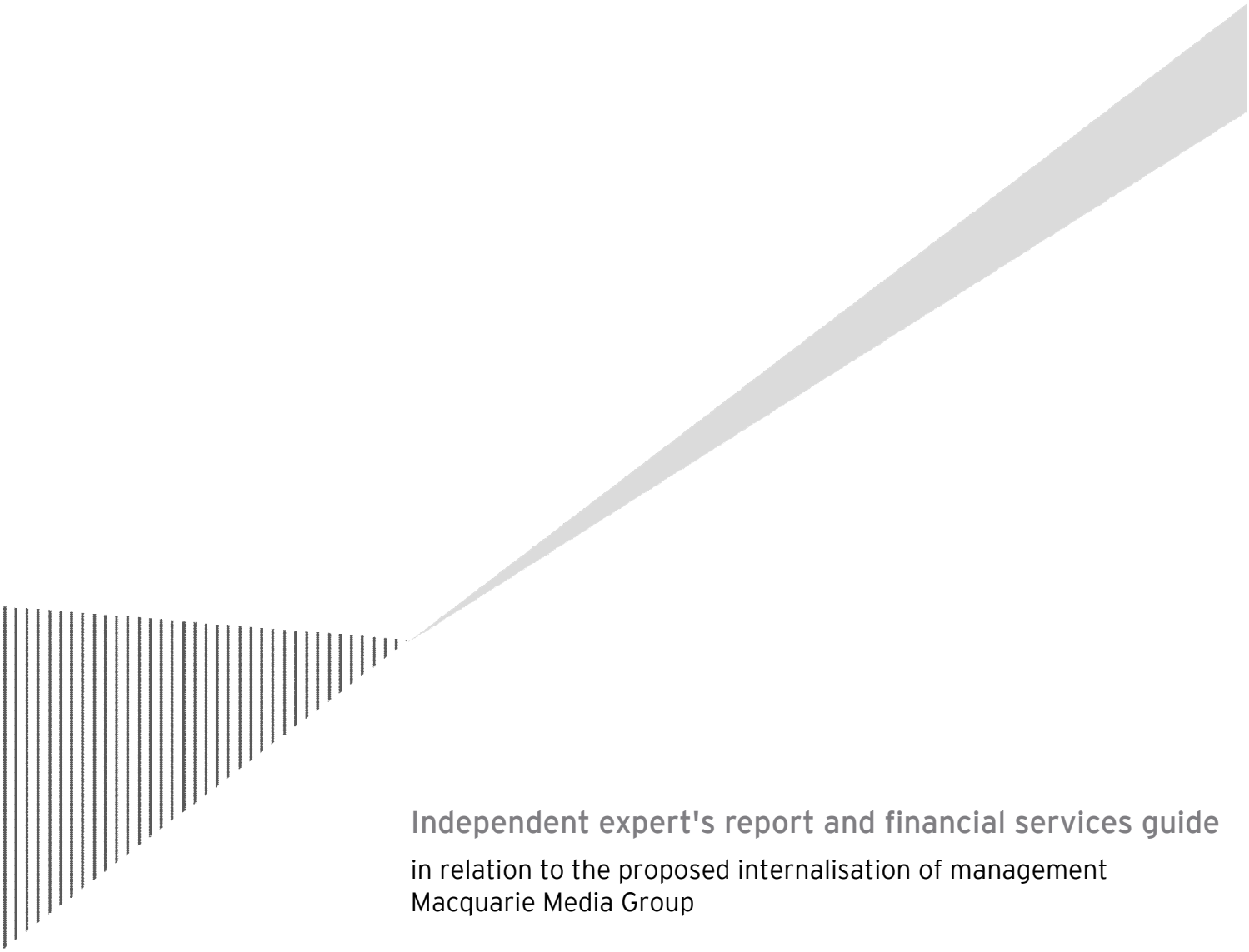
Trust Scheme	The arrangement under which MMT unitholders approve amendments to the MMT constitution to facilitate the transfer of MMT units to Media Holdco as part of the Corporatisation
Trust Scheme Consideration	One new Media Holdco share for every one MMT unit
Trust Scheme Meeting	The meeting of MMT unitholders convened for the purposes of considering the Trust Scheme
Trust Scheme Participant	A MMT unitholder at the time the Trust Scheme is implemented
Trust Scheme Resolutions	The resolutions to be passed by MMT unitholders to effect the Trust Scheme
Underwriters	RBS and Macquarie Capital
Underwriting Agreement	The underwriting agreement between MMML (in its capacity as responsible entity for MMT), MMHL, MMIL and the Underwriters
United States	The meaning given to that term in Rule 902(l) under the US Securities Act
US Securities Act	The U.S. Securities Act of 1933
VWAP	Volume weighted average sale price of MMG securities traded on ASX during the relevant period or on the relevant days, rounded down to the nearest cent

36 If completion of the Corporatisation were to occur as at the date of this document the ratio would be 265 MMHL shares for every one MMIL share.

Independent Expert's Report

A1

The Independent Expert's Report can be found on the following pages.



Independent expert's report and financial services guide

in relation to the proposed internalisation of management
Macquarie Media Group

28 October 2009

Ernst & Young

Ernst & Young Transaction
Advisory Services Limited
Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

28 October 2009

The Independent Board Committee
Macquarie Media Holdings Limited
No. 1 Martin Place
Sydney NSW 2000

The Independent Board Committee
Macquarie Media Management Limited as responsible entity for
Macquarie Media Trust
No. 1 Martin Place
Sydney NSW 2000

The Independent Board Committee
Macquarie Media International Limited
c/- ISIS Fund Services Ltd
Penboss Building
50 Parliament Street
2nd Floor
Hamilton HM 12
Bermuda

Dear Independent Board Committees

Independent expert's report in relation to the proposed internalisation of management of Macquarie Media Group

Background

Macquarie Media Group (**MMG**) is a stapled structure which owns media assets in Australia and the United States of America with a market capitalisation of approximately $417 million as at 19 October 2009. Each MMG security consists of one ordinary share in Macquarie Media Holdings Limited (**MMHL**), one ordinary share in Macquarie Media International Limited (**MMIL**) and one unit in Macquarie Media Trust (**MMT**). MMG has two wholly owned media investments and significant cash reserves. The investments are:

- Macquarie Southern Cross Media (**MSCM**), Australia's largest regional radio and television broadcaster. MSCM contributed approximately 83% (on a proportionate basis) of MMG's EBITDA in FY09 and MMG management has stated that it is a core business of MMG.
- American Consolidated Media (**ACM**), the fifth largest specialty owner of small market community newspapers in the United States of America. ACM contributed approximately 17% (on a proportionate basis) of MMG's EBITDA in FY09[1] MMG management has stated that ACM is considered as a non-core business of MMG.

[1] Based on actual exchange rates during the year

On 28 October 2009 MMG entered into agreements to effect a series of initiatives that would affect the capital structure and operating structure of MMG being:

1. An underwritten 1 for 1 accelerated pro rata renounceable entitlement offer raising capital of approximately $294 million (the **Entitlement Offer**).

2. The internalisation of the management of MMG involving the acquisition of Macquarie Media Management Limited (**MMML**), the owner of existing management arrangements, from Macquarie and the termination of the Asset Advisory Agreement between Macquarie Diversified Asset Advisory Pty Limited (**MDAA**) and MSCM, in return for a cash payment.

3. Converting MMG from being a triple stapled structure to that of a typical listed company (the **Corporatisation**).

We note that it is a condition of the Internalisation that the Entitlement Offer is successfully completed and the Internalisation will not proceed unless this occurs. Therefore we have undertaken our assessment of the Internalisation on the basis that the Entitlement Offer (which is fully underwritten) is successfully completed.

This report relates to the approval that will be sought from MMG security holders for the Internalisation.

Purpose of report

MMG has indicated that the only security holder resolutions required to approve the Internalisation are resolutions under ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act to approve the benefits/consideration payable to Macquarie under the Internalisation. These are ordinary resolutions and Macquarie and its associates are not permitted to vote on these resolutions.

ASX Listing Rule 10.1 requires the approval of the holders of a company's non-associated ordinary securities if it proposes to acquire or dispose of a substantial asset to or from a related party. ASX Listing Rule 10.10 states that the notice of meeting must contain *'A report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.'*

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party without member approval, unless it occurs pursuant to an exception in the Corporations Act. The requirements of Chapter 2E also apply to managed investment schemes (such as MMT) under section 601LA of the Corporations Act.

The Explanatory Memorandum in respect of the Internalisation proposal is expected to be sent to MMG security holders in November 2009. Other associated resolutions will be considered at the meeting to consider the Internalisation Resolutions (see section 5.24 of the Investor Information Booklet), however, the outcome of the Internalisation resolutions is not dependent on the passing of those ancillary resolutions.

MMG is managed by Macquarie, and may therefore be considered to be a related party for the purposes of the ASX Listing Rules and/or the Corporations Act.

Summary of opinion

In our opinion the Internalisation is fair and reasonable to the non-associated MMG security holders.

In addition, we have formed the opinion that the Internalisation is on terms that would be reasonable if MMG and Macquarie were dealing at arm's length.

The reasons for our conclusion are set out below.

Fairness

Under the Management Arrangements, various fees are payable to Macquarie as the manager. Following the Internalisation, these fees would no longer be incurred. MMG after the Internalisation will however be responsible for additional costs required to manage MMG including some which were previously incurred by Macquarie as manager. These costs are in addition to any costs that may already be borne under existing arrangements. It is the differential between the management fee savings and these incremental costs that comprise the net savings as a result of the Internalisation. We consider the present value of these savings to be the value of the Management Rights.

In section 4 of this report we consider the fair market value of the Management Rights currently provided to MMG by Macquarie under both the Management Arrangements and the Asset Advisory Agreement. We consider the value of the Management Rights to fall within the range of $43 million to $53 million.

As the payment to Macquarie of $40.5 million as compensation for Macquarie ceasing to have any ongoing management roles in relation to MMG falls below this assessed range of values, we consider the Internalisation to be fair to the non-associated MMG security holders.

We note that our valuation of the Management Rights is particularly sensitive to assumptions in relation to market capitalisation and future security price growth. The major assumptions underpinning the above range of values are summarised in section 4.1.7. Our valuation assumes, at the low end of the range, an initial security price below current levels (closing price of a MMG security as at 19 October 2009 was $2.21). It also assumes security price growth for the first five years of between 3% and 5%, and 3% thereafter. To the extent that future market capitalisation is higher or lower than that resulting from these assumptions, the benefit of the Internalisation would increase or decrease accordingly.

Reasonableness

RG 111.11 states that an offer is reasonable if it is fair. In forming our conclusion however we have had regard to a number of factors that we also consider are relevant to our conclusions. These are set out below:

Positive considerations

More typical business model

At present MMG is a triple stapled structure which is managed by Macquarie. If the Internalisation and proposed Corporatisation[2] are implemented the renamed MMG will be a simple corporate entity wholly managed by its directors and employees. This structure would be consistent with all other major media companies in Australia which may better align with investor sentiment in the current market. Consequently, to the extent that the Internalisation contributes to a re-rating this would be of benefit to MMG security holders.

Independence

At present Macquarie has voting power of 26.5% (including all principal, non-principal and fiduciary holdings) of MMG's stapled securities. Macquarie also holds the Management Rights[3] pursuant to which it provides a range of services including reporting, asset management and valuation, investment evaluation, risk monitoring and investor relations.

In recent times some investors and media and financial commentators have been critical of the externally managed fund model including funds managed by Macquarie and have cited potential misalignment of interests between the manager and security holders. The Internalisation resulting in independence from

[2] Converting MMG from being a triple stapled structure to a typical listed company
[3] Refer Appendix E - Glossary

Macquarie removes the potential for such misalignment resulting from these differing interests, whether they are real or perceived.

We note below that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any benefit relating to independence may reduce.

Corporate governance

If the Internalisation is approved MMG has advised that it intends to introduce a governance framework for MMG that is similar to those in place for other ASX listed entities but which recognises MMG's particular circumstances. The movement towards a corporate governance structure more in line with other major ASX listed entities may be a benefit for MMG security holders with Macquarie's board appointment rights limited to those rights it will have as a holder of MMG securities.

We note below that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any benefit relating to corporate governance may reduce.

Reduced volatility of MMG cost structure

If the Internalisation is approved and implemented then MMG will no longer pay management fees to Macquarie but will incur additional corporate costs to perform functions previously provided by Macquarie. As the management fees are based predominantly on the market capitalisation of MMG, adjusted to reflect borrowings and cash held at the fund level, the level of management fees can vary significantly from year to year. In contrast, the corporate costs are relatively fixed in nature and would generally only be expected to increase in line with general cost increases or if structural change within MMG occurs. Therefore prima facie the Internalisation will reduce the volatility of MMG's cost structure.

Eliminate risk of paying performance fees

The Internalisation will eliminate the risk that performance fees may be payable to Macquarie in the future pursuant to either the Management Arrangements[4] or the Asset Advisory Agreement[5] with MSCM (see section 3.2).

Increased opportunity for corporate activity

In recent years there have been a number of transactions resulting in some consolidation of the media industry. This has included a number of takeover transactions.

With the stapled security structure, the external management of MMG and the security holding of Macquarie, a takeover of MMG in its current form would practically be difficult and would require the support of Macquarie. In considering any form of corporate activity, for example a takeover transaction, Macquarie currently would be concerned not only with the value of its investment but the impact of any such transaction on the future management fees that it would otherwise receive.

Subsequent to the Internalisation, in any corporate activity, Macquarie's sole interest would be in relation to the value it is receiving for its securities in MMG or the impact of the transaction on the value of those securities. These considerations would be expected to be consistent with those of other MMG security holders.

[4] Management services agreements between MMHL and MMML and between MMIL and MMML and the constitution of MMT
[5] Asset advisory agreement between MSCM and Macquarie Diversified Asset Advisory Pty Limited

Possible market re-rating

As discussed above, the investor market has more recently been very critical of highly leveraged externally managed funds. The various initiatives announced by MMG (being the Entitlement Offer, Internalisation and Corporatisation) all have the potential to be favourably received by the market as they result in:

- A substantial deleveraging of MMG's investment in MSCM (MMG's core business)
- The Internalisation of management
- Conversion of the triple stapled structure into a simple corporate structure

Consequently, to the extent that the Internalisation contributes to a re-rating this would be of benefit to MMG security holders.

We note below that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any re-rating may reduce.

Earnings per MMG security

The Internalisation has the potential to increase MMG's earnings per security on an annualised basis as a result of the incremental costs incurred by MMG if the Internalisation is approved being less than the likely management fees payable to Macquarie if the Internalisation is not approved.

Disaggregation

To the extent that institutional investors and debt financier's aggregate investments in Macquarie managed funds for the purpose of assessing concentration risk, the Internalisation will remove MMG from this grouping and may increase their willingness to invest in, and to lend to, MMG.

Negative considerations

Increased corporate costs

If the Internalisation is approved MMG will be required to incur additional corporate costs. These costs will include insurance, management employment costs and accommodation. These costs have been estimated in the Investor Information Booklet at up to $4.5 million on an annualised basis. These services are currently provided by Macquarie under the current management arrangements. In the future MMG will incur these costs and be exposed to any variation or growth in these costs.

Reduced association with Macquarie

If the Internalisation is approved, the level of day to day interaction with Macquarie personnel and general access to Macquarie resources and services will reduce. We also note that historically Macquarie has been a source of deal flow for MMG and due to both the management arrangements and its security holding it has been in its interests to make media transactions available to MMG. If the Internalisation proceeds Macquarie will continue to be a major security holder in MMG and hence at least while it retains a significant security holding it will continue to be interested in the success of MMG. However, with the cessation of management arrangements MMG may not enjoy the same access to deal flow via the Macquarie networks as has historically been the case.

Macquarie's intentions with regard to its interest in MMG

If the Internalisation is approved, Macquarie's interest in MMG will move from that of a manager whose income will be increased through improved financial and market performance (with Macquarie as the manager) to a security holder with no other direct interest. This change may alter the position of Macquarie in relation to its security holding.

If Macquarie sells or is perceived as being likely to sell a substantial number of MMG securities, the market price of the securities could be adversely affected.

Macquarie participation in underwriting the Entitlement Offer

In the event that Macquarie Capital Advisers Limited and RBS Equity Capital (Australia) Limited as underwriters are required take up any shortfall from the Entitlement Offer Macquarie's security holding will increase.

Whether or not Macquarie is required to take up any shortfall will be known prior to the Internalisation and the Internalisation will not affect that outcome. However, we note that above, in discussing positive considerations in relation to the Internalisation, we have noted the independence of MMG, corporate governance and a possible market re-rating. In the event that Macquarie's security holding increased above its current level (and remains above that level) the extent of any benefits arising from these factors may be reduced.

Tax losses

As stated in section 10.2 of the Investor Information Booklet, *'at 30 June 2009, the MMHL tax consolidated group had available tax losses to be carried forward to future years of approximately $36.8 million. The cancellation of the MMHL A Special Shares and MMHL B Special Shares as part of the Internalisation may, however, impact MMHL's ability to carry forward prior year tax losses for recoupment against taxable income of future years if certain changes to taxation laws are ultimately legislated as currently proposed. These changes are at a preliminary stage and may be altered as a result of ongoing consultations prior to finalisation and hence their potential impact cannot be definitively determined at this time. The ultimate impact if these proposed changes are legislated as currently proposed would be that MMG would commence paying franked dividends at a stage earlier than if it were able to rely on its existing tax losses*.'

While the loss of MMHL's ability to utilise these tax losses would be a disadvantage of the Internalisation we have not made any adjustment to our valuation of the Management Rights in section 4. This reflects the uncertainty of the position and the fact that security holders currently receive the majority of their distributions from MMG on a pre-tax basis (see section 4.1.6). We also note that in the event that the tax losses could not be utilised MMG has indicated that "*MMG would commence paying franked dividends at a stage earlier than if it were able to rely on its existing tax losses*." For security holders who are able to utilise such franking credits this would in effect offset, in part or in full, the impact of the loss of the ability to utilise the tax losses.

Head office disruption

In addition to employing the MMG CEO and CFO, MMG will be required to establish a head office, with various head office positions requiring staffing. This may occur from existing Macquarie provided staff or from external candidates. In addition, the head office will be required to relocate from Macquarie to an external site (currently planned to be the MSCM office in St Leonards). There may be some disruption to the MMG operations during this transition.

Neutral considerations

Impact of Internalisation on control and dilution

The consideration for the Internalisation (**Internalisation Consideration**) is to be cash. Consequently the Internalisation in and of itself will not affect the level of control which Macquarie or any other party exerts over MMG and will not result in the dilution of MMG security holders' interests in MMG.

Financial position of MMG

One of the issues that has been facing MMG since the onset of the global financial crisis and the tightening of credit markets has been what are now considered to be high debt levels of MSCM and ACM.

As a result of the Recapitalisation, MSCM's debt will be reduced from approximately $873 million at 30 June 2009 to approximately $318 million. This level of debt is comparable to other media companies and should act to alleviate previous concerns in relation to MSCM's debt levels.

As discussed in section 3.3, MMG has announced that based on preliminary management estimates of ACM's financial performance for the September 2009 quarter, it was expected that ACM would not comply with various covenants under its business level bank facility. They further announced that subject to the preliminary estimates holding true and if requested amendments or waivers (from financiers) are not forthcoming, ACM will not be compliant with certain covenants under the ACM facility at their next testing dates.

*If ACM ceases to comply with the covenants within the ACM Facility and 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 its ACM interests) (**Relevant Event**).*

If a Relevant Event occurred, MMIL could 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$81.2 million.

In considering the impact of this position on MMG we note that:

- MMG parent entities and members of the MSCM group have not given any guarantees or security or given any other form of contractual credit support to ACM's external financiers in respect of the ACM Facility
- Any impairment charges or asset write downs in relation to MMG's investment in ACM are non-cash and do not affect MMG's investment in MSCM
- Based on the announcements made by MMG in relation to ACM, and our consideration of recent brokers reports we do not believe it likely that the market is placing significant value on MMG's investment in ACM

Other matters

In preparing this independent expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to Regulatory Guide 111 *Content of expert reports* and Regulatory Guide 112 *Independence of experts*.

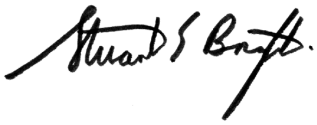
Our report relates to the Internalisation only and is being provided to security holders to assist them to consider how to vote in relation to resolutions that will be required to be passed at a meeting in order for the Internalisation to be implemented.

While this report also discusses the other initiatives being the Entitlement Offer and the Corporatisation, our report is not intended to provide advice or analysis to MMG security holders in relation to either whether they should participate in the Entitlement Offer or vote in favour of the Corporatisation. MMG security holders should seek their own professional advice in relation to how the Entitlement Offer, Internalisation and/or Corporatisation will apply to their specific circumstances.

We have prepared a Financial Services Guide in accordance with the Corporations Act, 2001. The Financial Services Guide is included as Part 2 to this report.

This report reflects circumstances and conditions as at the date of this report. This letter must be read in conjunction with the full independent expert's report.

Yours sincerely
Ernst & Young Transaction Advisory Services Limited



Stuart G.Bright
Director and Representative

John E Gibson
Director and Representative

Contents

1. Overview 1

2. Scope of the report 3

2.1 Purpose of this report 3
2.2 Fair market value 4
2.3 Limitations and reliance on information 5
2.4 MMG security holders' decision 5

3. MMG overview 6

3.1 Background and operations 6
3.2 Agreements 9
3.3 Financial analysis 13
3.4 Capital structure 20
3.5 Security price performance 20
3.6 Distribution history 22

4. Fairness 23

4.1 Valuation of Management Rights 23
4.2 Price to be paid to internalise the Management Rights compared to consideration offered 31

5. Reasonableness 32

5.1 Positive considerations 32
5.2 Negative considerations 38
5.3 Neutral consideration 39
5.4 If the Internalisation does not proceed 41
5.5 Conclusion 41

Appendix A Qualifications and declarations 42

Appendix B Valuation methodologies 44

Appendix C Discount rate 46

Appendix D Sources of information 54

Appendix E Glossary 55

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1. Overview

On 28 October 2009 MMG entered into agreements to affect a series of initiatives through the release of an Investor Information Booklet (the **Investor Information Booklet**). The initiatives, if approved, will affect the capital and operating structure of MMG. The aims of the initiatives are to enhance investor appeal and optimise the capital and corporate structure of MMG's business. The initiatives are:

1. An underwritten 1 for 1 accelerated pro rata renounceable entitlement offer raising capital of approximately $294 million (the **Entitlement Offer**).

2. The internalisation of the management of MMG involving the acquisition of Macquarie Media Management Limited (**MMML**), the owner of existing management arrangements, from Macquarie and the termination of the Asset Advisory Agreement between MDAA and MSCM, in return for a cash payment.

3. Converting MMG from being a triple stapled structure to that of a typical listed company (the **Corporatisation**).

We have been advised that an Explanatory Memorandum will shortly be provided to MMG security holders with respect to the resolutions in relation to the Internalisation and Corporatisation.

This independent expert's report relates only to the Internalisation as discussed below. We note the Entitlement Offer is intended to be completed whether or not the Internalisation and the Corporatisation proceed. However the implementation of the Corporatisation is conditional upon the Internalisation being completed.

We note that as the Entitlement Offer must be successfully completed for the Internalisation to proceed, we have undertaken our assessment of the Internalisation on the basis that the Entitlement Offer (which is fully underwritten) is successfully completed.

Currently MMML, a subsidiary of Macquarie Group Limited, acts as responsible entity of MMT and manager of each of MMHL and MMIL. The Internalisation will involve the following:

- The Asset Advisory Agreement will be terminated.
- MMHL will acquire MMML (the current manager under the Management Services Agreements and responsible entity of MMT) from a Macquarie subsidiary.
- MMML will terminate its resource arrangements with Macquarie.
- A termination fee will be paid to Macquarie.
- MMG will acquire a perpetual intellectual property licence from Macquarie in respect of MMG related materials which are owned by Macquarie.
- Macquarie will provide transitional support services to MMG up to 31 December 2010 including senior personnel, information technology, compliance and risk management assistance, human resources support and accounting and taxation compliance. The IBC considers transitional services would cost up to $1.7 million on an annual basis (albeit that the period for the services may be less than a full year depending on when completion of the Internalisation occurs). MMG, at its sole discretion, may elect to extend the transitional services for 3 months beyond 31 December 2010 for a fee based on a cost-plus methodology.

The Internalisation is subject to a number of conditions, including:

- Approval of MMG security holders (Macquarie will not vote on the resolutions)
- Successful completion of the Entitlement Offer
- The independent expert opining that the Internalisation is fair and reasonable to MMG security holders other than Macquarie and its associates and not changing its opinion or withdrawing its report
- Financiers' approval or refinancing on terms which permit the Internalisation

Until the date of the MMG security holder meeting to approve the Internalisation, MMG is subject to limitations on its ability to seek alternate opportunities, subject to the fiduciary obligations of directors. These exclusivity provisions do not include any break fees or cost recovery provisions. The terms of these arrangements are set out in full in section 12.3 (a) of the Investor Information Booklet and will be provided in the Explanatory Memorandum.

Following the Internalisation, it is proposed to transition MMG's corporate governance framework to one that is similar to those in place for other ASX listed entities, but which recognises MMG's particular circumstances.

The Independent Directors of MMG intend to unanimously recommend that MMG security holders vote for the Internalisation subject to a 'fair and reasonable' opinion by the Independent Expert and no superior proposal arising.

MMG security holders should refer to the Investor Information Booklet and Explanatory Memorandum for full details of the arrangements discussed above and in particular to section 5 of the Investor Information Booklet for further detail in relation the Internalisation.

Our report relates to the Internalisation only and is being provided to MMG security holders to assist them in considering how to vote in relation to resolutions that will be required to be passed at a meeting in order for the Internalisation to be implemented.

While this report also discusses the other initiatives, being the Entitlement Offer and the Corporatisation, our report is not intended to provide advice or analysis to MMG security holders in relation to whether they should participate in the Entitlement Offer and/or vote in favour of the Corporatisation.

2. Scope of the report

2.1 Purpose of this report

MMG has indicated that the only security holder resolutions required to approve the Internalisation are resolutions under ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act to approve the benefits/consideration payable to Macquarie under the Internalisation. These are ordinary resolutions and Macquarie and its associates are not permitted to vote on these resolutions.

ASX Listing Rule 10.1 requires the approval of the holders of a company's non-associated ordinary securities if it proposes to acquire or dispose of a substantial asset to or from a related party. ASX Listing Rule 10.10 states that the notice of meeting must contain '*A report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.*'

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party without member approval, unless it occurs pursuant to an exception in the Corporations Act. The requirements of Chapter 2E also apply to managed investment schemes (such as MMG) under section 601LA of the Corporations Act.

The Explanatory Memorandum in respect of the Internalisation proposal is expected to be sent to MMG security holders in November 2009. Other associated resolutions will be considered at the meeting to consider the Internalisation resolutions (see section 5.24 of the Investor Information Booklet), however, the outcome of the Internalisation resolutions is not dependent on the passing of those ancillary resolutions.

MMG is managed by Macquarie, and may therefore be considered to be a related party for the purposes of the ASX Listing Rules and/or the Corporations Act.

We have been appointed by the Independent Board Committees of MMHL, MMIL and MMML as responsible entity of MMT (the **IBCs**) to prepare an independent expert's report expressing an opinion as to whether or not the Internalisation is fair and reasonable to the non-associated MMG security holders. In addition, we have been requested by the IBCs to opine upon whether the Internalisation is on terms that would be reasonable if MMG and Macquarie were dealing at arm's length.

All amounts are expressed in Australian dollars ($) unless otherwise stated.

2.1.1 Meaning of 'fair and reasonable'

The ASX Listing Rules do not provide guidance in relation to the definition of '*fair and reasonable*'. In preparing this report, we have had regard to relevant regulatory guides issued by the Australian Securities & Investments Commission (**ASIC**), with particular reference to Regulatory Guide 111 *Content of expert reports* (**RG 111**) and Regulatory Guide 112 *Independence of experts* (**RG 112**).

RG 111 sets out ASIC's views on the principles and matters (including the definition of '*fair and reasonable*') that it expects a person preparing an independent expert's report to consider. Based on RG 111 the standard of 'fair and reasonable' may be interpreted in different ways depending on the form and effect of a particular transaction. While none of the guidance provided in RG 111 has direct application to the Internalisation or ASX Listing Rule 10.1, we have adopted the definition of '*fair and reasonable*' which treats 'fair and reasonable' as two distinct concepts.

Under this approach:

- An offer is 'fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. (RG 111.10).

- An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer. (RG 111.11)

In the current circumstances we have considered fairness and reasonableness as follows:

Fairness

- The value of the Management Rights compared to the consideration proposed to be paid to Macquarie as compensation for Macquarie ceasing to have any ongoing management roles with MMG

Reasonableness

- The strategic rationale for the Internalisation

- The likelihood of an alternative offer and alternative/possible transactions that could realise value

- The impact of the Internalisation on MMG and the non-associated MMG security holders. This includes factors such as impacts on earnings and earnings per security, and any impacts on the control of MMG

2.2 Fair market value

We have assessed a range of the values for the Management Rights on a fair market valuation basis. Business valuers typically define fair market value as:

'*The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length*.'

Fair market value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

2.3 Limitations and reliance on information

In reaching our conclusions, we have considered and relied upon information provided by MMG and information that has been placed on the public record. We note that certain information relied on constitutes internal management information that is not on the public record. In the preparation of this report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We consider reliance on this information to be reasonable in the circumstances. Our sources of information are set out in appendix D to this independent expert's report.

We have no reason to believe that any material facts have been withheld from us. We note, however, that we have not audited the information provided to us and we do not warrant that our enquiries have disclosed all the matters that an audit or a more extensive examination might have disclosed.

Our opinion is based on economic, market and other conditions prevailing at the date of this report. This report should be read in conjunction with the declarations outlined in the qualifications and declarations in appendix A.

Our report relates to the Internalisation only and is being provided to MMG security holders to assist them in considering how to vote in relation to resolutions that will be required to be passed at a meeting in order for the Internalisation to be implemented.

While this report also discusses the other initiatives being the Entitlement Offer and the Corporatisation, our report is not intended to provide advice or analysis to MMG security holders in relation to whether they should participate in the Entitlement Offer and/or vote in favour of the Corporatisation.

2.4 MMG security holders' decision

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of MMG security holders. The decision as to whether or not to approve the Internalisation is a matter for individual MMG security holders. MMG security holders should consider the advice in the context of their own circumstances and preferences. MMG security holders who are in doubt as to the action they should take in relation to the Internalisation should consult their own financial adviser.

Ernst & Young Transaction Advisory Services Limited has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 to this report.

3. MMG overview

3.1 Background and operations

3.1.1 Ownership structure

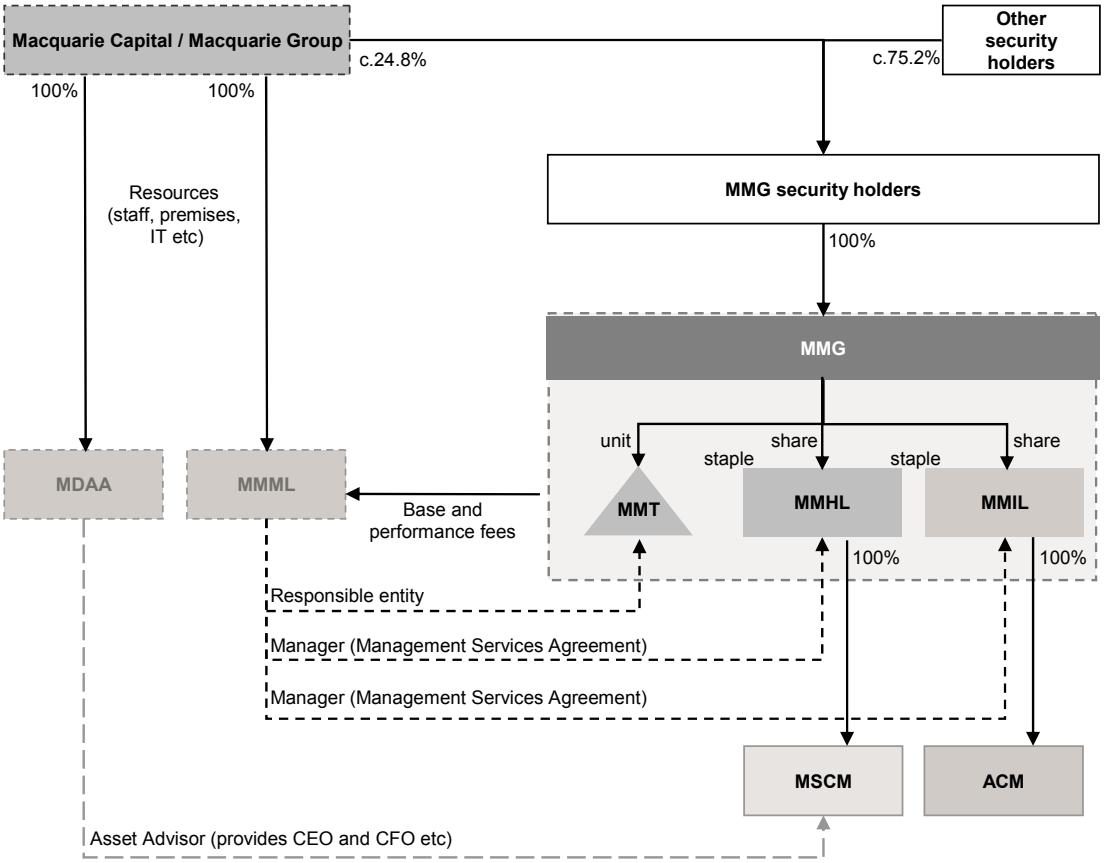
MMG is a triple stapled structure, which listed on the ASX on 17 November 2005. MMG was established to acquire, own and manage a diversified portfolio of media assets in Australia and internationally.

The stapled structure of MMG comprises three legal entities:

- **Macquarie Media Trust** – a registered managed investment scheme that has been established in the form of a unit trust to provide funding to MMHL and MMIL
- **Macquarie Media Holdings Limited** – an Australian public company which owns MSCM
- **Macquarie Media International Limited** – a Bermudan domiciled mutual fund company which owns ACM

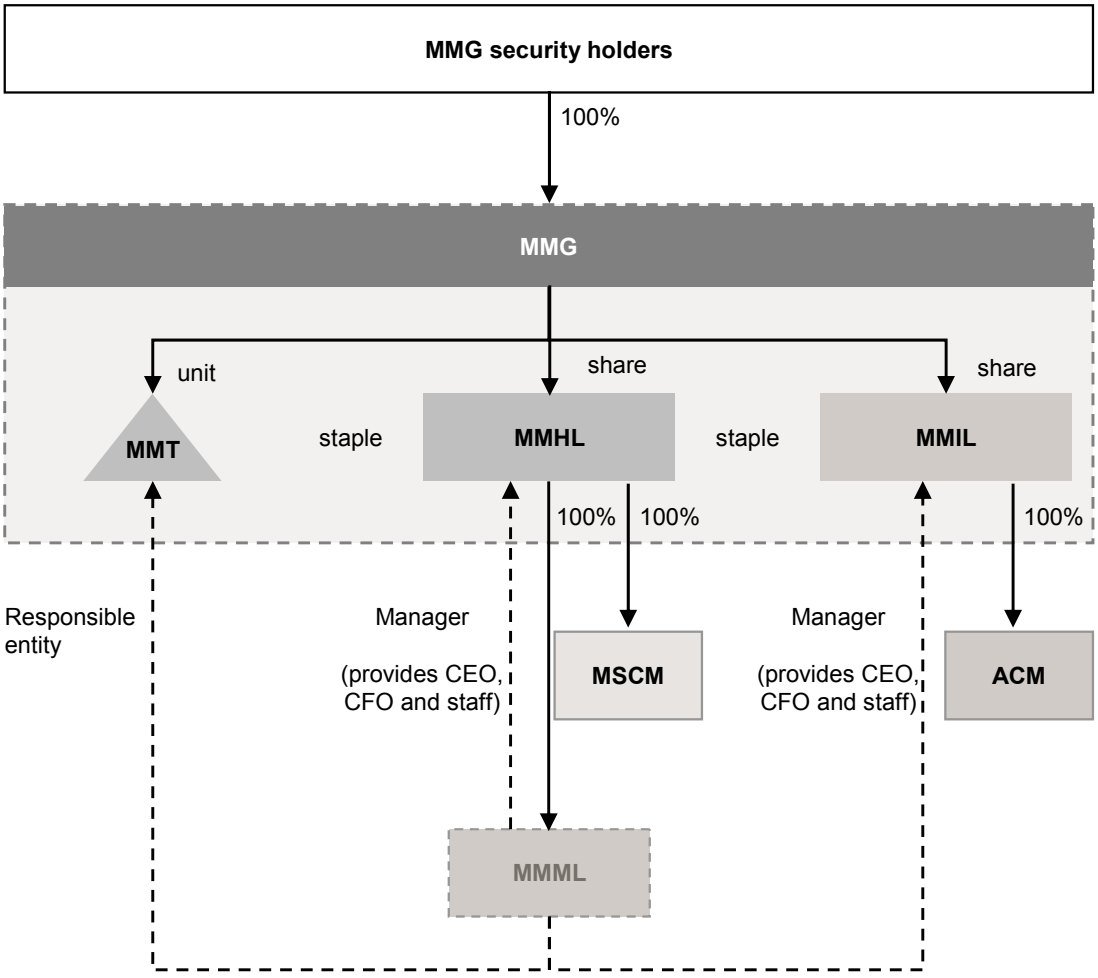
Each stapled security issued by MMG consists of one ordinary share in MMHL, one ordinary share in MMIL and one unit in MMT. Ordinary shares in MMHL and MMIL and units in MMT are stapled and are not able to be traded independently.

MMML is a wholly owned subsidiary of Macquarie Group Limited. MMML is the responsible entity of MMT and the manager of MMHL and MMIL. The group structure can be viewed in the diagram below.



Note: The Macquarie interest represented above is its principal holding of MMG securities, which is held by the Macquarie Capital business division of Macquarie (through MMML and Macquarie Capital Group Limited)

In the event the Internalisation is approved by MMG security holders, the new group structure will be as follows[6]:



Currently MMG has two wholly owned regional media businesses (MSCM and ACM) and significant cash reserves which will increase in the event that the Entitlement Offer is completed. Since listing, MMG has acquired and disposed of economic interests in a number of media assets, however MMG did not acquire or dispose of any material assets during FY09.

3.1.2 Macquarie Southern Cross Media

MSCM is Australia's largest regional radio and television broadcaster, reaching a potential audience of 7.5 million people or 95% of Australia's population based outside the mainland State capital cities. MSCM is the only regionally focused broadcaster able to provide customers a comprehensive large scale integrated and creative advertising solution across both television and radio. In FY09 MSCM contributed approximately 83% of MMG's proportionate media operations EBITDA and is considered as a core business of MMG.

[6] Note that this group structure is pre Corporatisation

3.1.2.1 MSCM – Radio

MSCM's radio division is the owner and operator of the largest number of commercial radio licences in Australia. Its portfolio comprises 68 commercial radio stations in 38 licence areas across Queensland, New South Wales, Victoria, Tasmania, South Australia and Western Australia. In FY09, MSCM's radio division contributed 48% of MSCM's proportionate EBITDA excluding rebates.

3.1.2.2 MSCM - Television

MSCM's television division has controlling interests in 13 TV licences and jointly owns two smaller TV licences, across 12 licence areas. MSCM's businesses include Southern Cross Ten and Southern Cross Television which cover the aggregated markets of Queensland, Northern and Southern New South Wales and Victoria as well as Tasmania, Darwin, Spencer Gulf, Broken Hill and Remote Central and Remote Eastern Australia. MSCM's main affiliation is with Network Ten; however MSCM also has program supply agreements with the Seven Network and Nine Network in specific licence areas. In FY09, MSCM's television division contributed 52% of MSCM's proportionate EBITDA excluding rebates.

Cross promotion of Southern Cross Ten and Southern Cross Television by MSCM's radio operations helps provide support for MSCM's television ratings performance.

3.1.3 American Consolidated Media

ACM is the fifth largest specialty owner of small market community newspapers in the US, reaching approximately 2.6 million people through more than 100 local newspaper publications in 18 geographic regions in 10 states. These publications consist of 15 daily newspapers, 44 weekly newspapers and approximately 45 'shopper' and specialty publications and associated websites. In FY09 the ACM business contributed approximately 17% of MMG's proportionate media operations EBITDA. MMG has stated that ACM is considered a non-core investment to MMG.

ACM generates almost all of its advertising revenue from its local markets and has been able to take advantage of efficiencies through centralising the majority of its printing and many back office support functions for its daily newspaper operations at its Dallas head office. The ACM business also receives revenue from commercial printing activities, circulation (new subscriptions and single-copy sales) and internet based advertising.

MMG announced to the ASX on 13 October 2009 that based on preliminary management estimates of ACM's financial performance for the September 2009 quarter, it was expected that ACM would not comply with various covenants under its business level bank facility (refer section 3.3).

3.2 Agreements

MMG has a number of agreements with Macquarie which will be terminated or internalised as part of the Internalisation. These include Management Services Agreements between MMML and each of MMIL and MMHL, the MMT constitution and an Asset Advisory Agreement between MDAA and MSCM. These are collectively referred to as the **Management Rights** in this report.

3.2.1 Management Arrangements

MMML (the **Manager**) acts as the manager for MMIL and MMHL and the responsible entity of MMT. MMML's appointment is governed by separate Management Services Agreements (**MSA**) with MMIL and MMHL and the MMT constitution (together the **Management Arrangements**). The key terms of the Management Arrangements are summarised in the table below. Full copies of the Management Arrangement documents are contained on MMG's website[7].

The following provides a summary of key elements of the Management Arrangements.

Services	Company Manager The manager under the terms of the MMHL MSA and MMIL MSA (**Manager**) is responsible to the companies for: ► Investment and divestment evaluation and recommendations ► Implementation of investment/divestment instructions given by the board ► Asset management ► Asset valuations ► Capital and financial management recommendations ► Financial reporting ► Board reporting ► Investor communications and meetings ► General fund administration including company secretarial services – (subject to outsourcing of registry services to Computershare Investor Services Pty Limited and company secretarial services in Bermuda to ISIS Fund Services Ltd.) ► Monitoring of fund operational risk, insurances and compliance ► Litigation management ► Designation of suitably qualified personnel to perform the CEO and CFO roles for the fund and, in the case of MMHL, the Chairman and Company Secretary Responsible Entity The responsible entity of MMT (MMML) has all the powers of a natural person including contracting, borrowing and investment and carries out all management functions for the trust subject to outsourcing registry services as described above and trust custodial services to Trust Company Limited.
Term	No fixed term for the trust and both companies, or until the responsible entity/manager is removed or retires or security holders vote to wind up the stapled entities as provided for in the trust constitution or by law

[7] www.macquarie.com.au/au/mmg

Termination	Each of MMT, MMHL and MMIL may terminate the appointment of the responsible entity/manager, without cause, by security holder vote. For each of MMT, MMHL and MMIL, the resolution must be passed by at least 50% of votes cast at a meeting by security holders entitled to vote. MMML and its associates may vote its securities on the resolution. MMML can only be removed as manager of MMHL and MMIL on a vote if the responsible entity of MMT is also removed. MMML, as manager of MMHL and MMIL, can also be removed for cause being where it is in liquidation, ceases to carry on business, lacks the appropriate licence or authorisation or commits a material breach of the relevant agreements that cannot be remedied. In the case of MMT, ASIC or a court may replace the responsible entity where there are solvency issues or members are likely to suffer a loss because the responsible entity has breached the Corporations Act. Pursuant to the Corporations Act, MMML, as responsible entity of MMT, can retire if it first convenes a unitholders meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity. MMML may resign as manager of MMHL and MMIL by giving written notice. Where removal events have occurred in the case of MMIL and MMHL, the directors of those entities retain discretion as to whether to terminate the services of MMML, as manager. As the directors must act in the interest of security holders, it is considered unlikely that they would not terminate the MMHL Management Services Agreement or MMIL Management Services Agreement in the situation where security holders have voted to remove the responsible entity and the manager. Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable but, in the case of MSCM, asset advisory fees would then become payable to MDAA. This agreement is discussed in section 3.2.2.
Fees	Base fee ► Payable quarterly. ► Base fee = 1.5% per annum of the Net Investment Value. ► Net Investment Value is the Market Value of MMG securities plus the amount of any external borrowings and the amount firmly committed to future investments less the amount invested in cash or cash equivalents. ► Market Value is the volume weighted average market capitalisation over the last 15 ASX trading days of each quarter. ► The responsible entity and the manager may, where the non-executive directors of MMML so determine, apply the base fee in subscription for MMG securities. The price of the MMG securities is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date. Performance fee ► Payable quarterly if earned. ► Payable in the event that MMG accumulation index (the Return) outperforms 6% per annum plus the annual Australian consumer price index (CPI) change (the Benchmark Return) in any quarter having made up for underperformance in previous quarters. ► Performance fee = 20% of the amount (if any) by which the Return exceeds the Benchmark Return for that period. ► Any underperformance deficit from prior periods must be made up before future performance fees can be earned. ► The responsible entity and the manager may, where the non-executive directors of MMML so determine, apply the performance fee in subscription for MMG securities. The price of the MMG securities is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date. Other services provided by Macquarie companies Additional market based fees will be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie companies and as approved under MMG's related party policy.

Source: MSAs between: MMHL and MMML, and MMIL and MMML and MMT constitution

3.2.2 Asset Advisory Agreement

Macquarie Diversified Asset Advisory Pty Limited (a subsidiary of Macquarie Group Limited) acts as the adviser to MSCM under the Asset Advisory Agreement. The key terms of the Asset Advisory Agreement are summarised in the table below. A full copy of the Asset Advisory Agreement is contained on MMG's website[8].

The following provides a summary of key elements of the Asset Advisory Agreement.

Services	The asset adviser is responsible to MSCM for: ► Advising on any proposed investment or divestment ► Asset valuations ► Assisting with financial reporting and budgets ► Board reporting in connection with matters on which it provides advice ► Assisting with litigation management ► Provision of appropriately qualified personnel to perform the CEO, CFO and Company Secretary roles for MSCM
Term	No fixed term or until the adviser is removed or resigns
Termination	MSCM may terminate the appointment of the asset adviser following a sustained period of underperformance (failure to meet a specified performance test in any 5 out of 8 consecutive quarters), by security holder vote following the fee commencement date (see section 5.12(a) of the Investor Information Booklet). Accordingly, underperformance, if any, prior to that time is not taken into account in considering this termination event. The resolution must be passed by more than 50% of votes cast at a meeting by security holders entitled to vote. Macquarie and its associates may vote their securities on the resolution. MDAA, as asset adviser, can also be removed for cause being where it is in liquidation, ceases to carry on business, lacks the required licence or authorisation or commits a material breach which cannot be remedied or which can be remedied but remains unremedied for 90 days after notice of breach is given. MDAA, as asset adviser, may resign by giving written notice. Where removal events have occurred, MSCM's directors retain discretion as to whether to terminate the services of MDAA, as asset adviser. Asset base fees and performance fees accrued to the date of termination are payable.
Fees	Asset base fee ► Payable quarterly. ► Asset base fee = 1.5% per annum of the Market Value of MSCM. ► Market Value is the amount for which all investments in MSCM and its subsidiaries by MMG entities could be exchanged between willing, knowledgeable parties in an arm's length transaction at that date, as determined by the asset adviser and reviewed by an independent expert. ► The asset adviser may, where the non-executive directors of MMML and MMHL so determine, apply the asset base fee in subscription for MMG securities. The price of the MMG securities is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the quarter end date. Asset performance fee ► Payable annually if earned. ► Payable as 20% of the actual return (if any) generated above a 6% per annum plus the annual Australian consumer price index (CPI) change benchmark (compounded annually) less any asset performance fees previously paid. ► The asset adviser may, where the non-executive directors of MMML and MMHL so determine, apply the asset performance fee in subscription for MMG securities. The price of the MMG securities is the VWAP of the MMG securities traded on ASX during the 15 trading days up to and including the calculation date.

[8] www.macquarie.com.au/au/mmg

	Other services provided by Macquarie companies Additional market based fees will be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie companies and as approved under MMG's related party policy. Note: Asset base fees and performance fees only become payable if Macquarie is no longer involved in the management of the stapled entities or if MMG is no longer listed, i.e. if: ► A Macquarie company ceases to be the responsible entity of the trust (other than through retirement) ► The MMHL Management Services Agreement is terminated (other than by the manager) or ► MMHL or the trust is delisted or MMG securities cease to be quoted There is no duplication of fees under the Asset Advisory Agreement while Macquarie is manager of MMG.

Source: Asset advisory agreement between MSCM and MDAA

3.2.3 Historical management fees

As set out earlier in this report, MMML acts as manager of MMHL and MMIL and responsible entity of MMT. Accordingly, since MMG's listing in November 2005 on the ASX, MMML has received management fees as stipulated under the Management Arrangements described in section 3.2.1. Over the period from listing (November 2005) to 30 June 2009, a total of $45.6 million in management fees has been paid. The table below summarises management fees paid since listing.

$ 000	**Nov-05 to Jun-06**	**FY07**	**FY08**	**FY09**	**Total**
Base management fee expense	(9,153)	(14,447)	(11,397)	(1,332)	(36,329)
Performance management fee expense	(9,259)	-	-	-	(9,259)
Total management fee expense	**(18,412)**	**(14,447)**	**(11,397)**	**(1,332)**	**(45,588)**

Source: Annual financial statements for MMG, 2006 to 2009

We note in reference to the above that the first column of figures represents management fees paid since listing to 30 June 2006 and is not a full year management fee amount.

We note that no performance management fees have been paid since FY06, reflecting the continuing underperformance of the MMG security price since its listing in November 2005. We refer to section 3.5 which depicts historical MMG security price movements.

Management fee expenses decreased 88.3% from $11.4 million in FY08 to $1.3 million in FY09. This decrease was due to a decrease in the MMG security price and therefore market capitalisation of MMG during FY09 and MMG deciding to retain substantial cash reserves at the fund level.

In relation to the above table, we have not included an additional $3.4 million of 'other' management fees (as shown in MMG's annual financial statements) paid in FY05 and FY06 that relate to fees paid under a prior management agreement with Radioworks, the previous manager of these media operations. Additionally, we have not included $3.8 million of other management fee expenses incurred in FY07 as these related to reimbursed costs regarding the employment of Taiwan Broadband Communications[9] management personnel.

[9] Divested in June 2008

3.3 Financial analysis

3.3.1 Financial performance

The consolidated financial performance set out below represents MMG's operations, inclusive of MSCM's regional radio operations, MSCM regional free to air television business and (where indicated) the ACM community newspaper business.

The table below summarises MMG's normalised EBITDA derived from its statutory accounts for the financial years ended 30 June 2007 and 30 June 2008 and pro forma accounts for 30 June 2009 on the following bases:

1. Post Recapitalisation and pre Internalisation and Corporatisation

2. Post Recapitalisation and Internalisation and pre Corporatisation

3. Post Recapitalisation, Internalisation and Corporatisation

4. Adjusted Post Recapitalisation, Internalisation and Corporatisation excluding the impact of non cash and fair value items such as impairment charges, changes in fair value of derivatives and other items which are non-recurring

Although this independent expert's report does not relate to the Entitlement Offer or Corporatisation we have included the pro forma statements for the inclusion or exclusion of these initiatives to provide MMG security holders with financial information for all scenarios as a result of the initiatives. All information and notes (below) in relation to the pro forma accounts has been sourced from section 9 of the Investor Information Booklet.

$ million	**Extracted from audited financial report**	**Pro forma post Recapitalisation (pre Internalisation)**	**Pro forma post Recapitalisation and Internalisation**	**Pro forma post Recapitalisation Internalisation and Corporatisation**	**Adjusted pro forma post Recapitalisation, Internalisation and Corporatisation**
Revenue from continuing operations	526.6	526.6	526.6	526.6	526.6
Employee expenses	(145.4)	(145.4)	(149.9)	(149.9)	(148.2)
Operating expenses	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)
Management fee expense	(1.3)	(8.0)	-	-	-
EBITDA	**138.8**	**132.1**	**135.6**	**135.6**	**137.3**
EBITDA margin	*26.4%*	*25.1%*	*25.8%*	*25.8%*	*26.1%*

Source: Macquarie Media Group 2009 Annual Report, Investor Information Booklet

In relation to the above MMG have advised:

- Operational revenue of $526.6 million in FY09 comprises income from MSCM (including rebates) of $393.5 million and ACM of $130.8 million plus MSCM government grant revenue of $2.2 million[10]. This highlights that the MSCM business is the main driver of MMG's overall business.

[10] MMG Annual financial reports, 30 June 2009, Note 2

- Total operational revenues increased by $83.8 million (19.0%) in FY09 driven by:
  - The full-year contribution of Southern Cross Broadcasting, which was acquired in October 2007
  - On a like-for-like basis, MSCM's revenue decreased 8.2% (6.1% excluding rebates) due to difficult advertising conditions in the Australian market
  - The full-year contribution of ACM's acquisitions of Messenger Publishing Corporation and Chesapeake Publishing Corporation, and publishing assets of Brown Publishing Co. made during FY08
  - On a like-for-like basis, ACM revenue was 8.6% lower in FY09 primarily driven by decreases in classified advertising and display advertising revenue
- The FY09 pro forma financial performance results (both pre and post Internalisation) exclude the ACM goodwill impairment charge of $138.9 million.
- Additional employee expenses of up to $4.5 million have been assumed post Internalisation as discussed in section 4.1.4. Operating Expenses is made up of broadcast and production costs, occupancy costs, promotions and marketing costs and administration costs.
- This increase in employee expense in the post Recapitalisation and Internalisation pro forma statement relates to incremental costs that will be incurred as a result of the Internalisation. The additional management costs have been estimated up to $4.5 million. This estimate does not include any one off costs that may arise as a result of the Internalisation or any costs payable under the Transitional Services Deed.
- Management fees assumed in the pro forma (pre Internalisation) FY09 accounts of $8 million have been calculated by Management assuming the Entitlement Offer has been completed, and the application of parent level cash (less minimal cash being held at the parent level) to pay down debt at MSCM being completed.
- Pro forma results for FY09 reflected an increase in EBITDA of $8.4 million (pre Internalisation) and $11.9 million (post Internalisation) over pro forma FY08. This increase is primarily due to the full-year contribution of businesses acquired in FY08 as outlined above.
- The EBITDA margin decrease in pro forma FY09 (pre Internalisation) was experienced across both MSCM and ACM. With respect to MSCM, the declining margin in pro forma (pre Internalisation) FY09 was primarily driven by lower advertising revenues, particularly national advertising revenue which has decreased by around 10% year on year. Additionally, higher revenues in FY08 due to Federal election and various government information campaigns were unique in nature and did not continue into FY09. Compounding the effect of falling revenues was the reduction in government licence fee rebates during FY09. With regards to ACM, pro forma margins have fallen largely due to declining classified advertising revenue and expensive newsprint input costs which in FY09, reached their highest point in 30 years[11].

[11] MMG Appendix 4E, 30 June 2009, Commentary on results

- Management fee expenses decreased 88.3% from $11.4 million in FY08 to $1.3 million in FY09. This decrease was due to:
  - The decrease in the MMG security price and therefore market capitalisation of MMG during FY09
  - MMG chose to retain substantial cash reserves at the fund level which had largely resulted from the sale of MMG's interest in Taiwan Broadband Communications. For the purposes of calculating the base fee under the Management Arrangements cash at the fund level is deducted from the market capitalisation (see section 3.2.1)
- The reduction in employee expenses in the adjusted post Recapitalisation, Internalisation and Corporatisation pro forma statement relates to MSCM redundancy costs of $1.7 million which have been adjusted on the basis that they are non-recurring.
- In the audited financial statements, $1.3 million was the actual management fee paid in the financial year ended 30 June 2009. A management fee of $8.0 million would have been payable in this financial year had the enlarged number of securities on issue resulting from the Entitlement Offer, and the application of parent level cash (less minimal cash continuing to be held at the parent level) to pay down debt at MSCM, been completed. Post the Internalisation, no management fee will be paid.

In addition to the above pro forma statements, MMG have provided pro forma information assuming that ACM is deconsolidated. As stated in section 9.3(b) of the Investor Information Booklet:

'On 13 October 2009, MMG announced to the ASX that based on management's latest estimate of financial performance it is expected that ACM will breach certain debt covenants under the ACM Facility on or before certain testing dates (the first of which is anticipated to be on 28 October 2009 (US time), see Section 7.3[12]*.*

*If ACM ceases to comply with the covenants within the ACM Facility and 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 its ACM interests) (**Relevant Event**).*

If a Relevant Event occurred, MMIL could 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$81.2 million.

MMG regularly reviews the carrying value of its assets to determine if there are any assets which are impaired. As information has been prepared on a pro-forma basis at 30 June 2009 in this document (the Investor Information Booklet)*, separate consideration of the impairment charge that would be calculated at the date of this document has not been presented as the circumstances below contemplate a set of transactions for presentation as if at 30 June 2009. If the impairment charge was calculated at the date of this document, the charge would be dependent on actions taken by the lending syndicate, the results of operations of the ACM business and the recoverable value of ACM's assets. Accordingly further impairment charges may be recorded in the MMG December 2009 Interim Report. While the carrying value of MMG's net assets in ACM at 30 June 2009 was US$81.2 million any impairment charge that may be required would be against the aggregate value of all of*

[12] of the Investor Information Booklet

ACM's non-current assets which may result in an impairment charge being greater or less than the net assets (as calculated taking into account the related bank debt outstanding) in that business. However, in those circumstances, whether an impairment charge is recognised will depend upon the actions taken by the ACM Facility syndicate under the ACM Facility and the relevant law in operation. It should be noted that any impairment charge will be a non-cash charge and may not affect the price at which MMG's equity interests in ACM could be realised.

Should the Relevant Event be such that MMG loses beneficial ownership of ACM, then in accordance with AASB 127 Consolidated Financial Statement and Separate Financial Statements, if MMG no longer controlled ACM there would be a deemed divestment reflecting the loss of control. Assuming the proceeds from such divestment would be limited to any amounts that are residual subsequent to the settlement of all creditors which based on current estimates is likely to be US$nil, then the financial statements of MMG would be required to account for the divestment of ACM from the date on which control was lost and a loss on divestment recorded in the accounts of MMG in respect of any assets that MMG no longer controlled, and a loss recorded accordingly. Had these circumstances transpired at 30 June 2009, there would have been a loss of US$81.2 million, being the ACM net assets recorded in the MMG accounts.

The table below provides an illustrative impact on the Pro-forma Income Statement for the financial year ended 30 June 2009 if ACM were excluded. The illustrative impact assumes the loss of accounting control over ACM for the amount of residual proceeds after settlement of all creditors, such amount estimated to be $nil. Deconsolidation accounting, including recognition of a loss on deconsolidation (assumed to occur for $nil consideration) has not been presented on the basis that it is non-recurring. As detailed above, if MMG lost control of ACM on 30 June 2009 and received $nil consideration then the loss on deconsolidation that would have been recorded would have been US$81.2 million which represented the net assets of ACM at 30 June 2009.'

$ million	**Adjusted pro forma post Recapitalisation, Internalisation and Corporatisation**	**Exclude ACM**	**Adjusted pro forma post Recapitalisation, Internalisation and Corporatisation excluding ACM**
Income statement impact			
EBITDA	137.3	(24.7)	112.6
Adjusted EPS (cents per security)	11.9	0.8	12.7

Source: Investor Information Booklet

3.3.2 Balance sheet

The consolidated financial position of MMG and its consolidated subsidiaries derived from its statutory accounts as at 30 June 2009 and pro forma accounts as at 30 June 2009 on the following bases:

1. Post balance date adjustments and Recapitalisation, pre Internalisation and Corporatisation
2. Post balance date adjustments, Recapitalisation and Internalisation and pre Corporatisation
3. Post balance date adjustments, Recapitalisation, Internalisation and Corporatisation

Although this independent expert's report does not relate to the Entitlement Offer or Corporatisation we have included the pro forma statements for the inclusion or exclusion of these initiatives to provide MMG security holders with financial information for all scenarios as a result of the initiatives. All information and notes (below) in relation to the pro forma accounts has been sourced from section 9 of the Investor Information Booklet.

$ million	30 June 09 Actual	Pro forma post Recapitalisation and post balance date adjustments	Pro forma post Recapitalisation and Internalisation and post balance date adjustments	Pro forma post Recapitalisation, Internalisation and Corporatisation and post balance date adjustments
Cash and cash equivalents	347.0	56.3	15.8	15.8
Other current assets	96.6	99.6	99.6	99.6
Current assets	**443.6**	**155.9**	**115.4**	**115.4**
Property, plant and equipment	183.9	183.9	183.9	183.9
Intangible assets	1,317.0	1,317.0	1,317.0	1,317.0
Other non-current assets	65.6	65.6	65.6	65.6
Non-current assets	**1,566.5**	**1,566.5**	**1,566.5**	**1,566.5**
Total assets	**2,010.1**	**1,722.4**	**1,681.9**	**1,681.9**
Borrowings	175.4	165.7	165.7	165.7
Other current liabilities	109.1	91.5	91.5	91.5
Current liabilities	**284.5**	**257.2**	**257.2**	**257.2**
Borrowings	862.9	318.0	318.0	318.0
Other non-current liabilities	19.6	19.6	19.6	19.6
Non-current liabilities	**882.5**	**337.6**	**337.6**	**337.6**
Total liabilities	**1,167.0**	**594.8**	**594.8**	**594.8**
Net assets	**843.1**	**1,127.6**	**1,087.1**	**1,087.1**

Source: Macquarie Media Group 2009 Annual Report, Investor Information Booklet

We note from the 30 June 2009 actual balance sheet that:

- MMG had cash of $347 million as at 30 June 2009. Of this cash, $331 million was held at the fund level by MMG, with the remaining $16 million representing operating cash held by MSCM and ACM.
- Intangible assets of $1,317.0 million represent the identifiable intangible assets and goodwill of the MSCM and ACM businesses. This includes commercial radio/television broadcast licences, mastheads and trade names, customer relationships, non-compete agreements and goodwill. Increases to intangible assets for FY09 included foreign currency exchange differences for goodwill ($54.5 million), mastheads and trade names ($11.6 million), customer relationships ($9.7 million), non-compete agreements ($0.2 million) and net additions ($0.6 million). Reductions in intangible assets arose from an impairment charge of $138.9 million against goodwill and annual amortisation expenses ($10.1 million).
- MMG had debt outstanding to financiers of $1,038.3 million as at 30 June 2009. All debt is held in MSCM and ACM and is not guaranteed by MMHL, MMIL or MMT. The asset level debt maturities are as follows:
  - June 2010: ACM US$133.7 million drawn
  - November 2010: MSCM $872.5 million drawn
- In relation to ACM's debt, Management advised in an announcement to the ASX on 13 October 2009 that preliminary management estimates of the ACM EBITDA for the quarter ended 30 September 2009 were down 21% on the 30 September 2008 quarter. They further announced that subject to the preliminary estimates holding true and if requested amendments or waivers (from financiers) are not forthcoming, ACM will not be compliant with certain covenants under the ACM facility at their next testing dates. The covenants that are expected to be breached are:

- The leverage covenant for the trailing 12 months to 30 September 2009 when it files its quarterly accounts on or before 30 November 2009.

- The requirement that the audit opinion for ACM's financial statements for the year ended 30 June 2009 not contain a 'going concern' or like qualification when filed with ACM's lenders on or before 28 October 2009.

If the covenant breaches occur, ACM lenders will have the right to accelerate ACM's repayment obligations and potentially take beneficial ownership of ACM. Management have advised that they are in ongoing discussions 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 facility. Further, MMG has announced that these discussions are incomplete and there can be no assurance that any amendment of extension will be provided or that the requested waivers will be provided.

MMG has stated in the Investor Information Booklet that it has no plans to apply any proceeds of the Entitlement Offer or any MMG parent level cash to reduce business level gearing within ACM.

- In relation to MSCM debt we are advised that MSCM is currently compliant with all financial covenants. MMG has initiated refinancing discussions with lenders and, as part of the Recapitalisation, will use cash held at the fund level to reduce MSCM debt. The MSCM business continues to fund growth and maintenance capital expenditure from operating free cash flows.

The following pro-forma adjustments have been made by Management to the 30 June 2009 actual balance sheet as stated in section 9.4 of the Investor Information Booklet.

3.3.2.1 Post balance sheet date events

Represents the FY2009 final distribution of $6.1 million and on-market buy-back settlements of $2.2 million post-balance sheet date. These amounts were funded from cash and in respect of the final distribution resulted in a reduction in other current liabilities of $6.1 million.

3.3.2.2 Recapitalisation

Proceeds of the Entitlement Offer assumed to be $294 million and transaction costs of $9.9 million including underwriting fees of $5.5 million. The proceeds are then applied to prepay MSCM debt. An adjustment has been made to recognise the deferred tax asset in relation to the Entitlement Offer transaction costs amounting to $3.0 million.

Assumes pro-forma parent level cash of $270.9 million ($322.9 million at 20 August 2009 less $40.5 million potential Internalisation costs and $11.5 million of estimated costs to break interest rate swaps which resulted in a reduction in other current liabilities) is applied to prepay debt.

3.3.2.3 Internalisation

The Internalisation payment of $40.5 million is assumed to be funded from cash.

The purchase price allocation is yet to be finalised. The payment made in respect of the Internalisation has been recognised within retained earnings on the basis that it is likely that the majority of the payment will be recorded as a charge to the Income Statement as explained further in this note. The payment will be allocated between the extinguishment of the Asset Advisory Agreement with Macquarie and the fair value of any assets and liabilities acquired as a result of a business combination, with any residual amounts allocated to

goodwill. Any amounts allocated to goodwill are likely to be charged to the Income Statement as an immediate impairment charge following Internalisation. Any amounts allocated to the Asset Advisory Agreement would be expensed in full at the time at which they become an obligation of the MMG group. As detailed in section 5.16 of the Investor Information Booklet a portion of this amount may be tax deductible although as the quantum of this amount has not yet been determined the associated tax benefit has not been reflected.

As referred to in section 10.2 of the Investor Information Booklet there is an exposure draft that may become law in relation to the availability of the historical tax losses which will potentially require derecognition of deferred tax assets if accumulated losses were no longer available. No adjustment has been made on the basis that this legislation has not yet been enacted.

3.3.2.4 Corporatisation

The Corporatisation proposals represent a reorganisation of the economic entity historically described as Macquarie Media Group and will result in MMHL becoming the new parent entity. They do not result in any new businesses joining the MMG economic entity. As such, it will be appropriate for the MMHL group consolidated financial statements to reflect a continuation of the existing MMG consolidated financial statements and accordingly no adjustments have been made on the basis that MMHL group is essentially the same economic entity post-Corporatisation as the MMG group pre-Corporatisation.

A final distribution will be paid to security holders upon completion of the Corporatisation process. As this relates to the first half of the financial year ending 30 June 2010, no adjustment has been made.

3.3.2.5 Reclassifications

For ease of comparison and presentation, the following reclassifications have been made from the statutory accounts of MMG for the financial year ended 30 June 2009:

- $1.2 million capitalised borrowing costs and $0.2 million current lease liabilities have been included in other Current Liabilities rather than Current Borrowings
- $10.5 million capitalised borrowing costs and $0.3 million Non Current lease liabilities have been included in Other Non Current Liabilities rather than Non Current Borrowings

As with the statements of financial performance, MMG has provided a pro forma balance sheet assuming the deconsolidation of ACM in the Investor Information Booklet as provided below.

$ million	**Adjusted pro forma post Recapitalisation, Internalisation and Corporatisation**	**Exclude ACM**	**Adjusted pro forma post Recapitalisation, Internalisation and Corporatisation excluding ACM**
Balance sheet impact			
Total assets	1,681.9	(296.2)	1,385.7
Total liabilities	(594.8)	195.7	(399.1)
Net assets	**1,087.1**	**(100.5)**	**986.6**
Net debt	(467.9)	162.2	(305.7)

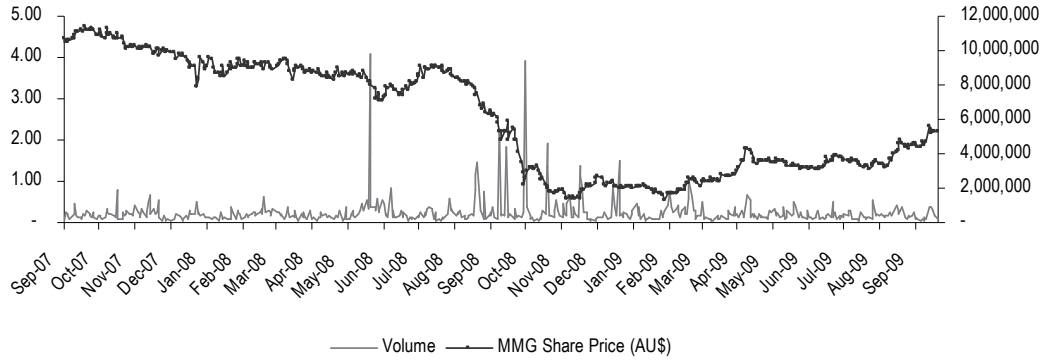
Source: Investor Information Booklet

3.4 Capital structure

As at 19 October 2009 MMG's capital comprised 189,409,130 stapled securities. As at 14 October 2009, there were two substantial MMG security holders being Macquarie (voting power of 26.5% including all principal, non-principal and fiduciary holdings) and UBS Nominees Pty Limited and its related bodies corporate (5.5%).

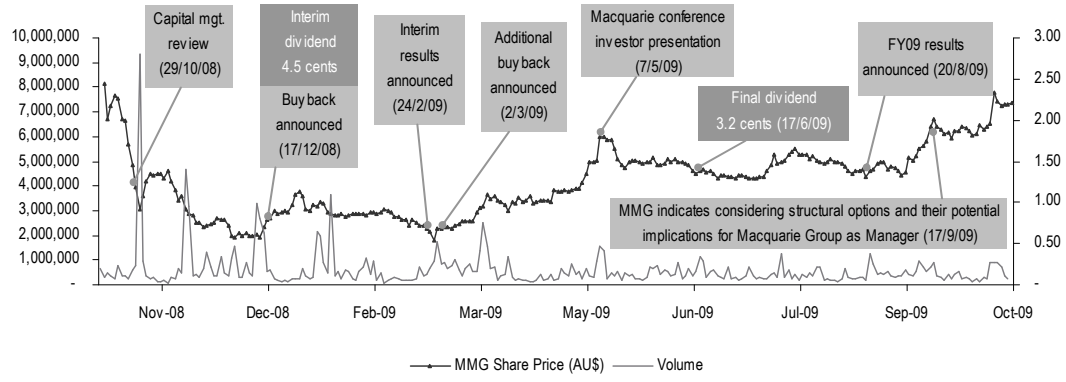
3.5 Security price performance

The graph shown below depicts the trading volume and closing price of MMG securities for the period 24 September 2007 to 19 October 2009.



3.5.1 MMG security price and volume movements

MMG's security price has shown an increase during the 2009 calendar year from $1.095 on 2 January 2009 to $2.21 on 19 October 2009. As with most competitors, and global equity markets generally, substantial declines were experienced during the 2008 calendar year. MMG's security price decreased from $4.15 on 2 January 2008 to $0.97 on 31 December 2008. MMG's security price reached a low on 27 February 2009 of $0.545. The following diagram illustrates MMG's security price for the period 15 October 2008 to 19 October 2009 with key company and industry announcements indicated.



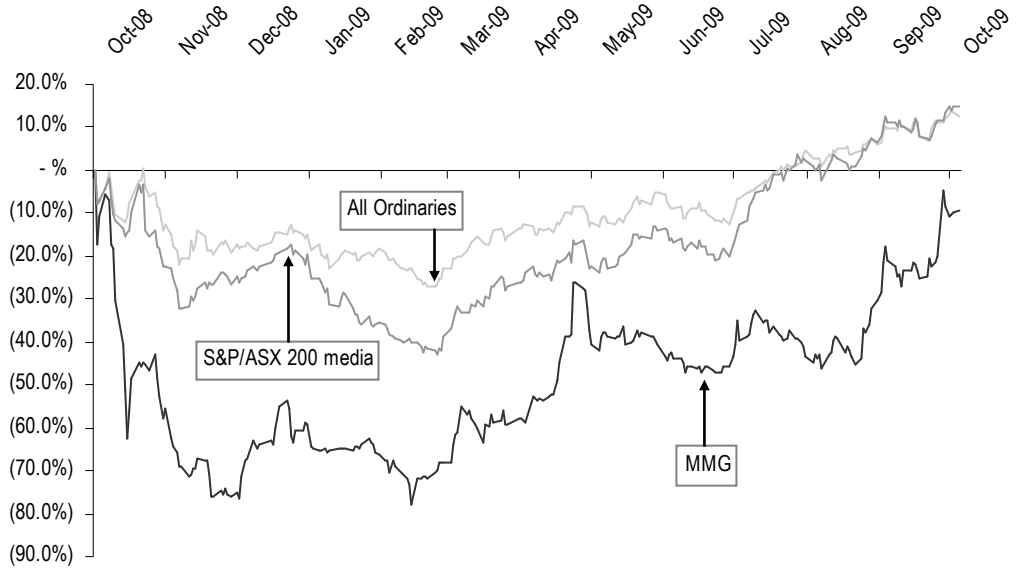
In relation to this chart, we note that the MMG security price was impacted by the following MMG announcements:

Date	Volume traded	ASX company announcement	Security price (open)	Security price (close)	Security price movement
13-Oct-09	912,948	MMG announces expectation based on preliminary management estimates that certain ACM debt covenants will be breached and that a 'range of structural options' including Internalisation and an entitlement offer are being considered	2.310	2.230	*(3.5%)*
17-Sep-09	713,473	MMG indicates that it is considering 'a range of structural options' and their implications for MMG security holders and Macquarie as Manager after it was queried about its increasing share price	2.000	2.010	*0.5%*
20-Aug-09	290,375	MMG announced its financial results for FY09	1.415	1.395	*(1.4%)*
17-Jun-09	512,034	MMG announced the final distribution of 3.2 cents per security for FY09	1.350	1.390	*3.0%*
07-May-09	930,109	MMG presents to investors at the Macquarie Australia Conference, commenting on performance and capital position	1.500	1.800	*20.0%*
02-Mar-09	965,622	MMG announces an on-market and off-market buyback of up to the lesser of 87 million MMG securities and approximately $50 million worth of MMG securities	0.540	0.690	*27.8%*
24-Feb-09	690,983	MMG announced its financial results for the six months ended 31 December 2008	0.670	0.715	*6.7%*
19-Jan-09	3,642,246	MMG reported on the favourable decision of the Full Court of the Federal Court of Australia which unanimously upheld an appeal by MMG regarding MMG's acquisition of two digital television JV licensees as part of the acquisition of SCB	0.860	0.850	*(1.2%)*
17-Dec-08	2,675,281	MMG announced the results of its Capital Management Review, including: an on-market buy-back of up to 10% of its stapled securities; an intention to seek security holder approval for an additional buy-back of up to $50 million worth of its stapled securities; retaining $325 million cash on hand to ensure maximum flexibility for the potential refinancing of asset-level debt facilities; and revising the distribution policy to fund the buy-back and build further cash	0.625	0.700	*12.0%*
29-Oct-08	802,667	MMG reported that its board and management decided to accelerate a comprehensive review of available capital management options and that it is well placed for the review given its $320 million cash on hand as well as the strong free cash flows generated by its businesses	1.205	0.910	*(24.5%)*

Source: Factiva, Bloomberg and ASX

3.5.2 MMG security price movements versus ASX indices

The graph below indicates MMG's security price performance compared to some of the relevant market indices between 15 October 2008 and 19 October 2009.



3.6 Distribution history

MMG has distributed an interim and final distribution to MMG security holders every year since listing on 17 November 2005 and up to 30 June 2009.

Balance date	Dividend type	Cents per share	Currency	Franked	Record date	Pay date
30-Jun-06	Interim	3.00	AU$	- %	31-Dec-05	16-Feb-06
30-Jun-06	Final	11.50	AU$	- %	30-Jun-06	21-Aug-06
30-Jun-07	Interim	21.00	AU$	- %	29-Dec-06	16-Feb-07
30-Jun-07	Final	24.50	AU$	8.9%	29-Jun-07	21-Aug-07
30-Jun-08	Interim	24.50	AU$	17.6%	31-Dec-07	14-Feb-08
30-Jun-08	Final	22.50	AU$	- %	30-Jun-08	19-Aug-08
30-Jun-09	Interim	4.50	AU$	- %	31-Dec-08	17-Feb-09
30-Jun-09	Final	3.20	AU$	- %	30-Jun-09	20-Aug-09

Source: MMG Website

On 17 December 2008, Management announced that it would revise its distribution policy going forward in order to fund security buy-backs and build further cash on hand. As such, distributions decreased from a total of 47.0 cents per security for FY08 to 7.7 cents per security for FY09.

4. Fairness

4.1 Valuation of Management Rights

4.1.1 Methodology

A number of valuation approaches may be applied in determining the fair market value of an asset, investment or business. These are outlined in appendix B of this report and typically comprise the income, market and cost approaches. In valuing the Management Rights we have applied the discounted cash flow (**DCF**) methodology as our primary valuation method. We have then cross checked the resulting valuation against comparable transactions observed in the market. We have adopted this approach for the following key reasons:

- The DCF methodology enables us to better consider different scenarios in relation to management fees that may occur in the event that the Internalisation does not proceed. It allows us to explicitly consider including different potential future growth rates in market capitalisation which is a key determinant of base fees payable under the Management Arrangements.

- There are no material tangible assets employed in the delivery of the management services. Accordingly an asset based approach is not considered appropriate as a primary methodology.

- There have been a number of other transactions in the market involving the internalisation of management arrangements. These provide a basis for using such market benchmarks as a cross check to our primary valuation outcome.

In forming our view as to the most appropriate approach to adopt, we note that as part of the internalisation, MMML will be acquired from Macquarie by MMG. We have been advised that MMML at the time the Internalisation occurs will have no material assets or liabilities other than the MSAs, the rights under the MMT constitution and a resources agreement with Macquarie. The resources agreement will be terminated as part of the Internalisation.

Under the Management Arrangements, various fees are payable to Macquarie as the manager. Following the Internalisation, these fees would no longer be incurred. MMG after the Internalisation will however be responsible for additional costs required to manage MMG including some which were previously incurred by Macquarie as manager. These costs are in addition to any costs that may already be borne under existing arrangements. It is the differential between the management fee savings and these incremental costs that comprise the net savings as a result of the Internalisation, the present value of which we consider to be the value of the Management Rights.

In valuing the Management Rights, we have applied the DCF methodology described above. The separate components we have considered in forming our views as to the value of the Management Rights are detailed below.

4.1.1.1 Period of cash flow analysis

We understand that it is intended that the Internalisation will be completed as soon as all conditions precedent (including financier approval or refinancing) have been satisfied. While it is possible that this could occur fairly quickly, the Share Sale Agreement contemplates that it could also occur as late as 31 December 2010. Management fees will continue to be payable to Macquarie until the Internalisation is completed.

Due to the uncertain timing of the implementation of the Internalisation (due particularly to the financing conditions) we have undertaken our analysis on an annualised basis, assuming that all management fee savings and incremental costs are realised and incurred from the completion of Internalisation.

4.1.2 Term of management arrangements

As discussed in section 3.2.1, we have considered the termination clauses of the Management Arrangements. Under the Management Arrangements, which have no finite term, the existing Manager (MMML) could be removed upon the resolution of greater than or equal to 50% of shareholders. Alternatively, the directors of MMHL or MMIL may terminate the Manager's appointment if there is a material breach of the Management Arrangements of the Manager fails to carry on business or hold the authorisation necessary to continue to perform its obligations.

For the purposes of our analysis we have assumed that in the absence of the Internalisation, or an alternative agreed upon transaction in the future, the existing management arrangements would continue into perpetuity. This is for the following key reasons:

- We have no reason to believe that Macquarie would undertake any action or any other event would occur that would enable the Management Arrangements to be terminated under any of the breach conditions.

- We understand that Macquarie could vote in relation to any resolution put to MMG security holders to remove Macquarie as the manager. As Macquarie has voting power of 26.5% (including all principal, non-principal and fiduciary holdings) of MMG's securities then assuming Macquarie did not support such a resolution this security holding would make it more difficult to pass such a resolution.

- In the event that MMG security holders do vote to remove Macquarie as Manager then in the absence of an agreement to the contrary, Macquarie would continue to be the asset adviser (**Adviser**) in relation to MMG's investment in MSCM. The fees contemplated in the Asset Advisory Agreement in relation to MSCM would then commence to be payable (see section 3.2.2). The following points should be noted in relation to this position:

    - Base fees in the Asset Advisory Agreement are calculated as 1.5% of the market value of MSCM which is MMG's most significant investment. Given MSCM represents the substantial majority of MMG's value and is its only core asset, these fees would not be expected to be materially different to those which could be currently payable under the Management Arrangements.

    - Performance fees may be payable. Performance management fees under the Asset Advisory Agreement are calculated as 20% of the actual return generated above the Australian CPI change plus 6% per annum benchmark from a base market valuation of MSCM at the date the Manager was terminated under the MMHL Management Services Agreement. We note that this is calculated on a market valuation for MSCM based on a directors' valuation. There is no adjustment for any underperformance prior to the time that the Manager was terminated under the MMHL Management Services Agreement. Therefore there is a greater likelihood that performance fees may become payable under the Asset Advisory Agreement than under the MSAs.

      As a result of the above factors, in the event that base fees and performance fees were to become payable under the Asset Advisory Agreement, it is likely that the fees would be equivalent to or higher than those which would be payable under the Management Arrangements.

- To be removed as Adviser to MSCM under the Asset Advisory Agreement, MDAA is required to be voted out by over 50% of security holders (with Macquarie able to vote on this resolution) **AND** the return on MMG securities must be 3.0% less than the S&P ASX200 Accumulation Index return per quarter for five of eight consecutive quarters from the date of removal of the Manager under the MMHL Management Services Agreement. If MMG does not underperform this benchmark return there is no mechanism for the Adviser to be removed (assuming proper performance of its agreed roles) and it will continue to accrue base and performance fees as calculated under the Asset Advisory Agreement. Further details of the terms of the Asset Advisory Agreement are provided in section 3.2.2.

4.1.3 Management fees

4.1.3.1 Base management fees

Base management fees are calculated under the Management Arrangements as described in section 3.2.1. In summary, the base fee is 1.5% of the Net Investment Value of MMG on an annual basis. The Net Investment Value of MMG is determined by:

- MMG's volume weighted average market capitalisation over the final 15 trading days of each quarter of the year, plus
- The external borrowings of MMG (excluding borrowings attributable to the operating asset companies) and net of cash or cash equivalents held by MMG, plus
- Any firm commitments made with respect to future investment

This base fee is calculated and payable on a quarterly basis. Therefore, the level of the base management fees payable will be affected by the factors listed above. We have assumed that the Net Investment Value will essentially be equal to the market capitalisation of MMG post Internalisation as described in section 1. This is for the following reasons:

- We assume that there will be no external borrowings and no material cash held at the fund level. Historically no debt has been held at the fund level and we are not aware of any change to this position. Following the sale of MMG's interest in Taiwan Broadband Communications in June 2008 MMG has retained cash at the fund level which has reduced the level of base management fees payable. We understand that in part this cash has been retained to provide flexibility in relation to future refinancing requirements for MMG's investee company MSCM. As set out in the Investor Information Booklet and as will be provided in the Explanatory Memorandum, with the exception of a small working capital balance, the net cash remaining in MMG subsequent to the Entitlement Offer and Internalisation is intended to be applied to reduce the debt in MSCM. At this point there will be no material cash remaining at the fund level.
- We understand that there are no firm commitments that would require the assumed market capitalisation of MMG to be adjusted in order to arrive at the Net Investment Value for fee calculation purposes.

As a result of the impact of market capitalisation on the calculation of base management fees, in assessing the value of the financial benefit of Internalisation it is necessary for us to consider different scenarios as to future growth rates in relation to the market capitalisation of MMG.

Actual future changes to market capitalisation will be dependent on many factors which are not capable of being predicted with any certainty including:

- The future financial performance and financial position of MMG
- Future economic, industry and financial market conditions
- The impact and success or failure of future investment decisions
- Future capital initiatives including further capital raisings, returns of capital and distribution policies

As a result of the above factors it is not possible to forecast future management fees with any certainty. Therefore the approach that we adopt is to assume a range of initial security prices as discussed below and then to assume that on average the security price and therefore market capitalisation will grow at various rates into the future. This enables us to calculate scenarios for future base management fees.

Initial Market Capitalisation

We note that as set out in section 3.5 the MMG security price has significantly increased over recent periods. While the stock market in general has been increasing over this period a large part of this increase is likely to have been as a result of speculation in relation to current initiatives. MMG made announcements on 17 September 2009 and 13 October 2009 which indicated that various options were being considered. As a result we have considered various alternatives in our assessment of the level of management fees that may have been payable to Macquarie in the future in the event that the Internalisation did not occur and the current Management Arrangements continued.

We note that the Internalisation and Corporatisation are important parts of the current initiatives announced which MMG has stated are designed to enhance investor appeal and to optimise the capital and corporate structure of MMG. We believe that in the environment that has existed during the global financial crisis the debt levels of MSCM and ACM are likely to have been considered to be very substantial issues for investors. The Recapitalisation, which will be completed prior to the Internalisation, will substantially reduce MSCM's debt levels to levels at least comparable to its peers. While ACM still faces significant issues as discussed in section 3.3.2, MMG has now made it clear that ACM is considered to be non-core and that it does not intend to invest any of its cash into ACM to reduce its debt levels. ACM's debt is non-recourse to other MMG assets.

The significance of the Recapitalisation and the improvement in markets generally means that it is not appropriate to wholly disregard current security prices.

We have therefore based our analysis on three different initial market capitalisation scenarios. All scenarios include the impact of the Recapitalisation. The scenarios are:

1. Market capitalisation based on the 7 day VWAP as at 19 October 2009 of $2.22 plus the $294 million Entitlement Offer
2. Market capitalisation based on the 15 day VWAP as at 19 October 2009 of $2.11 plus the $294 million Entitlement Offer
3. Market capitalisation based on the 30 day VWAP as at 19 October 2009 of $1.93 plus the $294 million Entitlement Offer. This VWAP of $1.93 is approximately 12% below the security price on 19 October 2009.

The above scenarios and the related calculation of Base Fees are provided in the table below.

		30 day VWAP	15 day VWAP	7 day VWAP
Security price ($)		1.93	2.11	2.22
MMG securities (pre Entitlement Offer) (million)		189.4	189.4	189.4
Market capitalisation (pre Entitlement Offer) ($ million)		**365.1**	**399.6**	**419.6**
Entitlement Offer				
Security price ($)		1.55	1.55	1.55
Entitlement Offer Securities (million)		189.4	189.4	189.4
Entitlement Offer raising ($ million)		**293.6**	**293.6**	**293.6**
Market capitalisation (post Entitlement Offer) ($ million)		**658.6**	**693.2**	**713.1**
Base Fee	1.5%	*9.9*	*10.4*	*10.7*

Source: Bloomberg, Management Services Agreements

Market capitalisation growth

As stated in section 4.1.3.1, actual market capitalisation growth will be dependent upon a range of factors and influences in the future. We have based our analysis on scenarios assuming growth in MMG's market capitalisation of between 3% and 5% per year for a period of five years. After the fifth year we have assumed that the market capitalisation growth rate will be 3% per year implying a low level of real growth depending upon future levels of inflation.

We note that the above growth assumptions would be considered to be conservative in the long term in the context of investor expectations for share price growth in general. Notwithstanding this we consider them to be appropriate in the context of assessing the Internalisation.

Our valuation calculation is based on the average of the opening and closing market capitalisation in each year which on approximates the same outcome as the actual management fee calculations which are performed on a quarterly basis.

4.1.3.2 Performance management fees

Performance management fees are determined under the Management Arrangements as described in section 3.2.1. In summary, a performance fee is payable should the Return of MMG outperform the Benchmark Return in any quarter. In calculating this Benchmark Return, the cumulative performance of MMG since listing in November 2005 is taken into account and therefore any previous underperformance must be made up for prior to a performance fee being payable.

The performance fee is calculated as 20% of the amount by which (if at all), the Return exceeds the Benchmark Return in a quarter.

As the issue price of MMG Securities in 2005 was $4.75 per security[13] and as at 19 October 2009 the closing price of MMG's securities was $2.21, the payment of performance fees in the near term is unlikely and we have not included any performance fees in our valuation analysis.

[13] $2.75 issue price plus a $2.00 instalment.

4.1.4 Additional costs associated with the Internalisation

As a result of the Internalisation MMG will incur additional corporate costs. Management have estimated these to be up to $4.5 million annually (based on current costs).

The largest component of the additional costs is employee costs. The additional costs relate to costs for services/employees currently provided by MMML being public relations, government relations, tax, payroll, compliance, treasury, IT, occupancy and insurance expenses. Based upon our discussions with the IBCs and Management, we understand that additional overhead costs other than salaries are expected to be minimal, particularly since the MMG head office is expected to relocate to the existing MSCM premises.

We have assumed that the costs will grow at approximately 4.0% per annum for a period of five years, which is between the RBA's target inflationary band and consensus forecasts of average weekly earnings growth in the near to medium term. After the fifth year we have assumed that a growth rate of 3% per annum in line with our assumed market capitalisation growth rate.

4.1.5 Transition costs

Management have advised that the Internalisation Consideration payable for the Internalisation of $40.5 million will be allocated $1.7 million to the payment of transition services provided by Macquarie and $38.8 million as a payment to compensate Macquarie for ceasing to have any ongoing management roles with MMG. For the purposes of our valuation analysis, we have included the estimated transition costs as part of the Internalisation consideration.

4.1.6 Discount rate

In order to determine the net present value of the management fees, we have applied a pre-tax discount rate of 16.5% to the net cash flows. The determination of the discount rate is set out in appendix C.

We have undertaken our valuation of the Management Rights on a pre-tax basis for the following reasons:

- Currently the MMHL tax consolidated group (comprising MMHL and MSCM) generates little or no taxable income due to the dividend payments from redeemable preference shares (**RPS**) by MMHL to MMT being treated as an interest expense for tax purposes. The dividends on the RPS are treated as assessable income to MMT, although as a trust it is not liable to pay tax on its taxable income. MMG security holders receive the majority of their distributions from MMT in effect receiving the majority of those distributions on a pre-tax basis.

- If the Internalisation is approved but the Corporatisation is not, the tax profile of MMG (and the distributions received by MMG security holders) is expected to remain materially similar to its present profile.

- If the Corporatisation ultimately proceeds then the simplified arrangements are expected to result in MMG paying a greater level of tax. Subject to future profitability, MMG's distribution policy and available franking credits, MMG security holders would be able to receive future distributions as dividends (on which franking credits may be attached).

4.1.7 Valuation

Based upon our above analysis, we have calculated the value of the Management Rights by separately assessing potential management fee savings resulting from the Internalisation and the expected incremental costs arising from the Internalisation.

The following table provides a summary of the assumptions used by us in the valuation of the Management Rights as discussed above.

Assumptions	
MMG securities on issue as at 19 October 2009 (million)	189.4
MMG security price at 19 October 2009 ($)	2.21
7 day VWAP MMG security price at 19 October 2009 ($)	2.22
15 day VWAP MMG security price at 19 October 2009 ($)	2.11
30 day VWAP MMG security price at 19 October 2009 ($)	1.93
Capital raising price ($)	1.55
Base fee (% of market capitalisation)	1.5%
Market capitalisation growth rate (years 1 to 5)	3% - 5%
Costs growth rate (years 1 to 5)	4.0%
Perpetuity growth rate	3.0%
Discount rate (pre-tax)	16.5%
Management costs (year 1)	$4.5 million

The following table provides a summary of the Value of the Management Rights based on these assumptions.

$ 000		**Opening market capitalisation (security price)**		
		7 day VWAP 2.22	**15 day VWAP 2.11**	**30 day VWAP 1.93**
Market capitalisation	**3.0%**	49,567	47,144	42,937
growth rate	**4.0%**	52,773	50,261	45,898
(years 1 to 5)	**5.0%**	56,089	53,485	48,961

Note: Market capitalisation and management costs are forecast to grow at 3% per year from year 6 onwards

We note the recent volatility in the MMG security price may reflect in part speculation in relation the current initiatives. In considering the appropriateness of the above assumptions we are of the view that it is appropriate when considering the higher security price scenarios to be more conservative in the growth rates adopted.

Accordingly, based upon this analysis for the purposes of this report we consider a reasonable range for the valuation of the Management Rights to be $43 million to $53 million.

4.1.8 Valuation cross checks

In order to cross check our valuation results, we have considered historical transactions involving other internalisation transactions as shown in the table below.

$ million	Listed fund	Consider-ation	Revenue (H)	Revenue (F1)	Revenue multiple (H)	Revenue multiple (F1)
Sep-09	Macquarie Airports	345.0	42.0	57.5	8.2	6.0
Jul-09	Viridis Clean Energy Group	2.8	2.4	n/a	1.2	n/a
Jun-09	Macquarie Leisure Trust Group	17.0	3.1	n/a	5.5	n/a
Apr-09	Babcock & Brown Japan Property Trust	22.1	18.2	n/a	1.2	n/a
Mar-09	Babcock & Brown Capital Limited	5.0	19.0	3.0	0.3	1.7
Dec-08	Babcock & Brown Wind Partners	40.0	29.2	n/a	1.4	n/a
Jun-07	Macquarie ProLogis Trust [1]	22.0	3.3	4.0	6.8	5.5

Note 1: Consideration and revenue denoted in USD

Source: Independent expert reports and company announcements

In relation to the above table, we note the following:

- The above multiples should be viewed with caution when comparing to those implied by the Internalisation due to the differing nature of the management arrangements being internalised, the circumstances under which the internalisations occurred and the nature of the consideration offered.
- All of the listed transactions involved the acquisition of 100% of the manager (or management rights) with the exception of the Macquarie ProLogis Trust transaction which involved the acquisition of the 50% of the manager that the acquirer did not already own.
- The Viridis and Babcock & Brown Capital transactions were both smaller than the Internalisation and as such are not considered as comparable. In addition, at the time of its internalisation, Babcock & Brown Capital was not paying base or performance fees to its manager, but only cost reimbursements of approximately $3 million per year.
- The forecast implied multiple based on the Internalisation Consideration of $40.5 million as mentioned earlier in this report implies a forecast revenue multiple of 4.0x on an annualised basis assuming a management fee of approximately $10 million (as calculated by us as the year 1 management fee in section 4.1.3). We note that due to the low base management fee paid in FY09 of $1.3 million (due principally to the low MMG security price and significant cash held at the fund level over this period), the historical implied multiple is not considered meaningful. Historical management fees are provided in section 3.2.3.
- We also note that in the case of MMG, based on current security prices and the expected Recapitalisation, base management fees in the order of $10 million per annum substantially exceeds the level of incremental costs MMG expects to incur as a result of the Internalisation (up to $4.5 million on an annual basis).

While it is difficult to draw strong conclusions due to the range of multiples reflected above, we note that the forecast multiple of 4.0x falls within the range of the transactions listed above.

4.2 Price to be paid to internalise the Management Rights compared to consideration offered

As set out in section 4.1.7, based on the scenarios presented, we have assessed a range of values for the Management Rights to be between $43 million to $53 million. The payment to Macquarie of $40.5 million as compensation for Macquarie ceasing to have any ongoing management roles with MMG therefore falls below our range of assessed values for those Management Rights.

We note that our valuation of the Management Rights is particularly sensitive to assumptions in relation to market capitalisation and future security price growth. Our valuation assumes, at the low end of the range, an initial security price below current levels (closing price of a MMG security as at 19 October 2009 was $2.21). It also assumes security price growth for the first five years of between 3% and 5%, and 3% thereafter. To the extent that future market capitalisation is higher or lower than that resulting from these assumptions, the benefit of the Internalisation would increase or decrease accordingly.

If completion of the Internalisation does not occur at the end of a calendar quarter, Macquarie will receive a cash amount equal to the base fee which would have been payable under the Management Arrangements for the period to completion. This payment is designed to place the parties in the same position as if management fees had continued to accrue daily up to completion of the Internalisation. As the additional payment is equal to the base fee that would otherwise have been payable, we have excluded this from our assessment.

In section 5.16 of the Investor Information Booklet, it is stated that '*A portion of the $40.5 million paid to Macquarie is expected to be tax deductible over a period of 5 years, MMG is intending to seek a ruling from the Australian Taxation Office in this regard, and a portion will comprise the cost base in shares acquired by MMG companies (to the extent that consideration is stated to be paid for those shares).*' This may result in a decrease to the after tax Internalisation Consideration paid.

Considering the above, we consider the Internalisation is fair to the non-associated MMG security holders.

5. Reasonableness

In accordance with RG 111.11, as the Internalisation is 'fair' it is also 'reasonable'. To provide MMG security holders with complete information we have provided below the factors we consider in relation to the 'reasonableness' of the Internalisation.

5.1 Positive considerations

5.1.1 More typical business model

At present MMG is a triple stapled structure (as described in section 3.1.1) which is managed by Macquarie. If the Internalisation and related Corporatisation are implemented the renamed MMG will be a simple corporate entity wholly managed by its directors and employees. This structure would be consistent with all other major listed media companies in Australia.

When MMG was listed in 2005 the externally managed fund model, which historically operated with fairly high levels of leverage, was generally accepted in the investment community with a number of entities sponsoring the establishment of many such funds. Over time and especially with the global financial crisis leading to a number of corporate failures involving some of the sponsors of these entities, and an aversion to high debt levels, the model has become less favoured by the investment community. This has resulted in the internalisation of management in cases such as Macquarie Leisure Trust, Macquarie Airports, Viridis Clean Energy Group, Allco Equity Partners and Babcock and Brown sponsored funds including Babcock & Brown Wind, Babcock & Brown Communities and Babcock & Brown Capital.

Therefore the Internalisation (and the Corporatisation if it is approved and implemented) will contribute to MMG transitioning to a more typical business model which may better align with investor sentiment in the current market. Consequently, to the extent that the Internalisation contributes to a re-rating this would be of benefit to MMG security holders.

5.1.2 Independence

At present Macquarie entities have voting power of 26.5% (including all principal, non-principal and fiduciary holdings) of MMG's stapled securities. Macquarie also holds the Management Rights pursuant to which it provides a range of services including reporting, asset management and valuation, investment evaluation, risk monitoring and investor relations. Key management decisions, such as investment decisions, are made by the boards of directors of MMHL, MMIL and MMML as responsible entity of MMT.

Subsequent to the Internalisation, Macquarie will initially continue to hold its MMG stapled securities. However, after the transitional period Macquarie will cease to provide the above services and all aspects of MMG's operations will be managed by the MMG boards and employees. MMG will no longer pay management fees to Macquarie. In addition MMG has announced that it will change its name to further reflect its changed management arrangements.

The Internalisation brings in-house all management and will make MMG independent from Macquarie as an external manager. It will mean that all strategic and financial decisions can be made solely with regard to factors affecting MMG and without regard to other factors affecting Macquarie or any other external manager.

In recent times some investors and media and financial commentators have been critical of the externally managed fund model including funds managed by Macquarie and have cited potential misalignment of interests between the manager and security holders. The Internalisation resulting in independence from Macquarie removes the potential for such misalignment resulting from these differing interests, whether they be real or perceived.

Macquarie, through its holding of A Special Shares in MMHL and MMIL, has the right to appoint up to 50% of the directors of MMHL and MMIL. Those shares may be bought back if MMML ceases to provide management services to those entities. Through its exercise of the rights under the B Special Shares in MMHL and MMIL, Macquarie (as responsible entity of MMT) also has the right to appoint up to an additional 25% of the directors of MMHL and MMIL. In addition, Macquarie has the right to appoint and remove all of the directors of MMML as MMML is a Macquarie entity.

The A Special Shares and B Special Shares will either be cancelled or will be held by MMML as an MMG subsidiary following Internalisation and accordingly Macquarie's rights to appoint directors (other than any rights it will have as a holder of MMG securities) will fall away if the Internalisation is implemented.

In section 5.2.4 we note that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any benefit relating to independence may reduce.

5.1.3 Corporate governance

If the Internalisation is approved, MMG has advised that it will (subject to any necessary security holder approvals) introduce a governance framework that is similar to those in place for other ASX listed entities, but which recognises MMG's particular circumstances.

The key features of MMG's proposed governance framework include:

- It is proposed that the boards of MMG will be constituted as follows following the Internalisation:
  - **MMHL / MMML**: Max Moore-Wilton (Chair) (associated with Macquarie), Michael Carapiet (an employee of Macquarie), Leon Pasternak (Deputy Chair), Chris de Boer and Tony Bell.
  - **MMIL**: Michael Hamer (Chair), Max Moore-Wilton (associated with Macquarie), Bob Richards and Michael Leverock.
- The key features of MMG's proposed governance framework include:
  - Macquarie will no longer have any special rights to appoint directors to the MMG Boards.
  - Rights for security holders to appoint one third of directors (including the Macquarie appointed directors) annually with re-election on a 3 year rotational basis.
  - A majority of independent directors (currently comprising the members of the IBC) will continue to sit on the Boards of MMG (and the MMHL board post-Corporatisation). While independence will initially be determined in accordance with the current criteria applied by MMG[14] by December 2010 MMG intends to transition to apply the definition of independence as set out in the ASX Corporate Governance Principles.

[14] In determining the status of a director, MMG applies the standards of independence required by the Macquarie Funds Management Policy which have been adopted by MMG and are described in Annexure 2 of the Investor Information Booklet.

- All directors who have been appointed by Macquarie under the special appointment rights that it has as the holder of the MMHL A Special Share and the MMIL A Special Share and that MMML (as responsible entity of MMT) has as the holder of the MMHL B Special Share and the MMIL B Special Share will stand for re-election either at the 2010 annual general meeting or the 2011 annual general meeting. At the 2010 annual general meeting it is currently proposed that at least Max Moore-Wilton, Michael Carapiet and Leon Pasternak will stand for re-election.
- It is not intended that there will be any alternate directors on the MMG Boards.
- Leon Pasternak has been appointed as Deputy Chairman of MMG with immediate effect.

In section 5.2.4 we note that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any benefit relating to corporate governance may reduce.

5.1.4 Reduced volatility of MMG cost structure

If the Internalisation is approved and implemented then:

1. MMG will no longer pay management fees to Macquarie

2. MMG will incur additional corporate costs to perform functions previously provided by Macquarie

As the management fees are based predominantly on the market capitalisation of MMG, adjusted to reflect borrowings and cash held at the fund level, the level of management fees can vary significantly from year to year as can be seen in section 3.2.3. At the extreme it can be seen that very low management fees were paid in FY09 due to a generally reduced market capitalisation and significant cash being retained at the fund level following the sale of Taiwan Broadband Communications. In contrast much higher management fees were paid in earlier years and based on the analysis in section 4.1.3 higher fees are expected to resume in the future in the absence of the Internalisation due to an improved MMG security price and the intended Recapitalisation.

In contrast to the above position the corporate costs referred to in section 4.1.4 are relatively fixed in nature and would generally only be expected to increase in line with general cost increases or if structural change within MMG occurs.

Therefore prima facie the Internalisation will reduce the volatility of MMG's cost structure.

5.1.5 Eliminate risk of paying performance fees

The Internalisation will eliminate the risk that performance fees may be payable to Macquarie in the future. The manner in which performance fees are determined under either the Management Arrangements or the Asset Advisory Agreement are discussed in section 3.2.

In relation to the Management Arrangements, performance fees are payable in the event that the MMG accumulation index (the Return) outperforms the annual Australian CPI change plus 6% per annum (the Benchmark Return) in any quarter having made up for underperformance in previous quarters. The performance fee for a quarter is 20% of the amount (if any) by which the Return exceeds the Benchmark Return. As the initial public offering price for MMG securities in 2005 was $4.75[15] compared to a security price on

[15] $2.75 issue price plus a $2.00 instalment.

19 October 2009 of $2.21 and given the nature of the calculation outlined above it is unlikely that a performance fee would be payable under the Management Arrangements in the near term.

There is however also a performance fee mechanism contained within the Asset Advisory Agreement. As discussed in section 3.2.2, fees only become payable under the Asset Advisory Agreement if Macquarie is no longer involved in the management of the stapled entities or if MMG is no longer listed, *i.e.* if:

- A Macquarie company ceases to be the responsible entity of MMT (other than through retirement)
- the MMHL Management Services Agreement is terminated (other than by the manager) or
- MMHL or MMT is delisted or MMG securities cease to be quoted

There is no duplication of fees under the Asset Advisory Agreement while Macquarie is manager of MMG.

However, if one of the above were to occur, there is a greater likelihood that performance fees could become payable under the Asset Advisory Agreement than under the Management Arrangements. This is because performance fees under the Asset Advisory Agreement would be based on future increases in the value of MSCM without any adjustment for failure to meet any benchmark level of performance prior to the date at which fees became payable under the Asset Advisory Agreement.

5.1.6 Increased opportunity for corporate activity

In recent years there have been a number of transactions resulting in some consolidation of the media industry. This has included a number of takeover transactions.

With the stapled security structure, the external management of MMG and the security holding of Macquarie, a takeover of MMG in its current form would practically be difficult and would require the support of Macquarie. In considering any form of corporate activity, for example a takeover transaction, Macquarie would currently be concerned not only with the value of its investment but the impact of any such transaction on the future management fees that it would otherwise receive.

Subsequent to the Internalisation, in any corporate activity, Macquarie's sole interest would be in relation to the value it is receiving for its securities in MMG or the impact of the transaction on the value of those securities. These considerations would be expected to be consistent with those of other MMG security holders.

5.1.7 Possible market re-rating

As discussed above, the investor market has more recently been very critical of highly leveraged externally managed funds. The various initiatives announced by MMG (being the Entitlement Offer, Internalisation and Corporatisation) all have the potential to be favourably received by the market as they result in:

- A substantial deleveraging of MMG's investment in MSCM (MMG's core business)
- The Internalisation of management
- Conversion of the triple stapled structure into a simple corporate structure

Consequently, to the extent that the Internalisation contributes to a re-rating this would be of benefit to MMG security holders.

In section 5.2.4 we note that as a result of Macquarie's participation in the underwriting of the Entitlement Offer it is possible that its security holding may increase. Should this security holding be increased above the current level (and remain above that level) the extent of any re-rating may reduce.

5.1.8 Financial Position of MMG

One of the issues that has been facing MMG since the onset of the global financial crisis and the tightening of credit markets has been what are now considered to be high debt levels of MSCM and ACM.

As a result of the Recapitalisation, MSCM's debt will be reduced from approximately $873 million at 30 June 2009 to approximately $318 million. This level of debt is comparable to other media companies and should act to alleviate previous concerns in relation to MSCM's debt levels.

As discussed in section 3.3, MMG has announced that based on preliminary management estimates of ACM's financial performance for the September 2009 quarter, it was expected that ACM would not comply with various covenants under its business level bank facility. They further announced that subject to the preliminary estimates holding true and if requested amendments or waivers (from financiers) are not forthcoming, ACM will not be compliant with certain covenants under the ACM facility at their next testing dates.

The Investor Information Booklet further discloses that:

*"If ACM ceases to comply with the covenants within the ACM Facility and 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 its ACM interests) (**Relevant Event**).*

If a Relevant Event occurred, MMIL could 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$81.2 million.".

In considering the impact of this position on MMG we note that:

- MMG parent entities and members of the MSCM group have not given any guarantees or security or given any other form of contractual credit support to ACM's external financiers in respect of the ACM Facility

- Any impairment charges or asset writedowns in relation to MMG's investment in ACM are non-cash and do not affect MMG's investment in MSCM or MSCM's debt facilities

- Based on the announcements made by MMG in relation to ACM, and our consideration of recent brokers reports and press we do not believe it likely that the market is placing significant value on MMG's investment in ACM

5.1.9 Earnings per MMG security

The Internalisation has the potential to improve MMG's pro forma earnings per security. This can be seen from the following analysis which compares the pro forma pre-tax cost of current management arrangements per MMG security to the pro forma pre-tax cost of the incremental costs that MMG are expected to incur in the event that the Internalisation proceeds.

$ 000	No Internalisation	With Internalisation
Base management fee payable	10,325	-
Internalised costs	-	4,500
Interest on Internalisation payment	-	3,645
Total costs	**10,325**	**8,145**
Securities on issue (post Entitlement Offer) ('000)	378,800	378,800
Pre-tax cash outflow per MMG security	**2.73**	**2.15**

Source: Investor Information Booklet, EY

Key assumptions underpinning the above analysis are as follows:

1. The above analysis has been undertaken post the Recapitalisation
2. Management fees are calculated based upon the market capitalisation of MMG using an average of the 7, 15 and 30 day VWAP of MMG securities as at 19 October 2009 as provided in section 4.1.3.1 of $10.3 million adjusted to reflect the Recapitalisation
3. Incremental costs to be assumed by MMG of $4.5 million per annum
4. The payment to Macquarie for ceasing to have any ongoing management roles with MMG of $40.5 million being funded by debt at a cost of 9% per annum
5. No other impact of the Internalisation on the revenues or costs to be incurred per MMG security
6. The analysis is for a theoretical 12 month period including a full 12 months of base management fees and a full 12 months of incremental costs

In addition to the above, we note that the Investor Information Booklet states that the payment to be made in respect of the Internalisation has been recognised within retained earnings on the basis that it is likely that the majority of the payment will be recorded as a charge to the Income Statement as explained below. The payment will be allocated between the extinguishment of the Asset Advisory Agreement with Macquarie and the fair value of any assets and liabilities acquired as a result of a business combination, with any residual amounts allocated to goodwill. Any amounts allocated to goodwill are likely to be charged to the Income Statement as an immediate impairment charge following Internalisation. Any amounts allocated to the Asset Advisory Agreement would be expensed in full at the time at which they become an obligation of the MMG group. As detailed in section 5.16 of the Investor Information Booklet a portion of this amount may be tax deductible although as the quantum of this amount has not yet been determined the associated tax benefit has not been reflected.

5.1.10 Disaggregation

To the extent that institutional investors and debt financiers aggregate investments in Macquarie managed funds for the purpose of assessing concentration risk, the Internalisation should remove MMG from this grouping and may increase their willingness to invest in, and to lend to, MMG.

5.2 Negative considerations

5.2.1 Increased Corporate Costs

If the Internalisation is approved MMG will be required to incur additional corporate costs. These costs will include insurance, management employment costs and accommodation. These costs have been estimated by management to be up to $4.5 million on an annualised basis. These services are currently provided by Macquarie under the current management arrangements. In the future MMG will incur these costs and be exposed to any variations or growth in these costs.

5.2.2 Reduced association with Macquarie

In section 5.1.2 we note as an advantage the fact that MMG will become more independent from Macquarie.

As part of the Management Arrangements one of the services provided by the Manager is the provision of management to MMG. In connection with the Internalisation some of the key management of MMG including the CEO Mr Mark Dorney and CFO Mr Liam Buckley will cease to provide management services and return to other Macquarie entities. While Macquarie will continue to be a major security holder, the level of day to day interaction with Macquarie personnel and general access to Macquarie resources and services will reduce.

In the future MMG's management team will not have access to the general Macquarie network.

We also note however that historically Macquarie has been a source of deal flow for MMG and due to both the management arrangements and its MMG security holding it has generally been in Macquarie's interests to make media transactions available to MMG. If the Internalisation proceeds Macquarie will continue to be a major security holder in MMG and hence at least while it retains a significant security holding it will continue to be interested in the success of MMG. However, with the cessation of management arrangements MMG may not enjoy the same access to deal flow via the Macquarie networks as has historically been the case.

5.2.3 Macquarie's intentions with regard to its interest in MMG

If the Internalisation is approved, Macquarie's interest in MMG will move from that of a manager whose income will be increased through improved financial and market performance (with Macquarie as the manager) to a security holder with no other direct interest. This change may alter the position of Macquarie in relation to its security holding.

If Macquarie sells or is perceived as being likely to sell a substantial number of MMG securities, the market price of the securities could be adversely affected.

5.2.4 Macquarie participation in underwriting the Entitlement Offer

Macquarie has undertaken to take up its full entitlement to participate in the Entitlement Offer. The balance of the Entitlement Offer has been fully underwritten by Macquarie Capital Advisers Limited and RBS Equity Capital (Australia) Limited.

In the event that the underwriters are required to take up any shortfall from the Entitlement Offer Macquarie's security holding will increase. This is discussed in section 8.2 of the Investor Information Booklet. At the extreme, if no security holders other than Macquarie applied for their entitlements, Macquarie's interest in MMG could increase to approximately 45%. MMG states that it does not consider this to be likely.

Whether or not Macquarie is required to take up any shortfall will be known prior to the Internalisation and the Internalisation will not affect that outcome. However, we note that in discussing positive considerations in relation to the Internalisation we have referred to the independence of MMG (section 5.1.2), corporate governance (section 5.1.3) and a possible market re-rating (section 5.1.7). In the event that Macquarie's security holding increased above its current level (and remain above that level) the extent of any benefits arising from these factors may be reduced.

5.2.5 Tax losses

As stated in section 10.2 of the Investor Information Booklet, '*At 30 June 2009, the MMHL tax consolidated group had available tax losses to be carried forward to future years of approximately $36.8 million. The cancellation of the MMHL A Special Share and MMHL B Special Share may, however, impact MMHL's ability to carry forward prior year tax losses for recoupment against taxable income of future years if certain changes to taxation laws are ultimately legislated as currently proposed. These changes are at a preliminary stage and may be altered as a result of ongoing consultations prior to finalisation and hence their potential impact cannot be definitively determined at this time. The ultimate impact if these proposed changes are legislated as currently proposed would be that MMG would commence paying franked dividends at a stage earlier than if it were able to rely on its existing tax losses.*'

While the loss of MMHL's ability to utilise these tax losses would be a disadvantage of the Internalisation we have not made any adjustment to our valuation of the Management Rights in section 4. This reflects the uncertainty of the position and the fact that security holders currently receive the majority of their distributions from MMG on a pre-tax basis (see section 4.1.6). We also note that in the event that the tax losses could not be utilised MMG has indicated that '*MMG would commence paying franked dividends at a stage earlier than if it were able to rely on its existing tax losses*.' For security holders who are able to utilise such franking credits this would in effect offset, in part or in full, the impact of the loss of the ability to utilise the tax losses.

5.2.6 Head office disruption

In addition to employing the MMG CEO and CFO, MMG will be required to establish a head office, with various head office positions requiring staffing. This may occur from existing Macquarie provided staff or from external candidates. In addition, the head office will be required to relocate from Macquarie to an external site (currently planned to be the MSCM office in St Leonards). There may be some disruption to the MMG operations during this transition.

5.3 Neutral considerations

5.3.1 Impact of Internalisation on control and dilution

We note that in a number of other transactions involving the internalisation of management arrangements shares have been issued as consideration for the acquisition or cancellation of management rights. Payment for the Internalisation Consideration is to be cash. Consequently the Internalisation in and of itself will not affect the level of control which Macquarie or any other party exerts over MMG and will not result in the dilution of MMG security holders' interests in MMG.

5.3.2 Financial position of MMG

One of the issues that has been facing MMG since the onset of the global financial crisis and the tightening of credit markets has been what are now considered to be high debt levels of MSCM and ACM.

As discussed in section 3.3, MMG has announced that based on preliminary management estimates of ACM's financial performance for the September 2009 quarter, it was expected that ACM would not comply with various covenants under its business level bank facility. They further announced that subject to the preliminary estimates holding true and if requested amendments or waivers (from financiers) are not forthcoming, ACM will not be compliant with certain covenants under the ACM facility at their next testing dates.

*If ACM ceases to comply with the covenants within the ACM Facility and 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 its ACM interests) (**Relevant Event**).*

If a Relevant Event occurred, MMIL could 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$81.2 million.

In considering the impact of this position on MMG we note that:

- MMG parent entities and members of the MSCM group have not given any guarantees or security or given any other form of contractual credit support to ACM's external financiers in respect of the ACM Facility.

- As a result of the Recapitalisation, and after the payment of $40.5 million to Macquarie as compensation for ceasing to have ongoing management roles in respect of MMG, MSCM's debt will be reduced from approximately $873 million at 30 June 2009 to approximately $318 million. This level of debt (which excludes debt payable under the ACM Facility) is comparable to other media companies and should act to alleviate previous concerns in relation to MMG and MSCM's debt levels.

- Any impairment charges or asset writedowns in relation to MMG's investment in ACM are non-cash and do not affect MMG's investment in MSCM.

- Based on the announcements made by MMG in relation to ACM, and our consideration of recent brokers reports we do not believe it likely that the market is placing significant value on MMG's investment in ACM.

5.4 If the Internalisation does not proceed

In the event that the Internalisation does not proceed then in the absence of any alternative transaction:

- Macquarie will continue as external manager of MMG (and adviser of MSCM under the Asset Advisory Agreement) and MMG will continue to pay base fees and potentially performance fees to Macquarie in future periods.
- Management will remain with Macquarie and will not transfer to MMG.
- MMG will not make a cash payment of $40.5 million to Macquarie as Internalisation Consideration.
- Transaction costs of $1.8 million are estimated to be incurred as a result of the Internalisation. The majority of these costs have been or are in the process of being incurred and therefore will be payable whether the Internalisation is approved or not.
- MMG will not change its name.
- MMG will not acquire MMML.
- The corporate governance features which are proposed to be introduced as part of the Internalisation will not be implemented (except that Mr Leon Pasternak will continue as deputy chairman).
- The Corporatisation would not occur at this time. Whether Corporatisation or some other form of restructure occurred at a later point in time would be subject to further consideration by the Board.

In section 5.1.7 we discuss a possible re-rating of MMG securities in the event that the Internalisation, Corporatisation and/or Recapitalisation occur. If the Internalisation does not proceed then while the Recapitalisation should address investor concerns about the level of debt in MSCM it will not address the general investor concerns about the managed fund model more generally.

5.5 Conclusion

Having considered all of the above in relation to the Internalisation we have formed the view that the Internalisation is fair and reasonable to the non-associated MMG security holders.

In addition, we have formed the opinion that the Internalisation is on terms that would be reasonable if MMG and Macquarie were dealing at arm's length.

Appendix A Qualifications and declarations

Ernst & Young Transaction Advisory Services Limited, which is wholly owned by Ernst & Young Australia, holds an Australian Financial Services License under the Corporations Act, 2001 and its representatives are qualified to provide this independent expert's report.

Prior to accepting this engagement Ernst & Young Transaction Advisory Services Limited considered its independence with respect to MMG with reference to RG112. In our opinion we are independent of MMG. We note that we prepared the independent expert's report in relation to the $50 million MMG stapled security buy-back in March 2009 and provided some assistance to MMG in relation to impairment testing as at 30 June 2009. In addition, we have provided a range of professional services to Macquarie, MMG and related entities. However we have not provided any services in relation to the Entitlement Offer, the Internalisation or the Corporatisation other than the preparation of this report.

It is our opinion that the abovementioned existing and historical relationships do not impact on our ability to provide an independent and unbiased report in the context of the Internalisation. In our opinion, we are independent of MMG and Macquarie.

This independent expert's report has been prepared specifically for the IBCs and MMG security holders. Neither Ernst & Young Transaction Advisory Services Limited, Ernst & Young Australia, nor any member or employee thereof undertakes responsibility to any person, other than the IBCs and MMG security holders, in respect of this independent expert's report, including any errors or omissions howsoever caused.

The statements given in this independent expert's report are given in good faith and the belief that such statements are not false or misleading. In the preparation of this independent expert's report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We have evaluated the information provided to us by MMG, their advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our independent expert's report. We do not imply and it should not be construed that we have audited or in any way verified any of the information provided to us, or that our inquiries could have verified any matter which a more extensive examination might disclose.

The information we have had regard to in the preparation of this independent expert's report is set out in appendix D.

MMHL, MMIL and MMML as responsible entity for MMT have provided an indemnity to Ernst & Young Transaction Advisory Services Limited for any claims arising out of any misstatement or omission in any material or information provided to it in the preparation of this independent expert's report.

We provided draft copies of this report to the IBCs and management of MMG for their comments as to factual accuracy. Changes made to this independent expert's report as a result of this review have not changed the methodology or conclusions reached by us.

We will receive a professional fee based on time spent in the preparation of this independent expert's report, estimated at approximately $80,000 (exclusive of GST). We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

The principal persons responsible for the preparation of this report are Stuart Bright and John Gibson.

Stuart Bright, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 18 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

John Gibson, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 25 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

In the preparation of this independent expert's report we have had regard to relevant regulatory guides issued by ASIC, in particular Regulatory Guides 111 and 112. It is not intended that the independent expert's report should be used for any other purpose other than that to assist MMG security holders to determine how to vote in relation to the resolutions proposed in relation to the Internalisation.

Our report relates to the Internalisation only and is being provided to security holders to assist them to consider how to vote in relation to resolutions that will be required to be passed at a meeting in order for the Internalisation to be implemented.

While this report also discusses the other initiatives being the Entitlement Offer and the Corporatisation, our report is not intended to provide advice or analysis to MMG security holders in relation to either whether they should participate in the Entitlement Offer or vote in favour of the Corporatisation. MMG security holders should seek their own professional advice in relation to how the Entitlement Offer, Internalisation and/or Corporatisation will apply to their specific circumstances.

Appendix B Valuation methodologies

There are a number of methodologies available with which to value an asset, project, business or the shares in a company. The principal methodologies used are:

- Discounted cash flow
- Capitalisation of earnings
- Net realisable value of assets
- Market based assessments

Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to utilise generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

Discounted cash flow

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows.

This methodology is particularly appropriate in valuing assets, projects, businesses and companies that are in a start up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas fields).

Capitalisation of earnings

The capitalisation of earnings methodology involves capitalising the earnings of an asset, project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology requires consideration of the following factors:

- Estimation of normalised earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. The normalised earnings are generally based on net profit after tax, EBIT, EBITA or EBITDA.
- Determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors.
- Earnings multiples applied to net profit after tax are known as price earnings multiple and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to control gearing.
- An adjustment for financial debt, in the event that maintainable earnings are based on EBIT, EBITA or EBITDA.
- An assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings.

This methodology is appropriate where a company or business is expected to generate a relatively stable record of earnings.

Net realisable value of assets

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair market value.

This methodology is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets.

Market based assessments

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

Appendix C Discount rate

Introduction

The DCF method calculates the net present value, at the valuation date, of the future net cash flows that an asset, company or business is expected to produce. The method requires that estimates are made of the timing and amount of all expected future cash flows, and that those cash flows are discounted to a present value at the valuation date by using a discount rate that takes into account the time value of money and the risks inherent in achievement of the cash flows.

The management fees payable pursuant to the Management Arrangements are predominantly based upon the market capitalisation of MMG over relevant future periods. Consequently we consider the most appropriate discount rate to apply is the discount rate that applies to be MMG. We assess this discount rate below.

As MSCM is MMG's only core asset and given the current financial position and issues surrounding ACM (see section 3.3) we have based our assessment on Australian input parameters only. As ACM is non-core and as MMG parent entities and members of the MSCM group have not given any guarantees or security or given any other form of contractual credit support to ACM's external financiers in respect of the ACM Facility we do not believe that its existence has any material impact on our discount rate assessment.

Our valuation of the Management Rights utilises assumed cash flows that have been prepared on a nominal, ungeared and pre-tax basis. To determine the net present value of these cash flows we have developed a discount rate on a nominal, pre-tax weighted average cost of capital (**WACC**) basis. Our determination of a pre-tax WACC has been undertaken by calculating a post-tax WACC and then adjusting this for the corporate tax rate in Australia as discussed below.

The discount rate in the form of a WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided.

The selection of an appropriate discount rate is ultimately a matter of professional judgment. Although valuation theories do provide good guidance in determining discount rates, they are subject to various shortcomings. These shortcomings are generally around the use of historical data to estimate future expectations on variables applied in calculating discount rates. Despite these shortcomings valuation theories such as WACC and the capital asset pricing model (**CAPM**), which is used to determine the cost of equity, are frequently used by practitioners because of their relative simplicity.

Weighted average cost of capital

Under a classical tax system the post tax WACC is calculated as follows:

$$WACC = R_e x \frac{E}{D+E} + R_d (1-t_c) x \frac{D}{D+E}$$

Where:

WACC - post tax weighted average cost of capital

R_e - required rate of return on equity capital

E - market value of equity capital

D - market value of debt

R_d - required rate of return on debt capital

t_c - statutory corporate tax rate in Australia

In the following paragraphs we comment on each of the assumptions we make in respect of each of the main variables in this formula.

Required rate of return on equity

The CAPM is a model for estimating the rate of return required by an equity investor on an investment. The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and specific (or unsystematic) risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while specific risk is the variability that relates to matters that are specific to the investment being valued.

The CAPM maintains that specific risk can be avoided by holding investments as part of a large and well-diversified portfolio. The CAPM assumes that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate specific risk by diversifying their portfolio, they will seek to be compensated for the systematic risk by way of a risk premium on the expected return. The magnitude of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The larger the correlation the greater the systematic risk faced by investors and the larger will be the required return on capital.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market (the **Market Portfolio**) (*i.e.* it is a measure of the investment's relative risk). A risk-free investment has a beta of zero and the Market Portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for risk, which is measured by multiplying the beta of the investment by the return earned on the Market Portfolio in excess of the risk-free rate.

Under CAPM the required rate of return on equity (R_e) is calculated as follows:

$$R_e = R_f + \beta_e(R_m - R_f) + R_s$$

Where:

R_e - rate of return on equity

R_f - risk free rate of return

β_e - expected equity beta of the investment

R_m - expected rate of return on the market portfolio of risky investments

$(R_m - R_f)$ - market risk premium

R_s - specific risk premium

Risk free rate

In the absence of an official risk free rate, most valuation practitioners adopt the yield on Government Bonds (in the appropriate jurisdiction) of a term matching the cash flow forecast period as a proxy. A more accurate approach would be to use the one-year spot bond rate for each future discounting period. This would avoid possible distortions when a single long-term bond rate is adopted in circumstances in which the yield curve is steeply sloping or the cash flows are significantly front or back ended. However, such forecasts are not readily available and the yield on long term Government Bonds is broadly accepted in practice as an appropriate substitute.

Our selected risk free rate is based on the yield on 10-year Australian Commonwealth Government Bonds as at 19 October 2009. On this basis we have adopted a nominal risk free rate of 5.59% for the purposes of determining an appropriate cost of equity.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

The market risk premium refers to an investor's expectations of the return required to compensate them for investing in risky assets. However, such expectations are not observable and so historical returns are examined as a guide to future expectations. This implicitly assumes that the historical risk premium measured over many decades will provide a reasonable estimate of the future premium.

Some commentators have urged investors to distinguish between observed excess returns, which they argue have exceeded investor's expectations over a long period, and the prospective risk premium. Such commentators have formed the view that it is not unreasonable to expect that future risk premiums should be different from past excess returns, and that past excess returns should not necessarily shape expectations about future returns.[16] These commentators also note that investment risk has declined and the scope for diversification has increased, causing some reduction in investor's required rate of return.[17]

[16] Robert D. Arnott and Peter L. Bernstein, First Quadrant L.P. *What Risk Premium is "Normal"?* Financial Analysts Journal, March/April 2002

[17] Elroy Dimson, Paul Marsh and Mike Staunton, *Triumph of the Optimists: 101 Years of Global Investment Returns*, 2002

To understand risk and return in the stock market, long periods of historical results must be examined given the volatility of the markets and variation in returns from one year to another. Judgements should be drawn from long periods of financial market history, not simply from recent stock market performance. Even with a century or more of data, market fluctuations have an impact, and estimates are imprecise.[18]

Elroy Dimson, Paul Marsh and Mike Staunton conducted one of the recent studies regarding the risk premium in 2002 using data from global stock markets between 1900 and 2001. They concluded that the risk premium for Australia, measured as the excess return of equities over bills was 7.0% (geometric) and 8.5% (arithmetic). The excess return of equities over bonds was measured as 6.3% (geometric) and 7.9% (arithmetic). They also concluded that a global risk premium (excess over bonds) was 4.3% (geometric) and 5.4% (arithmetic).

Generally, most estimates for the Australian market fall within a range of approximately 4% to 8%. However, investor's expectations of the premium can change as the market fluctuates and perceptions of the riskiness of equities change.

We note that regulators of natural monopoly assets such as electricity and gas transmission and distribution assets have undertaken significant research and entertained substantial debate in respect of what is the appropriate market risk premium. The ACCC and all Australian based regulators have settled on 6.0% as the appropriate market risk premium.

For the purpose of this report we have adopted a market risk premium of 6.0%.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation. Accordingly sector averages may present a more reliable beta figure rather than placing reliance on the beta of any one particular comparable company.

Beta can be expressed as an equity beta, which includes the effect of gearing on equity returns, and as an asset beta, which removes the impact of gearing. The asset beta will be lower than the equity beta for any given investment, with the extent of the difference dependent on the level of debt in the capital structure. The greater the level of gearing, the greater is the risk faced by equity holders (as debt holders have a contractual right of return and so first claim on the operating income). Accordingly, for a given asset beta, the equity beta will increase as the level of gearing increases.

The asset beta provides a fundamental reflection of business risk as it refers to the riskiness of returns on the asset, rather than returns to equity holders. Hence, asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Where there is publicly available evidence of the equity betas for companies with comparable risk profiles to the business being valued, those betas may be useful in forming a view of an appropriate equity beta for the subject business. For the purposes of the valuation, we have considered comparable companies, but not necessarily the same, to MMG that participate in similar industries in Australia.

Estimating equity betas requires taking a number of observations that form a regression of historical share market returns against a market index. We have used 60 monthly data observations in estimating equity betas. We have sourced equity betas from Bloomberg relative to each company's home exchange index.

[18] Elroy Dimson, Paul Marsh and Mike Staunton, *Triumph of the Optimists: 101 Years of Global Investment Returns*, 2002

We de-geared the equity betas using the average reported gearing of the comparable companies over a four year period (refer to the next section in this appendix entitled *Capital structure*). In calculating the WACC we have then recalculated the equity beta based on an assumed capital structure. This is an exercise involving judgement, which carries a significant possibility of estimation error. This is particularly so as it is based on debt levels at a single point in time, when in fact the debt to equity position of a company may change over time and in many cases, involves very complex capital structures.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a\left(1+\frac{D}{E}(1-t_c)\right)$$

Where:

β_e – the equity or geared beta

β_a – the ungeared beta

t_c – the statutory corporate tax rate in Australia

D/E - equals the market value of debt divided by the market value of equity capital

Our analysis of the ungeared betas for comparable companies is set out in the table below.

Betas of comparable companies **12 October 2009**	**D/E of comparables**	**Observed equity beta**	**Asset beta**
TEN Network Holdings	34%	1.26	1.02
Prime Media Group	64%	1.04	0.72
Austar United Communications	47%	0.97	0.73
Austereo Group	37%	1.03	0.82
Macquarie Media Group	168%	2.52	1.16
Low	**34%**	**0.97**	**0.72**
Mean	**70%**	**1.36**	**0.89**
Median	**47%**	**1.04**	**0.82**
High	**168%**	**2.52**	**1.16**

Source: Annual reports, Bloomberg, Capital IQ

Notes:

1. In relation to the determination of the D/E ratio:
    a. Market Capitalisation is at 19 October 2009.
    b. Net debt is total debt less cash and cash equivalents for four fiscal periods for each company to 30 June 2009 (28 February 2009 for TEN Network Holdings). Equity value is the average of the market capitalisation over the corresponding period.
2. MMG net debt is the consolidated net debt (including debt of MSCM and ACM).
3. Raw beta calculated over a four year period to 19 October 2009 with monthly observations against the S&P/ASX 200 Index.

The selection of a beta factor requires a high degree of professional judgement, particularly in circumstances in which the betas for the comparable companies vary widely. We also note the inherent difficulties in analysing companies that have integrated or diversified operations not directly comparable to MMG's.

In considering appropriate betas to adopt in respect to MMG, we note that MMG's beta is higher than the betas of comparable companies. We also note that in recent times MMG's security price has been highly volatile and affected by a number of matters unrelated to its underlying businesses. This includes its high debt levels which will be addressed by the Entitlement Offer and associated debt reduction. Accordingly, we have adopted an asset beta for MMG in the range of 0.7 to 0.9 more based on the comparable companies.

Capital structure

There is some debate whether there is an optimal capital structure for companies or whether there is a range of capital structures that are consistent with an optimum position. Generally, the gearing level adopted should reflect the level of debt that can reasonably be sustained by any company operating in an industry, rather than actual gearing maintained by the current business owners.

The optimal capital structure will depend on the trade-off between the tax benefits of debt finance (the 'tax shield' provided by tax deductible interest payments) and the costs of financial risk to equity holders. The cost of financial risk can outweigh the effects of tax deductibility if the level of debt causes a sufficiently high level of financial distress (and thus higher probability of bankruptcy).

Issues considered in our evaluation of the optimal gearing include:

- The debt/equity ratios of comparable companies.
- That the debt/equity ratios of listed companies reflect market capitalisation which is calculated based on share price, and as a result may understate gearing due to the existence of a minority discount.
- The range of equity betas adopted.

As provided in the Investor Information Booklet, the pro forma post Recapitalisation and Internalisation net debt of MMG will be approximately $468 million ($306 million if ACM is deconsolidated).

The market value of MMG's equity post Entitlement Offer, based on the MMG security price on 19 October 2009 of $2.21 would be approximately $712 million. Based on that market capitalisation, MMG's debt to equity ratio is 66% (or 43% excluding ACM), against a comparable average (excluding MMG) of 45%.

As well as MMG's current capital structure, in selecting an appropriate gearing ratio for the WACC calculation, it is relevant to have regard to the industry standard capital structure, with a view to determining MMG's optimal gearing ratio. Accordingly we have assumed a 35% to 45% debt to equity ratio (debt to enterprise ratio of between 26% and 31%, say 25% to 30%) as an appropriate proxy for MMG's optimal gearing ratio.

Specific risk premium

The specific risk premium represents the additional return an investor expects to receive to compensate for additional risk not reflected in the beta of the comparable companies analysed. The betas of the comparable companies reflect the risks associated with achieving the returns expected by equity investors.

In assessing an appropriate premium to be applied, we have considered the following factors:

- The current volatility in financial markets and economic conditions.
- A substantial body of research indicates that smaller stocks are riskier than large stocks, and that smaller company stocks have a higher rate of return than larger stocks[19].
- MSCM (and to a lesser extent ACM) has historically had a relatively stable earnings profile.
- Although industry participants in both of MSCM and ACM's businesses have suffered from falling revenues, earnings and share prices, MSCM and ACM have proven more resilient than their competitors to the current economic conditions.

Considering the above factors, we have applied a specific risk premium of 2.0% in calculating the WACC for MMG. Our assessment of this specific risk premium has not been impacted by the significance of the current financial issues facing ACM. This is because in our view the extent of those issues are such that the market is unlikely to be placing any material value on ACM as reflected in its market capitalisation which is a key determinant of the value of the Management Rights.

Required rate of return on debt

The cost of debt represents the cost of funding over the life of the cash flow models. The cost of debt used should reflect the financing cost that a hypothetical market participant would expect to incur over the life of the cash flows. As such, a market-based cost of debt is relevant in the discount rate calculation.

The selected debt premium over a bank rate should reflect debt related risks specific to the business or asset being valued (*i.e.* the risk that the business will default on payments and debt servicing capacity). In arriving at an appropriate long term debt margin we have had regard to the margin currently being charged, and expected to be charged by financiers for BBB rated debt securities which we consider to be the most comparable traded debt securities to the MSCM and ACM debt.

For the purpose of this independent expert's report we have used a pre-tax cost of debt of 8%. We note that currently margins being charged on finance of this nature are higher than that implied by our cost of debt, however these margins are expected to reduce over the mid to long term.

[19] 2008 Ibbotson SBBI Valuation Yearbook

Corporate tax rate

We have adopted the prevailing statutory corporate tax rate of 30% at the valuation date when determining the post-tax WACC.

To convert our post-tax WACC to a pre-tax WACC we have applied the following formula to the post-tax WACC:

$WACC_{pre\text{-}tax} = WACC_{post\text{-}tax} / (1 - t)$

WACC

On the basis of the above, we have adopted the following inputs in our calculation of a range of post-tax WACCs:

Currency: $ 000	Low	High
Risk free rate of return	5.59%	5.59%
Equity market risk premium	6.00%	6.00%
Asset beta	0.70	0.90
Geared beta estimate	0.86	1.17
CAPM based cost of equity	**10.77%**	**12.61%**
Small company and specific risk premium	2.00%	2.00%
Cost of equity	**12.77%**	**14.61%**
Cost of debt	**8.00%**	**8.00%**
Capital structure		
Debt / (Enterprise value)	25.0%	30.0%
Equity / (Enterprise value)	75.0%	70.0%
WACC		
Corporate tax rate	30.0%	30.0%
Post tax cost of equity	12.77%	14.61%
Post tax cost of debt	5.60%	5.60%
WACC (post-tax, nominal)	**10.98%**	**11.91%**
WACC (pre-tax, nominal)	**15.68%**	**17.01%**
Say	**16.50%**	

Source: EY, Management, Bloomberg, CapitalIQ, Annual Reports

Based on the foregoing analysis, we have assessed a nominal, pre-tax discount rate to apply in our valuation of Management Rights to be 16.5%.

For the reasons set out in section 4.1.6 we have considered the value of the Management Rights on a pre-tax basis and hence have used a pre-tax discount rate in our analysis.

Appendix D Sources of information

In arriving at our views, we have had regard to the following sources of information:

- Investor Information Booklet – 28 October 2009 Recapitalisation, Internalisation and Corporatisation Proposals
- Financial data provided by MMG
- Results presentations released by MMG
- Financial statements of MMG and comparable companies
- Analyst reports on MMG and comparable companies
- Discussions with members of MMG's IBCs and management
- MMG website (www.macquarie.com.au/au/mmg/index.html)
- ASX announcements for MMG and comparable companies
- IBISWorld industry reports
- Standard & Poor's Market Insight
- FreeTV Australia publications
- ACMA website (www.acma.gov.au) and publications
- Bloomberg
- Factiva
- CEASA, Australian regional radio and television advertising data
- Reuters
- Capital IQ
- Global Insight
- Comparable company websites

Appendix E Glossary

Term	Meaning
$	All amounts in this report are Australian dollars unless otherwise stated
ACCC	Australian Competition & Consumer Commission
ACM	American Consolidated Media LLC
Adviser	MDAA
ASIC	Australian Securities & Investments Commission
Asset Advisory Agreement	Asset advisory agreement between MSCM and MDAA
ASX	ASX Limited
Benchmark Return	Annual Australian CPI change plus 6% per annum
CAPM	Capital asset pricing model
Corporatisation	Converting MMG from being a triple stapled structure to a typical listed company
DCF	Discounted cash flow
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Entitlement Offer	The 1 for 1 renounceable entitlement offer at the subscription price of $1.55 per security proposed to be conducted by MMG
EPS	Earnings per security
FSG	Financial Services Guide
FY0XA	The twelve months ended 30 June 200X
FY0XF	Forecast for the twelve months ended 30 June 200X
GST	Goods and Services Tax
IBCs	Independent board committees of MMHL, MMIL and MMML as responsible entity of MMT
Independent Directors	The independent directors of MMHL, MMIL and MMML
Internalisation	The undertaking of the following actions: ► The Asset Advisory Agreement will be terminated. ► MMHL will acquire MMML (the current manager under the Management Services Agreements and responsible entity of MMT) from a Macquarie subsidiary. ► MMML will terminate its resource arrangements with Macquarie. ► A termination fee will be paid to Macquarie. ► MMG will acquire a perpetual intellectual property licence from Macquarie in respect of MMG related materials which are owned by Macquarie. We understand that this licence principally gives MMG the ability to use various information and other material developed by Macquarie during MMG's history. We do not consider this to be significant for the purposes of our analysis. ► Macquarie will provide transitional support services to MMG up to 31 December 2010 including senior personnel, information technology, compliance and risk management assistance, human resources support and accounting and taxation compliance. The IBC considers transitional services would cost up to $1.7 million on an annual basis (albeit that the period for the services may be less than a full year depending on when completion of the Internalisation occurs). MMG, at its sole discretion, may elect to extend the transitional services for 3 months beyond 31 December 2010 for a fee based on a cost-plus methodology.

Term	Meaning
Internalisation Consideration	$40.5 million
Investor Information Booklet	The Investor Information Booklet – 28 October 2009 Recapitalisation, Internalisation and Corporatisation Proposals provided to MMG security holders
Macquarie	Macquarie Group Limited and/or relevant wholly owned entities of Macquarie Group Limited
Management	Management of MMG
Management Rights	Those management rights currently held by Macquarie which will, if Internalisation occurs, be terminated or internalised. They include the Management Arrangements and the Asset Advisory Agreement.
Management Arrangements	Management services agreements between MMHL and MMML and between MMIL and MMML and MMT constitution
Manager	MMML
MDAA	Macquarie Diversified Asset Advisory Pty Limited
MMG	Macquarie Media Group
MMHL	Macquarie Media Holdings Limited
MMIL	Macquarie Media International Limited
MMML	Macquarie Media Management Limited
MMT	Macquarie Media Trust
MSA	Management services agreement
MSCM	Macquarie Southern Cross Media Pty Limited
Performance Test Benchmark Return	Return as calculated under the Asset Advisory Agreement
Performance Test Return	Return as calculated under the Asset Advisory Agreement
Recapitalisation	The proposed raising of capital by MMG under the Entitlement Offer and application of the proceeds of the Entitlement Offer and available MMG parent level cash to pay down MSCM debt
Report	This independent expert's report
Return	MMG accumulation index as calculated under the Management Arrangements
RG 111	ASIC Regulatory Guide 111 *Content of expert reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*
S&P	Standard & Poor's
US$	United States Dollar
US/USA	United States of America
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

Ernst & Young Transaction
Advisory Services Limited
Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. **The estimated fees for the preparation of the report to which this FSG is attached are estimated at $80,000.** Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility and compensation arrangements

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report. **Ernst & Young Transaction Advisory Services has in place professional indemnity insurance which complies with section 912B of the Corporations Act 2001.**

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com/au

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Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
Australian Financial Services Licence No. 240585

Adelaide
Ernst & Young Building
121 King William Street
Adelaide SA 5000
Tel: +61 8 8417 1600
Fax: +61 8 8417 1775

Brisbane
1 Eagle Street
Brisbane QLD 4000
Tel: +61 7 3011 3333
Fax: +61 7 3011 3100

Canberra
Ernst & Young House
51 Allara Street
Canberra ACT 2600
Tel: +61 2 6267 3888
Fax: +61 2 6246 1500

Gold Coast
12-14 Marine Parade
Southport QLD 4215
Tel: +61 7 5571 3000
Fax: +61 7 5571 3033

Melbourne
Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777

Perth
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436

Sydney
Ernst & Young Centre
680 George Street
Sydney NSW 2000
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959

Independence criteria

A2

The determination of independence of directors by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance of an entity and returns to investors.

In determining the status of a director, MMG currently applies the standards of independence required by the Macquarie Funds Management Policy (the Macquarie Fund 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 as follows:

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management (a non-executive director) and who (to the satisfaction of the Macquarie board corporate governance committee or the relevant MMG board) meets the following criteria:

- Is not a substantial shareholder of:
  - Macquarie or MMG, or
  - A company holding more than 5% of the voting securities of Macquarie or MMG.
- Is not an officer of, or otherwise associated directly or indirectly with, a shareholder holding more than 5% of the voting securities of Macquarie or MMG.
- Has not, within the last three years, been:
  - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another Macquarie entity, or
  - A director of any such entity after ceasing to hold any such employment.
- Is not and has not within the last three years been a principal or employee of a professional adviser to MMG, Macquarie or Macquarie managed vehicles whose billings to MMG, Macquarie or other Macquarie managed vehicles over the previous full year, in aggregate, exceed 5% of the adviser's total revenues over that period.
- A director who is or within the last three years has been a principal or employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and must not participate in the provision of any service by that firm to MMG, Macquarie or another Macquarie managed vehicle.
- Is not a significant supplier or significant customer of MMG, Macquarie or other Macquarie managed vehicles, or an officer of or otherwise associated directly or indirectly with, a significant supplier or customer. A significant supplier is defined as one whose revenues over the previous full year from MMG, Macquarie and other Macquarie managed vehicles exceed 5% of the supplier's total

revenue. A significant customer is one whose amounts payable to MMG, Macquarie and other Macquarie managed vehicles exceed 5% of the customer's total operating costs.

- Has no material contractual relationship with Macquarie, other than as a director of a responsible entity and/or special purpose vehicle.
- Is not a director of more than two Macquarie related responsible entity or special purpose vehicle boards.
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of MMG and independently of management of Macquarie.

Where an individual may not meet one or more of the above criteria, the Macquarie board corporate governance committee or the relevant MMG board may make a specific determination that, in the particular overall circumstances of that individual, the fact that these criteria have not been met would not prevent the individual from exercising judgment on the relevant board.

The main areas of difference from the independence criteria set out in the Principles are:

- the Macquarie Fund Policy independence criteria are designed to ensure that directors are not only independent from MMG but that they are also independent from Macquarie and its other managed vehicles. Accordingly the Independence criteria must be satisfied in respect of relationships with each of MMG, Macquarie and other Macquarie managed vehicles. By way of example a partner of a professional services firm who is a director of MMG would not be able to provide services to MMG or any Macquarie entities or managed vehicles and would not be able to vote on the appointment of their firm by MMG. Additionally the law firm must not have earned more than 5% of its annual income from doing work for any of MMG, Macquarie or other Macquarie managed vehicles for 3 years prior to the appointment of the director and on an ongoing basis during the currency of the directorship;
- the Macquarie Fund Policy independence criteria do not specifically provide that independent directors must be free of any business relationship that could reasonably be perceived to materially interfere with their independence. However, the criteria are designed to ensure that this is in fact the case. Further, the Macquarie board corporate governance committee or the MMG boards can in appropriate circumstances determine that a director is not Independent notwithstanding they continue in a formal sense to satisfy all of the Macquarie Funds Policy Independence criteria. This envisages that in some cases candidates will not be appointed or directorships will cease because of perception issues around independence;
- the Macquarie Fund Policy has a catch-all provision, not included in the Principles, which gives the Macquarie board corporate governance committee or MMG boards discretion to determine that a director is independent even if they do not meet all the other Macquarie Fund Policy independence criteria.

The ability of independent directors to serve on up to two separate managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

If any independent director serves on two managed vehicle boards or has been determined by the Macquarie board corporate governance committee or MMG boards as independent despite not satisfying all of the criteria set out in the Macquarie Fund Policy they will be noted as such in their description in this statement. Reasons will be provided for any independence determination.

Each year independent directors are required to provide MMG with confirmation of their independence status and they have each undertaken to inform MMG if they cease to satisfy the Macquarie Fund Policy independence criteria at any time. The MMML company secretary also monitors compliance with the Macquarie Fund Policy independence criteria and seeks information from the independent directors in this regard if necessary and reports to the board.

MMG considers that the independence of its directors, each of whom is a highly qualified and reputable business person and professional who satisfies the above criteria, does not depend on who appoints them but on their independence of mind, including an ability to constructively challenge and independently contribute to the boards.

The MMG directors who are considered independent of Macquarie under these criteria are Leon Pasternak (MMHL and MMML), Chris de Boer (MMHL and MMML), Tony Bell (MMHL and MMML), Michael Hamer (MMIL), Bob Richards (MMIL) and Michael Leverock (MMIL). A portion of the MMG director fees of Leon Pasternak, Tony Bell and Chris de Boer are paid by MMML which is a Macquarie entity. All Independent Directors of MMHL and MMIL other than Tony Bell and Michael Leverock are appointed by MMML pursuant to the A and B Special Share rights. Tony Bell was the managing director of Southern Cross Broadcasting (Australia) Limited prior to its acquisition by MMG but the IBC considers that he is independent of Macquarie and has the ability and willingness to operate independently, objectively, and to challenge the Boards and management of MMG. Michael Hamer also serves on the board of another Macquarie managed vehicle, Macquarie International Infrastructure Fund Limited, a Bermuda based mutual fund company listed on the Singapore Stock Exchange. Bob Richards also serves on the boards of the entities comprising another Macquarie managed vehicle, Macquarie Special Situations Fund, an unlisted special opportunities vehicle based in Bermuda. Macquarie appoints all directors of MMML, which is currently a Macquarie entity. Despite these interests, the Boards of MMG consider that each of these directors satisfies the independence criteria set out above.

Selling restrictions

A3

This Investor Information Booklet and any accompanying documents do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Investor Information Booklet and any accompanying documents in jurisdictions outside Australia and New Zealand may be restricted by law and anyone who receives this Investor Information Booklet and accompanying documents should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the securities or the Entitlement Offer or otherwise permit a public offering of securities in any jurisdiction outside Australia or New Zealand.

The following warnings and disclaimers are relevant to security holders in each of the respective jurisdictions and will be included in the Explanatory Memorandum.

(a) France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (AMF). The new MMG securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the new MMG securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (cercle restreint d'investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the new MMG securities cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

(b) Bermuda

No offer of new MMG securities will be made to any person regarded as a resident of Bermuda for exchange control purposes.

(c) Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the new MMG securities have not been and will not be offered or sold in Hong Kong by means of any document, other than to "professional investors" (as defined in the SFO). No advertisement, invitation or document relating to the new MMG securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the new MMG securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(d) New Zealand

The new MMG securities in the Entitlement Offer are not being offered or sold to the public in New Zealand other than to existing security holders of MMG with registered addresses in New Zealand to whom the offer of new MMG securities is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

New MMG securities for which entitlements are not taken up may be offered and sold in New Zealand to (i) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money or (ii) persons who are each required to pay a minimum subscription price of at least NZ$500,000 for the securities before allotment.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

(e) Norway

This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The new MMG securities may not be offered or sold, directly or indirectly, in Norway except:

(a) to "professional investors" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876);

(b) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who fulfils two or more of the following: (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (ii) any natural person with a portfolio of securities with a market value of at least €500,000; and (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities;

(c) to fewer than 100 natural or legal persons (other than "professional investors", as defined in clauses (a) and (b) above); or

(d) in any other circumstances provided that no such offer of new MMG securities shall result in a requirement for the registration, or the publication by MMG or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

(f) Papua New Guinea

WARNING: This document has not been, and will not be, authorized by or registered with the Securities Commission of Papua New Guinea (PNG) pursuant to the Securities Act 1997 of the Independent State of PNG. No action has been taken in PNG to authorize this document or to permit the distribution of this

document or any documents issued in connection with it. Accordingly, the new MMG securities have not been and will not be offered or sold in PNG by means of any document, other than to persons whose principal business, or persons for whom a substantial part of the business conducted by them, is the investment of money or who in the course of and for the purposes of their business, habitually invest money. No advertisement, invitation or document relating to the new MMG securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in PNG or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of PNG (except if permitted to do so under the Securities Act 1997 of PNG and the regulations made under that Act). The contents of this document have not been reviewed by any PNG regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(g) Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the new MMG securities may not be circulated or distributed, nor may the new MMG securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the Securities and Futures Act, Chapter 289 (the SFA)), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the new MMG securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

(h) Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the new MMG securities be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of new MMG securities in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

(i) Switzerland

The new MMG securities may not be publicly offered, sold or distributed (directly or indirectly) in Switzerland. No solicitation for investment in the new MMG securities may be made in Switzerland in any way that could constitute a public offering within the meaning of article 652a of the Swiss Code of Obligations (CO) or the Swiss Federal Act on Collective Investment Schemes. New securities may only be offered to institutional investors subject to Swiss or foreign prudential supervision such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations in circumstances such that there is no public offering.

This document does not constitute a public offering prospectus within the meaning of article 652a CO and may not comply with the information standards required thereunder. MMG has not applied for a listing of the new MMG securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland and, consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. This document is personal to the recipient only and not for general circulation in Switzerland.

(j) United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the new MMG securities. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA). This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of s.21 FSMA) received in connection with the issue or sale of the new MMG securities has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to MMG.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

(k) United States

This Investor Information Booklet does not constitute an offer of securities for sale in the United States. This Investor Information Booklet may not be distributed or released in the United States.

The Entitlements under the Entitlement Offer may not be taken up by persons in the United States or by nominees or custodians to the extent that they act for the account or benefit of persons in the United States. The new MMG securities have not been, and will not be, registered under the US Securities Act, or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new MMG securities may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

By accepting this Investor Information Booklet you agree to be bound by the foregoing limitations.

(l) Other jurisdictions

The new MMG securities may not be offered or sold in any other jurisdiction except to persons to whom such offer, sale or distribution is permitted under applicable law.

Corporate directory

Macquarie Media Group

No.1 Martin Place
Sydney NSW 2000, Australia
Telephone: 1800 811 745 (Australia)
(612) 8232 9440 (International)
Facsimile: (612) 8232 4713
Email: mmg@macquarie.com.au
Website: www.macquarie.com/mmg

Responsible Entity for Macquarie Media Trust and manager for Macquarie Media Holdings Limited and Macquarie Media International Limited: Macquarie Media Management Limited.

Directors

MMML

Tony Bell
Chris de Boer
Michael Carapiet
Max Moore-Wilton (chairman)
Leon Pasternak (deputy chairman)
John Roberts (alternate for Max Moore-Wilton and Michael Carapiet)

MMHL

Tony Bell
Chris de Boer
Max Moore-Wilton (chairman)
Leon Pasternak (deputy chairman)
Michael Carapiet (alternate for Max Moore-Wilton)
John Roberts (alternate for Max Moore-Wilton)

MMIL

Michael Hamer (chairman)
Michael Leverock
Max Moore-Wilton
Bob Richards (deputy chairman)
Michael Carapiet (alternate for Max Moore-Wilton)
John Roberts (alternate for Max Moore-Wilton)

Secretaries

Christine Williams (MMHL and MMML)
Dennis Leong (MMML)
Lynniece L. Robinson (MMIL)

Auditors

PricewaterhouseCoopers
201 Sussex Street
Sydney, NSW 2000

Financial Advisers

RBS Corporate Finance (Australia) Limited
88 Phillip Street
Sydney, NSW 2000

Australian Legal Adviser

Clayton Utz
1 O'Connell Street
Sydney, NSW 2000

Registry

Computershare Investor Services Pty Ltd
GPO Box 2975 Melbourne VIC 3001
Telephone: 1300 766 272 (Australia)
(613) 9415 4257 (International)
Facsimile: (613) 9473 2555

MMG Offer Information Line

Australia: 1800 252 693
International: +61 3 9415 4218
Open 8:30am to 5:30pm (AEDT) Monday to Friday during the Retail Entitlement Offer period.

Confirmation of American Consolidated Media Covenant Breach
ASX announcement dated 29 October 2009

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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

Macquarie Media International Limited
EC 37694, ARBN 118 577 423

No.1 Martin Place
SYDNEY NSW 2000
GPO Box 4294
SYDNEY NSW 1164
AUSTRALIA

Telephone +61 2 8232 9440
Fax +61 2 8232 4713
Internet www.macquarie.com/mmg

29 October 2009

ASX RELEASE / MEDIA RELEASE

Macquarie Media Group®[1] - Confirmation of American Consolidated Media Covenant Breach

Further to the advice to the market by Macquarie Media Group (**MMG**) on 13 October 2009 of expected covenant breaches by American Consolidated Media LLC (**ACM**) under its US$133.7m business level bank facility (the **ACM Facility**), it is confirmed that today ACM has, as anticipated, breached certain covenants under the ACM Facility.

Discussions are ongoing between ACM and its lenders in relation to requested forbearance and waivers of ACM's covenant non-compliance, ACM's request for the necessary amendments to the existing covenants and for an extension to the maturity date of the ACM Facility. ACM has received an initial draft of a forbearance term sheet from the ACM facility agent. There can be no assurance that any forbearance, amendment or extension will be provided, or that the requested waivers will be provided. There will be an announcement to the ASX should there be any material developments arising out of such discussions.

Further details in relation to the ACM Facility are set out in section 7.3 of the Investor Information Booklet dated 28 October 2009, MMG's announcement of 13 October 2009 and note 1 to MMG's full year accounts for the year ended 30 June 2009.

For further information, please contact:

Mark Dorney
Chief Executive Officer
Tel: 02 8232 9440
Email: mark.dorney@macquarie.com

Amanda Gilbert
Public Affairs Manager
Tel: 02 8232 8647
Mob: 0414 471 462
Email: amanda.gilbert@macquarie.com

[1] Registered trademark of Macquarie Group Limited

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.

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Institutional Entitlement Offer Completion
ASX announcement dated 30 October 2009

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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

Macquarie Media International Limited
EC 37694, ARBN 118 577 423

No. 1 Martin Place
SYDNEY NSW 2000
GPO Box 4294
SYDNEY NSW 1164
AUSTRALIA

Telephone +61 2 8232 9440
Facsimile +61 2 8232 4713
Internet www.macquarie.com/mmg

30 October 2009

MACQUARIE

ASX RELEASE / MEDIA RELEASE

Macquarie Media Group®[1] – Strong Institutional Support for Entitlement Offer

Macquarie Media Group (**MMG**) is pleased to announce the successful completion of the institutional component of its A$294 million single bookbuild accelerated renounceable entitlement offer (**Entitlement Offer**). Under the Entitlement Offer, eligible security holders are being offered 1 new MMG stapled security (**Offer Security**) for every 1 existing MMG stapled security held on the record date (7.00pm on Monday 2 November 2009) at an offer price of A$1.55 per Offer Security.

The institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) received strong support from eligible institutional security holders. Acceptances were received in respect of 94% of entitlements offered to eligible institutional security holders, raising approximately A$175 million.

MMG Chief Executive Officer, Mr Mark Dorney commented, “Proceeds from the $294 million Entitlement Offer plus available parent level cash will be used to reduce net debt in Macquarie Southern Cross Media, thereby improving MMG’s capital position and establishing a platform for future growth. This result demonstrates the confidence that security holders have in MMG’s strategy.”

Entitlements attributable to renouncing eligible institutional and retail security holders and to ineligible security holders will be placed in a bookbuild process (**Bookbuild**) as described below.

The Entitlement Offer is fully underwritten (except for Macquarie Group’s (**Macquarie**) principal interest of 24.8% in MMG). Macquarie accepted its pro-rata entitlement under the Entitlement Offer in respect of its principal interest.

The Entitlement Offer is part of a series of initiatives announced by MMG on 28 October 2009 seeking 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.

[1] Registered trademark of Macquarie Group Limited

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.

This document is not an offer or invitation for subscription or purchase of or a recommendation of securities. The information in this document does not take into account the investment objectives, financial situation and particular needs of investors. Before making an investment in MMG an investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MMG securities will resume normal trading on ASX today. There will not be any trading of entitlements under the Entitlement Offer on ASX.

Retail Entitlement Offer

The retail component of the Entitlement Offer (**Retail Entitlement Offer**), which is expected to raise approximately A$108 million, will open on Tuesday 3 November and is expected to close at 5.00pm (AEDT) on Friday 20 November 2009.

A copy of the Retail Offer Booklet will be dispatched to eligible retail security holders on Tuesday 3 November 2009 and will be made available on MMG's website. Eligible retail security holders will also receive a personalised Entitlement and Acceptance Form. Applications under the Retail Entitlement Offer must be made in accordance with the instructions set out in the Retail Offer Booklet and the personalised Entitlement and Acceptance Form. Eligible retail security holders wishing to participate in the Retail Entitlement Offer should carefully read those documents.

Security holders who have further questions regarding the Retail Entitlement Offer should contact the MMG Offer Information Line on 1800 252 693 (within Australia) or +61 3 9415 4218 (from outside Australia), or visit our website at www.macquarie.com/mmg.

Bookbuild

Entitlements not taken up by eligible security holders and entitlements that would have been offered to ineligible security holders had they been entitled to participate in the Entitlement Offer, will be offered under the Bookbuild on 27 November 2009 to selected institutional investors. If the price per Offer Security set following the Bookbuild exceeds the offer price of A$1.55, the amount in excess of the Offer Price will be paid from proceeds from successful Bookbuild participants to renouncing eligible security holders and ineligible security holders on a pro rata basis. Investors should obtain independent advice as to the taxation treatment of any such payment received.

For further information, please contact:

Mark Dorney
Chief Executive Officer
Tel: 02 8232 9440
Email: mark.dorney@macquarie.com

Amanda Gilbert
Public Affairs Manager
Tel: 02 8232 8647
Mob: 0414 471 462
Email: amanda.gilbert@macquarie.com

This document is issued by MMG. This document is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or under any other law. It is for information purposes only and is not an invitation nor offer of securities for subscription, purchase or sale in any jurisdiction. This document does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of MMG securities. This document has been prepared without taking account of any person's investment objectives, financial situation or particular needs and prospective investors should conduct their own independent investigation and assessment of any offer and the information contained in, or referred to in, this document.

No action has been taken to register any offer or otherwise permit a public offering of securities outside Australia and New Zealand. This document does not constitute an offer of securities for sale in the United States, or to any person that is, or is acting for the account or benefit of, any person in the United States, or to any person that is, or is acting for the account or benefit of, any person in the United States, or in any other jurisdiction in which such an offer would be illegal.

This document may not be distributed or released in the United States or to, or for the account or benefit of, any person in the United States.

This document contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “will”, “could”, “may”, “target”, “plan” and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. The forward looking statements contained in this document involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of MMG, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO PERSONS IN THE UNITED STATES.

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Corporate directory

Macquarie Media Group

No.1 Martin Place
Sydney NSW 2000, Australia
Telephone: 1800 811 745 (Australia)
(612) 8232 9440 (International)
Facsimile: (612) 8232 4713
Email: mmg@macquarie.com.au
Website: www.macquarie.com/mmg

Responsible Entity for Macquarie Media Trust and manager for Macquarie Media Holdings Limited and Macquarie Media International Limited: Macquarie Media Management Limited.

Directors

MMML

Tony Bell
Chris de Boer
Michael Carapiet
Max Moore-Wilton (chairman)
Leon Pasternak (deputy chairman)
John Roberts (alternate for Max Moore-Wilton and Michael Carapiet)

MMHL

Tony Bell
Chris de Boer
Max Moore-Wilton (chairman)
Leon Pasternak (deputy chairman)
Michael Carapiet (alternate for Max Moore-Wilton)
John Roberts (alternate for Max Moore-Wilton)

MMIL

Michael Hamer (chairman)
Michael Leverock
Max Moore-Wilton
Bob Richards (deputy chairman)
Michael Carapiet (alternate for Max Moore-Wilton)
John Roberts (alternate for Max Moore-Wilton)

Secretaries

Christine Williams (MMHL and MMML)
Dennis Leong (MMML)
Lynniece L. Robinson (MMIL)

Joint Lead Managers, Bookrunners and Underwriters

Macquarie Capital Advisers Limited
No.1 Martin Place
Sydney, NSW 2000

RBS Equity Capital Markets (Australia) Limited
88 Phillip Street
Sydney, NSW 2000

Auditors

PricewaterhouseCoopers
201 Sussex Street
Sydney, NSW 2000

Australian Legal Adviser

Clayton Utz
1 O'Connell Street
Sydney, NSW 2000

Registry

Computershare Investor Services Pty Ltd
GPO Box 2975 Melbourne VIC 3001
Telephone: 1300 766 272 (Australia)
(613) 9415 4257 (International)
Facsimile: (613) 9473 2555

MMG Offer Information Line

Australia: 1800 252 693
International: +61 3 9415 4218
Open 8:30am to 5:30pm (AEDT) Monday to Friday during the Retail Entitlement Offer period.

Macquarie Media Group®

Macquarie Media Holdings Limited ABN 91 116 024 536
Macquarie Media Management Limited ABN 16 115 524 019
AFS Licence No 292297 as responsible entity of
Macquarie Media Trust ARSN 116 151 467
Macquarie Media International Limited ARBN 118 577 423

Computershare

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 253 Sydney
NSW 2001 Australia
Enquiries (within Australia) 1800 252 693
(outside Australia) 61 3 9415 4218

www.macquarie.com/mmg

SAMPLE ONLY

Use a black pen.
Print in CAPITAL letters inside the grey areas.

A B C | 1 2 3

For your security keep your SRN/HIN confidential.

New Macquarie Media Group ("MMG") stapled securities at A$1.55 per Offer Security

RETAIL ENTITLEMENT OFFER CLOSES ON 20 NOVEMBER 2009 AT 5:00PM (AEDT)

IMPORTANT:

- This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this Entitlement and Acceptance Form ("Form"), please consult your professional adviser.
- Terms used in this Form have the meanings given in the Form and the Retail Entitlement Offer Booklet (collectively, the "Offer Documents") dated 3 November 2009 (unless otherwise stated). You should read the Offer Documents carefully before completing this Form.
- This Form relates to the renounceable Retail Entitlement Offer of 1 Offer Security for every 1 existing security held by Eligible Retail Security Holders on the Record Date at the offer price of A$1.55 per Offer Security.
- You can pay by BPAY®. If you choose to pay by BPAY®, you do not need to return this Form. Please refer overleaf for details.
- If you wish to be allotted Offer Securities on the Initial Allotment date, being Thursday, 12 November 2009, you may apply via BPAY® or by cheque(s), bank draft(s) or money order(s), and your payment must be received by no later than 5:00pm (AEDT) on the Early Retail Close Date, being Tuesday, 10 November 2009. Cleared funds must be received by the Registry by commencement of settlement on the first settlement date, Wednesday, 11 November 2009.
- Receipt of your payment (together with this Form if you are paying by cheque(s), bank draft(s) or money order(s)) will constitute acceptance of the terms of the Offer Documents.
- If the amount you pay is insufficient to pay for the number of Offer Securities you apply for, you will be taken to have applied for such lower number of Offer Securities as that amount will pay for, or your application will be rejected.
- If the amount you pay is more than the amount payable for your full Entitlement, you will be taken to have applied for your full Entitlement with excess proceeds refunded to you.

A

Security Holder Entitlement details

Subregister	
Entitlement Number	

Entitlement based on holding of MMG stapled securities

MMG securities held at Record Date, being 7:00pm (AEDT) on 2 November 2009	
Entitlement to Offer Securities on a 1 for 1 basis	
Amount payable on full acceptance of Entitlement at A$1.55 per Offer Security	

I/We enclose my/our payment for the amount shown below being payment of A$1.55 per Offer Security.

See back of form for completion guidelines

102365 - V12

▼ PLEASE DETACH HERE ▼

Paperclip cheque(s) here. Do not staple.

Macquarie Media Group®

Macquarie Media Holdings Limited ABN 91 116 024 536
Macquarie Media Management Limited ABN 16 115 524 019
AFS Licence No 292297 as responsible entity of
Macquarie Media Trust ARSN 116 151 467
Macquarie Media International Limited ARBN 118 577 423

Ent:	Pay:

BPAY **Biller Code:**
Ref No:

Please see overleaf for guidelines to complete this Form and Payment Options. If you are paying by cheque(s), bank draft(s) or money order(s) please detach this section of the Form and return it with your cheque(s), bank draft(s) or money order(s).

B **Number of Offer Securities applied for (being not more than your Entitlement shown in box A)**

C **Amount enclosed at A$1.55 per Offer Security**

D **Cheque Details: Make your cheque(s), bank draft(s) or money order(s) payable to "MMG Entitlement Offer" and crossed "Not Negotiable"**

Drawer	Cheque number	BSB number	Account number	Cheque amount
				A$

E **Contact Details**

Please provide your contact details in case we need to speak to you about this Form

Name of contact person

Contact person's daytime telephone number

( )

How to complete the Entitlement and Acceptance Form

Please complete all relevant sections of this Form using BLOCK LETTERS in black ink. Note that photocopies will not be accepted. These instructions are cross-referenced to each section of this Form. This Form should only be used by/for the security holder(s) whose details appear on the front of this Form.

A **Security Holder Entitlement Details**

Details of your total Entitlement based on your holding of MMG stapled securities at 7:00pm (AEDT) on 2 November 2009 are shown in box A on the front of this Form.

B **Offer Securities Applied For**

You can apply to accept either all or part of your Entitlement. Enter in box B the number of Offer Securities you wish to accept from your Entitlement.

- To apply for your Entitlement in full, write in box B the number of Offer Securities shown in box A as your Entitlement.
- To apply for part of your Entitlement only, write in box B the number of Offer Securities for which you wish to apply.

You cannot apply for more Offer Securities than your total Entitlement as shown in box A.

Please ensure you complete box B.

C **Application Monies**

Enter the amount of Application Monies. To calculate the amount payable, multiply the number of Offer Securities applied for by the offer price of A$1.55.

Please ensure you complete box C.

D **Payment Details**

You can apply for Offer Securities utilising the payment options detailed below. For all payment options, payment must be received by no later than 5:00pm (AEDT) on 20 November 2009.

(1) Payment by BPAY®

You can pay by BPAY® by using the details set out at the bottom left of this page (under "Payment Options"). If your payment is being made by BPAY® you are not required to return this Form, and you will be deemed to have applied for such whole number of Offer Securities (if any) for which you have paid.

(2) Payment by cheque(s), bank draft(s) or money order(s)

If you choose this payment method, your cheque(s), bank draft(s) or money order(s) must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to "MMG Entitlement Offer" and crossed "Not Negotiable". Payments that are not properly drawn may be rejected.

Complete the details in the boxes provided in section D. The total amount must agree with the amount shown in box C.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Form being rejected. Paperclip (do not staple) your cheque(s), bank draft(s) or money order(s) to the Form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

E **Contact Details**

Enter the name of a contact person and telephone number. These details will only be used in the event that Computershare Investor Services Pty Limited ("Security Registry") has a query regarding this Form.

Declaration

By submitting the Form along with your Application Monies or making a payment by BPAY®, you:

- agree to be bound by the terms of the Offer Documents and the provisions of the constitutions of MMG;
- agree to be bound by the terms and conditions of issue of the Offer Securities in accordance with the Offer Documents;
- authorise us to register you as the security holder(s) of the Offer Securities (if any) allotted to you;
- declare that all details and statements in the Form are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under this Form;
- acknowledge that once MMG receives your Form or payment by BPAY®, you may not withdraw it;
- agree to apply for, and be issued with, the number of Offer Securities that you apply for at the offer price of A$1.55;
- authorise MMG and its officers or agents to do anything on your behalf necessary for the Offer Securities to be issued to you, including to act on instructions of the Security Registry upon using the contact details set out in this Form;
- declare that you are an Australian or New Zealand resident at the Record Date;
- acknowledge that the information contained in the Offer Documents is not investment advice or a recommendation that Offer Securities are suitable for you, given your investment objectives, financial situation or particular needs;
- represent and warrant that the law of any other place does not prohibit you from being given the Offer Documents or making an application on this Form or by payment by BPAY®;
- represent, warrant and agree (for the benefit of MMG, the Joint Lead Managers and their respective affiliates) that you are not in the United States;
- represent, warrant and agree that the Offer Securities have not, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the Offer Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws;
- will be deemed to have given each of representations and warranties contained in the Offer Documents including in particular those representations and warranties in section 12 of the Retail Entitlement Offer Booklet (p.12);
- agree not to send this Form, the Offer Documents or any other material relating to the Entitlement Offer to any person in the United States; and
- agree that if in future you decide to sell or otherwise transfer your Offer Securities, in each case you will only do so in transactions on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

If you have any enquiries concerning this Form or your Entitlement, please contact the Security Registry on 1800 252 693 (within Australia) or +61 3 9415 4218 (outside Australia) between 8.30am and 5.30pm (AEDT) Monday to Friday.

Lodgement of Acceptance

For all payment options, payment must be received by no later than 5:00pm (AEDT) on 20 November 2009. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time. If you are paying by cheque(s), bank draft(s) or money order(s) a reply paid envelope is enclosed for Eligible Retail Security Holders in Australia. Eligible Retail Security Holders in New Zealand will need to affix the appropriate postage. Return the bottom section of this Form with the cheque(s), bank draft(s) or money order(s) attached.

Neither the Security Registry nor MMG accepts any responsibility if you lodge the form at any other address or by any other means.

This Entitlement and Acceptance Form will not be processed if received via facsimile to Computershare Investor Services Pty Limited ("Security Registry"). Only hardcopy Entitlement and Acceptance Forms will be accepted and processed.

CHESS holders must contact their Controlling participant to notify a change of address.

102365 - V11

Payment Options:

Biller Code:

Ref No:

Telephone & Internet Banking – BPAY®
Contact your bank, credit union or building society to make this payment from your cheque or savings account. For more information please refer to: www.bpay.com.au. You must check the processing cut off time for BPAY® transaction with your bank, credit union or building society as it may be earlier than the close of the Retail Entitlement Offer. It is the responsibility of the applicant to ensure funds submitted through BPAY® are received by the close of the Retail Entitlement Offer being 5:00pm (AEDT) on 20 November 2009.

Cheque(s), bank draft(s) or money order(s)

Made Payable to:
"MMG Entitlement Offer" and crossed "Not Negotiable"

Mail to:
MMG Entitlement Offer
C/- Computershare Investor Services Pty Limited
GPO Box 253
Sydney NSW 2001
Australia

SAMPLE ONLY