

Macquarie Media Management Limited

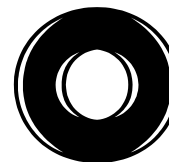
A Member of the Macquarie Bank Group
ABN 16 115 524 019
AFS Licence No. 292297

Macquarie Media Holdings Limited

ABN 91 116 024 536

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



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ASX ANNOUNCEMENT

19 December 2005

**Macquarie Media Group^{TM1} to acquire The Carlyle Group's interest in Taiwan
Broadband Communications**

Macquarie Media Group^{TM1} (MMG) today announced that, together with Macquarie Bank Limited (Macquarie Bank), it has entered into agreements to acquire The Carlyle Group's stake in Taiwan Broadband Communications (TBC), the leading television broadcaster in each of the five local regions of Taiwan, in which it operates, for an enterprise value of A\$1,189 million, subject to regulatory approval and customary closing conditions.

TBC provides television, internet, telephone and other services, through its cable network which passes approximately 980,000 homes in northern and central Taiwan. It is currently the sole licensee and provider of cable television services in each of the five licence areas in which it operates and has approximately 650,000 television subscribers and nearly 90,000 internet subscribers. The majority of homes in Taiwan (over 85%) receive their television services via hybrid fibre co-axial (HFC) cable, which is the core of TBC's network.

MMG and Macquarie will hold 60% and 40% respectively of The Carlyle Group's ordinary equity interest in TBC. A Taiwanese listed company will retain its redeemable preference shares in TBC. Acquisition debt facilities of A\$576 million have also been arranged. The purchase price of A\$1,189 million represents an EV/EBITDA multiple of 9.4 times annualised earnings for the nine months ended 30 September 2005.

MMG will acquire its equity interest in TBC, including transaction costs, for A\$414 million.²

MMG Executive Chairman Tim Hughes said "TBC is a well positioned local television broadcaster which has potential for growth from offering existing services to additional subscribers; using its network to offer additional services such as internet connections, digital television programming, telephony, interactivity and advertising; and leveraging operational efficiencies.

"TBC displays many of the operating and financial characteristics that attracted MMG to regional radio in Australia. TBC is a local media business. Cable television is the dominant broadcast medium in Taiwan, with penetration rates in excess of 85% and is an important source of local news programming in the regions in which it operates.

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Macquarie Media Management Limited is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia), and Macquarie Media Management Limited's obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("MBL"). MBL provides a limited AUD5,000,000 guarantee as required by the Australian Securities and Investments Commission in respect of Corporations Act obligations of Macquarie Media Management Limited as a responsible entity of a managed investment scheme. MBL does not otherwise guarantee or provide assurance in respect of the obligations of Macquarie Media Management Limited, the performance of funds managed by Macquarie Media Management Limited or the repayment of capital.

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“Taiwan is the third largest cable television market in the Asian region, after China and Korea, in terms of number of subscribers, and TBC ranks as one of the top performing cable network operators in both Taiwan and Asia.

“In addition, the acquisition positions us well to participate in any further consolidation opportunities in the cable television industry in Taiwan,” Mr Hughes said.

MMG Managing Director Alex Harvey said “TBC is a very attractive investment for MMG as it meets our key investment criteria. It provides an essential service to its local communities, has a strong position in the markets in which it operates, generates stable cash flows, has a management team with a superior track record and provides further opportunities for growth.

“The acquisition is expected to provide stable and sustainable cash flows and is expected to be distribution per security accretive to MMG stapled security holders in the second half of the 2006 financial year after financial settlement.”³

“TBC Chief Executive Officer, David Dea, who has over 20 years experience operating cable television businesses, will continue in his role and will become an employee of Macquarie Bank” Mr Harvey said.

MMG intends to sell down to a lower level controlling shareholding in the near term. Macquarie Bank Group also intends to sell down its interest in TBC at the same time.

Financial settlement of the acquisition is expected to occur during the first quarter of calendar year 2006, being subject to a number of conditions, including regulatory approvals.

Overview of TBC

TBC is one of the leading television operators in Taiwan. Established in 1999, TBC owns five cable networks, located in five regions Northern and Central Taiwan, which are the gateway to providing subscribers with television, internet and other communications and entertainment services. The five neighbouring regions are the attractive, large metropolitan markets of South Taoyuan, Hsinchu County, North Miaoli, South Miaoli, and Taichung City.

TBC's core business is the provision of basic television services, including being the primary source of local news in each of its licence areas, and internet access. In addition, it has commenced offering additional value-added services such as digital television programming, and telephone services. Revenues are also derived from advertising services which may provide attractive growth opportunities. TBC's management plans to continue accelerating the rollout of both internet services and digital television programming to its existing customers through targeted marketing and bundling strategies.

Combined, TBC's networks pass approximately 980,000 homes, and provide television services to around 650,000 subscribers, internet services to nearly 90,000 subscribers and digital television programming to approximately 17,000 subscribers as of 30 September 2005. TBC is currently the sole licensee and provider of cable television services in each of the five franchise areas in which it operates.

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Update on MMG Distributions

The TBC acquisition is expected to be distribution per security accretive to MMG stapled security holders following financial settlement in the first quarter of calendar year 2006. The Directors of MMHL and MMML reaffirm as previously declared that an interim distribution of 3.0 cents per stapled security will be payable on 16 February 2006 for the period from 23 November to 31 December 2005.

Acquisition funding

MMG's investment in TBC will be funded primarily via the drawdown of a cash advance facility of A\$390 million against the second instalment of A\$400 million payable on MMG stapled securities in November 2006. MMG will also draw down, to the extent required, additional borrowings of up to approximately A\$30 million to fund the balance of the purchase price, interest on the cash advance facility and the expenses of the acquisition. In total, MMG expects the purchase price and associated transaction costs will be approximately A\$414 million.

MMG and Macquarie Bank were advised by Macquarie Corporate Finance on the transaction and the acquisition debt facilities were arranged by Macquarie Bank.⁴

For further information, please contact:

Investor enquires

Alex Harvey
Managing Director
Tel (61 2) 8232 9440
Email: alex.harvey@macquarie.com

Media enquiries

Paula Hannaford
Public Affairs Manager
Tel (61 2) 8232 4422
Email: paula.hannaford@macquarie.com

Notes:

1. Trade mark of Macquarie Bank Limited.
2. Includes transaction costs and provision of A\$75 million
3. Based on forecast net cash flows available for distribution after payment of forecast base management fees. Actual distributions will depend on the actual base management fees payable and the amount of any performance fees payable
4. MMG will receive confirmation from an independent accountant that the advisory services terms and conditions are reasonable for assignments of this nature if the parties were dealing at arm's length.

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A stylized globe showing the continents of Asia, Australia, and parts of Europe and Africa, set against a teal and blue background with a grid pattern.

Macquarie Media Group Acquisition of Taiwan Broadband Communications

19 December 2005



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Agenda



1	Acquisition Overview
2	Overview of TBC
3	Impact on MMG and Funding
4	Conclusions
APPENDIX	
A	Taiwan Cable Industry Snapshot

The background features a teal and grey color scheme. On the left, a globe shows the continents of Asia, Australia, and parts of the Pacific. The right side has a vertical grid pattern. The title "1. Acquisition Overview" is centered in white text.

1. Acquisition Overview



Introduction



- Macquarie Media Group (MMG) and Macquarie Bank to acquire The Carlyle Group's interest in Taiwan Broadband Communications (TBC) for A\$1,189 million
- TBC is the leading television broadcaster in five local regions of Taiwan
- Purchase price represents an EV / EBITDA multiple of 9.4 times annualised earnings for the nine months ended 30 September 2005
- MMG and Macquarie Bank to hold 60% and 40% respectively of The Carlyle Group's interest in TBC
- MMG to acquire 60% interest for A\$414 million (including transaction costs) to be primarily funded, via the drawdown of a cash advance facility against the second instalment due in November 2006
- MMG intends to sell down to a lower level controlling shareholding in near term. Macquarie Bank also intends to sell down its interest in TBC at the same time
- Completion estimated in March 2006, subject to approval of regulatory authorities



Investment Rationale



- Acquisition of TBC is consistent with MMG's strategy to acquire, own and manage a global portfolio of media assets

Stable earnings & strong free cash flows	<p>Stable earnings from monthly subscriptions paid by large diverse subscriber base</p> <p>Strong operating leverage from largely fixed cost base</p> <p>Management team, led by David Dae has a superior track record. David will continue as CEO of TBC as an employee of Macquarie Bank post acquisition</p>
Strong market positions	<p>Cable television is the dominant broadcast medium in Taiwan with penetration in excess of 85% and is an important source of local news</p> <p>TBC is a well positioned local broadcaster and sole provider of cable television services in the markets in which it operates</p>
Barriers to entry	<p>Licences and inability to replicate the network create barrier to entry for other potential cable television operators</p> <p>Other television delivery media have failed to take meaningful market share from cable operators to date</p>
Potential for further earnings improvement	<p>Organic growth driven by increasing the household penetration rate and expanding subscriber numbers</p> <p>New services such as internet connections, digital television programming, telephone and other entertainment services</p> <p>Potential to participate in further consolidation of the Taiwan cable market</p>



Sources & Uses of Funds



Sources and Application of Funds	A\$ millions	%
Sources of Funds		
Senior debt	576	46%
MMG equity ¹	411	33%
MBL equity	274	21%
Total Sources of Funds	1,261	100%
Uses of Funds		
Acquisition price	1,189	94%
Transaction costs and provisions	72	6%
Total Uses of Funds	1,261	100%

1. MMG will incur an additional A\$3 million of transaction costs associated with its funding of the acquisition and MMG's restructure

A teal-colored background featuring a globe on the left side, showing the continents of Asia and Australia. The globe is overlaid with a grid pattern. To the right of the globe, there are several vertical and horizontal lines, and a grid of small white dots on the far right edge.

2. Overview of TBC



Overview of TBC



Overview	<p>Leading television broadcaster in Taiwan</p> <p>Owns five hybrid fibre coaxial (HFC) cable networks located in Central and Northern Taiwan which pass approximately 980,000 homes</p> <p>Sole licensee and provider of cable television services in its five franchise areas</p>
Services	<p>Network is a gateway to provide subscribers with television, internet and other communications & entertainment services</p> <p>Core business is provision of basic television (650,000 subscribers) and internet access (90,000 subscribers)</p> <p>Other value-added services include digital television programming (17,000 subscribers) and telephone services</p>
Strategy	<p>TBC management plans to accelerate rollout of digital television and telephone services to existing subscribers through targeted marketing and bundling</p> <p>Revenue also derived from advertising which may present growth opportunity</p>



Products and Services



Basic television services

- 101 channels
- Content includes free-to-air channel, local news plus CNN, ESPN, HBO, Discovery, etc
- Monthly subscriptions are largely pre-paid either one to three months in advance

Internet connections

- High speed Internet access was launched in 2000
- Cable modem internet access is available in all five TBC franchise areas

Digital television programming

- An additional 28 video and 28 music channels
- TBC receives 100% subsidy for cost of set top boxes

Telephony

- TBC has started offering telephony services over its network
- Arrangement with Eastern Broadband Telecommunications (EBT), under which TBC receives a commission per subscriber

Other revenue sources

- News: TBC produces its own local news and is a key source of local news in its licence areas
- Advertising: currently TBC has two minutes per hour to sell to advertisers, with content aggregators including up to six minutes per hour of embedded advertising (regulated limit of eight minutes per hour). Potential opportunity for further growth
- Installation: a one-off fee for connecting subscribers



Network

- TBC has been upgrading its HFC network over the last few years to 750 MHz to offer two-way capability and digital services
- As at 30 June 2005, 85% of TBC's subscribers (predominately in the high density franchise areas) had access to the two-way network
- The remainder of the network will be upgraded according to commercial rationale and consumer demand

Operations

- TBC has centralised its billing and customer care activities and operates two separate customer call centres for the network
 - Billing is conducted through auto-debt and convenience store payment
- Finance functions are centralised at the head office

The background features a teal and grey color scheme. On the left, there is a stylized globe showing the continents of Asia and Australia. To the right of the globe, there is a vertical grid pattern. The text "3. Impact on MMG & Funding" is centered in white, bold, sans-serif font.

3. Impact on MMG & Funding



MMG Distribution Update



- TBC acquisition is expected to be distribution per share accretive to MMG stapled security holders following financial settlement in the first quarter of calendar year 2006¹
- The Directors of MMHL and MMML reaffirm previously declared interim distribution of 3.0 cents per stapled security for the period from 23 November to 31 December 2005 payable on 16 February 2006

1. Based on forecast net cash flows available for distribution after payment of forecast base management fees. Actual distributions will depend on the actual base management fees payable and the amount of any performance fees payable



MMG Acquisition Funding



- MMG will finance its acquisition of TBC principally via a A\$390 million cash advance facility secured against the A\$400 million second instalment due in November 2006
- Additional secured borrowings of A\$30 million will be drawn down to the extent required to fund the balance of the purchase price and other expenses of the acquisition
- MMG has hedged its US dollar exposure between signing and financial settlement



MMG Investment Structure



- Prior to financial settlement, MMG intends to implement a restructure to become a triple-stapled security, such that stapled security holders own a share in MMHL, a unit in MMT and a share in Macquarie Media International Limited (MMIL) a Bermudan based mutual fund
- MMG intends to hold its investment through MMIL
- The restructure does not require stapled security holder approval
- MMIL will hold its investment in TBC through a Luxembourg-based holding company
- A listed Taiwan investor will continue to hold a preferred equity interest in TBC



4. Conclusions



Conclusions



- MMG and Macquarie Bank to acquire The Carlyle Group's interest in TBC for A\$1,189 million
- Acquisition of TBC is consistent with MMG's strategy to acquire, own and manage a global portfolio of media assets
- TBC is the leading television broadcaster in five local regions of Taiwan with approximately 650,000 subscribers
- TBC meets MMG's acquisition criteria of stable cash flows, strong market positions, barriers to entry and potential opportunities for growth
- Purchase price represents an EV / EBITDA multiple of 9.4 times annualised earnings for the nine months ended 30 September 2005
- MMG to acquire 60% interest for A\$414 million (including transaction costs) to be primarily funded, via the drawdown of a cash advance facility against the second instalment due in November 2006

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Appendix: Taiwan Cable Industry Snapshot



Taiwan Profile



- Taiwan has a population approximately 22.6 million
- Strong export-based economy with GNP per capita of A\$17,421 and large external balance sheet and substantial current account surpluses
- Forecast GDP growth of 4.03% in 2006
- Stable consumer price inflation environment, easing from 2.3% in 2005 to an annual average of 1.3% in 2006-2007
- Key exports are manufactured goods, including technology inputs
- S&P credit rating of AA-/Negative, in-line with Japan
- Joined the WTO in January 2002
- Australia's 10th largest trading partner and 7th largest export destination (2004)



Snapshot of Cable TV Market



- Cable is the dominant delivery method for television services in Taiwan with 85% penetration and 5.6 million subscribers
- The third largest cable television market in Asia (by number of subscribers) behind China and Japan
- The market currently consists of 51 franchise areas and 64 cable television operators with 40 franchises having only a sole operator
- Consolidation has occurred in the market with the top four operators (China Network Systems, Eastern Multimedia, TBC and Pacific Broadband) controlling approximately 3.1 million subscribers
- Cable market subscriber growth over the next five years is expected to grow in-line with organic household growth in Taiwan *(Source: Media Partners Associate)*
- Total market revenue of A\$2.1 billion in 2004 with total industry growth forecast at 4.5% per annum over the next 10 years, largely driven by increased penetration of digital programming



Competitive Landscape



- The majority of cable television franchises only have one licensed cable television operator and face competition primarily from three sources:
 - Terrestrial television;
 - Direct to Home (DTH) satellite broadcasting; and
 - IPTV (streaming digital media over a telecom infrastructure)
- To date, these media have limited market share in Taiwan
- In July 2004, Digital Terrestrial TV (DTT) services launched with 14 channels, however DTT has yet to capture any meaningful audience share due to significant lack of content compared to the cable platforms
- Satellite has not achieved a significant footprint, due primarily to high cost of entry
- The incumbent telco, Chunghwa Telecom was granted a broadcasting licence in December 2004 to offer subscription television services



Regulatory Environment



- The Government Information Office (GIO) is the principal regulator of the broadcasting and cable television industry
- The Radio & Television Law, Cable Radio & Television Law and the Satellite Broadcasting Law provide the regulatory framework for the cable television industry in Taiwan
- The GIO has drafted the “3 in 1” Bill which would merge the aforementioned three laws into one
 - Migrate price cap approval authority from local to national government;
 - Create a National Communications Commission, an independent regulator similar to the ACMA in Australia or FCC in the US; and
 - Raise the foreign direct investment limit from 20% to 49%



Regulatory Environment cont.



- **Licensing:** GIO issues licences for each of 51 franchise areas. Each initial licence effective 9 years. Renewal subject to an administrative process and performance at self-assessment tests held every three years
- **Price caps:** basic television prices capped at rates which vary from one franchise to another but must not exceed the maximum tariff set centrally by GIO, which is currently NT\$600 (A\$24) per month. Digital services not subject to tariff caps.
- **Market concentration:** no licence holder allowed to control more than 33.3% of total number of subscribers in Taiwan. A multiple licence holder can only own half of licences in any given administration area. Vertical integration not prohibited.
- **Foreign ownership:** direct foreign investment in a licence must be less than 20% of the total shares of such cable licensee and the aggregate foreign shareholding must be less than 60%. The test is based on the number of shares on issue and is tested at at the holding companies two levels above the cable licensees.
- **Content:** programs produced in-house by licence holders and affiliates must not exceed 25% of content