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Southern Cross Media Group – 2010 Interim Results Presentation

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SOUTHERN CROSS MEDIA GROUP

23 February 2010

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Agenda



1H10 Highlights



Financial Results



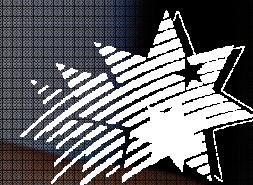
Business Updates



Outlook

1H10 Results

Rhys Holleran – Chief Executive Officer



SOUTHERN CROSS MEDIA GROUP

1H10 Highlights

- Southern Cross Media Group (**SCMG**) Half Year FY10 Proportionate Earnings per Security (EPS)^{1,2} 13.5cps
- Total Media Operations Revenues down 5.0% on prior corresponding period (like for like)
- Total Media Operations EBITDA down 7.2% on prior corresponding period (like for like)
- Underlying Business Performance
 - Southern Cross Media (**SCM**) (88% of media operations EBITDA)
 - Six month operating revenues down 2.3% and EBITDA down 4.4% on prior corresponding period
 - Advertising revenues returned to positive growth in last quarter up 2.5% and EBITDA up 3.4%
 - Six month TV advertising revenue up 1.0% on prior corresponding period, but up 4.9% in last quarter
 - Radio markets continue to be challenged but expecting improvement in 2H of FY10
 - Tight cost controls have flowed through the half
 - American Consolidated Media (**ACM**) (12% of media operations EBITDA)
 - Operating revenues down 15.2% and EBITDA down 24.0% on prior corresponding period
 - ACM has been written down further (\$170.6m non-cash impairment charge)
 - Challenging environment in the US continues to adversely impact advertising revenues

1. As defined in the Unaudited Management Information Report for the half year ended 31 December 2009

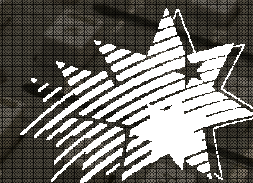
2. Excluding one-off transaction costs associated with the Internalisation and Corporatisation.

Internalisation and Corporatisation - Update

- o Internalisation and Corporatisation approved by security holders on 17 December 2009
- o Consideration for Internalisation payable to Macquarie (\$40.5 million) upon completion
- o Completion of both Internalisation and Corporatisation remains subject to:
 - SCM lender consent or refinancing on terms permitting the transactions; and
 - if completion is to take place prior to 1 July 2010, ACM lender consent or refinancing on terms permitting the transactions
- o Following the reduction in SCM debt, refinancing discussions with SCM's lenders are at an advanced stage. Discussions with ACM lenders are continuing
- o Transition preparation is well underway

Financial Results

Liam Buckley – Chief Financial Officer



SOUTHERN CROSS MEDIA GROUP

Financial Results

Summary Statutory Consolidated Results

A\$m	1H10	1H09
Revenue	264.9	293.8
Other income ¹	20.9	42.8
Share of net profits from equity accounted investments	1.1	0.3
Operating expenses	(189.3)	(200.7)
Other expenses ²	(6.4)	(71.6)
Finance costs	(50.4)	(51.2)
Depreciation / amortisation expenses	(15.2)	(16.2)
Impairment charge	(170.6)	(127.1)
Loss before tax	(145.0)	(129.9)
Tax expense	(3.1)	2.6
Net Loss after tax attributable to SCMG security holders	(148.1)	(127.3)

Source: Interim Financial Report for half year ended 31 December 2009.

1. 1H10 is net fair value gains on interest rate swaps. 1H09 includes net foreign exchange gains \$42.1m.

2. 1H10 is net foreign exchange losses. 1H09 includes net fair value loss on interest rate swaps of \$64.2m and net fair value loss on foreign currency hedges of \$6.3m.

Financial Results

Proportionate Earnings

A\$m	1H10	Pro-forma 1H09 ¹	1H09
Media operations revenue	261.9	275.8	284.8
Media operations expenses	(183.9)	(191.7)	(198.9)
Media operations EBITDA	78.0	84.1	85.9
Media operations maintenance capital expenditure	(1.0)		(2.6)
Media operations net interest expense	(42.2)		(45.3)
Media operations net tax expense	(0.5)		(0.8)
Proportionate Earnings (pre-corporate income and expenses)	34.3		37.2
Corporate interest income	6.1		12.7
Losses on foreign currency hedge contracts	-		(1.6)
Corporate expenses	(4.2)		(4.5)
Corporate net tax expense	(0.3)		-
Proportionate Earnings (pre-transaction costs for the Internalisation and Corporatisation)	35.9		43.8
Transaction costs for the Internalisation and Corporatisation	(3.2)		-
Proportionate Earnings (post-transaction costs for the Internalisation and Corporatisation)	32.7		43.8

Source: Unaudited Management Information Report for half year ended 31 December 2009.

¹ Pro-forma results for the 6 months to 31 December 2008 includes ACM results restated for current period foreign currency exchange rates and excludes the revenue, expenses and EBITDA relating to one of ACM's newspaper titles which was sold in the 6 months to 31 December 2008.

Financial Results

Reconciliation of Statutory (Loss)/Profit to Proportionate Earnings

A\$m	1H10	1H09
Net Loss after tax attributable to security holders	(148.1)	(127.3)
Add backs and adjustments:		
Media operations maintenance capital expenditure	(1.0)	(2.6)
Amortisation of establishment fees and related costs	7.4	4.6
Proportionate depreciation and amortisation	15.3	16.2
Non-cash impairment charge	170.6	127.1
Net non-cash valuation (gains)/losses on interest rate and foreign currency hedging instruments	(20.9)	68.9
Net unrealised foreign exchange losses/(gains)	6.4	(43.4)
Deferred tax expense/(benefit)	2.7	(2.7)
Other	0.3	3.0
Proportionate Earnings (post-transaction costs for the Internalisation and Corporatisation)	32.7	43.8
Add back: Transaction costs for the Internalisation and Corporatisation	3.2	-
Proportionate Earnings (pre-transaction costs for the Internalisation and Corporatisation)	35.9	43.8

Capital Management

SCM Business Level Debt	ACM Business Level Debt
▪ A\$337.5 million drawn (total facilities of A\$507.5m, maturing November 2010) — In December 2009, SCM's business level bank facilities were reduced by A\$535m out of net proceeds from the Entitlement Offer and available parent level cash — Leverage considerably improved	▪ US\$133.7m drawn (total facilities of US\$136.7m) — ACM is in breach of certain covenants under its business level bank facilities — A forbearance agreement has been negotiated between ACM and its lenders. Under the agreement, ACM's lenders have agreed not to exercise their rights arising from specified existing and anticipated covenant breaches during the forbearance period which has been extended to 29 March 2010 — SCMG has no plans for any parent level cash injections into ACM
<i>Discussions for refinancing are at an advanced stage</i>	<i>Discussions are continuing between ACM and its lenders in relation to the facility</i>

- Repositioned balance sheet
 - Net proceeds of the Entitlement Offer and available parent level cash used to pay down \$535m of SCM debt in December 2009
 - SCM debt leverage considerably reduced post paydown

A\$m	SCM	ACM	Fund	Total
Cash on hand – 31 December 2009	28.8	6.0	69.6	104.4
Less: external borrowings – 31 December 2009	(337.5)	(148.7)	-	(486.2)
Net (debt)/cash – 31 December 2009	(308.7)¹	(142.7)²	69.6³	(381.8)
Payment of interim distribution on 17 February 2010	-	-	(13.3)	(13.3)
Internalisation payment	-	-	(40.5)	(40.5)
Pro-forma net (debt)/cash – post Internalisation	(308.7)	(142.7)	15.8	(435.6)
Net (debt)/cash at 30 June 2009	(860.3)	(162.2)	331.2	(691.3)

1. The net debt of SCM was reduced from 30 June 2009 due to the \$535 million paydown of debt in December 2009

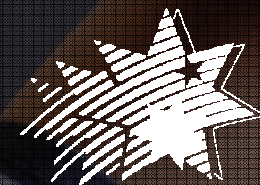
2. Movement in net debt position of ACM from 30 June 2009 due to strengthening of the Australian dollar relative to the US dollar

3. Movement in Fund level cash from 30 June 2009 due to available parent level cash and Entitlement Offer proceeds used for SCM debt paydown in December 2009

A photograph of a man from behind, sitting at a desk and looking at a computer monitor. His hands are clasped behind his head, and he is wearing a light blue t-shirt. The monitor displays a blue screen. A dark blue horizontal band with a fine grid pattern is overlaid across the middle of the image, containing white text and a logo.

Business Updates

Rhys Holleran – Chief Executive Officer



SOUTHERN CROSS MEDIA GROUP

1H10 Group Revenue & EBITDA Contributions

Year to date 31 December 2009 A\$m	Revenue	Growth on pcp ¹	EBITDA	Growth on pcp ¹	EBITDA margin	Change in margin on pcp ¹
SCM – Radio	75.9	(5.1%)				
SCM – Television	136.0	(0.6%)				
Total Australian operations	211.9	(2.3%)	68.9	(4.4%)	32.5%	(0.7%)
American Consolidated Media ²	50.1	(15.2%)	9.2	(24.0%)	18.3%	(2.1%)
Total SCMG operations	262.0	(5.0%)	78.1	(7.2%)	29.8%	(0.7%)

1. Prior corresponding period ("pcp"): 6 months to 31 December 2008.

2. Source: Proportionate Earnings Section, Unaudited Management Information Report for half year ended 31 December 2009.

Southern Cross Media

Advertising Revenues

- Improved advertising conditions especially evident in the December quarter
- TV revenues have been very strong compared to peers
- Radio recovering, though still down on prior period
- SCM revenue is dominated by local advertising, which has been less affected by the difficult economic conditions than national advertising

	Radio ¹		Metro Radio ²	TV ¹		Metro TV ³
1H10	% split of 1H10 revenues	% change vs pcp	% change vs pcp	% split of 1H10 revenues	% change vs pcp	% change vs pcp
Local Advertising	68.4%	(4.6%)	1.1%	37.6%	0.3%	(2.5%)
National Advertising	22.4%	(7.6%)	(3.9%)	55.1%	1.4%	(2.2%)
Total Advertising Revenue	90.8%	(5.4%)	(2.1%)	92.7%	1.0%	(2.4%)
Other	9.2%	(2.5%)		7.3%	(16.7%)	
Total Revenue	100.0%	(5.1%)		100.0%	(0.6%)	

1. Source: Page 7, Unaudited Management Information Report for half year ended 31 December 2009.
 2. Source: 2009/2010 Metropolitan Commercial Radio Advertising Revenue as sourced by Deloitte.
 3. Source : Free Television Australia 2009 gross advertising revenues excluding contra revenues.

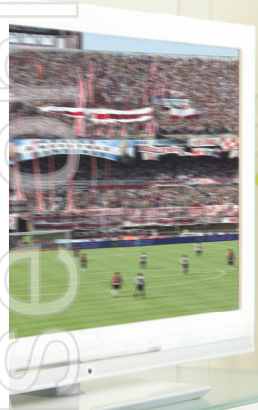
- Revenue enhancement initiatives:
 - Brandworks
 - Cornerstone local offering , emphasis on leveraging both TV and Radio in those offerings
 - Super 14s - leveraging best practices across media and across the group
 - High Definition TV channel ONE - live on 2 July 2009
 - Seven TWO launched in Tasmania and Darwin November 2009
 - Strategic targeting of advertisers currently advertising with local competitors
 - Outbound call centre launched in July targeting doormat and potential cross sell opportunities
- Cost savings launched a year ago have flowed through to the bottom line
- Cost saving initiatives have meant a leaner and more efficient business
 - Improved efficiencies in local management
 - Improved efficiencies in creative, production and news services
 - Improved efficiencies in engineering & technical as digital roll-out completes



- Impacted by very challenging broader US economic conditions
- Declines in classifieds revenue caused by weak cyclical (employment, real estate and automotive industries)
- Other revenues boosted by circulation increases

1H10	% Split of 1H10 Revenues ¹	% Change vs pcp ¹
Display	56.3%	(8.9%)
Classifieds	13.2%	(28.7%)
Total Advertising Revenue (ex Online)	69.5%	(13.5%)
Commercial Printing	11.4%	(36.9%)
Circulation	17.0%	3.9%
Internet	1.5%	(24.1%)
Other	0.6%	(50.3%)
Total Revenue	100.0%	(15.2%)

1. Source: Page 7, Unaudited Management Information Report for half year 31 December 2009.



Outlook

Rhys Holleran – Chief Executive Officer



SOUTHERN CROSS MEDIA GROUP

■ **SCM**

- Evidence that the Australian market is gaining momentum
- Advertising revenue declines have stopped and we are seeing some growth in TV and expect Radio to improve
- The advertising cycle remains short
- National television has been especially solid in the last quarter
- Strong ratings from Ten programming will assist our growth
- 1HFY10 advertising revenue is down on prior corresponding period, but 2HFY10 advertising revenue is expected to be up on 2HFY09
- Refinancing will provide SCM with a good platform to improve and expand its operations
- Two Government announcements over the last three months will, if implemented, impact SCM:
 - On 8 February 2010, the Australian Government announced licence fee reductions/rebate increases over the next two years as an incentive to increase investment in locally produced content and help fund the switch to digital. This is expected to be positive for SCM
 - 4 January 2010 announcement on required broadcasting services. There may be some additional capital expenditure and operating expenses arising from these proposed regulatory changes and the additional licence rebates

■ **ACM**

- Challenging US economic conditions continue to impact on revenues in the regional markets
- Forbearance agreement extended to 29 March 2010 and discussions with lenders are continuing

- **SCMG**

- The recent strategic initiatives to recapitalise SCMG, internalise management, corporatise SCMG's structure and refinance SCM's asset level bank facilities are designed to position SCMG with an optimal capital structure and a solid balance sheet for the future
- Management believe SCMG is well placed as we move into the second half of FY10

Investors:

Rhys Holleran

Chief Executive Officer

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Media:

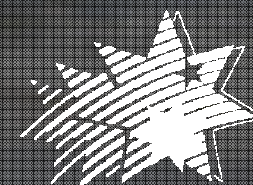
Karen Halbert

Public Affairs

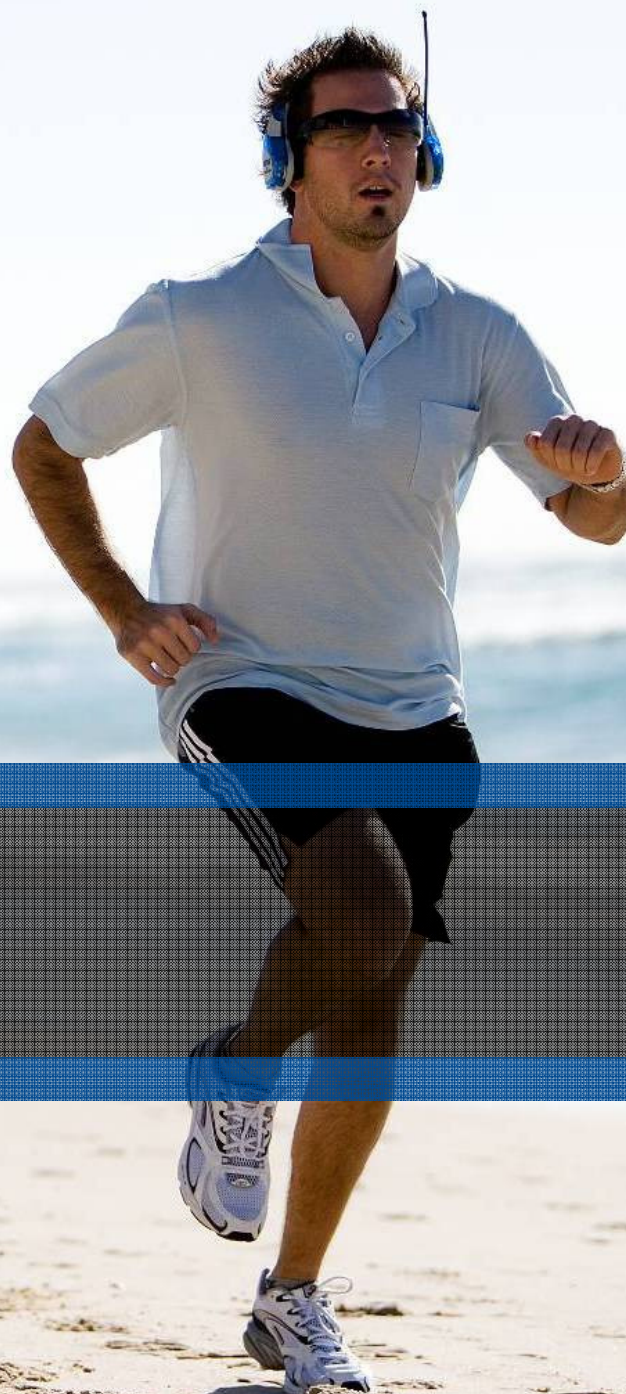
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Contacts



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Appendix A: Parent Level Cash Flows

A\$m	Parent level cash
Cash on hand – 30 June 2009	331.2
Proceeds from Entitlement Offer	293.6
Underwriting fees ¹	(5.8)
Transaction costs ²	(4.4)
SCM debt paydown	(535.0)
SCM interest rate swap break costs	(8.5)
Net other receipts and payments ³	(1.5)
Cash on hand – 31 December 2009	69.6

1. Underwriting fees relating to the Entitlement Offer.

2. Transaction costs, other than the underwriting fees, incurred as part of the Recapitalisation, Internalisation and Corporatisation.

3. Other receipts include external interest income earned. Other payments comprise fund expenses incurred over the period.