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# Recommended offer for Austereo Group

31 January 2011



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# Transaction Highlights

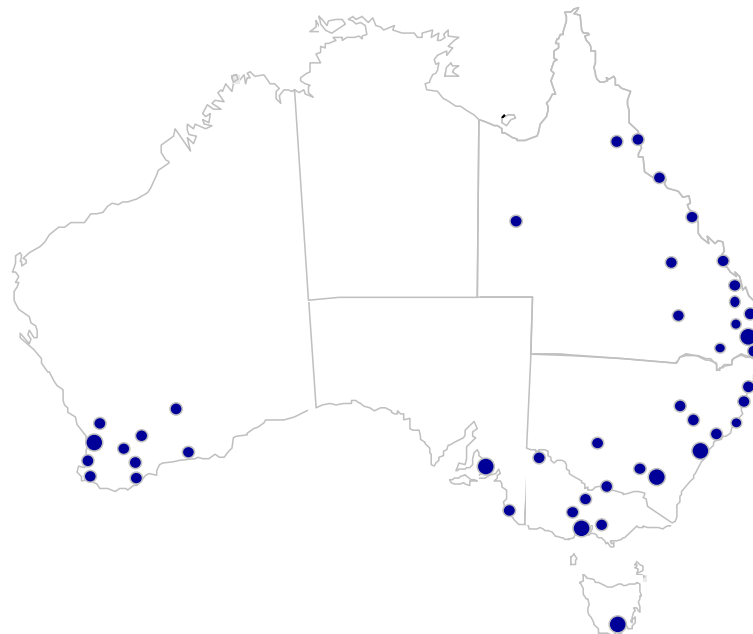


- Southern Cross Media Group Limited (“SCM Group”) announces recommended off-market takeover offer for all the shares in Austereo Group Limited (“Austereo”)
  - Compelling upfront premium
  - Austereo shareholders can elect to receive cash or scrip consideration or a mixture of both
  - Low conditionality
- Directors of Austereo have announced that they will unanimously recommend the offer, in the absence of a superior proposal

# Strategic Rationale



- Creates a diversified national radio group
  - Innovative national advertising campaigns and sponsorship
  - Apply metro radio capability to enhance local radio offering
  - Offer our premium content across a national platform



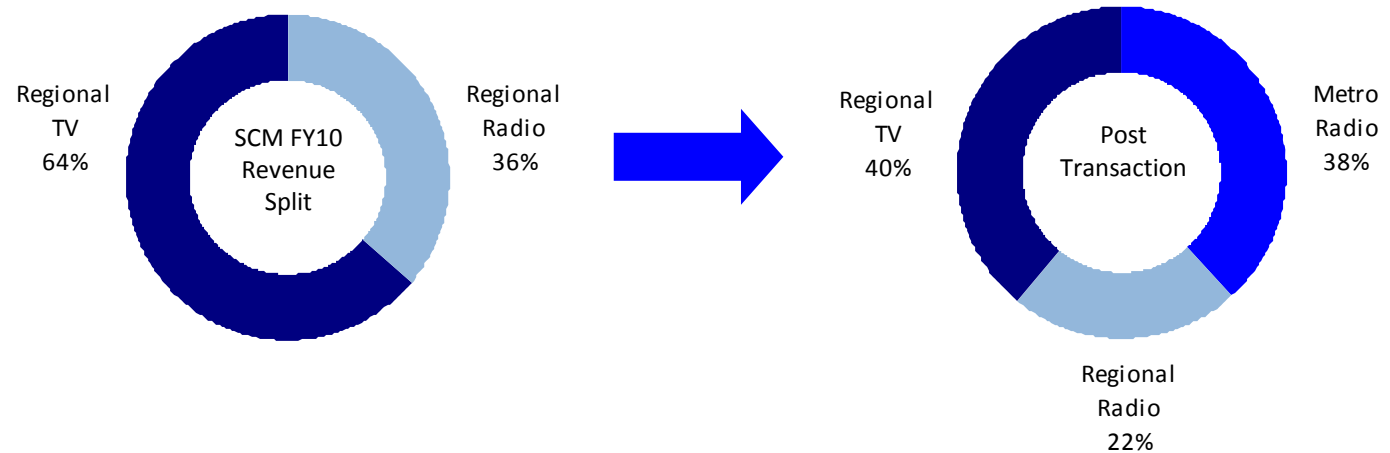
- 44 radio markets
  - Seven capital cities/Territories
  - 37 regional
- Reach over 80% of population
- Complementary brands



# Strategic Rationale



- Share expertise in creative, programming and digital
- Potential for material synergies
- Further diversify revenue base<sup>1</sup>



- Provide greater opportunities to attract and foster talent

1. Based on pro-forma FY2010

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# Profile of enlarged SCM Group



- The merged group would be one of Australia's leading media companies
  - Revenues in excess of A\$670 million<sup>1</sup>
  - EBITDA in excess of A\$215 million<sup>1</sup>
  - Strong cashflow generation
- Increased diversity of radio and TV earnings
- Comfortable capital structure given strong cashflow generation
- Enhanced capabilities in digital services
- Enhanced career path development for on-air and off-air talent

1. Based on pro-forma FY2010

# Profile of enlarged SCM Group



- Combined operations reach over 95% of Australians
  - National radio coverage of metropolitan and regional Australia
  - Integrated radio and TV
- Multi-platform content offering

• 80 commercial radio stations in 44 licence areas



• 33 TV stations across 30 regional markets



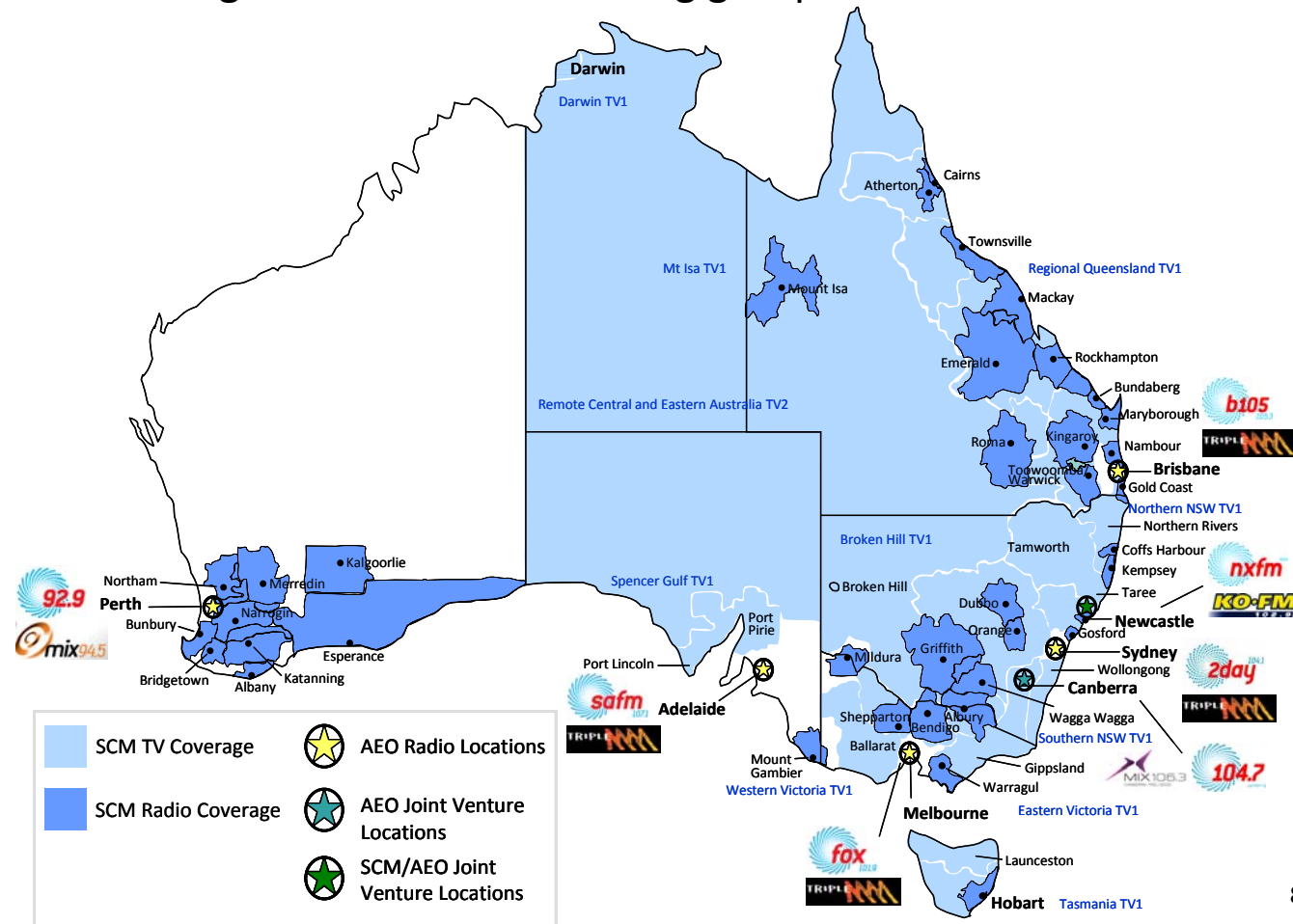
• Strong position in Australian digital entertainment



# Profile of enlarged SCM Group



- A leading Australian broadcasting group



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# Offer Terms



- Transaction to proceed via off-market takeover
- Proposal comprises three alternatives at acceptance levels up to 90%:
  - A\$2.05 cash per Austereo share, comprising A\$2.00 cash paid by SCM Group (the “Cash Consideration”) and the intended dividend of A\$0.05 per share announced today by Austereo
  - 0.95 SCM Group shares for every Austereo share (the “Scrip Consideration”) together with the intended dividend of A\$0.05 per share announced today by Austereo
  - A combination of cash and SCM Group shares, in addition to the intended dividend of A\$0.05 per share announced today by Austereo

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# Offer Terms



- An additional A\$0.10 cash per Austereo share will be paid to all accepting Austereo shareholders if acceptances are in excess of 90% and SCM Group is entitled to proceed to compulsory acquisition (“Additional Consideration”)
- Austereo shareholders accepting Scrip Consideration will not be entitled to a SCM Group interim dividend for 1H FY11
- Low conditionality
  - 50.1% minimum acceptance condition
  - Australian Competition and Consumer Commission clearance and Australia Communication and Media Authority approval
  - Minimal other conditions (refer to Implementation Deed for full details of conditions)

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# Offer Terms



- Directors of Austereo have announced that they will unanimously recommend that Austereo shareholders accept the Offer in the absence of a superior proposal
- Option Agreement
  - SCM Group has entered into a call option agreement with Village Roadshow Limited (“Village”) to acquire shares representing 14.9% of outstanding Austereo shares at A\$2.00 per share (with Village entitled to the intended dividend), and is exercisable when the Offer is unconditional or a competing offer (with a cash alternative of at least A\$2.15 less the intended dividend) is made and becomes unconditional for Austereo

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# Why Austereo shareholders should accept the offer?



- Compelling premium to pre-announcement trading (20 Jan 2011)<sup>1</sup>

Cash payment	A\$2.05 per Austereo share <sup>2</sup>	A\$2.15 per Austereo share <sup>3</sup>
Close 20 Jan	14%	19%
3 month vwap	22%	28%

- Board of Directors of Austereo will unanimously recommended the transaction, in the absence of a superior proposal
- Scrip Consideration provides the opportunity to continue to have exposure to Austereo and share in the merger benefits
- Potential for CGT roll-over relief for Scrip Consideration (requires acceptances in excess of 80% and subject to ATO approval)

1. Being the day prior to Austereo's announcement in relation to a potential transaction involving Village's shareholding

2. Cash payment of A\$2.05 comprises A\$2.00 cash paid by SCM Group and the intended dividend of \$0.05 per share announced today by Austereo

3. Comprises cash payment in note 2 above plus the Additional Payment of A\$0.10 cash per share when acceptances in excess of 90% are achieved

# Transaction Funding



- Transaction is to be funded through a combination of new senior debt facilities and an equity bridge
  - New senior debt facilities of up to A\$755 million, partly used to refinance existing debt at SCM Group
  - Equity bridge facility of up to A\$540 million
- Equity bridge facility to be repaid by way of an entitlement offer, most likely an accelerated renounceable entitlement offer
  - Entitlement offer will be open to any Austereo shareholders that have elected to take the Scrip Consideration and remain registered as SCM Group shareholders on the record date for the entitlement offer

# Transaction Funding



- Leverage of combined business is expected to be approximately 3x Net Debt/EBITDA initially (if 100% of Austereo is acquired) and decrease materially over the next 12-18 months as some of the cash flows are used for debt repayment

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# Proposed Timetable



- SCM Group expects to lodge its Bidder's Statement with ASIC within approximately 28 days
- Austereo's Target Statement will contain further information, including the reasons why the Austereo directors will unanimously recommend the transaction, in the absence of a superior proposal

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# questions?

**For further information, please contact**

**Rhys Holleran**  
Chief Executive Officer  
Tel: +61 3 9922 2000

**Steve Kelly**  
Chief Financial Officer  
Tel: +61 3 9922 2000



**SOUTHERN CROSS MEDIA GROUP**