



31 January 2011

## INTENTION TO ACCEPT TAKEOVER OFFER FOR AUSTEREO

Village Roadshow Limited ("VRL") notes the announcement made today by Southern Cross Media Group Limited ("SCM") that a subsidiary of SCM intends to make a takeover offer for Austereo Group Limited ("AEO") at an offer price of \$2.05 per share (inclusive of any dividends payable by AEO), increasing by 10 cents per share if SCM acquires a relevant interest in AEO of at least 90% ("SCM Offer").

VRL is the largest shareholder in AEO and has a relevant interest in 181,093,856 AEO shares (the "VRL Shareholding"), representing approximately 52.52% of AEO's shares on issue.

VRL intends to accept the SCM Offer in respect of the VRL Shareholding, in the absence of a superior proposal being made for all of the shares in AEO. If VRL accepts the SCM Offer, it will elect to receive all cash consideration.

VRL has granted SCM a call option over approximately 14.9% of AEO's shares on issue. A copy of the call option agreement is attached.

VRL Chairman, Robert Kirby said "We are pleased that VRL has the opportunity to secure an attractive value for its AEO shares. The transaction is consistent with VRL's objectives of creating a stronger, more flexible, balance sheet and maximising value for all VRL shareholders."

VRL Deputy Chairman, John Kirby said "I have been at the forefront of VRL's radio investment since the original 2DAY-FM licence application. This is the right time to recalibrate VRL's go forward asset base. VRL has had a strong relationship with AEO over many years. We thank Peter Harvie and the management team for their efforts, which have made AEO the leading metropolitan radio business in Australia."

VRL CEO, Graham Burke said "The sale of Austereo, together with the finalisation of the recently announced Sydney Attractions Group sale, will enable significant pay down of debt, putting VRL in a strong financial position. It will also underpin the VRL Board's objective of paying regular dividends. Finally the Austereo and Sydney Attractions Group sales will provide VRL with options and opportunities, which will be considered by VRL, including acquisitions, development projects and possibly distributions to shareholders."

VRL has appointed Allens Arthur Robinson as its legal adviser and UBS and ANZ Corporate Advisory as its financial advisers in relation to this transaction.

### Contact:

UBS  
Kelvin Barry  
Managing Director  
03 9242 6506



SOUTHERN CROSS MEDIA GROUP

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31 January 2011

Village Roadshow Limited  
ACN 010 672 054  
Level 1, 500 Chapel Street  
SOUTH YARRA VIC 3141  
**Attention: Directors of  
Village Roadshow Limited**

Dear Directors of Village Roadshow Limited

**Pre-Bid Agreement – Austereo Group Limited (Austereo)**

Southern Cross Media Group Limited (**SCM**) or its wholly-owned subsidiary proposes to make an off-market bid under Chapter 6 of the Corporations Act to acquire all of the Austereo Shares. The material terms and conditions of the Offer are set out in Annexure 1.

Village Roadshow Limited (**Shareholder**) is the registered holder of 181,093,856 Austereo Shares, representing approximately 52.5% of the issued capital of Austereo. For the avoidance of doubt, and without limiting clause 8, this agreement does not create any obligations with respect to any Austereo Shares or interests in Austereo Shares that the Shareholder has or may have at any time other than the Call Option Shares.

In consideration of the payment by SCM of A\$100 to the Shareholder (receipt of which is acknowledged on execution of this agreement) and the various promises in this agreement, the parties agree as set out below.

Capitalised terms in this agreement have the meaning given in clause 22.2.

**1. Grant of Call Option**

The Shareholder hereby grants SCM an irrevocable option to purchase all (but not some) of the Call Option Shares from the Shareholder for the Exercise Price per Call Option Share free of Encumbrances and otherwise on the terms set out in this agreement.

**2. Exercise of Call Option**

2.1 SCM may exercise the Call Option once by giving to the Shareholder a duly completed Exercise Notice during the period (**Call Option Period**):

(a) commencing on the day being the earliest of:



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- (i) the day on which all of the conditions to the Offer (other than the minimum acceptance condition) have been fulfilled or the Offer has been declared by SCM (or its wholly-owned subsidiary) to be free of all such conditions (including or excluding the minimum acceptance condition); and
- (ii) the first day on which a Competing Bid is capable of acceptance by the Shareholder for its Austereo Shares other than the Call Option Shares; and

(b) ending on the End Date.

2.2 SCM agrees that it will not exercise the Call Option at any time during the Call Option Period which would result in SCM or its Nominee becoming the registered holder of the Call Option Shares prior to the record date for any interim dividend declared to be paid by Austereo.

2.3 SCM may exercise the Call Option and create a contract for the sale and purchase of the Call Option Shares between the Shareholder and:

- (a) itself; or
- (b) by duly completing the relevant part of the Exercise Notice, a Nominee.

2.4 If SCM does not exercise the Call Option during the Call Option Period in accordance with clause 2.1 then the Call Option will automatically lapse at 7pm on the End Date.

2.5 If the Call Option lapses then, without prejudice to the rights of the parties already existing under this agreement:

- (a) the Shareholder may sell, transfer or otherwise dispose of the Call Option Shares (including by accepting a Competing Bid); and
- (b) this agreement automatically terminates.

### 3. Shareholder may accept the Offer

Without limiting clause 5.1(b) and regardless of whether SCM exercises the Call Option by giving an Exercise Notice, the Shareholder may accept the Offer for all of the Call Option Shares and if the Shareholder does so then it must elect to receive cash consideration in respect of the Call Option Shares.

### 4. Completion of the acquisition of the Call Option Shares

4.1 Unless the Shareholder has accepted the Offer for the Call Option Shares in accordance with clause 3, completion of the sale and purchase of the Call Option Shares must occur at the Melbourne office of Allens Arthur Robinson at 4.00pm on the Business Day being two Business Days after SCM gives an Exercise Notice to the Shareholder under clause 2.1.

4.2 At completion of the sale and purchase of the Call Option Shares:

- (a) the Shareholder must transfer the Call Option Shares to SCM free of all Encumbrances and, to that end, must deliver to SCM or the Nominee (as applicable) all relevant CHESS details for the Call Option Shares to be delivered by the Shareholder to SCM including:
  - (i) if the Call Option Shares are on an Issuer Sponsored Sub-Register, a copy of the Shareholder's holding statement showing the holding of those shares and its SRN; or
  - (ii) if the Call Option Shares are on a CHESS Sub-Register, the Shareholder's HIN and the Shareholder's written instructions to its Sponsoring Participant to deliver those shares to SCM or the Nominee (as applicable),



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and do anything else reasonably required by SCM to effect the transfer to SCM or the Nominee (as applicable) of the legal and beneficial ownership of the Call Option Shares (including directing any nominee, custodian or other registered holder in relation to the Call Option Shares) and delivering all documents (including a document which is, or documents which are, a sufficient transfer of the Call Option Shares under Part 7.11 of the Corporations Act and the Corporations Regulations); and

- (b) SCM (or the Nominee) must pay to the Shareholder, by electronic funds transfer to an account nominated by the Shareholder, an amount equal to the Exercise Price multiplied by the number of Call Option Shares.

4.3 The Call Option will lapse and this agreement will terminate at 7pm on the End Date if it has not been exercised before then.

#### 5. Restriction on dealing in Call Option Shares

5.1 The Shareholder undertakes that it will not, from the date of this agreement until 7pm on the End Date (other than with the written consent of SCM) sell, transfer, Encumber or otherwise dispose of any of the Call Option Shares other than:

- (a) pursuant to the Call Option; or  
(b) by accepting the Offer.

5.2 Nothing in this agreement restricts the Shareholder's ability to exercise voting rights attaching to any Call Option Shares in the Shareholder's absolute discretion before the Call Option is completed in respect of the Call Option Shares.

#### 6. Announcement of Offer

SCM must announce the Offer on terms and conditions no less favourable to offerees than those set out in Annexure 1 immediately upon execution of this agreement (**Announcement**).

#### 7. The Offer

7.1 The material terms and conditions of the Offer are set out in Annexure 1.

7.2 SCM may, subject to the Corporations Act:

- (a) vary the terms and conditions of the Offer in any manner permitted by law; and  
(b) vary or waive any condition in the Offer, declare the Offer unconditional or extend it at any time.

7.3 SCM must dispatch Offers to Austereo Shareholders within 2 months after the date of the Announcement in accordance with section 631 of the Corporations Act (or any such later date as is permitted by ASIC or the Takeovers Panel).

#### 8. Voting or acceptance in relation to the Austereo Shares other than the Call Option Shares

The parties agree that nothing in this agreement restricts, or will be taken to restrict, the ability of the Shareholder to:

- (a) sell, dispose of, Encumber, or otherwise deal with, or enter into negotiations in relation to, its Austereo Shares other than the Call Option Shares, or agree to do any of those things, prior to or after the exercise of the Call Option; or



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- (b) exercise the votes attaching to its Austereo Shares other than the Call Option Shares in the Shareholder's absolute discretion, including to vote for or against any resolution proposed by or in relation to Austereo (for example, any resolution in relation to the Offer, any Competing Bid or any other proposed takeover bid or scheme), prior to or after the exercise of the Call Option.

## 9. Warranties

9.1 The Shareholder represents and warrants to SCM that:

- (a) the Shareholder is the registered holder and beneficial owner of all of the Call Option Shares and the Call Option Shares are fully paid;
- (b) as at the date of this agreement, the Shareholder is the registered holder and beneficial owner of 181,093,856 Austereo Shares and such shares are fully paid;
- (c) it is entitled to, and at completion under clause 4.1 or on acceptance of the Offer in respect of the Call Option Shares (whichever may be applicable) will be entitled to, sell and transfer full ownership in the Call Option Shares and at completion under clause 4.1 or on acceptance of the Offer in respect of the Call Option Shares (whichever may be applicable) there will be no Encumbrances or other third party interests over or affecting the Call Option Shares;
- (d) it has the power and lawful authority to enter into and perform this agreement and this agreement constitutes a legal, valid and binding obligation on the Shareholder, enforceable in accordance with its terms;
- (e) no approvals are required to be obtained by virtue of a law, rule or regulation or the rules of any stock exchange applicable to it or its constitution or of any relevant governmental or regulatory authority, in order to permit it to undertake its obligations under this agreement;
- (f) the entry into and the performance by it of this agreement does not and will not violate, breach or result in a contravention of its constitution or other constituent documents;
- (g) the right of SCM to exercise the Call Option is not affected by any illegality, irregularity or defect in or in respect of the issue of the Call Option Shares or by any circumstances within the knowledge, power or control of the Shareholder rendering unenforceable, void, unlawful or invalid a transfer of any Call Option Share by the Shareholder to SCM (or any Nominee); and
- (h) the right of SCM, or if a Nominee has been nominated, the Nominee, to buy the Call Option Shares and receive a transfer of the Call Option Shares is not affected by any circumstances within the knowledge, power or control of the Shareholder rendering unenforceable, void, unlawful or invalid a transfer of any Call Option Share by the Shareholder to SCM (or any Nominee).

9.2 SCM represents and warrants to the Shareholder that:

- (a) it has the power and lawful authority to enter into and perform this agreement and this agreement constitutes a legal, valid and binding obligation on SCM, enforceable in accordance with its terms; and
- (b) no approvals are required to be obtained by virtue of a law, rule or regulation or the rules of any stock exchange applicable to it or its constitution or of any relevant governmental or regulatory authority, in order to permit it to undertake its obligations under this agreement.



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9.3 This clause 9 survives termination or expiry of this agreement and the representations and warranties given in this clause 9 are repeated at completion of the sale and purchase of the Call Option Shares.

## 10. Termination

10.1 A party may terminate this agreement (without affecting accrued rights or liabilities) immediately if any of the following applies:

- (a) SCM (or its wholly-owned subsidiary) does not issue an announcement of an Offer on terms and conditions no less favourable to offerees than those set out in Annexure 1 immediately upon execution of this agreement; or
- (b) SCM (or its wholly-owned subsidiary) does not dispatch Offers to Austereo Shareholders within two months after the date of the Announcement in accordance with section 631 of the Corporations Act (or any later period permitted by ASIC or the Takeovers Panel).

10.2 The Shareholder may terminate this agreement (without affecting accrued rights or liabilities) immediately if:

- (a) having issued the Exercise Notice, SCM (or its Nominee) does not complete the purchase of the Call Option Shares in accordance with clause 4; or
- (b) the Shareholder accepts the Offer for the number of Austereo Shares equal to or greater than the number of Call Option Shares.

10.3 SCM may terminate this agreement (without affecting accrued rights or liabilities) at any time and in its absolute discretion by notice in writing to the Shareholder.

10.4 Clause 14 survives the termination of this agreement.

## 11. Notices

11.1 A notice, demand, consent, approval or communication under this agreement (**Notice**) must be:

- (a) In writing, in English and signed by a person duly authorised by the sender; and
- (b) Hand delivered or sent by prepaid post or facsimile to the recipient's address for Notices specified below, as varied by any Notice given by the recipient to the sender:

### SCM

Address: Level 2, 70 Park Street, South Melbourne VIC 3205, Australia  
Facsimile: +61 3 9922 2199  
Attention: Stephen Kelly

### Shareholder

Address: Level 1, 500 Chapel Street, South Yarra VIC 3141, Australia  
Facsimile: +61 3 9660 1763  
Attention: Simon Phillipson

11.2 A Notice given in accordance with clause 11.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) If hand delivered, on delivery;
- (b) If sent by prepaid post, on the second Business Day after the date of posting (or on the seventh Business Day after the date of posting if posted to or from a place outside Australia);



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- (c) If sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

**12. Equitable remedies**

The parties acknowledge that monetary damages alone would not be adequate compensation for a breach by the Shareholder of its obligations under this agreement and that an equitable remedy (such as specific performance or injunctive relief) for that breach or any suspected breach is an appropriate remedy.

**13. Further assurance**

The Shareholder must do all things necessary or desirable to give effect to this agreement.

**14. Governing Law**

This agreement is governed by the laws of Victoria, Australia, and the parties irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of Victoria, Australia.

**15. Severability**

A term or part of a term of this agreement that is illegal or unenforceable or which the Takeovers Panel decides constitutes unacceptable circumstances may be severed from this agreement and the remaining terms or parts of the term of this agreement continue in force.

**16. Counterparts**

This agreement may be executed in counterparts including by facsimile.

**17. Authority**

Each person signing this agreement on behalf of a party warrants the authority to do so.

**18. Relationship of parties**

This agreement is not intended to create a partnership, joint venture or agency relationship between the parties.

**19. Waiver and exercise of rights**

- (a) A single or partial exercise or waiver by a party of a right relating to this agreement does not prevent any other exercise of that right or the exercise of any other right.
- (b) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

**20. Rights cumulative**

Except as expressly stated otherwise in this agreement, the rights of a party under this agreement are cumulative and are in addition to any other rights of that party.

**21. Entire understanding**

This document contains the entire understanding between the parties as to the subject matter of this document.



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## 22. Interpretation and Defined Terms

22.1 In this agreement headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention:

- (a) words importing the singular include the plural (and vice versa);
- (b) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has corresponding meaning;
- (c) a reference to A\$, \$A, dollar or \$ is to Australian currency;
- (d) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (e) where the day on or by which any sum is payable or any act, matter or thing is to be done is a day other than a Business Day, that sum will be paid or the act, matter or thing will be done on the next succeeding Business Day; and
- (f) a reference to time is to Melbourne time.

22.2 In this agreement:

**Announcement** is defined in clause 6.

**Austereo Share** means a fully paid ordinary share in the capital of Austereo.

**ASIC** means Australian Securities & Investments Commission.

**ASX Settlement** means ASX Settlement Pty Limited ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX Settlement which govern the administration of CHESS.

**Business Day** means a day on which banks are open for business in Melbourne, excluding Saturday, Sunday or public holidays.

**Business Hours** means from 9.00am to 5.00pm on a Business Day.

**Call Option** means the call option granted by the Shareholder in relation to the Call Option Shares under clause 1.

**Call Option Period** is defined in clause 2.1.

**Call Option Shares** means 51,372,772 Austereo Shares, representing no more than 14.9% of the Austereo Shares on issue.

**CHESS** has the meaning given in the ASX Settlement Operating Rules.

**CHESS Sub-Register** has the meaning given in the ASX Settlement Operating Rules.

**Competing Bid** means a takeover bid under Chapter 6 of the Corporations Act for Austereo by a Third Person involving offers for all of the Austereo Shares which are or have become unconditional (or which would become unconditional if the Shareholder accepted the offer in respect of its Austereo Shares other than the Call Option Shares) and:



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- (a) which if completed substantially in accordance with the terms announced, would mean that a Third Person acquires a relevant interest in more than 50% of Austereo's issued ordinary share capital; and
- (b) for which the offer price includes a cash alternative of at least A\$2.15 per Austereo Share (less the cash paid per share under any interim dividend paid by Austereo).

**Control** has the meaning given under section 50AA of the Corporations Act. **Controlled** has the same meaning.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

**Encumbrance** means a restriction against transfer or an interest or power:

- (a) reserved in or over an interest in any asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to, any agreement to grant or create any of the above, and **Encumber** is to be construed accordingly.

**End Date** means the earliest of:

- (a) the date of termination of this agreement;
- (b) the day SCM (or its wholly-owned subsidiary) becomes the registered holder of all the Call Option Shares;
- (c) provided the Offer is unconditional, the day being four Business Days prior to the last day of the Offer Period (provided that, if the Offer is extended not less than four Business Days prior to the last day of the Offer Period, the relevant day is the day which is four Business Days prior to the end of the extended Offer Period);
- (d) if one Competing Bid exists, the day being four Business Days prior to the last day on which the Competing Bid can be accepted (provided that, if the Competing Bid is extended not less than four Business Days prior to that last day, the relevant day is the day which is four Business Days prior to the end of the extended offer period);
- (e) if more than one Competing Bid exists, the day being four Business Days prior to the last day for the Competing Bid which is scheduled to close first (provided that, if a Competing Bid is extended not less than four Business Days prior to its last day, the relevant last day in relation to that Competing Bid is the day which is four Business Days prior to the end of the extended offer period);
- (f) the date that the Offer is withdrawn; and
- (g) the date being six months from the date of this agreement.

**Exercise Notice** means a notice substantially in the form set out in Annexure 2.

**Exercise Price** means A\$2.00 per Call Option Share or any higher amount notified by SCM in its absolute discretion.

**HIN** has the meaning given in the ASX Settlement Operating Rules.



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**Nominee** means a wholly-owned subsidiary nominated by SCM as purchaser of the Call Option Shares.

**Offer** means the offer to acquire Austereo Shares to be made by SCM or its wholly-owned subsidiary under an off-market bid, the material terms and conditions of which are set out in Annexure 1 as may be varied in accordance with the Corporations Act from time to time.

**Offer Period** means the period during which the Offer is open for acceptance.

**Related Entity** means in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that party.

**Related Parties** means in relation to a party, its Related Entities, directors, officers, advisers and agents.

**relevant interest** has the same meaning as in the Corporations Act.

**SRN** has the meaning given in the ASX Settlement Operating Rules.

**Third Person** means any person other than SCM or its Related Entities.

23. **Acceptance**

Please indicate your acceptance of these terms by signing this letter where indicated below.

Yours faithfully

Name: *S.D. KELLY*  
Title: *CHIEF FINANCIAL OFFICER*

Please indicate your acceptance of these terms by signing on the following page.



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Accepted by Village Roadshow Limited

Name: GRAHAM BURKE  
Title: MANAGING DIRECTOR

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**Annexure 1 – SCM's proposed announcement of Offer**

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**Southern Cross Media Group Limited**  
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Internet [www.scmediagroup.com.au](http://www.scmediagroup.com.au)



31 January 2011

**Southern Cross Media Group Limited (ASX: SXL) announces recommended offer for Austereo Group Limited (ASX: AEO)**

Southern Cross Media Group Limited ABN 91 116 024 536 (SCM Group) announces that it has executed an implementation agreement with Austereo Group Limited ABN 58 095 552 060 (Austereo) under which a wholly owned subsidiary of SCM Group will make an offer for all the shares in Austereo.

The proposed transaction will be implemented by way of an off-market takeover (Offer). Under the terms of the Offer, Austereo shareholders have the choice of receiving A\$2.05 cash per share (comprising A\$2.00 per share cash paid by SCM Group (Cash Consideration) and the intended dividend of A\$0.05 per share announced today by Austereo), or an entitlement to 0.95 SCM Group shares for every Austereo share (Scrip Consideration) together with the intended dividend of A\$0.05 per share announced today by Austereo).

Austereo shareholders may elect to receive all Cash Consideration, all Scrip Consideration or a combination of Cash Consideration and Scrip Consideration, in addition to the intended dividend announced today by Austereo.

SCM Group will pay accepting shareholders (regardless of whether they have elected the Cash Consideration or the Scrip Consideration or the combination) an additional A\$0.10 cash per Austereo share if it reaches the 90% compulsory acquisition threshold and is entitled to proceed to compulsory acquisition.

The total payments of A\$2.15 per share (under the Cash Consideration option, if the 90% threshold is achieved and SCM Group is entitled to proceed to compulsory acquisition) represent a 28% premium to Austereo's 3 month VWAP of A\$1.680 and a 19% premium to Austereo's closing share price of A\$1.805 on 20 January 2011, which was the day prior to Austereo's announcement in relation to discussions regarding a potential transaction involving Village Roadshow Limited's (VRL) 52.52% shareholding in Austereo.

The directors of Austereo have announced that they will unanimously recommend that Austereo shareholders accept the Offer in the absence of a superior proposal, and have announced their intention to accept the Offer in respect of shares in which they have a beneficial interest, in the absence of a superior proposal.

In addition, the major shareholder of Austereo, VRL, has granted SCM Group a call option to acquire shares representing 14.9% of outstanding Austereo shares at A\$2.00 per share (with such call option not to be exercised until after the record date for the intended Austereo dividend).

The merged business will create one of Australia's leading media companies with revenues in excess of A\$670 million, EBITDA in excess of A\$215 million (based on pro-forma FY2010) and strong cash flow generation.

Mr Max Moore-Wilton, Chairman of SCM Group said:

"This deal is consistent with our strategy to build a strong Australian media company. Our shareholders will benefit from the larger group, significant opportunities for cross fertilization and strong cash generation."

Mr Rhys Holleran, Chief Executive Officer, of SCM Group said:

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"This is a fantastic deal for both SCM Group and Austereo. We are really looking forward to working with the team at Austereo to build a great Australian media company with coverage across regional and metro Australia. The combined business's radio and television assets will have the ability to reach Australians in regional and metropolitan areas. On top of that it will create great opportunities for on and off air talent. We see real potential to offer our premium content across a national platform and apply capabilities in metro radio to enhance our local radio offering."

#### Transaction Summary

- The proposal offers Austereo shareholders a choice of:
  - A\$2.05 cash payments per share, comprising A\$2.00 per share cash paid by SCM Group (Cash Consideration) and the intended dividend of A\$0.05 per share announced today by Austereo; or
  - an entitlement to 0.95 SCM Group shares for each Austereo share (Scrip Consideration) together with the intended dividend of A\$0.05 per share announced today by Austereo; or
  - Austereo shareholders can elect to receive the Cash Consideration, the Scrip Consideration or a combination of the Cash Consideration and the Scrip Consideration, in addition to the intended dividend announced today by Austereo.

In addition, if SCM Group reaches the 90% threshold and becomes entitled to proceed to compulsory acquisition, the Offer will be increased by A\$0.10 per share (consideration would be payable in cash to all Austereo shareholders, whether they have taken the Scrip Consideration, Cash Consideration or a mixture).

- Austereo shareholders accepting Scrip Consideration will not be entitled to a SCM Group interim dividend for the half year ending 31 December 2010
- The Scrip Consideration will be subject to a pro-rata scale-back (across all shareholders who elected to receive the Scrip Consideration) if elections for the Scrip Consideration are received in respect of more than 47.5% of the Austereo shares. Should VRL accept the Offer and elect to receive the Cash Consideration in respect of all its current shareholding the scale-back will not apply and any other Austereo shareholder that accepts the Scrip Consideration will receive SCM Group shares (subject to the satisfaction of the Offer conditions).
- The total cash payments of A\$2.15 per share under the Cash Consideration option (if the 90% threshold is achieved and SCM Group becomes entitled to proceed to compulsory acquisition) represents:
  - a 28% premium to Austereo's 3 month VWAP (of A\$1.680 to 20 January 2011); and
  - a 19% premium to Austereo's closing share price of A\$1.805 on 20 January 2011, which was the day prior to Austereo's announcement in relation to discussions regarding a potential transaction involving VRL's shareholding in Austereo.
- The directors of Austereo have announced they will unanimously recommend that Austereo shareholders accept the Offer in the absence of a superior proposal, and intend to accept the Offer in respect shares in which they have a legal or beneficial interest, in the absence of a superior proposal.
- VRL has granted SCM Group a call option to acquire shares representing 14.9% of outstanding Austereo shares at A\$2.00 per share (with such call option not to be exercised until after the record date for the intended Austereo dividend). The call option is exercisable in certain circumstances, including if the Offer becomes unconditional (except for the minimum acceptance condition being satisfied), or a competing offer (capable of acceptance by VRL and with a cash alternative of at least A\$2.15 per Austereo share less any interim dividend) is made and becomes unconditional (other than in respect of the minimum acceptance condition).

- For personal use only
- The Offer will be subject to a number of conditions set out in the attached Schedule, including SCM Group achieving at least a 50.1% relevant interest by the end of the offer period, and receiving required regulatory clearances and approvals from the Australian Competition and Consumer Commission and the Australian Communications and Media Authority.
  - The transaction will be funded through a combination of new senior debt facilities of up to A\$755 million and an equity bridge facility of up to A\$540 million.
    - New senior debt facilities will be partly used to refinance existing debt at SCM Group
    - SCM Group proposes to repay the equity bridge facility by way of an entitlement offer, most likely in the form of an accelerated renounceable entitlement offer (RAPIDS). Any equity raising will be open to any Austereo shareholders that have accepted the Offer and elected to take the Scrip Consideration and remain registered as SCM Group shareholders on the record date for the equity raising. Information about the entitlement offer will be provided once SCM Group has greater certainty around the outcome of the Offer, including the ratio of Cash Consideration and Scrip Consideration acceptances.
    - The leverage of the combined business post-transaction if 100% is acquired is expected to be approximately 3x Net Debt / EBITDA. SCM Group expects this leverage to decrease in the next 12 – 18 month as some of the cash flows generated by the combined businesses are used for debt repayment.

#### **Overview of the merged business**

The merger of SCM Group and Austereo will produce one of Australia's leading media companies. Based on pro-forma FY2010, the combined business will have:

- Revenues in excess of A\$670 million
- Earnings before interest tax depreciation and amortisation (EBITDA) in excess of A\$215 million
- Strong cash flow generation

The merged company will have national coverage, including both metropolitan and regional areas. In addition, SCM Group will continue to provide advertisers with an integrated television and radio offering in regional markets. The larger group will be able to draw upon the combined expertise of the businesses:

- Easier access for advertisers and programme sponsors to a broad audience across all of Australia
- Enhanced digital services, particularly for regional audiences
- Increased opportunity for talent and staff in the two organisations to work across a larger business

#### **Further information**

SCM Group expects to lodge its Bidder's Statement containing the terms of the Offer and other material information relevant for Austereo shareholders consideration of the Offer to ASIC within approximately 28 days. The Target's Statement by Austereo will contain further information, including the reasons why the Austereo directors are unanimously recommending that Austereo shareholders accept the Offer, in the absence of a superior proposal. Austereo shareholders should consider the information contained in the Bidder's and Target's Statements before taking any action in relation to the Offer.

For further information, please contact:

Investors and analysts:

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Stephen Kelly, Chief Financial Officer +61 3 9922 2000

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### **About Southern Cross Media Group Limited**

SCM Group is Australia's leading regional media provider. 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, SCM Group is the only regionally focused media provider to offer advertisers opportunities across radio and television.

SCM Group owns regional radio and free-to-air television in Australia. SCM Group is committed to providing quality entertainment, news and information to viewers and listeners and offers advertisers strong coverage in regional Australia.

SCM Group owns 14 regional free-to-air television licences. Its businesses includes Southern Cross Ten, Southern Cross Television, Tasmanian Digital Television and Darwin Digital Television which cover the aggregated markets of Victoria, southern and northern New South Wales, Queensland, Tasmania and the Spencer Gulf region of South Australia, and has a potential reach of more than 7.5 million people.

SCM Group's radio business owns and operates the largest commercial radio network in Australia, with 68 commercial radio stations in 38 licence areas in Queensland, New South Wales, Victoria, Tasmania, South Australia and Western Australia.

SCM Group is listed on the ASX with a market capitalisation of approximately A\$818 million.

### **About Austereo Group Limited**

Austereo is a leading Australian commercial radio broadcaster.

Austereo operates three national radio networks: Today and Triple M, with stations in all mainland Australian state capital cities with two JV stations in Newcastle and Canberra, as well as digital radio brands including Radar Radio. The Today Network consists of: Sydney - 2DAY FM, Melbourne - Fox FM, Brisbane - B105, Perth - 92.9 FM, and Adelaide - SA FM. The Triple M Network consists of: Sydney - 104.9, Melbourne 105.1, Brisbane - 104.5, Adelaide - 104.7 and Mix 94. Joint venture stations include FM 104.7 in Canberra and NX FM in Newcastle.

Austereo is listed on the ASX with a market capitalisation of approximately A\$651 million.

### **Advisers and Counsel to the transaction**

SCM Group's financial adviser is Macquarie Capital Advisers Limited, and its legal adviser is Corrs Chambers Westgarth.

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**Annexure: Implementation Deed and Pre-Bid Agreement**

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SOUTHERN CROSS MEDIA GROUP

SOUTHERN CROSS MEDIA GROUP LIMITED ABN 91 116 024 536

Melbourne  
Level 2  
70 Park Street  
South Melbourne  
VIC 3205  
Tel: 03 9922 2121  
Fax: 03 9922 2199

## Annexure 2 – Exercise Notice

[insert date]

To: Shareholder [insert details]

### 1. General

Any term used in this Exercise Notice which is defined in the pre-bid agreement dated 31 January 2011 between Southern Cross Media Group Limited (**SCM**) and Village Roadshow Limited (**Shareholder**) (**Pre-Bid Agreement**) has the same meaning as in the Pre-Bid Agreement.

### 2. Exercise by SCM

Under clause 2 of the Pre-Bid Agreement, SCM gives notice that it exercises the Call Option and requires the Shareholder to sell all Call Option Shares to SCM in accordance with the terms of the Pre-Bid Agreement.

### 3. [Exercise by Nominee]

SCM nominates [\*] as Nominee under clause 2.2 of the Pre-Bid Agreement to purchase the Call Option Shares. Under clause 2.2 of the Pre-Bid Agreement, SCM gives notice that it exercises the Call Option and requires the Shareholder to sell all Call Option Shares to [\*].

The Nominee:

- a) acknowledges that it has read the Pre-Bid Agreement referred to above and agrees to be bound by its terms and conditions; and
- b) accepts its nomination as Nominee.]

### 4. Completion

In accordance with clause 4.1, the completion date is at 4pm on [\*] at the address set out below:

Allens Arthur Robinson  
530 Collins Street  
Melbourne Vic 3000

.....  
Signed by [\*]

[insert position]

[insert entity]