



Recommended offer for Austereo Group

March 2011

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Transaction Highlights



A combined Southern Cross Media Group Limited (“SCM”) and Austereo Group Limited (“Austereo”) would have the following benefits

- ✓ Will create one of Australia’s leading media companies
- ✓ Potential broadcasting reach of over 95% of Australians
- ✓ Diversity of integrated media revenues – radio, television and online
- ✓ Extensive national radio network
- ✓ Well-known brands
- ✓ Annual synergies and operational improvements of \$12 million - \$15 million by FY2014¹
- ✓ Additional benefits from scale and size

1. The directors of SCM believe annual synergies and operational improvements of \$12 million to \$15 million should be realised in full in the Merged Group by FY2014 and each year thereafter if SCM becomes entitled to acquire 100% of Austereo Shares

SCM and its Related Bodies Corporate (as per Corporations Act), following the successful acquisition of a Relevant Interest (as per Corporations Act) in all or a majority of Austereo Shares, is referred to as the Merged Group

A leading Australian media company

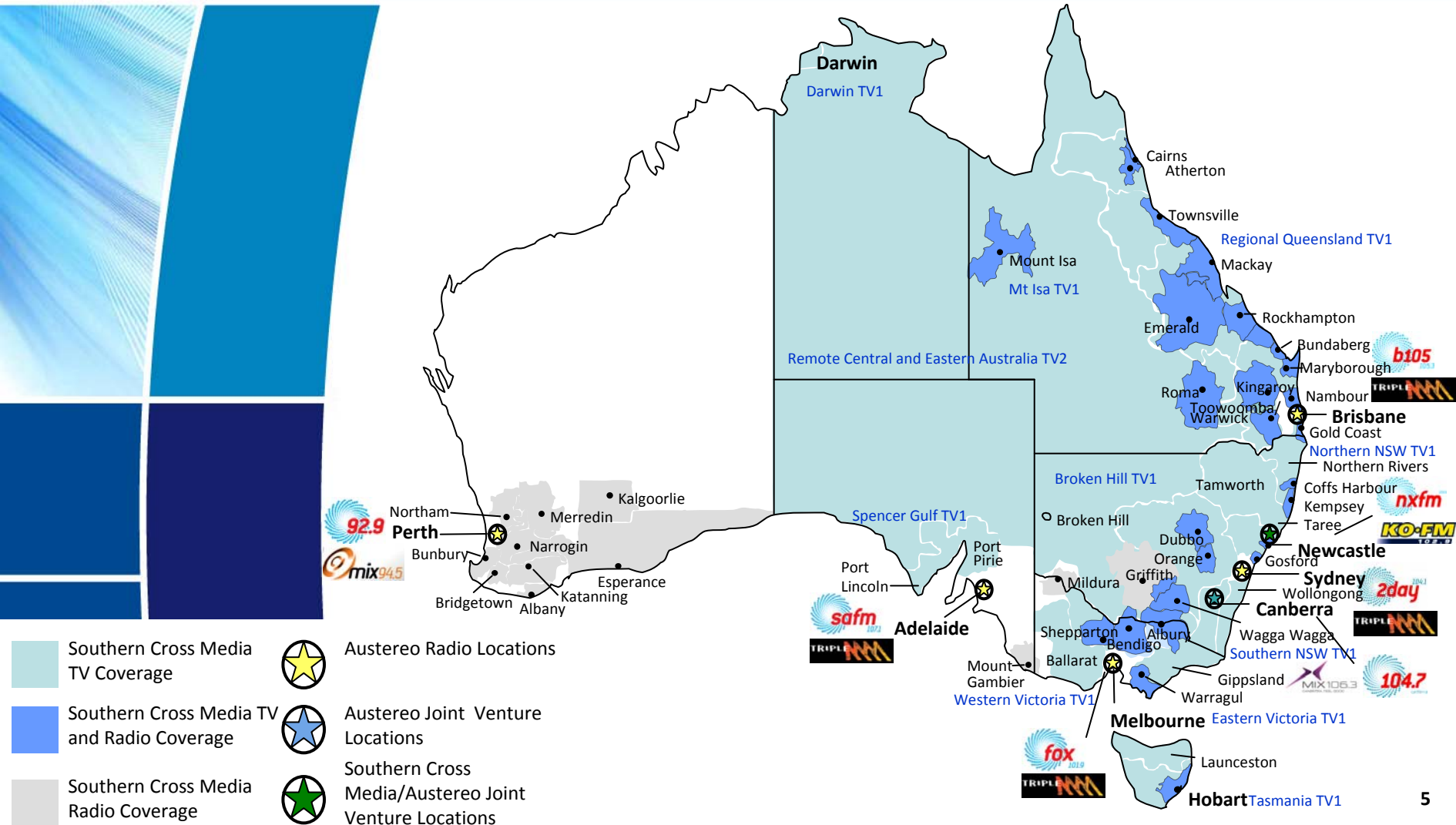


Merged Group would be one of Australia's leading media companies

- Revenues of \$696 million¹
- EBITDA of \$230 million¹
- Combined reach of over 95% of Australians
 - Integrated radio and TV operations
 - Multi-platform content offering
 - Radio coverage – every metropolitan market and 39 regional markets across Australia
 - 21 commercial television licences across 12 television Licence Areas
 - Strong position in Australian digital entertainment

1. Based on pro forma LTM December 2010

Potential broadcasting reach of over 95% of Australians



Integrated media offering



Television

- 21 commercial television licences across 12 television Licence Areas



Radio

- Radio coverage of every metropolitan market and 39 regional markets across Australia



Digital and online



Well positioned in digital and online



Television

- SCM has completed its transition to digital TV
 - SCM's digital TV offering includes Eleven, One, 7Two and 7mate
 - Eleven early results have been encouraging

Radio

- Austereo owns the largest share of capital city DAB spectrum and operates a number of online radio brands such as Radar, Barry and The Main Stage

Online

- Austereo has strong online presence
 - "The Dirt", Today Network's multiplatform entertainment site increased traffic 40% in the first half of FY11
- SCM's theradio.com.au will allow for shared expertise across the multiplatform entertainment sites

Complementary programming



Fifi & Jules

**LANDED
MUSIC**



**THE
HIT LIST**

Hamish & Andy

ROCKTOBER

The Kyle and Jackie O Show

Love

- Breadth of talent across breakfast, morning, afternoon and drive
- Powerful breakfast shows
- Fifi & Jules, Hamish & Andy and Kyle & Jackie O's Hour of Power successfully launched on the Hit Music Network
- Continued rating strength on the Gold Coast Market
- New web sites for all radio assets i.e.: seafm.com.au
- Austereo has a strong online presence
- Cross platform revenue & ratings expansion i.e.: The Hit List

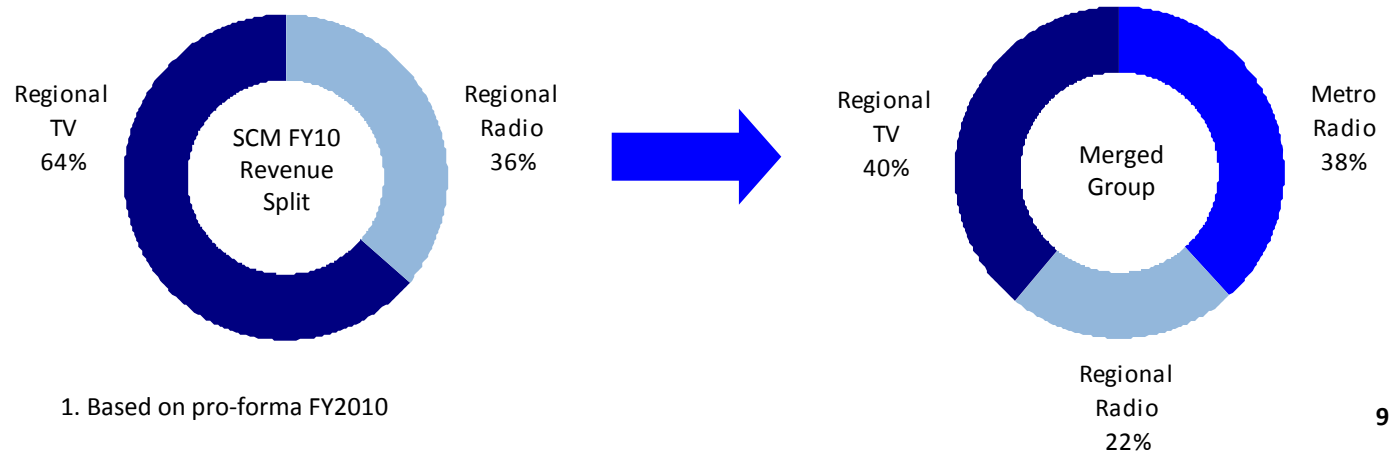
Diversified product and geographic mix



Diversity of integrated media revenues – radio, television and online

- Product mix provides stable and growing revenues
- Radio provides greater stability and resilience through the cycle
- Television benefiting from digital multi-channeling
- SCM provides 100+ regional radio websites from one central address
- Austereo digital leading the industry with Radar, Barry and The Main Stage

Diversity of geographical coverage – metropolitan and regional markets



Material Synergies



Annual synergies and operational improvements of \$12 million - \$15 million

- The directors of SCM believe annual synergies and operational improvements of \$12 million to \$15 million should be realised in full by the Merged Group by FY2014 and each year thereafter if SCM acquires 100% of Austereo shares
 - Expects to achieve 37.5% of the estimated synergies by FY2012, 75% by FY2013 and 100% by FY2014
- SCM has a strong track record in merging and integrating businesses and achieving both cost and revenue synergies

Material Synergies



Revenue synergies

- Successful selling programs
- Increased creative capability
- Broader customer base
- Coordinating sales programs
- Broader programming
- Enhanced digital and online services

Cost synergies

- Removing duplication
- Austereo listing costs
- Scale benefits re supplier services and procurement
- Rationalisation of premises
- Optimisation of management processes
- Amalgamation and rationalisation of national sales personnel
- Best practice processes and systems

Austereo Board and Major Shareholder Support



- The directors of Austereo have announced that they:
 - Will unanimously recommend that Austereo Shareholders accept the Offer; and
 - Intend to accept the Offer in respect of the Austereo Shares to which they are beneficially entitled,

in the absence of a superior offer.
- Village Roadshow has announced it intends to accept the Offer in respect of all of its Austereo Shares in the absence of a superior offer
- Village Roadshow has granted a call option in favour of SCM or its nominee over Austereo Shares representing 14.9% of the total Austereo Shares at an exercise price of \$2.00 cash per share

Limited Conditionality



- 50.1% minimum acceptance condition – would be met if Village Roadshow accepts the Offer in respect of its entire 52.52% shareholding
- Necessary regulatory approvals – ACCC and ACMA
- Limited other conditions

Transaction Funding



- Transaction is to be funded through:
 - Cash balances of SCM and other members of SCM Group which, as at 31 December 2010, were approximately \$47 million
 - Syndicated debt facility of up to \$755 million
 - Equity bridge facility of up to \$540 million
- SCM proposes to undertake an entitlement offer to SCM shareholders to raise the necessary amount required to repay the equity bridge facility (the **Proposed Entitlement Offer**)
 - Amount required to be raised not expected to exceed \$495 million¹

1. The exact amount to be raised will depend on a number of factors including the level and timing of acceptances received, the mixture of acceptances for Cash Consideration and Scrip Consideration and the cash able to be deployed to fund the Offer and transaction costs

Proposed Timetable



Announcement Date	31 January 2011
Date of Bidder's Statement	25 February 2011
Date of Offer	28 February 2011
ACCC/ACMA Responses anticipated	Mid-March 2011 (ACCC has indicated 17 March 2011 as the date of announcement of its findings)
Offer closes	7.00pm (Melbourne time) 6 April 2011 unless extended
Proposed Entitlement Offer	It is the present intention of the directors of SCM to launch the Proposed Entitlement Offer as soon as practicable after the close of the Offer, or where the Additional Consideration ¹ becomes payable the company may, subject to receiving any necessary regulatory approvals, launch the Proposed Entitlement Offer prior to the close of the Offer

1. If at any time before the end of the Offer Period, Bidder (Southern Cross National Network Pty Ltd ACN 148 894 231) has Relevant Interests in 90% or more of Austereo Shares (whether acquired under the Offer or otherwise) and becomes entitled to proceed to compulsory acquisition, Bidder will increase the Consideration by a cash amount of \$0.10 for each Austereo Share accepted into the Offer (the **Additional Consideration**) regardless of whether the shareholder elected to receive the Scrip Consideration, the Cash Consideration, or a mix of the Cash Consideration and the Scrip Consideration



questions?

For further information, please contact

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SOUTHERN CROSS MEDIA GROUP

SCM 2011 First Half Year Results



- Revenue (reported) \$218.7m  5.0%
- Revenue (underlying) \$224.4m  5.9%
- EBITDA (underlying) \$70.3m  10.9%
- NPAT (underlying / reported) \$33.6m  29.2% / 36.6%
- EPS (underlying) 8.3 cps  69%
- Net Debt to EBITDA (annualised) 1.8 : 1  10%
- Interim dividend of 7.0 cps fully franked (3.5 cps for the pcg)
- Further improvement in operating margins
- Good Cost Management
- Outlook - While television ratings remain challenging, our diversified business model gives us a measure of resilience. This, together with the momentum in our business, the strength of our programming line-up and our ongoing investment in talent positions us well. We remain cautiously optimistic for the full year

Pro forma income statement



\$ millions	LTM 31 Dec 2010 SCM Group	LTM 31 Dec 2010 AEO	LTM 31 Dec 2010 Aggregated	LTM 31 Dec 2010 Pro forma Merged Group 100% Maximum Cash Consideration	LTM 31 Dec 2010 Pro forma Merged Group 100% Maximum Scrip Consideration	LTM 31 Dec 2010 Pro forma Merged Group 50.1% Maximum Cash Consideration	LTM 31 Dec 2010 Pro forma Merged Group 50.1% Maximum Scrip Consideration
Revenue	417	279	696	696	696	696	696
Other income	-	-	-	-	-	-	-
Operating expenses	(282)	(188)	(470)	(470)	(470)	(470)	(470)
Share of net profits of associates	2	2	4	4	4	4	4
EBITDA	137	93	230	230	230	230	230
Depreciation and amortisation expense	(21)	(8)	(29)	(29)	(29)	(29)	(29)
PBIT	116	85	201	201	201	201	201
Pro forma net finance costs				(62)	(62)	(55)	(45)
Pro forma PBT				139	139	146	156
Pro forma income tax expense				(42)	(42)	(44)	(47)
Pro forma NPAT				97	97	102	109
Pro forma NPAT attributable to minority interest				-	-	25	25
Owners of Southern Cross Media Group				97	97	77	84

Notes:

For the purposes of calculating pro forma net finance costs, it has been assumed that the Proposed Acquisition occurred on 1 January 2010 and that available cash is fully utilised (and remains fully utilised for the year) to finance the purchase consideration and transaction costs. Interest expense is calculated at an effective rate of 7.9%, which is consistent with the agreed terms of the senior debt facility and includes amortisation of the establishment costs relating to the senior debt facility. To the extent that free cash flow is utilised to repay borrowings this will reduce the actual interest expense incurred.

The pro forma income tax expense for the Merged Group has been calculated assuming a 30% Australian corporate tax rate. This tax rate is based on the historical information of each entity, adjusted for internalisation transactions no longer impacting the Southern Cross Media Group.

The pro forma income statements do not include the anticipated financial benefits from the synergies described in **section 7.4** of the Bidder's Statement

Fair value movements in derivatives have been excluded from the pro forma combined income statement of the Merged Group.

See section 7 of the Bidder's Statement for the basis on which the pro forma income statement has been prepared. Maximum Cash Consideration and Maximum Scrip Consideration are defined in the Glossary to the Bidder's Statement. The Cash Consideration is \$2.00 for each Austereo Share and the Scrip Consideration is 0.95 Southern Cross Media Shares for each Austereo Share.

Pro forma balance sheet



- Leverage expected to decrease over the next 12-18 months

\$ millions	31 Dec 2010 Pro forma Merged Group 100% Maximum Cash Consideration ^{(1) (2)}	31 Dec 2010 Pro forma Merged Group 100% Maximum Scrip Consideration ^{(1) (2)}	31 Dec 2010 Pro forma Merged Group 50.1% Maximum Cash Consideration ^{(1) (3)}	31 Dec 2010 Pro forma Merged Group 50.1% Maximum Scrip Consideration ^{(1) (3)}
Cash and cash equivalents	0	0	0	3
Total Current Assets	143	143	143	146
Total Non-Current assets	2,231	2,231	2,197	2,197
Total Assets	2,374	2,374	2,340	2,343
Total Current Liabilities	114	114	114	114
Borrowings ⁽⁴⁾	745	745	687	503
Total Non-Current Liabilities	776	776	720	536
Total Liabilities	890	890	834	650
Net Assets	1,484	1,484	1,506	1,693
Total Equity ⁽⁵⁾	1,484	1,484	1,506	1,693

Notes:

- (1) Pro forma adjustments have been made to reflect the utilisation of cash and borrowings to fund the Cash Consideration required, and the proceeds from the Proposed Entitlement Offer to repay the equity bridge facility
- (2) Net adjustments reflect the investment in Austereo assuming 100% acceptance and the new debt profile following the acquisition of Austereo. As the acquisition price exceeded the net asset value of Austereo and its controlled entities, intangibles have increased by \$35 million
- (3) Net adjustments reflect the investment in Austereo assuming 50.1% acceptances and the new debt profile following the acquisition of Austereo
- (4) Incorporates net impact of the debt funding of the acquisition
- (5) Incorporates transaction costs associated with the proposed equity raising. Under the Maximum Scrip Consideration, the transaction costs associated with the equity raising are reduced from \$11 million to \$3 million

See section 7 of the Bidder's Statement for the basis on which the pro forma balance sheet has been prepared