



SOUTHERN CROSS AUSTEREO
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Southern Cross Media Group Limited
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CHAIRMAN'S ADDRESS TO SHAREHOLDERS AND AGM PRESENTATION

Attached is the Chairman's address to shareholders and AGM presentation being presented today at 10.00am in Sydney at Southern Cross Media Group Limited's (ASX: SXL) Annual General Meeting.

For further information, please contact:

Rhys Holleran
Chief Executive Officer
Tel: 03 9922 2001

Nick McKechnie
Chief Financial Officer
Tel: 03 9922 2036

CHAIRMAN'S ADDRESS

The 2014 financial year continued the challenging trading conditions seen over the last few years in the advertising sector. The improvements in consumer sentiment following the federal election in September 2013 have proved shortlived, with sentiment returning to levels experienced during 2011 and 2012. As a result of these difficult trading conditions, revenues reduced marginally by 0.3% to \$641 million.

The results for the year were impacted by a number of significant items including a non-cash impairment charge of \$393 million which was made against the carrying value of the regional assets, and which reflects the decline in viewing share for Channel 10 in recent years. A Net Loss After Tax of \$296 million was recorded for the full year after inclusion of the impairment charge. Net Profit After Tax before significant items was \$80 million which was in-line with the guidance that was provided to the market in May 2014. This operating result has resulted in the Board declaring to shareholders a final fully-franked dividend of 3 cents per share, taking the full year dividend to 7.5 cents per share, fully-franked. The payout ratio of 66% is the same as in 2013 and it sits in the middle of the 60-70% range that the Board has been maintaining over the last few years.

During the year our debt facilities were fully refinanced with a new 5 year facility through to the end of 2018. The margins and establishment costs on the new facility are lower than the previous facility and will lead to substantial savings in finance costs of around \$8 million per annum. The new facility has no mandatory repayments, but, as I mentioned a year ago, we intend to reduce the gearing levels in the group to around 2.5 times EBITDA. Net debt was lowered by \$12 million in the year, and to assist with the reduction in net debt we have introduced an underwritten Dividend Reinvestment Plan for the final declared dividend to conserve cash whilst we focus on improving operating performance. We will continue to operate the DRP for the interim and final dividends for financial year 2015.

The regional business, comprising 72 regional radio stations and a number of regional television licences, broadcasting mainly Channel 10, was stable during the year. This business is underpinned by our long established local client network right across Australia and supplemented by our national sales teams. The loss of share in the regional television business experienced in recent years has stabilised and this resulted in total regional revenues increasing by 0.5%.

The success of our Triple M network continued during the year. It dominates male audiences in the 25-54 age band with a national audience of nearly 900,000 listeners and a clear number one position for that demograph.

During the year we commenced a regeneration process of our Today network, which focuses on younger audiences, 18-39, with a female skew. The launch of the 'Fifi and Dave' breakfast show in Melbourne has been successful in its first few months and it is rated second only to the Triple M 'Hot Breakfast', giving us the number 1 and 2 position in that market. The launch of a new breakfast show in Sydney on the Today network has been considerably more challenging and we continue to work very hard at improving the Today network and in reclaiming listeners.

Metro revenues were down 0.6% for the year, to \$249 million but will be down further in 2015 as we cycle through tough comparative figures this year and continue with the re-generation process on the Today network.

We continue to exhibit strong leadership in the digital space and are the number one radio group online and number one for social engagement with 5.1 million Facebook fans and 1.3 million Twitter followers. We are one of Australia's fastest growing digital publishers with over 2.8 million monthly mobile browsers and 17.7 million digital video views annually. Strong growth in audience and engagement was translated into a 17.3% growth in digital revenues during the year and this remains an important area for the growth of our business.

Cost control remains a relentless focus for the group and I am pleased to report that we have made over \$20 million of annual cost synergies following the integration of the Austereo business in 2011. Costs increased by 3.2% in the current year but this represented incremental investment in content and marketing to support the launch of new breakfast shows in Melbourne and Sydney and it also reflected an increase our television content affiliation fees.

I am sad to report that we lost the services of our highly-regarded CFO, Stephen Kelly, in January of this year, after a battle with illness. Stephen served the group very effectively over a number of years from the acquisition and integration of Austereo through to the successful refinancing of our debt facilities that was completed in January. He made an enormous contribution to the success of the group and we were deeply saddened by his passing.

As Australia's largest reaching electronic broadcast media organisation we are very proud of being intimately connected and engaged in the communities where we operate. Our vast media footprint helps us support our communities via the thousands of community announcements made every year. In addition the charitable work we continue to do is an area of great pride for all our staff. We have a number of long running charitable initiatives including 'Give Me 5 for Kids' and 'I believe in Christmas' which raise funds to support sick and underprivileged children across Australia. This year Give Me 5 for Kids raised over \$2.5 million.

I would briefly like to touch on the issue of remuneration. Last year we received a 31% vote against the remuneration report. During the year we have met with key shareholders and corporate governance advisers to understand the concerns and I can report that we have made substantive changes to the level of disclosure and clarity of the remuneration report this year. I will address this matter again later in the meeting but I am pleased to report that following the extensive changes made to our reporting that we have received favourable feedback on the expanded remuneration report.

The Board is currently undergoing a process of renewal and I am delighted that we have three new independent non-executive directors who have joined the Board and who are all standing for election today. Rob, Kathy and Glen all bring a wealth of experience and a variety of skillsets to the Board and I strongly recommend you support their election. During the year Marina Darling and Tony Bell resigned from the Board and I thank them for the great contribution they made. Michael Carapiet is here with us today but due to his other commitments is not standing for re-election and will stand down from the Board following the conclusion of this meeting. Over the past 4 years Michael has provided great counsel to the Board and I thank him for his contribution. Finally, I have announced that I intend to step-down as Chairman during the course of the 2015 financial year, once a successor has been selected. Accordingly, this will be my last Annual General Meeting of the Group and I would like to thank all the shareholders, the staff and my colleagues on the Board for the support that they have given me over the last 7 years.

I leave with many pleasant memories and one major regret, and that is why the government has not yet sought to reform a number of outdated legislative regulations which are preventing the industry from moving to meet the challenges of new technologies and changing market requirements.

I hope that the government will address these issues as a matter of urgency in the near future.

Before I ask the Chief Executive, Rhys Holleran to address you, I would like to sincerely express the Board's thanks to the staff of SCA. Our staff demonstrate tremendous passion for the business and are constantly seeking new ways to make the engaging content that our audiences desire, and that fits with the needs of our advertisers. The organisation undergoes constant change as it adapts to changing market conditions and new ways of doing business and our staff embrace those challenges wholeheartedly. To all our people I express sincere thanks on behalf of all shareholders.

I would now like to ask Rhys Holleran to address you about the current environment.

CEO'S PRESENTATION

Thank you Chairman.

This is our first report back to the market since our results' presentation in August.

The first two months of FY15 saw challenging advertising markets as we cycled prior year federal election activity. September has seen markets improve, however they remain short and impacted by current economic uncertainty.

The Commonwealth Games has given our Local sales a good start to the year and are offsetting local sales challenges in Metro radio markets. Overall, local sales are flat at the end of the first quarter. National markets remain more challenging with both TV and Metro radio being impacted by what is a competitive ratings environment.

Whilst the Commonwealth Games was a success locally, it has failed to attract much attention from our National clients and we are yet to see a sustained improvement in CH10 ratings from the incremental investment in special events and we continue to see year on year decline in our Television revenues.

Regional radio declined over the first 2 months of the year, the impact of tough election comparatives, however we have seen a return to growth in September.

We have seen our Metro market share stabilise at between 28-29% and this is below where we would like it to be. The Today network continues to operate in a competitive ratings environment and our loss of audience is the key contributor to our erosion of market share. The regeneration of the Fox brand in Melbourne has been a success. It's no secret that the 2DayFM breakfast show has not met our expectations and we will continue to work on returning the station to a leading position. The Triple M network continues to dominate the male audience demographic and, with the number 1 breakfast show in Melbourne and its unique 'Rock, Sport and Comedy' offering, is growing revenue share.

We have seen phenomenal growth in our Digital footprint over the last 12 months which is the result of many years of hard work. Our digital presence now rivals that of some of the largest online publishers in Australia and we are proud to be the most socially engaged company in Australia. We are well positioned to take advantage of the opportunity to monetise our digital presence in the future.

Now to outlook. In August we said that we expected revenues to be down 5-7% on the prior year. Market conditions and continued ratings challenges lead us to believe that we are likely to be marginally outside this range and we now expect revenues to be down 7-8% and this results in a change to our half year EBITDA guidance. We now believe our half year results will be between 18-20% down on H1 FY14, compared to the guidance of 10-15% that we provided in August.

We are committed to returning the Today network to a market leading position and continue to allocate resources to content and marketing, whilst offsetting a large portion of this investment by controlling costs in other areas of our business.

Thank you for your attention. I will now hand back to the Chairman.

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SOUTHERN CROSS MEDIA GROUP

ANNUAL GENERAL MEETING 2014



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AGENDA

1. Chairman's overview
2. CEO's report
3. Formal business
4. Closure of meeting



SCMG BOARD & MANAGEMENT

SCMG Board

Max Moore Wilton, *Chairman*

Leon Pasternak, *Deputy Chairman*

Chris de Boer, *Non-Executive Director*

Michael Carapiet, *Non-Executive Director*

Peter Harvie, *Non-Executive Director*

Rob Murray, *Non-Executive Director**

Kathy Gramp, *Non-Executive Director**

Glen Boreham, *Non-Executive Director**

* Appointed 1 September 2014 and standing for election at AGM.

SCMG Management

Rhys Holleran, *Chief Executive Officer*

Nick McKechnie, *Chief Financial Officer*

Jane Summerhayes, *Company Secretary*



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CHAIRMAN'S OVERVIEW

MAX MOORE-WILTON



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CEO'S REPORT RHYS HOLLERAN



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FIRST QUARTER FY15

- Challenging market conditions – cycling tough comparatives through July and August with improved market in September
- National revenues challenging, local markets steady
- Regional revenues down 6%
- Metro revenues down 14%
- Metro radio market share stabilised but weak
- Markets remain short



H1 FY15 OUTLOOK

- Revenue forecast to be marginally adverse to August guidance range
- EBITDA decline results from high operating leverage

Updated Guidance for H1 FY15

	Vs. H1 FY14	H1 FY14
Revenue	Down 7-8%	\$331.9m
EBITDA	Down 18-20%	\$105.1m



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MAX MOORE-WILTON



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PROXIES

- Proxies received for 601,426,378 shares
- Number of shareholders 468
- Representing 85.28% of the company's issued voting capital



FORMAL BUSINESS

Resolution 1: Election of Robert Murray as a Director

That Robert Murray be elected as a Director of SCMGL

Proxies Received	For	Against	Abstain	Open Proxies
# of Votes cast	596,866,906	3,229,022	285,225	1,330,450
% of Votes able to be cast	99.25%	0.53%	N/A	0.22%



FORMAL BUSINESS

Resolution 2: Election of Kathy Gramp as a Director

That Kathy Gramp be elected as a Director of SCMGL

Proxies Received	For	Against	Abstain	Open Proxies
# of Votes cast	596,843,533	3,251,138	285,225	1,331,707
% of Votes able to be cast	99.24%	0.54%	N/A	0.22%



FORMAL BUSINESS

Resolution 3: Election of Glen Boreham as a Director

That Glen Boreham be elected as a Director of SCMGL

Proxies Received	For	Against	Abstain	Open Proxies
# of Votes cast	599,375,011	712,486	285,225	1,338,881
% of Votes able to be cast	99.66%	0.12%	N/A	0.22%



FORMAL BUSINESS

Resolution 4: Re-election of Leon Pasternak as a Director

That Leon Pasternak be re-elected as a Director of SCMGL

Proxies Received	For	Against	Abstain	Open Proxies
# of Votes cast	497,058,940	103,015,728	296,485	1,341,450
% of Votes able to be cast	82.66%	17.12%	N/A	0.22%



FORMAL BUSINESS

Resolution 5: Adoption of Remuneration Report

That the Remuneration Report included in the SCMGL Directors' Report for the financial year ended 30 June 2014 be adopted

Proxies Received	For	Against	Abstain	Open Proxies
# of Votes cast	588,757,733	10,777,688	426,852	1,332,650
% of Votes able to be cast	97.98%	1.79%	N/A	0.23%



MEETING ADJOURNED

