



## MEDIA RELEASE

3 July 2007

### **SOUTHERN CROSS BROADCASTING RECOMMENDS \$17.41 CASH OFFER FROM MACQUARIE MEDIA GROUP**

Southern Cross Broadcasting (Australia) Limited (**SCB**) announced today that the Board of SCB has agreed to propose a Scheme of Arrangement whereby Macquarie Media Group (**MMG**) will acquire all of the shares in SCB they do not currently own for \$17.41 cash per share. MMG currently holds a 13.8% interest in SCB, which it acquired in November 2006.

The proposed Scheme, which implies an enterprise value for SCB of \$1.35 billion, is subject to approval by SCB shareholders (other than MMG) at a Scheme Meeting expected to be held in October 2007.

Separately, MMG has entered into an arrangement with Fairfax Media Limited (**Fairfax Media**), which contemplates, following implementation of the Scheme, Fairfax Media purchasing certain SCB assets from MMG, including SCB's metropolitan radio businesses, Southern Star, Satellite Music Australia and other associated businesses. MMG will retain SCB's regional television operations and associated businesses.

The Board of SCB unanimously recommends the offer, in the absence of a superior proposal and pending confirmation from an Independent Expert that the transaction is in the best interests of SCB shareholders. In this regard, each member of the SCB Board who holds SCB shares, or on whose behalf SCB shares are held, intends to vote those shares in favour of the scheme.

Key SCB shareholders, 452 Capital and Perpetual, have indicated their support for the transaction and their intention to vote shares over which they have voting rights<sup>1</sup> in favour of the Scheme, in the absence of a superior proposal.

#### ***Details of the Offer:***

- Cash offer of \$17.41 per share, which will comprise \$17.05 cash per share plus a special fully-franked cash dividend of \$0.36 per share;
- In addition to the \$17.41 outlined above, SCB shareholders will be entitled to receive a fully franked final dividend for the period to 30 June 2007 of \$0.37 per share that the SCB board intends to declare in due course.

In recommending the offer, the Board of SCB notes that \$17.41 per share represents a:

- 12.8x enterprise value to EBITDA multiple for the 12 months ended 30 June 2007, based on FY2007 forecast normalised EBITDA (normalised to exclude Nine Adelaide's contribution to EBITDA and licence fee rebates and including share of profits from associates), which compares favourably with recent transaction multiples in the media industry;
- 28.8% premium to current average broker valuations of SCB of \$13.52 per share;

---

<sup>1</sup> A portion of 452 and Perpetual's clients retain the voting rights attached to the share investments managed on their behalf by 452 and Perpetual

- 29.8% premium to SCB's 3-month VWAP to 16 November 2006 of \$13.41 (16 November being the day prior to MMG acquiring their strategic stake in SCB at \$16.50 per share);
- 20.2% premium to SCB's closing share price of \$14.49 on 16 November 2006; and
- 8.8% premium to SCB's closing share price of \$16.00 on 29 June 2007.

Mr John Dahlsen, SCB Chairman, said: "Given the evolving media landscape, the Board of SCB has spent considerable time reviewing various strategic options to maximise long-term value for our shareholders and we have undertaken various initiatives to create value for shareholders, including the recently announced sale of Nine Adelaide. By achieving, in one transaction for SCB shareholders, the effective sale of our regional television business to MMG and our radio network and television production and distribution business to Fairfax Media, we have found optimum buyers for our quality media assets. Further, we are pleased the proposed transaction has been structured to allow SCB shareholders to capture incremental value from available franking credits. In the absence of a superior proposal and subject to the views of an Independent Expert, the SCB Board has unanimously concluded that this offer is in the best interests of our shareholders".

Further details regarding the SCB Board's recommendation and the Independent Expert's report will be provided to SCB shareholders in a detailed Scheme Booklet to be distributed ahead of the Scheme Meeting.

It is expected that the Scheme Booklet will be dispatched to shareholders in September and SCB shareholders will be asked to vote on the transaction at a Scheme Meeting to be held in October. The actual Scheme Meeting date will be announced with the dispatch of the Scheme Booklet.

In order to implement the proposed transaction, a majority in number of those voting and who represent at least 75% of the votes cast must approve the Scheme at the Scheme Meeting. MMG and its associates will not be able to vote their shareholding in SCB at the Scheme Meeting.

The Scheme remains subject to various regulatory approvals, including ACCC, ACMA and FIRB which are expected to be obtained before the Scheme Meeting. Key terms of the Merger Implementation Agreement between SCB and MMG are outlined below.

SCB is being advised by Goldman Sachs JBWere and K Capital. Legal advice is being provided by Corrs Chambers Westgarth.

**For further information contact:**

Tony Bell, Managing Director, Southern Cross Broadcasting  
Tel: 03 9243 2100

**Appendix: Merger Implementation Agreement Summary of Key Terms**

## APPENDIX:

### MERGER IMPLEMENTATION AGREEMENT SUMMARY OF KEY TERMS

#### Scheme Proposal

Subject to its terms the Merger Implementation Agreement (**MIA**) requires SCB to propose and implement a scheme of arrangement (**Scheme**) between it and its shareholders the purpose of which is to transfer the shares in SCB to Regional Media No. 2 Pty Limited (**RM2**), a wholly-owned subsidiary of Macquarie Media Holdings Limited (**MMHL**). RM2's obligations under the MIA are guaranteed by MMHL.

#### 1. Conditions Precedent

The Scheme will not become effective unless a number of conditions precedent have been satisfied or waived prior to the Second Court Date in accordance with the terms of the MIA.

These include the Scheme being approved (or cleared) by relevant regulators including the Australian Competition and Consumer Commission, the Australian Communications and Media Authority and the Foreign Investment Review Board (the latter being only if required). There also must be nothing prohibiting the Scheme by way of court order or injunction.

As is required by the Corporations Act, the Scheme must be approved by both the Court and the required majorities of SCB shareholders. The MIA sets out a detailed mechanical process which is to be observed by both parties so as to facilitate the obtaining of such approvals.

There must also be, in respect of SCB:

- No Material Adverse Change (being an event which has or is likely to have a significant affect on the net assets of SCB, SCB's EBITDA or cause the SCB Group to be unable to carry on its existing business in substantially the same manner as currently conducted); and/or
- No Prescribed Occurrences (examples include a conversion or reduction of share capital by SCB, an unauthorised distribution or dividend payment, transactions (including with officers and executives) other than in the ordinary course of business, insolvency events, disposals or acquisitions of material assets and/or a material contravention of the Broadcasting Services Act or any material licence.

It is also a Condition Precedent that:

- certain warranties given by SCB and RM2 are true and correct on the Second Court Date;
- SCB not dispose to a non-SCB Group member its interests in Tricom Radio Holdings Pty Ltd, Southern Star Group Limited, Tricom Group Pty Ltd or Southern Cross View Pty Ltd;
- SCB not acquire control of another radio broadcasting licence or licensee; and
- SCB complete the sale of Channel 9 South Australia Pty Ltd.

Specified counterparties to material contracts are also required to provide all necessary consents and waivers to any change in control, event of default or termination right which may be triggered by reason of the implementation of the Scheme.

Finally if, as mentioned above, RM2 elects to propose an Option Scheme, further Conditions Precedent will need to be satisfied regarding the Option Scheme becoming effective and RM2

being satisfied as to the sufficiency of such an arrangement and that on the Implementation Date it will beneficially own all of SCB.

## 2. Exclusivity

In the period between the date of the MIA and the earlier of the date the Scheme becomes effective (**Effective Date**) and termination of the MIA (**Exclusivity Period**), SCB must not:

- (a) solicit, invite or initiate any enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to a Competing Proposal;
- (b) directly or indirectly participate in any negotiations or discussions in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
- (c) provide or make available any information (including by way of providing information and access to perform due diligence in relation to any member of the SCB Group) to a third party for the purposes of enabling that party to make a Competing Proposal, or otherwise progress or facilitate such Competing Proposal; or
- (d) announce or publicly recommend a Competing Proposal, enter into any deed, arrangement, commitment or understanding in relation to, or which may reasonably be expected to lead to, a Competing Proposal (including, for the avoidance of doubt, any break fee commitment with a third party).

For the purpose of the MIA a Competing Proposal essentially means any bona fide proposed transaction or arrangement, pursuant to which a person other than RM2 (or its Related Entities) would, if the transaction or arrangement were implemented:

- acquire directly or indirectly an economic interest in all or a material part of the SCB Group's business or assets;
- acquire voting power in SCB of excess of 9.9%;
- acquire control of SCB (or any Material SCB Group Members); or
- otherwise result in an acquisition or merger with SCB or one or more Material SCB Group Members.

These exclusivity restrictions apply regardless of whether the competing transaction or arrangement existed prior to, or arises after, the date of the MIA.

The MIA sets out however a procedure to be followed by the parties in the event of SCB receiving, during the Exclusivity Period, a Competing Proposal that the SCB Board determines is a Superior Proposal.

A Superior Proposal is essentially an unsolicited or uninitiated written or publicly announced proposal made by a person (whom the SCB Board considers, in good faith, to be a genuine proposer of reputable commercial standing) which, if completed, would result in a more favourable outcome to SCB Shareholders (as a whole) than the Scheme or any RM2 counterproposal submitted pursuant to the MIA's procedure for dealing with Superior Proposals/Counterproposals.

### **3. Break Fee**

A Break Fee of an amount equal to 1% of the Scheme Value (inclusive of GST), being approximately \$10.9 million will be payable by SCB to RM2 if, at any time between the date of the MIA and the end date of 15 November 2007 (or such other date as agreed):

- a Competing Proposal is made or publicly announced, and that Competing Proposal is contemplated by an agreement entered into with SCB or any Material SCB Group Members, is recommended by any of SCB's directors or is effected;
- any other Competing Proposal is effected that results in any person acquiring 50% or more of SCB or any Material SCB Group Members within 8 months of the announcement of the first Competing Proposal;
- any SCB director (subject to any necessary abstention) does not recommend that SCB Shareholders vote in favour of the Scheme or does not announce their intention to vote in favour of the Scheme in respect of their personal holdings of SCB shares;
- any SCB director makes a public statement withdrawing their support or their recommendation that shareholders vote in favour of the Scheme, withdrawing their statement regarding their intention to vote their personal holdings of SCB shares in favour of the scheme or supporting or recommending a Competing Proposal;
- the Condition Precedent regarding SCB Warranties or (to the extent such Conditions Precedent are within SCB's control) the Conditions Precedent regarding a SCB Material Adverse Changes or Prescribed Occurrences are not satisfied or waived as at 8:00 am on the Second Court Date; or
- RM2 is entitled to terminate the MIA in circumstances where the right to terminate arises as a result of matters within SCB's control.

The Break Fee will not be payable however if SCB is entitled to terminate the MIA by reason of a breach by RM2 or if the Independent Expert advises the SCB Board that it will not conclude in its final report that the Scheme is in the best interests of SCB Shareholders (except because of a Superior Proposal).

### **4. Board Changes**

SCB will appoint to the SCB Board and/or any board of an SCB Group Member with effect from the Effective Date, RM2's nominated board members.

Subject to and upon the Scheme Consideration being paid all directors of SCB will be required to resign (unless their continued Board occupation is approved by RM2).

### **5. Consideration and Dividend Entitlements**

Participating shareholders will, if the scheme becomes effective, be entitled to receive consideration of \$17.05 per share and the Special Dividend of \$0.36 per share which amounts are to be paid by SCB on the Implementation Date.

For the avoidance of doubt, SCB shareholders will remain entitled to the Final Dividend being the proposed dividend of \$0.37 per fully paid SCB Share for the 6 month period to 30 June 2007.

## 6. Termination

The MIA makes provision for mutual and party specific termination rights which can be exercised before the Second Court Date.

Both SCB and RM2 have a right to terminate the MIA if there is:

- both a failure to satisfy the Conditions Precedent and a failure to reach agreement as to an alternative way of proceeding with the transaction or extending its time frame;
- the Scheme has not become effective on or before 15 November 2007 (or such other date as agreed). This date will be extended in the event there are delays in the finalisation of the SCB FY06-07 accounts;
- the Scheme is not approved by the necessary shareholder majorities at the scheme meeting; or
- any court or Regulatory Authority has issued any order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, or has refused to do anything necessary to permit the Scheme, and such order, decree, ruling or other action has become final and cannot be appealed.

RM2 may terminate the MIA if:

- SCB is in material breach of specified clauses of the MIA including those regarding the Condition Precedents, SCB obligations in connection with the implementation of the scheme or the provisions regulating the way in which SCB conducts its business during the Exclusivity Period, and such breach has not been rectified within a specified time period;
- SCB is in breach of specified clauses of the MIA regarding SCB Board recommendations, restrictions on changes in recommendations or any of the exclusivity provisions;
- any member of the SCB Board fails to recommend that shareholders vote in favour of the scheme or does not announce his or her intention to vote in favour of the scheme in respect of his or her personal holdings of SCB shares;
- an SCB Prescribed Occurrence occurs which is not remedied or materially rectified within a specified time period;
- there is a breach of any of the SCB Warranties, which breach is likely to have a materially adverse effect on SCB's net assets, EBITDA or its ability to continue to carry on its business; or
- a Material Adverse Change occurs in relation to SCB.

SCB may terminate the MIA if:

- RM2 or MMHL is in material breach of its obligations to use best endeavours to ensure that certain Conditions Precedent are satisfied or RM2's obligations in connection with the implementation of the scheme, which breach is not remedied or materially rectified within a specified time period;
- an RM2 Prescribed Occurrence occurs; or
- there is a material breach of any of RM2's warranties under the MIA.

## **7. Options**

The MIA makes specific provision for the treatment of options. SCB is obliged to facilitate that no later than 10 business days before the First Court Hearing Date, each optionholder;

- exercises their options; or
- agrees to the exercise of their options prior to the Second Court Date or failing that, to the cancellation of their options on the Implementation Date.

In the event that any optionholder has not exercised their options or entered into such an agreement by this time, SCB may be required (at RM2's request) to propose a scheme of arrangement specific to options (Option Scheme) the purpose of which is to cancel all such options. The Option Scheme (if any) will be interdependent on the Scheme becoming effective.

## **8. Representations and Warranties**

Pursuant to the terms of the MIA, both parties make representations and warranties regarding matters such as their status, power to enter into the MIA and the transaction contemplated by it.

SCB has made an additional warranty that there are no securities on issue (or rights to be issued securities in SCB) other than the shares and options. RM2 has also made an additional warranty regarding its funding commitments being sufficient to satisfy its obligations in respect of the Scheme and Deed Poll.

It is a condition precedent that these representations and warranties remain true and correct in all material respects on the Second Court Date.

## **9. Guarantee**

MMHL guarantees to SCB RM2's obligations under the MIA, including its payment obligations.

In the event that RM2 fails to pay such monies or fails to perform such obligation on their due date MMHL will be required to immediately on demand by SCB pay such monies or procure performance of the relevant obligation instead.

**[ENDS]**