

**Attention ASX Company Announcements Platform
Lodgement of Open Briefing®**



corporatefile.com.au

Southern Cross Broadcasting Ltd
70 Park Street
South Melbourne, Victoria 3205

Date of lodgement: 06-Sep-2005

Title: Open Briefing®. Southern Cross. MD on FY 05 Results & Outlook

Record of interview:

corporatefile.com.au

Southern Cross Broadcasting (Australia) Limited delivered net profit of \$58.0 million before specific items in the year ended June 2005, up 25 percent from the previous year. Given the slowing in advertising revenue market growth in the recent second half, on what do you base your forecast that the company would “comfortably cover higher costs” in the current year ending June 2006?

MD Tony Bell

Industry expectations are for around 4 percent market growth for FY06. While this growth rate is significantly more modest than we’ve seen over the past 2 to 3 years, we’re confident that the flow-through effect of this growth will enable us to cover the incremental costs associated with digital television, which we estimate at around \$2 million, in FY06.

corporatefile.com.au

Can you comment on the resilience of Southern Cross’s regional television and metropolitan radio networks to slower growth, or a downturn, in advertising spending?

MD Tony Bell

Firstly, it’s important to clarify the company’s view that the advertising market will continue to grow, albeit more slowly than in the past 2 to 3 years. Given the overall health of the economy, we do not see a downturn as imminent.

A significant proportion of our cost base is variable. For example, the affiliation fee for our largest television business – Southern Cross Ten – is revenue-dependent, as are commissions paid to agencies and our sales representatives.

corporatefile.com.au

Southern Cross's Television EBIT increased 2 percent to \$71.0 million on revenue growth of 8 percent to \$316.9 million, with EBIT in the second half down 3 percent compared with the previous corresponding period. The EBIT result partly reflected the impact of higher affiliation fees in the regional television network. What is the outlook for costs within the Television business in the current year?

MD Tony Bell

In the 2005 financial year, the television business absorbed, in two of our largest regional markets (Queensland and northern NSW), a significant "step-up" in the affiliation fee percentage payable to Network Ten. For FY06, any further increases are minimal. We've also highlighted that fixed costs associated with digital television, largely transmission and site rentals, will increase by approximately \$2 million in FY06. Given no unforeseen circumstances, we don't see any other "new" cash costs for the television business for FY06.

corporatefile.com.au

Channel Ten has lost share across the national television audience in ratings surveys year to date, but has maintained its leadership in the 16-to-39 age group. To what extent is the revenue of Southern Cross's regional television network directly impacted by Ten's national ratings performance?

MD Tony Bell

Our revenue for the second half of FY05 was impacted by the slow ratings start to the calendar year by the Ten Network. We expect to recover some of this lost revenue with the strong ratings performance of the recent broadcast of Big Brother and the current series of Australian Idol. However, the degree to which we recover this revenue will depend on ratings for the remainder of this calendar year, which are difficult to predict.

corporatefile.com.au

The 2005 result included specific items of which the largest was a \$14.4 million write-down relating to programming at Channel Nine Adelaide. What was the cash impact of the write-down in 2005 and what will be the impact going forward?

MD Tony Bell

There was no cash impact associated with the \$14.4 million write-down of programming costs at Nine Adelaide. The \$2.0 million component of the write-down relating to the Commonwealth Games won't have a cash impact but will reduce our Commonwealth Games costs accrual for FY06. In terms of the impact of the \$12.4 million write-down relating to movies and mini-series, we expect it will reduce the amortisation of movie and mini-series programming costs over the next 5 to 6 years. However, it's difficult to be exact about the timing of this as it will depend on programming schedules.

corporatefile.com.au

Your affiliation agreement with Channel Nine is due to be renegotiated in the current year. Do you foresee any change to the current arrangement whereby Southern Cross pays a percentage of Nine's programming costs, unlike the agreement with Ten under which affiliation fees are based on a percentage of revenue? What's the outlook for programming costs at Nine Adelaide?

MD Tony Bell

I can't comment on this issue.

corporatefile.com.au

Southern Cross's radio broadcasting EBIT was \$15.4 million, up 14 percent on revenue growth of 7 percent to \$97.4 million. What is the outlook for radio earnings and audience share in the current year given the start-up of new FM stations in the key Sydney and Melbourne markets?

MD Tony Bell

We expect the radio market to grow in line with the rest of the electronic media market in FY06. We'd expect the new FM stations to have little or no impact on our AM stations.

corporatefile.com.au

The Southern Star film and television production and distribution business generated EBIT of \$7.1 million on revenue of \$118.3 million (excluding associates) in its first full year under Southern Cross's ownership. EBIT margin was 6.0 percent compared with margins in your television and radio broadcasting businesses of 22.4 percent and 15.8 percent respectively. What is your expectation regarding Southern Star's margins over the longer term? Do you see any need to change the structure of the business?

MD Tony Bell

Southern Star's sales margin is significantly lower than broadcasting because it's a different type of business. A significant proportion of its revenue is generated by Southern Star International, which sells product owned by both Southern Star and third parties to international markets in return for a margin. This type of business will always have a low "headline" margin.

We don't see any reason to adjust the structure of the business and we're very happy with its overall performance.

corporatefile.com.au

Southern Cross generated operating cash flow of \$78.7 million in 2005, up from \$61.0 million in the previous year. Capex and spending on acquisitions totalled \$39.8 million and as of the end of June, gearing (excluding converting preference shares) was 29 percent, down from 39 percent 12 months earlier. What is the outlook for cash flow in a more subdued advertising environment and what are the capital requirements of the business in the current year?

MD Tony Bell

We'd expect operating cash flow to remain strong in FY06. Our capital expenditure requirements for FY06 comprise approximately \$15 million for digital television plus approximately \$12 million for the remainder of the business.

corporatefile.com.au

You've stated your support of deregulation of cross-media and foreign ownership laws and said that any changes should provide opportunities for the company. What specific opportunities do you see if the Federal Government adopts the "three out of three" policy previously proposed?

MD Tony Bell

We support deregulation of cross-media and foreign ownership laws. We have a strong balance sheet, a market capitalisation of over \$900 million and a gearing level of only 29 percent. We're in a strong financial position to benefit from any changes to media law.

corporatefile.com.au

Thank you Tony.

For more information about Southern Cross Broadcasting, visit www.southerncrossbroadcasting.com.au or call Tony Bell on (+61 3) 9243 2029

For previous Open Briefings with Southern Cross Broadcasting, or to receive future Open Briefings by e-mail, visit www.corporatefile.com.au

DISCLAIMER: Corporate File Pty Ltd has taken reasonable care in publishing the information contained in this Open Briefing®. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Corporate File Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.