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

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Southern Cross Broadcasting (Australia) Limited in a recent trading update indicated that EBIT (before AIFRS adjustments) for the first half ended December would be 4 to 5 percent below the EBIT result of \$54.4 million in the previous corresponding period. This is in spite of expected revenue growth of about 5 percent. This suggests an increase in costs within the business. What were the causes and what ability do you have to curb these cost pressures going forward?

MD Tony Bell

Additional detail behind the result will be provided as part of our results release on 8 March 2006. However, I can confirm that we remain very comfortable that our underlying businesses are sound and we continue to maintain a strong cost minimisation culture. We're looking more deeply at our cost structure and delaying capital expenditure where it makes sense to do so.

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You expect revenue from the Television division to have declined less than 1 percent in the first half, against regional television market revenue growth of 1.3 percent and a decline in Adelaide television market revenue of 3.4 percent. To what extent does your relatively weak Television revenue result reflect the recent ratings declines of the Ten and Nine networks and how do you see the outlook for these networks?

MD Tony Bell

Part of the Television revenue result reflects a softer advertising market and the marginal decline in the ratings performance of the Ten and Nine networks. In respect of Channel Nine Adelaide, you should note that the Adelaide market enjoyed 10 percent revenue growth in 2005, the highest of the capital cities. The market decline of 3.4 percent in the most recent half is perhaps a re-alignment. In respect of the Ten Network, we're confident it will maintain its No. 1 position in the 16 to 39 age group.

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You expect revenue growth in the Radio division of about 5 percent for the first half compared with growth in metropolitan radio market revenue of 4.1 percent. How do you account for the relatively strong performance of your radio networks and do you expect them to continue their above market growth?

MD Tony Bell

The performance within our Radio division reflects the quality of our on-air product and our sales function. In addition, a larger proportion of the market growth has been in our target demographic. Having said that, we believe there's further improvement available at 2UE in particular, so we're confident we'll continue our above market revenue growth.

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Your market update didn't mention the Southern Star television production business. How is Southern Star performing and what is the likely impact of the recent cancellations of Southern Star programs Blue Heelers and The Alice?

MD Tony Bell

We remain very happy with the Southern Star acquisition. The recent cancellations of Blue Heelers and The Alice, whilst disappointing, won't have a material impact overall. Southern Star continues to have a strong development pipeline and international sales of television programs remain solid.

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Southern Cross has previously stated its support of deregulation of cross-media and foreign ownership laws and said that any changes should provide opportunities for the company. Have recent government comments on the potential shape of the deregulation caused any change in your view?

MD Tony Bell

We continue to support deregulation of cross media and foreign ownership laws and believe any changes would provide opportunities for the company.

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Southern Cross generated operating cash flow of about \$79 million in 2005 and at the end of June 2005 had net debt, excluding convertible preference shares, of \$183 million. Gearing was 29 percent. In the absence of any acquisitions, would you seek to distribute more of your cash to shareholders?

MD Tony Bell

We continue to be in a strong financial position and in the absence of any acquisitions we'll continue to review our capital management options.

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At your AGM in November, Southern Cross Chairman John Dahlsen said he was "optimistic the company will deliver a modest increase in dividend in the current financial year." Does this remain your expectation?

MD Tony Bell

In the 2005 Annual Report the Chairman stated "The company has either maintained or increased the dividend every year for the last 13 years. Given no unforeseen circumstances, we expect this trend to continue in the current financial year." We remain comfortable with this advice.

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Thank you Tony.

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

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