



## OPTION SCHEME MEETING

### Chairman's Address

19 October 2007

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Good morning Ladies and Gentlemen, and welcome to this important meeting of the Option Holders of Southern Cross Broadcasting.

My name is John Dahlsen and I am the Chairman of Southern Cross Broadcasting. I will be chairing this Scheme Meeting. I am joined by members of the Board of Directors and the Company Secretary of Southern Cross Broadcasting.

#### **--Chairman introduces Board Members and Company Secretary--**

This meeting has been convened in accordance with orders made by the Supreme Court of Victoria on 7 September 2007. I declare the Option Scheme Meeting of Southern Cross Broadcasting open.

Before we commence with the formal business of this meeting, I would like to make some opening remarks.

On 3 July 2007, we announced a proposal for Macquarie Media Group to acquire all of the shares in Southern Cross Broadcasting which it does not currently own by way of a recommended scheme of arrangement. Under the proposal, holders of fully paid shares in Southern Cross Broadcasting would receive \$17.41 per share, comprising a cash payment of \$17.05 per share and a Special Dividend of \$0.36 per share. This proposal is subject to (among other things) the Scheme being approved by the necessary majority of Southern Cross Broadcasting Shareholders at the Share Scheme meeting to be held at 10.00am today.

It is a condition of the Share Scheme that the Supreme Court of Victoria approves the Option Scheme at the hearing currently scheduled for 26 October 2007 or that there are no unexercised options in Southern Cross Broadcasting as at 8:00am on that date. To ensure that this condition is satisfied, Southern Cross Broadcasting is proposing that, under a separate Option Scheme of Arrangement, Option Holders agree to cancel their Options in return for a cash payment.

Under the terms of the Option Scheme, Option Holders will receive a cash payment of \$17.05 cash per Option less the exercise price (if any) of that Option (the "Option Scheme Payment").

As a Southern Cross Broadcasting Option Holder, you will have already received a detailed Scheme Booklet dated 7 September 2007, which outlines the transaction details, the Directors' recommendations, the reasons to vote in favour of the Scheme, and possible reasons not to vote in favour of the Scheme.

Your Directors unanimously recommend that Option Holders vote in favour of the Option Scheme. Anthony Bell, the only Director who holds Options, has informed me

that he intends to vote the Options which he currently holds in favour of the Option Scheme.

The Board's primary reasons for recommending that you vote in favour of the proposal are as follows:

- The Option Scheme Payment is calculated by reference to the Share Scheme consideration of \$17.05 per share, less the exercise price of the Option Holders' Options. The Share Scheme consideration represents a premium over Southern Cross Broadcasting's historical share price performance before Macquarie Media Group's acquisition of its strategic stake in Southern Cross Broadcasting, and exceeds research analysts' fundamental valuations at the time the transaction was announced.
- Depending on the conditions attaching to the relevant Options, the Option Scheme may allow Option Holders to realise the value of their Options earlier than they could otherwise do so. Further, if the Option Scheme becomes effective, Option Holders will receive the Option Scheme Payment irrespective of whether or not any performance conditions attaching to their Options are likely to be satisfied.
- Since the proposal was announced on 3 July 2007, the Board has not received any other proposals for the cancellation or acquisition of your options.

The Scheme Booklet also includes a copy of the Independent Expert's Report which was prepared by Grant Samuel to assist Southern Cross Broadcasting Option Holders in their evaluation of whether the Scheme is in their best interests.

The Independent Expert has concluded that, in the absence of a Superior Proposal, the Option Scheme is in the best interests of Option Holders.

The Option Scheme is subject to a number of conditions and will only be implemented if all of those conditions have been satisfied at the time that the Court is asked to approve the Scheme. These conditions include Option Holders approving the Option Scheme by passing the resolution to be considered at today's meeting by the necessary statutory majorities. The Option Scheme is also conditional on the Share Scheme being approved by the necessary majority of SCB Shareholders at the Shareholders Meeting to be convened later this morning.

In addition, in order for the Option Scheme to be implemented, all of the conditions for the Share Scheme to become effective need to be satisfied or waived.

In this regard, I note the following:

- On 17 October, the ACCC announced that it does not intend to intervene in the proposed transaction;
- Seven Network and Network Ten have provided their written consent under material contracts between Southern Cross and Seven Network and Network Ten to the change in control of Southern Cross that will occur if the Scheme is implemented; and
- SCB concluded the sale of Channel 9 Adelaide on 23 July 2007.

In addition, MMG has informed SCB that, assuming there is no material change in circumstances prior to the Second Court Date, it is MMG's current intention to waive the condition precedent relating to ACMA approval of the transaction on the basis that, as set out in the Scheme Booklet, the ACMA approvals already obtained by MMG would be sufficient to enable the transaction to proceed without the need to obtain any further approval. MMG has also informed SCB that FIRB approval is not currently required and therefore that unless the current circumstances change it is MMG's current intention to waive the condition precedent relating to FIRB approval of the transaction.

MMG has also indicated that, if the Option Scheme is approved this morning, it will be satisfied that all of the SCB shares will be transferred to it on the Implementation Date (subject to the Scheme becoming effective and payment of the Scheme Consideration), all options will have been exercised before the Second Court Date or cancelled and that on the Implementation Date no person will have any rights to options, and that the conditions precedent relating to those issues will therefore be satisfied.

Finally, I note that there are a number of other conditions precedent which cannot be satisfied until the Second Court Date. Subject to SCB shareholders approving the scheme by the necessary majorities this morning, and to the exercise by the Court of its discretion to approve the Scheme, your Board is not aware of any current circumstances which might prevent those conditions precedent being satisfied

I have made rulings on the appointment of proxies in respect of the Share Scheme and can report that 1,646 proxy forms were received by 10:00am on 17 October 2007. 1,248 proxies representing 38,824,662 shares have been cast in favour of the resolution regarding the Share Scheme and 68 proxies representing 99,090 shares have been cast against. In addition, I hold 306 undirected proxies, which I intend to vote in favour of the resolution.

If the Schemes are approved by the necessary majorities, both the Share Scheme and Option Scheme will then need to be approved by the Supreme Court of Victoria at a court hearing currently scheduled for Friday, 26 October 2007. If the Supreme Court of Victoria approves the Schemes, you can expect to receive payment under the Option Scheme on or about 27 October 2007.

I would now like proceed on to the formal business of this meeting to consider the resolution.

The Notice convening this Option Scheme Meeting was sent to Option Holders with the Scheme Booklet. Unless there is any objection, I will take the Notice as read.

The item for consideration today is to consider, and if thought fit, pass the following resolution:

*"That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement proposed to be entered into between Southern Cross Broadcasting (Australia) Ltd and Option Holders (which is described in the booklet of which the notice convening this meeting forms part) is agreed to*

*with or without such modifications or conditions as may be approved by the Supreme Court of Victoria.”*

Under the Corporations Act, the resolution must be approved by:

- a majority in number of holders of Option Holders present and voting (either in person or by proxy) at today’s meeting; and
- Option Holders who will be entitled to at least 75% of the total amount payable on cancellation of Options under the Option Scheme to Option Holders present (in person or by proxy) and voting.

I would now like to open the matter for discussion. We welcome the opportunity for Southern Cross Option Holders to ask questions and we ask that you please limit your questions to matters relevant to the proposed scheme and identify yourself before asking your question.

**--Chairman to take questions from Option Holders--**

There being no more questions, I now direct that a poll be held. Tom Watson of Link Market Services, will conduct the poll as Returning Officer. I retain the right to make all final decisions on who may vote, the votes cast, and the declaration of the final result of the poll.

I have made rulings on the appointment of proxies and can report that 17 proxy forms were received by 8:30am on 17 October 2007. The proxies received and accepted on the resolution are displayed on the screen above. In summary, 15 proxies representing 1,446,000 options have been cast in favour of the resolution and no proxies have been cast against. In addition, I hold 2 undirected proxies, which I intend to vote in favour of the resolution.

I will now ask the company secretary, Mr Eddie Chia, to explain the poll procedures.

Mr Chia to explain poll procedures.

[Chairman resumes:]

I believe that those persons who wish to vote in the poll have now done so. If there is any individual present who has not yet had their completed poll paper collected from them by the Returning Officer’s staff, would you please raise your hand.

[After allowing sufficient time:]

I now declare the poll closed. The results of the poll will be announced through the Australian Stock Exchange and will also be published on the Southern Cross Broadcasting website as soon as they are available.

That concludes the business of this Option Scheme Meeting and I now formally declare the meeting closed. Thank you for attending.