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NINE ENTERTAINMENT CO. FY14 INTERIM RESULTS ANNOUNCEMENT

Nine Entertainment Co. (ASX: NEC) has reported the Company's interim financial results for the 2014 financial year (FY14), its inaugural results as a listed company.

- First half earnings were moderately ahead of the underlying Prospectus forecast run rate
- FTA Metro market revenue share increased from 38.1% to 38.7% despite the prior corresponding half having benefited from the Olympics
- Fifth consecutive year of FTA ratings improvement in 2013, winning all key advertising demographics
- Integration of Nine Adelaide and Nine Perth on track
- Events posted a record half with strong contribution across each of its principal business lines
- Digital transition and evolution continuing following 100% acquisition of Mi9
- Operating Free Cash Flow of $178m up $47m (on a Pro Forma comparable basis)
- Conservative Net Leverage of 1.6X
- Remain confident of delivering Prospectus Pro Forma Group EBITDA of $305m for the full year

David Gyngell, Chief Executive Officer of Nine Entertainment Co. said:

"I'm pleased with our performance in the first half. Each of our businesses has performed well and we are making good progress integrating our newly acquired Adelaide, Perth and Mi9 operations.

In January the Nine Network successfully launched a national one hour News bulletin at 6pm followed by A Current Affair at 7pm - both have shown strong growth and underscore our continuing commitment to deliver the nation's best visual News service. Our leading News and Current Affairs schedule in which we have just invested a further $10m to deliver an additional 150 hours a year of prime time winning content provides a strong lead-in to the remainder of our prime time programming, is highly cost effective and at the same time reduces our reliance on third party content which is part of our long term strategy. Cricket exceeded our expectations with our overall summer schedule growing share substantially. Our new season schedule including local dramas has had an impressive launch in a competitive opening to the 2014 ratings year, delivering audience growth despite the Winter Olympics.

We are confident our positive momentum in the first half will carry through to the full year."

A glossary of capitalised terms used in this release is included in the appendix to this announcement. Further details of certain items including reconciliations to IFRS information are included in the Interim Results Briefing Presentation of 27 February 2014.

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Key financials

$m	Pro Forma H1 FY14	Pro Forma H1 FY13	Pro Forma Variance		Reported H1 FY14	Reported H1 FY13
			$m	%		
Revenue	845.6	773.4	+72.2	+9.3%	799.7	651.1
Group EBITDA	188.7	161.8	+26.9	+16.6%	185.4	125.6
Net Profit/(Loss) after Tax	95.2	76.6	+18.6	+24.3%	89.2	(80.2)
Operating Free Cash Flow	178.0	175.6	+2.4	+1.4%	198.3	119.4
	Pro Forma 31 Dec 2013	**Pro Forma 30 Jun 2013**			**Reported 31 Dec 2013**	**Reported 30 Jun 2013**
Net Debt	496.3	601.7	-105.4	-17.5%	496.3	517.0
Net Leverage (X)	1.6X	2.0X	-0.4X	-20.0%	1.6X	nm

On a Reported basis, prior to Specific Items, Revenue increased by 23% to $800m, Group EBITDA improved 48% to $185m and Net Profit after Tax increased from a loss of $80m to a profit of $89m.

On a Pro Forma basis, which adjusts for acquisitions and divestments, listed company costs, IPO and other one-off impacts to provide a like-for-like comparison, Revenue increased 9% to $846m, and Group EBITDA increased 17% to $189m. Pro Forma Net Profit after Tax increased from $77m to $95m.

Pro Forma Operating Free Cash Flow of $178m was marginally up on the prior corresponding period. After adjusting for timing differences in annual licence fee payments, underlying Operating Free Cash Flow was up 36%.

Net Debt at 31 December 2013 of $496m was down $105m from the 30 June 2013 Pro Forma, representing Net Leverage of 1.6X, versus the 30 June 2013 Proforma of 2.0X.

Nine Network

$m	Pro Forma H1 FY14	Pro Forma H1 FY13	Variance	
			$m	%
Revenue	649.6	620.3	+29.3	+4.7%
EBITDA	149.2	119.6	+29.6	+24.7%
Margin	23.0%	19.3%		+3.7 pts

Nine Network recorded EBITDA growth of 25% to $149m on Revenue of $650m, up 5% on a like-for-like basis.

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Nine recorded its fifth consecutive year of ratings improvement in the 2013 ratings year, and ended the year as Australia's most watched television network in the key 25-54, 18-49 and 16-39 age demographics and the only network to report audience share growth across all key demographics, as well as All People^.

Following four consecutive halves of declines, the FTA television advertising market returned to growth in the first half with the Metro market growing 5%#, albeit boosted by an increase in contra under new sport contracts, which is estimated to have contributed around 1.0 percentage point of this growth. Nine's Metro revenue share of 38.7%# in the half was up 0.6 percentage points on the prior corresponding period despite that period having benefited from the Olympics.

Nine's costs were close to flat with the step up in costs from the new 5 year contracts for the NRL and Cricket, as well as incremental investment in news and local programming offsetting the saving of Olympic costs from the prior year.

The combination of improved revenue and relatively flat costs, resulted in Margin increasing 3.7 percentage points to 23%.

^ Source: OzTam, 6pm-midnight weeks 7-47, excluding Easter, vs weeks 7-48, excluding Easter and Olympics 2012.
# Source: Free TV

Nine Events

$m	Pro Forma H1 FY14	Pro Forma H1 FY13	Variance	
			$m	%
Revenue	134.6	74.5	+60.1	+80.7%
EBITDA	40.1	25.9	+14.2	+54.8%
Margin	29.8%	34.8%		-5.0 pts

Nine Events reported EBITDA of $40m (up 55%) on Revenue of $135m (up 81%) on a relatively soft prior corresponding period. All of the principal Events businesses contributed to this growth.

Ticketek, which accounts for the majority of Events' revenues, delivered a 14% increase in ticket sales volumes, coupled with a 2.6% increase in average revenue per ticket. As this business continues to migrate online, margins are also benefitting from the associated lower cost base.

Allphones Arena recorded a much improved performance, a turnaround from a soft first half of FY13, with total attendances increasing by almost 70%, which drove significant improvements across all related revenue streams.

The Nine Live business has continued to grow in its second full year of operation, with the successful One Direction and Ricky Martin tours contributing much of its results and demonstrating the benefits of integration across the Company's different business units. The growth in the Nine Live business, which is at a markedly lower margin than the core ticketing business, was the main contributor to the decline in the overall Events' margin to 30%.

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Nine Digital

$m	Underlying^ H1 FY14	Underlying^ H1 FY13	Underlying^ Variance $m	Underlying^ Variance %	Pro Forma^^ H1 FY14
Revenue	79.4	78.6	+0.8	+1.0%	61.4
EBITDA	13.7	21.2	-7.5	-35.4%	7.8
Margin	17.3%	27.0%		-9.7 pts	12.7%

^ Underlying results reflect 100% of the earnings of Mi9 in the respective periods

^^ Pro Forma half year results represent 50% of the expected annual results of Mi9 following changes in the business operations effective 1 July 2014

The current half result is in line with expectations set out in the Prospectus and the earnings run rate of the second half of FY13.

Mi9 recorded slight growth in Underlying revenue for the half with strong revenue growth from online video advertising and search (Bing) offset by the impact of lower advertising units in Microsoft products and changes in third party inventory. This reflects the adverse flow through impact of changes made in Microsoft software products during the second half of FY13.

Underlying EBITDA declined 35% as a result of changing product mix and the resultant margin profile.

Certain changes to the operation of the Mi9 business will occur effective 1 July 2014 which are expected to result in a reduction of web traffic, amongst other things. The Company continues to consider the $15.6m annualised EBITDA run rate as reported in the Prospectus to be a realistic assessment of the new baseline results of this business following these changes. For the purpose of reporting a Pro Forma result for the current half, the Company has taken 50% of the full year anticipated run rate of $15.6m as used in the Prospectus.

Balance sheet and cash flow

	Pro Forma H1 FY14	Pro Forma H1 FY13	Variance $m	Variance %
Operating Free Cash Flow ($m)	178.0	175.6	+2.4	+1.4%
Operating Free Cash Flow Conversion (%)	94%	109%	n/a	-15 pts
	Pro Forma 31 Dec 2013	**Pro Forma 30 Jun 2013**		
Net Debt ($m)	496.3	601.7	-105.4	-17.5%
Net Leverage (X)	1.6X	2.0X	-0.4X	-20.0%

Operating Free Cash Flow improved 1.4% on the prior corresponding half, despite annual ACMA licence fee payments of c$48m having been paid. In the prior financial year these were paid in the second half of the year. The half benefitted from favourable timing differences on certain sporting and local production payments, some of which will reverse over the second half.

As at 31 December 2013, Net Debt of $496m equated to Net Leverage of 1.6X based on Pro Forma FY14 Group EBITDA of $305m, as forecast in the Prospectus. In light of the seasonal profile of the Company's cash flows and half one/half two timing differences, Net Debt and Net Leverage are expected to be marginally higher at the end of the financial year.

With an average debt maturity of approximately 6 years, cash on hand (excluding monies held on trust) of $293m, unused working capital facilities of $92m and the Company's comparatively modest leverage, the Company is well positioned to manage through economic cycles and/or take advantage of any strategic opportunities which might arise.

As foreshadowed in the November 2013 Prospectus, no interim dividend was declared.

Current trading environment and outlook

Following a moderately stronger first half result than had been assumed in the Prospectus full year forecast, the Company remains confident of delivering the Prospectus forecast.

As expected, the 2014 ratings year has started strongly with the resurgence of the Australian Cricket team, solid performance of The Block, the launch of a one hour evening news and a strong Australian drama line up, in what is generally the Company's softest share quarter.

The FTA Metro market appears to have started 2014 positively, albeit at a more modest growth rate than in the first half. In overall terms, the third quarter is tracking in line with Prospectus forecast expectations. As is customary for the industry, visibility of fourth quarter revenues remains limited.

As with television, there is some natural seasonality to the Events business given the pre-Christmas concert schedule, sporting finals and the advance ticketing of key summer sporting events. The second half pipeline is positive and provides confidence in delivering Events' full year Prospectus forecast.

While the clarity of the Digital result is complicated by changes to the structure and operations of the Mi9 business which become effective 1 July 2014, the business remains on track to deliver its Prospectus forecast.

Sydney, Australia
27 February 2014

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APPENDIX

GLOSSARY

- EBITDA – earnings before interest, tax, depreciation and amortisation, from continuing businesses before Specific Items
- FTA – free-to-air
- Group EBITDA – EBITDA plus share of Associates' net profit, from continuing businesses before Specific Items
- Metro – Sydney, Melbourne, Brisbane, Adelaide and Perth
- Net Debt – gross debt per the balance sheet net of mark-to-market on debt hedge instruments less available cash plus deferred purchase consideration on the acquisition of controlled entities
- Net Leverage – Net Debt divided by FY14 Prospectus forecast Group EBITDA
- nm – not meaningful
- Net Profit after Tax (NPAT) – net profit after tax, from continuing businesses before Specific Items
- NRL – National Rugby League
- Operating Free Cash Flow – EBITDA adjusted for changes in working capital and other non-cash items (not relating to Specific Items) plus dividends received from Associates
- Operating Free Cash Flow Conversion – Operating Free Cash Flow divided by Group EBITDA
- Pro Forma – as adjusted to reflect the impact of acquisitions, divestments and/or other transactions as if these had been effective for the whole reporting period, before Specific Items and after adjusting for standalone listed company costs
- Purchased Ticketing Rights – the amount paid to venue owners or promoters to secure exclusive ticketing rights
- Reported – extracted from Statutory Accounts
- Revenue – operating revenue from continuing businesses, excluding intersegment revenue, interest income and Specific Items
- Specific Items – amounts as set out in Note 3(d) of the Half Year Financial Report
- Statutory Accounts – audited or audit reviewed, consolidated financial statements
- Underlying – 100% of the earnings of Mi9 in the respective periods

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