2017 ANNUAL GENERAL MEETING
Chairman's Address – Mr Peter Costello, AC
13 November, 2017

Nine's strategy is to `Create Great Content. Distribute It Broadly. And Engage Audiences and Advertisers'. This year, we have made a great deal of progress in implementing that strategy. Our core broadcast television business has delivered high ratings within the confines of lower overall costs. Through the emergence and growth of our On Demand platforms, 9Now and Stan, and our digital publishing portfolio, we are significantly broadening our reach. Great content has been a big part of the reason why we are engaging broader audiences through our multiple platforms.

With the expected interruption of an Olympic Games, the year got off to a slow start in audience terms but Nine won the first week out of the Rio Olympics and has continued to build its ratings since. New programs such as *This Time Next Year, True Story with Hamish and Andy* and *Australian Ninja Warrior* have been well received and returning favourites like *The Block* and *Married at First Sight* have seen their audiences grow. This performance has expedited the take-up of our catch up service, 9Now, which today has more than 4.6 million registered users often accounting for more than 10% of a program's audience.

Our Subscription Video On Demand service, Stan, has continued its steady march to break-even, with active subscribers growing 50% across the year.

Our video audiences are now being accessed not only by the traditional linear broadcast but by subscription and advertising video on demand platforms as well.

From an industry perspective, the most important milestone of 2017 was the passing of the Government's Media Reform package. We commend the Government for persevering in painstaking negotiations which have delivered a wide-reaching series of reforms that will remove some of the archaic barriers that have hamstrung the domestic industry for too long. Technology has changed the way Australians consume their media. The passing of this package will allow Australian companies to make commercial decisions to embrace new forms of media and to take on international players that up until now were able to trade into the Australian market free of the constraints that affect local companies. The far-reaching repercussions of this package should not be underestimated.

Our company worked tirelessly with the industry to support this comprehensive package. We are particularly pleased to see the licence fee – a third layer of tax on Free to Air television – replaced by a spectrum charge. New international players however, are not subject to this tax, and have shown they are adept at avoiding other regulation that still applies to local players.

Free to Air TV's competitive landscape is shifting, as the $6 billion video market evolves. YouTube, Facebook, Apple and Netflix as well as players like Foxtel all compete in this space. We intend to compete with premium content and provide a trusted and brand-safe environment for audiences. This is an important advantage for us.

As I indicated at the last Annual General Meeting, during the year we looked at the remuneration of Directors. We bench-marked Directors' fees against comparable companies. This had not been done since the original fees were set before our IPO in December 2013. As a result, Directors' fees were reduced by around 20-25%. It is of course, in all shareholders' interests to remunerate the Board appropriately in order to attract the best calibre of Director – however, the changing media landscape has resulted in all lines of our group costs being examined, and this new level is more consistent with our media peers.

During the year, Sam Lewis and Janette Kendall joined the Board as Non-Executive Directors, replacing Holly Kramer and Elizabeth Gaines who both left in February, keeping the total Board at six. Whilst still small, the Board has an enviable mix of skills across media, finance and general business and the ability to move swiftly, and in the interests of all shareholders. I would like to thank my fellow Directors for their commitment this year, and their unwavering support for Nine.

Over the past year, we have welcomed many new shareholders to our register, both domestic and offshore as the last of our pre IPO shareholders have exited. We thank those shareholders for their support over the years, and welcome our new base. We are excited by what the future has to offer, and will ensure Nine continues to focus on and provide superior returns to all its shareholders.

In closing, I would like to thank all of Nine's management and staff for their continual commitment to and focus on this business. It is not always easy, particularly in an industry under structural pressure which is intensely competitive, but once again, we have risen to the challenge. We have markedly improved the performance of the traditional business, while containing costs and we have delivered on our longer term goal of broadening the base of our revenue streams with new and enlarged digital audiences.

I will now invite Hugh Marks to say a few words.

2017 ANNUAL GENERAL MEETING
Chief Executive Officer's Address – Mr Hugh Marks
13 November 2017

I might first touch briefly on the specifics of our recent result and then make some broader comments about our business.

For the year to June 2017, Group EBITDA of $206m was up marginally on FY16 and, after adjusting for licence fees, in line with the guidance we gave in February. Both our Free To Air and Digital businesses reported growth, underpinned by a group wide cost reduction, excluding licence fees, of around 1%.

Net Profit after tax of $124m showed slight growth on FY16. Earnings per share of 14.2c, was up 4%.

Specific items, which were primarily non-cash, totalled a loss of $327m. The key components were a $206m non-cash impairment of goodwill and an $86m cost associated with the negotiated exit of the Warner Brothers Life of Series obligations.

So, taking into account these specific items, our result on a statutory basis, was an after tax loss of $203m.

The Group paid a 5 cent final dividend taking full year dividends to 9.5 cents per share. That's a payout ratio of 82%, pre Specific Items and excluding the licence fee reduction, the cash benefit for which will flow through to Nine at the end of this calendar year.

Net debt at the end of June was $225m – this was pre the $125m cash received in September from the sale of the Willoughby site.

Looking briefly at the reported divisionals - TV Revenues were down 4%. The total TV market declined by 3.5% across the year, and Nine's share was an Olympic-impacted 35.7%. After the low of the September quarter, Nine's ratings and revenue share improved consistently, particularly on the increasingly important primary channel. Of note, was Nine's significantly stronger start to 2017, in what has historically been a weaker period for the Network.

Television EBITDA was up by 3%, underpinned by a 6% decline in reported costs. Costs were down 2%, ex the benefit of licence fee relief.

Nine Digital recorded EBITDA growth of 11% over the year. Growth in long form video, particularly from 9Now, as well our investments in CarAdvice and Pedestrian helped to drive second half revenue growth of 9%.

Corporate costs were $2m higher, reflecting Nine's improved performance and the accounting build-up of a full complement of LTI grants.

All in all, we were pretty happy with where we ended up for the year and, more importantly, the positive momentum we have created for our future.

Whilst we still report TV and Digital as separate divisions, it is fair to say this is becoming less reflective of the way we are thinking about our business.

The media business of the future is all about content and rights. Controlling the rights to premium television content will be the key to potential success in the media of the future. As will the ability to utilise all platforms to extract maximum value for that content.

Nine is a content company. We have made significant inroads this past year, not only with our traditional business, but in the re-positioning and refocusing of that business on the future, towards the much larger $6b video advertising market. This is where Nine's premium content offers by far the most brand-safe and accountable environment for advertisers and, as our content pillars mature, we are confident that Nine's news, sport, entertainment and lifestyle content will capture an increasing share of that ad pie, and further enable other services to be explored and rolled-out.

Each of the pillars is becoming a business in its own right. With News, Sport, Entertainment and Lifestyle content distributed through all platforms – Free To Air, AVOD, digital publishing and soon to be social, and any others that come along in the future that offer Nine the potential to create value.

Nine is proving at the moment that we understand content. And we are seeing how we can use that core skill to create value for shareholders into the future.

Let me explain what we are seeing happening in our business as we continue to transform for the future.

We are seeing strong ratings and revenue share growth in our traditional linear Free-to-air business. This growth has accelerated throughout the calendar year and I will talk more to this in a moment.

9Now is becoming a stand-alone business in its own right. As audiences have registered and begin to experience 9Now, our ability to monetise those viewers will continue to be enhanced. For the first three months of FY18, 9Now's registered users grew to around 4.4m, streams were up by close to 100% and revenue by more than 100%. It is fair to say that much of this growth has been due to share gains as Nine's strength of content has driven audiences to our product. But we see in the results we are achieving factors that clearly point to opportunities for further growth beyond pure share gain.

And our joint venture with Fairfax, Stan, is also a great example of Nine taking its understanding of content and audiences and building an alternative revenue stream. Subscription video on demand is a relatively new category for Australians and one that has grown strongly from a low base just two years ago. From a standing start, Stan has built an active subscriber base of more than 800,000 and is clearly the leading local player in a growing market space.

Nine is the only Australian business with successful and growing businesses in each of these segments.

I have been in and around the content business now for more than 20 years, and content is, without doubt, the future of our business. 'Create Great Content. Distribute It Broadly. Engage Audiences and Advertisers.' Nine will continue to create great content, we will look at all the ways our audiences are wanting to consume that content and ensure we can deliver it – be it free, paid, subscription or ad models or whatever else may come along – we need to make our content available to audiences as and when they want it. And then we need to most effectively monetise that audience.

Let me say a little here about our ratings since the beginning of July. We started the new financial year introducing Australia to Ninja Warrior, and it was nothing short of a phenomenon. A national consolidated season average of 2.5m people, delivering stand-out demographics as families returned to the couch to embrace a TV event together. After Ninja, came *The Block*, and what can I say about a show which, in season 13, delivered average audience growth of more than 20% across all demographics and remains one of our most profitable franchises. Moreover, *The Block* struck a chord on 9Now as well with more than 100% growth to 5.5m long form streams, equating to almost 170m minutes of long form consumption, more than 2m short form streams, up more than 80%, and more than 500% growth in page views of *The Block* official site to a total of around 28m. With 27 advertising partners this year – *The Block* is a great example of what can be achieved with the right content and the right approach to distributing and monetising that content.

With the Ashes to come, Nine's main channel in prime time currently looks set to win the survey year across all key demographics, including Total People. Network prime time ratings share for the survey year in our targeted 25-54s of 37.2 points is up 2.5 points on last year, again number one in this demographic, standing us in great stead to continue to grow our revenue share in 2018.

In terms of the financial outlook for FY18, we gave clear guidance at the time of our FY17 result – that based on a 1-2% decline in the Free To Air market, a Metro FTA share of at least 37.5% and given what we know about the various components of our Digital business - we expected FY18 EBITDA to be at the upper end of the range of analysts' forecasts of $186m to $207m.

Since that time, the advertising market in the first half has probably been at the upper end of our earlier guidance, with Q1 down around 1% and Q2 looking, at this stage, to be slightly positive. A good development for the Free To Air industry. And, consistent with our ratings performance, we now expect our metro ad revenue share in the first half to exceed 39%. Our outlook for the second half hasn't changed, and we remain confident in the strength and stability of our schedule for 2018.

In Digital, we are seeing encouraging growth in 9Now streams and revenues, which is helping to offset weakness in digital display advertising.

We note that the analyst range of forecast EBITDA outcomes has been updated to $204m to $230m, before Specific Items, with an average of $210.7m. At this stage, in light of the expected revenue share gains in our metro television business and the flow through impact of this to 9Now, it seems likely that Group EBITDA will be towards the upper end of this range.

We have already guided to an FY18 dividend of around 9.5 cents, consistent with FY17. And on a longer term basis, from FY19, we expect dividends to be in the 50-70% of NPAT range.

Our access to the screen is second to none through our re-focussed Free To Air network, our state of the art streaming service, Australia's leading SVOD service, and a broadening digital content offering. All a unique combination in the Australian market.

Further information:

Nola Hodgson
Head of Investor Relations
+61 2 9965 2306
nhodgson@nine.com.au

Victoria Buchan
Director of Communications
+61 2 9965 2296
vbuchan@nine.com.au