nine entertainment co. prospectus

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares ("Shares") in Nine Entertainment Co. Holdings Limited ABN 60 122 203 892

Sole Global Coordinator and Joint Lead Manager

UBS

Joint Lead Managers

CommonwealthBank

MACQUARIE

Morgan Stanley

important notices

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (Shares) in Nine Entertainment Co. Holdings Limited ABN 60 122 203 892 (NEC or Company). This Prospectus is issued by the Company and NEC SaleCo Pty Limited ACN 166 188 638 (SaleCo).

Lodgement and Listing

This Prospectus is dated 8 November 2013 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 4 November 2013 and lodged with ASIC on that date (Original Prospectus).

The replacement Prospectus differs from the Original Prospectus. Section 1.4 now also includes disclosure of the risk in Section 5.2.2; Sections 1.7, 7.4.3 and 7.4.3 include additional disclosure about the Final Price and allocations of Shares being determined after close of the Offer; Section 3.6 includes additional disclosure about the potential implications of a change to certain regulations of the FTA TV industry; and Section 5.2.5 includes additional risk disclosure concerning dilution. In addition, the replacement Prospectus reflects that NEC has applied to ASX for its ticker code to be "NEC" instead of "NNE". The lodgement of a replacement prospectus has also required certain references to the "Prospectus Date" to be amended to refer to the "Original Prospectus Date" and to reflect the fact an application has been lodged to ASX for admission of NEC to the Official List and for quotation of its Shares on the ASX.

NEC has applied to the ASX for admission of the Company to the Official List and quotation of its Shares on the ASX (Listing). Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus after the Expiry Date, being 13 months after 4 November 2013.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Sections 1.4 and 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underlying the Forecast Financial Information set out in Section 4.8.1 and 4.8.2 and the risk factors that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares under this Prospectus (Applications) in the seven day period after lodgement of the Original Prospectus with ASIC (Exposure Period). This Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at the Company's offer website, www.nineentertainmentshareoffer.com.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company's or SaleCo's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements that may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Original Prospectus Date, are expected to take place (including the key assumptions set out in Section 4).

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors of the Company and SaleCo and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors in Section 5.

Nielsen information reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool for consumer packaged goods manufacturers and others in the consumer goods industry. This information should not be viewed as a basis for investments and references to Nielsen should not be considered as Nielsen's opinion as to the value of any security or the advisability of investing in the Company.

As set out in Section 7, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred Settlement basis.

The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY11, FY12, FY13 and FY14 appearing in this Prospectus are to the financial years ended or ending 30 June (as relevant), unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information with the exception of the information presented for Nine Digital for the historical periods, which has not been adjusted on a similar basis to the Pro Forma Forecast Result and Pro Forma Forecast Cash Flows (in relation to expected changes to business arrangements with Microsoft, certain of which only become effective on 1 July 2014) for the reasons discussed in Sections 4.2.1 and 4.3.2.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Obtaining a copy of this Prospectus

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) (if you are eligible to participate in the Offer and are calling from outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday.

This Prospectus is also available in electronic form to Australian residents on the Company's offer website, www.nineentertainmentshareoffer.com. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Persons who have received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a hard copy of the Prospectus by calling the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form which must be downloaded in its entirety from www.nineentertainmentshareoffer.com, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Cooling-off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer.

The Shares to be offered under the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

See Section 7.6 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside Australia.

Privacy

By completing an Application Form, you are providing personal information to NEC and SaleCo through the Company's service provider, Link Market Services Limited ABN 54 083 214 537 (Share Registry), which is contracted by the Company to manage Applications. The Company, SaleCo and the Share Registry on their behalf, may collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Share register;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone: 1800 128 092 (toll free within Australia)
+61 1800 128 092 (outside Australia)

Address: Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, contact the Company or the Share Registry if any of the details you have provided change.

Financial Services Guide

The provider of the independent review of the Forecast Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Financial Services Guide is provided in Section 9.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday.

This document is important and should be read in its entirety.

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important information

Key dates

Original Prospectus Date	*Monday, 4 November 2013*
Retail Offer open	*Tuesday, 12 November 2013*
Retail Offer close	*Friday, 29 November 2013*
Bookbuild to determine the Final Price	*Tuesday, 3 December 2013 and Wednesday, 4 December 2013*
Final Price announced to the market	*Thursday, 5 December 2013*
Commencement of trading on a conditional and deferred settlement basis	*Friday, 6 December 2013*
Settlement	*Tuesday, 10 December 2013*
Issue and transfer of Shares	*Wednesday, 11 December 2013*
Dispatch of holding statements	*Wednesday, 11 December 2013*
Commencement of trading on the ASX on a normal settlement basis	*Thursday, 12 December 2013*

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Key offer statistics

Indicative Price Range[1]	*$2.05 to $2.35 per Share*
Total value of Shares offered under this Prospectus[2]	*$643.4 million to $697.3 million*
Total New Shares to be issued under the Offer[3]	*125.0 million*
Total Existing Shares to be sold under the Offer	*179.7 million*
Total Shares on issue immediately after Completion of the Offer[4]	*931.0 million*
Indicative market capitalisation[2]	*$1,928 million to $2,168 million*
Enterprise value[5]	*$2,530 million to $2,770 million*
Enterprise value to pro forma FY14 EBITDA ratio[6]	*8.3x to 9.1x*
Price to pro forma FY14 NPAT per Share ratio[7]	*13.8x to 15.5x*
Estimated FY14 dividend yield range (based on dividend payout policy)[8]	*3.5% to 4.0%*

1. *The Indicative Price Range is the indicative range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range (refer to Section 7.4.2 for more details). Shares may trade below the lower end of the Indicative Price Range.*
2. *Based on the Indicative Price Range.*
3. *This is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range. Does not include the 1.1 million Shares to be issued for nil consideration under the Employee Gift Offer assuming all Eligible Participants accept their offers and that the Final Price is at the midpoint of the Indicative Price Range (as described in Section 7.3.2).*
4. *Total Shares on issue immediately after Completion of the Offer comprise the 800.0 million Shares on issue before the Offer, 125.0 million New Shares to be issued under the Offer (assuming that the Final Price is at the midpoint of the Indicative Price Range) together with the 1.1 million Shares to be issued for nil consideration under the Employee Gift Offer assuming all Eligible Participants accept their offers and that the Final Price is at the midpoint of the Indicative Price Range (as described in Section 7.3.2) as well as the 4.9 million Shares to be issued to the Non-Executive Director Shareholders (as described in Section 6.3.2.3) and to two Senior Managers (as described in Section 6.3.2.4) at the time of Completion (assuming the same Final Price).*
5. *Enterprise value calculated as the indicative market capitalisation of $1,928 million and $2,168 million (based on the Indicative Price Range), plus pro forma adjusted net debt of $602 million as at 30 June 2013 as set out in Section 4.5.2.*
6. *This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the enterprise value (based on the Indicative Price Range of $2.05 to $2.35 per Share) divided by FY14 pro forma EBITDA of $305.0 million (refer to Section 4.3.1 for more details).*
7. *This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated as the Indicative Price Range of $2.05 to $2.35 per Share divided by FY14 pro forma NPAT per share (being FY14 pro forma NPAT of $139.5 million (refer to Section 4.3.1 for more details) divided by total Shares on issue immediately after Completion of the Offer based on the midpoint of the Indicative Price Range).*
8. *Estimated FY14 dividend yield range calculated as the annualised expected final dividend in respect of FY14 (based on the expected final dividend in respect of FY14 of 4.1 cents per Share (note that no interim dividend is expected to be paid in FY14; refer to Section 4.10 for more details)) divided by the Indicative Price Range.*

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Sections 1.7 and 7.3 of this Prospectus and on the back of the Application Form.

::: chairman's letter

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Nine Entertainment Co. Holdings Limited (NEC).

NEC's operations commenced in 1956 with the first ever television broadcast in Australia. Since then, the Nine Network has developed into a household name and become part of the landscape of Australian entertainment.

NEC is organised into three divisions, encompassing some of Australia's leading media brands:

- ***Nine Network*** broadcasts nationally through its national free-to-air television network and affiliate arrangements;
- ***Nine Events*** operates Ticketek, Allphones Arena and Nine Live; and
- ***Nine Digital and Ventures:*** Nine Digital operates Mi9, and Nine Ventures is responsible for other smaller investments.

NEC's integrated and complementary portfolio of media and entertainment businesses form one of the largest media companies in the country. In FY13, NEC generated $1.5 billion in pro forma revenues, issued more than 22 million tickets for live events in Australia and New Zealand, and currently attracts approximately 10.5 million unique monthly visitors to its Mi9 online network.

Nine Network is currently the leading free-to-air television network across its aggregated traditional metropolitan licence areas of Sydney, Melbourne and Brisbane. In 2013, NEC acquired television stations in Perth and Adelaide, providing for the first time in its history a truly national metropolitan television network. Nine Network has also recently resecured broadcast rights for the National Rugby League and cricket, to complement its commitment to quality news and current affairs and locally produced Australian entertainment and drama.

NEC is also positioned to benefit from future growth in Nine Events and Nine Digital as these businesses continue to build on their leading industry positions.

Upon Completion, New Shareholders are expected to hold up to 33% of the shares in NEC (based on a Final Price at the midpoint of the Indicative Price Range). Existing Shareholders, including Apollo and Oaktree, will hold the remaining shares in NEC.

This Prospectus contains detailed information about the Offer, the industries in which NEC operates and NEC's operating and financial performance. NEC's business is subject to a range of risks including the overall performance of the Australian advertising industry, loss of popular content, adverse impacts of changes in technology as well as competition from other broadcasters and other sources. These risks as well as the risks of investing in NEC are detailed in Section 1.4 and Section 5. It is important that you read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder.

Yours sincerely,

David Haslingden
Chairman

section 1
investment overview

section 1 investment overview

1.1 Introduction

Topic	Summary
What is NEC?	NEC is an Australian media and entertainment company with a portfolio of leading businesses comprising of: • **Nine Network** which owns free-to-air television (FTA TV) licences in the capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide as well as in regional Northern New South Wales and Darwin. Nine Network owns one of only three commercial FTA TV licences[1] in each of these regions and broadcasts to other regional areas via affiliate network agreements, which together give Nine Network a national audience. Nine Network holds exclusive FTA TV broadcasting rights for premium sports content, including the National Rugby League and cricket; • **Nine Events** which is a live events business that includes Ticketek, the largest provider of ticketing services for sport and live entertainment events in Australia and New Zealand by ticket sales volume, and a long term lease over Allphones Arena, Australia's largest indoor entertainment arena and consistently one of the world's top 10 concert arenas by ticket sales. In addition, the business provides touring, promotion and event management services through Nine Live and digital marketing services through Nine Rewards; and • **Nine Digital and Ventures**: Nine Digital operates Mi9, a leading Australian online publisher, reaching approximately 10.5 million active Australian online users every month. Nine Ventures is responsible for investments in Australian News Channel (which operates Sky News) and Yellow Brick Road. *For more information* Section 3 contains details on NEC and its business operations
What industries does NEC operate in?	NEC primarily operates in the television industry and also operates in the live events and online media industries. • In 2012, the **television** industry was the largest single advertising platform in Australia, attracting approximately 29% (or $3.9 billion) of overall advertising expenditure. The FTA TV broadcasting landscape consists of three commercial networks, Nine Network, Seven Network and Network Ten (and their affiliates), and two government-owned and funded broadcasters, ABC and SBS. • The **live events** industry comprises venues, promoters, sports federations, producers, performing arts companies, festival organisers and ticketing companies that provide services to live events, including sports fixtures, concerts, theatre, exhibition and other lifestyle events. • The **online media** industry generates advertising revenue across three main channels: search and directories, general display, and classifieds advertising. Online is the fastest growing platform within the media industry, attracting approximately 25% (or $3.3 billion) of overall advertising revenue in 2012. *For more information* Section 2 contains further details on the industries in which NEC operates
Why is the Offer being conducted?	The Offer is being conducted to provide NEC with: • a liquid market for its Shares and an opportunity for Existing Shareholders to realise part of their investment in NEC; • funds to repay, in part, NEC's existing debts; and • additional financial flexibility and access to capital markets to pursue its growth strategy. *For more information* Section 7 contains details of the Offer. Section 3.6 outlines NEC's growth strategy

1. Nine Network also owns an additional 50% interest in a second Darwin broadcasting licence.

section 1 investment overview

1.2 Key features of NEC's business model

Topic	Summary
How does NEC generate its income?	NEC primarily derives its income from advertising revenue that it generates from the sale of advertising time or space during its broadcast of content to its national FTA TV audience and online display and search advertising sold through Mi9. NEC also derives income from providing ticketing services through Ticketek to more than 135 venue and promoter clients, from venue-related fees generated by events held at Allphones Arena and from fees for the provision of live entertainment performances by artists and performers in Australia and New Zealand, through Nine Live. ***For more information*** Section 3 contains details on NEC and its business operations
What is NEC's growth strategy?	NEC's growth strategy is to utilise the combined ownership of Nine Network, Nine Events and Nine Digital to identify and pursue opportunities where it can utilise its content or audience reach to generate revenues across the integrated platform. NEC plans to consolidate its recent acquisitions of Perth and Adelaide FTA TV licences and to improve their performance relative to NEC's traditional licence areas by investing in news and current affairs content and applying NEC's operational expertise. NEC also plans to support the continued diversification and performance of its events and digital businesses. ***For more information*** Section 3.6 contains details on NEC's growth strategy
How does NEC expect to fund its operations?	NEC's operations have historically been funded through cash flow generated by operations, debt and equity capital. Past acquisitions have been funded through a combination of cash flow from operations, debt and/or equity. After Completion, NEC will have total facilities in place that comprise long term loan facilities with limited financial covenants and a working capital facility (expiring in 2020 and 2018 respectively (as set out in Section 10.7)). As at 30 June 2013, NEC's gross debt position (net of MTM derivatives), pro forma for the impact of acquisitions and the impact of the Offer, was $771.0 million (as set out in Section 4.5.2). ***For more information*** Sections 4 and 10.7 contain details on NEC's debt facilities
What is NEC's pro forma historical and forecast financial performance?	See table below

	Pro Forma Historical Results			Pro Forma Forecast
$ million, June year end	FY11	FY12	FY13	FY14
Revenue	1,415.4	1,392.7	1,493.0	1,565.9
EBITDA	350.1	313.4	297.2	305.0
EBIT	313.6	270.0	250.1	252.1
NPAT	172.3	144.8	136.7	139.5
Earnings per share (cents per share)[1]				14.8 to 15.1

Notes:
1. Based on pro forma FY14 NPAT and the lower and upper ends of the total number of Shares on issue on Completion of the Offer of 922.6 million Shares (assuming a Final Price of $2.35) and 940.5 million Shares (assuming a Final Price of $2.05).

For more information
Section 4 contains full details of the Financial Information. The Financial Information presented in this table is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 4, as well as the risk factors, set out in Section 5

1.3 Key strengths

Topic	Summary
Leading platform in the Australian FTA TV industry	NEC owns a leading FTA TV broadcast network in Australia which currently holds the No. 1 audience share position (as at 13 October 2013)[2] across its aggregate traditional metropolitan licence areas of Sydney, Melbourne and Brisbane, and has recently acquired metropolitan stations in Perth and Adelaide. NEC also owns licences in Northern New South Wales (NBN) and Darwin, and broadcasts to other regional areas through affiliate arrangements with regional broadcasters, primarily WIN. Nine Network's No. 1 audience share position across its aggregated traditional metropolitan licence areas is based on the popularity of its content, which includes exclusive premium sports (National Rugby League and cricket), and locally produced programs such as The Voice and The Block. The Nine Network broadcast eight of the top 10 FTA TV programs in 2013 (as at week 41)[3]. FTA TV is one of the most significant media platforms and represented the single largest advertising platform in Australia, reaching approximately 14 million individuals on average every day in 2012. The strength of FTA TV viewership is in part due to the introduction of additional digital channels and as a result of the popularity of exclusive sports and locally produced content and news and current affairs programs. The FTA TV industry in Australia is supported by a regulatory framework that currently prohibits the issuance of any further FTA TV broadcast licences and ensures that FTA TV has first access to a select list of premium sports content. ***For more information*** Sections 2.2 and 3.2 contain further details
Exposure to an improvement in the advertising industry	Australian advertising expenditure has grown at a CAGR of 3.6% over the last 10 years. Throughout this period, the industry has experienced periods of growth and decline in advertising expenditure, in part due to its exposure to cyclical economic factors. NEC believes that it is well positioned to benefit from any potential uplift in the advertising industry due to its strong position in FTA TV, through Nine Network, and online media, through Mi9. Together, television and online represent over 50% of total advertising expenditure in Australia and the two single largest advertising segments. Television's share of overall advertising revenue has remained relatively stable, ranging from 27% to 30% over the last 10 years, despite online media's rapidly increasing share of overall advertising expenditure during this period. In 2012, television's share of overall advertising expenditure was 29.3%. Online media has experienced strong growth over the last 10 years as advertising has shifted primarily away from newspapers and magazines, and in 2012 attracted approximately 25% of advertising expenditure. ***For more information*** Section 2.1 contains further details

2. *Source: OzTAM. No. 1 audience position is based on total individuals, commercial network audience share between 6am-midnight across the combined traditional metropolitan licence areas of Sydney, Melbourne and Brisbane between 1 January 2013 and 13 October 2013.*
3. *Note: Consolidated Data. 5 City Metro. Total People. Commercial channels. Weeks 7-41, 2013. Ranked on average audience by primary description. When programs broadcast on the same broadcast day have been split into multiple primary descriptions, only the program description with the highest average audience has been included.*

section 1 investment overview

1.3 Key strengths	
Topic	**Summary**
Access to growth opportunities through a national metropolitan FTA TV platform	Historically, NEC has owned and operated television networks in the metropolitan licence areas of Sydney, Melbourne and Brisbane as well as in the regional licence areas of Northern New South Wales and Darwin. In these licence areas, NEC has performed strongly due to the popularity of its content and operational expertise, which has led to strong ratings performance. NEC holds the No. 1 audience share position (as at 13 October 2013)[4]. In its traditional metropolitan licence areas, NEC's aggregated audience share has improved from 34.6% in 2007 to 39.0% as at 13 October 2013 and its aggregated revenue share has increased from 32.4% in 2007 to 39.1% as at June 2013 as advertising revenue has increased generally in line with audience share. In 2013, NEC acquired commercial FTA TV broadcast licences in Perth and Adelaide (formerly affiliates of NEC and owned or controlled by WIN). In these licence areas, NEC's aggregated audience share as at 13 October 2013 was 9.1 audience share points below its aggregated audience share in its traditional metropolitan licence areas and NEC believes that a significant opportunity exists to close this gap by investing in and bringing operational expertise to these newly acquired businesses. As part of the acquisition of the Perth station, NEC entered into an agreement with WIN which provides NEC with an exclusive first right to negotiate if WIN pursues divestment of part or all of its regional broadcasting operations in the future. However, exercise of that right in respect of most of those assets will be dependent on a change to the 75% audience reach rule (see Section 2.2.5.2). ***For more information*** Section 3.2.4 contains further details
A leading integrated portfolio of complementary media businesses	NEC operates a leading integrated portfolio of complementary media businesses, including FTA TV, live events and online media businesses. The ownership of this leading portfolio of businesses provides NEC with the opportunity to cross-sell by offering advertisers multiple distribution channels and unique opportunities across its wide audience base. NEC also intends to develop and launch an online video content service that will contain a mixture of free and paid content services, building and significantly expanding upon NEC's existing Catch-Up Television offering. This new service will be complementary to NEC's existing FTA TV business as consumers seek quality content across a variety of media and devices. The Nine Events business includes Ticketek, the No. 1 provider of ticketing services for sport and live entertainment events in Australia and New Zealand by ticket sales volume, and Allphones Arena, Australia's largest indoor entertainment arena and consistently one of the world's top 10 concert arenas by ticket sales. The business provides services through the entire live events cycle, including ticketing operations, and is supported by digital, data and mobile platforms. Mi9 is a leading Australian online media publisher reaching approximately 10.5 million active Australian online users each month and the Mi9 network is regularly in the top three brands in Australia for unique monthly visitors (behind Google and Facebook) and has access to detailed audience information which it uses to optimise marketing campaigns. NEC's portfolio of television, live events and online media businesses is expected to provide diversification and stability benefits. ***For more information*** Section 3 contains further details
Highly experienced management team	NEC's experienced senior management team is led by Chief Executive Officer, David Gyngell, who has more than 15 years' experience at NEC. NEC's Chief Operating Officer and Chief Financial Officer, Simon Kelly, has more than 10 years' experience in the media and entertainment sector and over 25 years of general management and financial experience. NEC's broader senior management team has an average tenure of 11 years at NEC and on average more than 15 years' experience in the media and entertainment sector. ***For more information*** Section 6.2 contains further details

4. Source: OzTAM. No. 1 audience position is based on total individual, commercial network audience share between 6am-midnight across the aggregated traditional metropolitan licence areas of Nine Network of Sydney, Melbourne and Brisbane between 1 January 2013 and 13 October 2013.

1.3 Key strengths

Topic	Summary
Modest debt levels with financial flexibility	NEC is forecast to have a leverage ratio[5] of 2.0x FY14 pro forma forecast EBITDA. NEC's debt facilities have limited financial covenants and provide it with significant flexibility compared to Australian market standards and there is over six years until the Term Facility and Incremental Facility mature (and over four years until the Working Capital Facility matures). NEC expects to have sufficient cash flow to service its debt, invest in operations and strategic initiatives, and return surplus cash flows to shareholders (refer to Section 4.10 for NEC's dividend policy). ***For more information*** Section 4 contains further details

1.4 Key risks

Topic	Summary
Competition from other broadcasters and other sources	The Australian media industry is highly competitive, with a number of operators competing for audience share and advertising revenue through a broad range of media platforms, including FTA TV, subscription TV, newspapers, magazines, radio, online, social media, cinema, outdoor and other platforms. With the continued development of alternative forms of media, particularly digital media, Nine Network may face increased competition for advertising revenue. Actions of competitors both inside and outside of the FTA TV industry may make it difficult for the Nine Network to grow or maintain its revenues, which in turn, may have an adverse effect on NEC's businesses. ***For more information*** Section 5.1.1.1 contains further information
Changes in technology and impact on consumer and advertiser behaviour	The Australian media industry will continue to be affected by changes in technology. For example, the roll out of the national high-speed broadband network (National Broadband Network) may increase the popularity of internet-based content delivery platforms or sources of entertainment and content available in the home. This may have adverse effects on a significant part of NEC's businesses if technology changes and new sources of content cause changes in consumer behaviour. This in turn may fragment audiences by providing additional viewing alternatives to FTA TV, which may make NEC's content offerings less attractive to viewers, advertisers and distributors of program content. This may affect the overall share of advertising expenditure accorded to FTA TV in comparison to other media platforms, which in turn could adversely affect Nine Network's ability to generate revenue and profit. NEC's ability to acquire and use new and existing technologies is important to its ability to maintain its competitive position across its various businesses. NEC's business could be adversely affected in a number of ways, if, for example, it fails to employ technologies desired by its customers before its competitors do, it is unable to acquire adequate capital to make necessary investments into technology platforms or if any new technology platforms it implements are not successful with customers. Any failure to develop or implement successful new technology platforms could result in a decline in NEC's audience share and ability to generate revenues, which could become permanent. ***For more information*** Section 5.1.1.2 contains further information

5. Leverage ratio calculated as pro forma adjusted net debt as at 30 June 2013 divided by pro forma FY14 forecast EBITDA.

section 1 investment overview

1.4 Key risks

Topic	Summary
Downturn in the economy or advertising industry	Given the importance of advertising to Nine Network's and Mi9's revenue, any decline in advertising expenditure could result in a decline in NEC's revenue. Consistent with industry practice, Nine Network does not have formal, signed agreements with its advertisers. Instead, it relies on continuing relationships with agencies and direct advertisers, which limit its ability to prevent advertisers from decreasing or cancelling their advertising arrangements. Advertising expenditure tends to be cyclical and impacted by economic conditions. There is no guarantee that overall economic conditions will improve or remain stable, and there is no guarantee that the level of advertising expenditure in the FTA TV industry will increase in the future. There is a risk that advertising expenditure may contract. In addition, Mi9's growth prospects depend on a continuing increase in the size of the online advertising industry or Mi9's share of the expenditure in that industry. Given the nature of that industry, there is no guarantee that the online advertising segment will grow or that Mi9 will be able to increase its share of that segment. ***For more information*** Sections 5.1.1.3 and 5.1.3.4 contain further information
Lack of popular programming content, or loss of broadcasting rights, licences or distribution agreements, or the renewal of these agreements on less favourable terms	Nine Network and Mi9 both rely on having access to a range of popular content to maximise their share of audiences, to ensure that advertisers and media buyers continue placing advertising with their businesses. The success of the content that NEC obtains or creates is substantially dependent on consumer tastes and preferences that can change in unpredicted ways. NEC relies on key content being provided by third parties, for which competition may be intense, and there is no guarantee that NEC will be able to obtain or renew contracts for that content on terms favourable or acceptable to NEC, or at all. NEC may also experience increases in the costs of developing and producing its own content. Certain programming content must be acquired by Nine Network in advance of when it is available to be broadcast. If there is a change in circumstances between the date of acquisition and when it is broadcast (e.g. a decline in the overall size of advertising industry expenditure and a change in consumer behaviour and preferences), Nine Network may realise a loss on that content. In addition, because Nine Network may experience higher upfront costs to acquire or to produce certain content (e.g. higher costs from accelerating production ahead of schedule in order to promote or distribute new content to compete with other FTA TV networks or other media segments), NEC may experience reductions in its cash flows, which may adversely affect NEC's ability to pay dividends or to meet its debt servicing obligations. ***For more information*** Section 5.1.1.4 contains further information
Exposure to changes in government regulation and policy	NEC operates in a highly regulated environment. NEC may be adversely affected by changes in government policy, regulation or legislation applying to companies in the FTA TV industry or to Australian media companies in general. This includes, amongst other things: • changes to media ownership; • a change in the government policy on the number of commercial FTA TV licences to be issued; • changes to the anti-siphoning regime (which currently requires that major sporting events be offered to the FTA TV networks first, and, if not taken up, may only be offered to subscription TV providers 12 weeks before the relevant event); and • changes to local content requirements, or the introduction of additional restrictions on content that may be shown. The imposition of new regulation (such as the introduction of greater restrictions on the use of customer data) to other segments of the media industry may also adversely affect NEC's business, by restricting NEC's ability to generate revenue, thereby affecting its future profitability and growth potential. ***For more information*** Sections 5.1.1.5 and 5.1.4.5 contain further information

1.4 Key risks	
Topic	**Summary**
NEC relies upon attracting and retaining key management personnel and employees	The successful operation of NEC's businesses relies on NEC's ability to attract and retain experienced and high-performing executives and other employees (including on-air talent). The failure to achieve this may adversely affect NEC's ability to develop and implement its business strategies and may ultimately lead to a loss of revenue. ***For more information*** Section 5.1.1.6 contains further information
Loss of venues	Ticketek's ability to generate ticket sales depends on having the right to sell and distribute tickets for premier venues around Australia and New Zealand. If any contracts that it has with venues are terminated or cannot be renewed on acceptable terms, Ticketek may experience a reduction in the supply of events for which it has exclusive ticketing rights, which would adversely affect its ability to generate revenue. ***For more information*** Section 5.1.2.1 contains further information
Reduction in the number of tours and events coming to Australia and New Zealand or unsuccessful tours and events	Nine Live, Ticketek and Allphones Arena each rely on international artists and performers choosing to tour or exhibit in Australia, and for Nine Live and Ticketek, also in New Zealand. The willingness of artists and performers to do so may be adversely affected by factors outside of NEC's control, such as a sustained decline in the value of the Australian (or New Zealand) dollar relative to other major global currencies, or economic slowdowns that cause consumers to reduce their discretionary spending, natural disasters, concerns about the level of security or risks of terrorism and general economic conditions. If tours or events promoted by Nine Live or held at venues ticketed by Ticketek are unpopular, Nine Live may be unable to generate sufficient revenue to meet its costs of promotion, or Ticketek its fixed costs of acquiring ticket rights, which would adversely affect NEC's profitability. ***For more information*** Section 5.1.2.2 contains further information
Inability to pay dividends or make other distributions	NEC is subject to restrictions on paying dividends under its debt facilities. There is a risk that NEC will be restricted from paying dividends or making other distributions in the future. ***For more information*** Sections 5.1.4.2 and 10.7 contain further information
Impairment of goodwill and other assets	A substantial proportion of NEC's consolidated total assets consists of goodwill and other assets, including Nine Network's television licences, that may become impaired. If the carrying value of goodwill and certain other assets is revised downward due to impairment, such charges could materially affect NEC's financial position and profitability. ***For more information*** Section 5.1.4.4 contains further information
Existing Shareholders retain a significant stake in the Company post-Listing	Following completion of the Offer, the Existing Shareholders will hold (at least) approximately 66.5% of the issued capital of the Company (excluding any Shares acquired by Existing Shareholders under the Offer, if any). Many of the Existing Shareholders acquired their Shares pursuant to the Scheme (as set out in Section 10.6) and may not be long term holders of the Shares. Escrow or other disposal restrictions will apply to 36.9% of the issued capital of the Company for the period disclosed in Section 7.5. There are no restrictions on the sale of any Existing Shares that are not subject to escrow or other disposal restrictions in the period following Listing (and there will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction (or sooner, in the event an exception to the restriction is available). A significant sale of Shares by some or all of the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares. ***For more information*** Section 5.2.2 contains further information

section 1 investment overview

1.5 Directors and key management

Topic	Summary
Who are the directors of NEC?	• David Haslingden, Independent Non-Executive Chairman • David Gyngell, Chief Executive Officer • Peter Costello, Independent Non-Executive Director • Kevin Crowe, Non-Executive Director • Edgar Lee, Non-Executive Director • Hugh Marks, Independent Non-Executive Director • Steve Martinez, Non-Executive Director • Joanne Pollard, Independent Non-Executive Director • Rajath Shourie, Non-Executive Director ***For more information*** Section 6.1 contains further information
Who is the key management of NEC?	• David Gyngell, Chief Executive Officer • Simon Kelly, Chief Operating Officer, Chief Financial Officer and Company Secretary • Amanda Laing, Commercial Director and Group General Counsel • Peter Wiltshire, Group Sales and Marketing Director • Brett Dickson, Chief Operating Officer and Chief Financial Officer, Nine Network • Michael Healy, Director of Television, Nine Network • Geoff Jones, Managing Director, Nine Events • Mark Britt, Chief Executive Officer, Mi9 ***For more information*** Section 6.2 contains further information

1.6 Significant interests of key people and related party transactions

Topic	Summary

Who are the Existing Shareholders and what will be their interest at Completion?[6]

	Shares at Original Prospectus Date	% pre-IPO	Shares issued/ acquired/ (sold)	Shares immediately post-IPO[7]	% post-IPO[8]
Oaktree	222.6 million	27.8%	(89.1) million	133.6 million	14.3%
Apollo	205.1 million	25.6%	Nil	205.1 million	22.0%
Other Existing Shareholders	372.2 million	46.5%	(90.6) million	281.6 million	30.2%
New Shares to be issued under the Offer or at Completion[9]	–	–	131.0 million	131.0 million	14.1%
Existing Shares to be sold under the Offer	–	–	179.7 million	179.7 million	19.3%
Total	**800.0 million**	**100.0%**	**131.0 million**	**931.0 million**	**100.0%**

Each of the Existing Shareholders were given the opportunity to sell all of their Shares to SaleCo (who in turn would make available Shares under the Offer).

Each of the Existing Shareholders who is an Institutional Investor will be entitled to lodge a bid during the bookbuild process under the Institutional Offer which may result in their post-Completion Shareholding being above those numbers shown in the table above.

All Selling Shareholders (except for Apollo and Oaktree) who are entitled to bid into the bookbuild by virtue of being Institutional Investors will receive preferential treatment under the bookbuild on the basis disclosed in Section 7.4.4. This preferential treatment does not guarantee any allocation to a Selling Shareholder and will be determined by the Joint Lead Managers and NEC in their sole discretion.

For more information

Sections 7.1.5, 7.4.4 and 10.3 contain further information

6. Shareholding levels and percentages are based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.

7. Shareholding shown may vary to the extent that an Existing Shareholder bids for Shares in the Institutional Offer and receives an allocation of Shares.

8. Percentage shown may vary to the extent that an Existing Shareholder bids for Shares in the Institutional Offer and receives an allocation of Shares.

9. This includes 125.0 million New Shares under the primary Offer, the 1.1 million Shares to be issued under the Employee Gift Offer assuming all Eligible Participants accept their offers (as described in Section 7.3.2) and the total of 4.9 million Shares to be issued to the Non-Executive Director Shareholders (as described in Section 6.3.2.3) and to two Senior Managers (as described in Section 6.3.2.4), in each case, assuming that the Final Price is at the midpoint of the Indicative Price Range.

1.6 Significant interests of key people and related party transactions

Topic	Summary
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	See table and text below

Directors	Shares held on Completion	Performance Rights held on Completion
David Haslingden	109,588	–
David Gyngell	4,545,455[10]	2,045,455[11]
Peter Costello	27,396	–
Kevin Crowe	–	–
Edgar Lee	–	–
Hugh Marks	27,396	–
Steve Martinez	–	–
Joanne Pollard	27,396	–
Rajath Shourie	–	–

Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 6.3.2.

David Gyngell and other Senior Managers will receive grants of Performance Rights on or around Completion pursuant to the terms of the Performance Rights Plan. Performance Rights will vest in three equal annual instalments subject to satisfaction of certain service conditions. Further details are contained in Section 10.4.

In addition:

- pursuant to long-standing contractual arrangements, David Gyngell and another Senior Manager will receive a grant of Shares upon Completion. David Gyngell will also receive a cash listing bonus of $2,500,000. See Section 6.3.2.4 for more details about remuneration arrangements; and
- David Haslingden, Peter Costello, Hugh Marks and Joanne Pollard (Non-Executive Director Shareholders) will be issued with Shares upon Completion, as disclosed in Section 6.3.2.3.

Advisers and other service providers are entitled to fees for services as disclosed in Section 6.3.

For more information
Sections 6.3 and 10.4 contain further information

Will any Shares be subject to restrictions on disposal following Completion?

All of the Existing Shares held at Listing by the Escrowed Shareholders (other than any Shares purchased by them under the Offer) will be subject to disposal restrictions as follows:

- 338,722,176 Existing Shares held by Apollo and Oaktree will be subject to voluntary escrow restrictions until the date on which NEC's full year results for the period ending 30 June 2014 are released to the ASX, subject to a potential partial early release as set out below;
- 191,776 Shares held by the Non-Executive Director Shareholders will be subject to voluntary escrow restrictions until the date on which NEC's full year results for the period ending 30 June 2014 are released to the ASX; and
- 4,727,273[12] Shares to be issued to Senior Management on Completion will be subject to disposal restrictions for three years following the date of issue of the relevant Shares.

After these dates, all of the relevant Existing Shares will be released from the voluntary escrow or other disposal restrictions.

Subject to certain exceptions, the Escrowed Shareholders may not dispose of their escrowed Shares whilst those escrowed Shares are subject to voluntary escrow arrangements or other disposal restrictions.

10. *Shareholding level is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.*
11. *Number of Performance Rights is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.*
12. *The number of Shares to be issued will depend on the Final Price and so this assumes a Final Price which is at the midpoint of the Indicative Price Range.*

section 1 investment overview

1.6 Significant interests of key people and related party transactions	
Topic	**Summary**
Will any Shares be subject to restrictions on disposal following Completion? **(continued)**	In the case of Apollo and Oaktree, one of those exceptions to their voluntary escrow arrangements will permit them to each dispose of up to 25% of their escrowed Shares (in one or more transactions) at least 10 Business Days after both of the following conditions have been satisfied: • the half-yearly results of the Company for the period ended 31 December 2013 have been released to the ASX (Relevant Date); and • the Company VWAP on each trading day comprising the Company VWAP Period is at least 20% higher than the Final Price. The Company VWAP on any trading day prior to the Relevant Date is not relevant to determining whether the exception is available. ***For more information*** Section 7.5 contains further information

1.7 Proposed use of funds and key terms and conditions of the Offer	
Topic	**Summary**
What is the Offer?	The Offer is an initial public offering of 305.8 million Shares that will in part be issued by the Company and in part sold by SaleCo.[13] Each Share will rank equally with Shares already on issue. A summary of the rights attaching to the Shares is set out in Section 7.9. ***For more information*** Sections 7.1 and 7.9 contain further information
Who are the issuers of the Prospectus?	Nine Entertainment Co. Holdings Limited ACN 122 203 892, a company incorporated in Victoria, Australia and NEC SaleCo Pty Limited ACN 166 188 638, a company incorporated in Victoria, Australia. ***For more information*** Section 7.1 contains further information
What is SaleCo?	SaleCo is a special purpose vehicle, established to sell Shares acquired from the Selling Shareholders. The Existing Shares which SaleCo acquires from the Selling Shareholders, along with New Shares issued by the Company, will be transferred to Successful Applicants at the Final Price. ***For more information*** Section 10.3 contains further information
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows: • $275 million will be paid to the Company to reduce net debt, increase cash and cash equivalents, and pay costs associated with the Offer; and • $395.3 million received by SaleCo[14] will be paid to the Selling Shareholders (each of whom will have sold Existing Shares to SaleCo). ***For more information*** Section 7.1.2 contains further information

13. *The number of Shares to be issued under the primary Offer (being 125.0 million New Shares) assumes that the Final Price is at the midpoint of the Indicative Price Range. The 305.8 million Shares also includes the 179.7 million Existing Shares to be sold by SaleCo and the 1.1 million Shares to be issued under the Employee Gift Offer for nil consideration assuming that Eligible Participants take up their entitlements in full and that the Final Price is at the midpoint of the Indicative Price Range.*
14. *Assuming that the Final Price is at the midpoint of the Indicative Price Range.*

1.7 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary
Will the Shares be quoted on the ASX?	The Company has applied to the ASX for admission to the official list of the ASX and quotation for Shares on the ASX under the code NEC. Completion of the Offer is conditional upon the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. ***For more information*** Section 7.8.1 contains further information
How is the Offer structured?	The Offer comprises of: • the Broker Firm Offer; • the Employee Gift Offer; • the Priority Offer; and • the Institutional Offer, which consists of an invitation to acquire Shares made to Institutional Investors. To the extent permitted by law, all Applications under the Offer are irrevocable. The Final Price will be determined after the close of the Offer and it may be above, below or within the Indicative Price Range. Applicants under the Retail Offer will Apply for a set dollar value of shares. Accordingly, Applicants will not know the number of shares they will receive at the time they make their investment decision, nor will they know the Final Price. Except as required by law, Applicants cannot withdraw their Applications once the Final Price and allocations of Shares have been determined. ***For more information*** Sections 7.1.1 and 7.4.3 contain further information
Is the Offer underwritten?	No. The Offer is not underwritten. ***For more information*** Sections 7.2 and 10.5 contain further information
What is the allocation policy?	The allocation of Shares between the Retail Offer (comprising the Broker Firm Offer, Priority Offer and Employee Gift Offer) and the Institutional Offer will be determined by agreement between the Joint Lead Managers and NEC, having regard to the allocation policies. For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients. NEC and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion. ***For more information*** Sections 7.3 and 7.4 contain further information

section 1 investment overview

1.7 Proposed use of funds and key terms and conditions of the Offer	
Topic	**Summary**
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer. ***For more information*** Sections 7.2 and 10.12.1.5 contain further information
What are the tax implications of investing in the Shares?	You may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. ***For more information*** Section 10.12 contains further information (and Section 10.12.2 is especially for Eligible Participants in the Employee Gift Offer)
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post around or on 11 December 2013. Refunds to Applicants under the Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement of the IPO, which is expected to occur on or about 10 December 2013. No refunds will be made where the overpayments relate solely to rounding at the Final Price ***For more information*** Section 7.2 contains further information
What is the Company's dividend policy?	NEC currently intends to pay an unfranked final dividend in respect of FY14. Subject to future business conditions and opportunities, the future cash flow requirements of NEC and any limitations imposed by NEC's debt facilities, the Directors intend to target a dividend payout ratio in the range of 50% to 60% of NPAT. It is the current intention of the Board to pay interim dividends in respect of half years ending 31 December (commencing 31 December 2014) and final dividends in respect of full years ending 30 June each year. ***For more information*** Section 4.10 contains further information
What is the minimum Application size under the Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. Applicants under the Priority Offer must apply for a minimum value of $20,000 worth of Shares and in multiples of $5,000 worth of Shares thereafter. ***For more information*** Section 7.3 contains further information
How can I apply?	Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. ***For more information*** Section 7.3 contains further information
Can the Offer be withdrawn?	The Company and SaleCo reserve the right not to proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer. ***For more information*** Section 7.2 contains further information
Where can I find out more information about this Prospectus or the Offer?	Call the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) from 8.30am until 5.30pm (Sydney Time), Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether NEC is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

section 2
industry overview

section 2 industry overview

NEC operates primarily in the Australian television industry with other operations in the live events and online media industries. This Section provides an overview of the Australian advertising industry (which includes television and online media) and discusses the industry dynamics of television, live events and online media.

2.1 Australian advertising industry overview

The advertising industry comprises five primary segments: television, radio, newspapers, magazines and online media. The performance of the advertising industry is generally driven by broad macroeconomic conditions both in Australia and globally, including:

- general levels of economic activity in the economy;
- business confidence;
- consumer sentiment; and
- the political environment.

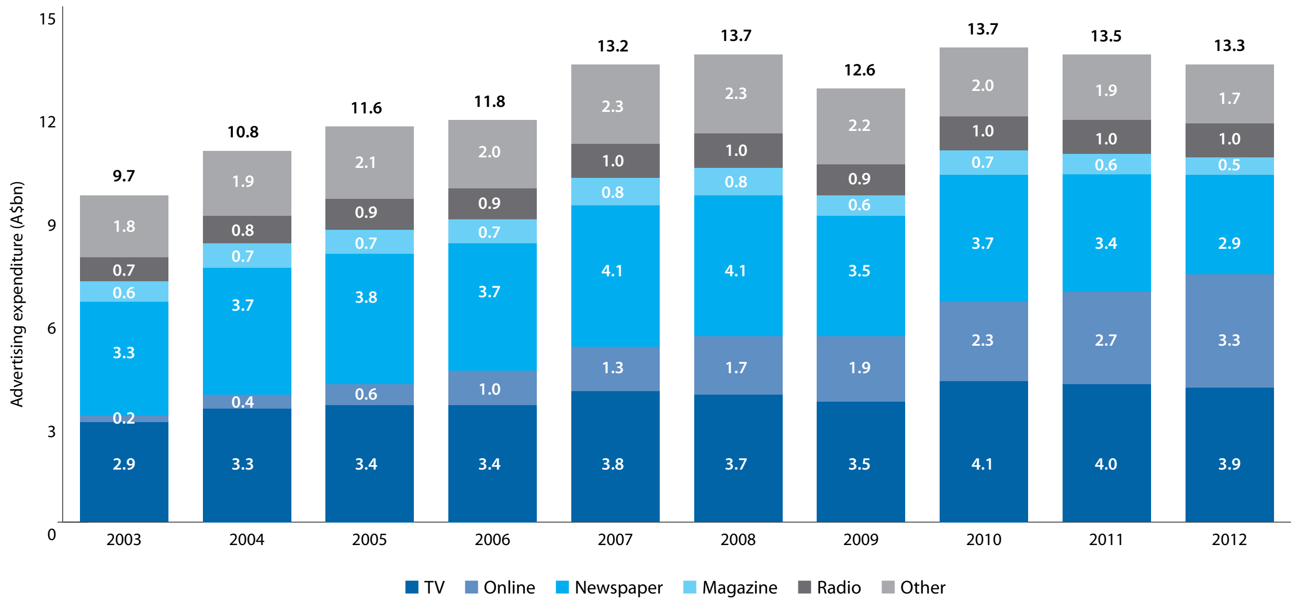
Australian advertising expenditure has demonstrated growth over the long term, having grown from $9.7 billion in 2003 to $13.3 billion in 2012 at a CAGR of 3.6%. Advertising expenditure experienced a decline in 2009 as a result of the impact of the global financial crisis; however, expenditure rebounded during 2010 to reach levels consistent with that recorded in 2008. Throughout 2011 and 2012, advertising industry expenditure moderated in the context of general business and consumer uncertainty as a result of key factors such as the European debt crisis and global economic weakness.

NEC operates in the largest segments of the advertising industry, being television through Nine Network and online media through Mi9. In 2012, television and online were the two single largest advertising segments, together representing more than 50% of advertising industry expenditure.

The television industry has maintained a relatively stable share of overall advertising industry expenditure, 27% to 30%, over the last 10 years, despite online media's rapidly increasing share of overall advertising expenditure during this period.

The online media industry has experienced strong historical growth over the last 10 years as advertising has shifted online away from other media such as newspapers and magazines and now attracts more than 25% of advertising expenditure.

Figure 1: Australian Advertising Expenditure by Segment (2003-2012) (A$bn, December YE)



Notes

1. Other includes expenditure on outdoor, and transport, cinema, business and rural publications and print classified directories.

2. From 2011, total television figures do not include SBS.

Source: Commercial Economic Advisory Service of Australia (CEASA), Advertising Expenditure in Main Media, Year ended 31 December 2012, The CEASA Report, Advertising Expenditure in Main Media 2012, 2013, pg 13.

During 2011 and 2012, the advertising industry experienced an overall decline in bookings due to key factors such as the European debt crisis and global economic weakness. In the six months ending June 2013, advertising expenditure in the television and online segments has increased over the prior corresponding period.

2.2 Television industry overview

2.2.1 Overview

The television industry is segmented into FTA TV and subscription TV broadcasters.

FTA TV signals reach 99.7% of Australian households. On average, Australians spend over three hours per day watching television and over 63% of households own two or more television sets.

Broadcasters in the FTA TV industry principally derive their revenues from the sale of advertising, with the remainder sourced from fees received from affiliates (which are generally a fixed share of affiliate's revenues from the sale of advertising), program sales and program supply fees.

Audience numbers principally drive the allocation of advertising expenditure among commercial broadcasters. FTA TV broadcasters compete for share of audience viewership and share of advertising revenue in their respective licence areas. Based on their product offering, broadcasters compete for total audience viewership, as well as audience viewership in particular demographics that are attractive to advertisers.

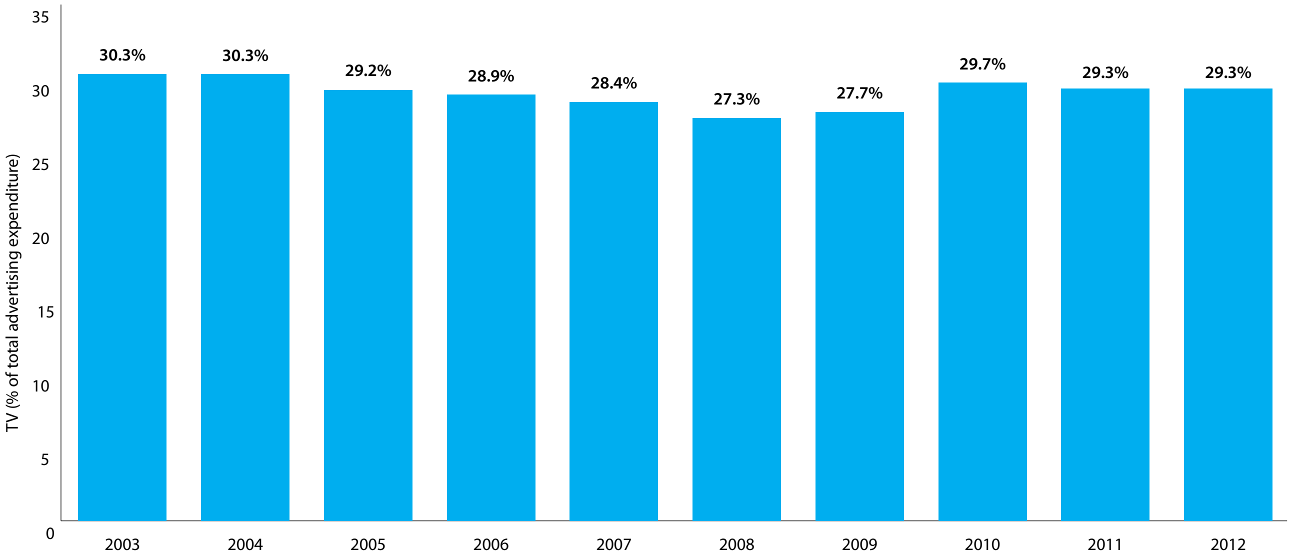
The greatest competition for audience viewership is in the period commonly known as "prime time" (prime time is commonly measured by advertisers between 6.00pm and 10.30pm). Prime time audience is highly sought after by advertisers. Typically, FTA TV broadcasters do not have formal, signed agreements with their advertisers but, consistent with industry practice, rely on continuing relationships with advertising agencies and direct advertisers to deliver advertising revenue.

2.2.2 Recent performance

In 2012, the television industry was the largest single advertising platform in Australia and represented 29.3% of total advertising expenditure. In 2012, FTA TV attracted $3.5 billion, or 88.7% of television advertising expenditure and subscription TV attracted $0.4 billion, or 11.3% of television advertising expenditure[1].

The revenue performance of the television industry is driven by overall advertising expenditure (see Section 2.1) and television's share of that expenditure. Since 2003, television's share of overall advertising revenue has remained relatively stable, ranging from 27% to 30%, despite online media's rapidly increasing share of overall advertising expenditure during this period.

Figure 2: ***Television as a % of total advertising expenditure (December YE)***



Notes

1. *Chart based on data published on an annual basis.*
2. *From 2011, total television figures do not include SBS.*

Source: CEASA, Advertising Expenditure in Main Media, Year ended 31 December 2012, The CEASA Report, Advertising Expenditure in Main Media 2012, 2013, pg 13.

1. *Source: CEASA, Advertising Expenditure in Main Media, Year ended 31 December 2012, The CEASA Report, Advertising Expenditure in Main Media 2012, 2013, pg 13.*

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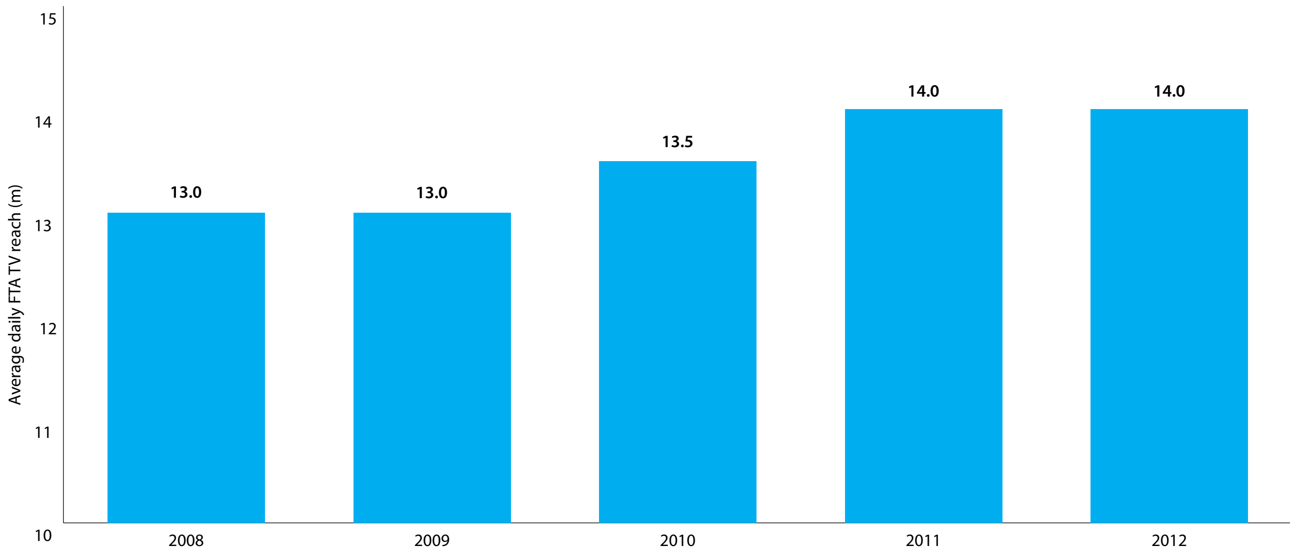
Television's relatively stable share of overall advertising expenditure can in part be attributed to growing overall FTA TV viewership which has increased by approximately 1.0 million since the introduction of additional digital channels from 2009 (e.g. GO! and GEM were introduced by Nine Network, as described in Section 3.2.3). The tailored offerings of digital channels provide advertisers with the ability to focus marketing at more targeted audience demographics.

Figure 3: *FTA TV's average daily reach (2008-2012) (December YE)*



Note

1. *Based on five capital cities, five aggregated markets excluding Western Australia, weeks 1-52/53 2008 to 2012 (excluding Easter), all people, all day, metro and regional daily reach figures are combined to form a national estimate, excludes spill, total commercial free-to-air only (Free TV), 2010 to 2012 years based on consolidated data, figures rounded.*

Source: Data compiled by FreeTV Australia, accessed via associated ThinkTV website. Data from weeks 1-52/53 2008 to 2012 (excluding Easter), Free TV's Average Daily Reach – YOY Comparisons – National, 2013, pg 1.

2.2.3 Key FTA TV participants

The FTA TV broadcasting industry consists of metropolitan and regional networks. The metropolitan networks comprise three commercial networks, Nine Network, Seven Network and Network Ten, and two government-owned and funded broadcasters, ABC and SBS.

The metropolitan licence areas of Sydney, Melbourne, Brisbane, Perth and Adelaide represent approximately 67%[2] of the Australian population and account for approximately 76%[3] of FTA TV advertising expenditure. The remaining television advertising expenditure is focused on regional segments which account for the remaining 33% of the Australian population and 24% of FTA TV advertising expenditure.

2.2.3.1 Commercial FTA TV licence landscape

As at August 2013, 69 commercial television broadcasting licences have been issued by ACMA, 64 of which are currently in operation in various licence areas throughout Australia. Most of these are operated by the larger metropolitan or regional television networks. Currently, only three commercial FTA TV licences are permitted in any licence area under amendments made to the Broadcasting Services Act in 2013.

The three major metropolitan television networks – Nine Network, Seven Network and Network Ten – provide broadcasting services in predominantly metropolitan areas and supply the content of their channels through affiliate arrangements to the three main broadcasters operating in regional areas – WIN, Prime and Southern Cross.

Some metropolitan networks also directly operate stations in certain regional areas; for example, Nine Network operates in Northern New South Wales through NBN and Seven Network provides services in regional Queensland through Sunshine Television Queensland.[4]

2. *Source: Total population reach based on population reach data compiled by ACMA utilising 2006 census data and accessed via the ACMA website under the statutory control rules resources.*
3. *Source: CEASA, Advertising Expenditure in Main Media, Year ended December (1997-2012), The CEASA Report, Advertising Expenditure in Main Media (2003-2012), 2004-2013, pg 16.*
4. *Source: Commercial TV, Department of Broadband, Communications and the Digital Economy, 22 August 2013 accessed via the Australian Government, Department of Communications website under the Commercial television resources.*

Due to existing regulatory restrictions preventing television networks from controlling broadcast licences covering areas containing more than 75% of the population, most regional licences are owned independently of the metropolitan networks. The following table summarises the division of licences for key FTA TV licence areas between the largest commercial broadcasters.

***Table 1:* Summary of FTA TV broadcaster licence ownership**

Broadcaster	Major metropolitan licence areas	Major regional licence areas	Population reach	Primary affiliate
Nine Network	Sydney, Melbourne, Brisbane, Perth and Adelaide	Northern New South Wales, Darwin	74%	WIN
Seven Network	Sydney, Melbourne, Brisbane, Perth and Adelaide	Regional Queensland	74%	Prime
Network Ten	Sydney, Melbourne, Brisbane, Perth and Adelaide	Nil	67%	Southern Cross

Note:
Population reach based on population reach data compiled by ACMA utilising 2006 census data and accessed via the ACMA website under the statutory control rules resources.

2.2.3.2 Channels and content

In December 2007, the Australian Government commenced the 'digital switchover', a process of phasing out existing analog television signals across the country and transferring to digital-only TV, which is to be completed by the end of December 2013. Each commercial FTA TV licence holder is currently permitted to transmit three separate digital channels (one High Definition (HD) and two Standard Definition (SD) channels) and there are no restrictions on the number of datacasting channels that may be broadcast (subject to availability of broadcasting spectrum).[5] Non-commercial operators are also permitted to broadcast a number of digital channels; ABC currently broadcasts four channels and SBS currently broadcasts five channels. From 10 December 2013, there will not be any legal restriction on the number of HD and SD services that may be transmitted and so broadcasters will be limited only by the amount of broadcasting spectrum that they hold in determining how many HD, SD and other services that they transmit. Incumbent broadcasters are the only networks that have been granted digital channel licences. The FTA TV networks have positioned their respective channel offerings across a number of demographics, collectively televising a broad range of content.

***Table 2:* Summary of FTA TV broadcaster channels**

Type	Network	Channel	Launch date	Technology
Commercial	**Nine**	Channel Nine	1956	SD
		GO!	2009	SD
		GEM	2010	HD
	Seven	Channel Seven	1956	SD
		7TWO	2009	SD
		7mate	2010	HD
	Ten	Channel Ten	1964	SD
		One	2009	HD
		Eleven	2011	SD
Government	**ABC**	ABC1	1956	SD
		ABC2	2005	SD
		ABC3	2009	SD
		ABC News 24	2010	HD
	SBS	SBS One	1980	SD
		SBS HD	2006	HD
		SBS Two	2009	SD
		SBS Three	For future use	SD
		National Indigenous Television	Original launch 2007; FTA TV relaunch 2012	SD

5. *Nine Network currently broadcasts two datacasting channels, Extra and Extra 2*

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FTA TV networks source content by purchasing rights to broadcast content from third-party production companies or through internal production capabilities. Commercial FTA TV networks are the major investors in Australian television production, investing $1.35 billion[6] in the production of local content in 2012. Australian-made programs are popular with viewers and represented 49 of the top 50 programs on FTA TV in 2012 by total audience.

Commercial broadcasters typically do not own the majority of content broadcast on FTA TV and instead hold rights (usually exclusive) from third-party production houses to broadcast this content over their network. These broadcast rights are separate to digital and other rights (such as subscription television, mobile and internet rights), which allow the relevant rights holder to exploit the content via means of delivery other than free to air broadcast television. Broadcasters sometimes hold both the broadcasting and digital rights for certain content (in the case of digital rights, usually only for a limited period of time to allow for 'catch-up' viewing).

Some commercial broadcast networks have in-house production capabilities where they own the content that is produced; however, this typically comprises a smaller component of their overall content offering. In addition, international content is typically acquired under licence agreements from overseas studios and media distributors and sporting content rights are acquired under licence from sports authorities and event operators.

2.2.3.3 Time-Shifted Viewing

Time-Shifted Viewing, or playback, typically refers to deferred viewing within seven days of broadcast and accounted for approximately 6.5% of all metropolitan and 3.7% of all regional television viewing in 2012[7]. Common methods of Time-Shifted Viewing are through Personal Video Recorder (PVR) and Digital Video Recorder (DVR) devices and online Catch-Up Television platforms.

PVR and DVR devices were present in approximately 53% of Australian homes, and used by 9.6 million viewers as at March 2013[8].

Broadcasters are embracing Time-Shifted Viewing by creating, or partnering with, online distribution platforms and providing online Catch-Up Television services. All commercial broadcasters in Australia operate interactive websites that allow users to view selected programs on a catch-up basis for a certain period after the program has been broadcast by the broadcaster, as well as watching short form clips and previews of upcoming shows. This provides broadcasters with additional revenue opportunities through integration of their online platform, including the sale of targeted display advertising, as well as gaining insights into customer demographics and behaviour which is increasingly valuable to advertisers.

2.2.4 Alternative television platforms

In addition to FTA TV, there are existing and emerging subscription TV broadcasters and internet TV operators, as described below.

2.2.4.1 Subscription TV broadcasters

Subscription TV broadcasters generally provide a linear broadcast service delivered via a cable or satellite connection typically to a set-top box at the viewer's premises. The revenue model of these broadcasters is predominantly subscription-based with additional revenue through advertising and pay-per-view content. Subscription TV is the largest television platform that competes with FTA TV broadcasters for advertising expenditure; however, it attracted a relatively low proportion (11.3%) of television advertising expenditure in 2012. The relatively low proportion of advertising expenditure attracted by subscription TV is in part due to its low audience viewership compared to FTA TV (subscription TV's share of total television viewing between 6pm and midnight was 17.3% in metropolitan and 15.9% in regional areas in 2012)[9]. Foxtel, which is a joint venture between News Corp and Telstra, is the largest subscription TV broadcaster in Australia. Foxtel operates a national platform and has approximately 2.5 million[10] subscribers that it broadcasts to predominantly by satellite and cable delivery methods.

Subscription TV has recently experienced declining subscriber penetration rates, from approximately 30.1% in fourth quarter 2011 to approximately 28.8% in first quarter 2013, the lowest level since 2008[11]. Subscription TV has experienced relatively low subscriber penetration in Australia relative to other developed counties (e.g. in 2012 the United States and United Kingdom had subscriber penetration rates of approximately 80% and 54%[12] respectively).

6. *Source: Data published in the "2012 Television in Review" report (pg 19) by FreeTV Australia.*

7. *Based on 5-City, viewing of commercial FTA TV, consolidated data for weeks 1-52 2012 (excluding Easter), 2am-2am, total people, playback refers to deferred viewing (within seven days of broadcast). In regional licence areas, live viewing accounts for 96.3% and playback accounts for 3.7%. Data published in the "2012 Television in Review" report (pg 22) by FreeTV Australia.*

8. *Source: Australian Multi-Screen Report Quarter 1 2013, Table 1: "Technology Penetration" and Table 3: "Overall Usage ('000s), Monthly Reach", 2013, pgs 13-14, accessed via Nielsen Australia website.*

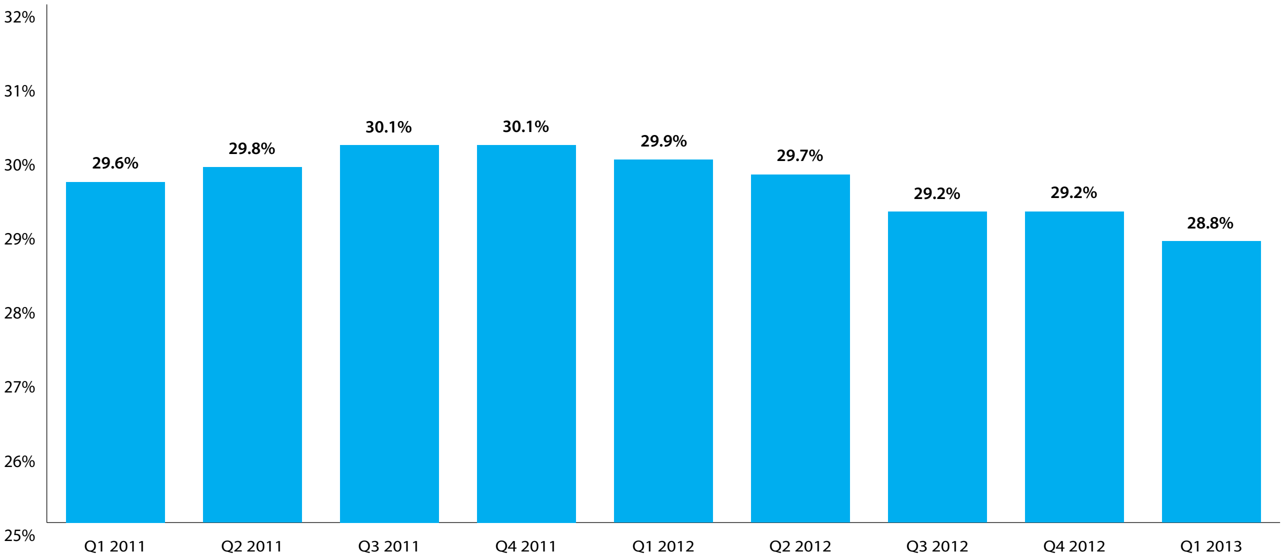
9. *Source: Based on 5-City, four aggregated markets excluding Tasmania and Western Australia, consolidated data for weeks 1-52 2012 (ex Easter), all people, 6pm – midnight, regional shares exclude spill. Data published in the "2012 Television in Review" report (pg 7) by FreeTV Australia.*

10. *Source: Foxtel website accessed on 30 October 2013*

11. *Source: Data published in the "2012 Television in Review" report (pg 5) by FreeTV Australia.*

12. *Source: PriceWaterhouseCoopers, PwC Australian Entertainment & Media 2013–2017 Outlook, 2013, pg 146.*

***Figure 4:* Australian subscription TV penetration rates (Q1 2011 to Q1 2013)**



Source: OzTAM national homes universe estimate by quarter Q1 2011 to Q1 2013. Data published in the "2012 Television in Review" report (pg 5) by FreeTV Australia.

FTA TV in Australia benefits from anti-siphoning legislation which ensures the majority of key sports content remains broadly accessible to Australians by providing FTA TV broadcasters with preferred access to events identified on the "anti-siphoning list". This has the effect of placing restrictions on sports content rights being offered direct to viewers via subscription-based services. FTA TV also benefits from the relatively high cost differential between its free platform and the subscription prices charged by subscription TV operators in Australia, which recorded average revenue per subscriber of $99 per month in FY12.

2.2.4.2 Internet television platforms

Internet TV refers to a digital television service delivered through a high-speed internet connection to a set-top box, connected TV, personal computer, game console, tablet, mobile or other device at the viewer's premises and generally includes Internet Protocol Television (IPTV) and Over-The-Top (OTT) platforms.

The revenue models of internet TV operators are constantly evolving and vary depending on whether revenue is sourced primarily from the customer, through subscription-based or pay-per-view charges, or from charges to advertisers for display advertising. The majority of major internet TV providers, with the exception of YouTube, have adopted a subscription or pay-per-view revenue model with a secondary focus on advertising due to their relatively smaller audience reach compared to FTA TV and subscription TV broadcast platforms.

IPTV generally describes broadband delivery of content to customers as part of a managed service, usually through a dedicated set-top box and in partnership with an internet service provider. IPTV operators typically adopt a subscription-based revenue model where the subscriber is charged a monthly fee. Key participants include Foxtel Play, Telstra Media (via its T-Box service) and Fetch TV.

OTT generally describes broadband delivery of content to an end user device without a system operator being involved in the control or distribution of the content itself. OTT operators typically adopt either subscription or pay-per-view revenue models. Key participants include Apple TV, Google TV, Quickflix and the recently announced Foxtel Presto.

Content rights restrictions generally seek to prevent content from being delivered outside of the originating geography; however, because IPTV and OTT platforms are delivered over the internet, it may be possible to access these services outside of the originating geography.

The success of emerging internet TV platforms is expected to be primarily driven by the quality of available content; however, there are a number of factors that currently limit the ability of these operators to compete with the established FTA TV networks, including:

- the ability of internet TV operators to win exclusive rights to transmit live major sporting events is currently constrained by Australia's anti-siphoning laws and the significant costs associated with obtaining exclusive rights to this content;
- the production of popular local content such as news and current affairs and popular lifestyle and entertainment programs is generally expensive and resource intensive. A large subscriber or audience base is generally required to make the production of this content economically feasible; and

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- gaining access on a timely basis to popular international content for the purpose of digital exploitation may be limited as the broadcast rights to this type of content are typically held by a commercial FTA TV or subscription TV broadcaster under an exclusive agreement with the content rights owner or distributor, with "holdbacks" against exploitation in other media for a defined period.

Certain commercial broadcasters in the Australian television industry have announced their intention to explore utilising internet TV platforms in conjunction with their FTA TV broadcast operations.

2.2.5 Regulatory environment

The Australian media sector is subject to a high level of government regulation, the most significant aspects of which, from the perspective of participants in the FTA TV industry, are summarised below. The key regulator is ACMA.

2.2.5.1 Commercial FTA TV licences

In order to broadcast commercial FTA TV, a television station requires a commercial television licence. Commercial television licences are issued by ACMA pursuant to the Broadcasting Services Act. These licences authorise the provision of commercial television services within a defined geographic area. Currently, only three commercial FTA TV licences are permitted in any licence area under amendments made to the Broadcasting Services Act in 2013.

Certain conditions are applicable to all commercial licences and relate, among other things, to program content (including minimum hours for Australian and children's content), advertising standards, and service operation. In addition, ACMA may impose additional conditions on a licence.

Commercial FTA TV licences remain in force for five years and renewal is expected to be granted unless ACMA determines that the licensee is not a suitable person to hold a commercial FTA TV licence. A small renewal fee is payable.

Licensees are obligated to pay annual licence fees based on a percentage of gross earnings. Australia has the highest proportion of licence fees paid per dollar of industry revenue among developed economies such as the United States and United Kingdom, at a maximum of 4.5% of gross earnings of the relevant licence (even though there have been significant decreases in the licence fees levied since 2010). This compares to approximately 0.05% in the United States and approximately 0.4% in the United Kingdom.

2.2.5.2 Ownership restrictions applying to the Australian media sector

There are a number of regulations and laws that apply to the ownership of media assets to prevent concentration of ownership of television licences and cross-media platforms.

75% audience reach rule

A person, or television broadcaster, is prohibited from being in a position to exercise control of commercial FTA TV broadcasting licences whose combined licence area populations exceed 75% of the Australian population (this is referred to as the "75% audience reach rule"). "Control" for this purpose may be demonstrated by a 15% shareholding in a licensee or a parent company of a licensee, or by other arrangements which confer control of key elements of the licensee's operations. The Nine Network and Seven Network each currently have a total population reach of approximately 74%[13].

In March 2013, the Parliament of Australia established a bipartisan parliamentary committee called the Joint Select Committee on Broadcasting Legislation (Committee). The Committee's terms of reference centred on three potential policy changes that the former Australian Government considered could be implemented, which included abolishing the 75% audience reach rule. Although the Committee recommended the abolition of the rule on condition that local content in regional Australia could be preserved through legislative or other enforceable means, no legislation has yet been passed to implement the recommendation and there is no certainty if or when such legislation will be passed.

1-to-a-market rule

A person, or television broadcaster, is also prohibited from exercising control of more than one commercial FTA TV licence in a given licence area. This rule also applies to acting as a director of more than one licence holder.

Cross-media ownership restrictions

The Broadcasting Services Act also prohibits transactions which would result in a reduction in media diversity in a particular geographic area (set by radio licence areas) based on a points system. These restrictions require that there be no fewer than five independent players (including FTA TV, newspapers and radio) in metropolitan licence areas and no fewer than four in regional licence areas. They also prohibit a person from owning and controlling more than two FTA TV, newspaper or radio businesses in the same area.

13. *Total population reach based on population reach data compiled by ACMA utilising 2006 census data.*

Foreign ownership restrictions

Although the Broadcasting Services Act no longer contains any foreign ownership restrictions, under the Australian Government's foreign investment policy, investments by any foreign person of 5% or more in shares or other securities of any entity that operates in the media sector (which would include a FTA TV broadcaster) must be notified to the Foreign Investment Review Board for approval, irrespective of value.

2.2.5.3 Anti-siphoning legislation

The Australian Government has implemented legislation to ensure that television coverage of events of national importance and cultural significance are available for viewing by all Australians on FTA TV. The Australian Government determines which events are of national importance and should be included on the anti–siphoning list.

While the scheme is not limited to sporting events, non-sporting events have not been included on the anti–siphoning list to date. The anti–siphoning list currently consists of certain domestic and international sporting events in 12 major categories: 10 key sports categories (which include National Rugby League, Australian Football League, rugby union, cricket, soccer, tennis, netball, golf, motor sports and horse racing) plus the Olympic Games and the Commonwealth Games.

Broadcasting rights to events on the anti-siphoning list can only be acquired by subscription TV licencees if:

- the FTA TV rights in the listed event are acquired by a commercial television licensee (who has the right to televise the event to more than 50% of the population);
- or a government-owned broadcaster (ABC or SBS); or
- such rights are not acquired by a FTA TV broadcaster 12 weeks before the start of the event.

Unless an exemption is obtained by a rights holder, the events currently listed on the anti-siphoning list cannot be shown on a secondary channel unless they are first shown (or shown simultaneously) on the FTA TV broadcaster's primary channel.

2.2.5.4 Content requirements

Minimum levels of Australian content on commercial television are mandated by content standards imposed by ACMA on all commercial FTA TV licence holders. These include obligations to broadcast minimum levels of "first release" Australian drama programs. Commercial FTA TV licence holders also have obligations to broadcast minimum levels of children's programming, as well as to refrain from broadcasting certain types of restricted materials (such as films classified R18+ that have not been modified).

In addition to the mandatory requirements imposed by ACMA, commercial FTA TV licensees are also effectively bound by the Commercial Television Code of Practice that prohibits certain types of programs and advertisements and places limits on the amount of advertising and other non-program matter. Finally, licence conditions under the Broadcasting Services Act regulate specific matters, including tobacco and therapeutic goods advertisements, sponsorship announcements on community TV and the broadcast of political matter.

2.2.5.5 Retransmission

Retransmission refers to the "rebroadcast" of a broadcasting service in the form in which it originally went to air (i.e. unaltered) and at a time that is simultaneous with the original broadcasting transmission (e.g. the simultaneous rebroadcasting of Channel Nine by a subscription TV operator). Generally speaking, the regulatory regime contained in the Broadcasting Services Act does not apply to a retransmitted commercial broadcasting service, so long as the retransmission only occurs within the relevant licence area.

Although a person who retransmits a broadcast is exempt from action where they rebroadcast in accordance with the Broadcasting Services Act, this does not protect them from any action for infringement of copyright in relation to the underlying works and subject matter embodied in the broadcast for which a separate licence is required. Retransmitters such as subscription TV operators obtain these licences as a matter of course.

In practice, while retransmitters do not need to enter into arrangements with broadcasters, parties such as subscription TV operators typically do so to facilitate retransmission, particularly in relation to retransmission via satellite due to the significant costs involved. Details of Nine Network's arrangements with Foxtel are summarised in Section 3.2.2.

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2.3 Live events industry overview

2.3.1 Overview

The Australian live events industry comprises venues, promoters, sports federations, producers, performing arts companies, festival organisers and ticketing companies that provide services to live events including sports fixtures, concerts, theatre, exhibition and lifestyle events. The majority of industry revenue is generated through the sale of tickets to live events and ancillary revenues. The largest segments of the ticketing industry are sporting events and concerts.

2.3.1.1 Industry drivers

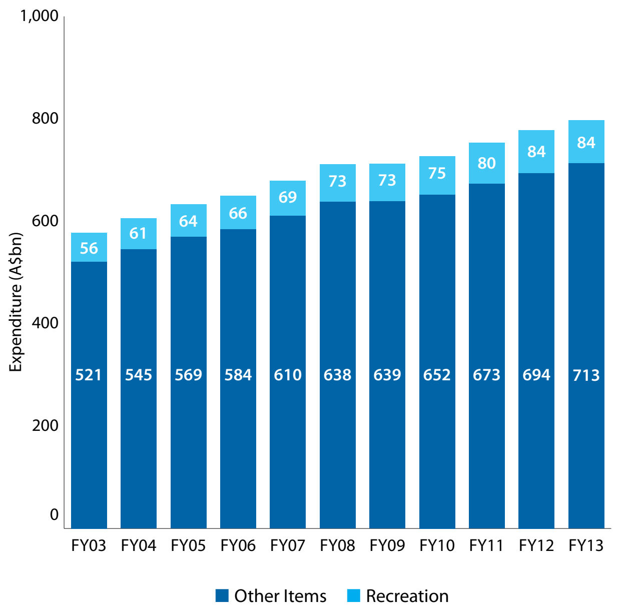
The Australian live events industry is driven by a number of factors, including:

- the availability and quality of performing artists and events; and
- the level of household consumption expenditure and, in particular, expenditure on recreational and cultural events.

Approximately $84 billion was spent by households on recreation and culture in the year ended June 2013. Recreation and culture in this context includes, among other things, expenditure on live entertainment such as sporting events, music concerts, live theatre, dance festivals, national parks, zoos, art galleries and museums.

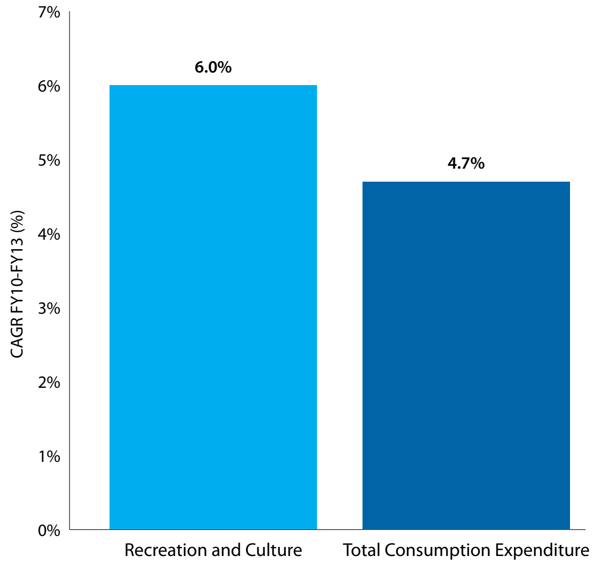
This type of household consumption is influenced by general economic conditions. Between FY2010 and FY2013, Australian expenditure on recreation and culture experienced an above-average CAGR of 6.0% compared to a total household expenditure CAGR of 4.7%.

Figure 5: Australian household consumption expenditure (FY03-FY13)(A$bn, June YE)



Source: Australian Bureau of Statistics, Australian National Accounts – Household Final Consumption Expenditure (HFCE) (5206.0 – Table 8), June 2013.

Figure 6: Growth in Australian household consumption expenditure (CAGR, FY10-FY13, June YE)



Source: Australian Bureau of Statistics, Australian National Accounts – Household Final Consumption Expenditure (HFCE) (5206.0 – Table 8), June 2013.

2.3.1.2 Live sporting events

Live sporting events continue to attract the largest crowds relative to other forms of live entertainment in Australia, and accounted for approximately 57% of Ticketek's ticket sales volume in FY2013. Popular sports, such as rugby league, cricket, Australian Football League and soccer, and their supporter networks, generate high levels of demand for tickets and repeat business.

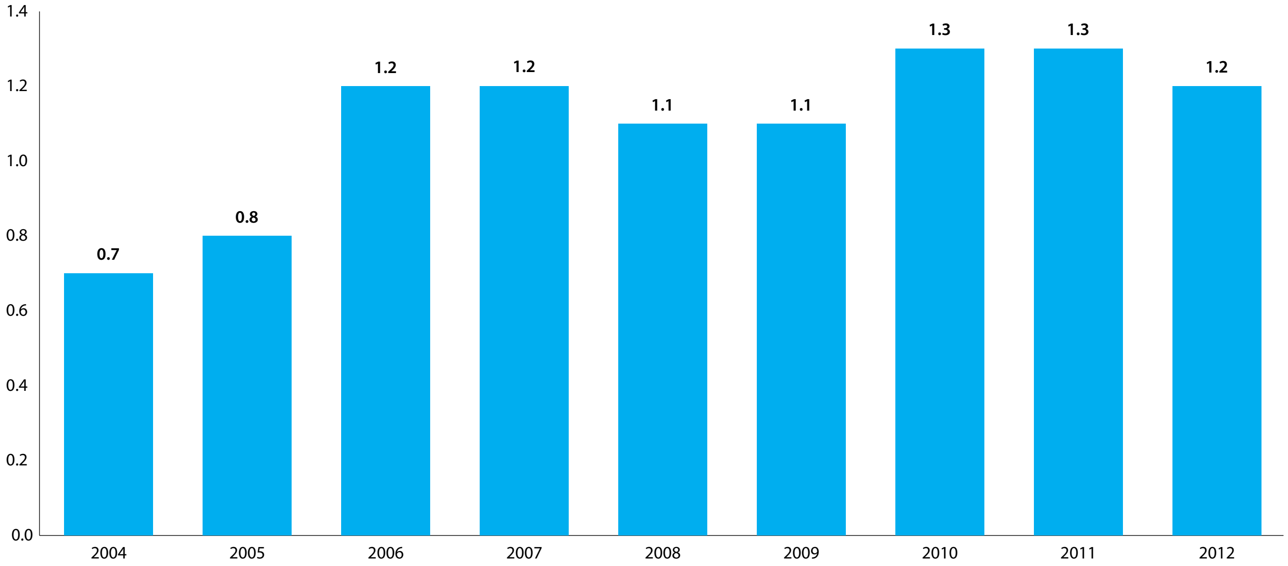
The live sporting events industry is also attracting an increasing number of international sporting events. The popularity of international sporting codes, such as the English Premier League and Major League Baseball, has seen a number of exhibition or tour matches held or scheduled to be held in Australia. These include Manchester United, who played at ANZ Stadium in Sydney, and Liverpool, who played at the Melbourne Cricket Ground, in July 2013, and the Los Angeles Dodgers and the Arizona Diamondbacks, who are scheduled to play at the Sydney Cricket Ground in March 2014.

2.3.1.3 Live entertainment

Live entertainment (using the Live Performance Australia definition) includes live music, theatre, lifestyle and exhibition events, but excludes live sporting events. Live entertainment expenditure (excluding sports) has demonstrated growth over the last 10 years, having grown at a CAGR of 7.2% between 2004 and 2012, driven mainly by growth in the volume of tickets purchased during this period and increasing ticket prices.

Since 2010, the live entertainment industry has remained relatively stable and generated expenditure of $1.2 to $1.3 billion per annum, in line with historically high levels in 2006 and 2007 despite the impact of general business and consumer uncertainty as a result of the European debt crisis and periods of global economic weakness.

***Figure 7:** Live entertainment expenditure in Australia (December YE, A$bn)*



Notes

1. *Attendance based on both paid and unpaid tickets. Live entertainment includes live music, theatre, lifestyle and exhibition events, but excludes live sporting events. Live entertainment expenditure is based on the definition used by Live Performance Australia.*
2. *Due to an under-reporting of revenue in 2011 in the Festivals (Multi-Category) Category, revenue for 2011 has been adjusted from $1,307,300,786 to $1,309,187,150; a difference of approximately $1.89 million. The average ticket price has also been adjusted from $85.86 to $85.99. Attendance figures were not affected.*

Source: Live Performance Australia, Ticket Attendance and Revenue Survey 2012, Total Revenue, Attendance and Average Ticket Price (2004-2012), 2013, pg 10.

Live music (or concerts) represents the largest category in the live entertainment industry based on ticket sales and Australia is one of the highest yielding live music industries globally. Attendance levels and ticket prices for live music events have increased in recent years, in part due to an increase in the number of high profile international acts touring Australia, such as Coldplay, Bruce Springsteen, One Direction, AC/DC, Lady Gaga, U2, Michael Bublé, Elton John, Pink, Foo Fighters and Radiohead.

The increase in high profile international acts touring Australia is driven by a number of factors including Australia's geographical position (making it complementary to Northern Hemisphere touring schedules), and its low geopolitical risk. In addition, the continuing decline in album sales (and the attendant decline in artist revenue from royalties from album sales) is resulting in artists becoming more reliant on revenues from concert tours and the promotional benefits of live tours.

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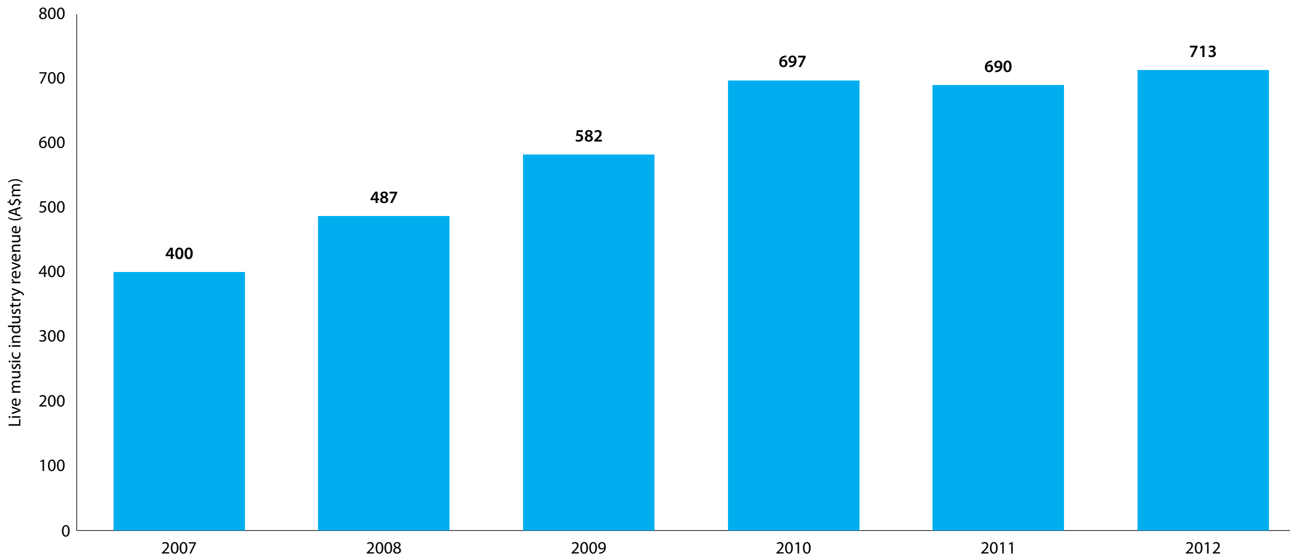
Figure 8: Australian live music industry revenue (A$m, December YE)



Source: (for 2008-2012) PriceWaterhouseCoopers, PwC Australian Entertainment & Media 2013–2017 Outlook, Live Music Market 2008-2012, 2013, pg 109; (for 2007) PwC Australian Entertainment & Media 2012–2016 Outlook, Live Music Market 2007-2011, 2012, pg 147.

Theatre represents the second largest category in the live entertainment industry based on ticket sales. The last two years have seen an increase in the number of Broadway and West End shows coming to Australia, such as Wicked, Mary Poppins, Jersey Boys, Hairspray, Phantom of the Opera, The Lion King and Les Misérables. This segment also derives ancillary ticketing revenues from ancillary ticketing services including flights, accommodation and dining packages.

Other segments include the lifestyle and exhibition genres, which currently account for 9% of ticket sales volumes. Examples of recent events include "family friendly" shows such as Disney On Ice and exhibitions such as Picasso at the Art Gallery of New South Wales and Harry Potter at the Powerhouse Museum, in Sydney.

2.3.2 Overview of ticketing industry

Ticketing services for the Australian live events industry are currently provided predominantly by Ticketek and Ticketmaster. Ticketek is owned by NEC and is the largest participant by ticket sales volume in Australia and New Zealand. Ticketmaster is a ticket sales and distribution company based in the United States and is part of Live Nation Entertainment, which is listed on the New York Stock Exchange. The remainder of the industry is represented by self-ticketing venues and independent operators such as MoshTix and Venuetix. Ticketing providers typically generate revenue by charging a fee per ticket sold. This fee is typically based on a fixed percentage of the ticket value; however, it can also be based on a flat fee per ticket sold.

2.3.3 Technology and product development trends

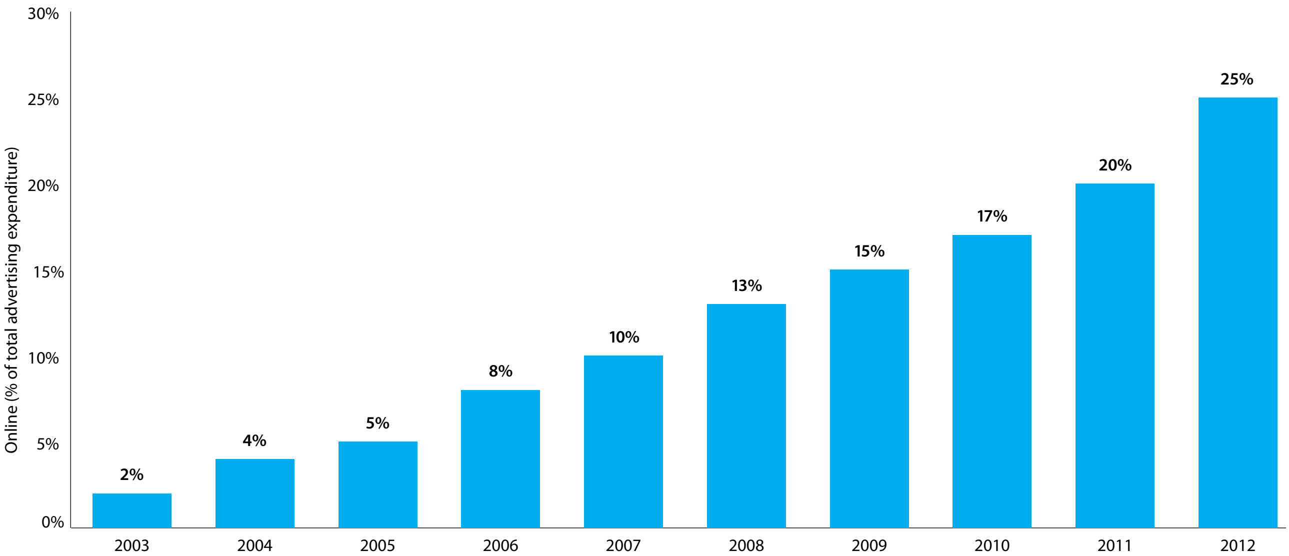
Migration of customers to digital (online and mobile) sales and distribution channels has accelerated in recent years, delivering higher profitability per ticket sold from lower incremental and overhead costs. The development of mobile sites and applications with digital transactional capabilities has enabled ticket purchasers to purchase tickets anywhere and anytime and is expected to continue growing. In addition, migration to digital channels has provided further opportunities to leverage traffic and transactions to drive ancillary ticketing revenues such as digital and video advertising, data revenues, up-selling and cross-selling, lead generation and mobile platform sponsorship. These developments in technology present ticketing service providers with opportunities to increase digital revenues through core ticketing activities.

2.4 Online media industry overview

2.4.1 Size and historical growth

As outlined in Section 2.1, the online media industry generated advertising revenue of $3.3 billion in 2012 and has experienced strong historical growth over the last 10 years as advertising has shifted online primarily at the expense of newspapers and magazines. The online segment attracted 25% of total advertising expenditure in 2012 compared to 2% in 2003.

***Figure 9:** Online as a % of total advertising expenditure*

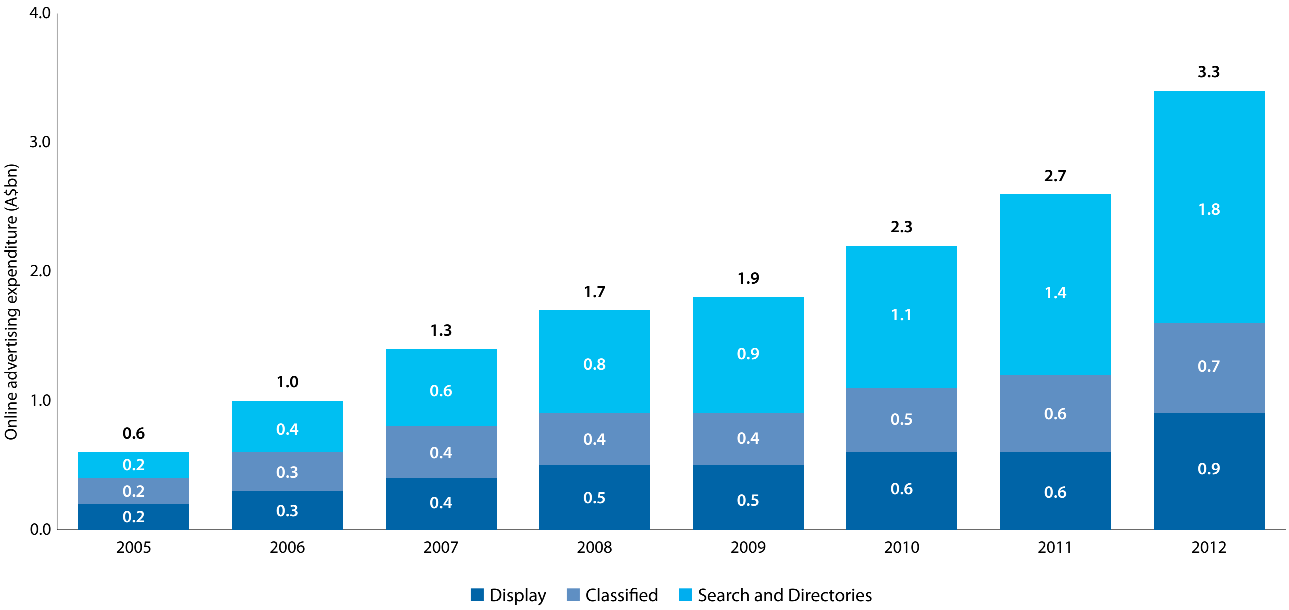


Note

1. Chart based on series data published on an annual basis.

Source: CEASA, Advertising Expenditure in Main Media, Year ended December (1997-2012), The CEASA Report, Advertising Expenditure in Main Media (2003-2012), 2004-2013.

***Figure 10:** Online advertising expenditure breakdown by segment (2005-2012)*



Source: CEASA, Advertising Expenditure in Main Media, Year ended December (1997-2012), The CEASA Report, Advertising Expenditure in Main Media (2005-2012), 2005-2013.

section 2 industry overview

2.4.2 Industry segments

Advertising revenue across the online media industry is sourced from three main segments: search and directories, online display, and online classifieds advertising.

Mi9 operates in the Australian online media industry, primarily through its publishing of general display advertising. Mi9 also operates in the search and directories segment but has no operations in the online classifieds segment.

***Table 3:* Online media industry segments**

Segment	Share of advertising expenditure (2012)	Key participants	Key trends
Search and directories	54%	• Google • Bing • Yahoo • Telstra	• Significant growth in search advertising • Google continues to dominate this segment and has partnered with Yahoo
Online display	26%	• Google • Facebook • Mi9 • Fairfax Digital • Yahoo!7 • Telstra • News Digital Media	• Significantly increased role and value of consumer data in advertising targeted at consumers based on online behaviour • TV/online convergence – growth of online video/ Catch-Up TV/multi-screen applications • Device proliferation – personal computer, mobile, tablet, television • Fragmentation and commoditisation of content – downward pressure on margins for basic content
Online classifieds	20%	• Jobs – Seek • Real estate – realestate.com.au • Automotive – carsales.com.au	• Network effects create strong leadership advantage in each category with leader taking disproportionate share of revenue and profit

2.4.3 Key participants in the display advertising segment

The top 10 online brands by audience reach in Australia comprise search engines such as Google, social media platforms such as Facebook, video websites such as YouTube, online retail, technology and news and entertainment portals.

Diversified media companies, such as Mi9, Yahoo!7 (a joint venture between Yahoo! and Seven), News Digital, Fairfax Digital and Telstra, are able to utilise their existing customer base and unique content to establish leading online news and entertainment portals. This differentiates these media companies from online publishers, such as search engines and social media platforms. Diversified media companies are also able to offer significant cross-platform opportunities to advertisers, particularly across their television and online businesses.

2.4.4 Privacy regulations

As businesses which collect, store and use personal information about their customer bases, Nine Network, Nine Events and Mi9 are subject to the requirements of the National Privacy Principles (from 12 March 2014, the Australian Privacy Principles) and other provisions of the *Privacy Act 1988* (Cth) (Privacy Act). Generally, these businesses collect information from their customers for their own purposes. However, for contractual and commercial reasons, these businesses provide limited personal information to third parties, for example in the case of Ticketek, to venue and promoter clients in relation to bookings for events ticketed by Ticketek for those venue and promoter clients.

The National Privacy Principles and the Australian Privacy Principles limit the ways in which personal information about a customer may be used and disclosed and require open and transparent management of personal information.

Nine Network, Nine Events and Mi9 each publish privacy statements to customers as to collection, and use of personal information. Where limited personal information is disclosed to third parties, the privacy statements state the purpose of disclosure, the extent of information so provided and the class of recipients of this limited personal information.

The National Privacy Principles and the Australian Privacy Principles also require Nine Network, Nine Events and Mi9 each to take reasonable steps to protect personal information from misuse, interference and loss and unauthorised access, modification or disclosure.

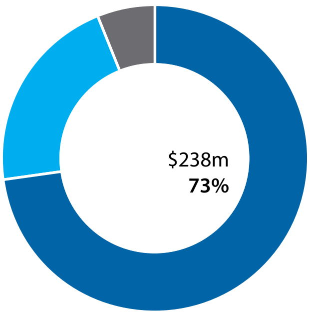
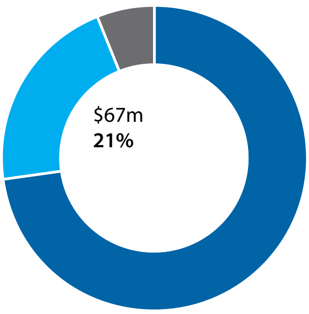
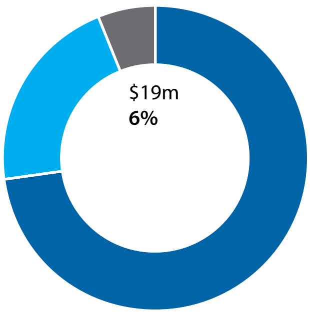
The Australian Privacy Principles enter into effect from 12 March 2014. Guidelines to their intended operation are currently being developed and released for public consultation by the Office of the Australian Information Commissioner. NEC will be reviewing guidelines as they are finalised and considering any other regulatory developments that affect operation of the Privacy Act and whether amendments to privacy statements and privacy notices are required.

section 3
company overview

section 3 company overview

3.1 Overview of NEC

NEC is a leading Australian media and entertainment company organised in three divisions: Nine Network, Nine Events and Nine Digital and Ventures.

	Nine Network	Nine Events	Nine Digital and Ventures
Key Assets			
Description	• Owns FTA TV licences in the capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide as well as in regional Northern New South Wales and Darwin which, together with its regional affiliate arrangements, give Nine Network a national audience • Broadcasts to other regional areas via affiliate network agreements • Primary channel (Channel Nine), complemented by two secondary digital channels: GO! and GEM	• Provides services across the entire live events life cycle • Ticketek is a leading ticketing operator, having issued over 22 million tickets to thousands of live sports and entertainment events in FY13 • Allphones Arena is a concert and entertainment arena located in Sydney • Nine Live provides touring, promotion and event management services and Nine Rewards provides digital marketing services	• Manages a diverse portfolio of brands and investments • Mi9 houses the ninemsn network, which comprises more than 60 websites • Responsible for 33% investment in Sky News Australia, a 24-hour news provider, and approximately 16.7% ownership of Yellow Brick Road, a financial services company listed on the ASX
Position	• A leading FTA TV broadcast network in Australia with the No. 1 audience position across its aggregated traditional licence areas of Sydney, Melbourne and Brisbane[1]	• No. 1 ticketing business in Australia and New Zealand by ticketing sales volume	• A leading Australian online publisher, reaching approximately 10.5 million active Australian online users every month
Pro forma FY14 EBITDA contribution[2]			

1. Consolidated Data. No. 1 audience position is based on Total Individuals, Commercial Network audience share between 6am-midnight across the aggregated traditional metropolitan licence areas of Sydney, Melbourne and Brisbane between 1 January 2013 and 13 October 2013.
2. Pro forma FY14 EBITDA contribution before corporate costs. EBITDA above has been adjusted to reflect the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Result as outlined in the table provided in Section 4.3.2 with the exception of adjustments 3 and 12 relating to the pro forma interest expense and the tax effect of the pro forma adjustments which do not impact pro forma EBITDA. Nine Digital and Ventures' EBITDA figure includes share of associates' NPAT.

3.1.1 Company history

NEC's divisions are established leaders in the Australian media and entertainment industry. The Nine Network was the first commercial broadcaster to obtain an FTA TV broadcasting licence and has broadcast to the Australian public since 1956. Ticketek was established in 1979 and is a leading provider of ticketing services in Australia and New Zealand. ninemsn was established in 1997 and has consistently ranked as having one of the largest online audiences in Australia.

Table 4: Select company history

1956	• Nine Network established
1990	• WIN affiliation with Nine Network commenced
1992	• NBN (regional FTA TV broadcaster in Northern New South Wales) becomes an affiliate
1997	• ninemsn established (50:50 joint venture between NEC and Microsoft)
2007	• Acquired NBN • Acquired Ticketek and Sydney Superdome (with its long-term lease over what is now called Allphones Arena)
2009	• Nine Network launched digital channel, GO!
2010	• Nine Network launched digital channel, GEM
2011	• Divestment of interest in carsales.com.au • New investment in Yellow Brick Road (financial services) • Mi9 announced as umbrella to digital businesses (which includes ninemsn)
2012	• Divestment of ACP Magazines
2013	• Divestment of interest in iSelect (by Mi9) • Acquired Adelaide station and renewed regional affiliate agreement with WIN • Acquired Perth station and an exclusive first right to negotiate with WIN for future divestments (subject to the 75% audience reach rule) • Agreement to acquire Microsoft's 50% interest in Mi9 reached

3.1.2 NEC's integrated platform

NEC's leading Australian media and entertainment industry presence across television, events and online allows it to capture opportunities across these segments – both by growing audience and advertising share.

NEC can deliver its entertainment content in multiple ways through FTA TV broadcasting, digital channels and online on Mi9's news and entertainment portal. This provides NEC with opportunities to increase viewership of FTA TV content, ticket sales to live events, and user engagement across its digital businesses and investments. It also allows consumers to engage in its content in multiple ways. This access and engagement support audience loyalty and growth, and, for live events, ticket purchases. For example, for the 2013 NRL State of Origin, additional content was made available through Jump-In, an interactive tablet application that allowed viewers to replay highlights from multiple camera angles and in slow motion, browse for a try, goal kick, and player, view live statistics and historical State of Origin footage, participate in the official Twitter feed and interact with other viewers while they watch. During Game 1, there were over 130,000 Jump-In visits and over 113,000 video views.

Advertisers are seeking increasingly integrated solutions from major media companies to achieve their sales and marketing objectives. NEC's platform, coupled with its significant reach to consumers via FTA TV, live events and online media, provides advertisers and event promoters with unique and effective ways of delivering their advertising messages and engaging with audiences.

A recent example of a unique cross-media campaign included the promotion of a leading Australian retailer involving the band One Direction conducted by Nine Live. In the campaign, an in-store promotion was supported by television advertising on the Nine Network; an exclusive concert promoted and ticketed by Nine Events to be held at Allphones Arena; and online display advertising on Mi9. By having business operations across television, events, and digital advertising on the Mi9 network of sites, NEC can reinforce advertisers' messages to consumers by reaching them across multiple media, and can develop and implement unique ideas that are valuable to advertisers.

NEC's cross-media assets also allow it to better understand its audience, assisting with the creation of more targeted content and advertising. For example, audience interaction online during the 2013 federal election informed broadcast coverage.

section 3 company overview

3.2 Nine Network

3.2.1 Revenue model

Nine Network's revenue is principally derived from the sale of advertising, with the remainder predominantly sourced from fees received from regional affiliates (which are predominantly a fixed share of an affiliate's revenues from the sale of advertising), program sales and program supply fees.

Nine Network has relationships with all of the major advertising agency groups, whose clients collectively represented approximately 83% of Nine Network's gross advertising revenue in FY2013. Nine Network generally establishes annual trading frameworks including key trading terms with these major agencies, which include commitments about NEC's overall share of the agencies' clients' estimated advertising expenditure. Ratecards, outlining the standard prices of advertising opportunities across the business, are created annually based on market conditions and prior year audience performance. Discounts may be provided against the ratecard prices and negotiated between Nine Network and the client, or the agency on behalf of the client.

Forward advertising bookings are generally subject to significant variations, with approximately 50% of Nine Network's annual revenue generated from casually traded business with generally shorter lead times.

3.2.2 Broadcast operations

Nine Network broadcasts nationally and it owns FTA TV licences in the capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide as well as in regional Northern New South Wales (through its ownership of NBN) and Darwin. Nine Network owns one of only three commercial FTA TV licences in each of these regions. Nine Network also holds and operates datacasting licences in each of its broadcast licence areas.

Apart from its own broadcasting operations, Nine Network content is broadcast into other areas of regional Australia through affiliate agreements. The main affiliate agreement is with WIN which broadcasts to audiences in the regional areas of Southern New South Wales/ACT, Queensland, Victoria, South Australia, Western Australia and Tasmania.

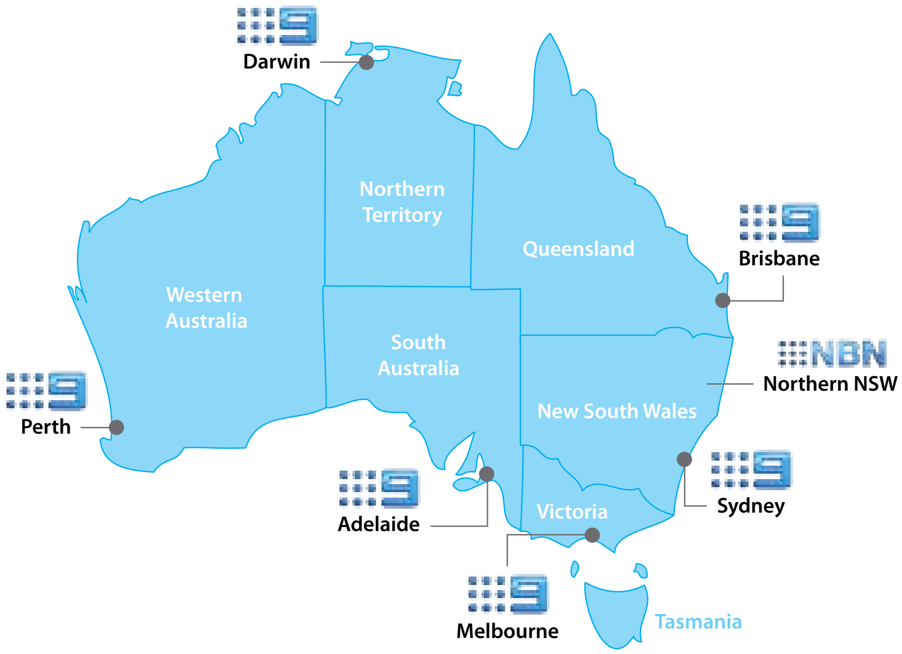
Nine Network also has regional affiliate agreements in place with Southern Cross Media, which broadcasts to the Spencer Gulf and Broken Hill television licence areas in South Australia and New South Wales respectively, and Imparja Television, which broadcasts in Alice Springs and other remote regions of Australia. Under current agreements, Nine Network generally supplies programming content to holders of commercial broadcasting licences in other areas in return for an agreed percentage of advertising revenue.

Nine Network broadcasts its content terrestrially over the air in Sydney, Melbourne and Brisbane utilising transmission infrastructure owned and managed by TX Australia Pty Limited (TXA). TXA is a joint venture of Nine Network, Seven Network and Network Ten. None of those broadcasters has service level agreements with TXA; rather, they rely on their ownership and board representation on TXA to ensure access to facilities, infrastructure and continuity of transmission. Nine Network owns broadcast transmission infrastructure directly in Perth, Adelaide, Northern New South Wales and other smaller licence areas. Play-out of transmission signals is completed in house in Nine Network's centralised national presentation and play-out centre in Sydney which provides play-out services for all of Nine Network's FTA TV licence areas nationally[3]. The facility was established in 2011 and required an investment of approximately $24 million.

Retransmission of NEC's FTA TV content is provided at no cost to Foxtel and Nine Network is charged for the costs of transmission of the Nine Network's content via satellite. NEC is party to a deed with Foxtel, which requires NEC to pay Foxtel to reimburse it for the costs of two of Nine Network's channels (Channel Nine and GO!) being retransmitted by Foxtel via satellite. NEC is not required to pay to Foxtel any cost reimbursement for the retransmission of those channels via cable. There are only limited rights to terminate the deed.

3. Play-out of Nine Network's transmission signals to Adelaide and Perth will, until December, continue to be carried out by WIN's Sydney play-out facility before these services are transitioned to Nine Network's Sydney digital play-out facility.

Figure 11: Nine Network's national broadcast platform



WIN regional Australia affiliate areas

- Southern New South Wales/ACT
- Queensland
- Victoria
- Western Australia
- South Australia
- Tasmania

3.2.3 Programming and content

3.2.3.1 Programming and content strategy

Nine Network has aligned its content strategy with its target audiences and its key focus is on attracting viewers who are aged between 16 and 54 years old. This audience demographic is generally the most attractive to major advertisers and represents approximately 80-85% of total advertising expenditure.

Nine Network operates five channels and its leading channel, Channel Nine, is focused on the key 16-54 year old demographic in which it currently holds the leading audience share position[4] in its aggregated traditional licence areas of Sydney, Melbourne and Brisbane. Nine Network also operates channels GO! (targeted at those under 40 years old) and GEM (targeted at females who are 35 years and older) which were launched in 2009 and 2010 respectively. In addition, Nine Network operates two datacasting channels, Extra and Extra 2, which predominantly feature programs created by advertisers across a range of categories. The launch of these additional digital channels has increased the size of Nine Network's viewing audience and enabled existing content to be used in a more targeted manner to generate revenue.

Nine Network's content includes a combination of strong locally produced programs and exclusive international content arrangements. It is organised into four categories: news and current affairs, sports, local and international.

4. *Leading audience share position is based on People Aged 16-54, Primary Channel Only, Commercial Network audience share between 6am-midnight across the aggregated traditional metropolitan licence centres of Sydney, Melbourne and Brisbane between 1 January 2013 and 13 October 2013.*

section 3 company overview

Table 5: Content arrangements

News and current affairs	• Nine Network predominantly uses in-house capabilities to produce its news and current affairs content such as The Today Show and Nine News. • Nine Network also has an agreement with Buena Vista International, Inc in the United States, which provides access to news content.
Sports	• Nine Network holds exclusive FTA TV broadcasting rights for the National Rugby League and broadcasting and digital rights from Cricket Australia. These are two of the highest viewed sports in Australia and support the consistency of NEC's audience share, which is important to media agencies in selecting FTA TV networks for advertising placements. • For National Rugby League, Nine Network holds the exclusive FTA TV broadcasting rights until the end of 2017, which specifically include the rights to broadcast three of the eight weekly matches per round, the preliminary finals and the Grand Final as well as State of Origin and any Tri-Nations or Four Nations Test matches. There are restrictions on any other person being able to transmit (digitally or otherwise) any of Nine Network's matches simultaneously, or nearly simultaneously. • For Cricket Australia, Nine Network holds the exclusive FTA TV broadcasting rights for international cricket, which specifically include the broadcast of Test matches, one-day internationals and international Twenty20 events in Australia, until March 2018. The Nine Network has also secured certain digital rights for cricket in Australia until March 2018. In addition, the England and Wales Cricket Board and the Nine Network have an agreement for the exclusive FTA TV rights to broadcast Ashes series test matches with England for the 2015 and 2019 Ashes seasons (these rights also include non-exclusive rights to simultaneously transmit those matches by internet or other wireless systems). Nine Network also holds the FTA TV broadcasting rights for the 2012 and 2014 World T20 tournaments, and for the Cricket World Cup being held in Australia and New Zealand in 2015. • Premier sports content is strategically important as it is a significant driver of audience share and allows cross-promotion of other content.
Local	• Nine Network has agreements with production companies, such as Southern Star Entertainment, Shine Australia, FremantleMedia and Playmaker Media, for the production of a number of locally produced international franchises (including Big Brother, The Voice, and Australia's Got Talent) and drama series (such as House Husbands). Some of those agreements include options for Nine Network to require the production company to produce further series. • Nine Network has ownership interests in some local programs produced in-house, including The Block television series. • The broadcasting of Australian content is strategically important as there has been a shift in audience preferences to locally produced programs. Broadcasting of Australian content is also important in order to comply with regulatory requirements.
International	• Nine Network has content agreements with overseas studios, including Warner Bros, that provide it with access to television and movie content. • These agreements provide exclusive FTA TV rights to the included content. • The remainder of Nine Network's international content is obtained through discretionary expenditure with overseas production studios and distributors.

While all of Nine Network's content arrangements provide, at a minimum, the right to broadcast content on FTA TV (and in most cases, rights to a specified number of re-runs), there is variation in the way each arrangement provides for exploitation of digital rights. Generally, Nine Network either has limited digital exploitation rights (e.g. to allow Nine Network to transmit content on its Catch-Up TV service on Mi9 within up to 28 days of first screening) or none at all. In many cases, the arrangements impose restrictions on producers and studios preventing them from licensing another person to broadcast or transmit the content during an agreed 'holdback' period (e.g. to prevent broadcast on subscription TV or transmission on a web-based channel for specified periods prior to and following the date of first broadcast by Nine Network).

3.2.3.2 Performance of programming content

Nine Network's diverse program line-up delivered more top rating programs in 2013 (as at week 41) than that of any other network, with eight Nine Network programs ranked in the top 10 programs by audience.

***Table 6:* Top 10 FTA TV programs by total audience across aggregated 5-City licence areas, 2013 (weeks 7-41)**

Rank	Program	Audience ('000s)	Network
1	My Kitchen Rules – Winner Announced	3,270	Seven
2	The Block Sky High – Winner Announced	3,160	
3	Seven's AFL: Grand Final: Hawthorn v Fremantle	2,718	Seven
4	State of Origin Rugby League NSW v QLD 3rd – Match	2,607	
5	State of Origin Rugby League NSW v QLD 1st – Match	2,458	
6	The Voice Grand Final – Winner Announced	2,380	
7	State Of Origin Rugby League QLD v NSW 2nd – Match	2,255	
8	Rugby League Grand Final	2,246	
9	The Block: All Stars – Winner Announced	2,211	
10	The Voice – Wed	2,121	

Note:
Consolidated Data. 5-City. Total People. Commercial channels. Weeks 7-41, 2013. Ranked on average audience by primary description. When programs broadcast on the same broadcast day have been split into multiple primary descriptions, only the program description with the highest average audience has been included.

3.2.4 Position in the Australian FTA TV industry

NEC has been a long-term owner and operator of television stations in the metropolitan licence areas of Sydney, Melbourne and Brisbane as well as the regional licence areas of Northern New South Wales and Darwin. During 2013, NEC acquired television stations in Perth and Adelaide, which were previously operated as affiliate stations of the Nine Network and owned by WIN. Following these acquisitions, NEC owns and operates an integrated 5-City metropolitan broadcasting network for the first time in its history, which allows it to control the operations of each of these metropolitan licence areas.

3.2.4.1 Traditional metropolitan licence areas

Nine Network's traditional metropolitan licence areas of Sydney, Melbourne and Brisbane represent the three largest FTA TV licence areas by population size and revenue. In Nine Network's traditional metropolitan licence areas, Nine Network was the No. 1 broadcaster by total audience share (as at 13 October 2013)[5].

In its traditional metropolitan licence areas, Nine Network has generally increased both audience and revenue share over the last five years. In these areas, Nine Network's aggregated total audience share has increased from 34.6% to 39.0% between 2007 and 2013 YTD (to 13 October) and aggregated revenue share has increased from 32.4% to 39.1% between 2007 and the six months ended June 2013.

5. *Source: OzTAM. No. 1 audience position is based on total individual, commercial network audience share between 6am-midnight across the aggregated traditional metropolitan licence areas of Nine Network of Sydney, Melbourne and Brisbane between 1 January 2013 and 13 October 2013.*

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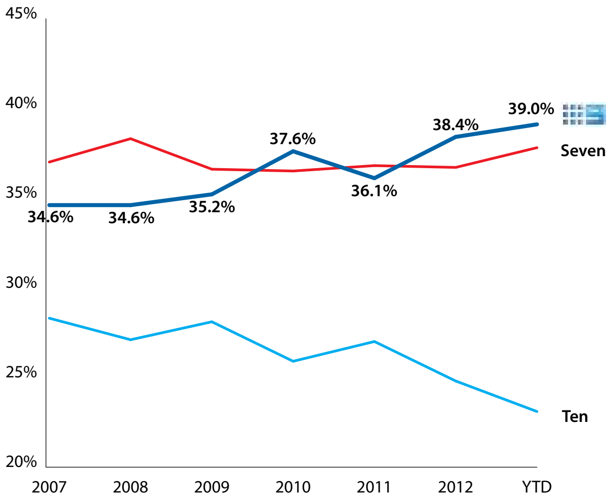
Figure 12: *Nine Network's traditional metropolitan licence areas aggregated audience share (2007-2013 YTD (to 13 October 2013))*



Source: OzTAM.

Note: Audience share based on total individual, commercial network audience between 6am-midnight. YTD 2013 represents the 1 January – 13 October period.

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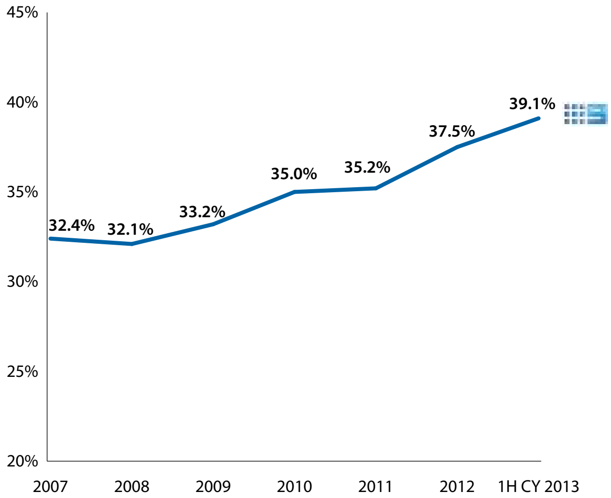
Figure 13: *Nine Network's traditional metropolitan licence areas aggregated advertising revenue share (2007-June 2013)*



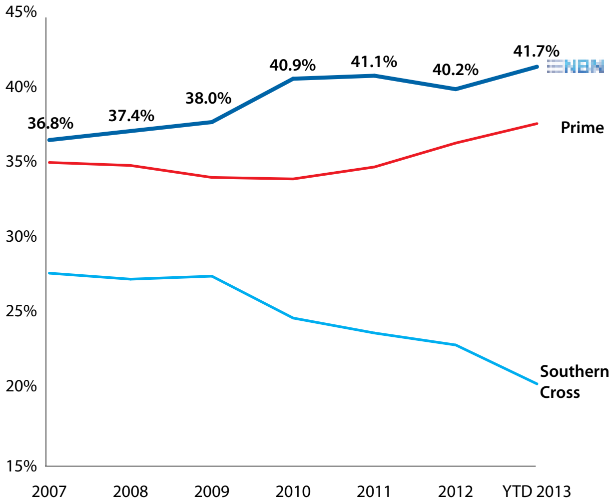
Note: 1H CY2013 represents January – June period.

3.2.4.2 Regional licence areas

In addition, Nine Network, through its ownership of NBN, has maintained its No. 1 position in Northern New South Wales by total audience share. Northern New South Wales is a key licence area for Nine Network, as it represents the fourth largest FTA TV licence area by population size.

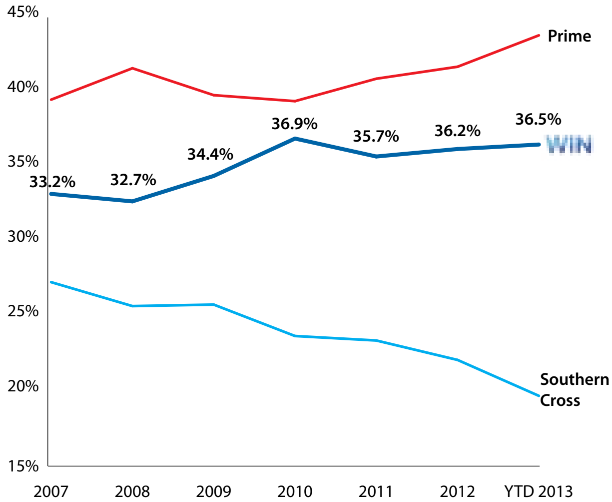
Nine Network's total audience share in Northern New South Wales has increased from 36.8% to 41.7% between 2007 and 2013 YTD (to 13 October). Nine Network's audience share performance in the Northern New South Wales licence area has consistently been above that in other regional licence areas where an affiliation agreement is in place with WIN.

Figure 14: *Northern NSW licence area audience share (2007-2013 YTD (13 October))*



Note: Consolidated Data. Audience Share is based on Total Individuals, Commercial Network audience share between 6am-Midnight. 2007 -2012 represents Calendar Years and YTD 2013 represents the 1 January 2013 to 13 October period.

Figure 15: *Other regional licence areas audience share (2007–2013 YTD (13 October))*



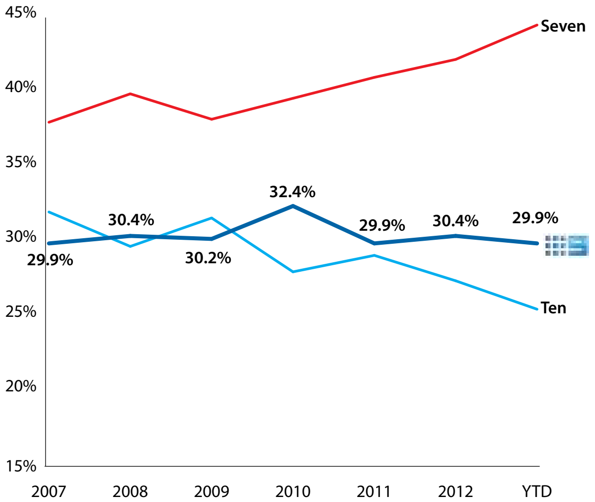
Note: Consolidated Data. Audience Share is based on Total Individuals, Commercial Network audience share between 6am-Midnight. 2007 -2012 represents Calendar Years and YTD 2013 represents the 1 January 2013 to 13 October period.

Other regional licence areas represents the aggregate regional licence areas of Southern New South Wales, Victoria and Queensland.

3.2.4.3 Newly acquired licence areas

The historical audience and revenue share performance in its newly acquired licence areas of Perth and Adelaide, under the control of WIN had been below Nine Network's performance in its traditional metropolitan licence areas. In its newly acquired licence areas, Nine Network's aggregated total audience share was 29.9% compared to 39.0% in its traditional metropolitan licence areas (as at 13 October 2013). In its newly acquired licence areas, Nine Network's aggregated revenue share was 31.4% compared to its 39.1% share in its traditional metropolitan licence areas during the six months ended June 2013.

Figure 16: ***Nine Network's newly acquired licence areas aggregated audience share (2007-2013 YTD (13 October))***



Source: OzTAM.

Note: Audience share based on total individual, commercial network audience share between 6am-midnight. 2013 represents 1 January – 13 October period.

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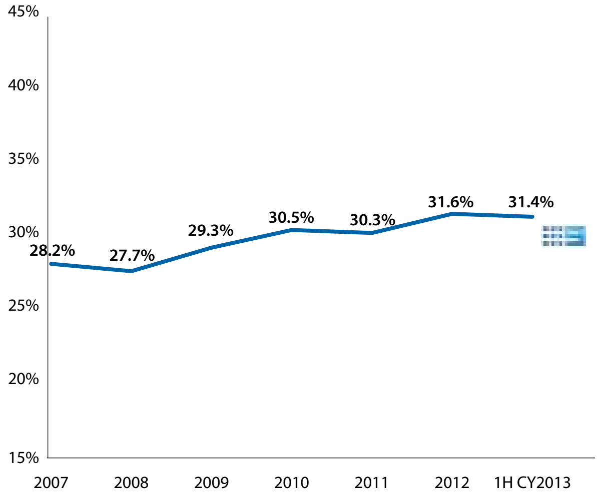
Figure 17: ***Nine Network's newly acquired licence areas aggregated advertising revenue share (2007-June 2013)***



Note: 1H CY2013 represents January –June period.

The underperformance of the Nine Network's newly acquired licence areas relative to its traditional licence areas has generally increased over the last five years, with the aggregated audience share differential increasing from 2.4% to 7.2% in Adelaide and from 5.8% to 10.8% in Perth between 2008 and 2013 YTD (to 13 October).

NEC's strategy is to increase its audience and revenue share in Adelaide and Perth by improving the operational practices of those stations as well as investing in the production of local news and current affairs so that these areas are consistent with the practices of NEC's traditional licence areas.

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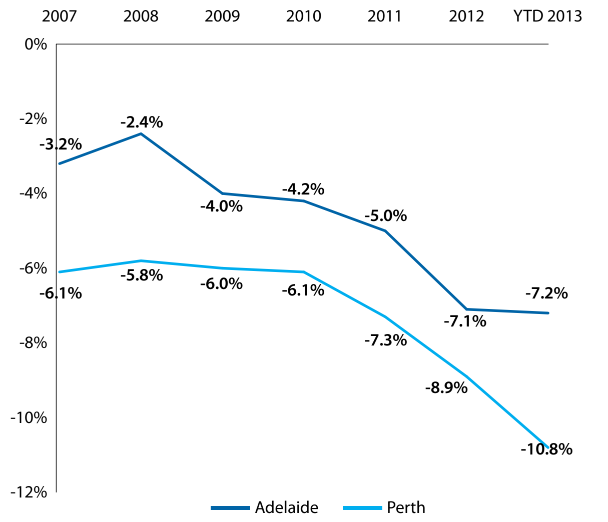
Figure 18: *Audience share differential (vs. aggregated Nine Network's traditional metropolitan licence areas) (2007-2013 YTD (to 13 October))*



Source: OzTAM.

Note: Audience share based on total individual, commercial network audience share between 6am-midnight. YTD 2013 represents January-13 October period.

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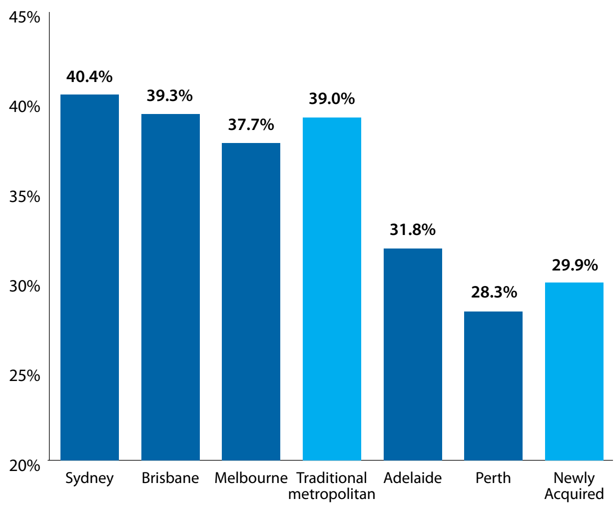
Figure 19: *Nine Network's licence area audience share (January-YTD 2013 (to 13 October))*



Source: OzTAM.

Note: Audience share based on total individual, commercial network audience share between 6am-midnight. YTD 2013 represents January-13 October period.

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3.2.5 Online video opportunity

NEC intends to develop and launch a new online video content service ("new service"). It is anticipated that this new service will contain a mixture of free and paid content services, building and significantly expanding upon NEC's existing Catch-Up Television offering delivered through the Mi9 website.

The new service will be complementary to NEC's existing FTA TV business as consumers seek quality content across a variety of media and devices. To ensure that the new service is available to the maximum number of consumers wherever they may be, it is intended that the new service will be largely device-agnostic (technology permitting).

Access to and expertise in content production and sourcing (including local content such as sports and current affairs) will form a key component of NEC's business model for the new service. NEC's existing arrangements with content suppliers and its own production expertise will support the development of this platform both through the utilisation of existing digital content rights and also via the strong relationships NEC has with content providers and experience in securing content arrangements. NEC's long-standing relationships with key advertising agency groups will assist in the development and sale of any advertising supported services. NEC's media assets will also support the growth of the new service, by allowing it to build awareness of the service and support audience growth.

3.3 Nine Events

3.3.1 Overview of Nine Events

Nine Events captures revenue throughout the entire event life cycle, underpinned by Ticketek and Allphones Arena, and has capabilities in online, data and technology. Ticketek is the leading Australian and New Zealand ticketing business by ticketing sales volume.

Figure 20: *Nine Events structure*

nine events

Ticketing and Digital Solutions	Entertainment Solutions	Data and Technology	Venue
Ticketek	nine live eventopia	nine rewards Softix	allphones arena
• Ticketing services, digital entertainment content and digital platform	• Touring, promoting live content, event management, consulting, sponsorship (Nine Live) • Online self-ticketing platform (Eventopia)	• Market research and data (Nine Rewards) • Licensed ticketing software (Softix)	• Venue operation and events management

3.3.2 Integration with NEC

The combined ownership of Nine Events, Nine Network and Mi9 provides NEC with various cross–promotional and cross-selling opportunities for each division. Live tours promoted by Nine Events provide opportunities to capture advertising expenditure and facilitates access to talent for exclusive broadcasts on Nine Network and display on Mi9. This relationship provides Ticketek venue and promoter clients with unique marketing assets, sponsorship and marketing support opportunities, and in return, Nine Network and Mi9 receive exclusive access to popular international talent.

3.3.3 Ticketek

3.3.3.1 Overview of Ticketek

Ticketek is a leading ticketing services provider to the live events industry in Australia and New Zealand and is the largest participant by ticket sales volume in Australia. Ticketek issues more than 22 million tickets per annum in Australia and New Zealand and has over 135 exclusive ticketing services contracts with venue and promoter clients. Nine of Australia's top 10 venues by ticketing sales volume are contracted to Ticketek. Ticketek is an industry leader and benefits from strong brand recognition (approximately 98%), technology leadership, customer data, long term venue partnerships and integration with Nine Network, Mi9 and the rest of the Nine Events businesses.

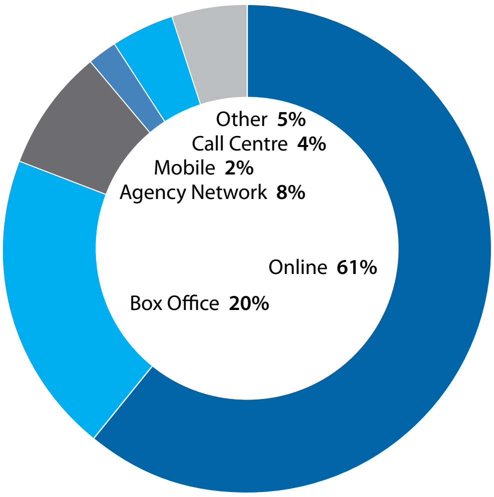
3.3.3.2 Business model

Ticketek generates revenue primarily from fees charged on tickets sold, and is focused on initiatives aimed at maximising ticket sales. These include the provision of end-to-end event ticketing solutions to venues and event promoters and maximising accessibility and flexibility for customers when purchasing tickets (mobile ticketing). Revenue is driven by the volume of, and the margin charged on, tickets sold. Ticketek sells tickets and promotes events through five ticket sales distribution channels: online, box office, agency network, mobile, and call centre. Other distribution channels include group bookings, memberships for sporting clubs and venues and subscriber services for MyTicketek members, which has data of over 4.5 million members.

Ticketek's digital initiatives, including its marketing, data and digital assets and capabilities, contribute to its strong position and provide ancillary revenue opportunities through up-selling, advertising sales, lead generation, ticket insurance and gift cards.

section 3 company overview

Figure 21: Ticketek's ticket sales volume by distribution channel in Australia and New Zealand (2013, June YE)



3.3.3.3 Relationship with Australian venues

A key driver of Ticketek's leading industry position is its long-standing relationships with venues and exclusive ticketing services contracts. Ticketek has relationships with over 135 venue and promoter clients across Australia and New Zealand to be the exclusive supplier of tickets to events of those venues or clients, including the largest indoor entertainment arenas in Australia and premier sporting venues such as the Melbourne Cricket Ground and Sydney's ANZ Stadium.

Table 7: Ticketek's major existing venue contracts in Australia

Venue	Location	Estimated total capacity (people)	Length of historical relationship
New South Wales			
ANZ Stadium	Sydney	83,000	13 years
Sydney Cricket Ground	Sydney	46,000	23 years
Allianz Stadium	Sydney	45,000	15 years
WIN Stadium	Wollongong	23,000	14 years
Allphones Arena	Sydney	21,000	14 years
Sydney Entertainment Centre	Sydney	10,000	Newly signed
Victoria			
Melbourne Cricket Ground	Melbourne	100,000	5 years
AAMI Park	Melbourne	30,000	3 years
Rod Laver Arena	Melbourne	15,000	13 years
Melbourne & Olympic Parks (other venues excluding Rod Laver Arena)	Melbourne	11,000	15 years
Queensland			
Suncorp Stadium	Brisbane	52,000	10 years
1300SMILES Stadium	Townsville	26,000	3 years
Brisbane Entertainment Centre	Brisbane	13,000	18 years
Western Australia			
Perth Arena	Perth	14,000	1 year (since opening)
South Australia			
Adelaide Oval	Adelaide	36,000	5 years
Hindmarsh Stadium	Adelaide	16,000	5 years
Adelaide Entertainment Centre	Adelaide	12,000	9 years

Ticketek has a proven track record of renewing key contracts and winning new contracts and has an average contract renewal rate in excess of 90% over the last five years. Ticketek is able to highlight the non-ticketing value-add capabilities of Nine Events, including live content, corporate hospitality, sponsorship assistance, event management and consulting services, which most other industry participants do not have. Venue contracts typically run for between three to seven years and provide Ticketek with exclusive ticketing rights for client venues. Out of its top 10 venues by FY13 revenue, three are due for contract renewal by the end of FY14. Ticketek has already been appointed as preferred tenderer for two of those three contracts and is currently in the process of finalising contractual terms

In respect of Ticketek's most significant exclusive contracts, the contract terms may include payment by Ticketek of a relatively large fee, which is generally structured as an upfront payment or as instalment payments over time (these fees are referred to as Key Money), the payment of rebates and the supply by Ticketek of certain ticketing infrastructure (such as turnstiles).

Under its arrangements, Ticketek has the right to charge fees which comprise part of the ticket price, transaction fees on each purchase and credit card fees. Fees are negotiated on a case-by-case basis with venues, and generally incorporate a clause for annual inflation-linked ticket fee increases.

3.3.4 Allphones Arena

3.3.4.1 Overview of Allphones Arena

Allphones Arena is the largest indoor entertainment arena in Australia and is a leading global live entertainment venue with seating capacity for 21,000 people. Allphones Arena is consistently one of the world's top 10 concert arenas by ticket sales volume and has hosted an average of over 735,000 attendees each year since FY09. Located in Sydney Olympic Park, approximately 30 minutes from the Sydney Central Business District, Allphones Arena is leased by NEC's wholly-owned subsidiary, Sydney Superdome Pty Ltd from the Sydney Olympic Park Authority until 2031.

Figure 22: Allphones Arena

section 3 company overview

3.3.4.2 Business model

Allphones Arena sources revenue from catering fees, venue rental fees from performances, suite leases, rebates on ticket fees, event merchandise sales, naming rights and sponsorship, and corporate sales and memberships. The operations of Allphones Arena are outsourced to AEG Ogden, a global facilities management company that is responsible for the management, maintenance and marketing of the arena. AEG Ogden is paid a management fee that has a fixed and variable component.

3.3.4.3 Event categories hosted at Allphones Arena

Allphones Arena is able to host events across a wide variety of entertainment categories including music concerts, family, sports, religious and dance. In FY13, music concerts comprised six out of the top 10 events by total attendance and the remainder were represented by religious and family events. Live events hosted or scheduled to be hosted at Allphones Arena during FY14 include Pink, One Direction, Cirque du Soleil (Michael Jackson) and Disney on Ice as well as events similar to those hosted in the religious category.

3.3.5 Entertainment Solutions

Nine Events also includes entertainment solutions businesses including Nine Live and Eventopia.

3.3.5.1 Nine Live

Nine Live is an integrated live entertainment, sports and lifestyle events business launched in 2011 that promotes live events, with over 1.2 million tickets sold to date. Artists that Nine Live has promoted (or co-promoted) include One Direction, Ricky Martin and Keith Urban. Nine Live also provides hospitality, sponsorship, consulting and event management solutions to event promoters, sports federations and corporate stakeholders.

3.3.5.2 Eventopia

Eventopia is a self-service online ticketing platform that allows event organisers to sell, market and manage ticketing for their events themselves. Eventopia's cloud-based technology gives event organisers the freedom to manage and customise their own marketing, finances, social media and box office solutions. Eventopia uses a low-cost pricing structure with free events not charged and paid events being charged approximately 2% to 4% per transaction. Eventopia is suitable for a growing number of small-to-medium scale events which are not currently covered by the Ticketek platform due their smaller scale.

3.3.6 Data and Technology

Nine Events also includes data and technology businesses including Nine Rewards and Softix.

3.3.6.1 Nine Rewards

Nine Rewards offers a range of digital marketing services in Australia and New Zealand to help clients promote their products, acquire new customers and gather valuable market insights. Established in 2007, Nine Rewards has over 1.4 million members across Australia, with a growing base of 70,000 members in New Zealand.

3.3.6.2 Softix

Softix is the technology and ticketing platform which powers the Ticketek ticketing platform and is one of the few systems globally that has the ability to deliver large-scale, multi-venue, agency style ticketing solutions.

Softix has a current client base of ticketing agents in Europe, South America, and South Africa and has a pipeline of new client opportunities in North America, Asia, the Middle East and the UK.

Softix generates revenue from upfront software licence and implementation fees and ongoing revenues through ticket royalties, support contracts and consulting fees. Softix also generates additional revenue through the release of new software products to new and existing clients.

3.4 Nine Digital and Ventures

3.4.1 Overview

Nine Digital comprises Mi9 and Nine Ventures comprises a number of investments held by NEC.

3.4.2 Nine Digital

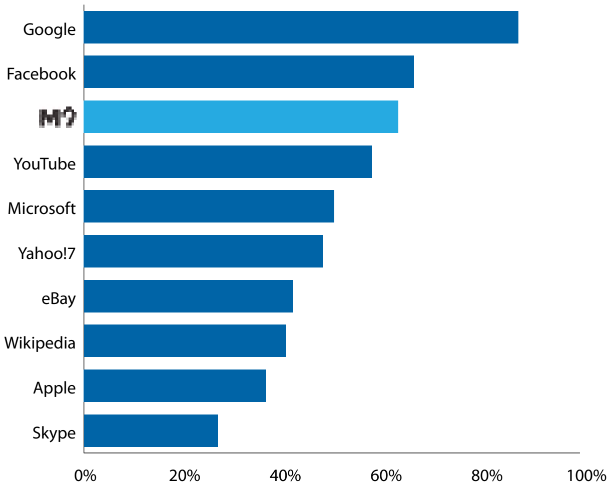
3.4.2.1 Overview

Mi9 is one of Australia's leading online media companies reaching approximately 10.5 million active Australian online users each month through an offering that spans publishing, online services, data strategies, consumer insights and advertising technologies. The Mi9 network represents the third largest online brand in Australia, behind Google and Facebook, reaching over 62% of the active Australian online audience.

Mi9 sells advertising on Microsoft properties, including Bing, Outlook.com, Skype and Xbox Live, under a commercial agreement with Microsoft and is a leader in premium online content environments including ninemsn.com.au, Nine News, Wide World of Sports and The FIX. Through these sites, Mi9 offers a wide range of advertising products including brand display, sponsorship, video, mobile, audience targeting, rich media and production of branded content.

Mi9 competes with international brands such as Google and Facebook for audience share; however, it is typically more focused on Australian content and competing for display advertising revenue against Australian online publishers including Yahoo!7, Fairfax Digital, News Digital and Telstra.

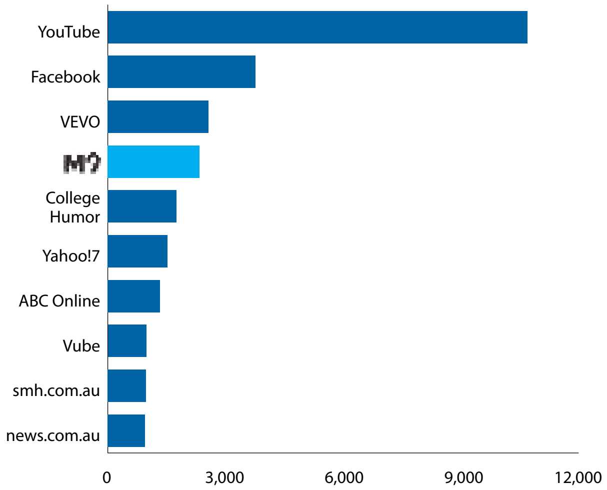
***Figure 23:** Top brands by audience active reach (August 2013)*



Note: Includes applications that access the internet

Source: Nielsen, The Australian Online Landscape Review, September 2013, pg 9.

***Figure 24:** Video streaming: top brands by unique audience (August 2013) ('000s)*



Note: Video streaming is defined as Hybrid streaming by Nielsen.

Source: Nielsen, The Australian Online Landscape Review, September 2013, pg 18.

Since its establishment in 1997, Mi9 was 50% owned by NEC and 50% owned by Microsoft. In October 2013, NEC and Microsoft agreed terms on which NEC would acquire Microsoft's 50% interest in Mi9 and Mi9 and Microsoft will have a continued commercial relationship in relation to technology, advertising sales services and supply of content (see Sections 3.4.2.3 and 10.14). As a consequence of the agreement, the joint venture which existed since 1997 was terminated on 1 November 2013. NEC consolidated Mi9 from 1 November 2013 with no non-controlling interest being recorded in the pro forma historical or forecast periods, although the transfer of shares and progress payments of the US$39.4 million cash amount payable in respect of the share purchase are spread over the period to July 2015.

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3.4.2.2 Business model

Mi9 generates revenue from the sale and publication of display advertising across over 60 websites that form the ninemsn network, on Microsoft products (Skype, Outlook.com, Xbox Live and Bing) within Australia and on its Jump-in companion application.

Revenue is also derived from mobile and SMS activity and the sale of paid search advertisements via the Bing Ads platform. Mi9 derives syndication revenue from selling aggregated content such as television listings and Electronic Program Guide (EPG) data to various companies, via its subsidiary HWW.

Mi9 also operates a premium third party display advertising network combining the reach of the ninemsn network with up to 150 third-party websites. Mi9 also sells display advertising from the ninemsn network and third-party websites via the Microsoft Advertising Exchange, a programmatic exchange that uses the AppNexus platform to connect advertisers with their desired audiences in real time.

Table 8: Media products

Mi9 video on demand	• Curates a range of video offerings to engage consumers and amplify the impact of campaigns, including short-form and long-form TV style video and Nine Network Catch Up Television.
Mi9 premium display	• Involves Mi9 working with advertisers to create media products, including video and traditional display advertising, related to their brand.
Mi9 sponsorships	• An offering where advertisers can fund a unique experience tied to a Nine Network television program or other online product in order to deepen audience engagement in their brand.
Mi9 data and targeting	• Allows advertisers to target their customers depending on campaign objectives, across a unique media mix that is designed to maximise audience engagement through scale and quality content. Mi9 also provides global and local insights into audience interaction with online media and brands. • Involves Mi9 making use of significant consumer insights to assist advertisers in targeting their messages to the right consumers. • Mi9 also has a strategic relationship with Experian that enables their offline data to be coupled with Mi9's rich data sources to improve targeting.
Mi9 interactive-TV	• Centres on Jump-in, a free TV companion/second screen app experience that allows users to enjoy rich ancillary content and behind the scenes information connected with a TV program.
Mi9 performance	• Involves display advertising that is purchased from the ninemsn network and over 150 third-party websites on a performance metric, such as cost per click or cost per acquisition.
Mi9 mobile	• Offers display advertising across 12 mobile sites.

Mi9 and Bauer Media are parties to a strategic alliance pursuant to which Bauer Media websites are incorporated into the ninemsn network and Mi9 has a right to sell advertising on Bauer Media websites under a revenue sharing arrangement.

In 2012, Mi9 in conjunction with NEC launched the Jump-in second screen application that brings together richer TV experiences for consumers while also offering Nine Network viewers the opportunity to catch up on the latest episodes of their favourite TV shows. An example of this experience was the 2013 NRL State of Origin series, where Jump-in users were provided with access to up to 16 different camera angles to watch key game highlights.

3.4.2.3 Relationship with Microsoft

From 1 November 2013, when the joint venture between NEC and Microsoft in relation to Mi9 terminated:

- Mi9 retained exclusive rights to use the "ninemsn" brand and non-exclusive rights to use the "MSN" brand, in connection with its business for an agreed transitional period. For at least this period, it will display the Bing search box and use Bing search for internet search queries. Mi9 will receive a percentage of revenue from search queries originating from any Mi9 site (including newly branded sites created by Mi9);
- During that transitional period, Mi9 will need to rebrand that part of its business which uses the "ninemsn" or "MSN" brands;
- Microsoft cannot permit a competitor of NEC or Mi9 to use the MSN brand, while Mi9 is continuing to use either ninemsn or MSN branding;
- Mi9 will continue to sell inventory on certain Microsoft products such as Skype, Xbox Live, Windows 8 apps, Outlook.com and Bing; for a minimum period to 30 June 2017 (subject to limited early termination rights); and

Mi9 will continue to receive from Microsoft certain core platform services until at least 31 December 2017 and other technology services and software until 1 November 2016 on the same cost basis as applied before 1 November 2013 (although in some cases, at no cost to Mi9).

Certain aspects of the relationship between Mi9 and Microsoft will change from 1 July 2014 , which will result in a different operating model and will have significant impact on the nature and level of future revenue streams, including:

- Mi9 will transfer assets relating to MSN New Zealand Limited's websites to a company controlled by Microsoft. As Mi9 will cease to own those transferred websites, it will not be entitled to retain all revenues generated from those transferred websites, but will be entitled to earn revenues as a reseller of display advertising on those transferred websites;
- the basis for calculating revenue payable to Mi9 with respect to the commercialisation of Bing search activities will vary. Mi9 has historically been entitled to receive all revenues from the commercialisation of Bing search queries in Australia and New Zealand. This arrangement will be varied, such that Mi9 will earn all revenues from the commercialisation of Bing search queries originating from its owned and operated properties (including the ninemsn network) as well as a smaller percentage of revenues as a reseller to premium customers of all Bing Search queries in Australia and New Zealand;
- Microsoft will cease to be obliged to redirect any traffic (including the current default landing pages for certain Microsoft products) to the ninemsn URL, which is expected to lead to a reduction in Mi9's future revenues; and
- new economics in relation to Mi9's role in reselling inventory for search and display advertising on certain Microsoft products and channels, such as Skype, Xbox Live, Windows 8 apps and Outlook.com, come into effect, which will result in a change in Mi9's underlying basis of generating revenues and its overall revenue mix.

Mi9 will be a content partner for certain services that Microsoft offers. Mi9 will make certain content consisting of stories, pictures and short form video (i.e. clips of less than 5 minutes) available to Microsoft, for use on such services, for a period of 3 years from 1 July 2014. Mi9's brand must appear most prominently on the Microsoft service, as compared to any other provider of content to the relevant service. Microsoft will pay Mi9 an annual fee in July 2014, 2015 and 2016, in connection with those content rights. The terms of that content licence have not yet been fully documented.

NEC believes that the new arrangements give NEC freedom to pursue strategic digital opportunities in Australia which were prohibited under the joint venture arrangements with Microsoft, and that the strategic benefits of the transaction include:

- enhanced strategic and operational alignment between NEC and Mi9 across consumer and advertiser propositions;
- creation of a combined 'centre of excellence' for digital media innovation and growth within NEC; and
- flexibility for NEC to pursue organic and inorganic digital media growth opportunities.

3.4.2.4 Mi9 portfolio

In addition to its core advertising business, Mi9 has a strong track record of creating and developing leading online investments in high growth areas.

Table 9: Mi9 investments

HWW 100% ownership	**Aggregator and publisher of content** • HWW specialises in the standardisation and enrichment of FTA TV and STV EPG metadata to support content discovery of linear and video-on-demand programs across multiple platforms. • HWW also provides EPG metadata management and enrichment solutions.
RateCity.com.au 50% ownership	**Financial comparison website** • Australian financial comparison website where users can search, compare and apply for over 7,000 financial products from over 200 institutions. • Joint venture with CANSTAR, Australia's leading financial research and ratings business, which supplies an exclusive high quality set of data to RateCity.com.au on consumer financial products in Australia via an exclusive partnership with CANSTAR. • Performance revenue model based on generating qualified leads for financial institutions.

In 2006, Mi9 acquired an approximate 33% equity interest in iSelect. In June 2013, Mi9 disposed of its stake raising approximately $115 million and generating a substantial profit on the original investment.

3.4.3 Nine Ventures

Through Nine Ventures, NEC assesses opportunities to invest in fast growing consumer-facing businesses, with a capacity to generate meaningful value. NEC is able to add value to its investments beyond financial investment via media support from its television and online businesses.

Nine Ventures continues to assess a number of opportunities and is actively seeking new investment opportunities. Nine Ventures is currently responsible for the following investments:

- ownership of 33% of the Australian News Channel, which is a three-way joint venture between NEC, Seven Network and British Sky Broadcasting Limited that owns and operates Sky News, a leading 24-hour news platform in Australia and New Zealand; and

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- ownership of 16.7% of Yellow Brick Road, an ASX listed, full service wealth management company that offers products and services for home loans, commercial loans, financial planning, insurance, superannuation, investments, accounting and tax.

3.5 Employees

As at 30 June 2013, NEC employed 2,369 full-time equivalent staff on a pro forma basis, including the Adelaide and Perth television stations.

There are approximately 1,801 employees working in the Nine Network business, 246 in the Nine Events business and 322 in the Nine Digital and Ventures businesses.

NEC recognises that its people are its major asset and its ability to attract, develop and retain personnel is important to the growth of the business. The scale of NEC's business provides wide ranging career opportunities for team members and further supports NEC's ability to continue to attract and retain the best talent available.

3.6 Growth strategy

3.6.1 Continue strong momentum and consolidate position as a leading FTA TV network

NEC intends to achieve consistent performance across Sydney, Melbourne and Brisbane and to increase its audience and revenue share in Adelaide and Perth, with an overall aim of developing a leading position in audience and advertising revenue share across the five capital cities. NEC believes that the integration of the Perth and Adelaide television stations and establishment of a national metropolitan broadcast platform will enable it to improve its performance in these cities and to increase its overall 5-City audience and revenue share. NEC also plans to use its digital channels to grow its total share of audience and revenue. NEC is also focused on optimising content returns through improved broadcast rights deals and affiliate arrangements, and maintaining disciplined cost management.

In programming, NEC recognises the importance of broadcasting leading news and current affairs and sports content and audience demand for local content, and is focused on continuing to make targeted investments in content to reflect audience preferences.

In general, NEC will consider specific merger and acquisition opportunities that arise having regard to the circumstances prevailing at that time. For example, in the event the 75% audience reach rule is materially amended or removed, the FTA TV industry could potentially experience consolidation. In that event, Nine Network would consider all of its options in light of market conditions and the actions of its competitors, amongst other factors, which may potentially involve NEC engaging in a merger or undertaking acquisitions.

NEC intends to develop and launch a new internet delivered online video content service. It is anticipated that this new service will contain a mixture of free and paid content services, building and significantly expanding upon NEC's existing Catch-Up Television offering delivered through the Mi9 website. See Section 3.2.5 for more information.

3.6.2 Utilise NEC's content and audience reach through its integrated platform to grow returns

The combined ownership of Nine Network, Nine Events and Nine Digital and Ventures provides NEC with various cross-promotional and cross-selling opportunities for all of its business divisions. NEC will continue to identify and pursue opportunities where it can utilise its content or audience reach to generate returns and cross-selling opportunities across its integrated platform. This includes investments through Nine Ventures, as well as commercial relationships with other businesses.

NEC will continue to develop its cross-business data strategy and explore opportunities to commercialise the data that is generated across its business divisions. NEC intends to improve financial returns by improving alignment and integration across its businesses, including its sales and marketing functions.

3.6.3 Maintain strong industry position and expand the Nine Events business

NEC intends to expand revenue streams and maintain the industry position of its core ticketing business via innovation, technology and business development. This includes successfully renewing major Ticketek contracts, increasing tours via Nine Live, and using its integrated business model to access talent and a variety of revenue streams. NEC will also use the content and media from other parts of NEC to support growth in Nine Events. NEC will also seek to explore new ways to utilise its online assets to grow online and data revenues.

3.6.4 Continue to grow Mi9 and other digital media assets

NEC intends to build on Mi9's position as a leading online network in Australia to grow audience and advertising revenue. It plans to expand its audience by increasing its content and the ways customers find and access this content, including via tablets and mobile devices. Mi9 expects to make changes in the user interface of Mi9's websites to support the development of content for tablets and mobile, and to support advertising growth in these areas.

Mi9's goal is to increase its advertising revenue through growth in audience, inventory, as well as making use of its data assets to improve yields and effectiveness of advertising. NEC also intends to build the revenue from the cricket digital products through advertising and subscriptions.

section 4
financial information

section 4 financial information

4.1 Introduction

The financial information for NEC contained in this Section 4 includes:

- statutory historical financial information for NEC, being the:
  - consolidated statutory revenue and Net Profit After Tax (NPAT) for FY11, FY12 and FY13 (Statutory Historical Results);
  - consolidated statutory cash flows from operating activities for FY11, FY12 and FY13 (Statutory Historical Cash Flows); and
  - consolidated statutory historical balance sheet as at 30 June 2013 (Statutory Historical Balance Sheet)

(Statutory Historical Financial Information)

- Pro forma historical financial information for NEC, being the:
  - Pro forma consolidated historical income statements for FY11, FY12 and FY13 (Pro Forma Historical Results);
  - Pro forma consolidated historical cash flow statements for FY11, FY12 and FY13 (Pro Forma Historical Cash Flows); and
  - Pro forma consolidated historical balance sheet as at 30 June 2013 (Pro Forma Historical Balance Sheet)

(Pro Forma Historical Financial Information)

(together, Historical Financial Information); and

- Forecast financial information for NEC, being the:
  - Pro forma consolidated forecast income statement for FY14 (Pro Forma Forecast Result);
  - Statutory consolidated forecast income statement for FY14 (Statutory Forecast Result);
  - Pro forma consolidated forecast cash flow statement for FY14 (Pro Forma Forecast Cash Flows); and
  - Statutory consolidated forecast cash flow statement for FY14 (Statutory Forecast Cash Flows)

(together, Forecast Financial Information).

The Historical Financial Information and Forecast Financial Information together form the Financial Information.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million.

4.2 Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information with the exception of the information presented for Nine Digital for the historical periods, which has not been adjusted on a similar basis to the Pro Forma Forecast Result and Pro Forma Forecast Cash Flows (in relation to expected changes to business arrangements with Microsoft, certain of which only become effective on 1 July 2014) for the reasons discussed in Sections 4.2.1 and 4.3.2.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

NEC's accounting policies have been consistently applied throughout the periods presented, and are set out in the Significant Accounting Policies section.

The financial information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.1 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited consolidated financial statements of NEC for FY11, FY12 and FY13. These financial statements are available on the Offer website (www.nineentertainmentshareoffer.com).

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the audited consolidated financial statements of NEC for FY11, FY12 and FY13 and pro forma adjustments have been made to reflect the impact of historical acquisitions, divestments and/or other transactions to reflect NEC's operations following Completion and to eliminate abnormal and/or non-recurring items and reflect standalone public company costs as described in Section 4.3.2. In particular, pro forma adjustments have been made to reflect the following significant transactions:

- In September 2012, NEC disposed of its wholly owned subsidiary, Australian Consolidated Press Limited (referred to in this Prospectus as ACP or ACP Magazines) and certain intangible assets to Bauer Media for gross sale proceeds of $525.0 million. In addition to the disposal of ACP, NEC also disposed of its interest in carsales.com.au in FY11 and investments including iSelect (previously owned by Mi9) and Cudo (previously owned by Mi9) in FY13;
- In February 2013, NEC entered into the Scheme resulting in the restructure of all senior and mezzanine debt in exchange for shares and cash, unless otherwise forgiven, as described in Section 10.6 and established the New Senior Facilities as described in Section 10.7.1. Accordingly, as a result of the Scheme, the issued share capital of NEC was altered to that disclosed in Section 4.5.1;
- In July 2013, NEC acquired Channel 9 South Australia Pty Limited (referred to in this Prospectus as the operations of WIN Adelaide, or Adelaide) and an option to acquire Swan Television Radio Broadcasters Pty Ltd (referred to in this Prospectus as the operations of WIN Perth, or Perth) for total consideration of $150.0 million. This option was subsequently exercised and NEC completed the acquisition of WIN Perth on 30 September 2013 for total consideration of $223.0 million. To finance the acquisition, NEC entered into a $198.7 million debt facility which NEC intends to repay in full with the proceeds of the Offer; and
- NEC has agreed with Microsoft to acquire the 50% of shares in Mi9 which NEC did not already own on terms which include cash payments totaling US$39.4 million effective from 1 November 2013. As a consequence of the agreement, NEC consolidated Mi9 from 1 November 2013 with no non-controlling interest being recorded in the pro forma historical or forecast results. The transfer of shares in Mi9 and progress payments of the consideration will take place in three equal tranches. The first payment was made on 1 November 2013 at the same time as the first tranche of shares was transferred to NEC. The second and third tranches will occur on 1 July 2014 and 1 July 2015. As detailed in Section 3.4.2.3 the terms of Mi9's business arrangements with Microsoft changed upon termination of the joint venture. The financial impact of these changes is further described in Sections 4.3.2, 4.4.1 and 4.8 below.

Investors should note that the Pro Forma Historical Financial Information for FY11, FY12 and FY13 includes contributions from the Mi9 business (as actually operated in those periods) as if the acquisition of the 50% of shares in Mi9 which NEC did not own had been made as of 30 June 2010. NEC expects that changes to its business arrangements with Microsoft will result in: the transfer of Mi9's New Zealand websites to Microsoft, changes in revenue arrangements with respect to Bing searches and other Microsoft products in Australia, and new content arrangements with Microsoft with effect from 1 July 2014. The full year impact of these expected changes in the Mi9 business arrangements has been reflected in the Pro Forma Forecast Result as if the changes took effect from 1 July 2013 (notwithstanding that certain of these changes will only apply from 1 July 2014), in order to provide investors with a more meaningful indication of Mi9's FY14 earnings reflecting these changed arrangements. Given the different operating model that results from the Mi9 transaction and changes to the mix of Mi9's revenue streams that existed historically, NEC has concluded that there is not a meaningful, appropriate or reasonable basis to reflect similar adjustments across the historical periods presented in the Prospectus in an accurate manner.

Refer to Section 4.3.2 for reconciliation between the Statutory Historical Results and Pro Forma Historical Results. Refer to Section 4.6.2 for reconciliation between the Statutory Historical Cash Flows and Pro Forma Historical Cash Flows. Refer to Section 4.5.1 for reconciliation between the Statutory Historical Balance Sheet of NEC and the Pro Forma Historical Balance Sheet.

The Historical Financial Information presented in this Prospectus has been reviewed by Ernst & Young Transaction Advisory Services Limited but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Historical Financial Information (refer to Section 8).

The FY11, FY12 and FY13 audited consolidated financial statements of NEC have been audited by Ernst & Young, who have issued unqualified opinions in respect of all years. Investors should note that the audited consolidated financial statements for FY11 and FY12 were prepared on a going concern basis, and Ernst & Young's audit reports for those years included an "Emphasis of Matter" in that regard. Following the Scheme in February 2013, the events that led to the uncertainty in respect of the going concern were no longer applicable, and no such Emphasis of Matter was included in NEC's FY13 audited consolidated financial statements or in Ernst & Young's audit report on those financial statements.

Investors should note that past results do not guarantee future performance.

section 4 financial information

4.2.2 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Pro Forma Forecast Result and Pro Forma Forecast Cash Flows have been derived from the Statutory Forecast Result and Statutory Forecast Cash Flows of NEC after adjusting for pro forma transactions and other adjustments to reflect NEC's operations following Completion and to eliminate abnormal and/or non-recurring items and to reflect standalone public company costs as set out in Sections 4.3.2 and 4.6.2. Both the Statutory Forecast Result and Statutory Forecast Cash Flows consist of unaudited actual results for the two months to 31 August 2013 and the Director's best estimate forecasts for the 10 months to 30 June 2014.

The Pro Forma Forecast Result reflects NEC's 100% ownership of Mi9 as if the acquisition of the 50% of shares in Mi9 which NEC did not own had been made as of 30 June 2010. It also takes into account the expected impact on Mi9's earnings of changes to the terms of Mi9's business arrangements with Microsoft following termination of the joint venture (as summarised in Section 3.4.2.3) as if those changes took full effect from 1 July 2013, notwithstanding that certain of these changes will only apply from 1 July 2014. The full year impact of the expected changes in these Mi9 business arrangements has been reflected in the Pro Forma Forecast Result in order to provide investors with a more meaningful indication of Mi9's FY14 earnings reflecting these changed arrangements.

The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions and best estimate assumptions regarding future events and actions as set out in Sections 4.8.1 and 4.8.2. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed by PricewaterhouseCoopers Securities Ltd but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Forecast Financial Information (refer to Section 9).

NEC believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or material negative effect on NEC's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of NEC, the Directors and management and are not reliably predictable. Accordingly, none of NEC, the Directors or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Forecast Financial Information in this Section 4 should be read in conjunction with the specific assumptions as set out in Section 4.8.2, the general assumptions as set out in Section 4.8.1, the sensitivity analysis as set out in Section 4.9, the risk factors as set out in Section 5 and other information in this Prospectus.

4.3 Pro Forma Historical Results, Pro Forma Forecast Result and Statutory Forecast Result

4.3.1 Pro Forma Historical Results, Pro Forma Forecast Result and Statutory Forecast Result

The table below presents the Pro Forma Historical Results for FY11, FY12 and FY13, the Pro Forma Forecast Result for FY14 and the Statutory Forecast Result for FY14:

Table 10: Pro Forma Historical Results, Pro Forma Forecast Result and Statutory Forecast Result

	Pro Forma Historical Results			Pro Forma Forecast	Statutory Forecast
$ million, June year end	FY11	FY12	FY13	FY14	FY14
Revenue	1,415.4	1,392.7	1,493.0	1,565.9	1,527.1
Expenses	(1,068.5)	(1,083.7)	(1,199.9)	(1,264.3)	(1,286.8)
EBITDA before share of associates' NPAT	**346.9**	**309.0**	**293.1**	**301.5**	**240.3**
Share of associates' NPAT	3.3	4.5	4.1	3.4	5.6
EBITDA	**350.1**	**313.4**	**297.2**	**305.0**	**245.9**
Depreciation and amortisation	(36.5)	(43.4)	(47.1)	(52.9)	(52.2)
EBIT	**313.6**	**270.0**	**250.1**	**252.1**	**193.6**
Net interest (expense)/income	(68.9)	(65.1)	(56.6)	(52.7)	(61.6)
Profit/(loss) before tax	**244.7**	**204.9**	**193.5**	**199.3**	**132.0**
Tax (expense)/benefit	(72.4)	(60.1)	(56.8)	(59.8)	(49.8)
NPAT	**172.3**	**144.8**	**136.7**	**139.5**	**82.2**

4.3.2 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast Result

The tables below set out the pro forma adjustments to historical and forecast statutory revenue and NPAT, to allow for the impact of historical acquisitions and divestments which NEC has made since 1 July 2010 as if they had occurred as at 30 June 2010, and the full-year impact of the operating and capital structure that will be in place following Completion as if it was in place as at 30 June 2010. In addition, transactions and income or expenses that are considered to be abnormal and/or non-recurring have been adjusted in the year in which they occurred and estimated standalone public company costs have been reflected across the historical and forecast periods. These adjustments are summarised below:

Table 11: Reconciliation of the historical and forecast statutory revenue to pro forma revenue

	Historical Financial Information			Forecast Financial Information
$ million, June year end	FY11	FY12	FY13	FY14
Statutory revenue[1]	**1,241.7**	**1,196.9**	**1,272.4**	**1,527.1**
Interest revenue[2]	(11.6)	(11.2)	(7.8)	–
Pro forma impact of acquisitions[3]	213.4	212.4	228.3	38.8
Other asset sales[4]	(28.2)	(5.5)	–	–
Pro forma revenue	**1,415.4**	**1,392.7**	**1,493.0**	**1,565.9**

Notes:

1. *Statutory revenue as reported in the audited consolidated financial statements for FY11 (of $1,959.7 million) has been adjusted to remove revenue related to ACP ($718.0 million) as extracted from the FY11 comparatives in the FY12 audited consolidated financial statements, as it was divested in FY13 and is not part of NEC at the time of the Offer. In FY12 and FY13, revenue related to ACP was included in "Discontinued Operations" within the audited consolidated financial statements and therefore was not included in statutory revenue. Carsales.com.au was disclosed within discontinued operations in FY11 and therefore not included within statutory revenue in that year.*
2. *Interest revenue relates to income earned on NEC's actual net operating cash balances across the historical periods. In FY14 interest revenue of $7.7 million arising on expected average net operating cash balances across FY14 is included within the net interest adjustment outlined in adjustment 3 of Section 4.3.2 so as to apply a consistent methodology across all periods. When NEC reports its statutory FY14 results, statutory revenue will include the $7.7 million of forecast interest revenue.*
3. *Pro forma impact of acquisitions—NEC has presented the Pro Forma Financial Information on the basis that it owned all the businesses acquired during the historical and forecast periods for each of those periods. NEC has adjusted the Statutory Historical Results (and the Statutory Forecast Result in the case of WIN Perth) to include the historical audited financial information and forecast financial information for each of WIN Adelaide and WIN Perth after elimination of transactions between the entities, including affiliation fees paid to NEC. The Historical and Forecast Statutory Revenue of Mi9 has been adjusted to reflect the acquisition of the 50% of shares in Mi9 which NEC did not own as if this occurred as at 30 June 2010, to remove revenue related to Cudo which was divested in June 2013 and to eliminate transactions between Mi9 and NEC in the periods. Historical statutory revenue from WIN Adelaide and WIN Perth has been adjusted to reflect the accounting policies applied by NEC. The pro forma forecast revenue from Mi9 reflects an adjustment made to Mi9's statutory forecast revenue to take into account the expected full year impact of changes to the terms of Mi9's business arrangements with Microsoft following termination of the joint venture (as summarised in Section 3.4.2.3) as if those changes took full effect from 1 July 2013.*
4. *Other asset sales—an adjustment has been made to remove the gain on sale relating to a property in Melbourne in FY11 and revenue related to the Getaway online business in FY12 which was discontinued, both of which were recorded as income in the Statutory Historical Financial Information.*

Table 12: Reconciliation of historical and forecast statutory NPAT to pro forma NPAT

		Historical Financial Information			Forecast Financial Information
$ million, June year end	Notes	FY11	FY12	FY13	FY14
Statutory NPAT		**(427.8)**	**(966.4)**	**1,187.5**	**82.2**
IPO transaction costs	1	–	–	–	13.2
Public company costs	2	(2.5)	(2.5)	(2.5)	(1.0)
Net interest adjustment	3	319.9	318.0	182.2	8.9
Impact of historical divestments	4	(505.1)	(53.0)	10.3	–
Impact of historical acquisitions	5	30.9	32.0	41.6	6.5
Impact of Mi9 acquisition	6	27.4	26.5	19.6	(14.6)
Impairment of licences, goodwill and investments	7	731.0	778.3	120.6	–
Write-down of program rights and onerous contract provisions	8	9.6	63.1	10.5	–
Scheme and restructuring	9	14.5	13.4	(1,348.5)	–
Other current transaction costs	10	–	–	–	24.8
Other adjustments	11	(28.8)	(6.1)	(20.8)	10.7
IPO related remuneration adjustments	12	–	–	–	19.0
Tax effect of pro forma adjustments	13	3.1	(58.6)	(63.8)	(10.0)
Pro forma NPAT		**172.3**	**144.8**	**136.7**	**139.5**

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The pro forma adjustments made to the Statutory Historical Financial Information and Statutory Forecast Result of NEC reflect the following events and assumptions:

1. IPO transaction costs – total expenses of the Offer are estimated at $22.3 million, of which $9.2 million are directly attributable to the issue of New Shares and Shares to be issued to Non-Executive Director Shareholders, to two Senior Managers and to Eligible Participants under the Employee Gift Offer and will be offset against equity raised in the Offer. The remaining $13.2 million is expensed in the Statutory Forecast Result and relates to the sale of Existing Shares.
2. Public company costs – based on NEC's estimate of the incremental annual costs that NEC will incur as a listed public company. These costs include incremental increases to non-executive Director remuneration, additional audit and legal costs, listing fees, share registry fees, Directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report costs.
3. Net interest adjustment – of the proposed $275.0 million of gross proceeds to NEC under the Offer, NEC intends to use $22.3 million to pay for IPO transaction costs noted above, $4.4 million to pay for one-off senior management bonuses and $198.7 million to voluntarily repay a portion of existing debt being the debt facility drawn down to fund the acquisition of WIN Perth, with $49.6 million to be retained as cash. The net interest expense included in the Statutory Historical Results and Statutory Forecast Result has been adjusted to reflect the implementation of the Scheme and the anticipated debt profile of NEC following Completion (including drawdown of facilities to fund the Perth acquisition and repayment of facilities from proceeds of the Offer as described in Section 4.5) using base interest rates that prevailed, or are forecast to prevail, during the relevant periods (BBSW) and margins as set out in the banking facilities at Completion. This adjustment takes into account interest revenue based on the anticipated average net operating cash profile of NEC over FY14 using historical or forecast BBSW rates prevailing, or forecast to prevail, in the relevant period. In addition, an adjustment has been made to remove the impact of the write-off of unamortised borrowing costs in the Statutory Historical Results and Statutory Forecast Result relating to the historical debt structure of NEC. The higher adjustment in FY11 and FY12 relates to a higher interest expense in each of those years associated with the pre-Scheme capital structure, which was offset to a certain extent by higher base interest rates prevailing in these periods.
4. Impact of historical divestments – NEC has presented the Pro Forma Financial Information on the basis that it excludes from all periods the results from all businesses that were divested during the historical periods presented in the table above. As a result, an adjustment has been made to the Statutory Historical Financial Information to remove the earnings and gain on sale of NEC's controlling interest in carsales.com.au in FY11. Further, an adjustment has been made to remove the ACP earnings for FY11, FY12 and FY13 as well as the loss on sale in FY13. These adjustments have been made as if the divestments had been completed as of 30 June 2010.
5. Impact of historical acquisitions – NEC has presented the Pro Forma Financial Information on the basis that it owned all businesses acquired during the historical or forecast periods presented in the table above for each of these periods. As a result, an adjustment has been made to the Statutory Historical Financial Information and Statutory Forecast Result to reflect the earnings of WIN Adelaide and WIN Perth as if the acquisitions had been made as of 30 June 2010. The adjustments are based on historical audited statutory financial information for WIN Adelaide and WIN Perth in FY11 and FY12. NEC has adjusted the actual historical audited statutory financial information for Adelaide in FY13 to remove a $31.9 million intercompany receivable write off that crystallised immediately prior to the acquisition of WIN Adelaide by NEC as this is not related to the ongoing operations of NEC. NEC has adjusted the actual historical audited statutory financial information for WIN Perth in FY13 to remove a $3.0 million gain that arose from the reversal of a provision that was originally recorded prior to 30 June 2010 as this is not related to the ongoing operations of NEC. NEC has assumed that there is no significant fair value uplift on acquisition in depreciable assets and all intangible assets arising from the acquisitions are non-amortising in nature (either television licences or goodwill).
6. Impact of Mi9 acquisition – NEC has presented the Pro Forma Financial Information on the basis that it controlled Mi9 during the historical and forecast periods presented in the table above. As a result, an adjustment has been made to the Statutory Historical Financial Information and Statutory Forecast Result to remove the previously recorded share of associates' NPAT relating to Mi9 relating to the period up to 31 October 2013 and to then consolidate the Mi9 EBIT with no non-controlling interest in the pro forma historical or forecast results. The Mi9 EBIT is based on the historical audited statutory financial information of Mi9, adjusted to remove the impact of Cudo, iSelect and impairment charges in each period. An adjustment has been made to the Statutory Forecast Result to also remove the net gain on acquisition of $6.4 million arising as a result of the consolidation of the previously held investment in Mi9 as detailed in note 2 in Section 4.5.1.

   The Pro Forma Forecast Result also reflects an adjustment to take into account the expected full year impact on Mi9's revenues and earnings of changes to the terms of Mi9's business arrangements with Microsoft following termination of the joint venture as if those changes took full effect from 1 July 2013 (notwithstanding that certain of these changes will only apply from 1 July 2014), as described in Section 4.2.1. Given the different operating model that results from the Mi9 transaction and changes to the mix of Mi9's revenue streams that existed historically, NEC has concluded that there is not a meaningful, appropriate or reasonable basis to reflect similar adjustments across the historical periods presented in the Prospectus in an accurate manner.

   The impact on the Historical Financial Results of Mi9's sale of its interest in iSelect and divestment of Cudo has been recorded in adjustment 11.
7. Impairments of licences, goodwill and investments – an adjustment has been made to remove the impact of impairments of TV licences, goodwill and investments that arose due to market conditions in FY11 and FY12 which were expensed in the Statutory Historical Financial Information. These adjustments have been made to reflect the assumption that the carrying value as at 30 June 2013 was consistent across the Historical Period.
8. Write-down of program rights and onerous contract provisions – under certain content agreements that were entered into prior to 30 June 2010, NEC has acquired broadcasting rights or committed to acquire content in the future at a cost which it is estimated will not be fully recovered through use in the business. The impact of raising provisions as a result of these onerous contracts (including the 2012 Summer Olympic Games) and write-down of program rights on the Statutory Historical Financial Information has been removed. These adjustments have been made to reflect the assumption that there were no write downs of program rights or onerous contracts across the Historical Period.
9. Scheme and restructuring – an adjustment has been made to remove the impact of the Scheme and other restructuring of the NEC Group. This includes costs which were expensed in the Statutory Historical Financial Information relating to previous unsuccessful debt and equity raisings in FY11, severance payments to previous senior management in FY12 and a net gain of $1,348.5 million on debt forgiveness including incentive payments to senior management, under the Scheme in FY13. This is on the assumption that the anticipated capital structure following Completion was in place throughout the Historical Period and there were no senior management severance payments.

10. Other current transaction costs – an adjustment has been made to remove one-off estimated transaction costs and redundancy costs in FY14 totalling $14.3 million in relation to the acquisitions of Adelaide, Perth and the remaining 50% of shares in Mi9 and the write-off of an upfront fee of $10.5 million for an option to acquire Perth which are expensed in the Statutory Forecast Result.
11. Other adjustments – through Mi9, NEC held investments in iSelect and Cudo which were disposed of in June 2013. An adjustment has been made to the Statutory Historical Financial Information to remove the contribution of these investments, including NEC's share of iSelect and Cudo reported profit after tax as well as the gain on sale. An adjustment has also been made to remove the gain on sale of $28.2 million relating to a property in Melbourne in FY11 and the contribution from the Getaway online business in FY12, which were recorded within the Statutory Historical Financial Information. These adjustments have been made on the assumption that the divestments had been completed as of 30 June 2010. An adjustment has been made within the Statutory Forecast Result to reflect NEC's expectation that it will receive a penalty notice in relation to a dispute with the ATO. Notwithstanding that NEC considers it has a strong position and will defend the claim, it has raised a $10.7 million provision in October 2013 in relation to the dispute which is not reflected in the Pro Forma Historical Balance Sheet. This matter was disclosed as a contingent liability within the FY13 audited consolidated financial statements.
12. IPO related remuneration adjustments – an adjustment has been made to the Statutory Forecast Result to include the remuneration savings of $1.2 million and to remove the impact of one-off senior management bonuses (cash and cash equivalents) of $4.4 million, the gifting of $2.5 million worth of shares to Eligible Participants under the Employee Gift Offer and the issue of approximately $10.9 million of restricted shares to two Senior Managers and to the Non-Executive Director Shareholders consequent on the successful completion of the IPO, which will be expensed in the Statutory Forecast Result for FY14. The Statutory Forecast Result and Pro Forma Forecast Result also reflect the costs associated with the Performance Rights Plan which will commence on Completion for a period of three years.
13. Tax effect of pro forma adjustments – the forecast tax rate applicable to NEC after adjusting for its share of associates' NPAT is approximately 30%, which is the Australian corporate tax rate. This rate has been applied to each of the historical and forecast periods. In addition, the tax impact of adjustments 1 to 12 above has been reflected as part of this adjustment as appropriate.

4.4 Segment Pro Forma Historical Results and Pro Forma Forecast and Statutory Forecast Result

4.4.1 Segment Pro Forma Historical Results and Pro Forma Forecast and Statutory Forecast Result

In accordance with AASB 8 Operating Segments, and as reported in its audited consolidated financial statements, NEC has determined that its reporting segments comprise Television, Events and Digital, based on NEC's management reporting system and the way management views the business. The Digital segment as reported in the audited consolidated financial statements consists of Nine Digital and share of associates' NPAT and includes NEC's investment in Mi9 prior to the transaction described in Section 4.2.1. These reporting segments are described in this Prospectus as Nine Network, Nine Events, Nine Digital and share of associates' NPAT.

Nine Network includes NEC's FTA TV broadcasting activities. Nine Events includes the operation of Ticketek, Allphones Arena and the other Nine Events businesses. Nine Digital comprises the Mi9 business. NEC's investments in OzTAM, TXA and Sky News, and Mi9's investment in RateCity, are reported as part of NEC's consolidated share of associates' NPAT. Further information on the Nine Network, Nine Events and Nine Digital operations can be found in Section 3. Corporate costs are not allocated to reporting segments. Finance costs, finance income and income taxes are not allocated to reporting segments and are recognised below EBIT.

Refer to Section 4.7 for management discussion and analysis of the Pro Forma Historical Results and Section 4.8 for the assumptions and comparisons of the Pro Forma Forecast Result.

Investors should note that Nine Digital's segment results are not able to be presented on a consistent and comparable basis across the historical and forecast periods. The Directors have only adjusted the Pro Forma Forecast Result for FY14 to reflect the expected full year impact on Mi9's revenues and earnings of changes to the terms of Mi9's business arrangements with Microsoft following termination of the joint venture (as summarised in Section 3.4.2.3 and 4.2.1) as if those changes took full effect from 1 July 2013, notwithstanding that certain of these changes only apply from 1 July 2014. A full year impact of the expected changed arrangements has been reflected in the Pro Forma Forecast Result in order to provide investors with a more meaningful indication of Mi9's FY14 earnings reflecting these changed arrangements. Given the different operating model that results from the Mi9 transaction and changes to the mix of Mi9's revenue streams that existed historically, NEC has concluded that there is not a meaningful, appropriate or reasonable basis to reflect similar adjustments across the historical periods in an accurate manner. Accordingly NEC has concluded that it is not practicable to adjust the Pro Forma Historical Results so as to present them on a comparable basis to the Pro forma Forecast Result in an accurate manner.

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The table below sets out NEC's Pro Forma Historical Results and Pro Forma Forecast and Statutory Forecast Result by segment:

Table 13: Segment Pro Forma Historical Results and Pro Forma Forecast and Statutory Forecast Result

	Pro Forma Historical Results			Pro Forma Forecast	Statutory Forecast
$ million, June year end	FY11	FY12	FY13	FY14	FY14
Nine Network[1]	1,126.9	1,108.0	1,177.6	1,231.4	1,216.8
Nine Events	155.8	146.9	167.4	211.8	211.8
Nine Digital[2]	132.6	137.7	147.9	122.7	98.5
Revenue	**1,415.4**	**1,392.7**	**1,493.0**	**1,565.9**	**1,527.1**
Nine Network[1]	272.2	229.1	221.0	237.6	231.0
Nine Events	56.0	56.2	57.3	67.1	67.1
Nine Digital[2]	44.6	42.2	33.1	15.6	21.1
Corporate[3]	(26.0)	(18.6)	(18.2)	(18.8)	(79.0)
EBITDA before share of associates' NPAT	**346.9**	**309.0**	**293.1**	**301.5**	**240.3**
Share of associates' NPAT	3.3	4.5	4.1	3.4	5.6
EBITDA	**350.1**	**313.4**	**297.2**	**305.0**	**245.9**
Depreciation and amortisation	(36.5)	(43.4)	(47.1)	(52.9)	(52.2)
EBIT	**313.6**	**270.0**	**250.1**	**252.1**	**193.6**

Notes:

1. *Nine Network's Statutory Forecast Result for FY14 excludes pre-acquisition revenues ($14.6 million) and EBITDA ($6.6 million) relating to WIN Perth for the period from 1 July 2013 to 1 October 2013 which are included in Nine Network's Pro Forma Forecast Result for FY14.*
2. *As discussed earlier in this Section 4.4.1, Nine Digital's pro forma historical results reflect the consolidation of Mi9's results as of 30 June 2010 and the Mi9 business as actually operated in those periods, which is not consistent with the Pro Forma Forecast Result in relation to Nine Digital. Nine Digital's Pro Forma Forecast Result also reflects the consolidation of Mi9's results but has been further adjusted to reflect the expected full year impact of changes to Mi9's business arrangements with Microsoft (notwithstanding certain changes only apply from 1 July 2014). This approach results in Nine Digital's Pro Forma EBITDA forecast reducing from $26.8 million (based on Mi9's current arrangements with Microsoft which will actually apply throughout FY14) to $15.6 million (reflecting the full year impact of new Microsoft arrangements as if they had taken effect on 1 July 2013). The Directors believe it is more meaningful to investors to present Nine Digital's FY14 Pro Forma Forecast Result in this way, to avoid creating the impression that EBITDA under the new arrangements would be of a level similar to $26.8 million. Nine Digital's Statutory Forecast Result for FY14 reflects 4 months of NEC's pre-1 November 2013 share of Mi9 NPAT of $2.2 million (which is reflected in Share of associates' NPAT in above table) and 8 months of Mi9's consolidated results post 1 November 2013 reflecting the current arrangements with Microsoft which largely apply until 30 June 2014.*
3. *NEC Corporate's Statutory Forecast EBITDA reflects the impact of adjustments 1, 2, 6 ($6.4 million net gain on sale only), 10, 11 and 12 outlined in the table in Section 4.3.2 above, and which are excluded from NEC Corporate's Pro Forma Forecast Result for FY14.*

4.4.2 Key operating metrics

The table below sets out a summary view of NEC's historical key operating metrics for the Nine Network, Nine Events and Nine Digital segments for FY11, FY12 and FY13 derived from the Pro Forma Historical Results and the forecast key operating metrics for FY14 derived from the Pro Forma Forecast Result. In addition, operating metrics (other than NPAT growth) for the NEC Group excluding the Nine Digital segment have been provided due to the limited comparability of the operating results of the Nine Digital segment as a result of the Mi9 transaction.

Refer Section 4.7 for management discussion and analysis of the Pro Forma Historical Financial Information and Section 4.8 for further information on the Forecast Financial Information.

***Table 14:** Summary of pro forma historical key operating metrics and pro forma forecast and statutory forecast key operating metrics*

	Pro Forma Historical Results			Pro Forma Forecast	Statutory Forecast[1]
June year end	**FY11**	**FY12**	**FY13**	**FY14**	**FY14**
NEC Group					
Revenue Growth		(1.6%)	7.2%	4.9%	
EBITDA before share of associates' NPAT Growth		(10.9%)	(5.1%)	2.9%	
EBITDA before share of associates' NPAT Margin	24.5%	22.2%	19.6%	19.3%	
NPAT Growth		(16.0%)	(5.6%)	2.1%	
NEC Group (ex. Nine Digital)					
Revenue Growth		(2.2%)	7.2%	7.3%	
EBITDA before share of associates' NPAT Growth		(11.7%)	(2.5%)	10.0%	
EBITDA before share of associates' NPAT Margin	23.6%	21.3%	19.3%	19.8%	
Nine Network					
Number of weeks[2]	52	53	52	52	52
5-City FTA TV advertising industry revenue ($million)[3]	3,082	2,969	2,904	2,977	2,977
YoY 5-City FTA TV advertising industry revenue growth	9.1%	(3.6%)	(2.2%)	2.5%	2.5%
Nine Network % share of 5-City FTA TV advertising industry revenue[4]	34.3%	34.7%	37.9%	38.4%	
Nine Network 5-City FTA TV advertising industry revenue YoY growth	15.1%	(2.7%)	6.9%	3.9%	
Total expenses as a % of revenue	75.8%	79.3%	81.2%	80.7%	
EBITDA Growth		(15.8%)	(3.6%)	7.5%	
EBITDA Margin	24.2%	20.7%	18.8%	19.3%	
Nine Events					
Ticketek – value tickets (000s)[5]	14,368	14,522	14,901	15,731	15,731
Ticketek – Core ticketing revenue per ticket ($)[6]	6.89	6.43	7.01	7.22	7.22
Ticketek – Ancillary ticketing revenue per ticket ($)[7]	1.47	1.24	1.13	1.15	1.15
EBITDA Growth		0.3%	1.9%	17.2%	
EBITDA Margin	36.0%	38.2%	34.2%	31.7%	
Nine Digital					
Mi9 – Average visitors (unique audience) (000's)[8]	9,571	10,603	10,736	11,865	11,865
Mi9 – Average revenue by visitor ($)	12.42	11.91	12.73	9.37	11.57
EBITDA Growth		(5.5%)	(21.6%)	(52.9%)	
EBITDA Margin	33.7%	30.6%	22.4%	12.7%	

Notes:

1. *Certain key operating metrics have not been provided for the Statutory Forecast Result since the Directors believe there is no meaningful comparable or appropriate basis by which to present them.*
2. *Nine Network reporting weeks in the year.*
3. *5-City FTA TV advertising industry revenue—gross advertising revenues for commercial television networks in Australia's five metropolitan capital cities being Sydney, Melbourne, Brisbane, Perth and Adelaide.*
4. *Nine Network % share of 5-City FTA TV advertising industry revenue—Nine Network's proportion of gross advertising revenues for the 5-City FTA TV advertising industry described above.*
5. *Value tickets—tickets sold by Ticketek on behalf of event promoters and venues.*
6. *Core ticketing revenue per ticket—represents fees (booking, credit card and others) generated by Ticketek on each ticket sold.*
7. *Ancillary ticketing revenue per ticket—other revenue (such as premium packages, insurance and digital advertising) generated by Ticketek on each ticket sold.*
8. *Monthly unique audience as reported by Nielsen, adjusted to include Skype from April 2013.*

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4.5 Pro Forma Historical Balance Sheet

4.5.1 Statutory and Pro Forma Historical Balance Sheet

The pro forma adjustments made to the balance sheet included in the audited consolidated financial statements of NEC for the year ended 30 June 2013 reflect the events and assumptions noted below in the table that will be in place following Completion as if they had occurred or were in place as at 30 June 2013:

Table 15: Pro Forma Historical Balance Sheet as at 30 June 2013

$ million, June year end	Audited statutory	1. Impact of Pre Offer Capital Restructure	2. Impact of acquisitions	3. Impact of Offer	Pro Forma
Cash and cash equivalents	392.5	–	(134.6)	49.6	307.5
Trade and other receivables	264.0	–	68.1	–	332.1
Inventories	0.7	–	–	–	0.7
Program rights	172.2	–	–	–	172.2
Derivative financial instruments	9.1	–	–	–	9.1
Other assets	20.6	–	2.7	–	23.3
Total current assets	**859.1**	**–**	**(63.7)**	**49.6**	**845.0**
Receivables	3.1	–	–	–	3.1
Program rights	67.1	–	–	–	67.1
Investments in associates accounted for using the equity method	136.5	–	(100.0)	–	36.5
Available for sale financial assets	17.3	–	–	–	17.3
Property, plant and equipment	161.2	–	10.0	–	171.2
Licences and mastheads	344.7	–	36.3	–	381.0
Other intangible assets	1,222.2	–	371.8	–	1,594.0
Derivative financial instruments	91.4	–	–	–	91.4
Other assets	86.5	–	6.7	–	93.2
Total non-current assets	**2,130.0**	**–**	**324.8**	**–**	**2,454.8**
Total assets	**2,989.1**	**–**	**261.1**	**49.6**	**3,299.8**
Trade and other payables	401.4	–	49.9	–	451.3
Interest-bearing loans and borrowings	32.9	–	(27.6)	–	5.4
Current income tax liabilities	–	–	23.9	–	23.9
Provisions	57.8	–	4.5	–	62.3
Total current liabilities	**492.1**	**–**	**50.7**	**–**	**542.8**
Payables	70.2	–	27.3	–	97.5
Interest-bearing loans and borrowings	865.3	–	195.2	(195.2)	865.3
Deferred tax liabilities	21.5	–	(2.6)	(2.4)	16.5
Provisions	56.3	–	0.7	–	57.0
Total non-current liabilities	**1,013.3**	**–**	**220.6**	**(197.6)**	**1,036.3**
Total liabilities	**1,505.4**	**–**	**271.3**	**(197.6)**	**1,579.1**
Net assets/(liabilities)	**1,483.7**	**–**	**(10.2)**	**247.2**	**1,720.7**
Contributed equity	2,773.3	(2,190.8)	–	279.2	861.7
Reserves	17.3	–	–	–	17.3
Retained earnings / (accumulated losses)	(1,306.9)	2,190.8	(10.2)	(32.1)	841.6
Total equity	**1,483.7**	**–**	**(10.2)**	**247.2**	**1,720.7**

1. Impact of Pre-Offer Capital Restructure—prior to Completion, the parent entity, Nine Entertainment Co. Holdings Limited, completed a group capital restructure whereby a capital reduction of $2,190.8 million was undertaken to offset accumulated losses against issued capital.
2. Impact of acquisitions—represents the consolidation of WIN Adelaide, WIN Perth and Mi9 as if the acquisitions had occurred or were in place as at 30 June 2013 based on audited financial statements as at 30 June 2013 for all entities.

   Adelaide was acquired on 1 July 2013 from cash that existed at 30 June 2013. In order to acquire Perth on 30 September 2013, NEC concurrently drew down on $198.7 million of additional borrowings (shown net of borrowing costs of $3.5 million in the Pro Forma Historical Balance Sheet). Estimated transaction costs totalling $8.7 million in relation to the acquisitions of WIN Adelaide, WIN Perth and Mi9, and the write-off of an upfront fee of $10.5 million for the option to acquire Perth which are expensed in the Statutory Forecast Result have been included in the Pro Forma Historical Balance Sheet.

   Of the total cash component of the acquisition consideration payable for Mi9 (US$39.4 million or approximately $41.0 million), $13.7 million was paid on 1 November 2013 to Microsoft and cash has been adjusted to reflect this in the Pro Forma Historical Balance Sheet. The remaining $27.3 million will be paid over the period from 1 July 2014 to 1 July 2015 and as such has been included in the Pro Forma Historical Balance Sheet as a non-current payable. The net impact on the Pro Forma Historical Balance Sheet as a result of the Mi9 acquisition is the elimination of the previously held investment and an increase in the net assets of the NEC Group by $6.4 million to reflect a net gain on acquisition. Pre-existing indebtedness between NEC and Mi9 (totalling $27.6 million) has been eliminated in full upon consolidation.

   NEC has assumed that there is no significant fair value uplift on acquisition in depreciable assets and all intangible assets arising from the acquisitions are non-amortising in nature (either television licences or goodwill).
3. Impact of the Offer—Contributed equity increases by $279.2 million as a result of the Offer through the issue of New Shares ($275.0 million) and Shares to be issued to Non-Executive Director Shareholders, to two Senior Managers and to Eligible Participants under the Employee Gift Offer ($13.4 million) less IPO transaction costs ($9.2 million) offset against equity. Of the proposed $275.0 million to be raised by NEC under the Offer, NEC intends to use $22.3 million to pay for IPO transaction costs noted above and $198.7 million to voluntarily repay a portion of existing debt (shown net of the write-off of borrowing costs of $3.5 million in the Pro Forma Historical Balance Sheet), being the debt facility drawn down to fund the acquisition of WIN Perth, with $49.6 million to be retained as cash.

4.5.2 Capitalisation and indebtedness

The table below presents the sources and uses of funds as a result of the Offer:

Table 16: Sources and uses of funds as a result of the Offer

Sources of funds	$m
Issue of New Shares	275.0
Sale of Existing Shares	395.3
Total sources of funds	**670.3**

Use of funds	$m
Proceeds from the Offer to repay debt	198.7
Proceeds from the Offer to be retained as cash	49.6
Proceeds from the Offer to pay IPO transaction costs	22.3
Proceeds from the Offer to pay one-off senior management bonuses	4.4
Proceeds from the Offer to sellers of Existing Shares[1]	395.3
Total uses of funds	**670.3**

Note:
1. *Assumes that the Final Price is at the midpoint of the Indicative Price Range.*

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Table 17: Capitalisation and indebtedness

$ million, at 30 June 2013	Audited statutory	Impact of Pre Offer Capital Restructure	Impact of acquisitions	Impact of Offer	Pro Forma
Interest bearing loans and borrowings	898.2	–	167.7	(195.2)	870.7
MTM derivatives[1]	(99.7)	–	–	–	(99.7)
Gross debt (net of MTM derivatives)	**798.5**	**–**	**167.7**	**(195.2)**	**771.0**
Contributed equity	2,773.3	(2,190.8)	–	279.2	861.7
Reserves	17.3	–	–	-	17.3
Retained earnings / (accumulated losses)	(1,306.9)	2,190.8	(10.2)	(32.1)	841.6
Total equity	**1,483.7**	**–**	**(10.2)**	**247.2**	**1,720.7**
Total capitalisation and indebtedness	**2,282.2**	**–**	**157.5**	**51.9**	**2,491.6**

Note:
1. Mark-to-market (MTM) of derivatives associated with the New Senior Facilities.

The table below presents NEC's net debt position based on the statutory and pro forma consolidated historical balance sheet before and after the pro forma adjustments.

Table 18: Net debt

$ million, at 30 June 2013	Audited statutory	Impact of Pre Offer Capital Restructure	Impact of acquisitions	Impact of Offer	Pro Forma
Gross debt (net of MTM derivatives)	**798.5**	**–**	**167.7**	**(195.2)**	**771.0**
Cash and cash equivalents	392.5	–	(134.6)	49.6	307.5
less: cash held on trust[1]	(110.9)	–	–	–	(110.9)
Cash and cash equivalents	**281.6**	**–**	**(134.6)**	**49.6**	**196.5**
Net debt	**517.0**	**–**	**302.3**	**(244.8)**	**574.4**
Deferred payments related to Mi9 purchase	–	–	27.3	–	27.3
Adjusted net debt	**517.0**	**–**	**329.6**	**(244.8)**	**601.7**
FY14 pro forma forecast EBITDA					305.0
Multiple of FY14 pro forma forecast EBITDA					**2.0x**
FY14 pro forma net interest expense					(52.7)
FY14 pro forma forecast EBIT					252.1
FY14 pro forma EBIT interest coverage[2]					**4.8x**

Notes:
1. Cash paid by ticketholders and held on trust within Nine Events by Ticketek and Allphones Arena on behalf of venues and promoters.
2. Based on FY14 pro forma forecast EBIT divided by net interest expense.

Refer to Section 10.7 for a description of NEC's debt facilities.

NEC has calculated the pro forma net interest expense adjustment over the historical and forecast periods based on the methodology outlined in adjustment 3 of Section 4.3.2. Additional detail on the FY14 calculation is provided below.

FY14 pro forma interest expense is based on the notional Australian dollar balances of the Term Facility and Incremental Facility following Completion, applying the applicable cross-currency swaps set out in Section 10.7.2. The calculation uses a forward BBSW base rate and an applicable weighted average margin. The average effective interest rate on the combined Term Facility and Incremental Facility is forecast to be approximately 6.8% in FY14.

FY14 pro forma interest income takes into account interest revenue based on the expected average net operating cash profile of NEC over FY14, using a forward BBSW base rate less 50bps which is an estimate of NEC's expected average interest rate on cash, as well as interest income earned by Nine Events on cash held on trust.

The FY14 pro forma net interest expense also takes into account amortisation of establishment costs of the Term Facility and Incremental Facility.

4.5.3 Liquidity and capital resources

4.5.3.1 Capital resources

NEC's sources of liquidity consist of cash resources, cash flows from operations, drawings under bank facilities and the proceeds from capital markets raisings. NEC manages its capital to ensure that entities in the NEC Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

Capital risk management focuses on the maturity profile and stability of debt facilities. NEC's capital structure is reviewed to maintain sufficient finance for the business at a reasonable cost and sufficient funds available to the business to implement its capital expenditure and business acquisition strategies.

4.5.3.2 Off-balance sheet items

As at 30 June 2013, NEC (including WIN Adelaide, WIN Perth and Mi9 as if the acquisitions of these entities had occurred or were in place at 30 June 2013) had commitments over a number of periods totalling $149.3 million in non-cancellable operating leases. These operating leases include telecommunications rental agreements and leases on assets including motor vehicles, land and buildings and items of plant and equipment. Renewal terms are included in certain contracts, whereby renewal is at the option of the specific entity that holds the lease. On renewal, the terms of the leases are usually renegotiated. The expenditure commitments related to these non-cancellable operating leases are described in Section 4.5.3.3.

NEC does not currently have any other off-balance sheet items.

4.5.3.3 Expenditure commitments

NEC's expenditure commitments are as follows:

Table 19: ***Estimated capital expenditure contracted for at 30 June 2013 but not provided for***

	$m
Payable within one year	**4.9**
Payable after one year but not more than five years	–
Payable later than five years	–

Table 20: ***Television program and sporting broadcast rights contracted for at 30 June 2013 but not provided for***

	$m
Payable within one year	**224.1**
Payable after one year but not more than five years	619.1
Payable later than five years	–

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Table 21: Non-cancellable operating lease commitments contracted for at 30 June 2013 but not provided for

	$m
Payable within one year	**27.6**
Payable after one year but not more than five years	83.2
Payable later than five years	38.5

4.5.3.4 Contingent liabilities

NEC has provided certain guarantees regarding contractual, performance and other commitments of its controlled entities. As at 30 June 2013, the value of NEC's contingent liabilities and related matters was $16.9 million.

Provision has been made in the Statutory Forecast Result for FY14, as disclosed in Section 4.3.2, for the contingent liability disclosed in the audited consolidated financial statements at 30 June 2013 in respect of the dispute with the ATO regarding payments NEC made to the International Olympic Committee in relation to the exclusive Australian television broadcast rights for the 2010 Vancouver Winter Olympics and 2012 Summer Olympic Games without subtracting withholding tax. This provision arose subsequent to finalisation of NEC's FY13 audited consolidated financial statements and accordingly it is not reflected in the Pro Forma Historical Balance Sheet in Section 4.5.1.

4.5.3.5 Qualitative disclosures about market risk

NEC's principal financial instruments, other than derivatives, comprise cash and short term deposits and credit facilities. The main purpose of these financial instruments is to manage liquidity and to raise finance for NEC's operations. NEC has various other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations.

NEC uses derivatives to reduce its exposure to adverse fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation to transfer or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative instruments that the NEC Group uses to hedge risks such as interest rate, foreign currency and commodity price movements include interest rate swaps, cross currency principal and interest rate swaps and options and forward foreign currency contracts.

4.6 Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

4.6.1 Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

The table below presents the Pro Forma Historical Cash Flows for FY11, FY12 and FY13, the Pro Forma Forecast Cash Flows for FY14 and the Statutory Forecast Cash Flows for FY14:

Table 22: Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

	Pro Forma Historical Results			Pro Forma Forecast	Statutory Forecast
$ million, June year end	FY11	FY12	FY13	FY14	FY14
EBITDA before share of associates' NPAT[1]	**346.9**	**309.0**	**293.1**	**301.5**	**240.3**
Change in working capital[2]	(68.5)	(121.7)	(61.3)	(75.1)	(67.4)
Capital expenditure and purchased ticketing rights[3]	(69.1)	(38.2)	(41.4)	(50.4)	(57.9)
Distributions from associates[4]	2.8	3.8	2.3	1.3	1.3
Net non-cash IPO adjustments	–	–	–	4.8	22.3
Operating free cash flow after capital expenditure and purchased ticketing rights	**212.0**	**153.0**	**192.7**	**182.2**	**138.6**
Net interest (paid)/received				(49.1)	(54.9)
Income tax (paid)/refunded[5, 6]				(4.1)	(21.9)
Divestments and acquisitions				–	(323.9)
Proceeds from issue of Shares				–	275.0
IPO transaction costs (capitalised to equity)				–	(9.2)
Net proceeds from (repayment of) borrowings				(7.8)	(7.8)
Other				–	(12.1)
Net cash flow before dividends				**121.2**	**(16.2)**

Notes:

1. *EBITDA above has been adjusted to reflect the pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Result as outlined in the table provided in Section 4.3.2 with the exception of adjustments 3 and 13 relating to the pro forma interest expense and the tax effect of the pro forma adjustments which do not impact pro forma EBITDA. The full year impact of the expected changes in the Mi9 business arrangements with Microsoft as outlined in Section 4.2.1 has been reflected in the Pro Forma Forecast Cash Flows in order to provide investors with a more meaningful indication of Mi9's expected FY14 cash flows reflecting these changed arrangements.*
2. *Change in working capital includes the impact of the consolidation of WIN Adelaide, WIN Perth and Mi9 (including the pro forma impact of Mi9's disposal of Cudo) as if the acquisitions had occurred or were in place as at 30 June 2010. See Section 4.7.2.1 for a description of the drivers of changes in working capital.*
3. *Capital expenditure and purchased ticketing rights includes the impact of the consolidation of WIN Adelaide, WIN Perth and Mi9 (including the pro forma impact of Mi9's disposal of Cudo), as if the acquisitions had occurred or were in place as at 30 June 2010 and is based on audited financial statements for all entities. See Section 4.7.2.2 for a description of the drivers of capital expenditure and purchased ticketing rights.*
4. *Distributions from associates relates to dividends received from investments held by NEC and Mi9, as described in Section 4.4.1.*
5. *Income tax paid in the Statutory Forecast Result reflects management's estimate of tax arising in relation to the sale of Mi9's interest in iSelect and the payment of tax at the 30% corporate tax rate in relation to Mi9's statutory forecast profit. Income tax paid in the Pro Forma Forecast Result reflects the payment of tax at the 30% corporate tax rate in relation to Mi9's pro forma forecast profit before tax.*
6. *The Statutory Forecast Cash Flows and Pro Forma Forecast Cash Flows assume that no cash outflow will arise in FY14 in relation to the raising of a provision of $10.7 million in October 2013 to reflect NEC's expectation that it will receive a penalty notice in relation to a dispute with the ATO, described in Section 4.5.3.4.*

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4.6.2 Pro forma adjustments to the statutory cash flow statements

The table below sets out the pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows to allow for the impact of historical acquisitions and divestments which NEC has made since 1 July 2010 as if they had occurred as at 30 June 2010, and the full-year impact of the operating and capital structure that will be in place following Completion as if it was in place as at 30 June 2010. In addition, transactions and expenses or income that are considered to be abnormal and/or non-recurring have been adjusted in the year in which they occurred and estimated standalone public company costs have been reflected across the historical and forecast periods.

Table 23: *Pro forma adjustments to the statutory historical and forecast cash flow statements*

		Pro Forma Historical Results			Pro Forma Forecast
$ million, June year end	Notes	FY11	FY12	FY13	FY14
Statutory cash flows from operating activities	**1**	**44.9**	**(17.2)**	**(38.3)**	
Statutory interest received	1	(10.9)	(12.2)	(5.4)	
Statutory interest and other costs of finance paid	1	299.8	267.7	174.8	
Statutory income tax	1	20.2	(0.3)	–	
Statutory capital expenditure and venue ticketing rights	1	(77.7)	(46.1)	(42.0)	
Statutory free cash flow after capital expenditure and purchase of venue ticketing rights		**276.4**	**191.9**	**89.0**	**138.6**
IPO transaction costs expensed	2	–	–	–	13.2
Impact of historical divestments	3	(173.0)	(80.5)	(15.4)	–
Impact of historical acquisitions	3	58.5	51.0	62.4	4.2
Non-recurring capital expenditure	4	–	–	–	7.5
Cash held on trust	5	40.0	(15.4)	(45.0)	–
Scheme and other adjustments	6	10.2	5.9	21.6	–
Other current transaction and IPO related costs	7	–	–	–	18.8
Impact of NRL contract	8	–	–	80.0	–
Operating free cash flow after capital expenditure and purchase of venue ticketing rights		**212.0**	**153.0**	**192.7**	**182.2**

1. Adjustments have been made to the statutory operating cash flow to present the information on a consistent basis with operating free cash flow after capital expenditure and purchased ticketing rights in Section 4.6.1.
2. IPO transaction costs – the portion of the transaction costs of the Offer that will be expensed in the Statutory Forecast Result.
3. Impact of historical divestments and acquisitions – an adjustment has been made to NEC's historical and statutory forecast cash flows from operating activities to include or remove (as relevant) the net operating cash flows (prior to net interest and tax payments and after capital expenditure and purchased ticketing rights) associated with historical divestments and recent acquisitions as detailed in Section 4.3.2, as if these had occurred before or on 30 June 2010.
4. Non-recurring capital expenditure – relates to $5.4 million of non-recurring capital expenditure in FY14, for the Adelaide and Perth acquisitions and their integration and ACP separation costs. In addition, Mi9 will incur $2.1 million of non-recurring capital expenditure on software and renovations to its existing premises.
5. Cash held on trust – relates to cash paid by ticketholders and held on trust within Nine Events by Ticketek and Allphones Arena on behalf of venues and promoters. The movement in the creditor relating to cash held on trust from year to year has been adjusted as this cash is not available to NEC for operational activities.
6. Scheme and other adjustments – relates to the operating cash impact in relation to adjustments 9 and 11 in Section 4.3.2 (Scheme and restructuring and Other adjustments).
7. Other current transaction and IPO related costs – an adjustment has been made to reflect the operating cash impact of adjustments 2, 10 and 12 in Section 4.3.2 (public company costs, other current transaction and IPO-related remuneration adjustments).
8. Impact of NRL contract – an adjustment has been made to remove the impact on working capital of an $80.0 million prepayment that was made in FY13 under the new NRL broadcasting rights contract, which relates to the 2017 NRL season.

4.7 Management discussion and analysis of the Pro Forma Historical Financial Information

4.7.1 General factors affecting the results of NEC

Below is a discussion of the main factors which affected NEC's operations and relative financial performance in FY11, FY12 and FY13, and which may continue to affect it in the future. The discussion of these factors are intended to provide a brief summary only and do not detail all factors that affected the historical operations and financial performance, nor everything which may affect the future operations and financial performance.

4.7.1.1 Nine Network

An overview of the different revenue and cost drivers for Nine Network is set out below:

Revenue

The primary revenue drivers for Nine Network are the rate of growth in the 5-City FTA TV advertising industry and NEC's revenue share of the 5-City FTA TV advertising industry.

Key determinants of the rate of growth in the 5-City FTA TV advertising industry include but are not limited to:

- General macroeconomic conditions, particularly business confidence and consumer sentiment
- Conditions in the sectors that contribute the largest portion of advertising expenditure, in particular retail, banking/finance and automotive sectors
- Specific events (e.g. Cricket World Cup, the Ashes, Rugby World Cup)
- Relative growth profile and attractiveness of alternative media advertising platforms.

The key determinant of Nine Network's share of advertising revenue is the audience share performance of its channels (Channel Nine, GO! and GEM) which is driven by the popularity of its content. While there is a correlation between audience share and revenue share, there is typically a timing difference between changes to audience share performance and the impact on revenue share. Further information on Nine Network's programming strategy is set out in Section 3.2.3.1.

The performance of Nine Network's regional affiliates and the fees earned by NEC on the broadcast of its content by the regional affiliates are also contributors to revenue performance (see Section 3.2.1).

Costs

The largest portion of Nine Network's costs are related to the costs of acquiring and producing content to implement Nine Network's programming strategy (referred to by Nine Network as "programming costs"). Programming costs generally fall within four main categories: sports (principally NRL and Cricket), news and current affairs content, local content (e.g. The Voice) and international content (e.g. Big Bang Theory).

Overall programming costs are generally driven by the mix and success of content, the cost of sports broadcast rights and the terms of output agreements with major international suppliers (such as Warner Bros.). Nine Network's programming mix has shifted over the historical period towards locally produced content, with a greater proportion of locally produced international franchises.

Other cost drivers include annual broadcast licence, sales, network operations and other administration and general overhead costs.

4.7.1.2 Nine Events

An overview of the different revenue and cost drivers for Nine Events is set out below:

Revenue

Generally, ticketing revenue and volume are influenced by the timing, availability and popularity of events such as sporting events, artist tours and exhibitions. Ticketek revenue is dependent on ticket volume, the price charged per ticket and ancillary revenues such as consumer ticket insurance and digital sponsorship which are all influenced by the number and composition of venues in Ticketek's portfolio of contracted venues and the type of events and attendance levels at those venues.

The revenue profile of Allphones Arena can fluctuate significantly based on the scheduling of major events and attendance levels at those events.

Costs

Ticketek's cost base comprises technology costs relating to the online ticketing platform, personnel costs and overheads primarily related to communications, box office outlets and marketing. Key variable costs include rebates on individual tickets sold that are paid to venues and concert promoters.

Allphones Arena's cost base comprises personnel costs and utility costs as well as variable costs such as catering costs and the variable component of the AEG Ogden management fees (based on a share of operating profit).

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4.7.1.3 Nine Digital

An overview of the different revenue and cost drivers for Nine Digital is set out below.

Revenue

Nine Digital comprises the Mi9 business.

Nine Digital generates revenue from the sale and publication of online display advertising, the sale of paid search advertising via Bing Ads, mobile revenue from SMS fees and syndication revenue from selling aggregated content such as television listings and EPG data to various companies.

Costs

Nine Digital's costs predominantly relate to technology, personnel and marketing expenses.

4.7.1.4 Share of associates' NPAT

Share of associates' NPAT comprises NEC's investments in OzTAM, TXA and Sky News, and Mi9's investment in RateCity. Share of associates' NPAT is driven by the underlying performance of the businesses in which NEC and Mi9 have investments.

4.7.2 General factors affecting the cash flow of NEC

4.7.2.1 Change in working capital

The largest portion of NEC's working capital movements relate to Nine Network programming (in particular timing differences between cash flow and income statement recognition of programming costs). The key drivers include but are not limited to:

- Investment in local content – NEC continues to build on its investment in local content. The cost of local programming is driven by production schedules as well as whether the content is produced in-house or outsourced to external production houses. The majority of local programming requires cash funding prior to broadcasting. As such, a timing difference will arise between cash payment (prior to broadcast) and recognition of expense (upon broadcast) of the program. Where the timing difference between funding and broadcasting of the program runs over the year-end balance date, working capital will increase.
  The increased expenditure on local content and the build-up of available programming in recent years has resulted in a higher value of inventory being held at year end;
- Contracted overseas content – working capital increases in overseas inventory have arisen due to timing differences under content agreements with overseas studios, predominantly Warner Bros. and Sony Pictures Television (now expired), between agreed cash payment terms and the recognition of the amortisation expense in the financial statements. These variances are expected to unwind over the availability period of the content received under each respective contract; and
- Sports broadcasting and other rights – for certain major sporting events, payments are contracted and not aligned with the broadcast schedule, or reflective of when the event occurs. As such, upfront cash payments are usually required prior to the broadcasting of the event resulting in timing differences between cash payment and the amortisation profile of sporting rights.

Other general movements in working capital include cash payments related to previously raised onerous provisions and increased accounts receivable due to revenue timing differences.

4.7.2.2 Capital expenditure and purchased ticketing rights

NEC's general maintenance capital expenditure profile is relatively constant year on year. The biggest portion of general maintenance capital expenditure relates to the upkeep of Nine Network's operating equipment and systems.

From time to time, NEC will incur one-off capital expenditure – for example:

- Completion of a centralised national presentation and play-out facility in Sydney in FY11
- Move from a Melbourne-owned site to new leased sites including modern production studios in FY11.

NEC incurs capital expenditure for the purchase of venue ticketing rights (also referred to as "Key Money"). The expenditure is related to the payment by Ticketek of an upfront payment or instalment payments to a venue to secure exclusive rights to provide ticketing services to the venue for a multi-year period. The payment profile fluctuates year on year due to the individual terms, timing of, and significance of, individual contract renewals.

4.7.3 FY13 compared with FY12

4.7.3.1 Pro forma consolidated income statements

Revenue increased 7.2% to $1,493.0 million in FY13 from $1,392.7 million in FY12. Revenue excluding Nine Digital increased 7.2% to $1,345.0 million in FY13 from $1,254.9 million in FY12. Expenses increased 10.7% to $1,199.9 million in FY13 from $1,083.7 million in FY12. Expenses excluding Nine Digital increased 9.8% to $1,085.0 million in FY13 from $988.2 million in FY12.

Table 24: Pro forma consolidated income statements – FY13 compared with FY12

$ million, June year end	FY12	FY13	Variance
Nine Network	1,108.0	1,177.6	69.6
Nine Events	146.9	167.4	20.5
Nine Digital	137.7	147.9	10.2
Revenue	**1,392.7**	**1,493.0**	**100.3**
Nine Network	229.1	221.0	(8.2)
Nine Events	56.2	57.3	1.1
Nine Digital	42.2	33.1	(9.1)
Corporate	(18.6)	(18.2)	0.3
EBITDA before share of associates' NPAT	**309.0**	**293.1**	**(15.9)**
Share of associates' NPAT	4.5	4.1	(0.4)
EBITDA	**313.4**	**297.2**	**(16.2)**
Depreciation and amortisation	(43.4)	(47.1)	(3.7)
EBIT	**270.0**	**250.1**	**(19.9)**

Nine Network

Revenue increased 6.3% to $1,177.6 million in FY13 from $1,108.0 million in FY12. The increase was primarily driven by NEC's improved revenue share of the 5-City FTA TV advertising industry which increased from 34.7% to 37.9%, including the benefit of the 2012 Summer Olympic Games in 1Q13. The revenue share increase was partially offset by the 5-City FTA TV advertising industry being down 2.2% and the impact of one less week in the reporting period compared to FY12.

Expenses increased by 8.9%, largely due to the cost of broadcast rights for the 2012 Summer Olympic Games and associated production costs. There were also higher costs associated with the NRL under the new contract. Excluding the costs associated with the 2012 Summer Olympic Games, total expenses increased by 3.1%.

Nine Events

Revenue increased 14.0% to $167.4 million in FY13 from $146.9 million in FY12. Revenue was driven by the contribution from the developing Nine Live business, strong events and improved mix, with a greater share of higher revenue generating tickets being sold by Ticketek. Allphones Arena's revenue decreased and was impacted by the timing of concerts, including cancelled and deferred events.

Expenses increased 21.4% to $110.1 million in FY13 from $90.7 million in FY12. Expenses growth was driven by the costs associated with the growth of the Nine Live business.

Nine Digital

Revenue increased 7.4% to $147.9 million in FY13 from $137.7 million in FY12. The increase was primarily driven by increased sales of display advertising through third-party partner websites.

Expenses increased 20.2% to $114.8 million in FY13 from $95.5 million in FY12, primarily due to increased cost of sales driven by revenue growth and higher overheads including personnel and technology costs. In addition, changes to revenue share arrangements resulted in an increase in the proportion of revenue being shared with some strategic partners from advertising sold on their websites, which was reported as an increase in expenses.

Corporate

There was no material change in corporate overheads.

Share of associates' NPAT

There was no material change in share of associates' NPAT.

Depreciation and amortisation

Depreciation and amortisation increased by $3.7 million principally as a result of an increase in amortisation of venue ticketing rights due to investment in the purchase of venue ticketing rights.

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4.7.3.2 Pro forma operating cash flow

Table 25: Pro forma operating cash flow – FY13 compared with FY12

$ million, June year end	FY12	FY13	Variance
EBITDA before share of associates' NPAT	309.0	293.1	(15.9)
Change in working capital	(121.7)	(61.3)	60.3
Capital expenditure and purchase of venue ticketing rights	(38.2)	(41.4)	(3.2)
Distributions from associates	3.8	2.3	(1.6)
Operating free cash flow after capital expenditure and purchase of venue ticketing rights	**153.0**	**192.7**	**39.7**

Change in working capital

Change in working capital decreased to $61.3 million in FY13 from $121.7 million in FY12. The decrease was primarily driven by the reversal of amounts which had been prepaid in prior years in respect of the 2012 Summer Olympic Games in 1Q13.

Capital expenditure and purchased ticketing rights

Capital expenditure and purchased ticketing rights increased by 8.4% to $41.4 million in FY13 from $38.2 million in FY12 due principally to increased venue ticketing rights payments as a result of the timing of contract renewals.

Distributions from associates

Distributions from associates decreased to $2.3 million in FY13 from $3.8 million in FY12 due to a reduction in dividends from Sky News.

4.7.4 FY12 compared with FY11

4.7.4.1 Pro forma consolidated income statements

Revenue decreased 1.6% to $1,392.7 million in FY12 from $1,415.4 million in FY11. Revenue excluding Nine Digital decreased 2.2% to $1,254.9 million in FY12 from $1,282.7 million in FY11. Expenses increased 1.4% to $1,083.7 million in FY12 from $1,068.5 million in FY11. Expenses excluding Nine Digital increased 0.8% to $988.2 million in FY12 from $980.5 million in FY11.

Table 26: Pro forma consolidated income statements – FY12 compared with FY11

$ million, June year end	FY11	FY12	Variance
Nine Network	1,126.9	1,108.0	(18.9)
Nine Events	155.8	146.9	(8.9)
Nine Digital	132.6	137.7	5.1
Revenue	**1,415.4**	**1,392.7**	**(22.7)**
Nine Network	272.2	229.1	(43.1)
Nine Events	56.0	56.2	0.2
Nine Digital	44.6	42.2	(2.4)
Corporate	(26.0)	(18.6)	7.4
EBITDA before share of associates' NPAT	**346.9**	**309.0**	**(37.9)**
Share of associates' NPAT	3.3	4.5	1.2
EBITDA	**350.1**	**313.4**	**(36.7)**
Depreciation and amortisation	(36.5)	(43.4)	(6.9)
EBIT	**313.6**	**270.0**	**(43.6)**

Nine Network

Revenue decreased 1.7% to $1,108.0 million in FY12 from $1,126.9 million in FY11. The decline was primarily driven by a 3.6% decline in the size of the 5-City FTA TV advertising industry which was partially offset by NEC's gain in revenue share of the 5-City FTA TV advertising industry of 0.4 share points from 34.3% to 34.7% during FY12.

Expenses increased 2.8% to $878.9 million in FY12 from $854.7 million in FY11. The increase primarily reflects a decision to increase local content to improve Nine Network's advertising share in a softening market. The increase in programming costs was also driven by increased sports costs relating to the Rugby World Cup in October 2011.

Nine Events

Revenue decreased 5.7% to $146.9 million in FY12 from $155.8 million in FY11. The decline was driven by fewer sporting events, a cyclical downturn in the quality of concert tours as well as a delay in key concert tours during FY12. The decline was also impacted by a change in the sales mix with higher growth in sales of lower priced exhibition tickets (compared to theatre tickets).

Expenses decreased 9.1% to $90.7 million in FY12 from $99.8 million in FY11 due to variable cost reductions and active management of fixed costs.

Nine Digital

Revenue increased 3.9% to $137.7 million in FY12 from $132.6 million in FY11. The increase was driven by an increase in revenues from sales of display advertising through third-party partner websites, partially offset by a reduction in integration revenue (due to less partners with permanent placement on the ninemsn homepage), a reduction in the yield of search advertisements and lower mobile SMS marketing revenues.

Expenses increased 8.6% to $95.5 million in FY12 from $88.0 million in FY11 primarily due to higher cost of sales driven by higher sales of display advertising through third-party partner websites.

Corporate

Expenses decreased by $7.4 million in FY12 principally as a result of lower bonuses paid in FY12 due to the decline in profitability of the NEC Group.

Share of associates' NPAT

The share of associates' NPAT increased by $1.2 million, due to an increase in the profitability of OzTAM.

Depreciation and amortisation

Depreciation and amortisation increased by $6.9 million in FY12 as a result of the impact of depreciation relating to the new premises for General Television Corporation and the centralised national presentation and play-out centre, both of which came into operation in late FY11 and an increase in amortisation of venue ticketing rights.

4.7.4.2 Pro forma operating cash flow

Table 27: Pro forma operating cash flow – FY12 compared with FY11

$ million, June year end	FY11	FY12	Variance
EBITDA before share of associates' NPAT	346.9	309.0	(37.9)
Change in working capital	(68.5)	(121.7)	(53.2)
Capital expenditure and purchase of venue ticketing rights	(69.1)	(38.2)	31.0
Distributions from associates	2.8	3.8	1.0
Operating free cash flow after capital expenditure and purchase of venue ticketing rights	**212.0**	**153.0**	**(59.1)**

Change in working capital

Change in working capital increased to $121.7 million in FY12 from $68.5 million in FY11. The increase was driven by the investment in overseas programming and the higher receivable balances at the year end as a result of high revenue from Nine Network in the last quarter compared to FY11.

Capital expenditure and purchased ticketing rights

Capital expenditure and purchase of venue ticketing rights decreased by 44.8% to $38.2 million in FY12 from $69.1 million in FY11 due to one-off capital expenditure programmes in FY11 relating to the fit out of the new premises for General Television Corporation in Melbourne and the centralised national presentation and play-out centre in Sydney.

Distributions from associates

Distributions from associates increased by 35.3% to $3.8 million in FY12 from $2.8 million in FY11 due to higher dividends received from OzTAM.

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4.8 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by NEC which are in accordance with the Accounting Standards and are disclosed in the Significant Accounting Policies section. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on NEC's accounting policies during the forecast period.

The Forecast Financial Information is based on a number of best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, NEC has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY14. NEC believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.8.1.

However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of NEC and its Directors, and are not reliably predictable.

Accordingly, none of NEC, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Independent Limited Assurance Report on Forecast Financial Information set out in Section 9. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Result is set out in Section 4.3.2. Investors should note that the Pro Forma Forecast Result reflects an adjustment to the Statutory Forecast Result to take into account the expected impact on Mi9's earnings of changes to the terms of Mi9's business arrangements with Microsoft following termination of the joint venture as if those changes took full effect from 1 July 2013, as described above in Section 4.3.2, notwithstanding that the economic impact of certain of these changes only apply from 1 July 2014. As a result, the Pro Forma Forecast Financial Information in not presented on a consistent and comparable basis with the Historical Financial Information.

4.8.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- No material change in the competitive operating environment in which NEC operates
- No significant deviation from current market expectations of global or Australian economic conditions relevant to the FTA TV, live events or online media industries in Australia for the forecast period
- No material changes in Commonwealth, State or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of NEC during the forecast period
- No material changes in government regulation and policy of the FTA TV industry
- No material changes in key personnel, including key management personnel and talent, and NEC maintains its ability to recruit and retain the personnel required to support future growth
- NEC retains all existing broadcast licences
- No material changes in applicable Australian Accounting Standards or other mandatory professional reporting requirements of the Corporations Act which have a material effect on NEC's financial performance, financial position, accounting policies, financial reporting or disclosure during the forecast period
- No material industry disturbances, environmental costs, contingent liabilities or legal claims will arise or be settled to the detriment of NEC
- No material cash flow or income statement or financial position impact in relation to contingent liabilities, legal claims or litigation (existing or otherwise) including no cash outflow in FY14 in relation to the provision of $10.7 million raised in October 2013 to reflect NEC's expectation that it will receive a penalty notice in relation to a dispute with the ATO, described in Section 4.5.3.4
- No material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus
- No material changes to NEC's corporate or funding structure other than as set out in, or contemplated by, this Prospectus
- No material disruptions to the continuity of operations of NEC nor other material changes in its business activities
- No material amendment to any material agreement, contract or arrangement relating to the Nine Network, Nine Events or Nine Digital businesses other than set out in, or contemplated by, this Prospectus
- None of the key risks listed in Section 5 eventuate, or if they do, none of them has a material adverse impact on the operations of NEC

- No future movements in the Australian dollar value of US dollar denominated debt or movements in the market value of foreign exchange derivatives has been assumed in the preparation of the Forecast Financial Information as the Directors do not believe there is a reasonable basis to make forecasts of future exchange rates which are outside their control
- There will be no interim dividend paid in respect of FY14 however NEC currently intends to pay an unfranked final dividend in respect of FY14 which will be remitted beyond the forecast period
- NEC's acquisition of the remaining shares in Mi9 from Microsoft that it doesn't already own completes as contemplated and the expected changes in the Mi9 business arrangements with Microsoft from 1 November 2013 when the joint venture in relation to Mi9 terminated will proceed materially in accordance with the arrangements set out in Section 3.4.2.3 without material default by either party on any of those arrangements.
- The Offer proceeds in accordance with the timetable set out on page 2 of this Prospectus and will comprise a $275.0 million fixed value primary issue of New Shares issued by the Company and a 179.7 million fixed volume secondary sale of Existing Shares by SaleCo raising additional gross proceeds of approximately $395.3 million calculated using the midpoint of the Indicative Price Range. In addition, Shares will be issued to Non-Executive Director Shareholders and to two Senior Managers (approximately $10.9 million, as described in Sections 6.3.2.3 and 6.3.2.4 respectively) and to Eligible Participants under the Employee Gift Offer ($2.5 million).

4.8.2 Specific assumptions

4.8.2.1 Pro forma consolidated income statements: FY14 compared to FY13

The Pro Forma Forecast Result for FY14 has been prepared on the basis of actual financial results for the two months to 31 August 2013 per NEC's management accounts and NEC's pro forma consolidated forecast income statement for the 10 months ending 30 June 2014. NEC's forecast for the 10 months ending 30 June 2014 also has regard to the current trading performance of NEC up until the date of lodgement of this Prospectus. The full year impact of the expected changes in the Mi9 business arrangements with Microsoft outlined in Sections 3.4.2.3 and 4.2.1 has been reflected in the Pro Forma Forecast Result for FY14 as if the changes took effect from 1 July 2013 (notwithstanding that certain of these changes will only apply from 1 July 2014). NEC has concluded that there is not a meaningful, appropriate or reasonable basis to reflect similar adjustments across the historical periods presented in the Prospectus in an accurate manner.

The table below sets out the Pro Forma Forecast Result for FY14 compared to the Pro Forma Historical Result for FY13.

Table 28: Pro forma consolidated income statements – FY14 compared with FY13

$ million, June year end	FY13	FY14	Variance
Nine Network	1,177.6	1,231.4	53.7
Nine Events	167.4	211.8	44.4
Nine Digital	147.9	122.7	(25.2)
Revenue	**1,493.0**	**1,565.9**	**72.9**
Nine Network	221.0	237.6	16.6
Nine Events	57.3	67.1	9.9
Nine Digital	33.1	15.6	(17.5)
Corporate	(18.2)	(18.8)	(0.5)
EBITDA before share of associates' NPAT	**293.1**	**301.5**	**8.4**
Share of associates' NPAT	4.1	3.4	(0.7)
EBITDA	**297.2**	**305.0**	**7.7**
Depreciation and amortisation	(47.1)	(52.9)	(5.8)
EBIT	**250.1**	**252.1**	**1.9**

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The key assumptions underpinning the Pro Forma Forecast Result are as follows:

4.8.2.1.1 Nine Network

Revenue

Nine Network's revenue is forecast to increase by 4.6% ($53.7 million) to $1,231.4 million in FY14 from $1,177.6 million in FY13. A summary of the key factors that are expected to contribute to the forecast revenue growth in FY14 are provided below:

- The 5-City FTA TV advertising industry is forecast to grow 2.5% in FY14, from $2.9 billion in FY13 to $3.0 billion. The forecast growth is consistent with recent broker and media agency growth forecasts
- NEC is forecast to have a revenue share of 38.4% of the 5-City FTA TV advertising industry in FY14, compared to 37.9% in FY13 which included the benefit of the 2012 Summer Olympic Games. The revenue share is expected to be achieved through continuation of key programming, newly-released programming and improved local audience share performance of Adelaide and Perth from increased investment in news and current affairs. In addition, NEC expects to benefit from the ability to offer a national sales platform, which is controlled by NEC to advertisers, following the acquisitions of Adelaide and Perth
- FY14 also reflects the full-year benefit of the revised regional affiliate agreement terms with WIN, which took effect from 1 April 2013

Expenses

Nine Network expenses are forecast to increase by 3.9% ($37.2 million) to $993.8 million in FY14 from $956.6 million in FY13. This increase is primarily driven by:

- Additional investment in local content production across a range of genres
- Additional costs from contracted international output agreements
- Higher news and current affairs and marketing costs to support its newly-acquired licence areas of Adelaide and Perth

Whilst sports content costs are consistent in aggregate year on year, the composition of those costs is expected to change (incremental costs under the new NRL and Cricket Australia rights agreements and 2013 UK Ashes series taking the place of the costs of the 2012 Summer Olympic Games broadcast rights and production costs which were a feature in FY13).

EBITDA

Nine Network EBITDA is forecast to increase by 7.5% ($16.6 million) to $237.6 million from $221.0 million in FY13, and EBITDA margin is forecast to increase to 19.3% from 18.8% in FY13. This is expected to be primarily driven by the flow-through of the forecast growth in advertising revenues, partly offset by the net increase in expenses.

4.8.2.1.2 Nine Events

Revenue

Nine Events revenue is forecast to increase by 26.5% ($44.4 million) to $211.8 million in FY14 from $167.4 million in FY13. A summary of the key factors that are expected to contribute to the forecast revenue growth in FY14 are provided below:

- Ticketek's ticket sales volumes are forecast to increase by 5.6%, primarily through the addition of new venues to Ticketek's portfolio. Average core ticketing revenue per ticket is forecast to grow 3.0%, reflecting CPI adjustments for venues and the full year impact of credit card transaction fee increases implemented in February 2013.
- Allphones Arena's revenues are forecast to increase by $13.1 million, reflecting an increase in the number of events from 54 in FY13 to 87 in FY14. This event pipeline is forecast to increase attendance by 167%.
- Other Nine Events revenues reflect the growing Nine Live promoter business which is contributing $18.9 million to the FY14 forecast revenue growth.

Expenses

Nine Events expenses are forecast to increase by 31.4% ($34.6 million) to $144.7 million in FY14 from $110.1 million in FY13. This increase is driven by the gross-up effect of costs (and associated revenues) relating to the tour promotion activities of Nine Live, and the flow-through impact of higher variable costs relating to the higher revenues arising from the increase in the number of forecast events at Allphones Arena and Ticketek volume in FY14.

EBITDA

Nine Events EBITDA is forecast to increase by 17.2% ($9.9 million) to $67.1 million in FY14 from $57.3 million in FY13, reflecting the flow-through benefit of the higher revenues. EBITDA margin is forecast to decrease to 31.7% in FY14 from 34.2% in FY13 reflecting the dilutive impact of lower margins generated from tour promotion activities by Nine Live.

4.8.2.1.3 Nine Digital

Revenue

Nine Digital revenues are forecast to decrease by 17.1% ($25.2 million) to $122.7 million in FY14 from $147.9 million in FY13. This decline is predominantly driven by the fact that Nine Digital's segment results are not presented on a consistent and comparable basis between FY13 and FY14 as discussed in Section 4.2.1. In particular, NEC expects that changes to its business arrangements with Microsoft will result in the transfer of Mi9's New Zealand websites to Microsoft, changes in revenue arrangements with respect to Bing searches and other Microsoft products in Australia, and new content arrangements with Microsoft with effect from 1 July 2014. The full year impact of these changes on the financial results of Mi9 has been included in the pro forma forecast revenues for FY14 as if the changes took effect from 1 July 2013.

Expenses

Nine Digital expenses are forecast to decrease by 6.7% ($7.7 million) to $107.1 million in FY14 from $114.8 million in FY13. This decline is driven by the fact these expense results are not presented on a consistent and comparable basis between FY13 and FY14 as discussed in Section 4.2.1. FY14 pro forma expenses reflect the impact on variable costs resulting from the changes discussed in Section 4.2.1, together with a revised overhead structure to reflect the business with effect from 1 July 2014.

EBITDA

Nine Digital EBITDA is forecast to decrease by 52.9% ($17.5 million) to $15.6 million in FY14 from $33.1 million in FY13. EBITDA margin is forecast to decrease to 12.7% in FY14 from 22.4% in FY13. These declines are again driven by the fact these EBITDA results are not presented on a consistent and comparable basis between FY13 and FY14 as discussed in Section 4.2.1. The decline primarily reflects the pro forma impact of the lower display and search revenues, together with the changes to the cost base noted above.

4.8.2.1.4 Share of associates' NPAT

A $3.4 million contribution is forecast from share of associates' NPAT.

4.8.2.1.5 Corporate

Corporate costs are forecast to increase by 2.9% ($0.5 million) to $18.8 million in FY14 from $18.2 million in FY13. This is primarily driven by a higher level of staff-related corporate costs.

4.8.2.1.6 Depreciation and amortisation

Depreciation and amortisation are forecast to increase 12.3% ($5.8 million) to $52.9 million in FY14 from $47.1 million in FY13. This primarily reflects the depreciation of FY13 capital expenditure on sales and workflow systems at Nine Network, together with increased amortisation of venue ticketing rights payments by Nine Events.

4.8.2.2 Pro forma consolidated cash flows: FY14 compared to FY13

The table below sets out the summary Pro Forma Historical Cash Flows for FY13 and the Pro Forma Forecast Cash Flows for FY14:

Table 29: Pro forma operating cash flow – FY14 compared with FY13

$ million, June year end	FY13	FY14	Variance
EBITDA before share of associates' NPAT	293.1	301.5	8.4
Change in working capital	(61.3)	(75.1)	(13.7)
Capital expenditure and purchase of venue ticketing rights	(41.4)	(50.4)	(9.0)
Distributions from associates	2.3	1.3	(1.0)
Net non-cash IPO adjustments	–	4.8	4.8
Operating free cash flow after capital expenditure and purchase of venue ticketing rights	**192.7**	**182.2**	**(10.5)**

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The key assumptions underpinning the Pro Forma Forecast Cash Flows for FY14 are as follows:

4.8.2.2.1 Change in working capital

Working capital outflow is forecast to increase to $75.1 million in FY14 from $61.3 million in FY13. This year on year increase of $13.7 million is primarily driven by the following factors:

- NEC will continue to build on its investment in local content production in FY14 including advance funding of programs that will be broadcast partly or entirely in FY15. A timing difference will arise in FY14 between cash payments (prior to broadcast) and recognition of expenses (upon broadcasting) in relation to these programs, the scheduling of which is expected to run over the year-end balance date, resulting in an increase in working capital balances in FY14. To the extent that Nine Network can maintain local inventory holdings at or around FY14 levels, it is expected that this will assist its level of future investment in working capital;
- Reduction in the timing difference between agreed cash payment terms and the amortisation profile of available content under overseas output deals, predominantly Warner Bros. and Sony Pictures Television (now expired);
- FY13 included a net working capital benefit that Nine Network achieved due to the reversal of the prepayment of amounts in prior years relating to the 2012 Summer Olympic Games;
- Timing difference between agreed payment terms and the associated amortisation profile of the exclusive FTA TV broadcasting rights for Cricket Australia which is expected to unwind over the term of these rights;
- Scheduled prepayments on the 2015 Rugby World Cup and other sporting events; and
- Benefit of a forecast smaller increase in accounts receivable balances in FY14 compared with FY13, which experienced a strong increase in advertising revenue in the final quarter of that year. This reflects normal timing differences between revenue bookings (net of agency commission) and collection of agency receivables.

4.8.2.2.2 Capital expenditure and purchased ticketing rights

Capital expenditure and purchased ticketing rights are forecast to increase by 21.8% ($9.0 million) to $50.4 million in FY14 from $41.4 million in FY13 due principally to increased venue ticketing rights payments as a result of the timing of contracted payments and contract renewals combined with a number of capital expenditure items. Further, in FY14 Nine Digital will be undertaking additional investment to upgrade the ninemsn portal and to continue to migrate data from physical servers to the 'cloud'.

4.8.2.2.3 Distributions from associates

Distributions from associates are forecast to be $1.3 million in FY14.

4.8.2.2.4 Net non-cash IPO adjustments

The FY14 adjustments of $4.8 million represent the costs associated with the Performance Rights Plan which will commence on Completion with a vesting period of up to three years (see Section 10.4.2 for more details).

4.8.2.2.5 Operating free cash flow after capital expenditure and purchased ticketing rights

Operating free cash flow after capital expenditure and purchased ticketing rights is forecast to decrease by 5.4% ($10.5 million) to $182.2 million in FY14 from $192.7 million in FY13. This is expected to be driven by the net flow-through effect of increased EBITDA for FY14 compared to FY13, offset by an expected increase in working capital and capital expenditure and purchased ticketing rights.

4.9 Sensitivity Analysis

The Forecast Financial Information included in Section 4.8 is based on a number of estimates and assumptions as described in Sections 4.8.1 and 4.8.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of NEC, the Directors and management. These estimates are based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Pro Forma Forecast Result to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on FY14 pro forma forecast NPAT of $139.5 million.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Pro Forma Forecast Result, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any changes in one item to seek to minimise the net effect on NEC's NPAT and cash flow.

Table 30: Sensitivity analysis

Assumption	Increase/ decrease (bps)	FY14 pro forma NPAT impact ($m)
Nine Network		
5-City FTA TV advertising industry revenue growth[1]	+/- 100bps	6.7 / (6.7)
5-City FTA TV advertising industry revenue share[2]	+/- 100bps	17.5 / (17.5)
Nine Events		
Ticket sales (Ticketek only)[3]	+/- 100bps	0.6 / (0.6)
Nine Digital		
Average monthly unique audience visitors[4]	+/- 100bps	0.2 / (0.2)
Corporate		
Interest cost[5]	+/- 50bps	(2.4) / 2.4
Effective tax rate[6]	+/- 100bps	(2.0) / 2.0

Notes:

1. *Sensitivity based on +/- 100bps movement in the growth in gross advertising revenues for commercial television networks in Australia's 5-City FTA TV advertising industry.*
2. *Sensitivity based on +/- 100bps movement in NEC's proportion of gross advertising revenues for commercial television networks in Australia's 5-City FTA TV advertising industry.*
3. *Sensitivity based on +/- 100bps movement in tickets sold by Ticketek on behalf of event promoters and venues.*
4. *Sensitivity based on +/- 100bps movement in average monthly unique audience visitors to Nine Digital websites after completion of the Mi9 transaction described in Section 4.2.1.*
5. *Sensitivity based on +/- 50bps movement in the BBSW base rate used to calculate NEC's interest expense and interest income.*
6. *Sensitivity based on +/- 100bps movement in NEC's effective tax rate in FY14 of 30%.*

4.10 Dividend Policy

NEC currently intends to pay an unfranked final dividend in respect of FY14.

Subject to future business conditions and the future cash flow requirements of NEC, the Directors intend to target a dividend payout ratio in the range of 50% to 60% of NPAT. It is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year, with the first dividend payable being the final dividend for FY14. Assuming an FY14 result consistent with the Forecast Financial Information is achieved, the final dividend in respect of FY14 is expected to be 4.1 cents per share, based on the midpoint dividend payout ratio of 55%, half of pro forma FY14 NPAT of $139.5 million (per Section 4.3.1) and total Shares on issue immediately after completion of the Offer of 931.0 million (based on the assumption that the Final Price is at the midpoint of the Indicative Price Range). This dividend represents a dividend yield on an annualised basis of 3.5% to 4.0%, based on the Indicative Price Range. NEC does not expect to be in a position to commence franking dividends until the final dividend for FY15 (payable in FY16). Dividends paid prior to this period will be unfranked. The payment of a dividend by NEC is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of NEC, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by NEC, and any other factors the Directors may consider relevant. In addition, NEC is subject to restrictions on paying dividends under its New Senior Facilities in certain circumstances. There is a risk that NEC will be restricted from paying dividends or other distributions in the future. Full details of these restrictions are set out in Sections 5.1.4.2 and 10.7.1.15.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

section 5
risks

NEC is subject to risk factors that are both specific to its business activities and that are of a more general nature. Individually, or in combination, these factors may affect the future operating and financial performance of NEC, its investment returns and the value of an investment in NEC. Each of the risks set out below could, if they eventuate, have a material adverse impact on NEC's business, financial condition and results of operations. Investors should be aware that this Section does not purport to list every risk that may be associated with an investment in NEC or the Shares now, or in the future, and many of the risks described below are outside the control of NEC and its Directors and management. This Section should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that NEC will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, you should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.1 Risks specific to an investment in NEC

5.1.1 Risks associated with the Nine Network

5.1.1.1 Competition from other broadcasters and other sources

The Australian media industry is highly competitive, with a number of operators competing for audience share and advertising revenue through a broad range of media platforms, including FTA TV and pay television, newspapers, magazines, radio, online, social media, cinema, outdoor and other platforms. This competition has intensified as a result of digital and internet-based technologies. Nine Network is primarily reliant on generating advertising revenue from broadcasting activities. In attracting advertising revenue, FTA TV broadcasters such as Nine Network compete primarily on the basis of audience share ratings, programming content and advertising rates. With the continued development of alternative forms of media, particularly digital media, Nine Network may face increased competition for advertising revenue.

The actions of an existing competitor or the entry of new competitors in a media segment in which Nine Network operates or in other parts of the media sector may make it difficult for Nine Network to grow or maintain its revenues, which in turn, may have a material adverse effect on NEC's profitability. These actions could include, for example, the development of new programming content that may be able to compete with Nine Network's offerings (for instance, the development of a new rugby league competition that is able to compete for audience share with the National Rugby League).

Adverse rating or content performance, could impact Nine Network's ability to generate advertising revenues.

Active competition for advertising revenues or increased pressure on advertising rates could have an adverse effect on the revenue and profitability of Nine Network.

5.1.1.2 Changes in technology and impact on consumer and advertiser behaviour

The Australian media industry will continue to be affected by changes in technology. For example, the roll out of the national high-speed broadband network (National Broadband Network) in Australia may increase the popularity of internet-based content delivery platforms or sources of entertainment and content available in the home.

Newer technologies, including streaming and downloading capabilities through the internet, video-on-demand and other technologies, are increasing the number of media and entertainment choices available to audiences. Some of these technologies allow consumers to view television programming content on the internet (including from different geographical regions) or on a time-delayed basis (e.g. video-on-demand) and provide consumers with the ability to skip programming and advertisements. These technological developments and new sources of content may cause changes in consumer behaviour. This in turn may fragment audiences by providing additional viewing alternatives to television, which may make Nine Network's content offerings less attractive to viewers, advertisers and distributors of programming content. This may reduce the level of advertising expenditure that is directed to existing media, such as to FTA TV, including the Nine Network. In addition, newer methods of viewing content (such as delayed viewing or on computers, tablets and smart phones) may not be counted in audience measurements or may generate less, if any, revenue than traditional distribution methods Developments in alternative forms of media and changes in consumer behaviour could have an adverse effect on the media advertising industry that Nine Network operates within; for example, by reducing the overall share of advertising expenditure accorded to FTA TV in comparison to other media platforms, which in turn could adversely affect Nine Network's ability to generate revenue and profit.

Acquiring, developing and leveraging new and existing technologies are important to NEC maintaining its competitive position across its various businesses. If NEC uses technology or equipment that is not as effective, cost-efficient or as attractive to consumers, if it fails to employ technologies desired by its customers before its competitors do so or if it fails to execute effectively on its technology initiatives, its businesses could be adversely affected. Developing or supporting new technology

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platforms may require significant capital expenditure by NEC. There is no certainty that NEC will have access to adequate capital to allow it to make the necessary investments or that investments in new technology platforms will be successful in attracting customers, advertisers and distributors. Any failure to develop or implement successful new technology platforms could result in a decline in NEC's audience share and ability to generate revenues.

5.1.1.3 Downturn in the economy or the advertising industry

During FY13, FY12, and FY11, pro forma advertising revenue accounted for over 89% of Nine Network's total revenue. Given the importance of advertising to Nine Network's revenue, any decline in advertising expenditure in Australia could result in NEC's revenue decreasing.

The level of advertising expenditure in Australia tends to be cyclical, reflecting overall economic conditions as well as budgeting and advertising purchasing patterns. General economic conditions are influential, because businesses generally reduce or reallocate their advertising budgets during economic recessions or downturns. Extended periods of uncertainty or volatility can also lead to downward pressures on advertising rates. For example, the Australian FTA TV industry experienced a reduction in advertising expenditure in 2008 and 2009 as a result of the global financial crisis. There is no guarantee that the level of advertising expenditure in the Australian FTA TV industry will increase in the future, and there is a risk that it may remain constant or even contract.

Nine Network is exposed to fluctuations in the level of advertising expenditure as, consistent with industry practice, it does not have formal, signed agreements with its advertisers. Instead, Nine Network relies on continuing relationships with agencies and direct advertisers, which limit its ability to prevent advertisers from decreasing or cancelling their advertising arrangements. If there is a decline in the overall economic environment, or deterioration in the individual circumstances of advertisers, advertisers may reduce their level of advertising expenditure. Any decline in advertising revenues may have a material adverse effect on Nine Network's business and NEC's financial performance.

5.1.1.4 Lack of popular programming content, or loss of broadcasting rights, licences or distribution agreements, or the renewal of these agreements on less favourable terms

Nine Network depends on having access to a range of popular programming content across a number of genres in order to maximise its audience share performance, to ensure that advertisers and media buyers are willing to continue placing advertising with the Nine Network and that quota requirements for certain types of programming content are met. The success of the content that Nine Network obtains or creates is substantially dependent on consumer tastes and preferences that can change in unpredicted ways. If the Nine Network experiences a decrease in ratings performance, or if it cannot obtain or retain rights to popular content, Nine Network's business may be adversely affected.

The Nine Network obtains a substantial amount of its programming from third parties, including broadcasting rights to major sporting events, as well as licensing or commissioning local and international entertainment content from studios, distributors and production houses (some of which may have considerable power in renegotiations of Nine Network's agreements). For example, the Nine Network has the rights to broadcast certain domestic rugby league matches (from the Australian Rugby League Commission) and the Australian cricket team (from Cricket Australia) and also sources international content and other content from local producers. Competition for popular content, particularly sports, is intense, and Nine Network may be forced to increase the price it is willing to pay, or risk being outbid by its competitors. Even after acquiring rights to such content, if in future the contracts granting those rights are terminated, cannot be renewed or cannot be renewed on terms which are acceptable, Nine Network's business may also be adversely affected. If Nine Network is unable to obtain or retain attractive programming content or is unable to do so on competitive terms, it may experience a reduction in its audience share and as a consequence, it may lose advertising revenue.

In addition to securing content from third parties, Nine Network also develops and produces some of its own programming content. There is no guarantee that the content it produces will result in Nine Network increasing or maintaining its audience share relative to that of its FTA TV competitors, or increasing or maintaining its level of advertising revenue. In addition, certain costs of producing programming content may be outside the control of Nine Network.

Certain programming content must be acquired by Nine Network in advance of when it is broadcast. If there is a change in circumstances between the date of acquisition and when it is available to be broadcast (e.g. a decline in the overall size of advertising industry expenditure or a change in consumer behaviour or preferences), Nine Network may realise a loss on that content. In addition, under certain of NEC's programming arrangements, NEC is required to take and pay for content that it may not ultimately choose to broadcast, which may have an adverse impact on NEC's cash flows and profitability.

In addition, because Nine Network may experience higher upfront costs to acquire or to produce certain content (e.g. higher costs from accelerating production ahead of schedule in order to promote or distribute new content to compete with other FTA TV networks or other media segments), NEC may experience reductions in its cash flows, which may adversely affect NEC's ability to pay dividends or to meet its debt servicing obligations.

5.1.1.5 Nine Network may be affected by changes in regulation of the FTA TV industry

The FTA TV broadcasting industry in which Nine Network operates is subject to a high degree of government regulation. There is a risk that governments may from time to time make changes to regulatory policy. Changes to government regulation and policy have the potential to have an adverse effect on Nine Network's business and financial performance because they may increase competition for Nine Network in the FTA TV industry or increase the operating costs of the Nine Network.

5.1.1.5.1 Anti-siphoning legislation

As described in more detail in Section 2.2.5.3, anti-siphoning legislation in Australia currently protects FTA TV networks' preferred access to broadcast rights for events of national importance and cultural significance. If changes were made to the anti-siphoning list that reduced the number of sports, or otherwise made it easier for major sporting events to be shown on pay-TV, there is a risk that Nine Network could lose coverage of some of its current sporting programs when the rights for those sports come up for renewal, or that the Nine Network may be forced to pay more for exclusive broadcast rights. This may result in an increase in Nine Network's costs or a decline in audience share for the Nine Network, including for its other programming, which may cause Nine Network to lose advertising revenue, which would have an adverse impact on Nine Network's financial performance.

5.1.1.5.2 Licensing

Currently, the Nine Network holds one of only three commercial FTA TV broadcasting licences in each of the Sydney, Melbourne, Brisbane, Adelaide, Perth, Northern New South Wales and Darwin licence areas. If there was a change in government policy on the number of commercial FTA TV broadcasting licences to be issued, which resulted in legislative changes allowing for the issue of a fourth commercial FTA TV licence, Nine Network could be adversely affected as a result of greater competition for programming content and advertising revenue.

Furthermore, ACMA may exercise its discretion to require Nine Network to give undertakings under its licences to address compliance matters under its licences or licence conditions, to have additional licence conditions imposed on Nine Network or to suspend one or more of Nine Network's licences in the future (e.g. if Nine Network breaches applicable regulations). Additionally, ACMA has the power to decline to renew Nine Network's broadcasting licences at their expiry, subject to the restrictions set out in the Broadcasting Services Act.

5.1.1.5.3 Regulation of content

Nine Network's programming is subject to conditions imposed by ACMA under Nine Network's FTA TV licences, which require that minimum levels of Australian produced programming content are shown by the Nine Network. Compliance with these requirements may entail higher costs for Nine Network to acquire or produce programming content or may prevent Nine Network from being able to broadcast what may be the optimal mix of programming content to maximise advertising revenue and audience share. It is also possible that changes could be made to these requirements in the future, which may further heighten those costs. In addition, the Nine Network business is subject to various other laws and restrictions which can restrict the content which can be shown (e.g. restrictions on advertising certain products, such as cigarettes) or the manner in which Nine Network can report on certain matters (e.g. defamation laws, among others, may affect news and current affairs reporting). Failure to comply with these laws could result in administrative actions, imposition of additional licence conditions by ACMA, legal proceedings issued against the Nine Network, fines and civil and criminal liability. These laws may change from time to time and the Nine Network business may become subject to further laws and restrictions which could affect its operations (such as by restricting it from advertising certain types of products) which could in turn have an adverse impact on Nine Network's revenues and financial performance.

5.1.1.5.4 Media ownership

As described in Section 2.2.5.2, there are a number of regulations and laws that apply to the ownership of media assets in Australia to prevent the concentration of ownership of television licences and cross-media platforms.

The nature of those restrictions may change in the future due to changes in government policy, which could have adverse implications for Nine Network's business or the value of Shares in NEC. For example, an increase in foreign ownership restrictions on media could reduce the level of demand for NEC Shares; alternatively, if there is a reduction in restrictions, such as the removal of the 75% population reach test, there is a risk that Nine Network's competitors could increase their population reach through acquisitions of smaller broadcasting licensees to the detriment of Nine Network's audience share performance and revenues.

5.1.1.6 NEC relies upon attracting and retaining key management personnel and employees

The successful operation of the Nine Network (and NEC's other businesses) relies on NEC's ability to attract and retain experienced and high-performing executives and other employees (including key on-air presenters and creative talent). The failure to achieve this may adversely affect NEC's ability to develop and implement its business strategies, result in a material increase in the costs of obtaining experienced and high-performing executives and other employees (including key on-air presenters and creative talent), and may ultimately lead to a loss of revenue and profitability.

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5.1.1.7 Integration and success of acquisitions

Nine Network has recently acquired the Perth and Adelaide television stations operated by WIN. An important element of NEC's growth strategy is to integrate these businesses into the Nine Network business and to make investments into those newly acquired businesses in order to improve their audience share performance levels in their respective licence areas. There is a risk that Nine Network may be unable to integrate those acquisitions into its existing business smoothly, the expected revenue increases from integrating these businesses into the Nine Network may not be achieved and those businesses may be unable to increase their overall level of audience share. In particular, the Nine Network may not be able to achieve its growth objective of becoming the leading FTA TV network in audience and advertising revenue share based on 5-City performance. Should these risks eventuate, NEC's prospects may be adversely affected as it may be unable to increase its overall share of advertising expenditure in Australia and may have incurred substantial investment in the businesses.

NEC may in the future achieve growth of its FTA TV and its other businesses by making acquisitions. If any other businesses acquired by NEC, either historically or in the future, do not meet business expectations (e.g. because NEC is unable to successfully reduce costs, increase revenue or realise anticipated economies of scale with respect to any acquired business), NEC's operating results may be adversely affected and NEC may be required to impair goodwill and other intangible assets associated with those acquisitions.

5.1.1.8 Changes to network affiliation or program supply arrangements

Nine Network supplies content to its affiliates pursuant to network affiliation or program supply arrangements in certain regional areas in Australia where it does not own local broadcast television stations. There can be no assurance that any of these agreements will be renewed in the future on acceptable terms, or at all. The loss of any of these agreements (which could reduce the reach of Nine Network's television programming and its attractiveness to advertisers), or the renewal of these agreements on less favourable terms, could adversely affect Nine Network's revenue and profitability.

5.1.1.9 Execution and operating

Nine Network's and NEC's businesses more generally are subject to operational risks of various kinds, including transmission failure, systems failure, data loss, inaccurate reporting , industrial action (such as at film and television production studios, in sporting competitions broadcast by Nine Network or which are hosted at Nine Events' venues or by NEC's employees) and other execution risks. These risks could have a negative effect on NEC's reputation and its ability to conduct its business without disruption or at the budgeted level of cost in various ways. This may affect NEC's financial and operating performance. For example, the Nine Network relies on the presentation and play-out centre in Sydney to provide play-out services for Nine Network's FTA TV licence areas in Sydney, Melbourne, Brisbane, Adelaide, Perth and Darwin and Nine Network's affiliates also rely on their presentation and play-out facilities. There is a risk that the functions of any of these presentation and play-out facilities may be interrupted due to systems failure, natural disasters or other reasons and that Nine Network's or its affiliates' disaster relief facilities are for some reason unable to function as designed. This could result in Nine Network or its affiliates needing to utilise alternative play-out facilities, which may cause Nine Network to experience temporarily higher costs or an interruption to broadcasting if alternatives are unavailable or, in the case of Nine Network's affiliates' play-out facilities, a reduction in the level of revenue earned by Nine Network from its affiliates.

5.1.2 Risks associated with the Nine Events businesses

5.1.2.1 Loss of venues

Ticketek's ability to generate ticket sales depends on having the right to sell and distribute tickets for premier venues around Australia. If any contracts that it has with venues are terminated or cannot be renewed on acceptable terms, Ticketek may experience a reduction in the supply of events for which it supplies ticketing services, which may adversely affect its ability to generate revenue. Ticketek faces strong competition for exclusive rights to ticket venues. In addition, Ticketek is exposed to the risk that venues may request higher levels of Key Money to secure renewals. This could adversely affect Ticketek's financial performance.

An important asset in Nine Events' business is its lease of the Allphones Arena. If new venues are established in Sydney, which provide comparable facilities to those at Allphones Arena, then Allphones Arena may experience greater competition for events and tours, which may require it to discount its fees and charges to remain competitive. For the Ticketek business, the construction of additional venues across Australia also poses a risk that there will be fewer events held at the venues for which Ticketek currently has ticketing rights, reducing Ticketek's revenue.

5.1.2.2 Reduction in the number of tours and events coming to Australia and New Zealand or unsuccessful tours and events

Nine Live, Ticketek and Allphones Arena each rely on international artists and performers choosing to tour or exhibit in Australia and New Zealand. The willingness of artists and performers to do so may be adversely affected by a sustained decline in the value of the Australian or New Zealand dollar relative to other major global currencies, or economic slowdowns that cause consumers to reduce their discretionary spending, because the value of ticket and merchandising sales may be comparatively less than could have been earned touring outside of Australia and New Zealand. Other factors, such as natural disasters, concerns about the level of security or risks of terrorism and general economic conditions, as well as changes in consumer tastes and the level of popularity of events staged at venues owned by Nine Events or ticketed by Ticketek may also impact attendance at these events or force rescheduling and reduce the frequency of tours and events coming to Australia and New Zealand. All of these factors are outside of NEC's control and could result in a reduction in revenue for NEC's events businesses due to lower ticket sales, and fixed costs that cannot be recouped.

Nine Live incurs fixed costs to book venues and to market tours and events that it promotes. Ticketek also incurs fixed costs to acquire exclusive ticketing rights to venues. Nine Events' business model relies on the tours and events that Nine Live promotes or which are staged at venues ticketed by Ticketek to be popular with consumers, as the recovery of promotional and other costs, and financial performance, are dependent on the number of tickets sold. If a tour or event is not sufficiently popular and well-attended, Nine Live may be unable to generate sufficient revenue to meet its costs of promotion, or Ticketek its costs of acquiring ticketing rights, which would adversely affect NEC's profitability. In addition, if Nine Live or a third party cancels a tour or event, NEC may incur a loss for the event depending on the amount of the fixed guarantee or incurred costs relative to any revenue earned, as well as revenue it could have earned at booked venues.

5.1.2.3 Deterioration in relationships with promoters, agents and managers

Nine Live is dependent upon maintaining successful relationships with agents and managers in order to secure the rights to the live music tours and events and Allphones Arena is dependent upon maintaining successful relationships with promoters in order to secure events. Any deterioration in these relationships could adversely affect these businesses.

In addition, Nine Events' businesses rely on their ability to maintain existing and build new relationships with content owners. Any adverse change in these relationships could adversely affect NEC's business and financial performance.

5.1.2.4 Ticketing and e-commerce operations depend on technology development and system and security integrity

Advances in technologies or alternative methods of product delivery, or changes in consumer behaviour driven by these changes, could have a negative effect on the Ticketek business. This may require investment in Ticketek's platforms and service offering, to ensure that it continues to offer an attractive, competitive, secure service to customers. If funding is not available for such an investment, there could be an adverse effect on Ticketek's revenue.

Since the majority of Ticketek's ticket sales are made online, Ticketek relies on customers having confidence in the security of the online transactions, including protecting sensitive information such as certain personal information about its customers, such as their names, addresses and phone numbers. Ticketek also has legal obligations which regulate the use of such information and any failure to protect the data contained in its systems may result in a breach of laws. Ticketek's efforts to protect such information may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, or other factors outside of Ticketek's control. Ticketek also has limited influence over the security measures of its third-party online payment service providers. Any compromise of Ticketek's security, or third-party service providers' security, could have an adverse effect on Ticketek's business, reputation and financial performance.

5.1.2.5 Innovation in ticketing distribution methods

Ticketek may experience greater levels of competition from companies that sell self-ticketing systems and from venues that may elect in the future to "self-ticket", through the integration of self-ticketing systems into their existing operations or the acquisition of primary ticket services providers.

5.1.3 Risks associated with the Nine Digital and Ventures businesses

5.1.3.1 Rebranding of ninemsn

Mi9 will continue to be entitled to use the "ninemsn" and "MSN" brands, for a period of time following termination of the existing joint venture between NEC and Microsoft. Before expiry of those rights, Mi9 will need to develop and launch new branding for the existing ninemsn branded network of websites. If the re-branding is not successful, there could be an adverse effect on Mi9's revenue.

5.1.3.2 Mi9 Traffic

Microsoft will cease to be obliged to redirect any traffic (including the current default landing pages for certain Microsoft products) to Mi9's websites from 1 July 2014. In forecasting Mi9's pro forma FY14 earnings, certain assumptions have been made about the impact that these changes will have on traffic to the Mi9 websites. There is a risk that the impact on traffic to Mi9 websites will be materially different to those assumptions. Were this risk to occur, this could result in a reduction of revenue for Mi9. However, if Mi9 sells advertising for the Microsoft products to which Microsoft redirects traffic formerly directed to Mi9 websites, there will be less of an impact as Mi9 will continue to receive some revenue (albeit at lower yields and margins than if that traffic had been redirected to Mi9 websites).

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5.1.3.3 Access to technology

NEC and Microsoft have agreed to a set of principles governing the provision by Microsoft of technology and platform services following the termination of the joint venture between NEC and Microsoft. Pursuant to these principles, Mi9 will continue to receive certain core platform and technology services from Microsoft on the same basis, including as to cost, as applied prior to the sale by Microsoft of its shares in Mi9, for a period of time following termination of the existing joint venture between NEC and Microsoft. The provision of such services on that basis can be terminated by either party effective 31 December 2017. If the provision of such services on these terms is terminated, Mi9 will need to obtain the core platform services currently received from Microsoft from a third party provider, or negotiate with Microsoft the terms on which Microsoft would continue to provide those services. As Mi9 currently receives some of those services at no cost, this will likely result in increased costs for Mi9's business.

5.1.3.4 Lack of growth in the online advertising industry or share of that industry

Mi9's growth prospects depend on an increase in the size and its share of the online advertising industry. The size of the online advertising industry will be affected by various factors, including any move towards subscription or paid content-access models, the level of penetration of the internet, and the comparative popularity of other forms of media with advertisers and media buyers.

Mi9's businesses face strong competition for share of the Australian online advertising industry from well-established players in key segments, for example, from Google in search and Facebook in display advertising. There is a risk that advertisers may choose to advertise only with online businesses having the largest share of users in order to avoid advertising spend across multiple portals and to save on costs.

The online advertising industry is characterised by constant innovation and low barriers to entry, which can result in the creation of new websites or trends which may cause changes in consumer behaviour (e.g. the increasing popularity of social media) and lead to a fragmentation of the online advertising industry and a reduction in the level of demand by online advertisers for Mi9's products. In addition, Mi9's investments in start-up ventures to seek to generate future earnings, are not guaranteed to generate a return for Mi9.

Each of these risks could have an adverse effect on Mi9's revenue.

5.1.3.5 Reliance on audience size and engagement

The size of Mi9's audience and its level of engagement are critical to Mi9's share of the online advertising industry. If Australian users do not continue to perceive Mi9's news and entertainment content to be useful, reliable and entertaining, it may not be able to attract audience numbers or retain and maintain its level of audience reach. Declines in the audience numbers or level of audience engagement may impact Mi9's ability to generate revenue from online display advertising on the Mi9 portal and other portals.

5.1.3.6 Reliance on network and information systems

Network and information systems-related events, such as computer hackings, cyber-attacks, computer viruses, or other destructive software, process breakdowns, denial of service attacks, malicious social engineering or other destructive activities, power outages, natural disasters, terrorist attacks or other similar events, could result in a degradation or disruption of Mi9's services or damage to its equipment and data. These events could also result in large expenditure to repair or replace the damaged networks or information systems or to protect them from similar events in the future.

The amount and scope of insurance Mi9 maintains against losses resulting from any such events or security breaches may not be sufficient to cover its losses or otherwise adequately compensate it for any disruptions to its business that may result, and the occurrence of any such events or security breaches could have a material adverse effect on Mi9's business and financial performance and the value of Mi9.

5.1.4 Additional risks that are specific to NEC's businesses

5.1.4.1 Exposure to adverse macroeconomic conditions

NEC's businesses are each exposed to changes in general economic conditions in Australia and internationally. For example, the advertising industry is affected by such macroeconomic conditions as economic recessions, downturns or extended periods of uncertainty or volatility, which may influence advertisers to defer or cancel advertising expenditure in various forms of media or lead to downward pressures on advertising rates, which may affect Nine Network's and Mi9's ability to generate revenue. Additionally, in weaker economic environments, consumers may have less disposable income to spend and so may be less likely to attend concerts and other events, which would affect the Events businesses. These factors may adversely affect NEC's financial and operating performance, the price of the Shares and NEC's ability to pay dividends.

5.1.4.2 Inability to pay dividends or make other distributions

As described in more detail in Section 10.7.1.15, there are restrictions on NEC's ability to pay dividends or make other distributions to Shareholders during the term of the Senior Facilities following the Completion. However, as a general matter, NEC is permitted to pay dividends as follows:

- out of the cumulative retained excess cash flow of, and equity contributions into, the NEC Group provided that no default is subsisting and after giving effect to such dividends (and any other dividends paid simultaneously) the Total Net Leverage Ratio (as defined in Section 10.7.1.15) is less than 5.5:1; or
- provided that the pro forma Total Net Leverage Ratio after paying any such dividend (and any other dividends paid simultaneously), is less than 2.5:1; or
- in an amount up to A$125 million (to the extent that this general basket has not been previously utilised). If this limb is used in conjunction with any of the above limbs, the applicable ratio test in that limb must be satisfied following payment of all dividends paid simultaneously; or
- in an amount up to 6% per annum of the net proceeds of the offer of New Shares by NEC. Again, if this limb is used in conjunction with either of the first two limbs referred to above, the applicable ratio test in that limb must be satisfied following payment of all dividends paid simultaneously.

The limbs set out above are separate and independent and may be used cumulatively (subject to the ratio requirements described in the first two limbs above if those limbs are used).

As at 30 September 2013[1], after taking into account the proceeds of the Offer and the impact of the Mi9 acquisition, the Total Net Leverage Ratio was approximately 1.9x as calculated under NEC's New Senior Facilities.

5.1.4.3 Litigation

In the ordinary course of its business, NEC is subject to the risk of litigation and other disputes with its employees, regulators, joint venture partners, content providers, competitors and other third parties. Nine Network is subject to litigation risks in the form of actions for defamation arising from its news and other reporting, as well as litigation that is brought to protect intellectual property rights (for example, litigation threatened or brought by Nine Network against persons infringing Nine Network's intellectual property rights by streaming programming content without permission over the internet). Proceedings may result in high legal costs, adverse monetary judgments and/or damage to the Nine Network reputation, which could have an adverse effect on the financial performance of the Nine Network business.

5.1.4.4 Impairment of goodwill and other assets

A substantial proportion of NEC's consolidated total assets consist of goodwill and certain other assets, including Nine Network's television licences that may become impaired. As required under A-IFRS, NEC tests goodwill and certain intangible and other assets annually, and on an interim date if impairment indicators become apparent that would require an interim test of these assets. Potential impairments of NEC's goodwill and other relevant assets may arise from a significant reduction in operating results or cash flows in one or more of NEC's businesses, or a forecast of such reductions, a significant adverse change in the advertising industry, and adverse regulatory changes affecting NEC's assets, among other matters, which may be beyond NEC's control. If the carrying value of goodwill and certain other assets is revised downward due to impairment, such charges could materially affect NEC's financial position and profitability.

5.1.4.5 Exposure to changes in government regulation and policy

The online media industry has the potential to become subject to higher levels of regulation by governments. There is a risk that governments may from time to time make changes to regulatory policy, which has the potential to have adverse effects on NEC's business. For example, if additional restrictions are placed on the use of customer data, Ticketek's and Mi9's ability to use that data for targeted advertising and marketing activities may be adversely affected. These changes may have the effect of adversely impacting the profitability of Ticketek and Mi9.

5.1.4.6 Inability to refinance debt or to otherwise access debt and equity markets on attractive terms

NEC relies on debt funding to help fund its business operations. NEC is subject to the risk of not being able to refinance its debt when it falls due. If this occurs, the terms available to NEC (including in relation to pricing) on refinancing with a new debt facility may not be on as favourable terms as those under its existing debt facilities and, if there is a deterioration in the level of debt market liquidity, this may prevent NEC from being able to refinance some or all of its debt at all. In addition, NEC may in the future require additional debt or equity capital in order to fund capital expenditure and any acquisitions, among other things. There is a risk that NEC may be unable to access debt or equity funding from the capital markets on terms favourable to NEC, or at all.

1. *Using 30 September 2013 as this was the last date before the Original Prospectus Date on which the dividend payment covenant was tested under the New Senior Facilities. Note that the ratio expressed here is different to that calculated for 30 September 2013, which did not take into account the proceeds of the Offer or the impact of the Mi9 acquisition.*

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5.1.4.7 Exposure to movements in foreign exchange rates and interest rates

NEC's term loan debt funding is denominated in US dollars and carries interest charges that may vary depending on changes to LIBOR.

As disclosed in Section 10.7.2, NEC has entered into derivative contracts to hedge substantially all of its exposure under the New Senior Facilities to adverse fluctuations in the Australian dollar against the US dollar. NEC has also entered into derivative contracts to hedge its exposure under substantially all of the funding from LIBOR to the Australian bank-bill swap rate.

To the extent that the term of NEC's debt is longer than the term of its derivative instruments, NEC is exposed to the risk that a fall in the value of the Australian dollar against the US dollar may in the future result in the value of its interest payment and principal repayment obligations increasing. In addition, the interest charges payable on NEC's debt funding may be affected by adverse movements in market interest rates, which may increase the amount of interest payable. NEC's interest rate hedging contracts do not fix the interest rate payable on its debt. NEC is also exposed to the risk of default by any of the counterparties to the above derivative transactions.

Adverse movements in foreign currency markets or market interest rates, or an increase in the credit risk presented by NEC's derivative counterparties can cause NEC to incur losses which may reduce its profitability and ability to pay dividends and to service its debt.

5.2 General risks of an investment in NEC

5.2.1 Price of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if NEC's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which NEC operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence NEC specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

5.2.2 Existing Shareholders retain a significant stake in the Company post-Listing

Following Completion of the Offer, the Existing Shareholders will hold (at least) approximately 66.5%[2] of the issued capital of the Company (excluding any Shares acquired by Existing Shareholders under the Offer, if any[3]). In addition, following Listing, the Board will continue to contain two Directors who were nominated by Apollo and two Directors who were nominated by Oaktree.

Many of the Existing Shareholders acquired their Shares pursuant to the Scheme (as set out in Section 10.6) and may not be long term holders of the Shares.

At least 343,641,225 Existing Shares, representing 36.9% of the issued capital of the Company[4], will be subject to escrow or other disposal restrictions until the date on which NEC's full year results for the period ending 30 June 2014 are released to the ASX (in respect of all Escrowed Shareholders)[5]. Following that date, disposal restrictions will remain on 4,727,272 Shares held by the Management Shareholders until 11 December 2016 (see Section 7.5 for more details)[6]. There are no restrictions on the sale of any Existing Shares that are not subject to escrow or other disposal restrictions in the period following Listing (and there will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction (or sooner, in the event an exception to the restriction is available). A significant sale of Shares by some or all of the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

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2. *Assuming that the Final Price is the midpoint of the Indicative Price Range and disregarding any Shares acquired by Existing Shareholders under the Offer (if any).*
3. *Shareholding shown may vary to the extent that an Existing Shareholder bids for Shares in the Institutional Offer and receives an allocation.*
4. *Assuming that the Final Price is at the midpoint of the Indicative Price Range.*
5. *To the extent that an Escrowed Shareholder purchases any Shares in the bookbuild, those Shares will not be subject to the voluntary escrow arrangements disclosed in Section 7.5. Assumes Final Price is in the midpoint of the Indicative Price Range.*
6. *Assumes Final Price is in the midpoint of the Indicative Price Range.*

Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.2.3 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of NEC and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for NEC's goods and services and its ability to conduct business. NEC has only a limited ability to insure against some of these risks.

5.2.4 Exposure to changes in tax rules or their interpretation or to other tax liabilities

Tax rules or their interpretation in relation to equity investments, divestments and other transactions entered into in the ordinary course of NEC's business may change. In particular, both the level and basis of taxation may change. For example, as disclosed in Section 4.5.3.4, NEC has been informed by the Australian Taxation Office that it considers NEC to be liable to pay royalty withholding tax on certain payments made by NEC to the International Olympic Committee in connection with the exclusive Australian television broadcasting rights for the 2010 Vancouver Winter Olympic Games and 2012 Summer Olympic Games. Should the parties, or courts, ultimately determine that the payment was a royalty, NEC will be required to pay up to $10.7 million in royalty withholding tax, which will affect NEC's cash flow. As noted in Section 4.3.2, notwithstanding that NEC considers it has a strong position and will defend the claim, it has raised a provision of $10.7 million in October 2013 in relation to this matter.

In addition, from time to time the ATO also reviews the tax treatment of other transactions entered into by NEC. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective shareholder is encouraged to seek professional tax advice in connection with any investment in NEC.

5.2.5 Risk of Shareholder dilution

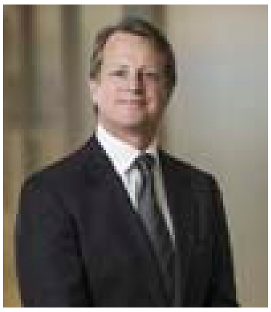
In the future, NEC may elect to issue Shares in connection with fundraisings, including to raise proceeds, for acquisitions NEC may decide to make. While NEC will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

::: section 6

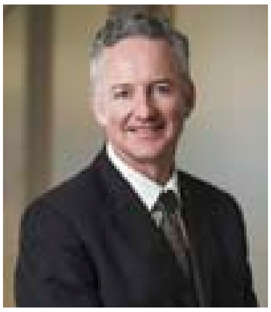
key people, interests and benefits

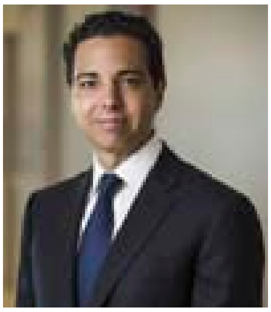
6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience
 **David Haslingden** Independent Non-Executive Chairman	• David was appointed to the Board in February 2013 as an Independent Non-Executive Director and Chairman. • David owns and operates a network of television production companies comprising NHNZ, Beach House Productions, Northern Pictures and Keshet Australia. These companies produce or license programming to broadcast and pay television networks around the World including Nine Network and other broadcasters. He is also Chairman of WildAid, a conservation organisation. • Previously, David was President and Chief Operating Officer of Fox Networks Group. Prior to this appointment, David was Chief Executive Officer of Fox International Channels. David also served as Chief Executive Officer of the National Geographic Channels business. • David has sat on a number of industry boards in the United States including the National Cable and Telecommunications Association. • David received a Bachelor of Arts and a Bachelor of Laws from Sydney University and a Master of Laws from Cambridge University.
 **David Gyngell** Chief Executive Officer	• David was appointed as the Company's Chief Executive Officer in November 2010, having served as the Chief Executive Officer of Nine Network from September 2007. • David has 15 years of experience at the Company. • Previously, David was Chief Executive Officer of Granada Television and also a director of International Management Group and Transworld Media International. • David has also worked as Executive Director, Group Marketing and Communications for Publishing and Broadcasting Limited.
 **Peter Costello** Independent Non-Executive Director	• Peter was appointed to the Board in February 2013 as an Independent Non-Executive Director. • Peter is a Guardian of Australia's Future Fund and currently serves on a number of advisory boards, including an independent advisory board to the World Bank. His business ECG Financial Pty Ltd is a boutique adviser on mergers and acquisitions, foreign investment, competition and regulatory issues which affect business in Australia. • Peter served as member of the House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007. • Prior to entering Parliament, Peter was a barrister. He received a Bachelor of Arts and a Bachelor of Laws (Hons) and a Doctorate of Laws (Honoris Causa) from Monash University. Peter is a member of the MCG Trust. In 2011, he was appointed a Companion of the Order of Australia.

section 6 key people, interests and benefits

Director	Experience
 ***Kevin Crowe*** Non-Executive Director	• Kevin was appointed to the Board in February 2013 as a nominee of Apollo Management (Apollo). • Kevin is currently a principal at Apollo. He also serves on the board of directors of Norwegian Cruise Lines and Prestige Cruise Holdings and previously served on the board of directors of Quality Distribution. • Prior to joining Apollo, Kevin was a member of the Financial Sponsors group in the Global Banking department of Deutsche Bank Securities. • Kevin graduated from Princeton University with a Bachelor of Arts major in Economics and a certificate in Finance.
 ***Edgar Lee*** Non-Executive Director	• Edgar was appointed to the Board in February 2013 as a nominee of Oaktree Capital Management, LLC (Oaktree). • Edgar is currently the Portfolio Manager of the Strategic Credit strategy and a Managing Director at Oaktree where he has experience investing in media companies and working with media management teams. • Prior to joining Oaktree in 2007, Edgar worked in the TMT Investment Banking division at UBS Investment Bank. Before that, he was an Associate in the Fixed Income Division at Lehman Brothers Inc. His prior experience also includes work at Katzenbach Partners LLP and Urban Institute. • Edgar received a Bachelor of Arts in Economics from Swarthmore College and an M.P.P. with a concentration in Applied Economics from Harvard University.
 ***Hugh Marks*** Independent Non-Executive Director	• Hugh was appointed to the Board in February 2013 as an Independent Non-Executive Director • Hugh is currently the Chief Executive Officer of Media Venture Partners, a media strategy and investment business. He has 18 years experience as a senior executive in content production and broadcasting in Australia and internationally. • Hugh has material ownership interests in and is actively involved in the management of Wild Fury Pty Limited, The Media Tribe Pty Limited and RGM Artists Pty Limited. Those companies operate in the independent television production sector and either produce or license programming, or manage the provision of on-screen talent to broadcast and pay television networks around the World including Nine Network and other broadcasters. • Before joining the Board, Hugh was an authority member for ACMA for over two years. • Previously, Hugh was Chief Executive Officer of Southern Star. Hugh has also worked with the Nine Network as legal counsel and then as director of Nine Films and Television for seven years. • Hugh is a lawyer by profession and is admitted as a solicitor in the Supreme Court of New South Wales. • Hugh received a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales.

Director	Experience
 ***Steve Martinez*** Non-Executive Director	• Steve was appointed to the Board in February 2013 as a nominee of Apollo. • Steve is a Senior Partner and Head of Asia Pacific Private Equity for Apollo. • Steve currently serves on the board of directors of Norwegian Cruise Lines, Prestige Cruises, Veritable Maritime and Rexnord Industries. He previously served as a director of Allied Waste, Goodman Global, Hayes Lemmerz International, Hughes Telematics and Jacuzzi Brands. • Prior to joining Apollo, Steve was a member of the mergers and acquisitions department of Goldman Sachs & Co. and before that he worked at Bain & Company. • Steve received a Master of Business Administration from the Harvard Business School and a Bachelor of Arts and a Bachelor of Science from the University of Pennsylvania and the Wharton School of Business respectively.
 ***Joanne Pollard*** Independent Non-Executive Director	• Joanne was appointed to the Board in February 2013 as an Independent Non-Executive Director. • Joanne is currently the Chief Executive Officer of Publicis Mojo Australia and a board member of The Communications Council, Australia's peak body representing agencies in the marketing communications industry to media, government and the public. • Previously, Joanne was appointed the Chief Executive Officer of ninemsn in 2008, a position she held until 2011, and also served as a board member for ninemsn, iSelect Limited, IAB, Australian Association of National Advertisers and Australian Business and Community Network. She also worked as Sales and Marketing Director for the Nine Entertainment Group. • Joanne also previously worked as Global Director of Media, Digital and Content at Nike Inc in the US and Marketing Director of Nike Japan and as a Media Director at J. Walter Thompson Advertising.
 ***Rajath Shourie*** Non-Executive Director	• Rajath was appointed to the Board in February 2013 as a nominee of Oaktree. • Rajath is currently a Managing Director of Oaktree and a co-portfolio manager of Oaktree's Distressed Debt funds. • Rajath has worked with a number of Oaktree's portfolio companies and been active on various creditors' committees. He currently serves on the boards of Taylor Morrison and STORE Capital. • Prior to joining Oaktree, Rajath worked in the Principal Investment Area at Goldman Sachs & Co., and as a management consultant at McKinsey & Company. • Rajath earned a Bachelor of Arts in Economics from Harvard College. He also received a Master of Business Administration from Harvard Business School, where he was a Baker Scholar.

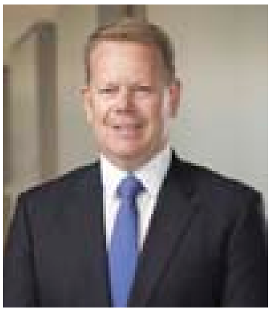
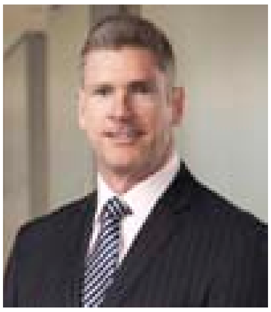
The composition of the Board committees and a summary of its key corporate governance policies are set out in Section 6.4.

Each Director has confirmed to the Company that he or she anticipates being available to perform his duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

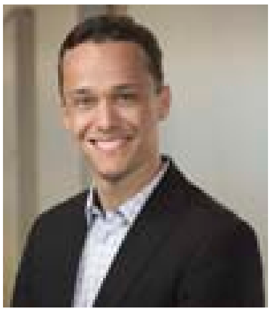
section 6 key people, interests and benefits

6.2 Senior Management

Executive	Experience
 ***David Gyngell*** Chief Executive Officer	• Refer to Section 6.1.
 ***Simon Kelly*** Chief Operating Officer, Chief Financial Officer and Company Secretary	• Simon was appointed Chief Operating Officer and Chief Financial Officer in April 2012 and has 10 years of media and entertainment sector and over 25 years of general and financial management experience. • Simon is responsible for the oversight of general operational management, strategy and business development and financial risk and management across the NEC Group. He is also NEC's Company Secretary. • Previously, Simon was Chief Financial Officer, Company Secretary and board director of ASX listed Aristocrat Leisure Limited. Simon also held a number of senior executive roles at ASX listed Goodman Fielder Limited including Chief Financial Officer (Consumer Foods), Chief Information Officer and General Manager (International). • Prior to this, Simon spent 10 years working at PricewaterhouseCoopers. • Simon holds a Bachelor of Arts (First Class Honours), is a fellow of the Institute of Chartered Accountants in England and Wales, member of The Institute of Chartered Accountants in Australia and member of the Australian Institute of Company Directors.
 ***Amanda Laing*** Commercial Director and Group General Counsel	• Amanda was appointed Group General Counsel in October 2006 and Commercial Director in 2013. Amanda has over 15 years of media and entertainment sector experience. • Amanda has responsibility for legal services as well as the development and implementation of strategic initiatives and commercial opportunities across the television, events and digital businesses of the NEC Group. • Prior to her appointment as Group General Counsel, Amanda was General Counsel of the Australian Consolidated Press group of companies for seven years, with responsibility for the legal affairs of the Australian Consolidated Press publishing, distribution and digital businesses in Australia, New Zealand, South East Asia and the UK. • Amanda holds a Bachelor of Arts and Bachelor of Laws (First Class Honours) from the Australian National University and is a member of the Australian Corporate Lawyers Association, Law Society, Communications and Media Law Association and Australian Institute of Company Directors and has previously held roles as a director of industry bodies, Copyco and OzTAM.

Executive	Experience
 ***Peter Wiltshire*** Group Sales and Marketing Director	• Peter was appointed Group Sales and Marketing Director in October 2010, having previously served as Director of Sales and Marketing of the Nine Network since May 2006, and has over 24 years of media sector experience. • As Group Sales and Marketing Director, Peter is responsible for the overall advertising revenue performance of Nine Entertainment Co and manages all the marketing functions of the business, including consumer, trade and social media. • Peter is a member of the Free TV Marketing Committee, and serves as an active advisory board member for the Starlight Children's Foundation. • Peter previously held roles as Group Sales Director of Southern Cross Broadcasting from 2001 to 2006, and spent the previous 12 years at Network Ten and Media Sales Network in various sales roles.
 ***Brett Dickson*** Chief Operating Officer and Chief Financial Officer, Nine Network	• Brett was appointed Chief Financial Officer of Nine Network in January 2008 and Chief Operating Officer in November 2010 and has 20 years of media and entertainment sector experience. • Brett is responsible for oversight of the financial management as well as the general operational functions and risk management across the Nine Network. • Brett joined the Nine Network in 1993 where he has held various finance roles including Financial Controller. • Brett was previously the Group Financial Controller for Publishing and Broadcasting Limited where he managed the financial reporting and taxation functions for the group. • Brett holds a Bachelor of Economics from Macquarie University and is a member of The Institute of Chartered Accountants in Australia.
 ***Michael Healy*** Director of Television, Nine Network	• Michael was appointed Director of Television of Nine Network in December 2010, and has over 30 years of media experience with the Nine Network. • As Director of Television, Michael is responsible for all aspects of content on Nine, GO! and GEM. • Michael commenced working at Channel 9 Perth in 1983 and relocated to Channel 9 Sydney in 1989. • Michael previously held roles as Director of Programming for 8 years and prior to that as Director of Presentation & Promotions for 10 years.

section 6 key people, interests and benefits

Executive	Experience
 ***Geoff Jones*** Managing Director, Nine Events	• Geoff was appointed as Managing Director of Nine Events in 2007 and has over 13 years of media and entertainment sector experience. • Geoff has responsibility for Ticketek, Allphones Arena, Nine Live, Nine Rewards, Eventopia and Softix. • Geoff has a diverse background in both the corporate sector at a senior executive level, together with extensive experience in the live sports and entertainment industry. In 2010, Geoff also worked as a partner and director of Sports & Entertainment Limited. • Prior to this, Geoff was the Chief Executive Officer of Ticketek and he also held a number of senior executive positions at the Foster's Group and International Management Group. Geoff has held a broad range of directorships in both the sports and live entertainment sectors. • Geoff holds a Bachelor and Master of Arts from the University of New South Wales, Graduate Diploma of Public Policy from Deakin University, and Graduate Diploma of Management from the University of Canberra.
 ***Mark Britt*** Chief Executive Officer, Mi9	• Mark was appointed Chief Executive Officer of Mi9 in September 2011, having previously served on the ninemsn board of directors, and has over 10 years of digital sector experience. • Mark runs all Mi9 group activities across Australia and New Zealand including ninemsn. • Mark is the Chairman of the Interactive Advertising Bureau, the peak industry body for online advertising in Australia and a non-executive director of iCar Asia Limited, the leading network of automobile classifieds sites in ASEAN. • Mark previously worked at Microsoft and has a wealth of executive and commercial experience in online, advertising and consumer technology fields in the Australian, European and Asia-Pacific markets. • Mark holds a Diploma in Law from the Legal Profession Admission Board.

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- director or proposed director of NEC or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any director or proposed director to induce them to become, or qualify as, a director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- UBS AG, Australia Branch as Sole Global Coordinator together with CBA Equities Limited, Macquarie Capital (Australia) Limited and Morgan Stanley Australia Securities Limited have acted as Joint Lead Managers to the Offer and will receive the fees payable to the Joint Lead Managers pursuant to the Offer Management Agreement are described in Section 10.5;
- Deutsche Bank Australia and Nomura Australia Limited have acted as Co-Lead Managers to the Offer and for their services in respect of the Offer they will each be paid a fee of $200,000 (exclusive of GST), which is payable by the Company;

- Bell Potter Securities Limited, Commonwealth Securities Limited, Macquarie Equities Limited, Morgan Stanley Wealth Management Australia Pty Ltd, Morgans Financial Limited and UBS Wealth Management Australia Limited as Co-Managers to the Offer will be paid a broker firm fee of 1.5% (inclusive of GST), which is payable by the Joint Lead Managers out of the fees payable to them by the Company;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay, approximately $1,400,000 (excluding disbursements and GST) for these services up until the Original Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- Ernst & Young Transaction Advisory Services Limited has acted as the Investigating Accountant on the Historical Financial Information in relation to the Offer and has performed work in relation to its Independent Limited Assurance Report in Section 8. The Company has paid, or agreed to pay, approximately $400,000 (excluding disbursements and GST) for the services up until the Original Prospectus Date. Further amounts may be paid to Ernst & Young Transaction Advisory Services Limited under time-based charges;
- Ernst & Young has performed work in relation to due diligence enquiries in relation to the Historical Financial Information and acted as taxation adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $450,000 (excluding disbursements and GST) for these services up until the Original Prospectus Date. Further amounts may be paid to Ernst & Young under time-based charges; and
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant on the Forecast Financial Information in relation to the Offer and has performed work in relation to its Independent Limited Assurance Report in Section 9. The Company has paid, or agreed to pay, approximately $855,000 (excluding disbursements and GST) for the services up until the Original Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

In addition, Morgan Stanley & Company International Plc (an affiliate of Morgan Stanley Australia Securities Limited) has offered to sell 3,744,052 Existing Shares to SaleCo, which SaleCo will offer to sell into the Offer. Morgan Stanley & Company will receive consideration for the sale of those Shares to SaleCo calculated at the Final Price.

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director to the Company. However, under the Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

This amount has been fixed by the Company at $3,000,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. The Listing Rules require that the remuneration of Directors must not include a commission on, or a percentage of operating revenue.

Annual Directors' fees to be paid by the Company are $425,000 to the Chairman, David Haslingden, and $180,000 to each of Peter Costello, Hugh Marks and Joanne Pollard. Until further notice, the Directors nominated by Apollo and Oaktree have waived their entitlements to any Director fees.

In addition to the above Directors' fees the chairman of the Audit and Risk Management Committee will be paid $15,000 annually and each member of this committee will be paid $10,000 annually for their services provided to that committee. Annual fees payable to Directors in respect of the Nomination and Remuneration Committee are $15,000 for the chairman and $10,000 for a member of the committee. The Chairman of the Board is not entitled to receive any fees for acting as a member of a Committee.

All Directors' fees include superannuation at 9.25% of the respective amounts, as applicable.

Directors may also be reimbursed for all reasonable travelling and other expenses properly incurred by the Directors in attending Board meetings or any meetings of committees of Directors, in attending any general meetings of the Company and in connection with the Company's business.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of the Company, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

section 6 key people, interests and benefits

6.3.2.2 Deeds of access, insurance and indemnity

NEC has entered into deeds of access, indemnity and insurance with each Director which confirm and extend the Director's general law rights of access to Board papers and the books and records of NEC and its wholly-owned subsidiaries. The deeds provide that the Director be allowed access to and a copy of records in certain circumstances.

Pursuant to the Constitution, NEC must indemnify any current and former directors and officers of NEC and its subsidiaries against any liability incurred by that person in that capacity, including legal costs, for the period from when the person becomes a director or officer until seven years after the person ceases to be a director or officer of NEC or its subsidiaries. Accordingly, the deed also requires NEC to indemnify the Director for liability incurred as an officer of the Company and its wholly-owned subsidiaries, to the maximum extent permitted by law. The deed provides that NEC must advance to the Director, costs reasonably incurred by the Director in conducting or defending certain proceedings.

The Constitution also allows NEC to enter into and to pay premiums on contracts insuring any liability incurred by any current and former directors and officers of NEC and its subsidiaries, which is incurred by them in that capacity, including legal costs, for the period from when the person becomes a director or officer until seven years after the person ceases to be a director or officer of NEC or its subsidiaries. Accordingly, the deed requires the Company to maintain, to the extent permitted by law, an insurance policy which insures the Director against liability as a director and officer of NEC and its wholly-owned subsidiaries from the date of the deed until the date which is seven years after the Director ceases to hold office as a director of NEC or its wholly-owned subsidiaries of NEC.

6.3.2.3 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors' interests in Shares and other securities in the Company upon Completion are set out below:

Directors	Shares held on Completion	Performance Rights held on Completion
David Haslingden	109,588	0
David Gyngell	4,545,455[1]	2,045,455[2]
Peter Costello	27,396	0
Kevin Crowe	0	0
Edgar Lee	0	0
Hugh Marks	27,396	0
Steve Martinez	0	0
Joanne Pollard	27,396	0
Rajath Shourie	0	0

Directors may hold their interests in securities shown above directly, or through holdings by companies or trusts.

The Directors are entitled to apply for Shares under the Offer.

The Shares recorded in the above table as held by David Gyngell will be subject to restrictions on disposal as outlined in Section 7.5.

Each of the Shares recorded in the above table as held by David Haslingden, Peter Costello, Hugh Marks and Joanne Pollard (the Non-Executive Director Shareholders) will be issued by NEC for nil consideration around or on Completion. These Shares will be subject to voluntary escrow restrictions as outlined in Section 7.5.

6.3.2.4 Executive employment arrangements

Chief Executive Officer

NEC has entered into an employment contract with David Gyngell to govern his employment with the Company as its Chief Executive Officer. David Gyngell will, upon completion of the Offer, be entitled to receive fixed annual remuneration of $2,000,000. David Gyngell will also be entitled to participate in the short term incentive plan, with David Gyngell's target participation under that plan to be 100% of his fixed annual remuneration (see Section 10.4.1 for further details). In addition to this, cash bonuses will be payable to David Gyngell with respect to each of FY14, FY15 and FY16 in circumstances where dividends are paid to Shareholders, with such bonuses to be calculated by reference to the number of Performance Rights held by David Gyngell at the relevant payment date and the dividend paid per Share in the relevant period. Such bonuses will be

1. *Shareholding level is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.*
2. *Number of Performance Rights is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.*

calculated by reference to the amount of dividends that are paid with respect to those periods. In addition, David Gyngell will on or around Completion be issued with $4,500,000 worth of Performance Rights (calculated at the Final Price) under the terms of NEC's long term incentive plan, the Performance Rights Plan (see Section 10.4.2 for further details).

Either party may terminate the employment agreement by giving 12 months' notice in writing or, alternatively in NEC's case, payment in lieu of notice. The Company may also direct David Gyngell to take enforced leave during any notice period of termination, during which time he will remain an employee and remain entitled to receive remuneration and all other contractual benefits.

David Gyngell and the Company have agreed not to give notice of termination of the employment agreement before 1 November 2015. However, NEC may terminate the employment of David Gyngell immediately and without payment in lieu of notice in certain circumstances, including serious misconduct. NEC also has this right in the event that David Gyngell fails to observe or perform any of the duties or obligations imposed on him under the employment agreement and does not correct his failure within a reasonable period of being requested in writing by the Company to do so. Further, NEC may terminate at any time with 12 months' notice (or payment in lieu) due to underperformance by David Gyngell.

Upon the termination of David Gyngell's employment agreement, he will be subject to a restraint of trade period of 12 months. NEC may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Provided that David Gyngell remains employed by NEC at Completion, pursuant to long-standing contractual arrangements with NEC, David Gyngell will be entitled to receive the issue of $10,000,000 worth of Shares (calculated at the Final Price), which will be subject to disposal restrictions for a period of three years from the date of issue (but which do not require David Gyngell to remain employed by NEC or an NEC Group member beyond the date of issue).

In addition, he will receive a listing bonus comprising a cash payment of $2,500,000.

Other Senior Management

The Company's other members of Senior Management are employed under individual employment agreements. These establish:

- total compensation including a base salary and superannuation contribution to a fund of the individual's election;
- termination notice provisions of 12 months by either party (subject to the expiry of certain minimum periods during which time neither party may serve a notice of termination, other than summary dismissal by their employer in the event of serious misconduct and other specified grounds);
- restraint of trade provisions of 12 months after termination of employment. The enforceability of the restraint clause is subject to all usual legal requirements;
- eligibility to participate in any short term incentive at a specified target dollar level; and
- eligibility to participate in the Performance Rights Plan. Senior Management (excluding David Gyngell) will together receive $5,476,000 worth of Performance Rights (calculated at the Final Price) around or on Completion under the terms of the Performance Rights Plan (see Section 10.4.2 for further details).

In addition, in the case of one member of Senior Management, pursuant to a long-standing contractual arrangement with an NEC Group member, that Senior Manager will upon Completion, become eligible to be issued $400,000 of Shares (calculated at the Final Price), which will be subject to disposal restrictions for a period of three years from the date of issue (but which do not require the Senior Manager to remain employed by an NEC Group member beyond the date of issue).

6.3.2.5 Related party arrangements

The following related party arrangements have been entered into by an NEC Group member:

- Leila McKinnon, the wife of David Gyngell, is employed by Nine Network as a journalist and news presenter; and
- Sebastian Costello, the son of Peter Costello, is employed by the Nine Network as a reporter.

NEC does not consider that there are any risks associated with these related party arrangements. The arrangements are on commercial and arm's length terms.

As set out in Section 6.1, certain of the Directors have interests in television production, advertising or other media-related business concerns. From time to time, one or more of the Directors (or the companies or entities that they control, have an interest in, or are employed by) may provide services or sell products to NEC. Should such sales occur or services be provided, they would be on commercial and arm's length terms.

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6.4 Corporate governance

This Section 6.4 explains how the Board oversees the management of NEC's business. The Board is responsible for the overall corporate governance of NEC, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of NEC and oversees its business strategy including approving the strategic goals of NEC and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of NEC. In conducting NEC's business with these objectives, the Board seeks to ensure that NEC is properly managed to protect and enhance Shareholder interests, and that NEC, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing NEC, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for NEC's business and which are designed to promote the responsible management and conduct of NEC.

NEC is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations (ASX Recommendations) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, NEC will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where NEC does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Copies of NEC's key policies and practices and the charters for the Board and each of its committees will be available at www.nineentertainmentshareoffer.com during the Offer Period.

6.4.1 The Board of Directors

The Board of Directors is comprised of the Chief Executive Officer and eight Non-Executive Directors of whom four are independent. The Board comprises:

- David Haslingden – Independent Non-Executive Chairman;
- David Gyngell – Chief Executive Officer;
- Peter Costello – Independent Non-Executive Director;
- Kevin Crowe – Non-Executive Director;
- Edgar Lee – Non-Executive Director;
- Hugh Marks – Independent Non-Executive Director;
- Steve Martinez – Non-Executive Director;
- Joanne Pollard – Independent Non-Executive Director; and
- Rajath Shourie – Non-Executive Director.

Detailed biographies of the Board members are provided in Section 6.1.

Each Director has confirmed to NEC that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is not a member of NEC's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining 'independence' on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of NEC.

The Board considers that each of David Haslingden, Peter Costello, Hugh Marks and Joanne Pollard is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and is able to fulfil the role of independent Director for the purpose of the ASX Recommendations.

David Gyngell, Kevin Crowe, Edgar Lee, Steve Martinez and Rajath Shourie are currently considered by the Board not to be independent. David Gyngell is currently the Chief Executive Officer of NEC. The other named directors are nominees of substantial shareholders of NEC (Kevin Crowe and Steve Martinez of Apollo and Edgar Lee and Rajath Shourie of Oaktree).

Accordingly as at Listing, the Board will not consist of a majority of independent Directors. Although the composition of the Board does not comply with Recommendation 2.1 of the ASX Recommendations, which requires that a majority of the Board should be comprised of independent Directors, the Board believes that independent judgment is achieved and maintained in respect of its decision-making processes. In preparing for Listing, the Board has elected not to increase its size by the addition of a further two Directors in order to achieve a majority of independent Directors, because it considered that at nine members, the Board is an appropriate size.

Eight of the nine members of the Board are Non-Executive Directors and are independent of management. The four (being those Directors who were nominated by Apollo and Oaktree) of those Directors who are not considered to be independent add significant value to Board deliberations with their considerable experience and skills. Each of these four Directors brings objective and independent judgement to the Board's deliberations. Furthermore, all Directors are entitled to seek independent professional advice as and when required.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as Directors.

6.4.2 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It envisages that the Board should comprise Directors with a range of skills, expertise, experience and diversity which are relevant to NEC's businesses and the Board's responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of NEC, relevant legislative and other requirements and the skills and experience of individual Directors.

Under the Board Charter, Board committee performance evaluations will occur regularly.

6.4.3.1 Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing NEC's internal control structure and risk management systems. The Audit and Risk Management Committee also confirms the quality and reliability of the financial information prepared by NEC, works with the external auditor on behalf of the Board and reviews non-audit services provided by the external auditor, to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to NEC. The purpose of the committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Board has adopted a policy regarding the services that NEC may obtain from its auditor. It is the policy of NEC that its external auditor:

- must be independent of NEC and the Directors and senior executives. To ensure this, NEC requires a formal report from its external auditor on an annual basis setting out the relationships that may affect its independence; and
- may not provide services to NEC that are, or are perceived to be, materially in conflict with the role of the external auditor. Non-audit or assurance services that may impair, or appear to impair, the external auditor's judgment or independence are not appropriate. However, the external auditor may be permitted to provide additional services which are, and are not perceived to be, materially in conflict with the role of the auditor if the Board or Audit and Risk Management Committee has approved those additional services.

The Charter of the Audit and Risk Management Committee provides that the committee should comprise Directors, to the extent practicable given the size and composition of the Board from time to time, at least three of whom are Non-executive Directors, and a majority of whom are independent. A member of the Audit and Risk Management Committee, who does not chair the Board, shall be appointed the chair of the committee.

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The Board acknowledges ASX Recommendation 4.2 that a majority of the members of an audit committee should be independent directors. Although only one Director is classified as independent, (Hugh Marks, the Chairman of the committee), all Directors are Non-Executive Directors. The Board believes that the current members of the committee are the most appropriate to achieve its objectives (having regard to their experience and skills) and that they each will bring independent judgement to the Audit and Risk Committee's deliberations.

All Directors are able to and do review and challenge policies and practices to ensure decisions taken are in the best interests of the Company.

The Audit and Risk Management Committee will meet as often as is required by the Audit and Risk Management Committee Charter or other policy approved by the Board to govern the operations of the Audit and Risk Management Committee. The chair of the Audit and Risk Management Committee may invite other Directors, members of senior management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. The Audit and Risk Management Committee will regularly report to the Board about committee activities, issues and related recommendations.

The committee comprises Hugh Marks (Chairman), Edgar Lee and Kevin Crowe.

6.4.3.2 Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with NEC's strategic goals and human resources objectives. The Nomination and Remuneration Committee is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Nomination and Remuneration Committee will meet as often as is required by the Nomination and Remuneration Committee Charter or other policy approved by the Board to govern the operation of the Nomination and Remuneration Committee. Following each meeting, the Nomination and Remuneration Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Nomination and Remuneration Committee that requires Board approval.

Although ASX Recommendation 8.2 suggests that the committee consist of a majority of independent directors, NEC believes that the current members of the committee (two out of four are considered independent and all are non-executive directors) are the most appropriate to achieve its objectives given their skill set and experience, and in order for the Company to gain the maximum benefit of their experience and expertise in relation matters dealt with by the Nomination and Remuneration Committee.

The committee comprises Joanne Pollard (Chairman), David Haslingden, Steve Martinez and Rajath Shourie.

6.4.4 Risk management policy

The identification and proper management of NEC's risks are an important priority of the Board. NEC has adopted a risk management policy appropriate for its business (which is reflected in the Audit Risk and Management Committee's Charter). This policy highlights the risks relevant to NEC's operations and NEC's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has delegated to the Audit and Risk Management Committee responsibility for identifying major risk areas and monitoring risk management to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

NEC will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Chief Executive Officer or Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act.

NEC has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

6.4.5 Diversity policy

The workforce of NEC is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected. NEC acknowledges the positive outcomes that can be achieved through a diverse workforce and recognises and utilises the contribution of diverse skills and talent from its workforce. For the purposes of this policy, 'diversity' encompasses (without limitation) diversity of gender, age, ethnicity, cultural background, impairment or disability, sexual orientation and religion.

NEC has adopted a diversity policy which sets out its commitment to diversity and inclusion in the workplace. In its annual report, NEC will disclose the measurable objectives for achieving gender diversity and progress towards achieving them, and will also disclose the proportions of men and women on the Board, in senior executive positions and across the whole organisation, and/or the entity's Gender Equality Indicators, as defined in the Workplace Gender Equality Act 2012 (Cth).

6.4.6 Disclosure Policy

Once listed, NEC will be required to comply with the continuous disclosure requirements of ASX Listing Rules and the Corporations Act. NEC will be required to disclose to the ASX any information concerning NEC which a reasonable person would expect to have a material effect on the price or value of NEC's securities.

The Board aims to ensure that Shareholders and stakeholders are informed of all major developments affecting NEC's state of affairs. As such, NEC has adopted a Disclosure Policy and Shareholder Communication Policy, which together establish procedures to ensure that Directors and senior management are aware of, and fulfil their obligations in relation to, providing timely, full and accurate disclosure of material information to NEC's stakeholders and comply with NEC's disclosure obligations under the Corporations Act and Listing Rules. The Disclosure Policy also sets out procedures for communicating with Shareholders, the media and the market.

NEC is committed to observing its disclosure obligations under the ASX Listing Rules and Corporations Act. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and continuous disclosure announcements will be made available on NEC's website at www.nineentertainment.com.au.

6.4.7 Securities Trading Policy

NEC has adopted a Securities Trading Policy which will apply to NEC and its Directors, company secretary and Senior Management and other persons nominated by the Board from time to time (Key Management Personnel).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that is prohibited under the Corporations Act and establish procedures in relation to Key Management Personnel dealing in the Shares.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "closed periods" during which trading in Shares by Key Management Personnel is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing from the end of 31 December until the end of the trading day on which NEC's half-year financial results are released to the ASX;
- the period commencing from the end of 30 June until the end of the trading day on which NEC's annual financial results are released to the ASX;
- the period commencing four weeks prior to NEC's Annual General Meeting and ending at the end of the day on which NEC's Annual General Meeting is held; and
- any such other periods designated by the Board.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information in a manner contrary to the Corporations Act.

6.4.8 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, which sets out the way NEC conducts business. NEC will carry on business honestly and fairly, acting only in ways that reflect well on NEC in strict compliance with all laws and regulations.

The policy document outlines NEC's employees' obligations of compliance with the Code of Conduct, and explains how the code interacts with NEC's other corporate governance policies.

Responsibilities include protection of NEC's business, using NEC's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

6.4.9 Communications with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of NEC and that they are informed of all major developments affecting the state of affairs of NEC relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all other information with the ASX required by NEC's continuous disclosure obligations and publishing information on NEC's website.

In particular, NEC's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All announcements made to the market and any other relevant information will be posted on NEC's website at www.nineentertainment.com.au as soon as they have been released to the ASX.

::: section 7
details of offer

7.1 The Offer

This Prospectus relates to an initial public offering of $275 million worth of New Shares by NEC[1] and the sale of 179.7 million Existing Shares held by SaleCo (as well as up to $2,344,000 of New Shares by NEC to Eligible Participants under the Employee Gift Offer, for nil consideration). The total number of Shares on issue at the completion of the Offer will be 931 million[2] and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 33% of the Shares on issue on Completion[3].

The Offer is expected to raise $670 million (comprising $275 million from the issue of New Shares by NEC for NEC's benefit and $395 million[4] for the sale of Existing Shares held by SaleCo). Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the bookbuild and may be set at a price below, within or above the Indicative Price Range.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer,** which consists of the:
  - **Broker Firm Offer** – open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker;
  - **Employee Gift Offer** – open to Eligible Participants who have received an offer from NEC to acquire, at no cost, the nearest number of whole Shares (rounded down) up to the value of $1,000 each; and
  - **Priority Offer** – open to certain Retail Offer Investors nominated by NEC, limited to $5 million in aggregate proceeds; and
- the **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors, in Australia under this Prospectus, and in a number of other eligible jurisdictions under the Institutional Offering Memorandum.

Details of each component of the Retail Offer and the allocation policy under the Retail Offer are described in Section 7.3. Details of the Institutional Offer and the allocation policy under the Institutional Offer are described in Section 7.4.

No general public offer will be made under the Offer. The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by the Joint Lead Managers, in agreement with NEC, having regard to the allocation policy outlined in Sections 7.3.6 and 7.4.4.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide NEC with:

- a liquid market for its Shares and an opportunity for Existing Shareholders to realise part of their investment in NEC;
- funds to repay, in part, NEC's existing debts and pay the Offer costs; and
- additional financial flexibility to pursue the growth strategy outlined in Section 3.6 through improved access to capital markets.

The proceeds of the Offer will be applied to:

- repayment of debt drawn on NEC's debt facilities;
- payment to SaleCo (which will distribute payments to Selling Shareholders);
- increase in cash and cash equivalents; and
- payment of the costs associated with the Offer.

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1. *This is 125 million New Shares based on the assumption that the Final Price is at the midpoint of the Indicative Price Range. It does not include the total of 4.9 million Shares to be issued to the Non-Executive Director Shareholders (as described in Section 6.3.2.3) and to two Senior Managers (as described in Section 6.3.2.4) at Completion; nor does it include 1.1 million Shares to be issued under the Employee Gift Offer assuming all Eligible Participants accept their offers and the Final Price is at the midpoint of the Indicative Price Range, given that will be for no consideration (as described in Section 7.3.2).*
2. *This is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range. It includes the total of 4.9 million Shares to be issued to the Non-Executive Director Shareholders (as described in Section 6.3.2.3) and to two Senior Managers (as described in Section 6.3.2.4) at Completion as well the 1.1 million Shares to be issued under the Employee Gift Offer assuming all Eligible Participants accept their offers and the Final Price is at the midpoint of the Indicative Price Range (as described in Section 7.3.2).*
3. *This is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.*
4. *Assuming the Final Price is at the midpoint of the Indicative Price Range.*

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Sources		Uses	
Cash proceeds received from sale of Existing Shares	$395 million[5]	Payment of proceeds to SaleCo[5]	$395 million
Cash proceeds received from issue of New Shares	$275 million	Payment of costs of the Offer[5]	$22 million
		Payment of one-off Senior Management bonuses	$4 million
		Repayment of debt	$199 million
		Increase in cash and cash equivalents	$50 million
Total sources	**$670 million**	**Total uses**	**$670 million**

7.1.3 Pro forma historical consolidated balance sheet

NEC's pro forma balance sheet following Completion, including details of the pro forma adjustments is set out in Section 4.5.

7.1.4 Capitalisation and indebtedness

NEC's capitalisation and indebtedness as at 30 June 2013, before and following the completion of the Offer, is set out in Section 4.5.2.

7.1.5 Shareholding structure

The details of the ownership of Shares on Completion of the Offer are set out below:

	Shares at Original Prospectus Date	% pre-IPO	Shares issued/acquired/(sold)	Shares immediately post-IPO[6]	% Post-IPO[7]
Oaktree	222.6 million	27.8%	(89.1) million	133.6 million	14.3%
Apollo	205.1 million	25.6%	Nil	205.1 million	22.0%
Other Existing Shareholders	372.2 million	46.5%	(90.6) million	281.6 million	30.2%
New Shares to be issued under the Offer or at Completion[8]	–	–	131.0 million	131.0 million	14.1%
Existing Shares to be sold under the Offer	–	–	179.7 million	179.7 million	19.3%
Total	**800.0 million**	**100.0%**	**131.0 million**	**931.0 million**	**100.0%**

Each of the Existing Shareholders who is an Institutional Investor will be entitled to lodge a bid during the bookbuild process under the Institutional Offer which may result in their post-Completion Shareholding being above those numbers shown in the table above.

All Selling Shareholders (except for Apollo and Oaktree) who are entitled to bid into the bookbuild by virtue of being Institutional Investors will receive preferential treatment under the bookbuild on the basis disclosed in Section 7.4.4. This preferential treatment does not guarantee any allocation to a Selling Shareholder and will be determined by the Joint Lead Managers and NEC in their sole discretion.

7.1.6 Control implications of the Offer

The Directors do not expect any Shareholder to control NEC on Completion.

7.1.7 Potential effect of the fundraising on the future of NEC

The Directors believe that on Completion, NEC will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet NEC's stated business objectives.

5. Assumes Final Price is the midpoint of the Indicative Price Range.

6. Shareholding shown may vary to the extent that an Existing Shareholder bids for Shares in the Institutional Offer and receives an allocation of Shares.

7. Percentage shown may vary to the extent that an Existing Shareholder bids for Shares in the Institutional Offer and receives an allocation of Shares.

8. This includes 125.0 million New Shares under the primary Offer, the 1.1 million Shares to be issued under the Employee Gift Offer assuming all Eligible Participants accept their offers (as described in Section 7.3.2) and the total of 4.9 million Shares to be issued to the Non-Executive Director Shareholders (as described in Section 6.3.2.3) and to two Senior Managers (as described in Section 6.3.2.4), in each case, assuming that the Final Price is at the midpoint of the Indicative Price Range.

7.2 Terms and conditions of the Offer

Table 31: Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of NEC).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.9.
What is the consideration payable for each security being offered?	The Indicative Price Range for the Offer is $2.05 to $2.35 per Share. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the bookbuild and may be set at a price below, within or above the Indicative Price Range.
What is the Retail Offer period?	The Retail Offer opens at 9.00am (Sydney Time) on 12 November 2013. The Retail Offer closes at 5.00pm (Sydney Time) on 29 November 2013. The key dates, including details of the Offer Period, are set out on page 2. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Retail Offer opens. No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Original Prospectus Date.
What are the cash proceeds to be raised?	Between $643.4 million to $697.3 million is expected to be raised under the Offer (assuming a Final Price within the Indicative Price Range).
Is the Offer underwritten?	No. The Offer is not underwritten.
What is the minimum and maximum Application size under the Retail Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. Applicants under the Employee Gift Offer are invited to apply for up to $1,000 worth of Shares at no cost. Applicants under the Priority Offer must apply for a minimum value of $20,000 worth of Shares and in multiples of $5,000 worth of Shares thereafter, unless otherwise notified by NEC in its absolute discretion. There is no maximum value of Shares that may be applied for under the Priority Offer; however, the maximum size of the Priority Offer is $5 million. NEC reserves the right to scale back applicants under the Priority Offer in its absolute discretion. The Joint Lead Managers, in consultation with NEC, reserve the right to treat any Applications in the Broker Firm Offer that are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Applications. The Joint Lead Managers, in conjunction with NEC, also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.

section 7 details of offer

Table 31: Terms and conditions of the Offer

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by agreement between the Joint Lead Managers and NEC, having regard to the allocation policy outlined in Sections 7.3.6 and 7.4.4. For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients. NEC and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than applied for, in their absolute discretion.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on 11 December 2013. Refunds to Applicants under the Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement of the IPO, which is expected to occur on or about 10 December 2013. No refunds will be made where the overpayments relate solely to rounding at the Final Price.
Will the Shares be listed?	NEC has applied to ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code NEC). Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 6 December 2013, initially on a conditional and deferred settlement basis. Shares will commence trading on the ASX on an unconditional and normal settlement basis about or on 12 December 2013. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. NEC, SaleCo and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Nine Entertainment IPO Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.5.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 10.9.
Are there any tax considerations?	Refer to Section 10.12.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

Table 31: Terms and conditions of the Offer

Topic	Summary
What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) from 8.30am until 5.30pm (Sydney Time), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether NEC is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Retail Offer

7.3.1 Broker Firm Offer

7.3.1.1 Who may apply

The Broker Firm Offer is open to Retail Offer Investors who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

7.3.1.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.nineententertainmentshareoffer.com. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney Time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

NEC, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on 12 November 2013 and is expected to close at 5.00pm (Sydney Time) on 29 November 2013. NEC, SaleCo and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.1.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.1.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not NEC, SaleCo and the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

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7.3.2 Employee Gift Offer

7.3.2.1 Who may apply?

All Eligible Participants are entitled to participate in the Employee Gift Offer. An Eligible Participant is defined in the Glossary and may include some individuals who are not currently employees. If you are an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Gift Offer, together with this Prospectus.

7.3.2.2 How to apply

Eligible Participants who are entitled to participate in the Employee Gift Offer are required to complete the Application Form made available online at www.nineentertainmentshareoffer.com.

7.3.2.3 Payment methods

No payment is required for the Employee Gift Offer.

7.3.2.4 Allocation policy under the Employee Gift Offer

Employee Gift Offer Applicants who are Successful Applicants will receive a guaranteed allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Final Price) or such lesser amount applied for.

7.3.2.5 Further information about the Employee Gift Offer

A participant in the Employee Gift Offer must not sell, assign, transfer or otherwise deal with, or grant a security interest over, a Share acquired under the Employee Gift Offer before the earlier of:

a. the end of the period 3 years after the issue of the Shares to the participant; and
b. the time when the participant is not or no longer employed by NEC or any NEC Group member, subject to a minimum holding period in this instance of 18 months from the date of issue of the Shares.

Shares acquired by a participant in the Employee Gift Offer will be held under a trading lock until the end of the disposal period referred to above.

Shares issued under the Employee Gift Offer otherwise carry the same rights and entitlements of Shares, including dividend and voting rights.

NEC may issue Shares, or acquire Shares on or off market, to allocate to a participant in the Employee Gift Offer.

Not all participants in the Employee Gift Offer will be able to take advantage of the taxation concession under the Australian tax legislation to acquire the Shares income tax-free. See Section 10.12.2 for an overview of the potential taxation implications of participating in the Employee Gift Offer.

7.3.3 Priority Offer

7.3.3.1 Who may apply?

The Priority Offer is open to Retail Offer Investors nominated by NEC. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer.

7.3.3.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation.

Applications under the Priority Offer must be for a minimum of $20,000 worth of Shares and in multiples of $5,000 worth of Shares thereafter.

There is no maximum value of Shares that may be applied for under the Priority Offer; however, the maximum size of the Priority Offer is $5 million. NEC reserves the right to scale back applicants under the Priority Offer in its absolute discretion. Any amount applied for in excess of the amount allocated to you, will be refunded in full (without interest).

If the amount of your BPAY® payment for Application Monies (or the amount for which those BPAY® payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

If you are a Priority Offer Applicant, go to www.nineentertainmentshareoffer.com.au and complete an online Application Form. You must pay for Shares applied for online by BPAY® by following the instructions on the online Application Form. It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5.00pm (Sydney Time) on 29 November 2013. If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society.

7.3.3.3 Allocation policy under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of NEC, provided that those allocations (in aggregate) do not exceed $5 million.

7.3.4 Acceptance of Applications under the Retail Offer

An Application in the Retail Offer is an offer by you to NEC and SaleCo to apply for Shares in the dollar amount specified in the Application Form at the Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. At the time of making an Application, an Applicant will not know the precise number of Shares they will be allocated and the price paid per Share until the Final Price is determined as set out in Section 7.4.3. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on the ASX and Settlement.

The Joint Lead Managers, in agreement with NEC, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be allotted Shares at the Final Price. Successful Applicants in the Retail Offer will receive the number of Shares equal to the value of their Application accepted by NEC divided by the Final Price (rounded down to the nearest whole Share). No refunds pursuant solely to rounding will be provided.

7.3.5 Application Monies

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by NEC.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount.

7.3.6 Allocations under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants nominated by those Brokers. It will be a matter for the Brokers as to how they allocate firm stock among their retail clients, and they (and not NEC and the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.4 Institutional Offer

7.4.1 Invitations to bid

NEC and SaleCo are inviting certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia to bid for Shares under this Prospectus, and an invitation to Institutional Investors in certain eligible jurisdictions outside Australia to bid for Shares under the Institutional Offering Memorandum.

7.4.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Joint Lead Managers. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Joint Lead Managers.

Participants can only bid into the bookbuild for Shares through the Joint Lead Managers. They may bid for Shares at specific prices or at the Final Price. Participants may bid above or within the Indicative Price Range, which is $2.05 to $2.35 per Share. Under the terms of the Offer Management Agreement, the Final Price will be determined by the Joint Lead Managers in agreement with NEC, after the close of the Retail Offer and the Institutional Offer as described in Section 7.4.3.

The Institutional Offer will open on 3 December 2013 and close on 4 December 2013. The Joint Lead Managers and NEC reserve the right to vary the times and dates of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers

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for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Joint Lead Managers to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on ASX and Settlement.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

7.4.3 Final Price

The institutional bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by the Joint Lead Managers and NEC after the close of the Retail Offer and the Institutional Offer. It is expected that the Final Price will be announced to the market on 5 December 2013. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Retail Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. In the Institutional Offer, the Final Price may be set below, within or above the Indicative Price Range. All Successful Applicants under the Offer will pay the Final Price. Applicants under the Retail Offer will Apply for a set dollar value of Shares. Accordingly, Applicants will not know the number of Shares they will receive at the time they make their investment decision, nor will they know the Final Price. Except as required by law, Applicants cannot withdraw their Applications once the Final Price and allocations of Shares have been determined.

7.4.4 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Joint Lead Managers in agreement with NEC. The Joint Lead Managers and NEC have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

Preferential treatment will be given to Selling Shareholders (excluding Oaktree and Apollo) for bids up to an equivalent number of shares as initially tendered by the Selling Shareholder for sale to SaleCo. This preferential treatment does not guarantee any allocation to a Selling Shareholder and will be determined by the Joint Lead Managers and NEC in their sole discretion.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Joint Lead Managers, in consultation with NEC, consider appropriate, in their sole discretion.

7.5 Disposal restrictions on Shares

7.5.1 Voluntary escrow arrangements

All of the Existing Shares held at Completion by the Escrowed Shareholders (other than any Shares purchased by them under the Offer) will be subject to voluntary escrow arrangements.

The Shares held by Apollo, Oaktree and the Non-Executive Director Shareholders will be escrowed until the date on which NEC's full-year results for the period ending 30 June 2014 are released to the ASX.

Each of these Escrowed Shareholders has agreed to enter into an escrow deed in respect of their escrowed Shareholding retained following the Offer, which prevent them from disposing of their respective escrowed Shares for the applicable escrow period. The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or

- the Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

In addition, Apollo and Oaktree may be released early from these escrow obligations to the extent required in order to dispose of up to 25% of the escrowed Shares (in one or more transactions) at least 10 Business Days after both of the following conditions have been satisfied:

- the half-yearly results of the Company for the period ended 31 December 2013 have been released to the ASX (Relevant Date); and
- the Company VWAP on each trading day comprising the Company VWAP Period is at least 20% higher than the Final Price.

The Company VWAP on any trading day prior to the Relevant Date is not relevant to determining whether the exception is available.

In addition, Apollo and Oaktree also have the following exceptions to their escrow restrictions:

- to enable the Escrowed Shareholder to encumber any or all of its Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the relevant Escrowed Shareholder has in any of its escrowed Shares and no escrowed Shares may be transferred to the financial institution in connection with the encumbrance (with the documentation for such an encumbrance making clear that the escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements); and
- in order to transfer (in one or more transactions) any or all escrowed Shares to an affiliate or an affiliated fund of the Shareholder provided such affiliate or affiliated fund transferee agrees to be bound by the voluntary escrow arrangements for the term of those arrangements

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow, may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

7.5.2 Other disposal restrictions

The Shares to be issued to the Management Shareholders upon Completion disclosed in Section 6.3.2.4 will be subject to a restriction on disposal for a period of three years from Completion.

The Board will retain the discretion to permit these disposal restrictions to be lifted on the same terms as provided in the voluntary escrow arrangements which apply to the Non-Executive Director Shareholders, disclosed in Section 7.5.1.

7.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it is attached to, or constitutes part of, the Institutional Offering Memorandum, and only distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Retail Offer and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

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The Broadcasting Services Act imposes certain restrictions on Shareholders which are contained in the constitution of NEC. By lodging an Application Form, Applicants will also be taken to have represented and declared that an issue or transfer of Shares to that Applicant will not constitute an infringement of the Broadcasting Services Act. Refer to Section 7.9.19 for the requirements set out in the Constitution.

7.7 Discretion regarding the Offer

NEC and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

NEC, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.8 ASX listing, registers and holding statements, conditional and deferred settlement trading

7.8.1 Application to the ASX for listing of the Company and quotation of Shares

NEC has applied for admission to the official list of the ASX and quotation of the Shares on the ASX. NEC's expected ASX code is NEC.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit NEC to the Official List is not to be taken as an indication of the merits of NEC or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Original Prospectus Date (or any later date permitted by law), all Application Monies received by NEC will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by NEC from time to time), NEC will be required to comply with the ASX Listing Rules.

7.8.2 CHESS and issuer sponsored holdings

NEC has applied to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. NEC and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.8.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on the ASX on 6 December 2013, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids in the bookbuild will be conditional on the ASX agreeing to quote the Shares on the ASX, and on settlement occurring under the Offer Management Agreement (Settlement). Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on the ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until NEC has advised the ASX that Settlement has occurred, which is expected to be on 10 December 2013. Trading will then be on an unconditional but deferred settlement basis until the Company has advised the ASX that holding statements have been despatched to Shareholders which will be about or on 11 December 2013. Normal settlement trading (that is, trading on a T+3 settlement basis) is expected to commence on 12 December 2013.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, NEC will announce details of pricing and the basis of allocations in various newspapers on 6 December 2013. After the basis for allocations has been determined, Applicants will also be able to call the Nine Entertainment IPO Information Line on 1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) in each case, open from 8.30am to 5.30pm (Sydney Time) Monday to Friday until Completion or their Broker to confirm their allocations.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or by the Nine Entertainment IPO Information Line.

7.9 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.9.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of NEC; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

Upon Listing, NEC's constitution will be amended with automatic effect so as to contain provisions consistent with NEC being an ASX listed company. Accordingly, the summary assumes that NEC is admitted to the official list of the ASX.

7.9.2 Voting at a general meeting

At a general meeting of NEC, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, entitled to a fraction of a vote equivalent to the proportion which the amount paid up (excluding any amount credited as paid up) on that partly paid share bears to the total issue price of that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.9.3 Meetings of members

Each Shareholder is entitled to receive written notice of, and except in certain circumstances to attend and vote at, general meetings of NEC and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.9.4 Dividends

Subject to the Constitution, the Corporations Act and the terms of issue of shares, the Board may:

- resolve to pay any interim, final or bonus dividend it thinks appropriate;
- fix the time and method of payment of the dividends; and
- determine that a dividend is payable to the holders of one class of shares to the exclusion of any other class.

A dividend may only be paid in accordance with the Corporations Act.

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7.9.5 Transfer of shares

Subject to the Constitution, shares may be transferred by:

- a written instrument of transfer which complies with the Constitution;
- a proper ASTC transfer, which is in the form required or permitted by the Corporations Act or the ASX Settlement Rules; or
- any other electronic system established or recognised by the Listing Rules in which NEC participates in accordance with the rules of that system.

The Board may refuse to register a transfer of shares:

- if permitted to do so under the Constitution or under the Listing Rules; or
- on which NEC has a lien or which are subject to forfeiture.

The Board must refuse to register any transfer of shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law, the Listing Rules or a restriction agreement.

7.9.6 Issue of further shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board has full discretion to issue additional shares or other equity securities and determine the terms of such issue.

7.9.7 Winding up

If NEC is wound up, the liquidator may, with the sanction of a special resolution of the Company or with the written consent of all shareholders entitled to vote on the matter:

- divide the surplus assets of the Company remaining after payment of its debts among NEC's shareholders in proportion to the number of shares held by them (with partly paid shares counted as fractions of fully paid shares);
- for that purpose, fix the value of assets and determine how the division is to be carried out between the shareholders and different classes of shareholders; and
- vest assets of the Company in trustees on any trusts determined by the liquidator for the benefit of the contributories.

7.9.8 Sale of non-marketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.9.9 Share buy-backs

NEC may in accordance with the Corporations Act buy back its own shares.

7.9.10 Variation of class rights

At present, NEC's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of NEC is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of not less than 75% of the issued shares of that class; or
- the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

7.9.11 Conversion or reduction of share capital

Subject to the Corporations Act, NEC may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting or with the written consent of all members entitled to vote on the matter.

NEC may reduce its share capital in any way permissible by the Corporations Act.

7.9.12 Dividend plans

The Constitution contains a provision allowing the Board to implement one or more dividend plans under which some or all Shareholders may elect, for a period and to the extent provided in the plan:

- that dividends paid in respect of some or all of the Shares from time to time held by the Shareholder will be satisfied by the issue of fully paid shares (dividend reinvestment plan);
- that dividends will not be declared or paid in respect of some or all of the Shares from time to time held by the Shareholder and that instead a payment or distribution other than a dividend (including bonus shares) be made to the Shareholder by NEC; or
- that cash dividends from NEC not be paid in respect of some or all of the Shares from time to time held by the Shareholder and that instead a cash dividend or payment or other distribution (including an issue or transfer of shares) be received by the Shareholder from NEC, a related body corporate or any other entity determined by the Board.

It is not currently intended that a dividend plan will be in effect from Listing.

7.9.13 Employee Plans

The Board may establish and maintain one or more plans (each, an Employee Plan) under which some or all employees, directors or officers of NEC or any of its related bodies corporate may, for a period and to the extent as provided in the Employee Plan, receive, or receive the benefit of, NEC shares or shares of a related body corporate, whether by way of issue or transfer. Further details about the Company's short term incentive arrangements and Performance Rights Plan are contained in Section 10.4.

7.9.14 Directors – appointment and removal

Under the Constitution, NEC will have at least three Directors, unless otherwise provided by the Corporations Act. There is no maximum number of Directors prescribed in the Constitution. Directors are elected at annual general meetings of NEC. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any chief executive officer) faces re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of NEC and is then eligible for election at that meeting.

7.9.15 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes cast by Directors present and entitled to vote at a meeting at which a quorum is present. If an equal number of votes is cast for and against a resolution, the chairperson does not have a casting vote in addition to the chairperson's vote as a Director and the resolution is not passed.

7.9.16 Directors – remuneration

See Section 6.3.2 for a description of the remuneration arrangements for Directors.

7.9.17 Indemnity and insurance

NEC, to the fullest extent permitted by the Corporations Act, must indemnify any current or former director, or officer, of NEC or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.

NEC, to the fullest extent permitted by the Corporations Act, may enter into and pay premiums on a contract insuring any current or former director, or officer, of NEC or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.

Under the Constitution, NEC must provide indemnification and may obtain insurance for each director, or officer, of NEC or its subsidiaries during their period of office and for a period of seven years after the person ceases to be a director, or officer, of NEC or its subsidiaries.

NEC has entered into deeds of access and indemnity with each Director and the Company Secretary. These are summarised above in Section 6.3.2.2.

7.9.18 Amendment

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of NEC.

NEC must give at least 28 days written notice of a general meeting of NEC.

section 7 details of offer

7.9.19 Compliance with the Broadcasting Services Act

The Constitution contains provisions which deal with compliance with the Broadcasting Services Act. The Broadcasting Services Act imposes a number of conditions and restrictions on the ownership and control of commercial FTA TV broadcasting licences issued under the Broadcasting Services Act, as described in Section 2.2.5.1. Compliance with those conditions and restrictions is essential, as a failure to comply may lead to severe penalties.

The purpose of these provisions in the Constitution is to provide a mechanism to ensure that a person restricted from holding shares as a result of the Broadcasting Services Act does not hold shares. Accordingly, the Constitution provides that:

- a person is not eligible to become or continue to be a holder of shares where, by reason of holding those shares and any other relevant circumstance, that person or some other person would contravene the Broadcasting Services Act;
- NEC has the power to require a person who is a shareholder, or seeking to become a shareholder, to provide NEC with a statutory declaration setting out certain information required under the Broadcasting Services Act in order to ensure compliance with the provisions of the Broadcasting Services Act; and
- the Board may in certain circumstances require the shareholder to dispose of their shares if a shareholder's interests lead to a breach of the ownership and control restrictions in the Broadcasting Services Act or a shareholder refuses to provide a statutory declaration when requested to do so.

The Constitution also provides that if any subsidiary of NEC that holds a licence under the Broadcasting Services Act or any intermediate holding company of a licensed subsidiary which is a subsidiary of NEC ceases to be a wholly-owned subsidiary of NEC, NEC must, prior to the subsidiary ceasing to be wholly owned by NEC, procure that the subsidiary amend its constitution by adopting provisions which regulate the holding of shares in and control of NEC to ensure compliance with the Broadcasting Services Act.

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Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

The Board of Directors
Nine Entertainment Co. Holdings Limited
24 Artarmon Road
Willoughby NSW 2068

The Board of Directors
NEC Saleco Pty Limited
24 Artarmon Road
Willoughby NSW 2068

Dear Directors

PART 1: INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Nine Entertainment Co. Holdings Limited ('NEC') to report on the statutory historical financial information and pro forma historical financial information of NEC for inclusion in the Prospectus ("Prospectus'") to be dated on or about 4 November 2013, and to be issued by NEC and NEC SaleCo Pty Limited, in respect of the Initial Public Offering of fully paid ordinary shares in NEC ("the Offer'") and listing of NEC on the Australian Securities Exchange.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Nick Cardno is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory historical financial information of NEC (the responsible party) included in the Prospectus:

- consolidated statutory revenue and net profit after tax for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 ("FY11, FY12 and FY13" respectively);
- consolidated statutory cash flows from operating activities for FY11, FY12 and FY13; and
- consolidated statutory historical balance sheet as at 30 June 2013

(Hereafter the "Statutory Historical Financial Information")

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in the Australian Accounting Standards, issued by the Australian Accounting Standards Board ("AASB"), which are consistent with International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB"), as described in Section 4.2 of the Prospectus.

The Statutory Historical Financial Information has been extracted from the consolidated financial statements of NEC for the years ended 30 June 2013, 30 June 2012 and 30 June 2011 which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

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The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of NEC included in the Prospectus:

- the proforma consolidated historical income statements for FY11, FY12 and FY13 ("proforma historical results");
- the proforma consolidated historical cash flow statements for FY11, FY12 and FY13 ("proforma historical cash flows"); and
- the proforma consolidated historical balance sheet as at 30 June 2013 ("proforma historical balance sheet")

(Hereafter the "Pro Forma Historical Financial Information")

(Collectively, the Statutory Historical Financial Information and the Pro Forma Historical Financial Information is referred to in this report as the 'Historical Financial Information')

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of NEC, after adjusting for the effects of pro forma adjustments described in Sections 4.3.2, 4.5.1 and 4.6.2 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in the Australian Accounting Standards, issued by the AASB, which are consistent with International Financial Reporting Standards, issued by the IASB).

As described in Sections 4.3.2, 4.5.1 and 4.6.2 of the Prospectus, the Pro Forma Historical Financial Information has been prepared as if those events or identified pro forma transactions and adjustments had occurred as at or prior to 30 June 2010, with respect to the historical results and cash flows, and as at 30 June 2013, with respect to the historical balance sheet. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and cash flows.

3. Directors' Responsibility

The directors of NEC are responsible for the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the identification, selection and determination of the pro forma transactions and adjustments made to the audited financial statements and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures.

It is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Our engagement did not involve updating or re-issuing any previously issued audit reports on any financial information used as a source of the Historical Financial Information.

5. Conclusions

Statutory Historical Financial Information
Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Statutory Historical Financial Information, as described in Sections 4.3.2, 4.5.1. and 4.6.2 of the Prospectus and comprising:

- the consolidated statutory revenue and net profit after tax for FY11, FY12 and FY13;
- the consolidated statutory cash flows from operating activities for FY11, FY12 and FY13; and
- the consolidated statutory historical balance sheet as at 30 June 2013

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2 of the Prospectus.

Pro Forma Historical Financial Information
Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Sections 4.3.1, 4.5.1, 4.6.1 and 4.6.2 of the Prospectus and comprising:

- the proforma consolidated historical income statements for FY11, FY12 and FY13;
- the proforma consolidated historical cash flow statements for FY11, FY12 and FY13; and
- the proforma consolidated historical balance sheet as at 30 June 2013

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

6. Restriction on Use
Without modifying our conclusions, we draw attention to 4.2.1 of the Prospectus, which describes the purpose of the Historical Financial Information, being for inclusion in the Prospectus. As a result, the Historical Financial Information may not be suitable for use for another purpose.

7. Consent
Ernst & Young Transaction Advisory Services has consented to the inclusion of this independent limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest
Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited

Nick Cardno
Director and Representative
4 November 2013

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PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $400,000 (inclusive of GST).

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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

5. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

6. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

7. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

8. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager	Financial Ombudsman Service Limited
Ernst & Young	PO Box 3
680 George Street	Melbourne VIC 3001 Telephone: 1300 78 08 08
Sydney NSW 2000	
Telephone: (02) 9248 5555	

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572

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The Directors
Nine Entertainment Co. Holdings Limited
24 Artarmon Road
Willoughby NSW 2068

The Directors
NEC SaleCo Pty Limited
24 Artarmon Road
Willoughby NSW 2068

4 November 2013

Dear Directors

Independent Limited Assurance Report on Nine Entertainment Co. Holdings Limited's Statutory Forecast and Pro Forma Forecast and Financial Services Guide

We have been engaged by Nine Entertainment Co. Holdings Limited (the Company) and NEC SaleCo Pty Limited to report on the statutory consolidated forecast income statement ("Statutory Forecast Result") and cash flow statement ("Statutory Forecast Cash Flows", together, the "Statutory Forecast") and pro forma consolidated forecast income statement ("Pro Forma Forecast Result") and cash flow statement ("Pro Forma Forecast Cash Flows", together, the "Pro Forma Forecast"), together, the "Forecast Financial Information", for the year ending 30 June 2014 of the Company for inclusion in the Prospectus dated on or about 4 November 2013 and relating to the issue of ordinary shares in the Company.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001.This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company included in the Prospectus:

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Statutory Forecast

- the Statutory Forecast Result and Statutory Forecast Cash Flows of the Company for the year ending 30 June 2014, as described in section 4.1 of the Prospectus. The directors' best-estimate assumptions underlying the Forecast are described in sections 4.8.1 and 4.8.2 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

Pro Forma Forecast

- the Pro Forma Forecast Result and Pro Forma Forecast Cash Flows of the Company for the year ending 30 June 2014, described in section 4.1 of the Prospectus. The Pro Forma Forecast has been derived from the Company's Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in sections 4.3.2 and 4.6.2 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast, being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 4.3.2 and 4.6.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 1 July 2013. Due to its nature, the Pro Forma Forecast does not represent the company's actual prospective financial performance, and/or cash flows for the year ending 30 June 2014.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Statutory Forecast for the year ending 30 June 2014, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast. They are also responsible for the preparation of the Pro Forma Forecast for the year ending 30 June 2014, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast. This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of a forecast and a pro forma forecast that are free from material misstatement.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Statutory Forecast and Pro Forma Forecast, the best-estimate assumptions underlying the Statutory Forecast and Pro Forma Forecast, and the reasonableness of the Statutory Forecast and Pro Forma Forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

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Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Result and Statutory Forecast Cash Flows of the Company for the year ending 30 June 2014 do not provide reasonable grounds for the Statutory Forecast; and
- in all material respects, the Statutory Forecast:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Statutory Forecast itself is unreasonable.

Pro Forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Result and Pro Forma Forecast Cash Flows of the Company for the year ending 30 June 2014 do not provide reasonable grounds for the Pro Forma Forecast; and
- in all material respects, the Pro Forma Forecast:
  - is not prepared on the basis of the directors' best-estimate assumptions, as described in section 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies, applied to the Statutory Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast itself is unreasonable.

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Statutory Forecast and Pro Forma Forecast

The Statutory Forecast and Pro Forma Forecast have been prepared by management and adopted by the directors for the purpose of inclusion in the Prospectus so as to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2014. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast and Pro Forma Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast and Pro Forma Forecast are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast and Pro Forma Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 1.4 and 5 of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the Pro Forma Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast or Pro Forma Forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2.2 of the Prospectus, which describes the purpose of the Statutory Forecast and Pro Forma Forecast, being for inclusion in the Prospectus. As a result, the Statutory Forecast and Pro Forma Forecast may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

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Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Charles Humphrey
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 4 November 2013

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Nine Entertainment Co Holdings Limited ("NEC") and NEC SaleCo Pty Limited to provide a report in the form of an Independent Limited Assurance Report in relation to the Forecast Financial Information (the "Report") for inclusion in the prospectus dated on or about 4 November 2013.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to $855,000 (excluding disbursements and GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Charles Humphrey
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Darling Park, Tower 2
201 Sussex Street
Sydney NSW 2000
GPO Box 2650
Sydney NSW 1171

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additional information

section 10 additional information

10.1 Registration

NEC was registered in Victoria, Australia on 16 October 2006 as a private company limited by shares and was converted into a public company limited by shares on 4 January 2013.

10.2 Company tax status

NEC will be subject to tax at the Australian corporate tax rate.

10.3 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

Each of the Selling Shareholders has irrevocably offered to sell to SaleCo some or all of their Existing Shares, which will be available for sale by SaleCo into the Offer, free from encumbrances and third party rights, and conditional on Listing.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Final Price. The price payable by SaleCo for these Existing Shares is the Final Price. NEC will also issue Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Offer Management Agreement. The sole director and shareholder of SaleCo is David Gyngell, who is also a director of NEC. NEC has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. NEC has indemnified SaleCo and the shareholder and officers of SaleCo for any loss which SaleCo or the officers of SaleCo may incur as a consequence of the Offer.

10.4 Employee and executive incentive plans

10.4.1 Short term incentive arrangements

The Chief Executive Officer, the Senior Managers and selected other employees of NEC are eligible to participate in NEC's short term incentive plan (STI Plan).

Participants in the STI Plan have a target cash payment which is set as a percentage of their fixed annual remuneration. Actual short term incentive payments in any given year may be at, above or below target depending on the achievement of financial and non-financial criteria as set by the Board, in accordance with the terms of the STI Plan, which may be varied from time-to-time by the Board. The current STI Plan provides for financial and non-financial components of the incentive weighted 75% and 25% respectively.

The financial measure used under the STI Plan is budgeted NEC EBITDA for groupwide employees or a combination of budgeted NEC EBITDA and budgeted divisional EBITDA for participants with responsibilities for a specific NEC business division. Non-financial measures are key performance indicators determined annually by a participant's manager, or the Nomination and Remuneration Committee, in the case of the Chief Executive Officer. These measures are tested annually after the end of the relevant financial year.

All payments under the STI Plan are determined by the Nomination and Remuneration Committee and the Board, in their absolute discretion. In exercising their discretion, the Nomination and Remuneration Committee and the Board, may take into account such matters as they consider appropriate, including the financial and non-financial measures outlined in the STI Plan, the recommendations of the Chief Executive Officer for other employees and other factors relevant to the business.

Payments under the STI Plan will be made immediately after the release of full year financial results to ASX.

In addition to any incentives available under the STI Plan, each of the Chief Executive Officer and certain of the Senior Managers will be entitled to receive cash bonuses with respect to each of FY14, FY15 and FY16 in circumstances where dividends are paid to Shareholders, with such bonuses calculated by reference to the number of Performance Rights held by the relevant Senior Manager at the relevant payment date and the dividend paid per Share in the relevant period.

10.4.2 Performance Rights Plan

Prior to the Original Prospectus Date, NEC established the Performance Rights Plan in order to assist in the motivation, retention and reward of certain employees. The Performance Rights Plan is designed to align the interests of employees more closely with the interests of Shareholders by providing an opportunity for senior employees to receive an equity interest in NEC through the granting of performance rights (Performance Rights). The Performance Rights are subject to satisfaction of certain long term vesting conditions.

The key terms of the Performance Rights Plan are as follows:

Eligibility	Participants must be a permanent full-time or part-time employee or executive director of NEC or any related body corporate of NEC (Participant)
Award	A Performance Right will vest and become exercisable to the extent that the applicable performance, service, or other vesting conditions specified at the time of the grant are satisfied The Board has the discretion to set the terms and conditions on which it will offer Performance Rights under the plan, including the vesting conditions and waiver of the terms and conditions The Board may determine that the Performance Rights will be subject to vesting conditions and, if so, will specify those vesting conditions in the offer. Vesting conditions may include conditions relating to continuous employment, performance of the Participant or NEC or the occurrence of specific events
Performance Rights	Upon satisfaction of any vesting conditions, each Performance Right will convert to a Share on a one-for-one basis, or depending on the terms of issue, may entitle the Participant to receive cash to the value of a Share Performance Rights do not carry any voting rights or dividend entitlements
Vesting Date	Subject to the satisfaction of any other vesting conditions (including employment conditions), one-third of Performance Rights held by a Participant will vest on the first, second and third anniversaries of Completion (in respect of the allocation to be made on or shortly after Completion) (being 11 December 2014, 11 December 2015 and 11 December 2016).
Shares	Shares issued under the plan will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time Shares allocated to Participants under the Performance Rights Plan may be issued by NEC or acquired on or off market by NEC or its nominee. NEC may initially issue Shares to a trustee and later transfer the Shares to Participants Shares allocated on vesting or exercise of a Performance Right carry the same rights and entitlements as other issued Shares, including dividend and voting rights
Quotation	Performance Rights will not be quoted on the ASX. NEC will apply for official quotation of any Shares issued under the plan, in accordance with the ASX Listing Rules and having regard to any disposal restrictions in place under the Performance Rights Plan
Change of control	The Board has the discretion to accelerate vesting of Performance Rights in the event of certain changes of control. Unvested Performance Rights will remain in place unless the Board determines to exercise that discretion
Restrictions	Without the prior approval of the Board, or unless required by law, Performance Rights may not be sold, transferred, encumbered or otherwise dealt with A Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their Performance Rights
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the Performance Rights Plan This includes varying the number of Performance Rights or the number of Shares to which a Participant is entitled upon a reorganisation of capital of NEC
Other terms	The Performance Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the Performance Rights Plan

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10.4.2.1 Grants of Performance Rights

Current grants

NEC will grant $12,676,000 worth of Performance Rights (calculated at the Final Price) under the Performance Rights Plan to participants under the plan on or shortly after Completion. Assuming a Final Price of $2.20 (the midpoint of the Indicative Price Range) this will result in the grant of 5,761,818 Performance Rights in total. No further grants under the Performance Rights Plan are proposed to be made at this stage.

Each grant to be made by the Company at Completion will be on the following terms:

Grant date	Shortly after Completion (estimated to be 18 December)
Consideration	Nil
Performance Rights	Upon satisfaction of any vesting conditions, each Performance Right will, at the Company's election, convert to a Share on a one-for-one basis or entitle the Participant to receive cash to the value of a Share Each Performance Right entitles a Participant to receive a cash amount equivalent to the value of any dividend or distribution paid on a Share on or after the date of grant
Vesting dates	Subject to the employment conditions described below, one-third of Performance Rights held by each Participant will vest on the first, second and third anniversaries of Completion (being 11 December 2014, 11 December 2015 and 11 December 2016)
Cessation of employment	If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date due to the Participant either: • having been summarily dismissed; or • having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement, any unvested Performance Rights held on or after the date of termination will lapse If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date: • and NEC or an NEC Group member has terminated the Participant's employment agreement (other than summarily) and his/her salary is being paid out in lieu of notice, then the only unvested Performance Rights that will lapse are those that would ordinarily have vested after the end of the later of the notice period and any other date nominated in the terms of grant (Minimum Period); or • the Participant has validly terminated his or her employment agreement and NEC or an NEC Group member has elected to pay the Participant his/her salary in lieu of notice, then the only unvested Performance Rights that will lapse are those that would ordinarily have vested after the end of the notice period
Disposal restrictions	Any Shares issued or transferred to the Participant upon vesting of any Performance Rights will be subject to restrictions on disposal from the date of issue (or transfer) of the Shares until the release of NEC's financial results for either the half or full-year period immediately following the date of issue (or transfer, as applicable)

David Gyngell will be granted $4,500,000 worth of Performance Rights (calculated at the Final Price) under the Performance Rights Plan on the above terms (with his Minimum Period being 1 November 2016).

Each other member of Senior Management will also receive grants of Performance Rights on the above terms (with Minimum Periods running until various dates in 2016). A total value of $5,476,000 worth of Performance Rights (calculated at the Final Price) will be granted to these Senior Managers under the Performance Rights Plan.

Future grants

There is no obligation on NEC to make any further grants under the Performance Rights Plan and NEC does not have any intention to make any future grants.

However, further grants of Performance Rights under the Performance Rights Plan (or under an alternative long term incentive arrangement) can be made by NEC as part of NEC's ordinary remuneration practices.

Other information

Details of Performance Rights issued under the Performance Rights Plan to the Chief Executive Offer or other Key Management Personnel will be published in each annual report of NEC in accordance with the accounting standards and other regulation applicable to NEC.

10.5 Summary of Offer Management Agreement

NEC, SaleCo and the Joint Lead Managers signed the Offer Management Agreement about or on the Original Prospectus Date. Under the Offer Management Agreement, NEC and SaleCo appointed CBA Equities Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch, as Joint Lead Managers to the Offer. The following is a summary of the principal provisions of the Offer Management Agreement. Under the Offer Management Agreement, the Joint Lead Managers have agreed to arrange and manage the Offer, including the bookbuild and to provide settlement support for the settlement obligations of Successful Applicants under the Institutional Offer and Broker Firm Offer.

10.5.1 Commission, fees and expenses

NEC has agreed to pay the Joint Lead Managers fees. The offering, management and settlement fees will become payable by NEC on the date of Settlement and will be paid to the Joint Lead Managers in agreed proportions. The offering, management and settlement fees payable are calculated as $10 million plus 1.75% of the amount by which the proceeds of the Offer exceed $500 million. NEC may also pay an incentive fee to the Joint Lead Managers of up to 0.5% of the funds raised under the Offer. Payment of the incentive fee is at NEC's and SaleCo's absolute discretion. If NEC and SaleCo elect to pay the incentive fee, it will become payable on the date of Settlement to the relevant Joint Lead Managers in their agreed proportions. The actual amount of fees payable to the Joint Lead Managers will not be known until the determination of the Final Price. In addition, NEC and SaleCo must reimburse each Joint Lead Manager for expenses, including legal and reasonable travel costs.

10.5.2 Termination events

Each Joint Lead Manager may terminate its obligations under the Offer Management Agreement prior to 8.00am on the settlement date on the occurrence of a number of customary termination events, including (among others):

- ASIC issues a stop order in relation to the Offer;
- the ASX refuses to quote the Shares on the ASX;
- delays in the Offer timetable of more than 2 business days;
- revocation of any regulatory approval required to conduct the Offer;
- any person withdraws their consent to be named in the Prospectus;
- NEC or SaleCo withdraws the Prospectus or the Offer;
- a statement in the prospectus is or becomes misleading or deceptive;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- unauthorised alterations to NEC's share capital;
- a change in NEC's chief executive officer or chief financial officer or in the composition of the board of directors;
- there is a material adverse change in the assets, liabilities, financial position or performance, profits, losses, prospects or forecasts of the NEC; or
- the insolvency of NEC or SaleCo or a material group member.

Certain of these events will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event has had or is likely to have a material adverse effect on the success or settlement of the Offer, subscriptions under the Offer, the trading price of Shares on the ASX or the event has given or is likely to give rise to the Joint Lead Managers contravening any applicable laws or incurring a material liability. If this occurs, the Joint Lead Manager which validly terminates will no longer be a lead manager and will not be obliged to conduct the bookbuild or provide settlement support. Under the Offer Management Agreement, if one Joint Lead Manager terminates, the other Joint Lead Managers may give notice in writing to NEC and SaleCo stating whether they assume the obligations of the terminating Joint Lead Manager (or a further Joint Lead Manager may be appointed).

10.5.3 Representations, warranties, undertakings and other terms

NEC and SaleCo give various representations, warranties and undertakings to the Joint Lead Managers (in respect of themselves), including that the documents issued or published by or on behalf of NEC and SaleCo in respect of the Offer comply with all applicable laws.

section 10 additional information

With the exception of the New Shares issued under the Offer and certain other limited exceptions (including potential issues of Shares and Performance Rights referred to in this Prospectus), NEC has also agreed that it will not, without the Joint Lead Managers' prior written consent, allot or agree to allot (or indicate that it may or will do so), any equity securities (or securities convertible into equity) at any time after the date of the Offer Management Agreement and before the expiration of 180 days after the Settlement date.

NEC agrees to indemnify the Joint Lead Managers, their affiliates and the officers, directors, employees, agents, contractors and representatives of the Joint Lead Managers and their affiliates against all claims, demands, damages, losses, costs, expenses, liabilities or damages incurred by them in connection with the Offer, the bookbuild and the Offer documents (subject to limited exclusions).

10.6 Scheme

10.6.1 Background to the Scheme

Immediately prior to the implementation of its debt restructure outlined below, Nine Entertainment Group Pty Ltd (ACN 122 201 905) (Borrower) owed its senior and mezzanine lenders over $3 billion, under debt financing arrangements that had been established at or around the time of the acquisition of the NEC Group by Red Earth Holdings B.V. (Red Earth), a company owned by funds managed and advised by subsidiaries and affiliates of CVC Capital Partners SICAV-FIS SA. The maturity date of the senior debt financing was 7 February 2013.

In late 2012, the Borrower announced that it had reached an agreement in principle with representatives of its senior and mezzanine lenders with respect to a restructuring of its financing arrangements. It was agreed that the Borrower would propose a scheme of arrangement between itself and certain of its creditors (Scheme) which, once approved by the requisite majorities of creditors and the court, would result in a restructure of the Borrower's debt on or before maturity of the senior debt.

The Scheme was approved by creditors on 21 January 2013 and by the Federal Court of Australia on 29 January 2013 and was implemented on 6 February 2013.

10.6.2 Effect of the Scheme

The impact of the Scheme in summary was that:

- approximately $3.4 billion of debt owed by the Borrower was restructured so as to effect a discharge of the Borrower's debt obligations to the senior and mezzanine lenders; and
- in return for the debt restructure, the Scheme beneficiaries (comprising of the senior and mezzanine lenders) became the majority Shareholders in NEC (the Borrower's ultimate parent company), and also received certain cash amounts.

Under the Scheme, a number of Shares were also issued to Red Earth.

These cash and Share amounts were distributed between the senior and mezzanine lenders based on the total amount of debt held at an agreed date. The cash amounts were funded by a new Term Facility entered into by the Borrower prior to implementation of the Scheme. Refer to Section 10.7.1 for a summary of this facility.

10.7 Summary of NEC's finance facilities

10.7.1 Term, Working Capital and Incremental Facilities (New Senior Facilities)

In January 2013, Nine Entertainment Group Pty Ltd (ACN 122 201 905) and Nine Entertainment (Delaware) Corporation, a Delaware corporation (together, the Borrowers) entered into syndicated debt issuance in the US. As at that date, the debt facilities comprised a US$ equivalent of A$700 million term facility (Term Facility) and a A$100 million working capital facility (Working Capital Facility).

In February 2013, the syndicated debt issuance was increased to US$735 million. In June 2013, the Borrowers made a further incremental debt issuance in the United States by way of a US$95 million incremental facility to the Term Facility (the Incremental Facility).

On Completion, it is expected that NEC will have an undrawn facility under the Working Capital Facility of A$91.2 million.

The key terms of the Term Facility, the Working Capital Facility and the Incremental Facility (together, New Senior Facilities), as set out in the Senior Secured Syndicated Facilities Agreement dated 28 January 2013 and the Senior Syndicated Facility Agreement for Incremental Assumption of Commitments dated 25 June 2013, each entered into between the Borrowers and, among others, UBS AG, Stamford Branch, as Administrative Agent, are summarised below.

10.7.1.1 Amount

The Term Facility is for US$735 million, the Working Capital Facility is a A$100 million multi-currency revolving facility of which A$50 million is available for letters of credit/bank guarantees and the Incremental Facility for US$95 million.

10.7.1.2 Expiry date

The New Senior Facilities expire on the following dates:

- Term Facility and Incremental Facility: 5 February 2020; and
- Working Capital Facility: 5 February 2018.

10.7.1.3 Use of funds

The Term Facility was used to make payments in connection with the Scheme (including transaction and adviser costs), with an amount being retained for general corporate purposes. The Working Capital Facility has also been used for general corporate purposes. The Incremental Facility has been used for general corporate purposes.

10.7.1.4 Security

The lenders under the New Senior Facilities have first ranking security over substantially all assets of the NEC Group. The tranches comprising the New Senior Facilities rank equally with each other and with any approved hedging arrangements (at the option of the Borrower).

10.7.1.5 Guarantors

The New Senior Facilities are required to be guaranteed by NEC and wholly-owned subsidiaries in the NEC Group which, together, comprise at least 90% of total assets and 90% of EBITDA for the wholly-owned subsidiaries in the NEC Group.

10.7.1.6 Interest rates and payments

Each tranche of the New Senior Facilities bears interest at a variable rate per annum plus the applicable margin. The applicable variable rate is selected by the Borrowers at the time of drawdown.

In respect of US$ drawings, the variable element of the interest rate can be based on:

- the rate published by the Federal Reserve Bank of New York;
- the prime rate published by UBS AG, Stamford Branch; and
- an adjusted LIBOR (with an agreed floor).

A$ drawings are based on BBR, the average rate displayed on Reuters screen BBSY in Sydney at 10.30am on the relevant day for a term equivalent to that period.

NZ$ drawings are based on BKBM, the rate displayed on Reuters screen BKBM at 10.45am in New Zealand on the relevant day for bank bills of a similar tenor.

Interest is payable by reference to one, two, three or six month periods, as selected by the Borrower (or nine or 12 months with lender consent).

10.7.1.7 Events of default

The New Senior Facilities contain certain events of default which are customary for facilities and a business of the nature of NEC and include where:

- default is made in the payment of principal when due and payable;
- default is made in the payment of interest unless remedied within five business days;
- a representation or warranty made or deemed made proves to have been false or misleading in any material respect when made;
- failure to observe or perform any covenant unless, in the case of certain covenants, remedied within five business days;
- failure to comply with the financial covenant in respect of the Working Capital Facility, however this does not, in and of itself, constitute an event of default in respect of the term facilities (see 'Financial Covenants' below);
- any other indebtedness in excess of A$40 million or the Working Capital Facility becomes due before its scheduled maturity;
- there is a change of control (see below for further detail); and
- an insolvency event occurs in respect of NEC, the Borrower or any material subsidiary.

In a number of instances, the events of default are subject to materiality thresholds and cure periods.

At any time after and during the continuance of an event of default, the Administrative Agent will be entitled to, among other things, terminate the commitments and declare the loans then outstanding to be due and payable in whole or part.

There are no existing events of default.

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10.7.1.8 Representations and warranties

The New Senior Facilities contain standard representations and warranties including that:

- each NEC party is duly incorporated and has duly executed the loan documents;
- there is no litigation pending which would reasonably be expected to have a material adverse effect;
- there has been no event or circumstance that has had or would reasonably be expected to have a material adverse effect;
- there is no default; and
- the necessary authorisations required for each of the loan documents has been obtained.

10.7.1.9 Amortisation

The Term Facility and Incremental Facility amortise in equal quarterly instalments at 1% per annum. There is no amortisation on the Working Capital Facility.

10.7.1.10 Financial covenants

There are no financial covenants affecting the Term Facility or the Incremental Facility.

Under the Working Capital Facility, if total usage exceeds A$40 million or if the amount outstanding on the last day of any fiscal quarter exceeds A$15 million, the Net First Lien Leverage Ratio (as discussed below) must not exceed 4.0:1.

10.7.1.11 Other covenants

The NEC Group is subject to usual affirmative and negative covenants including:

- to provide financial statements to the Administrative Agent;
- to provide the Administrative Agent with written notice of default, specifying the nature and extent thereof;
- negative pledge; and
- to maintain appropriate insurance and have the security trustee listed as a co-loss payee on property and casualty policies, and as an additional insured on liability policies.

10.7.1.12 Hedging

The New Senior Facilities contain an affirmative covenant that at least 75% of the principal and interest of the Term Facility and Incremental Facility will be swapped from US$ into A$ for at least three years (Term and Incremental Facility Hedging).

The Term and Incremental Facility Hedging is secured and ranks equally with the New Senior Facilities.

10.7.1.13 Optional prepayment

Market provisions exist under the New Senior Facilities, including the right to prepay any loan in whole or in part in an amount not less than the borrowing minimum, subject to payment of break costs.

10.7.1.14 Mandatory prepayment

The facilities also contain mandatory prepayment provisions that are customary for facilities of this nature, including net proceeds from asset sales (subject to certain exclusions and customary reinvestment periods) and proceeds from debt incurrence (subject to certain exclusions), and an excess cash flow sweep.

10.7.1.15 Restricted payments

Restriction on dividends and applicable exemptions

Usual and market provisions restrict payment of dividends under the New Senior Facilities except that NEC will be permitted to pay dividends:

a. out of the cumulative credits of the NEC Group provided that no default is subsisting and after giving effect to such dividends (and any other dividends paid simultaneously), the Total Net Leverage Ratio is less than 5.5:1. The amount of cumulative credits at any time is the sum of:
   - A$40 million; plus
   - the amount of cumulative excess cash flow (meaning excess cash flow of the NEC Group less certain amounts including the amount paid in respect of permitted acquisitions during the relevant 12 month period) that has not been required to be repaid to the lenders. Note that the maximum amount of excess cash flow that could be required to be repaid to the lenders in any year is 50%. This percentage reduces to 25% of excess cash flow if Net First Lien Leverage Ratio is less than or equal to 3.0:1 but more than 2.0:1 and falls to zero if the Net First Lien Leverage Ratio is less than or equal to 2.0:1; plus
   - certain equity contribution amounts including as a result of the completion of the Offer and other miscellaneous amounts,

b. provided that the pro forma Total Net Leverage Ratio after paying any such dividend (and any other dividends paid simultaneously) is less than 2.5:1; or

c. in an amount up to A$125 million (to the extent that this general basket has not been previously utilised). If this limb is used in conjunction with limbs (a) or (b), the applicable ratio test in that limb must be satisfied following payment of all dividends paid simultaneously; or
d. in an amount up to 6% per annum of the net proceeds of the offer of New Shares by NEC. Again, if this limb is used in conjunction with either of limbs (a) or (b) above, the applicable ratio test in that limb must be satisfied following payment of all dividends paid simultaneously.

The limbs set out above are separate and independent and may be used cumulatively (subject to the ratio requirements described in the first two limbs above if those limbs are used).

Accordingly, where NEC's pro forma Total Net Leverage Ratio is less than 2.5:1 (both before and after paying the relevant dividend) it is not restricted from paying dividends.

In the event that NEC's pro forma Total Net Leverage Ratio exceeds 2.5:1 and remains below 5.5:1 (both before and after paying the relevant dividend), at Completion, NEC will still have capacity to pay dividends on a cumulative basis, to a minimum of[1]:

- $40.0 million; plus
- $248.3 million (being the net equity contribution to NEC following completion of the New Offer); plus
- $125 million; plus
- $14.9 million per annum (being 6% of the net proceeds of the Offer of New Shares, being $248.3 million)
- Totalling $428.2 million.

After Completion NEC's capacity to pay dividends will depend on the amount of cumulative excess cash flow generated as well as any utilisation of the baskets for other permitted purposes.

Table 32: Overview of key terms

Total Net Leverage Ratio	This is the ratio of: (i) the consolidated total net debt of the NEC Group (excluding any mark-to-market requirements in respect of hedging arrangements) outstanding as of the last day of the most recent 12 month period, less permitted investments and cash, to (ii) the Consolidated EBITDA of the NEC Group calculated in accordance with the Senior Facilities.
Net First Lien Leverage Ratio	This is the ratio of: (i) the total amount of all senior secured indebtedness under the Senior Facilities and any other consolidated debt of the NEC Group that is secured and ranking equally with those facilities, less any unrestricted cash or permitted investments of the NEC Group as of the last day of the relevant test period, to (ii) the Consolidated EBITDA of the NEC Group calculated in accordance with the Senior Facilities.
Consolidated EBITDA of the NEC Group	This is calculated in accordance with IFRS (or if IFRS is not applicable, GAAP in the relevant jurisdiction) as the Consolidated Operating Profit under the Senior Facilities of the NEC Group for such period plus: • provision for taxes on income, profits or capital; • interest expenses including cash dividend payments (unless otherwise eliminated on consolidation) and surety bonds and any depreciation and amortisation expenses of NEC and its subsidiaries; • business optimisation expenses, non-cash charges and management fees paid to the funds managed by Apollo Global Management LLC and Oaktree Capital Management L.P.; • expenses or charges not captured above in respect of any share issue, investment, acquisition, disposition, etc; • the amount of loss on sale or receivables to any special purpose company in connection with any refinancing; • costs and expenses in connection with any management equity plan, employee benefit plan or other arrangement; and • losses attributable to any project that is less than 12 months from commencement and one-off costs in respect of compliance with applicable public company regulation, and less (to the extent such amount increased Consolidated Operating Profit under the Senior Facilities) non-cash items increasing Consolidated Operating Profit under the Senior Facilities for such period (other than where such cash will be received in a prior or future period or where such cash is in respect of the reversal of an accrual of or cash reserve for anticipated cash charges that reduced EBITDA).

1. *Calculations below assume that the Final Price is the midpoint of the Indicative Price Range.*

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Table 32: Overview of key terms

Consolidated Operating Profit under the Senior Facilities	Means the consolidated operating profit of that entity and its subsidiaries excluding: • extraordinary items; • income or losses from any discontinued operations or fixed assets; • after-tax gains or losses attributable to dispositions other than in the ordinary course of business; • after-tax gains or losses from early termination of derivatives; • any operating profit of any entity which is not a subsidiary; • the cumulative effect of any change in accounting principles during the relevant period; • the effects of purchase accounting adjustments; • impairment charges or assets write-offs; • non-cash compensation charges or expenses from stock option plans or similar arrangements; • accruals and reserves established or adjusted by February 2013 in accordance with the accounting principles; • non-cash gains, losses, income and expenses resulting from fair value accounting and related interpretation or any LIFO; • non-cash charges for deferred tax asset valuation allowances; • currency translation gains and losses; and • expenses with respect to liability or casualty events to the extent insured and reimbursed within 365 days, and including: • the non-cash portion of straight-line rent expense and the cash portion of straight-line rent expense which exceeds the amount expensed in respect of such rent expense; • amounts estimated to be received in insurance proceeds in respect of lost revenues in respect of liability, casualty or business interruption; and • the amount of distributions actually made to any parent or equity holder.

10.7.1.16 Change of control

Change of control includes a party other than funds managed by Apollo Global Management LLC and Oaktree Capital Management, L.P. or their affiliates owning more than 50% of the Shares.

10.7.1.17 Fees

Fees are market for facilities of this nature and include:

- a commitment fee to each lender;
- a letter of credit participation fee to each revolving facility lender; and
- administrative agent fees to the Administrative Agent.

10.7.2 Hedging arrangements

In accordance with its obligations under the Senior Facilities, NEC has in place:

- in respect of the Term Facility, seven year term cross currency swaps (hedging, as at Completion, a notional amount of A$695.5 million (at 1.0465US$:A$)), cross currency options and interest rate floors; and
- in respect of the Incremental Facility, two year term cross currency swaps (hedging a notional amount of US$95 million (at 0.927US$:A$)).

The Term and Incremental Facility Hedging will continue after the completion of the Offer.

10.8 Description of the syndicate

UBS AG, Australia Branch is the Sole Global Coordinator.

CBA Equities Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch are the Joint Lead Managers to the Offer.

Deutsche Australia Limited and Nomura Australia Limited are the Co-Lead Managers to the Offer.

Bell Potter Securities Limited, Commonwealth Securities Limited, Macquarie Equities Limited, Morgan Stanley Wealth Management Australia Pty Ltd, Morgans Financial Limited and UBS Wealth Management Australia Limited are the Co-Managers.

10.9 Regulatory relief

10.9.1 ASIC exemptions and relief

ASIC has exempted NEC, SaleCo and its shareholder and Apollo and Oaktree from section 606 of the Corporations Act to allow SaleCo to acquire a relevant interest in 20% or more of the Shares, subject to certain conditions.

ASIC has also granted the following exemptions from, and modifications to, the Corporations Act:

- relief from section 606 applying to NEC to prevent it from acquiring a relevant interest in 20% or more of the Shares by virtue of the voluntary escrow deeds, on certain conditions, as well as a modification of section 671B to require NEC to make substantial holding disclosure of the relevant interest it would have acquired, but for relief, as a result of the voluntary escrow deeds;
- relief under section 741(1)(a) of Corporations Act from the application of section 707(3) of the Corporations Act in respect of 191,776 Shares that are to be issued to certain Non-Executive Directors immediately after Listing to enable holders of those Shares to freely on-sell those Shares post-Listing without requiring a prospectus; and
- relief under sections 911A(2)(l), 992B(1)(a) and 1020F(1)(a) of the Corporations Act to effectively extend the benefit of ASIC Class Order 03/184 to the Performance Rights Plan. This provides NEC with conditional relief from the requirement to issue disclosure documentation in connection with the grant of Performance Rights, as well as relieving NEC from the operation of the licensing, advertising, securities hawking and managed investment scheme provisions of the Corporations Act for offers of Performance Rights under the Performance Rights Plan in accordance with ASIC's conditions. As a result of granting this relief, Shares issued by NEC upon vesting of a Performance Right granted under the Performance Rights Plan will not be subject to the on-sale restrictions of the Corporations Act.

10.9.2 ASX waivers and confirmation

NEC has applied to the ASX for the following waivers or confirmations that waivers are not required from those Listing Rules:

- waivers from Listing Rule 7.1 in relation to the 191,776 Shares that are to be issued to certain Non-Executive Directors immediately following Listing, in respect of up to 5,761,818 Shares that may be issued by NEC upon vesting of Performance Rights granted under the Performance Rights Plan and the 4,727,273 shares to be issued to the Management Shareholders as described in Section 6.3.2.4, on condition that any Shares are issued within three years of Listing;
- a waiver from the requirement in Listing Rules 10.11 and 10.14 to obtain Shareholder approval in respect of the issue of Performance Rights (or Shares on the vesting of Performance Rights) to the Chief Executive Officer that are issued, or which have been issued, under the Performance Rights Plan which are disclosed in this Prospectus as well as a waiver of Condition 10 of Listing Rule 1.1 in relation to the Performance Rights issued under the Performance Rights Plan; and
- a waiver from the requirement in Listing Rule 10.11 and Listing Rule 10.14 to obtain Shareholder approval in respect of the issue of Shares issued to certain Non-Executive Directors immediately following Listing.

NEC has also applied to the ASX for confirmation that NEC may undertake deferred and conditional settlement trading of the Shares, subject to certain conditions to be approved by the ASX.

10.10 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others). This Section 10.10 contains a general description of these laws.

10.10.1 *Foreign Acquisitions and Takeovers Act 1975* (Cth) and Australian Government Foreign Investment Policy

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (Substantial Interest), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest).

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Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy:

- investments by any foreign person of 5% or more in shares or other securities of any entity that is in the media sector (which would include NEC) must be notified to the Foreign Investment Review Board for approval, irrespective of value; and
- acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include an investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

10.10.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in NEC either themselves or through an associate.

10.10.3 Broadcasting Services Act

See Section 2.2.5.2 for a summary of the ownership restrictions imposed under the Broadcasting Services Act.

10.11 Legal proceedings

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which NEC is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of NEC.

10.12 Taxation considerations

10.12.1 Taxation considerations generally

The following comments provide a general summary of Australian tax issues for Australian tax resident shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation entities that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements or "TOFA" regime). Shareholders who are subject to TOFA should obtain their own tax advice as to the implications under TOFA (if any).

This summary is based on the *Income Tax Assessment Act 1936* (1936 Act), the *Income Tax Assessment Act 1997* (1997 Act), the *New Tax System (Goods and Services Tax) Act 1999* (GST Act), applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force at the Original Prospectus Date. This summary does not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. Australian tax laws are complex. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

10.12.1.1 Income tax treatment of dividends received by Australian tax resident Shareholders

Australian resident individuals and complying superannuation entities

Where dividends on a Share are paid by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a 'qualified person' (refer to further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at their prevailing marginal rate on the dividend received with no tax offset.

Corporate shareholders

Corporate shareholders are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares 'at risk' for more than 45 days continuously, measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The dates the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares 'at risk'.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend paid by the Company. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact Shareholders who continue to hold Shares and also do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

On 14 May 2013, the Australian Government announced changes that will apply to 'dividend washing' arrangements and the amendments are proposed to be made through the 45 day 'holding period rule'. No legislation has yet been released in respect of this change. Shareholders should consider the impact of this proposed change given their own personal circumstances.

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10.12.1.2 Capital gains tax (CGT) implications for Australian tax resident Shareholders

The disposal of a Share by an Australian tax resident Shareholder will be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

10.12.1.3 Tax file numbers (TFNs)

Shareholders are not required to quote their TFN to the Company. However, if a valid TFN or exemption details are not provided, Australian tax will be required to be deducted by the Company from distributions and/or dividends at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN. Non-residents are exempt from this requirement.

10.12.1.4 GST implications

Shareholders should not be liable for GST in respect of their acquisition of the Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

10.12.1.5 Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless they acquire, either alone or with an associated person, an interest of 90% or more. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares.

10.12.2 Taxation considerations specifically applicable to the Employee Gift Offer

10.12.2.1 Taxation considerations

The initial offer under the Employee Gift Offer, will involve Eligible Participants in Australia being offered the opportunity to acquire, at no cost, the nearest number of whole Shares (rounded down, based on the Final Price) up to the value of $1,000. The following taxation summary addresses the general tax implications to Eligible Participants who are residents of Australia for Australian tax purposes and who are offered the opportunity to acquire Shares through the Employee Gift Offer. Participating in the Plan will have tax consequences that will affect each employee's personal tax situation.

This taxation summary is not intended to be an authoritative or complete statement of the applicable law.

As the precise tax consequences of participation in the offers will be affected by a participant's personal circumstances and the precise terms of the taxation law at the time, it is recommended that participants obtain independent professional advice.

This taxation summary sets out some general guidelines about the tax implications for residents of Australia participating in the Plan. The information in this summary reflects the relevant legislation as at 10 October 2013 and assumes employees are residents of Australia (though not temporary residents) for tax purposes. There are specific rules regarding temporary residents and those whose residency status changes. These rules need to be considered on a case-by-case basis and employees should consult their own professional tax adviser in these circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act 2001. This summary is confined to taxation issues and is only one of the matters employees need to consider when making a decision about their investments. Before making any decisions concerning participation in the Employee Gift Offer, employees are strongly encouraged to consult a licensed adviser.

10.12.2.2 Discount at allocation

An employee participating in the Employee Gift Offer may be eligible for concessional tax treatment if certain criteria are met. Under the current tax laws, an employee can access concessional tax treatment of up to $1,000 in relation to the Employee Gift Offer if the participant meets both the Income Test and the 5% Shareholding Test.

If a participant is an employee and meets both tests, the participant may acquire up to $1,000 of Shares under the Employee Gift Offer tax free.

If a participant cannot meet both tests, the participant will be assessed on the full market value of the Shares acquired under the Employee Gift offer (at their marginal rate of tax plus the Medicare levy), calculated at the allocation date.

Any participant that is a Run of Show Person not employed by the NEC group as at the date of issue of the Shares (which is expected to be on 11 December 2013), will also not be eligible to receive the Shares free of income tax.

This means that a participant who is such a Run of Show Person or who cannot meet both the Income Test and the 5% Shareholding Test, they will have an additional income tax liability in FY14 and will not be able to sell the Shares for at least 18 months and possibly up to three years.

Note that in any event, capital gains tax (CGT) may be payable on a disposal of Shares and any dividends received on Shares may be subject to income tax – refer below.

What is the 'Income Test'?

To access the tax concession, the employee's adjusted taxable income (ATI) can be no more than $180,000 for the year ended 30 June 2014 (FY14). ATI is calculated as the sum of:

- taxable income for FY14;
- the value of the Share allocation under the Employee Gift Offer (approximately $1,000);
- reportable fringe benefits for FY14;
- 'reportable' superannuation contributions for FY14; and
- total net investment loss for FY14 (if any).

What is the '5% Shareholding Test'?

Employees who would immediately after acquisition of the offered Shares:

1. hold a beneficial interest in more than 5% of NEC's issued share capital; or
2. be in a position to cast, or control the casting of, more than 5% of the maximum number of votes that might be cast at a general meeting of NEC, will be ineligible for the tax concession.

10.12.2.3 Acquisition of Shares and CGT cost base

For CGT purposes, the cost base will be the market value of the Shares allocated on the date of allocation (i.e. approximately $1,000), whether or not the participant meets the criteria to access the $1,000 tax concession.

10.12.2.4 Disposal of Shares

A CGT liability arises on the disposal of Shares where the capital proceeds received on disposal exceed the CGT cost base of those Shares.

A capital loss is realised on the disposal of Shares where the capital proceeds received on disposal is less than the reduced CGT cost base of the Shares.

All capital gains and losses for the income year are added together to produce a net capital gain or loss position for that income year. A net capital gain for an income year is included as assessable income and is subject to taxation in Australia. A net capital loss is effectively quarantined and may generally be carried forward to be deducted against future capital gains.

A participant may be entitled to a concession on the amount of capital gains assessed. The concession is available to individuals who hold their Shares for more than 12 months from the date of acquisition. The concession results in only half of any capital gain being assessable. Capital losses must be applied first to reduce capital gains before applying the CGT discount provisions.

10.12.2.5 Reporting and tax withholding

The Company is not obliged to withhold any taxes under the Employee Gift Offer provided the participant has notified the Company of his or her tax file number (TFN).

Where a participant has not given his or her TFN to the Company, withholding of tax may be required.

The Company will be required to provide the Australian Taxation Office (ATO) with a statement containing details of the Shares each participant has acquired under the Employee Gift Offer.

Employees will need to declare the market value (as at the allocation date) of any allocation of Shares received under the Employee Gift Offer in the tax year of the allocation (FY14). The ATO will determine whether each employee is entitled to the $1,000 exemption following submission of their individual tax return and will calculate each employee's total tax liabilities/refund accordingly. If the employee is eligible for the reduction in assessable income (that is, the concessional tax "exemption" of up to $1,000), this will automatically be incorporated into the ATO's tax liability/refund calculations.

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Non-employee participants will need to declare the market value (as at the allocation date) of any allocation of Shares received under the Employee Gift Offer in the tax year of the allocation (FY14) as ordinary taxable income.

10.12.2.6 Taxation of dividends

Where dividends on a Share are paid by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a 'qualified person' (refer further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares 'at risk' for more than 45 days continuously, measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period.

Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares 'at risk'.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend paid by the Company. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact Shareholders who continue to hold Shares and also do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

On 14 May 2013, the Commonwealth Government announced changes that will apply to 'dividend washing' arrangements and the amendments are proposed to be made through the 45 day 'holding period rules'. No legislation has yet been released in respect of this change. Shareholders should consider the impact of this proposed change given their own personal circumstances.

10.12.2.7 Stamp duty

No stamp duty will be payable by employees on the issue or transfer of Shares pursuant to the Employee Gift Offer.

10.13 Consent to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- each of CBA Equities Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer;
- each of Deutsche Australia Limited and Nomura Australia Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer;
- each of Bell Potter Securities Limited, Commonwealth Securities Limited, Macquarie Equities Limited, Morgan Stanley Wealth Management Australia Pty Ltd, Morgans Financial Limited and UBS Wealth Management Australia Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Manager to the Offer;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to NEC and SaleCo in relation to the Offer in the form and context in which it is named;

- Ernst & Young Transaction Advisory Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to NEC in relation to the Historical Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included;
- Ernst & Young has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor and taxation adviser and provider of due diligence services to NEC in relation to the Historical Financial Information in the form and context it is so named;
- PricewaterhouseCoopers Securities Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to NEC in relation to the Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to NEC. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and
- OzTAM Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to the inclusion of references to it in the form and context in which it is named

10.14 Acquisition of Mi9

NEC has agreed with Microsoft to acquire the 50% of shares in Mi9 which NEC did not already own on the terms described in Sections 3.4.2.1 and 3.4.2.3.

The transfer of the shares in Mi9 will take place in three equal tranches: the first occurred on 1 November 2013 and the next tranches will occur on 1 July 2014 and 1 July 2015.

On 1 November 2013, Microsoft's nominees to the board of Mi9 resigned. As the joint venture agreement which previously gave Microsoft a right to appoint directors has been terminated and it does not have sufficient shares to pass a resolution of members to appoint any new directors, NEC's nominees to the board will (subject to their statutory and other duties) now be able to make all decisions relating to the conduct of Mi9's business.

See Section 3.4.2.3 for a description of changes in the terms of NEC's business arrangements with Microsoft.

10.15 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant and bidder under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

10.16 Statement of directors

This Prospectus is authorised by each director of NEC and SaleCo who consents to its lodgement with ASIC and its issue.

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Term	Meaning
5–City	FTA TV licence areas of metropolitan Sydney, Melbourne, Brisbane, Perth and Adelaide
A-IFRS	Australian equivalents to International Financial Reporting Standards
AASB	Australian Accounting Standards Board
ABC	Australian Broadcasting Corporation
ACMA	Australian Communications and Media Authority
ACP or **ACP Magazines**	Bauer Media Limited (formerly known as ACP Magazines Limited) ABN 18 053 273 546 and, where the context requires, its subsidiaries
AEG Ogden	AEG Ogden (Sydney Arena) Pty Ltd ABN 83 112 565 438
Allphones Arena	the indoor entertainment arena known as "Allphones Arena" situated in Sydney Olympic Park
Apollo	means Apollo Global Management LLC and funds advised by that entity
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules or **Listing Rules**	the rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list as amended, varied or waived from time to time
ASX Market Rules	means market rules of the ASX as amended, varied or waived from time to time
ASX Settlement Operating Rules	the settlement rules of the ASX as amended, varied or waived from time to time
Australian Accounting Standards or **Accounting Standards**	Accounting Standards as defined in the Corporations Act
Australian News Channel	Australian News Channel Pty Limited ABN 28 068 954 478
Board	the board of directors of NEC
Borrower	Nine Entertainment Group Pty Ltd ABN 78 122 201 905
Broadcasting Services Act	*Broadcasting Services Act 1992* (Cth)
bps	basis points
Broker	any ASX participating organisation selected by the Joint Lead Managers and NEC to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States
CAGR	compound annual growth rate
CANSTAR	CANSTAR Pty Limited ABN 21 053 646 165, a financial data and audience share provider
Catch-Up Television	any website offering recently broadcast television programs and other content on demand
CEASA	Commercial Economic Advisory Service of Australia
Channel Nine	the television channel of that name which is broadcast in the various licence areas owned by Nine Network

Term	Meaning
CHESS	Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Closing Date	the date on which the Offer is expected to close, being 29 November 2013 in respect of the Retail Offer and 4 December 2013 in respect of the Institutional Offer. These dates may be varied without prior notice
Co-Lead Managers	each of Deutsche Australia Limited ABN 37 006 385 593 and Nomura Australia Ltd ABN 48 003 032 513
Co-Managers	each of Bell Potter Securities Limited ABN 25 006 390 772, Commonwealth Securities Limited ABN 60 067 254 399, Macquarie Equities Limited ABN 41 002 574 923, Morgan Stanley Wealth Management Australia Pty Ltd ABN 19 009 145 555, Morgans Financial Limited ABN 49 010 669 726 and UBS Wealth Management Australia Limited ABN 50 005 311 937
Company VWAP	means the volume weighted average price of the Shares (calculated to 2 decimal places of one cent) traded on ASX "On-market" (as that term is defined in the ASX Market Rules) excluding special crossings, overseas trades, trades pursuant to the exercise of options or overnight trades, as determined by ASX in accordance with its customary practice
Company VWAP Period	means any period of 20 consecutive trading days after the Relevant Date
Completion	the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	the constitution of NEC
Corporations Act	*Corporations Act 2001* (Cth)
Directors	each of the directors of NEC from time to time
DVR	digital video recorder
EBIT	earnings before interest and tax including share of associates' NPAT
EBITDA	earnings before interest, tax, depreciation and amortisation including share of associates' NPAT
Eligible Participant	either: • a permanent full-time or part-time employee of NEC and who is employed at 5.00pm (Sydney Time) on 2 November 2013 (and remains employed at 5.00pm (Sydney Time) on 6 December 2013); or • any other current or future expected employee of NEC nominated by the Company, provided any such person is not in the United States and is not a Director
Eligible US Fund Manager	a dealer or other professional fiduciary organised, incorporated or (if individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons who are not US Persons for which it has, and is exercising, investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act
Employee Gift Offer	the offer of Shares to Eligible Participants as described in Section 7.3.2
EPG	Electronic Program Guide
Escrowed Shareholders	Means: • Apollo • Oaktree • the Non-Executive Director Shareholders • the Management Shareholders
Eventopia	Eventopia Pty Ltd ABN 11 151 324 382
Existing Shareholders	those persons holding Shares as at the Original Prospectus Date
Existing Shares	Shares held by all Existing Shareholders as at the Original Prospectus Date
Expiry Date	13 months after the Original Prospectus Date
Exposure Period	the seven day period after the Original Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted

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Term	Meaning
Final Price	the price per Share that all Successful Applicants will pay for Shares under the Offer as determined by the bookbuild, denominated in Australian dollars
Financial Information	has the meaning given in Section 4.1
Fiscal Year or **FY**	year to 30 June
Forecast Financial Information	has the meaning given in Section 4.1
FTA TV	free-to-air television in Australia
General Television Corporation	General Television Corporation Proprietary Limited ABN 24 004 330 036, the Nine licensee in Melbourne
HD	High Definition
Historical Financial Information	has the meaning given in Section 4.2.1
IAB	Interactive Advertising Bureau, the peak trade association for online advertising in Australia
Imparja Television	Imparja Television Pty. Ltd. ABN 78 009 630 120
Indicative Price Range	the indicative price range for the Offer of $2.05 to $2.35 per Share
Institutional Investor	an investor: • in Australia who is either a "professional investor" or "sophisticated investor" under sections 708(11) and 708(8) of the Corporations Act; or • in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company and SaleCo are willing, in their absolute discretion, to comply), • in either case, provided that if such person is in the United States, it is reasonably believed to be a QIB or it is an Eligible US Fund Manager
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.4
Institutional Offering Memorandum	the offering memorandum under which the Institutional Offer will be made in certain jurisdictions outside Australia, which consists of this Prospectus and an offer document "wrap"
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844 and PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617
Joint Lead Managers	UBS AG, Australia Branch ABN 47 088 129 613, CBA Equities Limited ABN 76 003 485 952, Macquarie Capital (Australia) Limited ABN 79 123 199 548 and Morgan Stanley Australia Securities Limited ABN 55 078 652 276
IPTV	internet protocol television
Key Money	the amount paid to venue owners or promoters to secure exclusive ticketing rights
LIBOR	London Interbank Offered Rate, a market-based interest rate
Listing	the admission of the Company to the official list of the ASX and quotation of the Shares on the ASX
Management Shareholders	David Gyngell and another member of Senior Management (or their controlled entities, as applicable)
MCG	Melbourne Cricket Ground
Microsoft	Microsoft Corporation
Mi9 or **ninemsn**	ninemsn pty limited ABN 33 077 753 461
NBN	NBN Limited ABN 68 000 232 486 and, where the context requires, its subsidiaries

Term	Meaning
New Shareholders	means persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
New Shares	the new Shares to be issued by NEC under the Offer
NEC or **Company** or **NEC Group**	Nine Entertainment Co. Holdings Limited (formerly known as PBL Media Holdings Pty Limited) ABN 60 122 203 892, and, where the context requires, its subsidiaries, and NEC Group member means any one of them
Nine Digital	NEC's online and digital media business
Nine Entertainment IPO Information Line	1800 128 092 (toll free within Australia) or +61 1800 128 092 (outside Australia) in each case, open from 8.30am to 5.30pm (Sydney Time) Monday to Friday until Completion
Nine Entertainment Group	Nine Entertainment Group Pty Limited ABN 78 122 201 905
Nine Events or **Events**	the NEC Group's events and entertainment business operated by Ticketek , Sydney Superdome, Nine Live, Eventopia and Softix Pty Ltd
Nine Live	Nine Live Pty Ltd ABN 25 150 055 100
Nine Network	Nine Network Australia Pty Limited ABN 88 008 685 407 and, where the context requires, its subsidiaries
Nine Rewards	Nine Rewards Pty Ltd ABN 78 128 328 469
ninemsn or **Mi9**	ninemsn Pty Limited ABN 33 077 753 461
Non-Executive Director Shareholders	David Haslingden, Peter Costello, Hugh Marks and Joanne Pollard (or their controlled entities, as applicable)
NPAT	net profit after tax
Oaktree	Oaktree Netherlands Entertainment Holdings B.V. as shareholder of the Company or, where the context requires, certain investment funds and accounts managed by Oaktree Capital Management, L.P. which have an interest in that shareholder
Offer	the offer under this Prospectus of New Shares for issue by NEC and of certain Existing Shares being sold by SaleCo
Offer Management Agreement	the agreement of that name between the Company, SaleCo and the Joint Lead Managers on or about the Original Prospectus Date
Offer Period	the period from the Opening Date and ending on the Closing Date
Official List	the official list of the ASX
Opening Date	the date on which the Retail Offer opens
Original Prospectus	the Prospectus issued by NEC and NEC SaleCo dated 4 November 2013, which was lodged with ASIC on that date and is replaced by this Prospectus
Original Prospectus Date	the date on which a copy of the Original Prospectus was lodged with ASIC, being 4 November 2013
OTT	over-the-top
OzTAM	OzTAM Pty Limited ABN 87 089 146 396 is the official source of television audience measurement (TAM) covering FTA TV in Australia's five mainland metropolitan markets and nationally for subscription television
Performance Rights	the performance rights described in Section 10.4.2
Performance Rights Plan	the long term incentive plan, as described in Section 10.4.2.
Pro Forma Financial Information	Historical and Forecast Financial Information reflecting certain events and assumptions that will be in place following Completion as if they had occurred or were in place as at 30 June 2013, with specific adjustments as described throughout Section 4
Priority Offer	the offer of Shares under this Prospectus to Retail Offer Investors in Australia invited by NEC to participate in the Offer on a firm basis up to $5 million in aggregate, as described in Section 7.3.3

glossary

Term	Meaning
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prime	Prime Media Group Limited ABN 97 000 764 867 and its related bodies corporate
QIB	qualified institutional buyer, as that term is defined in Rule 144A under the US Securities Act
Relevant Date	has the meaning given in Section 7.5.1
Retail Offer	the Broker Firm Offer, Employee Gift Offer and the Priority Offer
Retail Offer Investor	an Australian resident who is not in the United States and is not an Institutional Investor or a Broker
SaleCo	NEC SaleCo Pty Limited ACN 166 188 638
SBS	Special Broadcasting Service Corporation ABN 91 314 398 574
Scheme	has the meaning given in Section 10.6
SD	Standard Definition
Selling Shareholders	Existing Shareholders who elect to sell Shares to SaleCo
Senior Management	the members of NEC management referred to in Section 6.2 and Senior Manager means any one of them
Settlement	has the meaning given in Section 7.8.3
Seven Network	Seven Network Limited ABN 21 052 816 789
Share	a fully paid ordinary share in the capital of NEC
Share Registry	Link Market Services Limited ABN 54 083 214 537
Shareholder	a holder of a Share
Southern Cross	Southern Cross Media Group Limited ABN 91 116 024 536 and its related bodies corporate
STI Plan	The short term incentive plan described in Section 10.4.1
Successful Applicant	an Applicant who is issued or transferred Shares under the Offer
Sydney Superdome	Sydney Superdome Pty Ltd ABN 35 110 613 431 and, where the context requires, its subsidiaries
Sydney Time	Australian Eastern Daylight Time
Network Ten	Ten Network Holdings Limited ABN 14 081 327 068
Ticketek	Ticketek Pty Limited ABN 92 010 129 110 and, where the context requires, its subsidiaries
Time–Shifted Viewing	the pausing of a program as it is broadcast live and then continuing to watch it in playback mode ('As Live') or the viewing of a recorded program on another day but within seven days of the original broadcast ('Time Shift')
US or **United States**	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Person	has the meaning given in Rule 902(k) of Regulation S under the US Securities Act
US Securities Act	US Securities Act of 1933, as amended
Vesting Date	has the meaning given in Section 10.4.2
WIN	WIN Corporation Pty Ltd ABN 43 000 737 404 and its related bodies corporate
YE	year end
Yoy or **yoy**	year on year

significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Entities reporting

The consolidated Financial Information for the NEC Group is for the economic entity comprising Nine Entertainment Co. Holdings Limited and its subsidiaries. On completion of the Offer, the NEC Group consists of the following significant entities:

Consolidated entities	Beneficial interest held by the consolidated entity
Nine Entertainment Co. Holdings Ltd	Parent entity
Bass New Zealand Limited	100
Channel 9 South Australia Pty Limited	100
ecorp Limited	100
Events Management Catering Pty Limited	100
General Television Corporation Pty Limited	100
NBN Enterprises Pty Limited	100
NBN Investments Pty Limited	100
NBN Ltd	100
NBN Productions Pty Ltd	100
Nine Films & Television Pty Ltd	100
Nine Network Australia Holdings Pty Ltd	100
Nine Network Australia Pty Ltd	100
Nine Network Productions Pty Limited	100
NEC Debenture Co Pty Ltd	100
NEC Finance (1) Pty Ltd	100
NEC Finance (3) Pty Ltd	100
NEC Finance Holdings Pty Ltd	100
Nine Entertainment Group Pty Limited	100
NEC Mastheads Pty Ltd	100
Nine Entertainment Co. Pty Ltd	100
ninemsn Pty Limited	66.7*
Pay TV Holdings Pty Limited	100
PBL Marketing Pty Ltd	100
Petelex Pty Limited	100
Queensland Television Holdings Pty Ltd	100
Queensland Television Ltd	100
Shertip Pty Ltd	100
Softix Pty Ltd	100
Swan Television & Radio Broadcasters Pty Ltd	100

significant accounting policies

Consolidated entities	Beneficial interest held by the consolidated entity
Sydney Superdome Pty Ltd	100
TCN Channel Nine Pty Ltd	100
Television Holdings Darwin Pty Limited	100
Territory Television Pty. Ltd.	100
Ticketek New Zealand Limited	100
Ticketek Queensland Pty Ltd	100
Ticketek Services Limited	100
Ticketek Victoria Pty Ltd	100
Ticketek Insights Pty Ltd	100
Ticketek Pty Ltd	100
White Whale Pty Ltd	100
Zacchaeus Pty Ltd	100

* *See Section 4.2.1 for a description of the basis for consolidation of ninemsn.*

Historical cost convention

The Financial Information has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value and investments in associates which have been accounted for using the equity method.

Basis of consolidation

The Financial Information comprises the Financial Information of the NEC Group.

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the Financial Information includes the results for the part of the reporting year during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting year as that of the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Income tax

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities based on the current year's taxable income. The tax rules and tax laws used to calculate the amount are those that are enacted at the balance date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in other comprehensive income and not in profit or loss for the year.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Financial Information.

For purposes of the Financial Information, cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Foreign currency translation

Both the functional and presentation currency of the Financial Information is Australian dollars (A$). Each foreign entity in the NEC Group determines its own functional currency and items included in the financial statements of each foreign entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income, with the exception of those items that are designated as hedges which are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the presentation currency of the Financial Information at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

significant accounting policies

Cash and cash equivalents

Cash and cash equivalents in the Financial Information comprise cash at bank and in hand, and short term deposits.

For the purposes of the cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at each division. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the NEC Group will not be able to collect all amounts due according to the original trade terms. Factors considered as objective evidence of impairment include ageing and timing of expected receipts and the creditworthiness of counterparties. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Program rights

Television programs which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the income statement based on management's assessment of the future benefit of such content, which is regularly reviewed with additional write downs made as considered necessary.

Investments and other financial assets

Certain of the NEC Group's investments are categorised as investments in listed or unlisted equities under AASB9 – Financial Instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the NEC Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

Investments in listed or unlisted equities are those non-derivative financial assets, principally equity securities, that are designated as not classified under AASB9. After initial recognition, investments in listed or unlisted equities are measured at fair value with gains or losses being recognised as a separate component of equity.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Investments in associates

The NEC Group's investments in associates are accounted for under the equity method of accounting in the Financial Information. These are entities in which the NEC Group has significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of the associates are used by the NEC Group to apply the equity method.

The investments in associates are carried in the Financial Information at cost plus post-acquisition changes in the NEC Group's share of net assets of the associates, less any impairment in value. The Financial Information reflects the NEC Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associates' equity, the NEC Group recognises its share of any movements directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
- Freehold buildings – 20 to 40 years;
- Leasehold improvements – lease term; and
- Plant and equipment – 2 to 15 years.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted as appropriate each year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use or disposal of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Financial Information in the year the item is derecognised.

Borrowing costs

Interest is recognised as an expense when it is incurred. Debt establishment costs are capitalised and expensed over the term of the loan.

Intangible assets

Licences

Licences are carried at cost less any accumulated impairment losses.

Television licences are renewable every five years under the provisions of the Broadcasting Services Act. Whilst certain of the television licences continue to be subject to Australian Government legislation and regulation by ACMA, the Directors have no reason to believe the licences will not be renewed.

The Directors regularly assess the carrying value of licences so as to ensure they are not carried at a value greater than their recoverable amount.

No amortisation is provided against these assets as the Directors consider that the lives of the licences are indefinite life intangible assets.

significant accounting policies

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the NEC Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Venue ticketing rights are amortised over their contractual period. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangible assets annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the net asset is derecognised.

Recoverable amount of assets

At each reporting date, the NEC Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the NEC Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Trade and other payables

Trade and other payables are carried at amortised cost.

Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed to the NEC Group at reporting date. The NEC Group operates in a number of diverse markets, and accordingly the terms of trade vary by business.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the NEC Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other events, it is probable that a future sacrifice of economic benefit will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended before or on the reporting date.

Pensions and other post-employment benefits

The NEC Group contributes to a defined benefit superannuation fund which requires contributions to be made to a separately administered fund. Actuarial gains and losses on the defined benefit fund are recognised as a separate component of equity.

The cost of providing benefits under the defined benefit fund is determined separately for each plan using the projected unit credit actuarial valuation method.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related on-costs. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee.

The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the NEC Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or equipment or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense in the income statement over the lease term.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the NEC Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

significant accounting policies

Derivative financial instruments

The NEC Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in profit or loss for the year.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in profit or loss for the year. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised through profit or loss for the year such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts and cross-currency principal and interest rate swaps and options) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss for the year. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to profit or loss in the same year in which the hedged firm commitment affects net profit or loss e.g. when the future sale actually occurs.

At the inception of a hedge relationship, the NEC Group formally designates and documents the hedge relationship to which the NEC Group wishes to apply hedge accounting. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

Impairment of financial assets

The NEC Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss for the year.

The NEC Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss for the year, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Contributed equity

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Company, less transaction costs.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the NEC Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Television

Revenue for advertising and media activities is recognised when the advertisement has been broadcast/displayed or the media service has been performed.

Events

Revenue from ticketing operations primarily consists of booking and service/delivery fees charged at the time a ticket for an event is sold and is recorded on a net basis (net of the face value of the ticket). This revenue is recognised at the time of the sale.

Revenue from the promotion and production of an event is recognised in the month the performance occurs (event maturity).

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuations methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the business combination over the net fair value of the NEC Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the NEC Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets required.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the NEC Group's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

significant accounting policies

Share-based payments

NEC Group provides benefits to employees of NEC Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). NEC Group provides benefits to senior executives and its employees in the form of the Performance Rights Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of NEC (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of NEC Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

corporate directory

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Joint Lead Managers

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Macquarie Capital (Australia) Limited
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UBS AG, Australia Branch
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Co-Lead Managers

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Co-Managers

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