

Comparison of SBS model (\$20-30m) with FreeTV model (\$190m)

| | SBS Assumption | FreeTV Assumption | \$ impact* |
|---------------------------------|---|---|------------|
| Time period | <ul style="list-style-type: none"> The period used by SBS revenue modelling is across 4-financial years (FY15-16 to FY18-19), the period covered by the forward estimates | <ul style="list-style-type: none"> Appears to assume that SBS earns revenue over the "next 5-years" (ie through to FY19-20) | \$40m |
| Fill Rates | <ul style="list-style-type: none"> SBS is not currently "full" across all channels and markets. SBS can only sell incremental minutes where our fill rates are already high (eg SBS ONE metro) | <ul style="list-style-type: none"> Assumes this incremental inventory can be sold across all our Channels and markets | \$34m |
| | <ul style="list-style-type: none"> Not all of our content is attractive to commercial advertisers | <ul style="list-style-type: none"> Assumes we can sell this new inventory against all our content and prime-time slots | \$18m |
| | <ul style="list-style-type: none"> SBS modelling anticipates a gradual increase in fill-rates of the incremental advertising minutes | <ul style="list-style-type: none"> The FreeTV analysis assumes that SBS can sell the incremental inventory into the market in Y1 at 70% | \$16m |
| Type / Source of revenue | <ul style="list-style-type: none"> The SBS model backs out sponsorship revenue and takes into account the impact of specific properties such as the World Cup and A-League | <ul style="list-style-type: none"> Assumes all revenue is equal, which is unrealistic Does not appear to exclude sponsorship revenue or that associated with particular properties (eg World Cup or A-League) | \$20m |
| Effective CPM / Ratecard | <ul style="list-style-type: none"> SBS is currently a premium buy for advertisers. In order to attract new advertisers, it is likely that SBS will have to discount the existing ratecard (our model assumes 15%) | <ul style="list-style-type: none"> Assumes that there is no discount on our current rates to the market, which is unrealistic | \$10m |
| Growth | <ul style="list-style-type: none"> Audiences on primary channels, including SBS ONE, are declining at >5% pa. The traditional ad-spot sell is being replaced by integrated brand campaigns SBS's modelling reflects this trend | <ul style="list-style-type: none"> Assumes a constant growth rate of 1.4% over the period (based on the most recent PwC media outlook) | \$10m |
| Cost of sales | <ul style="list-style-type: none"> The \$28.5m over 4-years is revenue net of cost of sales and commissions directly related to earning the incremental revenue. | <ul style="list-style-type: none"> The FreeTV is effectively a gross revenue figure, which excludes cost of sales and agency commissions | \$13m |

Notes: * SBS's internal estimate of the dollar value difference between the underlying assumptions of the respective models