



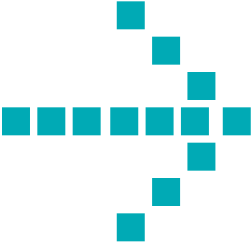
“If this year’s economic climate has shown us one thing, it’s that excellent content is the key to success—especially in difficult times.

GREAT CONTENT DRIVES DISTRIBUTION AND ADVERTISING AND KEEPS CUSTOMERS COMING BACK.

That’s why Hearst Entertainment & Syndication’s current portfolio of assets—and efforts to broaden that portfolio—are focused on the highest-quality content.”

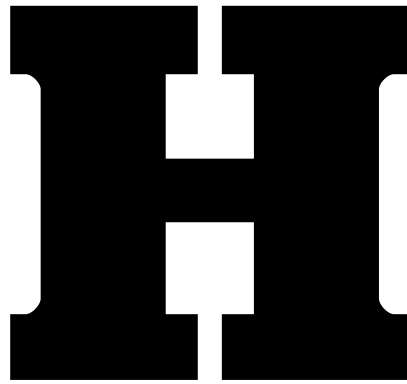
HEARST *entertainment & syndication*

SCOTT SASSA
President
Hearst Entertainment & Syndication



IN 2009, THE RESULTS FOR HEARST ENTERTAINMENT & SYNDICATION'S CABLE NETWORKS SHOWED THAT HEARST'S STRATEGY OF FOCUSING ON HIGH-QUALITY CONTENT CONTINUES TO PAY OFF.

Cable network profits were the highest in their history. This is a credit to original programming like *Monday Night Football*, *Intervention*, *Ice Road Truckers*, *Army Wives* and *Project Runway*. But this is no time to rest on Group laurels, Sassa says.



Hearst Entertainment & Syndication has already taken its next step forward.

In order to take full advantage of the momentum in programming and ratings, Hearst completed an agreement with Disney and NBC Universal to ultimately buy out NBC from A&E Television Networks (AETN). The deal consolidated A&E,

History and Lifetime—three of America's top cable networks—under one management team, creating more opportunities for Hearst and longtime partner Disney.

"As pleased as we are with the results this year from our Group's core assets, we think it's healthy to remain paranoid about what the future will bring," Sassa explains. "The alternative to 'positive' paranoia is complacency, which is the enemy of every forward-thinking company."

INNOVATION GOING AFTER THE GLOBAL GAME

ESPN BRINGS THE "WORLD'S GAME" TO THE WORLD IN 2010...

IN THE U.S., ESPN, ESPN2 AND ABC WILL PRESENT EXCLUSIVE HIGH-DEFINITION COVERAGE OF ALL 64 MATCHES OF THE 2010 FIFA WORLD CUP SOUTH AFRICA FROM JUNE 11 TO JULY 11.

ESPN will also provide World Cup coverage in Brazil (ESPN Brazil) and in the ESPN Star Sports territories of India, Pakistan, the Maldives, Bhutan, Sri Lanka, Bangladesh, Nepal and the Middle East.

A&E TELEVISION NETWORKS

Hearst's agreement with the Disney-ABC Television Group and NBC Universal for AETN to acquire Lifetime Entertainment Services created a company that reaches 250 million homes in more than 140 countries around the world. AETN now includes A&E Network, History, Lifetime Television, Lifetime Movie Network, Bio, History International, Lifetime Real Women, History en Español, Military History and the Crime & Investigation Network.

Driven by its extensive slate of original programming, **AETN earned 19 Emmy nominations in 2009 for outstanding programming.** History won three Primetime Emmy Awards for *102 Minutes That Changed America*, a special designed to capture the experience of September 11, 2001, and one Emmy for its promotions of *Nostradamus: 2012*. A&E earned a Primetime Emmy Award for its critically acclaimed series *Intervention*.

armywives



LIFETIME

Although ratings have been under downward pressure, Lifetime Television performed strongly this year. Season six of *Project Runway*, launched in August, was the highest-rated premiere ever for the series and the highest in the network's history among key demographics.

This year also marked new seasons of successful original programming like *Army Wives* and *Rita Rocks*; the launch of exciting new original series including *Drop Dead Diva* and *Sherri*; and the introduction of popular off-network shows like *Grey's Anatomy* and *Medium*. Lifetime remains a top-rated female-focused cable network across key demographics, including women 18-34, 18-49 and 25-54. It's also the No. 1-rated and most watched ad-supported cable network for original movie premieres among women 18-plus and 25-54.

Lifetime garnered four 2009 Emmy Award nominations for its original cable movies *Prayers for Bobby*, featuring Sigourney Weaver; and *Coco Chanel*, starring Shirley MacLaine, who received Golden Globe and Screen Actors Guild Award nominations for her performance.

Lifetime Movie Network is the second-highest-rated female network, behind Lifetime, in both prime time and total day among women 25-54. The Lifetime Movie Network Original Movie *Natalee Holloway*, starring Tracy Pollan, Grant Show and Catherine Dent, was the No. 1 Original Movie in the network's history. As of December, Lifetime Movie Network is in more than 74 million households, making it the industry's fastest-growing network among channels in at least 66 million households.



LIFETIME'S DEBUT OF PROJECT RUNWAY WAS THE HIGHEST-RATED PREMIERE EVER FOR THE SERIES AND NETWORK.



In addition to moving to Lifetime, Project Runway found a new magazine partner in Hearst's Marie Claire. The new cable-magazine couple signed a five-year partnership deal with the show's producers, The Weinstein Company, on both Project Runway and its Lifetime sister series, Models of the Runway.

INNOVATION NEW CONTENT & TECHNOLOGY

HEARST ENTERTAINMENT & SYNDICATION is looking to make bold investments that will **PAY OFF BIG, GROW, AND PROTECT HEARST'S BUSINESS** as the world changes.

JUST AS HEARST HAD THE FORESIGHT IN THE 1980s TO INVEST IN CABLE NETWORKS (a decision that laid the groundwork for its current success), the Group is exploring ways to diversify Hearst's asset portfolio over the long term.

Continued on next page

HISTORY

History's mission—to connect viewers to important historical events through a diverse range of platforms and programming—continues to pay significant dividends. History had its hottest summer of all time, ahead in all key demos with its popular series: *Lock n' Load with R. Lee Ermey*; *That's Impossible*; the network's No. 1 hit, *Ice Road Truckers*; consistent performer *The Universe*; and newcomers *MysteryQuest*, *The Nostradamus Effect* and *Pawn Stars*. Groundbreaking specials such as *Manson* and *Woodstock* also contributed to History's robust ratings.

Potential targets include everything from digital platforms to non-traditional production entities and additional cable networks. The attention is on both building and buying new businesses, from pure startups to large-scale acquisitions. Hearst Entertainment & Syndication is looking for opportunities that:

- Are a good strategic fit with Hearst's tradition of consumer-facing media businesses;
- Have the potential to generate a growing, consistent stream of cash;
- Allow Hearst to own a controlling share and be involved in business operations;
- Will benefit from the ability to leverage Hearst's respected brands and customer relationships; and
- Are structured to diversify revenue beyond domestic advertising and display advertising.

The economic downturn, low stock prices and the diminished ability of companies to make large investments have created a perfect storm for Hearst. With a strong balance sheet, the ability to invest for the long term and the clear understanding that good content tied to new technologies is the winning hand of the future, Hearst Entertainment & Syndication plans to aggressively identify and seize the non-obvious opportunities in this changing landscape.



ESPN

ESPN continues to fire on all cylinders. The network's *Monday Night Football* delivered the biggest cable television audiences of the year, with the fourth-week game garnering the largest audience for any program in cable history—an average of 15.3 million households and 21.8 million viewers.

ESPN's 2009 successes also included the NBA Finals on ABC, through the "ESPN on ABC" brand used for sports programming on ABC; the X Games and Winter X Games; College Basketball Championship Week; and its first-ever U.S. Open tennis tournament. ESPN's coverage of Major League Baseball and NASCAR rounded out its incomparable lineup of professional sports.

ESPN's increasingly strong digital presence supports its programming strategy. ESPN.com debuted a new home page in early 2009 with an improved design, a richer video experience, enhanced scoreboards and more personalization options. In addition, ESPN360.com continued to grow distribution through its rollout across the Comcast.net subscriber base. The brand expanded its rights to Wimbledon—nearly doubling its hours of live coverage—and launched a site in Chile. ESPN also introduced local 24/7 sports sites in Chicago, Dallas, Boston and Los Angeles; next up is New York.

In late 2009, ESPN Films celebrated ESPN's 30th anniversary by launching its "30 for 30" films project, enlisting some of America's best-known filmmakers to create documentaries focusing on the last 30 years in sports. Participating directors and producers include Peter Berg, Ice Cube, Spike Jonze, Barry Levinson, Frank Marshall, Albert Maysles and John Singleton.

A&E

A&E earned six Emmy nominations and was honored with one for *Intervention*. Other popular shows include signature non-fiction series like *Dog the Bounty Hunter*, *Criss Angel Mindfreak*, *The First 48* and *Parking Wars*. *Hoarders*, which premiered in August, was the most-watched series premiere in network history among adults 18–49. *Steven Seagal: Lawman* premiered in December.

A&E is the No. 5 entertainment cable network among adults 25–54, No. 6 among adults 18–49 and No. 6 among total viewers. In September, viewership was up 14 percent year over year, setting all-time audience levels for the month.



ESPN'S MONDAY NIGHT FOOTBALL
DELIVERED 2009'S BIGGEST CABLE
TELEVISION AUDIENCES.





COSMOPOLITAN TELEVISION

With successful channels based in Spain, Canada and Latin America, Cosmopolitan Television continues to increase its global viewership; it can now be seen in nearly 16 million households in more than 20 countries. Cosmo TV Spain, now in its ninth broadcast year, launched 45 hours of new programming in 2009 and is the No. 2 cable channel for women 18–35. Cosmo TV Spain premiered *Gossip Girl*, which joins a winning lineup of other U.S. hits, including *Gilmore Girls*, *One Tree Hill* and *Ugly Betty*. In Canada, Cosmo TV ranks No. 7 with women 18–34 in only its second year of broadcasting, and is one of the most successful digital channel launches in Canadian history, reaching more than 3.8 million households.

**COSMO TV IS IN
NEARLY 16 MILLION
HOUSEHOLDS
IN MORE THAN
20 COUNTRIES.**

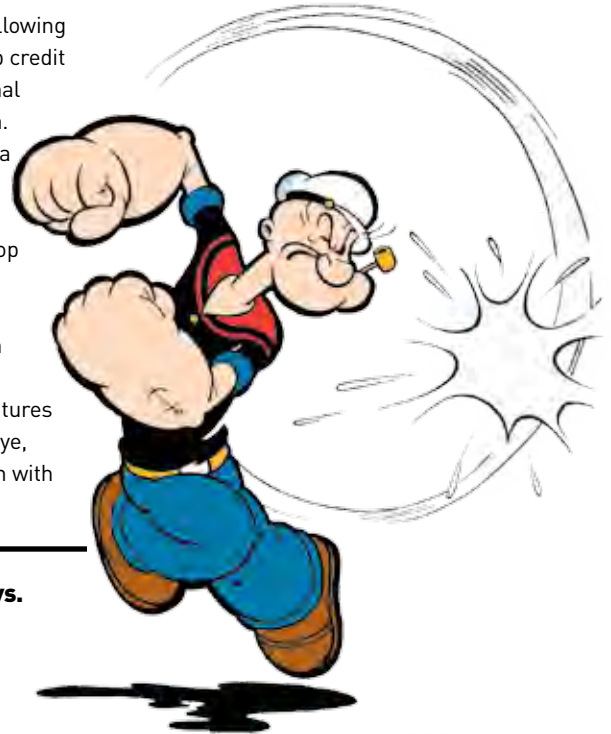
KING FEATURES

As newspaper readers change their habits, King Features is developing new ways to exploit its syndicated content, including an expanded digital presence through the King Features Entertainment Package, a robust collection of comics, puzzles and horoscopes designed to drive online ad impressions. Comics Kingdom, the digital comics platform, was joined this year by Captionary, a fill-in-the-caption contest that is proving to be a popular promotional tool for clients. Additionally, the Entertainment Package broadens King Features' successful partnership with Conceptis, the world's top provider of logic puzzles.

In 2009, King Features developed new licensing programs and continued to expand

existing programs across the globe. Following the successful launch of the Betty Boop credit card, King Features introduced additional banking products with Bank of America. King Features partnered with Coca-Cola to introduce new co-branded apparel, giftware and housewares programs for Betty Boop, and secured a Betty Boop apparel license agreement with global fashion retailer H&M. The Group also launched a European Popeye campaign with Fiat's Iveco truck division.

In the entertainment arena, King Features is exploring new opportunities for Popeye, and Flash Gordon remains under option with Columbia Pictures.



"This was a year that affirmed for us that good entertainment matters," Sassa says. "As we explore new business sectors and reinforce the strengths of our existing companies, we remain focused on Hearst's original vision: delivering content that engages and entertains the audiences that are our company's best asset."