



TEN HOLDINGS' FY REVENUE SURPASSES \$1BN

Q4 TV EBITDA soars 35 per cent

25 October 2007

Ten Network Holdings Limited (Ten Holdings) today reported earnings for the financial year ending 31 August 2007.

Consolidated annual revenue grew 12.5 per cent and surpassed \$1 billion for the first time.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) at the Company's television division, Network Ten (TEN), rose 3.5 per cent as previously forecast by management.

Revenues at out-of-home (OOH) advertising business, Eye Corp (EYE), grew 34.5 per cent, offset by previously foreshadowed start-up losses as EYE continues to invest for growth.

Highlights of Ten Holdings' full year results include:

TEN HOLDINGS FY 2007	
• Group revenue	\$1,004.4m
• TV revenue	\$831.3m
• Group EBITDA	\$248.3m
• TV EBITDA	\$237.0m
• TV EBITDA margin	28.5%
• OOH revenue	\$173.1m
• OOH EBITDA	\$12.2m
• NPAT	\$66.1m
• Dividends paid	13 cps fully franked

Ten Holdings' executive chairman, Nick Falloon, said TEN had posted three consecutive quarters of strong growth, with fourth quarter television revenue soaring 25 per cent, while EBITDA had grown an impressive 35 per cent over the prior corresponding period.

He added continued strict expenditure discipline had assisted TEN's result, with full year cost growth, excluding one-off increases, contained to less than 5 per cent.

"We are proud to have again achieved high margins – despite the increased cost of our new AFL agreement and TEN's start-up investment in digital media," Mr Falloon said.

"That profitability demonstrates TEN's 'seriously different business model' – with its focus on differentiation from competitors, targeted demographics, operational efficiencies and returns to shareholders – that continues to underpin every facet of TEN's operations."

The executive chairman added TEN's fourth quarter result had benefited from the sale of the Company's former Adelaide station site, which delivered a pre-tax profit of \$4.0 million, while the inclusion of a 53rd week due to the broadcast year cycle impacted year-on-year comparisons.



Chief executive officer – television, Grant Blackley, commented: "Our strategy to broaden TEN's target demographic to 18-49 year-olds, initiated two years ago, continues to pay dividends, both in terms of our commercial audience share and the expanding pool of advertisers with whom we interact.

"TEN's depth of local and international programming is greater than at any time previously, and our commercial audience share in 18-49 is consistent with our winning performance a year ago.

"And, for the seventh consecutive year, we remain the clear leader in 16-39s."

Mr Blackley added TEN's digital media division was tracking as anticipated in its first year of operation and was making real progress in extending TEN's leading TV brands online and to mobile devices.

After a year of building a technology platform and recruiting a high quality team, TEN's digital media efforts are bearing fruit for both consumers and advertisers. For example, the new 2007 *Australian Idol* website has seen weekly visitors grow by more than 25 per cent compared to 2006 while for the first time leveraging a TEN-owned sales effort and technical infrastructure.

Turning to EYE, Mr Falloon said the OOH division had performed in line with expectations.

EYE's highly profitable Australian and New Zealand operations retained best-in-class margins; group revenue grew 34.5 per cent in the 2007 financial year.

As management had previously advised, profits fell as earnings from the established businesses funded EYE's investment in new markets, particularly North America, with start-up losses of approximately \$15m for the full year.

EYE Group chief executive officer, Gerry Thorley, remarked: "We are building on EYE's success, and our wealth of experience in the OOH sector, as we pursue appropriate long-term concessions that offer a sound commercial future for the Company."

OUTLOOK

Mr Falloon said TEN was better positioned than ever to achieve further growth.

"TEN's ability to deliver in the demographics of most interest to advertisers, schedule depth and consistency give us confidence in further revenue improvement," Mr Falloon continued.

"TEN's momentum has continued into the first quarter of 2008, with another double digit revenue increase expected.

"And, we are confident of surpassing 2007 TV EBITDA in 2008, despite the Beijing Olympic Games.

"Furthermore, the longer-term outlook is even more positive, with 2009 a 'clean' year free of non-recurring big events."

Mr Falloon noted TEN's cost growth forecast for 2008, ex-selling costs, was within 5 per cent, even with a number of exciting new initiatives, including: the launch of a new digital channel, TEN-HD; the expansion of TEN's digital media division; an Australian version of the vibrant new format *So You Think You Can Dance*; the Rugby World Cup; and year one of TEN's long-term program supply agreement with 20th Century Fox Television.

"These are exciting times in the digital sphere," Mr Falloon added. "TEN has staked a leadership position in High Definition broadcasting, and our digital media team is on target to deliver a modest EBITDA profit next year.

"EYE continues to invest for long term growth, exporting the model that has served us so well at home to generate sustainable and enduring future returns.

"EYE's start-up losses in new markets for 2008 are expected to be approximately \$10m. However, that may vary as we progress our expansion plans and assess opportunities that arise in the next 12 months.

"We are confidently looking forward to the year ahead, and I thank the TEN and EYE teams for their ongoing commitment to success," Mr Falloon concluded.

TEN NETWORK HOLDINGS LIMITED DIVISIONAL RESULTS			
	2007	2006	Favourable/ (Unfavourable)
	\$m	\$m	%
OPERATING REVENUE			
Television	831.3	764.6	8.7%
Out of Home	173.1	128.5	34.5%
	1,004.4	893.1	12.5%
EXPENSES			
Television ^Δ	594.3 ^Δ	535.5	(11.0)%
Out of Home	160.9	104.5	(54.0)%
Unallocated [°]	0.9	1.1	18.2%
	756.1	641.1	(17.9%)
EBITDA			
Television	237.0	229.1	3.5%
Out of Home	12.2	24.0	(49.2)%
Unallocated [°]	(0.9)	(1.1)	18.2%
	248.3	252.0	(1.5%)
<small>° Unallocated costs refer to the corporate costs relating to the operation of Ten Network Holdings Limited. ^ΔTelevision cost growth for FY 2007, excluding one-offs (53rd week, digital media start-up and the impact of the new AFL contract) is less than 5 per cent.</small>			

DIVIDENDS

Ten Holdings' two ordinary dividends for the year were 9.0 cents per share (cps) paid in January and 4.0 cps paid in July, making a total dividend of 13.0 cps.

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COMMENTS ON DIVISIONAL PERFORMANCE FOR THE YEAR ENDING 31 AUGUST 2007

Television

Grant Blackley, chief executive officer – television, said: "I am proud of the results delivered across the network.

"With just six weeks to go in the official ratings year, our share in 18-49 is consistent with that we achieved in our winning performance a year ago*.

"TEN has seven programs in the 18-49 top ten for 2007, including the *Biggest Loser* finale at number one, and five shows in this year's total people top ten, with TEN's *AFL Grand Final* again the most-watched program in official survey.

"In 2006 we successfully developed and launched nine new successful Australian programs, including *The Biggest Loser*, *Thank God You're Here*, *Bondi Rescue* and *9am with David & Kim*.

"We also sought to build on our existing stable of hit international shows that includes *House* – the number one US show on Australian television – *NCIS*, *Medium* and the *Law & Order* franchise, by pursuing new long-term agreements.

"Those efforts came to fruition in 2007. From January, our expanded program supply arrangements with CBS Paramount Network Television took effect, delivering exceptional news and factual programming.

"TEN has become CBS News' Australian affiliate and has access to the global newsgathering resources of the CBS News team, including segments from the US '60 Minutes' program. TEN also picked up the hit daytime program, *Dr Phil*, and the *Late Show with David Letterman*.

"Even before *Dr Phil* entered the schedule, TEN had become Australia's number one daytime network, out-delivering our commercial competitors in all key daytime demographics, including the important categories women 25-54 and grocery buyers with children.**

"Our multi-year program supply arrangements with 20th Century Fox will deliver TEN some of the most talked about, demographically-targeted shows of the new US season for 2008, including *Women's Murder Club* and *Unhitched*.

Mr Blackley added TEN's local development slate remained highly active.

"We are enhancing our stable of big-event franchises, successfully launching our own version of the hit US format, *Are You Smarter than a 5th Grader?*, while an Australian production of *So You Think You Can Dance* is underway for early 2008," Mr Blackley said.

"These are high-energy, feel-good entertainment shows with exceptionally high production values that will complement our enduring favourites.

"We also commenced the first year of our new five-year AFL contract and secured the rights to the Rugby World Cup.

"As we deepen our library of content, we are working harder than ever to monetise it.

"In the key buying demographics – 18-49, 16-39 and 25-54 –TEN is delivering a strong and broadening audience profile to marketers.

"We will continue to pursue the revenue share our competitive audience share justifies."

Mr Blackley added TEN was making it easier than ever for viewers to enjoy and engage with TEN's programs in the time, place and format of their choosing.

He pointed to TEN's recently concluded agreements to be available on the Foxtel and Austar platforms, including electronic program guide and full personal video recorder functionality.

TEN was also working with Free TV Australia towards an industry electronic program guide as well as in making TEN's program data available to the numerous providers of personal video recorders expected to enter the market in the coming years.

While these external initiatives were very promising, Mr Blackley said the TEN team was even more excited about activity within TEN.

"We recently announced TEN-HD that in December will break away from our main channel for substantial periods of the day. It will offer more choice, in the highest possible broadcast quality, for free.

"Ever since we began broadcasting in digital, we have been advocates of High Definition, because it offers the 'full experience for viewers and provides a real point of difference for free-to-air and TEN in particular.

"TEN remains the only Australian network broadcasting in full HD and providing premium sport in that format, offering nearly 250 hours of live sport in HD in 2007 alone.

"An increasing proportion of our prime time schedule is already in HD – featuring *AFL*, *Australian Idol* and *House* – with still more to come.

"Internationally, HD is absolutely the way of the future, and TEN is proud to be at the forefront in Australia."

Mr Blackley added TEN's recently established digital media team was creating new ways for viewers to interact with TEN's hit shows and additional opportunities for advertisers to reach them.

Strong results have been recorded for both the new *Australian Idol* and *Rove Daily* websites, both of which have provided unique cross-platform sponsorship opportunities for broadcast advertisers.

For example, weekly visitors to the new *Australian Idol* website have grown 25 per cent compared to 2006 while also for the first time leveraging a TEN-owned sales effort and technology platform.

Meanwhile, *Thank God You're Here* has again been Australia's number one podcast ^Δ.

Mr Blackley concluded by saying 2008 showed every sign of being another great year for TEN.

"TEN is in its strongest-ever programming position, and our content is available to more viewers in more formats than ever before.



"We have so many exciting new initiatives for 2008 – including TEN-HD, *So You Think You Can Dance*, expanding digital media, the Rugby World Cup and the 20th Century Fox deal – and we are approaching them in our usual focused way, managing to contain cost growth (ex-selling costs) to within 5 per cent.

"We are currently forecasting to beat 2007 TV EBITDA in 2008, even with the Beijing Olympic Games, and anticipate further improvements in 2009.

"Our team is genuinely excited, focused and optimistic about the road ahead."

**Metro commercial prime time (1800-2230) share, weeks 7-42, 2007 v 2006 excl Easter and Commonwealth Games weeks.*

***Metro commercial share, 0900-1700 Monday-Friday, weeks 7-42 2007 excl Easter.*

^Source: Apple iTunes Australia Store, podcast category, 2/7/2007 to 5/9/2007

Out-of-home

Gerry Thorley, chief executive – Eye Group, said: "This has been a year of tremendous activity for the EYE team at home and abroad.

"We have consolidated the outstanding performance of our established Australian and New Zealand businesses and on their strength continue to expand into new markets, particularly in North America where we see great upside for the highly attractive Eye Shop model.

"From a standing start less than 12 months ago, EYE is now one of the leading mall media operators in the US and an equal number two in the North American top ten designated market areas.

"Our properties include nearly 250 shopping centres with 160 million shoppers each month.

"Our developing Eye Fly businesses in Singapore and the United Kingdom are demonstrating great promise. The highly-anticipated opening of Singapore Changi Airport Terminal 3 in early 2008, which can accommodate 22 million passengers a year, will bring Changi's total annual capacity to 70 million flyers.

"EYE is steadily gaining traction in its UK airport operations which we position as a "must-buy" to advertisers seeking both the business commuter and leisure traveller in the country's northwest. Our concessions include Manchester Airport, the UK's largest airport outside London which is expected to reach 38 million passengers a year by 2015, up from the present 23 million. We also added Cardiff and Belfast International airports to our portfolio in 2007.

"In Australia, we have fully integrated our new Eye Study portfolio, speaking to a highly mobile group of young consumers who can be challenging to reach via traditional media. An increasing number of advertisers access Eye Study's network through more than 100 tertiary campuses across Australia and New Zealand.

"Our domestic priorities included consolidating Eye Drive's position as the number two large-format operator in Australia. We now capture 6.2 million people in metro areas each weekday with 562 landmark sites, and 4.3 million on weekends.



"Eye Shop's home market goes from strength to strength, and we remain the only mall media operator encompassing all of Australia's top ten malls. Shop assets currently reach 34 million consumers each fortnight via more than 110 leading Australian and New Zealand centres.

"Eye Fly confirmed market leadership in Australia and New Zealand and saw passenger growth in all portfolio airports, which collectively surpassed 100 million passenger movements this year.

"Eye Plus's inventory has grown more than 40 per cent this year, with displays now in 700 elevators and lobbies in more than 100 important buildings across Australia's five mainland capital cities delivering a highly desirable audience of approximately 700,000 business professionals each month.

"Finally ADVAL (EYE In-Store), our point-of-sale display specialist, is developing new formats to deliver advertisers greater impact in-store."

Mr Thorley added EYE continued to build on its international reputation as a digital OOH pioneer.

New "smart technology" introduced this year includes: larger format, high-resolution screens; back-lit panel displays and new lighting sources; improved networking systems that enable remote updates of display creative; and proof-of-posting models.

Mr Thorley noted EYE's efforts to prove OOH's effectiveness and return on investment for clients had gathered further pace in the financial year.

"Accountability is key to EYE's sustained growth," Mr Thorley remarked. "We are building an impressive library of case studies, effectiveness data and market intelligence on all EYE's territories while also working with industry bodies to promote the OOH sector, its growth and innovations and provide meaningful comparative analyses for advertisers."

Mr Thorley concluded: "In all our markets EYE's success hinges on proven formats, superbly positioned inventory, and our ability to deliver highly relevant audiences in an extremely competitive media landscape.

"We are not pursuing expansion overseas for its own sake but to further the success story EYE has unequivocally demonstrated at home."

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