

TEN HOLDINGS REPORTS FY 2009 RESULTS

22 October 2009

Ten Network Holdings Limited ('Ten Holdings' or 'the Company') today reported audited earnings for the financial year ending 31 August 2009.

Ten Holdings executive chairman, Nick Falloon, said that the results delivered on guidance provided to the market in updates in August and September.

Consolidated annual revenue was \$902.5 million, with earnings before interest, depreciation and amortisation (EBITDA) of \$151.0 million.

The Company's television division, Network Ten, had EBITDA of \$142.1 million. While full year 2009 television revenues of \$744.4 million were down 10 per cent on 2008, revenue for the final quarter improved and was up 2 per cent on the prior corresponding period.

The out-of-home (OOH) advertising business, Eye Corp (EYE), had revenue of \$158.1 million and delivered an EBITDA contribution of \$10.1 million.

Mr Falloon said: "In Network Ten, the sustained and disciplined approach to cost and cash management achieved a reduction in costs of more than 2 per cent on the prior year. This was achieved through a focus on minimising 'off-screen' expenditure while allowing for judicious investment in new programming for the main channel TEN and the launch of – and ongoing investment in – the digital sports channel ONE."

"In EYE, a comprehensive review of non-essential expenditure and the continued focus on operational efficiency contributed to the delivery of a more than 13 per cent reduction in costs compared to 2008. This was achieved while protecting revenue-generating activities and continually enhancing EYE's capacity to build enduring client relationships, which was reflected in the positive earnings contribution from EYE despite the difficulties encountered in the OOH sector," Mr Falloon said.

"A review of assets and contracts in EYE and Network Ten resulted in non-recurring expense items being recognised in the first half result. Those items were, in EYE, \$123 million representing asset write-downs and losses on onerous contracts and a non-recurring tax expense of \$10 million from the write-off of tax losses, as well as asset write-downs in TEN of \$15 million. The non-recurring expense items are unchanged from the first half results reported in April.

"Ten Holdings continued to operate within its banking covenants throughout the financial year. As a measure of prudence, in August the Company undertook a successful and fully underwritten equity raising, delivering \$134 million in net proceeds and representing approximately 12.9 per cent of the total shares on issue.

"The strong response to the equity raising was evidence of improved sentiment for the Company. The proceeds were used to pay down debt, further improving gearing levels and placing our balance sheet in an enhanced position.

"The recent sell-down of major shareholder Canwest's 50.06 per cent stake in the Company has resulted in a more diverse share register, with a broad mix of institutional and retail shareholders," Mr Falloon said.

Chief executive officer – television, Grant Blackley, said: "Network Ten finished the financial year with two distinct and successful channel offerings for viewers and advertisers: with TEN as the leading network of choice for viewers under 55 and the digital channel ONE having established clear traction with its unique and highly differentiated offering of 24-hour free-to-air sports coverage."

"During 2009, TEN grew share in all key buying demographics as well as in total people. TEN now leads in people 18-49, is once again number one in 16-39s and is highly competitive with an increased share in 25-54s. It is again the number one network in daytime, with *TEN News At Five* the top daytime program," Mr Blackley said.

"This year, our Digital Media operation began to realise greater potential, achieving double digit revenue growth in a difficult market. TEN's websites attracted 20 per cent growth in unique visitors on last year, with the total number of video streams viewed online up by 87 per cent.

"Our infrastructure investment has been completed, and is already providing greater flexibility and efficiency in our digital broadcast and content management capabilities."

EYE Group chief executive officer, Gerry Thorley said the OOH division had not escaped the impact of the harsh trading conditions in most of its markets worldwide, including the large-format billboard sector in Australia.

"With sound, long term assets in place, our focus at EYE has been on continuing to maximise revenue and build on our strong client relationships, while reducing non-essential operating and fixed costs," Mr Thorley said.

OUTLOOK

Mr Falloon said the advertising market continued to be difficult during the final quarter of financial year 2009, however there were clear signs of market stability and improvement.

"We have previously noted evidence of a strengthening of the fundamentals in the Australian advertising market. Today, we affirm this guidance and further note a recent increase in advertising demand has resulted in more positive advertising yields. This is further supported by a lengthening of the buying and briefing cycle for the remainder of the calendar year and into 2010," Mr Falloon said.

"The work done during the year to ensure our television and out-of-home businesses are strong and efficient means that they are now in an advantageous position to be at the frontline of the rebound in advertising markets."

TEN NETWORK HOLDINGS LIMITED DIVISIONAL RESULTS			
	2009	2008	Favourable/ (Unfavourable)
	\$m	\$m	
OPERATING REVENUE			
Television	744.4	826.2	(9.9%)
Out of Home	158.1	177.8	(11.0%)
	902.5	1,004.0	(10.1%)
EXPENSES			
Television	602.3	617.2	2.4%
Out of Home	148.0	170.7	13.3%
Unallocated ¹	1.2	1.1	(9.5%)
	751.5	789.0	4.7%
EBITDA			
Television	142.1	209.0	(32.0%)
Out of Home	10.1	7.1	42.0%
Unallocated ¹	(1.2)	(1.1)	(9.5%)
	151.0	215.0	(29.8%)

¹ Unallocated costs refer to the corporate costs relating to the operation of Ten Network Holdings Limited.

DIVIDENDS

Shareholders received a fully franked ordinary dividend payment for 2009 of 2 cents per share in January 2009. Due to the impact on 2009 earnings from the non-recurring items recognised in the first-half result, no further dividend was paid in the 2009 financial year. The Board is currently reviewing the future dividend policy of the Company.

All ratings data supplied by OzTAM, survey weeks 7-42 excluding Easter. Metro commercial prime time (18:00 – 22:30, Sun-Sat) / daytime (09:00 – 18:00, Mon – Fri) share, excluding digital terrestrial channels. Comparisons with 2008 are based on weeks 7-42 2008, excluding Easter and Olympics.

Digital media data – Nielsen NetRating; video views based on Jan-Aug 2008 v Jan-Aug 2009

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COMMENTS ON DIVISIONAL PERFORMANCE FOR THE YEAR ENDING 31 AUGUST 2009

Television and Digital Media

Grant Blackley, chief executive officer – television, said that for Network Ten, 2009 represented a period of achievement and expansion in its on-air and online offerings, while a positive result had been delivered in the management of its cost base.

"We undertook a considered process of ensuring TEN was able to provide a strong and clearly targeted program offering to viewers and advertisers right across the year," Mr Blackley said.

"We had recognised the need to bolster our 2009 content slate and undertook a diligent process of identifying potential new shows that would appeal to – and continue to build – our target audience, and that would provide an appealing offering to advertisers.

"In addition, our content supply deals with US studio partners CBS Paramount International Television and Twentieth Century Fox Television are now providing improved quality and quantity of content.

"The new program initiatives on TEN – notably *MasterChef Australia*, *Talkin' 'bout Your Generation*, *Merlin* and *Recruits* – resulted in TEN delivering the majority of the year's stand-out new hit shows."

Australia's most-watched show of 2009 was *MasterChef Australia – The Winner Announced* with a peak audience of 4.11 million and an average audience of 3.73 million, Australia's most-watched comedy was *Talkin' 'bout Your Generation* which attracted an average weekly audience 1.60 million, and Australia's favourite returning US drama was *NCIS* with an average weekly audience 1.48 million. The new international series *Merlin* was a timeslot winner in all key demographics as well as in total people with an average season audience 1.36 million. Network Ten had the biggest sports event of 2009, the AFL Grand Final, which attracted a peak audience of 3.62 million and an average audience 2.88 million on TEN and ONE.

"We set out to provide our clients with new, more and highly compelling offerings across multiple platforms and multi-channels," Mr Blackley said.

"This was backed by our long term and structured investment in getting the right digital infrastructure. That was instrumental in supporting our offering across two standard definition and one high definition digital broadcast streams, as well as our online capabilities.

"Increasingly, our audience is consuming our content via both broadcast and online. We have invested in and developed our digital offering as an online extension of our own great content. This provides us a unique position in the market, as well as a high level of flexibility in this significant growth area.

"As viewers increasingly go online to extend their viewing experience and advertisers seek fully integrated, cross-platform opportunities, the value of the online environment created for TEN's audience and advertisers is now proving itself. TEN Digital is the leading commercial network for catch-up TV, with over 40 programs available online. Our hit program *MasterChef Australia* also proved an outstanding success online, with the *MasterChef* website logging over 9 million video views and 36 million page views.

"We have delivered effective campaigns for clients, linking the online, on air and mobile components of highly sought-after program brands such as *MasterChef Australia*, *The Biggest Loser*, *So You Think You Can Dance Australia* and *Australian Idol*, to name a few.

"We also continued to assess strategic business development opportunities in digital media, such as our investment in Australia's fastest growing online dating site, Oasis Active, which is now the number one free site in Australia with more than one million unique users worldwide. The investment was built over a period of 18 months, from start-up of the business, through a combination of air-time support and cash consideration, and currently represents just under 40 per cent of Oasis Active.

"Network Ten was the first commercial network to launch a new digital multi-channel, the 24-hour sports channel ONE. The Network took first-mover advantage in securing the prized genre of sport that provides the most differentiation with TEN.

"From launch, we had a strong line up of domestic and international sports – providing great sporting action from home and abroad, every day of the week, all year long on ONE. And we continue to secure more sports content as we entrench our relationship with key sporting codes through our long-term contractual arrangements, as well as by continually adding new sporting codes as we assess attractive opportunities.

"Its strong reach and appeal to viewers in a highly popular genre has resulted in ONE being well supported by the market – even before its launch in March – with a number of principal sponsors signing up to present their brands to ONE's distinct audience. In addition to these sponsors, ONE has attracted a range of advertisers for key events and sporting codes, as well as a number of group deals with key media buying agencies

"ONE's audience will continue to grow as more people trial the channel and it becomes a fixture in people's daily TV viewing habits, and also as more people make the switch to digital TV.

"As Australia's move to digital switchover accelerates, Network Ten continues to actively support the aims of Freeview and the federal government's Digital Switchover Taskforce, both of which seek to achieve enhanced understanding of the merits and increasing choice available to viewers through digital TV.

"We continue to participate in debate and development in key policy areas, principally through the industry body Free TV. Issues of note include the review of the sports 'anti-siphoning' list – which determines that a number of key sporting events are available to Australians to view on free-to-air television. Network Ten supports access by free-to-air multi-channels to listed sports, particularly as sport has been proven as a strong force in driving digital take-up internationally and thus supports the mutual aims of industry and government.

"Ahead in 2010 on TEN, we have forged the opportunity to take to market a strong and diverse slate of proven domestic programming, as well as highly sought-after international product including the strongest new dramas and comedy to have emerged from the US this season.

"The Delhi 2010 Commonwealth Games will be the year's biggest sports event for Australian advertisers as no other event will offer such a large number of sports of appeal to Australian audiences, and in which Australia is expected to excel. Favourable time zones for live viewing add considerably to the appeal of this event for advertisers.

"Both TEN and ONE have built excellent momentum during 2009 and we are well placed to effectively monetise this through improved revenue share in 2010.

"Our Digital Media business is also now in a position to fully leverage the capabilities developed. The scalability of our business model means we can efficiently launch more online and mobile offerings and greater levels of interactivity based on our expanding exclusive content portfolio. Advertising is changing and, increasingly, we are working with our clients so that they understand the possibilities across multiple platforms," Mr Blackley said.

Television ratings data:

TEN: OzTA, survey weeks 7-42 excluding Easter. Metro commercial prime time (18:00 – 22:30, Sun-Sat) / daytime (09:00 – 18:00, Mon – Fri) share, excluding digital terrestrial channels.

ONE: OzTAM, 5-city metro markets 12 Apr-17 Oct 2009. All simulcast programming (TEN and ONE) is reported solely as a combined number shown in TEN's viewing figures.

*Digital media data – Nielsen NetRating; video views based on Jan-Aug 2008 v Jan-Aug 2009
Oasis Active data – Google analytics.*

Out-of-home

Gerry Thorley, chief executive – Eye Group, said that the key priorities for EYE during the year were to achieve operational efficiency while ensuring the business remained focused on building and marketing its high-impact offerings to clients.

"Our businesses in all markets have been streamlined to withstand the current demanding external environment and to ensure they are well placed to benefit strategically and financially when more favourable trading conditions return," Mr Thorley said.

"EYE continues to offer its clients robust audience measurement and insights, standardisation of formats, and greater ease of planning and buying.

"EYE is delivering on its value proposition of ensuring we offer clients quality inventory in premium locations and within appealing environments for flyers, shoppers, drivers and students.

"The rollout of new digital formats and lightboxes incorporating LED technology at Terminal 2 of Sydney Airport in Australia was completed, and received a highly positive response from advertisers and airport management alike.

"EYE has been a pioneer in the introduction of new formats and, in particular, the use of digital display technology. Revenues relating to digital inventory now total 12 per cent of EYE's total media revenue following another year of strong double-digit growth for this category.

"We have also been working successfully with the Australian out-of-home advertising industry to introduce the world-class audience measurement system, MOVE, which is set to significantly change the industry and further grow the sector. MOVE is designed to deliver more accountability to the out-of-home medium and assist in elevating the sector to 'tier one' media status.

"Our priorities for 2010 are to continue to position the business to benefit from improving advertising markets, to return our established businesses to a sound level of profitability, to maximise the investment made in our growth markets and to further legitimise measurement and accountability in the OOH sector, notably through our work with MOVE in the Australian market," Mr Thorley said.

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