

## TEN HOLDINGS REPORTS 1H FY2011 RESULTS

7 April 2011

Ten Network Holdings Limited today announced results for the half year ended 28 February 2011 which were slightly above the guidance provided in the market update on 23 February 2011.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) before Non-Recurring Items was \$106.0 million, down 9.8 per cent on the prior corresponding period. Net Profit Attributable to Members was \$49.5 million, or 15.6 per cent below the previous corresponding period.

### Key Points

- Group Revenue of \$484.2 million, up 2.2%
- Television EBITDA of \$95.0 million, down 13.4%
- Out-of-Home EBITDA of \$11.0 million, up 40.8%
- Group EBITDA (pre Non-Recurring Items) of \$106.0 million, down 9.8%
- Non-Recurring charge of \$7.1 million relating to Television restructuring costs
- Net Profit Attributable to Members of \$49.5 million, down 15.6%

Ten Holdings interim CEO, Lachlan Murdoch said: “The half year results are not acceptable and immediate action is already underway to address them. Disappointingly for Ten’s 1300 employees and 22,500 shareholders, these results do not demonstrate Ten’s underlying strengths and potential.”

“Ten is at a crucial juncture in its history. Free-to-air television is an excellent business with strong growth prospects. However, Ten has been under-delivering and this must change.”

“Importantly, this change has already begun.”

“The company is being refocused on its core strengths. Costs are being scrutinized across the group. ONE is being relaunched to increase its profit contribution. The management team is working hard to restore value for all shareholders and there are already signs of a new positive momentum,” Mr Murdoch said.

### Television Financial Results

Television EBITDA of \$95.0 million is \$3.0 million above the \$92.0 million provided in the market update on 23 February 2011. This is due to better than expected costs for the half year, coupled with the inclusion of certain first half costs in the non-recurring restructuring charge of \$7.1 million.

Television revenue was up only 2.2 per cent for the half year. This was due to the 2010 Delhi Commonwealth Games performing below expectations, ELEVEN’s launch in mid-January lagging the launch of competitors’ third channels, and Ten’s failure to capture its share of revenue.

Newly-appointed Group Chief Financial Officer, Paul Anderson, said: “Television costs grew 8.1 per cent due to the one-off impact of the \$25 million investment in the Delhi Commonwealth Games, the incremental investment in the early evening News and the launch of ELEVEN.”

### Television Programming Overview

Network Ten continues to demonstrate its innovative vision for bold television entertainment, growing its total audience year-on-year by 9.9 per cent.

On TEN, this season's *The Biggest Loser* is up year on year by 28.8 per cent in total people, *The 7PM Project* is up 9.3 per cent, while *Modern Family* is the #1 comedy on Australian television with an average audience of 1.14 million, *NCIS* has attracted an average audience of 1.20 million and *Glee* has an average audience of 1.08 million viewers.

TEN remains #1 in daytime and TEN News at Five continues to be the top daytime program.

Network Ten Chief Programming Officer David Mott said: "And the best is yet to come. The most highly-anticipated series return of 2011 - *MasterChef Australia* - returns with the most dynamic season yet. *MasterChef* will also provide the perfect platform to launch TEN's brand new franchise *Renovators*, followed closely by two more brilliant and provocative new series, *Class Of ...* and *Can of Worms*."

Returning domestic series include *Offspring*, *Talkin' 'Bout Your Generation*, *Junior MasterChef Australia*, *GNW*, *Rush*, *Bondi Vet* and *Recruits*; and more of our outstanding US product - *Glee*, *Modern Family*, *NCIS*, *House* and *The Good Wife*.

ELEVEN has quickly cemented its position as a leading digital multi-channel and is now delivering strong revenues from advertisers targeting the highly desirable under-30s demographic. *Neighbours* is a top-rating program on digital multi-channels.

## Relaunch of ONE

Ten's successful launch of ELEVEN in January 2011 demonstrated the potential profit contribution of multi-channels. The recent inclusion of general entertainment into ONE's prime-time line up (for example *Ice Road Truckers*) has been successful in boosting ratings, and this has given impetus to a relaunch of ONE on 8 May 2011.

ONE will now broaden its focus on engaging and entertaining males 25-54 and the schedule will centre on targeted drama, HD movies and documentaries, and premium sport. Ten has a 2.5+ per cent share aspiration for the relaunched ONE. The company is confident this will result in additional revenue and an earnings improvement.

Network Ten Chief Programming Officer David Mott said: "The bold, broad appeal of TEN along with the already proven performance of the distinctly youthful ELEVEN and now with the broader content offering for the male-skewed ONE positions us to capitalise on viewer and advertiser engagement. We have the market covered."

## Improvement of News

To better capture the benefits of the recent investment in News, the 5pm weekend news has been resumed, the George Negus current affairs program rescheduled to 6.30pm and its production values improved, and the weekday TEN News at Five extended to a 90-minute bulletin, reducing cost duplication from the previous 5-6pm and 6.30-7pm bulletins.

A new program, *The Bolt Report*, hosted by journalist Andrew Bolt, will be launched on 8 May 2011, to air on Sundays at 10am, before TEN's agenda-setting *Meet the Press*, which is moving to 10.30am.

## Television Sales

The Ten sales team is now focused on selling all three of Ten's channels, including the relaunched ONE, and on delivering integrated sales and sponsorships to clients. And, for the first time, the sales teams are also offering clients a joint offering, where appropriate, across Television and Out-of-Home.

With the strength of our programming line-up in the second half of 2011, Ten anticipates growing revenue share. However, we note there is softness in the overall television advertising market.

## Digital Media

New sites have been launched to support channels ELEVEN (eleven.com.au) and ONE (onehd.com.au). Ten has also successfully launched free iPhone apps for each of TEN, ELEVEN and ONE. These apps have collectively achieved more than half a million downloads.

In November 2010, Ten announced an investment in OurDeal, an Australian online retailer in the burgeoning 'group buying' sector. This is in addition to Ten's successful lateral investment in Oasis Active, Australia's #1 online dating site.

## EYE

Historically, returns to shareholders from EYE have been unsatisfactory. However, the out-of-home sector is one of the fastest growing media sectors and EYE had 15 per cent revenue growth for continuing businesses for the first half, largely driven by the improved performance of the Australian business.

Key new business wins during the half included the renewal and extension of EYE's relationship with Melbourne Airport, and the renewal of the contract for key Australian regional airport, Cairns Airport. This complements EYE's leading position in the Australian Fly sector, with partnerships with the domestic terminals in Sydney, Brisbane, Adelaide and Perth.

In January this year EYE expanded its mall footprint in the USA through its alliance with the Simon Property Group, the USA's largest owner, developer and manager of high quality retail real estate, giving EYE rights to an additional 60 Simon malls in 18 states across the United States.

EYE has also exited several non-core or non-performing businesses such as the print production business ADVAL in Melbourne and the Singapore Changi Airport contract.

## Costs

Cost control has been an historic strength of Ten. However, over the past two years there has been a change in approach to costs, with cost growth outstripping revenue growth. Cost management is now a major focus of the entire Group and will again become a strength of the business.

Group Chief Financial Officer, Paul Anderson, said: "Costs across the Group have been scrutinised and a cost reduction program is underway, although this will yield modest impact in FY2011. Ten previously said Television costs would increase by 11 per cent for FY 2011 – this is now forecast to be around 9 per cent. EYE's costs are forecast to remain flat for its continuing businesses."

## Dividends

As announced on 21 October 2010, the 2011 dividend schedule is affected by the impact of a previous tax refund on the franking account, which is measured by the ATO annually on 30 June. As a direct consequence of this timing, the Board expects to determine and pay only a Final Dividend for FY2011 which is expected to be paid in December 2011 and which the Board anticipates will then be able to be fully franked.

## Outlook

Ten Holdings interim CEO, Lachlan Murdoch said: "Ten has a suite of strong businesses. We lead the industry with best-in-class 'event TV' franchises and have strong domestic and international content partnerships. The difficult decisions being made, coupled with the successful launch of ELEVEN and today's announcement of the relaunch of ONE, will position us well within our competitive set."

"We now look forward to competing with renewed focus and vigour," Mr Murdoch said.

## TEN NETWORK HOLDINGS LIMITED 1H FY2011 DIVISIONAL RESULTS

	1H 2011 \$m	1H 2010 \$m	Favourable/ (Unfavourable)
<b>OPERATING REVENUE</b>			
Television	404.0	395.4	2.2%
Out of Home	80.2	78.6	2.0%
	<u>484.2</u>	<u>474.0</u>	<u>2.2%</u>
<b>EXPENSES</b>			
Television	309.0	285.8	(8.1)%
Out of Home	69.2	70.7	2.3 %
	<u>378.2</u>	<u>356.5</u>	<u>(6.1)%</u>
<b>EBITDA</b>			
Television	95.0 <sup>1</sup>	109.6	(13.4)%
Out of Home	11.0 <sup>2</sup>	7.9	40.8 %
	<u>106.0</u>	<u>117.5</u>	<u>(9.8)%</u>

Note: Unallocated Corporate Costs relating to the operation of Ten Network Holdings Limited (\$0.6 million in 1H 2010 have been allocated to Television for the purposes of this table and future representation.

1. Some Television costs form part of the restructuring charge
2. Actual cash EBITDA of \$4.0 million due to onerous contracts accounting

– Ends –

### Source:

All ratings data: OzTAM, 5-city metro, Wks 7-14 2011. Network Ten gains refer to TEN+ONE+ELEVEN, Sun-Sat 1800-2230, Wks 7-14 2010 v 2011 Excl Easter (2010 and Wks 7-13 2011 Consolidated, Wk 14 2011 Overnights); The Biggest Loser comparisons Wks 6-14 2010 v 2011 Excl Easter (2010 and Wks 6-13 2011 Consolidated, Wk 14 2011 Overnights). Daytime is Mon-Fri 0900-1800

iPhone app downloads: Apple iTunes

Oasis Active: Australia's #1 online dating site – according to Experian Hitwise – in Lifestyle-Dating category from May 2010.

### CONTACT

#### Analysts

Paul Anderson  
Group Chief Financial Officer  
Tel: 02 9650 1250

#### Media

Jeannette McLoughlin  
Head of Corporate Communications  
Tel: 02 9650 1012