

TEN HOLDINGS REPORTS 1H 2009 RESULTS

2 April 2009

Ten Network Holdings Limited (Ten Holdings) today reported results for the six months to 28 February 2009. These results were in line with the update provided to the market on 17 February 2009.

Group revenue was \$467.6 million, with Group earnings before interest, tax, depreciation and amortisation (EBITDA) of \$118.9 million.

Revenue for the television business Network Ten (TEN) for the first half of 2009 was \$380.9 million, down 12 per cent on the same period last year, noting the absence of the Rugby World Cup and AFL Grand Final and the residual impact of the Beijing Olympics. TV EBITDA was \$114.1 million (2008: \$158.7 million).

There was a 3 per cent reduction in television costs compared with the prior corresponding half year, which partially offset the decline in revenue. Consistent with previous advice, TEN is expected to deliver a reduction in costs for the full year. This includes the launch and ongoing operation of the Network's new multi-channel ONE, which launched on 26 March, as well as investment in international and domestic program initiatives for TEN.

In the Company's out-of-home advertising division, Eye Corp (EYE), EBITDA was \$5.3 million (2008: \$5.5 million).

As advised on 17 February, a review of assets and contracts in EYE and TEN resulted in non-recurring expense items being recognised, representing asset write downs and losses on onerous contracts (\$123 million) and a non-recurring tax expense from the write-off of tax losses (\$10 million) in EYE as well as asset write downs in TEN (\$15 million). This first half 2009 result now includes income tax revenue of \$12 million associated with the non-recurring expense items.

Ten Holdings' executive chairman, Nick Falloon, said: "Ten Holdings is responding to the continued short and challenging advertising market through exercising all operational levers, including rigorous cost control which is an ongoing focus of management across the group," Mr Falloon said.

"All areas of the business have been comprehensively reviewed, achieving considerable cost reductions in non income-generating areas of expenditure. As a result, full year costs will be lower than in 2008.

"This will be achieved despite sound levels of investment in new programming for TEN and the launch last month of our new 24-hour digital sports channel, ONE," Mr Falloon said.

"The cost of ONE will be less than \$20 million per annum and the channel is expected to break even in its first full year of operation.

"As the TV revenue market began to decline from May 2008, forward comparables are considerably lower than historic levels, and there will be no distortions such as the Olympics to impact the normal competitive status of the market.

"For EYE, while trading conditions in the majority of its markets continue to be difficult, management remains strictly focussed on maximising returns. This has resulted in costs in EYE being 7 per cent lower than the same period last year.

"Ten Holdings continues to operate within its banking covenants, and cash flow management remains a key focus.

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"While the market remains difficult with limited visibility, we are well placed to withstand these times and reap the benefits in the future," Mr Falloon said.

TEN NETWORK HOLDINGS LIMITED DIVISIONAL RESULTS			
	1H 2009	1H 2008	Favourable/ (Unfavourable)
	\$m	\$m	%
OPERATING REVENUE			
Television	380.9	433.8	(12.2)
Out-of-Home	86.7	92.7	(6.5)
	467.6	526.5	(11.2)
EXPENSES			
Television	266.8	275.1	3.0
Out-of-Home	81.4	87.2	6.7
Unallocated ^o	0.5	0.5	-
	348.7	362.8	3.9
EBITDA			
Television	114.1	158.7	(28.1)
Out-of-Home	5.3	5.5	(3.6)
Unallocated ^o	(0.5)	(0.5)	-
	118.9	163.7	(27.4)

^oUnallocated 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 on 13 January 2009. It is currently expected that there will be no further dividend paid in the 2009 financial year due to the impact on current year earnings from the non-recurring items recognised in this result.

TELEVISION AND DIGITAL MEDIA

Grant Blackley, chief executive officer – television, said: "The sustained focus on prudent cost management in TEN has realised considerable benefits."

"The underlying TV cost base (ex selling costs) was reduced by 2 per cent for the half and we will achieve a reduction for the year overall," Mr Blackley said.

"This has been achieved alongside our investment in growing the business. This includes the launch of and ongoing investment in our new digital sports channel, ONE, and providing for our strongest and most diverse program line-up for TEN in years, including a major new franchise for mid-year, *MasterChef Australia*, as well as the new 7 pm weekday show commissioned for the second half and *Talkin' 'Bout Your Generation* with Shaun Micallef.

"Our Digital Media division has achieved double digit revenue growth across all its assets, led by strong engagement with its key domestic franchises.

"TEN has had a healthy start to the 2009 ratings year. In primetime, TEN remains the number one network in 16-39 and is highly competitive in the tightly contested 18-49 demographic.

"In the first seven weeks of the survey period*, the strength of TEN's 2009 line-up for our target demographics is evident. Shows like *The Biggest Loser*, *So You Think You Can Dance Australia* (performance show), *Rove*, *House*, *Bondi Rescue* and the superb international dramas *NCIS* and *Lie to Me* are all dominating their timeslots in the highly influential demographics of 18-49 and 16-39.

"TEN remains the leader in daytime, notably among the relevant demographics of 25-54 and grocery buyers. TEN News consistently wins its 5 pm timeslot nationally in total people and all key demographics.

"The ongoing schedule for 2009 is particularly strong, with the addition of our new franchise *MasterChef Australia* and the new 7 pm weekday show in development with Roving Enterprises. We also have a raft of new and returning domestic and overseas series, among them the highly anticipated BBC/NBC production *Merlin*, the comedy *Worst Week* and the murder mystery *Harper's Island*, both from CBS Paramount.

"As a result, TEN's ratings performance for the year is not hostage to the success of any single show, while the breadth and depth of the schedule will position us well to post a solid performance across the board with our target demographics.

"In addition, the year's biggest sporting event, the AFL Grand Final, will be back on TEN and the recently launched ONE will also bolster the Network's position overall," Mr Blackley said.

ONE is available in both High Definition digital (on channel 1) and Standard Definition digital (on channel 12).

"ONE currently has an audience reach of more than 60 per cent of Network Ten's mainland metropolitan markets, and this is accelerating rapidly with the take-up of digital TV," Mr Blackley said.

"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 on 26 March – with six national advertisers securing the opportunity to become foundation partners with the channel. In addition to these foundation partners, ONE has also attracted a range of sponsors for key events, as well as a number of group deals with key media buying agencies Mitchell & Partners, OMD, Universal McCann and AMX. Negotiations with further channel and program sponsors and advertisers are ongoing.

"As the combination of TEN and ONE is now providing a broader and more diverse offering for our viewers and advertisers, the investment by advertisers in ONE is providing incremental advertising spend for Network Ten overall."

As of 12 April 2009, OzTAM will separately report audience data to ONE's high definition and standard definition services, when they transmit unique content from TEN.

OUT-OF-HOME

Gerry Thorley, chief executive officer – Eye Group, said: "EYE continues to maximise revenue while reviewing and reducing non-essential operating costs."

"We posted a solid performance in Eye Shop ANZ, with pleasing growth in revenue," Mr Thorley said.

"Our focus is on using our operating leverage now to ensure we are well placed to strategically and financially benefit when more favourable trading conditions return.

"We have also been working successfully with the Australian out-of-home advertising industry to introduce the audience measurement system MOVE to further legitimise and grow the sector."

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Note: * All ratings data: OzTAM Zone 1 (1800-2230, Sun-Sat) or daytime (0900-1800, Mon-Fri) metro commercial share/audience for survey weeks 7 – 13, unless otherwise noted.

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