

TEN HOLDINGS REPORTS FY 2008 RESULTS

16 October 2008

Ten Network Holdings Limited (Ten Holdings) today reported earnings for the financial year ending 31 August 2008.

Consolidated annual revenue was \$1,004.0 million, with earnings before interest, depreciation and amortisation (EBITDA) of \$215.0 million. The result reflects the impact of the Beijing Olympics and, as advised in June, the sharp deterioration of the advertising market in the fourth quarter.

The Company's television division, Network Ten (TEN), had an excellent earnings performance in the nine months to May, with EBITDA growth of 13 per cent achieved on 7 per cent revenue growth during that period. However, the contracting television advertising conditions in the final quarter in addition to the Beijing Olympics impacted full year EBITDA.

The out-of-home (OOH) advertising business, Eye Corp (EYE), grew media revenues by 15 per cent, driven by EYE's strong established businesses. EBITDA for EYE was impacted by difficult trading conditions, combined with start-up losses arising from investment for future growth in the US and UK markets.

A summary of Ten Holdings' full year results is:

TEN HOLDINGS FY 2008		
•	Group revenue	\$1,004.0m
•	Group EBITDA	\$215.0m
•	TV revenue	\$826.2m
•	TV EBITDA	\$209.0m
•	OOH revenue	\$177.8m
•	OOH EBITDA	\$7.1m

Ten Holdings executive chairman, Nick Falloon, said these results demonstrated the underlying strengths of the businesses, despite the deterioration in trading conditions in the final quarter of the year that ultimately impacted the bottom line.

"In television, TEN again delivered strong cash flow and margins. Notably, it achieved controlled cost growth (ex selling) of 4 per cent, which was well within previous guidance of 5 per cent growth for the year. This was achieved despite continued investment in key program franchises, including *So You Think You Can Dance Australia*, the Rugby World Cup and new content from our US supply deals, as well as the launch of and on-going investment in TEN HD," Mr Falloon said.

"In OOH, EYE's established and profitable Australian and New Zealand businesses performed well and continued to deliver industry-leading margins. The UK and US operations, while achieving good revenue growth, are taking longer than anticipated to achieve profitability due to the economic downturn in those markets."

Chief executive officer – television, Grant Blackley, said TEN's broadening of its prime time target demographic to 18-49 year-olds was delivering clients a valuable and competitive commercial audience and, combined with TEN's continued dominance in daytime, was strategically advantageous.

"TEN was the only commercial network to gain share of advertising revenue in the first half of the 2008 calendar year – up 3.8 per cent on the prior corresponding period compared to market growth of 0.7 per cent," Mr Blackley said.

"Importantly, as we enter the final phase of our digitisation program, TEN will benefit from its multi-platform broadcast architecture that can be effectively leveraged as we launch additional digital media offerings," he said.

EYE Group chief executive officer, Gerry Thorley said the OOH division had performed creditably while progressing its significant international expansion program.

"The majority of EYE's current major capital projects were implemented in financial year 2008, most significantly the current re-build of Sydney Airport Terminal 2 and the opening of Singapore Changi Airport Terminal 3," Mr Thorley said.

OUTLOOK

Mr Falloon said the Company is prudently positioned to weather the current difficult cycle and to capitalise on an eventual market upturn.

"Ten Holdings has a strong balance sheet and is conservatively geared. Its divisions strictly observe the operational and financial disciplines that have established Ten Holdings as a leading Australian media business," Mr Falloon said.

"The Company's television division, TEN, remains focused on maintaining highly competitive audience shares in key advertiser demographics across all day parts, capitalising on the network's strong pipeline of program inventory.

"The dividends from the investment we have made in television infrastructure will be realised over coming years, providing new revenue streams and numerous cost-efficiencies for TEN.

"In OOH, EYE provides a long term value model in a growth sector. Despite the current tough trading conditions, OOH remains amongst the fastest-growing media forms in all territories where EYE operates. Through its multi-format campaigns directed to drivers, flyers, shoppers and students, EYE is well placed to continually expand its offering, market penetration and value.

"We are confident the sensible strategies, promising initiatives and flexible infrastructure in place will see Ten Holdings withstand the current contraction in the advertising market and position the Company to take full advantage of eventual improvements in the external environment.

"I thank the TEN and EYE teams for their ongoing commitment to enhancing the value in our businesses," Mr Falloon concluded.

TEN NETWORK HOLDINGS LIMITED DIVISIONAL RESULTS			
	2008	2007	Favourable/ (Unfavourable)
	\$m	\$m	%
OPERATING REVENUE			
Television	826.2	831.3	(0.6%)
Out of Home ^Δ	177.8	164.2	8.3%
	1,004.0	995.5	0.9%
EXPENSES			
Television	617.2	594.3	(3.9%)
Out of Home	170.7	160.9	(6.1%)
Unallocated	1.1	0.9	(22.2%)
	789.0	756.1	(4.4%)
EBITDA			
Television	209.0	237.0	(11.8%)
Out of Home ^Δ	7.1	3.3	115.2%
Unallocated [◦]	(1.1)	(0.9)	(22.2%)
	215.0	239.4	(10.2%)
^Δ Comparative adjusted to exclude the one-off gain of \$8.9m in Out of Home in 2007 from the sale of Big Tree Outdoor Malaysia			
[◦] Unallocated costs refer to the corporate costs relating to the operation of Ten Holdings.			

DIVIDENDS

Ten Holdings' two ordinary dividends for the year were 10.0 cents per share (cps) paid in January and 3.5 cps paid in July, providing an aggregate annual fully franked return of 13.5 cps for the year to June 2008.

SHARE BUYBACK

On 3 July 2008 Ten Holdings announced its intention to undertake an on-market share buyback of up to approximately 10 per cent of its issued shares over the next 12 months. At 31 August 2008, 2,348,280 shares had been purchased by Ten Holdings at a value of \$3,608,042.

CONTACT:

Media:

Jeannette McLoughlin
Head of Corp Communications
Tel: 02 9650 1012

Analysts:

John Kelly
Group Chief Financial Officer
Tel: 02 9650 1319

COMMENTS ON DIVISIONAL PERFORMANCE FOR THE YEAR ENDING 31 AUGUST 2008

Television

Grant Blackley, chief executive officer – television, said the robust performance of TEN in the nine months to May 2008 demonstrated the underlying strength of the business against the backdrop of an unusually disrupted year.

Those disruptions included the Beijing Olympics, the US writers' strike, the marked change in the external environment in the last quarter of the financial year and, in comparison with the previous year, substantial Federal Government advertising spending.

"Our efficient delivery in the demographics of most interest to advertisers ensured TEN was the only commercial television network to grow its share of advertising revenue in the first half of calendar 2008 on the prior corresponding half: up to 29.09 per cent from 28.10 per cent the previous year," Mr Blackley said.

"*So You Think You Can Dance Australia (Dance)* was the break-out hit of the year, and one factor in our strongest-ever start to the year since OzTam ratings began."

The finales of *Dance* and *The Biggest Loser* were the two top non-Olympics/sporting programs of the year in 18-49.

"For the eighth consecutive year, we remain dominant in 16-39s. And we continued to lead daytime in all key advertiser profiles," Mr Blackley said.

"TEN has worked diligently towards achieving its current strong content position – building our schedule with fresh and compelling new content from both our domestic initiatives and content deals with our prolific US studio partners, principally 20th Century Fox Television and CBS Paramount International Television. This means we have the capacity and confidence to allow programs that no longer remain relevant, such as *Big Brother*, to draw to their natural conclusion.

"We have proven Australian content – with our current key franchises being *Dance*, *The Biggest Loser*, AFL and *Idol* – along with a deep stable of perennial performers, including *Rove*, *Bondi Rescue*, *Good News Week*, *Thank God You're Here*, *Neighbours*, *RUSH* and *Before the Game*, to name a few.

"In Sport we have added to our position in AFL and motorsport during the year, as we secured exclusive Australian broadcast rights to the Indian Premier League Cricket for the next five years, and the free-to-air rights to the 2010 Delhi Commonwealth Games. Notwithstanding the absence of the AFL Grand Final in 2008, TEN's AFL season – with the addition of special events such as the Hall of Fame 150th anniversary match and the Brownlow Medal – attracted total audiences across the season similar to 2007.

"Our technology investment program, spanning several key projects, is coming to fruition. We will shortly have a fully digitised content management system, which means we are moving from a linear video tape-based system to a fully computerised file format. This allows full utilisation of content assets across multi-platforms, including broadcast, online and mobile.

"For online and mobile content delivery, TEN's strategy is to repurpose content within our own broadcast and production facilities. At present, we are already producing content in-house from our broadcast facilities – as internet and mobile extensions of our popular TV programs. Our new content management system will further improve ease and access for our Digital Media team to produce content for multi-platform delivery.

"Our upgraded broadcast architecture will provide three unique multi-channel distribution paths. As free-to-air television in Australia heralds in an era of radical transformation, our broadcast facilities are exceptionally well placed to support our move into a multi-channel and multi-platform environment," Mr Blackley said.

TEN is an active and committed contributor to Freeview, created by the Australian free-to-air television sector (including metropolitan and regional commercial networks and the ABC and SBS) to support Australia's transition to digital. Freeview's primary goal is to support digital take-up in Australia. It will do so by helping to educate the community on how they can access, and enjoy, further diversified digital free-to-air television offerings, and by facilitating a distribution platform through an electronic program guide (EPG), personal video recorder (PVR) and other services.

During the year, TEN became the only network to have launched a holistic environmental strategy – 'Making Your Mark', which was launched in April. 'Making your Mark' has two key goals: within TEN, adjusting our decision making and behaviour to improve our environmental performance; and, secondly, leveraging our position as a broadcaster, to inform and influence our viewers, employees, partners and clients on important environment issues and encourage them to make a positive difference.

As further evidence of our commitment, TEN News has a dedicated environment reporter, and we have instigated a series of environmental updates twice weekly in prime time highlighting the major environment-related stories of the week.

"For the year ahead, we will continue to build our presence in 18-49s, work to remain no.1 in 16-39s and strive to incrementally grow our share in 25-54s, whilst leading all key profiles in daytime again," Mr Blackley said.

"We will continue to capitalise on the opportunities to market, invigorate and monetise our key franchises: *Dance*, *The Biggest Loser*, the AFL and *Australian Idol*.

"We are excited about the opportunities ahead, and will pursue them vigorously to build value in TEN, while maintaining our focus on disciplined cost management," he said.

Out-of-home

Gerry Thorley, chief executive – Eye Group, said the EYE team had made excellent progress in 2008 in advancing the EYE brand as a leading player in this rapidly developing media sector.

"Our approach – based on accountability to advertisers, innovation and quality inventory in diverse lifestyle environments – has underpinned EYE's development from a leading Australasian OOH player to a growing international business within three years," Mr Thorley said.

"Among our achievements during the year were the Eye Fly division re-contracting for Sydney Airport Terminal 2, which has seen strong passenger growth over the past two years, and opening at Singapore Changi's new Terminal 3. This means Eye Fly now reaches more than 171 million travellers each year across 21 airports in Australia, New Zealand, Singapore and the United Kingdom."

The Eye Shop division now reaches more 200 million shoppers each month in Australia, New Zealand and the USA.

Eye Drive's well located, large format billboards reach more than 6.2 million drivers in Australian metropolitan areas each weekday and in excess of 4.3 million on weekends.

The Eye Study division commenced operations 18 months ago and is now delivering an audience of 1.3 million tertiary students across more than 100 higher education campuses in Australia and New Zealand.

"Underpinning our operational success is EYE's extensive research into the optimum mix of content, technology and audience to secure the best outcomes for advertisers and business partners," Mr Thorley said.

"EYE is at the forefront of digital OOH innovation in display inventory and also in our state-of-the-art digital delivery system that permits maximum campaign flexibility and near instantaneous updating," he said.

In all EYE's territories, clients are seeking new audiences and the most effective ways to reach them.

"OOH offers outstanding value and effective cut-through in all economic climates, especially when strong and capable operators come together to develop the sector by offering sound audience measurement tools, effectively marketing our medium, partnering clients to create impactful campaigns and working with property owners to improve the OOH offering," Mr Thorley said.

"EYE is ensuring we are at the forefront of such activity in all our territories. Increasing emphasis on proving campaign effectiveness, along with improvements in technology and format standardisation, will further boost understanding of OOH as a valuable media option, especially as inventory becomes more audience specific," he said.

"As part of our quest for demonstrated credibility in our own businesses, and for the OOH sector as a whole, EYE has been a key player in the Outdoor Media Association's plans to launch MOVE, a new audience measurement system.

"The introduction of MOVE (Measurement of Outdoor Visibility and Exposure) will see the Australian OOH industry achieve world's best practice. We look forward to data coming online in early 2009 and are confident it will further validate the results Eye Drive, Eye Shop, Eye Fly and Eye Study deliver.

"In 2009, our focus will be on reinforcing the value of our assets, further demonstrating OOH's effectiveness and enhancing EYE's long-term profitability," Mr Thorley concluded.

-ends-