

**FINANCIALS**

**The Ten Group Pty Limited (TEN)**

- Earnings before interest and tax up 6.5 % to a record \$191.5 million
- Television EBIT rises 9 % to \$195.9 million
- EBIT margin increases from 31.6 % to 32.2 %
- Gross revenue jumps 7.1 % to a record \$608.2 million
- TEN establishes \$500 million bank facility with improved flexibility and competitive pricing.

**OPERATIONAL**

- Final preparations for launch of digital broadcasting on 1st January 2001
- Establishment of TX Australia to share transmission facilities across free-to-air networks
- TEN retains dominance with younger viewers for 9th successive year
- Renegotiation of international programme deals to allow greater focus on domestic content
- More structured approach to programming with appointment of three genre heads including Sue Masters as head of drama
- Reconfiguration of Adelaide and Perth news
- First key sponsors secured and content finalised for October 2000 launch of “SCAPE”, TEN’S online joint venture with Village Roadshow
- Development of automated booking system through [www.buyten.com.au](http://www.buyten.com.au)
- Establishment of OZTAM for rating services

**Ten Network Holdings Limited (Ten Holdings)**

- Ten Holdings Dividend 15.88 cents per share, compared with 14.4 cents per share for 1999

Beginning of new financial year	1 September 2000
Release of preliminary final results to the Australian Stock Exchange	12 October 2000
Annual general meeting	5 December 2000
Record date for payment of annual dividend	20 December 2000
Payment of annual dividend to members of Ten Holdings	2 January 2001
Close of first half of financial year	28 February 2001
Release of half yearly results	April 2001
End of financial year	31 August 2001



John B Studdy, AM

## The new millennium presents fresh challenges for our industry, and the past twelve months has again shown how well TEN is positioned for the future.

It's been another record year for revenue, reaching \$608.2 m for the period ended 31st August, 2000, with TEN's earnings before interest and tax rising 6.5% to a record \$191.5m.

The operating profit after income tax of Ten Holdings, which owns 83.7% of the voting shares, representing a 41.85% economic interest in TEN, was a record \$60.5m.

Due to this excellent result, and in line with our policy of maximising returns to shareholders, the directors of Ten Holdings have declared a dividend of 15.88 cents per share, payable on 2nd January, 2001, compared with 14.4 cents per share last financial year.

But with the Olympic period and the likelihood of a more difficult economic climate, the 2001 financial year is likely to present tougher conditions for our core television business.

With this in mind, the Network's management team is working to ensure that we have the right strategic plans to meet the expectations of advertisers and viewers.

### THE DIGITAL FUTURE

With the commencement of digital broadcasting on 1st January, 2001, we are entering one of the most exciting periods in the history of television.

The Federal Government's decision on digital television and datacasting certainly received considerable media coverage, much of it focused on what some analysts perceived as a big win for the free-to-air broadcasters.

There is no doubt it was an appropriate result given the additional capital and operating expenditure the FTA networks must bear in bringing the benefits of digital television to Australian viewers.

Through forward planning we will smoothly and effectively implement the change.

### NEW VENTURES

While the performance of the TEN Network continues to be robust, the board recognises the need for a clear and strong growth strategy beyond the core business.

Digital is only one aspect of our "new media" activities.

In October, **SCAPE**, our joint venture with Village Roadshow was launched providing a personalised and interactive entertainment experience for the youth market.

This venture, along with a number of other corporate development proposals currently being assessed, are our response to the growing demand for multi platform advertising opportunities.

Our sales team has embraced the concept of integrated advertising campaigns with enthusiasm, and believes it builds on other initiatives such as [www.buyten.com.au](http://www.buyten.com.au), Australia's first on-line buying service, to enhance its reputation as the most innovative and creative sales force in the industry.

**PROGRAMME FOCUS**

Interest in our new corporate development activities in no way detracts from the performance of our core television business.

The revenue growth is just reward for consistent ratings results in our key youth demographic. While we have retained our lead among 16-24 year olds, and the figures in the 16-39 demographic remain solid, we are fully conscious of the need to build on our programming strengths.

Our inventory of overseas programmes continues to serve us well, and it was another good year for domestic content, particularly in the genres of light entertainment and reality. But with an eye to the future, TEN has been working intensively on programme development, and this will bear fruit in the coming financial year, as we reassign considerable funds from international deals to quality local productions.

**TAX & FOREIGN INVESTMENT**

The Australian Tax Office continues to review the tax deductibility of interest paid on the subordinated debentures issued by The Ten Group Pty. Limited to CGS Debenture Holdings (Netherlands) BV.

We believe our current tax treatment is appropriate, and continue to exchange information with the ATO in the hope that a resolution will soon be reached.

Further information on this issue is contained in the notes to the financial statements.

On the issue of foreign investment, while the Federal Government pushes Australia's case as a global business centre, there has been no move on foreign ownership restrictions within the media industry.

We maintain that limiting investment in our industry by Australians whose superannuation and portfolio funds are managed by domestically operated, but foreign owned institutions, is simply unfair.

Exemptions have been granted for companies such as Qantas and Telstra, and we believe our case is sound.

The Productivity Commission has endorsed the industry's submission calling for such an exemption.

**BOARD CHANGE**

There has been a recent development regarding the board, with the appointment of Ms. Irene Lee as a director of Ten Holdings and TEN on 13th October, 2000.

Ms Lee fills the vacancy left by the departure of Mr George Chapman, and comes to us with outstanding qualifications and skills.

Holding a degree in Arts, she has extensive business experience in Australia and overseas.

We welcome Irene and look forward to her contribution.

**THE WAY AHEAD**

The commitment and skill of our management and staff are essential to our success, and we continue to draw strength from our ongoing relationship with CanWest. We also retain our strategic shareholdings in facilities and production house, Television and Media Services, and regional affiliates Southern Cross Broadcasting and Telecasters Australia.

While the past year has been one for consolidation and planning, we enter 2000/2001 with a sense of excitement as we boost TEN through major programming initiatives, and corporate development activity including our online venture with SCAPE.

On behalf of the board, I thank all at TEN for their contribution to the company's ongoing success.



**JOHN B STUDDY**  
Chairman, Ten Network Holdings Limited.



John McAlpine

## TEN has produced another outstanding financial performance as we prepare for the digital era, our venture online with SCAPE and the active pursuit of other corporate development initiatives.

The first six months were soft in terms of revenue growth as key advertisers such as car makers held back, and the Government sector and health funds focused on future campaigns. The surge prompted by the GST and the push for private health cover allowed us to finish 2000 with record revenues of \$608.2m, a 7.1% increase on the previous year.

That result is a reflection of our continued ability to effectively and efficiently deliver the required results to advertisers through our unyielding focus on the 16-39 demographic. It also reinforces the pre-eminent position of free-to-air television as an advertising medium.

TEN's prudent management control also came to the fore with the rise in total television operating costs held to just 2.5%.

As the Chairman has mentioned, this saw us register yet another record result in our earnings before interest and tax, and TEN's EBIT margin increasing from 31.6% to 32.2%.

The coming 12 months are shaping as a time of opportunities and challenges. The Olympics resulted in a significant but expected decline in revenues in the first quarter. The additional costs of digital, SCAPE and our corporate development initiatives, will put pressure on our bottom line as we build value for our shareholders through adding complementary assets and businesses.

But as in the past, we are not overawed by the task ahead.

### PROGRAMMING

TEN's focus on the under 40 demographic is a strategy aimed at differentiating the Network from the other television broadcasters, and delivering a key target audience to advertisers and their agencies.

Despite a slow start to ratings this calendar year, the Network recovered well to again dominate the 16-24 year olds, while maintaining a 30 point share of the broader 16-39 demographic.

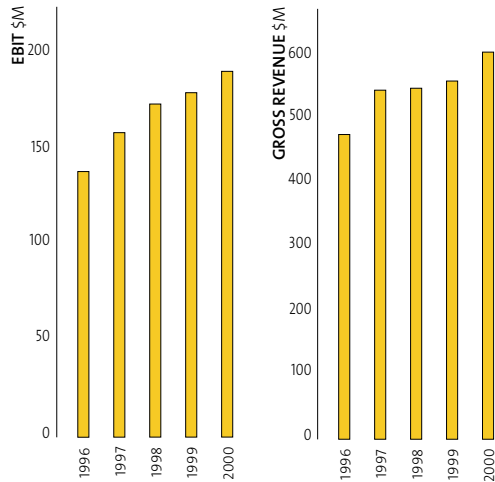
This was achieved through the combination of international and domestically produced content across all genres of drama, light entertainment, reality, news and sport.

The reputation TEN has created as the home of irreverent comedy was enhanced with the outstanding success of **The Panel** and high viewer numbers for **Good News Week** and associated specials.

The Network pioneered reality television with the **House From Hell** back in 1998, so it was fitting that TEN should have another hit with **Shipwrecked**.

**Neighbours** had an excellent year after a refocus on the cast and scripts, while the telemovie, **The Love Of Lionel's Life**, highlighted the audience appetite for Australian drama content.

Our **First At Five** news services rated strongly around the country, providing an excellent lead-in to the prime time viewing period. This was particularly pleasing in Adelaide and Perth, where much of the on-air production now takes place in Melbourne and Sydney.



It was also another great year for sport, motor racing in particular going from strength to strength. The high level of exposure through race coverage and TEN's weekly programme **RPM**, has seen the V8 Supercars become an enormously successful category. The franchise is further boosted by our stable of international racing including the CART World Series.

The Melbourne Cup again proved a highlight, along with coverage of the Australasian PGA circuit and the **Summer Of Sports**.

The Children's Unit, based in Brisbane, made a big contribution with **Totally Wild** and **In The Box**, while the drama **Thunderstone**, gained international acclaim.

Our agreements with Hollywood studios continued to serve us well with series such as **Just Shoot Me**, **Dawsons Creek**, **The Simpsons** and **Charmed** regularly winning their timeslots, while **Becker**, **Law and Order**, **NYPD Blue**, **Family Law** and **The X Files** were among TEN's more solid performers.

The Network's contract with Columbia Tristar continues till the end of 2003, and TEN has recently announced deals with Universal and Paramount.

However, while we have gained significant benefits from our output deals with major American studios, we have consistently expressed concerns over such arrangements that often carry moderate quality content as part of the package.

The renegotiation of several US deals has given TEN the opportunity to re-allocate substantial funds to domestic content, and to review our policy for delivery of Australian drama.

To maximise the effectiveness of our local production spend, TEN is adopting a more structured approach, with the appointment of Sue Masters (formerly of the ABC) as head of Drama, Tim Clucas as head of Factual Programming and the position in Light Entertainment soon to be finalised.

These genre chiefs will be responsible from the embryonic stage, to ensure that we achieve our ambitions to improve our local output.

Already there is a very active development slate which is detailed in the feature section on programming.

#### DIGITAL

The official launch of digital broadcasting is rapidly approaching on 1st January, 2001.

Test broadcasts of our digital signal have been underway since July, and the benefits for viewers are becoming clear.

The picture and sound quality, wide screen image and multi view capability represent the biggest advance in television since the advent of colour, and the potential for interactivity makes it even more significant.

Datacasting will offer considerable scope in the provision of information and "t" commerce initiatives.

The implementation cost of digital is considerable, and our corporate development team is working to identify revenue streams, including the most beneficial use of our datacasting spectrum.

During the year we established a joint venture with the Seven and Nine networks, bringing our towers and transmitters under the control of TX Australia. The primary objectives of the company are to facilitate and manage the installation of digital broadcasting equipment, to maximise the use of analogue and digital transmission and translator services and to facilitate datacasting and telephony services. TEN and the other FTA networks have called for expressions of interest for the supply of digital set top units to stimulate the availability of affordable consumer equipment for the arrival of digital broadcasting. TEN is also playing an active role in Digital Broadcasting Australia to formulate strategies to encourage retailer and viewer interest.

With this in mind, TEN intends to maximise the amount of high definition content the Network puts to air, and to take advantage of the multi view opportunities presented by our key sporting events, including motor racing and the Melbourne Cup Carnival.

While TEN has been the leader in terms of preparation for digital, we can only reap the full benefits of our forward planning if we can quickly generate widespread enthusiasm for this revolution in television broadcasting.

#### **SCAPE ONLINE**

While we are switched on to the digital revolution, we are also fully aware of the potential of the internet.

Last month, a year after the online joint venture with Village Roadshow was announced, SCAPE was launched.

SCAPE's aim is to become the ultimate destination for entertainment content.

Headed by Ken Manning, formerly of Razorfish, the SCAPE site was designed using vertical destinations, or vortals, with a strong concentration on music and movies for the 16-39 demographic.

While initially launching on the net, SCAPE plans to extend its entertainment services across a variety of platforms, both domestically and internationally, with the ultimate aim of providing original content that can be accessed anywhere, and on any device.

SCAPE will generate its revenues through affinity partnerships, sponsorships, e-commerce, advertising and cross media syndication.

Sponsors will benefit from a sophisticated customer relationship management programme, which will define the characteristics and buying patterns of individuals in both an online and offline environment.

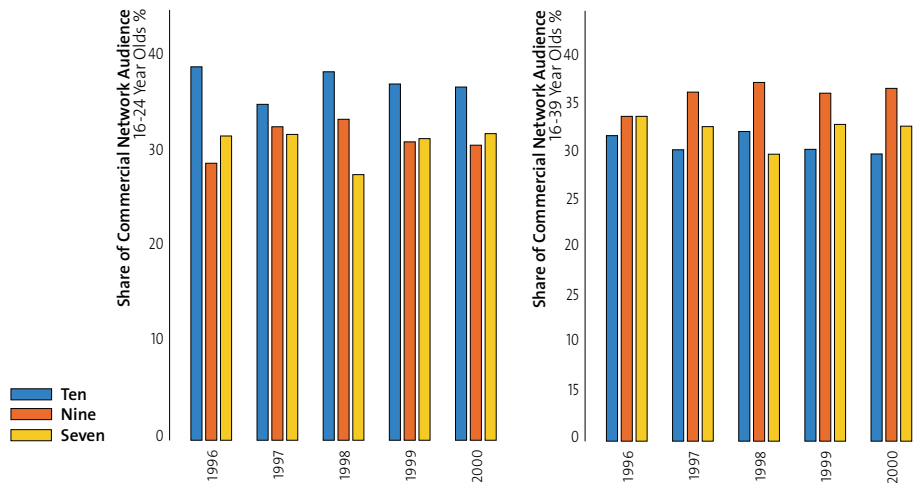
Already key advertisers have recognised the opportunity with major brands including Mastercard and Vodafone making substantial commitments.



live this



Thunderstone



**CORPORATE DEVELOPMENT**

The desire to maximise promotional opportunities for our clients is a driving factor behind TEN's other corporate development activities.

Agencies and their clients are increasingly demanding cross platform solutions and we continue to assess a range of proposals as TEN looks to bring further value to our advertisers and shareholders.

Whatever moves TEN makes, we intend contributing to any business acquisition by leveraging our expertise in sales and marketing, and technology.

**INFORMATION TECHNOLOGY**

Information technology continues to play an increasing integration and convergence role within the high technology environment of the television industry.

TEN has embarked on a development project with an experienced, proven software vendor to develop and implement an enterprise wide database covering workflow automation, programming scheduling and rights, sales and client management, internet integration and digital transmission interfaces.

## SALES STRATEGIES

Our culture is one that embraces innovation, and this is clearly evident in the strategies of TEN's sales team.

They are working to more clearly identify who TEN's viewers are and how best to communicate with them directly on behalf of the advertisers. This is particularly important as advertisers have a greater need to surround consumers, and TEN is responding with the most effective multi media solutions.

A prime example has been the successful strategy employed for the new lifestyle programme and magazine, **live this**, produced in association with Murdoch Magazines. **live this** is complemented by a website and this total multi media product has generated a great deal of enthusiasm from advertisers.

The programme targets 25-39 year olds and TEN secured six exclusive sponsors prior to the official launch, with some using **live this** for their first venture into television.

Another sign of our ability to meet the expectations of agencies and advertisers, is the further development of TEN's on-line buying service, [www.buyten.com.au](http://www.buyten.com.au).

The portal is a powerful marketing tool for all agencies and their clients enabling them to submit briefs, view programming options, check availabilities and obtain the latest research information on programming, multi media strategies and any other key developments in the industry.

Currently in development is the automation of bookings via buyten directly from agency planning software into TEN's network system.

TEN is also keen to share our experiences and encourage other media companies to utilise this service under [www.buymedia.com.au](http://www.buymedia.com.au).

## THE FUTURE

TEN is entering an exciting period for every aspect of our operation.

Our core television business is making the necessary changes to meet the challenges of an even more competitive environment.

We are well prepared for the imminent switch to digital and our people should be commended for their initiative and enthusiasm in facilitating such a complex transition.

I would like to praise the staff for their acceptance of some of the decisions that have been implemented over the past 12 months. The relocation of news production from Adelaide and Perth was carried out smoothly, and we hope for similar results when we move our Adelaide, Perth and Brisbane stations to more central locations within those cities.

The Enterprise agreement, renewed in 1999 for a further three years, continues to lay the platform for excellent staff relations, attitude and performance.

TEN's programming plans along with new ventures, including **SCAPE**, give us much to look forward to in the coming 12 months.

But as we take the necessary steps to ensure TEN is a dynamic media player in the new millennium, we must not forget the managerial principals that have brought us continued growth, and a reputation for excellence in every aspect of our business.



**JOHN McALPINE**  
Chief Executive Officer, TEN