

October 16, 2014

Ten Network Holdings' Full Year Financial Results.

Disciplined Execution Of Strategic Plan Has Delivered Strong Audience Growth Since May 2014.

Ten Network Holdings Limited (ASX: TEN) ("TEN") today announced its results for the 12 months to August 31, 2014. The results included:

- Television earnings before interest, tax, depreciation and amortisation (EBITDA) loss of \$79.3 million
- Television revenue declined 4.2% to \$601.7 million
- Television cost growth of 7.0%, ex-selling and one-off costs
- Non-recurring items of \$54.2 million
- Loss for the period attributable to members of \$168.3 million
- Net debt of \$80.5 million as at August 31, 2014
- First network audience growth since 2011

Ten Network Holdings' Executive Chairman and Chief Executive Officer, Hamish McLennan, said the company's revenue and costs results were in line with previous guidance provided to the market.

Television revenue decreased by 4.2%, which was within range of the 3.5% to 4.5% decrease guidance given in June 2014.

Television costs were \$5.5 million, or one percentage point, lower than expected. Previous guidance indicated an increase in television costs (ex-selling costs) of 8% plus an additional \$55 million for the one-off events the XXII Olympic Winter Games in Sochi, Russia, and the XX Commonwealth Games in Glasgow, Scotland. This variance relates to strict cost control.

Mr McLennan said TEN remained firmly focused on executing its strategic plan which has yielded ratings improvements since May 2014 and growth for the Network so far in the 2014 ratings year. This ratings year the Network has recorded its first total people audience growth since 2011; it is the only television network to have achieved audience growth among total people and 25 to 54s.



Key elements of the strategic plan articulated to the market in November 2013 included the development of event television content aimed at 25 to 54s (including live sport), the creation of stable, consistent schedules for the TEN, ELEVEN and ONE channels, and a strict cost control program.

"The impact of the strategic plan was initially evident with the success of the KFC T20 Big Bash League and the Olympic Winter Games, both of which generated good ratings and revenue for TEN during late 2013 and early 2014," Mr McLennan said.

"From May on, TEN has seen ratings growth due to the success of programs such as *MasterChef Australia*, *Offspring*, *The Bachelor Australia* and *The Living Room*.

"The strategic planning and scheduling of *Family Feud* at 6pm has delivered strong ratings and improved audience flow into *The Project*, which has also grown audience in both half hours.

"*MasterChef Australia* was up 31% on 2013, *The Bachelor Australia* grew on last year and became a pop culture phenomenon, and *The Project* recently posted its biggest ever audience," he said.

"Some of TEN's new shows have also produced timeslot growth, including *Party Tricks* and *Gold Coast Cops*.

"TEN has announced several new shows for 2015, including the ITV hit *I'm A Celebrity... Get Me Out Of Here!*, *Shark Tank* and the return of V8 Supercars to TEN.

"Sponsorship renewals for our key properties in 2014-15 are encouraging," Mr McLennan said.

TEN's catch-up and streaming service, tenplay, was ranked by Nielsen as the number one online catch-up television service in Australia for July 2014.

Tenplay was launched on September 30, 2013, and since then has had a 64% increase in page views and a 56% increase in video views. TEN's digital advertising revenue increased 24% over this period.



Costs and Cost Guidance

Television costs (ex-selling costs but inclusive of one-off events) are expected to reduce by 8% for the 2015 financial year.

Mr McLennan said a large part of the costs savings are due to the successful restructuring of News, Operations and other departments. He noted that TEN would continue to reinvest in prime time content.

Non-Recurring Items

The reported non-recurring items for the 2014 financial year included a television licence impairment charge of \$52.8 million; television restructure expenses of \$8.7 million; and other charges of \$14.0 million.

TEN also booked a gain of \$21.4 million on the sale of investments and property.

Capital Management

A new four-year, \$200 million debt facility (the "Financing Facility") from the Commonwealth Bank of Australia was approved by shareholders at the TEN Annual General Meeting on December 18, 2013.

The Financing Facility is free from financial covenants and is guaranteed by TEN's major shareholders associated with Bruce Gordon, Lachlan Murdoch and James Packer.

In February 2014, TEN repaid a \$A150 million US Private Placement Facility.

TEN's net debt at August 31, 2014, was \$80.5 million.

Outlook

Advertising market conditions remain short but the metropolitan free-to-air television advertising market is expected to show marginal growth during 2014-15.



Media Reform

Mr McLennan said there was an urgent need for the Federal Government to move ahead with its media reform plans.

“The Government has said many times that it believes the current media laws belong to the last century and should be reformed,” he said.

“Australian companies that are stymied by the current laws should not be expected to keep waiting for reform, while the online giants continue to operate in a largely unregulated environment.

“The two-out-of-three, 75% audience reach and other platform-specific ownership rules were formulated before the internet became a mainstream medium and certainly before smartphones and tablets. The rules are outdated, anachronistic and ineffective,” Mr McLennan said.

Final Dividend

The Board decided that no final dividend will be paid.

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