21 April 2016

Ten Network Holdings' First Half 2016 Financial Results.

TV Revenue Up 7.9%. TV EBITDA Up 35.8%.

Ten Network Holdings Limited (ASX: TEN) ("TEN", "the Company") today announced its results for the six months to 29 February 2016. The results included:

- Television EBITDA of $10.1 million (2015: $7.5 million)
- Television revenue of $334.2 million (2015: $309.8 million)
- Television costs (ex-selling costs) increase of 6.6%
- Net profit for the period attributable to members of $13.4 million (2015: net loss of $264.4 million)
- Primary TEN channel: total people audience up 5.4% so far in 2016
- Network Ten: commercial audience share in 25 to 54s of 28.7% so far in 2016; best result since 2012
- Revenue and revenue share growth via Multi Channel Network strategic arrangement

TEN Chief Executive Officer Paul Anderson said the strong growth in revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) during the February half was driven by the Company's improved audience performance across all screens and the success of its advertising sales representation arrangement with Multi Channel Network Pty Ltd ("MCN").

Television revenue increased 7.9% compared with a 1.7% decline in the capital city free-to-air television advertising market during the period. TEN's share of the revenue market rose 2.5 percentage points to 23.4%, its highest level since the second half of the 2012 financial year.

"Our clear strategy of investing in fresh and innovative prime time content and expanding strategically our digital media business tenplay is producing encouraging results," Mr Anderson said.

"TEN was the only free-to-air television company to increase its prime time audience in the 2015 ratings year. That trend continued across the 2015-16 summer, with Network Ten achieving its best ever summer audience among people 25 to 54 and its highest summer commercial share in total people since 2003-04.

TEN NETWORK HOLDINGS LIMITED ABN 14 081 327 068
1 Saunders St, Pyrmont NSW Australia 2009
GPO BOX 10, Sydney NSW Australia 2001
t. 61 2 9650 1010 f. 61 2 9650 1111

"Since the start of 2016, the TEN channel has increased its prime time total people audience by 5.4% and Network Ten has recorded a commercial share of 28.7% in 25 to 54s, its best result since 2012," he said.

During the six months to 29 February 2016, TEN completed the issuance of new ordinary shares to Foxtel Management Pty Limited as agent for the Foxtel Partnership ("Foxtel"); completed a fully underwritten accelerated pro-rata renounceable entitlement offer of new ordinary shares; and became a 24.99% shareholder in MCN.

Mr Anderson said TEN's strategic arrangement with MCN, which took effect on 1 September 2015, had underpinned the Company's revenue and revenue share growth.

"February 2016 marked the 12th consecutive month in which TEN had increased its revenue and revenue share year-on-year," he said.

"Our relationship with MCN is innovative and it is changing the way advertising is bought and sold in Australia. TEN and MCN are delivering brand-safe premium video across multiple platforms, in the world-class Landmark trading environment, with real and measurable data. That proposition is unparalleled in our market."

TEN's audience and revenue growth during the six months to 29 February 2016 was driven by key domestic properties such as *The Bachelorette Australia, Bathurst 1000, Mary: The Making Of A Princess, The Great Australian Spelling Bee, Gogglebox Australia, KFC Big Bash League, I'm A Celebrity… Get Me Out Of Here!, All Star Family Feud* and *Long Lost Family*.

During the six-month period, TEN's industry-leading online catch up and streaming service tenplay recorded a 30.4% increase in video segment views and a 34.5% increase in video unique visitors. The number of tenplay app downloads increased 13%, to 2.53 million.

Significant Items and Debt

The reported significant items of $23.3 million included a net gain of $24.8 million on the sale of EYE US.

TEN's net debt at 29 February 2016 was $20.2 million.

TEN Chief Financial Officer, Dave Boorman, said the reduction in net debt reflected the issuance of new shares to Foxtel and the fully underwritten accelerated pro-rata renounceable entitlement offer of new ordinary shares. The combined net proceeds were $146.4 million.

"The Foxtel placement and the capital raising strengthened TEN's balance sheet, giving us the ability to reduce debt and continue our investment in prime time content for television and digital platforms," Mr Boorman said.

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Costs and Cost Guidance

Television costs (ex-selling costs) increased by 6.6% during the six months to 29 February 2016, due to contractual increases and investment in prime time content to continue TEN's audience and revenue growth.

The Company updated its guidance for television costs (ex-selling costs). These are now expected to increase 5.5% for the full 2016 financial year. The previous guidance was a full-year increase of 6.5%.

Licence Fees

Mr Anderson said the Government's decision on commercial television licence fees in the upcoming Federal Budget is absolutely critical to the future of free-to-air television and local content production in Australia.

"The case before the Government is unequivocal: Australian broadcasters are still being slugged with an outdated and exorbitant broadcasting 'super-profits' tax which dwarfs that paid in any other major market around the world," he said.

"This is putting us at a major competitive disadvantage and threatening the future of free-to-air broadcasting and, in particular, the Australian content ecosystem."

Mr Anderson said TEN was competing for advertising dollars against the foreign online giants which continue to send billions of dollars of advertising revenue directly offshore, without paying any meaningful corporate tax in Australia, without making any meaningful contribution to local production and, in some cases, without employing a single person in Australia.

"In an incredibly competitive market, a reduction in licence fees will allow us to continue to innovate and invest more dollars in a free service that Australians value highly and rely on, even with the influx of foreign content players," he said.

"A reduction will mean more money for Australian content and more jobs in local production."

"However, without a meaningful reduction in this Budget, the free-to-air television industry will be forced to look at reducing costs further, which will mean cuts to Australian programming and, inevitably, job losses at Australian television production companies. That would be a terrible outcome for everyone, particularly Australian viewers," Mr Anderson said.

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Outlook

Despite the soft conditions in the capital city free-to-air television advertising market so far in calendar 2016, TEN has maintained its strong revenue performance since 29 February.

TEN's gross advertising revenue is expected to increase by approximately 8% in the first two months of the second half of the 2016 financial year.

The Company has a strong line-up of new and returning content for the rest of calendar 2016, including *MasterChef Australia, The Bachelor Australia, The Bachelorette Australia, Shark Tank, The Great Australian Spelling Bee, Have You Been Paying Attention?, Offspring, Brock, The Wrong Girl* and *Australian Survivor*, plus Rugby Union Test series, key V8 Supercars rounds including the Bathurst 1000 and the start of the 2016-17 *KFC Big Bash League*.

Interim Dividend

No interim dividend will be paid.

For more information, please contact:

Analysts
Dave Boorman
Chief Financial Officer
T: (02) 9650 1308
E: dboorman@networkten.com.au

Media
Neil Shoebridge
Director of Corporate & Public Communications
T: (02) 9650 1575, or 0417 511 012
E: nshoebridge@networkten.com.au