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TEN NETWORK HOLDINGS LIMITED

2010 1H RESULT BRIEFING

31 March 2010



Overview

- **Solid & improved performance for 1H 2010**
 - Group EBITDA of \$118m – in line with 1H09
 - Group EBIT of \$103m – up 2% on 1H09
 - Underlying NPAT of \$58.7m – up 3% on 1H09
- **FTA television advertising market continues to rebound**
 - Good market growth expected for the remainder of FY2010
- **Television model is robust with earnings leverage to the cycle**
- **EYE business is improving**
 - Challenges remain in the US and UK
- **Corporate update**
 - Board renewal program now complete
 - New directors provide complementary skill sets to current directors
 - No dividend at 1H although expect to announce full year dividend in October

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Grant Blackley

Television & Digital Media



Television Overview

- **TV EBITDA of \$110m**
 - TV revenues up 4% for the period (Sep – Feb 2010)
 - Disciplined cost control – normalised year-on-year cost growth < 1%
- **Improved advertising conditions have seen TEN benefit significantly**
- **Proven program line-up with more to come**
- **Digital Media offerings are resonating in market**
 - Double-digit revenue growth during period
- **ONE was profitable in first year**
 - Evolving program offering and enduring business model
- **Multi-channel strategy being finalised**
 - Finalising the architecture and content for third digital channel

Television Revenue

- **Improving advertising market conditions**
 - Rebound commenced in mid-October 2009 & continues to strengthen
- **Progressive ramp-up of total television revenue**
 - Q1 Sep to Nov 2009 – down 1% (largest revenue quarter)
 - Q2 Dec to Feb 2010 – up 12% (smallest revenue quarter)
 - Overall 1H growth of 4% assisted by ONE advertising revenues
- **Advertising revenue tracking very positive for Q3 (Mar – May)**
 - More effectively monetising audience performance
 - 3Q revenue growth expected to be no less than 20% – due to combination of enhanced share & general market improvement
 - Positive tracking beyond May with lengthening visibility
- **Achieved 30% advertising revenue share in 6 months to 31 Dec 2009**
 - On target to achieve 30%+ share goal in CY2010

Television Costs

- **Excellent television cost outcome achieved in 1H and forecast for FY10**
- **Normalised 1H cost increase (ex selling) contained within 1%**
 - 1H normalisation adjustments – as previously advised
 - 2009 AFL Grand Final \$6m + ONE \$8m to Feb
- **Normalised FY10 cost increase (ex selling) forecast at 3%**
 - FY normalisation adjustments – as previously advised
 - 2009 AFL Grand Final \$6m + ONE \$10m to March
- **Selling costs – government and music-based licence fees & incentives**
 - Licence fee rebate from 1 January 2010 (announced, not implemented)
 - Reduces licence fees on gross revenues from 9% to 6% (not in 1H results)
- **Will continue to leverage investments across our digitised infrastructure – containing further operating cost growth**

TEN Programming – Season Launch

- Strong launch of *The Good Wife*, *Talkin’ ‘Bout Your Generation*, *House*, *NCIS*, *NCIS: Los Angeles*, *Bondi Rescue*
- Re-invented Sunday nights – winning in all key demos
 - *Your Gen* averaging 1.20 m viewers
 - *The Good Wife* #1 new drama series in 2010 – average of 1.25 m viewers, timeslot winner in all key demos
 - *House* up in audience YOY in total people and all key demos
- *So You Think You Can Dance Australia* and *The Biggest Loser: The Weigh In* consistently winning timeslots in preferred profiles
- *Good News Week* gained audience in total people and all key demos
- TEN leads in daytime – Reinvigorated mornings with *TEN News at 9* and *The Circle*
- Special events – Winter Olympics disrupted all Network schedules in early weeks, but back on track
- Multi-channels also changing the broadcast environment

Source: OzTAM 5 City Metro Wks 7-13 2009 (live only) v 2010, Wks 7-12 Consolidated, Wk 13 Overnight

Daytime: Mon-Fri 0900-1800



TEN Programming – Ahead in 2010

- The return of *MasterChef* in April 2010
 - Over 80 hours of proven and compelling content
- New Australian programs
 - *Hawke*
 - *Junior MasterChef*
 - Newly commissioned series *Offspring* and *Keeping up with the Joneses*
- Key Australian programs
 - *Talkin' 'Bout Your Generation, Rush, Bondi Vet*
- Returning and highly anticipated international series
 - *Merlin, Glee* and *Modern Family*
 - New series from CBS and Fox – ‘day and date’ from September

Commonwealth Games in October – on TEN & ONE
The biggest event for Australian TV in 2010

Sharing one passion. Sport



- **Successfully deployed first 24-hr free-to-air sports channel in world**
 - Launched – 26 March 2009
 - Profitable in first year of operation
 - Achieved during advertising downturn with limited advertising content
 - Excellent foundation sponsor renewal for 2010
- **Vertical strategy with long term partnerships**
 - Swimming, Netball, Golf, Cricket, Basketball (new 5-year exclusive contract)
- **Strong support from major international content providers**
 - F1 (new 5-year contract), MotoGP (new 5-year exclusive contract), Golf (over 25 events, incl. Tiger's return at the Masters)
- **ONE continues to build**
 - Ratings for simulcast programs now de-aggregated from TEN – 300 hours
 - ONE is a critical element in developing a compelling multi-channel strategy

Digital Media

- **Digital Media assets have performed well**
 - Strong demand for key properties – ‘premium video’ at the core
 - Commercial integration for advertisers has resulted in premium sponsorships for broadcast and digital media
 - Demand is currently outstripping supply – opportunity for greater product extensions
- **Double-digit revenue growth continues**
 - Anticipate continued growth at these levels in FY10
- **New Digital Media activities**
 - Launched catch-up video portal on ten.com.au
 - Extension of multi-channels through online and mobile offering
 - Stepped up focus on assessing opportunities for horizontal development
 - Open to partnering to extend owned or partner-acquired content across all platforms

Television – Regulatory Policy

Comprehensive broadcast regulatory package including:

- **Broader regulatory review**
 - Incl. content quotas, audience reach rules
- **Anti-siphoning list**
 - Sound public policy
- **Restack of spectrum**
 - Efficient use of communications spectrum & maximise digital dividend
 - Limited room for further channel expansion post third channel
- **‘Black spots’ and ‘digital infills’** – maximum coverage, minimal disruption
- **Licence fee relief**
 - Initial 33% rebate in CY2010 and 50% rebate in CY2011
 - Seeking to establish ongoing rebate

Television in 2010 – and beyond

- **Focus on delivering quality content offerings for advertisers**
 - Highly targeted offerings with TEN (Entertainment) and ONE (Sport)
 - Extensive slate of proven domestic and international shows ... more to come
- **Maximising revenue gains from a resurgent FTA advertising market**
 - Strategic gains now being realised in key properties and franchises
 - TEN will benefit from combination of improving market and revenue share
 - Objective is to ensure leverage to the cycle is realised in improved earnings
- **Strong digital architecture with improving Digital Media assets**
 - Web and mobile operations growing at double digit with substantial additional content being deployed
 - Completing development on third channel and associated extensions
- **Deliver on potential in 2010, plan for and unlock opportunities for 2011 and beyond**

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Gerry Thorley

eyeTM



Out-of-Home Overview

- **Improved OOH 1H10 EBITDA of \$7.8m (2009: \$5.3m)**
- **Patchy trading conditions across all markets**
 - Group Media revenues down 9% for 1H
 - ANZ revenues down 5% for 1H
 - Challenging market conditions continue in the US and UK
- **Headline cost reduction of 13% year on year**
 - Direct costs reduced by 10% and operating costs by 21%
- **Significant focus on reviewing all concessions**
 - Review of concession costs remains key
 - Renegotiation of concessions where possible



2010 for Out-of-Home

- **Successful launch of MOVE in Australia in February 2010**
 - Significant advancement
 - Expect positive impact across OOH sector in coming years
- **Continue to review and reduce non-essential operating costs**
- **Focus on returning all businesses to cash flow profitability**
- **Obtain operating leverage to benefit strategically and financially as more favourable trading conditions return**

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John Kelly

Financial Results



TEN NETWORK HOLDINGS LTD	2010	2009	Fav / (Unf)
1H DIVISIONAL RESULTS	\$M	\$M	%
OPERATING REVENUE			
Television	395.4	380.9	3.8%
Out of Home	78.6	86.7	(9.4%)
	474.0	467.6	1.4%
EXPENSES			
Television	285.2	266.8	(6.9%)
Out of Home	70.7	81.4	13.1%
Corporate	0.6	0.5	(7.7%)
	356.5	348.7	(2.2%)
EBITDA			
Television	110.2	114.1	(3.5%)
Out of Home	7.8	5.3	48.1%
Corporate	(0.6)	(0.5)	(7.7%)
	117.5	118.9	(1.2%)

TEN NETWORK HOLDINGS LIMITED	2010	2009	Fav /(Unf)
1H GROUP RESULTS	\$M	\$M	%
EBITDA	117.5	118.9	(1.2)%
Depreciation	13.4	16.5	
Amortisation	0.8	1.0	
EBIT	103.3	101.4	1.9%
Net Interest Expense	18.0	22.4	
PROFIT BEFORE TAX & NRI	85.3	79.0	8.0%
Non Recurring Items (NRI)			
Television	n/a	(15.6)	
OOH	n/a	(122.8)	
PROFIT/(LOSS) BEFORE TAX	85.3	(59.4)	
Tax (Expense) / Revenue			
Normal	(26.6)	(22.1)	
<i>Prima facie tax rate</i>	<i>31.2%</i>	<i>28.0%</i>	
Non Recurring	n/a	1.9	
PROFIT/(LOSS) AFTER TAX	58.7	(79.6)	
Outside Equity Interests	0.0	0.1	
NET PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS	58.7	(79.7)	
<i>Underlying Net Profit After Tax</i>	<i>58.7</i>	<i>56.8</i>	<i>3.3%</i>



Cash Flow Analysis & Capex

- **Cash flows are seasonally lower in 1H**
 - Annual television licence fee payments at 31 December
- **1H2010 operating cash flows also impacted by Commonwealth Games licence fee prepayments (\$12m)**
- **Capital expenditure update**
 - Incremental capital spend commissioned for third channel (\$5m)
 - Now expect capital expenditure payments to be \$20m for FY2010
 - Capital expenditure guidance for future years remains at \$15m

Debt Structure & Banking Covenants

- **Net Debt of \$402m at February 2010** (Aug 2009: \$450m)
 - Drawn Debt of \$410m offset by Cash of \$8m
- **Well priced long term debt facilities of \$760m**
 - \$400m Three Year Syndicated Facility due April 2011
 - \$125m USD (\$210m AUD) US Private Placement due March 2013
 - \$150m AUD US Private Placement due December 2015
- **Currently determining Bank Debt facility requirements prior to coming to market**
- **Projected Debt Interest Cost of 7.5% pa (all-in cost)**
- **Banking Group & Private Placement semi-annual covenants are:**
 - *Debt Service Ratio* (Drawn Debt is less than 4.25 times EBITDA)
 - **February 2010 at 2.7 times**
 - *Interest Cover Ratio* (EBITDA exceeds 2.5 times Net Interest Expense)
 - **February 2010 at 4.6 times**

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Nick Falloon

Corporate Update & Summary



Corporate Update

- **Revised Board Structure**
 - Four new directors announced today
 - Concludes Board renewal process undertaken with Korn/Ferry
 - Board now comprises 8 directors – 7 independent directors
 - Broad mix of skills and experience strengthens Board
- **Future Dividend Policy**
 - No dividend for half year to February 2010
 - Anticipate paying a full year dividend, to be announced at FY results in October 2010
 - New Board to discuss future dividend policy

Summary

- **Earnings momentum expected to continue through to the full year result**
- **Television advertising market fundamentals strengthening**
- **Cost disciplines continuing with strong revenue flow through to bottom line**
- **EYE focused on existing asset base and further earnings improvement**
- **Company well positioned for future**
 - Strong balance sheet
 - New, independent Board

Questions