

# THE UTV GROUP

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Preliminary Results 2005



# AGENDA

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- The UTV Group
- Financial Overview
- Television
- Radio
- New Media
- Financing
- Current Trading and Prospects
- Conclusion



**John McCann**  
*Group Chief Executive*

**Jim Downey**  
*Group Finance Director*

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*Managing Director  
UTV Radio (GB)*

## THE UTV GROUP

- ITV franchise holder for Northern Ireland
- Receivable in 80% of homes in Republic of Ireland
- Largest operator of independent local radio in Ireland with stations in Dublin, Belfast, Cork, Limerick, Dundalk and Drogheda
- UTV Radio (GB) operates the national speech station, talkSPORT as well as 18 ILR stations throughout GB
- 50% shareholder of First Radio Sales, representing 119 local radio stations throughout the UK.
- UTV Internet, Ireland's third largest Internet Service Provider which also provides wholesale line rental telephony services across Ireland



# FINANCIAL OVERVIEW

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UTV GROUP Preliminary Results 2005





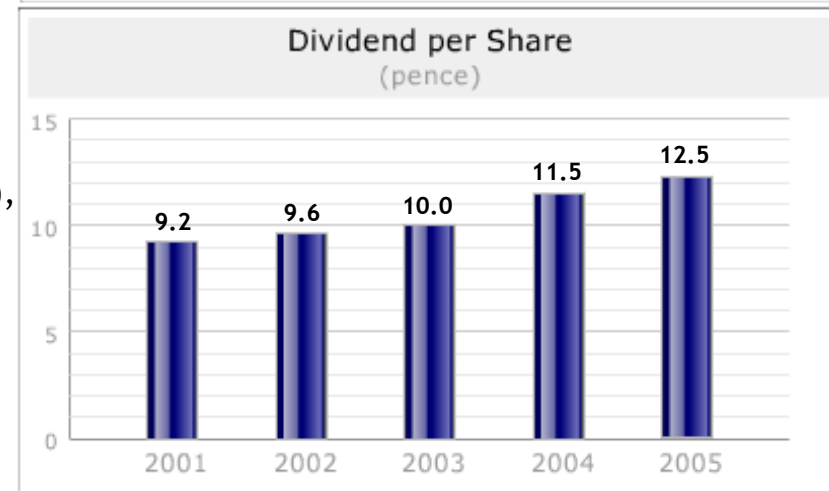
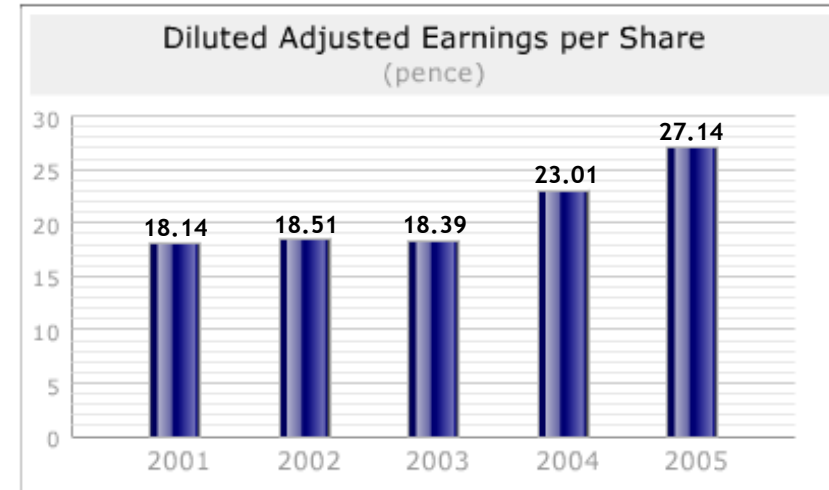
- Group pre-tax pre-exceptionals profit up by 19% to £20.8m (2004: £17.5m)
- Group turnover up by 46% to £92.7m (2004: £63.6m)
- Television operating profit maintained at £15.4m (2004: £15.4m)
- UTV Radio (GB) operating profit of £4.8m (2004: loss of £0.2m)
- UTV Radio (Ireland) operating profit of £3.8m (2004: £2.4m)
- New Media operating profit maintained at £0.8m (2004: £0.8m)
- Effective taxation rate of 26.0% (2004: 28.2%)



	2005 £m	2004 £m	Change £m
Television operating profit	15.4	15.4	0.0
Radio (GB) operating profit	4.8	(0.2)	5.0
Radio (Ireland) operating profit	3.8	2.4	1.4
New Media operating profit	0.8	0.8	0.0
<b>Group operating profit</b>	<b>24.8</b>	<b>18.4</b>	<b>6.4</b>
Income from associates	0.1	0.0	0.1
Foreign exchange gain	0.4	0.0	0.4
Net interest payable	(4.5)	(0.9)	(3.6)
<b>Profit pre-tax, pre-exceptionals</b>	<b>20.8</b>	<b>17.5</b>	<b>3.3</b>
Exceptional items	(1.2)	0.0	(1.2)
<b>Group pre-tax profit</b>	<b>19.6</b>	<b>17.5</b>	<b>2.1</b>
Taxation	(5.1)	(4.9)	(0.2)
<b>Profit after taxation</b>	<b>14.5</b>	<b>12.6</b>	<b>1.9</b>

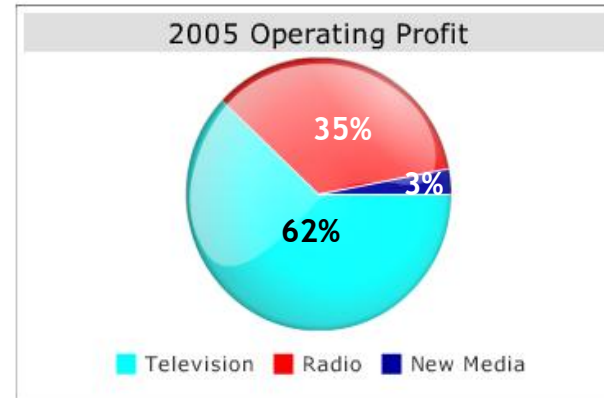
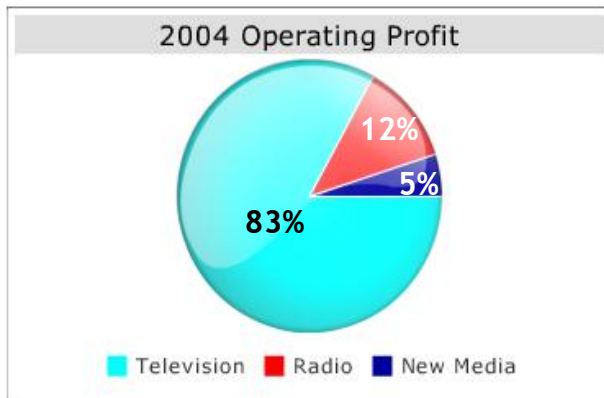
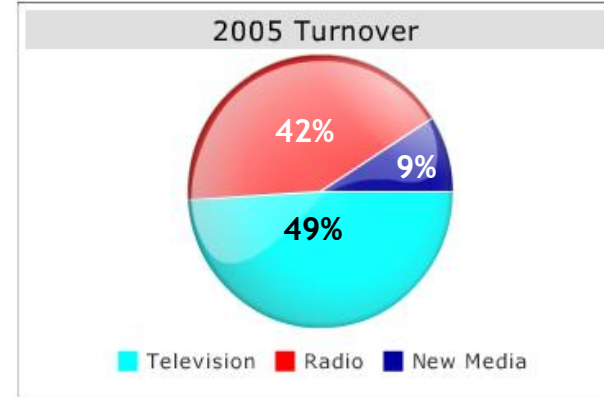
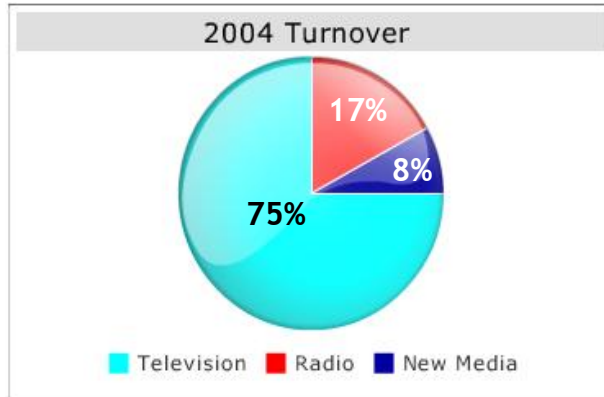


- Diluted adjusted earnings per share up by 18% to 27.14p (2004: 23.01p)
- Driven predominately by strong performances in GB and Irish radio
- Improved financial terms for television licence helped mitigate a downturn in television advertising revenue
- Recommended 10.7% increase in final dividend to 7.75p (2004: 7.0p), making a total for the year of 12.5p (2004: 11.5p), an increase of 8.7% for the year





### The Changing Nature of the UTV Group



2004

2005

# TELEVISION

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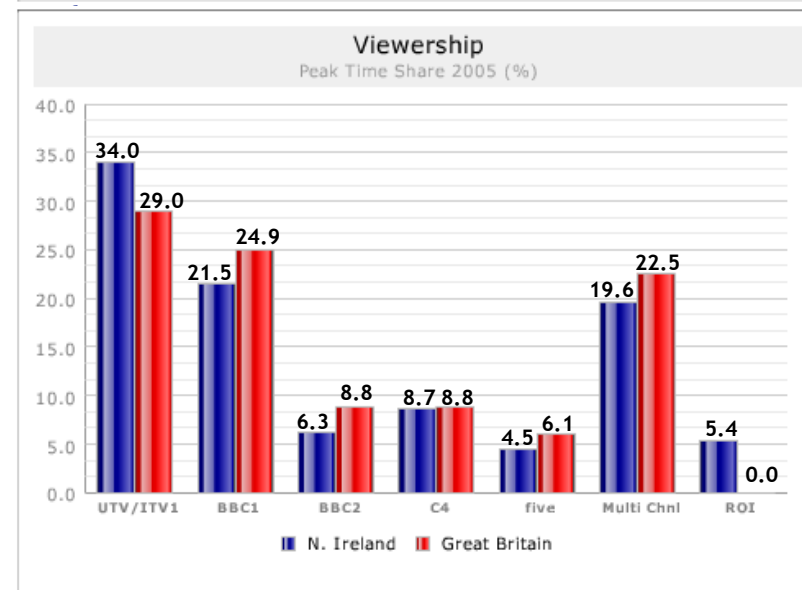
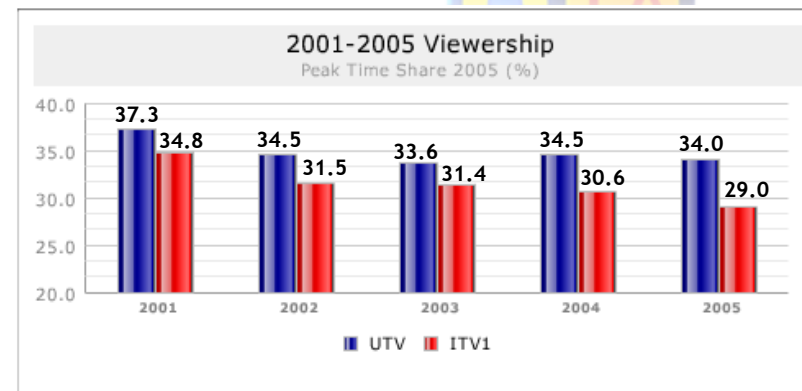
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# TELEVISION | 2005 Viewership Performance



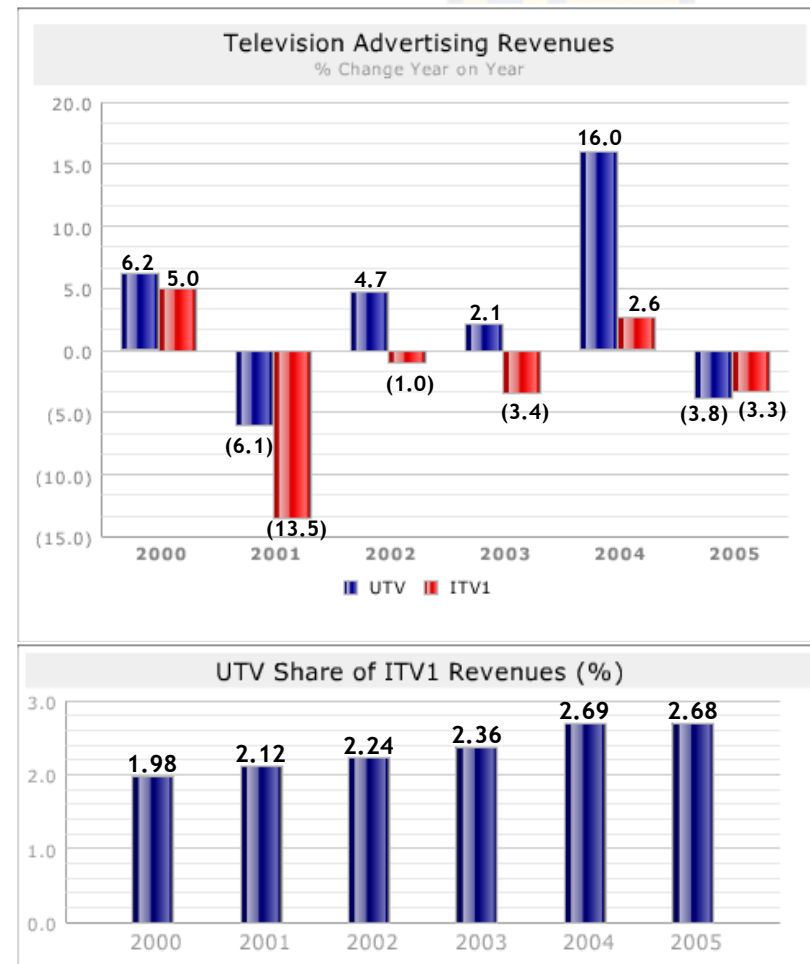
- ITV1's peak-time viewing share declined to 29.0% (2004: 30.6%)
  - UTV's viewership has stabilised over the past four years and in peak time:
    - continues to outperform ITV with a share of 34.0%
    - had 58% more viewership than BBC1 Northern Ireland
    - had 36% more viewership than all satellite and Republic of Ireland channels combined
    - had a share of 34.0% which compares to the combined viewership of all commercial television (C4, C5, Multi-Channel and ROI Channels) of 38.2%
    - had more viewership than all UK commercial channels combined
    - had nearly four times the viewership of Channel 4, the nearest commercial competitor
- and
- UTV was the 3<sup>rd</sup> most watched channel in the 80% of ROI homes which are multi-channel, with a 9.6% peak time share



# TELEVISION | 2005 Advertising Revenue Performance



- Following five consecutive years of outperforming ITV1, modest underperformance in 2005
- Strong comparatives in 2004 (up by 16%)
- UTV advertising revenue down by 3.8%, compared to:
  - ITV1 advertising revenues down by 3.3%
  - Total UK television advertising revenues up by 2.7%
- Slight reduction in UTV's share of ITV1 revenues to 2.68% (2004: 2.69%)





- Television operating profit maintained at £15.4m (2004: £15.4m)
- Turnover down by 3.6% to £45.8m (2004: £47.4m)
- Reduction in network programme costs reflect absence of major sporting event in 2005 (Euro 2004 in comparative)
- Reduction in other costs of £1.0m to £12.8m (2004: £13.8m) primarily due to new financial terms for television licence and increase in digital homes.

	2005 £m	2004 £m	Change £m
<b>Turnover</b>	<b>45.8</b>	47.4	<b>(1.6)</b>
<b>Operating costs</b>			
Salaries (inc. pensions)	8.5	8.8	0.3
Network programmes	8.2	8.4	0.2
Depreciation	0.9	1.0	0.1
Other costs	12.8	13.8	1.0
	<b>30.4</b>	32.0	<b>1.6</b>
<b>Operating profit</b>	<b>15.4</b>	15.4	<b>0.0</b>

## RADIO - GB

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- Acquisition of the Wireless Group for £96.9m was completed on 6 June 2005
- Portfolio includes one of three INR stations, talkSPORT and 18 ILR stations throughout GB
- Acquisition of 50% of First Radio Sales (FRS) for £0.5m on 30 September 2005
- FRS now represents the national sales for 119 local UK radio stations
- Acquisition of remaining 67% of Juice FM in Liverpool on 8 September 2005 for £2.1m, which further enhances North West cluster of stations
- The UK's first local speech based radio station outside of London, Talk 107 successfully launched in Edinburgh on 14 February 2006



	TSA ('000)	Reach %	Share %	Hours ('000)
1 talkSPORT	49377	4	1.8	19035
2 Wave 102	155	18	10.6	318
3 Talk 107	1020			
4 Q96	690	4	1.3	170
5 Radio Wave	228	30	14.5	699
6 The Pulse	762	19	6.5	943
7 Pulse Classic Gold	762	6	1.5	215
8 Tower FM	412	17	6.0	494
9 Wish FM	494	22	11.1	1094
10 Imagine FM	372	10	4.7	390
11 Juice FM	953	15	5.9	1308
12 Wire FM	240	24	8.1	422
13 Dee FM (22.1%)	177	19	8.4	320
14 Peak 107FM	390	26	13.9	1293
15 Signal 1	769	34	19.0	3264
16 Singal 2	769	9	4.8	818
17 The Wolf	422	14	4.7	384
18 Valleys Radio	413	15	8.6	787
19 96.4 The Wave	504	27	11.3	1248
20 Swansea Sound	504	13	5.1	561
<b>UTV Radio GB</b>	<b>49377</b>	<b>7</b>	<b>3.1</b>	<b>33763</b>



- Total advertising revenue for UTV's GB radio stations was up by 5% on a like for like basis
- Advertising revenue in talkSPORT was up by 12%
- Advertising revenue in our local radio operations was up by 2%
- Total advertising revenue in the UK radio market declined by more than 5% in the second half of 2005
- Operating profit for UTV Radio (GB) from 6 June 2005 was £4.8m, of which
  - talkSPORT delivered £1.5m
  - Local radio delivered £3.3m
- Pre operational costs in respect of Edinburgh's Talk 107 of £0.1m are included in the reported local radio figures

	2005	2004	Change
	£m	£m	£m
<b>Turnover</b>			
- ILRs	15.4	0.5	14.9
- talkSPORT	9.7	0.0	9.7
	<u>25.1</u>	<u>0.5</u>	<u>24.6</u>
<b>Operating Costs</b>			
- ILRs	12.1	0.7	(11.4)
- talkSPORT	8.2	0.0	(8.2)
	<u>20.3</u>	<u>0.7</u>	<u>(19.6)</u>
<b>Operating Profit</b>			
- ILRs	3.3	(0.2)	3.5
- talkSPORT	1.5	0.0	1.5
	<u>4.8</u>	<u>(0.2)</u>	<u>5.0</u>

- Successfully restructured, £0.75m of costs included within the exceptional item on the P&L
- New management team in place
- Finance control systems fully aligned and integrated with those in the UTV Group
- Estimated net cost synergies of £1.5m in the first full year of ownership achieved
- Renewed focus on agency sales in London and Manchester for talkSPORT
- National sales for ILR stations benefiting from scale of First Radio Sales proposition



## RADIO - IRELAND

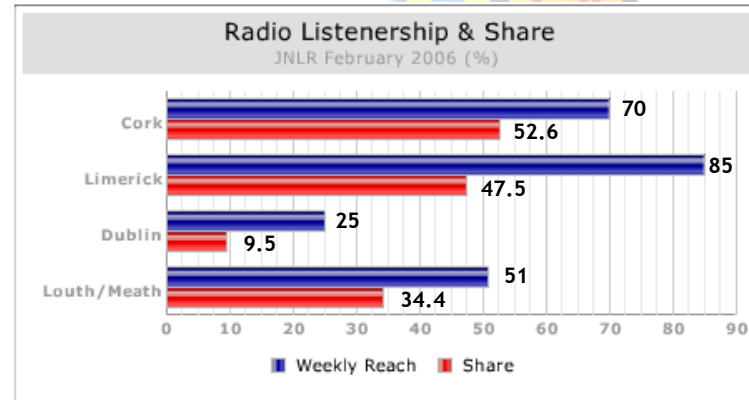
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UTV GROUP Preliminary Results 2005





- UTV's radio stations broadcast to six major urban areas in Ireland
- UTV also sells airtime in two other major urban areas, being Galway and the South East region
- These regions account for 67% of the adult population on the island of Ireland
- Listenership data was published by the Joint National Listenership Research (JNLR) in February 2006 showing further growth across all our stations in the Republic of Ireland:



	Dublin	Cork	Limerick	Dundalk Drogheda
<b>Market Share (%)</b>	9.5	52.6	47.5	34.4
<b>Annual Change</b>	+19%	+12%	+16%	+11%



	Weekly Reach %	Share %	Hours '000	
1	Dublin's Q102	25%	9.5	2646
2&3	Cork's 96 & 103 FM	70%	52.6	5850
4	Limerick Live 95fm	85%	47.5	2131
5	Dundalk/Drogheda	51%	34.4	1744
6	Belfast	-	-	-
7	Galway Bay FM	83%	33.8	1684
8	Beat FM	32%	8.1	1032
<b>UTV Owned Stations</b>		<b>22%</b>	<b>-</b>	<b>12371</b>
<b>UTV Sold Stations</b>		<b>30%</b>	<b>-</b>	<b>15087</b>

● GROUP ILR STATIONS  
● INDEPENDENTLY OWNED STATIONS SOLD BY GROUP

- Successfully launched Belfast's U105 on 14 November 2005, broadcasting to an adult population of 800,000.



- Following the acquisition of LMFM, covering Dundalk and Drogheda in February 2005 and the launch of Belfast's U105, total advertising revenue in our Irish radio operations grew by 32%
- Total advertising revenue was up by 17% on a like for like basis
- Operating profit of £3.8m (2004: £2.4m)
- Dublin Q102's advertising revenue increased by 30%, bringing the station to break even for the year
- Pre operational costs, and post launch losses of £0.5m and £0.2m respectively for Belfast's U105 are included in the reported figures

## UTV Radio (Ireland)

	2005 £m	2004 £m	Change £m
<b>Turnover</b>	<b>13.7</b>	10.4	<b>3.3</b>
<b>Operating costs</b>	<b>9.9</b>	8.0	<b>(1.9)</b>
<b>Operating profit</b>	<b>3.8</b>	2.4	<b>1.4</b>

## NEW MEDIA

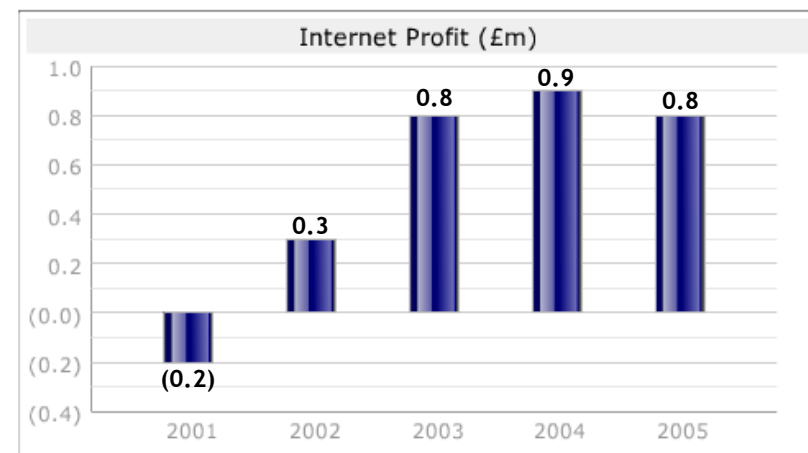
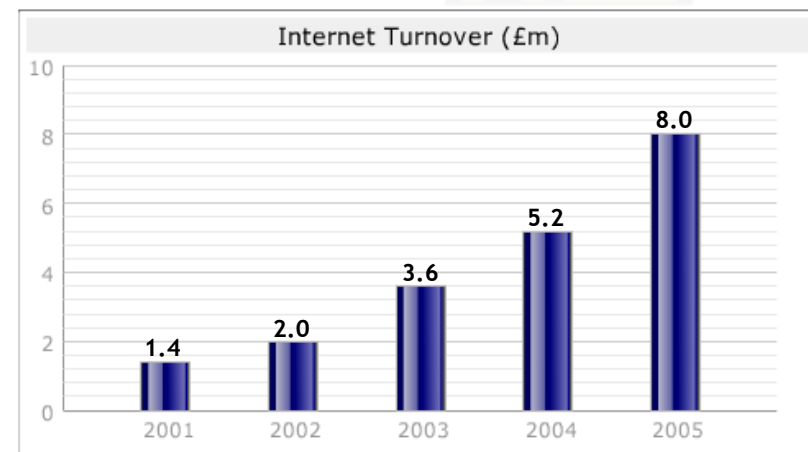
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- Internet turnover increased by 54%, driven by broadband and flat rate with bundled telephony services
- In 2005, 67% (2004: 64%) of internet revenue derived from the Republic of Ireland
- Marketing strategy leveraged inter-group media
- Customer acquisition costs written off as they are incurred, leading to a decline in margins during continued growth strategy





- New Media operating profit of £0.8m (2004: £0.8m)
- Continued migration of dialup customers to broadband
- Cost of sales included wholesale infrastructure and initial costs associated with installation of broadband
- Other operating costs were tightly controlled

## UTV Internet

	2005 £m	2004 £m	Change £m
Turnover	<b>8.0</b>	5.1	<b>2.9</b>
Cost of Sales	<b>6.0</b>	3.1	<b>(2.9)</b>
Other Costs	<b>1.2</b>	1.2	<b>0.0</b>
Operating Profit	<b>0.8</b>	0.8	<b>0.0</b>

# FINANCING

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- Strong increase in cash flow from operating activities to £27.6m (2004: £21.2m)
- The Group currently has borrowing facilities of £144m
- At 31 December 2005 net debt was £126.1m (2004: £18.8m)
- Margin reduces from 135 bp to 75 bp as debt/EBITDA reduces
- 50% of debt exposure hedged

## Net Debt

At 31 December

	2005	2004	Change
	£m	£m	£m
Bank Loans			
- Current	12.4	8.7	(3.7)
- Non-Current	<u>120.0</u>	17.8	<u>(102.2)</u>
	<b>132.4</b>	26.5	<b>(105.9)</b>
Less Cash	<u>6.3</u>	7.7	<u>(1.4)</u>
Net debt	<u><b>126.1</b></u>	18.8	<u><b>(107.3)</b></u>

The 2005 figures are net of £1.6m of deferred financing costs

## CURRENT TRADING AND PROSPECTS

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UTV Group Preliminary Results 2005



## CURRENT TRADING AND PROSPECTS | Television

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- UTV's advertising revenue in Q1 is likely to be down by 8%, with the ITV Network down by 13%
- Q2 will include Easter and the football World Cup and therefore should be much stronger
- Advertising revenue in April forecast to be up by 4%, with the ITV Network expected to be up by 2%
- Contract rights renewal (CRR) will put pressure on ITV Network revenues in 2006, which could be down by 5-7% in the full year
- As CRR does not apply to UTV's Irish advertising revenue, UTV should outperform ITV Network revenue in 2006
- Focus on cost control to help mitigate increased programme cost of c. £0.9m in respect of football World Cup



## CURRENT TRADING AND PROSPECTS | GB Radio

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- UK Radio advertising market is expected to be down by 11% in Q1
- Q1 advertising revenues in our GB stations expected to be up by 9% on a like for like basis
- Driven by:
  - talkSPORT up by 20%
  - ILRs up by 2%
- Strong advertising demand in Q2 due to the football World Cup
- Early indications suggest that our advertising revenue in April will be up by c. 20%
- Investment in staff development, audience research and programming to improve listenership and advertising revenue performance
- Talk 107 in Edinburgh successfully launched on 14 February and is budgeted to incur losses of £1.2m in 2006





- Q1 advertising revenues in our Irish stations expected to be up by 9% on a like for like basis
- Advertising revenue in April is expected to be up c. 12%
- Review of ownership rules by the Broadcasting Commission of Ireland
- A small number of other ROI radio stations would enhance our sales proposition
- The Greater Belfast radio licence (U105) successfully launched on 14 November 2005 and is budgeted to incur losses of £0.6m in 2006
- U105 further enhances all-Ireland sales proposition



- Turnover in Q1 expected to be up by 20%
- Strong growth expected to continue for the rest of the year
- Stable margins should lead to improvement in profitability
- Continue to leverage inter-company media for promotion

## CONCLUSION

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- Excellent performance in the radio business, with GB Radio already delivering real benefits and Irish Radio achieving strong growth
- Variable performance in television, but good outcome with the reduction in licence fees
- Prospects for radio advertising are particularly strong, TV outlook remains uncertain
- Stable margins in our Internet business should lead to improvement in profitability

