

UTV plc

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Preliminary Results 2006



# AGENDA

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- The UTV Group
- Financial Overview
- Radio
- Television
- New Media
- Conclusion



**John McCann**  
*Group Chief Executive*

**Paul O'Brien**  
*Group Finance Director*

**Scott Taunton**  
*Managing Director  
UTV Radio (GB)*

## THE UTV GROUP



UTV Radio (GB) operates the national speech station, talkSPORT, 17 ILR stations and 7 DAB multiplexes throughout Britain



50% shareholder of First Radio Sales, representing 131 local radio stations throughout the UK



Largest operator of independent local radio in Ireland with stations in Dublin, Belfast, Cork, Limerick, Dundalk and Drogheda



ITV franchise holder for Northern Ireland

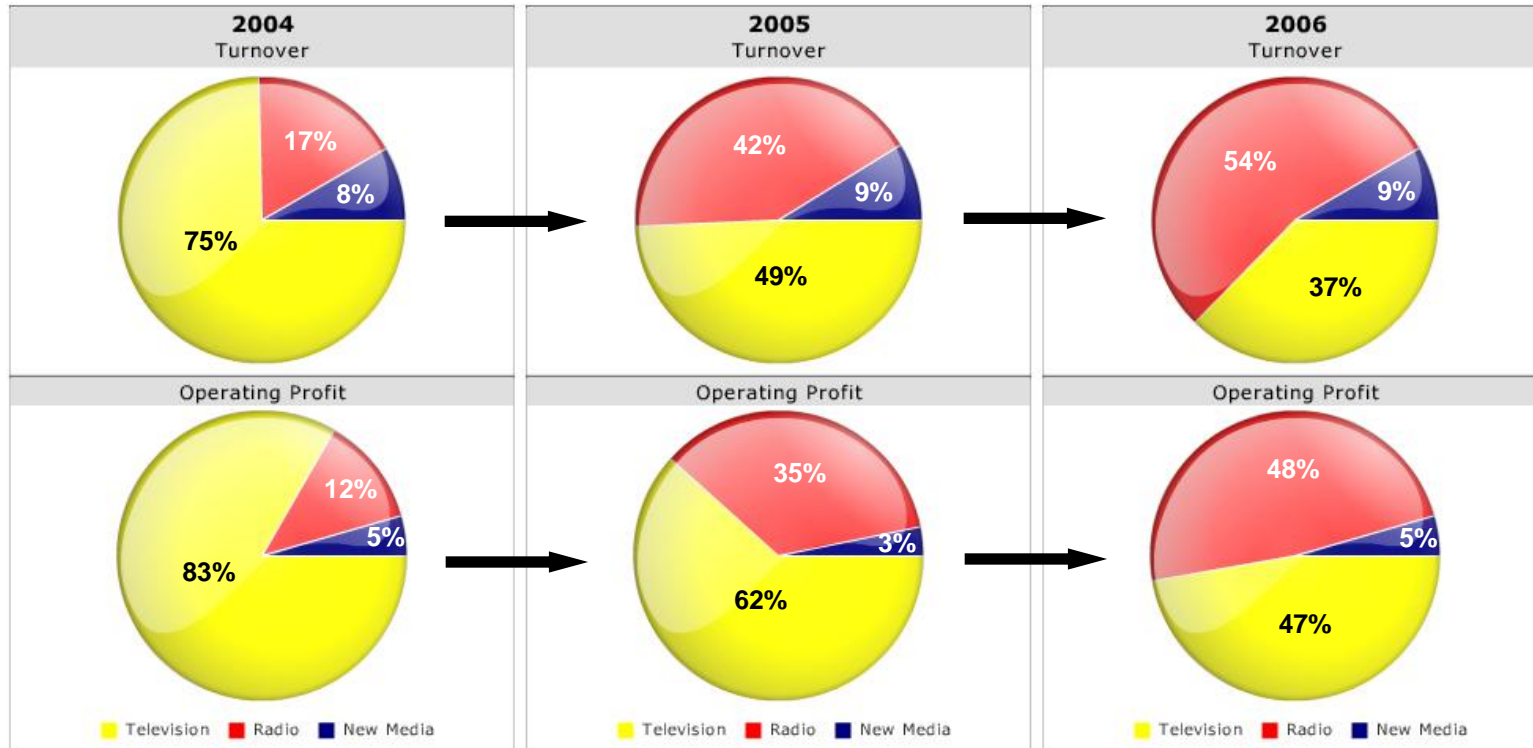
Receivable in 80% of homes in Republic of Ireland



Ireland's third largest Internet Service Provider which also provides wholesale line rental telephony services across Ireland



The Changing Nature of the UTV Group



# FINANCIAL OVERVIEW

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- Group revenue up by 22% to £113.6m (2005: £92.7m)
- Group operating profit (pre-exceptional charges) broadly flat at £24.8m (2005: £24.9m)
  - This is after charging £2.6m (2005: £0.9m) of start up losses at our new radio stations in Belfast and Edinburgh
- UTV Radio (GB) operating profit up by 76% to £8.8m (2005: £5.0m) before start up losses at our Edinburgh station of £1.7m (2005: £0.1m loss)
- UTV Radio (Ireland) operating profit up by 26% to £5.8m (2005: £4.6m) before start up losses at our Belfast station of £0.9m (2005: £0.8m loss)
- Television operating profit down at £11.7m (2005: £15.4m)
- New Media operating profit up by 31% to £1.1m (2005: £0.8m)



### Group Operating Profit

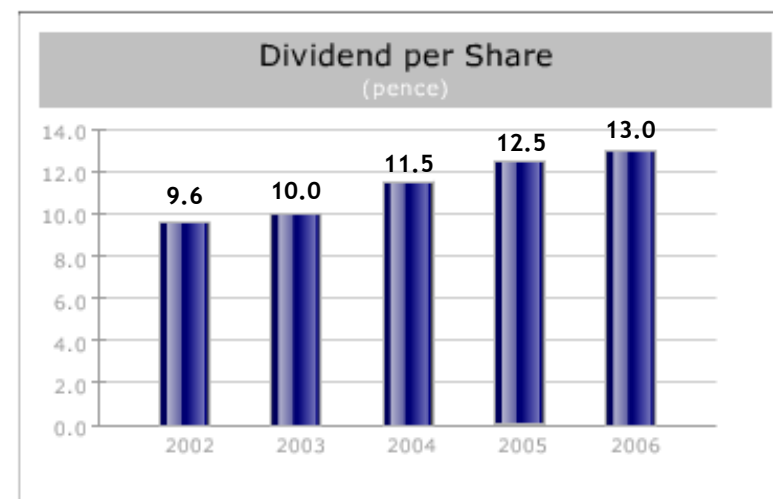
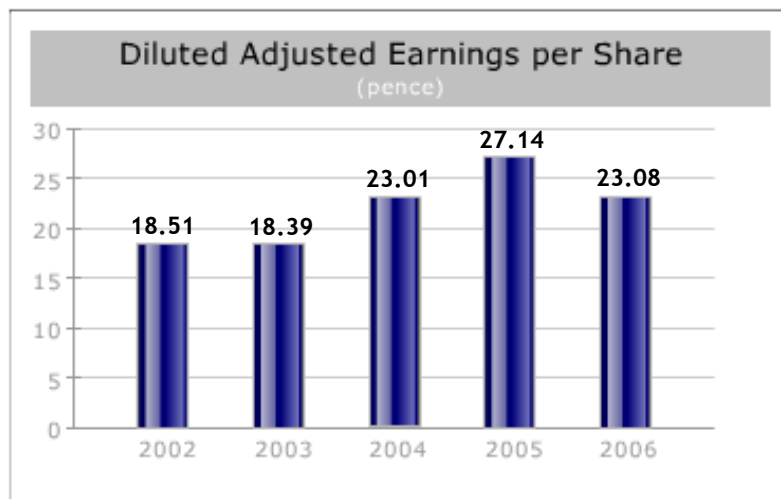
	2006 £m	2005 £m	Change £m
Radio GB	8.8	5.0	3.8
Radio Ireland	5.8	4.6	1.2
Start up losses	(2.6)	(0.9)	(1.7)
<b>Total Radio</b>	<b>12.0</b>	<b>8.7</b>	<b>3.3</b>
Television	11.7	15.4	(3.7)
New Media	1.1	0.8	0.3
<b>Operating Profit</b>	<b>24.8</b>	<b>24.9</b>	<b>(0.1)</b>



- Net finance cost of £8.0m (2005: £4.5m)
- Effective tax rate of 21.5% (2005: 26.0%)
- Exceptional operating items of £20.7m (2005: £1.2m)
  - Impairment of intangible assets in UTV Radio of £20.2m
  - Aborted transaction costs of £0.5m
- Exceptional tax gain of £20.2m
  - Agreement with HMRC to utilise the tax effect of £16.2m of the losses brought forward
  - Release of deferred tax liability on impairment of £4.0m
- Pension deficit reduced by £2.3m to £4.0m (2005: £6.3m)



	2006 £m	2005 £m	Change £m
Group Operating Profit			
Pre start up losses	27.4	25.8	1.6
Start up losses	(2.6)	(0.9)	(1.7)
<b>Group operating profit</b>	<b>24.8</b>	<b>24.9</b>	<b>(0.1)</b>
Foreign exchange gain	0.0	0.4	(0.4)
Net financing costs	8.0	4.5	(3.5)
<b>Pre-tax pre-exceptional profit</b>	<b>16.8</b>	<b>20.8</b>	<b>(4.0)</b>
Exceptional items	(20.7)	(1.2)	(19.5)
<b>Pre-tax Profit</b>	<b>(3.9)</b>	<b>19.6</b>	<b>(23.5)</b>
Taxation	(3.6)	(5.1)	1.5
Exceptional tax gain	20.2	0.0	20.2
<b>Profit after taxation</b>	<b>12.7</b>	<b>14.5</b>	<b>(1.8)</b>



- Diluted adjusted earnings per share down by 15% to 23.08p (2005: 27.14p)
- Impact of additional start up losses in 2006 over 2005 is 2.3p

- Recommended final dividend increase of 3.2% to 8.00p (2005: 7.75p), making a full year dividend of 13.00p (2005: 12.50p), a 4.0% increase
- Dividend cover of 1.78
- Full year dividend has increased by 35% over the past four years



- During 2006 Net Debt reduced by £8.6m to 117.6m (2005: £126.2m)
- The Group currently has borrowing facilities of £146.3m and of these the unutilised facilities are £19.7m plus cash reserves of £7.9m
- Margin on Libor and Euribor is 125bps
- Net Debt: EBITDA ratio is 4.41x
- EBITDA: Interest cover of 3.55x

## Net Debt at 31 December

	2006 £m	2005 £m	Change £m
<b>Bank Loans</b>			
Long Term	(115.4)	(120.0)	4.6
Current	(10.1)	(12.7)	2.6
	<b>(125.5)</b>	<b>(132.7)</b>	<b>7.2</b>
Add: Cash	7.9	6.5	1.4
<b>Net Debt</b>	<b>(117.6)</b>	<b>(126.2)</b>	<b>8.6</b>



- Free cash flow increased by £1.1m to £25.8m (2005:£24.7m)
- Significant reduction in tax cash outflows by £1.9m to £2.4m (2005: £4.3m)
- Increased interest costs of £1.5m to £7.6m (2005: £6.1m)
- Net cash flow from operations increased by £0.6m to £8.6m (2005: £8.0m)

## Net Cash Flow

	2006 £m	2005 £m	Change £m
EBIT	24.8	24.9	(0.1)
Depreciation & Amortisation	1.9	1.7	0.2
<b>EBITDA</b>	<b>26.7</b>	<b>26.6</b>	<b>0.1</b>
Capital expenditure (net)	(1.9)	(1.8)	(0.1)
Working capital movement	1.0	1.0	-
Exceptional costs	-	(1.1)	1.1
<b>Free cash flow</b>	<b>25.8</b>	<b>24.7</b>	<b>1.1</b>
Net financing costs	(7.6)	(6.1)	(1.5)
Tax	(2.4)	(4.3)	1.9
Dividends	(7.0)	(6.4)	(0.6)
Other cashflows	(0.2)	0.1	(0.3)
<b>Net operating cashflow*</b>	<b>8.6</b>	<b>8.0</b>	<b>0.6</b>

\* Operating cashflow excluding acquisitions expenditure in 2005

## RADIO - GB

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- Portfolio includes one of three Independent National Radio (INR) stations, talkSPORT and 17 Independent Local Radio (ILR) stations throughout GB
- Investment in audience research together with on-air changes is delivering audience growth
- talkSPORT's audience grew by 2.8% in 2006 - the highest of any national analogue station
- UTV's ILR audience has declined by 11% (broadly in line with all UK ILRs) since Q1 2000 but we are making significant investment in long term plan to improve ILR performance through audience research and staff development
- Q4 RAJAR showed first growth for UTV ILRs since acquisition with hours up by 3.9%
- While a disappointing start, Talk 107 has now had three consecutive quarters of growth in both reach and hours



**Great Britain**

1. talkSport
2. Wave 102
3. Talk 107
4. Radio Wave
5. The Pulse
6. Pure Classic Gold
7. Tower FM
8. Wish FM
9. Imagine FM
10. Juice FM
11. Wire FM
12. Dee FM (22.1%)
13. Peak 107FM
14. Signal 1
15. Signal 2
16. The Wolf
17. Valleys Radio
18. 96.4 The Wave
19. Swansea Sound



Quarter Ending Dec 2006					
	Reach	Hours	Male	Female	ABC1
	'000s	'000s	%	%	%
talkSPORT	2239	18592	76	24	59
UTV ILRs	1371	12794	48	52	47
UTV (UK) Total	3554	31544	66	34	53

Source RAJAR 01/02/2007



- Advertising revenue in the UK radio market declined by 5% in 2006
- Advertising revenue in UTV's GB radio stations was up by 6% on a like for like basis
- Advertising revenue in talkSPORT was up by 18% on a like for like basis
- Advertising revenue in our local radio operations declined by 1.6%
- Operating profit for UTV Radio (GB) before start up losses in our Edinburgh station of £1.7m (2005: £0.1m loss) was £8.8m (2005: £5.0m) of which:
  - talkSPORT delivered £3.2m
  - Local radio delivered £5.6m

## GB Radio

	2006 £m	2005 £m	Change £m
<b>Turnover</b>			
talkSPORT	19.1	9.7	9.4
Local Radio	26.2	15.4	10.8
Talk 107	0.4	0.0	0.4
	<b>45.7</b>	<b>25.1</b>	<b>20.6</b>
<b>Operating Costs</b>			
talkSPORT	15.9	8.2	(7.7)
Local Radio	20.6	11.9	(8.7)
Talk 107	2.1	0.1	(2.0)
	<b>38.6</b>	<b>20.2</b>	<b>(18.4)</b>
<b>Operating Profit</b>			
talkSPORT	3.2	1.5	1.7
Local Radio	5.6	3.5	2.1
Talk 107	(1.7)	(0.1)	(1.6)
	<b>7.1</b>	<b>4.9</b>	<b>2.2</b>

## RADIO GB | Current Trading and Prospects

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- UK Radio advertising market is expected to be down by 4% in Q1
- Q1 advertising revenues in our GB stations expected to be up by 2% on a like for like basis
- Driven by:
  - talkSPORT up by 3%
  - Local radio up by 1%
- World Cup drove additional revenues in 2006 which were reinvested in marketing, audience research and programming
- Official Premier League coverage from August 2007, official licenced broadcaster of Rugby World Cup in September / October 2007 and currently negotiating Euro 2008 rights
- Ian Wright hosts drivetime show from 26 March 2007, joining strong presenter lineup which includes Alan Brazil and Andy Townsend
- Continued investment in staff development, audience research and programming to improve listenership and advertising revenue performance in ILRs
- Review of ILR functions has led to centralisation of services and co-location of three ILRs in the North West which is expected to complete in the Autumn
- Forecast losses of £1.4m for Talk 107 in 2007



## RADIO - IRELAND

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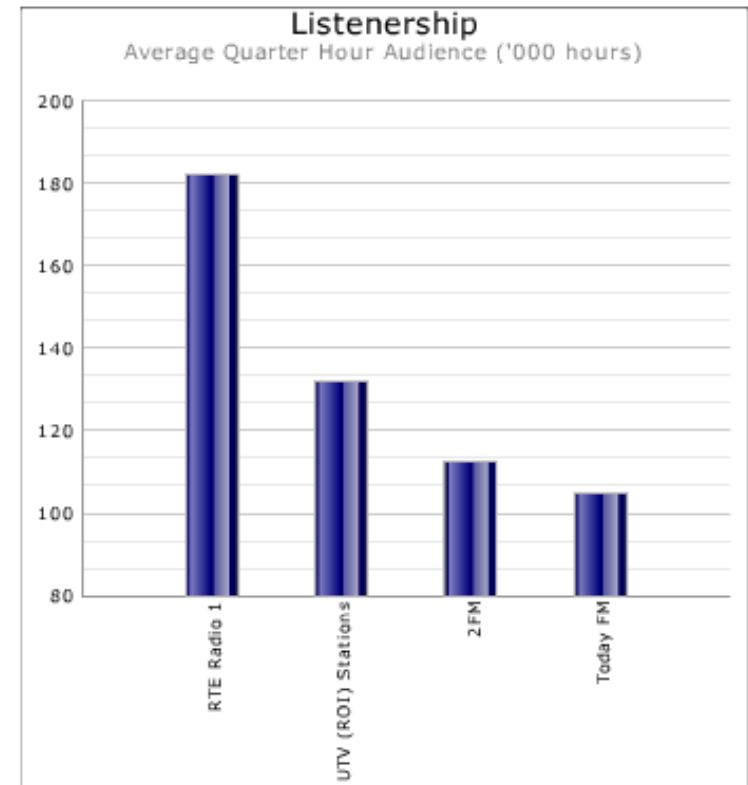


- UTV's radio stations broadcast to six major urban areas in Ireland
- UTV also sells airtime in two other major urban areas, being Galway and the South East region
- These regions account for 65% of the adult population on the island of Ireland and within these regions, 34% of adults listen each week to UTV sold stations
- Listenership data was published by the Joint National Listenership Research (JNLR) in February 2007 showing:

Listenership Reach and Share			
	Weekly Reach	Market Share	Share at Acquisition
	%	%	%
Cork	69	51.7	50
Limerick	87	46.5	31
Dublin	19	6.2	5
Dundalk/Drogheda	34	37.1	31
Belfast	9	2.8	N/A

Source JNLR/RAJAR Feb 2007

- U105 in Belfast has a weekly adult audience of 72,000 after one year on-air





- Total advertising revenue was up by 12% on a like for like basis
  - Local advertising revenue up by 6%
  - National advertising revenue up by 18%
  
- UTV Radio (Ireland) operating profit up by 26% to £5.8m (2005: £4.6m) before start up losses at our Belfast station of £0.9m (2005: £0.8m loss)

## Radio Ireland

	2006 £m	2005 £m	Change £m
<b>Turnover</b>			
Existing Stations	15.4	13.6	1.8
U105	0.5	0.1	0.4
	<b>15.9</b>	<b>13.7</b>	<b>2.2</b>
<b>Operating Costs</b>			
Existing Stations	9.6	9.0	(0.6)
U105	1.4	0.9	(0.5)
	<b>11.0</b>	<b>9.9</b>	<b>(1.1)</b>
<b>Operating Profit</b>			
Existing Stations	5.8	4.6	1.2
U105	(0.9)	(0.8)	(0.1)
	<b>4.9</b>	<b>3.8</b>	<b>1.1</b>

## RADIO IRELAND | Current Trading and Prospects

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- Good economic fundamentals, coupled with strong listenership should continue to underpin Irish radio performance
- Q1 advertising revenues in our Irish stations expected to be up by 9% on a like for like basis
- Limerick radio licence renewed until 2017
- Forecast losses of £0.6m for U105 in 2007



# TELEVISION

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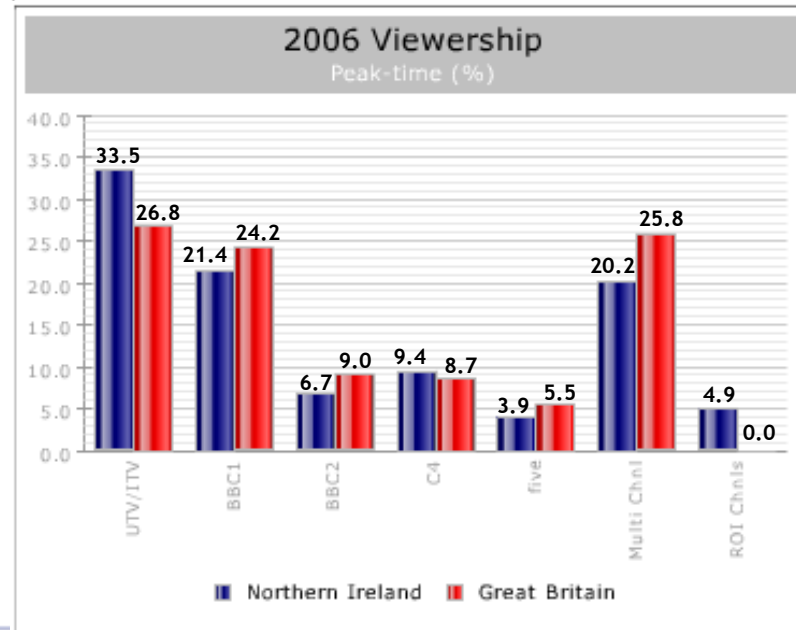
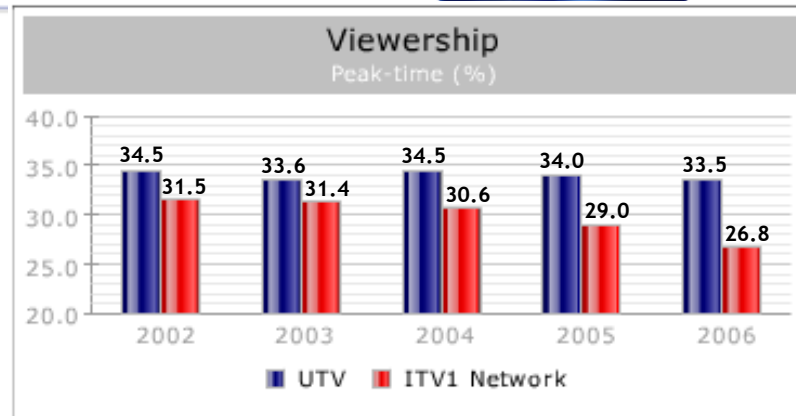
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# TELEVISION | 2006 Peak Time Viewership Performance



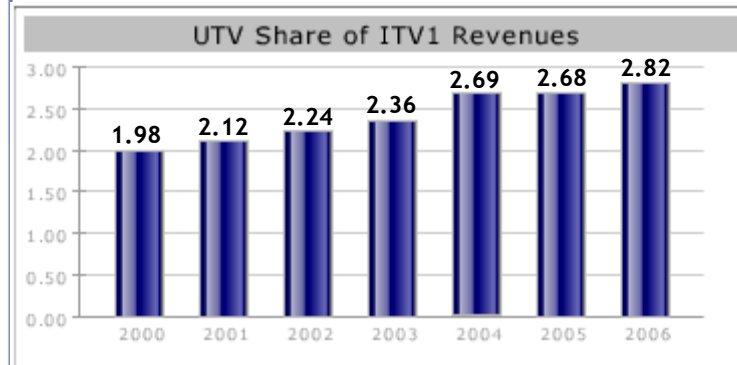
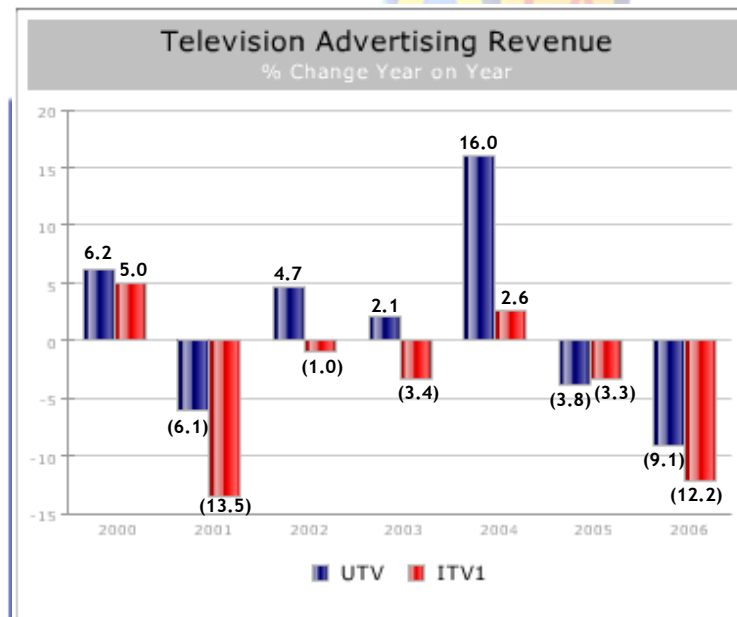
- ITV1's viewing share declined to 26.8% (2005: 29.0%)
  - UTV has broadly maintained its peak-time viewership over the past four years and in 2006 had:
    - 25% more viewership than ITV1 with a share of 33.5%
    - 57% more viewership than BBC1 Northern Ireland
    - 33% more viewership than all satellite and Republic of Ireland channels combined
    - a share of 33.5% which is equal to the combined viewership of all UK commercial television (C4, C5 and Multi-Channel)
    - more than three times the viewership of Channel 4, the nearest commercial competitor
- and
- UTV had a 9.0% peak-time share in the 80% of Republic of Ireland homes which are multi-channel



# TELEVISION | 2006 Advertising Revenue Performance



- UK television advertising market down by 5%
- ITV1 advertising revenue down by 12%
- UTV again outperformed ITV1 but advertising revenue down by 9%
- Advertising revenue declined during World Cup
- Record share of ITV1 revenues of 2.82% (2005: 2.68%)





- Turnover down by 7% to £42.4m (2005: £45.8m)
- Television operating profit down by 24% to £11.7m (2005: £15.4m)
- Network programme costs increased by £1.2m, £1.0m of which related to the World Cup coverage
- Costs, other than network programmes, reduced by £0.9m

	2006 £m	2005 £m	Change £m
<b>Revenue</b>			
Airtime	38.9	42.9	(4.0)
Sponsorship	1.6	1.2	0.4
Other	1.9	1.7	0.2
	<b>42.4</b>	<b>45.8</b>	<b>(3.4)</b>
<b>Operating Costs</b>			
Employee Costs	(7.6)	(8.5)	0.9
Network Programmes	(9.4)	(8.2)	(1.2)
Depreciation	(0.7)	(0.9)	0.2
Other Costs	(13.0)	(12.8)	(0.2)
	<b>(30.7)</b>	<b>(30.4)</b>	<b>(0.3)</b>
<b>Operating Profit</b>	<b>11.7</b>	<b>15.4</b>	<b>(3.7)</b>

## TELEVISION | Current Trading and Prospects

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- ITV1's advertising revenue in Q1 is likely to be down by 9%
- UTV's advertising revenue in Q1 is likely to be flat
- Advertising revenue in April forecast to be down by 10%, with ITV1 expected to be down by 12%
- Contract rights renewal (CRR) continues to put pressure on ITV Network revenues
- As CRR does not apply to UTV's Irish advertising revenue, UTV should outperform ITV Network revenue in 2007



## NEW MEDIA

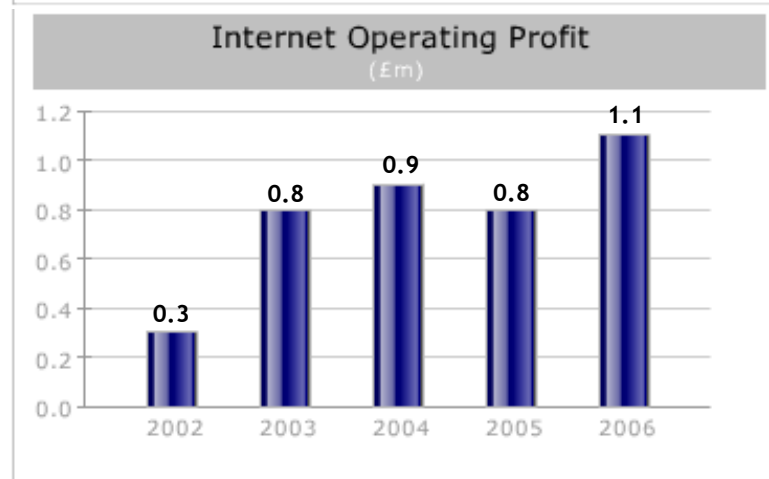
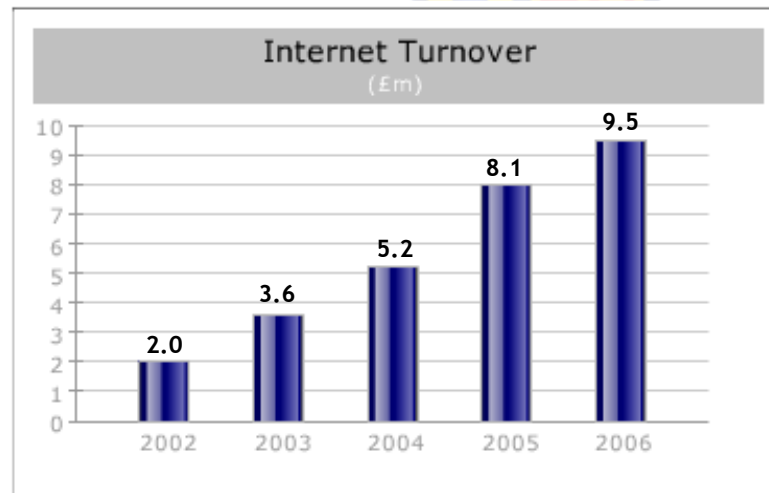
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- Turnover increased by 17%, driven by broadband and bundled telephony services
- Customer acquisition costs written off as they are incurred
- New Media operating profit of £1.1m (2005: £0.8m)
- Turnover in Q1 expected to be up by 24%
- Improved margins should lead to continued improvement in profitability
- Strategic review expected to be completed in Q2



## CONCLUSION

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- GB Radio continuing to outperform the market
- Irish radio continues to deliver strong growth in profitability
- Start up radio stations impacting on profitability
- Strong regional television performance mitigates weakness at network level
- Strategic review of New Media business underway

