

Financial Report 2013

UK
TV



Financial Growth

UKTV: sales hit a record £278m

Our financial results show that UKTV is reaping the rewards of investment in content, new channels and distribution, making and broadcasting more of the imaginative shows that have put our portfolio of channels at the heart of EPGs.

Across the board, our business has thrived with a commissioning strategy to build strong programme brands such as Crackanory, Dave Gorman: Modern Life is Goodish, Dynamo: Magician Impossible, David Attenborough's Natural Curiosities, Ross Noble Freewheeling and You, Me & Them.

Commissions remain the noisy highlights of some of UKTV's most high profile channel brands, on top of the solid bedrock, best of British programming from the BBC and other broadcasters, as well as a breadth of highly popular, exclusive acquisitions.

And there's much more to come: our investment in programming has already paid back in the form of a growing share of audience for the financial year 2013, and even faster growth so far in 2014's ratings.

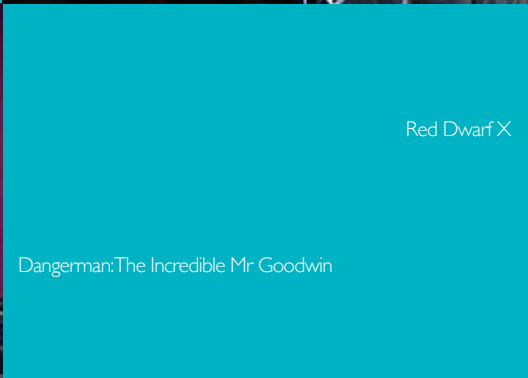
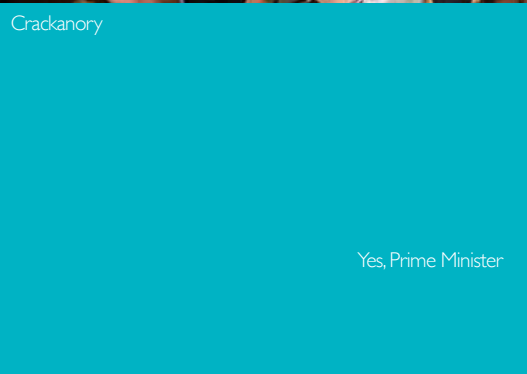
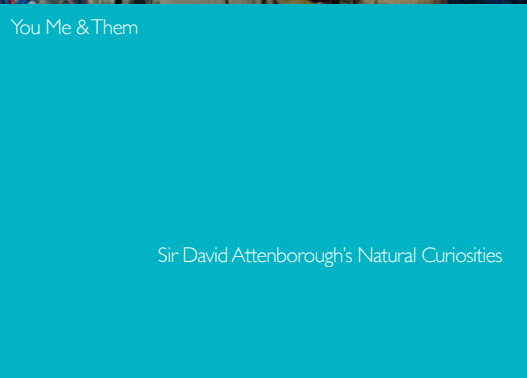
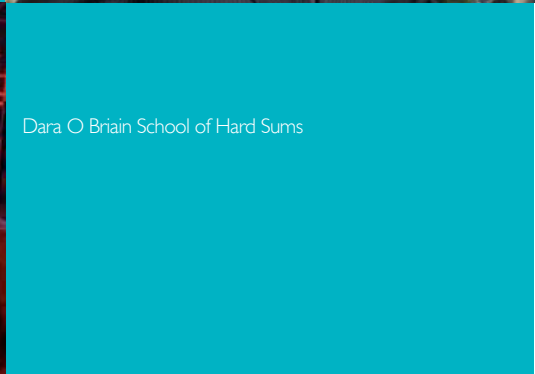
Our top line growth continues, with sales reaching a record £278m, up 6%. EBITDA, once the costs of launching the highly successful Drama channel are stripped out, show a 7% leap to £76.7m. The underlying story of our profit margins continues to be strong: in 2013 our EBITDA margin hit 27.6% on the back of increased advertising revenues, a strengthened portfolio of channels, massive growth in video on demand and export expansion.

2012/13 Revenue (£m)



2012/13 Underlying Profits (£m)





Our portfolio enjoys surging share

One of 2013's biggest on-screen changes was the launch of Drama, lifting the curtain on another brilliant UKTV channel brand. The immediate success of Drama broadened our appeal and gave a glossy home for some of the most desirable titles in the world of TV drama.

Drama had the best possible start with a carefully-targeted launch investment and multi award-winning marketing campaign. It showed instant results, with the new channel leaping to prominence on screen.

UKTV's share of the British television audience is at a record level and, in Dave, we have the biggest non-PSB channel.

Off the back of record ratings in 2013, 2014 has increased by an astonishing 17% so far and any expert you ask will tell you we are closing in on 10% share of the TV advertising market. In the British TV industry, we're moving from being a challenger to a contender.

H1 2014 ratings increased by 17% year-on-year



Strong partnerships secured



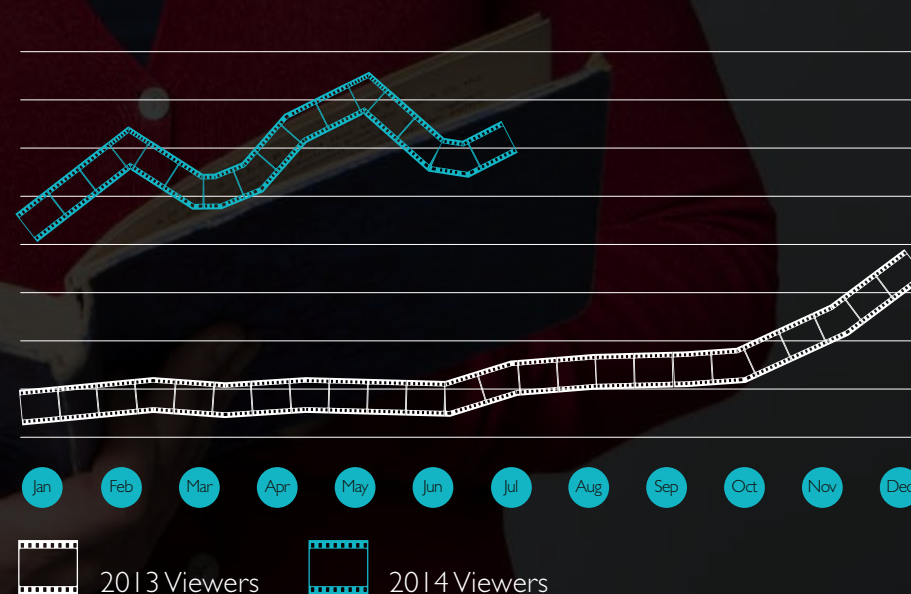
We've extended vital digital and linear distribution partnerships with the UK's biggest TV platforms including BSkyB and Virgin Media, ensuring maximum reach for all our content - we are now one of the only broadcasters in the UK with our channels and on demand programming on both of BSkyB's high-growth services, Sky Go and NOW TV. In addition to BSkyB, partnerships were extended with Virgin Media and YouView, adding to the existing agreements in place with Talk Talk, BT TV, UPC in Eire and Freeview.

We've also launched our first direct-to-consumer VoD services on PC, smartphone and tablets, initially with UKTV's free-to-air portfolio, and now distributed under our newly launched digital brand UKTV Play. We're delighted with these new and established partnerships, which underpin our growth.



Astonishing rise in video on demand views

Video on Demand Viewers



UKTV Play is our first digital only brand, a single portal where viewers can watch their favourite UKTV programmes on demand. Fantastic original content from Dave played a leading role in an extraordinary debut for UKTV Play. Alongside unique commissions such as Crackanory and Dave Gorman: Modern Life is Goodish, the mix of classic and new programming helped us give our simple, intuitive VoD brand the best possible start.

2013 put us in a great place with VoD, but already in the first half of 2014 we've eclipsed that with an increase in views of all our video-on-demand services of 639% year on year.

We're on course for remarkable VoD growth this year, showing that UKTV is at the head of the pack when it comes to giving our viewers what they want to see, when they want to see it.



SOCI on the march

Audience Share growth
between 2013-14



+

-

9%

UKTV Totals

-1%

Ch4 Totals

-1%

Ch5 Totals

-3%

Ch4 Totals

-3%

Sky Totals

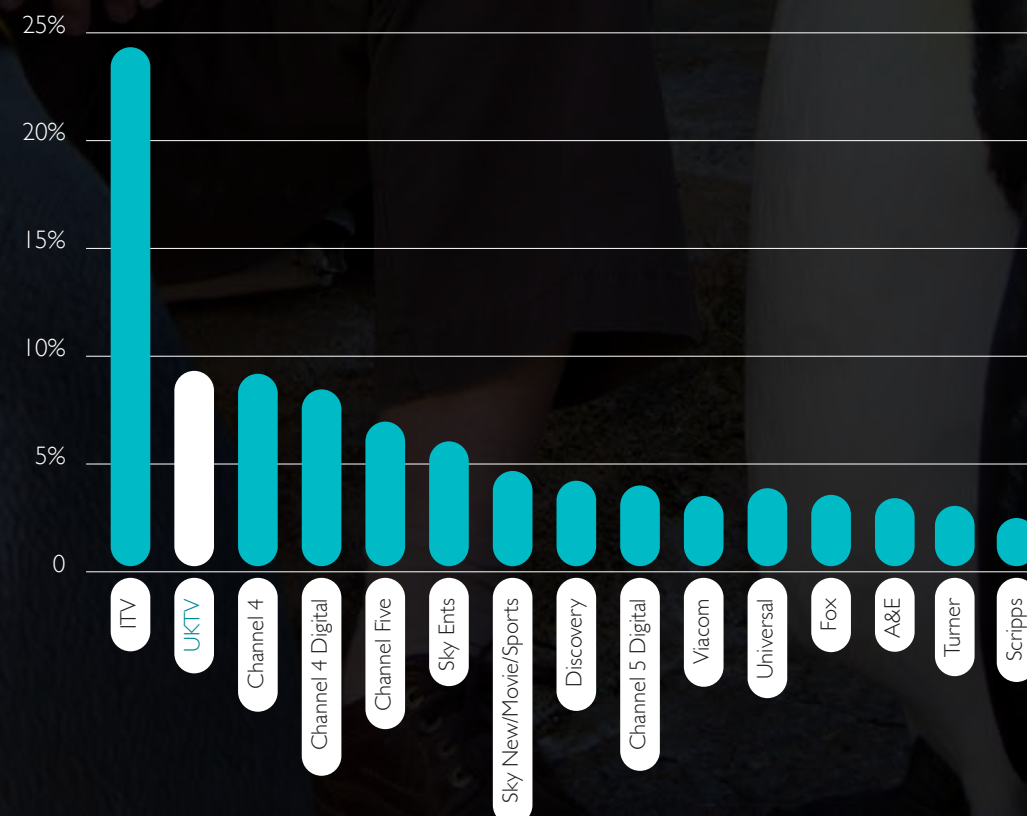
-5%

ITV Totals

-5%

ITV/Breakfast (inc. HD & +1)

H1 2014 SOCI by Broadcaster



Despite the multitude of channels on the EPG, the industry still sometimes thinks only about the old terrestrial system, but take a careful look at the share and SOCI figures and you'll see that is finally changing.

Just look at our compound growth over the past few years and you'll see we are up there with the best of them.

In the year to date, SOCI for the portfolio of channels reached 9.1%, a gain of 17% over the same period in 2013. It's been a decade of steady growth for us, almost doubling up from a SOCI of 4.7% in 2004.

There may have been a lot of talk of US giants coming over here and dominating British telly screens, but UKTV's share is bigger than Turner, Discovery and NBCU combined.



Our own shows take the lead

Top ten shows that are UKTV commissioned



Commissions such as Dave's highest ever rating completely original show Dave Gorman's Modern Life is Goodish and Watch's repeatedly successful Dynamo: Magician Impossible have established UKTV in the minds of Britain's amazing independent production sector as an important customer that knows what it wants and gets the audiences their genius deserves.

Sir David Attenborough has found a whole new world with us, with his stunning Watch series, Natural Curiosities, which returns early next year. And the live broadcast of Monty Python's final ever show has become the most watched programme in Gold's history.

The slate of exciting new commissions and fresh new talent just keeps growing. We've brought ratings smash-hit US acquisition Storage Hunters to the UK, in a brand new series filmed across Britain, and a mockumentary with the one and only David Hasselhoff, coming to Dave next year.

We've announced second series of imaginative original formats Alan Davies As Yet Untitled and Ross Noble Freewheeling. Hilarious sitcom You, Me & Them returns to Gold, the Choccywoccydoodah team return with more wacky creations, and our much-loved Crackanory is back with another incredible line up of storytellers, including Simon Callow and the late Rik Mayall.

Adrenalin junkies will be treated to more of Red Bull's Cliff Diving, X Fighters and Soapbox racing, and there's more mind-boggling magic from Dynamo, as well as brand new Watch talent, mind magician Katherine Mills. Ob doc Bin There Dump That uncovers the secrets of those working in the waste industry, World's Most Talented travels the globe meeting remarkably-skilled people and reality show Singing in the Rainforest sees big music names immersed in tribal life for a week. We've also commissioned five original fact-ent and reality pilots, as part of UKTV's Format Labs initiative.



Other highlights

We all know the television sector is a success story for British exports, and you wouldn't expect us to miss out on that. We haven't.

Working with our partners, sales across four continents have continued to grow at a massive rate. We may be at the start of our exporting journey, but we're taking chunks out of the markets we get into. Our international revenues have trebled in the past four years and, just like digital income, is going to be an increasingly central part of our story in the future.

And while you know we are all about the future, we don't forget the past that gave us our start in life. The original BBC series, House of Cards with Ian Richardson proved an amazing hit for us and showed just how fresh British drama can be after no matter how many years.

It doesn't make a difference how much we grow or how big we get, we'll always remember those who helped us along the way. And in return, we promise to keep exercising our wild imaginations to deliver entertaining and inspirational television year after year.