

Arqiva Broadcast Holdings Limited

Group Trading Update (unaudited) – Half Year to December 2011

1. Significant events

DSO update

During November the switchover of the Tacolneston site and its associated 16 relay sites completed the switchover of the Anglia Region. This also marked the completion of the 11th of the 15 regions to be switched over to high power digital signals from analogue as part of the Digital Switchover programme.

The switchover of Tacolneston also concluded the most intensive period of switchovers in the entire programme with an average of 800,000 viewers either switching or retuning every week over the 35 week period between April and November. During this period more than one third of the total UK population were switched. As a result, 80% of all sites have now switched over providing digital television coverage to 65% of the total UK population.

The programme remains on time and under budget.

Smart metering – SmartReach pre-qualified for the bidding process

The Department of Energy and Climate Change (DECC) has initiated a programme to replace over 80 million electricity meters in homes and businesses throughout the UK by 2019.

With our partners BT, BAE Detica and Sensus, we have created the SmartReach consortium to bid for the communications services to the meters. Arqiva Limited is the prime contractor for the Group.

During the quarter, we received confirmation from DECC that SmartReach has pre-qualified for the bidding process together with 7 other bidders. The timetable for the project issued by DECC has the successful bidder chosen in the second quarter of 2013.

Reference offers published for 600MHz spectrum

The Digital Switch Over programme is enabling the release of spectrum previously used for analogue television and Ofcom will be making this “Digital Dividend” available to the market in Q4 2012 via an auction process. Some of this spectrum is in the 600MHz bandwidth, which is used for television transmission in the UK.

During the quarter the Group submitted “Reference Offers” to Ofcom for the Network Access and Managed Transmission Services elements of the forthcoming 600 MHz spectrum auction. “Reference Offers” enable bidders for the spectrum to understand the costs and timescales to provide and operate these new networks.

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2 Group Trading Summary Report for the Half Year

Turnover for the six months ending 31 December 2011 was £405.9m, an increase of 1.2% over the prior year period (December 2010: £401.2m). A higher margin product mix and tight management of costs during this period ensured the Group generated EBITDA (before exceptional items and after the share of income from associates and joint ventures) of £191.2m, an increase of 13.3% over the prior year period. (December 2010: £168.7m).

Exceptional items for the 6 month period to December 2011 of £5.4m comprised of costs resulting from the internal reorganisation which started in the previous year; an unbudgeted provision against the discontinued IPTV operations and costs of refinancing preparation.

Depreciation was £42.8m for the half-year, similar to the comparative figure for the prior year, with the increase in depreciation charge for the Group's investment in DSO being offset by the run-off of analogue TV assets.

Profit before Interest and Tax was £116.5m, an increase of 14.1% over the prior year (December 2010: £102.1m).

£'m	6 months to 31-Dec-11 Actual	6 months to 31-Dec-10 Actual	Year on year % Variance
Turnover	405.9	401.2	1.2%
Cost of sales	(135.9)	(143.5)	5.3%
Gross profit	270.0	257.7	4.8%
Other Operating charges	(79.8)	(88.9)	10.2%
Operating profit	190.1	168.8	12.7%
Share of income / loss from associate	1.1	(0.0)	
EBITDA	191.2	168.7	13.3%
Exceptional items	(5.4)	2.8	
Depreciation	(42.8)	(43.0)	0.3%
Amortisation of intangible assets	(26.5)	(26.5)	0.1%
Profit before interest and tax	116.5	102.1	14.1%