

TARGETS FOR THE BBC'S COMMERCIAL SUBSIDIARIES

The BBC is today publishing targets¹ for each of its commercial subsidiaries to achieve over a three to five year period. The BBC Board has set these targets for each subsidiary in order to provide clear and transparent measures of commercial performance. The BBC Board will continuously monitor these targets to ensure there is robust oversight and governance of the BBC's commercial activities, with annual reporting of performance against these targets.

The BBC Board has set and is publishing profit margin targets for each of the subsidiaries. The use of profit margins is consistent with market practice and reflects the EY conclusions on appropriate benchmarks of commercial performance. The BBC Board also sets a number of other targets, including non-financial measures, for each subsidiary which will continue to be used to provide a fuller picture for the BBC Board of the performance of each subsidiary against strategic and corporate objectives.

The profit target that the BBC Board has selected is Earnings Before Interest, Tax, Depreciation and Amortisation (commonly referred to as "EBITDA"). The BBC Board believes EBITDA, as indicated by EY in their conclusions, is the most helpful measure of profit for benchmarking purposes and will provide a consistent and stable indication of underlying profitability for each subsidiary. The BBC's definition of EBITDA is provided at the end of this announcement for reference.

In order to set these targets, the BBC has considered the long range plan for each commercial subsidiary alongside average results from benchmarking analysis and has taken into account a range of factors that include sectoral trends; the investment cycle; and the relative maturity and competitive positioning of each subsidiary in its market.

Notably the targets that the BBC is setting may need reassessing in the event of any major strategic change, significant restructuring or material transaction (as per market practice).

The targets that the BBC has set are detailed, in turn, for each subsidiary on the following page.

¹ As required by Clause 29 of the BBC's Framework Agreement with the Department of Digital, Culture, Media and Sport

BBC STUDIOS

The EBITDA margin target for BBC Studios is 9-11%.

The BBC believes this is an appropriate target for BBC Studios taking into account the recent merger, a long range plan which reflects investments to realise the benefits of this combination and a changing business mix for BBC Studios over time.

BBC GLOBAL NEWS

The EBITDA margin target for BBC Global News is Breakeven to 2%.

The BBC believes this is an appropriate target for BBC Global News taking into account the outlook for the international news market, TV advertising and foreign exchange markets.

BBC STUDIOWORKS

The EBITDA margin target for BBC Studioworks is 8-10%.

The BBC believes this is an appropriate target for BBC Studioworks taking into account its focus on providing studio and post production facilities and services for TV production to the BBC and to third parties.

BBC DEFINITION OF EBITDA

In order to derive EBITDA, the BBC takes reported operating profit from a company's accounts and adds back depreciation and amortisation operating expenses with the exception of amortisation relating to distribution rights or programming (given this particular cost is classified in different ways by different distribution companies and so it aids comparability to include the amortisation operating expense in EBITDA when it is an operating expense for other companies).

The depreciation and amortisation operating expenses that are added back include any impairments or write-downs of assets (tangible or intangible).

In calculating EBITDA, the BBC also offsets costs of sales with production tax credits (following market practice for production companies).