

ITV plc
Interim Results for six months ended 30 June 2008

6 August 2008

Financial summary

6 months ended 30 June	2008	2007	Change %
Group revenue (£m)	1,031	1,004	3
Operating EBITA (£m)	121	151	(20)
Profit before tax (£m)			
Reported after impairment	(1,537)	105	-
Adjusted*	91	127	(28)
Earnings per share			
Reported after impairment	(39.6p)	2.1p	-
Adjusted*	1.5p	2.3p	(35)
Interim dividend	0.675p	1.35p	(50)

* before exceptional items, amortisation, impairment of intangible assets and including tax adjustments

Operating summary

Revenue growth of 3% delivered by a strong operational performance in ITV's Broadcasting, Global Content and Online businesses.

- ITV Family net advertising revenue ("NAR") was up 1% and viewing share up 2.5%. ITV Family share of commercial impacts was flat at 41.4% (2007: 41.4%) with ITV1 down 5.1% (2007: down 5.9%).
- Global Content revenues (including internal) were up 3% with external revenues up 30%.
- Online revenues were up 6% with ITV sites delivering 50 million online video views over the period and itv.com unique users averaging 6 million per month.

The reduction in operating EBITA reflects, in particular, the first half weighting of ITV1 sports costs (up £29m compared to 2007) primarily due to Euro 2008, as indicated in the Interim Management Statement in May. Over the full year, the ITV1 network programme budget will be held at its 2007 level and this effect will reverse.

Current trading

ITV estimates that total TV NAR for the eight months to August will be down 1% year-on-year, with ITV NAR flat. On current estimates, the television advertising market has weakened in September, where tough year-on-year comparisons apply, given the Rugby World Cup in 2007. ITV estimates that ITV NAR for September will be down 20% with the total market down 17%. Whilst ITV has limited visibility on advertising revenues beyond September, ITV expects to outperform the total market over the full year.

Goodwill impairment

As a result of reduced advertising market forecasts for 2008/09 and in accordance with IAS 36, an impairment loss against Broadcasting goodwill has been recognised. A non-cash impairment charge of £1,600 million is included in operating costs in the income statement. The goodwill arose from acquisitions in 2000 and 2004 leading to the creation of ITV plc.

Dividend

In view of the uncertain economic outlook and the Company's decision to maintain the investment in programming to deliver the Turnaround Strategy, the interim dividend has been set at 0.675 pence per share. The level of the final dividend will be considered in the light of second half trading and the economic outlook. The Company's policy remains to deliver dividend cover of 2 to 2½ times over the medium term.

Turnaround Strategy

The Board has reassessed the Turnaround Strategy with management in the light of the weaker advertising and economic outlook. The Board remains confident that the Turnaround Strategy will deliver sustainable, long-term growth and is therefore maintaining its investment in programming. However, given the market uncertainty, ITV is revising its Global Content and Online targets:

- In Global Content, ITV is seeking to grow its annual revenues (including internal), through organic growth and acquisition, to a run-rate of £1 billion by the end of 2012. The previous target was to double revenues to £1.2 billion by 2012.
- In Online, ITV is seeking to grow its annual revenues to a run-rate of £150 million by the end of 2012. The change to the previous target of £150 million online revenues by 2010 also reflects regulatory delay to the planned Kangaroo service. We expect to meet the revised online target without relying on substantial acquisitions.

ITV's Broadcasting target of an ITV Family share of commercial impacts of at least 38.5% in 2012 is unchanged. In addition, ITV had previously set a group revenue target of 3-5% compound annual growth to 2010. With Broadcasting revenues accounting for 80% of overall revenues, group revenue growth will be largely dependent on television advertising market growth.

Cost savings

The Company is today publishing a new target of achieving a £35 million run-rate of additional cost savings by the end of 2010. ITV is already on track to deliver £41 million in savings by the end of 2008 and £40 million of additional regional savings from the end of 2009.

Debt and liquidity

The liquidity position of the Company remains strong and has been strengthened further since the end of the half year. In July, ITV raised £110 million from an issue of Eurosterling bonds with a maturity date of 20 March 2013. The company has also secured a further £200 million of 5 year committed bi-lateral financing. Net debt at 30 June 2008 stood at £663 million, down £5 million on 31 December 2007.

Michael Grade, Executive Chairman of ITV, said:

"Almost a year into the Turnaround Strategy, we have made considerable operational progress. With more viewers watching more ITV programmes, we are delivering greater value for advertisers. We have out-performed the market in terms of advertising revenues and viewing share. Our Global Content business is growing strongly and our presence online is strengthening, notwithstanding the delay in launching Kangaroo.

“Whilst our visibility on advertising revenues beyond September is limited, with a strong schedule in place for the rest of the year and planned for 2009, we are confident that we will continue to outperform.

“However we cannot control the economic environment in which we operate. As a result of the recent slowdown in the television advertising market, the Board has taken some tough decisions which are reported here today.

“We are implementing a new cost efficiency plan which will deliver £35 million in additional annual savings by the end of 2010. We are taking a £1,600 million impairment charge on Broadcasting goodwill and we are adjusting the turnaround targets for Global Content and Online. We continue to work with regulators, making the case for an urgent reduction in ITV’s regulatory burden.

“In the light of the uncertain economic outlook and the importance of maintaining programming investment, the Board has also reduced the level of the interim dividend to 0.675 pence per share.

“The Board’s confidence in the Turnaround Strategy is reflected in the decisions we have announced today. In particular, we are committed to maintaining investment, notwithstanding the cyclical downturn. By holding our focus on delivering the Turnaround Strategy, we are confident ITV will be strongly positioned to grow as the economy recovers.

“ITV’s long-term goal remains to create greater value for shareholders in the digital world from our position as the UK’s favourite source of free entertainment.”

Enquiries

ITV plc

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Notes:

1. ITV Family includes ITV1, ITV2, ITV3, ITV4, CITV, GMTV, GMTV2 and associated “+1” channels
2. All viewing and commercial impact figures based on BARB / Infosys data for January-June 2008 and 2007. Viewing share figures are for all individuals; commercial impact figures are for all adults.
3. NAR forecasts are based on ITV estimates.