



**2003 interim results presentation**

**21 May 2003**



# Michael Green

Chairman



# Introduction

## *ITV ...*

- Audiences - up
- Value for advertisers - up
- Total advertising revenue - up
- Cost effectiveness - up

## *Carlton ...*

- Continuing cost control
- Focus on profitability
- Merger progressing

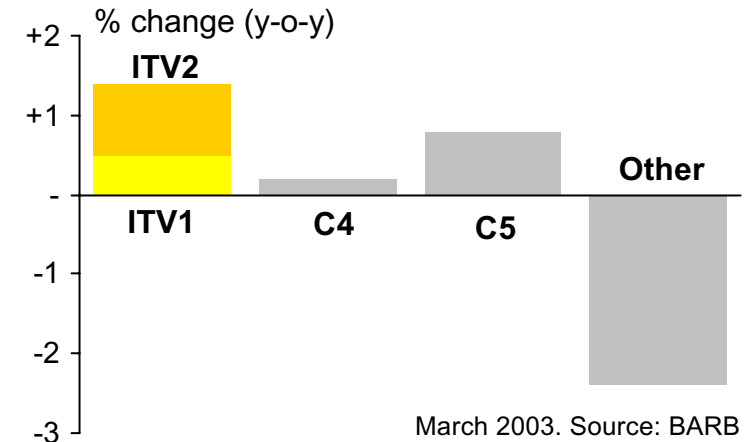


# ITV

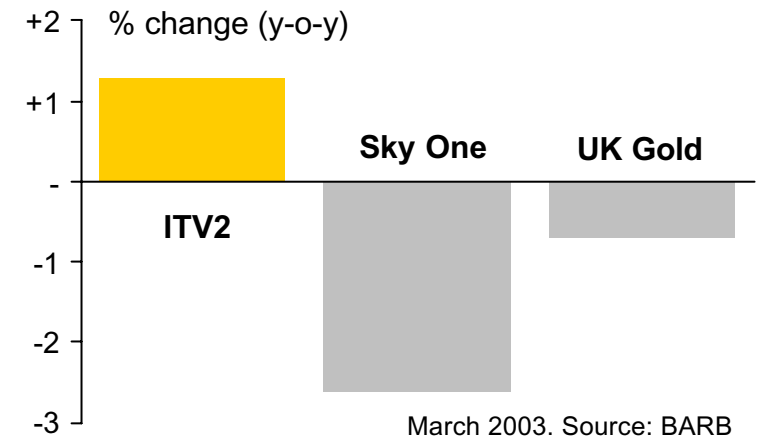
## *Ratings improvement continues*

- ITV1 cal Q1 2003 peak share of 32.4%
  - 5% ahead of BBC1
- ITV2 peak share of 1.5% (H1 02: 0.9%)
- Commercial share in peak up

## Commercial share in peak (all homes)



## Commercial share in peak (mc homes)

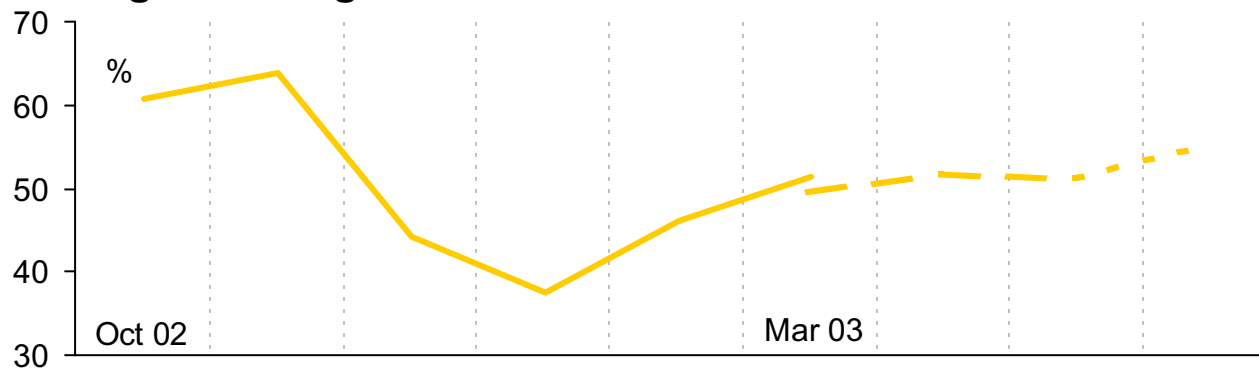


# ITV

## *More effective programme investment*

- Schedule spend per commercial impact lower than expected
- Focus is on programme profitability
- Investment now managed on monthly basis
- Currently expect at least a £10m reduction in Carlton's share
  - To around £320m (previous forecast was £333m)

**ITV1 gross margin**



Source: Carlton



# ITV

*Freeview is good for ITV*



Freeview	54.5%	4.1%	<b>58.6%</b>
Cable & sat	39.5%	2.7%	<b>42.2%</b>
All homes	51.2%	1.6%	<b>52.8%</b>

Peak time commercial share during March 2003

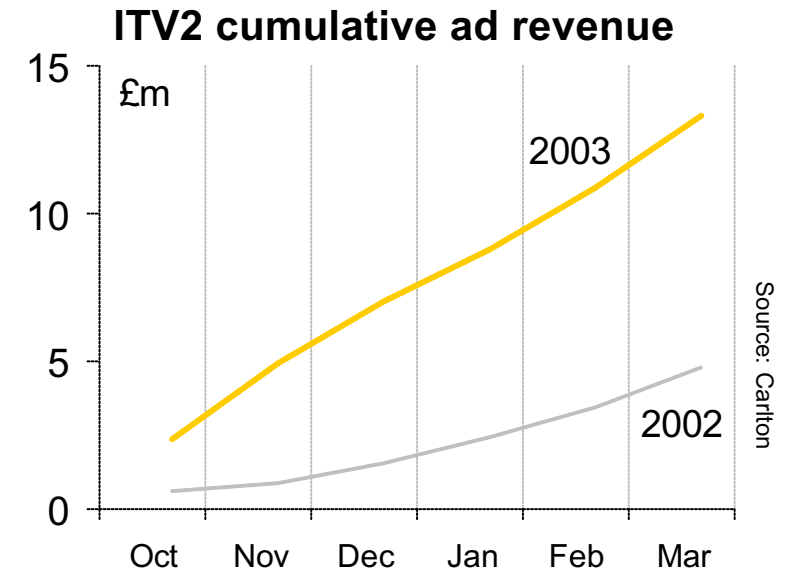
Source: BARB




# ITV

## *Total advertising revenue up*

- **ITV1 stable**
  - Little impact from the Iraq War
  - Easter outside H1
- **ITV2 quadrupled**
- **Combined ad revenue up 1.2%**



## **Top 5 performing categories**



Financials	+ 44%
Supermarkets	+ 24%
Cosmetics & pharma	+ 17%
Holidays & travel	+ 13%
Household goods	+ 9%

Source: Carlton



# ITV

## *Exploiting the red button*

- ITV Interactive created
- Interactive agreement with BSkyB
- *Millionaire* ... sponsorship
- Commercial partnership with Sportech
- *Celebrity* ... voting and gaming
  - 8m votes in total
  - 2.8m attempted interactive votes
- Interactive advertising



# ITV

## *Licence fees are reducing*

- Digital penetration reducing payments
  - £8m additional benefit in H1 2003
- Licence renewal opportunities
  - 2005: Carlton, HTV & Westcountry
  - 2007: Central
  - 2002 payments: Carlton, HTV & Westcountry (£63m), Central (£38m)
- Five's renewal terms encouraging
- ITV2 pays no 'super-tax'



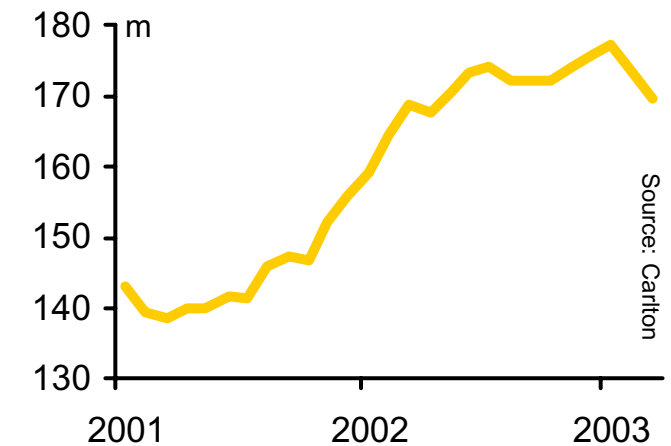
# Screen advertising

## *A growth business*

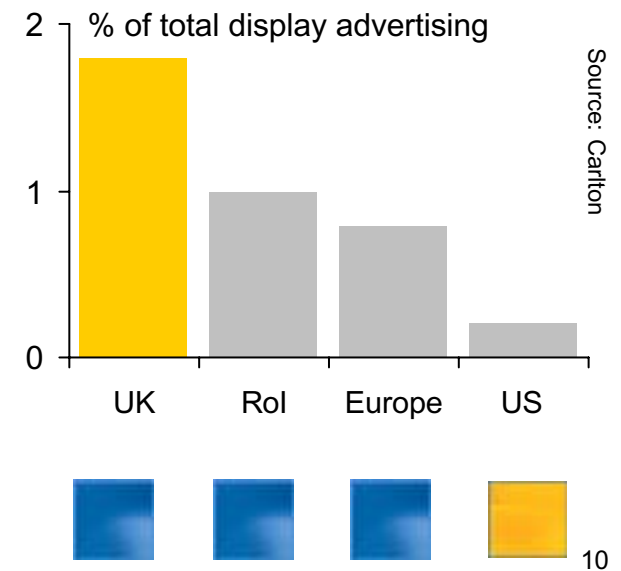
- Carlton Screen Advertising (100% owned)
  - Revenue up 15% to a record £37m
  - Complete inventory sold in December
- Screenvision US (50% owned)
  - Revenue up 72% to £27m\*
  - Now profitable
- Screenvision Europe (50% owned)
  - Revenue of £23m\*
  - Integration work continues

\* 100%

### UK Cinema admissions (MAT)



### Cinema share of display



# Content

## *Focus on profitability*

### ■ Carlton International

- Successful slate of US TV movies
- *Thunderbirds* film in production
- Ending of high-volume low-margin distribution deal



### ■ Carlton Productions

- Full year revenue expected to be similar to last year
- Delivery of major drama productions H2 weighted
- *Fortysomething*, *Making Waves* and *Sweet Medicine*
- Unprofitable activities ceased

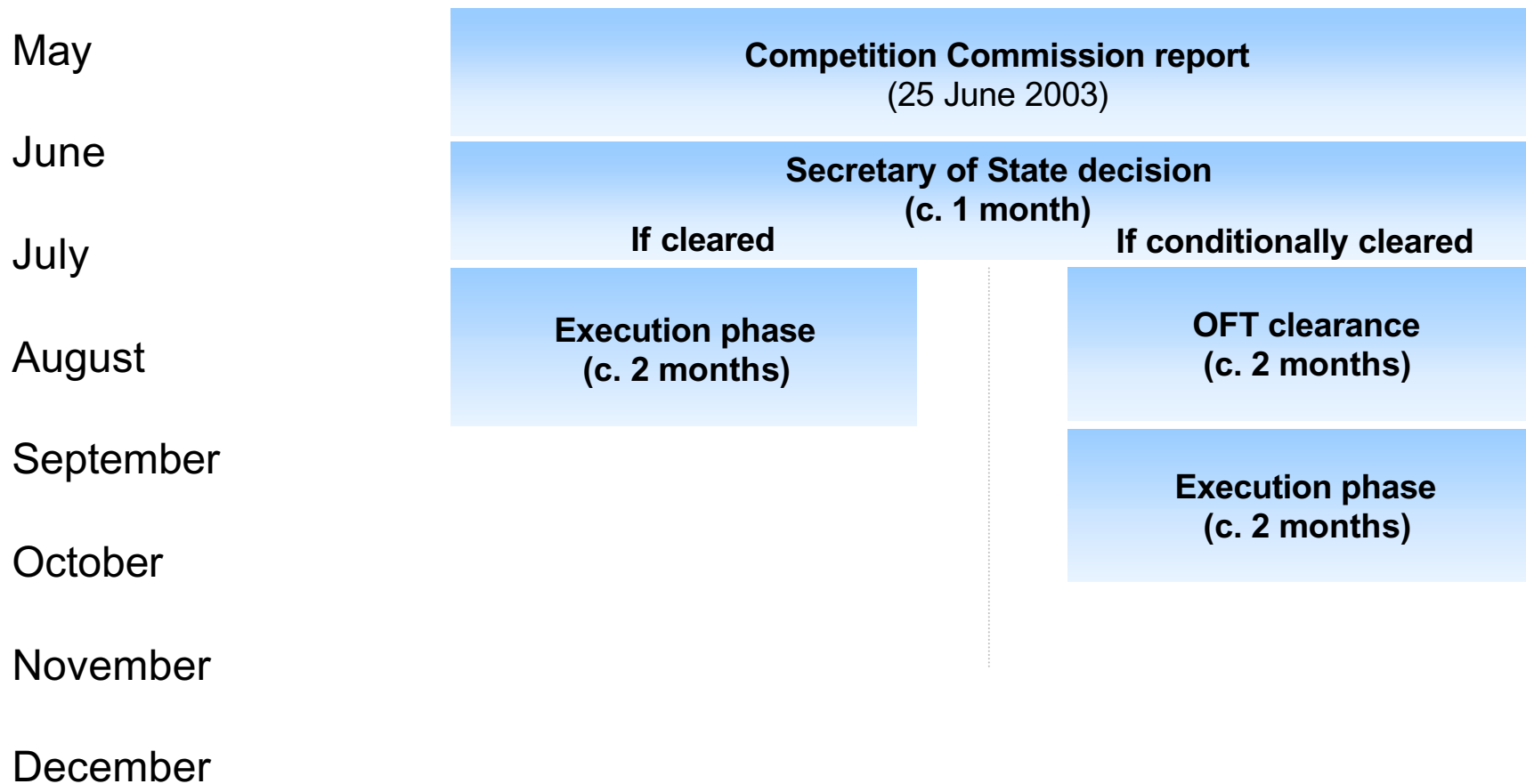


# Continuing cost control

- £6m saving in H1 2003
  - Reducing overheads and fixed costs
- Additional savings expected by end of current year
  - FY P&L benefit of £12m
  - Run-rate of £17m pa
- Pressure on costs will continue



# Estimated merger timetable



# Paul Murray

Finance Director



# Continuing businesses

£m	H1 2003	H1 2002	Change
Total turnover	509	525	- 3%
EBITDA	47	44	+ 8%
<b>EBITA</b>	<b>37</b>	<b>33</b>	<b>+ 13%</b>
JVs and associates	3	(5)	
Investment income	2	-	
<b>Total EBITA</b>	<b>42</b>	<b>28</b>	<b>+ 50%</b>
Net interest	(6)	(9)	
<b>Pre-tax profit</b>	<b>37</b>	<b>20</b>	<b>+ 86%</b>

Before amortisation and exceptional items



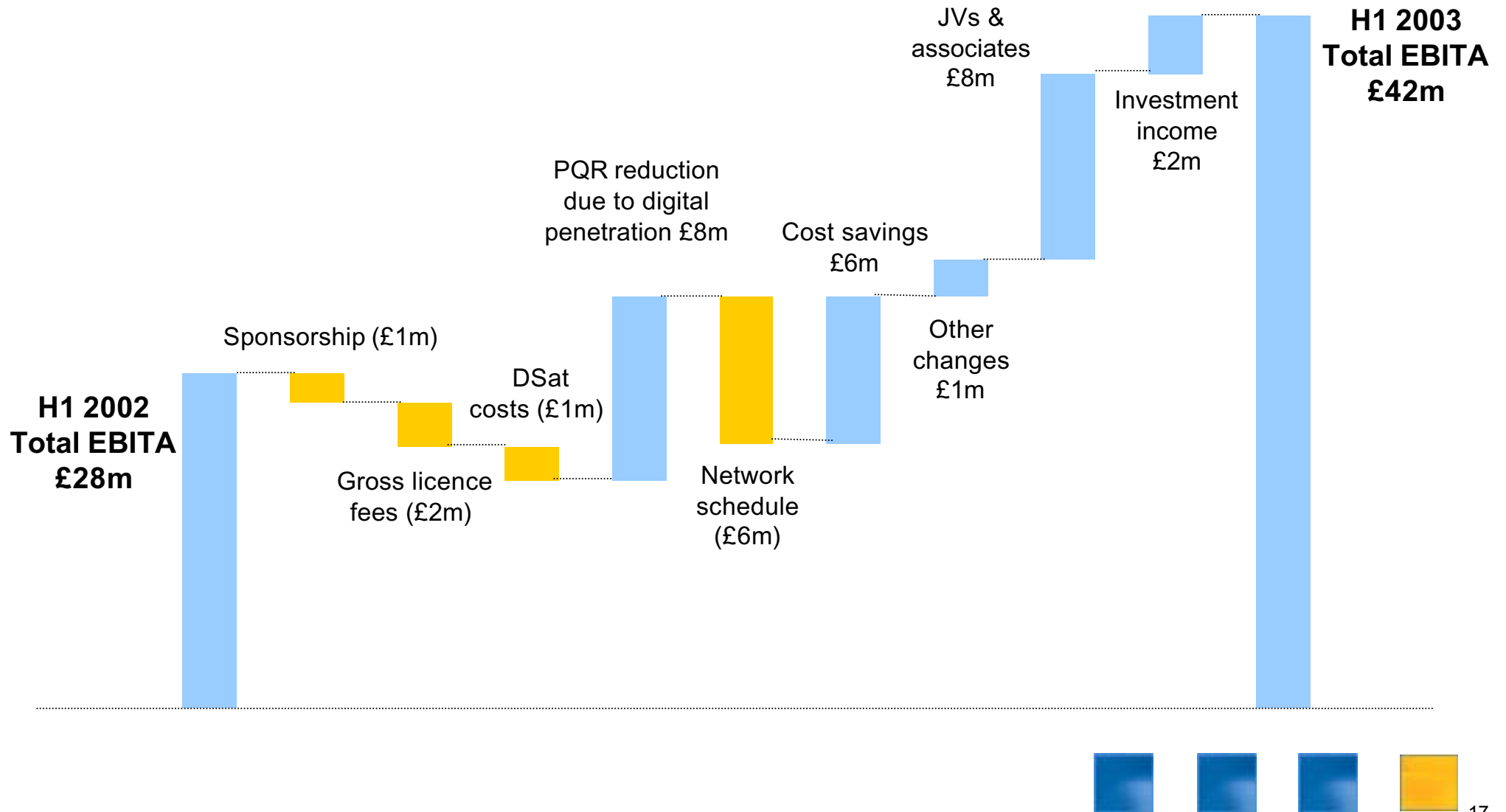
# Continuing turnover breakdown

£m	H1 2003	H1 2002	Change
Broadcasting	370	376	- 2%
CSA	37	32	+ 15%
Content	67	94	- 29%
Share of JVs	35	22	+ 59%
<b>Total turnover</b>	<b>509</b>	<b>525</b>	<b>- 3%</b>

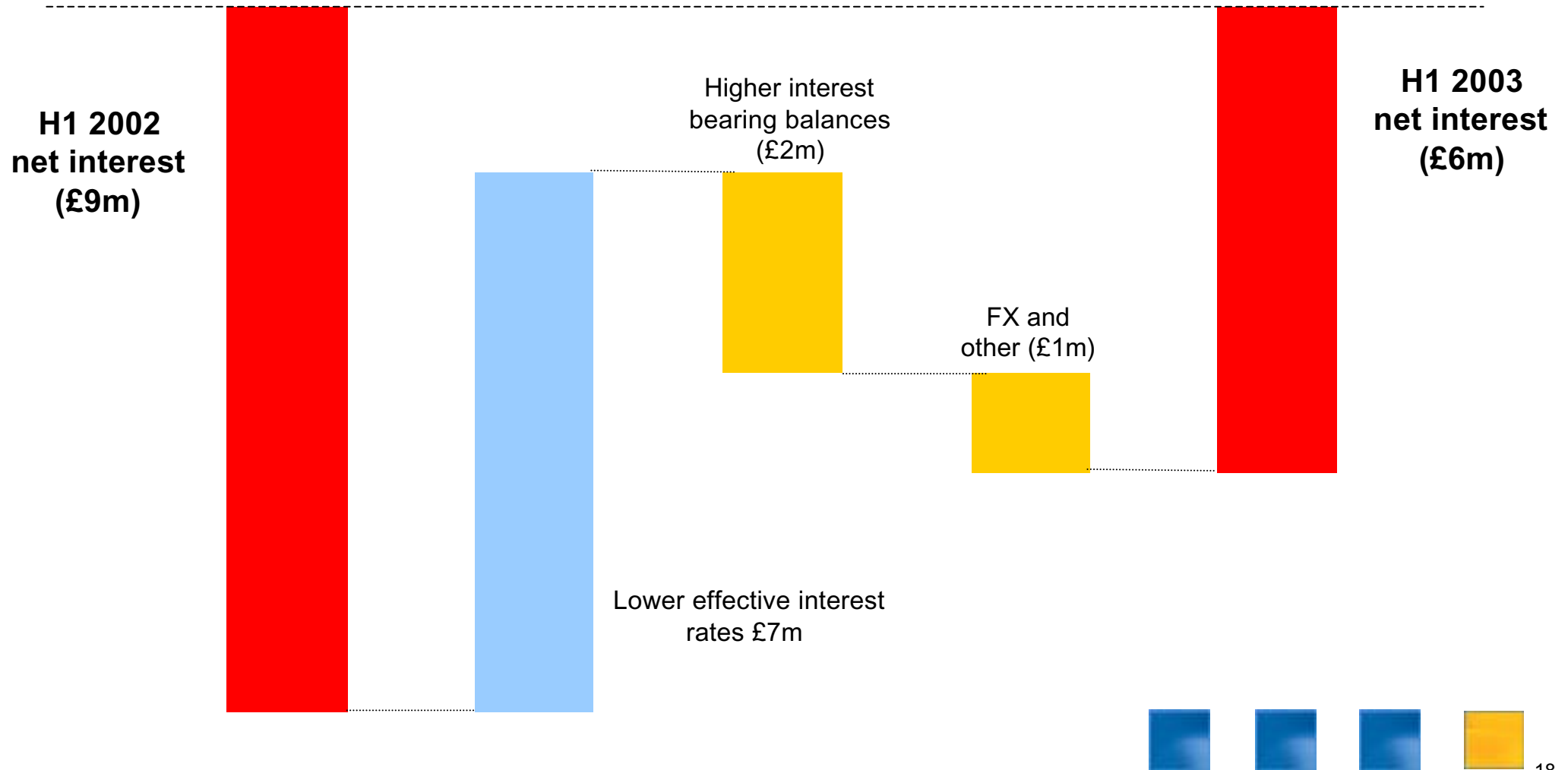
'Broadcasting' excludes Carlton Screen Advertising



# Continuing total EBITA reconciliation



# Net interest cost update



# Reported pre-tax profit

£m	H1 2003	H1 2002	Change
<b>Total EBITA</b>	<b>42</b>	<b>28</b>	<b>+ 50%</b>
Net interest	(6)	(9)	
<b>Pre-tax profit</b>	<b>37</b>	<b>20</b>	<b>+ 86%</b>
Total amortisation	(9)	(13)	
Exceptional items	(1)	(4)	
<b>Continuing operations</b>	<b>26</b>	<b>3</b>	
Discontinued – Operating loss	-	(102)	
– Exceptional items	11	(81)	
<b>Reported pre-tax profit</b>	<b>37</b>	<b>(179)</b>	

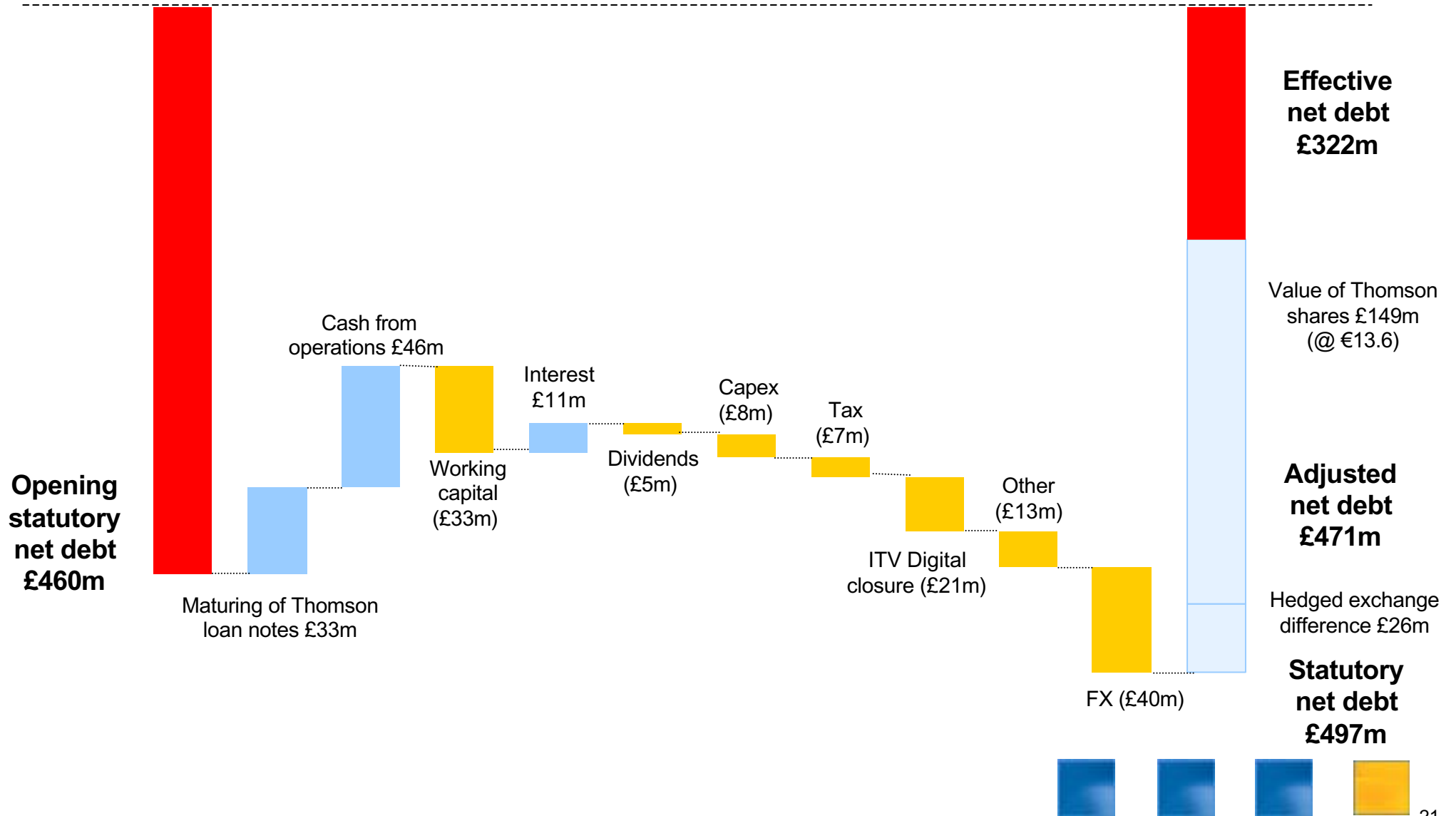


# Earnings and dividend per share

£m	H1 2003	H1 2002
Profit before tax, amortisation and exceptionals	37	20
Tax	(11)	(6)
Preference dividend	(5)	(5)
<b>Continuing earnings</b>	<b>20</b>	<b>9</b>
<b>Continuing EPS</b>	<b>3.0p</b>	<b>1.3p</b>
<b>Dividend per Ordinary share</b>	<b>2.0p</b>	<b>3.3p</b>



# Net debt reconciliation



# Summary

*A good six months ....*



- EBITA up by 50%
- ITV1 commercial share in peak up
- ITV2 a growing success
- Cost saving initiatives - £17m in a full year



# Appendix



# Analysis of combined ad revenue

	6 months to March	03-on-02 change	Contribution to growth rate
	Financials	+ 44%	+ 2.8%
	Cosmetics & pharmaceuticals	+ 17%	+ 1.7%
	Household goods	+ 9%	+ 0.8%
	Supermarkets	+ 24%	+ 0.7%
	Holidays & travel	+ 13%	+ 0.4%
	Other	n/a	- 0.4%
	DIY	- 20%	- 0.4%
	Non-food retail	- 9%	- 0.6%
	Government	- 18%	- 0.6%
	Home entertainment	- 13%	- 1.0%
	Food & drink	- 10%	-2.2%
	<b>Total growth rate</b>	<b>+ 1.2%</b>	<b>+ 1.2%</b>



Source: Carlton

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