



..... Pictured: Cold Feet returned to ITV after a 13 year hiatus and was the most watched drama on ITV in 2016 with an average of 8.2 million viewers across the series.



## Strategic Priority 1:

Maximise audience and revenue share from free-to-air broadcast and VOD business

The media environment in which we operate is constantly changing and our Broadcast business remains strong, adaptable and ready to take advantage of the opportunities that arise. ITV, through its commercial channels, offers unique scale and breadth reaching around 80% of the television owning population every week. At the same time, the ITV Hub, the digital home for all our channels and services, is growing rapidly helped by the significant growth in audience appetite for Video on Demand (VOD).

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# Strategic Priority 1 continued



As a result there continues to be significant demand for advertising on our family of broadcast channels and on the ITV Hub, which generates substantial profit and cash to reinvest across ITV. Additionally, as an integrated producer broadcaster, our channels provide an important platform to showcase ITV Studios content, providing it with a proven track record before exploiting it internationally.

### Remaining responsive to a changing media environment

Traditional linear television viewing remains resilient despite significant changes in the market and in the availability and delivery of content. On average viewers watch 212 minutes of television a day, which is a similar level to 216 minutes in 2015. The majority of television viewing is live at an estimated 81% as television continues to have the power to bring audiences together. VOD is growing rapidly although it still only accounts for 7% of total viewing. Meanwhile, PVR viewing, at 12%, has remained relatively constant over the last few years.

Three key attributes lie at the heart of ITV's successful Broadcast proposition: its first class distribution and reach across broadcast and OTT platforms; owning the rights to high-quality, must have content,

for all key audiences; and providing advertisers with creative access to the biggest and most effective marketing platform in the UK.

### Strong viewing and online performance

ITV performed strongly on-screen in 2016 with main channel SOV up 3% and ITV family SOV up 1% with programmes supplied by both ITV Studios and independent producers. We aired seven out of the top ten new dramas; the most watched soap in Coronation Street; the most watched sporting event in England vs. Iceland, during the 2016 European Football Championships and the most watched current affairs programme with our coverage of the EU Referendum Debate. On-screen successes included a range of new dramas, such as Victoria, The Durrells, Marcella and the return of Cold Feet. Our sporting schedule has performed strongly, particularly the Six Nations Rugby Championships and the European Football Championships, as has our daytime schedule including Good Morning Britain, This Morning and Loose Women. We also continue to drive significant audiences with Coronation Street and Emmerdale, which are the two largest soaps, and with our returning brands such as Vera, Endeavour, Britain's Got Talent, I'm a Celebrity... Get Me Out Of Here!, Saturday Night Take Away, The Chase and Tipping Point.

We continue to target key demographics through our digital channels and the ITV Hub and have seen a very significant increase in our younger audiences, with 16-34 SOV up 25% on ITV2 helped by the successful launch of American Dad and Family Guy as well as the return of Love Island.

ITV3 and ITV4 have not performed as well as we had hoped. ITV3 was impacted by the launch of new free digital drama channels and the allocation of some of our programming exclusively to ITV Encore, and ITV4 was affected by the loss of the Europa League and the Champions League. Improving their performance is a focus for 2017.

Looking ahead we believe that around £1 billion is the appropriate programme budget for ITV's family of channels to ensure we continue to deliver standout content that drives the scale and breadth of the audiences that advertisers demand.

The programme budget will be £25 million lower in 2017 than 2016 at around £1,025 million due to the absence of a major sports tournament. We have a strong slate across key genres including new programmes The Halcyon, Good Karma Hospital, Prime Suspect 1973, Lethal Weapon, Little Big Shots, The Voice, The Voice Kids, Dance Dance Dance, 5 Gold Rings, The Nightly Show and horse racing, and returning programmes including Victoria, Cold Feet, Broadchurch, Unforgotten, Safe House, I'm A Celebrity... Get Me Out Of Here!, Britain's Got Talent, Saturday Night Takeaway, The Chase and the Six Nations Rugby Championships.

### The ITV Hub one year on

ITV's online business has grown rapidly over the last few years and is contributing meaningful revenue to the Group, growing the overall ITV audience and advertising revenues. The ITV Hub, which was launched last year, was a major step forward in the quality, innovation and ease of use of ITV's online services. It is now available on 27 platforms, the app has been downloaded over 23 million times and it has 17 million registered users. It drives very significant volumes of viewers both for simulcast viewing and catch up and is growing faster than the BBC iPlayer. Long-form video requests continue to grow strongly up 24% with over 1 billion requests made in 2016. Online viewing consumption, which measures how long viewers are spending online, increased 42%.



Pictured left to right: Celebrity Juice is a celebrity comedy programme in its 16th series on ITV2; When Ant & Dec Met the Prince was watched by 7.7 million viewers and had a 28% SOV.



The ITV Hub also helps ITV reach valuable younger audiences. Over 50% of the UK's 16-24 year old population are registered users of the ITV Hub as younger audiences increasingly use it for simulcast viewing as well as catch up. Programmes such as ITV2's very successful Love Island, delivered record VOD viewing via the ITV Hub.

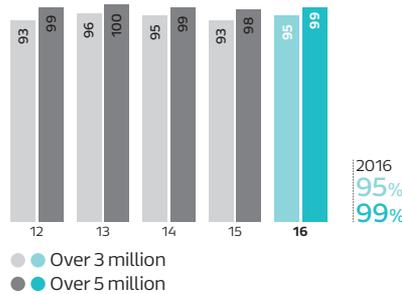
The ITV Hub is more than a catch up TV service. In 2016, it featured previews and premieres, such as Marcella and The Secret, as well as original commissions around the European Football Championships. Looking to 2017, there will be more short and long-form original content, including The V Room, The Voice's switchover show as well as content from AwesomenessTV, the global youth brand we have formed a partnership with for exclusive UK television and VOD rights.

We will also be using the insight we gain from our 17 million registered users to develop more targeted advertising on the ITV Hub and to increasingly drive viewing through personalisation.

**ITV's strong advertising proposition driven by our unique offering**

While political and economic uncertainty has led to more cautious behaviour by advertisers, ITV's unique ability to deliver mass audiences, as well as more targeted demographics across the family of channels and the ITV Hub, has enabled us to again increase our SOB to 47.4%. In 2016 ITV delivered 99% of all commercial audiences over five million and 95% of all audiences over three million. SOV provides an overall measure of viewing performance, but because advertisers are buying scale and breadth of audience, SOV is not necessarily a direct indicator of advertising performance.

**ITV Commercial Audiences**



Television remains the most efficient and effective advertising medium for advertisers to achieve mass simultaneous reach and, as viewing and advertising becomes more fragmented, the scale of advertising that television, and particularly ITV, delivers becomes increasingly valuable. The cost of advertising is similar to 2004 levels and, compared to many other advertising media, it remains good value, especially given the reach and scale it delivers.

**Maximising the value of our airtime and our brands**

ITV is also focused on maximising the value of its airtime and driving new revenue streams through sponsorship, interactivity and branded content. ITV utilises the core assets of its strong brand and reputation, unique commercial relationships and quality production capability to deliver a wide variety of marketing solutions. We have developed many innovative sponsorship and licensing deals including: Aunt Bessies for I'm A Celebrity... Get Me Out Of Here!; Domino's Pizza for The Voice and William Hill for ITV Racing. We have also produced branded content solutions with our new service ITV AdVentures for a number of customers, including Suzuki in Saturday Night Takeaway, Matalan and I Am TeamGB.

**Developing ITV's digital broadcast assets**

Live television continues to demonstrate a growing relevance as viewers increasingly connect through social media. To drive viewing and enhance engagement with our content, we are further developing our social media assets across our international portfolio of programmes. We have 147 YouTube branded channels delivering over 14 billion views, 32 million Facebook followers, 22 million Twitter followers and 28 programme apps including Love Island, Dance, Dance, Dance, I'm A Celebrity... Get Me Out Of Here!, horse racing and The Voice. Our digital engagement has grown significantly and in 2016 we received around 100 million votes across our entertainment shows primarily via our programme apps.

**2017 and beyond**

We remain committed to our integrated producer broadcast model, and key to that is maintaining the strength and scale of our Broadcast & Online business. We have started the year well with main channel SOV up 4% and ITV family SOV up 3% for the first six weeks of 2017.

As the viewing and advertising landscape continues to fragment, the scale of our linear audiences become increasingly valuable and we will also continue to drive significant and growing value from our digital assets, most significantly the ITV Hub.

We expect ITV NAR to be down 6% over the first four months of 2017, impacted by the current economic uncertainty, although over the full year we expect to again outperform our estimate of the television advertising market.