

ITV Interim results for the period ended 30 June 2023

Good strategic progress and strong execution; financial performance as expected with ITV Studios revenues up 8% and digital revenue up 24%

Carolyn McCall, ITV Chief Executive, said:

“The continued momentum behind ITV’s strategic transformation delivered strong growth in Studios and Digital revenues in the first half of the year, largely offsetting the expected weakness in the UK advertising market - with total revenue declining just 1% in H1, even in a very tough advertising market.

“ITV Studios increased revenue by 8%, reaching £1 billion in H1 for the first time with strong and growing global demand for ITV’s content.

“ITVX drove an increase in digital revenue of 24%, ahead of plan, supported by a step change in our viewer metrics - with more viewers watching more content and staying longer.

“ITV maintained its strength in linear in a challenging advertising market. Looking forward we see a more encouraging outlook as advertisers build their campaigns around the large streaming and linear audiences expected to be drawn to the Women’s World Cup, the Rugby World Cup and the eagerly anticipated return of Big Brother.

“We remain on track to achieve all our KPI targets which gives us confidence we will deliver at least £750m of digital revenue by 2026. As we said at the full year results in March, 2023 is the year of peak net investment in our streaming business and we expect profit to grow from here.”

Group Financial highlights - performance as expected with growth in ITV Studios and M&E digital revenue

Total external revenue was down 2% at £1,639 million, with growth in ITV Studios and digital revenues largely offsetting the decline in linear advertising revenues

- Total ITV Studios revenue up 8% to £1,000 million, driven by the UK
- Media & Entertainment (M&E) revenue down 9% at £964 million, with total advertising revenue (TAR) down 11% as guided. Within this, digital advertising revenue was up 24% to £179 million
- Group adjusted EBITA was down 52% at £152 million, as expected. This reflects the challenging advertising market and the planned investment in ITVX. Adjusted EPS¹ was down 62% at 2.3p
- EBITA² was £133 million (30 June 2022: £295 million). Statutory profit before tax was £45 million (30 June 2022: £219 million) and statutory EPS was 1.0p (30 June 2022: 4.8p)
- The Board has declared an interim dividend of 1.7p (30 June 2022: 1.7p) and remains committed to paying a total dividend of at least 5p for the full year, which is expected to grow over time

ITV Studios – good performance as we continue to see strong global demand for ITV’s content

- Strong revenue growth of 8%, ahead of the market with an industry leading adjusted EBITA margin¹ of 13%, which is within our target range
- Studios KPI performance in the first half as expected and remains on track to deliver targets:
 - 109 high-end scripted hours, which is down over the first half as a result of the phasing of deliveries (30 June 2022: 133 hours). Scripted revenue per hour has increased year on year in H1. Over the full year, high-end scripted hours are expected to be up year-on-year, based on the current delivery plan.
 - 9 formats were sold in three or more countries, as our programmes continue to travel, including The Voice; Love Island; My Mum, Your Dad; and Come Dine With Me (30 June 2022: 9 formats). Over the full year, we expect this to be broadly in line with 2022
 - Percentage of total Studios revenue from streaming platforms grew to 27% with commissions or development deals with most of the major streamers (30 June 2022: 19%)
- ITV Studios has a high level of committed revenues for the full year of 89% (2022: 90%), supported by a strong pipeline of new and returning programmes
- Successful integration of recent acquisition, Plimsoll Productions. Original commissions such as A Year on Planet Earth on ITVX and ITV1 and Big Beasts on AppleTV+ have been delivered

Notes:

1. Reconciliation between adjusted and statutory results is provided in the APM section
2. Statutory operating profit before interest, tax, amortisation and exceptional items

Media & Entertainment (M&E) – ITVX is driving a step change in key viewing metrics and strong growth in digital advertising revenue, up 24%

- M&E financial performance is as expected with revenue down 9% at £964 million reflecting the impact of the challenging advertising market, with TAR down 11% as guided
- ITVX's strong performance has continued. The planned investment in content is attracting increased users, who are watching more and staying for longer compared to ITV Hub in 2022. Monthly active users were up 29% to 12.5 million and total streaming hours increased 33% to 737 million hours driving strong growth in digital revenues up 24% to £218 million
- Planet V, continues to see strong demand for data-driven, targeted advertising benefitting from the increased scale of online inventory on ITVX driving digital advertising revenue up 24% in H1 to £179 million
- We have maintained our unique position in linear through the quality and breadth of our schedule with:
 - 33.6% share of commercial viewing (SOCV) (2022: 33.7%) and
 - 93% of top 1,000 commercial broadcast TV programmes (2022: 94%)
- M&E adjusted EBITA³ was £23 million as expected, reflecting the challenging advertising market and the planned investment in ITVX (30 June 2022: £194 million)

Outlook

ITV Studios:

- We expect ITV Studios to deliver at least 5% average organic revenue growth per annum to 2026, having grown organically at 8% on average for the 18 month period from 1 January 2022 to 30 June 2023. We expect to grow ahead of the market as we continue to strengthen the business, against the background of strong global demand for our content. In 2023, we are on track to deliver mid-single digit revenue growth, ahead of the market
- We are committed to maintaining an adjusted EBITA margin for ITV Studios of 13% to 15% over the period to 2026. As previously guided, we expect the margin to be at the lower end of the range in the shorter term as a result of the current inflation in the production market

Media & Entertainment

- With the successful performance of ITVX, we remain confident in delivering **at least** £750 million of digital revenues by 2026
- We are looking forward to the second half of 2023 with the Women's Football World Cup, the Rugby World Cup and Big Brother, all set to draw large broadcast and streaming audiences
- Compared to the same period in 2022, TAR is expected to be down 4% in July 2023 and up 7% in August. It is too early to give a forecast for September but early signs are positive and we expect to see growth in TAR in Q3, with continued strong growth in digital advertising revenues

We remain committed to delivering £15 million of permanent cost savings in 2023 as part of our previously announced £50 million cost saving target between 2023 and 2026. £11 million of this was delivered in H1. This is in addition to the £106 million cost programme delivered between 2018 and 2022.

ITV has made really good strategic progress in the first half of 2023 driven by strong execution and we enter the second half of the year with real momentum and are on track to deliver all our KPI targets by 2026.

While linear will continue to have an important role in the advertising mix, by 2026 we expect around two-thirds of ITV's total revenues to come from our growth drivers – ITV Studios and M&E digital revenues. This is expected to drive increased profits from 2023, which is the year of peak net investment in our streaming business.

Our balance sheet is robust which enables ITV to invest behind our strategic priorities and deliver returns to shareholders in line with our capital allocation policy.

Virtual Results presentation webcast and Q&A:

ITV's virtual results presentation and Q&A session will be held for investors and analysts at 8.30am today via the following link: <https://www.investis-live.com/itv/649ef2349b8a600d00429159/wtrth> You are now able to pre-register to join.

If you would like to ask a question, you will be able to do so via the following Conference Call details:

- United Kingdom (Toll-free): 0800 358 1035
- United Kingdom (Local): 020 4587 0498
- All other locations: +44 203 936 2999
- Participant access code: 792583 – Participants will be greeted by an operator who will register their details.

Notes:

3. Refer to APMs for key adjustments to EBITA and adjusted EBITA

Notes to editors

1. Unless otherwise stated, all financial figures refer to the 6 months ended 30 June 2023, with the change compared to the same period in 2022.
2. Group financial performance
We measure performance through a range of metrics, particularly through our alternative performance measures and KPIs, as well as statutory results, all of which are set out and defined in this report. Please refer to the APMs for a reconciliation between adjusted and statutory results.

6 months to 30 June	2023 £m	2022 £m	Change £m	Change %
ITV Studios total revenue	1,000	927	73	8%
Total advertising revenue	811	910	(99)	(11%)
M&E non-advertising revenue	153	155	(2)	(1%)
M&E total revenue	964	1,065	(101)	(9%)
Total group revenue	1,964	1,992	(28)	(1%)
Internal supply	(325)	(313)	(12)	4%
Group external revenue	1,639	1,679	(40)	(2%)
ITV Studios adjusted EBITA ⁴	130	127	3	2%
M&E adjusted EBITA	23	194	(171)	(88%)
Adjusted EBITA	153	321	(168)	(52%)
Unrealised profit in stock adjustment	(1)	(3)	2	67%
Group adjusted EBITA	152	318	(166)	(52%)
Group adjusted EBITA margin	9%	19%	—	(10% pts)
Statutory operating profit	66	228	(162)	(71%)
Profit before tax (adjusted)	118	301	(183)	(61%)
Adjusted EPS	2.3p	6.0p	(3.7p)	(62%)
Statutory EPS	1.0p	4.8p	(3.8p)	(79%)
Net debt as at 30 June	(724)	(615)	(109)	(18%)
Reported net debt to adjusted EBITDA leverage (on a 12-month rolling basis)	1.2x	0.8x*		
Profit to cash conversion (on rolling 12 month basis)	88%	81%		

* As at 31 December 2022

3. **Total advertising revenue (TAR)**, which includes ITV Family NAR, AVOD and sponsorship was down 12% in May, down 10% in June, down 11% in Q2 and down 11% in H1. Going forward, TAR is forecast to be down 4% in July and up 7% in August. It is too early to give a forecast for September but early signs are positive and we expect to see growth in TAR in Q3 compared to the same period in 2022. Figures for ITV plc are based on ITV estimates and current forecasts.

Notes:

4. ITV Studios adjusted EBITA for 2022 has been restated to remove the unrealised profit in stock adjustment as this is an adjustment required on consolidation only

4. Key performance indicators

6 months to 30 June	2023	2022	Change %
Group adjusted EPS	2.3p	6.0p	(3.7p)
Cost savings	£11m	£11m	–
Profit to cash conversion (12-months rolling)	88%	81%	7% pts
ITV Studios total organic revenue growth	2%	15%	(13% pts)
<i>(ITV Studios average total organic revenue growth across 2022 and H1 2023)</i>	8%	–	–
ITV Studios adjusted EBITA margin %	13%	14%	(1% pt)
Total high-end scripted hours	109	133 hrs	(18%)
Number of formats sold in 3 or more countries	9	9	–
% of ITV Studios total revenue from streaming platforms	27%	19%	8% pts
Total digital revenue	218m	176m	24%
UK subscribers	1.4	1.4m*	–
Total streaming hours	737m	556m	33%
Monthly active users	12.5m	9.7m	29%
Share of top 1,000 commercial broadcast TV programmes	93%	94%	(1% pt)
Share of commercial viewing (SOCV)	33.6%	33.7%	(0.1% pt)
Total BritBox International subscribers	3.2m	3.0m*	7%

* As at 31 December 2022

- Total digital revenue includes digital advertising revenue and subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.
- UK subscribers captures total UK subscriptions to ITV streaming platforms and services (including free trials).
- Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes both ad-funded and subscription streaming. In H1 2022, total streaming hours was reported as 523 million hours, which included some estimates of total streaming viewing from third party data providers and has been updated to reflect more recently available and accurate data.
- Monthly active users captures the average number of registered users throughout the period who accessed our owned and operated on demand platforms each month.
- The share of top 1,000 commercial broadcast TV programmes KPI includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a 12-month rolling average to normalise seasonal scheduling
- ITV Family share of commercial viewing is the total viewing of audiences over the period achieved by ITV's family of channels as a proportion of all commercial broadcast TV viewing in the UK, from transmission and seven days post transmission on catch up. ITV Family includes ITV1, ITV2, ITV3, ITV4, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels
- % change for performance indicators is calculated on rounded numbers

5. This announcement contains certain statements that are or may be forward looking statements. Words such as "targets", "expects", "aim", "anticipate", "intend", or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting ITV. Although ITV believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. By their nature forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. They are not historical facts, nor are they guarantees of future performance; actual results may differ materially from those expressed or implied by these forward-looking statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements. These factors include, but are not limited to (i) the general economic, business, political, regulatory and social conditions in the key markets in which the Group operates, (ii) a significant event impacting ITV's liquidity or ability to operate and deliver effectively in any area of our business, (iii) a major change in the UK advertising market or consumer demand, (iv) significant change in regulation or legislation, (v) a significant change in demand for global content, and (vi) a material change in the Group strategy to respond to these and other factors. Certain of these factors are discussed in more detail elsewhere in this announcement and in ITV's 2022 Annual Report and Accounts including, without limitation, in ITV's approach to risk management.

Forward-looking statements speak only as of the date they are made and, except as required by applicable law or regulation, ITV undertakes no obligation to update any forward-looking statements, whether written or oral that may be made from time to time, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

6. The financial information set out above does not constitute the Company's statutory accounts for the period ended 30 June 2023. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered in due course. PwC has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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Operating and Financial Performance Review

Strategy

We have a clear vision for 2026. We aim to be the leader in UK advertiser-funded streaming and an expanding global force in content. We will be focused on three strategic pillars to ensure that ITV is best placed to capitalise on the opportunities presented by the rapidly changing viewing, content production and advertising environments:

- Expand Studios - Further expanding by genre, geography and customers and growing faster than market
- Supercharge Streaming - Driving digital viewing and revenue through ITVX and Planet V, ITV's leading addressable advertising platform
- Optimise Broadcast - Digitally transforming as we continue to attract commercial broadcast audiences of unparalleled scale

We have continued to strengthen our integrated producer broadcaster and streamer model during the period, for example by successfully integrating our recent acquisition Plimsoll Productions, and this gives us a real competitive advantage in achieving our vision. It provides ITV Studios with a base of core commissions and a significant promotional engine for its content and enables cross-promotion and 360-degree monetisation of this across our business models. It secures access to great content for ITV's channels, free ad-funded and subscription streaming businesses; and very importantly, it helps us attract and retain talent, which is so key in a creative business.

Executing our strategy effectively will further strengthen and diversify ITV, create a more valuable future facing digital media and entertainment company and deliver returns to our shareholders.

To support the delivery of our priorities and strategy, we have key performance indicators (KPIs) and related targets to be delivered by 2026 which we are making good progress against. The key to successfully delivering this strategy is digitally transforming everything we do. We will have a laser focus on viewers and every decision will combine our unique creativity with data-driven insight.

Group financial overview

We measure performance through a range of metrics, particularly through our alternative performance measures (APMs) and KPIs, as well as statutory results, all of which are set out and defined in this report. Please refer to the APMs for a reconciliation between adjusted and statutory results.

	2023 £m	2022 £m	Change £m	Change %
Six months to 30 June				
ITV Studios	1,000	927	73	8
M&E	964	1,065	(101)	(9)
Total Revenue	1,964	1,992	(28)	(1)
Internal supply	(325)	(313)	(12)	(4)
Total external revenue	1,639	1,679	(40)	(2)
ITV Studios adjusted EBITA	130	127	3	2
M&E adjusted EBITA	23	194	(171)	(88)
Adjusted EBITA¹	153	321	(168)	(52)
Profit in stock	(1)	(3)	2	67
Group adjusted EBITA	152	318	(166)	(52)
Group adjusted EBITA margin	9%	19%		(10% pts)
Statutory operating profit	66	228	(162)	(71)
Adjusted EPS (p)	2.3p	6.0p	(3.7p)	(62)
Statutory EPS (p)	1.0p	4.8p	(3.8p)	(79)

Total ITV revenue decreased by 1% to £1,964 million (2022: £1,992 million), with external revenue down 2% to £1,639 million (2022: £1,679 million). Total advertising revenue was down 11% as expected to £811 million (2022: £910 million), within which digital advertising was up 24% to £179 million (2022: £144 million). Total non-advertising revenue was up 7% to £1,153 million (2022: £1,082 million), including ITV Studios which was up 8% at £1,000 million (2022: £927 million). Despite the year-on-year decline in total revenue, it was the second-highest revenue in ITV's history.

Group adjusted EBITA decreased by 52% to £152 million (2022: £318 million), reflecting the challenging advertising market and planned investment in ITVX. ITV Studios adjusted EBITA increased by 2% to £130 million, at a margin of 13% (2022: 14%), and within our medium-term target range of 13% to 15%. M&E adjusted EBITA decreased by 88% to £23 million as expected, for the reasons noted above.

Notes:

1. Refer to APMs for key adjustments to EBITA and adjusted EBITA

Operating and Financial Performance Review continued

In the period, we delivered £11 million of cost savings across the business, which includes headcount savings from changes in our operating model in M&E and ITV Studios, property savings from our US Studios business, contractual renegotiations and a permanent reduction in some discretionary spend. We remain committed to delivering £15 million of permanent cost savings in 2023 as part of our previously announced £50 million cost savings target to be delivered between 2023 and 2026. This is in addition to the cumulative £106 million cost programme delivered between 2018 and 2022.

Total operating exceptional items were £27 million (2022: £31 million) which includes £17 million of acquisition-related expenses and £11 million of restructuring and transformation costs. This stems from the Group-wide commitment to reduce the overhead cost base, and includes restructuring and transformation programme costs to deliver our strategy (see note 2.2 of the financial statements for further detail).

Adjusted financing costs were down in the period at £9 million (2022: £12 million) largely due to higher returns on gilts and deposits. Statutory net financing costs were £19 million, up year-on-year (2022: £17 million) due to acquisition-related costs.

Our adjusted tax rate was 19.5% (2022: 19.3%) and the statutory effective tax rate was 2.2% (2022: 10%). The lower tax rate in the period was due to higher HETV tax credits and a proportionally lower profit before tax in the period compared to 2022. We expect the adjusted effective tax rate to be around 21% in 2023, and then move to around 25% over the medium term due to the increase in the UK statutory rate to 25% from April 2023.

Adjusted EPS for the six months was 2.3p (2022: 6.0p), with statutory EPS decreasing from 4.8p to 1.0p. See the Finance Review for further detail.

Our profit to cash conversion on a 12-month rolling basis (which is an APM) was 88% (31 December 2022: 75%, 30 June 2022: 81%). At 30 June 2023, our net debt was £724 million (31 December 2022: £623 million, 30 June 2022: £615 million). Our net debt to adjusted EBITDA on a 12-month rolling basis was 1.2x (31 December 2022: 0.8x, 30 June 2022: 0.7x).

We have good access to liquidity. At 30 June 2023, we had cash and committed undrawn facilities totalling £964 million, including total cash of £264 million (31 December 2022: £1,098 million, including total cash of £348 million, 30 June 2022: £1,375 million, including total cash of £575 million of which £50 million was restricted).

In line with our capital allocation policy, our priorities remain as follows: to invest organically in line with our strategic priorities; manage our financial metrics consistent with our commitment to investment grade metrics over the medium term; sustain a regular ordinary dividend which can grow over the medium term; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

The Board recognises the importance of the ordinary dividend to ITV shareholders. Reflecting its confidence in the business and its strategy, as well as the continued strong cash generation, The Board has declared an interim dividend of 1.7p (30 June 2022: 1.7p). The Board remains committed to paying a full year ordinary dividend of at least 5.0p for the full year, which it expects to grow over time, whilst balancing further investment in our strategy and our commitment to investment grade metrics over the medium term.

Social Purpose

During the period, we continued to amplify ITV's social purpose, raising awareness and inspiring positive change through the massive reach of our platforms, delivering against our four social purpose priorities: Better Health, Diversity, Equity and Inclusion, Climate Action, and Giving Back.

Better Health

Mental health – ITV ran several campaigns and initiatives during the first half including

- A new Britain Get Talking campaign encouraging parents and carers to talk to the young people in their lives about exam stress, reaching 25 million people. Launched in 2019, Britain Get Talking is the UK's most recognised mental health campaign, and is supported by Mind, YoungMinds and the Scottish Association for Mental Health (SAMH)
- A mental wellbeing campaign 'What Gets You Through', aimed at enabling young people to feel better able to cope with life's ups and downs, supported by CALM (Campaign Against Living Miserably)
- A 'Mental Health in the Media' conference which was attended by nearly 1,000 people engaging with topics including duty of care, mental health in advertising, mental health portrayals in storylines and supporting mental health in productions
- A new initiative to discourage online abuse, including an awareness-raising campaign supported by the Cybersmile Foundation, and a new training module for ITV show participants

Physical health - Our healthy eating campaign, Eat Them to Defeat Them, ran for a fifth consecutive year with over one million children eating more vegetables as a result of the campaign.

Operating and Financial Performance Review continued

Diversity, Equity and Inclusion (DEI)

Our DEI goal is to champion diversity through our mainstream content, create equitable opportunities at ITV and across the industry, and create an inclusive culture at ITV. We have many initiatives in place as we collaborate across and beyond ITV to implement the second phase of our Diversity Acceleration Plan and to help deliver our published diversity targets. These include:

- Diversity Commissioning Fund (DCF) which ring-fences £80 million of our existing content budget over three years to drive change towards racial and disability equity in TV production. DCF programmes in 2023 include Ellie Simmonds: Finding My Secret Family and Three Little Birds, a new drama by Sir Lenny Henry
- ITV Studios Disabled Writers in Development, which creates opportunities for Deaf, Disabled and Neurodivergent writers to develop their ideas
- Actively including accessibility and disability equity in ITV Studios productions. Saturday Night Takeaway embedded this from contributors to set design, including remodelling the set to include two visible ramps. We released audio descriptions of the contestants in the summer series of Love Island and created character audio descriptions for Nolly, Coronation Street and Trigger Point
- ITV's five colleague networks continue to support colleagues and shape ITV's culture and comprise around 1,800 colleagues

Climate Action

Net Zero - In addition to our Science-Based targets of a 46% reduction in Scope 1 and 2 emissions and a 28% reduction in Scope 3 by 2030, ITV has committed to the most stringent definition of Net Zero: a 90% reduction across all scopes by 2050. All business areas have a climate action plan in place, and we are engaging actively with our supply chain. ITV is tracking ahead of our targets through consolidation and efficiency measures across the business.

Governance and Disclosure - ITV is preparing a Climate Transition Plan aligned with the Transition Plan Taskforce framework, which will be published in Q1 2024, and reflects deeper integration of our Climate Action plan into the business.

On-screen - ITV continues to deliver against our Climate Content Pledge of increasing climate and nature-positive content through our shows, across all genres.

Giving Back

Soccer Aid for UNICEF took place in June 2023, with a number of supporting TV shows in the lead-up to the charity football match. £14.6 million was raised this year.

Duty of Care

ITV takes its responsibilities related to Duty of Care and Speaking Up very seriously, with significant focus from the Board and Management Board. We have robust and well established processes in place to support the physical and mental health of all of those who work for ITV or who help produce or take part in our shows. We also have processes in place which enable anyone who works with us to raise concerns confidentially or anonymously, and we will always respond to complaints made.

Following the significant media coverage concerning Phillip Schofield and This Morning, we have instructed Jane Mulcahy KC (Co-Head of Blackstone Chambers) to conduct an external review to establish the facts of the case. The scope of the review is governed by a set of publicly available terms of reference, which include determining whether the steps taken by ITV were appropriate and adequate in the circumstances. The review will include discussions with people involved, and consideration of relevant ITV records, including policies, procedures and processes and whether we need to change or strengthen any. The scope of the review also includes consideration of complaints raised since 1 January 2016 by employees or freelancers working on This Morning. The review is currently ongoing and we expect to publish findings in the autumn.

ITV Studios

ITV Studios is a leading creator, owner and distributor of content operating in 13 countries and across 60 labels; diversified by genre, geography and customer in the key creative markets around the world.

ITV Studios benefits from scale, being the largest producer in the UK, one of the largest unscripted producers in the US and one of the top three in the majority of the remaining international markets in which it operates. ITV Studios has established relationships with key content buyers and leading creative talent in those markets; and with a combined content library of over 90,000 hours, it is also one of the pre-eminent global distributors.

While the rate of growth in global demand for content has slowed, external forecasts estimate that the overall global content spend will continue to grow around 2% per annum between 2022 and 2026 (Source: Ampere commissioning tool - May 2023). Within this, growth will be driven by streaming platforms which are expected to grow around 7% per annum. ITV Studios, as a diversified business with a strong track record for delivering successful scripted and unscripted programmes across a range of budgets, is well placed to capture this demand.

Operating and Financial Performance Review continued

ITV Studios Strategy and Key Performance Indicators

Growing UK and global productions is central to ITV's strategy. ITV Studios ambition is to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. We are achieving this by focusing on our four strategic priorities – growing our international scripted business; growing our global formats business; and diversifying our customer base. These are all underpinned by our fourth priority which is to attract and retain leading creative talent. We have KPI targets for 2026 which reflect the key drivers of growth and value and will enable us to deliver total organic revenue growth of 5% on average per annum to 2026 - ahead of the market at a margin of 13 to 15%.



This puts ITV Studios in a strong position to continue to benefit from the growth in the demand for content globally. We continue to expect to deliver total ITV Studios revenue growth of on average at least 5% per annum to 2026, ahead of the market.

Growing our scripted business

Whilst unscripted content production remains important to ITV Studios, growing our scripted business is one of our key strategic priorities, to meet the significant growth in global demand for our scripted content.

Scripted content plays a key role in attracting and retaining viewers and subscribers on both free-to-air (FTA) and streaming platforms. This together with the increase in the number of streaming platforms has led to a significant increase in original scripted commissions in the UK, US, Australia and Europe. Furthermore, there is increased demand for locally produced non-English language scripted content, a trend we expect will continue. With our global production presence, ITV Studios is well-positioned to cater to this growing demand.

Our portfolio of scripted labels create and produce high-quality content with global appeal for both FTA and streaming platforms. In the UK, these include World Productions, creators of Line of Duty, Vigil, and Karen Pirie; Happy Prince, creators of You & Me; and Quay Street Productions, creators of Nolly and Significant Other.

Internationally, our established scripted businesses further strengthen our creative pipeline, for example, Cattleya in Italy, Tetra Media Studio in France and Lingo Pictures in Australia. ITV Studios America is also seeing good momentum in its creative pipeline, with several key titles already delivered or scheduled for delivery in H2 2023 including Franklin (working title) commissioned for AppleTV+, season two of Ten Year Old Tom from Work Friends, and season three of Physical from Tomorrow Studios. In the first half of 2023, high-end scripted hours decreased year-on-year, down 18% to 109 hours (2022: 133 hours). This is driven by the phasing of scripted deliveries weighted towards the second half of 2023. However, scripted revenue per hour increased in the first half and on a full year basis, high-end scripted hours are expected to be up year-on-year, based on the current delivery plan. We remain on track to produce 400 hours of high-end scripted content per annum by 2026.

Global Partnerships (previously Global Formats and Distribution) plays a key role in growing scripted value across the business. Global Partnerships invests around £70 million annually to acquire the distribution rights (across both scripted and unscripted genres) in ITV Studios-produced content and selective third-party content. Having the integrated producer-distributor relationship enables Global Partnerships to make strategic investment decisions around content funding. By finding co-production partners and licensees around the world for our scripted catalogue (of more than 22,000 hours), Global Partnerships maximises the value of these projects over a long-term sales lifecycle.

Operating and Financial Performance Review continued

Growing our Global Formats Business

Our Global Partnerships business monetises our portfolio of some of the world's most successful travelling entertainment formats, as well as maximising commercial opportunities from our IP. We are focused on driving growth across our unscripted offering by monetising our existing high-value formats effectively as well as supporting the creation of new global formats.

Our portfolio of world-class brands includes (number of countries the format has been sold to date): The Voice (73 countries), Love Island (27 countries), The Chase (19 countries), Come Dine With Me (46 countries), Hell's Kitchen (25 countries) and I'm A Celebrity...Get Me Out Of Here! (17 countries). These formats continue to sell in new territories and attract mass audiences for our clients. They are highly sought after by both traditional broadcasters and streaming platforms, offering cost-effective content with a proven track record of audience success.

As well as protecting our biggest brands, we are also focused on expanding our franchises by creating successful spin-offs that allow us to evolve existing formats. Examples include The Voice which now has six spin-off versions; The Chase which has three (including Beat the Chasers); Come Dine With Me also has three (including Couples and Professionals versions), and Love Island which has a new spin-off, Love Island Games.

While more established formats and corresponding spin-offs continue to perform well, it can be more difficult to gain traction with new formats. However, a number of new formats have been commissioned in our UK, US and international production bases, with the potential to be future global hits. These include My Mum, Your Dad (our first global format to originate from the US); Scared of the Dark; I Kissed A Boy; and Make Love Fake Love (also known as Ready To Mingle in the UK). In the first half of 2023, across our Global Partnerships business, we sold 39 different formats internationally (2022: 45), 9 of which were sold to three or more countries (2022: 9). By 2026, we expect to have 20 such formats, with a view that one of these may be a significant new format like The Voice or Love Island.

We continue to explore the use of production hubs and remote recording studios to help drive cost efficiencies and improve margins. Production hubs allow us to reduce the cost per hour by amortising set-up costs across back-to-back productions of the same format, which enables us to offer more clients access to world-class brands in a cost-effective and safe environment. For example, Love Island currently has two established production hubs in Gran Canaria and the Dominican Republic.

Our Global Partnerships business is also focused on leveraging our extensive library of over 68,000 hours of unscripted content assets and maximising the value of primary and secondary windows with FTA broadcasters, Pay TV and streaming platforms. In addition, our Global Partnerships teams actively tap into market intelligence in local territories, such as indications around market trends, and feed this back to the ITV Studios creative teams, to inform ITV Studios' latest thinking around what the next potential hit format could be. This is another way in which having Global Partnerships embedded in ITV Studios drives significant value.

Further diversifying our customer base

As the demand for streaming platforms grows globally, this presents a significant opportunity for ITV Studios to further diversify its customer base. Although the growth rate of content spend from streaming platforms is expected to slow compared to previous years, it is expected to continue to grow in the medium-term at around 7% and remains a key priority of ITV Studios' strategy.

In the US, we have strengthened our relationships with streaming platforms, securing development projects and commissions for both scripted and unscripted content with all the major platforms. In 2023, we expect nearly 50% of US unscripted revenues and around 80% of US scripted revenues to come from streamers.

In the first half of 2023, the percentage of total revenues from streaming platforms increased to 27% (2022: 19%), with a target to further increase this to 30% by 2026. Revenue from streamers in the first half of 2023 include Fifteen-Love for Amazon Prime, Fool Me Once for Netflix, Physical for AppleTV+, and Dinner with the Parents for Freevee.

New commissions for future broadcast by streamers include Franklin (working title) for Apple TV+ and 'Squid Game: The Challenge' for Netflix (a co-production between Studio Lambert and ITV Studios label, The Garden) along with several other titles in progress with Disney+, Apple TV+, Netflix and Amazon Prime.

Whilst further diversifying our customer base with streamers is a key strategic priority for ITV Studios, it requires careful management of our working capital as streamers typically expect extended payment profiles. In some instances, it may also limit our ability to maintain all rights for high-value scripted titles as streamers usually seek worldwide distribution rights for original commissions, in return for a premium fee on commissions.

Attracting and retaining leading talent

A key part of ITV Studios' investment strategy and its overall success is its ability to attract and retain the best creative talent. ITV Studios offers talent a unique combination of creative independence, an entrepreneurial culture, and the resources of a global studio business. This includes access to ITV Studios' significant catalogue and, in the UK, the benefit of being a vertically integrated producer broadcaster and streamer. We are proud to be able to continue to attract the best talent in the market, most recently welcoming Plimsoll Productions, Lingo Pictures (an international scripted producer) and Ben Stephenson, who set up a transatlantic scripted label, Poison Pen Studios, in ITV Studios.

ITV has successfully integrated its new labels - many set up through recent talent deals - and they have delivered an impressive slate of programmes, including A Year On Planet Earth for ITVX and ITV1 and Big Beasts for AppleTV+, both from Plimsoll Productions, The Messenger from Lingo Pictures for ABC, and Significant Other from Quay Street Productions for ITVX. This strong pipeline demonstrates ITV Studios' commitment and success in nurturing and leveraging top creative talent to deliver engaging and high-quality content.

Operating and Financial Performance Review continued

ITV Studios financial performance

Six months to 30 June	2023 £m	2022 £m	Change £m	Change %
ITV Studios UK	458	365	93	25%
ITV Studios US	178	173	5	3%
ITV Studios International	188	215	(27)	(13%)
Global Partnerships	176	174	2	1%
Total ITV Studios revenue	1,000	927	73	8%
Total ITV Studios costs	(870)	(800)	(70)	(9%)
Total ITV Studios adjusted EBITA*	130	127	3	2%
ITV Studios adjusted EBITA margin	13%	14%	-	(1% pt)

* includes the benefit of production tax credits. ITV Studios adjusted EBITA for 2022 has been restated to remove the unrealised profit in stock adjustment (£1 million in 2023, £3 million in 2022). The launch of ITVX in the M&E division is likely to increase the levels of content held on the Statement of Financial Position, potentially requiring a larger profit in stock adjustment. As the adjustment is only required on consolidation, in order to reflect the underlying performance of the ITV Studios business management believes the adjustment should therefore be recorded at a consolidated level. Refer to Alternative Performance Measures for key adjustments to EBITA and adjusted EBITA.

Six months to 30 June	2023 £m	2022 £m	Change £m	Change %
Sales from ITV Studios to M&E	322	310	12	4%
External revenue	678	617	61	10%
Total ITV Studios revenue	1,000	927	73	8%

Six months to 30 June	2023 £m	2022 £m	Change £m	Change %
Scripted ¹	308	337	(29)	(9%)
Unscripted	533	434	99	23%
Core ITV ² and Other	159	156	3	2%
Total ITV Studios revenue	1,000	927	73	8%

¹ Includes high-end scripted and other scripted revenues

² Core ITV includes the soaps and Daytime shows produced by ITV Studios for ITV1

ITV Studios saw strong revenue growth in the first half of 2023, ahead of the market, with total revenue up 8% to £1,000 million (2022: £927 million), driven by growth in the UK. Whilst ITV Studios International revenues were down 13% year-on-year, this is driven by phasing with year-on-year growth expected across the full year. Sales from ITV Studios to M&E was up 4% to £322 million, with more ITVX deliveries expected in H2 2023. External revenue was up 10% to £678 million (2022: £617 million). Total organic revenue at constant currency was up 2% (our definition of constant currency assumes exchange rates remain consistent with 2022), with a £16 million favourable impact from foreign exchange in the period and a £43 million inorganic contribution from Plimsoll Productions and Lingo Pictures.

Reflecting our presence in key global production markets, 56% of ITV Studios' revenue was generated outside the UK (2022: 56%).

ITV Studios adjusted EBITA was up 2% year-on-year at £130 million (2022: £127 million), with an adjusted EBITA margin of 13% (2022: 14%), within our 13 to 15% target range. There was a £3 million favourable impact from foreign exchange. During the period, £7 million of cost savings were delivered. The ITV Studios margin continues to be impacted by cost inflation in the production sector. To help mitigate this we are looking at our property footprint, using technology and data to drive cost and revenue efficiencies, and taking further steps to digitise our production processes, as well as using cloud and remote editing more routinely. We remain committed to our adjusted EBITA margin guidance of 13% to 15% but given the cost pressures, the margin will be at the lower end of the range in the shorter term as previously guided.

ITV Studios UK

ITV Studios UK has a diverse range of scripted and unscripted titles for broadcasters and streaming platforms. The business is built upon many long-running and recurring titles, the majority of which are sold to the M&E business for transmission on ITV's family of channels and ITVX. The core portfolio includes daytime programmes such as Good Morning Britain, This Morning, Loose Women, and Lorraine; the soaps: Coronation Street and Emmerdale; and entertainment programmes such as The Voice, Love Island and I'm A Celebrity...Get Me Out Of Here!

For the first six months of 2023, ITV Studios UK revenue was up 25% to £458 million (2022: £365 million), of which 70% (2022: 85%) was sold to ITV's M&E business. H1 revenues included Love Island winter and summer series, I'm a Celebrity Get Me Out Of Here South Africa and Ant And Dec's Saturday Night Takeaway, all for ITV; as well as Big Beasts for AppleTV+, Scared of The Dark for C4, and Rivals for Disney+.

Deliveries expected in the second half of 2023 include internal sales of new and returning drama and entertainment programmes such as My Mum Your Dad, I'm A Celebrity Get Me Out Of Here, and After The Flood; and off-ITV sales (productions for non-ITV channels in the UK) such as Murder is Easy and The Outlaws S3 for the BBC and Amazon Prime and a new show starring Noel Fielding as Dick Turpin for AppleTV+.

Operating and Financial Performance Review continued

ITV Studios US

ITV Studios US is a scaled production business, providing content to all the major networks and cable channels in the US, along with every major streaming platform. It has a good foundation of core programmes, including unscripted titles with multiple seasons and a high volume of episodes, and premium scripted content, which has enabled the business to grow its presence significantly in a highly competitive market.

ITV Studios US total revenue grew by 3% to £178 million (2022: £173 million) and declined by 1% to £171 million when adjusted for the favourable foreign exchange impact. Within ITV Studios America (scripted), H1 deliveries included Physical S3 for AppleTV+ and Ten Year Old Tom S2 for Max. ITV America (unscripted) saw the delivery of new and returning titles such as Real Housewives of New Jersey S13 for Bravo, Alone S10 for the History Channel and Twin Love for Amazon Prime.

In the second half of 2023, deliveries from ITV Studios America will include Franklin (working title) for AppleTV+, while One Piece S1 will also premiere on Netflix in the second half. Within ITV America, second-half deliveries are expected to include Love Island S5 followed by new spin-off Love Island The Games for Peacock, and Pawn Stars Do America S2 (a Pawn Stars spin-off) for the History Channel.

The development and commissioning pipeline for ITV Studios US is strong; both ITV Studios America and ITV America have a number of projects in production or under development with streaming platforms such as Netflix, Disney+, Paramount+, Peacock and Discovery+ as well as other commercial and free-to-air broadcasters.

Unions representing writers and actors in the US (WGA and SAG-AFTRA) have announced strikes, which are currently ongoing. Based on the initial production order and renewal production order cycle for our current portfolio of projects in development and production, we do not anticipate these strikes to have a material impact on our consolidated financial performance in 2023. We will continue to work closely with our US leadership team to monitor the situation and remain hopeful for a swift resolution.

ITV Studios International

ITV Studios International produces original scripted and unscripted content across our production bases, as well as local versions of key formats developed through our Global Partnerships business. Growing our European scripted business allows us to benefit from the increasing demand for locally-produced content with global appeal, and we have scripted projects in production and development with Amazon Prime, Netflix, Paramount+, and Disney+, as well as local streamers, such as Videoland in the Netherlands, and Stan in Australia.

Revenue within ITV Studios International decreased by 13% to £188 million (2022: £215 million) in the first half of 2023, and by 14% to £184 million when adjusted for the favourable impact of foreign currency. Whilst revenues from the international division were down in the first half, this is driven by phasing, with the timing of deliveries weighted to the second half of the year; year-on-year growth is expected across the full year, based on the current delivery plan. H1 revenues included I'm A Celebrity Get Me Out Of Here in Germany and Australia, Love Island and My Mum Your Dad in Sweden as well as Diana from Cattleya.

Deliveries expected in the second half of 2023 include SUBURRAETERNA and Gerri from Cattleya.

Global Partnerships

Global Partnerships revenues were up 1% year-on-year to £176 million (2022: £174 million) and decreased by 2% to £170 million when adjusted for the favourable impact of foreign currency. The business benefited from the international distribution of titles such as A Year on Planet Earth, Vera, Nolly, Blackwater, Tell Me Everything and Maryland. Finished programming sales of unscripted formats were also good, including The Voice, Love Island and The Graham Norton Show, all delivering across multiple different territories. This growth was offset by sales of Snowpiercer S3 and Harry Palmer: The Ipress File in the first half of 2022, which did not repeat in the first half of 2023. In relation to format sales, nine formats were sold in three or more countries during the period (2022: 9). These included titles such as The Voice, Love Island, My Mum Your Dad and Come Dine With Me.

The second half of 2023 and beyond should see an increased pipeline of new content for Global Partnerships including Vigil S2, North Shore, Human Error, Archie and After the Party. New formats expected to sell internationally in 2023 include I Kissed A Boy and Scared of the Dark.

Media & Entertainment

M&E is the UK's leading advertising-funded television business with a strong reputation for brilliant content suited to British audiences. Our strategy recognises and capitalises on the change in viewer behaviour and the evolving needs of advertisers. Our focus is to retain our existing viewers and advertisers while also attracting new ones. ITV offers viewers the choice to watch our linear channels or, increasingly, on-demand via our ad-funded streaming proposition, ITVX. For advertisers, ITV now has a unique ability to provide three powerful propositions: valuable mass simultaneous reach on its linear channels, targeted advertising at scale through ITVX, and creative partnerships across both, all in a brand-safe and reliably measured environment.

Successfully launched in December 2022, ITVX is our free, ad-funded streaming platform and includes a premium tier (combining our previous offerings of ITV Hub, ITV Hub+ and BritBox UK). Building on the investments we have made in ITV Hub, BritBox UK, Planet V, and data capabilities, and with a significant increase in content, ITVX is driving strong growth in digital revenues, supported by a step change in streaming viewer metrics. ITVX transforms our streaming proposition by becoming a content destination rather than just a catch-up service. Advertisers benefit from accessing valuable addressable audiences at scale, and our robust data and analytics capabilities enable us to offer higher-value, data-driven advertising inventory.

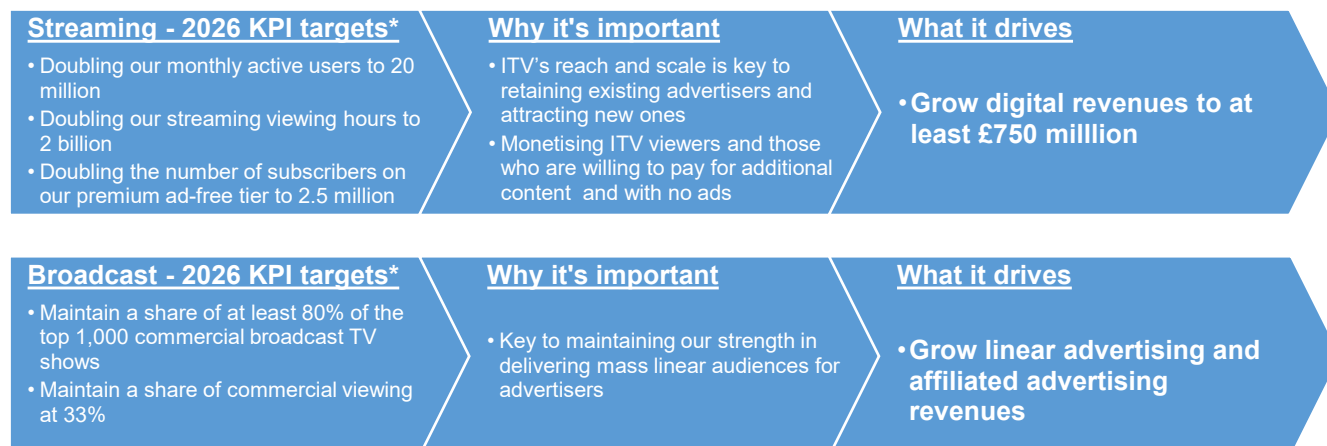
Within our Broadcast business, we operate the largest family of free-to-air commercial television channels in the UK. These channels provide unparalleled audience scale and reach, as well as targeted demographics demanded by advertisers. Despite the growth in streaming viewing, linear broadcast remains important for both our viewers and advertisers. ITV has the largest share of commercial viewing versus its competitors, and a similar share of all viewing in the UK as all the streaming services combined. To maintain our USP of delivering mass audiences for advertisers, we will optimise Broadcast by continuing to invest in live content, like sports and large entertainment shows, as well as dramas.

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Additionally, we will continue to build more strategic and creative partnerships with advertisers who highly value these large audiences to establish and grow their own brands.

M&E Strategy and Key Performance Indicators

ITV's M&E strategy is based on two core pillars; Supercharge Streaming and Optimise Broadcast. Underlying this is the target to more than double digital revenue to at least £750 million by 2026. We will achieve this by delivering against our Streaming and Broadcast KPIs and 2026 targets which reflect the key drivers of growth and value:



*KPI targets are over 5 years from 2022 to the end of 2026

Growing and enhancing our streaming proposition ITVX

ITVX's success is fundamental to delivering our strategic pillar of supercharging streaming. Our investment is focused on the quality and scale of content, continuous improvements in the product and user experience, and expanding the distribution and marketing of ITVX.

Content: There are now over 22,000 hours of content available (including over 6,000 hours exclusively on the premium ad-free tier) including our five linear channels, weekly exclusives, FAST channels, and over 250 films creating one of the UK's largest free film libraries. In the first half of 2023, six of the top 20 most viewed programme series on ITVX were ITVX exclusives which is a testament to the quality of the content available. Year-on-year, 80 more programmes attracted an average of over one million viewers, including Without Sin, Unforgotten and The Bay.

ITVX exclusives to come for the rest of the year include dramas; The Winter King, Love & Death, Archie and C*A*U*G*H*T.

Our ITV News proposition is now fully embedded within ITVX, with News streaming hours up 19% year-on-year and we have launched exclusive 90-second ITV News bulletins and a new News category page on the service. We will be launching regional news content on ITVX later this year.

Product: We are constantly testing, learning and evolving our content proposition and windowing strategy to optimise viewing and monetise it effectively. In the latter half of 2023, we will integrate deeper personalisation across the platform, enhance the kids' experience as the proposition becomes fully digital, and launch more live events on the platform around key programmes. We will also focus on increasing our monetisation of inventory and channels, particularly around large programming events such as Big Brother and the Rugby World Cup.

Distribution and marketing: ITVX is now available on over 20 different platforms reaching the vast majority of UK households. The service is available across smart TVs, mobile devices, consoles and browsers including Amazon Fire, Android, Apple, Freeview Play, Samsung TVs and Xbox. In Q1 2023, ITVX launched on Sky Q, and this combined with stronger partnerships with both Sky and Virgin has resulted in lower PVR viewing enabling us to generate higher revenue. Brand awareness is 85% and increases to 90% awareness amongst harder-to-reach light viewers which is a key target for us to attract to the service².

This investment and focus is reflected in our key performance indications and other metrics which demonstrate that we are attracting more viewers who are engaging for longer across our streaming platforms year-on-year. In the first half of 2023 ITV streaming platforms:

- **Attracted more users** - monthly active users (MAUs) increased by 29% to 12.5 million year-on-year (2022: 9.7 million)
- **Attracted a larger audience** - total streaming hours were up 33% to 737 million (2022: 556 million³)
- **Increased viewing by our target audience** - streaming hours amongst light viewers who are harder to reach, increased by 93% and streaming hours among the 16-34 age group demographic increased by 56%
- **Increased engagement and content discovery** - dwell time, which measures the average time spent viewing per session across all platforms, was up 22% and 86% of users that watched an ITVX exclusive, went on to watch other content on the platform

Notes:

2. ITV / YouGov - base: 26,133 Nat Rep UK Adults (Jan-June 2023)

3. The H1 2022 comparative for total streaming hours has been restated from 523 million due to it including some estimates of total streaming viewing from third-party data providers. This has since been updated to accurately reflect the actual outcome

Operating and Financial Performance Review continued

The increased reach and frequency of viewers provide opportunities for advertisers to reach valuable and hard-to-reach audience segments in a brand safe and measured environment. These contribute to ITVX's ability to generate higher digital revenues through Planet V (see below).

ITVX Premium, our subscription tier, offers users the opportunity to enjoy all ITVX programming ad-free plus exclusive content and access to BritBox UK (content from the ITV and BBC libraries). Although the initial focus of ITVX's launch is to promote the ad-free service, we have improved the premium offering by incorporating additional content from our partnership with StudioCanal, introduced a new homepage, and have taken advantage of upselling opportunities through marketing on the ad-funded service. In the first half of 2023, UK streaming subscriptions were 1.4 million which was flat compared to 31 December 2022.

Continuing to deliver unrivalled audiences with high-quality programming

To optimise our Broadcast business, ITV will invest around £1.3 billion annually in our content budget across all our broadcast channels and ITVX. We will continue to invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual, reality and news which will drive simulcast viewing on ITVX and mass audiences on linear channels, both of which are incredibly valuable to advertisers.

Over the last few years, linear television audiences in the UK have gradually declined with audiences spending an increasing amount of time on streaming platforms, both ad-funded and paid. During the first half of 2023 the growth of ITV's digital viewing largely offset the decline in linear viewing with total ITV viewing (which includes viewing of all ITV content, across all devices) declining by just 1% to 6.74 billion hours (2022: 6.84 billion hours). This was better than total broadcaster viewing (broadcaster viewing across all devices) which declined by 3% in the period. Total broadcaster and SVOD (viewing of all broadcaster and SVOD content across all devices) also declined by 1% (Source: ITV, BARB).

Despite the challenging linear viewing landscape, our share of the top 1,000 commercial broadcast TV programmes was 93% in the first half of 2023 (30 June 2022: 94%) and ITV Family's share of commercial viewing (SOCV) (which is ITV's share of viewing as a proportion of all commercial ad-funded channels in the UK), remained broadly flat at 33.6% (2022: 33.7%). ITV also had a similar share of all viewing in the UK as all the streaming services combined, at around 18%. Content such as Britain's Got Talent, The Masked Singer, Six Nations Rugby Championships and Love Island, all contributed to delivering our KPIs during the period. We have an exciting schedule in the second half of 2023 to keep our audiences informed and entertained. This includes a new version of the reality show, Big Brother, new dramas The Long Shadow, Breathtaking, Payback and Three Little Birds, along with new ITV Studios format My Mum Your Dad, the Women's Football World Cup and the Rugby World Cup.

Strong linear and online advertising proposition

ITV is in a strong position to be able to compete for advertising in a long-term growing advertising market with three powerful propositions – mass reach, targeted advertising and creative partnerships. ITV has deep relationships with agencies and advertisers; brand safe and measured advertising and a strong track record of commissioning and producing content which appeals to UK audiences.

Mass reach

Television continues to be a highly effective and efficient medium for advertisers to achieve mass scale and reach. As the viewing and advertising landscape becomes more fragmented, the scale and reach provided by television, and particularly ITV, becomes even more valuable to advertisers. With global streamers entering the advertising market and introducing ad-supported tiers to their subscription plans, ITV's USP as the largest commercial public service broadcaster in the UK remains incredibly important. The advertising and viewing proposition ITV provides to clients is unparalleled, and something that no streamer can match.

Targeted advertising - Planet V

Planet V is ITV's scaled programmatic addressable advertising platform with a self-service interface that allows agencies and advertisers to seamlessly and cost-effectively buy highly targeted video advertising on ITVX. Planet V is the second-largest programmatic video advertising platform in the UK after Google and utilises ITV's extensive data assets and capabilities to provide compelling advertising products for advertisers. ITVX has over 40 million registered users, giving ITV and its advertisers, one of the largest first party data sets in the UK.

The recently iterated version of Planet V, 'Planet V 2.0', is wholly owned by ITV, which is unique in the broadcast industry. This ensures that all the returns generated by the platform go directly to ITV without any value leakage through third-party commissions. With over 1,800 active users, the platform offers advertisers access to over 20,000 data-targeting options to create custom audiences. They can also incorporate their own first-party data in a GDPR-compliant environment using InfoSum (an identity infrastructure provider) and monitor their campaigns through a custom-built user interface.

ITVX and Planet V have helped drive growth in digital advertising revenue in the period, which was up 24% to £179 million (2022: £144 million).

With the expansion of ITVX's online inventory and reach, ITV is well-positioned to meet the increasing demand for targeted advertising. We have a significant opportunity to partake in the addressable market of c.£5 billion (estimated in 2022) and have the foundations in place to successfully compete for other online video budgets which have been predominantly served by platforms such as YouTube.

Operating and Financial Performance Review continued

Our Commercial team has various initiatives to attract and engage advertisers, attracting over 250 new brands to TV and over 330 digital-only advertisers to ITV in the first half of 2023. For example,

- **ITV AdVentures Ignite:** Encouraging digitally native brands to advertise on television for the first time;
- **ITV AdVentures Invest:** Through our Media for Equity program, we take minority stakes in direct-to-consumer businesses in return for advertising inventory across ITV's channels and ITVX, for example, PitPat, a pet health company, and Resi, an architectural design company; and
- **ITV Ad Labs:** This brings together ITV Commercial's innovation under one proposition and includes features like QR Ads, Dynamic Creative advertising on Planet V, and the Matchmaker solution. Matchmaker uses InfoSum, to securely match ITV's existing registered first-party audience with Boots' Advantage Card and Tesco's Dunhumby Clubcard databases, allowing for effective targeting based on specific consumer buying characteristics.

Creative partnerships

ITV's Commercial team are also delivering innovative and bespoke partnerships across linear television and ITVX. This includes product placement, ad-funded programming and commercial partnerships that leverage the strength of our programme brands to help advertisers connect with audiences in unique ways. As a vertically integrated producer broadcaster and streamer, we have the advantage of having editorial, commercial, creative, and production teams working together, creating valuable opportunities for advertisers.

An example of this integration is the summer series of Love Island. The show had nine commercial partnerships, engaging in programme sponsorship, brand licences, in-store branding and product placement. eBay, who was previously a commercial partner, became the show's headline sponsor this year.

M&E financial performance

	2023 £m	2022 £m	Change £m	Change %
Six months to 30 June				
Total advertising revenue	811	910	(99)	(11)
Subscription revenue	29	26	3	12
SDN	24	28	(4)	(14)
Partnerships and other revenue	100	101	(1)	(1)
M&E non-advertising revenue	153	155	(2)	(1)
Total M&E revenue	964	1,065	(101)	(9)
Content costs	(648)	(603)	(45)	(7)
Variable costs	(66)	(58)	(8)	(14)
M&E infrastructure and overheads	(227)	(210)	(17)	(8)
Total M&E costs	(941)	(871)	(70)	(8)
Total M&E adjusted EBITA*	23	194	(171)	(88)
Total adjusted EBITA margin	2%	18%	-	(16% pts)

* Refer to APMs for key adjustments to EBITA and adjusted EBITA

	2023 £m	2022 £m	Change £m	Change %
Six months to 30 June				
Digital advertising revenue	179	144	35	24
Subscription revenue	29	26	3	12
Other	10	6	4	67
Total digital revenue	218	176	42	24

Total M&E revenue was down 9% in the half-year at £964 million (2022: £1,065 million). This decrease was predominantly driven by the expected decline in total advertising revenue which was down 11% to £811 million (2022: £910 million). Digital revenue, an important Streaming KPI that includes revenue from digital advertising, digital sponsorship and our subscription services, was up 24% in the period to £218 million (2022: £176 million). Within this, digital advertising revenues were up 24% year-on-year to £179 million (2022: £144 million), subscription revenues were up 12% to £29 million (2022: £26 million) and other digital revenues were up 67% to £10 million (2022: £6 million).

M&E non-advertising revenues were down 1% for the six months of 2023 to £153 million (2022: £155 million) with growth in subscription revenue offset by a decline in SDN revenue. Further detail on the year-on-year movement in revenue is detailed below.

Total M&E costs were up 8% in the first half to £941 million (2022: £871 million). Within this, content costs were up 7% to £648 million (2022: £603 million) reflecting the additional planned investment in content for ITVX.

Variable costs were up 14% to £66 million (2022: £58 million), mainly driven by an increase in bandwidth costs and other streaming-related costs (in line with increased viewing on ITVX), along with third-party commercial payaways.

M&E infrastructure and overhead costs increased by 8% to £227 million (2022: £210 million) due to investment in our commercial capabilities, people and technology investment associated with ITVX, and an increase in our share-based payments.

Cost savings delivered within M&E during the period were £4 million.

Operating and Financial Performance Review continued

M&E adjusted EBITA was down 88% to £23 million (2022: £194 million), with a margin of 2% (2022: 18%) reflecting the challenging advertising market and planned investment in ITVX.

Total advertising revenue (TAR)

TAR for the first half of 2023 was down 11% year-on-year which was in line with our expectations.

The start of 2023 saw TAR down 10% in Q1 and down 12% in Q2 against tough comparatives and the challenging macroeconomic environment. April was down 12%, May was down 12% and June was down 10%.

As expected, most TAR categories were down year-on-year, with the largest being Finance, down 30% with the biggest decline in spend from online and retail banks, Publishing and Broadcasting, down 36% with decreases from streaming platforms and social media sites, and Entertainment and Leisure, down 17% with declines from gaming, music and movie companies. Airlines and Travel was one of the only categories (alongside Government, Charities and Other) that saw an increase in spend year-on-year (up 14%) driven by online holiday companies and cruise ship operators. E-commerce companies, excluding gambling, decreased 29% in the period with the largest declines from online car and retail brands.

Subscription revenue

Subscription revenue is generated directly from the premium tier of ITVX. It does not include BritBox International, which is included within JVs and Associates.

In the first half of 2023, subscription revenue increased by 12% to £29 million (2022: £26 million).

SDN

SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview. SDN customers include ITV and third parties. SDN's current multiplex licence has been renewed until 2034.

In the first half of 2023, external revenue (non-ITV) declined as expected by 14% to £24 million (2022: £28 million). This decrease is primarily due to the renewal of long-term contracts with third parties at current market rates, in the current and prior year. As anticipated, several long-standing contracts, originally agreed during the peak of the DTT capacity market ten years ago, will expire in 2023. It is expected that these contracts will be renewed at prevailing market rates.

Partnerships and other revenue

Partnerships and other revenue include revenue from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission, e.g. for services we provide to STV, and commercial revenue from our creative partnerships.

Partnerships and other revenue was broadly flat in the period at £100 million (2022: £101 million).

BritBox International

Our international BritBox joint venture with the BBC is currently available in the US, Canada, Australia, South Africa and the Nordics (made up of Sweden, Finland, Denmark and Norway) and provides an ad-free subscription streaming service offering the most comprehensive collection of British content available in those territories. Subscriptions continue to grow, with 3.2 million BritBox subscriptions internationally on 30 June 2023 (31 December 2022: 3.0 million).

Across BritBox International and ITVX Premium, we now have 4.6 million subscriptions globally (31 December 2022: 4.4 million).

Regulation

Reform of advertising rules – Ofcom is considering making modest changes to the advertising rules, particularly those that restrict our advertising minutage in peak on our main channel versus other linear channels. Ofcom's recently published provisional decision set out its intention to align PSB advertising rules with that of the wider commercial sector (with the exception of the number of breaks allowed). A final decision is due by the end of September.

Public service broadcasting - We welcome the publication of the draft Media Bill, which sets out the Government's intention to update and reform the legal and regulatory framework for broadcasting. This will help ensure that the content from the PSBs, including ITV, will be on streaming platforms with prominence for both live and on-demand content, on fair commercial terms. ITV has applied to Ofcom to renew its PSB licences, which expire at the end of 2024.

High Fat Salt and Sugar (HFSS) - A pre-9pm watershed ban on TV and VOD advertising of HFSS products, and a prohibition on most paid-for online HFSS advertising at all times, will come into effect on 1 October 2025. Small and medium-sized enterprises (SME) food and drink companies and owned media (e.g. own company websites and social accounts) are exempt. Whilst we remain fully engaged with this process - and continue to believe that there is a strong, evidence-based case for alternatives to the pre-9pm ban - the proposed TV ban will negatively impact ITV.

Operating and Financial Performance Review continued

Gambling review – Following the Government's call for evidence, the Gambling Act white paper was published in April 2023, setting out how gambling will be regulated in the UK going forward. There is no new action being taken on TV advertising, with the government noting that existing measures sufficiently protect the most vulnerable. We will continue to engage with Government and regulators as the review recommendations are implemented.

Outlook

We expect ITV Studios to deliver at least 5% average organic revenue growth per annum to 2026, having grown at 8% on average across 2022 and H1 2023. We expect to grow ahead of the market as we continue to strengthen the business, against the background of strong global demand for our content. In 2023, we are on track to deliver mid-single digit revenue growth, ahead of the market. We are committed to maintaining an adjusted EBITA margin for ITV Studios of 13% to 15% over the period to 2026. As previously guided, we expect the margin to be at the lower end of the range in the shorter term as a result of the current inflation in the production market.

With the successful performance of ITVX, we remain confident in delivering *at least* £750 million of digital revenues by 2026. We are looking forward to the second half of 2023 with the Women's Football World Cup, the Rugby World Cup and Big Brother, all set to draw large broadcast and streaming audiences. Compared to the same period in 2022, TAR is expected to be down 4% in July and up 7% in August. It is too early to give a forecast for September, but early signs are positive and we expect growth in TAR in Q3, with continued strong growth in digital advertising revenues.

We remain committed to delivering £15 million of permanent cost savings in 2023 as part of our previously announced £50 million cost saving target by 2026. £11 million of this was delivered in H1. This is in addition to the £106 million cost programme delivered between 2018 and 2022.

ITV has made really good strategic progress in the first half of 2023 driven by strong execution and we enter the second half of the year with real momentum and are on track to deliver all our KPI targets by 2026.

While linear will continue to have an important role in the advertising mix, by 2026 we expect around two-thirds of ITV's total revenues to come from our growth drivers – ITV Studios and M&E digital revenues. This is expected to drive increased profits from 2023, which is the year of peak net investment in our streaming business.

Our balance sheet is robust which enables ITV to invest behind our strategic priorities and deliver returns to shareholders in line with our capital allocation policy.

Key Performance Indicators

We have defined our KPIs to align our performance and accountability with our strategic priorities.

Our KPIs, KPI targets and how they align with our strategy are detailed below. Full definitions of our KPIs are included in the 2022 Annual Report and Accounts.

Strategy	KPIs for measuring performance	Targets – over 5 years from 2022 to the end of 2026 (unless specified otherwise)
Group Financial KPIs	<ul style="list-style-type: none"> Adjusted EPS Cost Savings Profit to cash conversion 	<ul style="list-style-type: none"> N/A Deliver £150 million of permanent savings (in the 8 years to 2026) Maintain at around 85%
1 Expand UK and Global Production	<ul style="list-style-type: none"> ITV Studios total organic revenue growth ITV Studios adjusted EBITA margin¹ Total high-end scripted hours Number of formats sold in three or more countries % of ITV Studios total revenue from streaming platforms 	<ul style="list-style-type: none"> Total organic Studios revenue to grow at least 5% average CAGR 13% to 15% adjusted EBITA margin range from 2023 onwards High-end scripted hours to grow to 400 Number of formats sold in three or more countries to grow to 20 formats Grow % of total revenue from streaming platforms to 30%
2 M&E Supercharge streaming and optimise broadcast	<p>M&E</p> <ul style="list-style-type: none"> Total digital revenue <p>Streaming</p> <ul style="list-style-type: none"> UK subscribers Total streaming hours Monthly active users <p>Broadcast</p> <ul style="list-style-type: none"> Share of top 1,000 commercial broadcast TV programmes Share of commercial viewing (SOCV) 	<ul style="list-style-type: none"> More than double to at least £750 million Double UK subscribers to 2.5 million Double streaming hours to 2 billion Double monthly active users to 20 million Maintain a share of at least 80% Maintain SOCV at 33%
3 BritBox International	<ul style="list-style-type: none"> Total subscribers 	<ul style="list-style-type: none"> Grow to 10-12 million subscribers by 2030

Our KPIs for the first six months of 2023 are set out below:

Six months to 30 June	2023	2022	Change
Adjusted EPS ⁴	2.3p	6.0p	(62%)
Cost savings	£11m	£11m	-
Profit to cash conversion 12-month rolling	88%	81%	7% pts
ITV Studios total organic revenue growth	2%	15%	(13% pts)
<i>(ITV Studios average total organic revenue growth across 2022 and H1 2023)</i>	8%	-	-
ITV Studios adjusted EBITA margin	13%	14%	(1% pt)
Total high-end scripted hours	109	133	(18%)
Number of formats sold in three or more countries	9	9	-
% of ITV Studios total revenue from streaming platforms	27%	19%	8% pts
Total digital revenue	£218m	£176m	24%
UK subscribers	1.4m	1.4m ⁵	-
Total streaming hours	737m	556m ⁶	33%
Monthly active users	12.5m	9.7m	29%
Share of top 1,000 commercial broadcast TV programmes	93%	94%	(1% pt)
Share of commercial viewing (SOCV)	33.6%	33.7%	(0.1% pt)
BritBox International total subscribers	3.2m	3.0m ⁵	7%

Notes:

4. Refer to APMs for a reconciliation between our statutory and adjusted results

5. As at 31 December 2022

6. The 2022 comparative for total streaming hours has been restated from 523 million due to it including some estimates of total streaming viewing from third-party data providers. This has since been updated to accurately reflect the actual outcome

Alternative Performance Measures

The Interim Report includes both statutory and adjusted measures (Alternative Performance Measures or APMs), the latter of which, in management's view, reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and KPIs are aligned with our strategy and business segments and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, they could distort the understanding of our performance for the period and the comparability between periods. APMs are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

As adjusted results exclude certain items (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance. The exclusion of adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

The Audit and Risk Committee has oversight of ITV's APMs and actively reviews, challenges, revises and approves the policy for classifying adjustments and exceptional items. Further detail is included in the following section.

Key adjustments for EBITA, adjusted EBITA, profit before tax and EPS

EBITA is calculated by adjusting operating profit for operating exceptional items and amortisation and impairment.

Adjusted EBITA is calculated by adding back high-end production tax credits to EBITA. Further adjustments, which include the gain/loss on the sale of non-current assets, amortisation and impairment of assets acquired through business combinations and investments, and certain net financing costs, are made to remove their effect from adjusted profit before tax and adjusted EPS. The tax effects of all these adjustments are reflected in the adjusted tax charge. These adjustments are detailed below.

Adjusted EBITDA, which is used to calculate the Group's leverage, is calculated by adding back depreciation to adjusted EBITA.

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our ITV Studios business across the world when assessing the viability of investment decisions, especially with regards to drama and comedy. ITV reports tax credits generated in the US and other countries (e.g. Italy, Canada and Spain) within cost of sales, whereas in the UK tax credits for high-end drama must be classified as a corporation tax item. However, in our view all tax credits relate directly to the production of programmes. Therefore, to align treatment, regardless of production location, and to reflect the way the business is managed and measured on a day-to-day basis, these are recognised in adjusted EBITA. Our cash measures, including profit to cash conversion and free cash flow are also adjusted for the impact of production tax credits.

Exceptional items

These items are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day-to-day basis. They are typically material amounts related to costs, gains or losses arising from events that are not considered part of the core operations of the business, though they may cross several accounting periods. These include, but are not limited to, costs directly related to acquisition activity, costs related to major reorganisation and restructuring programmes, material onerous contracts, significant impairments, employee-related tax provisions (IR35) and other items such as non-routine legal costs (e.g. legal costs related to items which are themselves considered to be exceptional items). We also adjust for the tax effect of these items. Further detail is included in note 2.2 to the financial statements.

Acquisition-related costs

We structure our acquisitions with earnouts or put and call options, to allow part of the consideration to be based on the future performance of the business as well as to lock in and incentivise creative talent. Where consideration paid or contingent consideration payable in the future is employment-linked, it is treated as an expense (under accounting rules) and therefore part of our statutory results. However, we exclude all consideration of this type from adjusted EBITA, adjusted profit after tax and adjusted EPS as, in our view, these items are part of the capital transaction and do not form part of the Group's core operations. The Finance Review explains this further. Acquisition-related costs, including legal and advisory fees on completed deals or significant deals that do not complete, are also treated as an expense (under accounting rules) and therefore on a statutory basis form part of our statutory results. In our view, these items also form part of the capital transaction or are one-off and material in nature and are therefore excluded from our adjusted measures.

Restructuring and reorganisation costs

Where there has been a material change in the organisational structure of a business area or a material initiative, these costs are highlighted and are excluded from our adjusted measures. These costs arise from significant initiatives to reduce the ongoing cost base and improve efficiency in the business to enable the delivery of our strategic priorities. We consider each project individually to determine whether its size and nature warrant separate disclosure.

Alternative Performance Measures continued

Reconciliation between statutory and adjusted results

Six months to 30 June	2023 Statutory £m	2023 Adjustments £m	2023 Adjusted £m	2022 Statutory £m	2022 Adjustments £m	2022 Adjusted £m
EBITA ¹	133	19	152	295	23	318
Exceptional items (operating) ²	(27)	27	–	(31)	31	–
Amortisation and impairment ³	(40)	17	(23)	(36)	23	(13)
Operating profit	66	63	129	228	77	305
Net financing costs ⁴	(19)	10	(9)	(17)	5	(12)
Share of (losses)/profits on JVs and associates	(2)	–	(2)	8	–	8
Profit before tax	45	73	118	219	82	301
Tax ⁵	(1)	(22)	(23)	(22)	(36)	(58)
Profit after tax	44	51	95	197	46	243
Non-controlling interests	(2)	–	(2)	(4)	–	(4)
Earnings	42	51	93	193	46	239
Shares (million), weighted average	4,019		4,019	4,009		4,009
EPS (p)	1.0p		2.3p	4.8p		6.0p
Diluted EPS (p)⁶	1.0p		2.3p	4.8p		5.9p

- £19 million (2022: £23 million) adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item. EBITA is not a statutory measure
- Exceptional items of £27 million (2022: £31 million) largely relate to acquisition-related expenses, restructuring, transformation and property move costs. Refer to the Finance Review
- £17 million (2022: £23 million) adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software within adjusted profit before tax
- £10 million (2022: £5 million) adjustment is for non-cash interest cost. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis
- Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review
- Weighted average diluted number of shares in the period was 4,046 million (2022: 4,044 million)

Amortisation and impairment

Amortisation and any initial impairment of assets acquired through business combinations and investments are not included within adjusted earnings. As these costs are acquisition-related, and in line with our treatment of other acquisition-related costs, we consider them to be capital in nature as they do not reflect the underlying trading performance of the Group. Amortisation of software licences and development is included within our adjusted profit before tax as management consider these assets to be core to supporting the operations of the business.

Net financing costs

Net financing costs are adjusted to reflect the underlying cash cost of interest for the business, providing a more meaningful comparison of how the business is managed and funded on a day-to-day basis. The adjustments made remove the impact of mark-to-market gains or losses on swaps and foreign exchange, one-off fees and premiums relating to the buyback of bonds, exceptional interest and other finance costs on acquisitions, imputed pension interest and other financial gains and losses that do not reflect the relevant interest cash cost to the business and are not yet realised balances.

Other Alternative Performance Measures

Total revenue

As a vertically integrated producer broadcaster and streamer, we look at the total revenue generated by the business including internal revenue, which is the sale of ITV Studios programmes to M&E. ITV Studios selling programmes to the M&E business is an important part of our strategy as a vertically integrated business and it ensures we own all the rights to the content.

A reconciliation between external revenue and total revenue is provided below.

Six months to 30 June	2023 £m	2022 £m
External revenue (Statutory)	1,639	1,679
Internal supply	325	313
Total revenue (Adjusted)	1,964	1,992

Alternative Performance Measures continued

Organic revenue growth

Organic revenue growth adjusts revenue growth for the impacts of foreign currency and acquisitions in the current or comparative period. Current period revenues are measured at constant currency which assumes exchange rates remain consistent with the comparative period. The table below shows the calculation of our organic revenue growth within ITV Studios:

Six months to 30 June	2023 £m	2022 £m	Change £m	Change %
ITV Studios total revenue	1,000	927	73	8
Adjustment for constant currency	(16)	—	—	—
Adjustment for acquisitions in prior period	(43)	—	—	—
ITV Studios total revenue – organic basis	941	927	14	2

Net pension surplus/deficit

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which the unfunded pension scheme holds a charge. See note 3.3 to the Financial Statements.

Profit to cash conversion

This is the measure of our effectiveness at working capital management. It is calculated as our adjusted cash flow as a proportion of adjusted EBITA. Adjusted cash flow, which reflects the cash generation of our underlying business, is calculated on our statutory cash generated from operations and adjusted for exceptional items, net of capex on property, plant and equipment and intangible assets, and including the cash impact of high-end production tax credits.

Adjusted free cash flow

This is our measure of adjusted free cash flow after we have met our financial obligations. It takes our adjusted cash flow and removes the impact of net interest, adjusted cash tax (which is the total tax paid adjusted to exclude the receipt of production tax credits) and pension funding. A full reconciliation is included in the Finance Review.

Covenant net debt and covenant liquidity

Covenant net debt is our leverage as defined in our Revolving Credit Facility (RCF) agreement. This calculation is materially different to how net debt is defined and is relevant in demonstrating we have met the required RCF financial covenants at our reporting date.

Covenant adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is used to calculate our covenant compliance and our leverage, and is defined in the RCF agreement. It is calculated on a rolling 12 months basis. The calculation of covenant adjusted EBITDA, covenant net debt and covenant liquidity are detailed in the tables below:

	30 June 2023 £m	31 December 2022 £m
Rolling 12 months basis		
Operating profit	357	519
Exceptional items	61	65
Amortisation and impairment	88	84
EBITA	506	668
Depreciation	50	53
Right of use assets depreciation	(23)	(25)
Interest charged on lease liabilities	(4)	(4)
Covenant adjusted EBITDA	529	692
	30 June 2023 £m	31 December 2022 £m
Net debt (including IFRS 16 lease liabilities)	(724)	(623)
Impact of IFRS 16 lease liabilities	121	132
Long-term trade payables	(21)	(17)
Other pension assets	46	47
Covenant net debt	(578)	(461)
Covenant adjusted EBITDA*	529	692
Covenant net debt to adjusted EBITDA*	1.1x	0.7x
Cash and cash equivalents	264	348
Undrawn RCF	400	450
Undrawn CDS facility	300	300
Covenant liquidity**	964	1,098

* Covenant adjusted EBITDA is defined per the facility agreement. The Finance Review includes further detail on our covenant ratios.

** Covenant liquidity is defined as cash and cash equivalents (including restricted cash) plus undrawn committed facilities.

Finance Review

This Finance Review focuses on the more technical aspects of our financial results while the operating and financial performance of the Group, M&E and ITV Studios has been discussed within the Operating and Financial Performance Review. Our Alternative Performance Measures (APMs) section, explains the adjustments we make to our statutory results. This enables focus on the key measures that we report on and use as KPIs across the business. See earlier sections for further detail.

Six months to 30 June	2023 £m	2022 £m	Change £m	Change %
ITV Studios total revenue	1,000	927	73	8
Total advertising revenue	811	910	(99)	(11)
M&E non-advertising revenue	153	155	(2)	(1)
M&E total revenue	964	1,065	(101)	(9)
<i>Total non-advertising revenue</i>	<i>1,153</i>	<i>1,082</i>	<i>71</i>	<i>7</i>
Total group revenue	1,964	1,992	(28)	(1)
Internal supply	(325)	(313)	(12)	(4)
Group external revenue	1,639	1,679	(40)	(2)
Group adjusted EBITA	152	318	(166)	(52)
Group adjusted EBITA margin	9%	19%		(10% pts)
Operating profit	66	228	(162)	(71)
Adjusted EPS	2.3p	6.0p	(3.7p)	(62)
Statutory EPS	1.0p	4.8p	(3.8p)	(79)
Net debt as at 30 June	(724)	(615)	(109)	(18)

Exceptional items

Six months to 30 June	2023 £m	2022 £m
Acquisition-related expenses	(17)	(1)
Restructuring and transformation costs	(11)	(12)
Property costs	(2)	(12)
Pension related costs	-	(4)
Insured trade receivable provision	4	-
Other costs	(1)	(2)
Operating exceptional items	(27)	(31)
Total exceptional items	(27)	(31)

Total exceptional items in the period were £27 million (2022: £31 million). Acquisition-related expenses of £17 million are predominantly performance-based, employment-linked consideration to former owners, and professional fees related to acquisitions and potential acquisitions.

Restructuring and transformation costs of £11 million (2022: £12 million) relate to one-off restructuring projects in respect of the Group-wide commitment to reduce the overhead cost base, as well as reorganisation and transformation programme costs to deliver our strategy.

Property costs relate to the London office move to Broadcast Centre.

In 2017, the Group recorded a bad debt provision of US\$41 million related to trade receivables for The Voice of China. Subsequently, US\$34 million of cash was received from the licensee and the corresponding bad debt provision was released. The Directors anticipated recovering the remainder of the trade receivable from the trade credit insurance. In 2023, a settlement of the claim was agreed with the insurers resulting in an exceptional credit of US\$5 million (£4 million). No further recovery of the remaining trade receivable is expected.

Other costs include legal matters which are considered to be outside the normal course of business.

Finance Review continued

Net financing costs

	2023 £m	2022 £m
Six months to 30 June		
Financing costs directly attributable to loans and bonds	(11)	(13)
Cash-related net financing costs	2	1
Adjusted financing costs	(9)	(12)
Other net financial losses and unrealised foreign exchange	(10)	(5)
Statutory net financing costs	(19)	(17)

Adjusted financing costs were down year-on-year at £9 million (2022: £12 million) largely due to higher returns on gilts and deposits. Net financing costs were £19 million, which was up year-on-year (2022: £17 million) mainly driven by charges related to acquisition-related put and call options.

JVs and associates

Our share of losses from JVs and associates in the period was a loss of £2 million (2022: profit of £8 million). This was our share of the net profits and losses arising from our investments, such as BritBox International, Bedrock Entertainment and Blumhouse Television. The reduction year on year primarily results from the phasing of the delivery of productions.

Profit before tax

Statutory profit before tax decreased significantly year-on-year to £45 million (2022: £219 million) as a result of the impact of the challenging advertising market and planned ITVX investment. There were no significant movements year on year in the adjusting items.

Profit before tax (PBT) and adjusted PBT

	2023 £m	2022 £m
Six months to 30 June		
Profit before tax	45	219
Production tax credits	19	23
Exceptional items (excluding exceptional finance costs)	27	31
Amortisation and impairment*	17	23
Adjustments to net financing costs	10	5
Adjusted profit before tax	118	301

* In respect of assets arising from business combinations and investments.

Tax

Adjusted tax charge

The total adjusted tax charge for the period was £23 million (2022: £58 million), corresponding to an effective tax rate on adjusted PBT of 19.5% (2022: 19.3%), which is lower than the standard UK corporation tax rate of 23.5% (2022: 19%). We expect the adjusted effective tax rate to be around 21% in 2023, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023.

On a reported basis, there is a tax charge of £1 million (2022: £22 million) which corresponds with an effective tax rate of 2.2% (2022: 10%). This rate in 2023 is lower than previous years due to the impact of higher HETV tax credits relative to the tax charge, as well as a proportionally lower profit before tax in the period compared to the prior year. The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the table above.

	2023 £m	2023 Effective tax rate	2022 £m	2022 Effective tax rate
Six months to 30 June				
Tax charge	(1)	2.2%	(22)	10.0%
Production tax credits	(19)	100%	(23)	100%
Charge for exceptional items	(2)	7.4%	(4)	12.9%
Charge in respect of amortisation and impairment*	(1)	5.9%	(5)	21.7%
Charge in respect of adjustments to net financing costs	(1)	10.0%	(1)	20.0%
Other tax adjustments	1		(3)	
Adjusted tax charge**	(23)	19.5%	(58)	19.3%

* In respect of intangible assets arising from business combinations and investments. Also reflects the cash tax benefit of tax deductions for US goodwill.

** As a percentage of adjusted profit before tax.

Cash tax

Cash tax paid in the period was £16 million (2022: £31 million) and is net of £19 million of production tax credits received (2022: £14 million). The majority of the cash tax payments were made in the UK. The cash tax paid is lower compared to the previous year due to lower profits and higher production tax credits received.

Finance Review continued

Base Erosion and Profit Shifting (BEPS) Pillar 2

On 20 June 2023, Finance (No2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023.

Tax strategy

ITV is a responsible business, and we take a responsible attitude to tax, recognising that it affects all of our stakeholders. To allow those stakeholders to understand our approach to tax, we have published our Global Tax Strategy, which is available on our corporate website.

www.itvplc.com/investors/governance/policies

We have four key strategic tax objectives:

1. Engage with tax authorities in an open and transparent way to minimise uncertainty
 2. Proactively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax
 3. Take an appropriate and balanced approach when considering how to structure tax sensitive transactions
 4. Manage ITV's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations
- Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2022, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

EPS – adjusted and statutory

Overall, adjusted profit after tax was down at £95 million (2022: £243 million). Non-controlling interest was a share of profit of £2 million (2022: £4 million) which is the net result from the non-ITV owned share in entities such as Plimsoll, Cattleya and Tomorrow ITV Studios.

Adjusted basic EPS was down 62% to 2.3p in the period (2022: 6.0p). The weighted average number of shares increased year-on-year to 4,019 million (2022: 4,009 million). Diluted adjusted EPS in the period was 2.3p (2022: 5.9p) reflecting a weighted average diluted number of shares of 4,046 million (2022: 4,044 million).

Statutory EPS decreased by 79% to 1.0p (2022: 4.8p).

A full reconciliation between statutory and adjusted EPS is included within the Alternative Performance Measures section.

Dividend per share

Reflecting ITV's strong performance in the period, and in line with previous guidance, the Board has declared an interim dividend of 1.7p (30 June 2022: 1.7p). The Board remains committed to paying a total dividend of at least 5p for the full year, which it expects to grow over time, whilst balancing further investment to support our strategy and our commitment to investment grade metrics over the medium term.

The dividend timetable is as follows:

Announcement	Thursday 27 July 2023
Ex-dividend date	Thursday 19 October 2023
Record date	Friday 20 October 2023
Dividend paid	Tuesday 28 November 2023

Finance Review continued

Acquisitions

Since 2012, we have acquired a number of content businesses in the UK, US and locations across Europe, developing a strong portfolio of programmes that return and travel. As we have grown in size and expanded our network relationships and distribution capability, this has helped to renew and strengthen our creative talent and build our reputation as a leading global creator, producer and distributor.

As part of our strategy, we will consider selective value-creating M&A and talent deals in both scripted and unscripted to obtain further creative talent and IP.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of IP, earnings growth and valuation based on return on capital employed and discounted cash flow. Strategically, we ensure an acquisition target has a strong creative track record and pipeline in content genres that return and travel, namely drama, entertainment and factual, as well as retention and succession planning for key individuals in the business.

We generally structure our deals with earnouts or with put and call options in place for the remainder of the equity, capping the maximum consideration payable by basing a significant part of the consideration on future performance. In this way, not only can we lock in creative talent and ensure our incentives are aligned, but we also reduce our risk by only paying for the actual, not expected, performance delivered over time. We believe this is the right way to structure our deals as we should not pay upfront for future performance and should incentivise and reward delivery by the business over time.

The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where future payments are directly related to the seller remaining with the business, these payments are treated as employment costs and, therefore, are part of our statutory results. However, we exclude these payments from adjusted profits and adjusted EPS as an exceptional item, as in our view, for the reasons set out above, these items are part of the capital consideration reflecting how we structure our transactions and do not form part of the core operations.

The following table sets out the initial consideration payable on our acquisitions, additional consideration subsequently paid, our expected future payments based on our current view of performance and the total expected consideration payable, which is only payable if exceptional compound earnings growth is delivered.

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £87 million are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £68 million and £150 million. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

Acquisitions – between 2012 and 2022 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period***
Total for acquisitions between 2012–2022							
	Various	Content & Broadcast TV	1,067	511	87	1,665	2023-2028

* Undiscounted and adjusted for foreign exchange.

** Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.6 billion.

*** £9 million is expected to be paid in 2023

We closely monitor the forecast performance of each acquisition and, where there has been a change in expectations, we adjust our view of potential future commitments. Expected future payments of £87 million have decreased by £2 million since 31 December 2022, due to payments made in the first half of 2023, offset by increases in expected future payments on certain acquisitions and the associated impact of foreign exchange.

At 30 June 2023, £56 million of expected future payments had been recorded on the balance sheet, with the balance of £31 million to be accrued over the period in which the sellers are required to remain with the business.

There were no acquisitions in the first half of 2023. In 2022, ITV plc completed the acquisition of a majority shareholding (79.5%) in Plimsoll Productions, the largest independent producer of natural history programmes in the world and a growing premium factual producer. This acquisition demonstrates further progress in ITV's strategy of expanding its international content business.

Finance Review continued

Cash generation

Profit to cash conversion

	2023 £m	2022 £m
Six months to 30 June		
Adjusted EBITA	152	318
Working capital movement	(2)	(103)
Adjustment for production tax credits	-	(9)
Depreciation	24	26
Share-based compensation	7	6
Acquisition of property, plant and equipment and intangible assets*	(37)	(37)
Lease liability payments (including lease interest)	(15)	(16)
Adjusted cash flow	129	185
Profit to cash ratio six months to 30 June	85%	58%
Profit to cash ratio 12-months rolling	88%	81%

* Except where disclosed, management views the acquisition of property, plant and equipment and intangibles as business as usual capex, necessary to the ongoing investment in the business.

One of ITV's strengths is its cash generation, reflecting our ongoing tight management of working capital balances. We manage risk when making all investment decisions, particularly in scripted content and ITVX, through having a disciplined approach to cash and costs. Remaining focused on cash and costs means we are in a good position to continue to invest across the business in line with our strategic priorities.

In the period, we generated £129 million of operational cash (2022: £185 million) from £152 million of adjusted EBITA (2022: £318 million), resulting in a profit to cash ratio of 85% (2022: 58%) for the first six months of 2023. Across a 12-month rolling basis this equates to a profit to cash ratio of 88% (2022: 81%).

The reduction in working capital reflects an increase in programme rights and other inventory within M&E as we continue to build on content for ITVX, offset by a reduction in production work in progress driven predominantly by key US deliveries.

Free cash flow

	2023 £m	2022 £m
Six months to 30 June		
Adjusted cash flow	129	185
Net interest paid (excluding lease interest)	(12)	(14)
Adjusted cash tax*	(35)	(45)
Pension funding	(31)	(137)
Free cash flow	51	(11)

* Adjusted cash tax of £35 million is total net cash tax paid of £16 million plus receipt of production tax credits of £19 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes

Our free cash flow after payments for interest, cash tax and pension funding was £51 million (2022: £11 million deficit).

Funding and liquidity

Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long-term. ITV uses debt instruments with a range of maturities and has access to appropriate short-term borrowing facilities and has a policy to maintain a minimum of £250 million of cash and undrawn committed facilities available at all times. We have two committed facilities in place to maintain our financial flexibility, which includes a £500 million Revolving Credit Facility (RCF) maturing in January 2028, with the opportunity to renew for one more year from the expiry date, and therefore potentially providing funding until 2029. The RCF has leverage and interest cover covenants which require us to maintain a covenant net debt to adjusted EBITDA ratio of below 3.5x and interest cover (adjusted EBITDA to net finance charges) above 3.0x. At 30 June 2023, ITV's financial position was well within its covenants.

We also have a bilateral financing facility of £300 million, which is free of financial covenants and matures on 30 June 2026. This provides us with sufficient liquidity to meet the requirements of the business in the short to medium term under a variety of scenarios, including a severe but plausible downside scenario. At 30 June 2023, there was £100 million drawn (31 December 2022: £50 million) from the £500 million RCF and the £300 million bilateral facility was undrawn, which with cash of £264 million, provided total liquidity of £964 million (31 December 2022: £1,098 million).

After acquisitions and acquisition-related costs, pension and tax payments, we ended the period with reported net debt of £724 million (31 December 2022: £623 million; 30 June 2022: £615 million).

Finance Review continued

Reported net debt

	2023 £m	2022 £m
At 30 June		
Gross cash*	264	575
Gross debt (including IFRS 16 lease liabilities)	(988)	(1,190)
Net debt	(724)	(615)

* Gross cash in 2022 includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership. This was nil at 30 June 2023 as the restriction has now been removed and the cash replaced with a surety bond.

Financing – gross debt

We are financed using debt instruments and facilities with a range of maturities. Borrowings at 30 June 2023 were repayable as follows:

Amount repayable as at 30 June 2023	£m	Maturity
£500 million Revolving Credit Facility*	100	Jan 2028
€600 million Eurobond**	521	Sep 2026
€259 million Eurobond***	232	Dec 2023
Other loans	14	Various
Total debt repayable on maturity****	867	

* Whilst the Debt Matures in Jul 2023, the facility matures in Jan 2028

** Includes £5 million currency component of swaps held against euro denominated bond

*** Included £9 million currency component of forwards and swaps held against euro denominated bond

**** Excludes £121 million of IFRS16 Lease Liabilities.

The intention is to re-finance the Eurobond maturing in December 2023, rather than repay from our cash resources. We are currently exploring medium to long-term refinancing options and have £400 million availability under the £500 million RCF and £300 million CDS facilities should we need to utilise these.

Capital allocation and leverage

In line with our capital allocation policy, our priorities remain as follows: to invest organically in line with our strategic priorities; manage our financial metrics consistent with our commitment to investment grade metrics over the medium term; sustain a regular ordinary dividend which can grow over the medium term; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 30 June 2023, reported net debt to adjusted EBITDA on a 12-month basis was 1.2x (31 December 2022: 0.8x and 30 June 2022: 0.7x).

Credit ratings

We continue to be rated investment grade by two rating agencies. Our current ratings are BBB- (stable outlook) by Standard and Poor's and Baa3 (stable outlook) by Moody's Investor Services. The factors that are taken into account in assessing our credit rating include our degree of operational gearing and exposure to the economic cycle, as well as business and geographical diversity.

Foreign exchange

As ITV continues to grow internationally, we are increasingly exposed to foreign exchange on our overseas operations. We do not hedge our exposure to revenues and profits generated overseas, as this is seen as an inherent risk. We may elect to hedge our overseas net assets, where material.

ITV is also exposed to foreign exchange risk on transactions we undertake in a foreign currency. Our policy is to hedge a portion of any known or forecast transaction where there is an underlying cash exposure for the full tenor of that exposure, to a maximum of five years forward, where the portion hedged depends on the level of certainty we have on the final size of the transaction.

Finally, ITV is exposed to foreign exchange risk on the retranslation of foreign currency loans and deposits. Our policy is to keep these balances to a minimum and hedge such exposures where there is an expectation that any changes in the value of these items will result in a realised cash movement over the short to medium term. The foreign exchange and interest rate hedging strategy is set out in our Treasury policies which are approved by the ITV plc Board.

Production work in progress, contract assets and liabilities

In the first half of 2023, contract assets increased by £15 million, work in progress programme stock decreased by £64 million and contract liabilities decreased by £2 million compared to 31 December 2022. The work in progress programme stock decrease was driven predominantly by key US deliveries, partly offset by UK scripted growth.

Finance Review continued

Pensions

The net pension surplus for the defined benefit schemes at 30 June 2023 on an accounting basis was £235 million (31 December 2022: £192 million). The movement in the period was driven by a decrease in liabilities caused by an increase in the corporate bond yields and a decrease in market-implied inflation. Pension assets have decreased due to a rise in gilt yields in the period, offset by our deficit funding contributions of £31 million.

The net pension assets include £46 million of gilts, which are held by the Group as security for future unfunded pension payments to four former Granada executives, the liabilities of which are included in our pension obligations. A full reconciliation is included within note 3.3 of the financial statements.

Actuarial valuation

The 31 December 2019 actuarial valuation of the main section of the ITV Pension Scheme was agreed during 2022. The deficit as at 31 December 2019 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing deficit reduction contribution plan in order to eliminate the deficit of £252 million. The next triennial valuation will be as at 31 December 2022 and is currently underway. This will determine subsequent contribution rates.

Deficit funding contributions

The accounting surplus or deficit does not drive the deficit funding contribution. The Group's deficit funding contributions in the first half of 2023 were £31 million, with £28 million following the agreement of the Triennial valuation of the main section of the Scheme, and £3 million annual payment under the London Television Centre pension funding partnerships. An additional £15 million of contributions are due for the remainder of the year. Further details are included in Note 3.3 of the interim financial statements.

SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200 million of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement, a payment of up to £200 million was due in 2022. The existing PFP agreement was amended and extended to 2031. As a result of this agreement, payments of £94 million were made under the SDN PFP arrangement in 2022. The Group is committed to up to nine annual payments of £16 million from 2023. These payments are required if the Scheme is calculated to be in a technical deficit. This calculation is based upon the most recent triennial valuation updated for current market conditions. The partnership's interest in SDN provides collateral for these payments. The £16 million payment under the SDN PFP was not required to be paid in 2023. However, this assessment is made on an annual basis and therefore the £16 million payment may resume in 2024. The Group retains day to day operational control of SDN and SDN's revenues, profits and cashflows continue to be consolidated in the Group's accounts. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments.

Planning assumptions for full year 2023

The following planning assumptions for 2023 are based on our current best view but may change depending on how events unfold over the rest of the year.

Profit and Loss impact

- Total content costs are expected to be around £1.3 billion, as previously guided
- Permanent overhead cost savings are expected to be around £15 million in 2023. This is part of the £50 million of permanent cost savings to be delivered between 2023 and 2026, as previously guided
- Adjusted financing costs are expected to be around £25 million, down from £30 million previously guided, due to higher expected interest income
- The adjusted effective tax rate is expected to be around 21% in 2023, and then move to around 25% over the medium term due to the increase in the UK statutory tax rate to 25% in April 2023
- Exceptional items are expected to be around £55 million, higher than the £40 million previously guided, driven by digital transformation costs and professional fees related to acquisitions

Cash impact

- Total capex is expected to be around £75 million as we further invest in our digital capabilities
- The cash cost of exceptionals is expected to be around £65 million, higher than the £35 million previously guided, mainly driven by digital transformation costs and professional fees related to acquisitions
- Profit to cash conversion is expected to be around 70% to 75%, reflecting increases in working capital as we continue to grow ITV Studios and invest in ITVX
- Total pension deficit funding contribution for 2023 is expected to be £46 million, made up of £43 million relating to the main section of the Scheme, and £3 million relating to the LTVC PFP
- The Board has proposed an interim dividend of 1.7p, which will be paid in November 2023. Going forward, the Board intends to pay a full year ordinary dividend of at least 5.0p, which it expects to grow over time

CMA investigation

As reported in our 2022 Annual Report and Accounts, on 12 July 2022, the UK Competition and Markets Authority (CMA) opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of sports content in the United Kingdom. The investigation is at an early stage and it is not currently possible to reliably quantify any liability that might result from the investigation. ITV is committed to complying with competition law and is cooperating with the CMA's enquiries.

Finance Review continued

The Voice of Holland

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production and other costs. While unquantifiable at present, there may be further financial impact on the Group. An external investigation of the allegations by Dutch law firm Van Doorne has now completed, and ITV published a public document summarising the findings in March 2023.

Foreign exchange sensitivity

The following table highlights ITV Studios' sensitivity, for the remainder of the year (using internal forecasts), to translation resulting from a 10% appreciation/depreciation in sterling against the US dollar and euro, assuming all other variables are held constant. An appreciation in sterling has a negative effect on revenue and adjusted EBITA; a depreciation has a positive effect.

Currency	Revenue £m	Adjusted EBITA £m
US dollar	±29-35	±4-5
Euro	±26-32	±4-5

Chris Kennedy
Group Chief Financial Officer and Chief Operating Officer

Risks and Uncertainties

Risk management

ITV continues to operate in an increasingly complex business environment. The pace of change in the industry and the continued impact of the macroeconomic environment means we must continue to manage our risks effectively to achieve our vision, deliver our strategic goals, honour our social purpose commitments and create sustainable shareholder value.

We continue to evolve our approach to risk management to ensure it remains proportionate and provides the business with the right tools to make intelligent decisions at the right time. Our focus in the first half of 2023 has been on enhancing our understanding of ITV's most critical risks through completing deep dives into each of our principal risks to enhance transparency of interdependencies, join the dots with our core priorities, improve our line of sight over the risks that contribute to each principal risk, and identify emerging risks.

Key changes to principal risks

Our risk management framework provides the business with the tools to identify, assess, manage and continually review our risks. The Management Board members responsible for monitoring individual principal risks have reviewed these and the Management Board has performed a robust assessment of these principal and emerging risks and uncertainties faced by the Group. Based on this we have made **one** change to the principal risks and uncertainties stated in the Annual Report and Accounts for the year ended 31 December 2022, as follows:

- The “**cyber-attack or data breach incident**” principal risk has been split into two separate principal risks to i) create a clear distinction between cyber risk and data risk, ii) enhance transparency and iii) improve accountability. This allows for a more comprehensive understanding of each type of risk and allows us to establish more focused mitigation strategies to demonstrate how we are managing these important Group-wide critical risks.

Other than the change noted above, the Directors consider that principal risks and uncertainties faced by the Group remain substantially the same as those set out on pages 75 to 84 of our Annual Report and Accounts for the year ended 31 December 2022. However, we continue to keep these risks under review as we recognise that the pace of change in the industry and within our own business, will continue to influence both the nature and significance of the principal risks facing our company.

As part of our review of the principal risks, we have updated the titles of the risk to align with our Group Risk Categories – for example Corporate Compliance, Commercial and People – to reflect the way we talk about and manage these risks across ITV. Our principal risks are categorised as Strategic, Financial, Compliance or Operational. The principal risks and direction of travel have been summarised below:

:

Strategic

- Streaming (trending up) - previously reported as ‘*Insufficient growth in the Streaming Market*’
- Content Market (static)
- Commercial (trending up) - previously reported as ‘*Advertising market changes*’
- Changing Viewer Habits (trending up)
- Content Pipeline (static)
- Partnerships (static) - previously reported as ‘*Partnership relationships*’

Compliance

- Data (**New**) (trending up) - previously combined with cyber risk and reported as ‘*Cyber attack and data breach incident*’
- Regulatory (trending up) - previously reported as ‘*Regulatory and policy changes*’
- Corporate Compliance (static) - previously reported as ‘*Legal and regulatory non-compliance*’

Operational

- Cyber Security (**New**) (trending up) - previously combined with data risk and reported as ‘*Cyber attack and data breach incident*’
- Transformation (trending down) - previously reported as ‘*Strategic & digital transformation*’
- Duty of Care (trending up) - previously reported as ‘*Duty of care and health & safety incident*’
- People (trending down) - previously reported as ‘*Recruitment and Retention*’

Financial

- Pensions (static) - previously reported as ‘*Pensions Deficit Increase*’

Refer to our 2022 annual report and accounts for further detail on our Risk Framework. Available at <https://www.itvplc.com/~media/Files/I/ITV-PLC/documents/reports-and-results/annual-result-2022-v2.pdf>

Unaudited Condensed Consolidated Interim Financial Statements

In this section

Our objective is to make ITV's financial statements less complex, more relevant to shareholders and other stakeholders and provide readers with a clearer understanding of what drives financial performance of the Group. We have grouped notes under five key headings: 'Basis of Preparation', 'Results for the Period', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

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Statement of Directors' Responsibilities

Independent Review Report to ITV plc

Condensed Consolidated Income Statement

For the six month period to 30 June	Note	2023 £m	2022 £m
Revenue	2.1	1,639	1,679
Operating costs		(1,573)	(1,451)
Operating profit		66	228
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	133	295
Operating exceptional items	2.2	(27)	(31)
Amortisation and impairment		(40)	(36)
Operating profit		66	228
Financing income		22	8
Financing costs		(41)	(25)
Net financing costs		(19)	(17)
Share of (losses) / profits of joint ventures and associated undertakings		(2)	8
Profit before tax		45	219
Taxation		(1)	(22)
Profit for the period		44	197
Profit attributable to:			
Owners of the Company		42	193
Non-controlling interests		2	4
Profit for the period		44	197
Earnings per share			
Basic earnings per share	2.3	1.0p	4.8p
Diluted earnings per share	2.3	1.0p	4.8p

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June	2023 £m	2022 £m
Profit for the period	44	197
Other comprehensive income / (expense):		
Items that are or may be reclassified to profit or loss		
Revaluation of financial assets	(3)	(12)
Net gain / (loss) on cash flow hedges and cost of hedging	19	(10)
Exchange differences on translation of foreign operations (net of hedging)	(44)	66
Income tax (charge) / credit on items that may be reclassified to profit or loss*	(4)	–
Items that will never be reclassified to profit or loss		
Remeasurement gains on defined benefit pension schemes	12	236
Income tax charge on items that will never be reclassified to profit or loss*	(2)	(60)
Other comprehensive income for the period, net of income tax	(22)	220
Total comprehensive income for the period	22	417
Total comprehensive income attributable to:		
Owners of the Company	24	406
Non-controlling interests	(2)	11
Total comprehensive income for the period	22	417

* Income tax (charge)/credit has been re-presented on the Consolidated Statement of Comprehensive Income to differentiate between tax on items that are or may be reclassified to profit or loss and tax on items that will never be reclassified to profit or loss. In June 2022, the income tax credit was not disaggregated.

Condensed Consolidated Statement of Financial Position

	Note	30 June 2023 £m	31 December 2022 £m
Non-current assets			
Property, plant and equipment		279	286
Intangible assets		1,567	1,609
Investments in joint ventures, associates and equity investments		128	130
Derivative financial instruments	4.3	–	2
Distribution rights		13	17
Defined benefit pension surplus	3.3	215	172
Other pension asset	3.3	46	47
Deferred tax asset		17	19
		2,265	2,282
Current assets			
Programme rights and other inventory		444	377
Trade and other receivables due within one year		647	692
Trade and other receivables due after more than one year		28	44
Trade and other receivables		675	736
Contract assets		200	185
Production work in progress		429	493
Current tax receivable		63	52
Derivative financial instruments	4.3	5	2
Cash and cash equivalents	4.1	264	348
		2,080	2,193
Current liabilities			
Borrowings	4.2	(329)	(289)
Lease liabilities		(14)	(21)
Derivative financial instruments	4.3	(11)	(7)
Trade and other payables due within one year		(858)	(901)
Trade payables due after more than one year		(21)	(17)
Trade and other payables		(879)	(918)
Contract liabilities		(370)	(372)
Current tax liabilities		–	(7)
Provisions	3.2	(135)	(139)
		(1,738)	(1,753)
Net current assets		342	440
Non-current liabilities			
Borrowings	4.2	(524)	(541)
Lease liabilities		(107)	(111)
Derivative financial instruments	4.3	(6)	(8)
Defined benefit pension deficit	3.3	(26)	(27)
Deferred tax liabilities		(68)	(57)
Other payables		(96)	(72)
Provisions	3.2	(19)	(30)
		(846)	(846)
Net assets		1,761	1,876
Attributable to equity shareholders of the parent company			
Share capital		404	403
Share premium		174	174
Merger and other reserves		211	211
Translation reserve		81	107
Fair value reserve		(3)	(1)
Retained earnings	4.5	839	928
Total equity attributable to equity shareholders of the parent company		1,706	1,822
Non-controlling interests		55	54
Total equity		1,761	1,876

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m	
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m				Retained earnings £m
Balance at 1 January 2023		403	174	211	107	(1)	928	1,822	54	1,876
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	42	42	2	44
Other comprehensive income / (expense)										
Revaluation of financial assets		–	–	–	–	(3)	–	(3)	–	(3)
Net gain on cash flow hedges and cost of hedging		–	–	–	19	–	–	19	–	19
Exchange differences on translation of foreign operations (net of hedging)		–	–	–	(40)	–	–	(40)	(4)	(44)
Remeasurement gain on defined benefit pension schemes		–	–	–	–	–	12	12	–	12
Income tax (charge) / credit on other comprehensive income		–	–	–	(5)	1	(2)	(6)	–	(6)
Total other comprehensive income / (expense)		–	–	–	(26)	(2)	10	(18)	(4)	(22)
Total comprehensive income for the period		–	–	–	(26)	(2)	52	24	(2)	22
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(133)	(133)	–	(133)
Movements due to share-based compensation		–	–	–	–	–	7	7	–	7
Movements in the employee benefit trust		–	–	–	–	–	(5)	(5)	–	(5)
Issue of new shares		1	–	–	–	–	–	1	–	1
Tax on items taken directly to equity		–	–	–	–	–	(2)	(2)	–	(2)
Total transactions with owners		1	–	–	–	–	(133)	(132)	–	(132)
Changes in non-controlling interests		–	–	–	–	–	(8)	(8)	3	(5)
Balance at 30 June 2023		404	174	211	81	(3)	839	1,706	55	1,761

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve

Condensed Consolidated Statement of Changes in Equity

continued

	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m	
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m				Retained earnings £m
Balance at 1 January 2022		403	174	215	41	13	634	1,480	38	1,518
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	193	193	4	197
Other comprehensive income / (expense)										
Revaluation of financial assets		–	–	–	–	(12)	–	(12)	–	(12)
Net loss on cash flow hedges and cost of hedging		–	–	–	(10)	–	–	(10)	–	(10)
Exchange differences on translation of foreign operations (net of hedging)		–	–	–	59	–	–	59	7	66
Remeasurement gain on defined benefit pension schemes		–	–	–	–	–	236	236	–	236
Income tax charge on other comprehensive income		–	–	–	–	–	(60)	(60)	–	(60)
Total other comprehensive income / (expense)		–	–	–	49	(12)	176	213	7	220
Total comprehensive income for the period		–	–	–	49	(12)	369	406	11	417
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(133)	(133)	(2)	(135)
Movements due to share-based compensation		–	–	–	–	–	4	4	–	4
Tax on items taken directly to equity		–	–	–	–	–	(3)	(3)	–	(3)
Total transactions with owners		–	–	–	–	–	(132)	(132)	(2)	(134)
Changes in non-controlling interests		–	–	–	–	–	1	1	(1)	–
Balance at 30 June 2022		403	174	215	90	1	872	1,755	46	1,801

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve

Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June	Note	£m	2023 £m	£m	2022 £m
Cash flows from operating activities					
Profit before tax	2.1		45		219
Share of losses / (profits) of joint ventures and associated undertakings		2		(8)	
Net financing costs		19		17	
Operating exceptional items	2.2	27		31	
Depreciation of property, plant and equipment		24		26	
Amortisation and impairment		40		36	
Share-based compensation		7		6	
Adjustments to profit			119		108
Increase in programme rights and distribution rights		(63)		(78)	
Decrease / (increase) in receivables and contract assets		92		(37)	
(Decrease) / increase in payables and contract liabilities		(31)		12	
Movement in working capital			(2)		(103)
Cash generated from operations before exceptional items			162		224
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	(27)		(31)	
Increase in exceptional payables		5		10	
Cash outflow from exceptional items			(22)		(21)
Cash generated from operations			140		203
Defined benefit pension deficit funding	3.3	(31)		(137)	
Net interest paid on bank, other loans and lease liabilities*		(14)		(16)	
Net taxation paid		(16)		(31)	
			(61)		(184)
Net cash inflow from operating activities			79		19
Cash flows from investing activities					
Acquisition of subsidiary undertakings, net of cash acquired		(1)		–	
Acquisition of property, plant and equipment		(17)		(16)	
Acquisition of intangible assets		(20)		(21)	
Acquisition of investments		(12)		(3)	
Dividends received from investments		3		–	
Loans granted to associates and joint ventures		(7)		(4)	
Loans repaid by associates and joint ventures		2		4	
Net cash outflow from investing activities			(52)		(40)
Cash flows from financing activities					
Bank and other loans – amounts repaid		(66)		(14)	
Bank and other loans – amounts raised		112		13	
Payment of lease liabilities		(13)		(14)	
Equity dividends paid		(133)		(133)	
Acquisition of non-controlling interests		(4)		(1)	
Issue of new share capital		1		–	
Net cash outflow from financing activities			(103)		(149)
Net decrease in cash and cash equivalents			(76)		(170)
Cash and cash equivalents at 1 January	4.1		348		686
Effects of exchange rate changes and fair value movements			(8)		9
Cash and cash equivalents at 30 June	4.1		264		525

* Included in Interest paid on bank, other loans and lease liabilities is £2 million relating to lease liabilities (2022: £2 million).

Notes to the Condensed Consolidated Interim Financial Statements

Section 1: Basis of Preparation

In this section

This section lays out the accounting conventions and accounting policies used in preparing these condensed consolidated interim financial statements.

ITV plc (the 'Company') is a company domiciled in the UK. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as 'the Group').

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual audited financial statements within the Annual Report and Accounts for the year ended 31 December 2022, which has been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

Revenues are impacted by underlying economic conditions, the cyclical demand for advertising, seasonality of programme sales, significant licensing deals and the timing of delivery of ITV Studios' programmes. Major events, including sporting events, will impact the seasonality of schedule costs and the mix of programme spend between sport and other genres, especially drama and entertainment. Other than this, there is no significant seasonality or cyclicity affecting the interim results of the operations.

These condensed consolidated interim financial statements are not statutory accounts. The statutory accounts for the year ended 31 December 2022 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors' report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

As at 30 June 2023, the Group was in a reported net debt position of £724 million (31 December 2022: £623 million).

The Group had £264 million of unrestricted cash (31 December 2022: £348 million), a £500 million (31 December 2022: £500 million) syndicated Revolving Credit Facility expiring in January 2028, of which £100 million was drawn at 30 June 2023 (31 December 2022: £50 million) and a £300 million committed and undrawn bilateral facility expiring in June 2026, providing £964 million (31 December 2022: £1,098 million) of liquidity. There are no financial covenants in relation to the bonds in issue, although there are cross default provisions.

The Revolving Credit Facility (RCF) is subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (as defined in the RCF documentation). As at 30 June 2023, the Group had covenant net debt of £578 million (31 December 2022: £461 million) and its financial position was well within its covenants. The leverage and interest cover tests will be tested again as at 31 December 2023.

The Group's €259 million Eurobond matures in December 2023. The Group intends to re-finance this Eurobond with a term loan from a group of relationship banks.

As a part of the going concern test, the Group reviews forecasts of the television advertising market to determine the impact on ITV's liquidity position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance (that reflect the current global economic uncertainty), show that the Group will be able to operate within its current available funding. The Group also continues to focus on development of the non-advertising business and evaluates the impact of further investment in the strategy on the cash headroom of the business.

After making enquiries, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these condensed consolidated interim financial statements and therefore have prepared the condensed consolidated interim financial statements on a going concern basis.

Notes to the Condensed Consolidated Interim Financial Statements

Section 1: Basis of Preparation continued

Accounting judgements and estimates

The preparation of interim financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The current macroeconomic environment has caused greater estimation and judgement to be applied, particularly in respect of pension obligations and discount rates used for impairment reviews.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected. The areas involving material judgement or complexity are set out below. Additional detail on the judgements applied by management are set out in the accounting policies section of the relevant notes in these condensed consolidated interim financial statements or the ITV plc Annual Report and Accounts for the year ended 31 December 2022:

Area	Key judgements	Key sources of estimation uncertainty
Exceptional items (See note 2.2)	The classification of income or expenses as exceptional items	
Defined benefit pension (See note 3.3)		Estimates of the assumptions for valuing the defined benefit obligation
Provisions related to Box Clever (see note 3.2)	The basis for calculating the provision	Estimates of the amount required to settle the potential liability
Employee-related provisions (See note 3.2)	The individuals who are included in the calculation	Estimates of the amounts required to settle the liability
Acquisition-related liabilities	Whether future amounts payable are linked to employment	Estimates of cash-flow forecasts to support the calculation of the future liabilities

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial statements but are not expected to have a material impact on them in the next 12 months. The key areas underlying estimation uncertainty include the reviews of onerous contracts and impairment provisions in relation to sports rights, allocation of programme rights to ITVX, impairment of intangible assets, purchase price allocation in business combinations and taxation.

The Directors recognise the climate crisis and the potential impact it may have on both the wider world and the success of ITV. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of ITV on the environment. Climate-related risks have been identified as an emerging business risk; however, the Directors do not view them as a source of material estimation uncertainty for the Group. For further detail, see the Risks and Uncertainties section of the Strategic Report in the ITV plc Annual Report and Accounts for the year ended 31 December 2022.

New or amended accounting standards

The amendments to accounting standards that are effective for annual periods beginning on 1 January 2023 did not have a significant impact on the Group's results.

Further details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 January 2023 and their impact on the Group are listed below:

Accounting standard	Requirement	Impact on financial statements
IFRS 17 'Insurance Contracts' and related amendments	IFRS 17 'Insurance Contracts' is a comprehensive new accounting standard covering recognition, measurement, presentation and disclosures. This standard replaces IFRS 4 'Insurance Contracts'.	No material change to the Group's financial position or performance.
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and errors'	The amendments introduce a new definition of accounting estimates and clarify how entities use measurement techniques and inputs to develop accounting estimates.	No material change to the Group's financial position or performance.
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements'	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies. The IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' in making decisions about accounting policy disclosures.	No material change to the Group's financial position or performance.
Amendments to IAS 12 'Income Taxes'- Initial recognition exception	The amendments aim to narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	No material change to the Group's financial position or performance.
Amendments to IAS 12 'Income Taxes'- Pillar Two income taxes	The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.	The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Notes to the Condensed Consolidated Interim Financial Statements

Section 1: Basis of Preparation continued

Finance (No 2) Bill and Pillar Two impact on financial statements

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15% for large groups and for financial years beginning on or after 31 December 2023. Taxation balances are adjusted for a change in tax law if the change has been substantively enacted by the balance sheet date however the amendments to IAS 12 'Income Taxes' Pillar Two income taxes discussed above provides an exemption from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules.

Changes to the current UK system of Audio-visual tax credits

On 17th November 2022, the UK government announced plans to reform the current system of Audio-visual ('AV') tax credits and has opened a consultation on its proposals to merge the four existing AV schemes (Film, High-End Television (HETV), Children's Television and Animation) into a single scheme and modernise the criteria for the High-End TV scheme. In addition, the government is proposing reform of the entire system, changing it from a system of tax relief to expenditure credits. The outcome of the consultation may change the economic value of UK High-End Television (HETV) tax credits to the Group and the way they are claimed and accounted for. The Group has responded to the consultation and will continue to monitor future developments.

Notes to the Condensed Consolidated Interim Financial Statements

Section 2: Results for the Period

In this section

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the period, segmental information, exceptional items and earnings per share.

2.1 Profit before tax

Keeping it simple

Adjusted earnings before interest, tax and amortisation (adjusted EBITA) is the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group.

The results for the year aggregate these classes of revenue into the following categories:

	2023 £m	2022 £m
ITV Studios UK	458	365
ITV Studios US	178	173
ITV Studios International	188	215
Global Partnerships ³	176	174
Total ITV Studios¹	1,000	927
Total advertising revenue ('TAR')	811	910
Subscriptions	29	26
SDN	24	28
Partnerships and other revenue	100	101
Total Media & Entertainment	964	1,065
Total revenue²	1,964	1,992

1. Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Partnerships revenue is from programme distribution rights and format licences and gaming, live events and merchandising

2. Includes internal supply as discussed in the APMs

3. Global Formats and Distribution has been rebranded Global Partnerships

Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Management Board. The Management Board is regarded as the chief operating decision-maker and considers the business, primarily from an operating activity perspective. The reportable segments for the period ended 30 June 2023 continue to be 'ITV Studios' and 'Media & Entertainment'.

This section shows each division's contribution to total revenue and adjusted EBITA:

	ITV Studios ¹	Media & Entertainment	Consolidated
For the six month period 30 June	2023 £m	2023 £m	2023 £m
Total segment revenue	1,000	964	1,964
Intersegment revenue	(322)	(3)	(325)
Revenue from external customers	678	961	1,639
Adjusted EBITA²	130	23	153
Unrealised profit in stock adjustment			(1)
Group adjusted EBITA³			152
	Restated ITV Studios ^{1,4}	Media & Entertainment	Restated Consolidated ⁴
For the six month period to 30 June	2022 £m	2022 £m	2022 £m
Total segment revenue	927	1,065	1,992
Intersegment revenue	(310)	(3)	(313)
Revenue from external customers	617	1,062	1,679
Adjusted EBITA²	127	194	321
Unrealised profit in stock adjustment			(3)
Group adjusted EBITA³			318

1. Intersegment revenue originates mainly in the UK

2. Adjusted EBITA is EBITA adjusted to exclude exceptional items and includes the benefit of production tax credits. It is stated after the elimination of intersegment revenue and costs

3. Group adjusted EBITA removes the profit recorded in the ITV Studios business related to content sold to the Media & Entertainment business but unutilised and held on the balance sheet at the period end

4. ITV Studios Adjusted EBITA at 30 June 2022 has been restated to remove the unrealised profit in stock adjustment as this is an adjustment required on consolidation only. The launch of ITVX in the M&E segment is likely to increase the levels of content held on the Statement of Financial Position, potentially requiring a larger profit in stock adjustment and therefore management believes the adjustment should be recorded at a consolidated level only

Notes to the Condensed Consolidated Interim Financial Statements

Section 2: Results for the Period continued

Timing of revenue recognition

The following table includes classes of revenue from contracts disaggregated by the timing of recognition:

For the six month period to 30 June	2023	2022	2023	2022
	£m	£m	£m	£m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, Subscriptions, SDN and other M&E revenue	798	898	163	164
Programme production, programme distribution rights	487	449	145	105
Format licenses	44	62	2	1
Total external revenue	1,329	1,409	310	270

Adjusted EBITA

A reconciliation from adjusted EBITA to profit before tax is provided as follows:

For the six month period to 30 June	2023	2022
	£m	£m
Adjusted EBITA	152	318
Production tax credits	(19)	(23)
EBITA before exceptional items	133	295
Operating exceptional items	(27)	(31)
Amortisation and impairment	(40)	(36)
Net financing costs	(19)	(17)
Share of (losses) / profits of joint ventures and associated undertakings	(2)	8
Profit before tax	45	219

A reconciliation of Profit before tax to Adjusted profit before tax is included in the Alternative Performance Measures.

Notes to the Condensed Consolidated Interim Financial Statements

Section 2: Results for the Period continued

2.2 Exceptional items

Keeping it simple

Exceptional items are excluded from management's assessment of profit because by their size or nature they would distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Operating exceptional items are analysed as follows:

For the six month period to 30 June (Charge) / credit	Ref.	2023 £m	2022 £m
Operating exceptional items:			
Acquisition-related expenses	A	(17)	(1)
Restructuring and transformation costs	B	(11)	(12)
Property costs	C	(2)	(12)
Pension related costs	D	–	(4)
Insured trade receivable provision	E	4	–
Other	F	(1)	(2)
Total operating exceptional items		(27)	(31)
Tax on operating exceptional items		2	4
Total operating exceptional items net of tax		(25)	(27)

A – Acquisition-related

Acquisition-related expenses of £17 million (2022: £1 million) are predominantly performance-based, employment-linked consideration to former owners and professional fees related to acquisitions and potential acquisitions.

B – Restructuring and transformation costs

Restructuring and transformation costs of £11 million (2022: £12 million) relate to one-off significant restructuring and transformation programmes of the business. Significant projects in the period to 30 June 2023 include a business transformation programme which commenced in 2021. This programme includes the implementation of a new cloud-based ERP solution, a software as a service (SaaS) solution where the implementation costs are expensed as incurred. The implementation commenced in 2021 and is expected to continue throughout 2023.

C – Property costs

Following the decision to move to Broadcast Centre in early 2022, £2 million (2022: £12 million) of property move related costs have been recognised as exceptional, including accelerated depreciation following a change in useful life of the related assets.

D – Pension related costs

The 2022 charge relates to the risk premium paid in relation to the buy-out of Section C of the ITV Pension Scheme.

E – Insured trade receivable provision

In 2017, the Group recorded a bad debt provision of US\$41 million related to trade receivables for The Voice of China. Subsequently, US\$34 million of cash was received from the licensee and the corresponding bad debt provision was released. The Directors anticipated recovering the remainder of the trade receivable from the trade credit insurance.

In 2023, a settlement of the claim was agreed with the insurers resulting in an exceptional credit of US\$5 million (£4 million). No further recovery of the remaining trade receivable is expected.

F – Other

Included in other are legal costs in relation to litigation outside the normal course of business.

Notes to the Condensed Consolidated Interim Financial Statements

Section 2: Results for the Period continued

2.3 Earnings per share

Keeping it simple

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the period attributable to equity shareholders of £42 million (2022: £193 million) divided by 4,019 million (2022: 4,009 million) being the weighted average number of shares in issue during the period, which excludes EBT shares held in trust.

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

Adjusted EPS is presented in order to present the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS are amortisation and impairment of assets acquired through business combinations and investments; net financing cost adjustments and the tax adjustments relating to these items. Each of these adjustments is explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

Earnings per share

For the six month period to 30 June	2023	2022
Profit for the period attributable to equity shareholders of ITV plc (£m)	42	193
Weighted average number of ordinary shares in issue – million	4,019	4,009
Basic earnings per ordinary share	1.0p	4.8p

Diluted earnings per share

For the six month period to 30 June	2023	2022
Profit for the period attributable to equity shareholders of ITV plc (£m)	42	193
Weighted average number of ordinary shares in issue – million	4,019	4,009
Dilution due to share options – million	27	35
Total weighted average number of ordinary shares in issue – million	4,046	4,044
Diluted earnings per ordinary share	1.0p	4.8p

Adjusted earnings per share

For the six month period to 30 June	Ref.	2023 £m	2022 £m
Profit for the period attributable to equity shareholders of ITV plc		42	193
Exceptional items (net of tax)	A	25	27
Profit for the period before exceptional items		67	220
Amortisation and impairment of acquired intangible assets	B	16	18
Net financing costs	C	9	4
Other tax adjustments	D	1	(3)
Adjusted profit		93	239
Weighted average number of ordinary shares in issue – million		4,019	4,009
Basic adjusted earnings per ordinary share		2.3p	6.0p

Diluted adjusted earnings per share

For the six month period to 30 June	2023	2022
Adjusted profit (£m)	93	239
Weighted average number of ordinary shares in issue – million	4,019	4,009
Dilution due to share options – million	27	35
Total weighted average number of ordinary shares in issue – million	4,046	4,044
Diluted adjusted earnings per ordinary share	2.3p	5.9p

Notes to the Condensed Consolidated Interim Financial Statements

Section 2: Results for the Period continued

The rationale for determining the adjustments to profit is disclosed in the 31 December 2022 Annual Report and Accounts and has not changed during the period. Details of the adjustments to earnings are as follows:

A. Exceptional items (net of tax) £25 million (2022: £27 million)

- operating exceptional items of £27 million (2022: £31 million), see details in note 2.2
- net of a related tax credit of £2 million (2022: £4 million)

B. Amortisation and impairment of £16 million (2022: £18 million)

- amortisation and impairment of assets acquired through business combinations and investments of £17 million (2022: £23 million) which excludes amortisation and impairment of software licenses and development of £23 million (2022: £13 million)
- net of a related tax credit of £1 million (2022: £5 million)

C. Net financing cost £9 million (2022: £4 million)

- finance costs of £10 million (2022: £5 million) includes £10 million (2022: £3 million) relating to the interest accrued on acquisition-related exceptional expenses and unrealised foreign exchange losses and fair value adjustments on financial assets and imputed pension interest charges
- net of a related tax credit of £1 million (2022: £1 million)

D. Other tax adjustments a charge of £1 million (2022: credit of £3 million)

- other tax adjustments relate primarily to prior year adjustments

Notes to the Condensed Consolidated Interim Financial Statements

Section 3: Operating Assets and Liabilities

In this section

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages there are notes covering acquisitions, provisions and pensions. Liabilities relating to the Group's financing activities are addressed in section 4.

3.1 Acquisitions

Acquisitions in the current year – 2023

The Group did not make any material acquisitions in the current year.

Acquisitions in the prior year – 2022

In the second half of 2022, the Group acquired Escapade Bidco Limited (Plimsoll Productions) and Lingo Pictures Pty Limited (Lingo Pictures) for £115 million including net cash and debt acquired. There have been no changes to the fair value of acquired net assets of Plimsoll Productions as presented at 31 December 2022. The Group is still completing its valuation of the intangible and tangible assets acquired with the Lingo Pictures business.

3.2 Provisions

Keeping it simple

A provision is recognised where an obligation exists relating to events in the past and it is probable that cash will be paid to settle the obligation. A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the likelihood of settling legal and other claims, and contracts the Group has entered into in respect of future events that are now considered unprofitable.

The table below presents movements in provisions during the period:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 1 January 2023	34	9	126	169
Utilised	(11)	(1)	(2)	(14)
Foreign exchange	–	–	(1)	(1)
At 30 June 2023	23	8	123	154
Analysed between:				
Current	15	–	120	135
Non-current	8	8	3	19

Provisions of £135 million are classified as current liabilities (31 December 2022: £139 million). Unwind of the discount is £nil (2022: £nil).

Contract provisions of £23 million (31 December 2022: £34 million)

Represent liabilities in respect of onerous contracts in relation to individual sports rights of £10 million (31 December 2022: £17 million) and transmission capacity supply contract of £13 million (31 December 2022: £17 million).

Sports Rights

The provision for sports rights is sensitive to the changes in the sporting schedule and consequential impact on TAR. In calculating the provision, management made estimates and used assumptions in determining the nature, amount and timing of potential outflows including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts. A provision is recognised for rights where the estimated revenues are less than the obligation held. The provision held at 30 June 2023 is £10 million (31 December 2022: £17 million). In 2022, the provision was increased by £17 million, with £7 million being utilised during the current period (31 December 2022: £nil). The remaining provision is expected to be utilised between 2024 and 2025.

Transponders

In 2020 and 2021, the Group reviewed the efficiency of its transmission capacity usage with a view to reducing capacity requirements. This has allowed the Group to reorganise channels over fewer transponders with the result that all channels have been cleared from two transponders. They are no longer utilised and are therefore not generating revenues. Management has applied judgement in its assessment that the individual element of the contract is separable from the remaining elements of the contract, which are not considered onerous. The contracted future commitment to October 2024 was therefore recognised as a provision in 2020 and 2021 as there are no future economic benefits expected.

The provision for onerous contracts at 30 June 2023 is £13 million (31 December 2022: £17 million). £4 million of the provision was utilised during the period (31 December 2022: £10 million).

Property provisions £8 million (31 December 2022: £9 million)

These provisions primarily relate to expected dilapidation costs at rental properties.

Notes to the Condensed Consolidated Interim Financial Statements

Section 3: Operating Assets and Liabilities continued

Legal and Other provisions £123 million (31 December 2022: £126 million)

Represents provisions for potential liabilities and the related legal costs. These include £52 million (2022: £52 million) for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') being issued by the Pensions Regulator ('tPR'), employee-related tax and other provisions of £59 million (2022: £59 million), and other legal and related costs, including a provision related to The Voice of Holland.

Box Clever Pension Scheme

The Box Clever Pension Scheme ('the Scheme') was managed from its establishment by an independent Trustee and the Group has not had any commercial connection with the Box Clever business since it went into administrative receivership in 2003. After proceedings in the Upper Tribunal and Court of Appeal were dismissed, certain companies within ITV were issued with Financial Support Directions (FSDs) by the Pension Regulator (tPR) on 17 March 2020. An FSD does not set out what form any financial support should take, nor its amount, and those issues have not yet been resolved as part of the legal process.

The legislation provides that any contribution that ITV may make must be considered reasonable. If an agreement is reached with tPR there may not be an immediate cash flow impact. If an agreement cannot be reached, then settlement may be protracted and subject to further legal proceedings which could take several years to resolve.

At 31 December 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million. An estimate of the deficit in the Box Clever Group Pension Scheme was calculated at £110 million as at 30 April 2020. This estimate was calculated on a buyout basis, using membership data and benefits currently being provided in that Scheme, and based on membership data as of February 2020. This estimate has been updated based on 31 December 2022 market conditions and has reduced to £80 million primarily due to the increase in gilt yields and recent changes in inflation. All of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group.

As reported in the 2022 Annual Report and Accounts, the Group received a warning notice from tPR that it was considering exercising its power to issue a contribution notice for the buyout amount estimated at £133 million which is based on a buyout estimate as at 31 March 2021 provided by the Scheme's actuarial adviser, plus a prudent margin. The Group responded to the warning notice on 31 October 2022.

There remains a significant number of undecided issues as to the quantum and form of financial support and the Directors continue to believe there are many important factors which need to be taken into account in any decision, and therefore there remains uncertainty around the financial support to be provided. The provision remains at £52 million, and represents the offer made to settle the matter and is based on an IAS 19 valuation to transfer certain liabilities into the existing ITV pension scheme, which we consider the most likely form of settlement. We remain willing to engage with tPR to resolve the matter.

Employee-related

The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021, HMRC issued an initial assessment on several individuals engaged by the Group during the tax year 2016/17 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Landmark court cases were heard by the Court of Appeal in early 2022. Whilst the Group was not involved in these cases, judgements handed down impact how employment tax status is being determined for TV and Radio presenters generally. These judgements will therefore have a bearing on how much tax might be payable by the Group.

During 2022, we further reviewed the provision, which resulted in an increase in the provision of £20 million, of which £10 million related to periods up to 31 December 2021 and was considered exceptional. The increase largely related to where the Group believed the case for self-employment had weakened in light of recent case law and HMRC's hardening stance. Due to ongoing reviews by HMRC and court cases on this matter, the final amount payable could be significantly different to the £56 million currently provided (31 December 2022: £56 million).

It is difficult to provide a range for the expected final amount payable as case law is continually evolving on this matter, particularly in relation to Front of Camera presenters. Very few cases have reached the higher courts and fact patterns can be very different in individual cases, so determination of employment status for tax purposes remains very subjective. A further £3 million (31 December 2022: £3 million) is provided in relation to other employment related matters.

The Voice of Holland

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production and other costs. While unquantifiable at present, there may be further financial impact on the Group. An external investigation of the allegations by Dutch law firm Van Doorne has now completed, and ITV published a public document summarising the findings in March 2023.

Other

Other provisions relate to historical environmental provisions in relation to our production sites, closure costs and provision for legal fees for other ongoing litigation.

Notes to the Condensed Consolidated Interim Financial Statements

Section 3: Operating Assets and Liabilities continued

3.3 Pensions

Keeping it simple

In this note we explain the accounting policies governing the Group's pension scheme, followed by analysis of the components of the net defined benefit pension deficit/surplus, including assumptions made, and where the related movements have been recognised in the financial statements.

What are the Group's pension schemes?

There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006 and closed to future accrual in 2017. In 2016, on acquisition of UTV Limited, the Group took over the UTV Defined Benefit Scheme, which closed to future accrual at the end of March 2019.

The Group also has unfunded schemes in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within an unfunded scheme (the Granada supplementary scheme), there is additional security in the form of a charge over £46 million of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension surplus.

The principal employer of the ITV Pension Scheme and the Unfunded Scheme is ITV Services Limited, the Granada supplementary scheme is Granada Group Limited and the UTV Pension Scheme is UTV Limited.

The pension surplus is presented consistently with definitions presented in the Group's 2022 Annual Report and Accounts. The Group has determined that it has an unconditional right to a refund of any surplus if the Schemes are run off until the last member dies. On this basis the Group has recognised an accounting surplus on the ITV Pension Scheme and the UTV Scheme as at 30 June 2023.

The defined benefit pension surplus/deficit

Net pension surplus of £235 million at 30 June 2023 (31 December 2022: surplus of £192 million) is stated after including the unfunded scheme security asset of £46 million (31 December 2022: £47 million). The totals recognised 30 June 2023 and 31 December 2022 are:

	30 June 2023 £m	31 December 2022 £m
Total defined benefit scheme obligations	(2,212)	(2,292)
Total defined benefit scheme assets	2,401	2,437
Defined benefit pension surplus (IAS 19)	189	145
Presented as:		
Defined benefit pension surplus	215	172
Defined benefit pension deficit	(26)	(27)
Defined benefit pension surplus (IAS 19)	189	145
Other pension asset	46	47
Net pension surplus	235	192

The net pension surplus at 30 June 2023 was £235 million, compared with a surplus of £192 million at 31 December 2022. The movement in the period was driven by a decrease in liabilities caused by an increase in the corporate bond yields and a decrease in market-implied inflation. Pension assets have decreased due to a rise in gilt yields in the period, offset by our deficit funding contributions of £31 million.

The latest triennial valuation of Section A of the ITV Pension Scheme was undertaken as at 31 December 2019 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2022. The funding deficit of Section A of the ITV Pension Scheme as at 31 December 2019 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing reduction contributions to eliminate the deficit. We expect the deficit reduction contributions to be £43 million in 2023, £48 million in 2024 and £28 million in 2025. The next triennial valuation will be as at 31 December 2022. This will determine subsequent contribution rates.

The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficit in Section A of the ITV Pension Scheme. The IAS 19 surplus or deficit does not drive the deficit funding contribution.

Due to the size of the UTV Pension Scheme, the Directors present the results and position of the UTV Scheme within this note combined with the existing ITV Schemes. The latest triennial valuation was undertaken as at 30 June 2020. The Scheme had assets of £140 million as at the valuation date and £136 million of liabilities resulting in an agreed Technical Provisions funding surplus of £4 million. The next triennial valuation will be as at 30 June 2023.

Notes to the Condensed Consolidated Interim Financial Statements

Section 3: Operating Assets and Liabilities continued

Addressing the defined benefit pension deficit

The Group has two asset-backed pension funding agreements with the Trustee – the SDN pension funding partnership and the London Television Centre pension funding partnership which were set up in 2010 and 2014 respectively to address the pension deficit.

SDN Pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200 million of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement a payment of up to £200 million was due in 2022. The existing PFP agreement has been amended and extended to 2031. As a result of this agreement, payments of £94 million were made under the SDN PFP arrangement in 2022. The Group is committed to up to nine annual payments of £16 million from 2023 and the PFP's interest in SDN provides collateral for these payments. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments. The letter of credit which was previously used to provide additional collateral to support the original value of the structure was released during 2022.

London Television Centre pension funding partnership

In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. In November 2019 the London Television Centre was sold. £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement. In 2022 this security was replaced with a surety bond and the cash was released to the Group. This structure continues to be reviewed.

Deficit contributions for 2023 to 2025 consist of contributions agreed with the Trustees following the triennial valuation (£43 million, £48 million and £28 million respectively) and the annual payments under the SDN PFP and London Television Centre PFP (£16 million and £3 million respectively).

The £16 million payment under the SDN PFP was not required to be paid this year. Under the annual SDN PFP assessment, Section A of the defined benefit scheme is calculated to be in a technical surplus. This calculation is based upon the most recent triennial valuation (as at 31 December 2019) updated for current market conditions. This assessment is made on an annual basis and therefore the £16 million payment may resume in 2024.

Therefore, total expected deficit contributions for 2023 to 2025 will be £46 million, £67 million and £47 million.

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs

In this section

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV; specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group. Any potential courses of action in relation to this will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results. The Directors take into account the available realised distributable reserves from which a dividend would be paid in addition to liquidity and solvency of the Group. The Directors also consider the capital structure and dividend policy in the context of the Group's ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value. The ITV plc Board oversees governance and approves tax and treasury related policies and procedures.

4.1 Net debt

Keeping it simple

Reported net debt is the Group's key measure used to evaluate total cash resources net of the current outstanding debt including our discounted lease liabilities. A full analysis and discussion of reported net debt and covenant net debt is included in the Operating and Performance Review. The tables below analyse movements in the components of reported net debt during the year:

	1 January 2023 £m	Net cash flow £m	Currency and non-cash movements £m	30 June 2023 £m
Loans and facilities due within one year	(289)	(47)	7	(329)
Loans and facilities due after one year	(541)	1	16	(524)
Total loans and facilities	(830)	(46)	23	(853)
Cross currency interest rate swaps held against euro denominated borrowings	(9)	–	(5)	(14)
Lease liabilities	(132)	(15)	26	(121)
Total debt	(971)	(61)	44	(988)
Cash	257	(29)	(7)	221
Cash equivalents	91	(47)	(1)	43
Total cash and cash equivalents	348	(76)	(8)	264
Reported net debt	(623)	(137)	36	(724)

Loans and facilities due within one year

In January 2022, the Group entered into a new syndicated £500 million Revolving Credit Facility (RCF) to meet short-term funding requirements of which £100 million was drawn at 30 June 2023 (31 December 2022: £50 million). The original terms of the RCF ran until January 2027; however, ITV took the opportunity to give notice to extend for one year, pushing current expiry out to January 2028. There is a further extension opportunity in 2024, which means the facility could potentially provide funding out to 2029.

The €259 million Eurobond at a fixed coupon of 2.0%, matures in December 2023 (the principal and final interest payment having been fully hedged with FX forward rate agreements).

Loans and loan notes due after one year

The Group has the following Eurobond in issue:

- €600 million at a fixed coupon of 1.375%, which matures in September 2026 and has been swapped back to sterling (£533 million) using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c.2.9%.

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs continued

Available facilities

The Group has good access to liquidity:

- The Group has a £300 million bilateral loan facility, which matures on 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants. The facility is currently undrawn (31 December 2022: undrawn).
- As noted above, the Group has £500 million of committed funding through a RCF with a group of relationship banks, which is currently available until January 2028. At 30 June 2023, £100 million of the facility was utilised (31 December 2022: £50 million). The RCF documentation defines a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. All financial covenants were met and the facility remains available at 30 June 2023. The Revolving Credit Facility (RCF) contains Scope 1, 2 and 3 greenhouse gas emissions targets which align to ITV's stated objective to have Net Zero carbon emissions by 2030. These targets are measured at the end of each financial year and independently verified in July following the relevant December year end. Scope 1 and 2 emissions are measured separately to Scope 3 emissions. The margin on the facility reduces by 2.5bps if Scope 1, 2 and 3 targets are met, by 1.25bps if either Scope 1 and 2 targets are met or Scope 3 targets are met, and increases by 2.5bps if neither target is met. Failing to meet targets does not impact the availability of the RCF. The Group met Scope 1, 2 and 3 targets for 2021 and 2022 emissions. Over the life of the facility, it may be necessary to recalibrate the baseline emissions level set in 2019, particularly in relation to Scope 3 emissions and there is a mechanism in the RCF documentation that allows for this.

4.2 Borrowings

Keeping it simple

The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The Group is required to disclose the fair value of its debt instruments. The fair value is the amount the Group would pay a third party to transfer the liability. This estimation of fair value is consistent with instruments valued under level 1 in note 4.4.

Fair value versus book value

The tables below provide fair value information for the Group's borrowings:

	Maturity	Book value		Fair value	
		30 June 2023 £m	31 December 2022 £m	30 June 2023 £m	31 December 2022 £m
Loans due within one year					
€259 (previously €500) million Eurobond	Dec 2023	223	229	220	227
Revolving credit facility*	July 2023	100	50	100	50
Other short-term loans**	Various	6	10	6	10
		329	289	326	287
Loans due in more than one year					
€600 million Eurobond	Sep 2026	516	531	470	480
Other long-term loans **	Various	8	10	8	10
		524	541	478	490
		853	830	804	777

* The Revolving Credit Facility matures in January 2028.

** Fair value is an approximation of the carrying value.

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs continued

4.3 Managing financial market risks: derivative instruments

Keeping it simple

What is a derivative?

A derivative is a type of financial instrument used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying financial exposure.

The Group is exposed to certain financial market risks. In accordance with Board-approved policies the Group manages these risks by using derivative financial instruments to hedge the underlying financial exposures.

Why do we need them?

The key financial market risks facing the Group are:

- Currency risk arising from:
 - i. Translation and revaluation risk: that is the risk in the period of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and revaluation of non-functional currency monetary assets and liabilities ('income statement risk')
 - ii. Transaction risk: that is the risk that currency fluctuations will cause volatility in the value of the Group's non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of a Group entity
- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates.

How do we use them?

The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk principally arising from intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk by the sale or purchase of foreign currency at a known fixed rate on an agreed future date
- Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

Where appropriate forward foreign exchange contracts and cross-currency interest rate swaps are designated as cash flow hedges of highly probable future cash flows. All of these hedges were effective during the period.

The Group's policy on the various methods used to calculate the fair values of derivatives is detailed in the 31 December 2022 Annual Report and Accounts.

The Group held certain derivative instruments:

At 30 June 2023	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	4	(11)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	–
Non-current		
Cross currency interest swaps – cash flow hedges	–	(5)
Foreign exchange forward contracts and swaps – cash flow hedges	–	(1)
	5	(17)

At 31 December 2022	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	2	(6)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	(1)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(8)
Foreign exchange forward contracts and swaps – cash flow hedges	2	–
	4	(15)

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs continued

Keeping it simple

The table below provides a reconciliation of each component of the translation reserve reported within equity and an analysis of other comprehensive income in accordance with IAS 1.

Set out below is the reconciliation of each component of the translation reserve reported in the Consolidated Statement of Changes in Equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £m	Cost of hedge reserve £m	Foreign currency reserve £m	Translation reserve £m
As at 1 January 2023	2	(7)	112	107
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(7)	(1)	–	(8)
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	–	1	–	1
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	2	–	–	2
• FX forward and swaps reclassified to finance costs	7	–	–	7
• Amounts reclassified to work in progress	1	–	–	1
• CCIRS reclassified to finance costs	16	–	–	16
Net gain on cash flow hedges and cost of hedging	19	–	–	19
Foreign currency revaluation of the net foreign operations	–	–	(40)	(40)
Exchange differences on translation of foreign operations (net of hedging)	–	–	(40)	(40)
Income tax charge on other comprehensive income/(expense)	(5)	–	–	(5)
As at 30 June 2023	16*	(7)	72**	81

* Relates to continuing hedge relationships

** £19 million of this is in relation to discontinued hedge relationships

As at 1 January 2022	3	(7)	45	41
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(7)	–	–	(7)
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	7	3	–	10
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	1	–	–	1
• FX forward and swaps reclassified to finance costs	(4)	–	–	(4)
• Amounts reclassified to work in progress	2	–	–	2
• CCIRS reclassified to finance costs	(12)	–	–	(12)
Net (loss) / gain on cash flow hedges and cost of hedging	(13)	3	–	(10)
Foreign currency revaluation of the net foreign operations	–	–	59	59
Exchange differences on translation of foreign operations (net of hedging)	–	–	59	59
Income tax credit on other comprehensive income/(expense)	–	–	–	–
As at 30 June 2022	(10)*	(4)	104**	90

* Relates to continuing hedge relationships

** £19 million of this is in relation to discontinued hedge relationships

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs continued

4.4 Fair value hierarchy

Keeping it simple

The financial instruments included in the ITV condensed consolidated statement of financial position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective and can depend on the inputs used in the calculations. ITV generally uses external valuations using market inputs or market values (e.g. gilt prices, foreign exchange rates and interest rates). The different valuation methods are called 'hierarchies' and are described below.

Level 1: Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values are measured using inputs, other than quoted prices included within Level 1, which are observable for the asset or liability either directly or indirectly.

Level 3: Fair values are measured using inputs for the asset or liability that are not based on observable market data.

The table below sets out the financial instruments included in the Group's condensed consolidated statement of financial position at 'fair value'. There were no transfers between levels during the period.

30 June 2023	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value				
Financial instruments at fair value through the reserves				
Other pension assets – gilts (see note 3.3)	46	46	–	–
Money market funds (see note 4.1)	43	43	–	–
Equity investments	17	–	–	17
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	1	–	1	–
Financial assets at fair value through reserves				
Cash flow hedges	4	–	4	–
	111	89	5	17
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	–	–	–	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition*	(47)	–	–	(47)
Financial liabilities at fair value through reserves				
Cash flow hedges	(17)	–	(17)	–
	(64)	–	(17)	(47)

31 December 2022	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value				
Financial instruments at fair value through the reserves				
Other pension assets – gilts (see note 3.3)	47	47	–	–
Money market funds (see note 4.1)	91	91	–	–
Equity investments	11	–	–	11
Financial assets at fair value through profit or loss				
Convertible loan receivable	3	–	–	3
Financial assets at fair value through reserves				
Cash flow hedges	4	–	4	–
	156	138	4	14
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(1)	–	(1)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition*	(39)	–	–	(39)
Financial liabilities at fair value through reserves				
Cash flow hedges	(14)	–	(14)	–
	(54)	–	(15)	(39)

* The Group recognises the non-controlling interests in a business combination at fair value with a put liability being recognised at acquisition. Any changes in the value of the liability is treated as financing costs or income.

Notes to the Condensed Consolidated Interim Financial Statements

Section 4: Capital Structure & Financing Costs continued

4.5 Retained Earnings

Keeping it simple

This section outlines retained earnings, presented in the Condensed Consolidated Statement in Changes in Equity, which is not explained elsewhere in the financial statements.

The Group's retained earnings reserve comprises profit for the six months to 30 June 2023 attributable to owners of ITV plc of £42 million (year to 31 December 2022: £428 million) and other items recognised directly through equity as presented in the consolidated statement of changes in equity. Other items include the payment of the final dividend of 3.3p for the full year 2022 of £133 million (year to 31 December 2022: £201 million) and a credit for the Group's share-based compensation schemes of £7 million (year to 31 December 2022: £19 million).

Dividends are distributed based on the realised distributable reserves (within retained earnings) of the Company and not based on the Group's retained earnings.

Notes to the Condensed Consolidated Interim Financial Statements

Section 5: Other Notes

5.1 Contingent assets and liabilities

Keeping it simple

A contingent asset or liability is an item that is not sufficiently certain to qualify for recognition as an asset or a provision where uncertainty may exist regarding the outcome of future events.

Contingent liabilities

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. In addition, the determination of employment tax status of some individuals contracted by ITV is complex and a future liability could arise in relation to this. None of these items are expected to have a material effect on the Group's results or financial position.

As reported in our 2022 Annual Report and Accounts, on 12 July 2022, the UK Competition and Markets Authority (CMA) opened an investigation into certain conduct of ITV and other named companies in the sector relating to the production and broadcasting of sports content in the United Kingdom. The investigation is at an early stage and it is not currently possible to reliably quantify any liability that might result from the investigation. ITV is committed to complying with competition law and is cooperating with the CMA's enquiries.

5.2 Subsequent events

Keeping it simple

Where the Group receives information in the period between 30 June 2023 and the date of this report about conditions related to certain events that existed at 30 June 2023, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 30 June 2023. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. There are no subsequent events to report.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge, these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The directors of ITV plc are listed in the Annual Report and Accounts for 31 December 2022, with the exception of the following changes in the period:

- Mary Harris (resigned 3 May 2023)

A list of current directors is maintained on the ITV plc website: www.itvplc.com

For and on behalf of the Board:

Chris Kennedy
Group COO and CFO
27 July 2023

Independent review report to ITV plc

Report on the Condensed Consolidated Interim Financial Statements

Our conclusion

We have reviewed ITV plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of ITV plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2023
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended
- the Condensed Consolidated Statement of Cash Flows for the period then ended
- the Condensed Consolidated Statement of Changes in Equity for the period then ended and
- the explanatory notes to the condensed consolidated interim financial statements

The interim financial statements included in the Interim Results of ITV plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.