

ITV plc Interim Results for the half year ended 30 June 2012

ITV Transformation Plan delivers double digit revenue and profit growth

- External revenues up 10% to £1,130 million (2011: £1,027 million), with growth in all areas of the business
- Total non-NAR revenues up £106 million, 26%, to £514 million (2011: £408 million) driven by ITV Studios
- ITV Studios revenues up £91 million, 34%, with double digit growth from UK and international businesses, reflecting in part the front loaded delivery of a number of shows
- ITV Family NAR up 3%, outperforming the TV advertising market up 2%
- ITV Family SOV down 1%, with digital channels performing strongly up 5%
- EBITA before exceptional items up 10% to £265 million (2011: £240 million)
- Adjusted PBT up 15% to £235 million (2011: £204 million)
- Adjusted EPS up 15% to 4.7p (2011: 4.1p)
- Positive net cash position of £92 million
- Continued improvement in efficiency of balance sheet with £275 million bond buyback in June
- Board has declared an interim dividend of 0.8p (2011: 0.4p)
- We expect ITV Family NAR to be broadly flat over the nine months to the end of September

Adam Crozier, ITV plc Chief Executive, said:

"The Transformation Plan continues to gain momentum. External revenues are up 10% with all areas of the business delivering growth. The £106 million increase in non-advertising revenues – from content, pay and online – was particularly significant and is further evidence that our strategy of rebalancing the business and growing new revenue streams is working.

"Our relentless focus on cash and costs remains key. We're on track to deliver cost savings of £20 million this year and our cash conversion is over 100%. We've also further increased the efficiency of the balance sheet with a £275 million bond buyback in June, bringing total debt buybacks to £937 million since October 2009. We now have positive net cash of £92 million compared with £612 million of net debt at the end of 2009.

"ITV Studios is performing strongly both in the UK and internationally with double digit revenue growth across all divisions and an increasing share of ITVS programmes aired on ITV1. Our investment in the creative pipeline is now clearly coming through in the financial results.

"While ITV Family Share of Viewing was down 1%, our strong Autumn and Winter schedule gives us confidence for the full year. Online we performed well with long form video requests up 20% and further improvements in the reliability and distribution of ITV Player. Our pay and online strategy has made good progress with the launch of our archive pay deals and YouView, and is soon to take another step forward with the roll out of ITV Pay Player.

"As we anticipated, ITV Family NAR was up 3% in H1, outperforming the television advertising market. The underlying TV advertising market continues to be relatively flat and while we remain cautious about the outlook for the TV advertising market for the rest of 2012, we expect to outperform it for the year as a whole. Over the full year we expect ITV Studios revenues to grow at a similar rate to 2011 and to grow the ITV Studios share of ITV1 output."

Half year results

Six months ended 30 June (£ million)	2012	2011	Change (£m)	Change (%)
Broadcasting & Online revenues	924	887	37	4
ITV Studios revenues	355	264	91	34
Total revenues	1,279	1,151	128	11
Internal supply	(149)	(124)	(25)	(20)
Group external revenues	1,130	1,027	103	10
Broadcasting & Online EBITA	215	202	13	6
ITV Studios EBITA	50	38	12	32
EBITA before exceptional items	265	240	25	10
Adjusted profit before tax*	235	204	31	15
Adjusted earnings per share (EPS)*	4.7p	4.1p	0.6p	15
Dividend	0.8p	0.4p	0.4p	

* Adjusted profit before tax and adjusted EPS remove the effect of exceptional items, impairment of acquired intangible assets, amortisation of intangible assets acquired through business combinations, financing cost adjustments, and prior period and other tax adjustments from the statutory numbers.

ITV plc Interim Results for the half year ended 30 June 2012

continued

Financial position

We have delivered strong financial results in the first half with double digit revenue and profit growth. Much of the revenue growth has come from our non-NAR revenues as we continue to grow and rebalance the business. We remain focused on cash and costs and are on track to deliver £20 million of cost savings over the full year. We will use these savings to fund £25 million of investment aligned to our strategic priorities.

Our 10% EBITA growth and our good profit to cash conversion, once again over 100%, saw us end the half year with positive net cash of £92 million, having paid the pension contribution and the 2011 full year dividend and having completed the bond buyback. We bought back £275 million of bonds in June for a cash cost of £309 million. As a result of the good profit to cash conversion and the bond buyback the balance sheet is stronger and more efficient.

In July we improved our financial flexibility following this bond buyback through executing a committed £250 million three year Revolving Credit Facility (RCF). The RCF remains undrawn.

Broadcasting & Online

Broadcasting & Online has seen 4% revenue growth and a 6% improvement in EBITA before exceptional items. The high operational gearing of advertising revenues has helped profitability but schedule costs were higher as a result of the phasing of sports costs.

ITV Family NAR grew 3%, again outperforming the market which was up 2%. ITV Family SOV was down 1%, with ITV1 down 3% and the digital channels continuing to perform well, up 5%. ITV Family SOCI was down 3%, with ITV1 down 5% and the digital channels up 3%. We will work to improve our on-screen performance over the full year and into 2013.

Online, pay and interactive revenues continue to grow as we make our content available on more platforms and improve the quality of ITV Player. Long form video requests were up 20% driven by mobile and we have launched our redeveloped News and Sport online sites and have completed consumer trials of the new ITV Pay Player.

ITV Studios

We are delivering double digit revenue growth across all the Studios businesses. The £91 million of additional revenue has led to a £12 million increase in EBITA. Revenue growth has partly been helped by the front loaded delivery of a number of shows in H1, as well as the inclusion of ITV Breakfast production now that Daybreak is produced by ITV Studios. Over the full year we expect ITV Studios revenues to grow at a similar rate to 2011.

We continue to invest in our creative pipeline. In the first half we had 61 new commissions and 61 recommissions as we increasingly look to formats that return. In the UK we have grown our revenues both on and off ITV and over the full year expect to grow content globally. We now have eight ITV Studios programmes that are produced in three or more countries, compared to four in 2011 and are building scale in our distribution business with our own and third party content.

We are building on our own strength with selective investments and partnerships in the UK and internationally. We have recently signed an agreement to acquire Mediacircus in the Nordics and signed a joint development agreement with Reshet, the Israeli broadcaster which will increase our production capability and distribution network in key genres and territories.

Adjusted EPS

Adjusted EPS was up 15% to 4.7p (2011: 4.1p) reflecting our strong trading performance.

Adjusted financing costs of £25 million are £3 million lower than the prior year as the impact of the bond buybacks carried out in 2011 are partially offset by a step up in the interest on the 2019 loan. For the full year interest costs will be about £6 million lower than the prior year as a result of the net impact of the RCF and the recent bond buybacks. As these bonds were repurchased at above par there was a £36 million exceptional loss in the period.

The adjusted effective tax rate of 23% is lower than the statutory rate of UK corporation tax due to the utilisation of prior year losses. It is expected to be maintained at around this level in 2013.

Statutory EPS

Statutory EPS is lower in 2012 at 3.2p (2011: 3.5p) due to the exceptional loss from the bond buybacks.

Pension

The aggregate IAS 19 deficit of the defined benefit schemes at 30 June was £421 million (31 December 2011: £390 million), impacted by a reduction in the implied discount rate, but this was partially offset by a decrease in the market expectation of long-term inflation.

Full actuarial valuations of the three sections of the pension scheme have been carried out, with the funding deficit standing at £587 million as at 1 January 2011. As a result of the valuation a 15 year funding plan has been agreed for the main section (Section A) to repay its pension deficit. As in previous years it is a mixture of fixed and performance related contributions. The current contribution plan remains in place until the end of 2014 and then there is a gradual increase in the fixed contribution from £48 million to £50 million for the period from 2015 onwards, with any performance related contribution payable in addition to these amounts. If the performance related elements of the main section pay out, the funding period reduces to ten years. For Sections B and C, we will continue to make contributions of £5.5 million per annum in order to eliminate the deficits of these sections by 31 March 2021.

There is potentially a step up in the total cash cost of the three sections from £72 million in 2012, to a maximum annual average of £87 million from 2015 to 2020.

The funding plan will be reviewed by the Trustees at subsequent valuations and may be revised with the agreement of the Company.

Dividend

The Board has declared an interim dividend of 0.8p. The Board is committed to a progressive dividend policy, taking into account the outlook for earnings per share, while balancing the need to invest in the business and to maintain financial prudence against the backdrop of an uncertain economic environment. The Board has set this interim dividend with a view that it is likely to be roughly one third of the total dividend for this year.

Outlook for 2012

We expect ITV NAR to be broadly flat for the nine months to the end of September, with July down 10%, August down 11% and September between flat and down 5%. The underlying TV advertising market continues to be relatively flat and while we remain cautious about the outlook for the TV advertising market for the remainder of 2012, we expect to outperform it for the year as a whole. Over the full year we expect ITV Studios revenues to grow at a similar rate to 2011 and to grow ITV Studios' share of ITV1 output.

Notes to editors

1. Unless otherwise stated, all figures refer to the six month period ending 30th June 2012, with growth compared to the same period in 2011.

2.

Revenues for six months to 30 June (£m)	2012	2011	%
ITV Family NAR	765	743	3
Non-NAR Revenue	514	408	26
Internal Supply	(149)	(124)	(20)
Total External Revenue	1,130	1,027	10

3. Figures for ITV plc and market NAR are based on ITV estimates.

The estimate for ITV Family NAR to be broadly flat over the 9 months to 30 September assumes that ITV Family NAR is up 3% in H1, down 10% in July, down 11% in August and September between flat and down 5%.

4.

Broadcasting & Online performance indicators: six months to 30 June (% except where otherwise stated)	2012	2011	%
ITV Family share of viewing	23.0	23.2	(1)
ITV1 share of viewing*	16.3	16.8	(3)
ITV Family adult SOCI	39.0	40.0	(3)
ITV1 adult SOCI*	27.1	28.5	(5)
ITV1 adult impacts*	122bn	125bn	(2)
Long form video requests (all platforms)	217m	180m	20

* This includes ITV Breakfast. Excluding ITV Breakfast ITV1's share of viewing was 15.4% (2011: 15.9%), ITV1's adult SOCI was 25.5% (2011: 26.8%) and ITV1's adult impacts were 115bn (2011: 118bn).

Share of viewing data based on BARB/AdvantEdge data and share of commercial impact (SOCI) data based on BARB/DDS data. Share of viewing data is for individuals and SOCI data is for adults. ITV Family includes: ITV1, ITV2, ITV3, ITV4, CITV, ITV1 Breakfast, CITV Breakfast and associated "HD" and "+1" channels.

Total video requests across all platforms for Online & On Demand are based on data from ComScore Digital Analytix, Virgin, BT, iTunes, Lovefilm, Sky, 3UK and Hospedia.

5. This announcement contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of ITV. 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. 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) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights, and (iv) the loss or failure of transmission facilities or core systems.

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Strategy & Operations

Adam Crozier

- 1** Create a **lean, creatively dynamic and fit-for-purpose** organisation
- 2** **Maximise audience and revenue share** from our existing free-to-air broadcast business
- 3** Drive new revenue streams by **exploiting our content** across multiple platforms, free and pay
- 4** Build a strong **international content** business

Overview

The Transformation Plan has delivered strong financial results for the first half of 2012, with total external revenues up 10% to £1,130 million and adjusted earnings per share up 15% to 4.7p. This builds on two years of good revenue growth and double digit profit growth as we continue to build momentum at ITV.

These results have been driven by a significant increase in our non-net advertising revenues (non-NAR), up £106 million or 26% to £514 million. Our Studios business has shown particularly strong growth, along with a 3% increase in ITV Family NAR – again ahead of our estimate of the market, up 2%. This performance demonstrates that we are continuing to grow and rebalance the business in line with our strategic objectives. Our continued focus on costs has enabled us to deliver savings in the first half and we remain on track to deliver £20 million of savings over the full year. Tight cash management has led to a further improvement in our net cash position to £92 million (31 December 2011: £45 million). While there is still much to do in transforming ITV we are encouraged by the progress we are making. The Board has declared an interim dividend of 0.8p, which we expect to be roughly a third of the total dividend for this year.

Our goal remains to create a lean ITV that can create world class content, executed across multiple platforms and sold around the world. We remain focused on delivering the five year Transformation Plan through the implementation of our four strategic priorities:

- Create a lean, creatively dynamic and fit for purpose organisation
- Maximise audience and revenue share from our existing free-to-air broadcast business
- Drive new revenues by exploiting our content across multiple platforms, free and pay
- Build a strong international content business

We are operating in a fast moving media environment and it is imperative that we are well positioned to take advantage of the opportunities, and to deal with the challenges, that this creates. The proliferation of platforms and the competitive nature of the broadcasting industry is creating demand for quality and proven content and formats that travel. As a producer and a broadcaster, we are in the unique position to be able to make content famous on our channels before exploiting it across multiple platforms and selling it around the world.

Online viewing has grown significantly over the last year or so, but is still only a small proportion of total viewing. People are still watching as much television via their television sets as they always have with viewing via other devices incremental to this, and this is clearly growing at a pace. We must ensure that we are equipped to capitalise on changing consumer behaviour, while continuing to run a strong and healthy core broadcasting business.

1) Create a lean, creatively dynamic and fit-for-purpose organisation

Making ITV fit for purpose has been a priority in the early stages of the plan and our relentless focus on cash and costs to make the business more efficient remains. We have delivered cost savings in the first half of the year and we are on track to deliver our cost savings target of £20 million over the full year.

Increasing the efficiency of ITV also means investing in the business, particularly in technology to give people the right tools to do their jobs and to streamline business processes. We are continuing to make investments across the business – in our people and talent, in our channels, in our content and online - to help build new revenue streams and drive growth. Through these investments we can drive value from our unique position as an integrated producer broadcaster.

During the half year we further improved our financial performance, building on our progress over the last two years. Over 2010 and 2011 and the first half of 2012 we have delivered good revenue growth, double digit profit growth and significantly improved our cash position from net debt of £612 million at the end of 2009 to positive net cash of £92 million at June 2012.

We have made significant progress in improving the efficiency of our balance sheet with a £275 million bond buyback which means we now have bought back £937 million of debt (nominal value) since October 2009. A stronger and more efficient balance sheet gives us more flexibility to invest in our strategic priorities as we continue to drive new revenue streams.

Strategy & Operations

continued

2) Maximise audience and revenue share from existing free-to-air business

While we have made significant progress in our strategy of growing non-NAR revenues, advertising revenues are extremely important to us and a strong broadcasting business is key to our continued profitability and cash generation. ITV is the UK's strongest marketing platform with the unrivalled reach of ITV1 coupled with the targeted demographics of ITV 2, 3 and 4.

In the first half of 2012 we have outperformed the advertising market with ITV Family NAR up 3% to £765 million, ahead of the television market up 2%, based on our estimates. This outperformance was driven by a good second quarter as advertisers spent around the Euro 2012 football championship.

In addition to the Euros, highlights of our schedule in H1 included Britain's Got Talent, Take Me Out, Long Lost Family, Vera, Scott and Bailey, Lewis, Endeavour, 56 Up, William at 30, The Agenda, Perspectives and Benidorm. Despite these successes, overall ITV share of viewing (SOV) was down 1%, ITV1 was down 3% and the digital channels performed strongly, up 5%. ITV Family share of commercial impacts (SOI) was down 3%, with ITV1 SOI down 5% and the digital channels up 3%.

We are intent on improving our on-screen performance and have a strong Autumn 2012 / Winter 2013 schedule planned with many new and returning entertainment and drama programmes, including The X Factor, I'm a Celebrity, Red or Black, Downton Abbey, Mrs Biggs, The Bletchley Circle and Mr Selfridge — ITV Studios' new ten part drama.

The digital channels continue to grow their audiences as we invest in brand defining content. ITV2 and ITV3 remain the largest UK digital channels and ITV4, benefiting from investment in sport and other brand defining content, grew its share of viewing by 8%.

Our commercial strategy continues to evolve as we deliver creative and innovative new ways to strengthen our relationship with advertisers. For example, we have agreed an exclusive deal with Shazam and continue to test innovative video on demand (VOD) advertising formats. Broadening our advertiser relationships is key and we are building on our linear television offering as we look at new ad formats, for example AdExplore, and AdPlay.

In May Ofcom published a report on the options for the future of the Channel 3 licences, which are in place until the end of 2014. The next stage in the decision-making process rests with the Government and ITV's clear preference is that the Channel 3 licences should be renewed for a full 10 year term or extended for an equivalent period.

3) Drive new revenues by exploiting our content across multiple platforms, free and pay

Online, pay and interactive revenues were up 24% to £47 million. Long form video requests have grown strongly, up 20%, with the increase driven by mobile viewing. In the first half mobile and tablet viewing made up 15% of all ITV VOD viewing, a similar proportion to the BBC. Since its launch last year there have been 5 million downloads of the ITV Player mobile app on iOS and Android devices with the ITV app now the second most popular free iPad app in the UK.

In the first half we delivered improvements in the reliability and the distribution of ITV Player. itv.com reach and dwell times have increased as consumer satisfaction has improved. ITV Player is now available on Samsung connected televisions as well as Apple's iOS, Android, Freesat and PS3. YouView was launched in July with ITV Player a key part of that offering. Simulcast of ITV1 and ITV2 was introduced for iOS and the ITV Player app is now compatible with the Apple AirPlay Mirroring feature which allows all our content to be streamed to televisions via Apple TV.

We have also developed our pay VOD services. We have completed consumer trials of ITV Pay Player and will soon be moving forward with its roll out. We continue to look at third party content deals building on those we have already done with Lovefilm and Netflix for archive content and with Sky for archive and catch-up. Our archive deals launched earlier this year and the Sky catch up deal is expected to launch later this year.

In March we launched our redeveloped News site and in only four months the site has grown to be four times more popular than the old site, attracting 2.7 million unique browsers in June. In May we launched our new Sports site for Euro 2012, with the site attracting 2.5 million unique browsers in June. We are deepening the consumer experience with our key programme brands and our relationship with those consumers. We now have 4 million contactable email addresses and continue to interact with our viewers through social media. Across the official pages of shows broadcast on ITV there are over 20 million Facebook 'likes'.

ITV content is now available on more platforms and devices than ever before. Improving distribution and access to ITV content is a priority and we will continue to trial business models and consumer offerings to find new ways of delivering revenue growth.

4) Build a strong international content business

The Studios business delivered strong revenue growth, up £91 million, or 34%, to £355 million (2011: £264 million) with double digit growth across all businesses. This growth in part reflects the front loaded delivery of a number of shows, particularly internationally, as well as the inclusion of ITV Breakfast production revenues now that Daybreak is produced by ITV Studios. Even without these one-offs the underlying growth rate remains strong.

In the first half ITV Studios have seen 61 new commissions as we continue to invest in an increasingly innovative and creative content pipeline and invest in content development and pilots. 61 shows have been recommissioned in line with our strategy as we focus on formats that return, for example Vera, Lewis and Red or Black in the UK, and Hell's Kitchen, Jeremy Kyle and Four Weddings internationally.

In the UK we have further strengthened our creative talent in Entertainment. We are growing our internal revenues and over the full year we expect to increase ITV Studios' share of ITV1 output. We are building our off ITV business with new commissions in the first half including Shetland for the BBC and Frontline Police for Channel 5.

While all the Studios businesses have shown good growth, international production growth has been particularly strong with revenues up 66%, helped by the timing of Hell's Kitchen in the US which has been delivered earlier in the year in 2012 than it was in 2011. We are building a cohesive international network to ensure that our creative formats travel, for example UK formats including May the Best House Win, Come Dine with Me, The Audience and The Chase are being produced internationally and the German format Mein Mann Kann is being produced in the UK. We now have eight ITV Studios programmes that are produced in three or more countries, up from four in 2011.

We are increasingly scaling up our distribution business to more effectively exploit our content internationally. We have presold our new drama Mr Selfridge to the US, Australia, Sweden and Israel, our format Come Dine with Me became Europe's most screened TV format in 2011, we have recently agreed a distribution deal with AMC for their new drama Rectify and we have signed an online content supply deal with JOY.CN, a website in China. These deals are an illustration of the demand for our quality content and the strength of our distribution network.

We are building on our own strength with selective investments and partnerships in the UK and internationally. We have recently signed an agreement to acquire Mediacircus, a Norwegian factual and entertainment producer and signed a joint development agreement with Reshet, the Israeli broadcaster which increase our production capability and distribution network in key genres and territories.

Outlook

We have delivered strong financial results in the first half of 2012 as we continue to build momentum at ITV. This performance has been driven by the growth in non-NAR revenues, which is further evidence of progress in our strategy of growing and rebalancing our revenue streams. While there is still much to do we are building a track record for improving our creative, operational and financial performance and with a stronger and more efficient balance sheet we are creating a strong platform for further growth.

We are mindful of the uncertain economic backdrop but the performance of the business gives the Board confidence to declare an interim dividend of 0.8p.

We remain cautious for the outlook for the UK television advertising market over the remainder of 2012. For the nine months to the end of September we forecast ITV NAR to be broadly flat and over the year as a whole we expect to outperform the television advertising market. Over the full year we expect ITV Studios revenues to grow at a similar rate to 2011 and to grow the ITV Studios share of ITV1 output.

We remain committed to the Transformation Plan and our four priorities. ITV is becoming a more balanced, efficient and robust business as we grow our non-NAR revenues - in content, pay and online - while at the same time maintaining our focus on the broadcasting business and keeping tight control of cash and costs.

Adam Crozier

Chief Executive

Key Performance Indicators

We have defined our Key Performance Indicators (KPIs) to align performance and accountability to the Transformation Plan. These KPIs will be the key measures of success over the life of the Transformation Plan and cover all four strategic priorities.

Further detail on our financial performance and KPIs can be found in the strategy and operations section, and the financial and performance review.

Six months to 30 June	2012	2011	Absolute Change
EBITA before exceptional items	£265m	£240m	£25m
Adjusted earnings per share	4.7p	4.1p	0.6p
'Profit to cash' conversion	101%	113%	(12%)
ITV Family Share of Viewing ('SOV')	23.0%	23.2%	(0.2%)
ITV Family Share of Commercial Impacts ('SOCl')	39.0%	40.0%	(1.0%)
ITV Family Share of Broadcast ('SOB')	45.8%	45.3%	0.5%
Total long form video requests (all platforms)	217m	180m	37m
Non-NAR revenues	£514m	£408m	£106m

Three of our KPIs are only reported on a full year basis: percentage of ITV1 output from ITV Studios, employee engagement and number of new commissions. The percentage of ITV1 output from ITV Studios is on track to improve from 55% in 2011. Employee engagement is based on an annual survey undertaken in the autumn, but our monthly abbreviated surveys suggest that engagement remains strong. New commissions on a six monthly basis are impacted by phasing and therefore the full year number gives a more meaningful measurement of performance.

We have rearticulated our video views KPI as 'video requests'. This is simply to have a consistent term across new platforms where some providers count the consumer VOD requests rather than the views. Our total long form video requests in 2011 equalled our total long form video views, so there has been no change to the prior year comparatives.

Disclaimer on forward looking statements

This interim report contains certain statements that are or may be forward looking with respect to the financial condition, results or operations and business of ITV. 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. 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) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights, and (iv) the loss or failure of transmission facilities or core systems.

Undue reliance should not be placed on forward looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Financial and Performance Review

We have delivered another strong financial performance in the first half of 2012. We continue to show good revenue growth, in particular from non-advertising revenues, which are up 26%, in line with our strategy of growing and rebalancing the business. ITV Studios has driven this growth with a £91 million increase in revenues, particularly from the international business. This has led to external revenue up 10% to £1,130 million, EBITA before exceptionals up 10% to £265 million and adjusted EPS up 15% to 4.7p.

We have continued to strengthen our positive net cash position, despite significant pension and dividend payments in the first half of the year. Following the £275 million bond buyback programme completed in June, the level of gross debt repayable has also reduced to £499 million as we continue with our aim of improving the efficiency of our balance sheet. Maintaining our focus on costs and cash, we identified £20 million of cost savings for the full year and are on track to deliver them. Over the full year the cost savings are largely being reinvested in the business in line with the four strategic priorities.

Six months to 30 June	2012 £m	2011 £m	Change £m	Change %
Net Advertising Revenue ('NAR')	765	743	22	3%
Total non-NAR revenue	514	408	106	26%
Total revenue	1,279	1,151	128	11%
Internal supply	(149)	(124)	(25)	(20%)
Total external revenue	1,130	1,027	103	10%
EBITA before exceptional items	265	240	25	10%
Adjusted earnings per share	4.7p	4.1p	0.6p	15%
Net cash/(debt) as at 30 June	92	(52)	144	

This review focuses on the adjusted results as, in management's view, these show more meaningfully our business performance in a consistent manner and reflect how the business is managed and measured on a daily basis. A reconciliation from the statutory to adjusted results is set out in the earnings per share section.

Broadcasting & Online

Six months to 30 June	2012 £m	2011 £m	Change £m	Change %
Net Advertising Revenue ('NAR')	765	743	22	3
SDN external revenues	31	29	2	7
Online, pay & interactive	47	38	9	24
Other commercial income	81	77	4	5
Broadcasting & Online non-NAR revenue	159	144	15	10
Total Broadcasting & Online revenue	924	887	37	4
Total schedule costs	(507)	(485)	(22)	(5)
Other costs	(202)	(200)	(2)	(1)
Total Broadcasting & Online EBITA before exceptional items	215	202	13	6

Broadcasting & Online has seen revenue growth in all areas, leading to a 6% improvement in EBITA before exceptional items.

ITV Family NAR is up 3% in the period to £765 million, ahead of the television advertising market which we estimate is up 2%. We expect to outperform the market over the full year. Growth is being driven by the Finance, Entertainment & Leisure and Telecommunications categories, whilst Retail is down. Television is broadly maintaining its share of total advertising spend, whilst online continues to take share from press.

Online, pay & interactive revenues continue to grow. Online revenue growth is driven by the 20% growth in long form video requests, whilst pay revenues have grown from the deals signed with Sky, Lovefilm and Netflix.

Other commercial income includes sponsorship, minority revenues, media sales and other income.

Schedule costs have increased by £22 million to £507 million, mainly due to the phasing of sports costs. Our programming budget for 2012 will be at around £1 billion, as previously indicated.

Cost savings have kept other costs broadly flat at £202 million, despite investment in areas such as online and technology.

Financial and Performance Review

continued

ITV Studios

Six months to 30 June	2012 £m	2011 £m	Change £m	Change %
UK Productions	181	146	35	24
International Productions	108	65	43	66
Global Entertainment	66	53	13	25
Total Revenue	355	264	91	34
Total Studios costs	(305)	(226)	(79)	(35)
Total EBITA before exceptional items	50	38	12	32
Sales from ITV Studios to Broadcasting & Online	149	124	25	20
External Revenue	206	140	66	47
Total Revenue	355	264	91	34

There continues to be strong organic growth in ITV Studios, with double digit revenue growth across all of the business. The £91 million of additional revenue has led to £12 million of additional EBITA before exceptional items.

The UK Productions business is growing on and off ITV, but the majority of revenue growth is coming from £25 million additional supply to ITV channels. Around half of the increase in internal supply in this period relates to ITV Breakfast now that Daybreak and Lorraine are produced by ITV Studios, whilst programmes such as Titanic have ensured that there is good underlying growth. There has been double digit growth in original hours produced in both drama and entertainment.

International productions have grown very sharply by 66%, with £43 million of additional revenue coming from delivery of shows such as Hell's Kitchen and Bill Cunningham in the US, and Young Talent Time and Please Marry My Boy in Australia. Some of the growth is from phasing, such as Hell's Kitchen in the US which was delivered in the second half of 2011 but was in the first half of 2012, but there continues to be strong underlying growth.

Revenues in Global Entertainment, our distribution business, have increased by £13 million, particularly from television sales, not least from the international sales of Titanic and Prime Suspect.

ITV Studios revenues are weighted to the first half of the year in 2012, but the underlying growth in ITV Studios is good and over the full year we expect revenue to grow in line with the rate of growth in 2011.

Net financing costs

	2012 £m	2011 £m
Financing costs directly attributable to loans and bonds	(24)	(25)
Cash-related net financing income	3	5
Cash-related financing costs	(21)	(20)
Amortisation of bonds	(4)	(8)
Adjusted financing costs	(25)	(28)
Mark-to-market on swaps and foreign exchange (losses)/gains	(7)	3
Imputed pension interest	(4)	(3)
Losses on buybacks	(36)	(3)
Other net financing income	—	2
Net financing costs	(72)	(29)

Adjusted financing costs have reduced by £3 million in the period to £25 million as the benefit of the bond buybacks carried out in 2011 has been partially offset by a step up in the interest rate on the 2019 loan.

In June we repurchased £275 million of bonds at above their par value creating a £36 million exceptional loss in the period, which is the main reason for a £43 million increase in total statutory net financing costs. The net impact of these buybacks and the new revolving credit facility will be to reduce adjusted financing costs by around £15 million on an annualised basis.

Tax

The adjusted tax rate of 23% is lower than the standard rate due to the use of prior year losses. The total reported tax charge is £44 million (2011: £46 million).

Six months to 30 June	2012 £m	2011 £m
Profit before tax as reported	167	181
Exceptional items	(2)	(2)
Amortisation and impairment of intangible assets*	23	24
Adjustments to net financing costs	47	1
Adjusted profit before tax	235	204
	2012 £m	2011 £m
Tax charge as reported	(44)	(46)
Net charge for exceptional and other tax items	7	6
Credit in respect of amortisation and impairment of intangible assets*	(6)	(6)
Credit in respect of adjustments to net financing costs	(11)	—
Adjusted tax charge	(54)	(46)
Effective tax rate on adjusted profits	23%	23%

* In respect of intangible assets arising from business combinations.

Earnings per share

Adjusted earnings per share is 4.7 pence (2011: 4.1 pence). Basic earnings per share is 3.2 pence (2011: 3.5 pence). The main differences between adjusted and basic earnings are the losses incurred in net financing costs from the bond buybacks and the regular adjustment to amortisation of intangible assets acquired through business combinations.

Six months to 30 June	Reported £m	Adjustments £m	Adjusted £m
EBITA before exceptional items	265	—	265
Exceptional items	2	(2)	—
Amortisation and impairment	(28)	23	(5)
Financing costs	(72)	47	(25)
JVs and Associates	—	—	—
Profit before tax	167	68	235
Tax	(44)	(10)	(54)
Profit after tax	123	58	181
Non-controlling interest	—	—	—
Earnings	123	58	181
Number of shares (million)	3,883		3,883
Earnings per share (pence)	3.2p		4.7p

The adjustments remove the impact of those items that, in management's view, do not show the performance of the business in a consistent manner and do not reflect how the business is managed and measured on a daily basis. The adjustments made are consistent with those made last year.

Amortisation of intangible assets acquired through business combinations is not included within adjusted earnings. Amortisation of software licences and development is included as management consider these assets to be core to supporting the operations of the business.

The tax and net financing costs sections of this review show the adjustments to these balances.

The £2 million non-operating exceptional gain primarily relates to contingent consideration now received from the disposal of Screenvision US in 2010.

Financial and Performance Review

continued

Dividend

The Board has declared an interim dividend of 0.8p. The interim dividend will be payable on 30 November to shareholders on the register as at 2 November. The ex-dividend date will be 31 October. The Board is committed to a progressive dividend policy, taking into account the outlook for earnings per share, while balancing the need to invest in the business and to maintain financial prudence against the backdrop of an uncertain economic environment. The Board has set this interim dividend with a view that it is likely to be roughly one third of the total dividend for this year.

Cash flow and working capital management

Focus on cash remains a priority, and we continue to be ahead of our target of 90% profit to cash conversion over a rolling 3 year period, despite our investment in capital expenditure. Working capital inflow was £15 million, driving profit to cash conversion of 101% in the period and 96% over the past 12 months.

Six months to 30 June	2012 £m	2011 £m
EBITA before exceptional items ('profit')	265	240
Decrease in programme rights and other inventory and distribution rights	91	20
Decrease in receivables	24	78
Decrease in payables	(100)	(72)
Working capital movement	15	26
Depreciation	13	12
Share-based compensation	5	7
Cash flow generated from operations before exceptional items	298	285
Acquisition of property, plant and equipment and intangible assets	(31)	(13)
Adjusted cash flow	267	272
'Profit to cash' ratio - 6 months to 30 June	101%	113%
'Profit to cash' ratio - 12 months rolling average	96%	112%

Acquisition of property, plant and equipment and intangible assets was £31 million (2011: £13 million) as we invest in our core business technology and move our Manchester site to MediaCity. The full year expenditure is expected to be in line with the £70-£80 million range that was previously announced.

Net cash

In the six months to 30 June 2012 positive net cash has increased by £47 million to £92 million (31 December 2011: £45 million). This increase is despite significant dividend and pension payments, and the exceptional loss on the bond buybacks. This has been made possible by the continued strong adjusted cash flow.

	£m
Net cash at 31 December 2011	45
Adjusted cash flow	267
Net interest paid	(33)
Corporation tax paid	(28)
Dividend	(47)
Losses on bond buybacks	(36)
Pension deficit funding	(72)
Other	(4)
Net cash at 30 June 2012	92

Liquidity Risk and Funding

We further strengthened our balance sheet during the 6 months to June 2012 and have maintained access to liquidity.

Debt Structure

We have taken further steps to improve the efficiency of our balance sheet. In June we conducted a tender across our 2014, 2015 and 2017 bonds. We bought back £275 million nominal of bonds comprising €138 million of the 2014 bonds, £75 million of the 2015 bonds and £89 million of the 2017 bonds. The bonds were repurchased at prices above par, resulting in an exceptional interest charge of £36 million.

Gross debt repayable is £499 million at 30 June 2012, having reduced by £281 million since December 2011, primarily as a result of the bond repurchases. Since October 2009 we have repurchased £937 million (nominal value) of debt. The efficiency of our balance sheet has been considerably improved and we will continue to examine further measures if they make economic sense, taking into account a prudent view of liquidity under an uncertain economic outlook, and ensuring that sufficient financial flexibility is maintained to invest in the business and to deliver the Transformation Plan.

In July 2012 we improved our financial flexibility following the bond tender through obtaining a committed £250 million Revolving Credit Facility, provided by a handful of long-term relationship banks, which remains undrawn. The facility has a 3 year maturity but is, subject to agreement by the banks, extendable by two further years. The facility contains leverage and interest cover financial covenants as is normal for a facility of this nature.

Financing

We are financed using debt instruments with a range of maturities. Borrowings at 30 June 2012 (net of currency hedges and secured gilts) are repayable as follows:

Amount repayable	£m	Maturity
€50 million Eurobond*	15	June 2014
£78 million Eurobond	78	Oct 2015
£135 million Convertible bond	135	Nov 2016
£161 million Eurobond	161	Jan 2017
£200 million Bank loan†	62	March 2019
Finance leases	48	Various
Total gross debt repayable on maturity	499	

* Net of Cross Currency Swaps.

† Net of £138 million (nominal) Gilts secured against the loan.

There are no financial covenants on any of the debt instruments above and our net repayments in the next four years total less than £100 million.

Ratings

Our credit ratings continued to improve in the first half of 2012. In March Fitch, Standard & Poor's and Moody's Investors Service upgraded our long-term credit ratings from BB / Ba2 (Stable Outlook) to BB+ / Ba1 (Stable Outlook). Despite improvements in credit ratings from all three agencies over the past two years, we remain sub investment grade and would require a further notch upgrade from each agency in order to restore investment grade. The factors that are taken into account in assessing our credit rating include our degree of operational gearing, exposure to the economic cycle, and business and geographical diversity. We aim to strengthen our position in these areas through the Transformation Plan.

Financial and Performance Review

continued

Pensions

IAS 19

The aggregate IAS 19 deficit on defined benefit schemes at 30 June 2012 was £421 million (31 December 2011: £390 million). An increase in liabilities has been caused by a 0.2% reduction in the implied discount rate, caused by depressed bond yields, but this was partially offset by a decrease in the market expectation of long-term inflation.

Actuarial valuations

Full actuarial valuations are carried out every three years. The latest actuarial valuation of the three sections of the main defined benefit scheme were carried out as at 1 January 2011 and, on the bases adopted by the trustees:

Section A was in deficit to an amount of £531 million or 20% of the liabilities in that section,
Section B was in deficit to an amount of £17 million or 13% of the liabilities in that section,
Section C was in deficit to an amount of £39 million or 11% of the liabilities in that section.

In total the scheme has a funding deficit of £587 million.

As a result of the valuation we have agreed a 15 year funding plan for the main section (Section A) to repay the pension deficit calculated as at 1 January 2011. As has been the case for the past two years, pension contributions will be a mixture of fixed and performance related payments. If the variable performance element pays out then the funding period reduces to ten years.

The funding plan will be reviewed by the Trustees at subsequent valuations and may be revised with the agreement of the Company. The next actuarial valuation is due as at 1 January 2014.

Deficit funding contributions

Section A:

The fixed payments to the main section of the scheme will be as follows:

- 2013 & 2014: £35 million plus an additional £5 million if there are no initiatives in the previous year which reduce the scheme deficit by at least £10 million, compared with the level had such initiatives not been implemented. This has not changed from the previous funding plan;
- 2015 to 2019: £48 million rising by £0.5 million per annum to £50 million in 2019;
- 2020 to 2025: £50 million per annum but reduced by performance criteria set out below.

The performance related payments to the main section of the scheme will be as follows:

During the period 2012 to 2020 if our reported EBITA before exceptional items exceed £300 million, we will contribute an amount representing 10% of EBITA before exceptional items over the threshold level, subject to an annual cap for total contributions which averages to £70 million per annum over the period 2015-2020. If the additional profit-related contributions are paid at the expected rate then the £50 million per annum fixed contributions scheduled to be paid between 2021 and 2025 (inclusive) would not be required.

In addition to the agreed deficit funding contributions above, the SDN partnership established in 2010 provides an annual distribution of £11 million to this section of the Scheme from 2013 to 2021 (£10 million in 2012).

Section B and C:

Following completion of actuarial valuations of Sections B and C as at 1 January 2011 we have agreed with the Trustee to continue to make deficit funding contributions of £5.5 million per annum in order to eliminate the deficits in these sections by 31 March 2021.

We have paid £72 million in 2012 in total and there will be no further deficit funding contributions in the second half of the year.

Principal Risks and Uncertainties

ITV continues to apply the risk management approach outlined in the 2011 Annual Report and Accounts (pages 42 and 43). When preparing the Interim results the three core risk groups, High Impact Low Likelihood (HILL) risks, Strategic risks and Process level risks, were reviewed to ensure they are appropriate and adequate. Changes to the risks are outlined below, along with a summary of the significant risk factors.

High Impact Low Likelihood (HILL) risks

HILL risks have been previously categorised according to the risk theme. Going forward they are categorised by the primary outcome.

Since the 2011 full year report the HILL risks have been reviewed and two additional risks have been included. These are (1) the risk that ITV broadcasts content that has a significant adverse reputational impact, and (2) the risk that due to a procedural breach ITV loses a significant volume of personal or sensitive data.

Primary Outcome	Risk
Financial	<ul style="list-style-type: none"> – There is a major decline in advertising revenues, or a double dip recession, significantly impacting ITV's overall financial performance – ITV loses its credit status – There is a collapse: <ul style="list-style-type: none"> • in investment values, leading to a material pension scheme deficit • of the euro impacting revenues and international businesses • of a major bank impacting financing arrangements/the availability of credit
Regulatory	<ul style="list-style-type: none"> – There is a major regulatory breach that results in the loss of the Channel 3 licence, or the Channel 3 licence is not renewed in 2014 and no contingency plan is in place to cover that loss – There is a significant change in regulation or legislation
Reputational	<ul style="list-style-type: none"> – There is a significant loss of programme rights – There is a major health and safety incident that results in a significant loss of human life – ITV broadcasts content that has a significant adverse reputational impact – There is a sustained cyber/viral attack causing prolonged system denial or major reputational damage – Due to a procedural breach ITV loses a significant volume of personal or sensitive data
Reputational / Operational	<ul style="list-style-type: none"> – A major incident results in ITV being unable to continue with scheduled broadcasting for a sustained period, or removes a number of the key management team from the business on a long-term or permanent basis – There is a sustained denial of transmission facilities or the loss of a major data centre

Principal Risks and Uncertainties

Strategic risks

Following a review of our key strategic risks ITV has identified two new risks that were not included in the 2011 full year report. The newly added risks are (1) the risk that ITV fails to create and own a sufficient number of hit programmes and formats and (2) the risk that a faster than expected shift to Video on Demand or other new technologies causes a sustained loss of advertising revenue.

The risk that ITV loses its advertising unique selling point due to the increasing threat of competition negatively impacting ITV's Share of Broadcast was included in the full year report, but is no longer deemed a separate risk as it is included within our market risk.

The risk 'ITV's internal operating model does not maximise the benefits of its divisions' replaces the risk 'The business continues to work in silos, resulting in sub-optimal decisions being made which impact execution of the strategy'.

Risk Theme	Risk	Strategic priorities
People	– ITV lacks adequate management capability and creative talent	1,2,3,4
	– ITV employees are not sufficiently engaged in the business	1,2,3,4
	– The extensive degree of change that the business will undergo will overload a small number of key people	1,2,3,4
Organisation, structure and process	– ITV's internal operating model does not maximise the benefits of its divisions	1,2,3,4
	– A significant and high profile transmission incident (or high numbers of single point failures) causes significant reputational damage to ITV	1,2
	– ITV fails to identify and obtain the optimal rights packages	2,3,4
	– ITV fails to create and own a sufficient number of hit programmes and formats	2,3,4
	– ITV fails to invest in, develop or operate international businesses effectively	4
Technology	– Late delivery of the new technology platform, and heavy reliance placed on legacy technologies prior to the project's completion, negatively impacts ITV's ability to achieve its strategic aims	1,2,3
	– Current technological environment and business processes are not sufficient to support the growth in Online, On Demand and Pay services.	1,3
	– ITV fails to ensure appropriate business continuity planning and resilience within its core systems, processes and platforms	1,2,3
The Market	– ITV does not build sufficient non-NAR revenue streams and is therefore heavily exposed to the economic cycle	2,3,4
	– The television market moves significantly towards pay television as a preferred model, negatively impacting ITV's free-to-air revenues	2
	– A faster than expected shift to Video on Demand or other new technologies causes a sustained loss of advertising revenue	2,3,4

Condensed Consolidated Interim Financial Statements

▶ In this section...

In preparing these condensed consolidated interim financial statements we continue to adopt the same style as the 2011 year end accounts. Our objective is to make ITV's financial statements less complex and more relevant to shareholders and to provide readers with a clearer understanding of what drives financial performance of the Group. We have grouped notes under three key headings, 'Results for the year', 'Operating assets and liabilities' and 'Capital structure and financing costs'. Text in boxes provides commentary on each section in plain English.

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Condensed Consolidated Income Statement

For the six month period to 30 June:	Note	2012 £m	2011 £m
Revenue	2.1	1,130	1,027
Operating costs		(893)	(817)
Operating profit		237	210
Presented as:			
Earnings before interest, tax, amortisation (EBITA) and exceptional items	2.1	265	240
Operating exceptional items		–	1
Amortisation of intangible assets		(28)	(31)
Operating profit		237	210
Financing income		79	106
Financing costs		(151)	(135)
Net financing costs		(72)	(29)
Share of profits or (losses) of joint ventures and associated undertakings		–	(1)
Gain on sale and impairment of subsidiaries and investments (exceptional items)		2	1
Profit before tax		167	181
Taxation		(44)	(46)
Profit for the period		123	135
Profit attributable to:			
Owners of the Company		123	135
Non-controlling interests		–	–
Profit for the period		123	135
Earnings per share			
Basic earnings per share	2.2	3.2p	3.5p
Diluted earnings per share	2.2	3.1p	3.4p

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June:	2012 £m	2011 £m
Profit for the period	123	135
Other comprehensive income/(cost):		
Revaluation of available for sale financial assets	(1)	–
Actuarial losses on defined benefit pension schemes	(100)	(46)
Income tax credit/(charge) on other comprehensive income	23	(4)
Other comprehensive cost for the period, net of income tax	(78)	(50)
Total comprehensive income for the period	45	85
Total comprehensive income attributable to:		
Owners of the Company	45	85
Non-controlling interests	–	–
Total comprehensive income for the period	45	85

Condensed Consolidated Statement of Financial Position

	Note	30 June 2012 £m	31 December 2011 £m	30 June 2011 £m
Non-current assets				
Property, plant and equipment		170	167	148
Intangible assets		915	934	941
Held to maturity investments	4.1	146	147	147
Derivative financial instruments		105	110	96
Distribution rights		13	11	14
Net deferred tax asset		65	65	67
Other non-current assets		3	5	6
		1,417	1,439	1,419
Current assets				
Programme rights and other inventory		192	285	262
Trade and other receivables due within one year		349	370	363
Trade receivables due after more than one year		23	26	7
Trade and other receivables		372	396	370
Derivative financial instruments		–	–	74
Cash and cash equivalents	4.1	577	801	814
Assets held for sale		–	–	1
		1,141	1,482	1,521
Current liabilities				
Borrowings	4.1	(8)	(9)	(58)
Derivative financial instruments		(1)	(1)	(8)
Trade and other payables due within one year		(539)	(639)	(610)
Trade payables due after more than one year		(39)	(45)	(18)
Trade and other payables		(578)	(684)	(628)
Current tax liabilities		(29)	(36)	(65)
Provisions	3.1	(18)	(24)	(32)
		(634)	(754)	(791)
Net current assets		507	728	730
Non-current liabilities				
Borrowings	4.1	(631)	(912)	(1,048)
Derivative financial instruments		(51)	(44)	(32)
Defined benefit pension deficit	3.2	(421)	(390)	(312)
Other payables		(1)	(3)	(5)
Provisions	3.1	(10)	(9)	(3)
		(1,114)	(1,358)	(1,400)
Net assets		810	809	749
Attributable to equity shareholders of the parent company				
Share capital		390	389	389
Share premium		120	120	120
Merger and other reserves		298	300	302
Translation reserve		14	14	14
Available for sale reserve		7	8	5
Retained losses		(22)	(25)	(83)
Total equity attributable to equity shareholders of the parent company		807	806	747
Non-controlling interests		3	3	2
Total equity		810	809	749

Condensed Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of the parent company						Non-controlling interests	Total equity	
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained losses £m	Total £m	interests £m	£m
Balance at 1 January 2012		389	120	300	14	8	(25)	806	3	809
Total comprehensive income for the period										
Profit		–	–	–	–	–	123	123	–	123
Other comprehensive cost										
Revaluation of available for sale financial assets		–	–	–	–	(1)	–	(1)	–	(1)
Actuarial losses on defined benefit pension schemes		–	–	–	–	–	(100)	(100)	–	(100)
Income tax on other comprehensive income		–	–	–	–	–	23	23	–	23
Total other comprehensive cost		–	–	–	–	(1)	(77)	(78)	–	(78)
Total comprehensive income for the period		–	–	–	–	(1)	46	45	–	45
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(47)	(47)	–	(47)
Equity portion of the convertible bond	4.1	–	–	(2)	–	–	2	–	–	–
Movements due to share-based compensation		–	–	–	–	–	5	5	–	5
Issue of new ordinary shares		1	–	–	–	–	–	1	–	1
Purchase of own shares via employees' benefit trust		–	–	–	–	–	(3)	(3)	–	(3)
Total contributions by and distributions to owners		1	–	(2)	–	–	(43)	(44)	–	(44)
Change in ownership interest in subsidiaries that do not result in a loss of control										
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–
Total transactions with owners		1	–	(2)	–	–	(43)	(44)	–	(44)
Balance at 30 June 2012		390	120	298	14	7	(22)	807	3	810

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the parent company							Non-controlling interests	Total equity
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained losses £m	Total £m	£m	£m
Balance at 1 January 2011	389	120	304	14	5	(171)	661	2	663
Total comprehensive income for the period									
Profit	–	–	–	–	–	135	135	–	135
Other comprehensive cost									
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(46)	(46)	–	(46)
Income tax on other comprehensive income	–	–	–	–	–	(4)	(4)	–	(4)
Total other comprehensive cost	–	–	–	–	–	(50)	(50)	–	(50)
Total comprehensive income for the period	–	–	–	–	–	85	85	–	85
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity portion of the convertible bond	–	–	(2)	–	–	2	–	–	–
Movements due to share-based compensation	–	–	–	–	–	7	7	–	7
Purchase of own shares via employees' benefit trust	–	–	–	–	–	(6)	(6)	–	(6)
Total contributions by and distributions to owners	–	–	(2)	–	–	3	1	–	1
Change in ownership interest in subsidiaries that do not result in a loss of control									
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	(2)	–	–	3	1	–	1
Balance at 30 June 2011	389	120	302	14	5	(83)	747	2	749

Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June:	Note	£m	2012 £m	£m	2011 £m
Cash flows from operating activities					
Profit before tax	2.1	167		181	
Gain on sale and impairment of subsidiaries and investments (exceptional items)		(2)		(1)	
Share of (profits) or losses of joint ventures and associated undertakings		–		1	
Net financing costs		72		29	
Operating exceptional items		–		(1)	
Depreciation of property, plant and equipment		13		12	
Amortisation and impairment of intangible assets		28		31	
Share-based compensation		5		7	
Decrease in programme rights and other inventory, and distribution rights		91		20	
Decrease in receivables		24		78	
Decrease in payables		(100)		(72)	
Movement in working capital		15		26	
Cash generated from operations before exceptional items		298		285	
Cash flow relating to operating exceptional items:					
Net operating income		–		1	
Decrease in payables and provisions		–		(5)	
Cash outflow from exceptional items			–		(4)
Cash generated from operations			298		281
Defined benefit pension deficit funding	3.2	(72)		(48)	
Interest received		20		27	
Interest paid on bank and other loans		(50)		(51)	
Interest paid on finance leases		(3)		(3)	
Net taxation paid		(28)		(41)	
			(133)		(116)
Net cash inflow from operating activities			165		165
Cash flows from investing activities					
Acquisition of joint venture undertaking		(1)		–	
Proceeds from sale of property, plant and equipment		–		2	
Acquisition of property, plant and equipment		(26)		(9)	
Acquisition of intangible assets		(5)		(4)	
Loans granted to associates and joint ventures		(3)		(3)	
Loans repaid by associates and joint ventures		3		1	
Proceeds from sale of subsidiaries, joint ventures and available for sale investments		4		–	
Net cash (outflow)/inflow from investing activities			(28)		(13)
Cash flows from financing activities					
Bank and other loans – amounts repaid	4.1	(309)		(187)	
Capital element of finance lease payments		(3)		(3)	
Issue of ordinary share capital		1		–	
Equity dividends paid		(47)		–	
Purchase of own shares via employees' benefit trust		(3)		(6)	
Net cash outflow from financing activities			(361)		(196)
Net decrease in cash and cash equivalents			(224)		(44)
Cash and cash equivalents at 1 January	4.1		801		860
Effects of exchange rate changes and fair value movements			–		(2)
Cash and cash equivalents at 30 June	4.1		577		814

Section 1 Basis of Preparation

In this section...

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

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which were prepared in accordance with IFRS as adopted by the European Union.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Revenues are impacted by underlying economic conditions, the cyclical demand for advertising, seasonality of programme sales and the delivery of ITV Studios' programmes. Major events, including sporting events, will impact the seasonality of schedule costs. Other than this, there is no significant seasonality or cyclicity affecting the interim results of the operations.

For the purposes of interim reporting the defined benefit pension schemes' key assumptions and asset values have been reviewed to assess whether material net actuarial gains and losses have occurred during the period (see note 3.2). As there have been material movements in the key underlying assumptions and asset values during the period a revaluation has been carried out and actuarial gains and losses have been recognised through the statement of comprehensive income. A full valuation will take place at 31 December 2012 in accordance with IAS 19.

During the six months ended 30 June 2012, management also reassessed its estimates in respect of provisions (see note 3.1) and considered the recoverable amount of goodwill. No impairment of goodwill was identified.

These interim financial statements are not statutory accounts. The statutory accounts for the year ended 31 December 2011 have been reported on by the company's auditors and delivered to the registrar of Companies. The auditor's 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 a result of the Group's continued generation of significant free cash flows for the year the Group's positive net cash position has increased. The Group has also improved both its short-term and medium-term liquidity position.

We review the Group's forecasts and projections on a regular basis. Particular consideration is given to the television advertising market and other reasonably possible changes in trading performance. This analysis shows that the Group will be able to operate within the level of its current funding.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Section 2 Results for the Year

▶ 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 and earnings per share.

2.1 Profit before tax

▶ Keeping it simple...

This section shows the Group's profit before tax and a reconciliation from earnings before interest, tax, amortisation and exceptional items. Earnings before interest, tax, amortisation and exceptional items remains the Group's key profit indicator. This reflects the way the business is managed and how the directors assess the performance of the Group.

Segmental information

Operating segments, which have not been aggregated, are reported in a manner that is consistent with the internal reporting provided to the Board of Directors, regarded as the chief operating decision-maker.

The Board of Directors considers the business primarily from a product or activity perspective. The reportable segments for the period ended 30 June 2012 and 30 June 2011 are therefore 'Broadcasting & Online' and 'ITV Studios', the results of which are outlined below:

	Broadcasting & Online 2012 £m	ITV Studios 2012 £m	Consolidated 2012 £m
For the six month period to 30 June:			
Total segment revenue	924	355	1,279
Intersegment revenue	–	(149)	(149)
Revenue from external customers	924	206	1,130
EBITA before exceptional items*	215	50	265

	Broadcasting & Online 2011 £m	ITV Studios 2011 £m	Consolidated 2011 £m
For the six month period to 30 June:			
Total segment revenue	887	264	1,151
Intersegment revenue	–	(124)	(124)
Revenue from external customers	887	140	1,027
EBITA before exceptional items*	202	38	240

* Segment EBITA before exceptional items is shown after the elimination of inter-segment revenue and costs.

A reconciliation of EBITA before exceptional items to profit before tax is provided as follows:

	2012 £m	2011 £m
For the six month period to 30 June:		
EBITA before exceptional items	265	240
Operating income – exceptional items	–	1
Amortisation and impairment of intangible assets	(28)	(31)
Net financing costs	(72)	(29)
Share of profits or (losses) of joint ventures and associated undertakings	–	(1)
Gain on sale and impairment of subsidiaries and investments (exceptional items)	2	1
Profit before tax	167	181

Section 2 Results for the Year

continued

2.2 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 year attributable to equity shareholders of the parent company of £123 million (2011: £135 million) divided by 3,883 million (2011: 3,883 million) being the weighted average number of shares in issue during the year.

Diluted EPS takes into account the dilutive effect of all share options being exercised and assumes that the £135 million convertible bond is converted to shares in its entirety.

Basic EPS is adjusted in order to more accurately show 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 is adjusted for exceptional items, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments and prior period and other tax adjustments.

The calculation of basic, diluted and adjusted EPS is set out below:

Earnings per share

For the six month period to 30 June:	Ref.	Basic £m	2012 Diluted £m
Profit for the year attributable to equity shareholders of the parent company	A	123	127
Weighted average number of ordinary shares in issue – million		3,883	3,883
Dilution impact of share options		–	41
Dilution impact of convertible bond	A	–	192
Total weighted average number of ordinary shares in issue – million		3,883	4,116
Earnings per ordinary share		3.2p	3.1p

Adjusted earnings per share

For the six month period to 30 June:	Ref.	Adjusted £m	2012 Diluted £m
Profit for the year attributable to equity shareholders of the parent company		123	127
Exceptional items	B	(2)	(2)
Profit for the year before exceptional items		121	125
Amortisation and impairment of acquired intangible assets	C	17	17
Adjustments to net financing costs	D	36	36
Other tax adjustments	E	7	7
Adjusted profit	F	181	185
Total weighted average number of ordinary shares in issue – million		3,883	4,116
Adjusted earnings per ordinary share		4.7p	4.5p

Earnings per share

For the six month period to 30 June:	Ref.	Basic £m	2011 Diluted £m
Profit for the year attributable to equity shareholders of the parent company	A	135	139
Weighted average number of ordinary shares in issue – million		3,883	3,883
Dilution impact of share options		–	33
Dilution impact of convertible bond	A	–	192
Total weighted average number of ordinary shares in issue – million		3,883	4,108
Earnings per ordinary share		3.5p	3.4p

Adjusted earnings per share

For the six month period to 30 June:	Ref.	Adjusted £m	2011 Diluted £m
Profit for the year attributable to equity shareholders of the parent company		135	139
Exceptional items	B	(2)	(2)
Profit for the year before exceptional items		133	137
Amortisation and impairment of acquired intangible assets	C	18	18
Adjustments to net financing costs	D	1	1
Other tax adjustments	E	6	6
Adjusted profit	F	158	162
Total weighted average number of ordinary shares in issue – million		3,883	4,108
Adjusted earnings per ordinary share		4.1p	3.9p

- A.** Diluted earnings per share is impacted by the £135 million 2016 Convertible Eurobond issued in November 2009. When calculating diluted EPS, profit for the year is increased by £4 million to reflect the after tax interest recognised in respect of the debt portion of the convertible bond.
- B.** Exceptional gains of £2 million (2011: £2 million) detailed in Section 2.1 are adjusted to reflect profit for the period before exceptional items net of related tax charges. In 2012 this primarily relates to contingent consideration now received from the disposal of Screenvision US in 2010, net of immaterial joint venture impairments. In 2011 the exceptional items primarily related to the release of property provisions no longer required.
- C.** Amortisation and impairment of acquired intangible assets of £23 million (2011: £24 million) is adjusted, including a related tax credit of £6 million (2011: £6 million).
- D.** Adjustments to net financing costs of £47 million, includes an £11 million related tax effect (2011: £nil). The rationale for adjustments made to financing costs is provided in the financial and performance review, this comprises of losses on bond buy backs, mark to market losses on derivatives and imputed pension interest.
- E.** Other tax adjustments primarily reflect the movement in deferred tax assets in respect of losses utilised in the current period.
- F.** Adjusted profit is defined as profit for the period before exceptional items, amortisation and impairment of acquired intangible assets, net financing cost adjustments and other tax adjustments.

Section 3 Operating Assets and Liabilities

3.1 Provisions

Keeping it simple...

A provision is recognised by the Group where an obligation exists, relating to events in the past, and it is probable that cash will be paid to settle it. 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 cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Provisions

The movements in provisions during the period are as follows:

	Contract provisions £m	Restructuring provisions £m	Property provisions £m	Other provisions £m	Total £m
At 1 January 2012	10	2	6	15	33
Addition	–	1	1	–	2
Utilised	(5)	(1)	(1)	–	(7)
At 30 June 2012	5	2	6	15	28

Provisions of £18 million are classified as current liabilities (2011: £24 million). Contract provisions are for onerous sports rights commitments and are expected to be utilised over the remaining contract period. Property provisions principally relate to onerous lease contracts due to empty space created by the significant reduction in headcount in 2009. Utilisation of the provision will be over the anticipated life of the leases or earlier if exited.

Other provisions of £15 million primarily relate to potential liabilities that may arise as a result of Boxclever having been placed into administration, most of which relate to pension

arrangements. On 21 December 2011, the Determinations Panel of The Pensions Regulator determined that Financial Support Directions ('FSD') should be issued against certain companies within the Group in relation to the Boxclever pension scheme. The Group immediately lodged an appeal against this decision with the Upper Tribunal. A FSD would require the Company to put in place financial support for the Boxclever scheme; however, it cannot be issued during the period of the appeal. The appeal process is ongoing. The Directors obtained leading counsel's opinion and extensive legal advice and continue to believe that the provision held is adequate.

3.2 Pensions

Keeping it simple...

The Group has historically offered its employees the opportunity to participate in a number of defined benefit schemes. However, these schemes are now closed to new members. The Group continues to offer employees a defined contribution pension scheme and, where taken up, makes payments into this scheme on their behalf.

The IAS 19 deficit at 30 June 2012 was £421 million compared with a deficit of £390 million at 31 December 2011. An increase in liabilities has been caused by a 0.2% reduction in the implied discount rate, caused by depressed bond yields, but this was partially offset by a decrease in the market expectation of long-term inflation and deficit funding of £72 million.

Section 4 Capital Structure and Financing Costs

▶ In this section...

This section outlines how the Group manages its capital. The Group considers its capital structure and dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are sections on the Group's net cash, borrowings and held to maturity investments.

As at 30 June 2012 the Group is not subject to any externally imposed capital requirements.

4.1 Net cash

▶ Keeping it simple...

Net cash is the Group's key measure used to evaluate total outstanding debt net of the current cash resources.

In defining total outstanding debt the Directors consider it appropriate to include the following: the currency impact of swaps held against those debt instruments; equity components of debt instruments; and the accounting impact on specific bonds due to the downgrade of ITV's investment status in August 2008.

Analysis of net cash

The table below analyses the Group's components of net cash and their movements in the period:

	1 January 2012 £m	Net cash flow and acquisitions £m	Currency and non-cash movements £m	30 June 2012 £m
Cash	705	(218)	–	487
Cash equivalents	96	(6)	–	90
Cash and cash equivalents	801	(224)	–	577
Held to maturity investments	147	–	(1)	146
Loans and loan notes due within one year	–	–	–	–
Finance leases due within one year	(9)	5	(4)	(8)
Loans and loan notes due after one year	(868)	275	2	(591)
Finance leases due after one year	(44)	–	4	(40)
	(921)	280	2	(639)
Currency component of swaps held against Euro denominated bonds	31	–	(6)	25
Convertible bond equity component	(27)	–	2	(25)
Amortised cost adjustment	14	–	(6)	8
Net cash	45	56	(9)	92

Section 4 Capital Structure and Financing Costs

continued

Cash and cash equivalents

Included within cash equivalents is £44 million (2011: £48 million), the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments, and gilts of £37 million (2011: £37 million) over which unfunded pension promises have a charge.

Loans and loan notes due after one year

In June 2012 ITV repurchased £275 million nominal of bonds comprising €138 million (£110 million) of the 2014 bonds, £76 million of the 2015 bonds and £89 million of the 2017 bonds. The bonds were repurchased at prices above par resulting in a net loss on repurchase of £36 million, which is shown in financing costs for the period.

Currency components of swaps held against euro denominated bonds

As at 30 June 2012 the currency element of the cross currency interest rate swaps is a £25 million asset (2011: £31 million asset). Valuation movements in this element offset the exchange rate movement of the remaining 2014 Euro denominated bonds.

Convertible bond

In November 2009 ITV issued a £135 million convertible Eurobond with a maturity date of November 2016 and a coupon of 4%. As the bond contains an option for the issuer to convert a portion of the debt into ITV's equity, the components are treated as separate instruments.

The debt portion is £107 million (2011: £105 million) and is included within loans and loan notes due after one year. The effective interest rate on the carrying value of the debt component is 9.4%. The equity component of £25 million (2011: £27 million) is shown separately in Net cash.

Amortised cost adjustment

The purpose of the amortised cost adjustment is to exclude the impact of the coupon step-up on net debt. ITV's Standard & Poor's credit rating was lowered to BB+ in August 2008, resulting in a coupon step-up in the 2014 and 2017 bonds. The recalculation of the amortised cost carrying values as required by IAS 39 resulted in a non-cash increase in net debt of £30 million as at 31 December 2008. The accounting treatment unwinds this increase in future years as a reduction in interest expense. As this adjustment has no impact on the cash interest paid, the interest charged to unwind the adjustment is excluded from net financing costs as described in the Financial and Performance Review.

4.2 Borrowings and held to maturity investments

Keeping it simple...

The Group borrows money from financial institutions in the form of bonds and other financial instruments. These generally have fixed interest rates and are for a fixed term.

Some financial instruments are complex in that they have variable rates of interest that are driven by the performance of an index, with fixed upper and lower limits on the cost to the Group. Some instruments require the Group to hold investments, of a lesser value with a fixed interest rate and a fixed maturity date.

Fair values versus book value

The tables below provide fair value information for the Group's borrowings and held to maturity investments:

		Book value		Fair value	
		30 June	31 Dec	30 June	31 Dec
		2012	2011	2012	2011
Assets	Maturity	£m	£m	£m	£m
Held to maturity investments	Mar 19	146	147	167	166

The fair value of held to maturity investments is based on quoted market bid prices at the period-end.

		Book value		Fair value	
		30 June	31 Dec	30 June	31 Dec
		2012	2011	2012	2011
Liabilities	Maturity	£m	£m	£m	£m
€50 million Eurobond (previously €188 million)	Jun 14	39	149	48	171
£78 million Eurobond (previously £154 million Eurobond)	Oct 15	78	153	84	150
£135 million Convertible bond	Nov 16	107	105	185	167
£161 million Eurobond (previously £250 million)	Jan 17	167	261	177	253
£200 million loan	Mar 19	200	200	297	290
		591	868	791	1,031

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of the £135 million Convertible bond is based upon the par value, whereas the book value of this Eurobond is accounted for partly as debt and partly as equity, net of issue costs, as described in note 4.1.

Section 5 Other Notes

5.1 Related party transactions

▶ Keeping it simple...

The related parties identified by the Directors include joint ventures, associated undertakings, investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

Related party transactions

	2012 £m	2011 £m
For the six month period to 30 June:		
Sales to joint ventures	5	4
Sales to associated undertakings	–	2
Purchases from joint ventures	13	9
Purchases from associated undertakings	24	24

The nature of related parties disclosed in the full consolidated financial statements for the Group as at and for the year ended 31 December 2011 has not changed.

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited.

The purchases from associated undertakings primarily relate to the purchase of news services from ITN. All transactions arose in the normal course of business on an arm's length basis. None of the balances are secured.

There have been no other significant related party transactions in the six month period ended 30 June 2012.

5.2 Contingent liabilities

▶ Keeping it simple...

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

There has been no material change in the Group's contingent liabilities since 31 December 2011 and the disclosures in those annual financial statements remain appropriate at 30 June 2012.

5.3 Subsequent events

▶ Keeping it simple...

Where the Group receives information in the period between 30 June 2012 and the date of this report about conditions related to certain events that existed at 30 June 2012, we update our disclosures that relate to those conditions in the light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 30 June 2012. 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.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of ITV plc are listed in the ITV plc 2011 Annual Report. A list of current Directors is maintained on the ITV plc website: www.itvplc.com.

For and on behalf of the Board:

Andrew Garard

Company Secretary
25 July 2012

Independent Review Report to ITV plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012, which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of financial position, Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mark Summerfield for and on behalf of KPMG Audit Plc

Chartered Accountants
15 Canada Square
London E14 5GL

25 July 2012