ITV plc Interim Results for the half year ended 30 June 2013

ITV delivers strong growth and continues to rebalance

Continued double digit growth in Non-NAR revenues

- Total Non-NAR revenues up 11% to £568m driven by ITV Studios and Online, Pay & Interactive
- Total ITV Studios revenues up 11% to £395m
- Online, Pay & Interactive revenues up 19% to £56m
- ITV Family NAR down 3% as expected
- Total external revenues up 1% to £1,144m

Improved margins and double digit profit growth

- EBITA before exceptional items up 11% to £291m
  - ITV Studios EBITA up 26% to £63m
  - Broadcast & Online EBITA up 7% to £228m
- Adjusted PBT up 16% to £270m
- Adjusted EPS up 15% to 5.3p

Investing in strategic acquisitions and delivering increased shareholder returns

- ITV Studios completed acquisitions in the UK and the US
- £20m cost savings on track
- Profit to cash conversion strong at 100%
- Net debt of £52m following acquisitions, dividends and further debt repayments
- Board has declared an interim dividend of 1.1p up 38%

Positive outlook underpins performance for the rest of 2013

- Expect ITV Family NAR for nine months to the end of September to be broadly flat following a good Q3 up 9%
- Confident of delivering double digit revenue growth in Online, Pay & Interactive and ITV Studios over the full year

Adam Crozier, ITV Chief Executive, said:

"We're making good progress with our strategy of growing and rebalancing the business as we build new revenue streams and improve margins.

In the first six months of the year ITV continued to increase group profits and revenues despite the expected fall in our H1 advertising revenues. Non-advertising revenues were up by 11% to £568m, driven by significant growth in Online, Pay & Interactive and in ITV Studios.

ITV Studios delivered further growth in the UK and internationally both organically and through selective acquisitions in our key target markets – with total Studios revenues up 11%. We're showing real momentum in our strategy of creating a robust international content business and in building substantial strength and scale in the US market.

The improved variety and quality of the ITV schedule has driven a strong on-screen performance in the first half of the year with ITV Family SOV up 1%.

Our cash generation remains strong and we continue to have a robust balance sheet to support the strategy and invest in our future growth.

As we anticipated, the shape of the television advertising market this year is very different to 2012. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%. We expect both ITV Studios and Online, Pay & Interactive to deliver double digit revenue growth for the year as a whole as we continue to rebalance and strengthen ITV."

ITV plc Interim Results for the half year ended 30 June 2013 continued

Half year results

Six months ended 30 June (£ million)	2013	2012*	Change (£m)	Change (%)
Broadcast & Online revenue	**914**	924	(10)	(1)
ITV Studios revenue	**395**	355	40	11
Total revenues	**1,309**	1,279	30	2
Internal supply	**(165)**	(149)	(16)	(11)
Group External revenues	**1,144**	1,130	14	1
Broadcast & Online EBITA	**228**	213	15	7
ITV Studios EBITA	**63**	50	13	26
EBITA before exceptional items	**291**	263	28	11
EBITA margin	**25%**	23%		
Adjusted profit before tax	**270**	233	37	16
Adjusted earning per share (EPS)	**5.3p**	4.6p	0.7p	15
Dividend	**1.1p**	0.8p	0.3p	38

* Following revisions to IAS 19, we have restated our prior period results which has resulted in a £2 million decrease in EBITA before exceptional items and a £2 million decrease in adjusted profit before tax and a 0.1p decrease in adjusted EPS for 2012.

Adjusted profit before tax and adjusted EPS remove the effect of exceptional items which include professional fees and performance based contingent payments relating to acquisitions, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments, and prior period and other tax adjustments. The profit before tax and basic EPS from the Condensed Consolidated Income Statement are as follows:

Six months ended 30 June (£ million)	2013	2012*	Change (£m)	Change (%)
Profit before tax	**179**	161	18	11
Basic earnings per share (EPS)	**3.4p**	3.1p	0.3p	10
Diluted earnings per share	**3.3p**	3.0p	0.3p	10

* Following revisions to IAS 19, we have restated our prior period results which has resulted in a £6 million decrease in profit before tax and a 0.1p decrease in Basic EPS for 2012.

Financial performance

We have delivered a good performance in the first half of the year growing revenues and delivering double digit growth in adjusted EPS even with ITV Family NAR down 3% as we expected. This strong financial performance was driven by non-NAR revenues which grew 11% as we continued to strengthen and rebalance the business and maintain our focus on cash and costs. Our £20m cost saving target remains on track and we will use these savings to fund our investments in our creative and commercial capabilities.

We have ended the first half with net debt of £52m following the acquisitions we have made in the UK and US, dividend payments, debt buybacks, pension contributions and the acquisition of our London headquarters. Our profit to cash conversion remains strong at 100%.

Broadcast & Online

Although Broadcast & Online saw a 1% decline in revenues it delivered a 7% improvement in EBITA before exceptional items (EBITA) because of the higher margin Online, Pay & Interactive revenues and our focus on costs. Schedule costs were down in the first half as a result of lower sports costs which have helped fund more hours of drama and entertainment.

As we anticipated, the shape of the television advertising market this year is very different to 2012. The combination of a strong first quarter followed by tough comparatives in Q2 resulted in ITV Family NAR falling 3% in the first half as a whole. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%.

Over the first half ITV Family NAR was behind our estimate of the television advertising market, which was down 1%. Our

ITV plc Interim Results for the half year ended 30 June 2013 continued

objective remains to outperform the television advertising market over the full year. On-screen we have had a strong start to the year with ITV main channel SOV and SOCI both flat and ITV Family SOV and SOCI both up 1%.

Online, Pay & Interactive revenues continue to grow strongly up 19% as we make our content available on more platforms driving long form video requests up 17%. We are further developing our pay revenues with more direct to consumer pay offerings on ITV Player and with third party platform owners, such as the renegotiation of the Virgin deal and an ad free subscription model on iOS.

ITV Studios

ITV Studios again delivered strong revenue and profit growth in the first half of 2013. Total revenue grew 11% to £395m and EBITA increased 26% to £63m as we continue to invest in our creative pipeline in content that travels internationally, namely drama, entertainment and factual entertainment.

All parts of the business delivered organic growth which was enhanced through a number of strategic acquisitions in the UK and US. Organic revenue growth was 5%, going against the comparative period in 2012 which benefited from the front loaded delivery of programmes.

The acquisitions we have made have been in the key creative markets that create and own intellectual property that travels. In the UK we acquired The Garden to enhance our capability in creating factual entertainment formats and to increase our strength in delivering commissions off-ITV. In the US we acquired Thinkfactory Media and High Noon Entertainment to continue to build our strength and scale.

The initial consideration for all acquisitions completed in H1 was £53m with future consideration payable depending on the performance of the companies. The maximum total consideration for these H1 acquisitions is £174m (undiscounted and including the initial cash consideration) and is payable only on the delivery of continued strong growth.

The UK and International production businesses both delivered double digit revenue growth up 12% and 16% respectively, which is beginning to feed into our international distribution business which grew 3%.

Adjusted EPS

Adjusted EPS was up 15% to 5.3p (2012: 4.6p). Adjusted financing costs were £14m, which is £11m lower than prior year as a result of the bonds bought back in June 2012 and the debt bought back in March 2013. Diluted adjusted EPS was up 13% to 5.1p.

The adjusted effective tax rate of 23% is largely in line with the statutory rate of UK corporation tax.

Basic EPS

Basic EPS is 3.4p (2012: 3.1p). The main differences between basic and adjusted earnings per share are exceptional items including professional fees and performance based contingent payments relating to acquisitions, losses incurred in net financing costs from debt buybacks, mark-to-market on swaps and the regular adjustment for amortisation and impairment of intangible assets acquired through business combinations and other tax adjustments.

Balance sheet and Net debt

Net debt at the end of June 2013 was £52m compared to net cash of £206m at the end of December 2012. This net debt is after the following payments were made in the first half of 2013: acquisition cash costs of £54m, the payment of the final and special dividend of £227m, the £100m cash impact of the debt buybacks we have completed, pension deficit contribution of £80m and the acquisition of the Company's headquarters and studios in London for £58m.

We have again improved the efficiency of our balance sheet with £138 million (nominal) repayment of the £200 million 2019 loan and £34 million (nominal) repayment of the £135 million convertible bond. We improved our financial flexibility by extending the maturity of the committed £250 million Revolving Credit Facility (RCF) by a further year to July 2016. The facility remains undrawn.

ITV plc Interim Results for the half year ended 30 June 2013 continued

Pension

The aggregate IAS 19 deficit at 30th June was £476m (31 Dec 2012: £551m). This was primarily as a result of the £80m total annual deficit funding contribution for 2013 made in the first half. The increase in the implied discount rate has reduced the level of liabilities, which has largely been offset by an increase in the market expectation of long term inflation.

The 10 to 15 year funding plan that we agreed following the actuarial valuations as at 1st January 2011 remains in place. It is a mixture of fixed and performance related contributions.

Dividend

The steps we have taken with our balance sheet and another period of double digit profit growth has led the Board to declare an interim dividend of 1.1p, a 38% increase on 2012. This dividend reflects the Board's confidence in the ongoing growth and cash generation of the business. The Board has set the dividend to be roughly one third of the total dividend for the year. We will continue to balance capital discipline with the need to invest for future growth and maintain flexibility. The Board remains committed to a progressive dividend policy.

2013 Planning assumptions – no material changes

- Cost savings of £20 million will fund investments in the creative development pipeline, technology and online
- Total NPB is expected to be around £980m
- Adjusted interest is expected to be around £27m-28m as a result of the impact of debt buybacks
- Effective tax rate is expected to remain between 22-24%
- Capex will be around £110-£120m which includes normal Capex of around £55m and the acquisition of the London Television Centre in January 2013

Outlook for full year

In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September, with July up 12%, August up 20% and September broadly flat.

Both ITV Studios and Online, Pay & Interactive are on track to deliver double digit revenue growth for the year as a whole as we continue to grow and rebalance the business.

Notes to editors

1. Unless otherwise stated, all figures refer to the six month period ending 30th June 2013, with growth compared to the same period in 2012.

2.

Six months ended 30 June	**2013 £m**	2012 £m	Change %
ITV Family NAR	**741**	765	(3)
Non-NAR revenue	**568**	514	11
Internal supply	**(165)**	(149)	(11)
Total External revenue	**1,144**	1,130	1

3. ITV Family NAR was down 6% in May and down 16% in June. We expect ITV Family NAR to be up 12% in July, up 20% in August and broadly flat in September. Overall we expect ITV Family NAR for the nine months to end of September to be broadly flat.

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

ITV plc Interim Results for the half year ended 30 June 2013 continued

4. Operational summary

Broadcasting and Online performance indicators	**2013**	2012	%
ITV Family SOV	**23.2%**	23.0%	1
ITV SOV	**16.3%**	16.3%	–
ITV Family SOCI	**39.2%**	39.0%	1
ITV SOCI	**27.0%**	27.1%	–
ITV adult impacts	**122bn**	122bn	–
Total long form video requests (all platforms)	**276m**	236m	17
Share of Broadcast	**44.8%**	45.8%	(2)

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: ITV, ITV2, ITV3, ITV4, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels. Total long form video requests across all platforms are based on data from ComScore Digital Analytix, Virgin, BT, iTunes, Lovefilm, Netflix, Sky, 3UK and Hospedia and include simulcast. Share of Broadcast KPI is calculated based upon our estimates of the total Television advertising market.

5. Dividend payment date is 29 November 2013 and dividend record date is 1 November 2013.

6. 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 (iv) the loss or failure of transmission facilities or core systems, and (v) a significant change in demand for global content.

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.

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Strategy & Operations

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

In the first half of 2013 we continued the good progress with our strategy of growing and rebalancing the business. Total Non-NAR revenues were up 11% driven by significant growth in Online, Pay & Interactive and in ITV Studios, which have more than offset the expected decline in ITV Family NAR. Total external revenues were up 1% to £1,144 million.

We have again delivered double digit profit growth. Total EBITA before exceptional items was up 11% to £291 million and adjusted EPS was up 15% to 5.3p as a result of our continued focus on costs and our higher margin new revenues. Group margins improved by two percentage points from 23% to 25%.

Broadcast & Online delivered 7% EBITA growth despite a 1% decline in revenues. ITV Studios grew EBITA by 26% on total revenues up 11%.

We have ended the first half with net debt of £52 million following the acquisitions we have made in the UK and US, dividend payments to shareholders, debt buybacks, pension deficit contributions and the acquisition of our London headquarters. Our profit to cash conversion remains strong at 100%.

We are on track to deliver our strategy based on our four key priorities. This strategy remains unchanged. Our vision remains to create world class content which we can make famous on our channels, and exploit across platforms, both free and pay, in the UK and internationally. While there is still much to do, the progress we are making is clearly evident in our financial and operating results.

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

We are making significant progress in making ITV lean, creatively dynamic and fit for purpose. This remains a key priority of our strategy as we continue to make ITV a better business.

As previously announced we have identified £20 million of cost savings to be delivered in 2013, on top of the £90 million of savings delivered between 2010 and 2012. We are on track to deliver this over the full year as we continue to drive out complexity from the business.

These cost savings will fund investment in our creative and commercial capabilities across the business, specifically in our creative pipeline, in technology and online. We will also continue to invest in our people and in working as OneITV to help drive value from our integrated producer broadcaster model and deliver future growth.

At the beginning of 2013 we rolled out the ITV rebrand with the emphasis on putting ITV at the heart of popular culture. This was one of the most extensive media rebrands ever undertaken, rolling out a new identity for our five channels, our entire online estate and our production and distribution businesses in the UK and internationally, all on the same day. The rebrand has significantly improved ITV's brand health as measured by YouGov.

In the first half of the year we have again improved the efficiency of our balance sheet as we strive to make the best use of our cash. We have bought back £172 million of debt (nominal) leading to further interest cost savings and have delivered profit to cash conversion for the six months of 100%.

Strategy & Operations continued

The steps we have taken with our balance sheet and another period of double digit profit growth has led the Board to declare an interim dividend of 1.1p, a 38% increase on 2012. This dividend reflects the Board's confidence in the ongoing growth and cash generation of the business. The Board has set the dividend to be roughly one third of the total dividend for the year. We will continue to balance capital discipline with the need to invest for future growth and maintain flexibility. The Board remains committed to a progressive dividend policy.

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

A strong Broadcast business remains central to our strategy. It generates significant profit and cash to help fund our new revenue streams and it provides a platform on which to make our content famous before distributing it internationally.

Our on-screen performance has been strong in the first half of the year through the improved variety and quality of the ITV schedule. ITV main channel SOV and SOCI were both flat for the six months to the end of June and ITV Family SOV and SOCI were both up 1%. New and returning programmes including Mr Selfridge, Broadchurch, Britain's Got Talent, Splash!, Catchphrase, Marple, Champions League, the soaps and our daytime shows continue to perform well. ITV2 and ITV3 remain the largest digital channels and ITV2 won the Channel of the Year at the Broadcast Digital Awards 2013. New and returning successes this year on our digital channels include Plebs, Celebrity Juice, The Only Way is Essex and The French Open.

ITV continues to drive mass audiences that advertisers demand, delivering 99.8% of all commercial audiences over five million viewers and 100% of audiences over 7 million. Based on series average in the first half of the year ITV broadcast the highest rating new drama in Broadchurch, the highest rating entertainment show in Britain's Got Talent, the highest rating soap in Coronation Street and the highest rating sports programme in the Champions League Manchester United vs. Real Madrid match.

As we compete with broadcasters and other media for our share of television advertising, and advertising revenues in general, we continue to explore ways to increase the value of our commercial offerings. We continue to look at ways to maximise the value of the 30 second slot, for example Shazam enabled advertising. We are also looking to drive more value from our sponsorship deals through increased interactivity and brand extensions. For example the successful Morrisons sponsorship of Ant & Dec's Saturday Night Takeaway and off-air brand endorsements and ticket sales to the live Big Reunion tour.

As we anticipated, the shape of the television advertising market this year is very different to 2012, partly as a result of the timing of sports events. The combination of a strong first quarter followed by tough comparatives in Q2 resulted in ITV Family NAR falling 3% in the first half as a whole. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%.

Over the first half ITV Family NAR was behind our estimate of the television advertising market, which was down 1%. Our objective remains to outperform the television advertising market over the full year.

Structurally the Broadcast business remains robust. While online viewing is growing very rapidly, it remains less than 2% of total viewing and people continue to watch around four hours a day which has been reasonably consistent over the last five years. Catch up viewing is around 10% of total viewing but the line between VOD and catch up is becoming more blurred with the growth of connected devices.

Following the Secretary of State for Culture, Media and Sport's agreement at the end of 2012, the renewal of ITV's Public Service Broadcasting licences for a full ten year term is in the final stages.

Strategy & Operations *continued*

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

Online, Pay & Interactive again delivered strong revenue growth, up 19% in the first half with the growth in new technology platforms and the rapid increase in VOD driving demand for quality content both free and pay.

Over the last few years we have invested to improve the quality of our online offering and the distribution of our content which is now available on 15 platforms including YouView. This has led to continued good growth in long form video requests which were up 17% in the first half of 2013.

Mobile viewing and new platforms are driving the demand for VOD. There have now been over nine million downloads of the ITV Player app since it was launched. We have redeveloped our ITV Sports site and our award winning ITV News site.

We continue to explore and develop our pay services. On the ITV Player we have trialled further direct-to-consumer pay opportunities with episode premieres of programmes such as Scott & Bailey for ITV and Plebs for ITV2. We have also launched a pay proposition on iOS which is an ad free subscription model - the first broadcaster to do so. We renegotiated our Virgin deal to include HD versions of ITV2, 3 and 4 and the ability to deliver adverts in our catch up content in the future.

We are further deepening our relationship with our consumers and we now have more than two million registered users of ITV Player. We are also interacting further with our customers to drive value from our brands, both for ITV and for our advertisers, for example we had over one million downloads of the Britain's Got Talent app and we continue to feature heavily on and communicate through social media.

4 Build a strong international content business

A strong international content business lies at the core of our strategy to create and own more of our own content, make it famous in the UK on our channels and distribute it across multiple platforms in the UK and internationally.

The continued strong demand for quality content globally from broadcasters and platform owners provides a huge opportunity for us. As an integrated producer broadcaster we are in a unique position to take advantage of this as we can make our content famous on our channels before distributing it internationally.

In the first half of the year we made good progress creatively and commercially. We continued to build our creative strength globally as we grew our revenues 11% and profits 26%. We are investing in a strong and healthy creative pipeline and in genres that travel internationally and which deliver higher margins, namely drama, entertainment and factual entertainment.

All parts of the business delivered organic growth which was enhanced by a number of acquisitions in the UK and US. Our acquisition focus is on the two key markets which have a track record for creating and owning intellectual property and for companies that produce in genres that travel. In the UK we acquired The Garden to enhance our capability in creating factual entertainment formats that travel and to increase our strength in delivering commissions off-ITV. In the US we are building strength and scale with the most recent acquisitions of High Noon and Thinkfactory who produce reality, entertainment and drama which complement our existing business, including the Gurney business acquired at the end of 2012.

Strategy & Operations *continued*

In the UK we grew our revenues on and off ITV, particularly in drama, entertainment and daytime. This has been driven by programmes such as Mr Selfridge, Ant & Dec's Saturday Night Takeaway, Marple, Poirot and The Chase for ITV, and off ITV by Graham Norton for BBC and Four Weddings for Sky Living. Some of our key shows in 2013 have already been recommissioned such as Mr Selfridge and Ant & Dec's Saturday Night Takeaway for ITV and Shetland for BBC, all of which will come through in 2013/14.

International production continues to grow strongly with revenues up 16% in H1 particularly driven by the US with programmes such as Hell's Kitchen, Kitchen Nightmares and Duck Dynasty. We have already secured a number of key new commissions such as The Chase which was originally commissioned in the UK and recommissions of programmes such as Hell's Kitchen, Kitchen Nightmares, America Now, Duck Dynasty and CakeBoss which will impact 2013/14.

With the acquisitions we have recently made we estimate that ITV Studios America is now one of the five largest independent producers in the US and over the full year expect it to deliver 64 different shows to 34 channels, supplying 899 hours of content annually. This compares to 12 shows, 7 channels and 119 hours in 2010.

The strong growth in the UK and international production businesses is starting to feed our international distribution business which we are adding to through the distribution of third party content, such as Rectify for AMC. We have sold Mr Selfridge to more than 100 countries and we also continue to sell our formats successfully, for example Come Dine With Me India was the 36th international version, and we have recently sold Four Weddings to Russia and Romania.

Outlook

In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September, with July up 12%, August up 20% and September broadly flat.

Both ITV Studios and Online, Pay & Interactive are on track to deliver double digit revenue growth for the year as a whole as we continue to grow and rebalance the business.

We continue to look at ways to improve the efficiency of the balance sheet and make the best use of our cash, whilst balancing capital discipline with the need to invest for future growth and maintain flexibility.

Adam Crozier
Chief Executive

Key Performance Indicators

We have defined our Key Performance Indicators (KPIs) to align performance and accountability to our strategy.

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	**2013**	2012	Absolute Change
EBITA before exceptional items*	**£291m**	£263m	£28m
Adjusted earnings per share*	**5.3p**	4.6p	0.7p
'Profit to cash' conversion	**100%**	102%	(2)%
ITV Family Share of Viewing ('SOV')	**23.2%**	23.0%	0.2%
ITV Family Share of Commercial Impacts ('SOCI')	**39.2%**	39.0%	0.2%
ITV Family Share of Broadcast ('SOB')	**44.8%**	45.8%	(1.0)%
Total long form video requests (all platforms)	**276m**	236m	40m
Non-NAR revenues	**£568m**	£514m	54m

* Following revisions to IAS 19, we have restated our prior period results which have resulted in a £2 million decrease in EBITA before exceptional items and a 0.1p decrease in adjusted EPS.

Three of our KPIs are only reported on a full year basis: percentage of ITV output from ITV Studios, number of new commissions and employee engagement. The ITV Studios KPIs are not reported externally on a six monthly basis as they are materially impacted by phasing and therefore the full year number gives a more meaningful measurement of performance. Employee engagement is based on an annual survey undertaken in the autumn but our monthly abbreviated surveys suggest that engagement remains strong.

Disclaimer on forward-looking statements

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; (iv) the loss or failure of transmission facilities or core systems, and (v) a significant change in demand for global content.

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

Six months to 30 June	2013 £m	2012 £m	Change £m	Change %
Net Advertising Revenue ('NAR')	**741**	765	(24)	(3)
Total non-NAR revenue	**568**	514	54	11
Total revenue	**1,309**	1,279	30	2
Internal supply	**(165)**	(149)	(16)	(11)
Total external revenue	**1,144**	1,130	14	1
EBITA before exceptional items	**291**	263	28	11
Adjusted earnings per share	**5.3p**	4.6p	0.7p	15
Dividend per share	**1.1p**	0.8p	0.3p	38
Net (debt)/cash as at 30 June	**(52)**	92	144	–

The profit before tax and basic EPS from the Condensed Consolidated Income Statement are as follows:

Six months to 30 June	2013 £m	2012 £m	Change £m	Change %
Profit before tax	**179**	161	18	11
Basic earnings per share (EPS)	**3.4p**	3.1p	0.3p	10
Diluted earnings per share	**3.3p**	3.0p	0.3p	10

We have again delivered a strong set of results in the first half of 2013 with revenue growth and double digit profit growth. Our performance was driven by growth in our Non-NAR revenues up 11% as we continue to rebalance the business.

Overall external revenues were up 1%, with strong growth in Online, Pay & Interactive and in ITV Studios which was partly offset by the expected decline in NAR. With our continued focus on costs and the higher margin new revenue streams, we delivered 11% growth in EBITA to £291 million and 15% growth in adjusted EPS to 5.3p. Group margins have improved two percentage points from 23% to 25%.

We have maintained our focus on cash and costs. Our £20 million cost savings target over the full year is on track and we have again taken steps to improve the efficiency of the balance sheet and make the best use of our cash. We have bought back £172 million (nominal) of debt which has reduced our level of debt to £457 million and further reduced our net financing costs. At the end of June we had £52 million of net debt as a result of the acquisitions we have made, dividend payments and debt repayments. Our profit to cash ratio remains strong at 100%.

The steps we have taken with our balance sheet and another period of double digit profit growth has led the Board to declare an interim dividend of 1.1p, a 38% increase on 2012. This dividend reflects the Board's confidence in the ongoing growth and cash generation of the business. The Board has set the dividend to be roughly one third of the total dividend for the year. We will continue to balance capital discipline with the need to invest for future growth and maintain flexibility. The Board remains committed to a progressive dividend policy.

The remainder of the Financial and Performance Review focuses on the adjusted results, which in management's view shows our business performance in a more meaningful and consistent manner and reflects how the business is managed and measured on a daily basis. A reconciliation to the statutory results is set out in the earnings per share section.

Adjusted profit before tax and adjusted EPS remove the effect of exceptional items which include professional fees and performance based contingent payments relating to acquisitions, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments, and prior period and other tax adjustments.

Following revisions to IAS 19, we have restated our prior period results which have resulted in: a £2 million decrease in EBITA before exceptional items, Broadcast EBITA, adjusted profit before tax and the tax charge for the period; a £4 million increase in net financing costs; a £6 million decrease in profit before tax; a £1 million increase in the adjusted tax charge; a £4 million decrease in profit after tax and a 0.1p decrease in basic and adjusted earnings per share. A full discussion of the revisions to the standard are included in note 3.4 of the interim financial statements.

Financial and Performance Review *continued*

Broadcasting & Online

Six months to 30 June	2013 £m	2012 £m	Change %
Net Advertising Revenue ('NAR')	**741**	765	(3)
SDN external revenues	**35**	31	13
Online, Pay & Interactive	**56**	47	19
Other commercial income	**82**	81	1
Broadcasting & Online non-NAR revenue	**173**	159	9
Total Broadcasting & Online revenue	**914**	924	(1)
Total schedule costs	**(490)**	(507)	3
Other costs	**(196)**	(204)	4
Total Broadcasting & Online EBITA before exceptional items	**228**	213	7
Broadcast & Online EBITA margin	**25%**	23%	

Broadcast & Online revenues were down 1% over the first half because the strong growth in Online, Pay & Interactive was offset by the decline in ITV Family NAR.

As we anticipated, the shape of the television advertising market this year is very different to 2012. The combination of a strong first quarter followed by tough comparatives in Q2 resulted in ITV Family NAR falling 3% in the first half as a whole. In spite of monthly volatility we expect ITV Family NAR to be broadly flat for the nine months to the end of September with Q3 up 9%.

There also continues to be volatility by sector. Good growth has been seen in entertainment & leisure, airlines & travel, publishing & broadcasting and household stores. We continue to see demand for advertising from sectors driven by technology and highly competitive industries. Sectors showing declines year on year are retail, despite increased spend by supermarkets, finance, food, cosmetics, telecommunications and cars.

SDN external revenues grew 13% benefiting from the introduction of a 12th stream which went live on January 2013.

Online, Pay & Interactive revenues grew strongly up 19%. Within this Online revenues increased as long form video requests have continued to grow as we have improved the quality and distribution and enhanced the offering of itv.com and ITV Player. Our pay revenues have also grown as we have renegotiated the Virgin deal and the usage of our content on other platforms continues to grow.

Other commercial income includes sponsorship, minority revenue, media sales and other income. These are broadly flat year on year, with growth coming from sponsorship and brand extensions offsetting a marginal decline in minority revenues.

Despite the decline in ITV Family NAR we have grown Broadcast & Online EBITA by 7% because of the higher margin new revenues and our focus on costs. Schedule costs are down in the first half as a result of lower sports costs which have helped fund more hours of drama and entertainment. Other costs are down 4% as we continue to manage our overheads tightly.

Financial and Performance Review continued

ITV Studios

Six months to 30 June	2013 £m	2012 £m	Change %
UK Productions	**202**	181	12
International Productions	**125**	108	16
Global Entertainment	**68**	66	3
Total Studios revenue	**395**	355	11
Total Studios costs	**(332)**	(305)	(9)
Total Studios EBITA before exceptional items	**63**	50	26
Studios EBITA margin	**16%**	14%	
Sales from ITV Studios to Broadcasting & Online	**165**	149	11
External revenue	**230**	206	12
Total Studios revenue	**395**	355	11

We continue to deliver strong growth in ITV Studios through organic growth and acquisitions, with revenues up 11% and EBITA up 26%. We have achieved this through our continued focus on costs and changes in our revenue mix.

Organic revenue growth was 5%, going against the comparative period in 2012 which benefited from the front loaded delivery of programmes. Acquisitions have delivered £24 million of revenue and £4 million of EBITA in the first half as expected.

UK Production grew on and off ITV with revenues up 12%. This has been driven by drama, entertainment and daytime with programmes such as Mr Selfridge, Marple, Poirot, Ant & Dec's Saturday Night Takeaway and The Chase for ITV and off ITV programmes such as Graham Norton for BBC and Four Weddings for Sky Living. Entertainment and drama original hours delivered were both up around 15% in the first half.

International Productions again grew strongly with revenues up 16%, particularly in America, with programmes including Hell's Kitchen, Kitchen Nightmares and Duck Dynasty. Germany has also shown good growth with programmes such as I'm A Celebrity Get Me Out Of Here and Celebrity Come Dine With Me.

The strong growth in our UK and international production businesses are starting to feed our global distribution business.

The majority of costs incurred in the ITV Studios business vary directly with levels of activity. However we continue to maintain our focus on costs and to drive efficiencies in the production process.

During the first half of the year we have acquired businesses in the UK and US. These have been made against strict financial and strategic criteria including ownership of intellectual property, return on capital employed and discounted cashflow. We have structured the deals to base a large part of the consideration on future performance and therefore align incentives and lock in creative talent.

In April we acquired 100% of the UK independent producer The Garden to enhance our capability in creating factual entertainment formats that travel and to increase our strength in delivering commissions off-ITV. We made an upfront payment of £18 million with a further capped cash payment contingent on The Garden's future performance. The additional consideration is only payable on the delivery of significant profit growth over the next five years.

In the US we acquired 60% of High Noon Entertainment for an upfront cash consideration of $26 million in May and in June we acquired 65% of Thinkfactory Media for an upfront cash consideration of $30 million, to further build our strength and scale. There are put and call arrangements in place to buy the remaining minority stakes from years 3 to 5 following the acquisitions.

Over the full year we expect the acquisitions we have made in 2012 and 2013 to contribute around £100 million of revenue.

The total maximum consideration of £174 million (undiscounted) for all these acquisitions is payable only on the delivery of continued strong growth. The initial payment for these 2013 acquisitions is £53 million with a further maximum £121 million (undiscounted) payable depending on performance.

Financial and Performance Review continued

Acquisitions made in 2013

Company	Geography	Genre	Initial consideration (£m)	Total maximum consideration* (£m)	Expected payment date
Garden	UK	Factual Entertainment	18	46	2018
High Noon	US	Reality, Entertainment	16	64	2015-2021
Thinkfactory	US	Reality, Entertainment & Scripted	19	64	2017-2019
Total			**53**	**174**	

* Undiscounted and including the initial cash consideration

On the 26 July we acquired 100% of Big Talk Productions and associated companies (Big Talk).

Net financing costs

Adjusted financing costs in the first half of 2013 are £11 million lower than in the prior year as a result of the debt bought back in June 2012 and in the first half of 2013.

The £44 million losses on buybacks relate to the exceptional loss on the £172 million (nominal) debt we bought back in H1. The partial repayment of the 2019 bilateral loan in March of £138 million loan resulted in an exceptional interest charge of £38 million. The £34 million convertible bond buyback resulted in an exceptional interest charge of £6 million. In 2012 similar losses were incurred on the buyback of certain bonds.

Six months to 30 June	**2013 £m**	2012 £m
Financing costs directly attributable to loans and bonds	**(9)**	(24)
Cash-related net financing income	**(1)**	3
Cash-related financing costs	**(10)**	(21)
Amortisation of bonds	**(4)**	(4)
Adjusted financing costs	**(14)**	(25)
Mark-to-market on swaps and foreign exchange	**(6)**	(7)
Imputed pension interest	**(10)**	(8)
Losses on buybacks	**(44)**	(36)
Other net financing costs	**(1)**	–
Net financing costs	**(75)**	(76)

Tax

The effective tax rate on adjusted profit before tax of 23% is largely in line with the standard tax rate of 23.25% (2012: the adjusted tax rate of 23% was lower than the standard rate due to adjustments made for prior periods and the recognition of overseas deferred tax credits). The total reported tax charge is £44 million (2012: £42 million). Cash tax paid of £32 million (2012: £28 million) arises as a result of making payments for taxable profits partially offset by losses and the tax treatment of allowable pension contributions.

Six months to 30 June	**2013 £m**	2012 £m
Profit before tax as reported	**179**	161
Exceptional items (net)	**5**	(2)
Amortisation and impairment of intangible assets*	**25**	23
Adjustments to net financing costs	**61**	51
Adjusted profit before tax	**270**	233

* In respect of intangible assets arising from business combinations.

Financial and Performance Review *continued*

Six months to 30 June	**2013 £m**	2012 £m
Tax charge as reported	**(44)**	(42)
Net credit for exceptional and other tax items	**1**	7
Charge in respect of amortisation and impairment of intangible assets*	**(6)**	(6)
Charge in respect of adjustments to net financing costs	**(14)**	(12)
Adjusted tax charge	**(63)**	(53)
Effective tax rate on adjusted profits	**23%**	23%

* In respect of intangible assets arising from business combinations.

Dividend

The steps we have taken with our balance sheet and another period of double digit profit growth has led the Board to declare an interim dividend of 1.1p, a 38% increase on 2012. This dividend reflects the Board's confidence in the ongoing growth and cash generation of the business. The Board has set the dividend to be roughly one third of the total dividend for the year. We will continue to balance capital discipline with the need to invest for future growth and maintain flexibility. The Board remains committed to a progressive dividend policy.

Earnings per share

Adjusted earnings per share is 5.3p (2012: 4.6p). Basic earnings per share is 3.4p (2012: 3.1p). The main differences between reported and adjusted earnings per share are exceptional items, the losses incurred in net financing costs from the bond buybacks, adjustment for the amortisation of intangible assets acquired through business combinations and the tax effects of these.

Six months to 30 June	Reported £m	Adjustments £m	Adjusted £m
EBITA before exceptional items	291	–	291
Exceptional items	(5)	5	–
Amortisation and impairment of intangible assets	(31)	25	(6)
Net financing costs	(75)	61	(14)
Share of losses of JVs and Associates	(1)	–	(1)
Profit before tax	179	91	270
Tax	(44)	(19)	(63)
Profit after tax	135	72	207
Non-controlling interests	(1)	–	(1)
Earnings	134	72	206
Number of shares (million)	3,901		3,901
Earnings per share (pence)	3.4		5.3

The adjustments shown above 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 day to day basis.

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

Exceptional items are mainly acquisition related expenses, including professional fees and performance based contingent payments, in relation to the selective acquisitions we made in the ITV Studios business. The tax and net financing costs sections of this review show the adjustments to these balances which mainly include mark-to-market on swaps and foreign exchange and loses on buybacks. There are no restructuring costs in 2013.

Financial and Performance Review *continued*

Cash flow, working capital management and free cash flow

Cash flow and working capital management

Six months to 30 June	2013 £m	2012 £m
EBITA before exceptional items ('profit')	**291**	263
Decrease in programme rights and other inventory and distribution rights	**25**	91
Decrease in receivables	**19**	24
Decrease in payables	**(47)**	(100)
Working capital movement	**(3)**	15
Depreciation	**12**	13
Share-based compensation and pension service costs	**13**	7
Cash flow generated from operations before exceptional items	**313**	298
Acquisition of property, plant and equipment and intangible assets	**(21)**	(31)
Adjusted cash flow	**292**	267
'Profit to cash' ratio six months to 30 June	**100%**	102%
'Profit to cash' ratio 12 months rolling	**96%**	97%

Our focus on cash remains a priority and in the first half we generated £292 million of cash from £291 million of EBITA before exceptional items. Our strong profit to cash ratios of 100% on a six month basis and 96% on a rolling 12 month basis continue to be ahead of our KPI target of 90% on a three-year rolling basis. This calculation excludes the acquisition of the Company's London headquarters as management consider it to be a material one-off capital expenditure.

This performance is largely due to the continued management of working capital balances.

Free cash flow

Six months to 30 June	2013 £m	2012 £m
Adjusted cash flow	**292**	267
Net interest paid	**(16)**	(33)
Cash tax	**(32)**	(28)
Pension funding	**(80)**	(72)
Free cash flow	**164**	134

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

Free cash flow before dividends, acquisitions and debt repayments remains strong up £30 million or 22%, despite the step up in pension funding contributions.

Free cash flow reflects our underlying cash generation and gives us flexibility to invest in the business.

Net debt, liquidity risk and funding

Net debt at the end of June 2013 was £52 million compared to net cash of £206 million at the end of December 2012. This net debt is after the following payments were made in the first half of 2013: acquisition cash costs of £54 million, the payment of the final and special dividend of £227 million, the £100 million cash impact of the debt buybacks we have completed, pension deficit contribution of £80 million and the acquisition of the Company's headquarters and studios in London for £58 million which includes £2 million of stamp duty.

In the first half of 2013 we have again taken steps to strengthen and improve the efficiency of our balance sheet and to maintain our access to liquidity. We have delivered strong cash generation, bought back more debt and extended the maturity of our Revolving Credit Facility.

Financial and Performance Review *continued*

We continue to look at opportunities to further improve the efficiency of our balance sheet and make the best use of our cash whilst maintaining the flexibility to invest in the business. Having repurchased or repaid early £1,109 million (nominal) of debt since October 2009 further step changes are harder to achieve but we will continue to evaluate options on a case by case basis.

Debt Structure

In March 2013 we repaid £138 million of the £200 million covenant free bilateral loan with a maturity of March 2019. This was satisfied by cash and by gilts secured against the loan and resulted in an exceptional charge of £38 million. In June 2013 we repurchased £34 million (nominal) of the £135 million convertible Eurobond with a maturity date of November 2016. These were repurchased at prices above carrying amounts resulting in an exceptional charge of £6 million shown in financing costs. The bond contains an option for the issuer to convert the debt into ITV's equity and the buyback has also resulted in a £30 million loss attributable to equity which has been reflected directly in retained earnings.

The actions we have taken will improve our adjusted financing costs going forward. Over the full year we expect adjusted financing costs to be about £27-28 million compared to £44 million in 2012 and £50 million in 2011.

We have reduced our debt repayable by £39 million to £457 million at 30 June 2013 primarily as a result of the convertible bond repurchases.

In June 2013 we extended the maturity of the committed £250 million Revolving Credit Facility by a further year to July 2016. The facility remains undrawn and, subject to agreement by the banks, is extendable by a further year. 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 2013 (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
£101 million Convertible bond	101	Nov 2016
£161 million Eurobond	161	Jan 2017
£62 million Bank loan	62	March 2019
Finance leases	40	Various
Total debt repayable on maturity	**457**	

* Net of Cross Currency Swaps.

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

Adjusted net debt

	June 2013 £m	Dec 2012 £m
Net (debt)/cash	**(52)**	206
Maximum contingent payments on acquisitions in 2012 and 2013	**(175)**	(58)
Pension deficit (IAS19R)	**(476)**	(551)
Operating leases	**(429)**	(518)
Adjusted net debt	**(1,132)**	(921)

Financial and Performance Review continued

Adjusted net debt is our key measure of our future cash commitments. The ratio of adjusted net debt to EBITDA before exceptionals is 2.0x on a rolling 12 month basis.

As can be seen from the table, adjusted net debt includes the maximum total contingent payments in relation to all the acquisitions we have made in 2012 and 2013 (undiscounted), the pension deficit and our operating lease commitments (undiscounted) which are mainly for broadcast transmission contracts and property. Lease commitments have reduced year on year as a result of the acquisition of our London headquarters.

Ratings

Our credit ratings continued to improve in the first half of 2013. In March and April respectively, Standard & Poor's and Fitch upgraded our long-term credit ratings from sub investment grade BB+ (Stable Outlook) to investment grade BBB- (Stable Outlook). ITV's credit rating with Moody's Investors Service remains sub investment grade at Ba1 (Positive Outlook) and would require a further notch upgrade 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 continue to strengthen our position against all these metrics through delivering our strategy.

Pensions

IAS 19

The aggregate IAS 19 deficit on defined benefit schemes at 30 June 2013 was £476 million (31 December 2012: £551 million). This was primarily as a result of the £80 million total annual deficit funding contribution for 2013 made in the first half. The implied discount rate used to value liabilities has increased which has reduced the level of liabilities, although this has largely been offset by an increase in the market expectation of long-term inflation. Asset values have been volatile over the six month period.

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 the combined funding deficits amounted to £587 million.

The next actuarial valuations are due as at 1 January 2014.

Deficit funding contributions

The Group has agreed with the Trustee that the level of contributions to Section A of the ITV Pension Scheme will be a combination of fixed and performance related payments.

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:

Financial and Performance Review *continued*

During the period 2012 to 2020 if our reported EBITA before exceptional items exceeds £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) may not be required.

In addition to the agreed deficit funding contributions above, the SDN pension funding partnership (PFP) established in 2010 provides an annual distribution of £11 million to this section of the Scheme from 2013 to 2022 (£10 million in 2012).

Sections B and C:
The Group has agreed with the Trustee to pay 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 £80 million in the first half of 2013 in total and there will be no further deficit funding contributions in the second half of the year.

Post balance sheet events

On the 26 July we acquired 100% of Big Talk Productions and associated companies (Big Talk). We will pay an initial cash consideration and further capped cash payments contingent on Big Talk's future performance. The initial cash consideration will be dependent on the 2012/13 financial performance and is expected to be in the region of £12.5 million. The further capped cash payments are only payable on the delivery of significant profit growth over the next five years. The multiple paid was similar to the range paid on our previous acquisitions.

Principal Risks and Uncertainties

ITV continues to apply the risk management framework outlined in the 2012 Annual Report and Accounts (pages 48 and 49). 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 remained appropriate and adequate. No significant new risks were identified but several of the strategic risks have been clarified with revised descriptions as set out below. Below is a summary of the key risks.

High Impact Low Likelihood (HILL) risks

HILL risks are of low inherent likelihood but there would be major consequence were the risk to materialise. They are categorised according to risk theme.

Risk Theme	Summarised Risk Description
External Economic and Political Environment	ITV loses its credit status or lines of funding with existing lenders or there is a collapse of a major bank impacting financial arrangements/availability of credit.
	There is a major collapse in investment values leading to a material impact on the pension scheme deficit.
Significant Incident	A significant event removes a number of the key management team from the business on a long-term or permanent basis.
	An event with public interest that causes significant reputational and brand damage.
	There is a major health and safety incident that results in a significant loss of human life.
	A major incident results in ITV being unable to continue with scheduled broadcasting for a sustained period.
Regulatory Change or Breach	There is a significant or unexpected change in regulation or legislation.

Principal Risks and Uncertainties continued

Strategic risks

Strategic risks are those that would impact the successful execution of the strategy. They have been mapped to the four strategic priorities of the strategy and categorised by risk theme.

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

Risk Theme	Summarised Risk Description	Strategic Priorities
The Market	There is a major decline in advertising revenues and ITV does not build sufficient non-NAR revenues to offset the financial impact of this decline.	2 3 4
	The television market moves significantly towards pay television as a preferred model, negatively impacting ITV's free-to-air revenues.	2 3
	A faster than expected shift to Video on Demand or other new technologies, such as internet enabled TVs, causes a sustained loss of advertising revenue.	2 3 4
People/Organisation/ Processes	ITV fails to attract, develop and retain key creative, commercial and management talent with the skills required for the changing business.	1 2 3 4
	ITV fails to evolve its organisational structure and culture to ensure that it is capable of delivering continued growth from new businesses or new revenue streams.	1 2 3 4
	A significant high profile incident or series of events such as transmission incidents or a major regulatory breach causes significant reputation damage.	1
	There is a significant loss of programme rights or ITV fails to identify and obtain optimal rights packages.	2 3 4
	ITV fails to create and own a sufficient number of hit programmes/formats.	2 3 4
	ITV fails to properly resource, financially, creatively and operationally, the new growth businesses, in particular online and international content.	3 4
	ITV loses a significant volume of personal or sensitive data.	1 2 3 4
	ITV remains heavily reliant on legacy systems, which could potentially restrict the ability to grow the business. These systems and processes may not be appropriate for non-advertising revenues or international growth.	1 2 3 4
Technology	ITV fails to ensure appropriate business continuity planning and resilience within its core systems, processes, platforms and technology infrastructure.	1 2 3
	There is a sustained cyber/viral attack causing prolonged system denial or major reputational damage, for example the ability to broadcast our channels or the availability of ITV Player.	1

Financial Statements

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 2012 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	**2013 £m**	2012 (restated) £m
Revenue	2.1	**1,144**	1,130
Operating costs		**(889)**	(895)
Operating profit		**255**	235
Presented as:			
Earnings before interest, tax, amortisation (EBITA) and exceptional items	2.1	**291**	263
Operating exceptional items		**(5)**	–
Amortisation of intangible assets		**(31)**	(28)
Operating profit		**255**	235
Financing income		**62**	75
Financing costs		**(137)**	(151)
Net financing costs		**(75)**	(76)
Share of losses of joint ventures and associated undertakings		**(1)**	–
Gain on sale and impairment of subsidiaries and investments (exceptional items)		**–**	2
Profit before tax		**179**	161
Taxation		**(44)**	(42)
Profit for the period		**135**	119
Profit attributable to:			
Owners of the Company		**134**	119
Non-controlling interests		**1**	–
Profit for the period		**135**	119
Earnings per share			
Basic earnings per share	2.2	**3.4p**	3.1p
Diluted earnings per share	2.2	**3.3p**	3.0p

Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June	**2013** **£m**	2012 (restated) £m
Profit for the period	**135**	119
Other comprehensive income/(cost):		
Exchange differences on translation of foreign operations	**1**	–
Revaluation of available for sale financial assets	**–**	(1)
Actuarial gains/(losses) on defined benefit pension schemes	**9**	(94)
Income tax (charge)/credit on other comprehensive income	**3**	21
Other comprehensive income/(cost) for the period, net of income tax	**13**	(74)
Total comprehensive income for the period	**148**	45
Total comprehensive income attributable to:		
Owners of the Company	**147**	45
Non-controlling interests	**1**	–
Total comprehensive income for the period	**148**	45

Financial Statements

Condensed Consolidated Statement of Financial Position

	Note	**30 June 2013 £m**	31 December 2012 £m	30 June 2012 £m
Non-current assets				
Property, plant and equipment	3.1	**240**	156	170
Intangible assets	3.2	**990**	932	915
Investments in joint ventures and associated undertakings		**2**	6	1
Available for sale financial assets		**4**	3	2
Held to maturity investments	4.1	**–**	145	146
Derivative financial instruments	4.3	**52**	99	105
Distribution rights		**12**	17	13
Net deferred tax asset		**70**	93	65
		1,370	1,451	1,417
Current assets				
Programme rights and other inventory		**229**	250	192
Trade and other receivables due within one year		**370**	365	349
Trade receivables due after more than one year		**12**	14	23
Trade and other receivables		**382**	379	372
Cash and cash equivalents	4.1	**401**	690	577
Derivative financial instruments	4.3	**39**	–	–
Assets held for sale		**4**	25	–
		1,055	1,344	1,141
Current liabilities				
Borrowings	4.1	**(63)**	(7)	(8)
Derivative financial instruments	4.3	**(10)**	(1)	(1)
Trade and other payables due within one year		**(612)**	(614)	(539)
Trade payables due after more than one year		**(23)**	(30)	(39)
Trade and other payables		**(635)**	(644)	(578)
Current tax liabilities		**(15)**	(29)	(29)
Provisions	3.3	**(18)**	(25)	(18)
		(741)	(706)	(634)
Net current assets		**314**	638	507
Non-current liabilities				
Borrowings	4.1	**(409)**	(632)	(631)
Derivative financial instruments	4.3	**(36)**	(48)	(51)
Defined benefit pension deficit	3.4	**(476)**	(551)	(421)
Other payables		**(36)**	(14)	(1)
Provisions	3.3	**(10)**	(12)	(10)
		(967)	(1,257)	(1,114)
Net assets		**717**	832	810
Attributable to equity shareholders of the parent company				
Share capital		**393**	391	390
Share premium		**122**	122	120
Merger and other reserves		**263**	283	298
Translation reserve		**14**	13	14
Available for sale reserve		**7**	7	7
Retained (losses)/earnings		**(110)**	1	(22)
Total equity attributable to equity shareholders of the parent company		**689**	817	807
Non-controlling interests		**28**	15	3
Total equity		**717**	832	810

Ian Griffiths
Group Finance Director

Financial Statements

Condensed Consolidated Statement of Changes in Equity

		Attributable to equity shareholders of the parent company								
				Items that may be reclassified to profit or loss						
	Note	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained profits/ (losses) £m	Total £m	Non–controlling interests £m	Total equity £m
Balance at 1 January 2013		**391**	**122**	**283**	**13**	**7**	**1**	**817**	**15**	**832**
Total comprehensive income for the period										
Profit		–	–	–	–	–	134	134	1	**135**
Other comprehensive income										
Exchange differences on translation of foreign operations		–	–	–	1	–	–	1	–	**1**
Actuarial gains on defined benefit pension schemes		–	–	–	–	–	9	9	–	**9**
Income tax on other comprehensive income		–	–	–	–	–	3	3	–	**3**
Total other comprehensive income		–	–	–	1	–	12	13	–	**13**
Total comprehensive income for the period		**–**	**–**	**–**	**1**	**–**	**146**	**147**	**1**	**148**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	(227)	(227)	(1)	**(228)**
Equity portion of the convertible bond	4.1	–	–	(7)	–	–	(29)	(36)	–	**(36)**
Movements due to share–based compensation		–	–	–	–	–	10	10	–	**10**
Issue of new ordinary shares		2	–	–	–	–	–	2	–	**2**
Purchase of own shares via employees' benefit trust		–	–	–	–	–	(11)	(11)	–	**(11)**
Total contributions by and distributions to owners		2	–	(7)	–	–	(257)	(262)	(1)	**(263)**
Total transactions with owners		**2**	**–**	**(7)**	**–**	**–**	**(257)**	**(262)**	**(1)**	**(263)**
Changes in non-controlling interests (a)		–	–	(13)	–	–	–	(13)	13	**–**
Balance at 30 June 2013		**393**	**122**	**263**	**14**	**7**	**(110)**	**689**	28	**717**

(a) Movements reported in merger and other reserves include put options for the acquisition of non-controlling interests.

Financial Statements

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the parent company								
			Items that may be reclassified to profit or loss						
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Available for sale reserve £m	Retained losses (restated) £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	**389**	**120**	**300**	**14**	**8**	**(25)**	**806**	**3**	**809**
Total comprehensive income for the period									
Profit	–	–	–	–	–	119	119	–	**119**
Other comprehensive income/(cost)									
Revaluation of available for sale financial assets	–	–	–	–	(1)	–	(1)	–	**(1)**
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(94)	(94)	–	**(94)**
Income tax on other comprehensive income	–	–	–	–	–	21	21	–	**21**
Total other comprehensive cost	–	–	–	–	(1)	(73)	(74)	–	**(74)**
Total comprehensive income/(cost) 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	–	–	(2)	–	–	2	–	–	**–**
Movements due to share-based compensation	–	–	–	–	–	5	5	–	**5**
Purchase of own shares via employees' benefit trust	–	–	–	–	–	(3)	(3)	–	**(3)**
Issue of new ordinary shares	1	–	–	–	–	–	1	–	**1**
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)**
Changes in non-controlling interests	–	–	–	–	–	–	–	–	**–**
Balance at 30 June 2012	**390**	**120**	**298**	**14**	**7**	**(22)**	**807**	**3**	**810**

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Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June	Note	2013 £m	2013 £m	2012 (restated) £m	2012 (restated) £m
Cash flows from operating activities					
Profit before tax	2.1	**179**		161	
Gain on sale and impairment of subsidiaries and investments (exceptional items)		**–**		(2)	
Share of losses of joint ventures and associated undertakings		**1**		–	
Net financing costs		**75**		76	
Operating exceptional items		**5**		–	
Depreciation of property, plant and equipment		**12**		13	
Amortisation and impairment of intangible assets		**31**		28	
Share-based compensation and pension service costs		**13**		7	
Decrease in programme rights and other inventory, and distribution rights		**25**		91	
Decrease in receivables		**19**		24	
Decrease in payables		**(47)**		(100)	
Movement in working capital		**(3)**		15	
Cash generated from operations before exceptional items		**313**		298	
Cash flow relating to operating exceptional items:					
Net operating income/(loss)		**(5)**		–	
Increase/(decrease) in payables and provisions		**1**		–	
Cash outflow from exceptional items			**(4)**		–
Cash generated from operations			**309**		298
Defined benefit pension deficit funding	3.4	**(80)**		(72)	
Interest received		**21**		20	
Interest paid on bank and other loans		**(35)**		(50)	
Interest paid on finance leases		**(2)**		(3)	
Net taxation paid		**(32)**		(28)	
			(128)		(133)
Net cash inflow from operating activities			**181**		165
Cash flows from investing activities					
Redemption of gilts	4.1	**165**		–	
Acquisition of subsidiary undertakings	3.2	**(54)**		–	
Cash balances of subsidiaries acquired in the period	3.2	**8**		–	
Acquisition of joint venture undertaking		**–**		(1)	
Acquisition of property, plant and equipment		**(76)**		(26)	
Acquisition of intangible assets		**(3)**		(5)	
Loans granted to associates and joint ventures		**(5)**		(3)	
Loans repaid by associates and joint ventures		**6**		3	
Proceeds from sale of subsidiaries, joint ventures and available for sale investments		**–**		4	
Net cash (outflow)/inflow from investing activities			**41**		(28)
Cash flows from financing activities					
Bank and other loans – amounts repaid	4.1	**(265)**		(309)	
Capital element of finance lease payments		**(5)**		(3)	
Issue of share capital		**2**		1	
Equity dividends paid		**(227)**		(47)	
Dividends paid to minority interest		**(1)**		–	
Purchase of own shares via employees' benefit trust		**(11)**		(3)	
Net cash outflow from financing activities			**(507)**		(361)
Net decrease in cash and cash equivalents			**(285)**		(224)
Cash and cash equivalents at 1 January	4.1		**690**		801
Effects of exchange rate changes and fair value movements			**(4)**		–
Cash and cash equivalents at 30 June	4.1		**401**		577

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 interim financial statements.

These condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012, which were prepared in accordance with IFRS as adopted by the European Union.

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 2012.

Revenues are impacted by underlying economic conditions, the cyclical demand for advertising, seasonality of programme sales and the timing of 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 cyclicality 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 3.4).

During the six months ended 30 June 2013, management also reassessed its estimates in respect of provisions (see note 3.3) 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 2012 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

During the six months ended 30 June 2013 the Group made a number of acquisitions (see note 3.2), repurchased debt and issued a special dividend. Consequently, despite continued generation of significant free cash flows, the Group was in a net debt position at the period end. See note 4.1 for capital and financing structure.

The Group continues to review forecasts of the television advertising market to determine the impact on ITV's liquidity position and create further cash headroom. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show 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 condensed consolidated financial statements.

Financial Statements

Section 1: Basis of Preparation continued

New or amended EU endorsed accounting standards

The table below represents new or amended EU endorsed accounting standards relevant to the Group's results that are effective in 2013:

Accounting Standard	Requirement	Impact on financial statements
IAS 1 Financial Statement Presentation	The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified to the income statement at a future point in time should be presented separately from items that will never be reclassified.	The amendments have been reflected in the presentation of the financial statements but have not impacted the Group's financial position or performance.
IAS 19 Revised – Employee Benefits	The IASB issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected return on plan assets to simple clarifications and rewording.	The revisions to the standard have been incorporated into the current period and prior period results, and a reconciliation of the impact on prior period numbers is included in note 3.4. There was no impact on the Group's financial position.
IFRS 13 Fair Value Measurements	IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.	The standard has not had a material impact on the Group's measurement of position or performance, but has resulted in additional interim disclosures. See note 4.3.

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.

Following revisions to IAS 19, we have restated our prior period results and the details of those restatements are included in note 3.4.

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 2013 and 30 June 2012 are therefore 'Broadcast & Online' and 'ITV Studios', the results of which are outlined below:

For the six month period to 30 June	**Broadcast & Online 2013 £m**	**ITV Studios 2013 £m**	**Consolidated 2013 £m**
Total segment revenue	**914**	**395**	**1,309**
Intersegment revenue	**–**	**(165)**	**(165)**
Revenue from external customers	**914**	**230**	**1,144**
EBITA before exceptional items*	**228**	**63**	**291**

For the six month period to 30 June (restated)	Broadcast & Online 2012 £m	ITV Studios 2012 £m	Consolidated 2012 £m
Total segment revenue	924	355	1,279
Intersegment revenue	–	(149)	(149)
Revenue from external customers	924	206	1,130
EBITA before exceptional items* (restated)	213	50	263

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

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

For the six month period to 30 June	**2013 £m**	2012 (restated) £m
EBITA before exceptional items	**291**	263
Operating income – exceptional items	**(5)**	–
Amortisation and impairment of intangible assets	**(31)**	(28)
Net financing costs	**(75)**	(76)
Share of losses of joint ventures and associated undertakings	**(1)**	–
Gain on sale and impairment of subsidiaries and investments (exceptional items)	**–**	2
Profit before tax	**179**	161

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 period attributable to equity shareholders of the parent company of £134 million (2012: £119 million, restated) divided by 3,901 million (2012: 3,883 million) being the weighted average number of shares in issue during the period.

Diluted EPS takes into account the dilutive effect of all share options being exercised and assumes that the £101 million convertible bond (2012: £135 million) 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 which include acquisition related fees and performance based contingent payments, impairment of intangible assets, amortisation of intangible assets acquired through business combinations, net financing cost adjustments and prior period and other tax adjustments.

Following revisions to IAS 19, we have restated our prior period results and the details of those restatements are included in note 3.4.

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

Earnings per share 2013

For the six month period to 30 June	Ref.	Basic £m	Diluted £m
Profit for the period attributable to equity shareholders of ITV plc	A	**134**	**138**
Weighted average number of ordinary shares in issue – million		**3,901**	**3,901**
Dilution due to share options		**–**	**45**
Dilution due to convertible bond	A	**–**	**191**
Total weighted average number of ordinary shares in issue – million		**3,901**	**4,137**
Earnings per ordinary share		**3.4p**	**3.3p**

Adjusted earnings per share 2013

For the six month period to 30 June	Ref.	Adjusted £m	Diluted £m
Profit for the period attributable to equity shareholders of ITV plc		**134**	**138**
Exceptional items	B	**4**	**4**
Profit for the period before exceptional items		**138**	**142**
Amortisation and impairment of acquired intangible assets	C	**19**	**19**
Adjustments to net financing costs	D	**47**	**47**
Other tax adjustments	E	**2**	**2**
Adjusted profit	F	**206**	**210**
Total weighted average number of ordinary shares in issue – million		**3,901**	**4,137**
Adjusted earnings per ordinary share		**5.3p**	**5.1p**

Earnings per share 2012 (restated)

For the six month period to 30 June	Ref.	Basic £m	Diluted £m
Profit for the period attributable to equity shareholders of ITV plc	A	119	123
Weighted average number of ordinary shares in issue – million		3,883	3,883
Dilution due to share options		–	41
Dilution due to convertible bond	A	–	192
Total weighted average number of ordinary shares in issue – million		3,883	4,116
Earnings per ordinary share		3.1p	3.0p

Adjusted earnings per share 2012 (restated)

For the six month period to 30 June	Ref.	Adjusted £m	Diluted £m
Profit for the period attributable to equity shareholders of ITV plc		119	123
Exceptional items	B	(2)	(2)
Profit for the period before exceptional items		117	121
Amortisation and impairment of acquired intangible assets	C	17	17
Adjustments to net financing costs	D	39	39
Other tax adjustments	E	7	7
Adjusted profit	F	180	184
Total weighted average number of ordinary shares in issue – million		3,883	4,116
Adjusted earnings per ordinary share		4.6p	4.5p

Financial Statements

Section 2: Results for the Year continued

The rationale for determining the adjustments to profit is disclosed in the 31 December 2012 Annual Report and has not changed during the period. Details of the adjustments to earnings are as follows:

A. Diluted earnings per share is impacted by the £101 million 2016 Convertible Eurobond issued in November 2009 (2012: £135 million nominal). Diluted profit for the period attributable to equity shareholders of ITV plc includes an adjustment for interest and accretion on the convertible Eurobond which would not have been incurred if the bond had been converted to equity in the period. The diluted weighted-average number of shares was decreased by 1 million shares as a result of a price adjustment following the special dividend and the repurchase of the Convertible Eurobond in late June (see note 4.1).

B. Exceptional items are adjusted to reflect profit for the period before exceptional items. A tax credit of £1 million (2012: nil) is recognised on the operating exceptional items of £5 million (2012: gain of £2 million). Operating exceptional items in 2013 relate to the costs arising from the acquisitions of subsidiaries. In 2012 a non-operating exceptional gain of £2 million was recognised relating to the disposal of Screenvision US. There was no associated tax charge.

C. Amortisation and impairment of acquired intangible assets of £19 million (2012: £17 million) is calculated as total amortisation and impairment of £31 million (2012: £28 million), less amortisation of software licences and development of £6 million (2012: £5 million). A related tax credit of £6 million (2012: £6 million) is then recognised on the net amount.

D. Gross adjustments to net financing costs of £61 million (2012: £51 million restated) relate to mark-to-market movements on swaps and foreign exchange, losses on buybacks and imputed pension interest charges. This is reduced by a tax credit of £14 million (2012: £12 million restated) to give a net adjustment of £47 million (2012: £39 million restated).

E. Other tax adjustments primarily reflect the impact of the deferred tax charge of the decrease in the statutory tax rate from 24.5% to 23.25% and to reflect the reversal of the credit in respect of losses. In 2012 the adjustment primarily reflected the movement in deferred tax assets in respect of losses utilised.

F. Adjusted profit is defined as profit for the period before exceptional items which include acquisition related fees and performance based contingent payments, impairment of intangible assets, amortisation of acquired intangible assets acquired through business combinations, net financing cost adjustments and other tax adjustments.

Financial Statements

Section 3: Operating Assets and Liabilities

3.1 Property, plant & equipment

Keeping it simple . . .

This section explains any significant changes to property, plant & equipment during the period.

During the period, the Group acquired the freehold and leasehold at the London Television Centre, the site which is currently the headquarters for the Group. Total consideration of £56 million, plus £2 million stamp duty land tax, was settled in cash and the property has been included in land and buildings. The acquisition resulted in a material decrease in operating lease commitments for the Group.

The freehold properties in Manchester were classified as held for sale at the 2012 year end. The Group remains in discussion with other interested parties around the disposal at Manchester; however, any arrangement is likely to mean that certain of the properties cannot currently be accounted for as assets held for sale and have therefore been reclassified as property, plant and equipment.

3.2 Acquisitions

Keeping it simple . . .

The following section describes the businesses which were acquired by the Group in the period.

Acquisitions

During the first six months of 2013 the Group completed three acquisitions. The following sections provide a summary of each.

Acquisitions in the United Kingdom

The Garden Productions

On 22 April 2013, the Group acquired 100% of The Garden Productions Limited ('The Garden'). The Garden specialises in factual entertainment productions and fits with the Group's strategy to create world class content for multiple platforms, free and pay, both in the UK and internationally. The acquisition will form part of the ITV Studios operating segment.

Initial consideration of £15 million was paid in cash with an additional £3 million being settled in July. Based on current forecasts, estimated performance based contingent consideration of £7 million (maximum of £8 million) is payable in 2014.

The Group also agreed to a further performance based, employment-linked contingent payment (earnout) of up to a maximum of £20 million (undiscounted) which under IFRS is excluded from the purchase price. Consequently it will be accrued over the earnout period (5 years) and will be reported within exceptional items relating to acquisitions in the income statement.

Intangibles, being the value placed on key contractual arrangements, of £2 million were provisionally identified. Goodwill, which represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group, has been provisionally valued at £23 million. The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Acquisitions in the United States

On 10 May and 18 June 2013, the Group acquired 60% and 65% of the membership interests in High Noon Productions ('High Noon') and Thinkfactory Productions ('Thinkfactory') respectively. The Group will consolidate all of the earnings of both businesses and the vendors' remaining interest will be recognised as a non-controlling interest in equity.

High Noon specialises in reality and entertainment programmes, while Thinkfactory has a mixture of reality, entertainment and some scripted programming. The addition of High Noon and Thinkfactory fits with the Group's strategy of building a strong international content business. It is the Group's view that the acquisitions will strengthen and complement ITV's existing position as a producer for major US television networks. The acquisitions will form part of the ITV Studios operating segment.

Financial Statements

Section 3: Operating Assets and Liabilities continued

Intangibles, being the value placed on brands, customer contracts and contractual arrangements, of £6 million were provisionally identified at both High Noon and Thinkfactory. Goodwill represents the value placed on the opportunity to expand the Group's programme offering in the United States and exploiting that offering internationally. It also reflects the value of the assembled workforce of creative talent who will develop that content. We have provisionally valued Goodwill at £20 million for High Noon and £21 million for Thinkfactory. Goodwill is expected to be deductible for US tax purposes.

Further details of each US acquisition are summarised below.

High Noon Productions

Initial consideration of £16 million ($26 million) was satisfied in cash and an estimated performance based contingent consideration of £5 million ($8 million) is payable in 2015.

A call and put option has been granted over the 40% non-controlling interest. The call option is exercisable in the first half of 2016 and then following the expiry of the vendors' put option, which is exercisable in 2019.

Based on the Group's current projections, which will be reassessed each year, the value of the put option has been estimated to be £18 million ($28 million; undiscounted). Discounted, the value of the put option is estimated to be £8 million ($13 million). The total discounted value is allocated, for accounting purposes, between a put option liability and an employment-linked accrual. Consequently, £6 million ($10 million) has been allocated to the put option liability and is included in the Statement of Financial Position. Any changes in the fair value of the put option liability arising from a reassessment of projections will be reported within financing costs on the income statement, and excluded from adjusted profit. The remaining £2 million ($3 million) will be accrued over the put option vesting period as a performance based, employment-linked consideration and will be reported within exceptional items relating to acquisitions in the income statement.

The maximum additional consideration that the Group could pay for the remaining 40% equity interest is £48 million ($74 million; undiscounted). Final payment will be entirely dependent on future performance of the business, and the maximum payout will only be achieved if the business continues to deliver substantial growth over the next five years.

Thinkfactory Productions

Initial consideration of £19 million ($30 million) was satisfied in cash.

A call and put option has been granted over the 35% non-controlling interest. The call option is exercisable in the first half of 2017 and then following the expiry of the vendors' put option, which is exercisable in 2019.

Based on the Group's current projections, which will be reassessed each year, the value of the put option has been estimated to be £16 million ($25 million; undiscounted). Discounted, the value of the put option is estimated to be £9 million ($13 million). The total discounted value is allocated, for accounting purposes, between a put option liability and an employment-linked accrual. Consequently, £7 million ($10 million) has been allocated to the put option liability and is included in the Statement of Financial Position. Any changes in the fair value of the put option liability arising from a reassessment of projections will be reported within financing costs on the income statement, and excluded from adjusted profit. The remaining £2 million ($3 million) will be accrued over the put option vesting period as a performance based, employment-linked consideration and will be reported within exceptional items relating to acquisitions in the income statement.

The maximum additional consideration which the Group could pay for the remaining 35% equity interest is £45 million ($70 million; undiscounted). Final payment will be entirely dependent on future performance of the business, and the maximum payout will only be achieved if the business continues to deliver substantial growth over the next five years.

Financial Statements

Section 3: Operating Assets and Liabilities *continued*

Effect of acquisition

The acquisitions noted above had the following impact on the Group's assets and liabilities:

	Recognised values on acquisition			
£m	The Garden	High Noon	Think Factory	**2013 Total**
Consideration transferred:				
Initial consideration (net of cash acquired) (Note A)	13	13	19	**45**
Contingent consideration	7	5	–	**12**
Total consideration	20	18	19	**57**
Fair value of net assets acquired (Note B):				
Property, plant and equipment	–	1	–	**1**
Intangible assets	2	6	6	**14**
Trade and other receivables	1	9	–	**10**
Trade and other payables	(6)	(12)	(1)	**(19)**
Fair value of net assets	(3)	4	5	**6**
Non-controlling interest measured at fair value (Note C)	–	6	7	**13**
Goodwill	23	20	21	**64**
Other information:				
Present value of the liability on options	–	6	7	**13**
Present value of the performance-based, employment-linked contingent payment	4	2	2	**8**
Contributions to the Group's performance:				
Revenue – acquisition to date	1	5	1	**7**
Profit after tax – acquisition to date	–	–	–	**–**
Revenue – January to June	7	22	8	**37**
Profit after tax – January to June	–	1	1	**2**

Note A: Cash of £5 million was acquired with The Garden and £3 million was acquired with High Noon. The initial consideration includes £3 million that will be paid in July.
Note B: Provisional details of fair value of net assets acquired are set out in the table above. The analysis is provisional and amendments may be made to these figures in the 12 months following the date of the acquisition.
Note C: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

Acquisitions in 2012

There were no acquisitions made in the first six months of 2012. For acquisitions completed in the last six months of 2012, a payment of £4 million was made to settle pre-acquisition cash. Additional fair value adjustments of £6 million were recognised upon finalisation of the purchase price allocation exercise.

Financial Statements

Section 3: Operating Assets and Liabilities continued

3.3 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 2013	10	4	8	15	37
Release	–	–	(1)	–	(1)
Utilised	(2)	(3)	(3)	–	(8)
At 30 June 2013	**8**	**1**	**4**	**15**	**28**

Provisions of £18 million are classified as current liabilities (2012: £25 million).

Contract provisions comprise onerous sports rights commitments that are expected to be utilised over the remaining contract period. Other contract provisions relate to onerous commitments on transmission infrastructure.

Property provisions principally relate to onerous lease contracts due to empty space created by the ongoing review and rationalisation of the Group's property portfolio. 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. In 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. An 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. While there is a wide range of potential outcomes, the Directors obtained leading counsel's opinion and extensive legal advice and continue to believe that the provision held is adequate.

Section 3: Operating Assets and Liabilities *continued*

3.4 Pensions

Keeping it simple . . .

The Group has historically offered its employees the opportunity to participate in a number of defined benefit schemes. However, the Group closed the Scheme to new members and instead offers employees a defined contribution pension scheme. Where taken up, the Group makes payments into this scheme on their behalf.

The IAS 19 deficit at 30 June 2013 was £476 million compared with a deficit of £551 million at 31 December 2012, primarily as a result of deficit funding payments of £80 million made in the period. A reduction in liabilities arises from an increase of 0.3% in the implied discount rate, caused by a reduction in corporate bond prices, but this was largely offset by an increase in the market expectation of long-term inflation of 0.4%.

IAS 19R has been applied retrospectively from 1 January 2012. As a result, expected returns on plan assets of defined benefit plans are not recognised in profit or loss. Instead, interest on the net defined benefit obligation (net of the plan assets for the Scheme) is recognised in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset. In addition, £2 million of administrative costs in relation to the Scheme that were previously recognised as a reduction to the return on assets are now recognised directly in the income statement as an operating expense (2012: £2 million).

As a result of the application of IAS 19R, the following amendments have been made to the consolidated income statement, and prior year figures restated accordingly:

For the six month period to 30 June	**2013 £m**	2012 £m
Increase in service cost (operating expense)	**2**	2
Increase in net financing cost	**7**	4
Decrease in tax expense	**(2)**	(2)
Net decrease in profit after tax	**7**	4

The above decrease in profit has had a negative impact on basic EPS of 0.2p (2012: 0.1p). The above increase to expenses recognised in the consolidated Income Statement results in a compensating credit to the consolidated statement of comprehensive income, within actuarial gains and losses, and therefore there is no impact on the consolidated statement of financial position.

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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 (debt)/cash, borrowings and derivative financial instruments.

The Group continues to have undrawn committed facilities available. One of those facilities has leverage and interest cover financial covenants which are normal for such a facility.

4.1 Net (debt)/cash

Keeping it simple . . .

Net (debt)/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;
- the 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 (debt)/cash

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

	1 January 2013 £m	Net cash flow £m	Currency and non-cash movements £m	**30 June 2013 £m**
Cash	602	(284)	–	**318**
Cash equivalents	88	(5)	–	**83**
Cash and cash equivalents	690	(289)	–	**401**
Held to maturity investments	145	(145)	–	**–**
Loans and loan notes due within one year	–	–	(42)	**(42)**
Finance leases due within one year	(7)	5	(19)	**(21)**
Loans and loan notes due after one year	(594)	166	38	**(390)**
Finance leases due after one year	(38)	–	19	**(19)**
Total debt	(639)	171	(4)	**(472)**
Currency component of swaps held against euro denominated bonds	25	–	3	**28**
Convertible bond equity component	(22)	6	1	**(15)**
Amortised cost adjustment	7	–	(1)	**6**
Net (debt)/cash	206	(257)	(1)	**(52)**

Financial Statements

Section 4: Capital Structure and Financing Costs continued

Cash and cash equivalents

Included within cash equivalents is £39 million (2012: £43 million), the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments, and gilts of £36 million (2012: £37 million) over which the unfunded pension commitments have a charge.

Held to maturity investments

In March 2013 gilts with a nominal value of £138 million secured against a £200 million loan were utilised in the partial repayment of the loan.

Loans and loan notes due after one year

In March 2013 £138 million of the £200 million covenant free loan with a maturity of March 2019 was repaid from cash and with the held to maturity gilts secured against the loan. The loss on repayment was £38 million, which is shown in financing costs for the period.

In June 2012 ITV purchased £275 million nominal bonds comprising €138 million (£110 million) of the 2014 bonds, £76 million of the 2015 bonds and £89 million of the 2017 bonds. The loss on repurchase was £36 million, which was included in financing costs for the period.

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.

In June 2013 ITV purchased £34 million nominal of the £135 million convertible Eurobond. The loss on repurchase was £6 million, which is shown in financing costs for the period.

The loss attributable to the equity component was £30 million, which has been reflected directly in retained earnings.

The debt portion on the outstanding £101 million nominal is £84 million (2012: £107 million on £135 million nominal) 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 £15 million (2012: £22 million) is shown separately in Net (debt)/cash.

Currency components of swaps held against euro denominated bonds

As at 30 June 2013 the currency element of the cross currency interest rate swaps is a £28 million asset (2012: £25 million asset). Valuation movements in this element offset the exchange rate movement of the remaining 2014 Euro denominated bonds.

Amortised cost adjustment

The purpose of the amortised cost adjustment is to exclude the non-cash 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.

Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.2 Borrowings

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.

The Group is required to disclose the fair value of its debt instruments. Here, fair value is the amount the Group would pay to transfer the liability. It 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.

Fair value versus book value

		Book value		Fair value	
Liabilities	Maturity	**30 June 2013 £m**	31 Dec 2012 £m	**30 June 2013 £m**	31 Dec 2012 £m
€50 million Eurobond	June 14	**42**	39	**46**	48
£78 million Eurobond	Oct 15	**78**	78	**83**	84
£101 million Convertible bond (previously £135 million)	Nov 16	**84**	110	**217**	223
£161 million Eurobond	Jan 17	**166**	167	**182**	178
£62 million loan (previously £200 million)	Mar 19	**62**	200	**93**	309
		432	594	**621**	842

Movements in book values of the 2016 convertible Eurobond and 2019 bilateral loans are the result of buybacks in the period.

The fair value of the £101 million convertible Eurobond is based upon the par value, whereas the bonds are accounted for partly as debt and partly as equity, net of issue costs, as described in note 4.1. The increase is primarily due to the increase in the Company's share price.

4.3 Derivative financial instruments

Keeping it simple . . .

A derivative is a financial instrument used to manage risk. Its value changes over time in response to underlying variables such as exchange rates or interest rates and is for a fixed period. In accordance with Board approved policies, the Group uses derivatives to manage its exposure to fluctuations in interest on its borrowings and foreign exchange rates.

Derivative financial instruments are initially recognised as either assets or liabilities at fair value and are subsequently remeasured at fair value at each reporting date. Movements in instruments measured at fair value are recorded in the income statement in net financing costs.

The Group's policy on the various methods used to calculate their respective fair values is detailed in the 31 December 2012 financial statements.

Interest rate risk

The Group's interest rate policy was changed in 2011 to having 100% of its borrowings at fixed rates in order to lock in low interest rates. This policy has been maintained in 2013. The Group utilises the fixed and floating rate interest rate swaps and options above in order to achieve the desired policy mix.

Section 4: Capital Structure and Financing Costs *continued*

The following table shows the fair value of derivative financial instruments analysed by type of contract. Interest rate swap fair values exclude accrued interest.

June 2013	**Assets £m**	**Liabilities £m**
Current		
Interest rate swaps – fair value through profit or loss	**39**	**(10)**
Non-current		
Interest rate swaps – fair value through profit or loss	**52**	**(36)**
	91	**(46)**

Dec 2012	Assets £m	Liabilities £m
Current		
Interest rate swaps – fair value through profit or loss	–	(1)
Non-current		
Interest rate swaps – fair value through profit or loss	99	(48)
	99	(49)

Interest rate swaps: current assets

The swap assets in relation to the €50 million 2014 Eurobond are as follows:

- Cross currency and interest swaps with a fair value of £39 million have been classified as current. The swaps receive a coupon of 10% and €187.9 million at maturity and pay 10.7% on a notional amount of £125.7 million and pays £125.7 million at maturity.

Interest rate swaps: current liabilities

The swap liabilities in relation to the €50 million 2014 Eurobond are as follows:

- Cross currency and interest swaps with a fair value of £9 million have been classified as current. The swaps receive a coupon of 10.6% and £110.5 million at maturity and pay 10% on €137.7 million and pays €137.7 million at maturity.

The net effect of the cross currency and interest swaps on the €50 million Eurobond is a fair value of £30 million. On maturity, the net effect of these swaps is to receive €50 million and pay £15.2 million. The fair value of current liabilities relating to other swaps was £1 million (2012: £1 million).

Interest rate swaps: non-current assets

The remaining £52 million of interest rate swap assets relate to a number of floating rate swaps matched against the 2015 and 2017 Eurobonds. The following swap assets are matched against the 2015 Eurobond:

- £162.5 million swap with a fair value of £13 million ("Swap Asset A"). This swap receives 5.375% (to match the bond coupon) and pays six-month sterling LIBOR plus 0.3%.
- A portfolio of swaps totalling £162.5 million fair valued at £11 million ("Swap Asset B"). These swaps receive 5.375% (to match the bond coupon) and pay a weighted average of three-month sterling LIBOR plus 1.45%.
- A further £120.5 million swap with a fair value at £2 million ("Swap Asset C"). This swap receives 5.375% (to match the bond coupon) and pays the higher of six-month sterling LIBOR plus 2.905% or six-month US$ LIBOR plus 2.105%, set in arrears with a cap on payment of 8%.

The swap assets matched against the 2017 Eurobond are as follows:

- £125 million swap with a fair value of £20 million ("Swap Asset D"). This swap receives 6.125% (to match the original bond coupon) and pays three-month sterling LIBOR plus 0.51% with the three-month sterling LIBOR capped at 5.25% for rates between 5.25% and 8.0%.
- A further £125 million swap with a fair value at £6 million ("Swap Asset E"). This swap receives 7.375% (to match the bond coupon) and pays the higher of six-month sterling LIBOR plus 4.52% or six-month US$ LIBOR plus 3.72%, set in arrears with a cap on payment of 10%.

Section 4: Capital Structure and Financing Costs *continued*

Interest rate swaps: non-current liabilities

Interest rate swap liabilities of £36 million as at 30 June 2013 relate to various fixed and floating rate swaps matched against the 2015 and 2017 Eurobonds. The following swap liabilities are matched against the 2015 Eurobond and mature in October 2015:

- A further £162.5 million swap fair valued at £1 million. The swap receives six-month sterling LIBOR plus 0.3%, and pays the higher of six-month sterling LIBOR minus 0.2% or six-month US$ LIBOR minus 1.0%, set in arrears or in advance. This swap matches against Swap Asset A.
- A portfolio of swaps totalling £162.5 million fair valued at £3 million. The swaps pay 5.375% and receive a weighted average of six-month sterling LIBOR plus 3.49% set in arrears. This swap matches against Swap Asset A.
- £162.5 million swap fair valued at £13 million. The swap receives three-month sterling LIBOR and pays 4.35%. The bank has the right to cancel the swap. This swap matches against Swap Asset B.
- £120.5 million swap fair valued at £2 million, under which it receives six-month LIBOR plus 3.605% and pays 5.375% set in arrears. This swap matches against Swap Asset C.

The following swap liabilities are matched against the 2017 Eurobond and mature in January 2017:

- £125 million swap valued at £14 million, under which it receives three-month sterling LIBOR and pays 4.31%. The bank has the right to cancel the swap. This swap matches against Swap Asset D.
- £125 million swap valued at £3 million, under which it receives six-month sterling LIBOR plus 5.257% set in arrears and pays 7.375%. This swap matches against Swap Asset E.

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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.

Related party transactions

For the six month period to 30 June	**2013 £m**	2012 £m
Sales to joint ventures	**6**	5
Sales to associated undertakings	**4**	–
Purchases from joint ventures	**14**	13
Purchases from associated undertakings	**28**	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 2012 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 2013.

The amounts owed by and to these related parties at the period end were:

	2013 £m	2012 £m
Amounts owed by joint ventures	**–**	1
Amounts owed by associated undertakings	**4**	5
Amounts owed by pension scheme	**1**	1
Amounts owed to associated undertakings	**4**	2

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the ITV Management Board. Key management personnel compensation for the period is as follows:

	2013 £m	2012 £m
Short-term employee benefits	**4**	4
Share-based compensation	**3**	3
	7	7

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Section 5: Other Notes continued

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 2012 and the disclosures in those annual financial statements remain appropriate at 30 June 2013.

5.3 Subsequent events

Keeping it simple . . .

Where the Group receives information in the period between 30 June 2013 and the date of this report about conditions related to certain events that existed at 30 June 2013, 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 2013. 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.

On 26 July 2013 the Group acquired 100% of the share capital of Big Talk Productions Limited and associated companies ('Big Talk'). Initial consideration will be dependent on the 2012/13 financial performance and is expected to be in the region of £13 million. The maximum performance based contingent consideration of £4 million will be payable in 5 years.

The Group also agreed to a further performance based, employment-linked contingent payment (earnout) of up to a maximum of £13 million (undiscounted) which under IFRS is excluded from the purchase price. Consequently it will be accrued over the earnout period (5 years) and will be reported within exceptional items relating to acquisitions in the income statement.

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.

Sir Peter Bazalgette was appointed as a non-executive Director to the Board of ITV plc on 1 June 2013. There have been no further appointments or resignations in the period and the remaining Directors are listed in the ITV plc 2012 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
29 July 2013

Financial Statements

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 2013, 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 Conduct Authority ('the UK FCA'). 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 FCA.

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 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mark Summerfield
for and behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL

29 July 2013