

## ITV Interim results for the period ending 30 June 2022

### ITV Studios and M&E ahead of expectations, ITVX on track to launch in Q4

#### Carolyn McCall, ITV Chief Executive, said:

"ITV has recorded a strong performance across the business with both our Studios and Media & Entertainment divisions performing better in the first half than we expected at the beginning of the year. Revenues in both divisions were up year on year and as a result total external revenue rose 8%.

"ITV Studios revenue was up 16%, growing ahead of the wider market, as we continue to diversify the business. High end scripted hours grew 82% and revenue from streaming platforms grew strongly, now accounting for 19% of total revenues, up 3% points.

"In M&E our investment in content, data and technology is already bearing fruit with digital advertising revenue up 20% driven by record levels of streaming on the ITV Hub, up 8% with 814 million streams in H1.

"Despite the tough comparators of last summer, when the Euros and a rebounding economy drove record advertising revenues, TAR is expected to be broadly flat in the nine months to the end of September. We are mindful of the macro economic uncertainty, however we have for the first time ever in Q4, the football World Cup to look forward to.

"We are on track against all the new KPIs and targets we announced earlier this year as part of the second phase of our More Than TV Strategy and we are very focussed on successfully launching ITVX, our new free ad-funded streaming service, in Q4 this year."

#### Group Financial highlights - significant revenue growth

- Significant revenue growth with total external revenue up 8% at £1,679 million
  - Total ITV Studios revenue up 16% at £927 million with growth across the business
  - Media & Entertainment (M&E) revenue up 4% at £1,065 million with total advertising revenue (TAR) up 5% and within this digital advertising revenue was up 20%
- Adjusted group EBITA was down 3% at £318 million. This reflects strong underlying performance offset in M&E by additional disciplined investment of £58 million in content and £20 million in data and technology ahead of the launch of ITVX. Additional content investment, as previously guided, relates to a combination of the return of key shows disrupted last year by COVID and front-footed investment. Adjusted EPS was up 2% at 6.0p
- EBITA was £228 million. Statutory profit before tax was £219 million (30 June 2021: £133 million) and statutory EPS was 4.8p (30 June 2021: 2.4p)
- The Board has declared an interim dividend of 1.7p and remains committed to paying a total dividend of at least 5p for the full year

#### ITV Studios – driving growth ahead of market and increasing diversification

- Number of high-end scripted hours produced up 82%
- Formats sold in three or more countries in H1 has increased from 7 to 9
- Percentage of total Studios revenue from streaming platforms in H1 grew from 16% to 19% with commissions or development deals with most of the major platforms
- Continuing to strengthen our creative talent with the acquisition of Plimsoll (subsequent to the half year), a leading natural history producer and the arrival of Ben Stephenson, the renowned drama producer, who has joined ITV to set up a transatlantic scripted label

#### Media & Entertainment (M&E) – Best ever digital viewing; ITVX, our free, ad-funded streaming service, on track to launch in Q4

- Strengthened streaming offering has helped drive the best ever digital viewing with 814 million streams in H1 on ITV Hub, up 8% year on year
- Planet V now has 1,500 professional users (1,200 at 31 March 2022) and in H1 attracted 192 new digital-only advertisers to ITV
- M&E KPIs demonstrate good strategic progress with total digital revenues up 22% in H1; total streaming hours up 6%; and monthly active users flat at 9.7 million against tough comparatives in H1 2021 driven by 'Oprah With Meghan and Harry' and the Euro Football Championships. Total UK subscribers are up 16% to 1.45 million compared to 31st December 2021 and BritBox International subscribers are up 13% to 2.7 million over that period. At the same time we maintained our strength in linear with 33.7% share of commercial viewing (SOCV) (2021: 33.6%) and 94% of top 1,000 commercial broadcast TV programmes (2021: 93%)

## Outlook

### 2022 financial outlook:

- ITV Studios is on track to exceed 2019 revenues over the full year with an exciting pipeline of scripted and unscripted programmes. We will continue to grow ahead of the market, which we expect to grow at around 3% over the medium term
- As expected, the TAR comparatives are tough in Q3 against the Euro Football championships in 2021 and we are mindful of the macroeconomic and geopolitical uncertainty. However in Q4 ITV will broadcast the FIFA World Cup which will benefit TAR in November and December
- Compared to the same period in 2021, TAR in July 2022 is expected to be down 9%, better than we expected and August down 18%, broadly in line with our expectations. Compared to 2019, July is expected to be up 17% and August up 5%
- It is too early to give a detailed forecast for September but for the nine months to the end of September TAR is expected to be broadly flat compared to the same period in 2021. Compared to 2019, the 9 months are anticipated to be up 8%
- ITV will redeem the 2.125% €335 million Eurobond which matures in September 2022 using available cash, in order to reduce gross cash and gross debt. This will improve the efficiency of the balance sheet and strengthen our credit metrics

### Strategic delivery outlook:

- ITV is well positioned to deliver Phase 2 of the More Than TV strategy and create long-term value for shareholders
- ITV's balance sheet is robust enabling it to invest in digital acceleration and deliver returns to shareholders in line with its capital allocation policy.
- We remain committed to our ITV Studios adjusted EBITA margin guidance of 13% to 15% from 2023. We continue to drive efficiencies through advancing our digital innovations and as we have previously guided, given current inflation in the production market, we expect the margin to be at the lower end of the range in the shorter term
- With the launch of ITVX we are confident in delivering at least £750 million of digital revenues by 2026 and delivering attractive returns to shareholders

## Virtual Results presentation webcast and Q&A:

ITV's virtual results presentation and Q&A session will be held for investors and analysts at 9.00am today via the following link: <https://www.investis-live.com/itv/62b9b126d9438014000381d7/prmna>. You are now able to pre-register to join.

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

- United Kingdom: 0800 640 6441
- United Kingdom (Local): 020 3936 2999
- All other locations: +44 203 936 2999
- Participant access code: 663263 – Participants will be greeted by an operator who will register their details.

## Notes to editors

1. Unless otherwise stated, all financial figures refer to the 6 months ended 30 June 2022, with the change compared to the same period in 2021.

## 2. Group financial performance

6 months to 30 June	2022 £m	2021 £m	Change £m	Change %
<b>ITV Studios total revenue</b>	<b>927</b>	<b>798</b>	<b>129</b>	<b>16</b>
Total advertising revenue	910	866	44	5
M&E non-advertising revenue	155	162	(7)	(4)
<b>M&amp;E total revenue</b>	<b>1,065</b>	<b>1,028</b>	<b>37</b>	<b>4</b>
<b>Total group revenue</b>	<b>1,992</b>	<b>1,826</b>	<b>166</b>	<b>9</b>
Internal supply	(313)	(278)	(35)	(13)
<b>Group external revenue</b>	<b>1,679</b>	<b>1,548</b>	<b>131</b>	<b>8</b>
<b>Group adjusted EBITA</b>	<b>318</b>	<b>327</b>	<b>(9)</b>	<b>(3)</b>
ITV Studios adjusted EBITA	124	95	29	31
M&E adjusted EBITA	194	232	(38)	(16)
<b>Group adjusted EBITA margin</b>	<b>19%</b>	<b>21%</b>	-	-
<b>Statutory operating profit</b>	<b>228</b>	<b>156</b>	<b>72</b>	<b>46</b>
<b>Profit before tax (adjusted)</b>	<b>301</b>	<b>301</b>	<b>0</b>	<b>0</b>
<b>Adjusted EPS</b>	<b>6.0p</b>	<b>5.9p</b>	<b>0.1p</b>	<b>2%</b>
<b>Statutory EPS</b>	<b>4.8p</b>	<b>2.4p</b>	<b>2.4p</b>	<b>100%</b>
<b>Net debt as at 30 June</b>	<b>(615)</b>	<b>(467)</b>	<b>(148)</b>	<b>(32%)</b>
<b>Reported net debt to adjusted EBITDA leverage</b> (on a 12-month rolling basis)	<b>0.7x</b>	<b>0.5x*</b>	-	-
<b>Profit to cash conversion</b> (on rolling 12 month basis)	<b>81%</b>	<b>72%</b>	-	<b>9ppt</b>

\*At 31 Dec 2021

3. **Total advertising revenue (TAR)**, which includes ITV Family NAR, AVOD and sponsorship was down 9% in May, down 13% in June, down 5% in Q2 and up 5% in H1. Compared to 2019, Q2 was up 2%. Going forward, TAR is forecast to be down 9% in July and down 18% in August. It is too early to give a detailed forecast for September but for the nine months to the end of September TAR is expected to be broadly flat compared to the same period in 2021. Compared to 2019, the 9 months to the end of September are anticipated to be up 8%. Figures for ITV plc are based on ITV estimates and current forecasts.

#### 4. Key performance indicators

6 months to 30 June	2022	2021	Change %
Group adjusted EPS	<b>6.0p</b>	5.9p	2%
Cost savings	<b>£11m</b>	£21m	-
Profit to cash conversion	<b>81%</b>	72%	9ppt
ITV Studios total revenue growth	<b>16%</b>	26%	(10ppt)
ITV Studios adjusted EBITA margin %	<b>13%</b>	12%	1ppt
Total high-end scripted hours	<b>133 hrs</b>	73 hrs	82%
Number of formats sold in 3 or more countries	<b>9</b>	7	29%
% of ITV Studios total revenue from streaming platforms	<b>19%</b>	16%	3 ppt
Total digital revenue	<b>176m</b>	144m	22%
UK subscribers	<b>1.45m</b>	1.25m*	16%
Total streaming hours	<b>523m</b>	494m	6%
Monthly active users	<b>9.7m</b>	9.7m	-
Share of top 1,000 commercial broadcast TV programmes	<b>94%</b>	93%	1ppt
Share of commercial viewing (SOCV)	<b>33.7%</b>	33.6%	0.1ppt
Total BritBox International subscribers	<b>2.7m</b>	2.4m*	13%

\* As at 31 Dec 2021

- Total digital revenue includes online advertising revenue and subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.
- UK subscribers captures total UK subscriptions to ITV streaming platforms and services (including free trials).
- Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes viewing funded by digital advertising and subscriptions.
- Monthly active users captures the average number of registered users throughout the period who accessed our owned and operated on demand platforms each month.
- The share of top 1,000 commercial broadcast TV programmes KPI includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a two year rolling average to normalise the impact of large sporting events.
- ITV Family share of commercial viewing is the total viewing of audiences over the period achieved by ITV's family of channels as a proportion of all ad-supported commercial broadcaster viewing in the UK. ITV Family includes ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels.
- % change for performance indicators is calculated on rounded numbers.

5. This announcement contains certain statements that are or may be forward looking statements. Words such as "targets", "expects", "aim", "anticipate", "intend", or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting ITV. Although ITV believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. By their nature forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. They are not historical facts, nor are they guarantees of future performance; actual results may differ materially from those expressed or implied by these forward-looking statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements. These factors include, but are not limited to (i) the general economic, business, political, regulatory and social conditions in the key markets in which the Group operates, including the duration and severity of COVID-19 impacts on ITV's colleagues, business, partners and customers, (ii) a significant event impacting ITV's liquidity or ability to operate and deliver effectively in any area of our business, (iii) a major change in the UK advertising market or consumer demand, (iv) significant change in regulation or legislation, (v) a significant change in demand for global content, and (vi) a material change in the Group strategy to respond to these and other factors. Certain of these factors are

discussed in more detail elsewhere in this announcement and in ITV's 2021 Annual Report and Accounts including, without limitation, in ITV's approach to risk management.

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

6. The financial information set out above does not constitute the Company's statutory accounts for the period ended 30 June 2022. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. KPMG has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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# Operating and Performance Review

ITV delivered a strong operating and financial performance in the first half of 2022 with both ITV Studios and Media & Entertainment (M&E) performing ahead of our expectations at the beginning of the year. Total revenue grew 9% and good underlying profit growth was offset by front-footed investment in ITVX, increased spend on content to drive live viewing and streaming, and the return to a full content schedule following the COVID-19 impact on the 2021 schedule. ITV Studios delivered a wide range of new and returning programmes globally, helping to drive strong revenue and profit growth in the first half. Within our M&E division, total advertising revenue in the first half of 2022 was up 5%, as expected, with our digital advertising revenues being a key driver of this growth, up 20%. We had a strong programming slate, and continued to deliver both mass audiences and a record level of streaming viewing with 814 million streams on the ITV Hub, up 8% year on year (2021: 754 million streams).

We are mindful of the macro economic uncertainty and remain focused on tightly managing our costs and cash flow while continuing to invest in delivering our priorities. Our robust financial position allows us to do this while delivering returns for shareholders.

## Strategy

We have evolved our strategy to enable us to further capitalise on the opportunities presented by the rapidly changing viewing, content production and advertising environment. Executing Phase 2 of our More Than TV Strategy effectively, will create a more valuable digital media and entertainment company and deliver returns to our shareholders.

We have a clear vision for 2026. We aim to be a leader in UK streaming and an expanding global force in content. We will be focused on three priorities to deliver our vision:

- Expand our UK and global production business
- Supercharge our Streaming business
- Optimise our Broadcast business

Alongside these priorities, we have set key performance indicators (KPIs) and targets to be delivered by 2026 and we are already making good progress. We aim to achieve this through digital transformation across everything we do; examples include the Studios innovation hub, and the transformation of our content supply chain and rights management. We will be viewer and customer driven and every decision will combine our unique creativity and data insight.

We have continued to strengthen our Integrated Producer Broadcaster (IPB) model, which gives us a real competitive advantage in achieving our vision. It provides ITV Studios with a base of core commissions and a significant promotional engine for its content, and enables cross-promotion and 360-degree monetisation of this across our business models. It secures access to great content for ITV's channels, free ad-funded and subscription streaming businesses; and very importantly, it helps us attract and retain talent, which is so key in a creative business.

## Group financial overview

We measure performance through a range of metrics, particularly through our alternative performance measures and KPIs, as well as statutory results, all of which are set out and defined in this report.

Total ITV revenue increased by 9% to £1,992 million (2021: £1,826 million), with external revenue up 8% at £1,679 million (2021: £1,548 million). Total advertising revenue was up 5% to £910 million (2021: £866 million) and total non-advertising revenue was up 13% to £1,082 million (2021: £960 million), of which ITV Studios was up 16% at £927 million (2021: £798 million). Overall, both total revenue and external revenue were above the pre-COVID-19 pandemic revenue of 2019 (2019: total revenue £1,749 million, external revenue £1,476 million).

M&E costs were up £75 million in the first half to £871 million (2021: £796 million), made up of an increase in content costs, up £58 million to £603 million (2021: £545 million) and an increase in other M&E costs, up £17 million to £268 million (2021: £251 million) driven by non-content ITVX investment of £20 million.

We delivered £11 million of cost savings in the period, across the business, which included headcount savings from changes in our operating model in M&E, contractual renegotiations and a permanent reduction in some discretionary spend. We have delivered £94 million of cumulative cost savings since 2019 and are on track to deliver £100 million by the end of 2022. In addition we have a further cost saving target of £50 million to deliver by 2026.

Group adjusted EBITA decreased by 3% to £318 million, with underlying growth impacted by increased spend in content and ITVX investment (2021: £327 million). Within this, ITV Studios adjusted EBITA increased by 31%, while M&E adjusted EBITA decreased by 16%.

Operating exceptional items were £31 million (2021: £130 million) and include restructuring, transformation and property costs of £24 million relating to one-off restructuring projects, stemming from the Group-wide commitment to reduce the overhead cost base, and reorganisation and transformation programmes costs to deliver our strategy (see note 2.2 of the financial statements for further detail).

Adjusted financing costs were down in the period at £12 million (2021: £19 million) largely due to higher returns on gilts and deposits. Statutory net financing costs were £17 million which was down year-on-year (2021: £27 million) mainly driven by the higher interest yields and foreign exchange gains.

Our adjusted tax rate was 19% (2021: 20%) and statutory effective tax rate was 10% (2021: 24%), with the year-on-year decrease driven by the exceptional Talpa earnout cost in 2021. We expect the adjusted effective tax rate to be around 20% in 2022, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023.

# Operating and Performance Review continued

The adjusted EPS increased marginally year-on-year at 6.0p (2021: 5.9p), compared to 6.2p in 2019. Statutory EPS increased from 2.4p to 4.8p year-on-year, in line with 2019. See the Finance Review for further detail.

We have good access to liquidity. At 30 June 2022, we had cash and committed undrawn facilities totalling £1,375 million, including total cash of £575 million (including restricted cash of £50 million). Our profit to cash conversion on a 12-month rolling basis (which is an APM) was 81% (31 Dec 2021: 80%, 30 June 2021: 72%). At 30 June 2022, our net debt was £615 million (31 December 2021: £414 million, 30 June 2021: £467 million). Our net debt to adjusted EBITDA on a 12-month rolling basis was 0.7x (31 December 2021: 0.5x, 30 June 2021: 0.6x).

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with investment-grade metrics over the medium term. ITV will redeem the 2.125% €335 million Eurobond which matures in September 2022 using available cash, in order to reduce gross cash and gross debt. This will improve the efficiency of the balance sheet and strengthen our credit metrics.

In line with our capital allocation policy, our priority remains to invest in our key assets and value drivers in line with our strategic priorities and balance this investment with the returns to shareholders.

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

## Social Purpose

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

### Better Health

*Mental health* – Britons have started over 100 million new or more meaningful conversations as a direct result of ITV's mental wellbeing campaign, Britain Get Talking. Launched in 2019, Britain Get Talking is supported by Mind, YoungMinds and SAMH.

ITV marked Mental Health Awareness Week in May with mental health content across Daytime, National and Regional News, and a new Britain Get Talking campaign encouraging people to send voice notes to help beat loneliness.

'What Gets You Through', an initiative between ITV2 and the Campaign Against Living Miserably (CALM), ran into its second year with a new campaign aimed at enabling young people to feel better able to cope with life's ups and downs.

*Physical health* – Our healthy eating campaign, Eat Them to Defeat Them, ran for a fourth consecutive year, reaching one million children in schools. The campaign combines a £3 million advertising campaign with a schools programme and take-home activity packs and as a direct result of the initiative, almost one billion additional children's servings of vegetables have been eaten.

### Diversity and Inclusion

In July 2020, we launched our Diversity Acceleration Plan with five commitments to improving representation on and off-screen and within our workforce by creating more opportunities for those from Black, Asian, Minority Ethnic and other diverse backgrounds.

The second year of this plan had an additional focus to accelerate representation of d/Deaf, disabled or neurodiverse people. We have seen a 25% improvement in the perception of ITV amongst audiences of colour over the last two years, the biggest improvement of the major broadcasters and services; and a 19% improvement in perception for disabled audiences, making ITV the only broadcaster or service to significantly improve in the last two years<sup>1</sup>.

In 2022, we launched the Diversity Commissioning Fund, reserving £80 million of the commissioning budget over three years to drive change towards racial and disability equity in TV production, with at least £20 million being reserved for production companies led by people of colour or d/Deaf, disabled or neurodiverse people.

As well as mandatory race and inclusion training for all colleagues, on-screen presenters and commentators, we introduced Disability Inclusion training; Deaf Awareness and British Sign Language training, both of which were delivered by ITV's Signpost.

ITV remains committed to its published diversity targets and we have introduced a new target for staff from working class backgrounds (to make up 33% of our workforce by 2025). In the second half of 2022, we will launch our 2022-25 strategy for the next phase of our Diversity Acceleration Plan; content by, with and for everyone, connecting and reflecting modern audiences.

### Climate Action

*Net Zero* - Business areas across ITV are currently implementing carbon reduction strategies as part of our efforts to meet our Science-Based Targets to reduce our scope 1 and 2 emissions by 46% and Scope 3 emissions by 28% by 2030. We are currently ahead of our annualised targets. A key focus is on transitioning to renewable energy and low emission fleet vehicles.

*Waste and Sourcing* - ITV seeks to have a 100% sustainable supply chain, and we have invited over 250 of our highest emitting suppliers to provide their emissions and climate action activity to CDP Supply Chain to help us monitor their alignment with our goals.

<sup>1</sup> Research by YouGov, 2019 and 2021

# Operating and Performance Review continued

*On-screen* – With the return of the summer series of Love Island, eBay became the show's first ever pre-loved fashion partner, with islanders extending the lifecycle of the clothes they wear. In the second half of the year, ITV will collaborate with other UK broadcasters on a research project to measure the impact that our on-screen content has on audiences' behaviours and attitudes on sustainability. This is part of the Climate Content Pledge that ITV signed up to in November 2021.

## Giving Back

Soccer Aid for UNICEF took place in June 2022, with a number of supporting TV shows in the lead-up to the charity football match. £15.6 million was raised this year, the highest total ever.

ITV has also supported the people of Ukraine. Concert for Ukraine, a live two-hour music spectacular was broadcast on ITV, featuring artists such as Ed Sheeran, Nile Rodgers and Snow Patrol, and raised £13.4 million for the Disasters Emergency Committee's Ukraine appeal.

## **ITV Studios**

**ITV Studios is the largest commercial producer in the UK, as well as one of the largest producers in Europe and one of the largest independent unscripted producers in the US. With a combined content library of over 90,000 hours, it is also one of the pre-eminent distributors in the world.**

**Expanding Studios globally is central to ITV's More than TV strategy. ITV Studios ambition is to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. We have built an increasingly scaled and diversified business, by genre, geography and customer, in the key creative markets around the world.**

**We have achieved this by focusing on our four strategic pillars as follows: growing our scripted business, growing our global formats business, and further diversifying our customer base, all of which is underpinned by our ability to attract and retain leading talent.**

## **Growing our scripted business**

Whilst unscripted content production remains important to ITV Studios, growing our scripted business is one of our key strategic priorities.

Scripted content is key to platforms (both free-to-air and streamers) attracting and retaining viewers and subscribers. This together with the significant increase in the number of streamers over the last few years, has meant we have seen strong growth in the number of original scripted commissions in the UK and US as well as in Europe. Furthermore, we are seeing rising demand for locally produced, non-English language scripted content. We expect this trend to continue and ITV Studios, with its global production presence, is well-placed to serve this growing demand. In addition, we will continue to look at further opportunities to bring creative talent into the business, in key scripted markets to take advantage of the demand for local scripted content. By 2026, we expect to produce 400 hours of high-end scripted content per annum (2021: 175 hours).

Many of our scripted labels are creating and producing high-quality content with global appeal for free-to-air (FTA) and streaming platforms. In the UK this includes: Mammoth Screen, creators of The Serpent, McDonald & Dodds, Victoria, and Noughts & Crosses; and World Productions creators of Line of Duty, Vigil, Karen Pirie, and Bodyguard.

Our established international scripted businesses are also performing well. Cattleya in Italy and Tetra Media Studio in France create and produce long-running and new critically acclaimed foreign-language dramas, including Paris Police 1900 and Balthazar in France, and Gomorrah, Suburra, and Romulus in Italy. Our newest international scripted labels, Windlight Pictures in Germany and Cattleya Producciones in Spain, as well as our majority stake in Appletree Productions in Denmark, will strengthen our scripted pipeline further. ITV Studios America is also seeing good momentum in its creative pipeline, with output from recent talent deals starting to come through, such as Ten Year Old Tom from Work Friends. We now have more scripted hours in production in the US than ever before.

Global Distribution plays a key role in growing scripted value across the business. Global Distribution invests around £50 million each year (equating to around 200 hours of new scripted programming) in ITV Studios-produced content and selective third-party content (including international spy drama Harry Palmer: The Ipcress Files). Having the integrated producer-distributor relationship enables Global Distribution to make smart investment decisions around content funding, with a 360-degree approach. By finding co-production partners and licensees around the world for our scripted catalogue (of more than 22,000 hours), Global Distribution maximises the value of these projects over a long-term sales lifecycle.

## **Growing our Global Formats Business**

Our Global Formats business oversees our portfolio of some of the world's most successful entertainment formats that travel internationally, as well as maximising commercial opportunities from our IP. We are focused on expanding our existing high-value formats as well as supporting the creation of new formats.

Our portfolio of world-class brands include (number of countries the format has been sold to date included in brackets); The Voice (72 countries), Love Island (22 countries), The Chase (19 countries), Come Dine With Me (46 countries), Four Weddings (24 countries), Hell's Kitchen (24 countries) and I'm A Celebrity... Get Me Out Of Here! (16 countries). These formats continue to sell and generate strong mass audiences for our clients; Love Island UK's 2022 series launch attracted 5 million viewers (based on 7 day consolidated viewing on all devices) making it Love Island's biggest launch since 2019, whilst every episode of series eleven of The Voice Australia made the weekly top ten most watched shows in Australia nationally.

# Operating and Performance Review continued

As well as protecting our biggest brands, we are also focused on expanding our franchises with successful spin-offs which allows us to constantly evolve existing formats. Examples include The Voice which now has six spin-off versions as well as The Chase with Beat the Chasers and Come Dine With Me with Couples and Professionals versions. We are also exploring the increased use of production hubs and remote recording studios for our formats. Production hubs allow us to reduce the cost per hour by amortising set up costs across back-to-back productions of the same format, which enables us to offer more clients access to world-class brands in a cost-effective and safe environment. For example, Love Island currently has an established production hub in Gran Canaria; given its success, we are exploring options for a second site.

Several new formats have recently been commissioned in our UK, US and International production bases that have the potential to be future global hits. These include formats such as Rat in the Kitchen, My Mom Your Dad, and The Voice Generations. In the first half of 2022, across our Global Formats business, we sold 45 (2021: 35) different formats internationally, 9 of which were sold to three or more countries (2021: 7). By 2026, we expect to have 20 such formats that will be sold in three or more countries, with a view that one of these may be a significant new format like The Voice or Love Island.

Through our Global Distribution business, we are focused on exploiting our 68,000+ hour library of global unscripted content assets and maximising the value of primary and secondary windows with FTA, Pay TV and streaming platform customers. In addition, our Global Entertainment and Creative Network teams actively tap into market intelligence locally, such as indications around market trends, and feed this back to the ITV Studios teams, to inform ITV Studios latest thinking around what the next potential hit format could be. This is another way in which having Global Distribution and Formats embedded in ITV Studios is incredibly valuable.

## **Further diversifying our customer base**

As the demand from global and local streaming platforms grows, this presents a significant opportunity for ITV Studios to further diversify its customer base. In the US, we have strengthened our relationships with streaming platforms, having both scripted and unscripted development projects and commissions in place with all the major platforms. In 2022, we expect a third of US unscripted revenues and around 40% of US scripted revenues to come from streamers. Our UK and International Studios (aside from Italy) remain more reliant on local broadcasters, and going forward they will harness the strength and position of the ITV Studios group and key creative talent, to develop their relationships with these platforms.

In the first half of 2022, 19% of total revenues came from streaming platforms (2021: 16%), which we are on track to grow to 25% by 2026. Scripted and unscripted programmes delivered to streamers included Physical S2 for Apple TV+, Baby Fever, and Bullsh\*t the Game Show for Netflix, and Why Didn't They Ask Evans? for BritBox US, Canada and the UK. New commissions for future broadcast by streamers include a limited series based on the book, 'A Great Improvisation: Franklin, France, and the Birth of America' for Apple TV+, 'Squid Game: The Challenge' for Netflix (a co-production between Studio Lambert and ITV Studios label, The Garden) and Fifteen Love and Cosmic Love for Amazon Prime along with several other titles in progress with Disney+, Apple TV+, Netflix and Amazon Prime.

Whilst further diversifying our customer base with streamers is a key strategic priority for ITV Studios, this will impact our working capital in the future due to the upfront cash requirements and the extended payment profile from the streamers. It may also limit the ability for us to maximise margins on high-value scripted titles as streamers usually want worldwide distribution rights for original commissions.

## **Attracting and retaining leading talent**

A key part of ITV Studios investment strategy and pivotal to the business's success is its ability to attract and retain the best creative talent. ITV Studios offers talent a blend of creative independence, an entrepreneurial culture, the resources of a global studio business such as access to ITV Studios significant catalogue and in the UK, the benefit of being an integrated producer broadcaster.

We have recently announced the acquisition of a majority stake in Plimsoll Productions, the largest independent producer of natural history programmes in the world and a growing premium factual producer. The producer is behind series including Tiny World and Giant World for Apple+, Hostile Planet for Disney, Night on Earth for Netflix and the upcoming programme A Year on Planet Earth for ITV, Tencent in China, Fox Nation in the US and Ard Group in Germany. The acquisition will enable ITV Studios to capitalise on the growing demand for natural history and factual programming, further diversify its customer base and further strengthen its relationships with streamers. The acquisition completed on the 1 July 2022 and therefore the financial transaction will be reflected in the full year financial statements.

In July we announced that globally renowned drama producer and TV executive, Ben Stephenson, will join ITV Studios to set up a new transatlantic drama label. Since 2015, he has been Head of Television at Bad Robot Productions, with notable hits including multi-series sci-fi title Westworld and LoveCraft Country both at HBO and Lisey's Story and Little Voice at Apple. The new label adds to ITV Studios' scripted slate and stable of world class producers.

The new labels already set up through our recent talent deals have an impressive slate of programmes including Night in Paradise from Windlight Pictures for Starzplay, Nolly from Quay Street Productions for ITV and Litvinenko from Patrick Spence for ITV and Viaplay.

# Operating and Performance Review continued

## ITV Studios financial performance

Six months to 30 June	2022 £m	2021 £m	Change £m	Change %
ITV Studios UK	365	295	70	24
ITV Studios US	173	160	13	8
ITV Studios International	215	194	21	11
Global Formats and Distribution	174	149	25	17
<b>Total ITV Studios revenue</b>	<b>927</b>	<b>798</b>	<b>129</b>	<b>16</b>
Total ITV Studios costs	(803)	(703)	(100)	(14)
<b>Total ITV Studios adjusted EBITA*</b>	<b>124</b>	<b>95</b>	<b>29</b>	<b>31</b>
ITV Studios adjusted EBITA margin	13%	12%		

\* Includes the benefit of production tax credits.

Six months to 30 June	2022 £m	2021 £m	Change £m	Change %
Sales from ITV Studios to M&E	310	275	35	13
External revenue	617	523	94	18
<b>Total ITV Studios revenue</b>	<b>927</b>	<b>798</b>	<b>129</b>	<b>16</b>

Six months to 30 June	2022 £m	2021 £m	Change £m	Change %
Scripted	337	249	88	35
Unscripted	434	398	36	9
Core ITV* and Other	156	151	5	3
<b>Total ITV Studios revenue</b>	<b>927</b>	<b>798</b>	<b>129</b>	<b>16</b>

\* Core ITV includes the soaps and Daytime shows produced by ITV Studios for ITV main channel.

ITV Studios saw strong revenue growth in the first half of 2022, ahead of the market, with total revenue up 16% to £927 million (2021: £798 million). External revenue was up 18% to £617 million (2021: £523 million), driven by growth across all divisions. Total organic revenue at constant currency was up 15% (our definition of constant currency assumes exchange rates remain consistent with 2021), with a £7 million favourable impact from foreign exchange in the period.

When compared to 2019, prior to the COVID-19 pandemic, total ITV Studios revenue was up 22% (2019: £761 million) and external revenue was up 26% (2019: £490 million).

Reflecting our presence in key global production markets, 56% of ITV Studios' revenue was generated outside the UK (2021: 58%).

ITV Studios adjusted EBITA was up 31% year-on-year at £124 million (2021: £95 million), with an adjusted EBITA margin of 13% (2021: 12%) and a £1 million favourable impact from foreign exchange. During the period, there were £3 million of cost savings. The ITV Studios margin continues to be impacted by costs associated with health and safety protocols due to Covid and inflation in the production sector. To help mitigate this we are looking at our property footprint, using technology and data to drive cost and revenue efficiencies, taking further steps to digitise our production processes and using cloud and remote editing more routinely. We remain committed to our adjusted EBITA margin guidance of 13% to 15% from 2023 but given the cost pressures, the margin will be at the lower end of the range in the shorter term as previously guided.

Compared to 2019, adjusted EBITA in the first half of 2022 was up 5% (2019: £118 million).

### ITV Studios UK

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

For the first six months of 2022, ITV Studios UK revenue was up 24% to £365 million (2021: £295 million), driven by internal sales and the delivery of programmes that were delayed in 2021. Internal sales to M&E was up 13% in the period, driven by dramas such as Grace and The Suspect; and entertainment shows such as Love Island.

Internal deliveries expected in the second half of 2022 include new and returning drama and entertainment programmes: Nolly, Maternal, You and Me, the second series of The Tower, The Chase and I'm a Celebrity...Get Me Out Of Here!.

# Operating and Performance Review continued

Off-ITV revenue (productions for non-ITV channels in the UK) was up 55%, with new and returning programmes including The Outlaws, Shetland, Noughts and Crosses and The Graham Norton Show all for the BBC; and 24 Hours in A&E, I Hate You and Countdown for Channel 4. Deliveries expected in the second half of 2022 include The Diplomat for UKTV; Ghosts for the BBC; The Reluctant Traveller for Apple TV+ and Come Dine With Me for Channel 4.

## ITV Studios US

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

ITV Studios US total revenue grew by 8% to £173 million (2021: £160 million) and by 2% to £163 million when adjusted for the favourable foreign exchange impact. Within ITV Studios America (scripted), the increase was predominantly driven by the deliveries of Physical S2 to Apple TV+ and Snowpiercer S3 for TNT and Netflix. ITV America (unscripted) saw the delivery of new titles such as Bullsh\*t The Game Show for Netflix, along with returning titles such as The Chase S3 for ABC and Hell's Kitchen S21/22 for FOX.

In the second half of 2022, deliveries from ITV Studios America will include Let The Right One In for Showtime as well as part-delivery of the final series of Snowpiercer for TNT. Within ITV America, deliveries expected include Love Island US S4 for Peacock and Queer Eye S7 for Netflix; and further deliveries of Hell's Kitchen S21/22 for FOX and The Chase S3 for ABC.

The development and commissioning pipeline for ITV Studios US is strong; both ITV Studios America and ITV America have a number of projects in production or under development for delivery in 2023 with existing and emerging streaming platforms as well as other traditional platforms. For ITV Studios America, these include a limited series based on the book, A Great Improvisation: Franklin, France and the Birth of America for Apple TV+ and the second series of Ten Year Old Tom for HBO Max. And for ITV America, these include Love Island US S5 for Peacock as well as Honest Renovations for Roku.

## ITV Studios International

ITV Studios International has production bases in Australia, Germany, France, the Netherlands, the Nordics, Italy, Spain and Israel where we produce original scripted and unscripted content, as well as local versions of key formats developed through our Global Formats business. Growing our European scripted business allows us to benefit from the increasing demand for locally-produced content with global appeal, and we have several scripted projects in development with Amazon Prime, Netflix, Paramount+, and Disney+.

Revenue within ITV Studios International increased by 11% to £215 million (2021: £194 million) in the first half of 2022, and by 14% to £221 million when adjusted for the unfavourable impact of foreign currency. Growth was driven by deliveries including The Voice Australia, Petra and Nero A Meta from Cattleya, and I'm a Celebrity...Get Me Out of Here! in Australia and Germany.

Deliveries expected in the second half of 2022 include Django from Cattleya; Blackwater from AppleTree Productions; The Voice in Germany and Spain; and Cosmic Love in France.

## Global Formats and Distribution

Global Formats and Distribution revenues were up 17% year-on-year to £174 million (2021: £149 million), and by 15% to £172 million when adjusted for the favourable impact of foreign currency. Our Global Distribution business benefited from the international distribution of titles such as Harry Palmer: The Ipccress Files, Ten Year Old Tom, and Noughts and Crosses. Finished tape sales of unscripted formats were also strong, including The Voice, The Chase and Come Dine With Me, all delivering across multiple different territories.

The second half of 2022 and beyond should see an increased pipeline of new content for Global Distribution including A Year on Planet Earth, the UK, US and Australian series of Love Island, The Suspect and Karen Pirie.

Our Global Formats business has continued to strengthen its portfolio of successful entertainment and factual entertainment formats, with 9 formats sold in three or more countries during the period (2021: 7). These included titles such as The Voice, Love Island, Let Love Rule and Come Dine With Me. In addition to the formats already mentioned, new formats expected to sell internationally in 2022 include Loaded in Paradise, I Kissed A Boy, and Marry Me Now.

# Operating and Performance Review continued

## Media & Entertainment (M&E)

Media & Entertainment (M&E) has two business units – Streaming and Broadcast – to reflect viewer habits and to ensure we maintain strong, branded and data rich relationships with our viewers and advertisers. Our strategy is focused on taking advantage of the changes we are seeing in the viewing and advertising landscape, which presents both challenges and opportunities.

Through our Streaming business, we operate our streaming platforms, which include our advertiser-funded platform, ITV Hub and our subscription services, ITV Hub+ and BritBox UK. We are on track to launch ITViX in Q4 2022 which combines ITV Hub, ITV Hub+ and BritBox UK into an integrated free ad-funded platform, with a compelling premium tier.

We will supercharge streaming with the launch of ITViX. It leverages our investments to date in ITV Hub, BritBox UK, Planet V and data to drive digital viewing and revenue growth with a digital-first content proposition and increased investment in content. It will significantly strengthen our offering to viewers – making it a destination rather than a catch up service. For advertisers it will deliver valuable addressable audiences at scale and our established data and analytics capabilities will drive higher-value, data driven pricing models.

Through our Broadcast business, we operate the largest family of free-to-air commercial TV channels in the UK. They offer unique audience scale and reach, as well as targeted demographics demanded by advertisers. In spite of the growth in streaming viewing, linear broadcast remains important to our viewers and advertisers and we will optimise Broadcast to maintain our USP of delivering mass audiences by investing in live content such as sports rights and large entertainment shows. In addition we will continue to build more strategic and creative partnerships with advertisers who highly value these large audiences to build their own brands.

### Continuing to deliver unrivalled audiences with high-quality programming

In the first half of 2022, ITV continued to inform and entertain the UK nation, providing audiences with high-quality programming across the full range of genres. ITV Family's share of commercial viewing (SOCV) (which is ITV's share of viewing compared as a proportion of all commercial ad-funded channels in the UK), increased from 33.6% in 2021 to 33.7%.

While we had a strong schedule of drama, entertainment programmes and sport, total viewing (which combines live viewing of ITV channels, recorded and video on demand) for the first six months of 2022 declined by 16%, impacted by the easing of lockdown restrictions against the tough comparatives of H1 2021.

Total broadcaster TV viewing (live and catch up viewing to broadcast channels including TV video on demand) declined by 17% in the period, which was marginally behind ITV's total viewing decline due to strong 2021 H1 viewing comparatives. Total TV set viewing, which includes unmatched viewing (content that cannot be matched to broadcast TV such as subscription services, YouTube, games consoles) declined by 14%. This was less than the decline in broadcast TV viewing and was driven by an increase in viewing on subscription streaming platforms during the period (Source: BARB).

On ITV main channel, Coronation Street and Emmerdale maintained their position as the UK's two largest soaps. We dominated the big genres with three of the top four most-watched new dramas including Trigger Point, The Thief His Wife and the Canoe and Our House; successful returning dramas such as Vera and Grantchester, which both saw audiences increase year-on-year, and three of the top four most-watched entertainment shows including The Masked Singer and Britain's Got Talent. Our successful factual programming included Kate Garraway: Caring For Derek, and Julia Bradbury: Breast Cancer and Me, whilst our daytime shows continued to perform well and we had the return of a full sport schedule, including The FA Cup, Premiership Rugby and Women's International Football. Changes to our national and international evening news went live in March 2022, with our evening news programme extended from 30 minutes to an hour, with even more focus on reporting from outside of London feeding into the programme, to reflect the whole of the UK. Our news programming continued to perform well in the first half, with our early evening bulletins increasing their share year-on-year.

On ITV2, while viewing volume for individuals were down 7% in the first half in line with a decrease in total broadcaster TV viewing, SOV and SOCV for 16-34s were up 20% and 23% respectively, helped by the second series of The Cabins and the return of the summer series of Love Island. ITV2 was the most-watched digital channel for 16-34s in H1.

On ITV3, ABC1 adults SOV was broadly flat in the first half, with repeats of popular dramas including Grace, Vera, Midsomer Murders and Endeavour. ITV3 was the most-watched digital channel in the first half of 2022 for all individuals for the third year in a row.

On ITV4, male SOV was up 7%, with good viewing for sport, which included The FA Cup and the Isle of Man TT. It is the 4th biggest digital channel for Men, up a place from Q1.

We have an exciting schedule for the rest of 2022 with new and returning dramas, including The Suspect, Ridley, the second series of The Tower, and the tenth series of Doc Martin; and returning entertainment including Ninja Warrior, The Masked Dancer, The Voice, and I'm a Celebrity...Get Me Out Of Here! as well as the FIFA World Cup.

Streaming viewing hours (which measures the total number of hours viewers are spending across our advertiser and subscription funded services) was up 6% in the first half of 2022 to 523 million (2021: 494 million), with monthly active users (MAUs) broadly flat at 9.7 million (2021: 9.7 million) against the tough comparatives of Oprah With Meghan and Harry and the Euros Football Championships last year. We saw strong viewing on ITV Hub for our soaps, Love Island and our dramas, with the full series of many of our dramas being made available on ITV Hub before being broadcast on linear. Overall, ITV achieved 814 million streams on the ITV Hub, up 8% (2021: 754 million streams). The first half of 2022 saw the number of programmes getting over one million viewers on ITV Hub increasing by nearly a third year-on-year, with No Return being the most-watched drama, Ghislaine, Prince Andrew and the Paedophile being the most-watched factual programme and Love Island having its biggest ever series on the Hub.

# Operating and Performance Review continued

Dwell time on ITV Hub, which measures the average time spent viewing per session across all platforms, was up 4% in the first half of the year. Simulcast viewing hours on ITV Hub and ITV Hub+ was up 7%, as viewers continue to use our streaming platforms to watch live, catch up and access the vast catalogue of boxsets available.

## Strong linear and online advertising proposition

Our Commercial team has continued to deepen its strategic relationships with clients and work more collaboratively with them, using data-driven insights to demonstrate the power of television and advertising with ITV. We are delivering more innovative and bespoke partnerships across linear and digital including product placement, ad-funded programming and commercial partnerships where we can use the power of our brands to help advertisers engage with audiences in different ways. This is made possible and more valuable by being an IPB, with editorial, commercial, creative and production working together to provide valuable opportunities for advertisers.

Our product placement deals during the period included Heineken 0.0 Draught (alcohol-free beer) which went on tap at Coronation Street's Rovers Return and Emmerdale's Woolpack. McVities embarked on its biggest sponsorship deal to date, joining forces with Britain's Got Talent as the new headline sponsor, and in sport, Motorway, the UK's fastest growing used car marketplace, sponsored our live coverage of the Guinness Six Nations. In addition, the summer version of Love Island had over ten commercial partnerships, engaging in programme sponsorship, brand licences, in-store branding and product placement, including Just Eat, eBay, Reddit, Quay, O2 Virgin Media, and Boots.

Television remains an efficient and effective medium for advertisers to achieve mass reach. Our share of the top 1,000 commercial broadcast TV programmes was 94% in the first half of 2022, which was up 1% point (June 2021: 93%). As viewing and advertising become more fragmented, the scale and reach of advertising that television, and particularly ITV, delivers becomes increasingly valuable, and as we evolve our strategy, our Broadcast business will continue to optimise its USP as the largest commercial public service broadcaster in the UK.

ITV provides a safe, trusted, measured and transparent environment in which to advertise, and television generates the highest return on investment of any media. With the proven return on investment which television offers, our Commercial team has several initiatives in place to attract new advertisers to ITV. These include the following which has helped attract 213 new brands to ITV in H1:

- ITV AdVentures Ignite is aimed at encouraging digitally native brands to advertise on television for the first time. During the first half of 2022, we launched new brands including hair colour brand, Josh Wood Colour and mobile bicycle repair service, Fettle, which launched with a geo-targeted Hub campaign around the Tour De France. Butternut Box, the fresh dog food delivery service, was an Ignite client from 2020, and has now grown to be a national advertiser on ITV, demonstrating the initiative's success.
- ITV AdVentures Invest is ITV's Media for Equity programme which launched during the first half of 2021 and involves ITV taking minority stakes in early-stage digital and direct-to-consumer businesses, in return for advertising inventory across ITV's channels and the ITV Hub. The initiative serves as an innovative opportunity for these businesses to build scale through TV advertising, alongside a strategic media partner. Most recently, we invested in Europe's biggest new car marketplace, carwow.
- ITV Ad Labs brings together all of ITV Commercial's innovation under a single business proposition. Examples include QR Ads, which enables viewers to buy products by scanning a QR code in an ad with their smartphone and Dynamic Creative advertising on Planet V, which enables advertisers to dynamically tailor the ad creative for different locations, audiences or products. We are also on target to automate and scale our Infosum powered DataMatch product by Q4 2022, which will allow for smarter targeting and measurement across ITV's premium video inventory
- ITV Backing Business, which makes it as flexible as possible for British businesses to advertise on television, with ITV providing them with marketing support and a wealth of resources to help them return to growth. The team has worked with brands such as NatWest – which has seen around a 10% increase in SME account openings as a result, along with Juicy Couture, Weleda and HiHi.
- ITV Home Planet is ITV's initiative for sustainable brands to encourage viewers to reduce their carbon footprint. Brand partners to date include Volkswagen, Ribena and Sainsbury's.

Online video advertising on the ITV Hub delivers targeted demographics in a high-quality, trusted and measured environment for advertisers. The demand for digital advertising was strong in the period, up 20% year on year, and with 285 VOD-only advertisers. Planet V, our scaled programmatic addressable advertising platform, is the UK's second-largest programmatic video advertising platform, after Google. It has been rolled out to all the large Agency Group businesses, the independent agencies and all the regional specialists, with over 1,500 active users and more than 90% of ITV's inventory booked through the platform. It is a self-service platform enabling advertisers to plan and buy ITV Hub inventory seamlessly and cost-effectively, create bespoke audiences, add their first-party data and monitor their campaigns via a custom-built user interface. There are 20,000+ data targeting options within Planet V, which enables our Commercial business to offer clients the best of both worlds: mass audiences with simultaneous reach on linear channels, and addressable targeting at scale around our premium inventory on the ITV Hub.

To provide more insight into the effectiveness of television advertising, ITV has joined Channel 4 and Sky to launch a new total television advertising measurement system in the UK. CFlight (designed by NBCU in the US) launched in the first half of 2022. It is a post-campaign online evaluation tool, which gives advertisers and agencies a unique view of the coverage achieved by their commercial campaigns across both linear and Broadcaster VOD.

The advertising market is highly competitive, with streamers set to enter the advertising market in the near future. However, ITV has a highly experienced team, that are well versed in competing with new entrants to the advertising market. We believe we are well positioned to successfully execute Phase Two of our More Than TV strategy, with our digital-first approach on ITVM. We will offer our advertising clients something no streamer is able to - the best of both worlds, which allows advertisers to grow their brand through the unparalleled mass simultaneous reach audience generated on ITV, whilst extending incremental reach through a targeted offering on ITVM. This will be supplemented by innovative data and content advertising offerings, that are unique to ITV.

# Operating and Performance Review continued

We are developing our linear addressable capabilities and look to test linear addressable advertising via IP delivery during 2022. This opportunity will allow us to capture new brands in the long tail of advertisers who cannot afford mass reach linear campaigns.

## Growing and enhancing our streaming propositions

### ITV Hub

The ITV Hub has 35.4 million registered user accounts (2021: 34.6 million) and is available on 29 consumer-facing platforms.

Investment in our streaming platforms remained a key part of ITV's More Than TV strategy during the period. We continued to enhance and improve the user experience ahead of the launch of ITVX in Q4 and the redesigned Hub interface is now live for over 85% of our monthly active users. We continue to work successfully with our distribution partners to ensure that ITVX will be widely available at launch. In addition, we continue to maintain momentum with our partners around distribution on IP platforms as well as the launch of linear addressable advertising.

During the first half of 2022, content hours on the Hub increased to 7,500 hours ahead of the launch of ITVX in Q4 (June 2021: 2,200 hours). We have strengthened the content offering with most drama series now available in full on the ITV Hub when the first episode launches on linear and third-party boxsets such as the Warner content - including titles such as The Sex Lives of College Girls, The OC and One Tree Hill.

In terms of streaming, viewing on our own services and Amazon was up 21% with a strong schedule of drama, sport and entertainment, including the success of Love Island. This was offset by over 20% declines in viewing on other streaming services such as Sky and Virgin, where we have taken the strategic decision to reduce the availability of pre-transmission drama drops and box sets, where we cannot serve and monetise dynamic advertising. Following the launch of ITVX, our app will be embedded in these platforms enabling full monetisation of this type of viewing. In total, streaming hours were up 6%.

### ITV Hub+ and BritBox

UK subscriptions continued to grow in the first half of 2022, up 16% to 1.45 million (31 Dec 2021: 1.25 million) and is in line with our plan.

ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability. We have seen good growth in subscriptions with our strong programming schedule in the past six months, particularly our dramas and entertainment shows such as Love Island.

BritBox UK also saw strong growth during the past six months. Churn rates have halved since launch as the subscription base matures, and the distribution of BritBox UK was extended to Amazon Prime Video Channels and Xbox, which makes it accessible in over 90% of VOD homes. During the period, BritBox UK saw a strong pipeline of new original content, including Why Didn't They Ask Evans?, Murder in Provence, Hotel Portofino and The Dry.

### BritBox International

Our international BritBox joint venture with the BBC is currently available in the US, Canada, Australia, South Africa and the Nordics (made up of Sweden, Finland, Denmark and Norway) and provides an ad-free subscription streaming service offering the most comprehensive collection of British content available in those territories. Subscriptions have grown strongly and are ahead of plan, with 2.7 million BritBox subscriptions internationally (31<sup>st</sup> Dec 2021: 2.4 million).

We will continue to roll-out BritBox internationally and by 2030, we expect to have 10 to 12 million international subscriptions. Our funding for the next phase of the roll-out will be from our share of BritBox US cash flows, which is a profitable service, and we will undertake a full business case review for each territory before deciding to launch.

Across all our streaming services (including ITV Hub+) we now have over 4.1 million subscriptions globally.

## ITVX

ITVX will be a free, ad funded service (with a premium subscription proposition), providing a simplified and seamless viewer experience with a digital-first content supply, attracting those audiences who do the majority of their viewing on digital services.

It is on track to launch in Q4 with shows including Tell Me Everything, Without Sin, and A Spy Among Friends, with at least one new and exclusive show every week going forward including dramas such as Nolly, The Confessions of Frannie Langton and Litvinenko. At launch, ITVX will have the UK's largest free film library with over 250 films as well as over 150 hours of documentaries including a dedicated true crime collection. Our digital-first strategy for ITVX will offer viewers box sets made available in their entirety at the same time as linear transmission; FAST channels; and acquired content, content partnerships and archive content; as well as our six linear channels; all powered by our one content budget.

## Investment

In 2022, we will invest £1.23 billion in content across linear and streaming. This will increase to £1.35 billion in 2023 and we expect total content spend to continue at around this level going forward. This includes content investment for ITVX of £20 million in 2022 and £160 million in 2023 and thereafter. Our data driven viewing model and one content budget enables flexibility to optimise viewing and revenue across our channels and platforms to maximise total digital viewing and revenues.

In 2022 and 2023 there will also be non-content investment for ITVX, which includes costs that will be ongoing in our cost base and covers our data and technology capabilities and variable streaming costs. In 2022 and 2023 this will be £25 million per annum. Variable costs of streaming will continue to rise thereafter as streaming viewing increases. These costs will be offset by £50 million of additional permanent cost savings in 2026 as previously announced.

# Operating and Performance Review continued

In addition, there will be one-off costs of £20 million related to the launch of ITVX in 2022, reducing to £10 million in 2023.

Total non-content investment in ITVX for 2022 will therefore be £45 million in 2022 and £35 million in 2023, all of which will be included in M&E's operating costs.

## M&E financial performance

Six months to 30 June	2022 £m	2021 £m	Change £m	Change %
<b>Total advertising revenue</b>	<b>910</b>	866	44	5%
Subscription revenue	26	18	8	44%
SDN	28	37	(9)	(24%)
Partnerships and other revenue	101	107	(6)	(6%)
<b>M&amp;E non-advertising revenue</b>	<b>155</b>	162	(7)	(4%)
<b>Total M&amp;E revenue</b>	<b>1,065</b>	1,028	37	4%
Content costs	(603)	(545)	(58)	(11%)
Variable costs	(58)	(60)	2	3%
M&E infrastructure and overheads	(210)	(191)	(19)	(10%)
<b>Total M&amp;E costs</b>	<b>(871)</b>	(796)	(75)	(9%)
<b>Total M&amp;E adjusted EBITA*</b>	<b>194</b>	232	(38)	(16%)
Total adjusted EBITA margin	18%	23%		

\*There are no adjusting items within M&E EBITA in 2022.

M&E total revenue was up 4% in the half-year at £1,065 million (2021: £1,028 million). This increase was predominantly driven by total advertising revenue which was up 5% to £910 million (2021: £866 million). Digital revenue, which includes revenue from digital advertising, digital sponsorship and our subscription services, was up 22% in the period to £176 million (H1 2021: £144 million, FY 2021: £347 million). Within this, digital advertising revenues were up 20% year-on-year to £144 million (H1 2021: £120 million, FY 2021: £293 million), subscription revenues were up 44% to £26 million (H1 2021: £18 million, FY 2021: £42 million) and other digital revenues were in line with the prior year at £6 million (H1 2021: £6 million, FY 2021: £12 million). M&E non-advertising revenues were down 4% for the six months to £155 million (2021: £162 million) with strong growth in subscription revenue offset by a decline in competitions and SDN revenues. Further detail on the year-on-year movement in revenue is detailed below.

When compared to the same period in 2019, M&E revenue on a like-for-like basis, was up 8% (2019: £988 million) predominantly due to the increase in TAR (2019: £849 million) and growth in subscription revenue (2019: £5 million) driven by BritBox UK and Hub+ subscriptions.

Total M&E costs were up 9% at £871 million. Within this, content costs were up 11% to £603 million (2021: £545 million) due to the return of a full schedule compared to the prior year which was impacted by the pandemic, including a full schedule of dramas, the return of sporting events such as the FA Cup and Premiership Rugby, the return of entertainment shows such as Britain's Got Talent and the summer series of Love Island (Love Island started end of June 2021 in the prior year). This more than offset the absence of the UEFA European Football Championships.

Variable costs were down 3% at £58 million (2021: £60 million), mainly driven by a decrease in competitions-related costs (in line with revenues), partly offset by an increase in commercial payaways and bandwidth costs (in line with increased viewing).

M&E infrastructure and overhead costs increased by 10% to £210 million (2021: £191 million), with investments of £18 million in line with our strategic priorities including investment in our data and technology teams ahead of the launch of ITVX in Q4 2022 (total M&E investments in the period were £20 million). This was partly offset by cost savings and lower share-based payments relating to 2021 than previously expected.

In total, £8 million of cost savings were realised across M&E.

Overall M&E delivered good underlying profit growth which was offset by increased investment in content and investments in preparation for the launch of ITVX. M&E adjusted EBITA was down 16% to £194 million (2021: £232 million), with a margin of 18% (2021: 23%).

## Total advertising revenue (TAR)

The start of 2022 saw TAR up 16% in Q1, with good demand across the majority of advertising sectors. As expected, TAR comparatives were tough in Q2, which was down 5% in 2022; April was up 9%, May was down 9% and June was down 13%. TAR in the first half of 2022 was up 5% year-on-year, in line with our expectations. Compared to 2019, TAR continues to perform well with Q1 up 12%, Q2 up 2% and H1 up 7%.

The categories with the largest YOY movements are as expected. Airlines and Travel are up 117% following travel restrictions in the prior year, Cars and Car Dealers are down as a result of supply chain issues and Government and Charities are down off the back of significant Covid related spend last year. E-commerce companies, excluding gambling, decreased 12% in the period. Within this category the largest decline was from food delivery brands who spent heavily in 2021 - in Q1 to take advantage of lockdown and in Q2 during the Euros. In addition we have also seen a significant reduction in spend by energy comparison websites for obvious reasons. This was partly offset by growth in travel brands.

# Operating and Performance Review continued

## Subscription revenue

Subscription revenue is generated directly from our streaming services and includes ITV Hub+ and BritBox UK. It does not include BritBox International, which is included within JVs and Associates.

In the first half of 2022, subscription revenue increased by 44% to £26 million (2021: £18 million) driven by good growth in both BritBox UK and ITV Hub+ subscriptions which both benefited from a strong content pipeline in the first half.

In the full year, this will include revenue from our premium tier of ITVX, our new integrated streaming service, which will include the migration of ITV Hub+ and BritBox UK subscriptions.

## SDN

SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview.

SDN customers include ITV and third parties, with external revenue (non-ITV) decreasing by 24% in the first half to £28 million (2021: £37 million), impacted by the renewal of a long-term contract with a third party which reverted to current market rates.

In 2022 and 2023, several long-standing contracts which were agreed at the peak of the DTT capacity market ten years ago come to an end, and we expect these to revert to current market rates.

SDN's current multiplex licence has been renewed until 2034.

## Partnerships and other revenue

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

Partnerships and other revenue was down 6% in the period to £101 million (2021: £107 million) predominantly driven by a decrease in competitions revenue which had strong H1 comparatives due to more people viewing our programmes (particularly daytime) and entering competitions during government-imposed lockdowns in 2021. Our competitions portal, ITV Win, continues to do well, with an increasing proportion of competitions revenue being generated through it.

## Regulation

*Reform of advertising rules* – Ofcom is considering making modest changes to the advertising rules, particularly those that restrict our minutage in peak on our main channel versus other linear channels, and to product placement rules. We will engage closely with Ofcom's review.

*Public service broadcasting* - We welcome the Government's recognition in the Media White Paper of the significant value the Public Service Broadcasters (PSBs) deliver to the UK and their determination to reform the legal and regulatory framework to ensure PSBs, including ITV, have prominence, inclusion and fair value for their content and therefore are able to continue to thrive in the future.

*High Fat Salt and Sugar (HFSS)* - The Government has published its statement confirming the introduction of a 9pm watershed ban on TV and VOD advertising of HFSS products, and a prohibition on most paid-for online HFSS advertising at all times. Small and medium-sized enterprises (SME) food and drink companies and owned media (e.g. own company websites and social accounts) are exempt. The ban was originally due to come into force from 1 January 2023, but will now be delayed by a year to give the advertising industry longer to prepare for the changes. Whilst we remain fully engaged with this process - and continue to believe that there is a strong, evidence-based case for alternatives to the pre 9pm ban - the proposed TV ban will negatively impact ITV.

*Gambling review* - The Government has completed a call for evidence in relation to gambling, ahead of a major review. The call for evidence was very broad, encompassing the industry as a whole, and advertising may form part of any eventual process of reform. We await the outcome of the review.

## Outlook

We are confident that our strategy is the right long term plan for ITV. Our balance sheet is robust which enables ITV to invest in our digital acceleration and deliver returns to shareholders in line with our capital allocation policy.

ITV Studios is on track to exceed 2019 revenues over the full year with an exciting pipeline of scripted and unscripted programmes as we continue to strengthen and diversify ITV Studios by genre, by geography and by customer. We will grow ahead of the market, which we continue to expect to grow at around 3% over the medium term. We remain committed to our margin guidance of 13 to 15% from 2023 as we drive efficiencies through advancing our digital innovations. However, given current inflation in the production market, the margin will be at the lower end of the range over the shorter term as we have previously guided.

As expected, the TAR comparatives are tough in Q3 against the Euro Football championships in 2021 and we are mindful of the macroeconomic and geopolitical uncertainty. However in Q4 ITV will broadcast the FIFA World Cup which will benefit TAR in November and December. TAR in July is expected to be down 9% and August down 18% compared to the same period in 2021, broadly in line with our expectations. It is too early to give a detailed forecast for September but for the nine months to the end of September TAR is expected to be broadly flat compared to the same period in 2021. Compared to 2019, the 9 months are expected to be up 8%.

## **Operating and Performance Review continued**

We are on track to launch ITVX in Q4 and our one content budget allows us to optimise our windowing strategy to create the best experience for viewers and the best value for advertisers and ITV. This will balance our ability to deliver mass audiences and increase streaming viewing. Our advertising led proposition positions us well to respond to the evolving viewing and advertising environment.

# Key Performance Indicators

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

Our KPIs, KPI targets and how they align with our strategy are detailed below. Full definitions of our KPIs are included in the 2021 Annual Report and Accounts pages 26 to 29.

Strategy	KPIs for measuring performance		Targets – over 5 years to the end of 2026 (unless specified otherwise)
<b>Group Financial KPIs</b>		<ul style="list-style-type: none"> <li>Adjusted EPS</li> <li>Cost Savings</li> <li>Profit to cash conversion</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> <li>Deliver £150m of permanent savings (in the 8 years to 2026)</li> <li>Maintain at around 85%</li> </ul>
<b>1</b> <b>Expand</b> UK and Global Production		<ul style="list-style-type: none"> <li>ITV Studios total revenue growth</li> <li>ITV Studios adjusted EBITA margin<sup>1</sup></li> <li>Total high-end scripted hours</li> <li>Number of formats sold in three or more countries</li> <li>% of ITV Studios total revenue from streaming platforms</li> </ul>	<ul style="list-style-type: none"> <li>Total Studios revenue to grow at least 5% average CAGR</li> <li>Return to 13% to 15% adjusted EBITA margin range from 2023 onwards</li> <li>High-end scripted hours to grow to 400</li> <li>Number of formats sold in three or more countries to grow to 20 formats</li> <li>Grow % of total revenue from streaming platforms to 25%</li> </ul>
<b>2</b> <b>M&amp;E</b> Supercharge streaming and optimise broadcast	<b>M&amp;E</b>	<ul style="list-style-type: none"> <li>Total digital revenue</li> </ul>	<ul style="list-style-type: none"> <li>More than double to at least £750 million</li> </ul>
	<b>Streaming</b>	<ul style="list-style-type: none"> <li>UK subscribers</li> <li>Total streaming hours</li> <li>Monthly active users</li> </ul>	<ul style="list-style-type: none"> <li>Double UK subscribers to 2.5 million</li> <li>Double streaming hours to 2bn</li> <li>Double monthly active users to 20m</li> </ul>
	<b>Broadcast</b>	<ul style="list-style-type: none"> <li>Share of top 1,000 commercial broadcast TV programmes</li> <li>Share of commercial viewing (SOCV)</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a share of at least 80%</li> <li>Maintain SOCV at 33%</li> </ul>
<b>3</b> <b>BritBox International</b>		<ul style="list-style-type: none"> <li>Total subscribers</li> </ul>	<ul style="list-style-type: none"> <li>Grow to 10-12 million subscribers by 2030</li> </ul>

Our KPIs for the first six months of 2022 are set out below:

Six months to 30 June	2022	2021	Change
Adjusted EPS	<b>6.0p</b>	5.9p	0.1p
Cost savings	<b>£11m</b>	£21m	
Profit to cash conversion 12-month rolling	<b>81%</b>	72%	9ppt
ITV Studios total revenue growth	<b>16%</b>	26%	-
ITV Studios adjusted EBITA margin	<b>13%</b>	12%	1ppt
Total high-end scripted hours	<b>133</b>	73	82%
Number of formats sold in three or more countries	<b>9</b>	7	29%
% of ITV Studios total revenue from streaming platforms	<b>19%</b>	16%	3ppt
Total digital revenue	<b>£176m</b>	£144m	22%
UK subscribers	<b>1.45</b>	1.25m*	16%
Total streaming hours	<b>523m</b>	494m	6%
Monthly active users	<b>9.7</b>	9.7	-
Share of top 1,000 commercial broadcast TV programmes	<b>94%</b>	93%	1ppt
Share of commercial viewing (SOCV)	<b>33.7%</b>	33.6%	0.1ppt
BritBox International total subscribers	<b>2.7m</b>	2.4m*	13%

\*As at 31 December 2021

# Alternative Performance Measures

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

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

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

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

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

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

### Production tax credits

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

### Exceptional items

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

### Acquisition-related costs

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

### Restructuring and reorganisation costs

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

### Material onerous contracts

A contract is considered onerous when the unavoidable costs of the contract exceed the revenues associated with it. In 2022 and 2021, we have had material onerous transmission contract provisions relating to committed costs of transmission capacity on satellite transponders that are no longer used in the M&E business. There are no revenues associated with this capacity as there are no channels on the relevant satellite transponders.

# Alternative Performance Measures continued

## Reconciliation between statutory and adjusted results

Six months to 30 June	2022 Statutory £m	2022 Adjustments £m	2022 Adjusted £m	2021 Statutory £m	2021 Adjustments £m	2021 Adjusted £m
EBITA <sup>1</sup>	295	23	318	316	11	327
Exceptional items (operating) <sup>2</sup>	(31)	31	–	(130)	130	–
Amortisation and impairment <sup>3</sup>	(36)	23	(13)	(30)	19	(11)
<b>Operating profit</b>	<b>228</b>	<b>77</b>	<b>305</b>	<b>156</b>	<b>160</b>	<b>316</b>
Net financing costs <sup>4</sup>	(17)	5	(12)	(27)	8	(19)
Share of profits on JVs and associates	8	–	8	4	–	4
<b>Profit before tax</b>	<b>219</b>	<b>82</b>	<b>301</b>	<b>133</b>	<b>168</b>	<b>301</b>
Tax <sup>5</sup>	(22)	(36)	(58)	(32)	(28)	(60)
<b>Profit after tax</b>	<b>197</b>	<b>46</b>	<b>243</b>	<b>101</b>	<b>140</b>	<b>241</b>
Non-controlling interests	(4)	–	(4)	(3)	–	(3)
<b>Earnings</b>	<b>193</b>	<b>46</b>	<b>239</b>	<b>98</b>	<b>140</b>	<b>238</b>
Shares (million), weighted average	4,009		4,009	4,005		4,005
<b>EPS (p)</b>	<b>4.8p</b>		<b>6.0p</b>	<b>2.4p</b>		<b>5.9p</b>
<b>Diluted EPS (p)<sup>6</sup></b>	<b>4.8p</b>		<b>5.9p</b>	<b>2.4p</b>		<b>5.9p</b>

1. £23 million (2021: £11 million) adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item. EBITA is not a statutory measure.
2. Exceptional items of £31 million (2021: £130 million) largely relate to restructuring, transformation and property move costs. Refer to the Finance Review
3. £23 million (2021: £19 million) adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software within adjusted profit before tax
4. £5 million (2021: £8 million) adjustment is for non-cash interest cost (2021: £2 million). In 2021, £6 million exceptional interest was payable on the Talpa exceptional acquisition-related expense. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis
5. Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review
6. Weighted average diluted number of shares in the period was 4,044 million (2021: 4,046 million)

## Amortisation and impairment

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

## Net financing costs

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

## Other Alternative Performance Measures

### Total revenue

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

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

Six months to 30 June	2022 £m	2021 £m
External revenue (Reported)	1,679	1,548
Internal supply	313	278
<b>Total revenue (Adjusted)</b>	<b>1,992</b>	<b>1,826</b>

# Alternative Performance Measures continued

## Net pension surplus/deficit

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which the unfunded pension scheme holds a charge. See note 3.2 to the financial information.

## Profit to cash conversion

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

## Adjusted free cash flow

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

## Covenant net debt and covenant liquidity

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

	30 June 2022 £m	31 December 2021 £m
<b>Net debt (including IFRS 16 lease liabilities)</b>	<b>(615)</b>	<b>(414)</b>
Impact of IFRS 16 lease liabilities	118	92
Long-term trade payables	(21)	(18)
Other pension assets	53	62
<b>Covenant net debt</b>	<b>(465)</b>	<b>(278)</b>
<b>Covenant net debt to adjusted EBITDA*</b>	<b>0.6x</b>	<b>0.3x</b>
Cash and cash equivalents	575	736
Undrawn RCF	500	630
Undrawn CDS facility	300	148
<b>Covenant liquidity**</b>	<b>1,375</b>	<b>1,514</b>

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

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

# Finance Review

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

Six months to 30 June	2022 £m	2021 £m	Change £m	Change %
<b>ITV Studios total revenue</b>	<b>927</b>	<b>798</b>	<b>129</b>	<b>16</b>
Total advertising revenue	910	866	44	5
M&E non-advertising revenue	155	162	(7)	(4)
<b>M&amp;E total revenue</b>	<b>1,065</b>	<b>1,028</b>	<b>37</b>	<b>4</b>
<i>Total non-advertising revenue</i>	<i>1,082</i>	<i>960</i>	<i>122</i>	<i>13</i>
<b>Total group revenue</b>	<b>1,992</b>	<b>1,826</b>	<b>166</b>	<b>9</b>
Internal supply	(313)	(278)	(35)	(13)
<b>Group external revenue</b>	<b>1,679</b>	<b>1,548</b>	<b>131</b>	<b>8</b>
<b>Group adjusted EBITA</b>	<b>318</b>	<b>327</b>	<b>(9)</b>	<b>(3)</b>
Group adjusted EBITA margin	19%	21%		
<b>Operating profit</b>	<b>228</b>	<b>156</b>	<b>72</b>	<b>46</b>
<b>Adjusted EPS</b>	<b>6.0p</b>	<b>5.9p</b>	<b>0.1p</b>	<b>2</b>
<b>Statutory EPS</b>	<b>4.8p</b>	<b>2.4p</b>	<b>2.4p</b>	<b>100</b>
<b>Net debt as at 30 June</b>	<b>(615)</b>	<b>(467)</b>	<b>(148)</b>	<b>(32)</b>

## Exceptional items

Six months to 30 June	2022 £m	2021 £m
Acquisition-related expenses	(1)	(110)
Restructuring, transformation and property costs	(24)	(5)
Sports rights impairment	–	2
Transponder onerous contract	–	(16)
Pension costs	(4)	–
Other costs	(2)	(1)
<b>Operating exceptional items</b>	<b>(31)</b>	<b>(130)</b>
Exceptional finance costs	–	(6)
<b>Total exceptional items</b>	<b>(31)</b>	<b>(136)</b>

Total exceptional items in the period were £31 million (2021: £136 million). Acquisition-related expenses of £1 million are predominantly professional fees related to acquisitions and performance-based, employment-linked consideration to former owners. The decrease year-on-year reflects the final payment on the Talpa acquisition in 2021, following the independent determination of the final earnout.

Restructuring, transformation and property costs of £24 million relate to one-off restructuring projects in respect of: the Group-wide commitment to reduce the overhead cost base, and reorganisation and transformation programme costs to deliver our strategy. In 2022 these costs largely relate to the business transformation programme which commenced in 2021 and costs related to the London office move to Broadcast Centre in early 2022.

Transponder onerous contract relates to satellite transponder capacity no longer required. In 2021, we provided for an onerous contract for a second transponder for £16 million. This was following a review of our transponder capacity usage in the second half of 2020.

Pension costs relate to a one-off pension insurance risk premium payable on the completion of the buyout of Section C of the ITV Pension Scheme.

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

Exceptional finance costs of £6 million in 2021 was principally interest accrued on exceptional acquisition-related expenses.

# Finance Review continued

## Net financing costs

Six months to 30 June	2022 £m	2021 £m
Financing costs directly attributable to loans and bonds	(13)	(13)
Cash-related net financing costs	1	(6)
Amortisation on bonds and gilts	–	–
<b>Adjusted financing costs</b>	<b>(12)</b>	<b>(19)</b>
Imputed pension interest	–	–
Exceptional interest	–	(6)
Other net financial losses and unrealised foreign exchange	(5)	(2)
<b>Net financing costs</b>	<b>(17)</b>	<b>(27)</b>

Adjusted financing costs were down year-on-year at £12 million (2021: £19 million) largely due to higher returns on gilts and deposits. Net financing costs were £17 million, which was down year-on-year (2021: £27 million) mainly driven by the higher interest yields and foreign exchange gains.

## JVs and associates

Our share of profits from JVs and associates in the period was £8 million (2021: £4 million). This was the net profit arising from our investments, including BritBox International, Blumhouse Television and Bedrock Entertainment.

## Profit before tax

Whilst statutory profit before tax increased significantly year-on-year to £219 million (2021: £133 million), adjusted profit before tax was flat at £301 million (2021: £301 million). Exceptional items decreased significantly year-on-year to £31 million (2021: £130 million), driven mainly by lower acquisition-related expenses. Production tax credits increased to £23 million (2021: £11 million) as a result of more high-value dramas compared to the same period in 2021 when productions were still affected by COVID-19.

### Profit before tax (PBT) and adjusted PBT

Six months to 30 June	2022 £m	2021 £m
<b>Profit before tax</b>	<b>219</b>	<b>133</b>
Production tax credits	23	11
Exceptional items (excluding exceptional finance costs)	31	130
Amortisation and impairment*	23	19
Adjustments to net financing costs	5	8
<b>Adjusted profit before tax</b>	<b>301</b>	<b>301</b>

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

## Tax

### Adjusted tax charge

The total adjusted tax charge for the period was £58 million (2021: £60 million), corresponding to an effective tax rate on adjusted PBT of 19% (2021: 20%), which is the same as the standard UK corporation tax rate of 19% (2021: 19%). We expect the adjusted effective tax rate to be around 20% in 2022, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023.

On a reported basis, the tax charge is £22 million (2021: £32 million) and corresponds to an effective tax rate of 10% (2021: 24%). This rate in 2022 is lower than previous years due to the exceptional Talpa earnout cost in 2021. The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the table above.

Six months to 30 June	2022 £m	2021 £m
<b>Tax charge</b>	<b>(22)</b>	<b>(32)</b>
Production tax credits	(23)	(11)
Charge for exceptional items	(4)	(4)
Charge in respect of amortisation and impairment*	(5)	(4)
Charge in respect of adjustments to net financing costs	(1)	(2)
Other tax adjustments	(3)	(7)
<b>Adjusted tax charge</b>	<b>(58)</b>	<b>(60)</b>
<b>Effective tax rate on adjusted profits</b>	<b>19%</b>	<b>20%</b>

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

# Finance Review continued

## Cash tax

Cash tax paid in the period was £31 million (2021: £41 million) and is net of £14 million of production tax credits received (2021: £6 million). The majority of the cash tax payments were made in the UK. The cash tax paid is lower compared to the previous year as the production tax credits received were higher than the previous year.

## Tax strategy

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

[www.itvplc.com/investors/governance/policies](http://www.itvplc.com/investors/governance/policies)

We have four key strategic tax objectives:

1. Engage with tax authorities in an open and transparent way to minimise uncertainty
2. Proactively partner with the business to provide clear, timely, relevant and business focused advice across all aspects of tax
3. Take an appropriate and balanced approach when considering how to structure tax sensitive transactions
4. Manage ITV's tax risk by operating effective tax governance and understanding our tax control framework with a view to continuously adjusting our approach to be compliant with our tax obligations

Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2021, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

## EPS – adjusted and statutory

Overall, adjusted profit after tax was up broadly flat at £239 million (2021: £238 million). Non-controlling interest was a share of profit of £4 million (2021: £3 million) which is the net result from the non-ITV owned share in entities such as Cattleya and Tomorrow ITV Studios.

Adjusted basic EPS was up 2% to 6.0p in the period (2021: 5.9p), and compares to an adjusted EPS of 6.2p in 2019. The weighted average number of shares increased year-on-year to 4,009 million (2021: 4,005 million). Diluted adjusted EPS in the period was 5.9p (2021: 5.9p) reflecting a weighted average diluted number of shares of 4,044 million (2021: 4,046 million).

Statutory EPS increased by 100% to 4.8p (2021: 2.4p), and was in line with 2019.

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

## Dividend per share

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

## Acquisitions

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

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

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

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

# Finance Review continued

The majority of earnouts or put and call options are dependent on the seller remaining within the business. Where future payments are directly related to the seller remaining with the business, these payments are treated as employment costs and, therefore, are part of our statutory results.

However, we exclude these payments from adjusted profits and adjusted EPS as an exceptional item, as in our view, for the reasons set out above, these items are part of the capital consideration reflecting how we structure our transactions and do not form part of the core operations.

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

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £82 million are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £68 million and £150 million. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

## Acquisitions – between 2012 and 2022 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period***
<b>Total for 2012–2022</b>	<b>Various</b>	<b>Content &amp; Broadcast TV</b>	<b>959</b>	<b>479</b>	<b>82</b>	<b>1,520</b>	<b>2022-2026</b>

\* Undiscounted and adjusted for foreign exchange. All future payments are performance related.

\*\* Undiscounted and adjusted for foreign exchange, including the initial cash consideration and excluding working capital adjustments. Total maximum consideration which was potentially payable at the time of acquisition was £2.4 billion.

\*\*\* £26 million is expected to be paid in 2022

We closely monitor the forecast performance of each acquisition and, where there has been a change in expectations, we adjust our view of potential future commitments. Expected future payments of £82 million have increased by £3 million since 31 December 2021, mainly due to the impact of foreign exchange.

At 30 June 2022, £69 million of expected future payments had been recorded on the balance sheet, with the balance of £13 million to be accrued over the period in which the sellers are required to remain with the business.

There were no material acquisitions in the first half of 2022. On 1 July 2022, ITV plc completed the acquisition of a majority shareholding (79.5%) in Plimsoll Productions, the largest independent producer of natural history programmes in the world and a growing premium factual producer. This acquisition is a further milestone in ITV's strategy of expanding its international content business.

## Cash generation

### Profit to cash conversion

Six months to 30 June	2022 £m	2021 £m
<b>Adjusted EBITA</b>	<b>318</b>	<b>327</b>
Working capital movement	(103)	(128)
Adjustment for production tax credits	(9)	(5)
Depreciation	26	28
Share-based compensation	6	3
Acquisition of property, plant and equipment and intangible assets*	(37)	(28)
Lease liability payments (including lease interest)	(16)	(14)
<b>Adjusted cash flow</b>	<b>185</b>	<b>183</b>
<b>Profit to cash ratio six months to 30 June</b>	<b>58%</b>	<b>56%</b>
<b>Profit to cash ratio 12-months rolling</b>	<b>81%</b>	<b>72%</b>

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

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

In the period, we generated £185 million of operational cash (2021: £183 million) from £318 million of adjusted EBITA (2021: £327 million), resulting in a profit to cash ratio of 58% (2021: 56%) for the first six months of 2022. Across a 12-month rolling basis this equates to a profit to cash ratio of 81% (2021: 72%).

# Finance Review continued

## Free cash flow

	2022 £m	2021 £m
Six months to 30 June		
Adjusted cash flow	185	183
Net interest paid (excluding lease interest)	(14)	(21)
Adjusted cash tax*	(45)	(47)
Pension funding	(137)	(44)
<b>Free cash flow</b>	<b>(11)</b>	<b>71</b>

\* Adjusted cash tax of £45 million is total cash tax paid of £31 million plus receipt of production tax credits of £14 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes

Our free cash flow after payments for interest, cash tax and pension funding was a deficit of £11 million (2021: £71 million free cash flow). This deficit follows the additional pension deficit contributions agreed with Trustees during the period (see Pensions below and note 3.2), which includes payments of amounts deferred during the pandemic and a one-off payment of £80 million on the extension of the SDN pension funding partnership.

## Funding and liquidity

### Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long-term. ITV uses debt instruments with a range of maturities and has access to appropriate short-term borrowing facilities and has a policy to maintain a minimum of £250 million of cash and undrawn committed facilities available at all times. We have two committed facilities in place to maintain our financial flexibility, which includes a £500 million Revolving Credit Facility (RCF) maturing in January 2027, with the opportunity to renew for one or two more years from the expiry date, and therefore potentially providing funding until 2029. The RCF has leverage and interest cover covenants which require us to maintain a covenant net debt to adjusted EBITDA ratio of below 3.5x and interest cover (adjusted EBITDA to net finance charges) above 3.0x. At 30 June 2022, ITV's financial position was well within its covenants.

We also have a bilateral financing facility of £300 million, which is free of financial covenants and matures on 30 June 2026. This provides us with sufficient liquidity to meet the requirements of the business in the short to medium term under a variety of scenarios, including a severe but plausible downside scenario. At 30 June 2022, the £500 million RCF was undrawn and the £300 million bilateral facility was also undrawn, which with cash of £575 million (including restricted cash of £50 million), provided total liquidity of £1,375 million (31 December 2021: £1,514 million).

After acquisitions and acquisition-related costs, pension and tax payments, we ended the period with reported net debt of £615 million (31 December 2021: £414 million; 30 June 2021: £467 million).

### Reported net debt

	2022 £m	2021 £m
At 30 June		
Gross cash*	575	704
Gross debt (including IFRS 16 lease liabilities)	(1,190)	(1,171)
<b>Net debt</b>	<b>(615)</b>	<b>(467)</b>

\* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership (2021: £50 million of restricted cash).

### Financing – gross debt

We are financed using debt instruments and facilities with a range of maturities. Borrowings at 30 June 2022 were repayable as follows:

Amount repayable as at 30 June 2022	£m	Maturity
£500 million Revolving Credit Facility	–	Jan 2027
€600 million Eurobond*	543	Sep 2026
€335 million Eurobond	288	Sep 2022
€259 million Eurobond	223	Dec 2023
Other loans	18	Various
<b>Total debt repayable on maturity**</b>	<b>1,072</b>	

\* Includes £27 million cross-currency interest rate swaps

\*\* Excludes £118 million of IFRS 16 lease liabilities

ITV will redeem the 2.125% €335 million Eurobond which matures in September 2022 using available cash, in order to reduce gross cash and gross debt. This will improve the efficiency of the balance sheet and strengthen our credit metrics.

### Capital allocation and leverage

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 30 June 2022, reported net debt to adjusted EBITDA on a 12-month basis was 0.7x (31 December 2021: 0.5x and 30 June 2021: 0.6x). Our priorities remain as follows: to invest organically in our key assets and value drivers in line with our strategic priorities; maintain an investment-grade balance sheet; sustain a regular ordinary dividend that can grow over time; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

# Finance Review continued

## Credit ratings

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

## Foreign exchange

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

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

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

## Work in progress programme stock, contract assets and liabilities

In the first half of 2022, contract assets increased by £2 million, work in progress programme stock increased by £53 million and contract liabilities increased by £80 million compared to 31 December 2021. The work in progress programme stock increase was driven predominantly by ITV Studios, reflecting higher production volumes and deliveries scheduled for the second half of the year. ITV Studios contract liabilities increased by £48 million primarily for the same reason and, where applicable, reflects production milestone payments received in advance of delivery from our customers. M&E contract liabilities increased by £32 million due to programme finance agreements with advertisers.

## Pensions

The net pension surplus for the defined benefit schemes at 30 June 2022 on an accounting basis was £352 million (31 December 2021: £8 million deficit). The movement in the period was driven by a decrease in liabilities caused by an increase in the corporate bond yields and a decrease in market-implied inflation. Pension assets have decreased due to a rise in gilt yields in the period, offset by our deficit funding contributions of £137 million.

The net pension assets include £53 million of gilts, which are held by the Group as security for future unfunded pension payments to four former Granada executives, the liabilities of which are included in our pension obligations. A full reconciliation is included within note 3.2 of the financial statements.

## Actuarial valuation

The 31 December 2019 actuarial valuation of the main section of the ITV Pension Scheme was agreed during the period. The deficit as at 31 December 2019 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing deficit reduction contribution plan in order to eliminate the deficit of £252 million. We expect the deficit reduction contributions to be around £40 million in 2022, £43 million in 2023, £48 million in 2024 and £28 million in 2025. The deficit funding contributions are driven by the actuarial deficit valuation, and not the accounting (IAS19) valuation.

## Deficit funding contributions

The accounting deficit does not drive the deficit funding contribution. The Group's deficit funding contributions in the first half of 2022 were £137 million, with £40 million following the agreement of the Triennial valuation of the main section of the Scheme, £83 million relating to the extension of the SDN pension funding partnership (see below) and £11 million and £3 million annual payments under the existing SDN and London Television Centre pension funding partnerships respectively. No further deficit funding contributions are due for the remainder of the year. Further details are included within Note 3.2 of the interim financial statements.

## SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200m of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement, a payment of up to £200m was due in 2022. The existing PFP agreement has been amended and extended to 2031. As a result of this agreement, an upfront payment of £80 million was paid to the pension scheme in the period and an additional deficit contribution of £3 million was paid for the period between the end of the original agreement and the date the extension agreement was signed. In 2022, ITV has made a total payment under the SDN PFP arrangement of £94 million as there was a payment of £11 million in respect of the final income payment under the original arrangement. The Group is committed to up to nine annual payments of £16 million from 2023. The partnership's interest in SDN provides collateral for these payments. The Group retains day to day operational control of SDN and SDN's revenues, profits and cashflows continue to be consolidated in the Group's accounts. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments.

## Post balance sheet events

On 1 July 2022 ITV plc completed an acquisition of a majority shareholding of 79.5% in Plimsoll Productions (through its holding company Escapade Bidco Limited), the largest independent producer of natural history programmes in the world and a growing premium factual producer, for a cash consideration of approximately £103.5 million. Put and call options are in place over the remaining shareholding.

This acquisition is a further milestone in ITV's strategy of expanding its international content business. It further diversifies ITV Studios production base and will enable ITV to take advantage of the strong demand for content across the ever-popular natural history and factual genres. Plimsoll Productions has a strong network with all of the global streamers and this acquisition will strengthen and deepen ITV Studios' relationships with the streamers.

# Finance Review continued

As the acquisition occurred on 1 July 2022, Plimsoll Productions will be consolidated from that date. The acquisition accounting will be provisionally assessed by the end of the current financial year and completed within 12 months following the date of the acquisition, but for this period has been noted as a subsequent event.

On 13 July 2022, the UK Competition and Markets Authority ("CMA") opened an investigation into the purchase of freelance services, which support the production and broadcasting of sports content in the United Kingdom, by ITV and other named companies in the sector. ITV is committed to complying with competition law and is cooperating with the CMA's inquiries.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20th July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for fiscal years beginning on or after 31st December 2023. The Group is reviewing these draft rules to understand any potential impacts.

## Planning assumptions for full year 2022

The following planning assumptions for 2022 are based on our current best view but may change depending on how events unfold over the rest of the year.

### Profit and Loss impact

- Total content costs are expected to be around £1.23 billion which includes BritBox UK content costs
- Total M&E investment of around £55 million in 2022, which includes: investment associated with ITVX in data, technology and streaming of £25 million and one-off launch costs of £20 million; along with investment of £10 million in our digital capabilities including Planet V, and our digital innovations business
- Permanent overhead cost savings are expected to be around £17 million in 2022. We will deliver around £100 million of annualised permanent overhead cost savings by the end of 2022 from 2019
- Adjusted financing costs are expected to be around £36 million
- The adjusted effective tax rate is expected to be around 20% 2022, and then move to around 25% over the medium term due to the increase in the UK corporation tax rate from April 2023
- The translation impact of foreign exchange, assuming rates remain at current levels, could have a favourable impact of around £16 million on revenue and £1 million impact on EBITA
- Exceptional items are expected to be around £60 million, mainly due to costs associated with our digital transformation and our London property move

### Cash impact

- Total capex is expected to be around £70 million as we further invest in our digital acceleration
- The cash cost of exceptionals is expected to be around £50 million, largely relating to costs associated with our digital transformation and our London property move
- Profit to cash conversion is expected to be around 80%
- Total pension deficit funding contribution for 2022 will be £137 million which includes an £80 million one-off upfront payment under the existing PFP agreement
- The Board intends to pay a full year ordinary dividend of at least 5.0p which it expects to grow over time, whilst balancing further investment behind our strategy and our commitment to investment grade metrics over the medium term.

### Foreign exchange sensitivity

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

Currency	Revenue £m	Adjusted EBITA £m
US dollar	±28-30	± 3-3
Euro	±22-27	± 3-4

### Chris Kennedy

Group Chief Financial Officer

# Risks and Uncertainties

## Risk management

ITV operates in a rapidly changing business environment. Viewer behaviours, macro-economic trends, competitors and the broader industry are evolving rapidly, creating an increasingly complex risk landscape.

We understand that taking certain risks is unavoidable, and necessary, to enable us to continue to produce and broadcast market-leading quality content and achieve our strategic goals. However, we have a framework in place to help us manage these risks, with the key objectives of:

- securing our finances, reputation and operations
- protecting our viewers, colleagues, talent and programme participants
- achieving our strategic goals; and
- creating value for our shareholders

## Key changes to principal risks

We have detailed risk identification, assessment and reporting processes in place. This provides us with the necessary insight to continually monitor and improve the effectiveness of our mitigation and internal control activities. The Directors have performed a robust assessment of the principal and emerging risks and uncertainties faced by the Group. Based on this we have made two changes to the principal risks and uncertainties stated in the Annual Report and Accounts for the year ended 31 December 2021, as follows:

- We have removed Covid-19 as a standalone principal risk, reflecting both the reducing medical risk to individuals who test positive for the virus and improvements in our capacity to manage the operational impacts associated with it. We continue to manage this risk as part of our existing enterprise risk management framework and have reflected potential health and safety impacts, within our Health and Safety and Duty of Care principal risk and the ongoing costs to manage the virus is reflected in our Studios Market principal risk.
- We have combined the risks relating to Strategic Delivery and Culture Change, into a single risk. This change allows us to better articulate the relationship between these risks and reflects that creation of our desired culture is a driving factor for strategic delivery and digital transformation.

Other than the changes noted, the Directors consider that principal risks and uncertainties faced by the Group remain substantially the same as those set out on pages 72 to 87 of our Annual Report and Accounts for the year ended 31 December 2021. However, we will continue to keep these risks under review as we recognise that the pace of change in the industry and within our own business, may continue to influence both the nature and significance of the principal risks facing our company.

The principal risks and direction of travel have been summarised below:

### External/Strategic

- Changing viewer habits (trending upwards)
- Advertising market changes (trending upwards)
- Evolving demand in the content market (static)
- Pension deficit increase (static)
- Platform relationship risks (static)
- Regulatory and policy risk (trending upwards)

### Internal Change

- Content pipeline risk (static)
- Insufficient streaming growth (trending upwards)
- Strategic delivery and digital transformation risk (trending upwards)

### Operational

- Duty of care/health and safety incident (static)
- Legal and regulatory non-compliance (static)
- Cyber-attack or data breach (trending upwards)
- Recruitment and retention of talent (static)

Refer to our 2021 annual report and accounts for further detail on our Risk Framework. Available at <https://www.itvplc.com/~media/Files/I/ITV-PLC/documents/reports-and-results/annual-report-2021.pdf>

# Unaudited Condensed Interim Financial Statements

## In this section

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

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

Independent Review Report to ITV plc

# Condensed Consolidated Income Statement

For the six month period to 30 June	Note	2022 £m	2021 £m
<b>Revenue</b>	2.1	<b>1,679</b>	1,548
Operating costs		<b>(1,451)</b>	(1,392)
<b>Operating profit</b>		<b>228</b>	156
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	<b>295</b>	316
Operating exceptional items	2.2	<b>(31)</b>	(130)
Amortisation and impairment		<b>(36)</b>	(30)
<b>Operating profit</b>		<b>228</b>	156
Financing income		<b>8</b>	2
Financing costs		<b>(25)</b>	(29)
<b>Net financing costs</b>		<b>(17)</b>	(27)
Share of profits of joint ventures and associated undertakings		<b>8</b>	4
<b>Profit before tax</b>		<b>219</b>	133
Taxation		<b>(22)</b>	(32)
<b>Profit for the period</b>		<b>197</b>	101
<b>Profit attributable to:</b>			
Owners of the Company		<b>193</b>	98
Non-controlling interests		<b>4</b>	3
<b>Profit for the period</b>		<b>197</b>	101
<b>Earnings per share</b>			
Basic earnings per share	2.3	<b>4.8p</b>	2.4p
Diluted earnings per share	2.3	<b>4.8p</b>	2.4p

# Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June	2022 £m	2021 £m
<b>Profit for the period</b>	<b>197</b>	<b>101</b>
<b>Other comprehensive income:</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Revaluation of financial assets	(12)	(2)
Net (loss) / gain on cash flow hedges and cost of hedging	(10)	9
Exchange differences on translation of foreign operations (net of hedging)	66	4
<b>Items that will never be reclassified to profit or loss</b>		
Remeasurement gains / (losses) on defined benefit pension schemes	236	(27)
Income tax (charge) / credit on items that will never be reclassified	(60)	16
<b>Other comprehensive income for the period, net of income tax</b>	<b>220</b>	<b>–</b>
<b>Total comprehensive income for the period</b>	<b>417</b>	<b>101</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	406	101
Non-controlling interests	11	–
<b>Total comprehensive income for the period</b>	<b>417</b>	<b>101</b>

# Condensed Consolidated Statement of Financial Position

	Note	30 June 2022 £m	Re-presented 31 December 2021 * £m
<b>Non-current assets</b>			
Property, plant and equipment		275	254
Intangible assets		1,500	1,478
Investments in joint ventures, associates and equity investments		125	98
Distribution rights		15	21
Contract assets		7	6
Defined benefit pension surplus	3.2	330	26
Other pension asset	3.2	53	62
Deferred tax asset		–	37
		<b>2,305</b>	<b>1,982</b>
<b>Current assets</b>			
Programme rights and other inventory		396	313
Trade and other receivables due within one year		612	589
Trade and other receivables due after more than one year		43	42
Trade and other receivables		655	631
Contract assets		185	183
Programme stock – work in progress		413	360
Current tax receivable		40	32
Derivative financial instruments	4.3	5	3
Restricted cash	4.1	50	50
Cash and cash equivalents	4.1	525	686
		<b>2,269</b>	<b>2,258</b>
<b>Current liabilities</b>			
Borrowings	4.2	(296)	(290)
Lease liabilities		(15)	(21)
Derivative financial instruments	4.3	(12)	(5)
Trade and other payables due within one year		(796)	(849)
Trade payables due after more than one year		(21)	(18)
Trade and other payables		(817)	(867)
Contract liabilities		(439)	(359)
Current tax liabilities		–	(20)
Provisions	3.1	(119)	(120)
		<b>(1,698)</b>	<b>(1,682)</b>
<b>Net current assets</b>		<b>571</b>	<b>576</b>
<b>Non-current liabilities</b>			
Borrowings	4.2	(749)	(732)
Lease liabilities		(103)	(71)
Derivative financial instruments	4.3	(28)	(37)
Defined benefit pension deficit	3.2	(31)	(96)
Deferred tax liabilities		(55)	(12)
Other payables		(86)	(67)
Provisions	3.1	(23)	(25)
		<b>(1,075)</b>	<b>(1,040)</b>
<b>Net assets</b>		<b>1,801</b>	<b>1,518</b>
<b>Attributable to equity shareholders of the parent company</b>			
Share capital		403	403
Share premium		174	174
Merger and other reserves		215	215
Translation reserve		90	41
Fair value reserve		1	13
Retained earnings	4.5	872	634
<b>Total equity attributable to equity shareholders of the parent company</b>		<b>1,755</b>	<b>1,480</b>
Non-controlling interests		46	38
<b>Total equity</b>		<b>1,801</b>	<b>1,518</b>

\* Programme stock – work in progress has been re-presented on the face of the Statement of Financial Position. The balance was previously included within Contract Assets and separately disclosed in the Notes to the Accounts.

# Condensed Consolidated Statement of Changes in Equity

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

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

# Condensed Consolidated Statement of Changes in Equity

## continued

	Attributable to equity shareholders of the parent company						Total £m	Non- controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve £m	Fair value reserve £m	Retained earnings £m			
Balance at 1 January 2021	403	174	224	7	18	296	1,122	29	1,151
<b>Total comprehensive income for the period</b>									
Profit / (loss) for the period	–	–	–	–	–	98	98	3	101
<b>Other comprehensive income/(loss)</b>									
Revaluation of financial assets	–	–	–	–	(2)	–	(2)	–	(2)
Net gain on cash flow hedges and costs of hedging	–	–	–	9	–	–	9	–	9
Exchange differences on translation of foreign operations (net of hedging)	–	–	–	7	–	–	7	(3)	4
Remeasurement loss on defined benefit pension schemes	–	–	–	–	–	(27)	(27)	–	(27)
Income tax credit on other comprehensive income	–	–	–	–	–	16	16	–	16
Total other comprehensive income	–	–	–	16	(2)	(11)	3	(3)	–
<b>Total comprehensive income for the period</b>	–	–	–	16	(2)	87	101	–	101
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Movements due to share-based compensation	–	–	–	–	–	3	3	–	3
Tax on items taken directly to equity	–	–	–	–	–	(2)	(2)	–	(2)
<b>Total transactions with owners</b>	–	–	–	–	–	1	1	–	1
Changes in non-controlling interests	–	–	–	–	–	(5)	(5)	5	–
<b>Balance at 30 June 2021</b>	<b>403</b>	<b>174</b>	<b>224</b>	<b>23</b>	<b>16</b>	<b>379</b>	<b>1,219</b>	<b>34</b>	<b>1,253</b>

# Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June	Note	£m	2022 £m	£m	2021 £m
<b>Cash flows from operating activities</b>					
Profit before tax	2.1		219		133
Share of profits of joint ventures and associated undertakings		(8)		(4)	
Net financing costs		17		27	
Operating exceptional items	2.2	31		130	
Depreciation of property, plant and equipment		26		28	
Amortisation and impairment		36		30	
Share-based compensation		6		3	
Adjustments to profit			108		214
Increase in inventory and distribution rights		(78)		(10)	
Increase in contract assets and programme stock – work in progress		(29)		(73)	
Increase in receivables		(8)		(53)	
Increase in contract liabilities		63		71	
Decrease in payables		(51)		(63)	
Movement in working capital			(103)		(128)
<b>Cash generated from operations before exceptional items</b>			224		219
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	(31)		(130)	
Increase in exceptional payables		10		108	
Cash outflow from exceptional items			(21)		(22)
<b>Cash generated from operations</b>			203		197
Defined benefit pension deficit funding	3.2	(137)		(44)	
Net interest paid on bank, other loans and lease liabilities*		(16)		(23)	
Net taxation paid		(31)		(41)	
			(184)		(108)
<b>Net cash inflow from operating activities</b>			19		89
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(16)		(16)	
Acquisition of intangible assets		(21)		(12)	
Acquisition of investments		(3)		(10)	
Loans granted to associates and joint ventures		(4)		(1)	
Loans repaid by associates and joint ventures		4		–	
Return of capital from wind up of investments		–		1	
<b>Net cash outflow from investing activities</b>			(40)		(38)
<b>Cash flows from financing activities</b>					
Bank and other loans – amounts repaid		(14)		(13)	
Bank and other loans – amounts raised		13		16	
Payment of lease liabilities		(14)		(12)	
Equity dividends paid		(133)		–	
Acquisition of non-controlling interests		(1)		(1)	
<b>Net cash outflow from financing activities</b>			(149)		(10)
<b>Net (decrease)/increase in cash and cash equivalents</b>			(170)		41
<b>Cash and cash equivalents at 1 January</b>	4.1		686		618
Effects of exchange rate changes and fair value movements			9		(5)
<b>Cash and cash equivalents at 30 June</b>	4.1		525		654

\* Included in Interest paid on bank, other loans and lease liabilities is £2 million relating to lease liabilities (2021: £2 million).

# Notes to the Condensed Financial Statements

## Section 1: Basis of Preparation

### In this section

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

ITV plc (the 'Company') is a company domiciled in the UK. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as 'the Group').

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual audited financial statements within the annual report and accounts for the year ended 31 December 2021, which has been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

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

These condensed consolidated financial statements are not statutory accounts. The statutory accounts for the year ended 31 December 2021 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors' report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### Going concern

As at 30 June 2022, the Group was in a reported net debt position of £615 million (31 December 2021: £414 million).

The Group had £525 million of unrestricted cash (31 December 2021: £686 million), a £500 million (31 December 2021: £630 million) committed and undrawn Revolving Credit Facility expiring in January 2027 (replacing the £630 million Revolving Credit Facility as at 31 December 2021 which was due to expire in December 2023) and a £300 million committed and undrawn bilateral facility expiring in June 2026 (of which £152 million was drawn at 31 December 2021), providing £1,325 million (31 December 2021: £1,464 million) of liquidity. In addition, bond repayments commence in September 2022 (€335 million Eurobond) and there are no financial covenants in relation to the bonds in issue, although there are cross default provisions.

The Revolving Credit Facility (RCF) is subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (as defined in the RCF documentation). As at 30 June 2022, the Group had covenant net debt of £465 million (31 December 2021: £278 million) and its financial position was well within its covenants. The leverage and interest cover tests will be tested again as at 31 December 2022.

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

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

# Notes to the Condensed Financial Statements

## Section 1: Basis of Preparation continued

### Accounting judgements and estimates

The preparation of interim financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions, reviewed on an ongoing basis, that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The areas involving material judgement or complexity are set out below. Additional detail on the judgements applied by management are set out in the accounting policies section of the relevant notes in these condensed consolidated financial statements or the ITV plc annual report and accounts for the year ended 31 December 2021:

- Defined benefit pension (note 3.2)
- Provisions related to Box Clever (note 3.1)
- Employee-related provisions (note 3.1)

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial statements but are not expected to have a material impact on them in the next 12 months. These areas include the reviews of the carrying value of goodwill and intangible assets, onerous contracts, impairment assessments in relation to sports rights, and taxation. More detail on each of these items is given in the relevant notes.

### New or amended accounting standards

The amendments to accounting standards that are effective for annual periods beginning on 1 January 2022 did not have a significant impact on the Group's results.

Further details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 January 2022 and their impact on the Group is listed below:

Accounting standard	Requirement	Impact on financial statements
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before intended use	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.	No material change to the Group's financial position or performance.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Onerous Contracts – Cost of Fulfilling a Contract	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	No material change to the Group's financial position or performance.
Annual Improvements to IFRS Standards 2018-2020	The following improvements were finalised in May 2020: <ul style="list-style-type: none"> <li>• IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.</li> <li>• IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.</li> </ul>	No material change to the Group's financial position or performance.
Amendments to IFRS 3 'Business Combinations' – Reference to the Conceptual Framework	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	No material change to the Group's financial position or performance.

# Notes to the Condensed Financial Statements

## Section 2: Results for the Period

### In this section

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

### 2.1 Profit before tax

#### Keeping it simple

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

In the second half of 2021, we re-categorised non-advertising revenues to reflect how revenues are now reviewed internally within the Media & Entertainment segment. Subscriptions is a new category consisting of subscription revenue generated directly from streaming services and includes the revenues of ITV Hub+ and BritBox UK. Partnerships and other revenue is also a new category and includes revenues from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission and commercial revenue from our creative partnerships. The Direct to Consumer category is no longer used. The comparative information has been re-presented to reflect these changes.

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

	2022 £m	Re-presented 2021 £m
ITV Studios UK	365	295
ITV Studios US	173	160
ITV Studios International	215	194
Global Formats and Distribution	174	149
<b>Total ITV Studios<sup>1</sup></b>	<b>927</b>	<b>798</b>
Total advertising revenue ('TAR')	910	866
Subscriptions <sup>3</sup>	26	18
SDN	28	37
Partnerships and other revenue <sup>3</sup>	101	107
<b>Total Media &amp; Entertainment</b>	<b>1,065</b>	<b>1,028</b>
<b>Total revenue<sup>2</sup></b>	<b>1,992</b>	<b>1,826</b>

<sup>1</sup> Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Formats and Distribution revenue is from programme distribution rights and format licences

<sup>2</sup> Includes internal supply as discussed in the APMS

<sup>3</sup> 2021 revenue is re-presented to reflect the change in categorisation of non-advertising revenue within M&E mentioned above

#### Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Management Board. The Management Board is regarded as the chief operating decision-maker and considers the business, primarily from an operating activity perspective. The reportable segments for the period ended 30 June 2022 continue to be 'ITV Studios' and 'Media & Entertainment'.

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

	ITV Studios 2022 £m	Media & Entertainment 2022 £m	Consolidated 2022 £m
For the six month period 30 June			
Total segment revenue	927	1,065	1,992
Intersegment revenue	(310)	(3)	(313)
<b>Revenue from external customers</b>	<b>617</b>	<b>1,062</b>	<b>1,679</b>
<b>Adjusted EBITA<sup>1</sup></b>	<b>124</b>	<b>194</b>	<b>318</b>
	ITV Studios 2021 £m	Media & Entertainment 2021 £m	Consolidated 2021 £m
For the six month period to 30 June			
Total segment revenue	798	1,028	1,826
Intersegment revenue	(275)	(3)	(278)
<b>Revenue from external customers</b>	<b>523</b>	<b>1,025</b>	<b>1,548</b>
<b>Adjusted EBITA<sup>1</sup></b>	<b>95</b>	<b>232</b>	<b>327</b>

<sup>1</sup> Adjusted EBITA is before exceptional items and includes the benefit of production tax credits. It is shown after the elimination of intersegment revenue and costs.

# Notes to the Condensed Financial Statements

## Section 2: Results for the Period continued

### Timing of revenue recognition

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

For the six month period to 30 June	2022 £m	2021 £m	2022 £m	2021 £m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, Subscriptions, SDN and other M&E revenue	898	868	164	157
Programme production, programme distribution rights	449	410	105	63
Format licenses	62	46	1	4
<b>Total external revenue</b>	<b>1,409</b>	<b>1,324</b>	<b>270</b>	<b>224</b>

### Adjusted EBITA

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

For the six month period to 30 June	2022 £m	2021 £m
<b>Adjusted EBITA</b>	<b>318</b>	<b>327</b>
Production tax credits	(23)	(11)
<b>EBITA before exceptional items</b>	<b>295</b>	<b>316</b>
Operating exceptional items	(31)	(130)
Amortisation and impairment	(36)	(30)
Net financing costs	(17)	(27)
Share of profits of joint ventures and associated undertakings	8	4
<b>Profit before tax</b>	<b>219</b>	<b>133</b>

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

# Notes to the Condensed Financial Statements

## Section 2: Results for the Period continued

### 2.2 Exceptional items

#### Keeping it simple

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

Operating and non-operating exceptional items are analysed as follows:

For the six month period to 30 June (Charge)/credit	Ref.	2022 £m	2021 £m
Operating exceptional items:			
Acquisition-related expenses	A	(1)	(110)
Restructuring, transformation and property costs	B	(24)	(5)
Sports rights	C	–	2
Transponder onerous contracts	D	–	(16)
Pension related costs	E	(4)	–
Other	F	(2)	(1)
<b>Total operating exceptional items</b>		<b>(31)</b>	<b>(130)</b>
Tax on operating exceptional items		4	4
<b>Total operating exceptional items net of tax</b>		<b>(27)</b>	<b>(126)</b>
Net financing exceptional items:			
Acquisition-related		–	(6)
<b>Total net financing exceptional items</b>		<b>–</b>	<b>(6)</b>
Tax on net financing exceptional items		–	1
<b>Total exceptional items net of tax</b>		<b>(27)</b>	<b>(131)</b>

#### A – Acquisition-related

Acquisition-related expenses of £1 million (2021: £110 million) relate to performance-based, employment-linked payments to former owners and professional fees (mainly financial due diligence and legal costs in respect of potential acquisitions during the year). In 2021, the final determination of the second earnout on the Talpa acquisition was received, resulting in an additional amount payable of €125 million (£108 million) due to the inclusion of the insured receivable in the calculation of the earnout.

#### B – Restructuring, transformation and property costs

Restructuring costs of £12 million (2021: £5 million) relate to one-off significant restructuring and transformation programmes of the business. Significant projects in the period to 30 June 2022 include a business transformation programme which commenced in 2021. This programme includes the implementation of a new cloud-based ERP solution, a software as a service (SaaS) solution where the implementation costs are expensed as incurred. The implementation commenced in 2021 and is expected to continue throughout the current year and into 2023. Following the decision to move to Broadcast Centre in early 2022, £12 million (2021: £nil) of property move related costs have been recognised as exceptional, including accelerated depreciation following a change in useful life of the related assets.

#### C – Sports rights

In the prior year, the Group reversed £2 million of the impairment that was previously recognised for certain sporting events that were impacted by COVID-19 pandemic and the underlying market movements. The reversal of impairment resulted from improved TAR forecasts in the period under review.

#### D – Transponder onerous contract

In the prior year, we provided £16 million for an onerous contract for a second transponder. This was following a review of our transponder capacity usage in the second half of 2020 and early 2021.

#### E – Pension related costs

Pension related costs of £4 million (2021: £nil) relate to the risk premium paid in relation to the buy-out of Section C of the ITV Pension Scheme (see note 3.2).

#### F – Other

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

# Notes to the Condensed Financial Statements

## Section 2: Results for the Period continued

### 2.3 Earnings per share

#### Keeping it simple

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

**Basic EPS** is calculated on the Group profit for the period attributable to equity shareholders of £193 million (2021: £98 million) divided by 4,009 million (2021: 4,005 million) being the weighted average number of shares in issue during the period, which excludes EBT shares held in trust.

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

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

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

#### Earnings per share

For the six month period to 30 June	2022	2021
<b>Profit for the period attributable to equity shareholders of ITV plc (£m)</b>	<b>193</b>	98
Weighted average number of ordinary shares in issue – million	<b>4,009</b>	4,005
<b>Basic earnings per ordinary share</b>	<b>4.8p</b>	2.4p

#### Diluted earnings per share

For the six month period to 30 June	2022	2021
<b>Profit for the period attributable to equity shareholders of ITV plc (£m)</b>	<b>193</b>	98
Weighted average number of ordinary shares in issue – million	<b>4,009</b>	4,005
Dilution due to share options – million	<b>35</b>	41
<b>Total weighted average number of ordinary shares in issue – million</b>	<b>4,044</b>	4,046
<b>Diluted earnings per ordinary share</b>	<b>4.8p</b>	2.4p

#### Adjusted earnings per share

For the six month period to 30 June	Ref.	2022 £m	2021 £m
Profit for the period attributable to equity shareholders of ITV plc		<b>193</b>	98
Exceptional items (net of tax)	A	<b>27</b>	126
<b>Profit for the period before exceptional items</b>		<b>220</b>	224
Amortisation and impairment	B	<b>18</b>	15
Net financing costs	C	<b>4</b>	6
Other tax adjustments	D	<b>(3)</b>	(7)
<b>Adjusted profit</b>		<b>239</b>	238
Weighted average number of ordinary shares in issue – million		<b>4,009</b>	4,005
<b>Basic adjusted earnings per ordinary share</b>		<b>6.0p</b>	5.9p

# Notes to the Condensed Financial Statements

## Section 2: Results for the Period continued

### *Diluted adjusted earnings per share*

For the six month period to 30 June	2022	2021
<b>Adjusted profit (£m)</b>	<b>239</b>	238
Weighted average number of ordinary shares in issue – million	<b>4,009</b>	4,005
Dilution due to share options – million	<b>35</b>	41
<b>Total weighted average number of ordinary shares in issue – million</b>	<b>4,044</b>	4,046
<b>Diluted adjusted earnings per ordinary share</b>	<b>5.9p</b>	5.9p

The rationale for determining the adjustments to profit is disclosed in the 31 December 2021 Annual Report and Accounts and has not changed during the period. Details of the adjustments to earnings are as follows:

#### **A. Exceptional items (net of tax) £27 million (2021: £126 million)**

- operating exceptional items of £31 million (2021: £130 million), see details in note 2.2.
- net of a related tax credit of £4 million (2021: £4 million).

#### **B. Amortisation and impairment of £18 million (2021: £15 million)**

- amortisation and impairment of assets acquired through business combinations and investments of £36 million (2021: £30 million), excluding amortisation and impairment of software licenses and development of £13 million (2021: £11 million).
- net of a related tax credit of £5 million (2021: £4 million).

#### **C. Net financing cost £4 million (2021: £6 million)**

- finance costs of £5 million (2021: £8 million) includes £nil (2021: £6 million) relating to the interest accrued on acquisition-related exceptional expenses and unrealised foreign exchange losses and fair value adjustments on financial assets and imputed pension interest charges.
- net of a related tax credit of £1 million (2021: £2 million).

#### **D. Other tax adjustments a charge of £3 million (2021: charge of £7 million)**

- other tax adjustments relate primarily to prior year adjustments.

# Notes to the Condensed Financial Statements

## Section 3: Operating Assets and Liabilities

### In this section

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

### 3.1 Provisions

#### Keeping it simple

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

The table below presents movements in provisions during the period:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	Total £m
At 1 January 2022	32	6	107	145
Additions	—	2	1	3
Utilised	(5)	—	(1)	(6)
Released	—	—	—	—
Foreign exchange	1	—	(1)	—
<b>At 30 June 2022</b>	<b>28</b>	<b>8</b>	<b>106</b>	<b>142</b>

Provisions of £119 million are classified as current liabilities (31 December 2021: £120 million). Unwind of the discount is £nil (2021: £nil).

#### Contract provisions of £28 million (31 December 2021: £32 million)

Represent liabilities in respect of onerous contracts in relation to individual sports rights of £5 million (31 December 2021: £5 million) and transmission capacity supply contract of £23 million (31 December 2021: £27 million).

##### Sports Rights

The provision for sports rights is sensitive to the changes in the sporting schedule and consequential impact on TAR. In calculating the provision, management made estimates and used assumptions in determining the nature, amount and timing of potential outflows including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts. A provision is recognised for rights where the estimated revenues are less than the obligation held. The provision held at 30 June 2022 is £5 million (31 December 2021: £5 million). There has been no movement in the provision in the period (31 December 2021: £11 million utilised and £8 million released).

##### Transponders

During 2020 and 2021, we reviewed the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from two transponders. We are no longer utilising them and they are therefore not generating revenues. Management has applied judgement in its assessment that the individual elements of the contract are separable from the remaining elements of the contract, which are not considered onerous. The contracted future commitment to October 2024 in respect of these two transponders has therefore been recognised as a provision as there are no future economic benefits expected. In 2020, we provided £19 million as an onerous contract for the first transponder from the date it was cleared and in 2021, £16 million for the second transponder capacity. The total provision for onerous contracts at 30 June 2022 is £23 million (31 December 2021: £27 million). £5 million of the provision was utilised during the period and there has been a £1 million adjustment for foreign exchange.

#### Property provisions £8 million (31 December 2021: £6 million)

These provisions primarily relate to expected dilapidation costs at rental properties and include additions in the year for the move of our London site.

#### Legal and Other provisions £106 million (31 December 2021: £107 million)

Represents provisions for potential liabilities and the related legal costs. These include £52 million (31 December 2021: £52 million) for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') being issued by the Pensions Regulator ('tPR'), employee-related tax and other provisions of £40 million (2021: £39 million), and other legal and related costs, including a provision related to The Voice of Holland.

##### Box Clever Pension Scheme

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

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

# Notes to the Condensed Financial Statements

## Section 3: Operating Assets and Liabilities continued

At 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million. An estimate of the deficit in the Box Clever Group Pension Scheme was calculated at £110 million as at 30 April 2020. This estimate was calculated on a buyout basis, using membership data and benefits currently being provided in that Scheme, and based on membership data as of February 2020. This estimate has been updated based on 30 June 2022 market conditions and has reduced to £85 million primarily due to the increase in gilt yields and recent changes in inflation. All of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group.

During the period, the Group received a warning notice from tPR that it was considering exercising its power to issue a contribution notice for the amount of £133 million which is based on a buyout estimate as at 31 March 2021 provided by the Scheme's actuarial adviser, plus a prudent margin. The Group will respond to the warning notice by 31 October 2022.

There remains a significant number of undecided issues as to the quantum and form of financial support and the Directors continue to believe there are many important factors which need to be taken into account in any decision, and therefore there remains uncertainty around the financial support to be provided. The Company and tPR are in discussions to try to resolve the matter on a consensual basis. The provision remains at £52 million, and represents an IAS 19 valuation of management's best estimate of the required provision. We will continue to engage with tPR to resolve the matter.

### Employee-related

The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021 and March 2022, HMRC issued initial assessments on several individuals engaged by the Group during the tax years 2016/17 and 2017/18 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Following these assessments and HMRC's updated guidance, the Group has undertaken a review of the tax status of individuals and used best endeavours to estimate that £37 million may be assessed as payable for periods up to 30 June 2022. Landmark court cases were heard by the Court of Appeal in February 2022 with judgements handed down in April 2022. Whilst the Group is not involved in these cases, these judgements impact on how employment tax status is determined for TV and Radio presenters generally and will therefore have a bearing on how much tax might be payable by the Group. As a consequence of this, the final amount payable could be significantly different to the £37 million currently provided. A further £3 million was provided for in the prior year, in relation to other employment related matters.

### The Voice of Holland

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

### Other

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

# Notes to the Condensed Financial Statements

## Section 3: Operating Assets and Liabilities continued

### 3.2 Pensions

#### Keeping it simple

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

#### What are the Group's pension schemes?

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

An unfunded scheme in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within the unfunded scheme, there is additional security in the form of a charge over £53 million of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension deficit.

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

The pension surplus is presented consistently with definitions presented in the Group's 2021 Annual Report and Accounts. The Group has determined that it has an unconditional right to a refund of any surplus if the Schemes are run off until the last member dies. On this basis the Group has recognised an accounting surplus on the ITV Pension Scheme and the UTV Scheme as at 30 June 2022.

#### The defined benefit pension surplus/deficit

Net pension surplus of £352 million at 30 June 2022 (31 December 2021: deficit of £8 million) is stated after including the unfunded scheme security asset of £53 million (31 December 2021: £62 million). The totals recognised 30 June 2022 and 31 December 2021 are:

	30 June 2022 £m	31 December 2021 £m
Total defined benefit scheme obligations	(2,536)	(3,943)
Total defined benefit scheme assets	2,835	3,873
<b>Defined benefit pension surplus/(deficit) (IAS 19)</b>	<b>299</b>	<b>(70)</b>
Presented as:		
Defined benefit pension surplus	330	26
Defined benefit pension deficit	(31)	(96)
Defined benefit pension surplus/(deficit) (IAS 19)	299	(70)
Other pension asset	53	62
<b>Net pension surplus/(deficit)</b>	<b>352</b>	<b>(8)</b>

The net pension surplus at 30 June 2022 was £352 million, compared with a deficit of £8 million at 31 December 2021. The movement in the period was driven by a decrease in liabilities caused by an increase in the corporate bond yields and a decrease in market-implied inflation. Pension assets have decreased due to a rise in gilt yields in the period, offset by deficit funding contributions of £137 million.

The latest triennial valuation of Section A of the ITV Pension Scheme was undertaken as at 31 December 2019 by an independent actuary appointed by the Trustee of the Scheme and agreed in early 2022. The funding deficit of Section A of the ITV Pension Scheme as at 31 December 2019 amounted to £252 million, down from £489 million at 1 January 2017. The Group has revised the existing reduction contributions to eliminate the deficit. We expect the deficit reduction contributions to be £40 million in 2022, £43 million in 2023, £48 million in 2024 and £28 million in 2025. The next triennial valuation will be as at 31 December 2022. This will determine subsequent contribution rates.

In October 2021, the triennial valuation of Section C of the ITV Pension Scheme as at 31 December 2019 was completed. The Scheme had assets of £569 million as at the valuation date and £559 million of liabilities, resulting in an agreed Technical Provisions funding surplus of £10 million. In 2018 the Trustee of the Scheme purchased a bulk annuity insurance contract (a 'Buy In') in respect of the benefits of Section C, which in effect was a scheme asset that pays the members benefits. In April 2022, the Trustee completed a "Buy-Out" of Section C, which in practical terms split the bulk annuity policy into individual annuity policies for each scheme member. At that time, the relevant scheme assets were transferred to the insurance company, which became responsible for paying the pensions and therefore it removed those liabilities from the pension scheme. The buy-out represents a full and definitive settlement of the liabilities insured, which as at 31 December 2021 represented around 13% of ITV's total defined benefit obligation on the IAS 19 accounting basis.

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

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

# Notes to the Condensed Financial Statements

## Section 3: Operating Assets and Liabilities continued

### Addressing the defined benefit pension deficit

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

#### SDN Pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustees backed by SDN, which was subsequently extended in 2011. The PFP addressed £200 million of the funding deficit in Section A of the defined benefit pension scheme and under the original agreement; annual payments of £11 million for 12 years from 2011 were made with the final annual payment in 2022. In addition, a bullet payment of up to £200 million was due in 2022. The existing PFP agreement has been amended and extended to 2031. As a result of this agreement, an upfront payment of £80 million was paid to the pension scheme in the period and an additional deficit contribution of £3 million was paid for the period between the end of the original agreement and the date the extension agreement was signed. The Group is committed to up to nine annual payments of £16 million from 2023 and the PFP's interest in SDN provides collateral for these payments. On completion of the final payment in 2031, the Scheme's partnership interest will have been repaid in full and it will have no right to any further payments. The letter of credit which was previously used to provide additional collateral to support the original value of the structure (31 December 2021: £152 million) has been released.

#### London Television Centre pension funding partnership

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

The total expected deficit funding contribution for 2022 is £137 million (31 December 2021: £74 million). This includes £15 million deferred from 2020 and £25 million of deficit reduction contributions agreed as part of the triennial valuation, £80 million one-off payment following the extension of the SDN PFP, a £3 million payment on the SDN PFP for the bridging period between the end date of the original agreement and the date of the extension, and £11 million and £3 million annual payments due under the SDN and London Television Centre PFPs respectively. The full £137 million has been paid in the period and no further payments are required in 2022.

Deficit contributions for 2023 to 2025 consist of contributions agreed with the Trustees following the triennial valuation (£43 million, £48 million and £28 million respectively) and the annual payments under the SDN PFP and London Television Centre PFP (£16 million and £3 million respectively). Therefore total deficit contributions for 2023 to 2025 will be £62 million, £67 million and £47 million.

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs

### In this section

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

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

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

### 4.1 Net debt

#### Keeping it simple

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

	1 January 2022 £m	Net cash flow £m	Currency and non-cash movements £m	30 June 2022 £m
Loans and facilities due within one year	(290)	1	(7)	<b>(296)</b>
Loans and facilities due after one year	(732)	–	(17)	<b>(749)</b>
<b>Total loans and facilities</b>	<b>(1,022)</b>	<b>1</b>	<b>(24)</b>	<b>(1,045)</b>
Cross currency interest rate swaps held against euro denominated borrowings	(36)	–	9	<b>(27)</b>
Lease liabilities	(92)	16	(42)	<b>(118)</b>
<b>Total debt</b>	<b>(1,150)</b>	<b>17</b>	<b>(57)</b>	<b>(1,190)</b>
<b>Restricted cash</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>50</b>
Cash	246	(18)	1	<b>229</b>
Cash equivalents	440	(152)	8	<b>296</b>
<b>Total cash and cash equivalents</b>	<b>686</b>	<b>(170)</b>	<b>9</b>	<b>525</b>
<b>Reported net debt</b>	<b>(414)</b>	<b>(153)</b>	<b>(48)</b>	<b>(615)</b>

#### Restricted cash

Restricted cash relates to £50 million (31 December 2021: £50 million) cash held in a separate account, the use of which is restricted to meeting the commitments under the asset-backed pension agreements. See note 3.2 for further details on the asset-backed pension arrangements.

#### Loans and facilities due within one year

At 1 January 2022, the Group had a £630 million Revolving Credit Facility ("RCF") to meet short-term funding requirements which was not utilised. In early 2022, the Group agreed a new syndicated £500 million RCF. The terms of the new RCF run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new RCF are the same as those that applied to the previous RCF. In addition, there are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

The €335 million Eurobond, which has a coupon of 2.125%, matures in September 2022 and has been hedged using foreign currency forwards.

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs continued

### Loans and loan notes due after one year

In addition to the above, the Group has in issue the following Eurobonds:

- €259 million at a fixed coupon of 2.0%, which matures in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond, issued in September 2019, has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c. 2.9%.

### Available facilities

The Group has the following available facilities:

- A £300 million bilateral loan facility maturing on 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants and at 30 June 2022 was not utilised. At 31 December 2021, £152 million of the facility was utilised as a letter of credit to support the Group's asset-backed pension scheme arrangement in respect of the defined benefit pension scheme. This pension scheme arrangement has been renewed in the period and the letter of credit has been released. See note 3.2 for details
- As noted above, the Group has £500 million of committed funding through a Revolving Credit Facility ('RCF') with a group of relationship banks which is available until January 2027. The RCF documentation defines a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. All financial covenants were met and the facility remains available at 30 June 2022

Having completed an assessment, the material contracts impacted by the interest benchmark reform are as follows:

- £500 million committed Revolving Credit Facility (RCF) expiring in January 2027 (undrawn)
- £300 million committed bilateral facility expiring in June 2026 (undrawn)

The transition to a SONIA based alternative has already been updated within the documentation of both these financing arrangements and there are no other arrangements across the Group that are affected by the IBOR reform.

There is no change to the Group's risk management strategy or hedging relationships as a result of the interest rate benchmark reform, as there are no exposures being currently managed that are directly affected by it, and no hedge relationships through which it is being managed.

## 4.2 Borrowings

### Keeping it simple

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

### Fair value versus book value

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

	Maturity	Book value		Fair value	
		30 June	31 December	30 June	31 December
		2022	2021	2022	2021
		£m	£m	£m	£m
<b>Loans due within one year</b>					
€335 (previously €600) million Eurobond	Sep 2022	288	281	289	284
Other short-term loans *	Various	8	9	8	9
		296	290	297	293
<b>Loans due in more than one year</b>					
€259 (previously €500) million Eurobond	Dec 2023	223	218	223	225
€600 million Eurobond	Sep 2026	516	504	463	518
Other long-term loans *	Various	10	10	10	10
		749	732	696	753
		1,045	1,022	993	1,046

\* Fair value is an approximation of the carrying value

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs continued

### 4.3 Managing financial market risks: derivative instruments

#### Keeping it simple

##### What is a derivative?

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

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

##### Why do we need them?

The key financial market risks facing the Group are:

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

##### How do we use them?

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

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

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

The Group's policy on the various methods used to calculate the fair values of derivatives is detailed in the 31 December 2021 Annual Report and Accounts.

The Group held certain derivative instruments:

At 30 June 2022	Assets £m	Liabilities £m
<b>Current</b>		
Foreign exchange forward contracts and swaps – cash flow hedges	5	(10)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	(2)
<b>Non-current</b>		
Cross-currency interest swaps – cash flow hedges	–	(27)
Foreign exchange forward contracts and swaps – cash flow hedges	–	(1)
	5	(40)
<hr/>		
At 31 December 2021	Assets £m	Liabilities £m
<b>Current</b>		
Foreign exchange forward contracts and swaps – cash flow hedges	1	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(3)
<b>Non-current</b>		
Cross-currency interest swaps – cash flow hedges	–	(36)
Foreign exchange forward contracts and swaps – cash flow hedges	–	(1)
	3	(42)

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs continued

### Keeping it simple

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

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

	Cash flow hedge reserve £	Cost of hedge reserve £	Foreign currency reserve £	Translation reserve £
As at 1 January 2021	(15)	(9)	31	7
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(2)	1	—	(1)
Cross-currency interest rate swaps – borrowings:				
Change in fair value from the effective hedge instrument	(13)	(1)	—	(14)
Amount reclassified to Income Statement				
FX forward reclassified to cost of sales/overheads	(2)	—	—	(2)
CCIRS reclassified to finance costs	32	—	—	32
<i>Net gain on cash flow hedges and cost of hedging</i>	<i>15</i>	<i>—</i>	<i>—</i>	<i>15</i>
Foreign currency revaluation of the EUR borrowing	—	—	13	13
Foreign currency revaluation of the net foreign operations	—	—	4	4
<i>Exchange differences on translation of foreign operations (net of hedging)</i>	<i>—</i>	<i>—</i>	<i>17</i>	<i>17</i>
Income tax (charge)/credit reclass*	7	—	—	7
Income tax (charge)/credit on other comprehensive income/(expense)	(4)	2	(3)	(5)
<b>As at 31 December 2021</b>	<b>3</b>	<b>(7)</b>	<b>45</b>	<b>41</b>
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(7)	—	—	(7)
Cross-currency interest rate swaps – borrowings:				
Change in fair value from the effective hedge instrument	7	3	—	10
Amount reclassified to Income Statement				
FX forward reclassified to cost of sales/overheads	1	—	—	1
FX forward reclassified to WIP	2	—	—	2
CCIRS reclassified to finance costs	(12)	—	—	(12)
FX forward reclassified to finance costs	(4)	—	—	(4)
<i>Net (loss)/gain on cash flow hedges and cost of hedging</i>	<i>(13)</i>	<i>3</i>	<i>—</i>	<i>(10)</i>
Foreign currency revaluation of the EUR borrowing	—	—	—	—
Foreign currency revaluation of the net foreign operations	—	—	59	59
<i>Exchange differences on translation of foreign operations (net of hedging)</i>	<i>—</i>	<i>—</i>	<i>59</i>	<i>59</i>
<b>As at 30 June 2022</b>	<b>** (10)</b>	<b>(4)</b>	<b>***104</b>	<b>90</b>

\* Income tax on other comprehensive income was reallocated to the relevant reserves from Retained Earnings in the prior year.

\*\*Relates to continuing hedge relationships.

\*\*\*£19m of this is in relation to discontinued hedge relationships.

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs continued

### 4.4 Fair value hierarchy

#### Keeping it simple

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

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

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

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

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

30 June 2022	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>Assets measured at fair value</b>				
Available-for-sale financial instruments				
Other pension assets – gilts (see note 3.2)	53	53	–	–
Money market funds	296	296	–	–
Equity investments	10	–	–	10
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	–	–	–	–
Financial assets at fair value through reserves				
Cash flow hedges	5	–	5	–
	364	349	5	10
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(2)	–	(2)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	(60)	–	–	(60)
Financial liabilities at fair value through reserves				
Cash flow hedges	(38)	–	(38)	–
	(100)	–	(40)	(60)
31 December 2021	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
<b>Assets measured at fair value</b>				
Financial instruments				
Other pension assets – gilts (see note 3.2)	62	62	–	–
Money market funds	441	441	–	–
Equity investments	4	–	–	4
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Convertible loan receivable	2	–	–	2
Financial assets at fair value through reserves				
Cash flow hedges	1	–	1	–
	512	503	3	6
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(3)	–	(3)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	(55)	–	–	(55)
Financial liabilities at fair value through reserves				
Cash flow hedges	(39)	–	(39)	–
	(97)	–	(42)	(55)

The accounting policies for how we value level 3 instruments are disclosed in the December 2021 Annual Report and Accounts.

# Notes to the Condensed Financial Statements

## Section 4: Capital Structure & Financing Costs continued

### 4.5 Retained Earnings

#### Keeping it simple

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

The retained earnings reserve comprises profit for the six months to 30 June 2022 attributable to owners of ITV plc (the Company) of £193 million (year to 31 December 2021: £378 million) and other items recognised directly through equity as presented in the consolidated statement of changes in equity. Other items include the payment of the final dividend of 3.3p for the full year 2021 of £133 million (year to 31 December 2021: £nil) and a credit for the Group's share-based compensation schemes of £4 million (year to 31 December 2021: £12 million).

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

# Notes to the Condensed Financial Statements

## Section 5: Other Notes

### 5.1 Contingent assets and liabilities

#### Keeping it simple

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

#### Contingent Assets

In 2017 Talpa Media took back the licence for The Voice of China due to a breach of the agreement by the customer, Talent, for not fulfilling their payment obligations. During 2018 and 2019, £27 million was received in relation to the amount due. However, those receipts are currently the subject of an ongoing external review.

Whilst the Directors remain confident of recovering the amounts due, accounting standards set very specific requirements for the recognition of an asset. As the review of the receipts remains in progress, as well as discussions with the credit insurers, the Group is not able to demonstrate sufficient certainty to be able to recognise a receivable at 30 June 2022. As a result, the Group has maintained a provision for bad debt.

#### Contingent liabilities

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

### 5.2 Subsequent events

#### Keeping it simple

Where the Group receives information in the period between 30 June 2022 and the date of this report about conditions related to certain events that existed at 30 June 2022, 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 2022. 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 1 July 2022 ITV plc completed an acquisition of a majority shareholding of 79.5% in Plimsoll Productions (through its holding company Escapade Bidco Limited), the largest independent producer of natural history programmes in the world and a growing premium factual producer, for a cash consideration of approximately £103.5 million. Put and call options are in place over the remaining shareholding.

This acquisition is a further milestone in ITV's strategy of expanding its international content business. It further diversifies ITV Studios production base and will enable ITV to take advantage of the strong demand for content across the ever-popular natural history and factual genres. Plimsoll Productions has a strong network with all of the global streamers and this acquisition will strengthen and deepen ITV Studios' relationships with the streamers.

As the acquisition occurred on 1 July 2022, Plimsoll Productions will be consolidated from that date. The acquisition accounting will be provisionally assessed by the end of the current financial year and completed within 12 months following the date of the acquisition, but for this period has been noted as a subsequent event.

On 13 July 2022, the UK Competition and Markets Authority ("CMA") opened an investigation into the purchase of freelance services, which support the production and broadcasting of sports content, in the United Kingdom by ITV and other named companies in the sector. ITV is committed to complying with competition law and is cooperating with the CMA's inquiries.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20th July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for fiscal years beginning on or after 31st December 2023. The Group is reviewing these draft rules to understand any potential impacts.

# 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 financial statements has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance 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 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 Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and 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.

For and on behalf of the Board:

**Chris Kennedy**

Group Chief Financial Officer and Chief Operating Officer

28 July 2022

# Independent review report to ITV plc

## Report on the condensed interim financial statements

### Our conclusion

We have reviewed ITV plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of ITV plc for the 6 month period ended 30 June 2022 (the "period").

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

### What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2022
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended
- the Condensed Consolidated Statement of Cash Flows for the period then ended
- the Condensed Consolidated Statement of Changes in Equity for the period then ended and
- the explanatory notes to the interim financial statements

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

### Basis for conclusion

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

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

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

### Conclusions relating to going concern

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

### Responsibilities for the interim financial statements and the review

#### Our responsibilities and those of the Directors

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

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