ITV on track to deliver another year of growth

Half Year Results 2014

30th July 2014

Agenda

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Introduction & Operating review

Adam Crozier

30th July 2014

Executing our strategy continues to deliver strong results

Revenue		
External revenue	£1,225m	7% ↑
NAR	£795m	7% ↑
Non-NAR	£588m	4% ↑
Earnings		
ITV Studios EBITA	£72m	14% ↑
Broadcast & Online EBITA	£250m	10% ↑
Group EBITA	£322m	11% ↑
Adjusted PBT	£312m	16% ↑
Adjusted EPS	6.1p	15% ↑
Shareholder returns		
Ordinary dividend	1.4p	27% ↑

Continued strong performance as ITV moves into the next phase

- All parts of the business delivering revenue growth
- Another period of double digit profit growth
- Further investment in content
  - → Completed acquisition of 80% of Leftfield
  - → Acquisitions coming through as expected
  - → Investing in organic growth of our international scripted business
- Economic recovery driving improvement in TV advertising market
- On-screen viewing down in H1, but improved in Q2
  - → Long form video requests up 20%
- Successful launch of ITV Encore
- Positive outlook underpins full year performance and next phase of our strategy
- Delivering increasing shareholder returns
  - → Board has declared a dividend of 1.4p, up 27%
  - → Board has committed to at least 20% growth in ordinary dividend per annum over next 3 years

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

Progress in 2014:

- Revenue growth and double digit profit growth
- Relentless focus on cost efficiency
  - → Cost savings of around £15m in 2014 - £5m ahead of original target
- Sustainable increases in group margin
- Continued strong cash flows
- Robust, flexible balance sheet to support future growth and reward shareholders
  - → £62m 2019 bond bought back in January
  - → Committed to payout ratio of 2.0 to 2.5 times over 3 years
  - → Interim commitment to at least 20% annual dividend growth

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

Progress in 2014:

- ITV Family NAR grown strongly, ahead of our estimate of TV ad market
  - → ITV Family NAR up 7% in H1
- On-screen viewing down year on year, but improved in Q2 and confidence in our strong Autumn schedule with new and returning programmes
  - → ITV main channel SOV down 3%, ITV Family SOV down 5%
  - → ITV main channel SOCI down 5%, ITV Family SOCI down 7%
- Increased targeting of digital channels
  - → Repositioning ITV2 as a younger channel
  - → Launch of ITVBe on track for Autumn to target valuable young female audience
- ITV antidote to fragmentation with quality schedule and strong brands
  - → 99% of all commercial programmes over 5m viewers
  - → Highest rating comedy, entertainment series, new drama, soap, sports programme
  - → Won 10 BAFTAs
- Maximise value of our airtime
  - → Sponsorship, interactivity and brand extensions
- Traditional broadcast business remains robust
  - → Well placed to increase market share

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

Progress in 2014:

- Improved quality and distribution of ITV Player to drive incremental reach
  - → ITV content is now available on 20 platforms
  - → 14m downloads of ITV Player app
- Long form video requests up 20% to 328m
  - → Driven by mobile and tablet viewing
- Strong demand from advertisers holding up rates and driving revenues
- Developing pay services
  - → New 4 year deal with Sky
  - → Successful launch of first pay channel – ITV Encore
  - → Extended deal with Virgin for another year
  - → YouTube deal to launch up to 18 short form channels
- Online, Pay & Interactive revenues up organically 20% to £67m – strong growth for full year, at least in line with H1

4 Build a strong international content business

Progress in 2014:

- Strong global demand for high quality content
- ITV becoming a scaled global content business
- Number one commercial producer in UK
  - → Investing in healthy creative pipeline in key genres that travel
- Becoming a business of scale in US
  - → The largest independent non-scripted producer in US following acquisition of Leftfield
  - → 122 programmes, 1,112 hours of content, partnering 41 networks
- Building a global scripted business; new scripted commissions include
  - → Texas Rangers, Aquarius and The Good Witch in the US
  - → Beowulf, Jekyll and Hyde, Jambusters and Thunderbirds Are Go in the UK
- 3rd largest European distributor of content to broadcasters and digital platforms
  - → Mr Selfridge, Lewis and Hell's Kitchen sold to over 150 countries
  - → 11 ITV formats produced in 3 or more countries
  - → Acquiring 3rd party distribution rights including Poldark, Rectify and The Great Fire
- Total Studios revenues up 2%; EBITA up 14%

2014 Half Year Financial Results

Ian Griffiths

30th July 2014

HY 2014 Financial Highlights

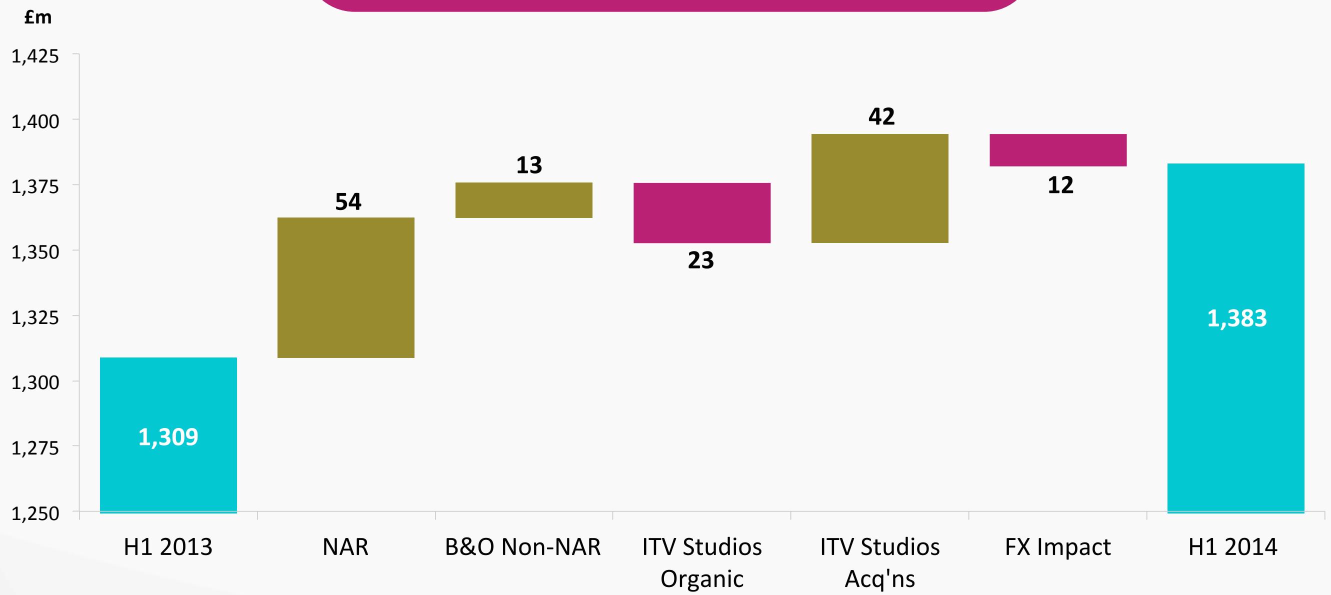
External revenue	£1,225m	Up 7%, £81m	Growth **across** the business
NAR	£795m	Up 7%, £54m	**Strong** advertising revenues
Non-NAR	£588m	Up 4%, £20m	Continuing to **rebalance**
EBITA*	£322m	Up 11%, £31m	**Improving** margins
EPS**	6.1p	Up 15%, 0.8p	**Double** digit earnings growth
Net debt	£201m	£365m net outflow	**Good** cash conversion
Dividends	1.4p	Up 27%, 0.3p	**Increased** shareholder returns

* EBITA is before exceptional items ** EPS is adjusted

Revenue – Broadcast & Online deliver first half revenue growth

£m	2014	2013	Change
Broadcast & Online	981	914	7%
ITV Studios	402	395	2%
Total revenue	**1,383**	**1,309**	**6%**
Internal supply	(158)	(165)	(4)%
Total External Revenue	**1,225**	**1,144**	**7%**

YOY Group Revenue Tracker

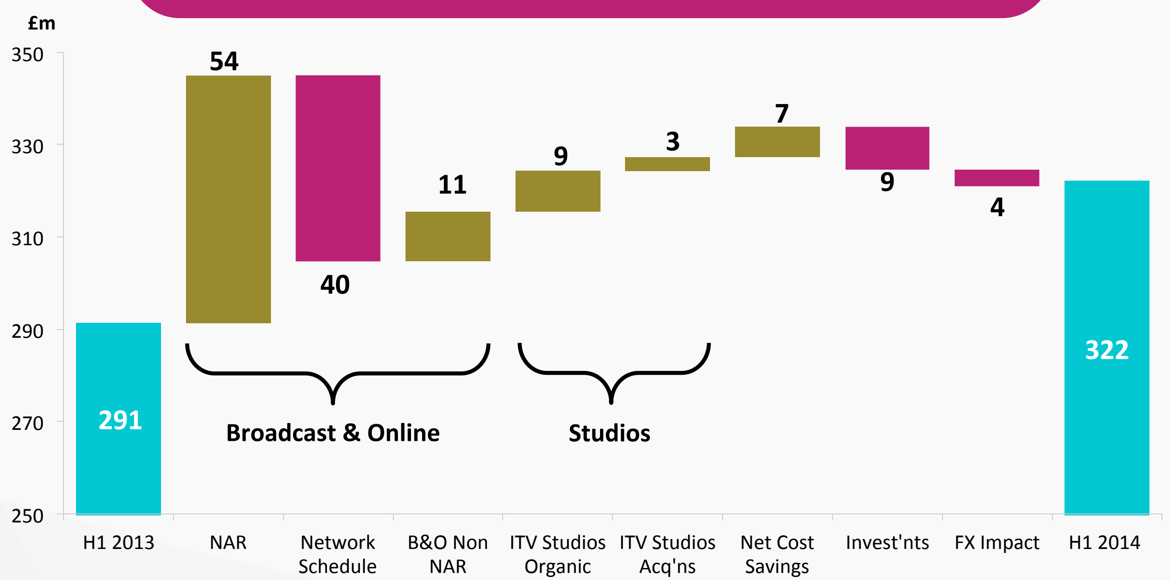


- Revenue growth from both businesses
- ITV NAR up 7%, ahead of the market
- Strong growth in Broadcast non-NAR revenues
- Organic studios growth impacted by phasing
- Acquisitions coming through as expected
- Foreign exchange more significant as ITV becomes a more international business

Group EBITA - growth in high margin new revenues and continued focus on costs

£m	2014	2013	Change
Broadcast & Online	250	228	10%
ITV Studios	72	63	14%
Group EBITA*	**322**	**291**	**11%**
Group EBITA margin	26%	25%	

YOY Group EBITA Tracker



- Double digit EBITA growth across the business
- Broadcast profits driven by high margin NAR, online and pay revenues
- Studios profits benefit from production efficiencies and higher margin revenue mix
- Cost savings target of £10m increased to £15m
- Investment spend more H2 weighted
- Foreign exchange impact - £4m

* EBITA is before exceptional items

Broadcast & Online – growth in key revenue streams delivers double digit profit growth

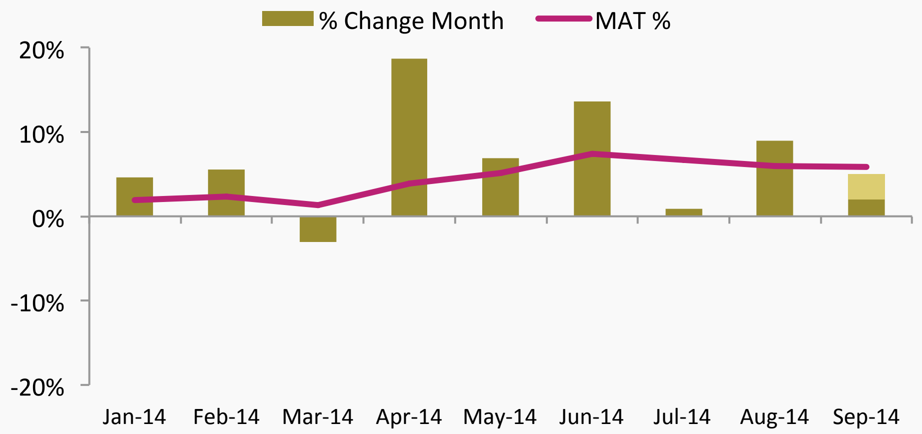
£m	2014	2013	Change
ITV NAR	795	741	7%
SDN external revenue	36	35	3%
Online, Pay & Interactive	67	56	20%
Other commercial income	83	82	1%
Broadcast & Online non-NAR Revenue	**186**	**173**	**8%**
Total Broadcast & Online Revenue	**981**	**914**	**7%**
Schedule costs	(530)	(490)	8%
Other costs	(201)	(196)	3%
Broadcast & Online EBITA*	**250**	**228**	**10%**
EBITA margin	25%	25%	

- ITV Family NAR up 7%, ahead of our estimate of TV ad market
- Strong growth in Online, Pay & Interactive continues
- VOD revenue growth driven by high demand from audiences, platforms and advertisers
- Pay revenue growth from new platform deals
- Schedule costs reflect FIFA World Cup
- Investment in new channel launches; ITVBe to come
- Other costs tightly managed

* EBITA is before exceptional items

NAR – broad based recovery drives strong advertising performance across all key categories

Monthly ITV Family NAR & MAT



Category	H1 2014 (£m)	YOY % change
Retail	143.4	11%
Finance	80.7	4%
Entertainment & Leisure	76.5	11%
Food	68.9	15%
Cosmetics & Toiletries	53.3	(1%)
Airlines, Travel and Holidays	46.3	29%
Cars and Car Dealers	45.6	29%
Telecommunications	33.4	(17%)
Publishing and Broadcasting	31.0	(3%)
Household Stores	27.8	0%
Other	188.3	4%

- Most of the key categories showing growth
- Month to month volatility remains a factor
- Football has attracted male orientated advertisers:
  - → Gaming
  - → Auto
- Strong retail performance
- Food advertisers return across key categories
- Online activity drives Airlines spend
- Telecoms impacted by fewer new product launches

NOTE: Monthly ITV NAR figures and category data based on total ITV Family advertising.

ITV Studios – acquisitions on track, phasing impacts organic growth, positive outlook into 2015

£m	2014	2013	Change
UK Productions	205	202	1%
International Productions	136	125	9%
Global Entertainment	60	68	(12)%
Total Revenue	**402**	**395**	**2%**
Total Studio costs	(330)	(332)	1%
ITV Studios EBITA*	**72**	**63**	**14%**
EBITA Margin	18%	16%	

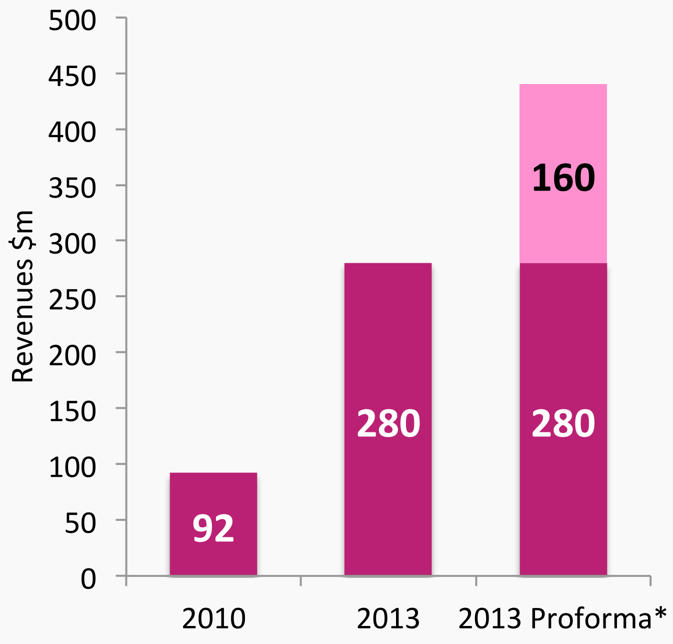
£m	2014	2013	Change
Internal – ITVS to ITV Network	158	165	(4)%
External Revenue	244	230	6%
Total Revenue	**402**	**395**	**2%**

- Revenue growth driven by acquisitions
- Organic revenues were down 8% - impacted by phasing of deliveries and FX
- UK revenues up 1% - good growth in off ITV revenues up 27%
- Internal revenues impacted by shape of ITV programme budget; allocating more to sport
- International production growth driven by the US
- Global Entertainment impacted by short term reduction in drama and FX
- Good momentum for growth into 2015 both organic and through acquisitions

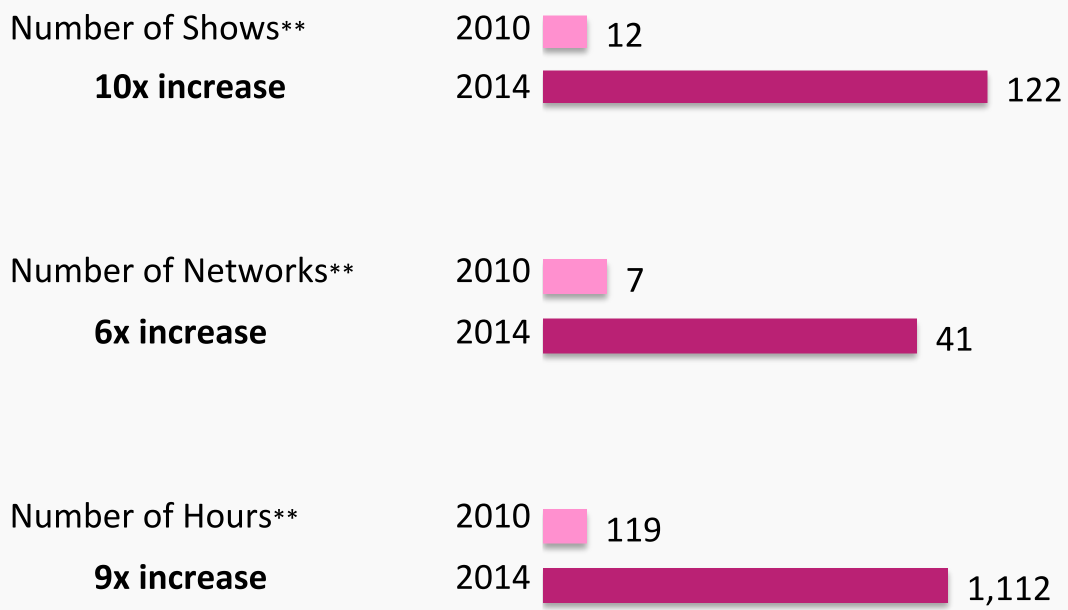
ITV Studios – building a scaled international business

Revenue for 6 months to 30 June £m	2014	2013	Change
US Productions	85	74	15%
Other international productions	51	51	-
International Productions	**136**	**125**	**9%**

Acquisitions made in US enhance strong organic growth



ITV Studios America



* 2013 proforma is an estimate of full year numbers assuming all acquisitions made in 2013 and 2014 were actually made on 1st Jan 2013
** 2014 is an annualised estimate

Adjusted Results – double digit profit growth and increased returns to shareholders

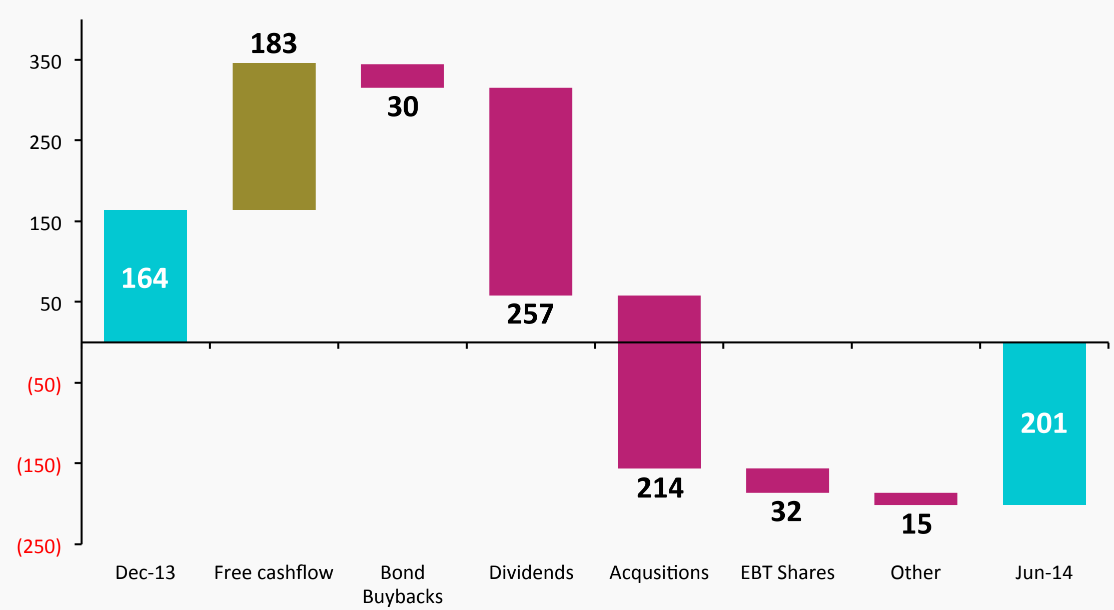
£m	2014	2013	Change
Total External revenue	**1,225**	**1,144**	**7%**
EBITA before exceptional items	**322**	**291**	**11%**
Associates and JVs	-	(1)	(100)%
Internally generated amortisation	(6)	(6)	-
Financing costs	(4)	(14)	(71)%
Profit before tax	**312**	**270**	**16%**
Tax	(64)	(63)	2%
Profit after tax	**248**	**207**	**20%**
Non-controlling interests	(2)	(1)	100%
Earnings	**246**	**206**	**19%**
Adjusted EPS (p)	**6.1p**	**5.3p**	**15%**
Diluted Adjusted EPS (p)	6.1p	5.1p	20%
Statutory EPS (p)	4.9p	3.4p	44%
Dividend (p)	1.4p	1.1p	27%

- Operating margins continue to improve
- Financing costs lower as a result of debt buybacks
- Tax rate lower at 21%
- Double digit profit and EPS growth
- Statutory EPS impacted by the £30m exceptional on debt buybacks
- Board committed to payout ratio of 2.0 to 2.5 times over 3 years
- Commitment to grow full year ordinary dividend by at least 20% per annum
- Number of shares increased following convertible redemption to 4,003m

Profit to cash conversion – strong cash flow funds investment and shareholder returns

£m	2014	2013
EBITA before exceptional items	**322**	**291**
Working capital movement	(5)	(3)
Share based compensation and pension service costs	8	13
Capex – Tangible and Intangible Assets	(19)	(21)
Depreciation	13	12
Adjusted cash flow	**319**	**292**
Profit to cash ratio 6 months to 30 June	**99%**	**100%**
Profit to cash ratio 12 months rolling	**97%**	**96%**

Net (Debt)/Cash Movements



£m	June 2014	June 2013
Adjusted cash flow	319	292
Net cash interest paid	(10)	(16)
Cash tax paid	(35)	(32)
Pension funding	(91)	(80)
Free cash flow	**183**	**164**

- Profit to cash conversion of 99%, 97% on 12 month rolling
- Adjusted cash flow of £183m up £19m, 12%

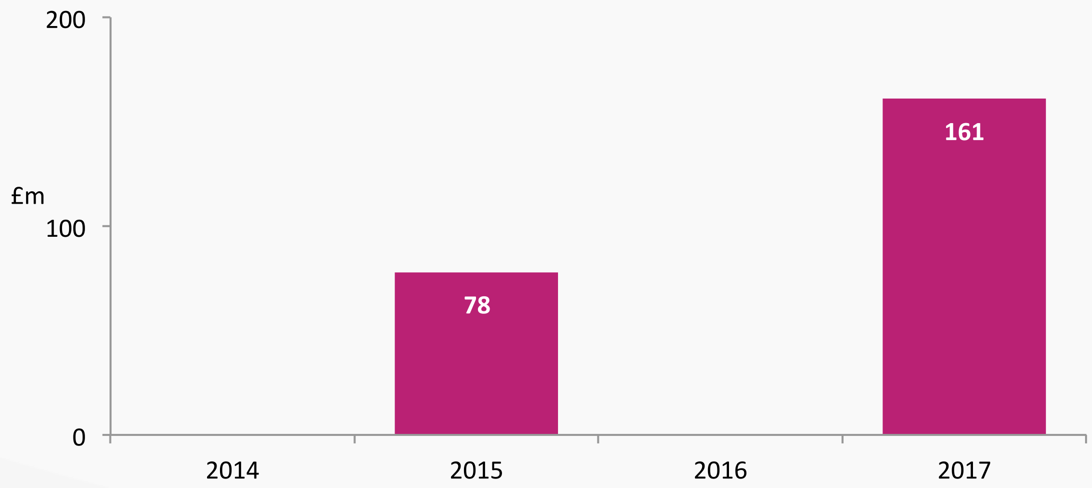
Uses of cash balance

- Investing in the business – M&A £214m
- Increasing shareholder returns – £257m dividend
- Managing pension risks - £91m

Cash & Net debt – a more efficient financing structure now in place

£m	June 2014	Dec 2013
Net (debt)/cash	(201)	164
M&A contingent consideration	(117)	(97)
Pension deficit (IAS 19R)	(362)	(445)
Operating leases	(398)	(414)
Adjusted net debt	**(1,078)**	**(792)**
Adjusted net debt/EBITDA	**1.6x**	**1.2x**

Maturity profile at 30 June 2014*



- Completed purchase of £62m 2019 bond in January
- 2014 bond matured
- Doubled size of bank facilities on improved terms
- Lower financing costs
- Adjusted Net Debt to EBITDA 1.6x, increased due to M&A investments
- Capital structure is a more normal mix of bond and bank debt
- Strong balance sheet with flexibility to invest behind the strategy

* Excludes finance leases and RCF of £210m

2014 Planning assumptions – small positive changes offset by currency impact

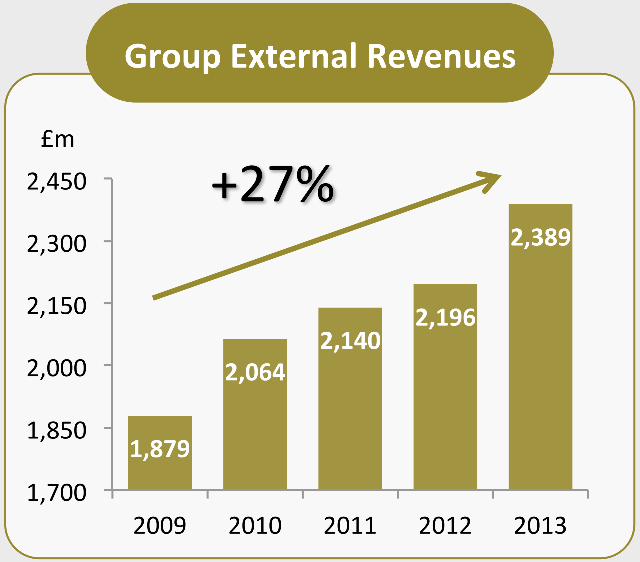
NPB	c. £1,010m	Total NPB spend excluding two new channels – no change
Cost savings	£15m	Continued focus on non-programme **efficiency –** ahead of original target
Investments	£15-20m	Across ITV, including two new channel launches – no change
Interest	£8-10m	Full year benefit of bond buyback **reduces** interest costs
Tax	c.21%	**Lower** than previous guidance
Capex	£40-45m	**Reduced** from recent high levels associated with MediaCity
Profit to Cash	80-85%	Working capital investment in US scripted
Foreign exchange	£25-30m revenue, £6-8m profit	Expected impact if currencies stay at similar levels

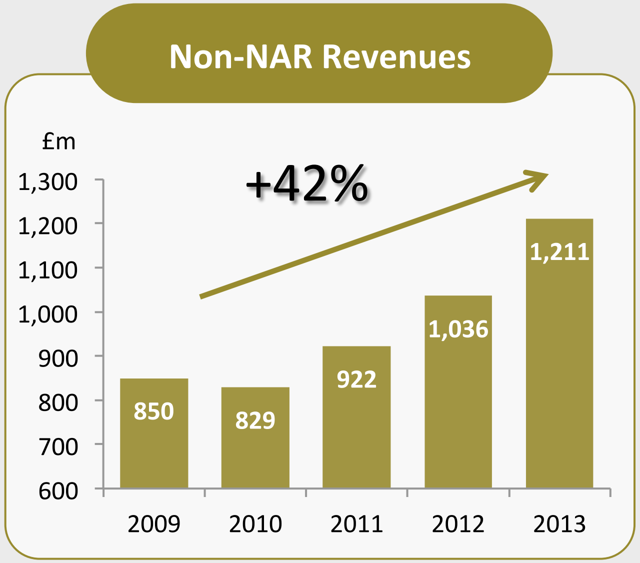
Strategic Outlook

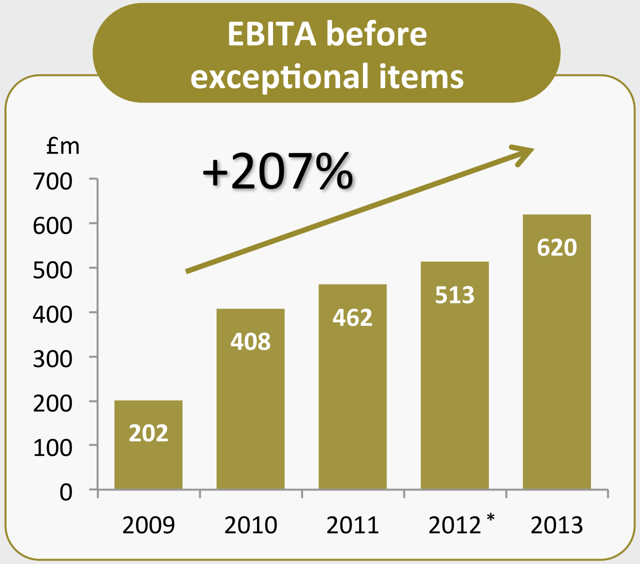
Adam Crozier

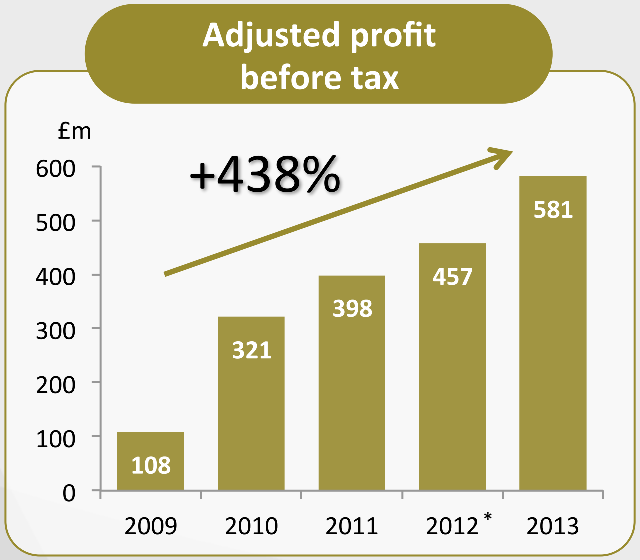
30th July 2014

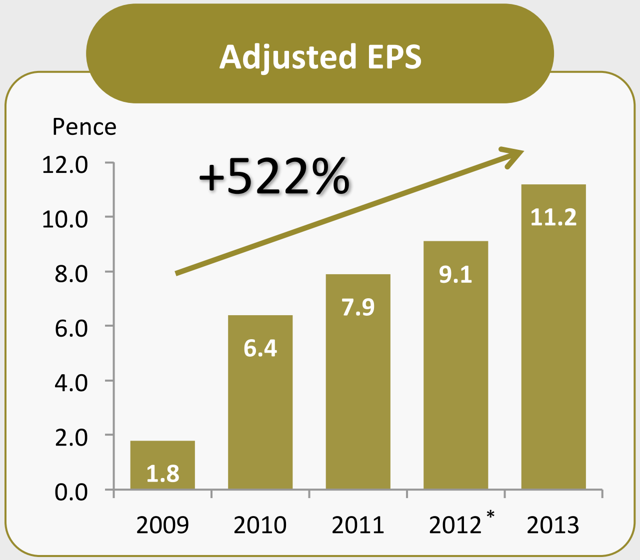
Execution of the strategy has delivered a consistently strong performance

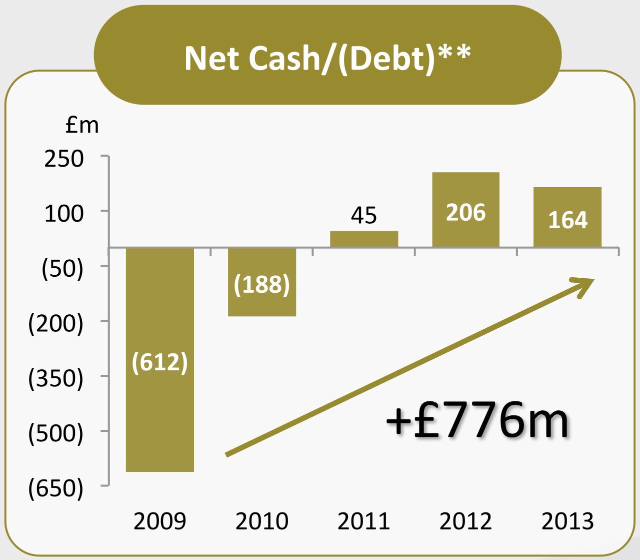








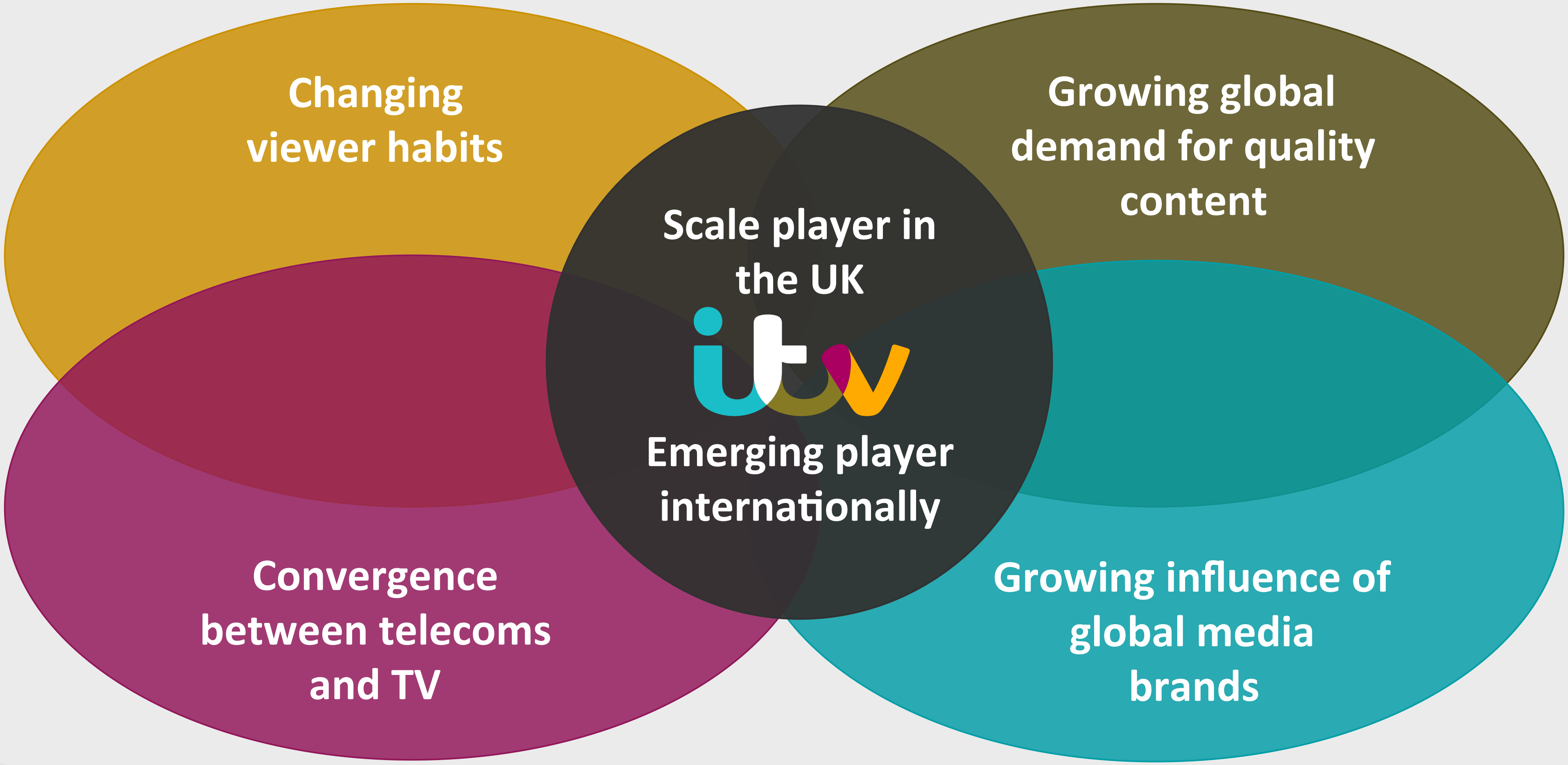




*Restated following adoption of IAS19

** Including distributions to shareholders, cash has increased by around £1.1 billion between 2009 to 2013.

ITV increasingly well placed to meet the opportunities and challenges of a rapidly converging global media market



ITV's strategic assets and sources of competitive advantage underpin the next phase of its growth

Producer – Broadcaster status in the UK

Audience scale and reach in UK	Scale in UK advertising	Growing global network in development, production & distribution of content	Quality content to distribute via VOD and pay - UK & internationally

Strong balance sheet

Our original vision for the business remains as relevant as ever

A lean ITV that can create world class content, executed across multiple platforms and sold around the world

Our renewed strategic priorities are a natural evolution of the current strategy and focus the business on the areas of largest potential growth

ITV is now a demonstrably better business – commercially, creatively and financially

3 key areas for growth

1. Maximise audience and revenue share from free-to-air broadcast and VOD business
2. Grow international content business
3. Build a global pay and distribution business

Continue to develop a creative, commercial and global organisation

Over time as we continue to rebalance the business and grow new revenue streams, both organically and through acquisition, there will be an increasing emphasis on international content creation and distribution

Key opportunities for growth

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

- Economic recovery driving growth in TV advertising
- Strengthen our content, channels and brand to maintain our unique scale
- Grow our share in key demographics
- Maximise total viewing and revenue across all platforms
- Grow our share of total TV/VOD advertising, exploiting our unique scale in a fragmenting media landscape
- Support platforms that make ITV content prominent
- Secure retransmission fees (medium term)

2 Grow international content business

- Exploit the increasing demand for quality content globally
- Leverage UK producer-broadcaster status and new scale in US to develop and own more quality content
- Develop global scripted business of scale, 6-10 new series per annum
- Continue to attract and retain key creative talent to create more new hits
- Develop / commission more 16-24 focussed content
- Invest and develop 3rd party distribution deals
- Build content supply partnerships in US

3 Build a global pay and distribution business

- Package and sell our content to maximise its value, exploiting competition in a converged media landscape
- Launch new pay services and channels to take advantage of demand in the UK and internationally
- Take advantage of the growth in VOD by providing content to international pay platforms
- Develop wider partnerships with OTT/VOD players

Summary & Outlook

Half Year Summary

- A strong set of results
- Revenue growth and double digit profit growth
- Economic recovery driving advertising growth
- Further progress in re-balancing ITV
  - → Strong growth in Online, Pay & Interactive
  - → Increasing strength in content
- Improved balance sheet efficiency
- Increasing shareholders returns

Full Year Outlook

- On track for another year of growth
- ITV Family NAR forecast to be up around 6% over 9 months to 30 September
  - → We will significantly outperform the market over full year
- Expect continued strong growth in Online, Pay & Interactive, at least in line with H1
- Also expect good growth in Studios driven by acquisitions we have made
  - → Return to good organic growth in 2015
- Maintain a robust, efficient and flexible balance sheet
  - → Invest in future growth
  - → Committed to at least 20% annual growth in dividend reflecting Board's confidence in ongoing growth and cash generation

Strategy

- Enter next stage of ITV's growth strategy from position of strength
- Remain committed to our vision of creating a global content and distribution business
  - → We see clear opportunities for growth across the business – in content, online, pay and advertising
  - → We will continue to rebalance the business and grow new revenue streams
  - → Increasing emphasis on international growth

Appendix

Half Year Results 2014

30th July 2014

Reported numbers

£m	2014	2013	Change
Revenue	1,225	1,144	7%
EBITA before exceptional items	322	291	11%
Amortisation and Impairment	(30)	(31)	3%
Exceptional items (total)	(4)	(5)	20%
Associates and JVs	-	(1)	100%
Profit before interest and tax	**288**	**254**	**13%**
Net financing costs*	(38)	(75)	49%
Profit before tax	**250**	**179**	**40%**
Tax	(53)	(44)	(20%)
Profit after tax	**197**	**135**	**46%**
Non-controlling interests	(2)	(1)	(100%)
Earnings	**195**	**134**	**46%**
Earnings per share (p)	**4.9p**	**3.4p**	**44%**

* Includes £30m exceptional cost relating to bond buybacks in 2014 (2013: £44m)

Reconciliation between 2014 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	322	-	322
Exceptional items (total)	(4)	4	-
Amortisation and impairment	(30)	24	(6)
Financing costs	(38)	34	(4)
JVs and associates	(0)	-	(0)
Profit before tax	**250**	**62**	**312**
Tax	(53)	(11)	(64)
Profit after tax	**197**	**51**	**248**
Non-controlling interests	(2)	-	(2)
Earnings	**195**	**51**	**246**
Number of shares* (weighted average)	4,003m	-	4,003m
Earnings per share (p)	**4.9p**	**-**	**6.1**

* Diluted number of shares of 4,044m (2013: 4,137m shares)

Reconciliation between 2013 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	291	-	291
Exceptional items (total)	(5)	5	-
Amortisation and impairment	(31)	25	(6)
Financing costs	(75)	61	(14)
JVs and associates	(1)	-	(1)
Profit before tax	**179**	**91**	**270**
Tax	(44)	(19)	(63)
Profit after tax	**135**	**72**	**207**
Non-controlling interests	(1)	-	(1)
Earnings	**134**	**72**	**206**
Number of shares*	3,901m		3,901m
Earnings per share (p)	**3.4**		**5.3**

* Diluted number of shares of 4,137m (2012: 4,116m shares)

Acquisitions

Acquisition	Country	Initial consideration (£m)	Expected total consideration*	Max total consideration* (£m)	Expected payment date
Leftfield	US	214	260	479	2019
DiGa Vision	US	5	9	30	2020
United	Denmark	1	4	5	2018
Total for 2014		**220**	**273**	**514**	
Total for 2013		66	103	196	**2017-2021**
Total for 2012		42	69	98	**2016-2018**
Total		**328**	**445**	**808**	

Equity interest currently not owned:

- Gurney 38.5%
- Thinkfactory 35%
- High Noon 40%
- Diga Vision 49%
- Leftfield 20%

* Undiscounted and including initial consideration. All payments are performance related.

Broadcast schedule costs

£m	2014	2013	Change
Commissions	258	266	(3%)
Sport	118	81	46%
Acquired	18	13	38%
ITN News and Weather	22	22	-
Total ITV	416	382	9%
Regional news and non-news	33	30	10%
ITV Breakfast	20	21	(5%)
Total ITV inc regional & Breakfast	469	433	8%
ITV2, ITV3, ITV4, CITV	61	57	7%
Total schedule costs	**530**	**490**	**8%**

Financing costs

£m	2014	2013
€50m Eurobond at 10% Coupon Jun 14	(1)	(1)
£78m Eurobond at 5.375% Coupon Oct 15	1	1
£135m Convertible Bond at 4% Coupon Nov 16 (redeemed in 2013)	-	(3)
£161m Eurobond at 6.125% Coupon Jan 17	(4)	(4)
£62m Loan at 13.55% coupon Mar 19 (repaid in Jan 2014)	-	(2)
Financing costs directly attributable to bonds and loans	**(4)**	**(9)**
Other	1	(1)
Cash-related financing costs	**(3)**	**(10)**
Non-cash movements		
Amortisation of bonds	(1)	(4)
Adjusted net financing costs	**(4)**	**(14)**
Mark-to-Market on bonds and swaps	(4)	(6)
Imputed pension interest	(9)	(10)
Losses on buybacks	(30)	(44)
Other net financing income	9	(1)
Statutory net financing costs	**(38)**	**(75)**

Exceptional costs

£m	2014	2013
Acquisition related expenses	(5)	(5)
Total operating exceptional items	**(5)**	**(5)**
Gain on sale and impairment of subsidiaries and investments	1	-
Total non-operating exceptional items	**1**	**-**
Total exceptional items	**(4)**	**(5)**

P&L tax charge and tax cash on reported basis

£m	2014	2013
Profit before tax	250	179
Exceptional items (net)	4	5
Amortisation and impairment of intangible assets*	24	25
Adjustments to net financing costs	34	61
Adjusted profit before tax	**312**	**270**
Tax charge as reported	(53)	(44)
Net (charge)/credit for exceptional and other items	(1)	1
Charge in respect of amortisation and impairment of intangible assets*	(5)	(6)
Charge in respect of adjustments to net financing costs	(7)	(14)
Other tax adjustments	2	-
Adjusted tax charge	**(64)**	**(63)**
Effective tax rate on adjusted profits	**21%**	**23%**
Total cash paid	**(35)**	**(32)**

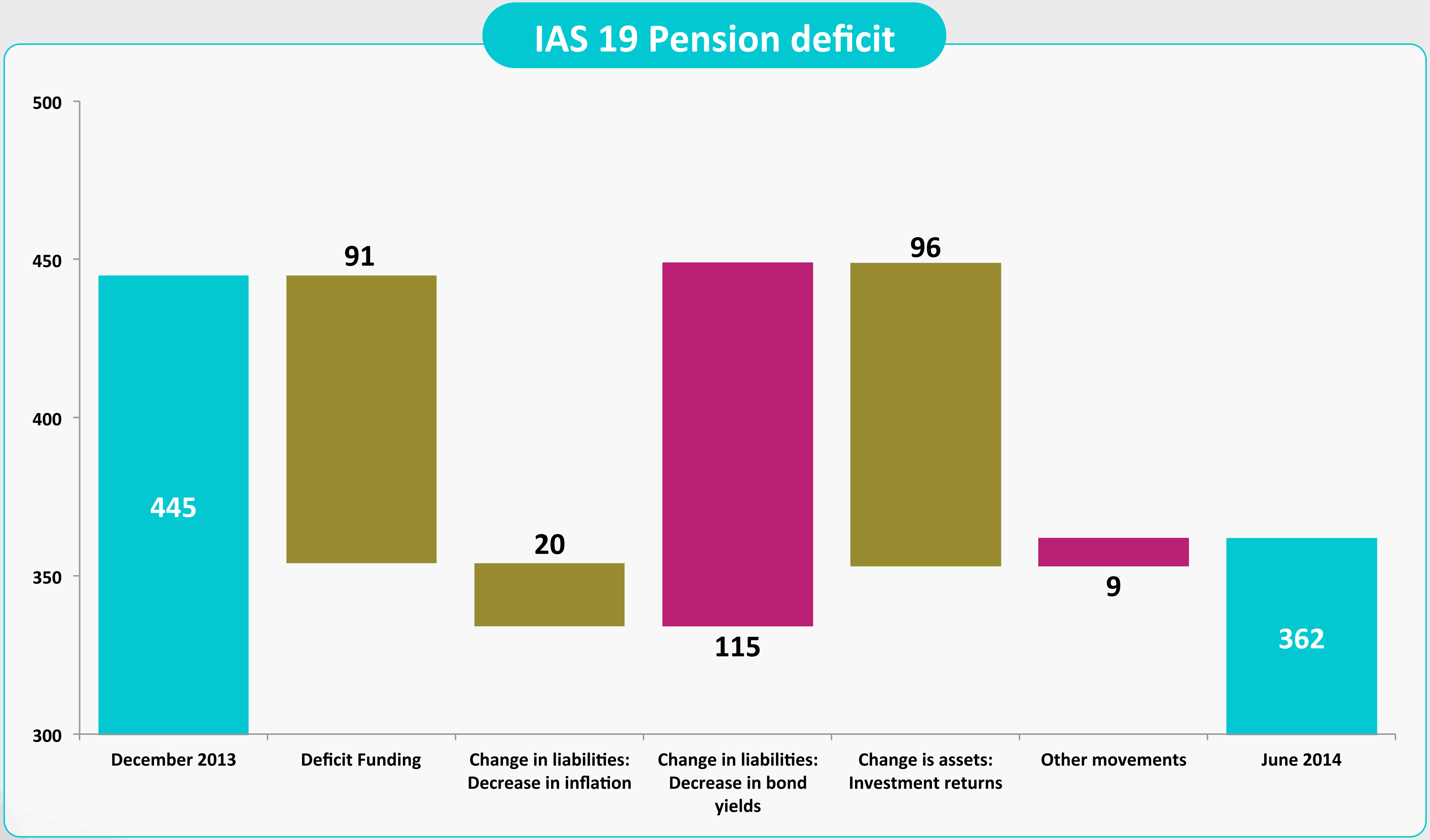
* In respect of intangible assets arising from business combinations

Analysis of net cash/debt

£m	June 2014	Dec 2013
€50m Jun 14	-	(15)
£78m Oct 15	(78)	(78)
£161m Jan 17	(161)	(161)
£62m Mar 19 (repaid in Jan 2014)	-	(62)
Finance Leases	(20)	(38)
£525m revolving credit facility	(210)	-
Cash and cash equivalents	268	518
Net (debt)/cash	**(201)**	**164**

£m	June 2014	Dec 2013
Cash and cash equivalents	268	518
Debt	(469)	(354)
Net (debt)/cash	**(201)**	**164**

Pension deficit



Pension contributions – 15 year plan

Section A:

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

- 2014: £40 million;
- 2015 to 2019: £48 million per annum in 2015 rising by £0.5 million per annum to £50 million in 2019;
- 2020 to 2025: £50 million per annum but may be reduced by the impact of additional profit-related contributions set out below

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

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

In addition to the agreed deficit funding contributions above, the SDN partnership established in 2010 provides an annual distribution of £11 million to this section of the Scheme until 2022 and and the LTC partnership established in 2014 provides an annual distribution of £2m, increasing by 5% per annum until 2038.

Section B and C:

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

The next triennial valuation of the scheme will be as at 1 January 2014 and is expected to be agreed in 2015.