ITV on track for another strong year

Interim results for the six months to 30 June 2015

Revenue growth across all parts of the business

- Total external revenue up 11% to £1,356m (2014: £1,225m)
- 5% growth in Net Advertising Revenue to £838m (2014: £795m)
- Online, Pay & Interactive revenue up 27% to £85m (2014: £67m)
- ITV Studios revenue up 23% to £496m (2014: £402m), with organic growth of 8%
- Double digit growth in Non-NAR revenue, up 18% to £693m (2014: £588m)

Continuing to deliver double digit profit growth

- Adjusted EBITA up 24% to £400m (2014: £322m)
- Broadcast & Online adjusted EBITA up 26% to £315m (2014: £250m)
- ITV Studios adjusted EBITA up 18% to £85m (2014: £72m)
- Adjusted PBT up 25% to £391m (2014: £312m)
- Adjusted EPS up 26% to 7.7p (2014: 6.1p)

Strong cash flows funding investment and increased shareholder returns

- International content business strengthened by further acquisitions including Talpa Media, Twofour Group and Mammoth Screen
- The Board has declared an interim dividend of 1.9p, up 36%

Positive outlook for the full year unchanged

- On track for another strong performance with revenue growth across the business
- ITV Family NAR expected to be up 6% for the 9 months to the end of September, around 8% in Q3 and we expect to outperform the market again in 2015
- Confident in delivering continued strong growth in Online, Pay & Interactive
- ITV Studios on track to deliver strong revenue growth over the full year, with good organic growth and acquisitions coming through as planned

Adam Crozier, ITV plc Chief Executive, said:

"ITV made further strong progress in the first half of the year as we continued to grow and rebalance the company creatively and commercially. All parts of the business performed well with external revenue up 11% to £1.36bn and we delivered another period of double digit profit growth up 24% to £400m.

We continue to grow non advertising revenue with Online, Pay & Interactive revenue up 27% and ITV Studios revenue up 23%, driven by organic growth and through our acquired businesses.

More than half of ITV Studios revenue now comes from outside the UK and we further reinforced our position as a leading international producer with the acquisition of Talpa Media. We have also continued to strengthen our UK studios business with the acquisitions of Mammoth Screen and Twofour Group.

Our Broadcast & Online business remains strong with profit up 26% to £315m and revenue up 6% to £1.04bn, helped by 5% growth in advertising revenue and the launch of our pay channel ITV Encore.

ITV Family share of viewing was down 4% in H1 and improving SOV remains a key focus for the year. As previously stated we expect to see improvements in H2 when we have exclusive rights to the Rugby World Cup as well as a strong slate of high quality drama including Jekyll & Hyde, Unforgotten and The Trials of Jimmy Rose.

Looking ahead to 2016 we have now secured the joint rights to Six Nations Rugby to add to our strong schedule of sport, drama and entertainment including the European Football Championships, Beowulf, Britain's Got Talent and Seth MacFarlane's Family Guy and American Dad.

Our outlook for the remainder of this year is unchanged and we expect to deliver another strong performance in 2015."

Half year results

Six months to 30 June – on an adjusted basis	2015 £m	2014 £m	Change £m	Change %
Broadcast & Online revenue	**1,035**	981	54	6
ITV Studios revenue	**496**	402	94	23
Total revenue	**1,531**	1,383	148	11
Internal supply	**(175)**	(158)	17	11
Group external revenue	**1,356**	1,225	131	11
Broadcast & Online EBITA	**315**	250	65	26
ITV Studios EBITA	**85**	72	13	18
EBITA	**400**	322	78	24
Group EBITA margin	**29%**	26%		3
Profit before tax	**391**	312	79	25
EPS	**7.7p**	6.1p	1.6p	26
Dividend per share	**1.9p**	1.4p	0.5p	36

Management look at adjusted results as they reflect the way the business is managed and measured on a day-to-day basis. Adjusted EBITA is before exceptional items and includes the benefit of production tax credits ('adjusted EBITA'). Adjusted profit before tax and EPS primarily remove the effect of amortisation of intangible assets acquired through business combinations and acquisition related costs. A full reconciliation between the adjusted and statutory results is provided in the financial review.

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

Six months to 30 June	2015 £m	2014 £m	Change £m	Change %
Profit before tax	**327**	250	77	31
EPS	**6.4p**	4.9p	1.5p	31
Diluted EPS	**6.4p**	4.8p	1.6p	33

Financial performance

We delivered another strong performance in the first half of the year, with good revenue growth across all parts of ITV as we continue to strengthen the business creatively, commercially and financially. Group external revenue increased 11% to £1,356 million (2014: £1,225 million) reflecting 6% growth in Broadcast & Online revenue to £1,035 million (2014: £981 million) and 23% growth in ITV Studios revenue to £496 million (2014: £402 million). Together with our continued focus on cash and costs we delivered another period of double digit profit growth with total adjusted EBITA up 24% to £400 million (2014: £322 million). Adjusted EPS in the period increased 26% to 7.7p (2014: 6.1p) and statutory EPS increased 31% to 6.4p (2014: 4.9p).

The business remains highly cash generative and profit to cash conversion was 97% over the first half, even after we increased our investment in scripted drama. After the acquisitions of Talpa Media, Mammoth Screen, Twofour Group and Cats on the Roof Media as well as payments of the 2014 final and special dividend, we ended the period with net debt of £540 million (31 December 2014: net cash of £41 million). This is in line with our objective of gradually increasing our balance sheet leverage over time.

Reflecting our confidence in the ongoing growth and cash generation of the business, and in line with our dividend policy, the Board has declared an interim dividend for 2015 of 1.9p, up 36%.

Broadcast & Online

Broadcast & Online delivered a strong first half performance, with total revenue up 6% to £1,035 million (2014: £981 million) and total adjusted EBITA up 26% to £315 million (2014: £250 million), corresponding to a 5% increase in the adjusted EBITA margin to 30% (2014: 25%). This reflects 5% growth in highly geared NAR as well as growth in high margin Online, Pay & Interactive revenue, which was up 27% to £85 million (2014: £67 million).

As expected, quarterly advertising growth has fluctuated year on year reflecting the timing of major events. The first quarter saw 12% growth helped by an earlier Easter, while the second quarter was flat against a strong Q2 2014, which had the benefit of the Football World Cup. Growth continues to be broad based across the major advertising categories, with spend in the Retail sector remaining strong reflecting competition between the supermarkets, while advertising within the Finance, Food and Car sectors was also up year on year. Entertainment & Leisure was down against a strong prior year when the gaming companies increased spend around the Football World Cup, while Cosmetics and Toiletries also remained down.

The total television market is becoming increasingly difficult to measure, particularly in the short term, as all broadcasters have different definitions and include sources of revenue other than pure spot advertising. Therefore we no longer report ITV's Share of Broadcast (SOB) at the half year. Based on our current estimate, we believe ITV is slightly behind the market at the half year, but as a result of the deals we have done we expect to be ahead of the market over the full year.

ITV Family share of viewing was down 4% in the first half, with the decline in the main channel partly offset by a 2% improvement across our digital family of channels. While there were many successful programmes in the first half, our viewing performance was impacted by strong competition from the BBC, no major sporting event and some of our shows not performing as well as we had expected. ITV Family SOCI was down 4%. We remain focused on improving share of viewing in the second half of the year to ensure that we continue to deliver standout content that drives mass audiences for our advertisers.

Online, Pay & Interactive revenue again showed strong growth, up 27% to £85 million (2014: £67 million) reflecting further growth in online advertising as well as the benefit of ITV Encore. Audience demand for VOD continues to grow and there remains strong demand for online advertising which, supported by further improvements in the quality and reach of ITV Player, helped drive a 29% increase in long form video requests and significant growth in Online revenue. We continue to develop our pay services with Pay revenue benefitting from a full six months of revenue from ITV Encore, which launched in June 2014, and strong demand for ITV on demand services. Interactive revenue was broadly flat in the period impacted by lower telephone voting for our entertainment programmes, although voting on our programme apps is growing strongly.

ITV Studios

ITV Studios revenue grew strongly in the first half, up 23% to £496 million (2014: £402 million) as we continue to strengthen our international portfolio of programmes that return and travel. Total organic revenue, which excludes our current and prior year acquisitions as well as foreign exchange movements, was up 8%, driven primarily by Studios US and Global Entertainment. Our acquisitions continue to come through as expected, with first half revenue benefitting from a full six months of Leftfield Entertainment as well as Talpa Media from 30 April 2015.

Reflecting the strong revenue growth across ITV Studios, adjusted EBITA increased 18% to £85 million (2014: £72 million). As a result of increased drama deliveries in the first half, which are lower margin, the adjusted EBITA margin decreased 1% to 17%.

Studios UK revenue was up 1% in the first six months to £208 million (2014: £205 million) reflecting 11% growth in internal revenue, partly offset by a decline in off-ITV commissions due to the loss of some commissions and phasing of programme deliveries which will reverse over the full year. Studios US grew strongly in the first half, with revenue up 69% to £145 million (2014: £86 million) as we benefitted from good organic growth, up 21%, as well as a full six months of Leftfield Entertainment, acquired in May 2014. Studios Rest of World (RoW) also showed strong growth, up 41% to £72 million (2014: £51 million), with organic revenue up 4%. Our distribution business, Global Entertainment, increased revenue by 18% in the period to £71 million (2014: £60 million) supported by our strong drama slate including new titles Poldark and Schitt's Creek, as well as US drama Aquarius and the benefit of Thunderbirds Are Go. Thunderbirds Are Go has now been sold to 35 countries with key territories such as the US still to come.

As well as strengthening our position as the UK's largest commercial production company, ITV Studios is becoming increasingly international. Reflecting our growth and increasing scale in key production markets in Europe and the US, 53% of ITV Studios total revenue in the first half was generated outside the UK. As our Studios business grows internationally, foreign currency movements have an increasing impact on our results. On a constant currency basis, which assumes exchange rates remained consistent with 2014, ITV Studios revenue for the first six months of 2015 would have been £5 million lower and adjusted EBITA would have been £2 million lower with the stronger US dollar partially offset by the weakening Euro.

We made four acquisitions in the first half of 2015. In April we completed the acquisition of Talpa Media, the Dutch creator of worldwide entertainment formats, including The Voice, The Voice Kids, Utopia, I Love My Country and Dating In The Dark. We paid an initial cash consideration of €500 million (£362 million) for 100% of Talpa's fully diluted share capital with further payments dependent on Talpa's future performance as well as John de Mol's continued commitment to the business during this time. The total maximum consideration, including the initial payment, is €1.1 billion which is contingent on Talpa continuing to deliver significant profit growth to 2022.

In May we acquired the remaining 75% of Mammoth Screen, one of the UK's leading scripted production companies, having held a 25% investment in the producer since 2007. Its successful slate of high end drama includes Poldark and Endeavour.

In June we completed the acquisition of Boom Supervisory Limited, the holding company of UK based Twofour Group which produces factual entertainment and drama programmes. We paid an initial cash consideration of £55 million for 75% of the Group. There is a put and call option for the remaining 25% that can be exercised over the next three to five years. Additionally, Twofour has a put and call option to acquire the remaining 49% of its subsidiary Mainstreet Pictures that can be exercised between 2018 and 2023. The total maximum consideration for Twofour and the remaining 49% of Mainstreet Pictures is £280 million with contingent payments dependent on both businesses delivering exceptional profit growth to £60 million in aggregate over the payment period and key individuals remaining with the group.

Also in June we established a new label, Cats on the Roof Media, with Andrew O'Connor, co-creator of Peep Show and Adam Adler, who created The Cube. Cats on the Roof Media owns a number of creative labels focused on developing entertainment and scripted comedy programmes.

EPS

Adjusted profit before tax was up 25% to £391 million (2014: £312 million). The total adjusted tax charge for the period was £81 million (2014: £64 million), corresponding to an effective tax rate on adjusted profit before tax of 21% (2014: 21%), which is broadly in line with the standard corporation tax rate of 20.25% (2014: 21.5%).

Adjusted profit after tax, was up 25% at £310 million (2014: £248 million). After non-controlling interests of £2 million (2014: £2 million), adjusted basic earnings per share was 7.7p (2014: 6.1p), up 26%.

Statutory EPS is adjusted to reflect the underlying performance of the business providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Adjustments include: acquisition-related costs such as professional fees, primarily due diligence, employment linked consideration and performance-based employment linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customer contracts and relationships; net financing cost adjustments; and other tax adjustments. Amortisation of intangible assets that are required to run our business, including software licences, is not adjusted for. In the period, statutory EPS increased 31% to 6.4p (2014: 4.9p).

Balance sheet and cash flow

ITV remains highly cash generative reflecting our continued tight management of working capital balances. In the period we generated £388 million (2014: £319 million) of operational cash from £400 million (2014: £322 million) of adjusted EBITA which equates to a strong profit to cash ratio of 97%. The ratio has declined slightly from 99% in the prior period as a result of increased investment in scripted content.

After payments for interest, cash tax and pension funding, our free cash flow also remained strong in the period, up 34% to £246 million (2014: £183 million). Overall, after £383 million of dividends and £407 million of acquisitions as well as pension deficit contributions of £66 million, we ended the first half with net debt of £540 million, compared to net cash of £41 million at 31 December 2014 and net debt of £201 million at 30 June 2014.

In 2014 we obtained a committed £525 million Revolving Credit Facility provided by a number of core relationship banks. We also entered into a £175 million bilateral financing facility and agreed a new £75m invoice discounting facility, both of which are free of financial covenants. At 30 June 2015 £130 million was drawn on the Revolving Credit Facility.

In 2015, to fund the acquisition of Talpa Media, we entered into a 12 month €500 million bridge loan facility provided by five of our relationship banks. As at 30 June 2015 this facility was fully drawn.

As we enter the next phase of our strategy this financial flexibility and our continued strong free cash flow will enable us to invest in further opportunities to grow the business and enhance shareholder value.

Going forward our objective is to run an efficient balance sheet, and to balance investment for further growth with attractive returns to shareholders. Therefore we will, over time, look to increase our balance sheet leverage. We believe that maintaining leverage below 1.5x reported net debt to adjusted EBITDA will optimise our cost of capital, allow us to sustain our progressive dividend policy and enable us to retain flexibility to continue to invest for further growth.

Dividend per share

Reflecting our confidence in the ongoing growth and cash generation of the business, last year the Board committed to growing the full year ordinary dividend by at least 20% per annum for three years to 2016, by when we will achieve a dividend cover of between 2.0 and 2.5 times adjusted earnings per share. In line with this policy, the Board has declared an interim dividend for 2015 of 1.9p, up 36%. The interim dividend is expected to be roughly a third of the full year dividend.

Pension

The aggregate IAS 19 deficit of the defined benefit schemes at 30 June 2015 was £285 million (31 December 2014: £346 million). The reduction reflects lower pension liabilities as a result of rising bond yields and deficit funding contributions of £66 million, partly offset by investment losses on pension scheme assets and higher inflation expectations increasing pension liabilities. Pensions continue to be paid from the Scheme based on actual requirements.

2015 full year planning assumptions

- Total network programme budget is expected to be around £1,040 million reflecting a full year of our new channels
- Interest is expected to be £15 million, increasing to reflect the Talpa Media acquisition
- The effective tax rate is expected to be 21%, with full year cash tax more in line with the income statement charge
- Capex is expected to remain between £40 - £45 million annually
- Profit to cash conversion is expected to be 85% due to continued investment in scripted content
- Pension deficit funding will not exceed contributions made in 2014
- If foreign exchange rates stay broadly similar, we expect ITV Studios revenue to be £5m lower and profit £3m lower, as a stronger US dollar is offset by our greater exposure to a weakening Euro following the Talpa Media acquisition. Our definition of constant currency assumes exchange rates stay consistent with 2014

Outlook

Our outlook for the remainder of the year is unchanged and we expect to deliver another strong performance in 2015.

ITV Family NAR is expected to be up 6% in the nine months to the end of September, around 8% in the third quarter, and we expect to outperform the market again over the full year. We remain focused on improving SOV and we expect to see improvements in the second half when we have exclusive rights to the Rugby World Cup as well as a strong slate of high quality drama. Online, Pay & Interactive will deliver continued strong growth, helped by the first full year of ITV Encore.

ITV Studios is on track to deliver strong revenue growth over the full year, with good organic growth and acquisitions coming through as planned.

Notes to editors

1. Unless otherwise stated, all financial figures refer to the six month period ended 30 June 2015, with growth compared to the same period in 2014.

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
ITV Family NAR	**838**	795	43	5
Non-NAR revenue	**693**	588	105	18
Internal Supply	**(175)**	(158)	17	11
Group external revenue	**1,356**	1,225	131	11

2. ITV Family NAR was up 12% in Q1 and flat in Q2 during which April was up 5%, May down 5% and June down 2%. We expect ITV Family NAR to be down 1% in July, up 7% in August and up around 15% in September, with Q3 up around 8%. Overall we expect ITV Family NAR for the nine months to the end of September to be up around 6%. This revenue is pure NAR, excluding the benefit of sponsorship and online revenue.

3. Broadcast & Online performance indicators

Six months to 30 June	**2015**	2014	Change %
ITV Family SOV	**21.1%**	22.1%	(4)
ITV SOV	**14.8%**	15.8%	(7)
ITV Family SOCI	**35.0%**	36.6%	(4)
ITV SOCI	**24.0%**	25.6%	(6)
ITV adult impacts	**104bn**	111bn	(6)
Total long form video requests (all platforms)	**422m**	328m	29

SOV data based on BARB/AdvantEdge data and Share of Commercial Impacts (SOCI) data based on BARB/DDS data. SOV data is for individuals and SOCI data is for adults. ITV Family includes: ITV, ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV, ITV Breakfast, CITV Breakfast and associated "HD" and "+1" channels. % change is calculated on unrounded SOV and SOCI figures. Total long form video requests across all platforms are based on data from ComScore Digital Analytix, Virgin, BT, iTunes, Amazon Prime Instant Video, Netflix, Sky, 3UK and Hospedia and include simulcast.

4. The 2015 Interim dividend will be paid on 30 November 2015. The ex dividend date is 29 October 2015 and the record date is 30 October 2015.

5. This announcement contains certain statements that are or may be forward looking with respect to the financial condition, results or operations and business of ITV. By their nature forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements. These factors include, but are not limited to (i) a major deterioration in the current outlook for UK advertising and consumer demand, (ii) significant change in regulation or legislation, (iii) failure to identify and obtain, or significant loss of, optimal programme rights, and (iv) the loss or failure of transmission facilities or core systems and (v) a significant change in demand for global content.

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

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Strategy & Operations

We delivered another strong performance in the first half of the year, with good revenue growth across all parts of ITV as we continue to strengthen the business creatively, commercially and financially. Total external revenue increased 11% to £1,356 million (2014: £1,225 million) reflecting 6% growth in Broadcast & Online revenue to £1,035 million (2014: £981 million) and 23% growth in ITV Studios total revenue to £496 million (2014: £402 million). Together with our continued focus on cash and costs we delivered another period of double digit profit growth with total adjusted EBITA up 24% to £400 million (2014: £322 million). Adjusted EPS in the period increased 26% to 7.7p (2014: 6.1p) and statutory EPS increased 31% to 6.4p (2014: 4.9p).

We are committed to our original vision of ITV as an owner and producer of world class content that travels, and, as we execute our strategy, we remain focused on delivering against our three strategic priorities:

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

We have made further progress rebalancing ITV and growing new revenue streams in the period, with 45% of total first half revenue coming from sources other than traditional spot advertising. ITV Studios continues to grow in the UK and internationally, both organically and through acquisitions in key creative markets, while we delivered further strong growth in Online, Pay & Interactive revenue which is now a material and profitable part of the business.

The business remains highly cash generative and profit to cash conversion was 97% over the first half, even after we increased our investment in scripted drama. We ended the period with net debt of £540 million (30 June 2014: £201 million) after acquisitions of £407 million (net of cash acquired), dividend payments of £383 million and pension deficit contributions of £66 million. Reflecting our strong cash flows we also continued to invest in the assets underpinning our strategy, developing our content, our people and our brand. As a people and talent business we continue to drive high employee engagement and attract a diverse workforce to support the success of ITV.

Looking ahead, we continue to see investment opportunities to grow the business and enhance shareholder value. Reflecting our confidence in the ongoing growth and cash generation of the business, last year the Board committed to growing the full year ordinary dividend by at least 20% per annum to 2016. In line with this policy, the Board has declared an interim dividend of 1.9p (2014: 1.4p), with the interim dividend expected to be approximately one third of the full year dividend. We also remain focused on maintaining capital discipline and balance sheet efficiency and will, over time, look to increase our balance sheet leverage gradually while retaining the flexibility to continue to invest.

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

Broadcast & Online revenue was up 6% in the first half to £1,035 million (2014: £981 million) while the adjusted EBITA margin increased to 30% (2014: 25%). This reflects 5% growth in highly geared NAR as well as growth in high margin Online, Pay & Interactive revenue, which was up 27% to £85 million (2014: £67 million).

Strong Broadcast business continues to deliver unrivalled audience reach

ITV remains the biggest marketing platform in the UK. As a result of the scale of our commercial channels we reach around 80% of the television owning population every week which, together with our investment in our programme budget, helps us to deliver 98% of commercial audiences over five million and 92% of commercial audiences over three million. As a result, there continues to be strong demand for advertising on our family of channels, which generates significant profit and cash to reinvest in growing other parts of the business. Additionally, as an integrated producer broadcaster, our Broadcast channels also provide an important platform to showcase ITV Studios content, and give it a proven track record, before exploiting it internationally.

Continued focus on improving viewing performance

ITV Family share of viewing was down 4% in the first half, with the decline in the main channel partly offset by a 2% improvement across our family of digital channels. While there were many successful programmes in the first half, our viewing performance was impacted by strong competition from the BBC, no major sporting event, and some of our shows not performing as well as we had expected. ITV Family SOCI was down 4%.

During the first six months of the year we continued to deliver a high quality and varied schedule. Britain's Got Talent was the highest rated entertainment series, with the final delivering the largest audience on any channel in 2015 to date. Our daytime schedule, including Good Morning Britain improved in the first half and we also successfully launched a number of new entertainment shows including Mission Survive, Ninja Warrior and You're Back in the Room. Our drama schedule, which included Code of A Killer, Safe House, Home Fires, Black Work and the second series of Broadchurch, continued to deliver large-scale audiences.

Viewing improved across our digital channels helped by new and returning shows including The Keith Lemon Sketch Show, Love Island and Britain's Got More Talent as well as the launch of our new channels. ITVBe, which launched in October 2014, is now a top 10 digital channel for its target young female demographic. ITV2 and ITV3 remain the top two digital channels in the UK and ITV4 continues to reach a male audience through exclusive sporting content that included the Isle of Man TT and the French Open in the first half.

We remain focused on improving share of viewing in the second half of the year to ensure that we continue to deliver standout content that drives mass audiences for our advertisers. Looking ahead, we have a strong slate of programmes for our autumn and Christmas schedule with the Rugby World Cup exclusively on ITV, new and returning drama including Jekyll & Hyde, the Downton Abbey finale, Doc Martin, Unforgotten, Lewis, Prey, The Trials of Jimmy Rose, Churchill's Secret, Peter & Wendy as well as a new line up for The X Factor and a refreshed format for I'm a Celebrity… Get Me Out of Here!. We are also pleased to have secured exclusive UK broadcast rights to the Seth MacFarlane family of shows, including Family Guy, and we will share the Six Nations Rugby with the BBC from 2016.

Further investment in ITV Player driving growth in VOD

We continue to see strong growth in online viewing reflecting a growing demand for VOD content as viewers are changing the way they consume content. Although viewing on demand relative to live television remains small at around 5% of total viewing, this is a fast growing revenue stream. Long form video requests on ITV Player, through which audiences can access ITV broadcast content on demand, were up 29% year-on-year in the first six months of 2015. To support growth in our online audiences and advertising revenue, we continue to invest in improving the user experience and reach of ITV Player. We have improved the interface and placed greater emphasis on accessing live television on demand, especially around our exclusive sporting content, and live simulcast is now available on all our mobile apps. We have also upgraded our mobile apps in the first half, which have now been downloaded over 18 million times.

Maximising the value of our programme brands

Across Broadcast & Online, we continue to build more value from our brand through sponsorship deals to maximise our revenue streams, interactivity aimed at increasing consumer engagement as well as new advertising initiatives. Recently announced new sponsorship deals include Land Rover and SSE for the Rugby World Cup, Aunt Bessie's for I'm A Celebrity… Get Me Out of Here!, Skoda for the Tour De France, Magners for BBQ Champ and Green Flag for National Weather.

Our programme apps continue to grow in popularity, with The X Factor and Britain's Got Talent the most popular programme apps in Europe, and we will be launching new apps for the Rugby World Cup as well as the return of I'm A Celebrity… Get Me Out of Here!. On ITV Player, we are working on how to maximise the value of our digital data, with over 10 million registered users a key enabler for us potentially to implement more targeted advertising online.

Grow international content business

In the first half, reflecting the strength of our global production labels, ITV Studios delivered good growth, both organically and from our acquisitions. Total revenue was up 23% to £496 million (2014: £402 million), of which organic revenue was up 8%, while adjusted EBITA increased 18% to £85 million (2014: £72 million).

As well as strengthening our position as the UK's largest commercial production company, ITV Studios is becoming increasingly international. Over half of ITV Studios total revenue is now generated outside the UK and we have become a top indie producer across Europe and the US.

Investing in content with international appeal

Capitalising on the growing global demand for content, ITV Studios' strategy is to develop, own and manage IP in key creative markets that has international appeal. Over the last few years we have built scale in production markets with solid creative track records, developing a strong portfolio of successful series and formats focused on genres that return and travel internationally, namely drama, entertainment and factual entertainment.

Building an international scripted portfolio

Demand for drama is growing strongly as standout, original scripted content becomes brand defining for both broadcasters and OTT players in an increasingly competitive global environment. Leveraging our network relationships and international distribution network, we are looking to expand our global scripted business and develop a strong portfolio of international and returning drama.

We are growing our scripted business both organically and through a mix of acquisitions, investments and talent deals. Alongside our existing UK and US labels, this year we further strengthened our UK drama business with the acquisitions of Mammoth Screen, producer of Poldark, Endeavour and Victoria, and Twofour Group, producer of Unforgotten. We have also brought in new creative talent to ITV Studios, working alongside Prison Break producer Marty Adelstein since 2014 through our US partnership, Tomorrow ITV Studios, and, in the first half, we acquired a minority stake in Monumental Television, a UK drama start-up founded by Oscar nominated film producers Alison Owen and Debra Hayward.

Reflecting the Group's strong financial position and cash generation, we are now able to finance larger-scale scripted projects through working capital. The production cost is partly funded by the initial sale of the series to a broadcaster, while the deficit is recovered through distribution revenue from selling the finished product globally to other broadcasters and platforms. We balance our financial exposure through our portfolio approach, with successful international dramas offsetting the risk that we will not recover the full deficit on every show.

In the first half we delivered three major drama series in the US, The Good Witch, Aquarius and Texas Rising, of which The Good Witch and Aquarius have already been recommissioned. In the UK we also have Mr Selfridge s4, Poldark s2, Endeavour s3, Jekyll & Hyde and Beowulf currently in production, which all have international appeal and the potential to return.

Developing and owning entertainment and factual entertainment programmes and formats

We also continue to perform well internationally in the entertainment and factual entertainment genres and, in response to continued demand from networks, we have grown a solid portfolio of high volume, high margin formats and shows that travel and return year after year. Over the last four years we have strengthened our exposure to this genre through acquiring a number of production companies, most recently Twofour Group in the UK. In the US, following our acquisition of Leftfield Entertainment, we became the largest unscripted independent producer.

Our talent deals have included a partnership, Possessed Television, with producer Glenn Hugill who was central to the success of Deal or No Deal and in the first half of 2015 we established a new label, Cats on the Roof Media, with Andrew O'Connor, co-creator of Peep Show and Adam Adler, who created The Cube. Most significantly, ITV acquired Talpa Media in April 2015, a Netherlands based production and distribution business focused on developing new entertainment formats that attract large audiences and have significant global commercial potential. Benefitting from the creative input of John De Mol and his management team, who will continue to work for ITV, Talpa has created 75 shows and has aired programmes in more than 180 countries over the last six years, including The Voice, The Voice Kids, Utopia, I Love My Country and Dating In The Dark.

Strengthened position as the UK's largest commercial production company

We reinforced our position as the number one commercial producer in the UK with our acquisitions of Mammoth Screen and Twofour Group strengthening our production capability across the genres of drama, entertainment, factual entertainment and comedy as well as helping to drive future growth in our off-ITV commissions. In the first half we delivered a new series of The Graham Norton Show (BBC1), Come Dine With Me (Channel 4), 10,000 BC (Channel 5) and Mummy's Boys (Comedy Central). Following these acquisitions our off-ITV portfolio also now includes Poldark (BBC), The Voice (BBC), Tripped (E4), I Want My Wife Back (BBC), Educating Cardiff (Channel 4) and Posh Pawn (Channel 4).

ITV Studios is also focused on growing its share of original content commissioned on the ITV Main channel. New commissions delivered to ITV in the first half included Thunderbirds Are Go, Get Your Act Together, Ninja Warrior, The Trials of Jimmy Rose and Home Fires, while we secured recommissions for Saturday Night Takeaway, Mr Selfridge, Ninja Warrior and Home Fires.

Studios UK revenue was up 1% in the first six months reflecting good growth in internal revenue, partly offset by a decline in off-ITV commissions due to the loss of some commissions and phasing of programme deliveries which will reverse over the full year.

Growing international production in key creative markets

ITV Studios America benefitted from deliveries of our three major dramas in the first half and we regularly deliver a high volume of programmes from our stable portfolio of unscripted series, including Duck Dynasty, Hell's Kitchen USA and First 48. A US version of Saturday Night Takeaway, titled Best Time Ever with Neil Patrick Harris, will air in the US in the second half of the year. We also saw good growth across ITV Studios Rest of World (RoW), where our production bases in Australia, Germany, France, Holland and the Nordics produce original content as well as local versions of ITV Studios formats. In the period, in addition to benefitting from two months of Talpa Media revenue, we delivered a number of new and returning commissions including I'm A Celebrity… Get Me Out Of Here! in Denmark and Australia, The Chase in Norway, Come Dine With Me in Sweden, The Chase, Quizduell and I'm A Celebrity… Get Me Out Of Here! in Germany and A Mother's Son in France.

Build a global pay and distribution business

As we grow our investment in content and own more hit shows that can be exported around the world, we are creating new windows to extend the reach of that content and monetise it across more platforms and markets.

Further developing our sources of pay revenue

We have built a fast growing and profitable pay business in the UK from licensing our channels and content. We have deals with Sky and Virgin for our HD channels and catch up VOD, an advertising free subscription version of ITV Player on iOS and, in 2014, we signed a four year deal with Sky to make ITV content available through Sky's connected platforms including Sky Go and Now TV.

In the first half, we continued to invest in developing our sources of Pay revenue. In June 2015 we celebrated the one year anniversary of ITV Encore, our pay channel and box set service on Sky, and we are strengthening the channel with more exclusive content including original drama commissions The Frankenstein Chronicles and Houdini & Doyle, the first of which will premier this Autumn.

Outside of the UK we have established a number of smaller pay propositions including Cirkus, a subscription VOD service that offers the 'Best of British' content to international pay platforms available in the Nordics, ITV Essentials, an OTT service for expats and tourists, and ITV Choice, a general entertainment channel for emerging markets. In the first half we further extended the reach of these channels launching Cirkus in Iceland and ITV Choice in South Africa.

We are also continuing to drive the debate around the implementation of retransmission fees in the UK to ensure that we are fairly compensated for our investment in content for the ITV main channel when it is carried on pay TV platforms.

Remaining responsive to changes in viewing behaviour

As we work to increase ITV brand loyalty amongst the younger generation, we are continually exploring new models for content creation and distribution. We are developing a broader digital presence beyond ITV Player as well as investing in short form content. We have invested in a number of digital-first media companies including Believe Entertainment Group, Zealot and Indigenous Media to help grow our exposure to these content genres and develop greater expertise in monetising online audiences. In 2014 we signed a multi-year deal with YouTube to provide channels based on our existing content including This Morning, Britain's Got Talent and The X Factor, launching 22 channels to date.

Expanding our global distribution network

We also continue to enhance our distribution network, benefitting from our increased IP ownership and stronger network relationships as ITV Studios has grown in scale. Our acquisitions in the first half further strengthened ITV Global Entertainment's position as a leading international distributor of content. Following the acquisition of Talpa Media, ITV's portfolio of formats and licences that travel has increased significantly and our focus is now on leveraging our creative talent and distribution network to build on these successes.

A number of our programmes, including The Voice, Mr Selfridge, Lewis and Hell's Kitchen US have sold to over 150 countries and, following our purchase of Talpa Media, we have significantly grown our library of entertainment formats. In the first half we sold 44 formats, with new sales including I'm A Celebrity… Get Me Out Of Here! to Romania, Sing My Song and Big Star's Little Star to Vietnam and Come Dine With Me to New Zealand.

Reflecting this growth as well as our investment in scripted content, Global Entertainment's revenue increased by 18% in the first half to £71 million (2014: £60 million). We have acquired the third party distribution rights to a number of international shows including Schitt's Creek from Canada, which has been recomissioned, and we have benefitted from the distribution of Nordic thriller Jordskott as well as Mammoth Screen's dramas including Endeavour and Poldark, which has already sold to 84 countries. During the period we signed a new multi-year deal for Coronation Street in Canada and sold Thunderbirds Are Go in 35 countries. We also expect to benefit from merchandising around Thunderbirds Are Go as we look to extend the franchise beyond the television set.

Leveraging the success of our existing pay proposition, we are developing further new ways to package and sell our content internationally.

Positive outlook for the full year unchanged

Our outlook for the remainder of the year is unchanged and we expect to deliver another strong performance in 2015. ITV Family NAR is expected to be up 6% in the nine months to the end of September, around 8% in the third quarter, and we expect to outperform the market again over the full year. We remain focused on improving SOV and we expect to see improvements in the second half when we have exclusive rights to the Rugby World Cup as well as a strong slate of high quality drama. Online, Pay & Interactive will deliver continued strong growth, helped by the first full year of ITV Encore.

ITV Studios is on track to report strong revenue growth over the full year, with good organic growth and acquisitions coming through as planned.

Overall, we see clear opportunities for further investment across the business and, benefitting from our strong financial position and cash conversion, we are confident in delivering continued growth while increasing shareholder returns. ITV remains well positioned to drive value from our talented and creative people, our commercial scale, and our global network in the creation and distribution of content.

Key Performance Indicators

We have defined our Key Performance Indicators (KPIs) to align performance and accountability to our strategy. Further detail on our financial performance and KPIs can be found in the Strategy & Operations section and the Financial and Performance Review.

Six months to 30 June	**2015**	2014	Absolute Change
Adjusted EBITA	**£400m**	£322m	£78m
Adjusted earnings per share	**7.7p**	6.1p	1.6p
Profit to cash ratio 12 months rolling	**92%**	97%	(5)%
ITV Family Share of Viewing (SOV)	**21.1%**	22.1%	(1.0)%
ITV Family Share of Commercial Impacts (SOCI)	**35.0%**	36.6%	(1.6)%
Total long form video requests	**422m**	328m	94m
Non-NAR revenue	**£693m**	£588m	£105m

Four of our KPIs are only reported on a full year basis: ITV Family Share of Broadcast (SOB), percentage of ITV output from ITV Studios, number of new commissions for ITV Studios and employee engagement.

ITV SOB is no longer reported externally at the half year as it has become increasingly difficult to measure the total television market particularly in the short term, as all broadcasters have different definitions and include sources of revenue other than pure spot advertising. Based on our current estimate, we believe ITV is slightly behind the market at the half year, but as a result of the deals we have done we expect to be ahead of the market over the full year.

ITV Studios KPIs are not reported externally on a six monthly basis as they are materially impacted by phasing and therefore the full year number gives a more meaningful measurement of performance. Employee engagement is based on an annual survey undertaken in the autumn but our interim activities suggest that engagement remains strong.

Financial and Performance Review

ITV delivered another strong performance in the first six months of 2015. Reflecting our continued investment in quality content, we grew revenue across all parts of the business and again reported a period of double digit profit growth while further improving adjusted EBITA margins. We remain highly cash generative which, together with our continued focus on costs, places us in a strong position to invest for further growth and enhance shareholder value.

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
NAR	**838**	795	43	5
Total non-NAR	**693**	588	105	18
Total revenue	**1,531**	1,383	148	11
Internal supply	**(175)**	(158)	(17)	(11)
Group external revenue	**1,356**	1,225	131	11
Adjusted EBITA	**400**	322	78	24
Group adjusted EBITA margin	**29%**	26%		3
Adjusted EPS	**7.7p**	6.1p	1.6p	26
Adjusted diluted EPS	**7.6p**	6.1p	1.5p	25
Dividend per share	**1.9p**	1.4p	0.5p	36
Net debt as at 30 June	**540**	201		

Total ITV revenue increased 11% to £1,531 million (2014: £1,383 million), with external revenue also up 11% at £1,356 million (2014: £1,225 million). This reflects 5% growth in NAR to £838 million (2014: £795 million), and 18% growth in non-NAR revenue to £693 million (2014: £588 million) as we continue to make good progress rebalancing the business. In the first half non-NAR accounted for 45% (2014: 43%) of total revenue.

Reflecting the growth in highly geared NAR and high margin Online, Pay & Interactive revenue, and our continued focus on costs, adjusted EBITA was up 24% to £400 million (2014: £322 million), resulting in a 3% improvement in the adjusted EBITA margin to 29%. We continue to manage our costs tightly across the business to offset inflationary pressures. Adjusted EPS in the first half grew 26% to 7.7p (2014: 6.1p) while reported EPS grew 31% to 6.4p (2014: 4.9p).

We remain focused on balance sheet efficiency and working capital management. Despite increased investment in scripted content, our profit to cash ratio remained strong in the first half at 97%. After the acquisitions of Talpa Media, Mammoth Screen, Twofour Group and Cats on the Roof Media as well as payments of the 2014 final and special dividend, we ended the period with net debt of £540 million (31 December 2014: net cash of £41 million). This is in line with our objective of gradually increasing our balance sheet leverage over time.

The Financial and Performance Review focuses on the adjusted results, which, in management's view, reflect the underlying performance of the business, providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The adjusted results are reconciled to the reported results in the EPS section that follows.

In 2015, EBITA before exceptional items has been adjusted to include the benefit of production tax credits as in our view they relate directly to the production of programmes and reflect the way the business is managed and measured on a day-to-day basis ('adjusted EBITA). Adjusted profit before tax and EPS remove the effect of items including acquisition related costs such as professional fees, primarily due diligence, employment linked consideration and performance-based employment linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customer contracts and relationships; net financing cost adjustments; and other tax adjustments.

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

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
Profit before tax	**327**	250	77	31
EPS	**6.4p**	4.9p	1.5p	31
Diluted EPS	**6.4p**	4.8p	1.6p	33

Broadcast & Online

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
NAR	**838**	795	43	5
Online, Pay & Interactive revenue	**85**	67	18	27
SDN external revenue	**31**	36	(5)	(14)
Other commercial income	**81**	83	(2)	(2)
Broadcast & Online non-NAR revenue	**197**	186	11	6
Total Broadcast & Online revenue	**1,035**	981	54	6
Total schedule costs	**(507)**	(530)	23	4
Other costs	**(213)**	(201)	(12)	(6)
Total Broadcast & Online adjusted EBITA	**315**	250	65	26
Adjusted EBITA margin	**30%**	25%		

Broadcast & Online delivered a strong first half performance, with total revenue up 6% to £1,035 million (2014: £981 million) driven by 5% growth in NAR and 27% growth in Online, Pay & Interactive.

The television advertising market continued to show strong growth across the major advertising categories in 2015, with NAR up 5% to £838 million (2014: £795 million). Spend in the Retail sector remained strong reflecting continued competition between the supermarkets, while advertising within the Finance, Food and Car sectors was also up year on year. Entertainment & Leisure was down against a strong prior year when the gaming companies increased spend around the Football World Cup, while Cosmetics and Toiletries also remained down.

As expected, quarterly advertising growth has fluctuated year on year reflecting the timing of major events. The first quarter saw strong growth of 12% benefitting from an earlier Easter, while the second quarter was flat against a strong Q2 2014 which benefitted from the Football World Cup.

Online, Pay & Interactive revenue continued to show strong growth, up 27% to £85 million (2014: £67 million) reflecting further growth in online advertising as well as the benefit of ITV Encore. Audience demand for VOD continues to grow and there remains strong demand for online advertising which, supported by further improvements in the quality and reach of ITV Player, helped drive a 29% increase in long form video requests and significant growth in Online revenue. We continue to develop our pay services with Pay revenue benefitting from a full six months of revenue from ITV Encore, which launched in June 2014, and strong demand for ITV on demand services. Interactive revenue was broadly flat in the period impacted by lower telephone voting for our entertainment programmes, although voting on our programme apps is growing strongly.

SDN external revenue, which is generated from licence sales for DTT Multiplex A, decreased 14% to £31 million (2014: £36 million). The was as a result of lower renewal fees for existing long term contracts which expired during the period, a trend expected to continue over the full year.

Other commercial income was down 2% to £81 million (2014: £83 million). Sponsorship revenue was higher in 2014 around the Football World Cup, but will improve in the second half of 2015 around the Rugby World Cup. Other commercial income also includes revenue from media sales, which relates to commission earned by ITV on sales of airtime for the non-consolidated licensees, as well as minority revenue from these licensees for ITV content. As expected, performance across both revenue streams was largely unchanged year on year.

Schedule costs were down 4% in the first half to £507 million (2014: £530 million). An increase in schedule costs for ITV's new channels, ITVBe and ITV Encore, was offset by the timing of spend on sport following the Football World Cup in 2014. Looking ahead to the full year we continue to expect our total annual programme budget to be around £1,040 million with the Rugby World Cup, as well as new and returning drama and entertainment shows in the second half.

Other costs in Broadcast were up 6% year on year due to timing differences which will partly reverse over the full year. We maintain a tight control on costs and will continue to deliver savings to mitigate inflationary pressure.

Overall Broadcast & Online adjusted EBITA was up 26% to £315 million (2014: £250 million). The continued growth in our highly geared advertising revenue, together with higher margin revenue growth in Online, Pay & Interactive, resulted in the adjusted EBITA margin increasing 5% in the first half to 30% (2014: 25%).

Looking to the second half, ITV Family NAR is expected to be up around 8% in the third quarter, 6% over the nine months, and we expect to outperform the market over the full year while Online, Pay & Interactive will continue to grow strongly.

ITV Studios

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
Studios UK	**208**	205	3	1
Studios US	**145**	86	59	69
Studios RoW	**72**	51	21	41
Global Entertainment	**71**	60	11	18
Total Studios revenue	**496**	402	94	23
Total Studios costs	**(411)**	(330)	(81)	(25)
Total Studios adjusted EBITA*	**85**	72	13	18
Studios adjusted EBITA margin	**17%**	18%		

*Includes the benefit of production tax credits.

Six months to 30 June	**2015 £m**	2014 £m	Change £m	Change %
Sales from ITV Studios to Broadcasting & Online	**175**	158	17	11
External revenue	**321**	244	77	32
Total Studios revenue	**496**	402	94	23

ITV Studios total revenue grew strongly in the first half, up 23% to £496 million (2014: £402 million) as we continue to strengthen our international portfolio of programmes that return and travel. Total organic revenue, which excludes our current and prior year acquisitions as well as foreign exchange movements, was up 8%, driven primarily by Studios US and Global Entertainment. Our acquisitions continue to come through as planned, with first half revenue benefitting from a full six months of Leftfield Entertainment as well as Talpa Media from 30 April 2015.

Studios UK revenue was up 1% in the first six months to £208 million (2014: £205 million) reflecting 11% growth in internal revenue, partly offset by a decline in off-ITV commissions. Programming sales to Broadcast increased across both drama and entertainment, benefitting from new deliveries including The Trials of Jimmy Rose, Home Fires, Thunderbirds Are Go and Ninja Warrior. Off-ITV revenue was impacted by the loss of some commissions and the timing of deliveries such as Shetland, In it to Win it and University Challenge for the BBC. These will reverse over the full year.

As well as strengthening our position as the UK's largest commercial production company, ITV Studios is becoming increasingly international. Reflecting our growth and increasing scale in key production markets in Europe and the US, 53% of ITV Studios total revenue in the first half was generated outside the UK. As our Studios business grows internationally, foreign currency movements have an increasing impact on our results. On a constant currency basis, which assumes exchange rates remained consistent with 2014, ITV Studios revenue for the first six months of 2015 would have been £5 million lower and adjusted EBITA would have been £2 million lower with the stronger US dollar partially offset by the weakening Euro.

Studios US grew strongly in the first half, with revenue up 69% to £145 million (2014: £86 million) as we benefitted from good organic growth, up 21%, as well as the first full year of Leftfield Entertainment, acquired in May 2014. Following this acquisition, we became the largest unscripted independent producer in the US and we now have a strong portfolio of returning series and formats including Hells Kitchen, Pawn Stars, Duck Dynasty, Marriage Bootcamp, The Real Housewives of New Jersey and The Rich Kids Of Beverly Hills. In the first half our scripted dramas aired in the US, Texas Rising, The Good Witch and Aquarius, helping drive significant revenue growth, and The Good Witch and Aquarius have already been recommissioned.

Studios RoW also showed strong growth, up 41% to £72 million (2014: £51 million), with organic revenue up 4%. We benefitted from two months of revenue from Talpa Media which we acquired on 30 April 2015, significantly strengthening our position as a leading international producer. We also saw good growth in Australia and Norway, partly offset by a decline in Germany. First half deliveries included I'm A Celebrity… Get Me Out Of Here! in Australia, Germany and Denmark, The Chase in Norway, Mini Beiz, Dini Beiz in Switzerland and A Mother's Son in France.

Global Entertainment revenue increased 18% in the period to £71 million (2014: £60 million) as we continued to grow our portfolio of programmes and formats to distribute internationally. First half revenue growth was supported by our strong programme slate including new titles Poldark and Schitt's Creek, as well as US drama Aquarius and the benefit of Thunderbirds Are Go. Thunderbirds Are Go has now been sold to 35 countries with key territories such as the US still to come and we expect to benefit from merchandising around the series as we look to extend the franchise beyond the television set.

Reflecting the strong revenue growth across ITV Studios, adjusted EBITA increased 18% to £85 million (2014: £72 million). As a result of increased drama deliveries in the first half, which are lower margin, the adjusted EBITA margin decreased 1% to 17%. We are financing our larger-scale scripted projects through working capital. The production cost is partly funded by the initial sale of the series to a broadcaster, while the deficit is recovered through distribution revenue from selling the finished product globally to other broadcasters and platforms. We balance our financial exposure through our portfolio approach, with successful international dramas offsetting the risk that we will not recover the full deficit on every show.

Overall, ITV Studios is on track to deliver strong revenue growth over the full year, with good organic growth and our acquisitions coming through as planned.

Acquisitions

We have built scale in our international content business, focusing our growth in key creative markets that have a track record for creating and owning intellectual property. Since 2012 we have acquired a number of content businesses in the UK, US and creative 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 strengthen our creative talent pool and build our reputation as a leading European producer and the largest unscripted independent production company in the US.

We have strict criteria for evaluating potential acquisitions. Financially, we assess ownership of intellectual property, 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 entertainment, as well as succession planning for key individuals in the business.

We also 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.

In April 2015 we completed the acquisition of Talpa Media, the Dutch creator of worldwide entertainment formats, including The Voice, The Voice Kids, Utopia, I Love My Country and Dating In The Dark. We paid an initial cash consideration of €500 million (£362 million) for 100% of Talpa's fully diluted share capital with further payments dependent on Talpa's future performance. The total maximum consideration, including the initial payment, is up to €1.1 billion which is contingent on Talpa continuing to deliver significant profit growth to 2022 as well as John de Mol's continued commitment to the business during this time.

We also acquired a minority stake in Monumental Television in April, the UK scripted independent producer founded by Oscar nominated film producers Alison Owen and Debra Hayward. As part of the agreement, Global Entertainment acquired exclusive distribution rights to all of its future television productions.

In May we acquired the remaining 75% of Mammoth Screen, one of the UK's leading scripted production companies, having held a 25% investment in the producer since 2007. Its successful slate of high end drama includes Poldark and Endeavour.

In June we completed the acquisition of Boom Supervisory Limited, the holding company of UK based Twofour Group which produces factual entertainment and drama programmes. We paid an initial cash consideration of £55 million for 75% of the Group. There is a put and call option for the remaining 25% that can be exercised at the end of 2017 and between the end of 2019 and 2021. Additionally, Twofour has a put and call option to acquire the remaining 49% of its subsidiary Mainstreet Pictures that can be exercised between 2018 and 2023. The total maximum consideration for Twofour and the remaining 49% of Mainstreet Pictures is £280 million with contingent payments dependent on both businesses delivering exceptional profit growth to £60 million in aggregate over the payment period and key individuals remaining with the group.

Also in June we established a new label, Cats on the Roof Media, with Andrew O'Connor, co-creator of Peep Show and Adam Adler, who created The Cube. Cats on the Roof Media owns a number of creative labels focused on developing entertainment and scripted comedy programmes.

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 through the income statement. Where consideration paid or contingent consideration payable in the future is employment linked it is treated as an expense rather than capital. All consideration of this type is excluded from adjusted profit after tax and adjusted EPS as, in our view, it is part of capital consideration.

The total initial consideration paid for our acquisitions in 2015 to date was £432 million. At 30 June 2015, based on our current view of performance, we expect to pay a further £224 million, giving a total expected amount payable for our 2015 acquisitions of £656 million, payable only if exceptional compound earnings growth is delivered over the payment period.

Company	Geography	Genre	Initial consideration (£m)	Expected future payments* (£m)	Total expected consideration** (£m)	Expected payment period	Total maximum consideration* (£m)
2015							
Talpa Media	Netherlands	Entertainment	362	186	548	2015-2019	796
Twofour Group	UK	Fact Ent & Drama	55	10	65	2016-2021	280
Other	UK	Various	15	28	43	2015-2020	81
Total for 2015			**432**	**224**	**656**		**1,157**
Total for 2012-2014			328	63	391	2016-2021	847
Total			**760**	**287**	**1,047**		**2,004**

*Undiscounted and performance related.

**Undiscounted, including the initial cash consideration and excluding working capital adjustments. All future payments are performance related.

Net financing costs

Six months to 30 June	**2015 £m**	2014 £m
Financing costs directly attributable to loans and bonds	**(3)**	(4)
Cash-related net financing (costs)/income	**(1)**	1
Cash-related financing costs	**(4)**	(3)
Amortisation of bonds	**-**	(1)
Adjusted financing costs	**(4)**	(4)
Mark-to-market on swaps and foreign exchange	**(2)**	(4)
Imputed pension interest	**(5)**	(9)
Losses on buybacks	**-**	(30)
Other net financial income	**-**	9
Net financing costs	**(11)**	(38)

Adjusted financing costs were £4 million, with the additional costs associated with our acquisitions offset by a reduction in interest for loans repaid in the prior period. As the Talpa Media acquisition was completed at the end of April, the financing costs associated with the acquisition will continue to come through over the second half of the year.

Net financing costs were significantly lower in 2015 as the prior year included losses incurred on debt buybacks.

Profit before tax

Six months to 30 June	**2015 £m**	2014 £m
Profit before tax	**327**	250
Production tax credits	**5**	-
Exceptional items (net)	**30**	4
Amortisation and impairment of intangible assets*	**22**	24
Adjustments to net financing costs	**7**	34
Adjusted profit before tax	**391**	312

* In respect of intangible assets arising from business combinations.

Adjusted profit before tax was up 25% at £391 million (2014: £312 million).

Production tax credits are recognised in adjusted profit before tax and adjusted EPS as in our view they relate directly to the production of programmes and reflect the way the business is managed and measured on a day to day basis.

Net exceptional items were £30 million in the year. These are the net of £31 million operating exceptional costs and £1 million non-operating exceptional income. Operating exceptionals relate to acquisition costs, largely employment linked consideration paid and performance-based employment linked contingent consideration for the acquisitions we have made. In statutory results employment linked consideration is treated as an expense rather than a liability. All consideration of this type is excluded from adjusted profit after tax and adjusted EPS as, in our view, it is part of capital consideration.

Tax

Six months to 30 June	**2015 £m**	2014 £m
Tax charge	**(68)**	(53)
Charge for exceptional items	**(6)**	(1)
Charge in respect of amortisation of intangible assets*	**(5)**	(5)
Charge in respect of adjustments to net financing costs	**(1)**	(7)
Other tax adjustments	**(1)**	2
Adjusted tax charge	**(81)**	(64)
Effective tax rate on adjusted profits	**21%**	21%

* In respect of intangible assets arising from business combinations.

The total tax charge for the period was £68 million (2014: £53 million), corresponding to an effective tax rate on adjusted profit before tax of 21% (2014: 21%), which is broadly in line with the standard corporation tax rate of 20.25% (2014: 21.5%).

Cash tax paid in the year was £68 million (2014: £35 million), which relates to the tax due on taxable profits, partially offset by the tax treatment of allowable pension contributions. Cash tax paid is higher than the previous period due to increasing taxable profits and the decrease in utilisation of brought forward losses. The majority of cash tax is paid in the UK.

EPS

Overall, adjusted profit after tax was up 25% at £310 million (2014: £248 million). After non-controlling interests of £2 million (2014: £2 million), adjusted basic earnings per share was 7.7p (2014: 6.1p), up 26%. The weighted average number of shares was broadly in line at 4,004m (2014: 4,003m). Diluted adjusted EPS in 2015 was 7.6p (2014: 6.1p) reflecting a weighted average diluted number of shares of 4,034 million (2014: 4,044 million).

Statutory EPS is adjusted to reflect the underlying performance of the business providing a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Adjustments include: acquisition-related costs such as professional fees, primarily due diligence, employment linked consideration and performance-based employment linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customer contracts and relationships; net financing cost adjustments; and other tax adjustments. Amortisation of intangible assets that are required to run our business, including software licences, is not adjusted for. The table below reconciles basic to adjusted EPS.

Six months to 30 June 2015	Reported £m	Adjustments £m	Adjusted £m
EBITA*	395	5	400
Exceptional items (operating)	(31)	31	-
Amortisation and impairment of intangible assets	(27)	22	(5)
Net financing costs	(11)	7	(4)
Gain on sale of non-current assets and subsidiaries (non-operating exceptional items)	1	(1)	-
Profit before tax	**327**	**64**	**391**
Tax	(68)	(13)	(81)
Profit after tax	259	51	310
Non-controlling interests	(2)	-	(2)
Earnings	**257**	**51**	**308**
Shares (million), weighted average	4,004		4,004
EPS	6.4p		7.7p

* £5 million adjustment relates to production tax credits.

Dividend per share

Reflecting our confidence in the ongoing growth and cash generation of the business, last year the Board committed to growing the full year ordinary dividend by at least 20% per annum for three years to 2016, by when we will achieve a dividend cover of between 2.0 and 2.5 times adjusted earnings per share. In line with this policy, the Board has declared an interim dividend for 2015 of 1.9p, up 36%. The interim dividend is expected to be roughly a third of the full year dividend.

Cash generation

Profit to cash conversion

Six months to 30 June	**2015 £m**	2014 £m
Adjusted EBITA	**400**	322
Decrease in programme rights and other inventory distribution rights	**24**	64
Decrease in receivables*	**2**	2
(Decrease) in payables	**(34)**	(71)
Working capital movement	**(8)**	(5)
Depreciation	**13**	13
Share-based compensation and pension service costs	**8**	8
Cash flow generated from operations before exceptional items	**413**	338
Acquisition of property, plant and equipment and intangible assets	**(25)**	(19)
Adjusted cash flow	**388**	319
Profit to cash ratio six months to 30 June	**97%**	99%
Profit to cash ratio 12 months rolling	**92%**	97%

*Includes £5 million of production tax credits.

ITV remains highly cash generative reflecting our continued tight management of working capital balances. In the period we generated £388 million (2014: £319 million) of operational cash from £400 million (2014: £322 million) of adjusted EBITA, which equates to a strong profit to cash ratio of 97%. The ratio has declined slightly from 99% in the prior period as a result of increased investment in scripted content.

Free cash flow

Six months to 30 June	**2015 £m**	2014 £m
Adjusted cash flow	**388**	319
Net interest paid	**(8)**	(10)
Cash tax	**(68)**	(35)
Pension funding	**(66)**	(91)
Free cash flow	**246**	183

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

After payments for interest, cash tax and pension funding, our free cash flow also remained strong in the period, up 34% to £246 million (2014: £183 million).

Overall, after £383 million of dividends and £407 million of acquisitions as well as pension deficit contributions of £66 million, we ended the first half with net debt of £540 million, compared to net cash of £41 million at 31 December 2014 and net debt of £201 million at 30 June 2014.

Funding and liquidity

Debt structure and liquidity

In 2014 we obtained a committed £525 million Revolving Credit Facility provided by a number of core relationship banks. We also entered into a £175 million bilateral financing facility and agreed a new £75m invoice discounting facility, both of which are free of financial covenants. At 30 June 2015, £130 million was drawn on the Revolving Credit Facility.

In 2015, to fund the acquisition of Talpa Media, we entered into a 12 month €500 million bridge loan facility provided by five of our relationship banks. As at 30 June 2015 this facility was fully drawn.

As we enter the next phase of our strategy this financial flexibility and our continued strong free cash flow will enable us to invest in opportunities to grow the business and enhance shareholder value.

Leverage

Going forward our objective is to run an efficient balance sheet, and to balance investment for further growth with attractive returns to shareholders. Therefore we will, over time, look to increase our balance sheet leverage. We believe that maintaining leverage below 1.5x reported net debt to adjusted EBITDA will optimise our cost of capital, allow us to sustain our progressive dividend policy and enable us to retain flexibility to continue to invest for further growth. As at 30 June 2015 reported net debt to adjusted EBITDA was 0.6x on a rolling 12 month basis.

We also look at an adjusted measure of net debt, taking into consideration all of our financial commitments which reflects how credit rating agencies look at our balance sheet. At 30 June 2015, adjusted net debt was £1,447 million (31 December 2014: £1,078 million) reflecting an increase in expected contingent payments on acquisitions partly offset by a reduction in the pension deficit under IAS 19 and lower undiscounted finance lease commitments which mainly relate to broadcast transmission contracts and property. The ratio of adjusted net debt to adjusted EBITDA was 1.7x on a rolling 12 month basis.

	2015 £m	2014 £m
Net debt at 30 June	**(540)**	(201)
Expected contingent payments on acquisitions	**(287)**	(117)
Pension deficit (IAS 19R)	**(285)**	(362)
Operating leases	**(335)**	(398)
Adjusted net debt at 30 June	**(1,447)**	(1,078)
Adjusted net debt to EBITDA*	**1.7x**	1.6x

*On a rolling 12 month basis.

Financing

We are financed using debt instruments with a range of maturities. Borrowings at 30 June 2015 were repayable as follows:

Amount repayable	£m	Maturity
£78 million Eurobond	78	Oct 2015
£161 million Eurobond	161	Jan 2017
£525 million Revolving Credit Facility	130	Various
€500 million Bridge Loan	354	May 2016
Finance leases	11	Various
Other debt	7	Various
Total debt repayable on maturity	**741**	

We expect to pay for the Eurobond that matures in October 2015 from cash generated in the second half of the year.

Ratings

We are rated investment grade by two ratings agencies: BBB- by Standard and Poor's and Baa3 by Moody's Investor Services. The factors that are taken into account in assessing our credit rating include our degree of operational gearing, exposure to the economic cycle, as well as business and geographical diversity. Continuing to execute our strategy will strengthen our position against all these metrics.

Pensions

IAS 19

The aggregate IAS 19 deficit of the defined benefit schemes at 30 June 2015 was £285 million (31 December 2014: £346 million). The reduction reflects lower pension liabilities as a result of rising bond yields and deficit funding contributions of £66 million, partly offset by investment losses on pension scheme assets and higher inflation expectations increasing pension liabilities. Pensions continue to be paid from the Scheme based on actual requirements.

Actuarial valuation

The last actuarial valuation was undertaken in 2011. On the bases adopted by the Trustee, the combined deficits as at 1 January 2011 amounted to £587 million.

The Trustee is in the process of undertaking full actuarial valuations of all three sections of the Scheme as at 1 January 2014 with the results expected to be finalised in due course.

Deficit funding contributions

Contributions comprise fixed and profit related payments. The fixed contributions are now paid on a monthly basis while the profit related payment continues to be paid as a single sum in March. Reflecting the change in payment structure, the group’s deficit funding contributions in the first half reduced to £66 million (2014: £91 million). Over the full year we do not expect our total deficit funding contributions to exceed those made in 2014.

Ian Griffiths
Group Finance Director

Risks & Uncertainties

Risks and uncertainties

ITV continues to apply the risk management framework outlined in the 2014 Annual Report and Accounts (pages 50-55). When preparing the Interim results the High Impact Low Likelihood (HILL) risks and Strategic risks as reported in the 2014 Annual Report and Accounts were reviewed to ensure they remained appropriate and adequate. No significant new risks were identified. ITV is currently reviewing its risk identification and monitoring processes. Below is a summary of the key risks.

High Impact Low Likelihood (HILL) risks

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

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

Risks & Uncertainties

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

Strategic risks

Strategic risks are those that would impact the successful execution of the strategy. They are categorised according to risk theme and mapped to ITV's strategic priorities.

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

Financials

Condensed Consolidated Interim Financial Statements

In this section . . .

In preparing these condensed consolidated interim financial statements we continue to adopt the same style as the 2014 year end accounts. Our objective is to make ITV's financial statements less complex, more relevant to shareholders 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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Financials

Condensed Consolidated Income Statement

For the six month period to 30 June	Note	**2015 £m**	2014 £m
Revenue	2.1	**1,356**	1,225
Operating costs		**(1,019)**	(938)
Operating profit		**337**	287
Presented as			
Earnings before interest, tax, amortisation (EBITA) and exceptional items	2.1	**395**	322
Operating exceptional items		**(31)**	(5)
Amortisation of intangible assets		**(27)**	(30)
Operating profit		**337**	287
Financing income		**3**	78
Financing costs		**(14)**	(116)
Net financing costs		**(11)**	(38)
Share of losses of joint ventures and associated undertakings		**-**	-
Gain on sale and impairment of subsidiaries and investments (exceptional items)		**1**	1
Profit before tax		**327**	250
Taxation		**(68)**	(53)
Profit for the period		**259**	197
Profit attributable to			
Owners of the Company		**257**	195
Non-controlling interests		**2**	2
Profit for the period		**259**	197
Earnings per share			
Basic earnings per share	2.2	**6.4p**	4.9p
Diluted earnings per share	2.2	**6.4p**	4.8p

Financials

Condensed Consolidated Statement of Comprehensive Income

For the six month period to 30 June	**2015 £m**	2014 £m
Profit for the period	**259**	197
Other comprehensive income/(cost)		
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations (net of hedging)	**(3)**	(7)
Net loss on cash flow hedges	**(6)**	-
Items that will never be reclassified to profit or loss		
Income tax charge on items that will never be reclassified	**3**	(4)
Other comprehensive (cost)/income for the period, net of income tax	**(6)**	(11)
Total comprehensive income for the period	**253**	186
Total comprehensive income attributable to		
Owners of the Company	**251**	184
Non-controlling interests	**2**	2
Total comprehensive income for the period	**253**	186

Financials

Condensed Consolidated Statement of Financial Position

	Note	30 June 2015 £m	31 December 2014 £m	30 June 2014 £m
Non-current assets				
Property, plant and equipment		**251**	248	253
Intangible assets	3.1	**1,503**	1,129	1,173
Interests in joint ventures and associates and other investments		**19**	14	6
Derivative financial instruments	4.3	**12**	16	29
Distribution rights		**14**	13	11
Net deferred tax asset		**38**	43	34
		1,837	1,463	1,506
Current assets				
Programme rights and other inventory		**369**	367	266
Trade and other receivables due within one year		**492**	385	406
Trade and other receivables due after more than one year		**74**	24	12
Trade and other receivables		**566**	409	418
Derivative financial instruments	4.3	**4**	11	-
Cash and cash equivalents	4.1	**201**	297	268
		1,140	1,084	952
Current liabilities				
Borrowings	4.2	**(574)**	(85)	(218)
Derivative financial instruments	4.3	**(10)**	(12)	(1)
Trade and other payables due within one year		**(798)**	(699)	(666)
Trade payables due after more than one year		**(31)**	(27)	(24)
Trade and other payables		**(829)**	(726)	(690)
Current tax liabilities		**(52)**	(72)	(40)
Provisions	3.2	**(15)**	(17)	(18)
		(1,480)	(912)	(967)
Net current (liabilities)/assets		**(340)**	172	(15)
Non-current liabilities				
Borrowings	4.2	**(167)**	(171)	(251)
Derivative financial instruments	4.3	**(12)**	(12)	(19)
Defined benefit pension deficit	3.3	**(285)**	(346)	(362)
Net deferred tax liabilities		**(65)**	-	-
Other payables		**(54)**	(38)	(64)
Provisions	3.2	**(5)**	(4)	(5)
		(588)	(571)	(701)
Net assets		**909**	1,064	790
Attributable to equity shareholders of the parent company				
Share capital		**403**	403	403
Share premium		**174**	174	174
Merger and other reserves		**228**	228	218
Translation reserve		**16**	25	-
Available for sale reserve		**7**	7	4
Retained (losses)/earnings		**30**	177	(67)
Total equity attributable to equity shareholders of the parent company		**858**	1,014	732
Non-controlling interests		**51**	50	58
Total equity		**909**	1,064	790

Ian Griffiths
Group Finance Director

Financials

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the parent company								
				Items that may be reclassified to profit or loss					
	Share capital £m	Share premium £m	Merger and other reserves (a) £m	Translation reserve £m	Available for sale reserve £m	Retained profits/ (losses) £m	Total £m	Non–controlling interests £m	Total equity £m
Balance at 1 January 2015	**403**	**174**	**228**	**25**	**7**	**177**	**1,014**	**50**	**1,064**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	257	257	2	259
Other comprehensive income/(expense)									
Net loss on cash flow hedges	-	-	-	(6)	-	-	(6)	-	(6)
Exchange differences on translation of foreign operations (net of hedging)	-	-	-	(3)	-	-	(3)	-	(3)
Income tax on other comprehensive income	-	-	-	-	-	3	3	-	3
Total other comprehensive income	-	-	-	(9)	-	3	(6)	-	(6)
Total comprehensive income for the period	**-**	**-**	**-**	**(9)**	**-**	**260**	**251**	**2**	**253**
Transactions with owners, recorded directly in equity									
Equity dividends	-	-	-	-	-	(383)	(383)	(1)	(384)
Movements due to share–based compensation	-	-	-	-	-	7	7	-	7
Purchase of own shares via employees' benefit trust	-	-	-	-	-	(31)	(31)	-	(31)
Total contributions by and distributions to owners	-	-	-	-	-	(407)	(407)	(1)	(408)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(407)**	**(407)**	**(1)**	**(408)**
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-
Balance at 30 June 2015	**403**	**174**	**228**	**16**	**7**	**30**	**858**	**51**	**909**

Financials

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of the parent company								
				Items that may be reclassified to profit or loss					
	Share capital £m	Share premium £m	Merger and other reserves (a) £m	Translation reserve £m	Available for sale reserve £m	Retained profits/ (losses) (restated) £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014	**403**	**174**	**248**	**7**	**4**	**22**	**858**	**31**	**889**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	195	195	2	197
Other comprehensive income									
Exchange differences on translation of foreign operations	-	-	-	(7)	-	-	(7)	-	(7)
Income tax on other comprehensive income	-	-	-	-	-	(4)	(4)	-	(4)
Total other comprehensive cost	-	-	-	(7)	-	(4)	(11)	-	(11)
Total comprehensive income for the period	**-**	**-**	**-**	**(7)**	**-**	**191**	**184**	**2**	**186**
Transactions with owners, recorded directly in equity									
Equity dividends	-	-	-	-	-	(257)	(257)	(5)	(262)
Movements due to share-based compensation	-	-	-	-	-	7	7	-	7
Purchase of own shares via employees' benefit trust	-	-	-	-	-	(30)	(30)	-	(30)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(280)**	**(280)**	**(5)**	**(285)**
Changes in non-controlling interests	-	-	(30)	-	-	-	(30)	30	-
Balance at 30 June 2014	**403**	**174**	**218**	**–**	**4**	**(67)**	**732**	**58**	**790**

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

Financials

Condensed Consolidated Statement of Cash Flows

For the six month period to 30 June	Note	£m	2015 £m	£m	2014 £m
Cash flows from operating activities					
Profit before tax	2.1		**327**		250
Gain on sale and impairment of subsidiaries and investments (exceptional items)		**(1)**		(1)	
Share of losses of joint ventures and associated undertakings		**-**		-	
Net financing costs		**11**		38	
Operating exceptional items		**31**		5	
Depreciation of property, plant and equipment		**13**		13	
Amortisation and impairment of intangible assets		**27**		30	
Share-based compensation and pension service costs		**8**		8	
Adjustments to profit			**89**		93
Decrease in programme rights and other inventory, and distribution rights		**24**		64	
Decrease in receivables		**7**		2	
Decrease in payables		**(34)**		(71)	
Movement in working capital			**(3)**		(5)
Cash generated from operations before exceptional items			**413**		338
Cash flow relating to operating exceptional items					
Net exceptional costs		**(31)**		(4)	
Increase in payables and provisions		**14**		3	
Decrease in other receivables		**10**		-	
Cash outflow from exceptional items			**(7)**		(1)
Cash generated from operations			**406**		337
Defined benefit pension deficit funding	3.3	**(66)**		(91)	
Interest received		**33**		20	
Interest paid on bank and other loans		**(41)**		(29)	
Interest paid on finance leases		**-**		(1)	
Net taxation paid		**(68)**		(35)	
			(142)		(136)
Net cash inflow from operating activities			**264**		201
Cash flows from investing activities					
Acquisition of subsidiary undertakings	3.1	**(441)**		(220)	
Cash balances of subsidiaries acquired in the period	3.1	**34**		6	
Acquisition of investments		**(2)**		(1)	
Acquisition of property, plant and equipment		**(16)**		(15)	
Acquisition of intangible assets		**(9)**		(4)	
Loans granted to associates and joint ventures		**(2)**		(2)	
Proceeds from sale of subsidiaries, joint ventures and available for sale investments		**1**		1	
Net cash (outflow) from investing activities			**(435)**		(235)
Cash flows from financing activities					
Bank and other loans – amounts repaid	4.1	**-**		(170)	
Bank and other loans – amounts raised	4.1	**493**		270	
Capital element of finance lease payments		**(6)**		(18)	
Equity dividends paid		**(383)**		(257)	
Dividends paid to minority interest		**(1)**		(5)	
Purchase of own shares via employees' benefit trust		**(31)**		(32)	
Net cash inflow/(outflow) from financing activities			**72**		(212)
Net decrease in cash and cash equivalents			**(99)**		(246)
Cash and cash equivalents at 1 January	4.1		**297**		518
Effects of exchange rate changes and fair value movements			**3**		(4)
Cash and cash equivalents at 30 June	**4.1**		**201**		**268**

Financials

Section 1: Basis of Preparation

In this section . . .

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

These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, *'Interim financial reporting'* as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which were prepared in accordance with IFRS as adopted by the European Union.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

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

For the purposes of interim reporting the defined benefit pension schemes' key assumptions and asset values have been reviewed to assess whether material net actuarial gains and losses have occurred during the period (see note 3.3).
During the six months ended 30 June 2015, management also reassessed its estimates in respect of provisions (see note 3.2) and considered the recoverable amount of goodwill. No impairment of goodwill was identified.

These interim financial statements are not statutory accounts. The statutory accounts for the year ended 31 December 2014 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

During the six months ended 30 June 2015 the Group made a number of acquisitions (see note 3.1) and paid a special dividend. Consequently, despite continued generation of significant free cash flows, the Group was in a net debt position at the period end. See note 4.1 for capital and financing structure.

The Group continues to review forecasts of the television advertising market to determine the impact on ITV's liquidity position. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current funding.

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

New or amended EU endorsed accounting standards

Details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 January 2015 and which are considered to have an impact on the Group can be found in the annual financial statements for the year ended 31 December 2014.

No new or revised accounting standards, interpretations or amendments endorsed by the EU since the year ended 31 December 2014, are considered to have an impact on the Group.

Financials

Section 2: Results for the Year

In this section . . .

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

2.1 Profit before tax

Keeping it simple . . .

This section shows a reconciliation from earnings before interest, tax, amortisation and exceptional items to the Group's profit before tax. Earnings before interest, tax, amortisation (EBITA) and exceptional items remains the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. The Group has two divisions, or operating segments, namely 'Broadcast & Online' and 'ITV Studios', the performance of which are managed and assessed separately by management. This section therefore also shows each division's contribution to total revenue and EBITA.

Segmental information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors, regarded as the chief operating decision maker.

The Board of Directors considers the business primarily from a product or activity perspective. The reportable segments for the period ended 30 June 2015 and 30 June 2014 are therefore 'Broadcast & Online' and 'ITV Studios', the results of which are outlined below:

For the six month period to 30 June	**Broadcast & Online 2015 £m**	**ITV Studios 2015 £m**	**Consolidated 2015 £m**
Total segment revenue	**1,035**	**496**	**1,531**
Intersegment revenue	**-**	**(175)**	**(175)**
Revenue from external customers	**1,035**	**321**	**1,356**
EBITA before exceptional items*	**315**	**80**	**395**

For the six month period to 30 June	Broadcast & Online 2014 £m	ITV Studios 2014 £m	Consolidated 2014 £m
Total segment revenue	981	402	1,383
Intersegment revenue	–	(158)	(158)
Revenue from external customers	981	244	1,225
EBITA before exceptional items*	250	72	322

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

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

For the six month period to 30 June	**2015 £m**	2014 £m
EBITA before exceptional items	**395**	322
Operating exceptional items	**(31)**	(5)
Amortisation and impairment of intangible assets	**(27)**	(30)
Net financing costs	**(11)**	(38)
Gain on sale and impairment of subsidiaries and investments (exceptional items)	**1**	1
Profit before tax	**327**	250

A reconciliation of Profit before tax to Adjusted Profit before tax is included in the Finance and Performance Review.

Financials

Section 2: Results for the Year

2.2 Earnings per share

Keeping it simple . . .

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

Basic EPS is calculated on the Group profit for the period attributable to equity shareholders of £257 million (2014: £195 million) divided by 4,004 million (2014: 4,003 million) being the weighted average number of shares in issue during the period.

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

Basic EPS is adjusted in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjustments include: acquisition-related costs such as professional fees, primarily due diligence, employment linked consideration and performance-based employment linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customer contracts and relationships; net financing cost adjustments; and other tax adjustments. Amortisation of intangible assets that are required to run our business, including software licences, is not adjusted for.

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

Earnings per share 2015

For the six month period to 30 June	Basic £m	**Diluted £m**
Profit for the period attributable to equity shareholders of ITV plc	257	**257**
Weighted average number of ordinary shares in issue – million	4,004	**4,004**
Dilution due to share options	-	**30**
Total weighted average number of ordinary shares in issue – million	4,004	**4,034**
Earnings per ordinary share	6.4p	**6.4p**

Adjusted earnings per share 2015

For the six month period to 30 June	Ref.	Adjusted £m	**Diluted £m**
Profit for the period attributable to equity shareholders of ITV plc		257	**257**
Exceptional items	A	24	**24**
Profit for the period before exceptional items		281	**281**
Amortisation and impairment of acquired intangible assets	B	17	**17**
Adjustments to net financing costs	C	6	**6**
Other tax adjustments	D	4	**4**
Adjusted profit	E	308	**308**
Total weighted average number of ordinary shares in issue – million		4,004	**4,034**
Adjusted earnings per ordinary share		7.7p	**7.6p**

Earnings per share 2014

For the six month period to 30 June	Basic £m	Diluted £m
Profit for the period attributable to equity shareholders of ITV plc	195	195
Weighted average number of ordinary shares in issue – million	4,003	4,003
Dilution due to share options	–	41
Total weighted average number of ordinary shares in issue – million	4,003	4,044
Earnings per ordinary share	4.9p	4.8p

Adjusted earnings per share 2014

For the six month period to 30 June	Ref.	Adjusted £m	**Diluted £m**
Profit for the period attributable to equity shareholders of ITV plc		195	195
Exceptional items	A	3	3
Profit for the period before exceptional items		**198**	**198**
Amortisation and impairment of acquired intangible assets	B	19	19
Adjustments to net financing costs	C	27	27
Other tax adjustments	D	2	2
Adjusted profit	**E**	**246**	**246**
Total weighted average number of ordinary shares in issue – million		4,003	4,044
Adjusted earnings per ordinary share		6.1p	6.1p

Financials

Section 2: Results for the Year

The rationale for determining the adjustments to profit is disclosed in the 31 December 2014 Annual Report and has not changed during the period. Details of the adjustments to earnings are as follows:

A. Operating and non-operating items are adjusted to reflect profit for the period before exceptional items. A tax credit of £6 million (2014: £1 million) is recognised on the operating exceptional items of £31 million (2014: £5 million). Operating exceptional items in 2015 and 2014 include professional fees (mainly financial and legal due diligence) incurred on the acquisitions completed during the period and expenses in the period with respect to performance-based, employment linked contingent costs accrued to former owners. Included within the £31 million is £24 million of employment linked consideration and performance based employment linked payments mainly relating to the acquisition of Talpa Media. The Group recognised a non-operating exceptional gain of £1 million (2014: £1 million) from a historical disposal. The related tax charge was £nil (2014: £nil).

B. Amortisation and impairment of acquired intangible assets of £22 million (2014: £19 million) is calculated as total amortisation and impairment of £27 million (2014: £30 million), less amortisation of software licences and development of £5 million (2014: £6 million). A related tax credit of £5 million (2014: £5 million) is then recognised on the net amount.

C. Gross adjustments to net financing costs of £7 million (2014: £34 million) relate to mark-to-market movements on swaps and foreign exchange, losses on buybacks and imputed pension interest charges. This is reduced by a tax credit of £1 million (2014: £7 million) to give a net adjustment of £6 million (2014: £27 million).

D. Other tax adjustments are made to more closely align cash and income statement tax. The adjustments in the current period include the deferred tax credit recognised on the goodwill arising on US acquisitions.

E. Adjusted profit removes the effect of items including acquisition related costs such as professional fees, primarily due diligence, employment linked consideration and performance-based employment linked contingent payments; impairment of intangible assets; amortisation of intangible assets acquired through business combinations including customers contracts and net financing cost adjustments.

Financials

Section 3: Operating Assets and Liabilities

In this section . . .

This section focuses on the assets used to generate the Group's trading performance, and the liabilities incurred as a result. On the following pages there are notes covering acquisitions, provisions and pensions.

3.1 Acquisitions

Keeping it simple . . .

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

All of the deals are structured so that a large part of the payment made to the sellers is determined based on future performance. This is done so that the Group can both align incentives for growth, while reducing risk so that total consideration reflects actual performance, not expected.

IFRS accounting standards require some of this consideration to be included in the purchase price used in determining goodwill ('contingent consideration'), while the rest is required to be recognised as a liability or expense outside of acquisition accounting (put option liabilities and employment linked contingent payments known as 'earnout' payments).

The Group considers the income statement impact of all consideration to be capital in nature and are therefore excluded from adjusted profit.

Acquisitions

During the period, the Group completed four acquisitions, all of which have been included in the results of the ITV Studios operating segment.

Each of the businesses fit with the strategy of growing the Group's content business and to work with other parts of the Studios segment to exploit that content globally. The following section provides a summary of the material acquisitions.

Talpa Media B.V.

On 30 April 2015 the Group acquired 100% controlling interests in Talpa Media B.V. and its subsidiaries. Talpa Media is the entertainment show producer behind The Voice, The Voice Kids, Utopia, I Love My Country and Dating In The Dark.

Key terms:

Cash consideration of £362 million (€500 million) was paid at acquisition and the maximum total consideration for 100% of the business, including the initial payment, is £796 million (€1,100 million, undiscounted). The remaining £434 million (€600 million) is payable at three stages over the next eight years. The deal is structured so that a large part of the payment made to the seller is determined based on future performance of the business and these payments are linked to employment.

The Group consolidates 100% of the earnings of the business.

Provisional acquisition accounting:

Intangibles, being the value placed on brands, customer contracts, non-compete arrangements and libraries, of £273 million (€378 million) were identified and goodwill was valued at £60 million (€83 million). Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

Financials

Section 3: Operating Assets and Liabilities

Twofour Group

On 24 June 2015 the Group acquired Boom Supervisory Limited, the holding company of Twofour Group. Twofour Group owns 51% of Mainstreet Pictures. Twofour Group is an independent production business with a range of scripted and unscripted programmes including The Jump, Educating Series (Educating Essex, Educating Yorkshire), Hotel Inspector, Taking New York and Ibiza Weekender.

Key terms:

The Group purchased the Twofour Group for a cash consideration of £55 million, subsequently the sellers subscribed to 25% of a share capital of the acquiring company.

A put and call option has been granted over this 25% in Twofour Group; these options both being exercisable over the next three to five years. The transaction has been accounted for on an anticipated acquisition basis and a non-controlling interest has not been recognised.

There is a further put and call option to acquire the remaining 49% of Mainstreet Pictures in the next three to eight years.

These payments are dependent on future performance of the business and linked to ongoing employment.

The maximum total consideration for 100% of the business, including the initial payment, is £280 million (undiscounted and including the acquisition of 49% in Mainstreet Pictures).

Provisional acquisition accounting:

Due to the proximity of the acquisition to the half year, the Group has been unable to complete detailed valuations of the intangible assets and net assets acquired with the businesses. The surplus of consideration over fair value of the share of net assets acquired has been allocated to goodwill at 30 June 2015. The Group expects to finalise the valuations of intangible assets, including brands, customer contracts and libraries; and other acquired assets and liabilities in the second half of 2015.

Goodwill represents the value placed on the opportunity to diversify and grow the content and formats produced by the Group. The goodwill arising on acquisition is not expected to be deductible for tax purposes. Other fair value adjustments have been made to the opening balance sheet, though none of them are individually significant.

Other acquisitions

The Group made an initial payment of £15 million for two smaller acquisitions, Cats on the Roof Media Ltd and Mammoth Screen Ltd, in the period with a view that these acquisitions will strengthen and complement ITV's existing position as a producer for major television networks in the UK. The maximum additional consideration that the Group could pay is £66 million (undiscounted).

Goodwill, which represents the value placed on the opportunity to grow the content produced by the Group, has been provisionally valued at £11 million. The goodwill arising on these acquisitions are not expected to be deductible for tax purposes.

Acquisitions in 2014

In 2014 the Group made three acquisitions.

Leftfield Entertainment was acquired for an initial consideration (net of cash acquired) of £214 million ($360 million) for 80% of the membership interests. The maximum consideration including the put option for the remaining 20% equity interest will be assessed at two stages in the next four years and will be a maximum of £282 million ($440 million).

There is also a call and put option over the non-controlling interests of Leftfield's two start-up operations that are exercisable in 2019. The final payout is dependent on future performance over the next four years and is linked to ongoing employment. The maximum consideration payable is £8 million ($13 million).

Any changes in the fair value of the put option liability or performance adjustment arising from reassessment of projections will be reported within financing costs on the income statement, and excluded from adjusted profit.

Intangible assets of £65 million ($109 million) were identified, being the value placed on brands, customer contracts, non-compete arrangements and libraries.

The Group also acquired 51% of the membership interest in DiGa Vision, a US-based producer and 100% of the controlling interest in United Productions, a company based in Denmark. The total initial consideration (net of cash acquired) was £5 million and the maximum additional amount payable is £32 million (undiscounted). The final payout is dependent on future performance and is linked to ongoing employment.

Intangibles of £2 million were identified, largely reflecting the value placed on brands, customer contracts and contractual arrangements.

Financials

Section 3: Operating Assets and Liabilities

Effect of acquisitions

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

	Recognised values on acquisition				
£m	Talpa Media	Twofour Group	Other	2015 Total	2014 Total*
Consideration transferred					
Initial consideration (net of cash acquired) (Note A)	349	48	10	**407**	214
Less: consideration classified as prepaid employment linked consideration (Note B)	(109)	-	-	**(109)**	(29)
Total consideration	**240**	**48**	**10**	**298**	185
Fair value of net assets acquired					
Property, plant and equipment	2	4	-	**6**	5
Intangible assets	273	-	3	**276**	67
Deferred tax liabilities	(68)	-	-	**(68)**	-
Trade and other receivables	65	15	8	**88**	32
Trade and other payables	(92)	(29)	(12)	**(133)**	(45)
Fair value of net assets	**180**	**(10)**	**(1)**	**169**	59
Non-controlling interest measured at fair value (Note C)	-	-	-	-	20
Goodwill	**60**	**58**	**11**	**129**	146
Other information					
Present value of the liability on options	-	-	-	-	20
Present value at acquisition of the earnout payment (Note D)	186	10	27	**223**	4
Contributions to the Group's performance					
Revenue – acquisition to date	23	-	-	**23**	62
Profit after tax – acquisition to date	4	-	-	**4**	14
Revenue – January to June	96	29	13	**138**	88
Profit after tax – January to June	28	(5)	-	**20**	20

* Reflects acquisitions and contributions across 12 months.

Note A: Consideration for all acquisitions is net of cash acquired and estimated debt and working capital settlements.

Note B: Total consideration is net of employment linked consideration of £109 million. IFRS 3 (R) requires the employment linked consideration to be treated as remuneration. This is repayable to the Group should the seller terminate the service agreement within the first two years following completion. The balance is shown within trade and other receivables and is expensed over two years.

Note C: Non-controlling interest arises where the Group acquires less than 100% of the equity interest in a business, but obtains control.

Note D: This represents the present value of earnouts as at acquisition.

Financials

Section 3: Operating Assets and Liabilities

3.2 Provisions

Keeping it simple . . .

A provision is recognised by the Group where an obligation exists relating to events in the past and it is probable that cash will be paid to settle it.

A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Provisions

The movements in provisions during the period are as follows:

	Contract provision £m	Property provisions £m	Other provisions £m	Total £m
At 1 January 2015	3	3	15	21
Release	-	-	-	-
Additions	2	-	-	2
Utilised	(2)	(1)	-	(3)
At 30 June 2015	**3**	**2**	**15**	**20**

Provisions of £15 million are classified as current liabilities (2014: £17 million).

Contract provisions comprise onerous commitments on transmission infrastructure and data network for unused capacity.

Property provisions principally relate to onerous lease contracts due to empty space created by the ongoing review and rationalisation of the Group's property portfolio. Utilisation of the provision will be over the anticipated life of the leases or earlier if exited.

Other provisions of £15 million primarily relate to potential liabilities that may arise as a result of Boxclever having been placed into administration, most of which relate to pension arrangements. In 2011 the Determinations Panel of The Pensions Regulator determined that Financial Support Directions ('FSDs') should be issued against certain companies within the Group in relation to the Boxclever pension scheme. The Group immediately referred this decision to the Upper Tribunal (thereby effectively appealing it). An FSD would require the Company to put in place financial support for the Boxclever scheme; however, it cannot be issued during the period of the reference. The reference process is ongoing and aside from procedural issues there were no substantive case developments in the period. The Directors have previously obtained leading counsel's opinion and extensive legal advice in connection with the proceedings and continue to believe that the provision held is appropriate.

3.3 Pensions

Keeping it simple . . .

Historically, the Group offered its employees the opportunity to participate in a number of defined benefit schemes, but these (collectively referred to as 'the Scheme') closed to new members in 2006. Since then a defined contribution pension scheme has been made available to all new employees and, where taken up, the Group makes fixed payments into a separate fund on their behalf, and has no further obligation.

The IAS 19 deficit at 30 June 2015 was £285 million compared with a deficit of £346 million at 31 December 2014, the fall was primarily as a result of deficit funding payments of £66 million made in the period. A decrease in liabilities arose from an increase in the discount rate of 0.2% p.a., which has been partly offset by an increase in market expectation for long term inflation and a negative return on assets.

Financials

Section 4: Capital Structure and 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 consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern, to execute strategy and to invest in opportunities to grow the business and enhance shareholder value. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are sections on the Group's net (debt)/cash, borrowings and derivative financial instruments.

4.1 Net (debt)/cash

Keeping it simple . . .

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

Adjusted net debt is also monitored by the Group and more closely reflects how credit agencies see the Group's gearing. To arrive at the adjusted net debt amount, we add our total expected contingent payments on acquisitions, our IAS 19 pension deficit and undiscounted operating lease commitments. A full analysis and discussion of adjusted net debt is included in the Financial and Performance Review.

In defining total outstanding debt the Group includes the currency impact of swaps held against those debt instruments.

Analysis of net (debt)/cash

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

	1 January 2015 £m	Net cash flow £m	Currency and non-cash movements £m	**30 June 2015 £m**
Cash	234	(94)	3	**143**
Cash equivalents	63	(5)	-	**58**
Total cash and cash equivalents	**297**	**(99)**	**3**	**201**
Loans and facilities due within one year	(78)	(493)	2	**(569)**
Finance leases due within one year	(7)	6	(4)	**(5)**
Loans and facilities due after one year	(161)	-		**(161)**
Finance leases due after one year	(10)	-	4	**(6)**
Total debt	**(256)**	**(487)**	**2**	**(741)**
Net cash/(debt)	**41**	**(586)**	**5**	**(540)**

Financials

Section 4: Capital Structure and Financing Costs

Cash and cash equivalents

Included within cash equivalents is £11 million (30 June 2014: £19 million), the use of which is restricted to meeting finance lease commitments under programme sale and leaseback commitments, and gilts of £38 million in respect of which a charging deed was executed on the unfunded pension commitments of four former Granada executives. This charging deed is currently the subject of litigation.

Loans and facilities due within one year

In May 2015 the group entered into a Bridge loan of €500 million. The loan has an initial maturity in May 2016, but may be extended for a further 6 months at ITV's option. The interest is based on a margin over EURIBOR. The loan margin steps up on 30 September and then quarterly thereafter.

The unsecured £78 million Eurobond, which has a coupon of 5.375% will mature in October 2015.

As of 30 June the Group had drawings of £130 million under the Revolving Credit Facility ('RCF'). The interest on drawn amounts is based on a margin over LIBOR. Drawings under the facility may be for periods of between one and six months and each drawdown may be rolled or repaid at maturity, at our discretion.

The facility matures in April 2019.

Loans and facilities due after one year

The Group has one loan that is repayable between two and five years as at 30 June 2015. The unsecured £161 million Eurobond matures in January 2017 and has a coupon of 6.125%.

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. Here, fair value is the amount the Group would pay to transfer the liability. It is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value verses book value

		Book value		Fair value	
		30 June 2015	31 Dec 2014	**30 June 2015**	31 Dec 2014
Liabilities	Maturity	**£m**	£m	**£m**	£m
£525 million Revolving Credit Facility	Various*	**130**	-	**130**	-
£78 million Eurobond	Oct 15	**78**	78	**79**	81
£161 million Eurobond	Jan 17	**161**	161	**171**	173
€500 million Bridge Loan	May 16*	**354**	-	**354**	-
		723	239	**734**	254

* See section 4.1 for a discussion on the terms of borrowing on the RCF and the bridge loan.

Financials

Section 4: Capital Structure and Financing Costs

4.3 Managing market risks: derivative financial instruments

Keeping it simple . . .

A derivative is a type of financial instrument typically 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 exposure. The Group is exposed to certain market risks, principally to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions, profits and net assets. In accordance with Board approved policies, the Group manages these risks by using derivative financial instruments to hedge these underlying exposures.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the income statement within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in OCI and presented in the hedging reserve within equity. The cumulative gain or loss is later reclassified to the income statement in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The Group's policy on the various methods used to calculate their respective fair values is detailed in the 31 December 2014 financial statements and set out in the table below.

Interest rate risk

The Group's interest rate policy is to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the revolving credit facility. At 30 June 2015 the Group's fixed rate debt represented 34% (December 2014: 100%) of total debt, due to the Bridge Loan facility, and the RCF.

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

On issuing the 2015 and 2017 Eurobonds, the Group entered into and then subsequently overlaid a portfolio of interest rate swaps with the result that it is now 100% fixed on these borrowings. The timing of entering into these swaps locked in an interest benefit for the Group, resulting in a net mark-to-market gain on the portfolio.

June 2015	Assets £m	Liabilities £m
Current		
Interest rate swaps – fair value through profit or loss	3	(3)
Cash flow hedges	-	(6)
Forward foreign exchange contracts and swaps	1	(1)
Non-current		
Interest rate swaps – fair value through profit or loss	12	(8)
Cash flow hedges	-	(4)
	16	**(22)**

December 2014	Assets £m	Liabilities £m
Current		
Interest rate swaps – fair value through profit or loss	11	(9)
Cash flow hedges	-	(3)
Forward foreign exchange contracts and swaps	-	(1)
Non-current		
Interest rate swaps – fair value through profit or loss	16	(11)
Cash flow hedges	-	(1)
	27	**(25)**

Currency risk

As the Group expands its international operations, the performance of the business becomes increasingly sensitive to movements in foreign exchanges rates, primarily with respect to the US dollar and the Euro.

The Group utilises forward foreign exchange contracts and foreign exchange swaps to manage foreign currency exposure and cash flow timing differences.

The Group's net investments in overseas subsidiaries may be hedged where the currency exposure is considered to be material.

Financials

Section 4: Capital Structure and Financing Costs

4.4 Fair value hierarchy

Keeping it simple . . .

The financial instruments included on the Group's 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. The Group generally uses external valuations using market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

The tables below set out the financial instruments included on the Group Statement of Financial Position at 'fair value'.

	Fair value 30 June 2015 £m	Level 1 30 June 2015 £m	Level 2 30 June 2015 £m	Level 3 30 June 2015 £m
Assets measured at fair value				
Available for sale financial instruments				-
Available for sale gilts	38	38	-	-
Financial assets at fair value through profit or loss				
Interest rate swaps	15	-	15	-
Forward foreign exchange contracts and swaps	1	-	1	-
Contingent consideration	32	-	-	32
	86	**38**	**16**	**32**

	Fair value 30 June 2015 £m	Level 1 30 June 2015 £m	Level 2 30 June 2015 £m	Level 3 30 June 2015 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	(11)	-	(11)	-
Forward foreign exchange contracts and swaps	(1)	-	(1)	-
Contingent consideration	(3)	-	-	(3)
Financial liabilities at fair value through reserves				
Cash flow hedges	(10)	-	(10)	-
	(25)	**-**	**(22)**	**(3)**

Level 1

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

Level 2

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

Interest rate swaps and options are accounted for at their fair value based upon termination prices. Forward foreign exchange contracts are accounted for at the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Level 3

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

Contingent consideration is the Group's only financial instrument classified as level 3 in the fair value hierarchy. As noted in the accounting policy disclosed in the December 2014 financial statements, the key assumptions taken into consideration when measuring this acquisition related liability are the performance expectations of the acquisition and a discount rate that reflects the size and nature of the new business. There is no reasonable change in discount rate or performance targets that would give rise to a material change in the liability at the half year.

Future performance expectations for the acquisitions were revisited in the period, resulting in a fair value release of £nil million. The unwind of interest and fair value movements in the liability is recognised in other interest expense in net financing costs.

Financials

Section 5: Other Notes

5.1 Related party transactions

Keeping it simple . . .

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

Related party transactions

Transactions with joint ventures and associated undertaking during the period were:

For the six month period to 30 June	2015 £m	2014 £m
Sales to joint ventures	4	3
Sales to associated undertakings	4	4
Purchases from joint ventures	13	13
Purchases from associated undertakings	35	26

There have been no significant changes to the nature of related parties disclosed in the full consolidated financial statements for the Group as at and for the year ended 31 December 2014.

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

The purchases from associated undertakings primarily relate to the purchase of news services from ITN.

All transactions arose in the normal course of business on an arm's length basis. None of the balances are secured.

There have been no other significant related party transactions in the six month period ended 30 June 2015.

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

For the six month period to 30 June	2015 £m	2014 £m
Amounts owed by joint ventures	3	-
Amounts owed by associated undertakings	41	7
Amounts owed to joint ventures	-	2
Amounts owed to associated undertakings	5	1
Amounts owed by pension scheme	1	2

Balances owed by associated undertakings largely relate to production funding advanced to Tomorrow ITV Studios.

Transactions with key management personnel

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

For the six month period to 30 June	2015 £m	2014 £m
Short-term employee benefits	4	4
Share-based compensation	3	3
	7	7

5.2 Contingent liabilities

Keeping it simple . . .

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

There has been no material change in the Group's contingent liabilities since 31 December 2014 and the disclosures in those annual financial statements remain appropriate at 30 June 2015.

Financials

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

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

There have been no appointments or resignations in the period and the Directors are listed in the ITV plc 2014 Annual Report. A list of current Directors is maintained on the ITV plc website: www.itvplc.com

For and on behalf of the Board:

Ian Griffiths
Group Finance Director
28 July 2015

Financials

Independent Review Report to ITV plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mark Summerfield

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

28 July 2015

Notice to Shareholders

Adoption of Financial Reporting Standard (FRS) 101: Reduced Disclosure Framework

Following the publication of FRS 100 *Application of Financial Reporting Requirements* by the Financial Reporting Council, ITV plc is required to change its accounting framework for its company financial statements, which is currently UK GAAP, for its financial year commencing 1 January 2015.

The Board considers that it is in the best interests of the Group for ITV plc to adopt FRS 101 *Reduced Disclosure Framework*. No disclosures in the current UK GAAP financial statements would be omitted on adoption of FRS 101.

A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in ITV plc may serve objections to the use of the disclosure exemptions on ITV plc, in writing, to its registered office (The London Television Centre, Upper Ground, London, SE1 9LT) no later than 30 September 2015.