Rebalanced ITV delivers continued good growth

Interim Results 2016

27 July 2016

Agenda

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Key Messages and H1 Highlights

Adam Crozier

Key messages

- Rebalanced business driving another strong performance
- Continuing to execute against a clear strategy
- Over the full year on track to deliver
    - double-digit revenue growth in Online, Pay & Interactive
    - double-digit revenue and profit growth in ITV Studios
- ITV NAR forecasted to be down around 1% in first 9 months
- Will outperform TV ad market in 2016
- Post Brexit plan in place
    - targeting £25m of overhead cost savings for 2017
- Strong balance sheet
    - flexibility and capacity to invest across the business, and
    - delivering returns to shareholders in line with our policy
- Continue to see clear opportunities to invest behind the strategy in the UK and internationally

H1 Highlights

- Rebalanced business driving double-digit profit growth
- External revenue growth driven by continued growth in Non-NAR
- Broadcast fundamentals remain robust, not least improved viewing performance
- Continued strong growth in Online, Pay & Interactive
- Studios delivering 31% total revenue growth, driven primarily by acquisitions
- Acquisitions coming through as planned
- Dividend, delivering increasing returns to shareholders as previously committed

H1 2016 Highlights:

Revenue			
External revenue	£1,503m	11%	↑
NAR	£838m	Flat	-
Non-NAR	£874m	26%	↑
Earnings			
Broadcast & Online EBITA	£317m	1%	↑
ITV Studios EBITA	£121m	42%	↑
Group EBITA	£438m	10%	↑
Adjusted PBT	£425m	9%	↑
Adjusted EPS	8.5p	10%	↑
Shareholder returns			
Ordinary dividend	2.4p	26%	↑

Note: EBITA is adjusted for production tax credits

Half Year Financial Results

Ian Griffiths

Financial Highlights

Strong growth from new revenue streams and acquired businesses

	2016 (£m)	2015 (£m)	Change
Broadcast & Online	1,061	1,035	3%
ITV Studios	651	496	31%
Total revenue	**1,712**	**1,531**	**12%**
Internal supply	(209)	(175)	19%
Total external revenue	**1,503**	**1,356**	**11%**
Broadcast & Online	317	315	1%
ITV Studios	121	85	42%
Group EBITA	**438**	**400**	**10%**
Group EBITA margin	29%	29%	-
Adjusted EPS	**8.5p**	**7.7p**	**10%**
Statutory EPS	**6.1p**	**6.4p**	**(5)%**
Ordinary dividend	**2.4p**	**1.9p**	**26%**

- External revenues up 11%, with Non-NAR up 26%
- Online, Pay & Interactive revenue up 26%
- ITV Studios total revenue up 31% driven primarily by acquisitions
- Double-digit growth in adjusted EBITA and EPS
- Group EBITA margin maintained at 29%
- Increasing dividend, up 26% in line with policy
- Strong cash generation, £269m of free cash flow
- Statutory profit again impacted by accounting for prior year acquisitions, predominantly Talpa

Note: Revenues and profits from continuing operations; EBITA is adjusted for production tax credits

Broadcast & Online

Profit growth even with higher on screen investment and flat advertising

	2016 (£m)	2015 (£m)	Change
ITV NAR	838	838	-
Online, Pay & Interactive revenue	107	85	26%
SDN external revenue	33	31	6%
Other commercial income	83	81	2%
Non-NAR revenue	**223**	**197**	**13%**
Total revenue	**1,061**	**1,035**	**3%**
Schedule costs	(547)	(507)	(8)%
Other costs	(197)	(213)	8%
Broadcast & Online EBITA	**317**	**315**	**1%**
EBITA margin	30%	30%	

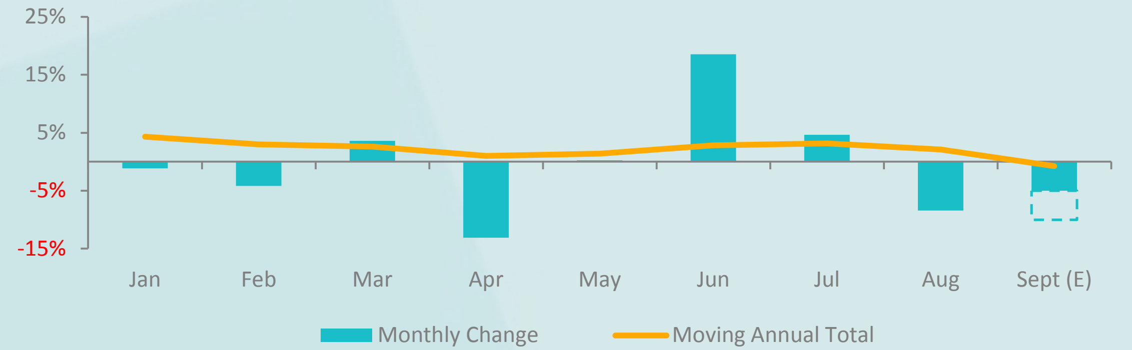
- Total revenue up 3%
- ITV Family NAR flat, ahead of the TV ad market
- Continued strong growth in high margin VOD and Pay revenues
- Timing of big sporting events impacts NPB phasing
- Tight control of costs particularly transmission costs
- Profit margin maintained at 30%
- Acquisition of UTV and subsequent disposal of loss making UTV Ireland

Note: Excludes revenue and losses of UTV Ireland which is a discontinued activity

NAR

ITV Family NAR again ahead of the TV ad market

2016 Monthly ITV Family NAR



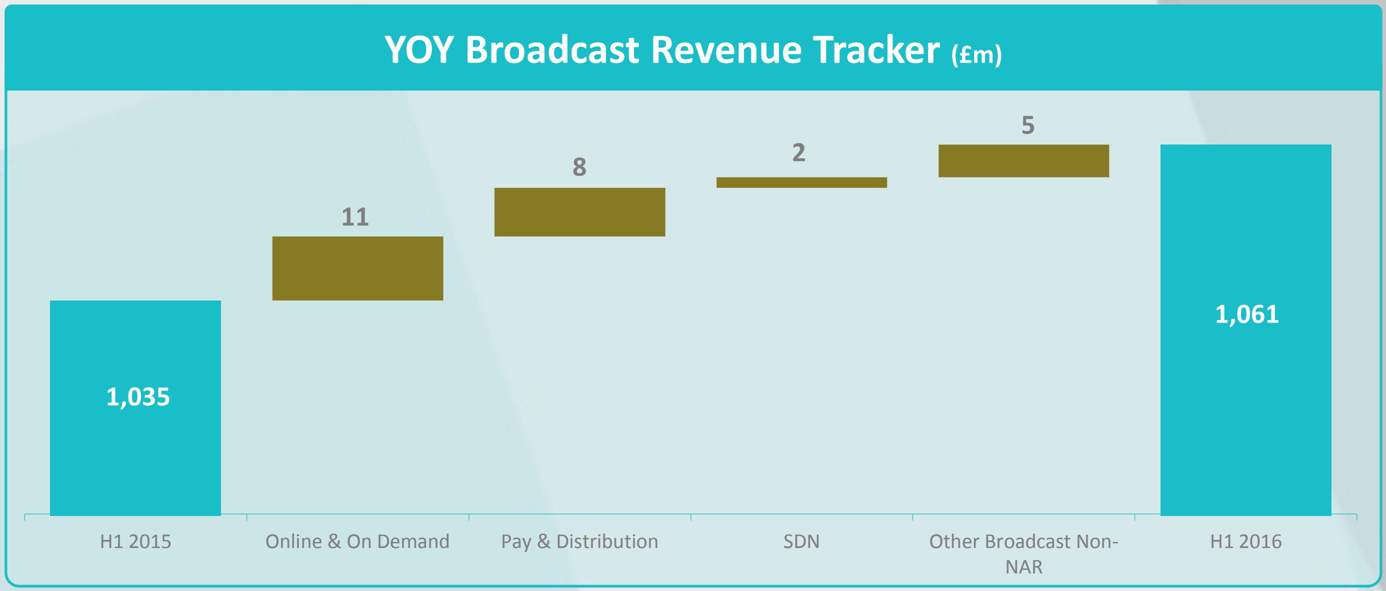
Category	H1 2016 (£m)	YOY % change
Retail	145	(4)
Finance	88	(5)
Entertainment & Leisure	78	10
Food	70	(11)
Cosmetics & Toiletries	58	12
Cars and Car Dealers	55	10
Airlines, Travel and Holidays	52	4
Publishing and Broadcasting	38	12
Pharmaceuticals	33	23
Telecommunications	32	(11)
Others	189	2
Total	**838**	-

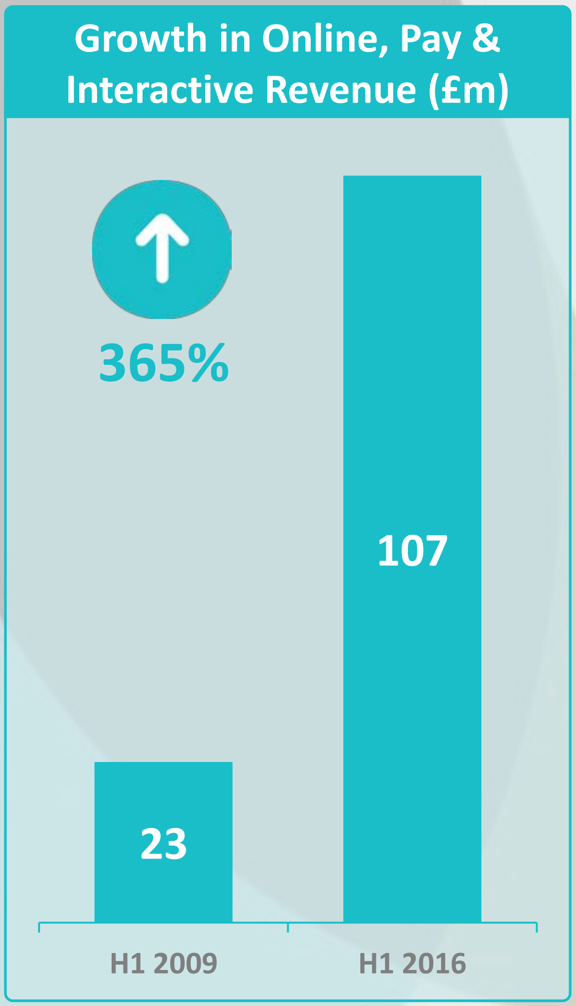
- Normal month to month volatility but down around 1% over first 9 months
- The Referendum vote clearly impacted spend in early Q2
- Strong performance in June, up 19% around Euro Championships
- Supermarkets and Finance, driven by traditional banks, continue to be down
- Retail excluding supermarkets up 4%
- Good performance in other key categories in H1
- Too early to gauge post Brexit behaviour
- Expect to outperform TV ad market again over the full year

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

Broadcast & Online Revenue

Strong growth in high margin Non-NAR revenues





- More balanced business delivers revenue and profit growth even with flat advertising
- High demand for VOD advertising with strong online viewing across key demographics - total consumption up 50%
- Pay revenues growing with new deals and strong demand for our content
- SDN revenue increase from launch of an extra stream

ITV Studios

Strong growth primarily driven by acquisitions, especially Talpa

	2016 (£m)	2015 (£m)	Change
Studios UK	292	208	40%
ITV America	96	145	(34%)
Studios RoW	184	72	156%
Global Entertainment	79	71	11%
Total Studios revenue	**651**	**496**	**31%**
Total Studios costs	(530)	(411)	(29)%
ITV Studios EBITA	**121**	**85**	**42%**
EBITA margin	19%	17%	

Internal – ITVS to ITV Network	209	175	19%
External revenue	442	321	38%
Total revenue	**651**	**496**	**31%**

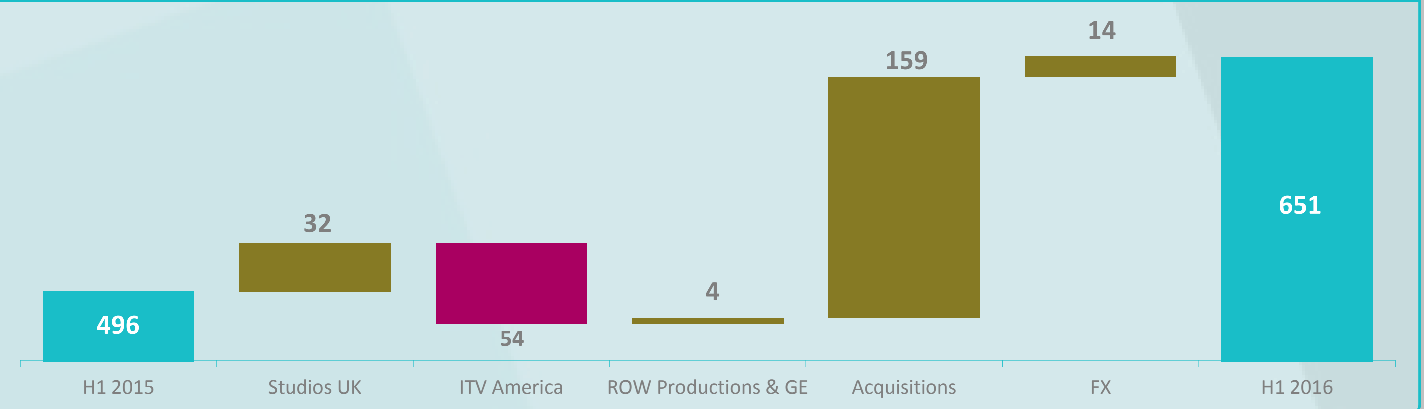
- Studios UK: healthy revenue growth on and off ITV driven by scripted content
- Good organic growth and benefit of Twofour and Mammoth acquisitions
- ITV America: deliveries impacted by timing and prior year dramas
- Studios ROW: benefiting from full 6 months of Talpa
- Demand for Talpa formats remains strong, new 4 year deal in China
- Distribution growth from strong slate of programmes
- Significant profit growth up 42%
- Increased margin reflecting revenue mix in first half
- £14m revenue and £3m EBITA benefit from FX

EBITA is adjusted for production tax credits

ITV Studios

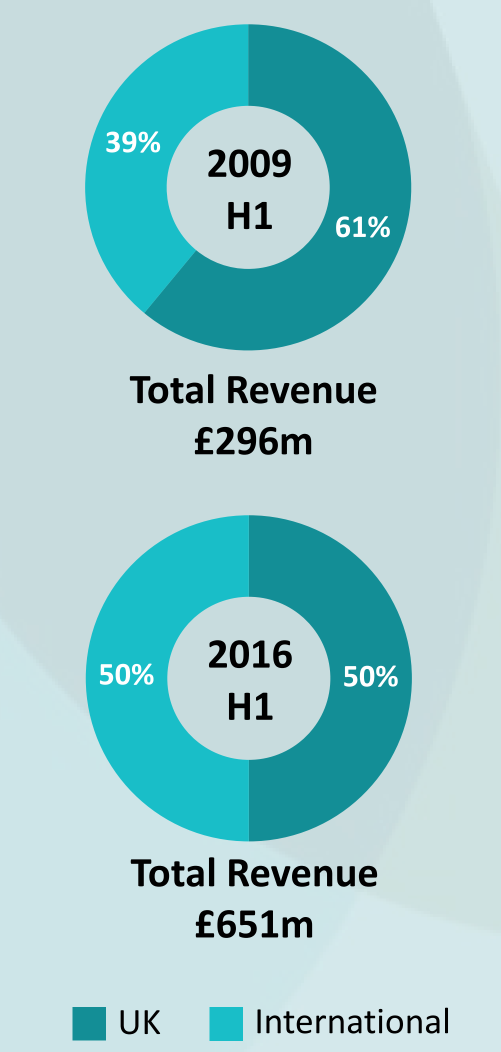
Creating a scaled international business

YOY Studios Revenue Tracker (£m)



- £159m of growth from acquisitions, with full six months of Talpa making a significant contribution
- Organic revenues down 4%, impacted by US timing of deliveries and prior year drama
- Rest of Studios continues to deliver good organic growth
- As usual underlying growth in production business continues to be lumpy
- 50% of H1 revenue generated outside UK
- On track to deliver double digit revenue and profit growth over full year
- Acquisitions continuing to deliver returns in excess of our cost of capital

Shape of the business



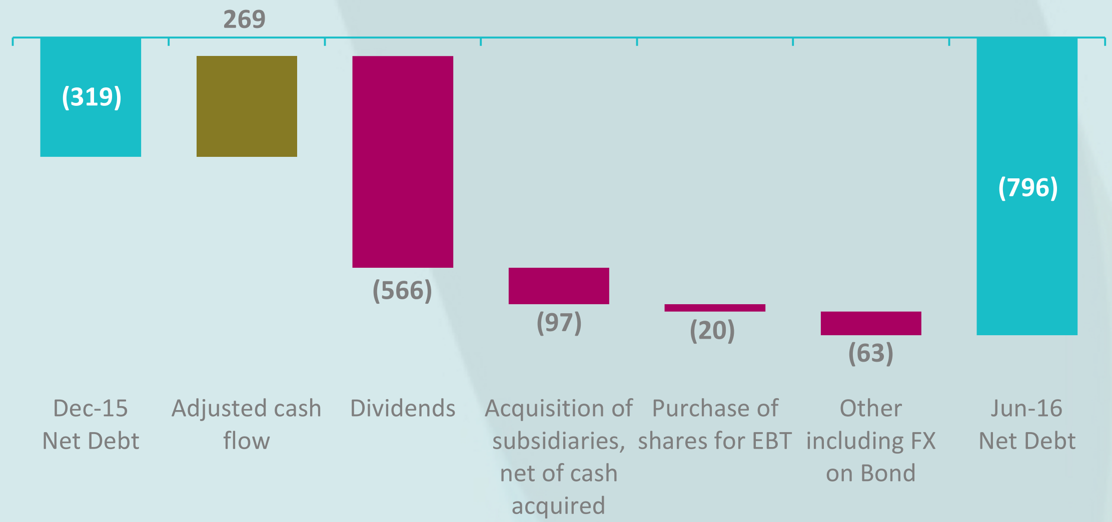
Profit to cash conversion

Continued strong cash flow

	2016 (£m)	2015 (£m)
Adjusted EBITA	**438**	**400**
Working capital movement	(60)	(8)
Share based costs	7	8
Capex	(23)	(25)
Depreciation	15	13
Adjusted cash flow	**377**	**388**
Profit to cash ratio 6 months to 30 June	**86%**	**97%**
Profit to cash ratio 12 months rolling	**86%**	**92%**

Adjusted cash flow	377	388
Net cash interest paid	(6)	(8)
Cash tax paid	(55)	(68)
Pension funding	(47)	(66)
Free cash flow	**269**	**246**

Net Debt Movements (£m)

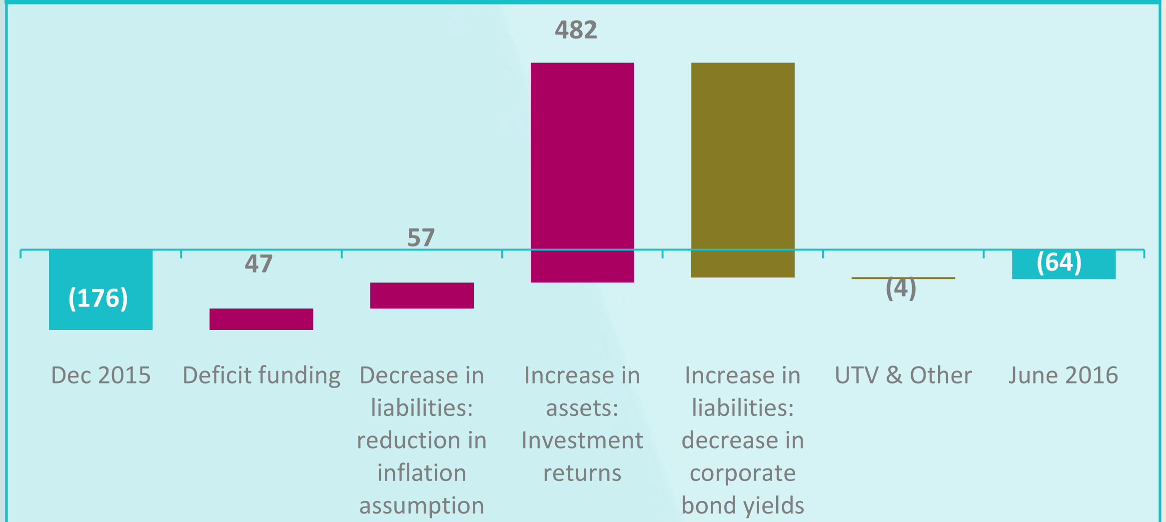


- Significant working capital outflow as a result of strong NAR in June, investing in content and Voice of China deal
- Continued investment in scripted, £64m in H1
- Focus on working capital continues to be a priority
- Continued strong profit to cash conversion of 86%
- Strong free cash flow up £23m, 9% to £269m
- Net debt of £796m, after special dividend

Increasing shareholder returns while maintaining flexibility to invest

- Strong balance sheet with leverage of 0.9x Net debt to EBITDA
- New facilities means there is now over £800m of undrawn liquidity
- Policy to maintain at least £250m of available liquidity
- Decline in IAS19 deficit to £64m primarily due to investment strategy bias towards long term bonds and gilts

Movement in IAS 19 Pension Deficit (£m)



Capital allocation framework

Investing to drive organic growth

Acquisitions in line with strategic priorities

Dividend policy
- To grow dividend by at least 20% pa to 2016
- Dividend cover of between 2 and 2.5x adjusted EPS

Gradually increase leverage to 1.5x reported net debt to EBITDA

2.4p interim ordinary dividend

Strong cash generation and robust balance sheet provides flexibility to invest and deliver returns to shareholders

2016 FY Planning Assumptions

NPB	Around **£1,050m**	**No change**
Interest	Around **£25m** – to reflect full year of bond	**No change**
Tax	Adjusted effective tax rate **similar** to HY 2016 at **20%**	**Lower than previous guidance**
Capex	**£50m to £55m**, across the group	**No change**
Profit to cash	**85 to 90%** – continued strong cash flow generation and investment in scripted	**No change**
Pension	**£80m**, £10m less than 2015 and more evenly paid over the year	**No change**
Ordinary dividend	On track to deliver policy, dividend cover **of 2 to 2.5x** adjusted EPS	
Foreign exchange	Translation impact of FX, assuming rates remain at current levels, could be **£74m** more revenue and **£13m** more profit over the full year	
Exceptional items	Around **£115m**, similar to 2015, due to accounting treatment of employment linked consideration. Excludes any one-off costs associated with targeted £25m of overhead savings for 2017	

Strategic Outlook

Adam Crozier

Our strategic priorities are focused on three key areas for growth

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

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

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

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

The Broadcast business is strong with considerable opportunities for growth

- Traditional UK television market is robust and adapting to the changing environment
  - commercial viewing is up
- Strengthened ITV's on screen viewing performance
  - ITV SOV up 7%, ITV Family SOV up 3%
  - ITV SOCI up 2%, ITV Family SOCI down 1%
  - reaching younger audiences: 16-34 SOV on ITV2 up 21%
- TV reasserting itself as marketing platform of choice
- ITV's strong advertising proposition - unrivalled reach delivering mass audiences and key demos
  - ITV Family NAR flat in H1
  - ITV again outperformed the TV ad market in H1
  - 9 months to 30 Sept ITV NAR expected to be down around 1%, against the backdrop of uncertainty
  - expect to outperform TV ad market over the full year

Improved programme slate for 2016/2017 schedule

DCI BANKS
Muncie
Victoria
THUNDERBIRDS ARE GO
BROADCHURCH
Dark Angel
ENDEAVOUR
Paranoid
Benidorm
The Level
Bear Grylls Survival School
HIM
VERA
Lethal Weapon
Peston on Sunday
Tutankhamun
Joanna Lumley's Turning Japanese
ITV News at Ten
UNFORGOTTEN

The X Factor
The Voice
Britain's Got Talent
I'm a Celebrity Get Me Out Of Here!
The Voice Kids
Take Me Out
Go For It
This Time Next Year

Judge Rinder
Good Morning Britain
this morning

RBS 6 Nations
Cheltenham

Emmerdale
Coronation St.

American Dad!
Family Guy
The Only Way is Essex
love island

2 | Grow international content business

- Global demand for content continues to grow
- ITV is now a fast growing, international player of scale
- Strong growth primarily driven by acquisitions
  - revenue up 31% in H1
  - adjusted EBITA up 42% in H1
- 50% of revenues in H1 generated outside the UK
- Remain focused on creating, owning and exploiting rights in key genres that travel internationally
  - building a global scripted business
  - creating formats that travel
- Healthy pipeline of new and returning shows
- Continued investment focus on creative talent, scripted content, partnerships and M&A
- Confident in delivering good growth over the medium term, although short term performance will be lumpy

Scripted

Aquarius, Emmerdale, Him, Lewis, Cold Feet, Good Witch, Endeavour, Poldark, Harlots, Victoria, Coronation St., Aber Bergen, Thunderbirds Are Go, Vera

Entertainment & Factual Entertainment

The Voice Kids, Pawn Stars, Duck Dynasty, The Next Great Magician, Cash Trapped, Meet the Parents, Ant & Dec's Saturday Night Takeaway, Counting Cars, The Job Interview, Big Star's Little Star, Grill den Henssler, This Time Next Year, Katie Price: Born to Ride, Cannonball, Come Dine With Me, Hell's Kitchen, The Graham Norton Show, Blue Collar Backers, Go For It, The Chase, Tiny House Nation, #RichKids of Beverly Hills, Eggheads, 24 Hours in A&E, I'm a Celebrity Get Me Out Of Here!, The Voice, 10,000 BC, Alone

3 Build a global pay and distribution business

- Our Online, Pay & Interactive business is profitable and growing rapidly
  - revenue up 26% year on year
- Continued strong demand for our content online through the ITV Hub
  - consumption up 50%; Long form video requests up 14%
- Reaching valuable young audiences
  - 50% of the UK's 16-24 population are registered users of ITV Hub
  - building scale on social media - 31 channels on YouTube
- Developing our pay offering in the UK and internationally
  - pay business grew 24% in H1
  - making good progress in our SVOD opportunities
- Retransmission fees: repeal of S73 announced
- Expanding our global distribution network
  - building a strong and balanced portfolio across key genres that travel
  - using strong cash flows to invest in new content focusing on scripted and factual entertainment
  - increasing 3rd party distribution deals
  - delivering multi year/multi territory deals across platforms

ITV Hub user is 10 years younger than average ITV TV audience

Hub mobile downloads over 22m

100m long form requests in June

Over 100m views on YouTube and 60m on Facebook in June

England vs. Iceland had 1.3m live simulcast requests

15m registered users of the ITV Hub

13m votes across our shows in H1

>500% increase in YouTube views in H1

Victoria, Endeavour, Poldark and Vera all sold to >150 countries

58 formats sold in H1 2016

The integrated producer broadcaster model in action

Most watched programme online

Most watched episode 1.7m viewers on ITV2 (7.8% share)

Average of 1m online requests per episode

Averaged 17% share of 16-34s, across the series

Almost 1m app downloads and 28m short form video views

Recommissioned for a 3rd series

Already sold to 9 countries

30 million requests across the series, up >200%

3m votes across the series

30,000 tweets per night

Broadcast in 180+ countries

Produced locally in 63 countries

35 countries for The Voice Kids

53 international YouTube channels

9 mobile apps

Coming to ITV in 2017

Delivered 10.5bn YouTube views

Outlook

- Rebalanced business driving another strong performance
- Continuing to execute against a clear strategy
- Over the full year on track to deliver
  - double-digit revenue growth in Online, Pay & Interactive
  - double-digit revenue and profit growth in ITV Studios
- ITV NAR forecasted to be down around 1% in first 9 months
- Will outperform TV ad market in 2016
- Post Brexit plan in place
  - targeting £25m of overhead cost savings for 2017
- Strong balance sheet
  - flexibility and capacity to invest across the business, and
  - delivering returns to shareholders in line with our policy
- Continue to see clear opportunities to invest behind the strategy in the UK and internationally

Appendix
Interim Results 2016

27 July 2016

Adjusted results

Six months to 30 June	2016 (£m)	2015 (£m)	Change
Total external revenue	**1,503**	**1,356**	**11%**
Adjusted EBITA	**438**	**400**	**10%**
Internally generated amortisation	(3)	(5)	40%
Financing costs	(10)	(4)	(150%)
Profit before tax	**425**	**391**	**9%**
Tax	(85)	(81)	(5%)
Profit after tax	**340**	**310**	**10%**
Non-controlling interests	-	(2)	-
Earnings	**340**	**308**	**10%**
Adjusted EPS (p)	**8.5p**	**7.7p**	**10%**
Diluted adjusted EPS (p)	8.4p	7.6p	11%
Statutory EPS (p)	6.1p	6.4p	(5%)

NOTE: Revenues and profits from continuing activities.
Basic shares in issue of 4,011m; diluted shares in issue of 4,031m

Reported numbers

Six months to 30 June	2016 (£m)	2015 (£m)	Change
Revenue	1,503	1,356	11%
EBITA	424	395	7%
Amortisation	(40)	(27)	(48%)
Exceptional items (net)	(54)	(30)	(80%)
Profit before interest and tax	**330**	**338**	**(2%)**
Net financing costs	(21)	(11)	(91%)
Profit before tax	**309**	**327**	**(6%)**
Tax	(63)	(68)	7%
Profit after tax	**246**	**259**	**(5%)**
Loss after tax for the period from discontinuing operations	(3)	-	-
Non-controlling interests	-	(2)	-
Earnings	**243**	**257**	**(5%)**
Basic earnings per share	**6.1p**	**6.4p**	**(5%)**

Reconciliation between 2016 reported and adjusted earnings

Six months to 30 June	Reported (£m)	Adjustments (£m)	Adjusted (£m)
EBITA	424	14	438
Exceptional items (net)	(54)	54	-
Amortisation and impairment	(40)	37	(3)
Financing costs	(21)	11	(10)
Profit before tax	**309**	**116**	**425**
Tax	(63)	(22)	(85)
Profit after tax	**246**	**94**	**340**
Loss after tax for the period from discontinuing operations	(3)	3	-
Earnings	**243**	**97**	**340**
Number of shares (weighted average)*	4,011m	-	4,011m
Earnings per share	**6.1p**	**2.4p**	**8.5p**

*Diluted number of shares is 4,031m

Broadcast schedule costs

Six months to 30 June	2016 (£m)	2015 (£m)	Change
Commissions	289	272	6%
Sport	73	59	24%
Acquired	14	15	(7%)
ITN News and Weather	24	24	-
Total ITV main channel	**400**	**370**	**8%**
Regional news and non-news	34	32	6%
ITV Breakfast	22	22	-
Total ITV inc regional & Breakfast	**456**	**424**	**8%**
ITV2, ITV3, ITV4, ITV Encore, ITVBe, CITV	91	83	10%
Total schedule costs	**547**	**507**	**8%**

ITV Studios revenue

Six months to 30 June	2016 (£m)	2015 (£m)	Change	Organic change*
Studios UK	292	208	40%	15%
Studios US	96	145	(34%)	(37%)
Studios RoW	184	72	156%	(2%)
Global Entertainment	79	71	11%	8%
Total revenue	**651**	**496**	**31%**	**(4%)**

* At constant currencies and excluding revenue from 2015 acquisitions

Acquisitions – 2012 to 2016

Company	Initial consideration (£m)	Additional consideration paid in 2016 (£m)	Expected future payments* (£m)	Total expected consideration** (£m)	Expected payment dates	Total maximum consideration** (£m)
2016						
UTV	100	-	-	100	-	100
Total for 2016	**100**	**-**	**-**	**100**	**-**	**100**
Total for 2012-2015	760	3	316	1,079	2016-2021	1,835
Total	**860**	**3**	**316**	**1,179**		**1,935**

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

** Undiscounted and adjusted for foreign exchange, including initial consideration and excluding working capital adjustments.

Foreign exchange

Revenue by currency	FY 2015 (£m)
GBP	2,275
US dollar	389
Euro	191
Other currencies	117
External revenue	**2,972**

Currency	Actual Average Exchange Rate 2015	Actual Average Exchange Rate H1 2016	Current Assumed Exchange Rate H2 2016*	Expected Average Exchange Rate 2016*
USD ($)	1.53	1.44	1.34	1.39
EUR (€)	1.38	1.30	1.20	1.25

* Assuming exchange rates in H2 remain at current levels

Financing costs

Six months to 30 June	2016 (£m)	2015 (£m)
£78m Eurobond at 5.375% coupon Oct 15	-	1
£161m Eurobond at 6.125% coupon Jan 17	(4)	(4)
€600m Eurobond at 2.125% coupon Sept 22	(5)	-
£525m Revolving Credit Facility	(1)	-
Financing costs directly attributable to bonds and loans	**(10)**	**(3)**
Cash-related net financing costs	-	(1)
Cash-related financing costs	**(10)**	**(4)**
Adjusted financing costs	**(10)**	**(4)**
Mark-to-market swaps and foreign exchange	1	(2)
Imputed pension interest	(2)	(5)
Unrealised foreign exchange and other net financial losses	(10)	-
Net financing costs	**(21)**	**(11)**

Borrowing facilities

Type of Facility	Facility Amount	Amount drawn at 30/06/2016	Maturity
Revolving credit facility (RCF)	£525m	£65m	Apr 2019
Bilateral loan	£150m	£150m	Mar 2017, option to extend for further 12 months
Bilateral loan	£100m	£100m	Jun 2017, option to extend for further 12 months
Bilateral loan facility	£300m	-	Jun 2021
Invoice discount facility	£75m	-	Apr 2017
Total	**£1,150m**	**£315m**	

Exceptional costs

Six months to 30 June	2016 (£m)	2015 (£m)
Acquisition-related expenses	(54)	(31)
Total operating exceptional items	**(54)**	**(31)**
Total non-operating exceptional items	**-**	**1**
Total exceptional items (net)	**(54)**	**(30)**

P&L tax charge and cash tax

Six months to 30 June	2016 (£m)	2015 (£m)
Profit before tax	**309**	**327**
Production tax credits	14	5
Exceptional items (net)	54	30
Amortisation of intangible assets*	37	22
Adjustments to net financing costs	11	7
Adjusted profit before tax	**425**	**391**
Tax charge	(63)	(68)
Production tax credits	(14)	(5)
Charge for exceptional items	(1)	(6)
Charge in respect of amortisation of intangible assets*	(6)	(5)
Charge in respect of adjustments to net financing costs	(2)	(1)
Other tax adjustments	1	4
Adjusted tax charge	**(85)**	**(81)**
Effective tax rate on adjusted profits	**20%**	**21%**
Total adjusted cash tax paid (excluding receipt of production tax credits)	**(55)**	**(68)**

* In respect of intangible assets arising from business combinations. The related tax adjustment includes the recognition of the cash tax benefit of US deductible goodwill.

Analysis of net debt

	30 June 2016 (£m)	31 December 2015 (£m)
£161m Jan 17	(161)	(161)
£525m Revolving Credit Facility	(65)	-
£150m bilateral loan	(150)	-
£100m bilateral loan	(100)	-
€600m Eurobond	(495)	(437)
Finance Leases	(6)	(10)
Other debt	-	(5)
Cash and cash equivalents	181	294
Net debt	**(796)**	**(319)**

	30 June 2016 (£m)	31 December 2015 (£m)
Cash and cash equivalents	181	294
Debt	(977)	(613)
Net debt	**(796)**	**(319)**