



ITV plc Final Results 2008

4th March 2009





Introduction

Michael Grade
Executive Chairman



- **Introduction and overview** Michael Grade
- **Financial review** Ian Griffiths
- **Current trading and strategic update** John Cresswell

2008 results

- Total revenue £2,029m (2007: £2,082m)
- Operating EBITA £211m (2007: £311m)
- Impacted by NAR downturn and online investment
- Reported numbers reflect impact of £2.7bn impairment of goodwill
- Adjusted EPS 2.7p (2007: 5.0p)

2008 operating and strategic highlights

- ITV share of viewing held for second year running
- ITV share of UK TV advertising held for first time in 25 years
- Global Content revenues (including internal) increased by 10%
- Online users and video views growing steadily

2009 update

- TV market and economic outlook remains weak



ITV's priorities

Core business, cost savings and cash

Focusing on our core business as a producer broadcaster

- Further non-core disposals and business closures

Additional and accelerated cost savings

- Total savings of £155m in 2009, rising to £245m in 2011

Cash and liquidity

- Additional covenant-free financing secured
- Board recommending suspension of final dividend

Accelerated regulatory progress

CRR

- OFT consultation on possible changes now closed
- Review on schedule to conclude ahead of 2010 trading season

PSB

- Confirmation of changes on regional and PSB for 2009/10
- Ofcom recommend new model for regional news from 2011

Digital Britain

- Final report due in June
- Inviting radical proposals for PSB

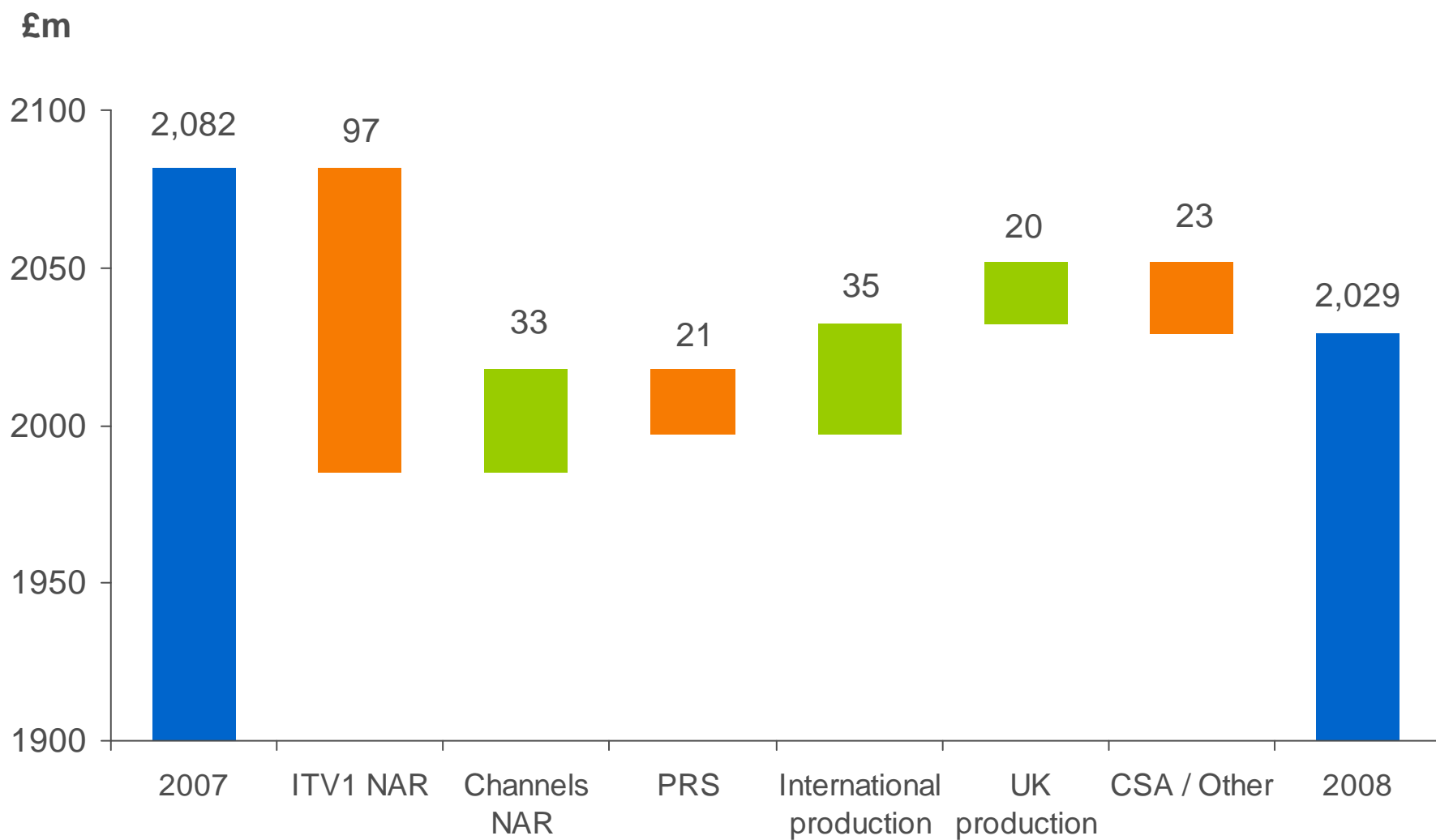


Financial review

Ian Griffiths
Group Finance Director

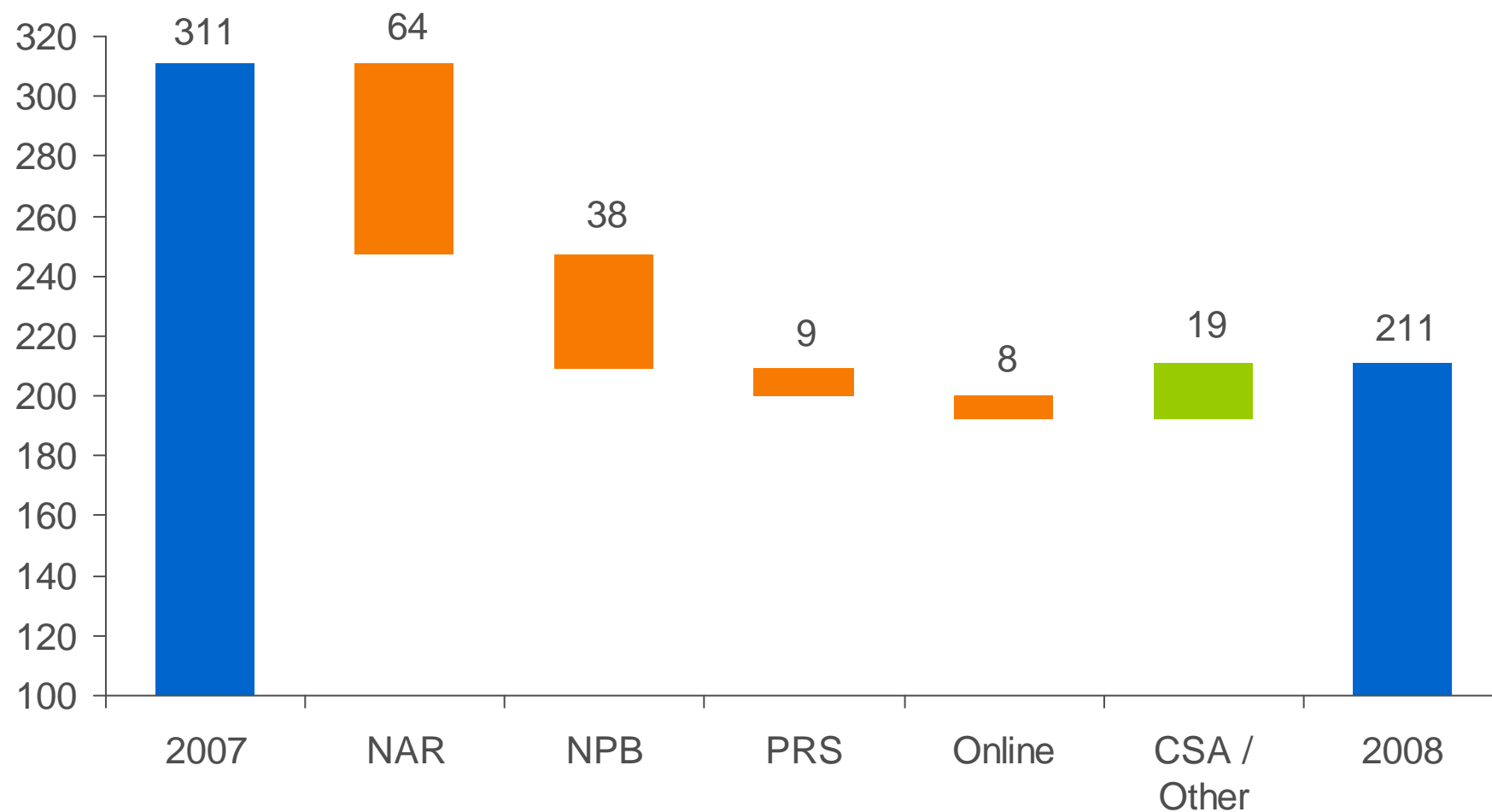


Group revenue



Group profit

£m





Broadcasting Revenue and EBITA

12 months to 31 st December - £m	2008	2007	Change %
ITV plc NAR	1,425	1,489	(4)
- ITV1	1,127	1,224	(8)
- ITV2, 3, 4, News, CITV, M&M	242	209	16
- GMTV	56	56	-
Sponsorship	58	56	4
Media sales, PRS and other income	131	157	(17)
SDN	33	36	(8)
Total	1,647	1,738	(5)
Schedule costs	1,125	1,087	(3)
Other Broadcasting costs	382	407	6
EBITA pre exceptionals	140	244	(43)



Global Content Revenue and EBITA

12 months to 31 st December - £m	2008	2007	Change %
UK Production	68	48	42
Resources	17	19	(11)
International			
International production	98	63	56
Distribution and exploitation	123	114	8
Total External Revenue	306	244	25
Supply to ITV	316	320	(1)
Total Revenue (inc ITV supply)	622	564	10
EBITA pre exceptionals	90	90	-



Online Revenue and EBITA

12 months to 31 st December - £m	2008	2007	Change %
itv.com and other*	18	11	64
Friends Reunited	18	22	(18)
Total	36	33	9
EBITA pre exceptionals	(20)	(12)	(67)

* Includes itv.com, itvlocal, ITV Mobile and Other Revenues

Profit and loss

12 months to 31 st December - £m	2008	2007
Revenue	2,029	2,082
Operating EBITA pre exceptionals	211	311
Amortisation		
Normal	(66)	(56)
Goodwill reduction and impairment	(2,695)	(28)
Exceptional Items (total)	(108)	(9)
Associates, JVs and Investment income	(14)	3
(Loss)/profit before interest and tax	(2,672)	221
Interest	(60)	(33)
(Loss)/profit before tax	(2,732)	188
Tax	178	(50)
(Loss)/profit after tax	(2,554)	138

Adjusted Profit and Loss

12 months to 31 st December - £m	2008	2007
Operating EBITA pre exceptionals*	211	311
Associates, JVs and Investment income	(14)	3
Interest (before amortised cost adjustment)	(30)	(33)
Profit before tax**	167	281
Tax	(59)	(86)
Profit after tax	108	195
Minority interests	(2)	(1)
Profit for the period	106	194
EPS (p)**	2.7	5.0

*Before exceptional items, amortisation, impairments of intangible assets

** Before exceptional items, amortisation, impairments of intangible assets, amortised cost adjustment and in addition for EPS, before tax adjustments

Exceptional items

12 months to 31 st Dec - £m	2008	2007
Reorganisation and integration costs	(40)	(8)
PRS	(6)	(18)
Onerous contract provision	(50)	(9)
Kangaroo	(1)	-
Total operating exceptional items	(97)	(35)
(Loss)/gain on the sale and impairment of properties	(17)	9
Gain on the sale, net of impairment, of subsidiaries and investments	17	43
Impairment of available for sale financial assets	(7)	(26)
Kangaroo	(4)	-
Total non-operating exceptional items	(11)	26
Total exceptional items	(108)	(9)

Interest charge

12 months to 31 st December	2008	2007
Interest on bonds	(82)	(75)
One-off financial instrument closure costs	(16)	-
	(98)	(75)
Interest on cash and other	28	31
Non cash amortised cost adjustment	(30)	-
Swap fair value movements	24	(7)
Non cash IAS19 imputed pension interest	16	18
P&L charge	(60)	(33)
- less non cash movements (net)	(3)	(29)
Cash interest paid	(63)	(62)

Tax

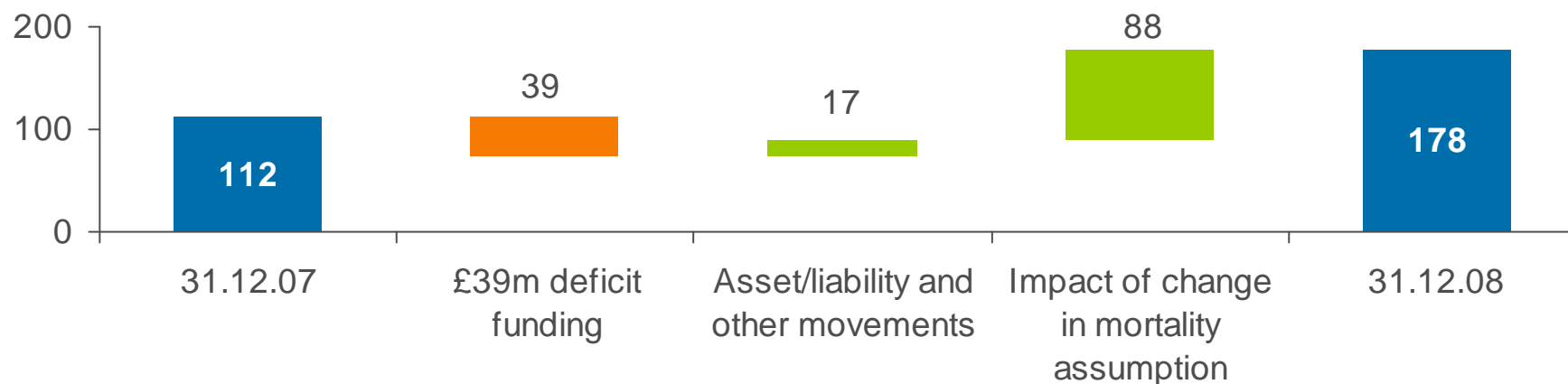
P&L tax credit and cash tax

12 months to 31 st December - £m	2008	2007
Current year tax expense	(5)	(55)
Deferred tax	(15)	(20)
Prior year adjustments	198	25
P&L tax (credit)/charge	178	(50)
Cash paid on account for 2008	(5)	
Payments made relating to prior years	(14)	
Cash tax refunds for prior years	62	
Net cash received	43	

Pension deficit

IAS 19 deficit

£m



£m	2008	2009f
Interest cost	(146)	(144)
Expected return on assets	162	129
Imputed interest on P&L charge	16	(15)

£m	2008	2007
Equities and property	704	1,284
Bonds	1,330	1,087
Other	127	120
Fair value of scheme assets	2,161	2,491
Value of scheme liabilities	(2,339)	(2,603)
Deficit	(178)	(112)

Movement in net debt

12 months to 31 st Dec - £m	2008	2007
EBITDA	247	346
Working capital	(67)	(44)
Share based compensation	10	15
Capital expenditure less sale of fixed assets	(52)	(55)
Cash generated from operations (post-capex)	138	262
Exceptional items	(40)	(31)
Taxation and interest	(20)	(44)
Sale/purchase of businesses, investments and assets	20	60
Equity dividends	(123)	(122)
Other movements	2	(26)
Cash generated from business activities	(23)	99
Defined benefit pension deficit funding	(39)	(33)
Movement in net debt	(62)	66
Net debt	730	668

Funding

- £125m facility to 2013 drawn down
- £50m new 10-year financing secured February 2009, with potential to increase to £200m
- Financial covenants apply only to undrawn £450m facility running to 2011

Outflows in 2009

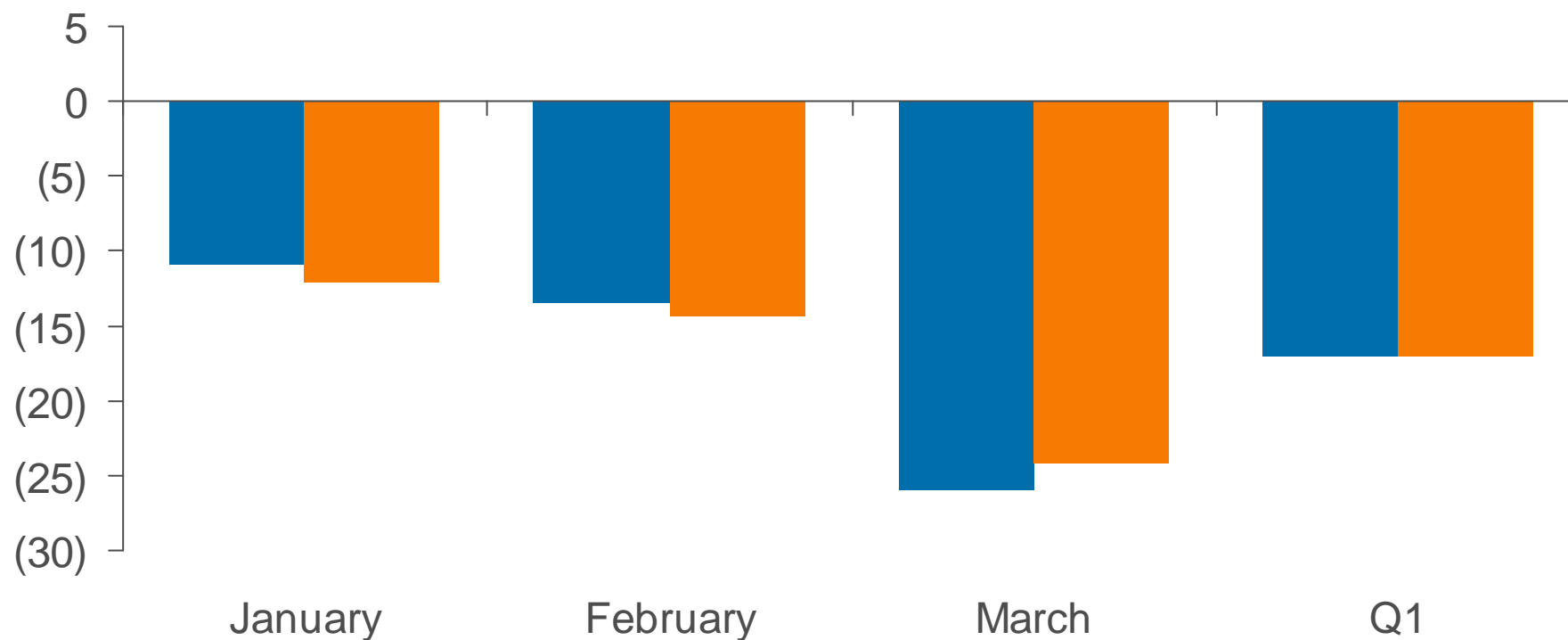
- Pension deficit funding of £30m in line with 5-year funding plan
- 2008 interim dividend of £26m
- Friends Reunited contingent consideration of £50m paid in January 2009
- £250m bond repaid in March 2009
- Next bond repayment £335m in October 2011

Current trading and strategic update

John Cresswell
Chief Operating Officer

NAR, % change year on year

■ ITV Family NAR ■ UK TV NAR





Reshaping the business

Focus on core, cost savings and cash

- Radical reassessment of ITV's structure, activities and efficiency
- Enables ITV to manage extended economic downturn
- New plan will make ITV leaner, fitter and simpler
- Prioritising the **core** business, delivering **cost** savings and managing **cash**



Cost savings

Summary of total savings, 2009-11

Previously announced targets

£m	2009	2010
Efficiency savings	27	35
Regional news	40	40
Network schedule	-	-
Savings vs 2008	67	75

New targets

£m	2009	2010	2011
Efficiency savings	50	70	70
Regional news	40	40	>40
Network schedule	65	65	135
Savings vs 2008	155	175	>245

Notes

Network schedule savings vs 2008 P&L schedule costs and based on current ITV planning

New targets include all previously announced efficiency and regional savings

No benefits included from proposals for further regional changes from 2011

Efficiency savings

- £50m savings in 2009, rising to £70m in 2010
- Additional headcount reduction of c600 posts
- Total costs of change £40m
- Tight management of capex and working capital

Cumulative savings	2009	2010
Broadcast	19	25
Global Content	11	18
Online	4	4
Central Services	16	23
Cumulative Total	50	70

Note: new target includes previously announced £35m saving for 2009/10; costs of change in addition to 2008 costs

Programme investment

3-year plan to increase schedule efficiency

2009	<ul style="list-style-type: none"> £65m network and £40m regional savings Focus on entertainment and existing stock
2010	<ul style="list-style-type: none"> Impact of World Cup costs to be contained Cash spend running £100m below P&L NPB
2011	<ul style="list-style-type: none"> World Cup costs back out and low committed spend P&L aligns with lower cash spend

£m	2008	2009	2010	2011
Total ITV1 network	867	805	815	750
Regional	112	71	71	71
ITV digital channels	112	110	100	95
GMTV	34	34	34	34
Total schedule costs	1,125	1,020	1,020	950
P&L savings vs 2008		105	105	175

- Continue to outperform UK TV ad market
- Drive continuing impact growth across channels
- CRR reform on track for autumn 2009 deal round
- Focus investment on peak-time
- Greater spend efficiency
- Tight management of cash spend
- Further savings post-World Cup from 2011
- Considering options for SDN

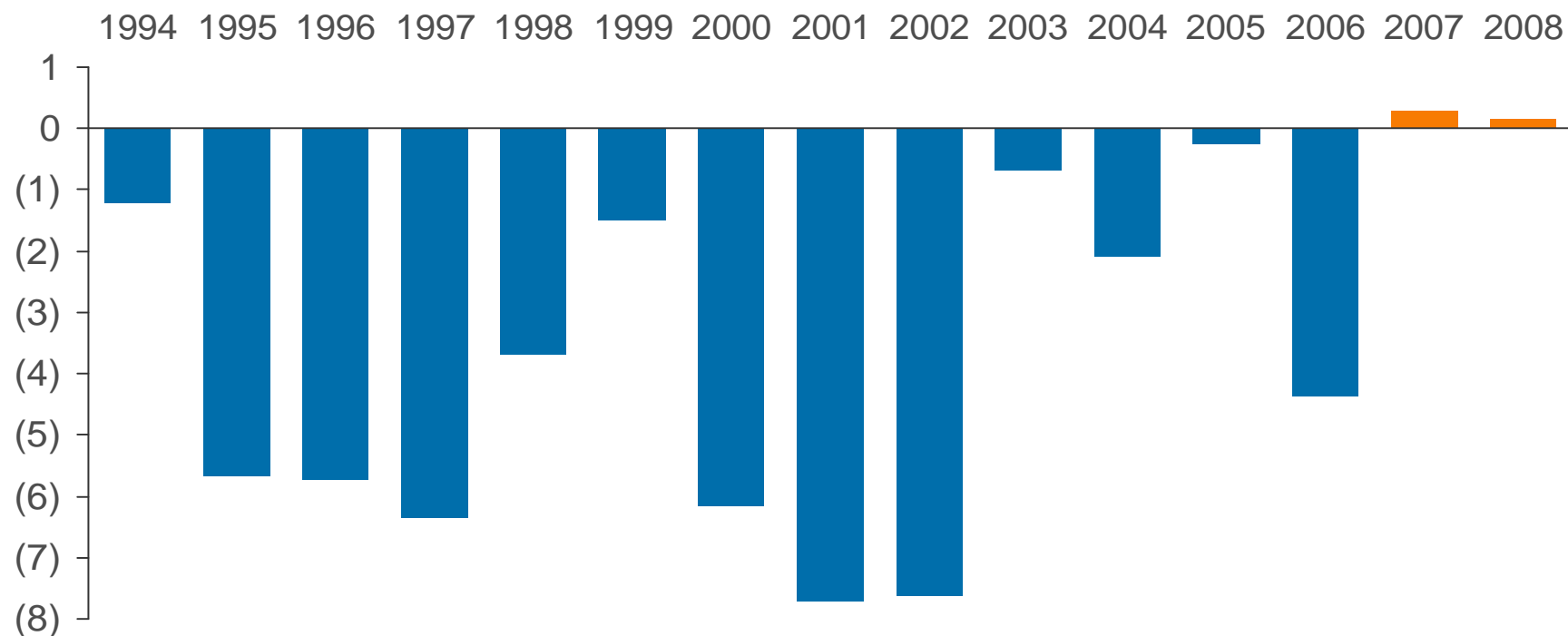


Broadcasting

ITV holding share of viewing...

ITV Family – Year on year % change in share of viewing

%

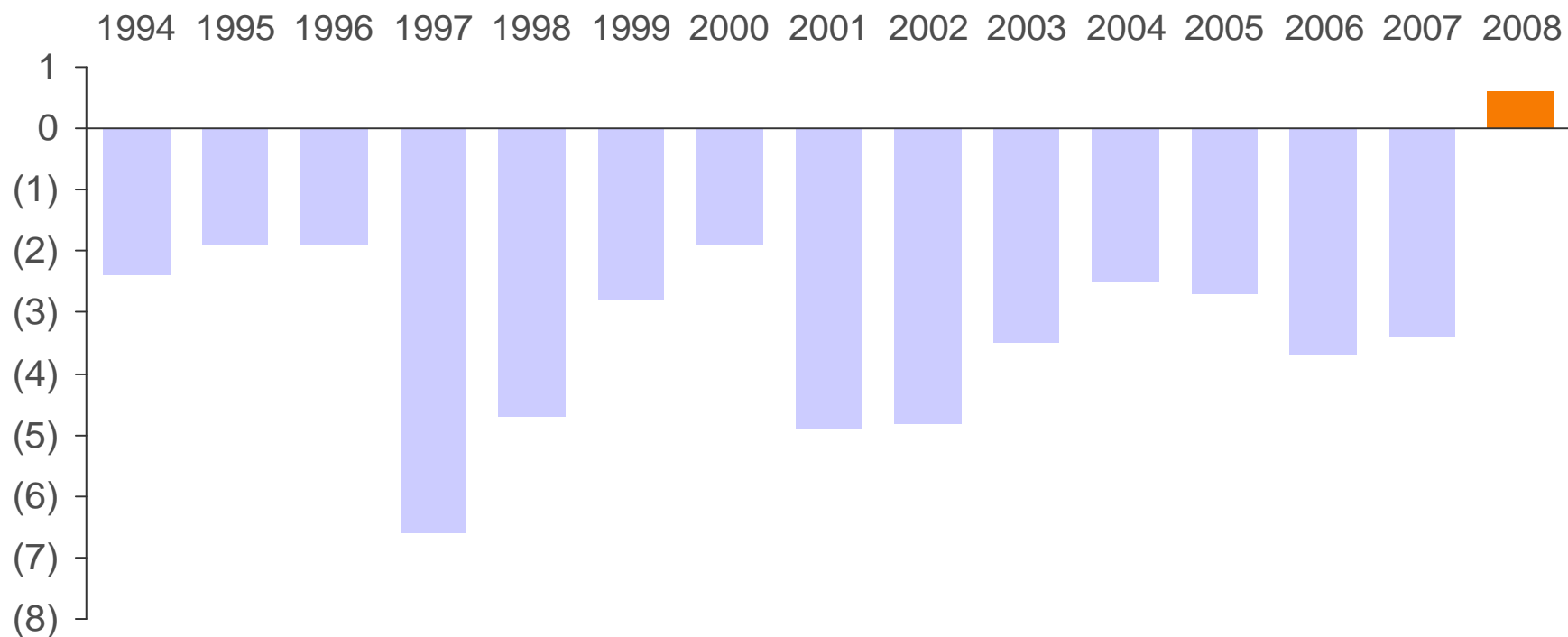




Broadcasting ... and holding share of TV advertising

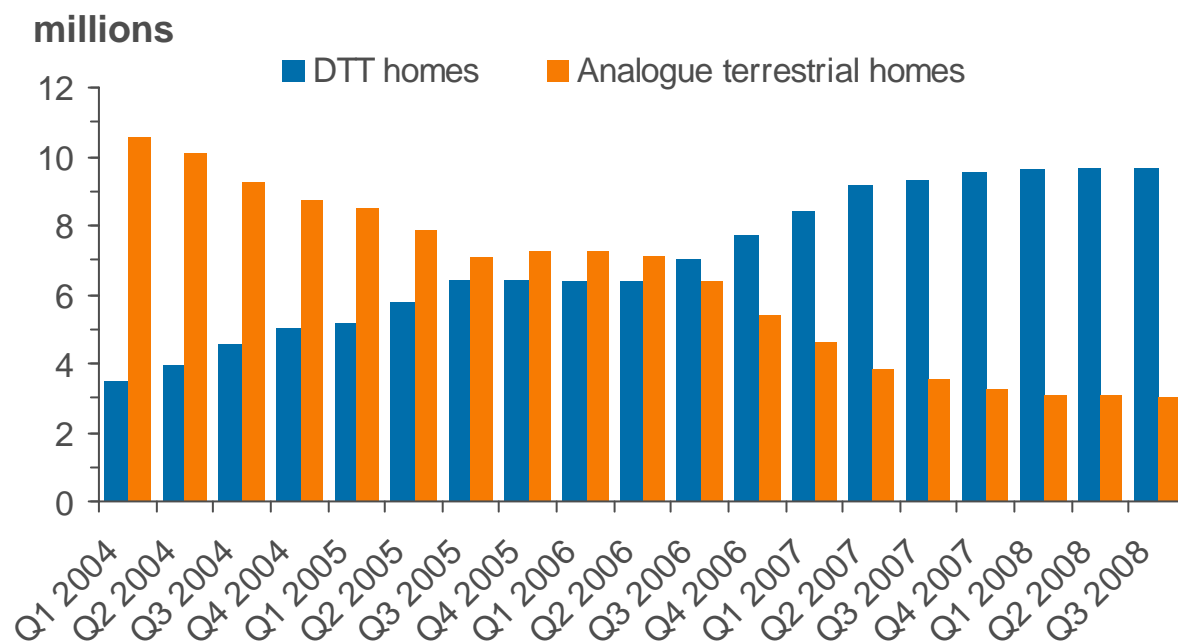
ITV Family share of broadcast

±% YOY



Broadcasting

SDN leveraging increased digital penetration



- Operating margin over 60% on £33m revenues
- New channel agreement takes effect from 2009
- 10th video stream from 2009
- Licence renews to 2022 from 2010

SDN channels

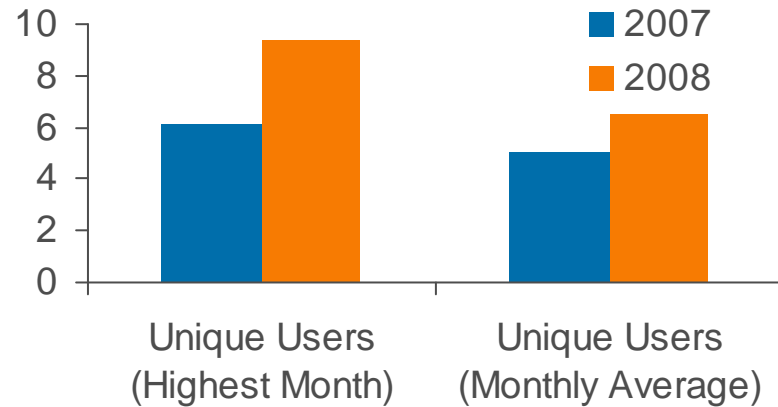


- Drive growth of online video via itv.com and VOD
- Increase monetisation of unique users and video views
- Integration of itv.com with Channels
- ITV Local to close as a stand alone business
- Friends Reunited to be sold when time is right
- Scaling back mobile and gaming

Online video viewing comes of age

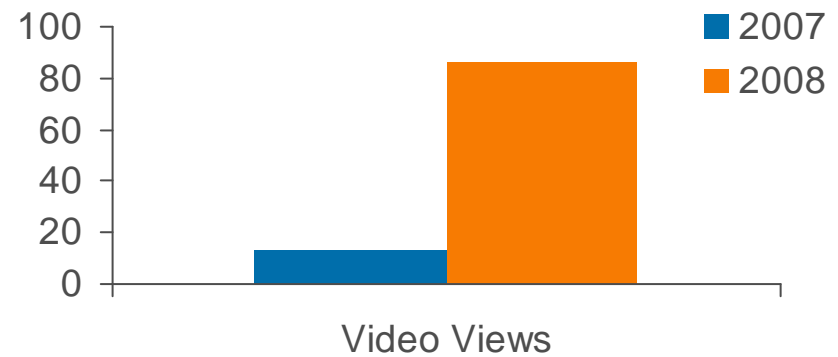
Unique users

millions



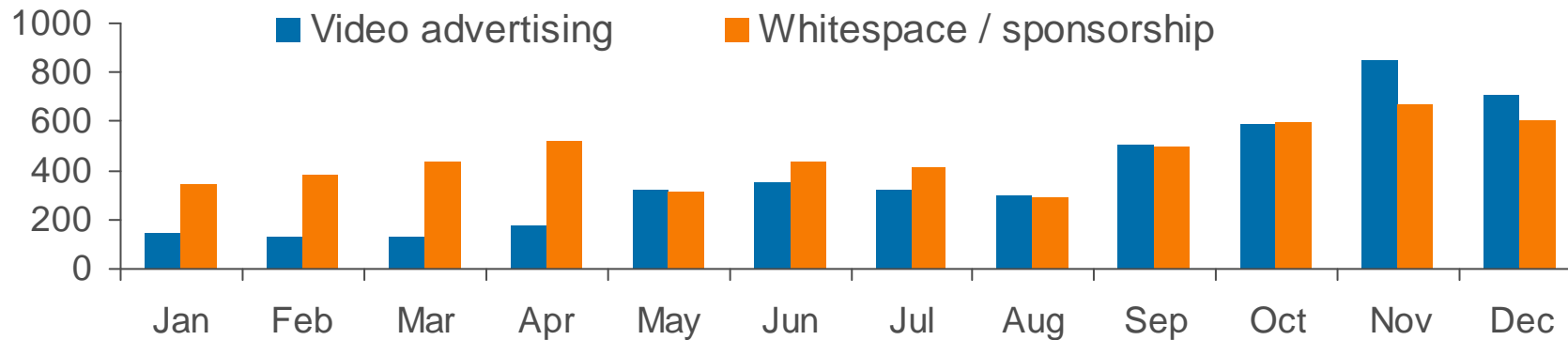
Video views

millions



itv.com revenues

£k



- Maximise share of high value ITV commissions
- Focusing development on globally exploitable factual entertainment / gameshows
- Grow international production businesses
- Reducing overheads and site costs to protect margins
- Building portfolio of “seed-corn” production investments / partnerships

Acquisitions



Silverback.

12·yard|

JBFL

JAFFE/BRAUNSTEIN FILMS, LTD.

Indy stakes



ELECTRIC FARM ENTERTAINMENT



MAMMOTH SCREEN

Partnerships



SHINE



Summary

Core, costs and cash

Reducing costs

- £155m cost reduction in 2009, rising to £245m in 2011

Cash and liquidity

- Reduced capex and non-core investment
- Additional disposals
- New financing secured

Maintaining strength of the core business

- Broadcasting performance improving
- Online tighter focus on core itv.com
- Global Content building revenues



Michael Grade
Executive Chairman

The forces shaping the business

PERFORMANCE

ITV performance
improving

DIGITAL SWITCHOVER

Pressure from
digital transition easing

REGULATION

Regulatory burden
lightening

ECONOMY

Economic context
hugely uncertain



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Appendices



Current trading

Category movements

Top 12 advertising categories

Category	2008 revenue £m	Index vs 2007	YTD 09 index vs YTD 08
Retail	292	103	77
Entertainment and Leisure	143	111	93
Food	138	99	86
Cosmetics & Toiletries	123	97	84
Finance	111	82	90
Cars and Car Dealers	90	82	73
Household Stores	77	94	85
Telecommunications	70	89	83
Pharmaceuticals	55	90	103
Government	54	120	111
Publishing and Broadcasting	52	91	61
Airlines, Travel and Holidays	41	90	90
Total ITV sales	1,498	95	82

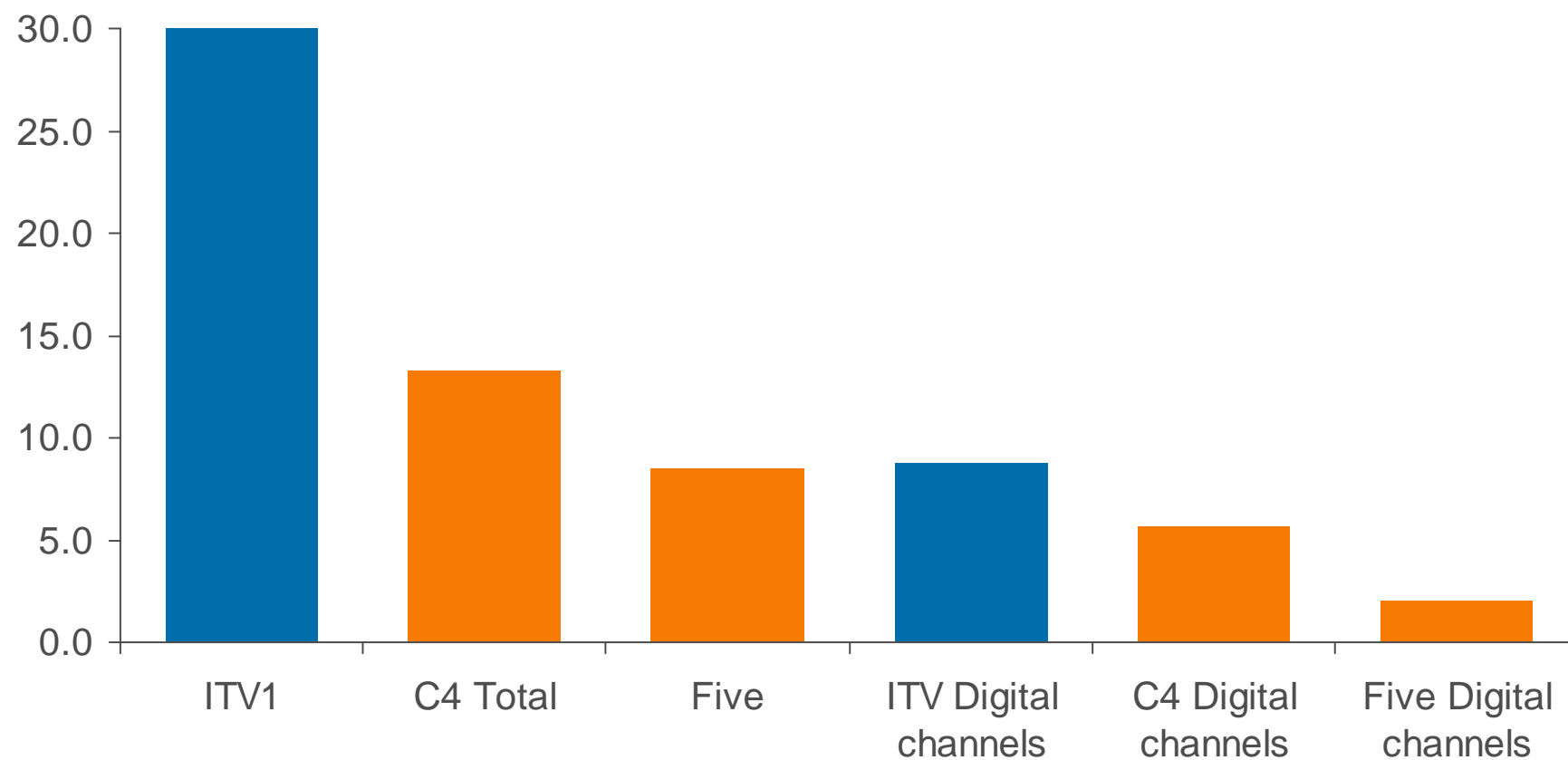


Broadcasting performance

ITV leads the commercial TV market

Adult SOCI

SOCI (%)

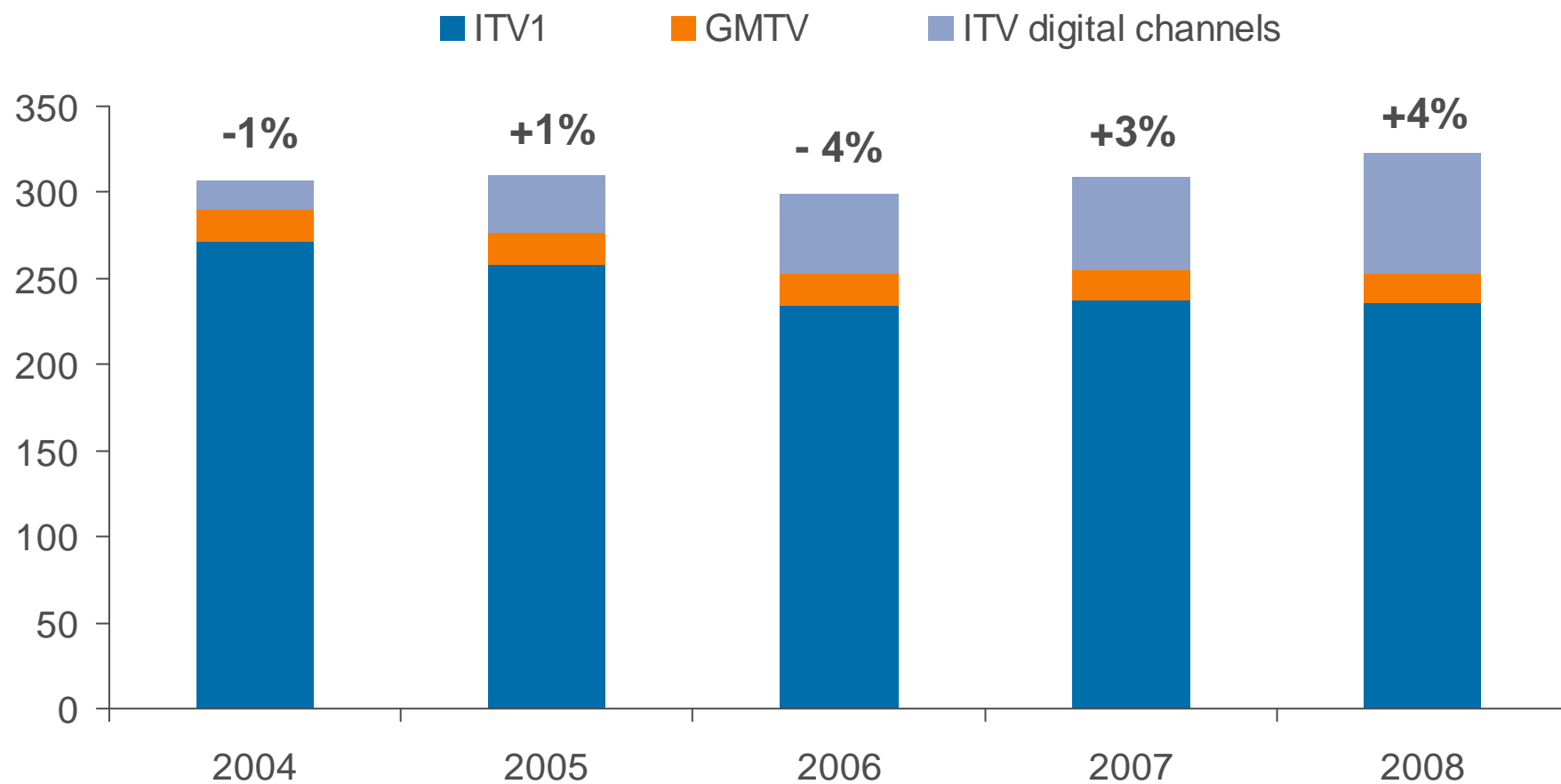




Broadcasting

ITV delivering more impacts

Volume of adult commercial impacts



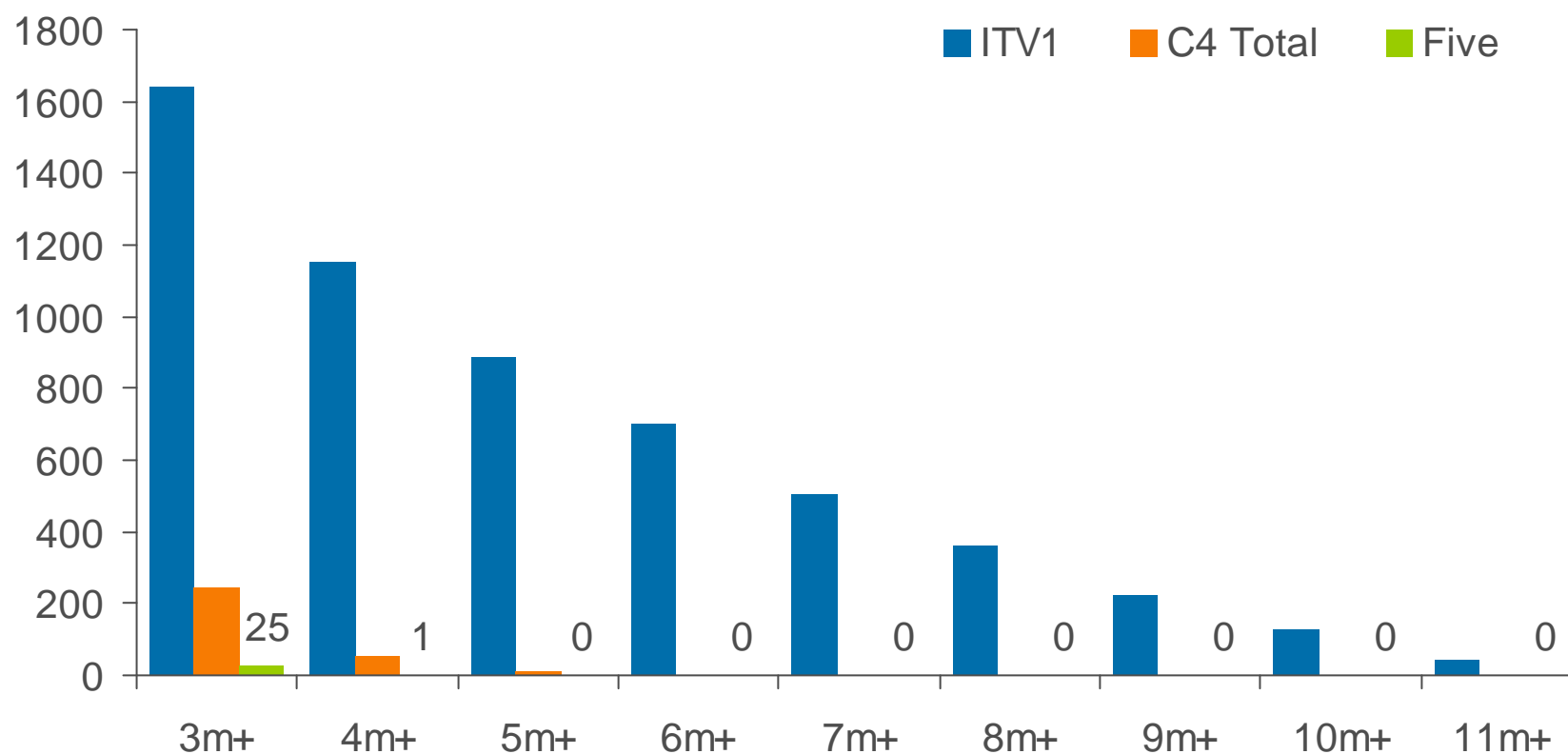


Broadcasting

ITV1 delivering mass audiences

Mass audience programmes by channel

Number of shows

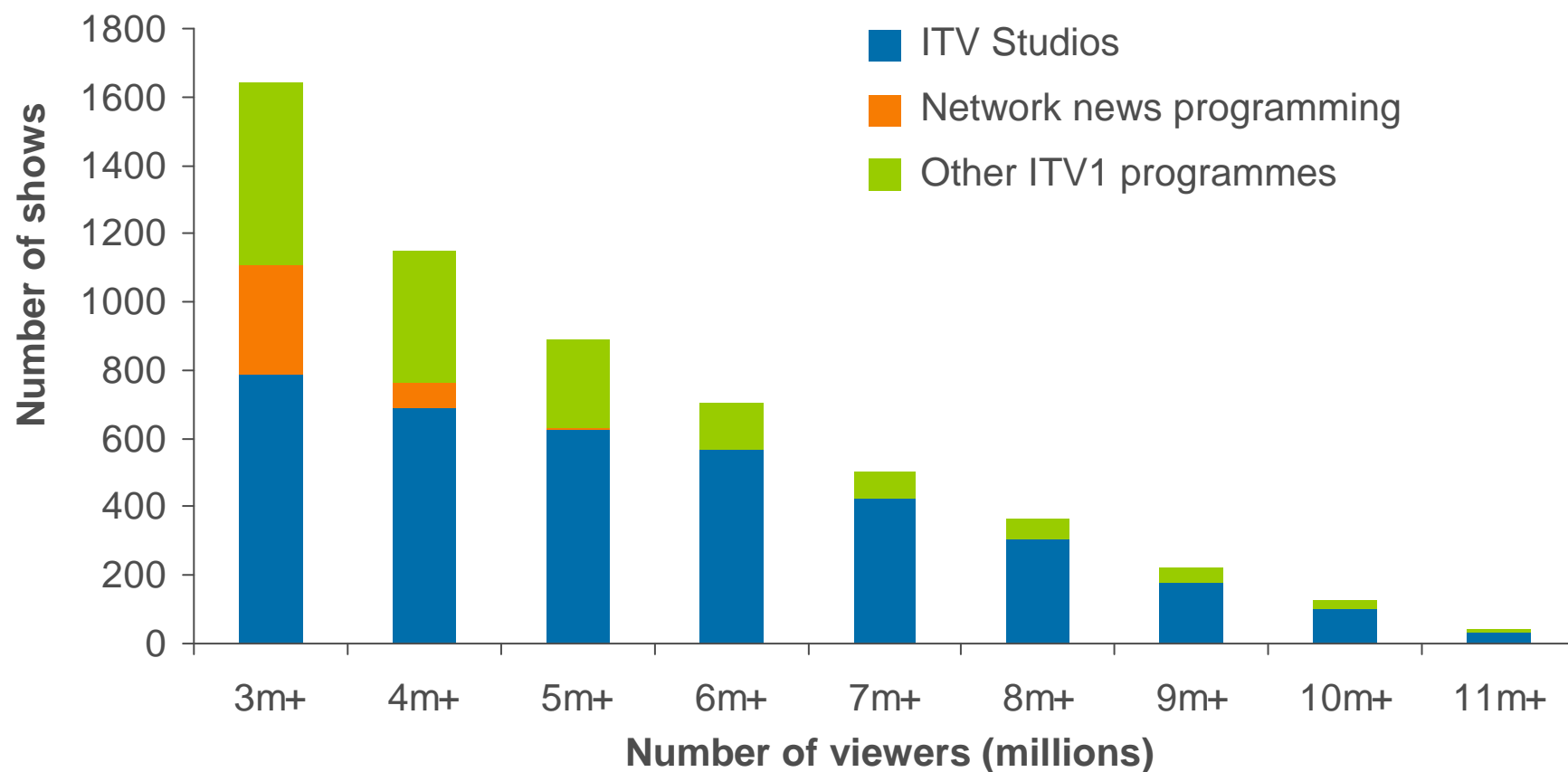




Global Content performance

Prime deliverer of ITV ratings

Mass audience shows on ITV1 by source



Segmental performance

12 months to 31 st December £m	2008 Published	2007 Published	Change %
Broadcasting			
Revenue	1,647	1,738	(5)
EBITA	140	244	(43)
Global Content			
External Revenue	306	244	25
Internal Revenue	316	320	(1)
EBITA	90	90	-
Online			
Revenue	36	33	9
EBITA	(20)	(12)	(67)
Other			
Revenue	40	67	(40)
EBITA	1	(11)	109

Broadcasting Schedule costs

12 months to 31 st December - £m	2008	2007	Change %
Commissions	608	612	(1)
Sport	146	140	4
Acquired	73	48	52
ITN news & weather	40	37	8
Total ITV1	867	837	4
Regional news & non news	112	114	(2)
Total ITV1 inc regional	979	951	3
ITV2, 3, 4, CITV, M&M	112	101	11
GMTV	34	35	(3)
Total Schedule Costs	1,125	1,087	3



ITV Broadcasting

Licence fees

12 months to 31 st December - £m	2008	2007	Change %
Cash bid payment	4	4	-
PQR levy	169	180	6
Digital licence rebate	(143)	(140)	2
Total	30	44	32

Interest charge

12 months to 31 st December	2008	2007
£200m at 7.625% Jun 07	-	(7)
£250m at 5.625% Mar 09	(14)	(14)
€500m Eurobond at 4.75% / 6%* Oct 11	(24)	(17)
£110m at LIBOR+2.7% Mar 13	(5)	-
£325m at 5.375% Oct 15	(18)	(17)
£250m Eurobond at 6.125% Jan 17	(14)	(15)
£125m facility	(19)	-
Other bonds, loan notes and finance leases	(4)	(5)
	(98)	(75)
Swap/Bond fair value movements	24	(7)
Non cash amortised cost adjustment	(30)	-
Imputed interest on net pension deficit	16	18
Interest on cash and other	28	31
P&L charge	(60)	(33)
Imputed interest on net pension deficit	(16)	(18)
Non cash amortised cost adjustment	30	-
Swap and bond fair value and timing differences	(17)	(11)
Cash interest	(63)	(62)

* Coupon step up in 2008

JVs, Associates & Investment income

12 months to 31 st December - £m		2008	2007
JV's	Screenvision	(7)	5
	Freesat	(4)	(2)
	Liverpool.com*/Arsenal.com	3	3
	Kangaroo	(3)	(1)
Associates	ITN	(1)	1
Interest and Tax		(3)	(4)
Total		(15)	2
Investment Income		1	1
Total		(14)	3

* 2008: relates to loan repaid previously written off

Underlying rate of tax

	2008	2007
(Loss)/profit before tax as reported	(2,732)	188
Exceptional items (net)	108	9
Amortisation	2,761	84
Amortised cost adjustment	30	-
Share of profits of joint ventures and associates	15	(2)
Adjusted profit before tax	182	279
Tax (credit)/charge as reported	(178)	50
Net credit for exceptional items	23	6
Credit in respect of amortisation	19	19
Credit in respect of amortised cost adjustment	9	-
Credit in respect of prior period items	186	11
Underlying tax charge	59	86
Underlying rate of tax	32%	31%

Analysis of net debt

	Dec 2008	Dec 2007
£250m Eurobond Mar 09	250	249
€500m Eurobond [^] Oct 11	346	335
£110m Eurobond Mar 13	110	-
£325m Eurobond Oct 15	323	322
£250m Eurobond Jan 17	266	248
Other loans & loan notes	2	27
Finance leases [#]	79	85
UBS Note	-	(100)
Amortised cost adjustment	(30)	-
Cash & cash equivalents	(616)	(498)
Statutory net debt	730	668

[^] Net of £147m cross-currency swap asset (Dec 07: £30m)

[#] Finance leases predominantly associated with sale and leasebacks of programmes and matched by equal cash deposits

Disposals

Disposal (£m)	Cash	Date
1. Liverpool FC.tv Limited	£15.5m	5 th March 2008
2. Arsenal Broadband Limited	£14.0m	7 th April 2008
3. CSA assets	£0.5m	10 th July 2008
4. Property	£5.0m	-
Total	£35.0m	

Movement from reported to adjusted

2008	Per Annual Report	Operating Exceptional items	Gain on sale of property	Gain on sale of subsidiaries & investments	Amortisation	Amortised cost adjustment	Other tax adjustments	Adjusted
Revenues	2,029							2,029
Operating EBITA	114	97						211
Amortisation and impairment	(2,761)				2,761			-
JV's & Associates	(15)							(15)
Investment Income	1							1
Gain on sale of property	(17)		17					-
Gain on sale of sub's & inv's	6			(6)				-
PBIT	(2,672)	97	17	(6)	2,761		-	197
Interest	(60)					30		(30)
Profit before tax	(2,732)							167
Tax	178	(23)			(19)	(9)	(186)	(59)
Profit after tax	(2,554)	74	17	(6)	2,742	21	(186)	108
Minority interests	(2)							(2)
Earnings	(2,556)							106
Weighted Average	3,877							3,877
EPS	-65.9p							2.7p

Movement from reported to adjusted

2007	Per Annual Report	Operating Exceptional items	Gain on sale of property	Gain on sale of subsidiaries & investments	Amortisation	Other tax adjustments	Adjusted
Revenues	2,082						2,082
Operating EBITA	276	35					311
Amortisation and impairment	(84)				84		0
JV's & Associates	2						2
Investment Income	1						1
Gain on sale of property	9		(9)				0
Gain on sale of sub's & inv's	17			(17)			0
PBIT	221	35	(9)	(17)	84		314
Interest	(33)						(33)
Profit before tax	188						281
Tax	(50)	(7)	1		(19)	(11)	(86)
Profit after tax	138	28	(8)	(17)	65	(11)	195
Minority interests	(1)						(1)
Earnings	137						194
Weighted Average	3,874						3,874
EPS	3.5p						5.0p