



Full Year Results 2011

Revenue and profit growth as ITV strategy begins to deliver

Agenda

1

- Revenue and profit growth as ITV strategy begins to deliver Adam Crozier
- Detailed 2011 financial review Ian Griffiths
- Summary and outlook for 2012 Adam Crozier
- Q&A

Performance driven by progress against our four key strategic priorities

2

1

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

2

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

3

Drive new revenue streams by exploiting our content across multiple platforms, free and pay

4

Build a strong international content business



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

2011 Financial Highlights – Transformation delivers growth in revenue and profits across ITV

3

External revenue

- Up 4% to £2,140m

NAR

- Up 1% to £1,510m

Non-NAR

- Increased by £93m (11%) to £922m

Earnings

- EBITA up 13% to £462m
- Adjusted PBT up 24% to £398m
- Adjusted EPS up 23% to 7.9p

Cash

- Profit to cash conversion of 103%
- Positive net cash of £45m

Dividend

- Final dividend of 1.2p
- Full year dividend for 2011 of 1.6p

Priority 1: making ITV a more creative, leaner, fitter organisation

4

1

2011

- New senior leadership team established and delivering
- Taking our people with us – engagement up to 85% (2010: 75%)
- Restructuring across ITV driving out waste and complexity
- Delivered £20m of cost savings (£15m target)
- More coordinated rights negotiation and management
- Investment in technology across ITV to improve efficiency
- Manchester move to MediaCity planned and underway
- Longevity swap deal delivered – derisking the pension
- £339m bond buy-backs

2

2011

- Increased variety and quality across ITV schedules delivered within planned programme budget (total ITV Family programme spend ~ £1bn)
- 4 out of the top 5 new dramas were on ITV1
- Investment of £10m in brand defining content and sport for our digital channels
- Major sports rights deals renegotiated saving c.£35m pa from 2013
- Successful launch of ITV1+1
- ITV1 wins Terrestrial Channel of the Year
- ITV2 and ITV3 largest digital channels
- ITV Family SOV up 1%, driven by 10% growth in digital channels
- Digital channels growing key audiences:
 - ITV2 ABC1 adult SOCI up 7%
 - ITV3 ABC1 adult SOCI up 10%
- ITV NAR up 1%, outperforming the market

Priority 3: increasing the distribution of ITV content across platforms

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3

2011

- Continued investment online in technology infrastructure
- Improved quality and distribution of ITV Player
 - PS3; Android; Apple; Freesat
- 376m long form video views in 2011 - up 44%
- 9% of all VOD viewing in December on mobile
- 3m downloads of ITV Player App
- Online revenues up 21% to £34m
- Growing engagement with our viewers
- ITV2, 3, 4 pay HD channels on Sky performing in line with expectations
- New VOD deals with Sky, Lovefilm and Netflix as part of pay strategy

4

2011

- New team in place driving creative renewal
- Invested £8m in creative talent and developing new ideas and pilots
- Creative pipeline beginning to deliver - 111 new commissions in 2011
 - 56 on ITV1
 - 10 off-ITV
 - 45 international
- Developing new partnerships, e.g. JV with NoHo Film and The Garden
- New dramas being successfully sold internationally
e.g. Titanic; Prime Suspect
- ITVS now producing 55% of ITV1 output
- ITVS revenues up 10% to £612m
- EBITA up £2m to £83m – impact of investments more than offset by revenue growth

- Less than two years into the plan and building momentum
- Non-NAR growth driving strong 2011 financial results
- Encouraging progress against our four strategic priorities
- Improved balance sheet position gives us resources and flexibility to grow business

1

2012 objectives

- Focus on delivering the Transformation Plan
- Continue to build strength in the team across ITV
- Continue to drive waste and complexity out of the business
- Deliver further cost efficiency target of £20m
- Further strengthen collaborative creative process between Broadcast and Studios
- Additional investment of £25m behind our strategy in line with previous guidance
- Capex of £70-80m as we implement site move and technology improvements

2

2012 objectives

- Maintain ITV family SOV performance with strong schedule of returning dramas, entertainment formats and new programmes
- Total ITV Family programme spend ~£1bn
- Outperform the television advertising market
- Refresh and enhance all of our channel brands
- Continue to invest in brand defining content for the digital channels
- Build and develop non-spot advertising revenues
- On-going implementation of News review
- Focus on long running returnable series

3

2012 objectives

- Continue to improve ITV Player performance and distribution
- Drive online viewing and revenues
- Launch ITV Pay Player and pay 'products'
- Increase number of pay VOD deals
- Renegotiate existing pay VOD deals
- Development of potential pay channels
- Ensure ITV Player is available on manufacturers' connected TV sets
- Launch YouView
- Roll out 'Total Value' exploitation under new teams

4

2012 objectives

- Continue to build strength of creative team and talent
- Further investment in developing and piloting new ideas
- Focus on long running returnable series
- ITVS to continue to grow its share of ITV1 original commissions
- ITVS increasingly acting as an 'indie' targetting 'off ITV' and international commissions
- Increased focus on new international co-productions and roll out of ITVS formats
- Develop and invest in the ITVS international network
 - creative engines
 - production hubs
 - emerging creative markets



2011 Financial Highlights – Transformation delivers growth in revenue and profits across ITV

14

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Revenue - good growth in a broadly flat advertising market

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£m	2011	2010	Change
Broadcasting & Online	1,820	1,771	3%
ITV Studios	612	554	10%
Total revenue	2,432	2,325	5%
Internal supply	(292)	(261)	12%
Total External Revenue	2,140	2,064	4%

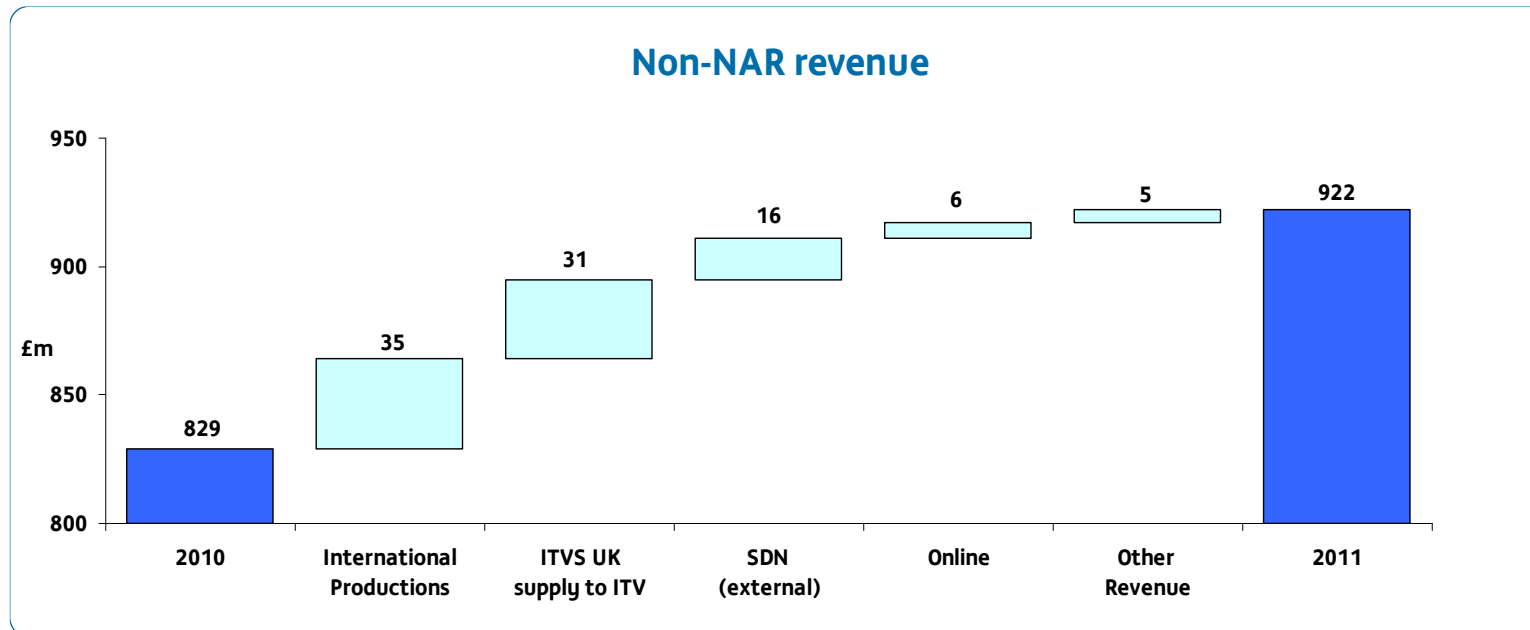
- ITV revenue up 4% in broadly flat TV advertising market
- Revenue growth in both businesses
- Strong growth from ITV Studios, including supply to ITV1

£m	2011	2010	Change
ITV Family NAR	1,510	1,496	1%
Non-NAR revenue	922	829	11%
Internal Supply	(292)	(261)	12%
Total External Revenue	2,140	2,064	4%

- Non-NAR revenue increased by £93m or 11%

Total non-NAR Revenue - strong growth in line with strategy

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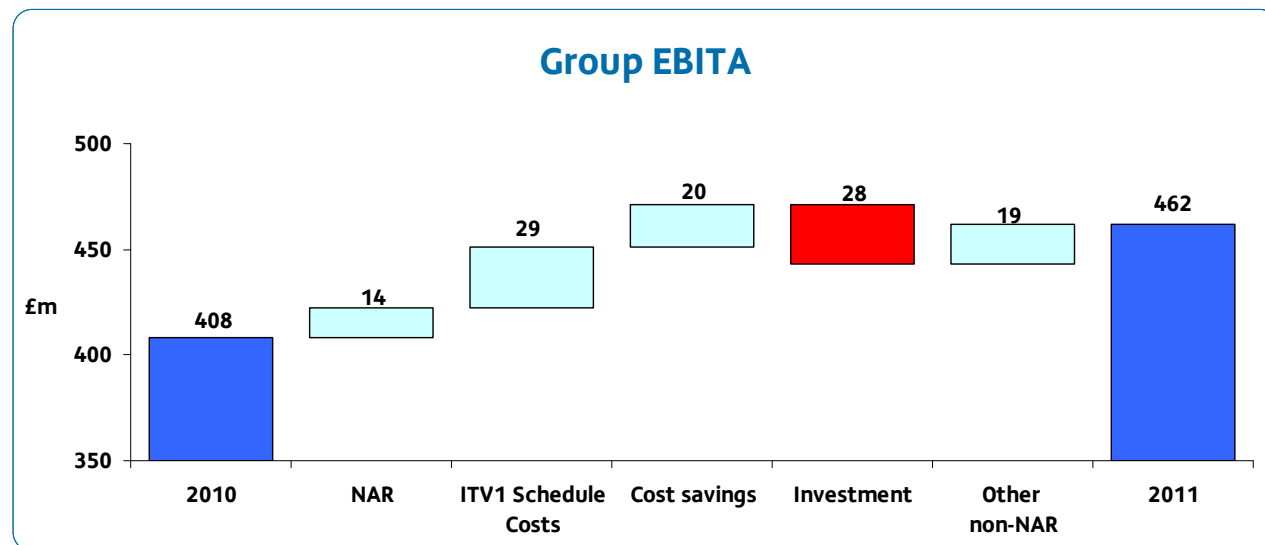
- Non-NAR driven by Studios both UK and internationally
- Full year benefits of SDN contracts signed in 2010
- Online revenues up 21% (£6m) as long form video views increase 44%

Group EBITA – good profit growth as cost savings fund investments

17

£m	2011	2010	Change
Broadcasting & Online	379	327	16%
ITV Studios	83	81	2%
Total EBITA before exceptional items	462	408	13%

- £20m cost savings delivered, ahead of target
- Cost savings fund £28m of investment to support our strategic objectives
- ITV1 schedule costs reflect no football World Cup
- Improved profits from non-NAR revenues, particularly SDN



Note: ITV1 schedule costs include ITV Breakfast

Broadcasting & Online – growth in non-NAR revenue and tight costs improve profits

18

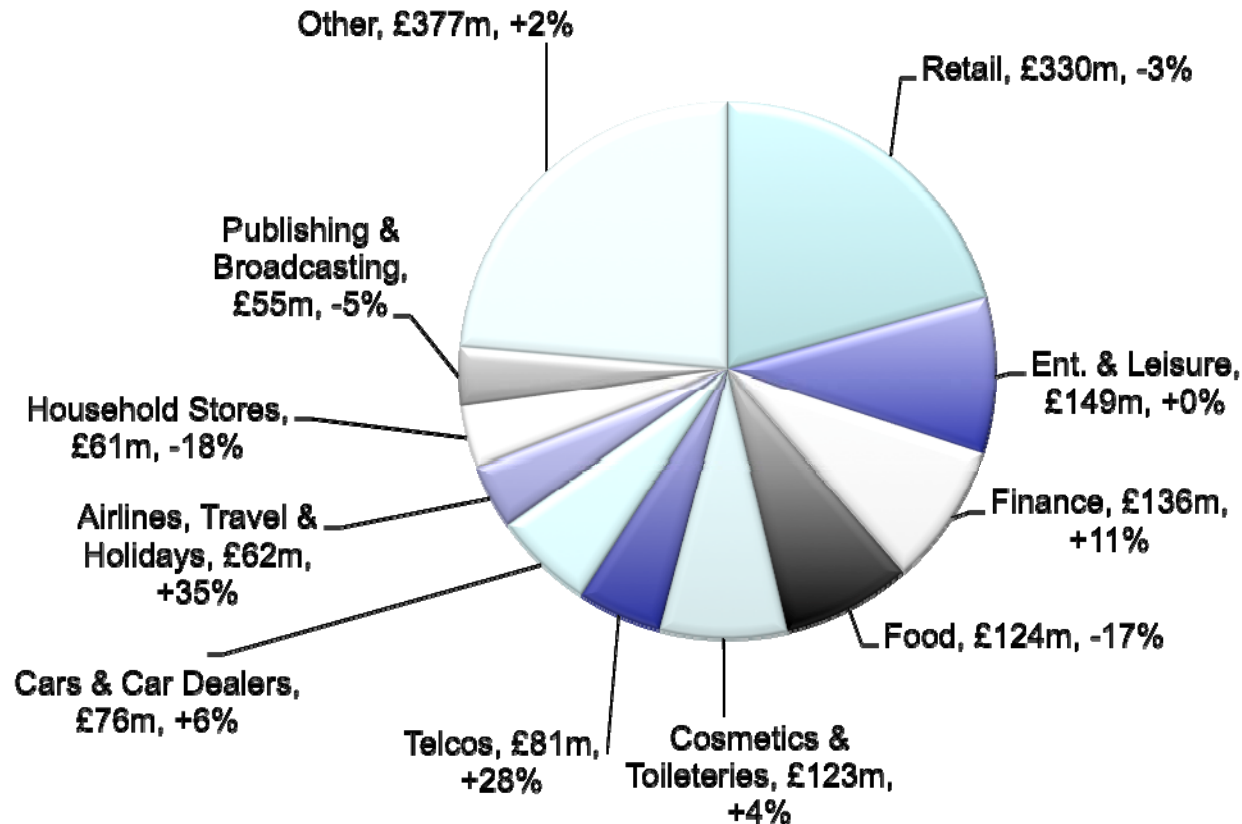
£m	2011	2010	Change
ITV NAR	1,510	1,496	1%
SDN External Revenue	59	43	37%
Online	34	28	21%
Other commercial income	217	204	6%
Broadcasting & Online non-NAR Revenue	310	275	13%
Total Broadcasting & Online Revenue	1,820	1,771	3%
Schedule costs	(1,004)	(1,023)	2%
Other costs	(437)	(421)	(4)%
Total EBITA before exceptional items	379	327	16%

- ITV again outperformed the TV ad market
- Revenue growth from SDN, Online and pay revenues
- Schedule costs have no football World Cup but include investment in digital channels content
- Other costs increase, reflecting investment in online and the launch of ITV1+1 and ITV1HD

Advertising – mixed performance across categories

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Advertising categories



- Categories up over 10%
 - Finance
 - Telecoms
 - Airline, travel and holidays
- Food and Household Stores saw double digit declines
- Mixed retail performance
 - Supermarkets and Electrical retailers spent more
 - Furniture and DIY down

NOTE: figures based on total ITV Sold advertising

ITV Studios – 10% revenue growth, initial benefits from investment in creative pipeline

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£m	2011	2010	Change
UK Productions and Resources	345	318	8%
International Productions	141	106	33%
Global Entertainment	126	130	(3%)
Total Revenue	612	554	10%
Total Studio costs	(529)	(473)	(12%)
Total EBITA before exceptional items	83	81	2%

- Strong revenue growth UK and internationally
- UK growth includes 198 more hours of original programmes, mainly to ITV1
- International driven by US and Germany
- GE revenue impacted by weak UK DVD sales
- Costs increase with activity and £8m investment to re-energise the creative pipeline

£m	2011	2010	Change
Internal Supply from ITVS to ITV Broadcast	292	261	12%
External Revenue	320	293	9%
Total Revenue	612	554	10%

Adjusted Results – good profit growth and lower interest improve overall earnings

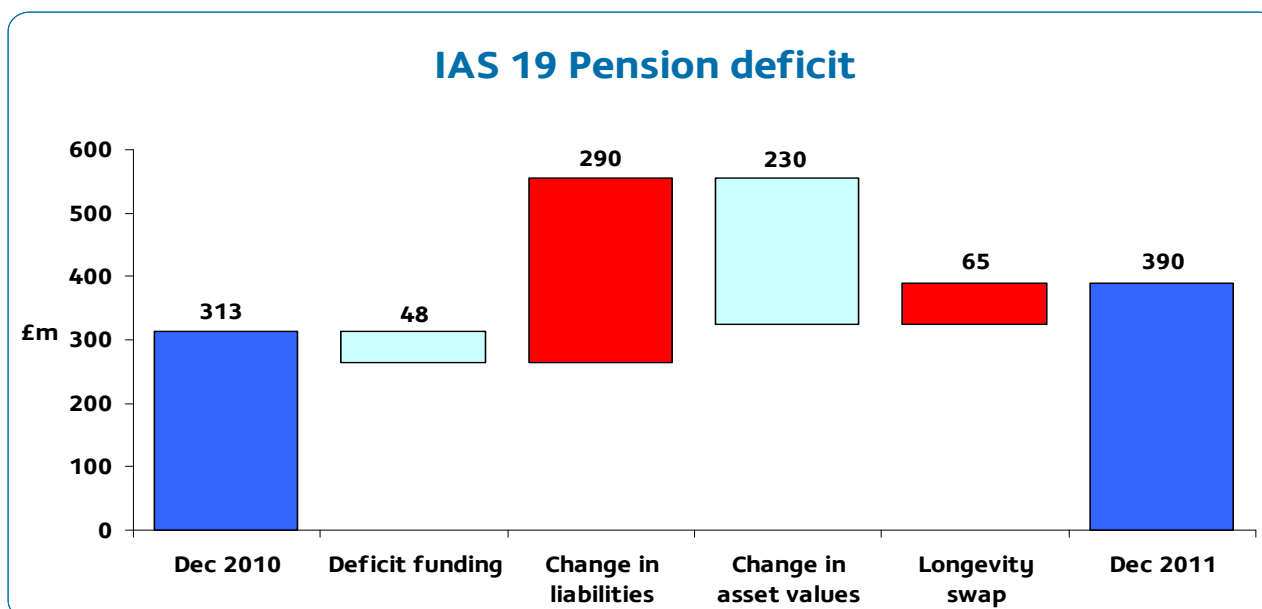
21

£m	2011	2010	Change
EBITA before exceptional items	462	408	13%
Associates and JVs	(2)	(3)	(33%)
Internally generated amortisation	(12)	(15)	(20%)
Financing costs	(50)	(69)	(28%)
Profit before tax	398	321	24%
Tax	(91)	(73)	25%
Profit after tax	307	248	24%
Non-controlling interest	(1)	(1)	
Earnings	306	247	24%
Adjusted EPS (p)	7.9p	6.4p	23%
Dividend (p)	1.6p	-	-
Diluted Adjusted EPS (p)	7.6p	6.0p	27%
Statutory EPS (p)	6.4p	6.9p	(7%)

- 24% growth in PBT from 13% EBITA growth and lower finance costs
- £339m of bond buy-backs reduce financing costs
- Low effective tax rate of 23% consistent with prior year
- Dividend reinstated, commitment to progressive policy
- Prior year statutory EPS benefited from one off tax credits

Pension deficit - increases due to discount rate and one off longevity swap charge

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- Continued action to reduce risk to pension scheme
- One off decrease in scheme assets on execution of £1.7bn longevity swap
- Increase in liabilities, partially offset by asset value improvements
- Cash funding for the deficit fixed to 2014
- Actuarial valuation being completed in H1 2012

Key Assumptions

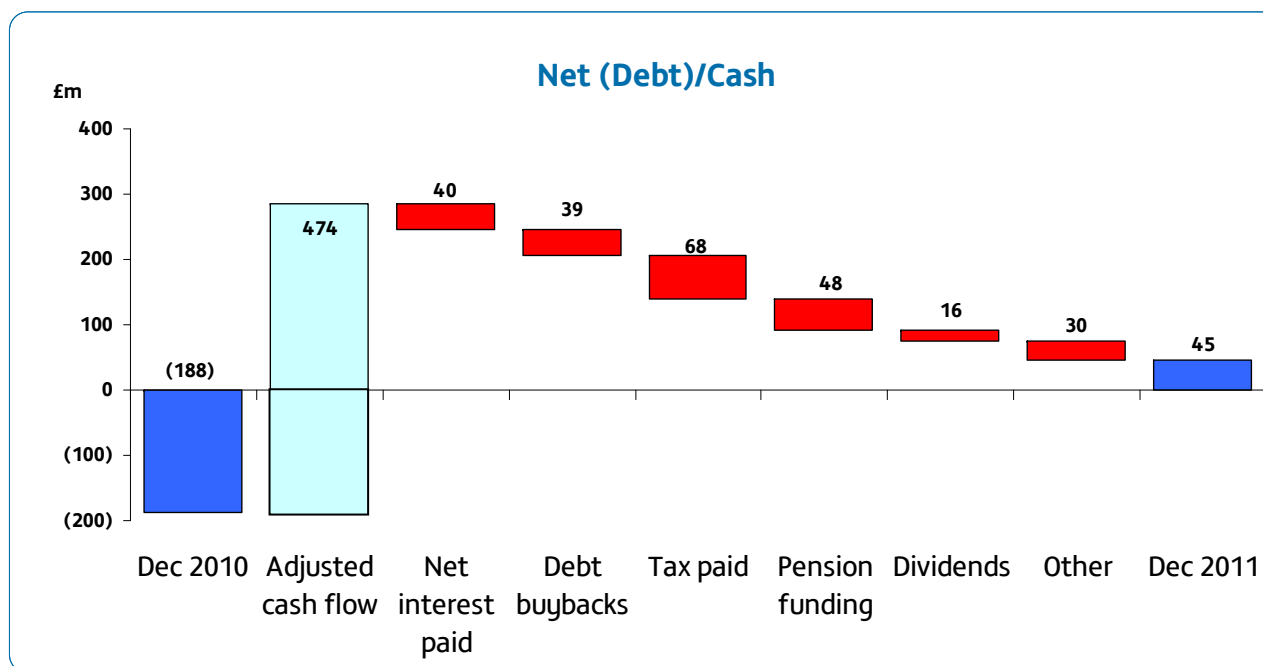
	Dec 2011	Dec 2010
Discount rate for scheme liabilities	4.7%	5.4%
Inflation assumption	3.0%	3.4%

Profit to cash conversion – continued focus delivers over 100% profit to cash conversion

23

£m	2011	2010
EBITA before exceptional items	462	408
Working capital movement	18	99
Share based compensation	11	8
Capex – Tangible and Intangible Assets	(43)	(28)
Depreciation	26	30
Adjusted cash flow	474	517
Profit to cash ratio	103%	127%

- Cash and working capital management continues to be a key priority
- Profit to cash conversion ratio remains ahead of our target of 90% on a three year rolling basis

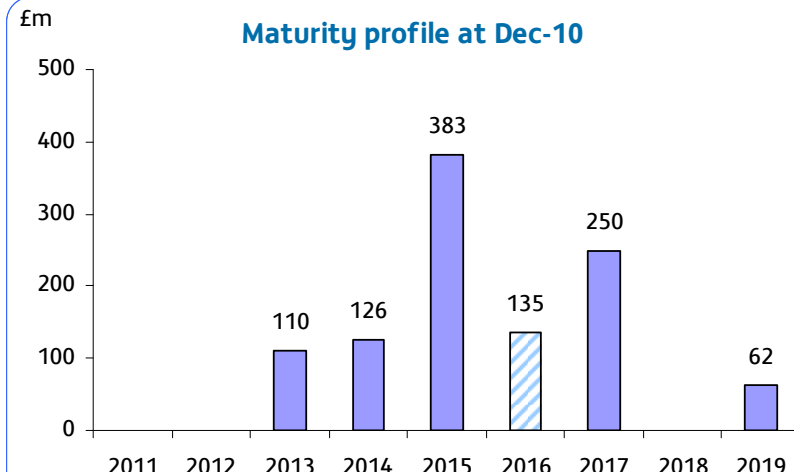
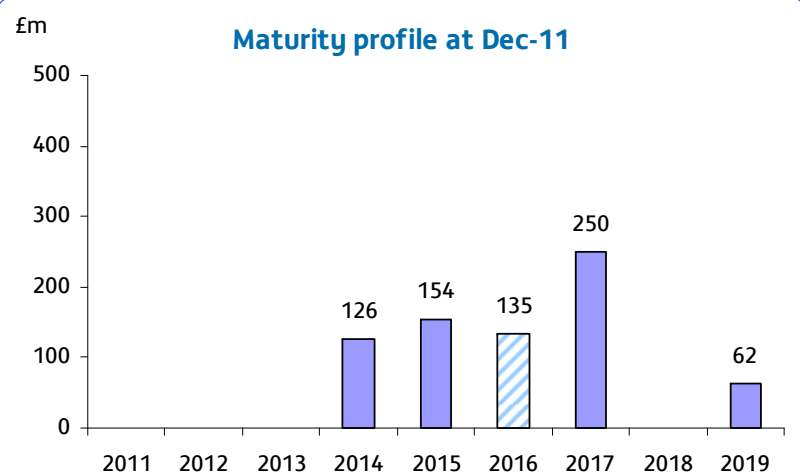



Positive net cash – cash positive for the first time since ITV was created

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£m	2011	2010
Cash and cash equivalents	801	860
Debt	(756)	(1,048)
Net cash/(debt)	45	(188)

- £339m of bond buy-backs reduces gross debt; £485m over 2 years
- Smoother debt repayment profile
- No repayments before 2014
- No covenants



 = convertible bond

2012 Planning assumptions

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NPB

- Total ITV Family programme spend ~ £1bn
- NPB higher in H1 than H2 due to cost of the Euros

Cost savings

- Further cost savings of £20m

Investments

- Incremental investments of around £25m in line with strategic priorities

Interest

- Interest charge expected to be broadly in line with 2011
- Impact of bond buy-backs offset by step up in costs on 2019 debt

Tax

- Effective tax rate consistent with prior years in the range of 22-24%

Capex

- Capex will be £70-£80m
- Higher capex will impact profit to cash conversion

Balance sheet

- Continue to look at balance sheet options that make economic sense

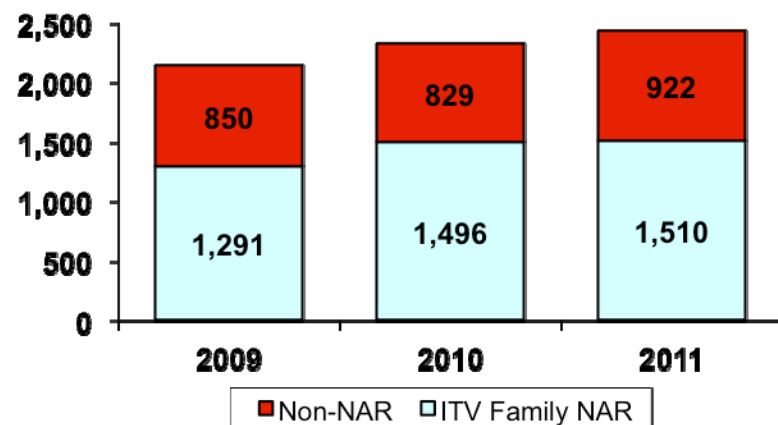


Full Year Results 2011 – Summary and Outlook
Adam Crozier

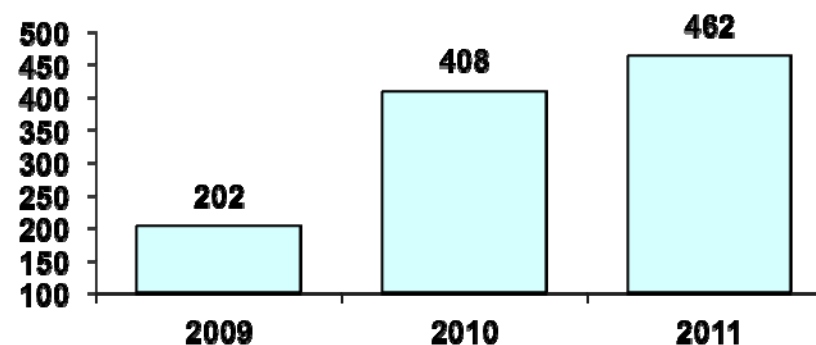
Executing the Transformation is beginning to deliver results and build momentum

27

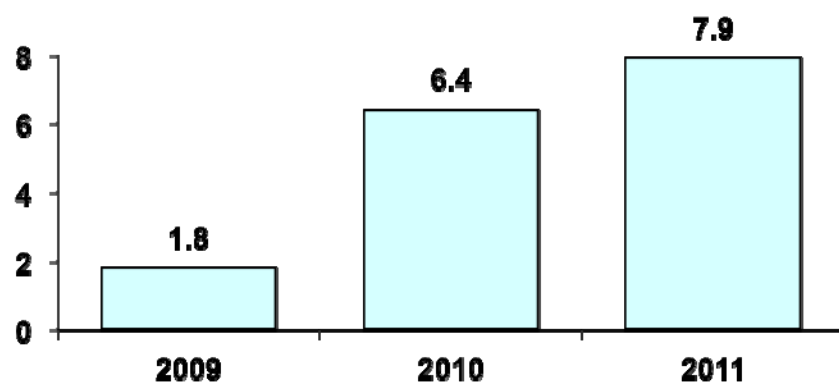
Revenue Growth (£m)



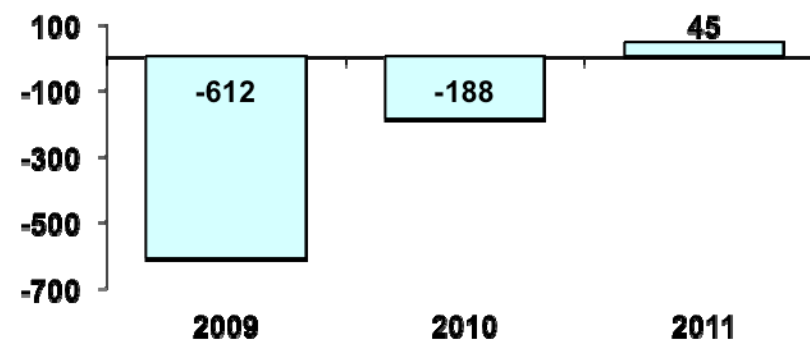
Growth in EBITA (£m)



Growth in Adjusted EPS (p)



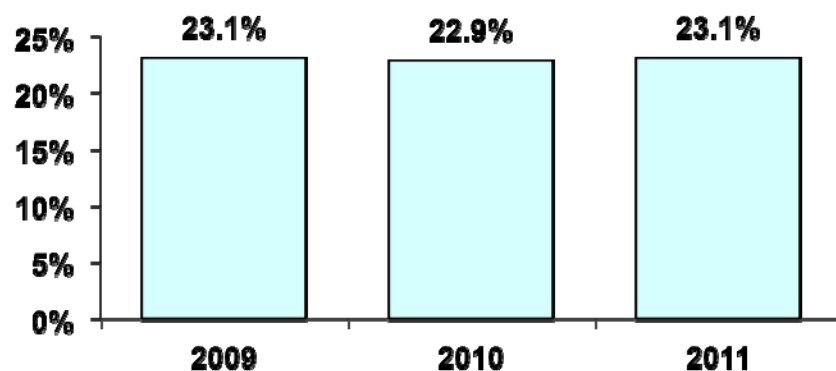
Movement to Positive Net Cash (£m)



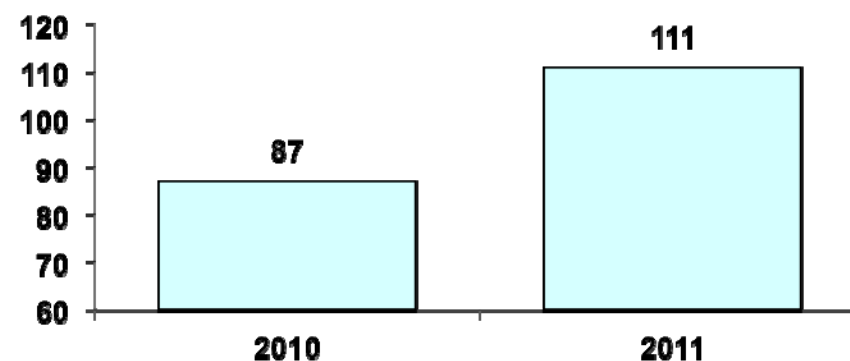
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28

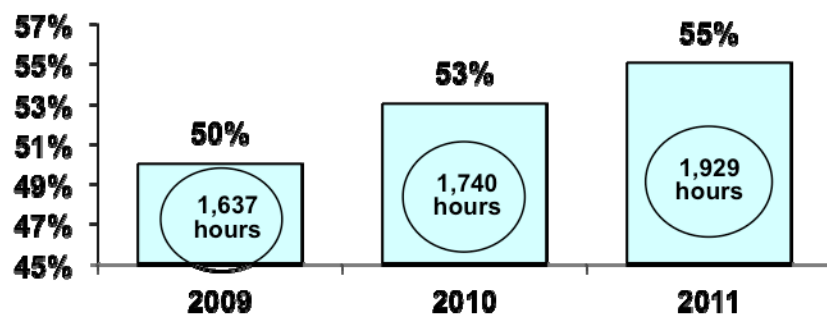
Stabilising ITV Family SOV



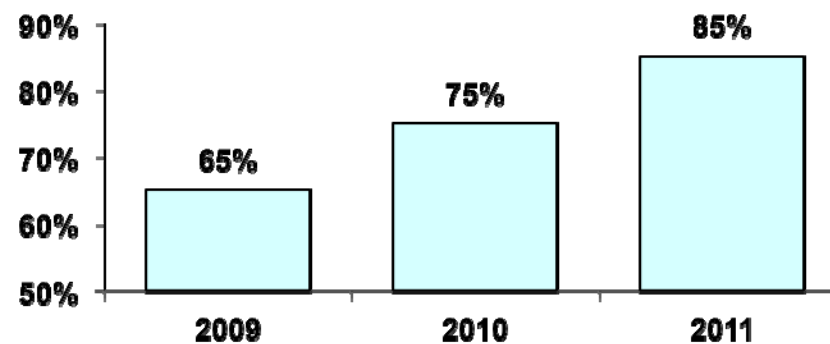
Growth in ITVS new commissions



Growth in ITVS' share of ITV1 network commissions



Growth in Employee Engagement



Summary and Outlook: building growth on positive momentum

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Summary

- Non-NAR growth driving strong 2011 financial results
- Encouraging progress against our four strategic priorities
- Less than two years into the plan and building momentum
- Improved balance sheet position gives us resources and flexibility to grow business
- Progressive dividend policy

Short term outlook

- Q1 down 2%, ahead of our expectations
- April expected to be broadly flat
- Cautious outlook for TV advertising in 2012
- Expect to outperform the market for the full year
- Continue to build non-NAR revenues

Building growth

- Continue to focus on improving efficiency and performance
- Increasingly look to content, pay and online as engines of growth in the UK and internationally
 - Content – develop and invest in our international network
 - creative engines; production hubs; emerging creative markets
 - Pay – VOD distribution; Online pay mechanism; channels

Key performance indicators – demonstrate improved operating performance

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1. Get fit	Employee Engagement	<ul style="list-style-type: none">Up to 85%, from 75% in 2010
2. Maximise free to air	ITV Share of Broadcast	<ul style="list-style-type: none">Again outperformed the TV advertising market with a 0.2% point increase to 45.3%
	ITV Family SOV	<ul style="list-style-type: none">1% increase to 23.1% as 10% growth of the digital channels more than offset ITV1 2% decline
	ITV Family Adult SOCI	<ul style="list-style-type: none">1% decline to 39.5%, with digital channels up 9% and ITV1 SOCI down 4%
3. New platforms and revenues	Total Long Form Video Views	<ul style="list-style-type: none">44% growth to 376m as ITV content is available on more platforms
4. Build international content business	ITVS Share of ITV1 Commissions	<ul style="list-style-type: none">Increased to 55% from 53% in 2010
	Number of First Commissions Won	<ul style="list-style-type: none">111 new commissions, up 28% on prior year, 45 of which were international

Reported Numbers

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£m	2011	2010	Change
Revenue	2,140	2,064	4%
EBITA before exceptional items	462	408	13%
Amortisation	(59)	(63)	(6%)
Exceptional items (total)	1	19	(95%)
Associates and JVs	(2)	(3)	33%
Profit before interest and tax	402	361	11%
Net financing costs	(75)	(75)	0%
Profit before tax	327	286	14%
Tax	(79)	(16)	-
Profit after tax	248	270	(8%)
Non-controlling interests	(1)	(1)	0%
Profit for the year	247	269	(8%)
Earnings per share	6.4p	6.9p	(7%)

Broadcasting Schedule Costs

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£m	2011	2010	Change
Commissions	519	508	2%
Sport	160	197	(19%)
Acquired	59	73	(19%)
ITN news and weather	43	41	5%
Other	2	1	100%
Total ITV1	783	820	(5%)
Regional News and non-news	69	69	0%
ITV Breakfast	38	30	27%
Total ITV1 inc regional & Breakfast	890	919	(3%)
ITV2, ITV3, ITV4, News, CITV	114	104	10%
Total schedule costs	1,004	1,023	(2%)

Exceptional Costs

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£m	2011	2010
Reorganisation and restructuring costs	-	(17)
Onerous property provision	1	7
Pension scheme changes	-	28
Other operating exceptionals	-	1
Total operating exceptional items	1	19
Loss on the sale and impairment of non-current assets	(3)	(4)
Gain on sale and impairment of subsidiaries and investments	3	4
Total non-operating exceptionals	0	0
Total exceptional items	1	19

P&L Tax charge and tax cash on a statutory basis

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£m	2011	2010
Current year tax expense	(60)	(61)
Deferred tax (charge)/credit	(38)	45
Prior year adjustments	19	-
P&L tax charge	(79)	(16)
Cash paid on account	(68)	(24)
Cash tax refunds for prior years	-	1
Net cash paid	(68)	(23)

Financing Costs

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£m	2011	2010
€54m Eurobond at 6% Coupon Oct 11 (repaid)	2	0
£110m Eurobond at LIBOR +2.7% Mar 13 (repaid)	(2)	(4)
£50m May 13 (repaid)	-	(4)
€188m Eurobond at 10% Coupon Jun 14	(13)	(14)
£154m Eurobond at 5.375% Coupon Oct 15 (£229m repaid)	(9)	(13)
£135m Convertible Bond at 4% Coupon Nov 16	(5)	(5)
£250m Eurobond at 7.375% Coupon Jan 17	(15)	(16)
£200m Loan at 6.75% less £138m nominal Gilts at 8.0% Mar 19	(3)	(3)
Financing costs directly attributable to bonds	(45)	(59)
Other	8	1
Cash-related financing costs	(37)	(58)
Non-cash movements		
Amortisation of bonds	(13)	(11)
Adjusted net financing costs	(50)	(69)
Mark-to-Market on bonds and swaps	16	5
Imputed pension interest	(5)	(13)
Losses on buybacks	(39)	(10)
Other net financing income	3	12
Statutory net financing costs	(75)	(75)

Analysis of Net Debt

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£m	Dec 2011	Dec 2010
€54m Eurobond Oct 11	-	16
£110m Mar 13 (repaid)	-	(110)
€188m Jun 14	(118)	(115)
£154m Oct 15 (£229m repaid)	(153)	(347)
£135m Convertible Nov 16	(132)	(131)
£250m Jan 17	(261)	(263)
£200m Mar 19	(200)	(200)
Finance Leases	(53)	(61)
Amortised cost adjustment	14	15
£138m Gilts Mar 19	147	148
Cash and cash equivalents	801	860
Net cash/(debt)	45	(188)

Reconciliation between 2011 reported and adjusted earnings

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£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	462	-	462
Exceptional items	1	(1)	0
Amortisation and impairment	(59)	47	(12)
Financing costs	(75)	25	(50)
JVs and associates	(2)	-	(2)
Profit before tax	327	71	398
Tax	(79)	(12)	(91)
Profit after tax	248	59	307
Non-controlling interests	(1)	-	(1)
Earnings	247	59	306
Number of shares	3,883		3,883
Earnings per share (p)	6.4		7.9

Reconciliation between 2010 reported and adjusted earnings

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£m	Reported	Adjustments	Adjusted
EBITA before exceptional items	408	-	408
Exceptional items	19	(19)	0
Amortisation and impairment	(63)	48	(15)
Financing costs	(75)	6	(69)
JVs and associates	(3)	-	(3)
Profit before tax	286	35	321
Tax	(16)	(57)	(73)
Profit after tax	270	(22)	248
Non-controlling interests	(1)	-	(1)
Earnings	269	(22)	247
Number of shares	3,884		3,884
Earnings per share (p)	6.9		6.4