ITV Interim Results and Transformation Plan

3rd August 2010

Agenda

▪ Year to date highlights	Adam Crozier
▪ Financial and operating review	Ian Griffiths
▪ Transforming ITV	Adam Crozier
▪ Q&A	

Financial highlights

	H1 2010	H1 2009
▪ Overall revenue growth	£987m	£909m
▪ Outperforming ad market - NAR	£728m	£615m
▪ Increasing EBITA before exceptional items	£165m	£46m
▪ Strong cash flow and debt reduction:		
▪ Profit to cash ratio	150%	378%
▪ Net debt	£437m*	£612m**
▪ Improved adjusted EPS	2.2p	(0.2p)

* June 2010
** Dec 2009

However, underlying challenges remain

- Good financial performance does not disguise scale of the challenge
- H1 trends point to longer term issues

H1 2010 operational highlights vs. 2009:

	% change
Outperformance of TV advertising market	+3%
Share of viewing ITV1	-5%
Share of viewing ITV family	-2%
Share of commercial impacts ITV1	-4%
Share of commercial impacts ITV Family	0%
ITV.com unique users	+4%
ITV.com video views	-14%
ITV Studios total revenue	-14%

Urgent need for transformation

- Structural industry challenges remain
- No quick fixes
- Urgent need to transform as ITV not fit to compete in the changing global market
- Renewal of creative leadership and content generation
- Five year Transformation Plan that creates a robust revenue base that balances free and pay, UK and international, broadcast and content
- Move into pay television announced today

Outlook

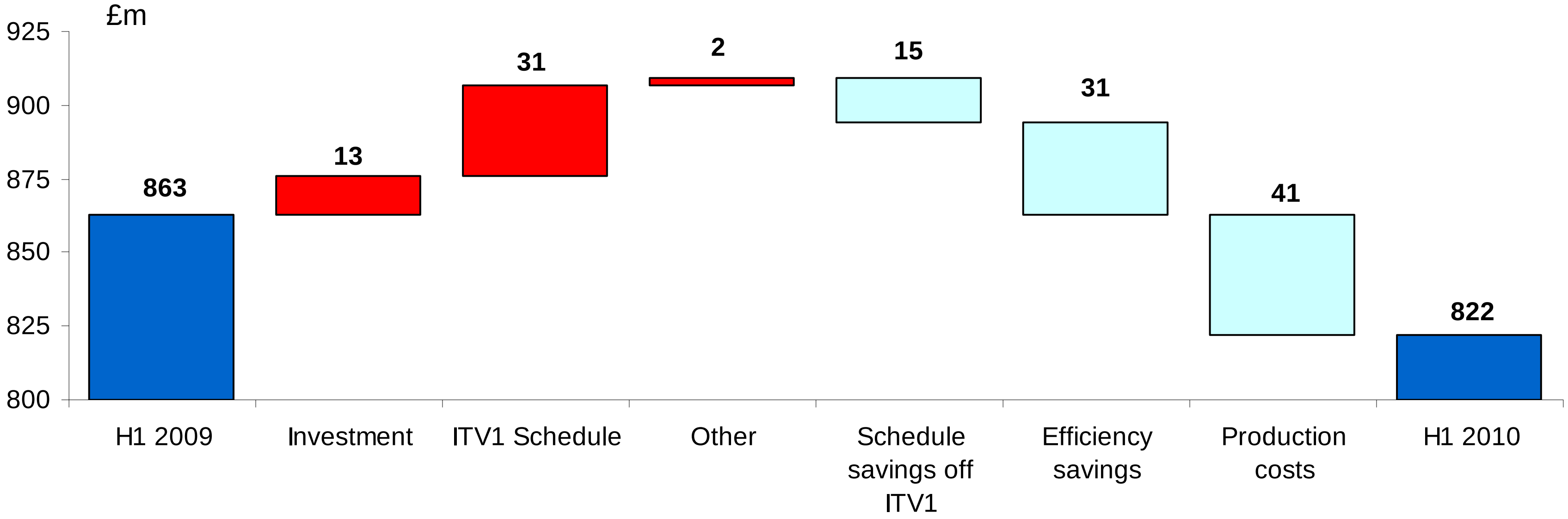
- Strong financial discipline, focus on cost efficiency and cash generation
- Market bounce takes us back to 2008 levels
- ITV Family forecast to be up around 15% in Q3
- Tougher comparatives in Q4 and uncertain outlook for 2011
- ITV1 NPB budget will be under £800m per annum in 2011/2012
- Investment fund of £75m excluding NPB for operating investments over 3 years
- Strengthened balance sheet may provide scope for capital investments

Financial and Operating Review

Strong focus on cash and costs strengthens financial position

Ian Griffiths

H1 Cost base reconciliation y-on-y

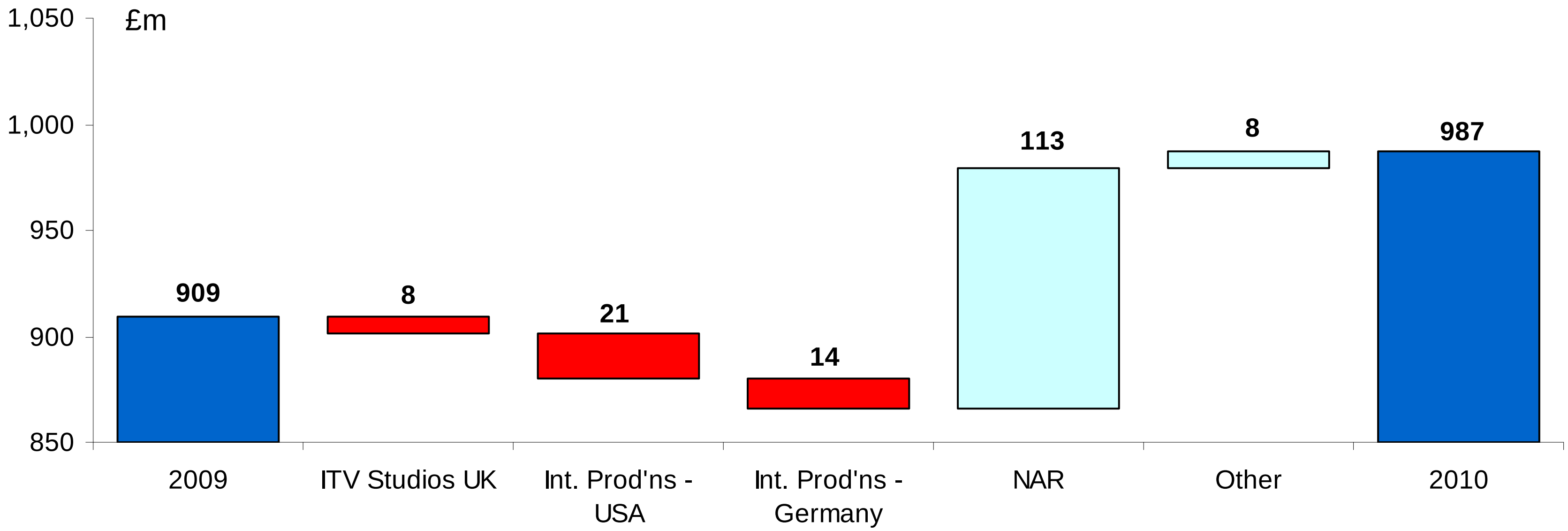


Net debt reconciliation

£m	2010
Net debt at 31 December 2009	(612)
Adjusted operating cash flow	247
Net interest paid	(36)
Exceptional cash	(21)
Pension deficit funding	(30)
Other	15
Net Debt at 30 June 2010	**(437)**

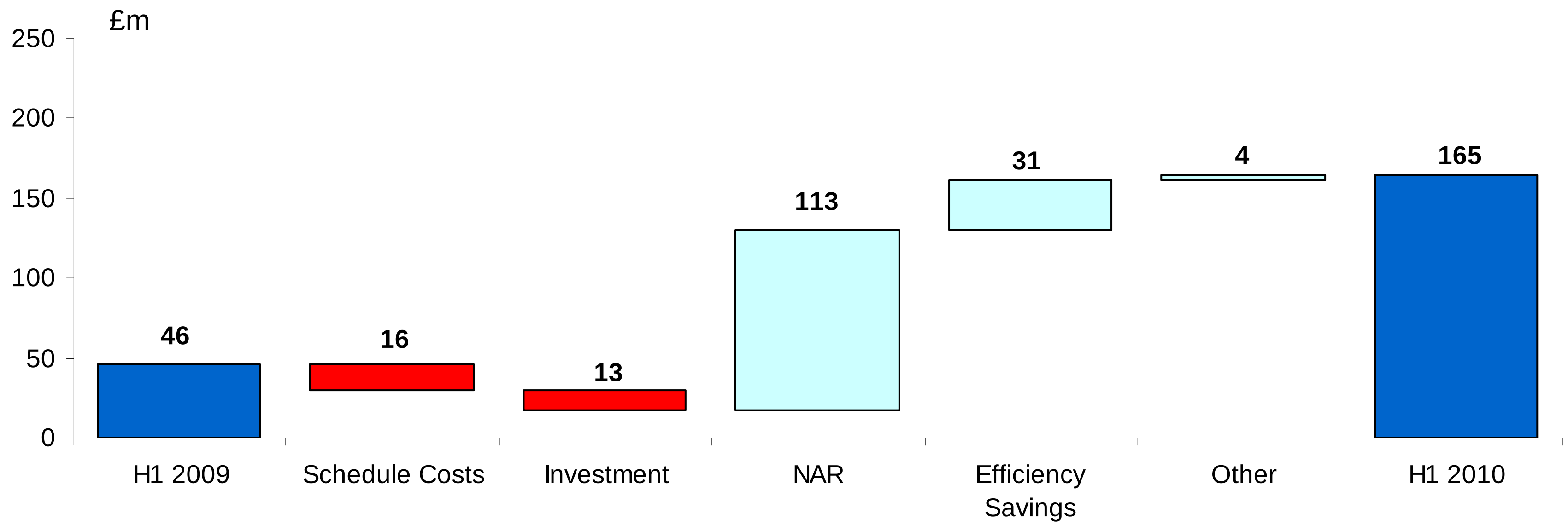
Group revenue: NAR growth more than offsets Studios decline

£m	2010	2009	% Change
Broadcast & Online	861	739	17
ITV Studios	126	168	(25)
Other	0	2	-
Total External Revenue	**987**	**909**	**9**



Group EBITA: NAR improvement drives group profitability

£m	2010	2009	% Change
Broadcast & Online	122	6	>100
ITV Studios	43	40	8
Total EBITA before exceptional items	**165**	**46**	**>100**



Return to profit driven by strong television advertising market

Adjusted results

£m	2010	2009
EBITA before exceptional items	165	46
Associates and JVs	(2)	(4)
Internally generated intangible asset amortisation	(9)	(6)
Financing costs	(36)	(40)
Profit before tax	118	(4)
Tax	(32)	(1)
Profit after tax	86	(5)
Non-controlling interests	0	(2)
Profit for the period	**86**	**(7)**
EPS (p)	**2.2p**	**(0.2p)**

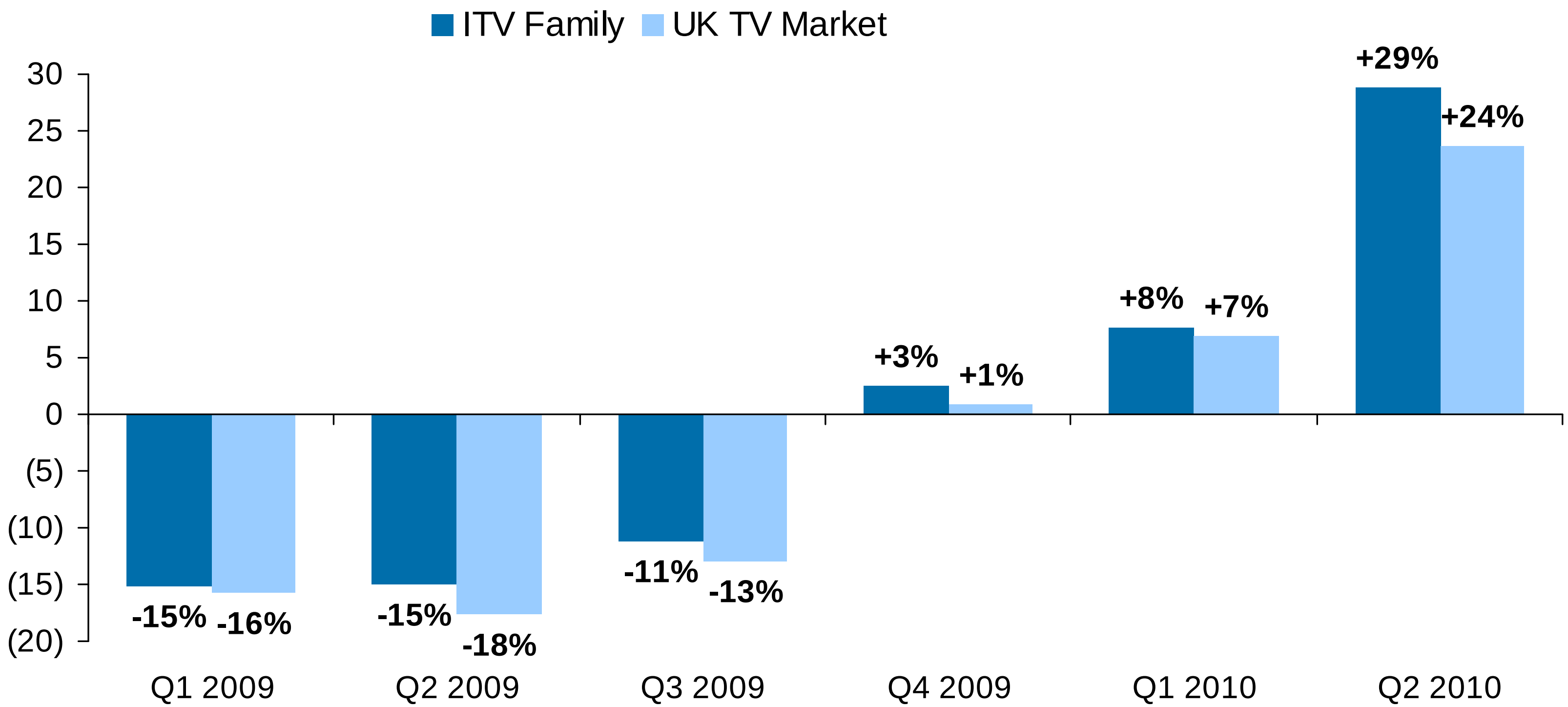
Broadcasting & Online EBITA: tight costs and growth on all key revenue lines

£m	2010	2009	% Change
Revenue			
ITV plc NAR	728	615	18
SDN	24	21	14
itv.com*	12	10	20
Other revenue	101	95	6
Intra Group revenue	(4)	(2)	100
Total Broadcast & Online revenue	**861**	**739**	**17**
Schedule costs	(536)	(520)	3
Other Broadcasting costs	(203)	(213)	(5)
Total Broadcast & Online costs	**(739)**	**(733)**	**1**
Total EBITA before exceptional items	**122**	**6**	**>100**

* itv.com includes all online revenue except Friends Reunited which was sold in the period and is included in other revenue

Broadcasting revenue: strong ITV NAR performance in 2010

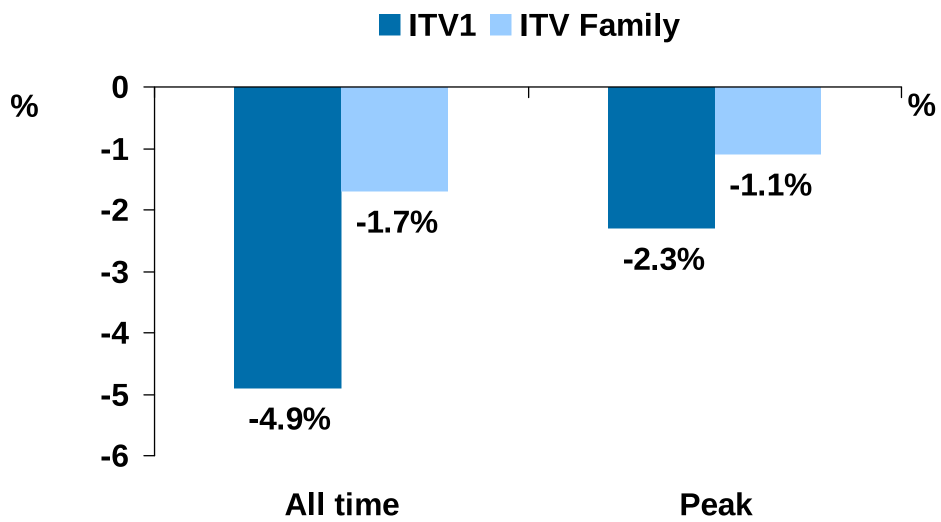
ITV NAR* growth



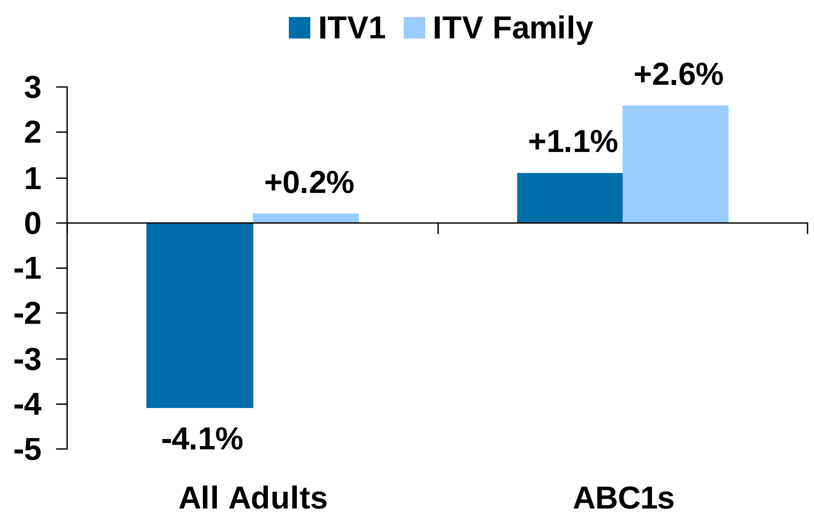
Source: ITV estimates
* ITV Family

Ongoing decline of ITV1 SOCI and viewing share

Share of viewing change, H1 2010



SOCI change, H1 2010

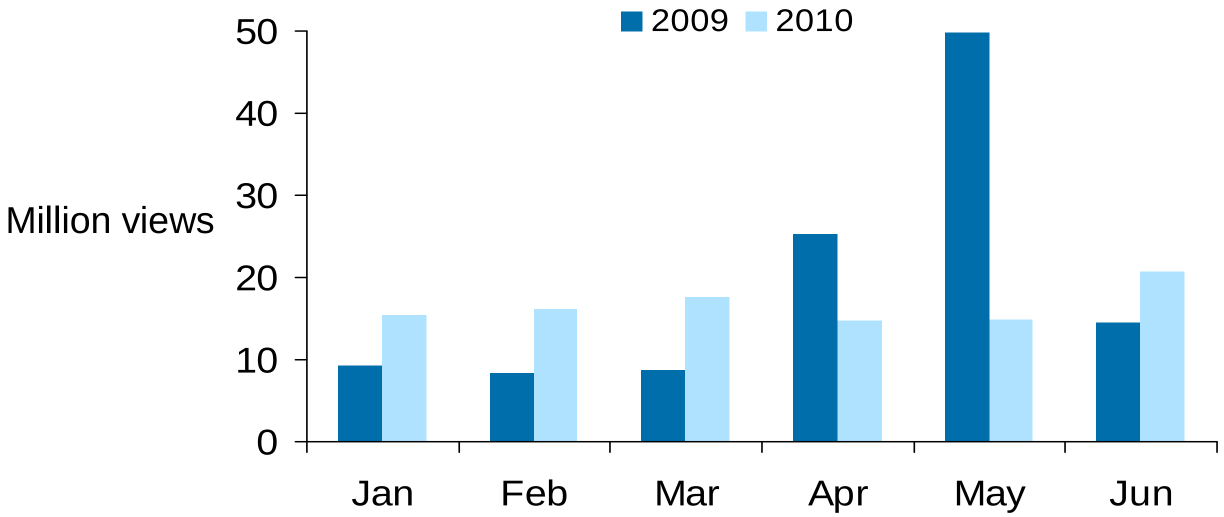


- ITV1 SOCI and share of viewing declining year on year
- ITV1still down but performing better in more valuable ABC1 demographics and peak time viewing
- Digital channels helping to improve ITV family share

Online operational metrics, H1 2010 vs. 2009

	H1 2010	H1 2009
Average Unique Users	9.1 m	8.7 m
Cumulative Video Views	99.7 m	116.3 m

Monthly video views, H1 2010 vs. 2009



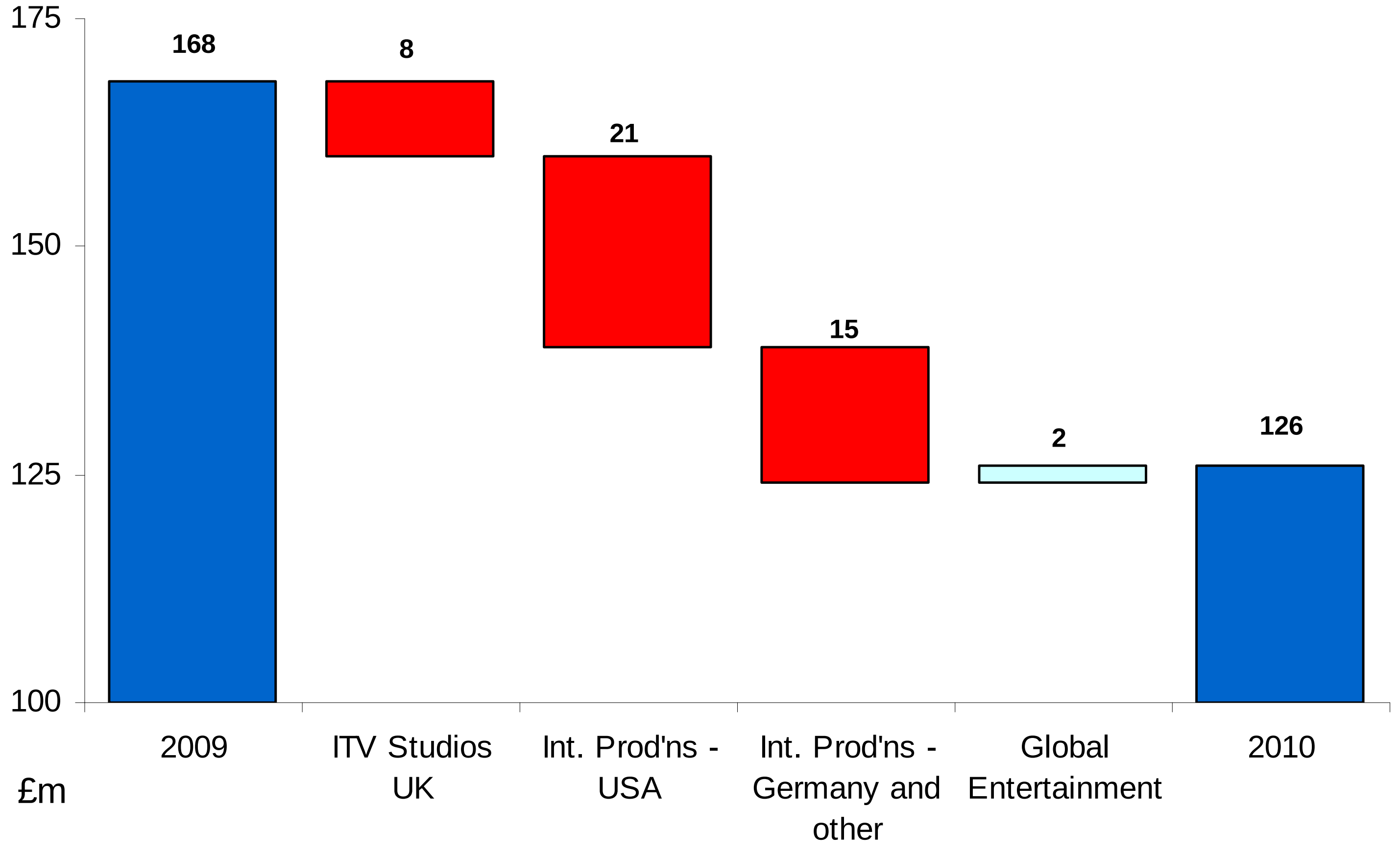
Source: Omniture, Medialocator

ITV Studios' profitability maintained despite creative challenge

£m	2010	2009	% Change
Revenue			
UK Productions and Resources	30	38	(21)
International Productions	39	75	(48)
Global Entertainment	57	55	4
External Revenue	**126**	**168**	**(25)**
ITV Supply	128	128	0
Total Revenue	**254**	**296**	**(14)**
Total Studios costs	(211)	(256)	(18)
Total EBITA before exceptional items	**43**	**40**	**8**

Foreign exchange movements benefited H1 2010 revenues by £2m and EBITA by £1m

ITV Studios revenue: International commissions under pressure



Strong cash generation and significant improvement in net debt

Profit into cash performance

£m	2010	2009
EBITA before exceptional items	**165**	**46**
Decrease / (increase) in stock	101	75
Decrease / (increase) in debtors	(29)	35
Increase / (decrease) in creditors	1	3
Working capital movement	73	113
Share based compensation	5	7
Capex - Tangible Assets	(10)	(9)
Depreciation	14	17
Adjusted cash flow	**247**	**174**

Profit to cash ratio

	2010	2009
6 month basis	150%	378%
12 month rolling basis	134%	-

Cash and net debt

£m	2010	2009
Cash and cash equivalents	686	586
Debt	(1,123)	(1,198)
Net debt	**(437)**	**(612)**

Transforming ITV

Adam Crozier

The global television market is changing radically

Audience fragmentation

- Digital, pay TV and internet vastly increasing viewer choice
- Significant loss of share for FTA broadcasters

Declining TV ad market

- No growth in UK TV advertising in ten years
- Same trend in peers across US and Europe
- Ongoing decline as digital supply increases

Content globalisation

- Broadcasters under pressure to reduce risk
- Top 5 shows in many markets are global brands
- Today's winners are format owners and US studio dramas

Rise of the connected consumer

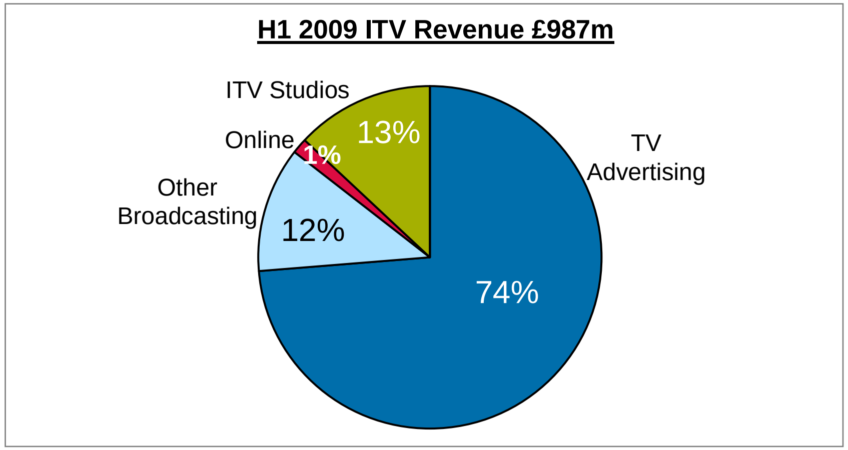
- Video viewing via internet growing fast
- New 'hybrid' TV/broadband devices set to launch

However, ITV is currently not fit to compete effectively in this new environment

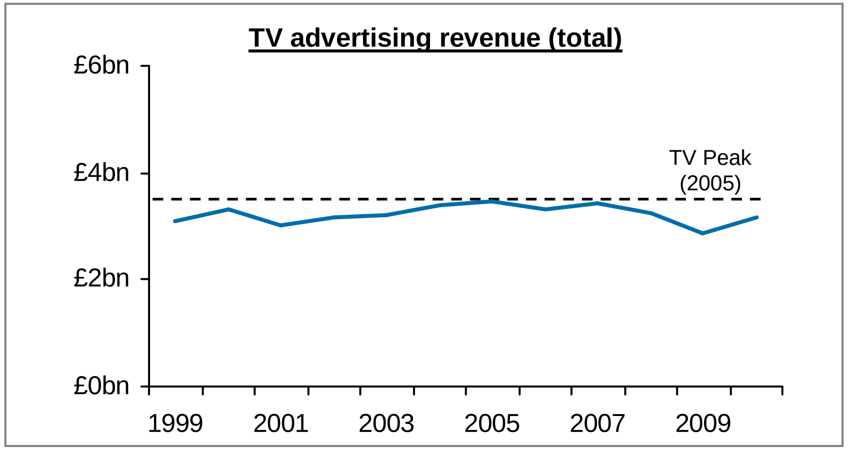
BROADCAST	Overdependence on declining TV spot advertising revenues Flagship channel losing share by platform year on year
CONTENT	Need to increase our scale in the global content market Creative content pipeline depleted and loss of creative talent Declining share of ITV output from ITVS Fragmented approach to rights ownership and management
PLATFORMS	Weak on technology with no clear digital/platform strategy ITV.com lags competition Weak two-way relationship with audience No access to pay revenues
BRANDS	Strong in ad sales, but no execution of Total Value Lack of conviction around programme and channel brands

Ten years of structural change (i)

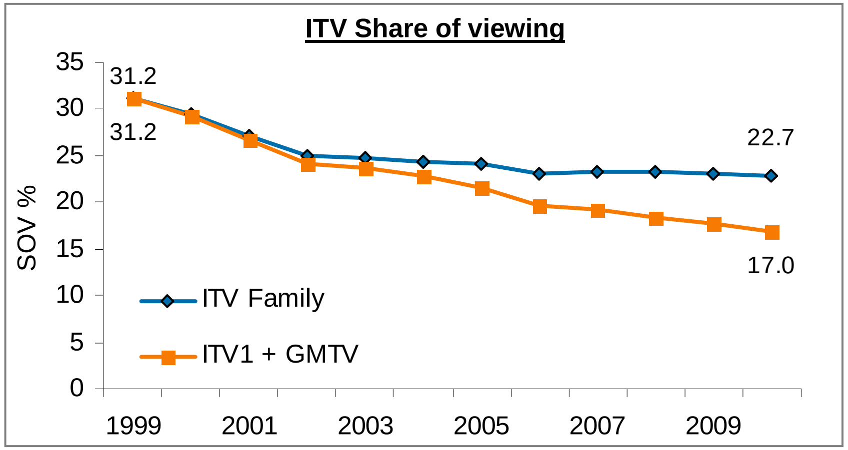
Overly dependent on spot advertising…



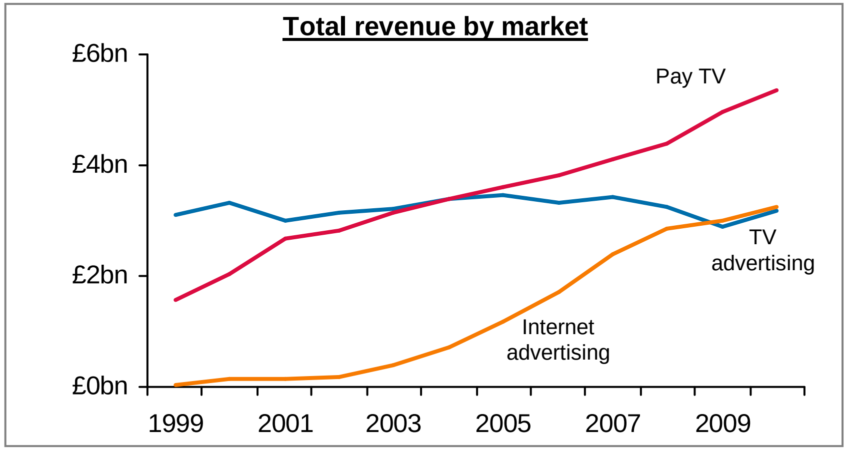
…in a stagnant / declining market…



…within which ITV is losing share…



…while the pay and internet markets grow



Source: ITV estimates & analysis, BARB/Infosys, AA\WARC\PWC (Internet advertising), Screen Digest (Pay TV revenue)

Ten years of structural change (ii)

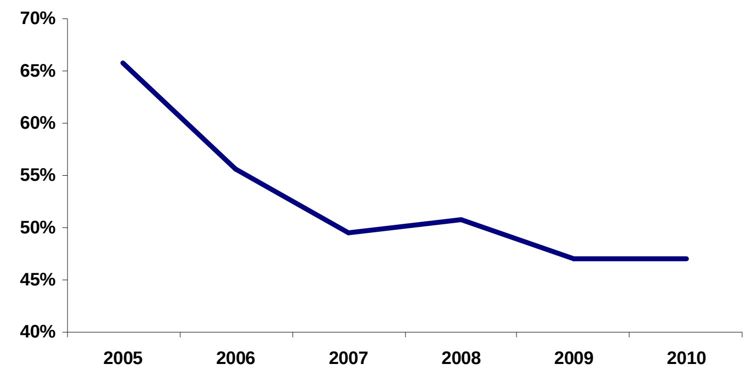
ITV Studios biggest brands are ageing…

Top 10 ITV Studios Brands (with launch year)

Coronation Street	1960
Emmerdale	1972
I'm a Celebrity… GMOOH	2002
Hells Kitchen	2004
Come Dine With Me	2005
This Morning	1988
Heartbeat	1992
Dancing on Ice	2006
Poirot	1989
Loose Women	1999

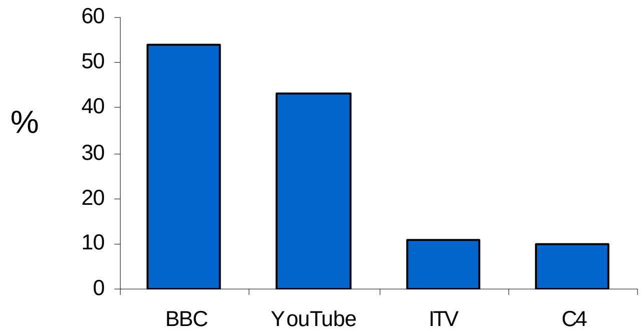
…and ITV Studios' share of ITV1 output has fallen…

ITV Studios Share of ITV1 spend



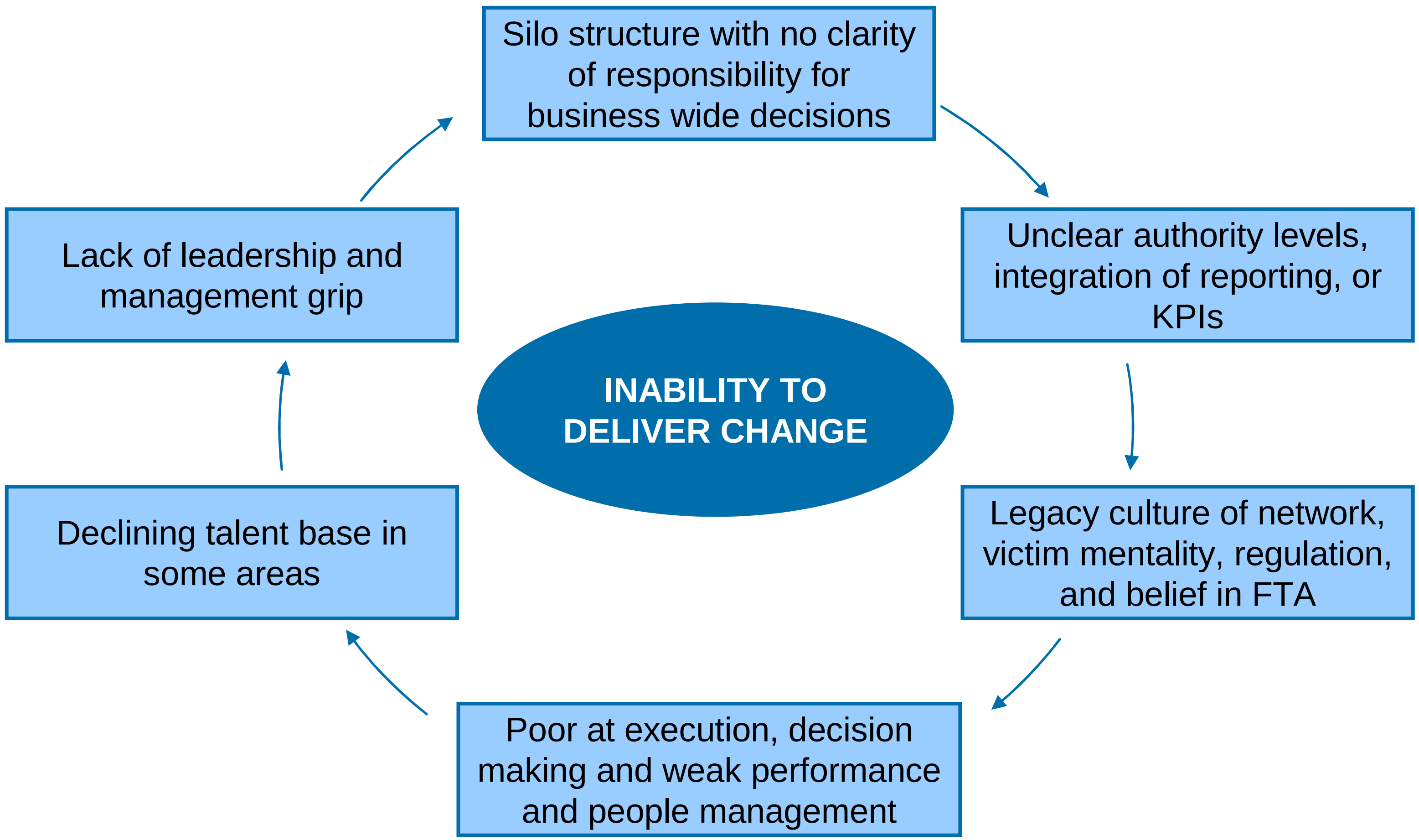
…while in online video, ITV is punching below its weight

H1 average monthly Active Reach



Source: ITV, Nielson. Active reach is defined as % of internet users who visit a particular site in a given month

Organisational ineffectiveness and an entrenched legacy culture have limited ITV's ability to respond to these challenges



ITV's core creative process has not been productive enough, affecting the performance of both Broadcast and ITV Studios

And there are no quick fixes

- 18-24 months creative pipeline
- 24-36 months to prove returnable series
- New technology required for new platforms
- Re-organise leadership team and drive cultural change
- International development depends on the strength of the UK pipeline
- Regulatory change will take time

Correcting these problems will take time – we will implement our strategy in three phases over the next five years

2010 → **2015**

PHASE 1:
FIX

Get fit to compete

PHASE 2:
STRENGTHEN AND GROW

Invest on solid foundations and build platforms for growth

PHASE 3:
ACCELERATE

Drive performance and value

Throughout this period, we will be focussed on four strategic priorities

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**

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

THE APPROACH

- Agitate and energise
- Blast barriers out of the way

Leadership

- Strong team
- Seamless, fast

People

- Leaner, smarter, quicker
- Recruit the best and develop
- Incentivised around strategy

Culture

- New work place environments
- Performance driven
- Transparency, not silos

Creativity

- New integrated creative process
- Focus on long-running returnable franchises
- Total Value brand exploitation

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

Hold ITV1 viewing share by platform

- Investment in quality programming
- Re-launch GMTV as Daybreak
- Launch ITV1+1 in January 2011
- Review approach to news

A new approach to commissioning

- Brand building, not slot filling
- Commissioners lead integrated business teams
- Recruit, develop and manage talent brands
- Digital channels as ‘runway’ for new ITV shows

Outperform the market in ad-sales

- Deliver maximum value for clients
- Create advertiser friendly solutions

Strengthen channel family

- Defined brand role for digital channels
- Target investment

Regulatory relief

- Deregulatory agenda
- Consensus for liberalisation

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

Enter pay TV

- More balanced free/pay channel portfolio
- Introduce micropayments

Transform ITV.com into a destination site

- Improve navigation and viewing experience
- Richer, deeper relationship with viewers
- Extend range of programme sites

Own customer relationship on connected platforms

- Make Canvas a success
- Grow Freesat
- Maximise reach of ITV Player
- Improve SDN revenues

Total Value approach to brand exploitation

- Maximise revenues from strongest brands

Build addressable advertising capabilities

- Phase 2 Priority

4. Build a strong international content business

Transform internal creative capability

- New creative leadership
- Integrated creative process
- Capture benefits of integrated producer / broadcaster model
- Improve talent management on and off screen

Focus on high value returnable series on and off ITV

- Ideas that travel internationally
- Entertainment and factual formats, drama

Acquire attractive third party content

- Acquire high potential formats
- Scriptwriter and house-keeping deals

Make our shows in more countries

- Extend production footprint from 7 to 17 countries

Build international distribution scale

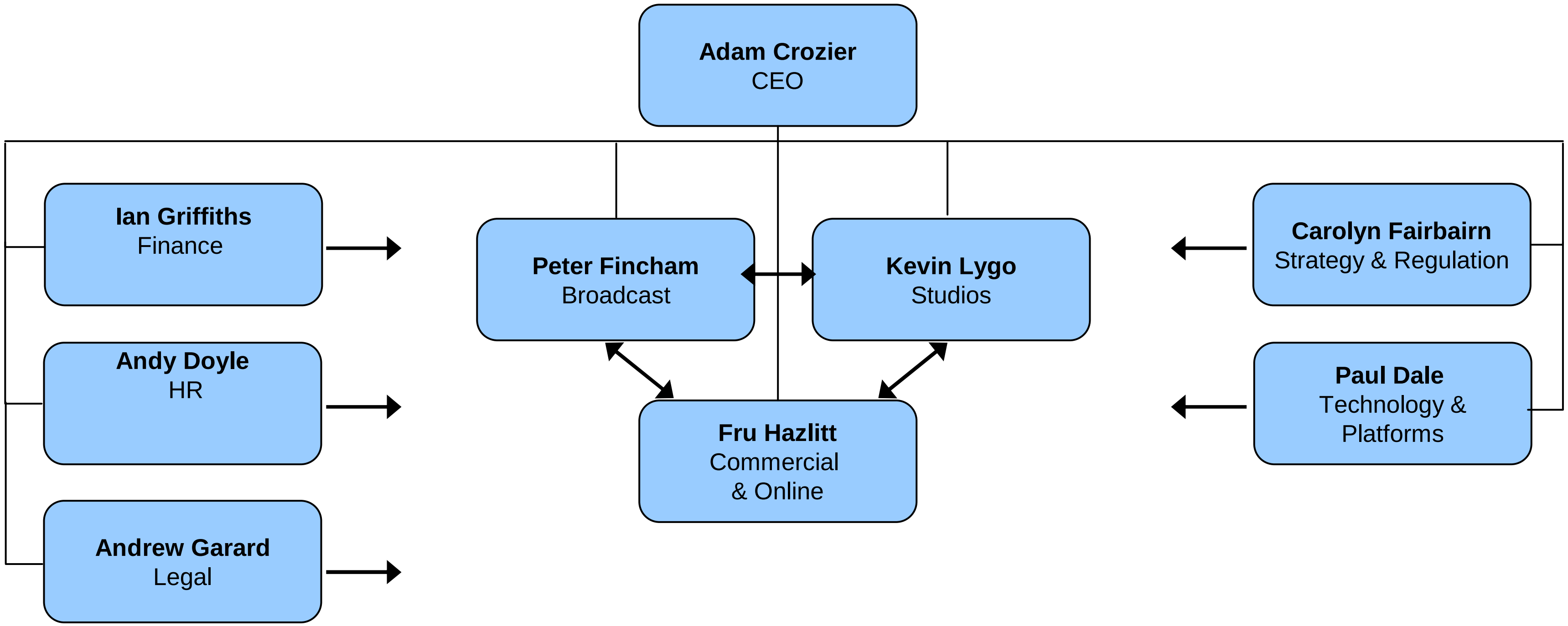
- Grow in line with improved content pipeline (phase 2 priority)
- Scale up through partnership with indies

In summary, we will be focussed on four strategic priorities

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**

We will measure our success by delivery and execution

New top team in place



3 months of rapid change

1.

- New top team in place ✓
- New board structure ✓
- First stage structure changes in place ✓
- Top 150 staff development ✓
- Integrate GMTV ✓
- Deliver targeted cost efficiencies ✓

2.

- Integrate b'cast, marketing & research ✓
- 2011/12 ITV1 NPB agreed ✓
- New talent: Chiles/Bleakley/Ross ✓
- Outperformed ad market in H1 ✓
- ITV1+1 to launch Q1 2011 ✓
- GMTV re-launch in September ✓
- Secured rights Rugby World Cup 2011/15 ✓

3.

- ITV2,3&4 HD pay channels on Sky in Autumn ✓
- Investment for ITV.com agreed ✓
- Two new SDN contracts ✓

4.

- Creative leadership in place ✓
- Studios' COO search underway ✓
- Recent recommissions: Lewis, Come Dine With Me, Four Weddings ✓
- Future of Leeds operation secured ✓

- A global multi-platform media company with a revenue base that balances UK and international, free and pay, linear and non-linear

  ⇨ expect around 50% revenue from sources other than spot advertising

- A magnet for the best creative talent, with a worldwide reputation for commercial and on-screen excellence
- One of the world's leading creators and producers of hit content for the international market
- A true integrated producer-broadcaster, where strong content and powerful channels work together to create exceptional value for consumers, advertisers and shareholders

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

Interim Results

6 months ended 30th June 2010

3rd August 2010

Appendices

Reported Numbers

£m	2010	2009
Revenue	**987**	**909**
EBITA before exceptional items	**165**	**46**
Amortisation	(32)	(31)
Exceptional items (total)	(7)	(81)
Associates and JVs	(2)	(4)
Profit/(loss) before interest and tax	124	(70)
Net financing costs	(27)	(35)
Profit/(loss) before tax	97	(105)
Tax	(26)	35
Profit/(loss) after tax	71	(70)
Non-controlling interests	0	(2)
Profit for the year	71	(72)
Earnings per share	**1.8 p**	**(1.8)p**

Broadcasting detail

£m	2010	2009	% Change
Revenue			
ITV NAR	728	615	18
Sponsorship	31	30	3
Minority revenue	30	26	15
Media sales, PRS and other income	37	31	19
SDN	24	21	14
Intra-segment revenue	(4)	(2)	100
Broadcast revenue	846	721	17
itv.com	12	10	20
Friends Reunited	3	8	(63)
Total Broadcast & Online Revenue	**861**	**739**	**17**
Schedule costs	(536)	(520)	3
Other Broadcasting costs	(203)	(213)	(5)
Total EBITA before exceptional items	**122**	**6**	**1,933**

	2010 H1 £m	YoY % Change
Retail	149.4	30
Food	81.2	25
Entertainment & Leisure	63.3	13
Finance	58.7	7
Cosmetics & Toiletries	57.4	17
Cars and Car Dealers	38.7	10
Household Stores	37.1	7
Telecommunications	31.8	1
Publishing & Broadcasting	28.0	53
Pharmaceuticals	27.8	(13)

Note: ITV Sold Net Revenue

Broadcasting
Schedule costs

£m	2010	2009	% Change
Commissions	247	270	(9)
Sport	139	81	72
Acquired	37	42	(12)
ITN news & weather	21	20	5
Total ITV1	444	413	8
Regional News and non-news	32	35	(9)
Total ITV1 inc regional	476	448	6
ITV2, ITV3, ITV4, News, CITV	45	56	(20)
GMTV	15	16	(6)
Total schedule costs	**536**	**520**	**3**

£m	2010	2009	% Change
Cash bid payment	2	2	0
PQR Levy	83	72	15
Digital licence rebate	(78)	(63)	24
Total	**7**	**11**	**(36)**

Exceptional items

£m	2010	2009
Reorganisation and restructuring costs	(7)	(28)
Other operating exceptionals	1	(2)
Total operating exceptional items	**(6)**	**(30)**
Loss on the sale and impairment of non-current asset	0	(4)
Other non-operating exceptionals	(1)	(47)
Total non-operating exceptionals items	**(1)**	**(51)**
Total exceptional items	**(7)**	**(81)**

Financing costs

£m	2010	2009
£250m at 5.625% Coupon Mar 09	0	(3)
€86m Eurobond at 6% Coupon Oct 11	0	(11)
£110m Eurobond at LIBOR +2.7% Mar 13	(2)	(2)
£50m Loan at LIBOR + 6.814% May 13	(2)	(4)
€188m Eurobond at 10% Coupon Jun 14	(7)	0
£283m Eurobond at 5.375% Coupon Oct 15	(4)	(8)
£100m Eurobond at 15.6% Yield Oct 15	(3)	(2)
£135m Convertible Bond 4% Coupon Nov 16	(3)	0
£250m Eurobond at 7.375% Coupon Jan 17	(8)	(8)
£200m Loan at 6.75% less £138m nominal Gilts at 8.0% Mar 19	(1)	(1)
Financing costs directly attributable to bonds	**(30)**	**(39)**
Other	0	1
Cash-related financing costs	**(30)**	**(38)**
Non-cash movements		
Amortisation of bonds	(6)	(2)
Adjusted net financing costs	**(36)**	**(40)**
Mark-to-Market on bonds and swaps	16	(9)
Imputed pension interest	(7)	(7)
Amortised cost adjustment	3	7
Other financing (costs) / income	(3)	14
Statutory Net Financing Costs	**(27)**	**(35)**

Financing costs
Reconciliation between current and historic adjusted basis

£m	2010	2009
Current adjusted financing costs	**(36)**	**(40)**
Mark-to-Market on swaps	16	(9)
Imputed pension interest	(7)	(7)
Historic adjusted financing costs	**(27)**	**(56)**
Amortised cost adjustment	3	7
Other financing costs/(income)	(3)	14
Statutory net financing costs	**(27)**	**(35)**

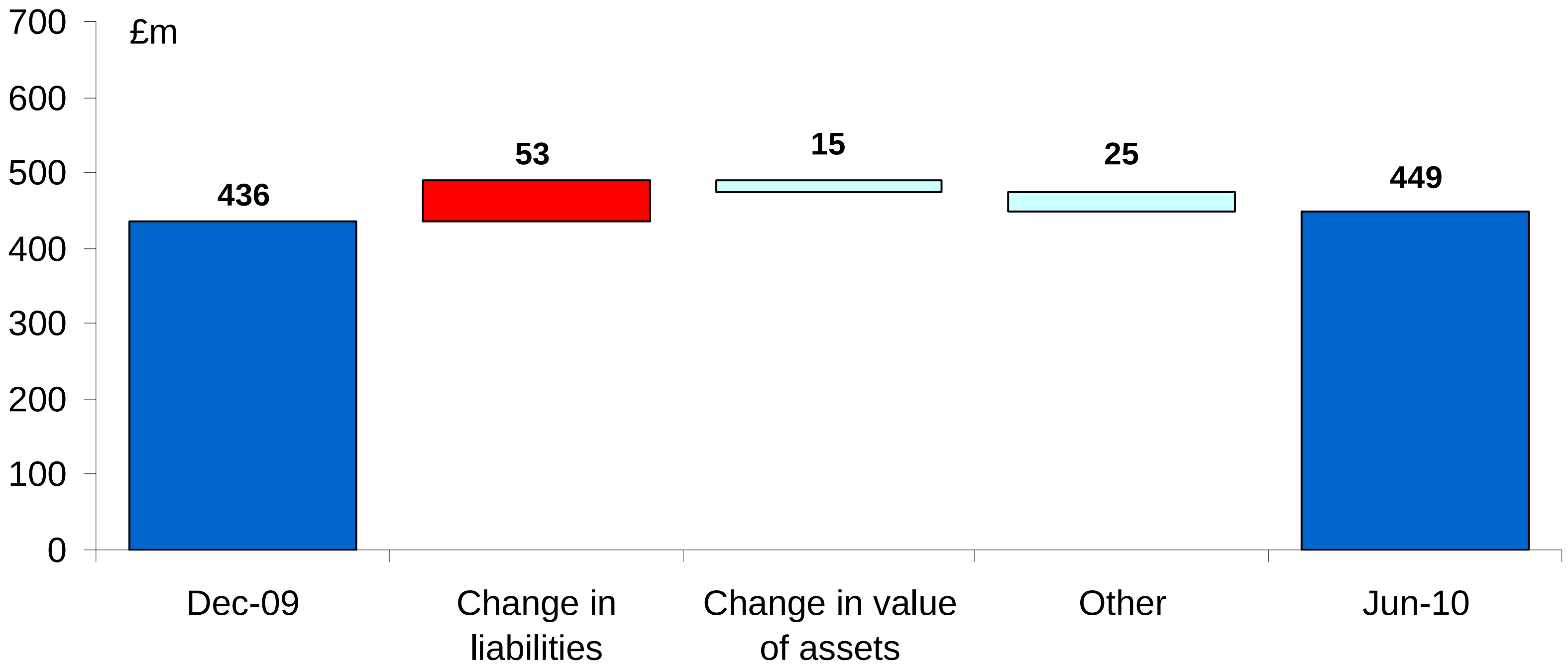
P&L tax credit and cash tax

£m	2010	2009
Current year tax expense	16	2
Deferred tax	10	1
Prior year adjustments	0	(38)
P&L tax (credit) / charge	**26**	**(35)**
Cash paid on account for the year	0	1
Cash tax refunds for prior years	0	(18)
Net cash received	**0**	**(17)**

Analysis of net debt

£m	Jun 2010	Dec 2009
€86m Eurobond Oct 11	11	38
£110m Mar 13	110	110
£50m May 13	50	50
€188m Jun 14	114	115
£383m Oct 15	344	384
£135m Convertible Nov 16	132	132
£250m Jan 17	264	264
£200m Mar 19	200	200
Other loans and loan notes	0	1
Finance Leases	64	73
Amortised cost adjustment	(17)	(20)
£138m Gilts Mar 19	(149)	(149)
Cash and cash equivalents	(686)	(586)
Statutory net debt	**437**	**612**

Movement in pension deficit



P&L charge

£m	2010	2009
Current service cost	(2)	(3)
Net interest cost	(7)	(7)
Total income statement	**(9)**	**(10)**

Reconciliation between 2010 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA pre exceptionals	165	-	165
Exceptional items	(7)	7	0
Amortisation and impairment	(32)	23	(9)
Financing costs	(27)	(9)	(36)
JVs and associates	(2)	-	(2)
Profit before tax	**97**	**21**	**118**
Tax	(26)	(6)	(32)
Profit after tax	**71**	**15**	**86**
Non-controlling interests	0	-	0
Earnings	**71**	**15**	**86**
Number of shares	3,884	-	3,884
Earnings per share (p)	**1.8**		**2.2**

Reconciliation between 2009 reported and adjusted earnings

£m	Reported	Adjustments	Adjusted
EBITA pre exceptionals	46	-	46
Exceptional items	(81)	81	0
Amortisation and impairment	(31)	25	(6)
Financing costs	(35)	(5)	(40)
JVs and associates	(4)	-	(4)
Profit before tax	**(105)**	**101**	**(4)**
Tax	35	(36)	(1)
Profit after tax	**(70)**	**65**	**(5)**
Non-controlling interests	(2)	-	(2)
Earnings	**(72)**	**65**	**(7)**
Number of shares	3,885		3,885
Earnings per share (p)	**(1.8)**		**(0.2)**